



Unpacking the Internationalization Process: Opportunities and Challenges

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Abstract

Title: Unpacking the Internationalization Process: Opportunities and Challenges

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This dissertation explains the internationalization process of a multinational Portuguese company, that managed to become one of the main players worldwide with a very distinct strategy. For confidentiality reasons, I was not able to reveal the organization's name or the industry in which it operates. Therefore, this dissertation aims to understand how the company entered the foreign market and its way of allocating resources and reducing costs to transform factories in very bad financial situations into facilities with high profitability and efficiency.

Throughout the text, it is possible to acknowledge that the studied organization expanded to diverse European regions and the American continent, adopting a standardized approach globally, offering a diverse product portfolio and unique management.

Additionally, the company always made efforts to improve and become the greatest among the biggest ones in the industry, leading to the pursuit of entering the US market and being close to them with an acquisition in México, allowing the company to supply one of the biggest markets in the world.

Finally, this case study offers a view of how the company in analysis managed to maintain its competitive advantages and competitiveness in the industry, mainly through foreign direct investments and standardization.

Keywords: Internationalization, Acquisitions, Resources, Costs, Efficiency, Standardization

Resumo

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Esta dissertação explica o processo de internacionalização de uma multinacional portuguesa, que conseguiu tornar-se num dos principais protagonistas mundiais com uma estratégia muito própria. Por razões de confidencialidade, não me foi possível revelar o nome da organização nem o sector em que opera. Assim, esta dissertação tem como objetivo perceber como a empresa entrou no mercado internacional e a sua forma de alocar recursos e reduzir custos para transformar fábricas em má situação financeira em instalações com elevada rentabilidade e eficiência.

Ao longo do texto, é possível reconhecer que a organização estudada se expandiu para diversas regiões europeias e para o continente americano, adotando uma abordagem padronizada globalmente, oferecendo um portfólio de produtos diversificado e uma gestão única.

Além disso, a empresa sempre se esforçou para melhorar e se tornar a maior entre as maiores do setor, o que levou à busca pela entrada no mercado americano e à aproximação com uma aquisição no México, permitindo que a empresa abastecesse um dos maiores mercados do mundo.

Finalmente, este caso de estudo oferece uma visão sobre a forma como a empresa em análise conseguiu manter as suas vantagens competitivas e a sua competitividade na indústria, principalmente através de investimentos diretos estrangeiros e gestão diferenciada.

Palavras-chave: Internacionalização, Aquisições, Recursos, Custos, Eficiência, Normalização

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1. Introduction

1.1 Problem Statement

Before starting with the main body of the dissertation, it is important to state that I could not disclaim what company and industry are addressed in the analysis, due to confidentiality reasons.

Nowadays we live in a global world, which has over the years, brought benefits for the economy and businesses of companies (Erixon & Fredrik, 2018), meaning that organizations need to adapt and develop their strategy on a global scale (Roque, Alves & Raposo, 2019). Thus, most companies adopt internationalization strategies and, as the firms increase their international involvement, they gradually direct their focus to the use of knowledge about foreign markets and the establishment of operations in new countries (Johanson & Vahlne, 1977). Despite the benefits that internationalization can bring to companies, its process is complex and challenging. In fact, regardless of how well a company performs at home, it may face difficulties in expanding abroad, due to the inability to create value and transfer advantages (Cuervo-Cazurra & Un, 2007).

With this, I decided to analyze a leading multinational in its industry, that exemplifies the success of internationalization as well as the complexities and challenges that it faces across its acquisitions in multiple areas, including Europe and North America. A crucial point of the company's internationalization strategy is its focus on cost efficiency and resource optimization, which is critical for the process of transforming factories in a difficult financial situation into profitable operations. However, in order to perform its strategy, the organization needs to face challenges, such as cultural adaption, internalization of processes, and alignment with local regulations and market conditions.

Over the years, the company has achieved significant success in Iberia and Central Europe regions, while in Southeast Europe and in the United States of America, the obstacles faced are more challenging, which demonstrates that international expansion is a difficult path even for big companies.

Adding to this, this case study will be an analysis of the international strategy that this company applied throughout the years and how important it was for the achieving of success in such a competitive environment. This analysis will address how the company managed its resources

and people, and what was the whole idea and strategy behind the company's performance across borders.

1.2 Research Questions

The study is focused on answering the following questions:

- What was the company's internationalization strategy applied over the years to become the best among the greatest in the industry?
- How did the company maintain its organizational structure, cost reduction, and resource optimization approach across global operations?
- What factors contributed to the company's success in the Iberia and Central Europe regions, and why did Southeast Europe and the U.S. present greater challenges?

1.3 Methodology

To answer the proposed research questions clearly and concisely, the author gathered information from primary and secondary data to develop the working paper and final conclusions. The primary data used was based on information provided by a contact of the author in the company through meetings, interviews, and reports. Regarding secondary data, information was collected from business journals, websites, reports, and publications, which mostly helped to develop the literature review, where the author addressed some relevant theoretical concepts.

Thus, the first step was conducting a comprehensive literature review to establish the theoretical foundation of the study. This review focused on academic concepts and models related to international business, globalization, and multinational strategies. Journals, academic books, and credible websites provided the necessary theoretical insights to provide context to the analysis of the company's internationalization practices.

2. Literature review

2.1 Foreign Direct Investment / Theory of the multinational firm

Stephen Herbert Hymer was one of the leading contributors to the theory of the multinational firm, particularly in differentiating between Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) (Fuchs, 2022). He emphasized that FDI provides firms with significant advantages compared to portfolio investment, mainly because “direct foreign investment implies control of the operation whilst portfolio foreign investment confers a share of ownership, but not control” (Buckley, 2006). This control enables companies to directly manage and influence their overseas investments' operations, which is impossible with FPI, where investments are typically passive.

Hymer's theory also goes beyond control, highlighting the increased influence that multinational companies can exert through FDI. By establishing a direct presence in multiple foreign locations, firms gain operational control and the ability to coordinate and integrate their global strategies more effectively. This influence allows firms to manage local market conditions better, respond to competition, and leverage their competitive advantages across borders, ultimately enhancing their global efficiency and market power. With the control of enterprises in various markets, firms can eliminate competition and foster profitability, through increased market dominance, allowing companies to streamline operations and make strategic decisions that would be impossible with passive investments (Buckley, 2006).

Additionally, some firms possess unique advantages in specific activities such as technology, expertise, or production processes and “find it profitable to exploit these advantages by establishing foreign operations” (Buckley, 2006). Doing so enables them to fully capture the returns from their unique capabilities. The profits derived from these foreign operations are closely related to the level of control the firm possesses, as control ensures that the company can maximize the potential of its competitive advantages while minimizing interference from external forces.

With globalization and the increase of relations and transactions in the business environment, bigger companies that are more mature and consolidated in the market have the ability and the resources to internationalize by investing in other countries through methods such as acquiring a group or company, setting up a subsidiary abroad or moving some operations to other strategic

geographies. In this way, and before engaging in foreign direct investment companies “may first test a foreign market via exports” (Sanardi, Sapir, & Conconia, 2016) in order to test the conditions and viability of that specific market and understand if it can be profitable or not to invest there, meaning that good financial results regarding exports can be a sign to establish foreign affiliates (Sanardi, Sapir, & Conconia, 2016).

Foreign direct investment can be divided into horizontal FDI and distribution-oriented FDI, where the first one is based on the firm creating foreign production facilities abroad with the goal of supplying the local market, whereas the last one consists in establishing distribution networks to facilitate the efficient distribution, marketing, and sales in the foreign country (Sanardi, Sapir, & Conconia, 2016).

When investing outside, in order to address the difficulties of internationalization, such as high costs and uncertainty, MNEs tend to concentrate their approach in a specific region globally, since they want to profit from the similarities between countries in that area leading to “building blocks”, that allow a strong presence in a particular region (Beamish, Arregle, Miller, & Hitt, 2018). Adding to this, MNEs tend to reinforce “regional integration (i.e semiglobalization)” (Beamish, Arregle, Miller, & Hitt, 2018) when internationalization difficulties increase.

2.2 Foreign Divestment (FD)

Contrary to Foreign Direct Investment (FDI), foreign divestment is an important and often understudied aspect of international business. It is not just a reversal of internationalization but an essential element of the firm’s international expansion pattern. However, “Divestment decisions are more often perceived as “failure” rather than strategic choices” (Gaur & Sethuram, 2022), which leads to the understanding that companies are necessarily suffering financial problems or do not have profits.

In reality, firms may choose to divest or relocate “to correct over-diversification, to improve firm efficiency and efficacy, to free up scarce resources for opportunities elsewhere and in response to changing market conditions” (Shirodkar, wu, & Strange, 2021) toward more lucrative opportunities in order to remain competitive in the market. The paper “Foreign divestment: the missing piece in international business scholarship” examines foreign divestment as a strategic choice for multinational enterprises (MNEs), rather than a reactive

measure, showing how it can improve resource allocation, manage risks, and optimize global strategies.

2.3 Resource-based view theory (RBV)

The Resource-Based View (RBV) is a strategic management framework that emphasizes how firms can achieve and sustain competitive advantages by effectively using their internal resources and capabilities. According to (Ketchen, Barney, & Wright, 2001), organizations with superior resources can consistently outperform their competitors and develop strategies that enhance their competitive edge. The RBV introduces key concepts such as heterogeneity, which refers to the heterogeneous resources and capabilities that firms within the same industry control, and immobility, indicating that resources are not easily transferable between organizations (Talaja, 2012). These concepts enhance the importance of unique resources in achieving sustainable competitive advantages, as emphasized in (Chakravarty & Beamish, 2021) and as seen in *Figure 1*.

To effectively leverage resources for sustained competitive advantage, they must meet specific criteria outlined in the VRIN framework: they should be valuable, rare, inimitable, and non-substitutable (Talaja, 2012). Inimitable resources such as proprietary technology, a strong brand reputation, or a distinctive corporate culture play a critical role in establishing long-term competitive advantages (Alamanos & Utami, 2023).

Moreover, an important extension of RBV is the concept of dynamic capabilities. In today's rapidly changing environment, firms must continuously adapt and renew their competitive assets to maintain their market position (Alamanos & Utami, 2023). This ability to evolve and innovate is essential for sustaining competitiveness in a fast-changing environment.

By focusing on these principles, RBV provides a robust framework for understanding how firms can strategically manage their resources to achieve lasting success.

2.4 Global Integration vs Local Responsiveness

During its internationalization process, companies can opt to adopt a global integration strategy, consisting of coordinating their activities worldwide in a standardized way, to achieve efficiency and create a global strategy (Wong & Yazdanifard, 2013). By doing this, companies can save costs, offer a standardized product worldwide, and management control (Fan & Nyland & Zhu, 2008). On the other hand, others have an approach towards local responsiveness, meaning that companies adapt their business operations to meet the country's demands and local needs (Le & Liao, 2017). Usually, organizations opt for responsiveness in emerging markets, where a higher degree of responsiveness is needed to obtain the benefits that can be extracted from the country (Fan & Nyland & Zhu, 2008).

As shown in *Figure 2*, organizations can have a mix of both approaches, leading to four types of strategies: transnational strategy, international strategy, global strategy, and multi-domestic strategy. Therefore, companies need to understand and analyze which of them suits the organization better and contribute to good performance (Meyer & Su, 2015).

According to (Ghoshal, 1987), a global strategy is associated with the integration and rationalization that a company can put into its tasks across the globe. Regarding a multi-domestic strategy, it follows a decentralized approach, where companies meet the distinct needs of every market they enter (Weldon, 2024). Some companies usually face both global and local pressures, so to adapt to global integration and responsiveness, they need to have a very consistent coordination strategy, however, it is difficult to measure how much of one of the approaches needs to be sacrificed to obtain the other and vice-versa (Breunig & Kvalshaugen & Hyde, 2014). With this, a transnational strategy consists of balancing both global integration and local responsiveness to obtain a competitive advantage (Kohtamki & Silenskyte & Dhanaraj, 2022). Finally, organizations that did very well in the domestic market, try to replicate it internationally, which is called the international strategy (Fan & Nyland & Zhu, 2008).

2.5 OLI framework

When deciding to invest internationally, companies need to take into account numerous conditions and factors regarding the economic, political, and social environment that are present in a specific country or region (Weziak-Bialowolska & Bialowski, 2014). With this, in the international business scenario evolved some theories such as the OLI framework that is composed of three sub-paradigms, ownership-specific advantages (firm-specific), location (country-specific), and internalization (Dunning, 2000), which explains the internationalization of a firm through foreign direct investment (Batalla, 2014).

Thus, ownership advantages can be divided into static O advantages (resources and capabilities that a firm has) and dynamic O advantages (the ability of a firm to increase its income-generating assets over time) (Dunning, 2000), location advantages highlight resource commitment issue and their availability and costs, and internalization advantages address the reduced transaction and coordination costs (Werner, D.Brouther, & Brouther, 1999).

As shown in *Figure 3*, for a company to compete in a domestic or foreign market, it needs to have ownership advantages that differentiate it from competitors. If it can internalize these advantages it is possible to expand to other markets, however, if internalization is not feasible, the firm may not opt to pursue an internationalization approach (Batalla, 2014). In this way, if the multinational firm is able to exploit all three OLI advantages FDI will be its first choice of entry mode (Fuchs, 2022).

Adding to this, (Amal, Cruz, & Floriani, 2020) discusses how the OLI paradigm can be applied to a sub-national level, meaning that different regions within a country offer varying location advantages (geographic proximity, labor market conditions, regional economic policies) that attract different types of foreign direct investment, depending on factors like infrastructure, economic conditions, workforce quality, and regulatory environment.

2.6 Internalization theory

Internalization theory suggests that MNEs expand internationally to control transactions and reduce the costs of dealing with external entities (transaction costs). Rather than licensing or outsourcing, MNEs internalize their operations to maintain control and protect proprietary knowledge.

In this theory, the focus on imperfections of intermediate product markets allows the differentiation between two main topics, “knowledge flows linking research and development (R&D) to production, and flows of components and raw materials from an upstream production facility to a downstream one” (Casson, 2015). In fact, to deal with these imperfections that create uncertainty and risk around the firm, MNEs are motivated to internalize their operations and “protect their knowledge through secrecy” (Casson, 2015), leading companies to have full control over their activities in foreign markets, meaning that they are not dependent on third parties.

According to (Strange & Buckley, 2011) there are costs associated with market transactions that can be high, especially in international markets, meaning that firms decide to bring activities within the firm that would otherwise be inefficient if left to external markets (Strange & Buckley, 2011). The theory has become central to explaining MNE strategies, including entry mode decisions, the choice between foreign direct investment (FDI) and licensing, and how firms manage international expansion. (Verbeke & Rugman, 2007) emphasize that internalization theory helps explain how firms develop firm-specific advantages (FSAs) and how they manage these advantages internationally.

Moreover, (Casson, 2015) highlights that knowledge transfer is a key reason for internalization. Firms that rely on complex and tacit knowledge, which cannot easily be codified or transferred via market contracts, prefer to internalize production to ensure that these advantages are not diluted or misappropriated by external partners. This is especially important in industries characterized by high levels of innovation and intellectual property concerns.

2.7 Cage framework

The CAGE framework, developed by Pankaj Ghemawat, is a critical tool for multinational enterprises during their internationalization process. This framework helps companies assess the challenges and opportunities when entering new markets by analyzing the differences between home and target countries across four dimensions as shown in *Figure 4* (cultural distance, administrative distance, geographical distance, and economic distance).

Regarding cultural distance, factors such as language barriers and distinct consumer preferences negatively affect the choice of location, for example, trade between countries that have the same language is three times higher than if the countries do not have the same language (Ghemawat, 2001). Typically countries tend to differ in terms of institution quality and administrative bureaucracy, mainly when compared with emerging nations (Altman & Ghewamat), which means that administrative distance between countries is a barrier to companies' internationalization (Yang, Liou , & Chao, 2016).

Moreover, companies need to have a geographical strategy when deciding their internationalization approach. MNEs usually perform better when they adopt a regional strategy instead of a global one (Verbeke & Rugman, 2004), which means that geographical proximity is an internationalization enabler, leading to lower logistics and transportation costs (Ghemawat, 2001). At last, we have economic distance, which is essential for developing international trade strategies and regional integration policies (Mazurek, 2012). A study done related to how economic distance influences trade flows in Vietnam shows that larger differences in economic development (measured by GDP per capita) between Vietnam and its partner countries are associated with increased trade and investment activity (Le, 2017), leading to increasing FDI inflows in the country.

2.8 Manager mobility/ International mobility

During the internationalization process of companies, people inside the organization have a very important role because business is about people and how they can build important relationships, and networks, and explore their knowledge. In this way, companies need to be very careful and choose the right people with the right skills (Mamoon, 2013) to help the firm achieve its international mission, which is often dependent on managers' mobility, meaning that they act as carriers of knowledge and transfer valuable skills and experiences that are crucial in internationalization (Yalcin, Sala, Parrotta, & Meinen, 2022). Adding to this, managers with previous managerial experience in a multinational context and knowledge of internationalization efforts and foreign markets are crucial for the success of a firm's internationalization, leading to their mobility across different subsidiaries of the company contributing to strategic decision-making and operational efficiency in global markets (Yalcin, Sala, Parrotta, & Meinen, 2022).

By fostering internationalization, companies that promote internal mobility can retain talent and put experienced managers who already know the organization's strategies leading international projects, promoting knowledge sharing and a diverse workplace (Schreiber-Shearer, 2024).

3. Case study

The history of this industry in Portugal started at the end of the fifteen century in Oliveira de Azeméis, however, it was in Marinha Grande, which is recognized as the industry's capital in Portugal, that the first factories started to be established, due to its abundance of commodities such as wood and clay (Vasco & Rascão, 2021).

This industry is very important in Portugal due to its contribution to different sectors, such as civil construction and food, and in recent years sustainability awareness has increased its usage (Ramalho, 2023). Despite its durability and capacity to be recycled, its production is a very hard process that requires a lot of energy and water (Ramalho, 2023), however, with innovations and technologies the emissions of CO₂ have been decreasing (Almeida, 2020).

Nowadays, Portugal has a big tradition in this sector and counts with hundreds of companies responsible for the production of this material (MaisMagazine, 2024), that between 2000 and 2020 duplicated its production volume, as shown in *Figure 5*.

In Portugal, the industry's factories have a positive impact on the economy due to their capacity to create new job opportunities in several areas and to export to different markets, which is also fostered by the increase in demand for sustainable products (Lima, 2024).

3.1 Introduction

Portugal's largest producer in its industry, this century-old company has an inspiring story that began in 1912 with two visionary founders. Both left secure jobs to take a chance on their venture - a bold decision that set the foundation for what would become a leader in the field.

In 1990/1991 the company suffered some economic issues and was bought by Sonae, a large multinational corporation recognized for its diverse business portfolio. The company was taken out of risk and it was put up for sale again. The individual tasked with finding a buyer willing to pay five times the company's EBITDA ultimately couldn't secure one. Instead, he chose to acquire the company himself and is now the organization's principal leader. At the beginning of his leadership, the owner made a brutal reduction in costs and people and ended up achieving very good results, with an EBITDA between forty and fifty percent.

What started as a small operation, focused on supplying essential products, soon transformed as the company adopted new technologies that revolutionized production. Automated systems were introduced, and rapidly, weekly production reached an impressive 350,000 units. Through the decades, the company grew steadily, expanding within Portugal by establishing new, state-of-the-art facilities and acquiring other businesses in its industry. This approach allowed the company to diversify its offerings and serve a range of industries, including food, beverage, and pharmaceuticals.

In 2000, the main goal and strategy of the firm was to become the better group within the biggest ones, having until today the highest ever rentability, mainly due to profitable factories that are very keen on managing resources efficiently. Before starting to seriously grow across the world, the company began its relations across borders with exports to France and Italy.

In recent years, expansion beyond Portugal became a core part of the strategy. The company began its international journey with operations in Spain, then quickly moved into markets in Germany, Poland, Greece, Romania, and Bulgaria. Its most recent acquisition was made across the Atlantic to Mexico. By entering these new regions, the company didn't just grow in scale but also strengthened its production capabilities and broadened its reach, achieving first place in Europe and fourth in the world.

With a focus on innovation and sustainability, the company has achieved a reputation for quality and responsibility. By leveraging its ownership advantages, such as advanced technology, a strong environmental focus, and an extensive product portfolio, the company successfully internalized its operations across borders. Adding to this and besides the goal of being a big player outside, the organization fosters new sustainability practices, such as recycling initiatives and energy-efficient production processes that help to reduce the carbon footprint and solidify competitive advantages in the global market. Today, it stands as a leader in its industry, generating over 1.5 billion euros in revenue with a team of 5,000 dedicated employees around the world. Through its dedication to growth, sustainability, and excellence, this organization has not only expanded its footprint but also built a strong, future-oriented foundation for continued success.

3.2 Internationalization strategy

The company operates on three fundamental pillars: production, quality, and maintenance. These pillars serve as the foundation for its operations, making sure that every factory is aligned with the standards of the company and delivers consistent results. By focusing on these areas, the organization maintains efficiency, excellence, and reliability across its global operations and management.

A characteristic of the company's strategy is the uniformization of its organizational structure, processes, and practices across all factories. All of the facilities operate under the same framework, ensuring consistency and enabling seamless integration of new factories after acquisitions, regardless of the location. This standardized approach makes it easier to share knowledge, enhances operational efficiency, and ensures the creation of a unified corporate culture. When the company acquires a new group, it develops a detailed plan to bring the factory up to its standard operational levels, which is composed of a transformation process that involves a deep assessment of the current state of the acquired facilities, followed by the implementation of targeted improvements in the most needed areas. The goal is to put the newly acquired factories in line with the company's established practices, ensuring it perform in a synchronized way with the rest of the organization.

Additionally, the company focuses on preparing its factories for flexible production capabilities across the world. By developing production systems that can adapt to changing demands, the organization makes sure its facilities manage to serve multiple markets efficiently. By doing this the company is capable of responding to market fluctuations, meeting diverse customer needs, and optimizing resource allocation, at the same time that commits itself to deliver quality and performance. Through these strategic efforts, the company creates a robust and scalable operational model that supports its growth and competitiveness in global markets.

Over the years, the company's internationalization strategy has followed a clear pattern: acquiring companies or groups facing significant financial difficulties and limited resources. This approach has become a defining feature of its expansion process and allows the organization to enter new markets at a lower initial cost, while simultaneously giving it full control to implement its streamlined management practices. Usually, the firm does not acquire 100% of the group, but guarantees that acquires the majority of the group (at least 50%) and in

the first two years, some members of the board remain in the company, to integrate the new owners on how the organization works and help them adapt to a new market.

Once integrated, the acquired companies are managed with a strict, efficiency-driven approach, as if operating in a constant crisis. Regardless of the organization's actual financial health, this crisis-oriented mindset keeps costs minimized and resources carefully allocated. The company prioritizes lean operations, hiring only essential personnel to sustain productivity. Rather than employing a large workforce with reduced wages, it prefers a smaller team of well-compensated employees, ensuring better working conditions and a higher output standard. With this, the company is always better prepared to react to real crises and perform better than its competitors.

Because M&A is a very seasonal activity, every year the company puts a strong effort into analyzing growth possibilities outside, mainly new group and plants acquisitions, leading to the increase of their product portfolio, and enhancing capabilities to better serve customers in the different markets they are operating.

3.3 People's Management Internationally

The company's approach to people management in its acquired companies is unique and reflects a strong commitment to fostering a strong corporate culture across borders. Employees in newly acquired companies often lack familiarity with the "Company Way", which consists of the values, practices, and standards that define the company's operations. The main values are ambition, humility, transparency, emotion, and rigor, which are deeply integrated and consolidated within the company and serve as a significant competitive advantage. They are more than guiding principles and are lived powerfully by their employees. However, living these values requires discipline, especially in leadership roles. Leaders are expected to put into practice these principles in their actions as an example, otherwise, no one below them would believe in what the company promotes. With this, to address this issue, the company strategically sends experienced Portuguese managers, who have a deep knowledge and understanding of the organization's methods, to oversee international operations. These leaders work directly with local teams to implement the firm's processes and standards, ensuring consistency across the organization and full control of how the acquired company will be managed, without the need to be dependent on third parties. This will give rise to the consolidation of firm-specific advantages.

To enhance this cultural alignment, the company organizes training sessions at its headquarters in Portugal, where employees with management roles from various countries participate in immersive sessions designed to transfer essential knowledge and skills. This hands-on approach fosters a strong sense of unity and enables employees to adopt the firm's operational style and values across borders.

In newly acquired companies, employees have some difficulty understanding the distinct mindset and management processes of the mother company. This cultural gap is addressed through a hands-on approach, where knowledge transfer becomes a priority. Besides overseeing local teams, managers from headquarters work to instill a shared sense of purpose and understanding of company values. This effort includes regular role rotations, allowing workers to gain experience in different functions and develop a more comprehensive view of the business. The company places a strong emphasis on team rotation and renewal to bring new energy and dynamics, and foster diversity. Being exposed to new ideas and challenges allows the company to enhance innovation in its operations and generate constant flows of fresh perspectives. These changes are often related to better company performance.

As the company grows, its demands on leadership also require changes. Managers who are good at leading a business worth €100 million may not necessarily possess the skills or mindset to manage an organization valued at €1 billion. Considering this, the company invests in identifying and developing new leaders who can adapt to the complexities of growth while upholding the core values that define the organization.

Adding to this, its management philosophy diverges from traditional corporate norms, where experience and tenure are often prerequisites for leadership roles. At this enterprise, soft skills such as adaptability, communication, and a collaborative mindset are prioritized over years of experience. If someone demonstrates exceptional leadership potential, they may be promoted regardless of age. To support this talent-centric approach, the organization has established a development program with the goal of preparing employees for director-level roles within seven years. This fast-track program empowers ambitious individuals with the skills and mindset needed to advance quickly, allowing the company to build a unique culture and drive growth across its global operations.

3.4 Resource management

As I previously said, one of the main elements of the company's internationalization strategy is its focus on resource efficiency and cost reduction, which plays a crucial role in the success of its operations post-acquisition. When acquiring new factories, the company is faced with facilities that are usually operating under high costs and inefficient processes. To overcome this, it develops a comprehensive and detailed plan to transform the acquired factory and bring it up to the standards of a high-performing facility. With this, the transformation process begins with a full reorganization to minimize costs, particularly in areas like personnel and maintenance. This is achieved through the implementation of streamlined workflows, optimization of staffing levels, and ensuring that only essential personnel are retained. Advanced machinery is also introduced to automate some of the operations, which allows the factory to achieve significant cost savings by reducing dependence on human labor. This technological edge not only lowers operational expenses but also improves efficiency and consistency across production.

Even in factories that achieve strong profitability, such as an EBITDA of 40%, the company keeps on managing its facilities with a crisis-oriented approach. This discipline ensures that resources are used precisely, and cost-efficiency remains a top priority. During actual financial crises, the company is even more aggressive regarding cost reduction, which includes cutting more personnel, reducing bonuses for individuals in senior positions, limiting business travel, and renegotiating supplier contracts to secure more favorable terms. With this, by looking at *Figures 6, 7, and 8*, over the years, the company has reduced its consumption of natural gas and energy and generated waste, which indicates the effort that the organization puts into its operations to reduce costs and be the most efficient possible.

Moreover, this approach is extended to the company's most stable factories, where ongoing efforts to optimize costs are evident. Even in well-performing operations, the organization seeks continuous improvements by analyzing expenditures and finding opportunities to reduce overhead. This continuous focus on efficiency and cost control allows the company to remain resilient and competitive in a challenging global market.

3.5 M&A department

After proving to be the best organization among the greatest, the company decided to become the biggest one, by adopting an internationalization strategy based on acquisitions, as I previously addressed. With this, it created an M&A department in 2011, where a member of the executive board (specialist in acquisitions) was responsible for finding opportunities, following the market, and analyzing management reports of factories. This department had already tried to purchase around 20/30 factories and they were not successful. To ensure that the new opportunity is feasible in financial terms, the company needs to guarantee a payback of six years, which sometimes is not possible, due to the goal of achieving long-term profitability.

Currently, the company is studying the opportunity to bring three new factories to the group. There are already predictions for these three factories' bankruptcy, which aligns with the organization's strategy of transforming factories in unhealthy situations into efficient and high-performing operations. The creation of this department shows the organization's commitment to expand its global footprint and maintain itself as one of the biggest in the industry.

3.6 Acquisitions

As previously addressed the company's main strategy in the international market is to acquire groups composed of several factories in financial difficulties. According to this, the company started its international investments in Spain, with the acquisition of an industrial unit in León and quickly expanded to other parts of Europe and America.

In 2012, acquired a Polish group, which allowed the organization to achieve a geographical expansion of its market to Eastern Europe and increase its product range and client portfolio, representing in this way a step forward in the group's internationalization. Four years later, in 2016, the organization assumed ownership of a German company, meaning an expansion of its market to Central Europe, enabling synergies between operations and the improvement of the company's international customer base, while increasing its understanding of the market.

One year later, the organization advanced to the acquisition of a group composed of 4 plants in three countries. Two in Bulgaria and one in Greece and Romania. With this, the company increased its production to twenty million units daily.

After expanding to Central and Eastern Europe, the organization decided to explore the North American market, with acquisitions in the United States of America and México. Thus, in 2018, the company proceeded to the acquisition of a group in the US, marking an ambitious attempt to enter a new and competitive market. However, this opportunity proved to be unsustainable and the company decided to exit the business. One of the main challenges was the cultural environment within the acquired organization, where people inside were resistant to collaboration and alignment with the company's established practices and values. This lack of opening by the Americans made it difficult to implement the needed changes and foster a productive working relationship. Additionally, the workforce at the U.S. facility was another obstacle, due to an average employee age of over 50 years old, which led to less flexibility and adaptability to the new systems and processes that the company wanted to implement.

Financially, the factory was unprofitable, and the salaries were too high when compared to the productivity of the factory. Despite efforts to restructure and optimize operations, there was always someone or something dragging back the work of the company to put the factory in favorable conditions, namely the combination of cultural resistance, an aging workforce, and unsustainable cost structures. As a result, the company made the strategic decision to leave the market and allocate its resources to more viable opportunities.

After this unsuccessful acquisition in the United States, the company focused on Mexico, where it made a strategic purchase in 2024 that offered new opportunities. This acquisition positioned the company geographically closer to the U.S. market, which brings to the organization an advantage regarding the access and supply of its products to U.S. customers. The proximity allows for easier logistics, reduced transportation costs, and faster response times, making competing in the North American market more favorable.

The factory in Mexico currently specializes in producing a single type of product, but the plan is to change that significantly. The company wants to diversify the facility's portfolio, with a wide range of products to meet the demands of the U.S. and other nearby markets. This transition will increase production versatility and strengthen the company's ability to meet diverse customer needs and expand its market share in the region.

3.5.1 Iberia and Central Europe

The company has achieved significant success in both the Iberian and Central European regions, which has contributed significantly to its overall profitability over the years. In both regions, the company registers a profitability rate superior to 40%, showing the strength and coordination of its operations and strategic alignment with local markets.

Due to the similarities between Portugal and Spain regarding culture and language, the success of the Iberian region is partly attributed to that, allowing for easier integration and much smoother management. The shared cultural background enables seamless communication and collaboration across teams and between the mother company and its subsidiaries, with Spanish and Portuguese workers leading the operations. This proximity fosters a cohesive working environment that drives efficiency and productivity.

On the other hand, Central Europe distinguishes itself with its highly organized and structured approach to operations. The culture in this region is known for its discipline and use of established processes, which is completely in line with the company's emphasis on standardization and efficiency. The preference for rule-following and methodology in Central Europe has been crucial in keeping consistent performance and ensuring smooth processes. All these elements have made Iberia and Central Europe vital regions in the company's internationalization process, being an example of success in other markets.

3.5.2 Southeast Europe

The Southeast region presents significant challenges for the company because of its instability and lack of a well-defined market framework. When compared to other regions, this area struggles with disorganized infrastructures and weak economic systems, which makes it harder to implement consistent sales strategies and operational practices. When the company starts operating in the countries of this region, it faces a lot of obstacles, namely related to market processes and management of people and resources, which puts the organization behind other developed nations. Adding to this, cultural differences are another disadvantage when trying to operate in the Southeast area. The local environment is often connected with corruption in business dealings and economic systems. For a company that is proud of being a serious company that values following the rules and seriousness, this type of environment poses a

significant challenge, since it affects strategic decisions and lowers the company's ability to keep aligning its business operations to the standards of integrity and transparency.

Despite being confronted with a difficult environment, the company tries to maintain commitment to its values, while fighting to keep a good reputation in its industry. With this, operation in the Southeast region requires a precise study of the strategy that will be applied and adjust some processes and management practices to mitigate risks while being true to its principles.

3.7 Financial Performance

Over the years, the company's internationalization strategy has significantly contributed to its financial performance, leading to fast growth and increased market presence. With its expansions to different markets across the world, the company diversified operations, and achieved the highest level of sales in its history, which led to the organization's strong and solidified position as a global leader in its sector (*Figure 10*). This strategic focus has resulted in great long-term financial results, and between 2008 and 2023 the organization achieved an average annual growth rate of around 16% (*Figure 9*).

In 2023 and after poor performances in 2021 and 2022. the company reported its best financial performance to date achieving an EBITDA of 519M (*Figure 11*). The renewed success reflects the company's ability to adapt and leverage its international footprint to capture new opportunities, overcome market disruptions, and deliver sustained growth.

This achievement underscores the critical role of internationalization in strengthening the company's financial resilience, driving sales, and positioning it for continued success in an increasingly competitive global market.

4. Teaching Notes

What was the company's internationalization strategy applied over the years to become the best among the greatest in the industry?

Expanding abroad and being recognized internationally was almost since beginning a key aspect of the company's strategy in order to sit at the same table as the greatest players in the addressed industry. Thus, to achieve this goal, acquiring groups with factories in several economic difficulties was characterized as the main approach of the organization to mark its presence across the globe. With this, the company wants to transform these factories into opportunities for long-term profitability, by implementing their standardized processes that have already achieved success in Portugal and in other areas across Europe and America. By doing this the company can ensure consistency in quality, efficiency, and cost control regardless of the factory location.

After making a purchase, the organization can implement the way they want to work and ensure that the factory follows an approach aligned with rigorous cost reduction and the use of automated processes to minimize headcount expenses, meaning that the organization manages its facilities as if it were always in crisis. According to this, the group maintains its crisis-oriented management style even in factories where EBITDA reaches 40%. To ensure that it has a reliable and strong strategy, a disciplined financial approach is crucial in the long term. Therefore each acquisition is evaluated to guarantee a payback period of six years, leading to minimized risks and financial sustainability.

Adding to this, having a presence in regions with different mentalities and cultures, brings new challenges in the management of the acquired groups, meaning that the company needs to adapt its strategy and be flexible. With this, the organization needs to deal with corrupt governments and economies based on fraud, mainly in the Southeast, which leads to some market instability. Following the CAGE framework, there might be cultural, geographical, administrative, and economic differences that the company studies to better assess what acquisitions to do and what needs to be done differently to adapt to the distinct conditions found in other regions. With this, in all areas that the organization is present, there are differences in customer habits and preferences, there are several types of economies from well-organized ones to corrupt ones, diverse regulations about the industry where the company is present, and new environments

that can change according to where the acquired group is positioned in the globe (war, crisis, etc.).

Also thinking about the OLI framework, before being prepared to go abroad and face the competitiveness of the international market, the company had already a strong structure and strategy in the national market. Therefore, the company first developed ownership advantages, which include the resources and capabilities that differentiate it from the competitors in the home market. Then, as it showed over the years, the company succeeded in creating internalizing advantages, through the direct management of factories and the appliance of a standardized organizational structure and location advantages, with the acquisition of a factory in México to be close to the US market. With this, the company is prepared to invest in the international market through FDI and is more capable of expanding internationally.

Finally, integrating the company's core values is also a vital part of the internationalization strategy. The company's values of ambition, humility, transparency, emotion, and rigor are shaped in all its locations, leading to a unique culture within the company as a whole.

How did the company maintain its organizational structure, cost reduction, and resource optimization approach across global operations?

Over the years in the international market, the company has adopted a structure fully based on managing resources in an efficient way in order to reduce costs and maintain its financial discipline across its global operations. After deciding on the acquisition the organization develops a detailed plan where it makes a deep analysis on the factory's cost structure and decides on what to cut according to the needs and expenses that the facility has. According to this, the company makes a strong effort to mainly reduce personnel and maintenance expenses, leading to the reduction of staff and extra benefits to the employees, and unnecessary overhead. This will ensure that the factory starts to redirect its focus to a real transformation to achieve good performance and profitability.

Adding to this, the company also thrives to adopt new technologies and develop automated processes, to depend less on humans, and in this way reduce headcount expenses, and be more efficient in its operations maintaining the quality of its output. Therefore, the organization is able to adapt easily to changes in demand, being more flexible and precise in the international market.

As previously addressed, this approach is not temporary, so even when the factory is achieving good results and high EBITDA levels, the crisis management style is maintained in practice regardless of the market conditions. Thus, the company tries to renegotiate contracts, limit discretionary expenses such as business travel, and carefully manage performance incentives to leadership roles, always ensuring that the resources are allocated efficiently.

We can connect this approach with the resource-based view theory since it consists on using resources efficiently in order to gain and sustain competitive advantages. This theory enhances the importance of having unique and heterogeneous resources and capabilities to develop a competitive advantage. This means, that the resources need to be valuable, rare, inimitable, and non-substitutable. In the case of the company in analysis, it has valuable capabilities such as the ability to transform factories into high-performing facilities and cost optimization processes, the rare capability of a strategy based on acquiring and restructuring struggling facilities in diverse geographies, inimitable resources, such as its values and knowledge internalization across all regions and non-substitutable resources, which includes M&A expertise and a uniform organizational strategy across global operations. With all this, the company can sustain its competitive advantages in the long run and keep being a reference in its industry.

Finally, regarding its organizational structure, the company applied a uniform organizational model across all its factories, ensuring consistency in management, processes, and decision-making. Across all its facilities in southeast Europe, central Europe, and North America, the organization operates under the same guidelines and principles, enabling alignment with the company's overall goals. This standardization also helps the newly acquired factories adapt easily and adopt the company's established practices.

What factors contributed to the company's success in the Iberia and Central Europe regions, and why did Southeast Europe and the U.S. present greater challenges?

During the internationalization process, the company has had the majority of successes; however, it also had to overcome some obstacles due to the different environments that the organization encounters in the distinct areas where it operates.

The international journey started with the acquisition of an industrial unit in León, marking the first step of an expansion across borders. With this, in the Iberian region, the similarities between Portugal and Spain were the main drivers for the achieved success and implementation

of standardized processes and management practices, allowing smooth communication and integration across teams. The fact that managers with leadership roles are Spanish and Portuguese, meaning that they already have a good background and knowledge about how the company operates, also helps the success in this area, enabling efficient decision-making and *modus operandi*. The company's long-standing presence in the region contributed to the development of strong market knowledge, customer relationships, and logistical efficiency, leading to strong profitability and high EBITDA.

On the other hand, the success in central Europe does not come from the similarities with Portugal, but from the characteristics of the culture in that area. Therefore, in Central Europe, people are organized and have a sense of commitment to follow the rules and what is expected to be achieved within the company objectives. They are methodic and have a significant preference for efficiency and standardized processes. Additionally, and particularly in Germany, the fact that the company is established in a country with a strong economy and a very stable market, reduces the risks of operating there, which is another factor that contributed to the good performance of the organization in this area.

The organization faces the most adversities and challenges in Southeast Europe. The countries where the company operates are often associated with economic and political instability, which increases uncertainty in operations and market processes. In this area, the company is faced with many situations related to corruption, due to fraudulent governments and economies based on corruption. Here the culture is very different, which requires an adaptation regarding the situations and environment posed to the company, meaning that the organization follows a more local responsiveness approach, despite the continued effort for standardization across all operations. Due to its volatility in managing people and resources, there is some difficulty in understanding the market, which harms the company's strategy.

The North American market is very important for the organization and corresponds to two of the company's acquisitions over the years. However, one of these new business opportunities did not work as expected and did not reach the desired profitability levels, leading to its withdrawal. Thus, the US market was one of the main targets in that region, because of its huge size, diversity of industries presented there, high innovation and technology, access to a wide range of customers, advanced infrastructures, and an opportunity for long-term growth. Despite all the potential presented in the US, the company was not able to take advantage and adapt to the cultural differences. The workers were older (average age above 50 years old) and were not

willing to adapt to the new operational model, showing some resistance to implement the company's standardized practices. Additionally, the factory in the US had unsustainable high costs, which was an obstacle to the achievement of a payback period of six years, leading to the exit of the market. This can be related to the foreign divestment theory since the organization decided to reallocate its resources and strategically left the market to reduce the risk and optimize its global strategy.

With this divestment in account, the organization redirected its focus to México, allowing it to continue in the North American region and be close to the USA. Being in México, the company can better supply US demand and reduce its logistic and transaction costs.

5. Conclusion

Approaching the end of the case study is possible to conclude that the company in analysis is a good example of how to have success internationally, by using foreign direct investment and a strategy of acquiring factories in bad financial situations. During the case study, is explained how important is for the company's strategy the careful management of resources, the reduction of costs, the efficiency of processes, and global standardization of management and strategy across the regions where it operates.

When selecting new targets to acquire the company needs to develop a detailed plan for the factory's recovery and understand if it has the potential to grow by using its developed strategy. In this way, the responsible for the M&A department passes through a deep analysis of the market, reports, and environment of the target acquisition and the country where it operates. Therefore, the process of acquiring a new group is long and the company sometimes has twenty or thirty options that do not suit the organization's idea. However, this process is already very coordinated and well-defined within the company, which allowed the organization to make strategic acquisitions.

The organization has shown over the years the ability to operate in different markets and achieve success, which demonstrates the commitment to the company's strategy. For the future is important for the company to continue pursuing the US market, due to its size and opportunities to grow the organization even more.

6. APPENDIX

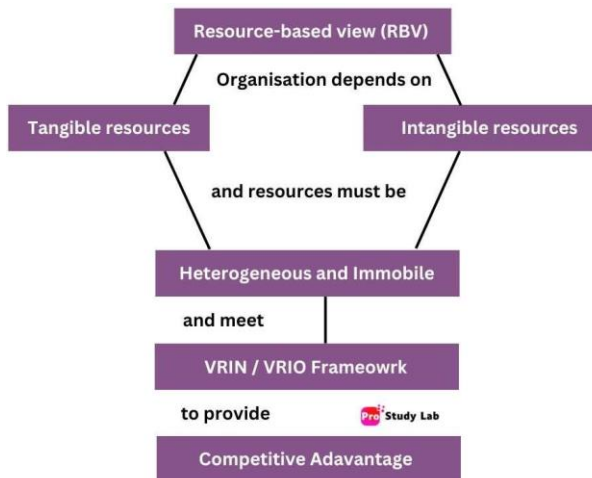


Figure 1

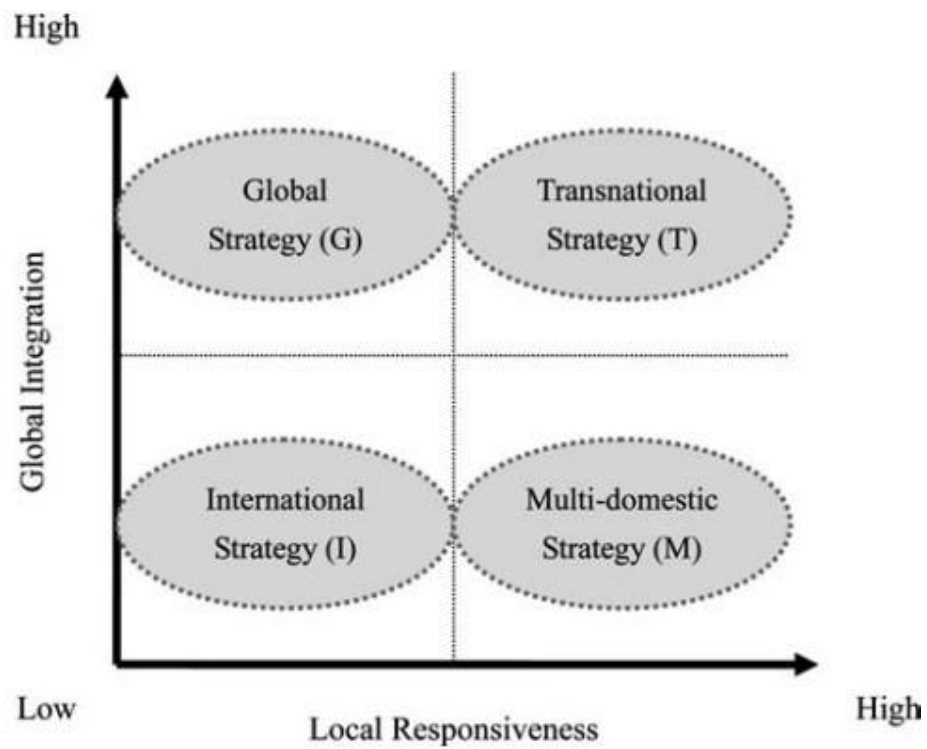


Figure 2

Fig. 1. OLI paradigm

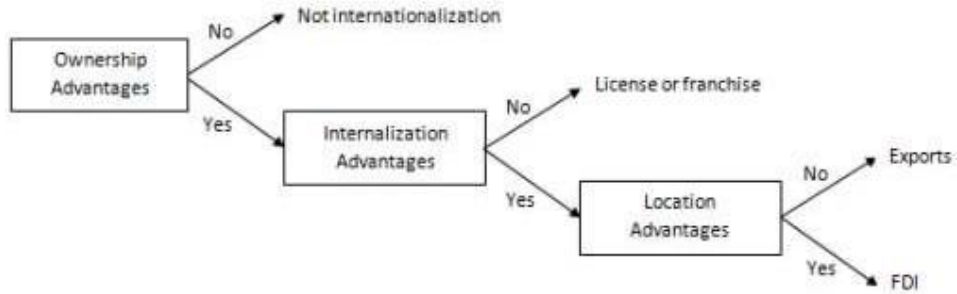


Figure 3

CAGE Distance Framework

C	Cultural Distance
A	Administrative Distance
G	Geographic Distance
E	Economic Distance

Figure 4

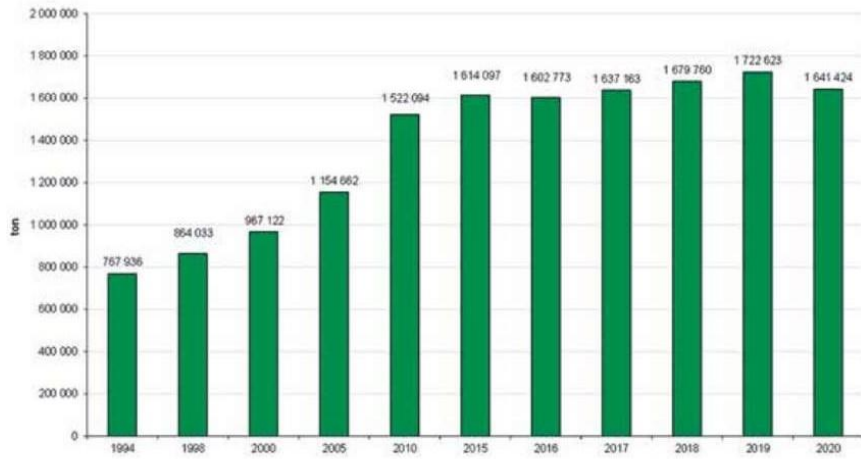


Figura 1 - Volume de produção (toneladas) estimado para Portugal

Figure 5

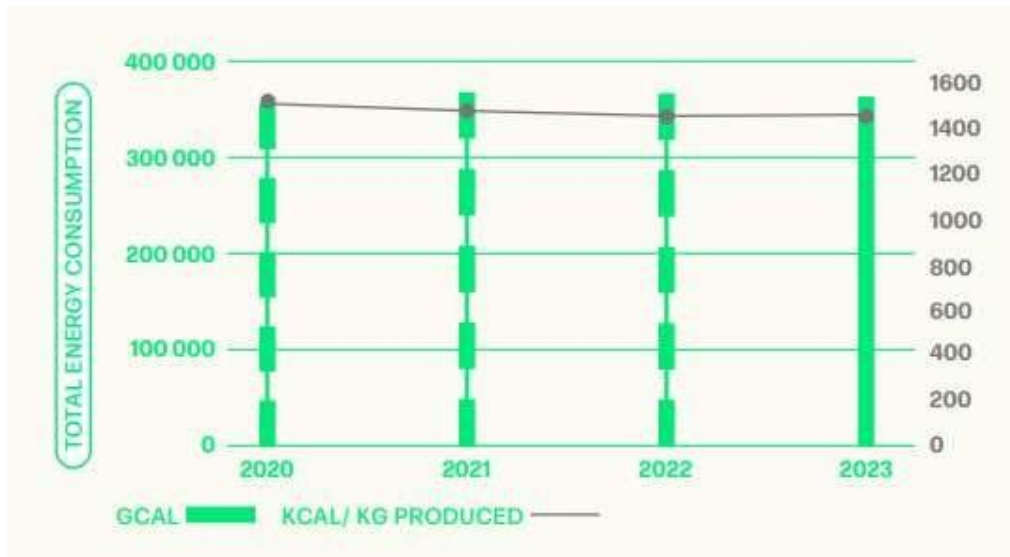


Figure 6

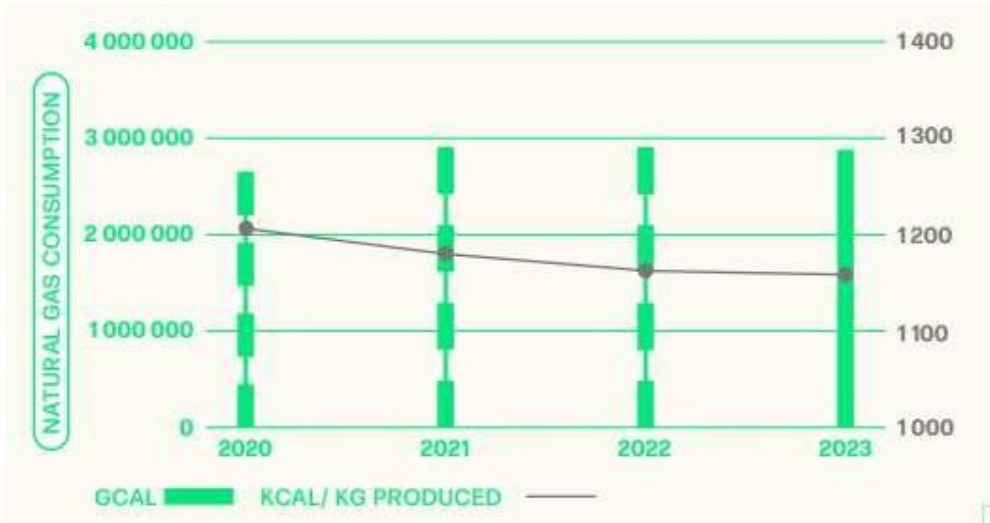


Figure 7

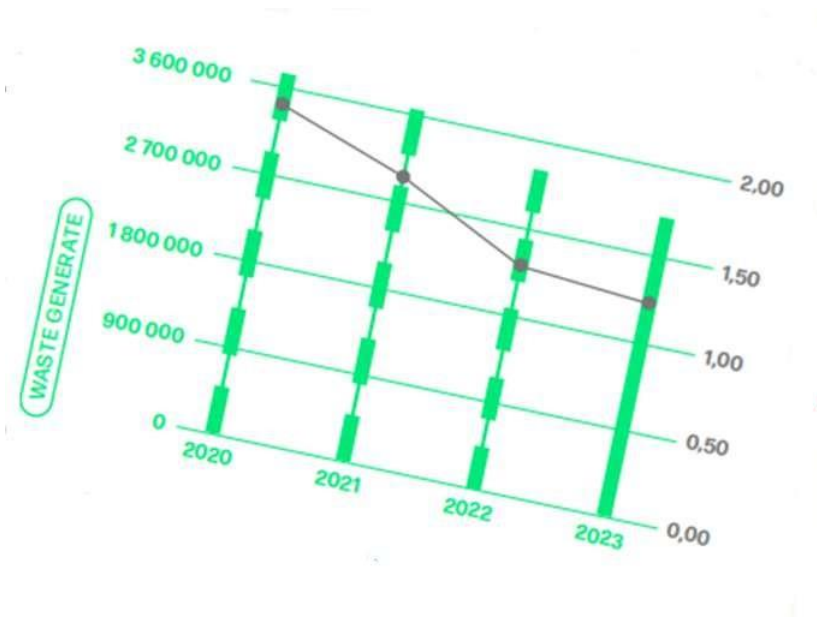


Figure 8

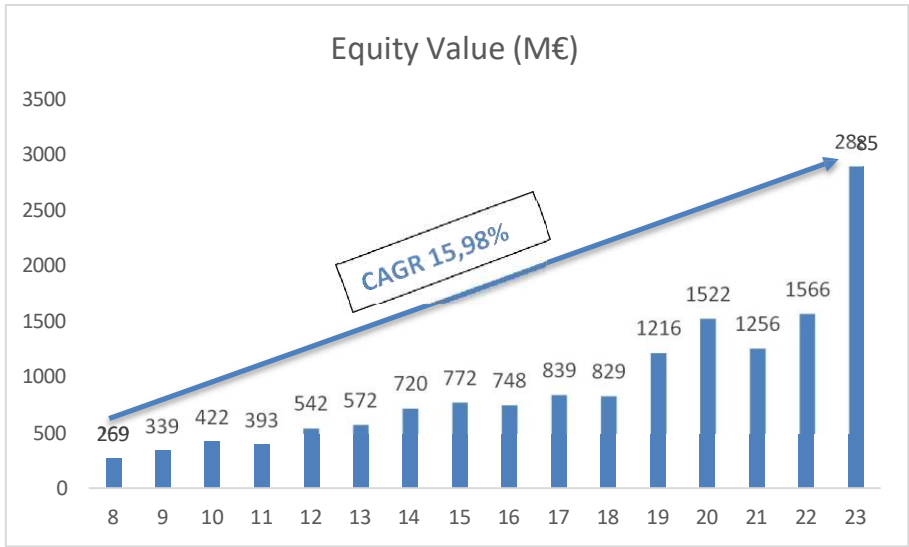


Figure 9

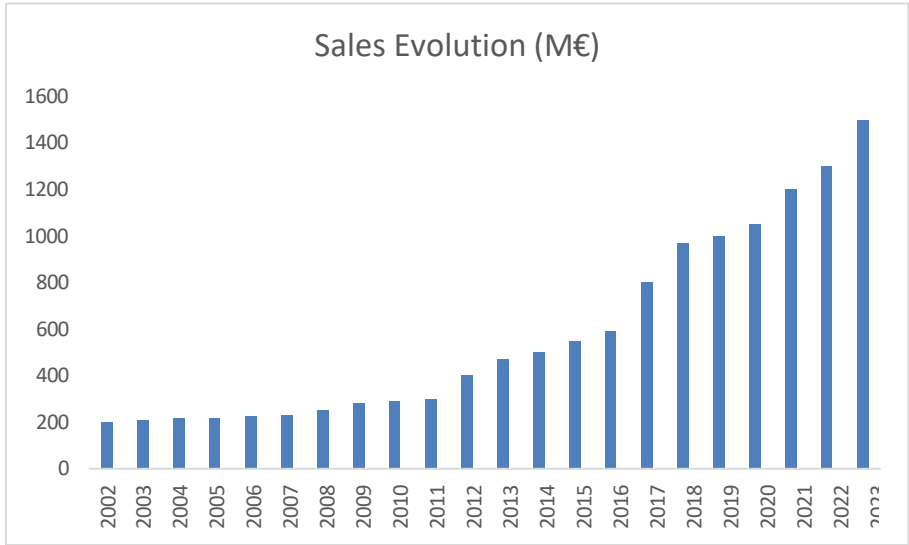


Figure 10

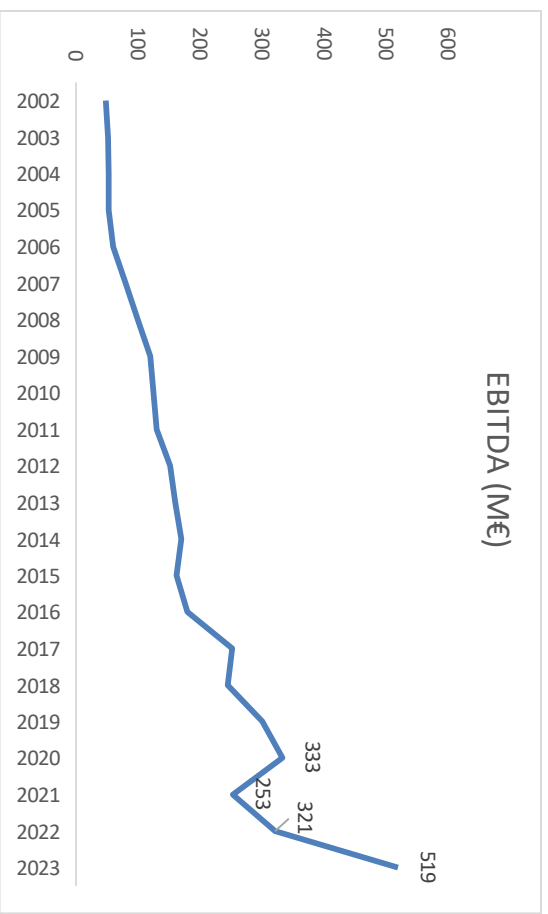


Figure 11

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