

Chapter 57

Commitment–Trust Dynamics in the Internationalization Process: A Case Study of Market Entry in the Brazilian Market

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ABSTRACT

This chapter describes the market entry process of Portuguese small and medium-sized enterprise (SME) into the Brazilian. This chapter explores an under-researched strand in the studies of internationalization of SMEs, namely how trust and commitment leveraged the relationship orientation of the Portuguese SME in entering into the Brazilian market. Through a Case Study the chapter explores the concept of relationship orientation, trust and commitment to analyze how a Portuguese SME managed to turn around a difficult situation transforming its associates in business partners and prevented a process of desinternationalization.

INTRODUCTION

Globalization has ignited the process of internationalization of firms. The main reason behind this internationalization process is both the increased instability of the contextual environment where firms operate and the increasing firm specialization around core competencies and/or core products.

One consequence of the growing importance of the internationalization of firms is the need to adapt to new environments namely reducing the psychic distance between the country of origin and the new market abroad.

Internationalization has been mainly analyzed as an outward perspective from the firm's point of view. It normally refers to the process of increasing involvement in foreign markets (Welch

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& Luostarinen, 1988) and related to the firm's export intensity.

Plenty of studies have been carried out analyzing the internationalization process of small and medium-sized enterprises (SMEs), including the Uppsala model and the resource allocating perspective.

The Uppsala model advocates an evolutionary, sequential and linear model with growing international involvement (Johanson & Wiedersheim-Paul, 1975; Bilkey & Tesar, 1977; Welch & Luostarinen, 1988). The resource allocation perspective understands the internationalization process as a strategic decision of allocating the firm resources *vis-à-vis* the firm's interaction with the environment.

Several international entry modes have been defined in the literature on internationalization (Calle-Fernández & Tamato-Bustamante, 2005; Moreira, 2009a); however the relational perspectives between partners of the country of origin and those of destination of exports have not been deeply analyzed.

Relationship marketing approaches inter-firm relationships based on trust, commitment and service, i. e., characterized by concern for the partner, contrary to the approach based on the unilateral exercise of power based on conflict, control and adversarial perspective. Clearly, the internationalization process can be understood as a relational process of entry into a foreign country but based on the relational commitment perspective that seeks to instill trust into the partner. The Commitment-Trust theory states that the commitment and trust are vital to the success of relationship marketing (Morgan & Hunt, 1994); trust and commitment are crucial for a successful relationship between the various partners.

There are several approaches for analyzing the quality of the relationship. For Van Bruggen et al. (2005) the quality of the relationship is composed of satisfaction, commitment, trust and conflict, where it is expected that for a successful relationship the levels of conflict be truly low and

the levels of satisfaction, trust and commitment be high (Jap & Ganesan, 2000).

The contribution of this study stems from the analysis of the internationalization of a Portuguese SME entering the Brazilian market. Since the beginning of the relationship the quality of the relationship is assessed from a dynamic perspective, where the level of satisfaction, commitment, trust and conflict are analyzed.

Methodologically, the chapter follows a qualitative perspective. A case study is presented in which the level of satisfaction, commitment, trust and conflict are analyzed from a time-based perspective in which the partners' perspective is presented.

The document is structured in eight sections. After the introduction, the second section covers the two main strands of the internationalization process and the various dimensions related to internationalization strategies. The second section covers the network-based view of internationalization. The third section addresses market orientation. While the fourth section covers the topic of client orientation, the fifth section addresses relationship orientation.

Section six presents the research methodology. Section seven describes the case study pertaining to the evolving nature of the commitment, trust and conflict between the partners. Finally, the section eight finalizes this chapter with a summary of the main conclusions and challenges.

INTERNATIONALIZATION

The concept of internationalization has been evolving over time, incorporating the influences of different analytical and theoretical perspectives. According to Chetty and Hunt (2003), its definition varies according to the phenomenon under study as it may include sport exporting, continuous exporting, cross-border collaboration, alliances, green field investments, subsidiaries, branches and joint ventures following an outward perspective.

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