

Chapter 20

Internationalization in Business-to-Business Markets: The Importance of New Product Development

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ABSTRACT

The internationalization of firms is a growing important phenomenon in the Economy. Thus, to face the new competitive challenges of globalized markets, industrial small and medium-sized enterprises (SMEs) need to implement new organizational approaches to take on new challenges in international markets. Based on a case study, this chapter reviews the literature on internationalization theories. Drawing on the network-based approach and on the resource-based view of the firm, we examine how collaborative new product development processes played a fundamental role in the internationalization process of a SME using a relationship-based perspective. The featured case concerns to a successful ex-small technical textile firm that leveraged its competitive strategy, climbed up the value chain, and extended its international activities following a technology-based path.

INTRODUCTION

With the globalization, the world witnessed a rapid increase in the level of international trade. The internationalization of businesses no longer affects large firms exclusively, as today's small and medium-sized enterprises (SMEs) need to internationalize as well, and account for a considerable part of international trade. The internationalization of SMEs is deemed crucial for their growth and survival, contributing to avoid intense domestic competition and pursue a market expansion, ensuring its long-term survival. Nevertheless, the internationalization of SMEs and of large firms differs because of size-related challenges

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(Coviello & McAuley, 1999). Typically, SMEs face higher constraints regarding resources, capabilities and knowledge when compared to large firms, thus, SMEs are inherently subjected to the liabilities of smallness, newness and foreignness in the internationalization process (Lu & Beamish, 2006). Even the concept of a network in the context of internationalization may differ significantly between well-endowed, resourceful firms and less-endowed SMEs (Jin & Jung, 2016). As such, SMEs must carefully evaluate the pros and cons of competing in a global market.

Internationalization has always been reflected in the literature through a variety of frameworks, theories and basic assumptions that have been changing over time (Moreira, 2009a; Bayfield et al., 2009; Ietto-Gillies, 2012). As referred by Ribau, Moreira, and Raposo (2015, 2016), the literature on business internationalization is vast, somewhat fragmented and dispersed. Over time, not only the globalization of business activity has evolved, but scholars' interpretations have also changed (Moreira, 2009a, Ribau et al., 2015; 2016).

If internationalization refers to the strategic process of increasing involvement in cross border activities (Welch & Loustarinen, 1988), the existing research on the process of internationalization can be framed into four main strands: traditional economic approaches; the Uppsala model (Johanson & Vahlne, 1977, 1990), which conceives internationalization as an incremental process where firms proceed through various stages; the network-based perspective; and the international entrepreneurship strategies that cover born-global firms and international new ventures. Ribau et al. (2015) summarize the ontological perspectives of the main strands of the literature on internationalization (economic viewpoint; behavioral viewpoint; ecological viewpoint; new internationalization; integrative models) with the internationalization theories and the main constructs.

Although the internationalization process has been one of the most studied areas in the field of international business (Johanson & Wierdersheim-Paul, 1975; Fillis, 2001; Ribau et al., 2016), there are few studies (Holmlund & Kock, 1998; Moreira 2007) dedicated to the internationalization of suppliers throughout the supply chain considering the supplier-client relationship. In this way, set in a context of supplier-client relationship, the role of the client is represented by a multinational company and the supplier by a Portuguese SME with strong research and development (R&D) competences. The existing relationship is analyzed from a relational perspective based on the new product development (NPD) capabilities of the Portuguese supplier firm. Accordingly, the aim of this chapter is to examine to what extent the internationalization of suppliers is conditioned by this inter-organizational relationship.

The contribution of this study stems from the analysis of the internationalization of the supplier, based on the conditions and opportunities provided by its multinational client from the automotive industry. Thus, previous studies are complemented (Holmlund & Kock, 1996, 1998; Moreira, 2007) as new perspectives that analyze the entry into international markets through industrial relationships in the country of origin of the supplier firm are provided, which has been underexplored to date.

The document is structured in seven sections. After the introduction, the second section covers the literature on internationalization process and the main dimensions related to internationalization strategies, with an emphasis on the resource-based view (RBV) of the firm, where the NPD process of the supplier firm played an important role in the relationship with its multinational client. The third section presents the literature on innovation and NPD. The fourth section reviews the literature on supplier-client relationship and its importance in the supply chain. This relationship is followed from an interactive approach and highlights the evolving nature of NPD, logistics and innovation as key elements that frame long-term commitments. In the fifth section, the research methodology is addressed. Section sixth presents a case study pertaining to internationalization following a network-based approach. In this case study,

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