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INTERNATIONALIZATION OF PORTUGUESE STARTUPS: THE PROCESS AND INFLUENTIAL FACTORS

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Abstract

As part of the Master of Science in Management, this thesis approaches the topic of internationalization applied to portuguese startups, to whom internationalization has become highly common over the last decades, either due to the drive to grow, or the need to survive. Consequence of the limited dimension of the Portuguese market and the homogenization of the global markets, internationalization became a strategy that startups seek from the early beginning.

Studying about the internationalization process of portuguese startups and its influential factors allows us to understand and gather good practices, in order to create knowledge to improve the internationalization process of startups, which might want to take the international path.

To accomplish the above described, a theoretical framework on international business was provided, followed by the analysis of three portuguese startups that have undertaken internationalization.

In general terms, it was concluded that it is not possible to look at the internationalization process of portuguese startups as a linear phenomenon explained by one single model. Even though some particularities are mutually exclusive, these models are evolutions of each other and, most importantly, explain internationalization from different perspectives, which makes them in a way complementary. Although none of the models explains all three case studies, a pattern of the internationalization process of portuguese startups was found, beginning with direct exports and followed by the enrolment in strategic alliances.

The research also highlighted several influential factors to the process, such as market knowledge, company's network, physic distance and technological innovation.

Keywords: Internationalization, International Business, Portuguese Startups, Influential Factors
JEL Classification: F14 – Empirical Studies of Trade; F23 – Multinational Firms; International Business

Resumo

Parte integrante do Mestrado em Gestão, esta tese aborda o tópico da internacionalização aplicado a startups portuguesas, para as quais a internacionalização se tornou altamente comum nas últimas décadas, devido à vontade de crescer ou à necessidade de sobreviver. Como consequência da limitada dimensão do mercado português e da homogeneização do mercado global, a internacionalização converteu-se numa estratégia que as startups seguem desde o seu início.

Estudar sobre o processo de internacionalização das startups portuguesas e os fatores que o influenciam permite-nos entender e recolher boas práticas, de forma a criar conhecimento para melhorar o processo de internacionalização de startups, que possam querer tomar o caminho internacional.

Para cumprir o acima descrito, foi apresentado o contexto teórico sobre negócios internacionais, seguido da análise de três startups portuguesas que envergaram na internacionalização.

Em geral, foi concluído que não é possível explicar o processo de internacionalização das startups portuguesas como um fenómeno linear explicado por um único modelo. Apesar de algumas particularidades serem mutuamente exclusivas, estes modelos são evoluções uns dos outros, e mais importante, explicam a internacionalização de diferentes perspetivas, o que os torna de certa forma complementares. Ainda que nenhum dos modelos explique os três casos de estudo, foi encontrado um padrão no processo de internacionalização das startups portuguesas, começando pela exportação direta, seguida da formação de alianças estratégicas.

A pesquisa destaca ainda diversos fatores influenciadores do processo, como o conhecimento de mercado, a rede de uma empresa, a distância física e a inovação tecnológica.

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Index

Index of Figures

List of Abbreviations

GDP – Gross Domestic Product

SME – Small and Medium Enterprises

MNE – Multinational Enterprises

FDI – Foreign Direct Investment

INV – International New Ventures

RBV – Resource-Based View

CAE – Classification of Economic Activities

ROS – Return on Sales

ROA – Return on Assets

1. Introduction

In the last decade, internationalization has become a crucial element for Portuguese startups to be able to expand their businesses due to the small dimension of the Portuguese market, consequently making startups undertake international business to improve or maintain their performances, and in some cases to maintain their operations.

Following an AICEP research, Portuguese companies still choose to operate in international markets as a consequence of their growth process rather than as a strategic option. Data gathered by AICEP and the Bank of Portugal show that in 1995 exports represented 22,2% of the Portuguese GDP. With the entry in the new millennial this percentage grew to 25,1% and in 2015 it was already 42%. In 2010, the number of Portuguese exporting companies was 19.241, this number grew to 22.959 in 2014 and to 33.152 in 2017. Even though large companies are the main contributor to this percentage, the SMEs, which includes startups, have been increasing their weight in the total exports number since they represent in 2018 approximately 99,9% of the Portuguese businesses.

The main objective of this thesis is to explain the internationalization process of portuguese startups following the existing theoretical models and be able to understand and gather good case practices of portuguese startups that successfully enrolled in international business, consequently improving the future internationalization process of portuguese startups that might choose the internationalization path.

Along with the previous objectives, this thesis also aims to find in the existing theoretical framework about international business specific factors that might influence the success of portuguese startups' internationalization process.

2. Literature Review

2.1. Internationalization Theories and Models

Currently there is not one consensual definition of internationalization but we can state that internationalization has consistently been looked at as the increasing involvement of a firm in international markets. Despite the fact that there is no consensual definition of internationalization, we can break the concept down in outwards and inwards activities. On one hand, there is imports, franchisees and licensees, which are considered inwards activities. This type of activities has not been the target of a lot of attention, although most firms start their international venture through inwards activities. On the other hand, we have the activities, which have been the focus of most studies regarding internationalization, the outward activities, which include franchising, licensing, direct foreign investment and exporting. The last one being the main internationalization strategy used by SMEs (Susman, 2007, p. 281).

2.1.1 Theories of International Trade

The internationalization process of firms has been consistently studied throughout the years. Studies on this topic have been conducted as early as the 18th century with the contribution of researchers such as Adam Smith (1776), who developed the Theory of Absolute advantage, further developed with the contribution of David Ricardo (1817), who studied the international trade concept based on a country perspective, creating the Theory of Comparative Advantage.

The Theory of Comparative Advantage states that “under a system of perfectly free commerce” (Ricardo, 1817, p. 156) one country has a comparative advantage over another when it is able to produce an amount of one good at a lower opportunity cost than the other country. Since “each country devotes its capital and labour to such employments as are most beneficial to each” (Ricardo, 1817, p. 156), both countries will end up focusing most of their resources on the production of the one good they have comparative advantage on. Due to the insecurity of having capital out of direct control of its owner, of being subjected to new laws and the unavailability to quit their countries, leads men to be “satisfied with a low rate of profits in their own country” (Ricardo, 1817, p. 162), rather than seeking a better employment of their wealth in foreign countries. Contrary to what they would do if a better employment of their wealth would be in another region inside their own country.

Hymer (1976) switches the country-perspective focus from previous studies to a concept of internationalization focused on Multinational Enterprises (MNE). Its definition becomes "the various relationships between enterprises of one country and enterprises of another" (Hymer, 1976, p. 26). The analysis is made regarding the concept of control, with a differentiation between foreign direct investments (FDI) and portfolio investments.

Hymer's goal is to develop a microeconomic explanation of direct investment and for this, he presents two ideas. Firstly, that FDI can be part of a firm's strategy to enter an oligopolistic market, eliminating competition among rivals through horizontal direct investment and blocking bilateral monopolies through vertical direct investment. Secondly, that FDI may allow the company to profit from a strategic advantage in factors such as "cost, production efficiency, distribution system or product differentiation" (Caves, 1977, p. 385). Alongside the previews ideas, Hymer admits that the native companies always present advantages over the foreign in terms of access to information, government support and freedom from foreign exchange risk, which introduces the concept of *liability of foreignness*.

The concept of *liability of foreignness* means that enterprises face social and economic costs from operating in foreign markets, since national economies are more isolated from each other than interregional economies, therefore the communication between them is costlier. This concept has been a key assumption to further develop theories on the multinational enterprise. (Zaheer, 1995).

To successfully overcome the *liability of foreignness* and compete against local players, specific resources and organizational capabilities are fundamental to provide sustainable competitive advantage. The foreign sub-unit will try to import these capabilities, which are embodied in the corporate practices of its parent enterprise. However, sub-units tend to adapt their organizational practices to similar patters as the local firms and even try to mimic it, if the local firms are the immediate best performers (Zaheer, 1995)

2.1.2 The Stage Approach – Internationalization Process Model

Based on several previous studies, Johanson and Vahlne (1977) state that internationalization is the gradual process of increasing the international involvement of a firm and define it as a "product of a series of incremental decisions" (Johanson & Vahlne, 1977, p. 23). This theory, also known as Uppsala Model, is firstly developed by Johanson & Wiedersheim-Paul (1975), with the study of four swedish firms. This study concluded that an internationalization process follows a pattern of development with a four-stage chain. Johanson & Vahlne (1977) further developed this concept stating that the internationalization process is not based on a deliberated analysis of several alternatives regarding the optimal allocation of resources in different countries but as the outcome of incremental adjustments to changing conditions the firm is subjected to, which open new problems and opportunities

The Establishment Chain's (Johanson & Wiedersheim-Paul, 1975) first stage is a company having no exports to the foreign country, due to not having knowledge about that market. Following comes the second stage, the partnership with local agents that allow the company to start to exports to the foreign market and to gather knowledge of that specific market. The third stage is the establishment of sales subsidiaries, after the necessary knowledge is gathered and the opportunity arises. With the fourth and final stage comes the establishment of production facilities to take on marketing production. These sequential stages indicate an increasing commitment of resources to the foreign market (Johanson & Vahlne , 1990).

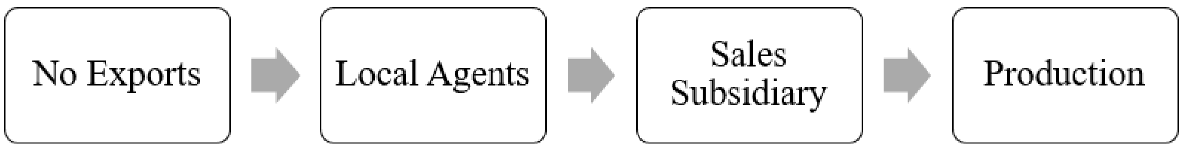

Figure 1 – Establishment Chain of Internationalization Process (Adapted from: Johanson and Vahlne, 1977)

The Establishment Chain's main related concept is the *physic distance*, since the order of the establishments is apparently related to the *physic distance* from home to host countries (Johanson & Wiedersheim-Paul, 1975). *Physic distance* "is defined as the sum of factors preventing the flow of information from and to the market" (Johanson & Vahlne, 1977, p. 14), such as education, language, culture and business practices.

This theory is taken forward by Johanson & Vahlne in 1977 with the introduction of four new variables, defining internationalization as a function of market commitment and market knowledge, which are called state aspects; and current activities and commitment decisions, which compose the change aspects. Both state and change aspects affect each other.

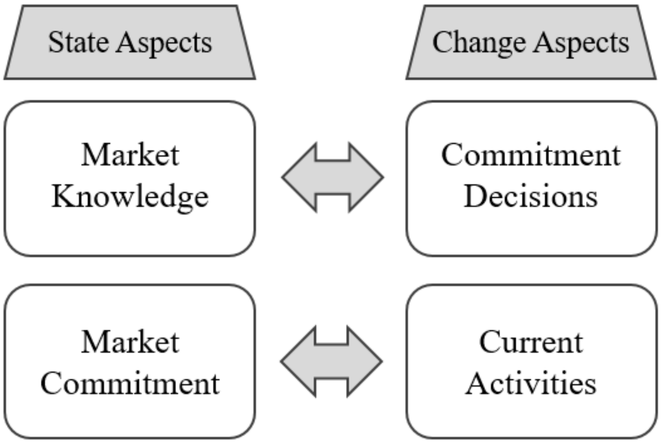

Figure 2 – Internationalization Process Model (Source: Johanson and Vahlne, 1977)

Market knowledge is the information about a specific market that can be acquired through objective knowledge, which can be taught; and experiential knowledge, which is "gained successively during the operations in the country." (Johanson & Vahlne, 1977, p. 28) Experiential knowledge is crucial for the firm because it enables the identification of concrete opportunities in the market.

Market commitment is composed by the amount of resources committed to the international operations, which is measured by the size of the investment in a determined market, and the degree of commitment, "the difficulty of finding an alternative use for the resources and transferring them to it" (Johanson & Vahlne, 1977, p. 27). This last concept approaches the concept of sunk cost (Andersen, 1993). Market commitment is correlated with the amount of resources committed, the more resources committed and the more specialized these resources are to the market, the higher degree of commitment of a firm with the international operations.

Market commitment is made in small steps, except in three different situations. Firstly, when the firm has a large amount of resources and the commitment's consequences are small, thus bigger firms may take larger steps. Secondly, when market conditions are homogenous and stable, which implies market knowledge can be gathered through more than just experience. Thirdly, when there is a considerable amount of market experience in the company from similar markets, making it possible to generalize it to a specific market. (Johanson & Vahlne , 1990)

There is a correlation between market knowledge and market commitment. Knowledge can be considered as a resource and therefore the more knowledge about the market the more valuable are the resources, which means the higher the market commitment (Johanson & Vahlne, 1977; Andersen, 1993).

There are two types of experience, the firm experience and the market experience. Current activities are the main source of experience for the firm and they have a direct relation with market commitment. The longer the lag between the activity and its consequence the higher the market commitment (Johanson & Vahlne, 1977).

Commitment decisions are defined by Johanson and Vahlne (1977) as the decisions to commit resources to the operations in a foreign market as an answer to rising problems or opportunities. Commitment decisions cause both an economic effect, translated into the increase in the scale of operations, and an uncertainty effect, which is the decision-maker’s perceived ability to interpret and predict the market, reduced with the interaction with the market environment itself.

The basis of this model is that, in one hand market knowledge and market commitment affect commitment decisions and how current activities are performed and on the other hand, commitment decisions and current activities modify both market knowledge and market commitment as well (Andersen, 1993).

Some critics have been made to Johanson and Vahlne’s theory. Andersen’s (1993) critical analysis claims the theory has no initial contextualization and it is unbounded in time. The lacking of a detailed explanation of concepts and the effects of each variable allied with the vaguely linked theoretical and practical concepts make the model difficult to test.

Even though the Johanson and Vahlne’s (1977) Stage Approach has been largely accepted many studies such as Welch and Loustarinen (1988), Sullivan and Bauerschmidt (1990) and Tumbull (1987) it also has strong empirical and conceptual arguments against it. Oviatt & McDougall (1994) add their criticism to the Stage Approach demanding adjustments because none of the three exceptions to which the model does not apply includes international new ventures’ characteristics, a theory further explained later in this thesis.

In spite of the criticism, this theory gathered support and was validated by different studies such as Hook and Czinkota (1988), Qohansson and Nonaka (1983), Kogut and Singh (1986) confirming that experience and commitment are important in explaining international business behaviour (Johanson & Vahlne , 1990).

2.1.3 The Eclectic Paradigm

The Eclectic Paradigm or OLI Framework was developed by Dunning (1977) and explains by which route a firm chooses to capitalize on based on the advantage it has over its competitors abroad (Dunning, 1979). In this framework, the route is affected by three elements.

Ownership advantage is the first element. This concept refers to the firm's fully or temporary exclusive access or possession of a tangible of intangible asset to which its competitors do not have access therefore cannot benefit from them, such as market information, a specific technology, economies of scale or monopoly advantages (Dunning, 1977).

The second element is an internalization advantage, which is accomplished when the firm capitalizes on the benefits of being in an international market by using its ownership advantage internally instead of externalizing it, in the form of contracting or licensing (Dunning, 1977; Dunning, 2000).

The third and last element of the Eclectic Paradigm is the location advantage, which refers to the combination of the firm's unique asset with the alternative regions or countries on which to focus the activities that will add value to the firm. The location advantages can be created by natural resources, incentives from the government, ability to reduce costs or cultural factors (Dunning, 1977; Dunning, 2000)

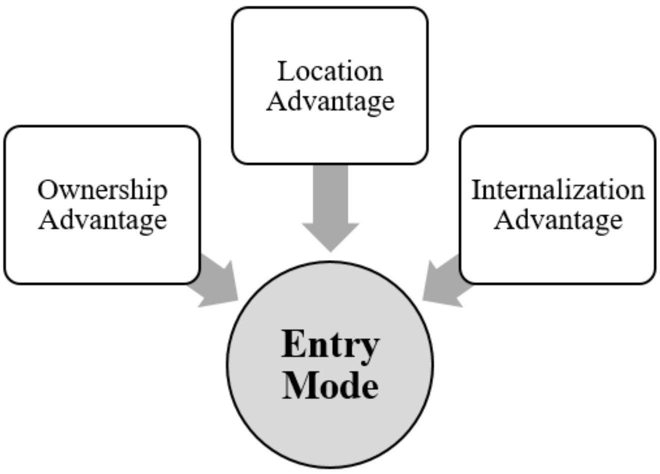

Figure 3 - The Eclectic Theory of Dunning (Source: Mtigwe, 2004)

This model lies on the assumption that a firm will engage in international operations if is fulfils three conditions.

Firstly, the firm has to have ownership advantage comparing to its competitors in a determined market, usually materialized in an intangible asset, for example specific knowledge, software, or brand, which has to be exclusive for a period of time. With the first condition fulfilled comes the second, it has to be more beneficial for the firm to use this advantage rather than sell it, meaning, it has to be more beneficial to internalize the advantage extending its activities than to externalize it by licensing or franchising. Having both the previous conditions satisfied comes the third, it has to be profitable for the firm to use the advantage along with at least a factor input in a foreign country, which means it has to be profitable to run production activities in the foreign country (Dunning, 1979).

According to (Dunning, 1977) different advantages lead to different routes of entry in a new foreign market, which also affects the amount of control of the firm exercised in the business abroad.

	Advantages		
Entry Mode	Ownership	Internalization	Location
Export	✓		
Contracting	✓		✓
FDI	✓	✓	✓

Figure 4 - Ideal entry routes according to Dunning (Adapted from: Dunning, 1977)

The Eclectic Paradigm implies that the more ownership advantages the firm in is possession the more the incentives to internalize those advantages in a specific location in order to undertake sustainable international operations.

Johanson and Vahlne (1990) used this theory as the framework for further development of the internationalization studies and classified it as the most widely accepted by researchers.

2.1.4 The Network Approach

In their 1988's work, Johanson and Mattsson state that firms are part of networks in which industrial and social relationships are developed between several actors (Coviello & Munro, 1997). As a result of research, it was demonstrated that firms establish, develop and maintain relations with other business actors building trust and knowledge through their interaction and that the bigger the interaction the stronger the commitment to the relationship. Johanson & Vahlne (1990) interpret internationalization as an inter-organizational model and not just intra-organizational, as previous theories.

The network theory defends that "the internationalising firm is initially engaged in a network which is primarily domestic" (Johanson & Vahlne , 1990, p. 19). Internationalization in this theory means the firm has relations in networks in foreign countries, which evolve through a sequential process.

Figure 5 - Sequence of Developing Network Relations in Foreign Countries (Adapted from: Johandon & Vahlne, 1990)

The firm initiates its internationalization process through the development of relationships in networks of countries, which are new to the firm's operations, through immaterial investments such as information, contractual relationships to connect to foreign partners and by this it reaches the international extension stage. Secondly, relationships are developed in the network therefore market commitment and investment increase and the penetration stage is reached. Lastly, by being able to connect networks and conduct activities in different countries the firm reaches the final stage of international integration (Johanson & Vahlne , 1990; Johanson & Mattsson, 1988).

The relationships of a firm with other business actors can be used as bridges to be able to enter other networks. These bridges may be of importance both in the early stage of internationalization and in later stages of entering new markets.

Ties between a network depend on one hand, on the firms composing that network, this is the case of economical, legal and technical ties, which are named firm ties; and on the other hand, on the people which are part of the relationships, this is the case of cognitive and social ties, which are the personal ties. The importance of firm ties and personal ties in networks and countries is different, for example, it is natural that personal ties are more relevant in the beginning of a relationship (Johanson & Vahlne , 1990).

A firm's success in establishing itself in a new market depends more on the relationships within current markets and on its position in the network than on cultural or market characteristics (Johanson & Mattsson, 1988). The form and level of internationalization are also influenced by the types of relationships in the network, due to cooperative and competitive relationships observed in studies, which makes firms mutually dependent on each other (Coviello & Munro, 1997).

Coviello & Munro's (1997) study points out the externalising trend of SMEs in regards of the activities of their internationalization by capitalizing on other organization's capabilities, which leads network relationships to be able to influence the choice of market and the entry mode to new markets.

In this theory, internationalization is an accumulative process in which a firm establishes, develops and maintains relationships with foreign partners to fulfil its international development. Knowledge development and progressive learning through interaction within the firm's network suggest an evolution on internationalization. The need of knowledge and relationship adjustments in the network are linked to the firm's internationalization strategy and four situations of internationalization were identified. These four situations constitute the Network Model of Internationalization (Johanson & Mattsson, 1988)

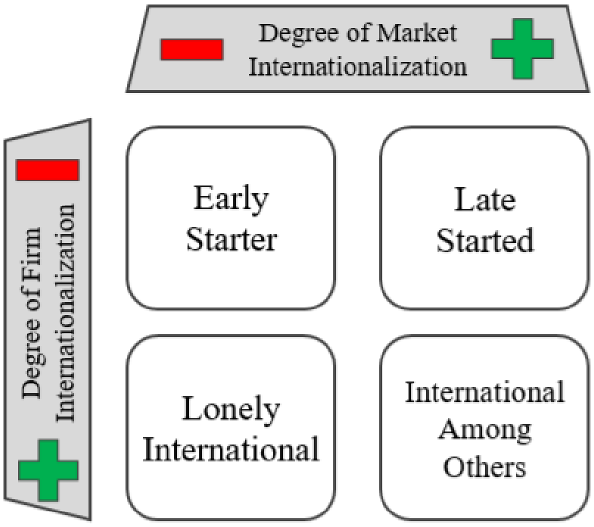

Figure 6 - Network Model of Internationalization (Source: Johanson and Mattsson, 1988)

A firm in the early starter situation has few relations with foreign firms and limited knowledge about foreign markets. This firm is usually new to the business and the internationalization degree is low. To run international operations and gather knowledge about foreign markets the firms often engage in exportation through local agents to penetrate and establish a position on that market while at the same time it minimizes the risk of entry (Johanson & Mattsson, 1988).

The players, which lonely international firms have relations with, are poorly or non-present in international markets, meaning they can hardly support the firm in entering international markets, however the firm has enough quality knowledge to manage and sustain its international presence, having a high degree of internationalization and commitment to foreign markets. The lonely international firms have a better network position comparing to their competitors due to their international market's access (Johanson & Mattsson, 1988).

Late starters do not have enough experience and knowledge about foreign markets, which implies low commitment to internationalization but are inserted in an environment where the external actors are highly internationalized, having indirect connections with foreign markets through these players. In this situation, a firm has a harder time building a tight network and are in a position of disadvantage comparing to its competitors (Johanson & Mattsson, 1988).

Firms are in the international among others situation when both the firm and its environment are highly internationalized. In this position, the external players have enough experience and knowledge about international markets and there is a possibility of firms having tight networks, which are the origin of resources and allow the firm to enter new markets using a cooperative strategies. These international connections are made to the point where the decision of one actor influences directly others' strategic decisions, positively or negatively (Johanson & Mattsson, 1988). The need to maintain the position in the network creates a push to the firm to further develop its international knowledge. (Eriksson, Johanson, Majkgard, & Sharma, 1997).

The network approach to internationalization complements other theories and relies on the fact that firms' internationalization strategies are affected by its position and condition in a network of relationships between the firm and several external actors, based on the exchange of resources and capabilities.

For Coviello & Munro (1997) the Stage Approach is an internally-driven theory, which defines the internationalization process as a consequence of cognitive learning and competencies development through experience over time, while the Network Approach is seen as an externally-driven approach in which the internationalization is shaped by formal and informal relations with external actors from whom firms gather cognitive knowledge. These authors defend the integration of both theories due to the weight of the same factor, cognitive development, which would allow a wider understanding of both drivers of internationalization.

Other authors criticize the network theory because it does not contemplate the opportunity cost of being part of a network and the resources required in developing and maintaining those relationships (Chetty & Campbell-Hunt, 2003).

An important concept that arises with the Network Approach is the *liability of outsidership*. A firm becomes an insider to a network when it is well established in it and its well establishment in one or several networks dictates its success, due to the importance of relationships for the internationalization process, which are a source of knowledge, trust and commitment (Johanson & Vahlne, 2009).

When a firm tries to enter a market in which network it has no relevant position it suffers the *liability of outsidership*, which implicates lack of opportunities due to the lack of existing relationships (Johanson & Vahlne, 2009). The *liability of foreignness* (Hymer, 1976) is the main problem of internationalization and the *liability of outsidership* (Johanson & Vahlne, 2009) is the main difficulty.

2.1.5 The International Entrepreneurship Approach

The concept on international entrepreneurship has been evolving along the years as research on the topic of entrepreneurship and international new ventures (INV) grows. The concept is first defined in Oviatt and McDougall's 1997 work as "new and innovative activities that have the goal of value creation and growth in business organizations across national borders" (McDougall & Oviatt, 2000, p. 903), but it was further developed to "a combination of innovative, proactive, and risk-seeking behaviours that crosses national borders and is intended to create value in organizations." (McDougall & Oviatt, 2000, p. 903). As more research was conducted, the definition evolved for "the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services." (Oviatt & McDougall, 2005, p. 540).

Studies on the process of internationalization have been focused for many years on large and mature enterprises, which became multinationals due to its economic power. However, technological innovation in fields such as communication and transport, the increasing existence of people with international business knowledge, the homogenization of markets, the increase in human capital mobility and new international financing opportunities takes some firms to skip traditional stages of international development, bringing the new phenomenon in which international advantage comes from the possession of unique assets (Oviatt & McDougall, 1994).

An INV is an organization, which from its creation "seeks to derive significant competitive advantage from the use of resources and the scale of outputs in multiple countries" (Oviatt & McDougall, 1994, p. 49). Although these startups begin with an active international strategy and use resources established in foreign countries, they do not necessarily own those resources, their exploitation is enabled by strategic alliances forged for this purpose.

INVs are formed when attentive entrepreneurs with international experience are able to connect resources in different countries to meet the international demand. The success of these ventures depends on the firm having, since its beginning, an international vision, an innovative product or serviced marketed through a strong network and a tight management with focus on international growth (Oviatt & McDougall, 1994).

Along with the criticism to Johanson and Vahlne (1977)'s Stage Approach for not contemplating INV's characteristics as exclusion factors to their model, Oviatt & McDougall (1994) defy as well that a firm's size is a variable, which explains multinationality, stating that it is both a cause and a consequence of internationalization, due to the fact that INVs are almost all small organizations that run international operations. Despite this, they agree that size is a source of considerable advantage.

Oviatt & McDougall in their 1994's work design the needed elements for sustainable INVs. This framework is composed by four progressive elements that incrementally distinguish organizations to the ultimate goal, which is being a sustainable INV.

The first element of the framework is the internalization of some transactions, which enables the organization stage to be reached because internalization of transactions is what differs a market ruled transaction from an organization's transaction.

The second element, which unlocks the new venture stage, is having alternative governance structures. Due to the lack of resources to own assets, INVs must design alternative governance structures, which allow them to control vital ones.

Foreign location advantages, the third element, is what differs new ventures from INVs. A firm becomes international because it is advantageous to move resources across countries to combine it with an opportunity. Traditionally large MNEs overcome the disadvantages of international transactions with their scale. INVs must overcome it with private knowledge, which has been developed. The quick mobility of knowledge provides location advantages to INVs.

The elements explained before set the conditions to have an INV but to become a sustainable INV there is the need for a forth element, unique resources, which is mostly knowledge. We can consider knowledge, at some extent, a public good, which means it would not remain unique for long, affecting earnings' opportunity of the firm. For this, the INV must limit the use of knowledge by outsiders to maintain its commercial value. (Oviatt & McDougall, 1994).

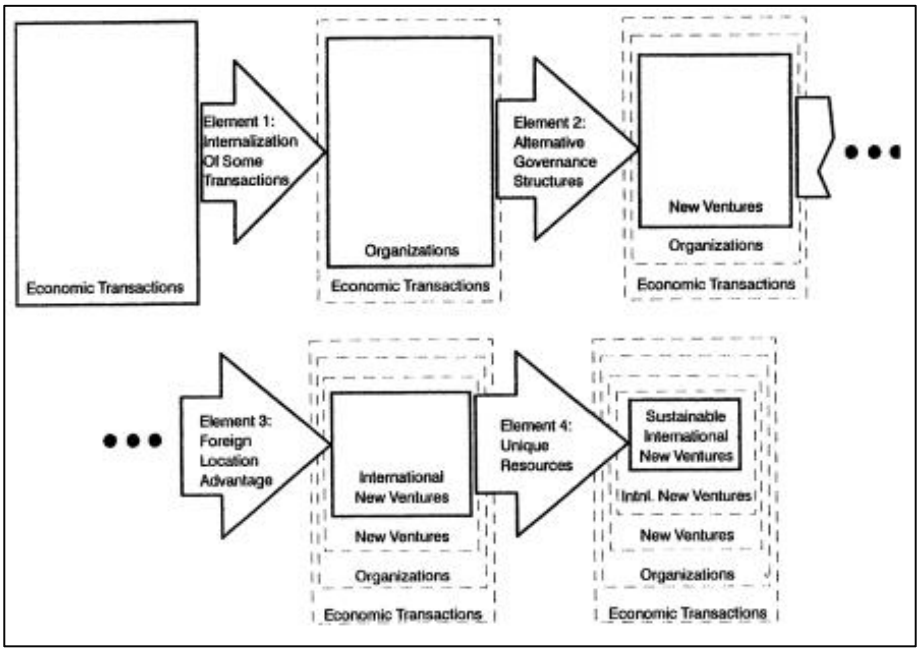

Figure 7 - Necessary and Sufficient Elements for Sustainable International New Ventures (Source: Oviatt & McDougall, 1994)

The elements above mentioned can manifest themselves in several different ways and Oviatt & McDougall (1994) developed as well a framework of the types of international new ventures based on the number of countries entered and number of value chain activities coordinated. This framework establishes three types of INVs.

Firstly, there are the new international market makers, which are importers and exporters, whose most important and likely internalized activities in the value chain are the logistical knowledge and systems. Their foreign direct investment is low and their advantage lies in understanding imbalances of resources in different countries and creating new markets. The sustainable competitive advantage of new international market makers relies on their capacity of seizing opportunities before competitors, market and suppliers' knowledge and in the management of their network of associates. A division can be made inside this category in export/import start-ups, which are focused in few countries, and multinational traders, which possess a wider range of operations in several different countries (Oviatt & McDougall, 1994).

The second category are the geographically focused start-ups, which advantage relies on serving a particular region's special needs, using foreign resources. They differ from the previous category because they coordinate more activities in the value chain than just logistics.

This successful coordination may be inimitable due to the need of complex knowledge and further protected by an exclusive network of alliances (Oviatt & McDougall, 1994).

The last category is the global start-up, which significant competitive advantage comes from the extensive control of value-chain activities. These enterprises respond to globalized markets and are the most difficult international new venture to accomplish due to the complexity of coordinating both activities and regions, which provides them the most sustainable competitive advantage of all.

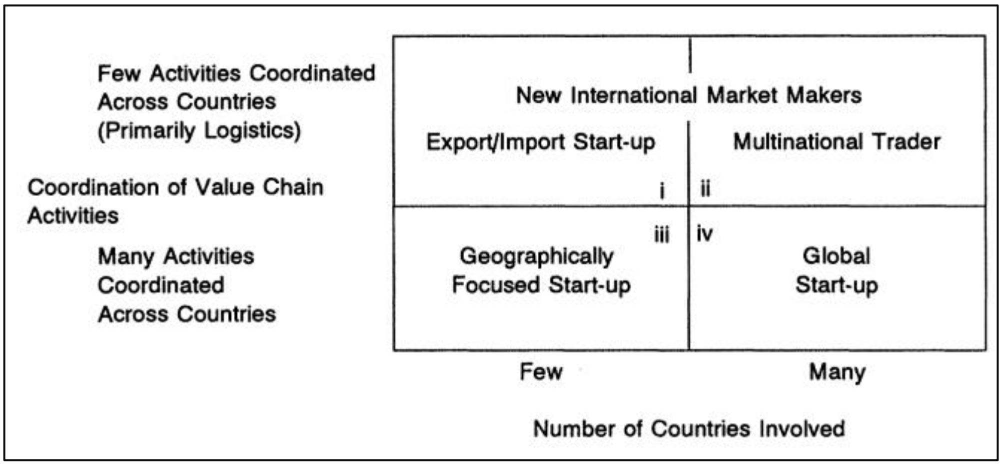

Figure 8 - Types of International New Ventures (Source: Oviatt & McDougall, 1994)

This framework describes INVs as enterprises that control assets, especially unique knowledge, that creates value in several different countries. The focus on controlling resources instead of owning them comes from the scarcity of resources faced by new enterprises (Oviatt & McDougall, 1994).

The International Entrepreneurship Approach to internationalization highlights the importance of the entrepreneur in bringing the experience and its networks to the enterprise, which facilitates the acquisition of resources and competences to boost the speed of the internationalization process.

2.2. The Phenomenon of the Born Globals

In many studies, such as Johanson and Vahlne (1977) and Cavusgil (1980), internationalization has been described as a gradual process, which evolves through the development of knowledge about foreign markets and the increasing commitment of resources to that market. However, in the 1990's several studies emerged with a focus on what was called "international new ventures" (McDougall, Shane, and Oviatt, 1994) "global startups" (Oviatt & McDougall, 1994) or "born globals" (Knight and Cavusgil, 1996), which are firms that are greatly enrolled in exporting activities from their establishment. The results of these studies question the concept of internationalization being a gradual development process (Moen & Servais, 2002).

Knigh (1997) defines a born global company as "a company which, from or near its founding, seeks to derive a substantial proportion of its revenue from the sale of its products in international markets" (Knight, 1997, p. 1) and in McDougall, Shane and Oviatt's (1994) research evidence is found to conclude that the stage models fail to explain why the above described firms operate in foreign markets and not only in their home market (Moen & Servais, 2002).

There are great differences found between established firms and global start-ups or born globals such as, the lack of resources for big investments, which leads to hybrid governance structures such as joint ventures; internationalization processes driven by elements such as, client patronage and niche markets instead of psychic distance to foreign markets; starting foreign sales before establishing themselves in the domestic market due to entrepreneurs' prior experience; having most revenues coming from exports starting after less than 2 years of operations; through innovative technology and products' design and domestic market not being as an important learning place as previous studies demonstrated, due to the globalization on many industries (Moen & Servais, 2002).

2.2.1 Driving Forces of Born Globals

For Madse & Servais (1997) three factors contribute to the emergence of born globals: new market conditions, technological development in communication, transport and production and more elaborate capabilities of people such as the born global's founders.

The increasing number of niche markets due to the specialization of markets over the last years conducts several firms to develop specific products or services, which they have to sell in international markets, simply because the domestic market is too small. In addition, industries characterized by sourcing activities globally and for being part of networks across borders makes the distribution of products very quick around the world, consequence of the increasingly homogeneous demand. These factors along with an increasingly international financial market, which allows entrepreneurs to seek financing around the world, puts new firms in any market very fast (Madse & Servais , 1997).

The fact that transportation has become more reliable and cheap eliminates que cost barrier of undertaking international business and the huge technological developments in production allows small scale operations to be economically viable and customization, specialization and niche production to become a reality. Along with the previous factors, the evolution on communications allows a faster exchange of information and facilitates the access to international markets' information, to be collected and interpreted (Madse & Servais , 1997).

The mobility across borders, languages and cultures, along with the ability to exploit technological changes, creates more prepared human resources with competences to communicate and deal with international markets. Consequently, this movement across nations generates more homogeneous markets, which allow the past international experience of the entrepreneur, gained in previous years, along with its ambition, to drive the phenomenon of born globals (Madse & Servais , 1997).

As conclusion, it is expected that the born globals' movement becomes widespread around the globe, the driving forces to gain an increasing importance in that process and industries and firms to be affected by this rapid change (Madse & Servais , 1997).

2.3 Internationalization and Resources

A firm's success greatly depends on the resources, which it owns and controls (Wernerfelt, 1984). Resources are defined as assets and capabilities. Assets can be tangible or intangible and are owned and/or controlled by the firm. Capabilities are "intangible bundles of skills and accumulated knowledge exercised through organizational routines" (Galbreath, 2005, p. 979).

Based on the resource-based view (RBV), only resources that are valuable, rare, inimitable and non-substitutable will generate a sustainable competitive advantage and lead the firm to achieve superior performance. These resources, which are considered strategic, are usually intangible resources (Galbreath, 2005).

A firm's success may be measured by its profitability, the ability to generate a positive difference between earnings and the cost of capital. According to Grant (1991), profitability depends on the conjugation of assets and capabilities, which Day (1994) identifies as the source of defensible competitive position of the firm. Assets being the inputs in the production process such as equipment, patents, brand names; and capabilities being the "capacity for a team of resources to perform some task or activity" (Grant, 1991, p. 119), "the glue that brings these assets together and enables them to be deployed advantageously" (Day, 1994, p. 38). While it is easy to group assets in tangible and intangible the difference between intangible assets and capabilities is not so clear.

Tangible assets are fixed or current assets, which the firm owns or controls such as plants, equipment, or capital goods that are characterized by having a fixed long run capacity, while intangible assets such as intellectual property, reputation or brand value have an unlimited capacity (Fahy, 2002).

Hall (1992) differentiated assets has what the firm has and capabilities as what the firm does. Capabilities have been described with several concepts as skills, invisible assets or intermediate goods and among them we can find relationships with clients, the ability to learn, employees' knowledge, managers' skills, the interaction between management and employees and between employees and tangible assets (Fahy, 2002). According to Day (1994), capabilities are different from assets because they cannot be given monetary value and are so deeply embedded in the practices and routines of the organizations that cannot be traded or imitated.

As a resource that is difficult to imitate or duplicate and impossible to trade, capabilities have been demonstrated to contribute to "sustainable competitive advantages and superior profitability" (Day, 1994, p. 40). Based on a study with 56 Australian managers Galbreth (2005, p. 948) confirmed, "capabilities contribute more significantly to firm success than either intangible or tangible asset".

In 1998, Andersen and Kheam related the Stage Approach of internationalization with the RBV, concluding that although not explicitly stated this model relies on the RBV. The stage approach basis is that increasing market knowledge will lead to an increasing market commitment and vice-versa. For this model, market knowledge is composed by objective knowledge, which can be taught, and experiential knowledge, which is acquired with personal experiences or activities, therefore being unique, while objective knowledge has a more public feature.

Johanson and Vahlne's (1977, 1999) assumption that personal experience through activities creates an internal asset such as skills and knowledge has been also concluded by others and taken further with the idea that tacit knowledge creates sustainable competitive advantage (Andersen & Kheam, 1998).

Companies must select a strategy, which is a match "between its internal resources and skills (…) and the opportunities and risks created by its external environment." (Grant, 1991, p. 114). Andersen and Kheam (1998) state that diversification is the result of the match between resources, which have multiple uses, and market opportunities and that resources are seen as the driving forces for diversification, therefore capabilities, which are a part of intangible assets, are fundamental for the success of a firm's activities in a foreign market.

Pangarkar (2008) argues that the stronger the capabilities of SMEs the greater will be their competitive advantage comparing to local competitors, the bigger the bargaining power with governments and the ability to attract more capable partners, consequently enhancing the firm's performance.

"Thus a key task for SMEs is to build up their capabilities in the areas such as branding, marketing, technological development, financing and other managerial capabilities useful for international expansion" (Pangarkar, 2008, p. 483)

3. Methodology

The development of theories based in the combination of previous theories with observations, experience and common sense has been a central piece in organizational development, however the link to data has often been thin. According to Glaser and Strauss (1967) the link with empirical reality is the key factor to the development of a testable and valid theory (Eisenhardt, 1989)

A case study is a research strategy which “focuses on understanding the dynamics present in within single settings” (Eisenhardt, 1989, p. 534) and it can be composed of one or multiple cases and levels of analysis. This type of research method combines archives, interviews, questionnaires and observation as its data collection methods and its evidence can be qualitative, quantitative or both, culminating in several types of goals such as providing descriptions and test or generate theories.

After Johanson and Vahlne (2009) suggested a research agenda and highlighted the fact that international business is increasingly becoming more network and relations related in opposition to country related, researchers argued that constructivist methodologies have potential when it comes to a deeper understanding of network development processes and a foundation was created for several authors to used the multi case-study method to add knowledge about this phenomenon. Eisenhardt (1989) states that multi case-study approach to research leads to the study of common patterns instead of chance associations.

Additionally, a research design in a case study is the logical sequence that allows the connection between the empirical data, the study’s research question and the study’s conclusions. The purpose of the research design is to ensure that the evidence collected relates to the research question and that relations between the variables can be established.

Therefore, following the thesis purpose – how is the portuguese startups’ internationalization process? How are these startups undertaking international business? And, which factors influence their internationalization process? – a multi case-study method is developed following Yin’s (2009) contribution in order to analyse common patters for the purpose of adding understanding Portuguese startups’ internationalization.

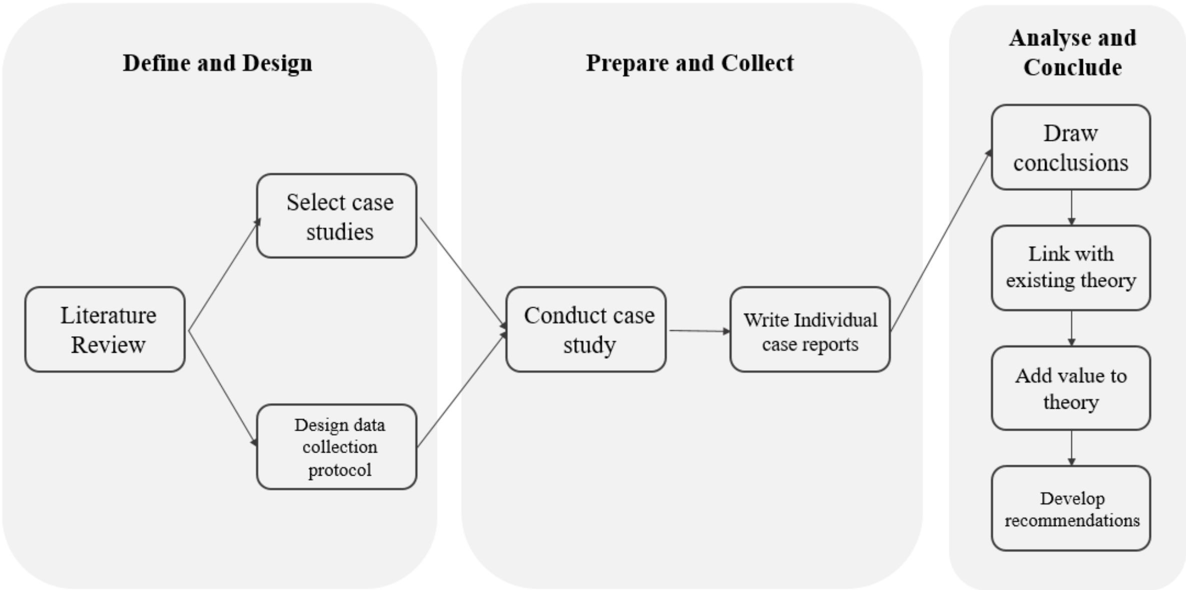

Figure 9 - Thesis outline (Adapted from Yin, 2009)

The multi case-study method has no ideal number of cases but the recommendation is to select cases with different characteristics (Eisenhardt, 1989). Considering the thesis' purpose the set of case studies selected should consider the following issues: company's age, company's business sector and company's success in internationalization process.

There is not a universal definition of startup but the common factor of all is that startups are companies designed to grow fast, therefore we should consider the age of the selected companies up to 5 years since their foundation. Regarding business sector the Portuguese Classification of Economic Activities (CAE) was taken in consideration. However, the concept of success is more difficult to define.

Research studies have focused on the SMEs' internationalization and performance such as Lu and Beamish (2006) whose focus was on growth of sales and profitability based in Return on Sales (ROS) and Return on Assets (ROA). The conclusions reached pointed out that "while exporting and FDI both contribute to firm growth, their effects on SMEs' profitability are a more complicated issue" (Lu & Beamish, 2006, p. 45), although there is a positive impact in ROS, exporting activity presents a negative impact in the ROA when the company is performing them in less than ten foreign markets.

Due to the difficult of defining success in the internationalization process, in the selection of companies to be part of the case studies the fact that they actively operate in international markets was taken in consideration.

3.1. Reasons for Multiple Case-study Method

Before working on the data, a decision between single or multiple case-studies must be made. According to Yin (2009) the reasons for choosing a single case-study method are that either the case study is critical in previously established theory or it represents an extreme or unique case. In addition, this type of method is common when the objective of the research is to mirror specific conditions possibly because the phenomenon is only available at a specific moment or because an analysis is to be made within the same case in different points of time.

As some particularities may recall for a single case-study, the multiple case-study method usually offers more compelling evidence and it implies more resources and time as the theoretical framework should link to the different cases. The multiple case-study method also arising less criticism than the single case-study, as the evidence produced is stronger due to coming from different sources (Yin, 2009).

3.2. Data Collection

There are several ways of gathering data for research studies however, none of the different sources has complete advantage over the other, meaning that a good case study will want to use as many sources as possible, as described by Yin (2009).

Easy to access on the web, documentation plays and important role in data collecting due to the possibility of drawing inference, analysing and verifying with other documents. The main issue is the amount of evidence one can find which creates the need for an effective filter of information.

Interviews are one of the most important sources of information allowing one to create a connection with relevant people, which have access to important information about the company arising the possibility of targeting and discussing thesis-related topics in depth.

In order to develop the three case studies three interviews took place in the 29th of August, 3rd and 14th of September 2018 with João Ribeiro, CMO of Forall Phones; Pedro Andrade, co-founder of Craft Wallet; and Pedro Oliveira, co-founder of Landing Jobs; respectively.

The questionnaire, which is in the Anexx chapter of this thesis, was based on the literature review previously presented and went through an evolutionary process, in order to ensure the questions were appropriate to be able to drawn conclusions from their answers. The main concepts and models were translated into simple and open question in order to ease their understanding by the intreviewee and consequently the answers, which were then analysed and the correspondance with the theoretical framework developed in the Case Studies chapter of this thesis.

All three interviews were recorded and took an average of one hour to complete. To ensure the fiability of the results presented in the following chapter all three case studies were sent for interviewee analysis and all of them approved for release in this thesis.

4. Case Studies

4.1. Forall Phones

Founded in 2016, ForallPhones presents itself as a startup that makes top smartphone technology accessible to everyone. The startup buys used smartphones to be tested, repaired, updated, repacked and sold again to a customer as used technology at affordable prices. The startup's vision is to become the global brand of reference when it comes to buy used technology.

Smartphones reach ForallPhones from the company's foreign partners, mainly telecommunication operators, from which they buy retakes; or wholesalers, which store and/or sell used smartphones in B2B segments. After being reconditioned, the products leave the company's headquarters in Lisbon when ordered by clients.

The startup's ambition is to excel by quality both in product and customer support and become a trusted brand, which individuals choose when buying used top smartphones, rather than buying them to companies with less reputation although the prices might be lower.

To ensure its operations and consequently its international growth, a goal established since its creation, ForallPhones takes advantage of strategic alliances, in opposition to owning the resources necessary to run its operations. Such strategic alliances are materialized in the form of partnerships with transportation companies, to ensure deliveries outside Portugal, therefore increasing its reach, and with several software owning companies, such as Shopify, which hosts ForallPhones e-commerce platform; Amazon, which granted them premium seller status and is used to prospect new markets; and Google and Facebook, with personal account managers for ForallPhones, which are used as marketing analysis tools and communication platforms.

ForallPhones tackled a market, which informally existed, but had no formal national player fully dedicated to it. Individuals were able to buy used smartphone technology from others through existing market places or from companies that had sales of used smartphones as a side operation. Among its national competitors, ForallPhones has commom retailers such as FNAC, Worten and ThePhoneHouse, which are starting to operate the used smartphones market, and companies such as iService, specialist in reparations that started selling used smartphones, and PTTelemóveis, operating in the sales of used smartphones in the region of Leiria. Internationally, there are Rebuy, a german company operating exactly like ForallPhones but focused on the german market, and Backmarket, which is a french market place considered competitor because it absorbs used smartphones' demand.

A market place, OLX, was the birthplace of ForallPhones in 2016. The business started with the current CEO and a full-time employee selling used smartphones in OLX and delivering them on hand. The business then developed to a facebook page and a transportation company was used to deliver the products to clients' houses. Following came the first website. In 2017 a new e-commerce platform was created, several marketing strategies were put in place and the first two stores in Lisbon and Porto were opened. In the beginning of 2018, ForallPhones relied on a team of 35 people full-time and a market share of 15%. It was time for internationalization to take its first steps.

ForallPhones's decision to internationalize came from its inception. The smaller size of the Portuguese market compared to other European countries such as Germany, the potential of the worldwide market (17B€ - Deloitte, 2016) in used smartphone technology and the will to become the first consolidated European player in order to be the bridge between China and Europe by 2020 led the startup's management to have internationalization as a constant mindset.

To start internationalization and after analysing the European market, Romania and Turkey were the two best markets to start but the tests performed with sales through Amazon and the logistics of running the operations dictated that Spain would be the first country to enter due to its geographical, cultural and legal similarities to the startup's home country. After Spain, and due to the traction obtained in sales performed through Amazon, ForallPhones decided to enter Poland.

The spanish market had been supplied with used smartphones from ForallPhones through market places but in April 2018 the investment in penetrating the market started through the development of a community of ambassadors by referrals of current employees/ambassadors, strategy already in place in Portugal, and through investment in digital marketing. By August 2018, the startup could count on 40 ambassadors and the preparation to open stores in Madrid and Barcelona had begun. The entry in polish market was similar to the spanish one, with country managers already placed in both Poland and Spain.

To enter in foreign markets ForallPhones decided to export directly without any alliance with local agents, relying only on its resources and capabilities. The success of its operations and the physical stores strategy dictated an alliance to be forged with an european partner that owns stores in order to be present through them and start entering another markets.

Entering foreign markets meant an increase in 35% in revenue, with foreign sales representing around 20% of the total sales by July 2018. In August 2018 ForallPhones's sales were approximately 350.000 euros a month. Even though ForallPhones sells to 14 european countries, a clear commitment is noted towards the spanish and polish markets in order to consolidate its presence, translating the startup's concern on staying focused and growing sustainably.

Internationalization does not come easy and ForallPhones faced several challenges. The new international demand put pressure in the startup's human resources in terms of productivity, in the choice of partners and linguistic and cultural barriers required knowledge, gained with the international experience, to overcome those challenges. In ForallPhones all previous international experience of management was based in personal experiences in the countries that are their focuses for the moment, Spain and Poland.

ForallPhones funded its international venture with three different sources. The first was an incentive from the Portugal2020 fund, which represents the least significant amount of investment, a bank loan and a private investment, which was the main fuel for the international venture.

The startup undertook an adaptation of its operations to foreign markets by narrowing its offer of products to simplify client choice and moulding its communication to the digital structure in place in the new markets, aiming to obtain reviews to the products and service, in order to build clients' trust, as done in their home market. There was an adaptation of ForallPhones's products to international markets materialized in the focus on Iphones, rather than Samsung, a product that is a focus in Portugal. Partnerships' management in foreign markets was also adapted due to different requirements of the new clients.

The network in which ForallPhones is inserted played an important role in its internationalization process. In an initial entrepreneurial network, which relied more in personal ties than firm ties, ForallPhones was able to gather information about attempts to enter foreign markets from peers, which along with autonomous sales tests to foreign markets unleashed the necessary knowledge to start its international venture. A new network based on firm ties with transportation companies and the european partner, which supports the opening of stores abroad, allowed the startup to penetrate the spanish an polish markets. Although the network had great importance in building knowledge to achieve successfully internationalization, their influence was limited, until this point, because they did not have the power to influence the choice of markets in which ForallPhones would enter.

Technological innovation is crucial to ForallPhones. Not only has this evolution created this market by urging everyone to own a smartphones but it has allowed the startup to optimize its operations regarding supply chain management and customer support through automation of tools and software used on a daily basis.

Knowledge became one of the success factors to ForallPhones, allowing them a successfully entry in new markets, powered by the objective knowledge they had gathered through autonomous research and from their network and the experiential knowledge developed by running operations abroad and increasing presence in foreign markets. An example of the development of this unique experiential knowledge comes from their community, which provides them with valuable insights for improvement.

The community shaper's is what ForallPhones considers its strategic resource. This intangible resource is composed by individuals under the age of 25, which have no legal ties with the startup. They contribute to the startup by selling its products and by participating in internal projects, for example, the translation of the website to several languages. They are rewarded with commissions from their sales, meet-ups with people from all over the world and curricular enrichment. This intangible resource, which ForralPhones considers rare and hard to imitate due to the needed knowledge, not only to create but to develop and engage the community, is being developed almost since the beginning of its creation.

For ForallPhones, in 2018, the goal is to open new stores in Coimbra, Leiria and Braga along with the focus is consolidating the spanish and polish markets. In 2019 stores are to be opened in Madrid and Barcelona and the investment in the market penetration of Italy and Germany is to start, expecting the headcount to rise to 167 people by the end of the year.

4.2. Craft Wallet

Founded in 2016, Craft Wallet designs, produces and sells mechanical wallets with the vision to develop products that solve daily urban problems.

The business started after a successful crowdfunding campaign, which allowed the first wallet model to be produced. Due to this successful experience, Craft Wallet took the decision to make crowdfunding the pillar of its product development. Every new wallet model would be kick started by a crowdfunding campaign in the Indiegogo platform, in which individuals invest and as return, once the investment goal is met, receive a wallet at a lower price than its normal one.

Craft Wallet has launched seven models, having nowadays three active wallet models, which are produced in Portugal. Starting at 40€ the cheapest model is a card-carrying wallet. The second model is upgraded with a clip that allows carrying bills and additional cards. The most expensive option, available for 58€ is equipped with a leather cover/pocket making it able to carry coins. All the products can be customized with inscriptions for an additional 10€.

The wallets are designed in-house and produced using aluminum. Its components were produced in a factory in China and assembled in Portugal until Craft Wallet decided to bring its production to Portugal with the acquisition of a production machine for 70.000 euros and was bought with sale’s revenue. Nowadays slabs of aluminum are bought to an international supplier and cut into the wallets components in the startup’s headquarters in Loures, Portugal. Production was brought to Portugal to ensure the product’s quality and better distribution, reducing the time spam between components production and delivery to the client. After being assembled the wallet is sent to its buyer via services of a transportation company.

Craft Wallet’s main competitors are: Secrid, a dutch player founded in 2009 that produces and sells leather wallets; and Bellroy, and Australian player founded in 2010, which presents a larger portfolio of products from, backpacks to wallets, tablet and phone cases, pouches and key cases. Both its competitors sell worldwide and absorb directly Craft Wallet’s demand.

Since its inception, Craft Wallet had internationalization as its core strategy due to the small dimension of the portuguese market, the lack of obstacles on selling abroad because of the simples nature of its product and mostly due to its own modus operandi, which relies on crowdfunding for the release of new wallet models. Because a significant part of crowdfunding system’s supporters are in the United States, this was the target market for the startup first venture.

The first crowdfunding campaign, which launched Craft Wallet, reached its investment goal in only 30 hours and, as expected, most investors were from the United States, dictating that the startup’s first sale would be for the US by directly exporting its product. This campaign sold approximately 30.000 euros in wallets to 20 countries, being the most significant the US, Canada, the United Kingdom, Germany and Portugal.

The entry in new markets came without a significant amount of effort. Craft Wallet's growth is mostly due to word of mouth, based on an ambassadors program, and several crowdfunding campaigns, leading wallets to have been sold to approximately 100 foreign countries. International sales currently represent 90% of the startup's total sales. By August 2018, the USA represented 63% of total sales, Portugal 10%, Germany 7% and Canada 5%, the UK 4%, Australia 3%, Korea 2% and Hong Kong 1%. The remaining 5% are residual sales to other foreign countries.

The ambassadors' program consist in a simple system of subscription on the website that provides the ambassador with a link, which shall be used by the gathered clients when buying the wallet. This link allows a 15% discount for the client and 10% of the wallet's value as profit for the ambassador.

Craft Wallet considers customer service critical for the success of its business. By keeping customers informed of the whereabouts of the products after the purchasing order, having customized contact with the most important clients and nurturing all contact on their database the startup keeps current clients satisfied and gathers new ones through them, with minimal investment in marketing.

When starting its operations and therefore undertaking internationalization, Craft Wallet faced issues regarding partners' choices. Logistics involved in directly exporting its products led the startup to look for the best-fit transportation services supplier. Several companies were used to make wallets reach their clients but finally CTT rose as the cheapest and most reliable transportation services supplier and a partnership was forged. A strategy based on partnerships with several physical stores in Asia turned out to be a failure, leading Craft Wallet to rely on digital sales worldwide.

The internationalization was also boosted by one of the co-founder's experience in international business, consequence of owning a company that sells internationally called Axis Bikes, which core activity is designing and exporting bike components.

Craft Wallet is capitalizing on a market that is set to disappear some years from now due to a technological revolution on daily tasks, such as payments, which will increasingly become digital. Even tough technological innovation is causing Craft Wallet's marked to slowly fade, it is fundamental for the functioning of the startup due to its reliance of technology to run its business. The startup's core are its website and crowdfunding campaigns, hosted in the digital platforms Shopify and Indiegogo, respectively. The website presents some apps with automation, such as the ambassador’s one, which is totally autonomous without any kind of human touch since it was programed and introduced in the website. Another clear example of technological dependency is the machine used for the production of the wallets’ components, which is programmed and runs without human intervention delivering components ready for assembly.

Nowadays Craft Wallet sells between 10.000 and 20.000 euros of wallets monthly but due to the future of its market, work has started in order to develop new innovative products to tackle urban problems. Expecting to launch an electronic skateboard that allows people to move around big cities, followed by a motorbike, Craft Wallet is for the first time in the process of negotiating big injections of capital from private investors through a platform called Seeders, in which individuals invest and get a share of the startup’s equity.

4.3. Landing Jobs

Founded in 2013 in Lisbon, Landing Jobs’ product is a digital marketplace that facilitates the match making between talent and companies in need of highly qualified individuals with background in information technology. The startup’s vision is to become the best European recruitment platform in information technology

For companies Landing Jobs provides support in employer branding strategies, attraction of tech talent, technical assessment and the candidates’ engagement throughout the whole selection process. Although all applicants to a job opportunity are available to the client, the startup performs a technical assessment, based in the CV and certificates, and delivers a ranking of the applicants’ profiles considering their technical fit for the job offer.

For the tech talent the startup provides several job opportunities using its website’s algorithms to ensure the best fit between opportunities and profiles. Individuals considered top tech talent benefit as well from a personal support from Landing Jobs’ talent development team, which performs CV reviews, mock interviews and career counseling.

The information technology’s market is candidates’ ruled one due to the shortage regarding tech talent to fulfil companies’ demand, therefore the startup has evolved how recruitment works by allowing companies to apply for a candidate’s profile instead of only running the regular recruitment, where only candidates apply for the job opportunities.

Landing Jobs revenue comes from companies' fees by two different models. On one hand, there are companies that recruit people on a regular basis for which there is a subscription model that consists on a regular monthly charge. On the other hand, there are companies that recruit less regularly, for which there is a success fee of 14% of the candidates' gross annual salary. Its innovative operations allows Landing Jobs to be market leader in Portugal.

The startup is always paying attention to its competition due to minimal entry barriers in the market. Hired, an American competitor performs the same services as Landing Jobs but is focused on fulfilling the American market's demand. Jobbatical is an estonian platform similar to Landing Jobs but focused on the attraction of tech talent from outside the European Union. Lastly, traditional recruitment agencies, such as Randstad, are also considered direct competitors even though the operating strategy is slightly different.

Internationalization was present in the startup's core since its inception due to the dimension of the Portuguese market and the consolidation of several european cities as technological hubs. Little after its beginning in Portugal the first international client, a company called Typeform, with headquarters in Barcelona, Spain, kick started the international venture.

After studying markets' potential, the United Kingdom was the chosen one for the first investment leading one of the co-founders to move to the country to develop and created the startup's pool of clients and talent. Simultaneously, the german, dutch, italian and Spanish markets were being tested.

With the Brexit come difficulties in the recruitment pipelines, which dictates the end of the venture in the british market and the return of the co-founder to Lisbon. Meanwhile, the markets' tests conclude that investment should be directed to Germany and Spain, with The Netherlands still being capitalized but put on hold in term of market development. Italy was totally abandoned due to the physic distance, translated in very different business practices in the country, mainly difficulties in the account management of clients, which led Landing Jobs to not consider it an attractive market.

The penetration in the spanish and german markets started with the recruitment of locals of both countries to build teams that would develop the market in terms of companies' and candidates' attraction. This system is still in place in Spain where the Landing Jobs relies on a team of two employees based in Barcelona to work the spanish market. The strategy for Germany was updated recently to boost geographical expansion. A partnership with a recruitment agency, which started using Landing Jobs platform to increase its talent pool, allows the startup to expand to several cities in the country while simultaneously increasing its conversion rate between application of a candidate to an opportunity and the company hiring.

The new german strategy based in partnerships was created due to the tight financial management of Landing Jobs. The startup started its operations in bootstrap mode, meaning the two co-founders made the initial investment and the initial revenue streams were re-invested in the startup's own growth. Nowadays Landing Jobs enjoys financial sustainability with revenue coming 55% from Portugal, 30% from Germany, 10% from Spain and 5% from the UK, the Netherlands, Finland, Hungary and Switzerland.

Landing Jobs' headcount has suffered some changes. Starting with the two co-founders, the headcount grew to 30 people in early 2016. By that time private investment was gathered and the company re-structured, the headcount was reduced to 15 people. Nowadays Landing Jobs relies again on a team of 30 employees across Portugal, Spain and Germany.

The startup's management considers knowledge as a crucial pillar of the startup's success in foreign markets. This knowledge's base is the co-founders' experience in international business, one had been responsible for opening Novabase in Brasil and the other had been involved in projects run by the European Commission. This knowledge was developed with the startup's own experience in international markets, where information was gathered about how to manage clients, candidates and how recruitment processes are run in different countries. Landing Jobs model is to learn by doing. This experiential knowledge allowed the startup to achieve a better understanding of the markets it is operating in and to identify new opportunities, such as the potential for expanding to other cities in Germany where the IT sector is attractive.

Landing Job's networks was fundamental in the success of the internationalization process. Composed mainly by personal ties, the startup was integrated in a network of companies, which were already running international operations. Besides learning with their experience, Landing Jobs was able to capitalize on their contacts and start exploring Germany and Spain by being referred to their network's companies' clients.

Due to the nature of its product and service, Landing Job's relies fully on technology therefore technological development is the engine of the startup. Besides their website being their core communication tool with both their clients and their talent, the startup uses machine learning having its software learn with users' decisions in order to recommend profiles to companies and opportunities to candidates automatically.

The future of Landing Jobs's international venture is to consolidate the german and spanish markets before investing in the penetration of new ones. Following that consolidation process, the plans is to invest in the dutch and swiss markets due to the fact that both countries' capitals are becoming prominent technological hubs.

4.4. Discussion of Results

4.4.1 The Internationalization Process of Portuguese Startups

The discussion of the results gathered from the three portuguese startups starts with their common characteristic, they all are born globals. This type of companies are, according to McDougall, Shane and Oviatt, greatly enrolled in exporting activities from their establishment and seek, from their inception, a large part of their revenue from sales in international markets. These scholars also state that as a consequence, Johanson and Vahlne's Stage Approach fails to explain born globals internationalization process, which is corroborated by the evidence gathered since none of the three startups follow the Establishment Chain of Internationalization Process proposed by the Stage Approach.

Although the Eclectic Paradigm is based on production activities' perspective it seems to be able to partially explain two of the portuguese startups' internationalization processes. The model states that the entry mode of a company in international markets is defined by three elements: the company's ownership advantage, its internalization advantage and its location advantage.

The ownership advantage, which is usually materialized in intangible assets, exists when a company has exclusive access, for a period of time, to a resource that creates competitive advantage towards rivals. Location advantage exist when it is beneficial for a company to be present physically in a specific geographical place. Internalization advantage is achieved when it is more profitable to use the ownership advantage than have a third party capitalize on it by licensing or franchising, for example.

Regarding ownership advantage, all three startups present the same intangible asset, which is knowledge. This knowledge is, in all three cases, connected with the startups own modus operandi. In the case of ForallPhones it is the knowledge to successfully manage its community shapers, which allows a rapid increase in reach. Craft Wallet's knowledge is translated in their successful customer management, which keeps bringing new clients through word of mouth.

For Landing Jobs the ownership advantage is the knowledge on how to maintain and grow their database, which dimension has made it become their strategic resource.

Because none of the three startups presented location advantage at the beginning of their international ventures the Eclectic Paradigm suggest direct export as the ideal entry mode in new markets, which was the strategy adopted in all three cases.

After entering foreign markets through direct exportation, and as a consequence of acquired knowledge, Landing Jobs came across location advantage when growth became dependent on physical present in the foreign markets. The location advantage along with the internalization advantage, because it is more profitable for Landing Jobs to capitalize on its ownership advantage by itself, led the startup to shift the strategy to FDI, as suggested by the Eclectic Paradigm, by having employees present in foreign countries to develop the startup’s operations.

As stated before the Eclectic Paradigm bases its internationalization process concepts in production activities, therefore the previous conclusion about Landing Jobs is only applicable if companies’ and candidates’ prospection can be considered its production activities. Following the same logic ForallPhones’s production activity would be the reconditioning of the used smartphones, which has been kept in Portugal, therefore making it impossible to further apply the Eclectic Paradigm to explain its internationalization process because the startup presents both contracting and FDI entry modes.

Johanson and Vahlne’s Network Approach explains internationalization as a consequence of the development of a company’s network and states that its success is dictated by the company’s position in that network and the composition of the network itself. This model presents a sequence of stages that determine an incremental involvement in international markets and seems to be able to explain both ForallPhones’s and Landing Jobs’s internationalization processes, but fail to explain Craft Wallet’s.

Forall Phones can be placed in the international extension stage, the first stage of the Sequence of Developing Network Relations in Foreign Countries. In this initial stage companies start to developed relations with other companies, which are part of foreign countries’ networks, through investments such as exchange of information and contractual relationships to create international connections. In the ForallPhones’s case we can observe this concept with the partnership that has been forget with an european partner that owns physical stores and will enable ForallPhones product’s to be sold all over Europe, starting in Spain and Poland.

Landing Job's case must be placed in the second stage, the penetration stage. The second stage of the Network Approach's Sequence of Developing Network Relations in Foreign Countries implies a reinforcement of relation with foreign companies, which increases market commitment and consequently investment. This concept is present in Landing Job's case in the partnership they have already in place in Germany with the recruitment agency and that has proven to be a successful strategy and therefore will be replicated with other possible partners, to increase Landing Job's penetration in the german market.

For Craft Wallet, the Network's Approach fails to explain its internationalization process due to the non-existent correlation between the startup's international expansion and the development of a network in foreign countries.

Although the Network Approach cannot fully explain portuguese startups' internationalization process, besides creating the Sequence of Developing Network Relations in Foreign Countries, the model presents a framework that correlates the degree of firms' internationalization and the degree of markets' internationalization in a network, which dictates the type of international company and how it must behave. Therefore, for the startups, which fit the Network Approach, it is interesting try to position them in this framework.

Both ForallPhones and Landing Jobs can be described and Early Starters by the Network Model of Internationalization's framework. Early starts present few relations with foreign firms and limited knowledge about the market, which is true for both startups, since both of them only present one tie to a foreign network's company and their knowledge about the foreign markets is limited, because the international venture is quite recent. This strategy is used by both startups to establish a better position in the market while at the same time minimizing the risk, as stated by the model.

The last model is the International Entrepreneurship Approach, which brings the concept of International New Venture (INV), organizations that begin their operations with an active international strategy and use resources that they do not own by forging strategic alliances. This model presents a framework that defines the type of international new venture based on the value chain activities they coordinate and the number of countries they are involved in but it assumes companies have products to sell, which immediately fails to explain Landing Jobs internationalization process. Although Landing Jobs has a product, the website/database, its operation relies on the sales of a service and not a product.

Both ForallPhones and Craft Wallet fit the New International Market Maker type of INV because they present coordination of the logistical activities needed for their operations through strategic alliances with transportation companies. New International Market Makers present low FDI and their advantage lies on understanding imbalances of resources and creating new markets, which is corroborated by the evidence gathered with both startups. ForallPhones presents low FDI with two country managers in the foreign markets it is investing the most and were able to understand the new market of used products they could create. Craft Wallet presents no FDI and was also able to observe the need for a product to solve a daily urban problem.

This type of INV is divided in two sub-types, depending on the numbers of countries they are involved in. In one hand, ForallPhones is considered an Export/Import Startup because of the few countries it is present so yet. On the other hand, Craft Wallet can be considered a Multinational Trader consequence of the wide range of markets where its products are exported to.

Besides classifying companies in types of INV this model designed a framework of the needed elements for sustainable INVs with four progressive elements that incrementally distinguish organizations up to the ultimate stage, which is sustainable INV. Therefore it might be interesting to apply this framework to both ForallPhones and Craft Wallet.

The first element is the internalization of some transaction that distinguish economic transactions from organizations. In ForallPhones, the internalization of the repairing and reconditioning of the used smartphones and for Craft Wallet firstly the design and afterwards the production of the wallets as well.

The second element of the framework is having alternative governance structures, because INVs need to use resources they do not own, which makes organizations new ventures. In both cases this element materializes in the partnership with transportation companies that allows both startups to transport their products anywhere.

The third element is having foreign location advantage, which distinguishes new ventures from international new ventures. For both ForallPhones and Craft Wallet this location advantage comes from applying their knowledge, of wallet design and production for Craft Wallet, and of reconditioning used smartphones to new markets were demand is present to match their offer.

The forth and last element of the framework that separates INVs from sustainable INV is the possession of a unique resource, which is the similar concept as the ownership advantage of the Eclectic Paradigm. In both cases, this unique resource is intangible. In ForallPhones it is the knowledge to successfully manage its community shapers, which allows a rapid increase in reach and for Craft Wallet is the knowledge for the successful customer management, which keeps bringing new clients through word of mouth.

Consequence of the previous discussion we conclude that there is no singular internationalization theory that can explain portuguese startups' internationalization process but that some models might explain different cases. Firstly, the Stage Approach fails to explain any of the case studies. After that we have the Eclectic Paradigm which is able to explain Craft Wallet's internationalization and, with some adaptation, Landing Jobs's process as well. The following model, the Network Model succeeds in explaining both Landing Jobs's and ForallPhones's internationalization and finally the International Entrepreneurship Model is able to explain ForallPhones's and Craft Wallet's internationalization process.

The fact that different models might be able to explain different portuguese startups' internationalization processes is no surprise. After the previous discussion of results, the conclusion is reached that it is difficult to explain portuguese startups' internationalization process relying in one single model. Although some particularities are mutually exclusive and/or some do not fit the evidence gathered, these models are evolutions of each other and, most importantly, explain internationalization from different perspectives, which makes them in some way complementary.

Besides the fact that none of the theories of internationalization presented in the literature review can fully explain the internationalization processes presented in the case studies, it is possible to conclude that there is a generic path portuguese startups take when enrolling in international business. These startups tend to start their international venture with direct exports of their products or services to foreign markets as can be observed in all the three cases. The general next step seems to be the enrolment in strategic alliances, when the necessity to increase market penetration arises, as proven by the cases of ForallPhones and Landing Jobs, with the alliance with an European owner of physical stores and with a german recruitment agency, respectively. This strategy provides the startups with an increased geographical reach while minimizing their investment and consequently minimizing the risk they are exposed to.

4.4.2 Influential Factors for the Internationalization of Portuguese Startups

The literature review provided some factors that influence and must be taken in consideration when undertaking international business.

One of the first concepts is the **liability of foreignness**, introduced by the Theory of International Trade, which is the social and economic costs that companies face form operating abroad due to isolation of national economies that makes communication between them costlier. The liability of foreignness is similar to the concept of **physic distance** introduced by the Stage Approach, which is a sum of factors preventing the flow of information from and to the foreign market.

These concepts are materialized in the lack of understanding and ability to manage different laws, corporate practices, languages, cultures, among others, and seem to not have been a problem for Craft Wallet, but ForallPhones and Landing Jobs suffered and dealt with it in different ways, which brought two different outcomes.

On one hand, Landing Jobs tried to penetrate the italian market and managed to gather some company clients but the difference in how italian companies were managing their recruitment processes in terms of the time they took and the issues faced upon the payment moment led Landing Jobs to quit, for now, the italian market. On the other hand, ForallPhones dealt with its liability of foreignness when entering the spanish market by adapting the products it was offering to the culture of those countries and decided to stop promotion on Samsung used smartphones, due to low traction of the products, to focus on promotion only of used Iphones.

The Stage Approach brings us another important concept, which is **market knowledge**, one of the most important factors for the success of international operations. Market knowledge is composed by objective knowledge and experiential knowledge. The first one being the knowledge that can be taught and the second the one gained by running operations in foreign markets.

Before understanding how market knowledge is applied to our case studies it is important to introduce the next influential factor, the companies' **networks** defined by the Network Approach as all the other companies a company has relations with. This networks can be build on firm ties (economic, legal or technical connections) or personal ties (cognitive and social connections), which are the most important in the beginning of a company's international venture.

All three startups capitalized on their networks, mainly based on personal ties, because they were composed by companies that already had undertaken international operations. This capitalization on their networks, which were composed by national and international players, is materialized in all startups' cases in the acquisition of objective knowledge through their network's experience in international markets, increasing consequently their market knowledge. Landing Jobs went a little further on the capitalization of its network by using its personal ties with companies with international operations in Germany and Spain to be introduced to potential clients.

The fact that all three startups capitalized on their networks enabled them to minimize the **liability of outsidership**, another important concept brought by the Network Approach. The liability of outsidership implies a lack of opportunities in a foreign market due to the lack of existing relationships, which implies that the composition of a company's network and its position on the network dictated the success of their internationalization because it is the source of knowledge and confidence that culminates in an increase of market commitment. All three startups where well positioned enough and surrounded by the right companies, which allowed them to ultimately succeed in their international venture with the gathered knowledge.

The concept on **market commitment**, from the Stage Approach, has also influence in the portuguese startups' internationalization. Market commitment is composed by the amount of resources committed to one market, which is ultimately measured by the size of the investment in that market. The more resources committed to one market and the more specialized these resources are the higher the market commitment.

Different market commitments can be observed in the three case studies. Although ForallPhones and Landing Jobs have clients in several countries, both startups present a higher market commitment to Spain and Poland and Spain and Germany, respectively. This market commitment is translated in more investment in those markets with both startups having employees on the field. Craft Wallet presents a higher market commitment to American markets, specially the United States, which is materialized in all communication and marketing of the startup to be in english.

The International Entrepreneurhip Approach brings several interesting factors. One of them is **technological innovation**. This model presents technological innovation as the way startups are able to undertake international operations, as opposing to the traditional MNEs, whose economic power has been allowing them to seek international business. Technological innovation has indeed allowed these three startups to have international operations. All of them are mostly digital startups, whose modus operandi relies on their digital platforms. Their operations' base are their websites, which bring them almost all their sales.

The final concept is also brought by the previous mentioned model. It is the importance of **international experience of management**. INVs' success "depends on the firm having since its beginning an international vision and innovative product or service marketed through a strong network and tight management with focus on international growth" (Oviatt & McDougall, Toward a Theory of International New Ventures, 1994). This can be most applicable to Craft Wallet and Landing Jobs since management had previous professional international experience but it can also be applied to ForallPhones due to management personal experience in foreign countries.

5. Limitations and Further Research

5.1. Limitations of the study

As this study was moving forward and as the gathering of evidence and discussion of results were being developed some limitations were found.

Plenty of research has been done regarding internationalization. For the purpose of this thesis were chosen concepts and perspectives, which fulfilled best its scope. In addition, international business is divided in inward and outward activities. Due to this thesis focus on outwards activities, inward activities were not considered for its purpose.

Another limitation comes from the reduced dimension of the sample gathered consequence of the unavailability of other startups to participate in this study. Despite the choice of startups for the case studies elaboration being considered adequate for the thesis purpose it may have biased the results because factors such as dimension were not taken in consideration.

The conclusions of this thesis are based in startups, which have success so far concerning their internationalization so the outcomes and implications of not successful ones are not taken in consideration. Also more specialized business sectors may present different patters regarding their approach to internationalization due to their activities' specifications.

Finally, most information gathered for the case studies is factual but it is, to certain extent, subjected to opinions or points of view, depending of the interlocutor from which data was obtained. The case studies were built based on the information the startups disclosed.

5.2. Further Research

The methodology used in this thesis consists in performing interviews to startups' management in order to learn more about the internationalization of portuguese startups. Although internationalization is a widely discussed topic, this subject would benefit from the following research:

- Formulation of new theories of internationalization focused on startups;
- Understand the differences regarding the internationalization process for different business sectors;
- The impact of internationalization on a startup's performance;
- Further study the reasons for portuguese startups to seek international operations.

6. Conclusion

Following the objective of this thesis, which is to understand the portuguese startups' internationalization process and highlight several influential factors to this process, a multi-case study method was applied and three portuguese startups were analysed.

After explaining the main internationalization models, from the early Theory of International Trade to the more recent International Entrepreneurship Approach, a discussion of results took place. The discussion of results consisted in a comparison of the evidence gathered through interviews to the three portuguese startups to the existing theoretical framework to try to explain their internationalization process.

A conclusion was reached that there is not one consensual definition of the concept of internationalization, therefore it is difficult to understand the internationalization process of portuguese startups as a linear phenomenon explained by one single model.

Internationalization theories have been developed along the years and after studying the several models explained in the literature review chapter it is possible to conclude that, even though some particularities are mutually exclusive, these models are evolutions of each other and, most importantly, explain internationalization from different perspectives, which makes them in a way complementary.

As a result of the discussion of the evidence gathered it is reasonable to conclude that the Stage Approach fails to explain any of the portuguese startups' internationalization process. The Eclectic Paradigm, the Network Approach and the International Entrepreneurship Approach all succeed in explaining the internationalization processes of two of the startups in analysis but none succeeds to explain the three of them.

Independently of theoretical frameworks, it is possible to conclude that there is a general trend in the internationalization of portuguese startups. These startups tend to start their international venture with direct exports of their products or services to foreign markets. The general next step seems to be the enrolment in strategic alliances, when the necessity to increase market penetration arises. This strategy provides the startups with an increased geographical reach while minimizing the investment and consequently the risk they are exposed to.

In regards to the factors influencing portuguese startups' internationalization process is it possible to highlight the Liability of foreigness, the market knowledge, the companies' network, the liability of outsidership, market commitment, technological innovation and the international experience of management. The previous factors influence one or more of the startups analysed and it is possible to conclude that some of them were fundamental to the portuguese startups' successful internationalization processes.

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8. Annexes

8.1 Interview Questionnaire

1. Which is the foundation date?
2. What is the core activity?
3. How is the modus operandi?
4. What is the startup's vision?
5. Where are the headquarters?
6. How has the headcount evolved?
7. Which are the main competitors?
8. Why internationalize? Why is it advantageous?
9. When was the internationalization opportunity identified?
10. Which has the chosen market to enter first? Why?
11. What was the entry mode chosen?
12. How was the internationalization funded?
13. Which were the barriers faced when internationalizing?
14. How was the internationalization process?
15. How was the international markets' evolution?
16. How did sales varied with internationalization?
17. What is the % of sales for international markets? And per market?
18. Which were the main difficulties found when internationalizing?
19. How was the startup's network capitalized to facilitate internationalization?
20. How is the international network being developed?
21. What is the composition of the network the startup is inserted in?
22. Did the network influence on the country chosen to enter?
23. How is technological innovation important for the startup?
24. Did management have international experience? How?
25. What are the key factors for the success of the internationalization process? Why?
26. What is the strategic resource of the startup?
27. What are the lessons learned with internationalization?