Chapter 14
Serendipitous Network Internationalization:
A Case Study in the ICT Services Sector

Daniel Ferreira Polonia
https://orcid.org/0000-0001-8194-4713
University of Aveiro, Portugal

Adriana Marques Miranda
University of Aveiro, Portugal

ABSTRACT

This chapter addresses the internationalization case of an ICT (information and communication technology) company in the services sector. After an initial review of the theoretical framework on the internationalization of SMEs, where it is found that the subject is still under-researched, and an analysis of the criteria these companies follow to select markets to be addressed, the case of a company whose internationalization efforts were based on the anticipation of an internal market shock and on the leveraging of serendipitous network connections, with very relevant business impact and financial results, is analyzed. The case study ends with a "what-if" approach, where the taken approach is confronted with a more structured "textbook-like" theoretical scenario of market selection, with significant differences arising from the comparisons made.

INTRODUCTION

In a context of economic instability, there is an increasing need for companies to broaden their horizons and expand their business. Over the last decades, there has been an ever-decreasing number of barriers to trade, as well as very significant progress in information and communication technologies.

The combination of these two factors has caused an increasing number of service companies to change their strategies, pursuing internationalization initiatives in order to diversify markets. However, one of the recurrent problems they face is the choice of target markets and the criteria underlying that decision, as well as the alliances they must forge so that they can achieve a sustainable internationalization process.

DOI: 10.4018/978-1-5225-8906-8.ch014

In this chapter we will revisit the theoretical framework concerning internationalization of service companies and the criteria they follow to select the markets where they start the process. After analyzing the possible strategies to implement this process, a case study of the initial efforts of internationalization of a Portuguese ICT (Information and Communication Technology) SME (Small and Medium Enterprise) is presented and a comparison is made between the choices made and the indications that a theoretical matrix pointed to.

With this background structure, and starting from this introductory section, the following sections are structured as follows:

Firstly, a review of the state of the art is carried out, starting with an analysis of the main theories on the internationalization process and of an analysis of how chance and serendipity play a role in these processes. Afterwards, it is studied the case of internationalization in services and the approaches that can be taken in the selection of the destination markets, namely through the use of a bi-dimensional matrix encompassing risk and opportunities in the destination markets.

Subsequently, a brief presentation of the ICT sector in Portugal is made, followed by a case study of the GAMMA company, starting with the characterization of the context where the company operated at the beginning of the internationalization process, the *modus operandi* it followed in its internationalization process and the business and financial results achieved.

Using a "what-if" methodology, this approach is then compared with a theoretical approach based on a risk-opportunity matrix that allows the identification of the markets that best fit the nature and the objectives of the organization, based on the concepts previously discussed.

The final section analyzes how literature anticipated (or not) the moves described in the case study and enables a reflection on how intuitive, serendipitous moves in the internationalization process lead to successful results.

Literature Review

The strategic option to internationalize is often made by firms in order to leverage a certain competitive advantage that the firm owns and that, according to its strategy, believes it can be replicated elsewhere (Stanisauskaite & Kock, 2016). Other motives may include the need to follow competitor or customers, pursuing specific opportunities abroad, or the need to retain greater control of the value chain where the company is inserted (Bradley, 2005; Hutchinson, Alexander, Quinn, & Doherty, 2007). More recently, Cuervo-Cazurra (2015) has argued that there are four reasons for overseas expansion: the first is to sell more - that is, the company exploits the existing resources to obtain better conditions in the destination market; the second is to buy better-sell better, in which the company exploits existing resources to avoid the lack of conditions of the country of origin; the third is to upgrade, exploring new resources to obtain better conditions in the host country; finally the fourth is to escape, in which the company explores new resources to avoid the lack of conditions of the country of origin. Whatever is the underlying motive, the option for an internationalization strategy involves expanding and creating an integrated network of contacts and partners located at home and in the destination markets where the firm seeks to expand (Dominguez, 2016; Luostarinen, 1979; Welch & Luostarinen, 1988).

In an integrative analysis of internationalization theories, Ribau et al (2015) identified the main schools of thought on the subject. The analysis starts with the pioneering research on the nature and causes of nations' wealth by Adam Smith (1776), and indicates that, parallel to Smith's work are two other traditional theories that explain the flow of goods between countries in terms of comparative

Related Content