

Chapter 4

New Product Development and the Challenges of Internationalization

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ABSTRACT

The internationalization of firms has reached levels never seen before. As a consequence and in order to face the new competitive challenges of globalized markets, industrial small and medium-sized enterprises must be able to adapt to new organizational approaches, to innovate and to further develop their networks. Based on a case study, this chapter reviews the literature on internationalization and networks and addresses a less researched topic of supplier-clients relationships in the value chain referring to the importance of the networks, resources and collaborative new product development on the internationalization process of firms. The case reports a successful ex-small technical textile company that leveraged its competitive strategy based on technology-based paths and is thriving in both domestic and international markets.

INTRODUCTION

Given the increasing globalization process, the internationalization of firms has reached levels never achieved before. This is mainly due to the increased instability of the contextual environment where firms operate and to the increasing firm specialization around core competencies. As a consequence, firms have never witnessed so many competitive challenges as in today's global business world.

One consequence of the growing importance of internationalization of firms is their need to adapt to new organizational approaches in the relationship with their customers, especially with regard to industrial firms, given the importance of a proper relationship throughout the value chain.

Internationalization refers to the process of increasing involvement in international activities (Welch & Loustarinen, 1988). At firm level it is related to the export intensity of the firm and how it explores international markets. There are several

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theories that relate the export behavior with the internationalization process. However, two main strands stand out: one that advocates an evolutionary, sequential and linear model with growing international involvement (Johanson & Wierdersheim-Paul, 1975; Bilkey & Tesar, 1977; Welch & Loustarinen, 1988) and a second strand that understands the internationalization process in terms of resource allocation, i.e., dependent on the strategic decision of allocation of company resources and their interaction with the environment (Reid, 1981, 1982; Aharoni, 1966).

Although the internationalization process has been one of the most studied areas in the field of international business (Aharoni, 1966; Johanson & Wierdersheim-Paul, 1975; Bilkey & Tesar, 1977; Reid, 1982; Coviello & McAuley, 1999; Fillis, 2001), 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 company with strong research and development (R&D) competences, in which the relationship is analyzed from a relational perspective based on the new product development 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 a firm (supplier) taking into account the conditions and opportunities that their multinational client in the automotive industry represents. So, not only Holmlund and Kock (1996, 1998) studies are complemented, as new empirical perspectives that analyze the entry into international markets through industrial relations in the country of origin of the supplier firm are provided, which has not been explored previously.

The document is structured in six sections. After the introduction, the second section covers the two main strands of the internationalization process and the various dimensions related to internationalization strategies. Equally important is that the supplier-client relationship, which in this internationalization process will be examined from the resource-based theory point of view, where the new product development process of the supplier firm plays an important role in the relationship with its multinational client. The third 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 new product development, logistics and R&D as key elements that frame long-term commitments. In the fourth section the research methodology is addressed, while in section five a case study pertaining to internationalization through the development of new products is presented. Finally, section six finalizes this chapter with a summary of the main conclusions and challenges.

INTERNATIONALIZATION

As a consequence of the globalization process, the internationalization of companies is a complex phenomenon framed by a growing business specialization and by increased instability of the company's external context (Dicken, 2011). It is related with the process of increasing involvement in international activities (Welch & Loustarinen, 1988), with the firm export intensity and with how international markets are exploited (Moreira, 2004).

The classical theories of the internationalization of firms are essentially based on the explanation of why multinational companies emerged (Moreira, 2009a) where the life cycle theory (Vernon, 1966) and theories based on imperfect markets (Hymer, 1976; Kindleberger, 1969; Caves, 1971; Knickerbroker, 1973; Buckley & Casson,

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