



The Importance of a Good Strategic Plan Before Expanding the Business

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Abstract in English

This dissertation, in the form of a case study of the company Agro-Graça, aims to analyze the management of the company and the beginning of the internationalization process through exports, as well as the reason why they stopped exporting years later. I analyzed the decisions taken in the past in the light of existing theories, studies carried out and knowledge acquired in the master's degree. In the end, I present the objectives and future initiatives of the company.

My master's degree, the experience in the Business Continuity and Crises management team at Vodafone and being in the strategic planning at Caixa Geral de Depósitos, gave me a very clear vision of the importance of planning and forecasting future scenarios. Only with a good vision of the future, well-defined objectives and a good preparation to face adverse scenarios, long-term success can be achieved, as well as building a stable base for the expansion and growth of the company.

Despite being a sector with little economic relevance compared to others, the agricultural sector was and will always be a fundamental sector, in Portugal and the rest of the world. A sector that has suffered a lot, mainly with climate change and its lack of attractiveness in the market, as we will see in the course of this work. In addition, it has gained importance in the international media, largely because of the recent war between Ukraine and Russia, two major producers in this sector.

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Keywords: Agriculture, Agro-Graça, Portugal, Ribatejo, Strategy, International, Exporting

Abstract in Portuguese

Esta dissertação, sob forma de caso de estudo da empresa Agro-Graça, tem como principal objetivo analisar a gestão da empresa e o início do processo de internacionalização através da exportação, assim como a razão pelo qual pararam com as mesmas anos mais tarde. Analisei as decisões tomadas no passado à luz das teorias existentes, estudo realizado e conhecimentos adquiridos no mestrado. No fim apresento os objetivos e iniciativas futuras da empresa.

A minha especialização de mestrado, a experiência na Vodafone na equipa de Business Continuity e Crises management e a passagem no planeamento estratégico da Caixa Geral de Depósitos, deram-me uma visão muito clara da importância do planeamento e previsão de cenários futuros numa empresa. Só com uma boa visão de futuro, objetivos bem definidos e uma boa preparação para enfrentar cenários adversos é que podemos alcançar o sucesso a longo prazo, assim como contruir uma base estável para a expansão e o crescimento da empresa.

Apesar de ser um setor com pouca relevância económica em comparação com os outros, o setor agrícola foi e sempre será um setor fundamental, tanto em Portugal como no resto do mundo. Um setor que tem sofrido muito, principalmente com as alterações climáticas e a sua falta de atratividade no mercado, como veremos no decorrer deste trabalho. Para além disso, tem vindo a ganhar importância nos media internacionais, muito por causa da recente guerra entre a Ucrânia e a Rússia, dois grandes produtores deste setor.

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Palavras-chave: Agricultura, Agro-Graça, Portugal, Ribatejo, Estratégia, Internacional, Exportação

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Before starting this dissertation, it is important to point out some people and institutions that help me finalize my master's degree and this paper. Working full-time while doing this work was not easy, and I couldn't have done it without them.

First of all, I would like to express my gratitude to my family that has been my motivation and support since the beginning of my life, having helped me to pass through some difficult moments over the last year. I owe them everything. I also want to thank my girlfriend for her patience, understanding and support during this master's degree. They were my greatest strength, always giving me positive feedback.

Agro-Graça was crucial in this paper, giving me all the information and help that I needed to apply my research work and knowledge acquired in this case study. I would like to thank specially to Carlos and Marisa for their time and availability.

Caixa Geral de Depósitos, where I worked over the last year, has also played an important role. They gave me the flexibility needed to better balance the time between work and thesis, having the possibility to gain professional experience at the same time, improving my time management skills.

Catolica Lisbon had been a great and favorable environment where the master's degree was materialized. The assistance of Professor Nuno Cardeal was essential in guiding me through my work, giving me always sincere feedback and important tips. I could not forget my two colleagues, Tomás Carvalho and António Teixeira, my partners in those long nights of study and workgroup.

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1. Introduction

The preference for the theme arose from a desire to deepen the internationalization process within the strategic plan of firms. Market liberalization and the phenomenon of globalization, increased competition and the high pace of innovation have been putting new challenges and opportunities on Portuguese companies, which made them reflect about the possibility of internationalization. Companies giving high importance to foreign markets is a phenomenon present in all industries. It is essential that organizations can take advantage of opportunities from globalization as well as entry into new markets, enabling them to benefit from competitive advantages.

Business management and the location of investments are fundamental to the success of international expansions, requiring managers to carry out an in-depth analysis of the different options of where and how to enter the markets, evaluating the benefits and risks (Moschieri, 2016). The characteristics of the target country to enter must match the company's strategy, its expansion objectives, culture, vision and mission.

Exporting should be the first step before internationalization through direct investment (Moschieri, 2016). Companies that successfully utilize low-commitment and low-risk modes of entry, can learn from these experiences and develop the skills needed to engage in more complex and risky operations.

Portugal is an open country to the world market and, in many Portuguese companies, the foreign market already has a much higher weight than the domestic market. The weight of exports in Gross Domestic Product (GDP) has grown (Pordata, 2021a): from 26% in 1996, to 30% ten years later and, in 2019, it already represented 45%. Despite the fall in 2020 due to Covid (37%), in 2021 the exports already represented 42% of GDP.

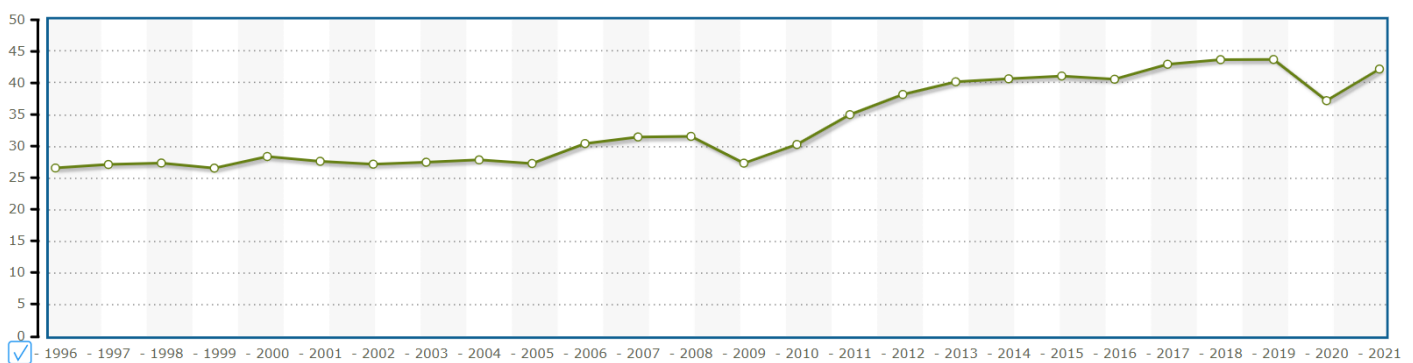


Figure 1: Pordata. (2021a). Trade Balance in % of GDP.

2. Research Objective

According to the (European Commission, 2021), the European Useable Agricultural Area is expected to decrease slightly, reaching 160.5 million hectares in 2031. However, this decrease is mainly due to the reduction of the area of forest and arable land. This will happen because it is expected the increase of the conversion rate of land from conventional to organic agriculture in the next decade. This is due to a growing demand for these products resulting from the increasing attention paid to climate change and the way food is produced. Under this assumption, the share of organic land in total agricultural land can reach 15% in 2031.

In the Portuguese Strategic Vision for the Economic Recovery Plan 2020-2030 (A. A. Silva, 2021), it is explained that Portugal is a country capable of changing the fate of the interior of the country by boosting the local economy, creating more agricultural wealth and protecting the forest. The plan refers that Portugal can insert the interior in the Iberian hinterland and combat desertification. It is also pointed out here the essential need to create strategic water reserves for the sustainability of the country and the different economic subsystems, as is the case of agriculture, which is considered a fundamental vector of the country's recovery plan. The objectives proposed for this decade include the adoption of energy efficiency measures, strengthening the innovation agenda in agriculture and creating the status for innovative farmers, promoting initiatives that will make the sector more attractive, improve its trade balance and exploit the potential of dryland agriculture (which occupies about 85% of the country's arable area).

For these and other reasons, there is room for growth, both in Portugal and in Europe. Exporting to other European countries a quality product or transporting the Portuguese brand across borders seem very favorable scenarios in this context, both for the company to expand and increase its sales and results, but also for the country itself.

Problem statement and research questions

The development of an adequate internationalization strategy is important for the long-term success of any company, but it is one of the most challenging jobs to do (BDC, 2021). Many small and medium enterprises can serve the domestic markets, but an upgrade is needed when they want to reach foreign markets.

Having said that, the aim of this thesis is to address the case of a company inserted in the Portuguese primary economic sector. I will try to explore some mistakes of the past when they started

internationalizing, in the light of the existing theories and the industry overview, and present the new initiatives that they want to perform in order to enter into the foreign market again.

In order to further deepen the theme described, the following research questions were suggested:

- What went wrong with Agro-Graça internacionalization strategy?
- How to best aim Agro-Graça for future growth and success, surviving in the present paradigm?

Methodology

In order to prepare this dissertation, I'll start by studying the theories of internationalization that already exist. After analyzing the agriculture sector, I will proceed with the case study of Agro-Graça, seeing what went wrong with the strategies they followed in the first place, and what they intend to do now in order to enter in the international market again and invert the negative trend of the last 4 years. During this paper, I'll make the connection between the theories, the industry trends /characteristics, and the strategy followed by the company to sustain the conclusion of this dissertation and to better understand what could be done better, giving support to the future initiatives of this company.

3. Literature Review

3.1. Globalization and Exports

Globalization refers to the stage in which the company's operations are coordinated and managed on a global scale, and this is characterized by the global integration of competitive markets and the company's competition in the international market (Bardhan, 2004).

Since the end of the XIX century, trade has grown remarkably, completely transforming the global economy. Today about one fourth of total global production is exported (Esteban Ortiz-Ospina and Diana Beltekian, 2014). The integration of national economies into a global economic system was one of the most important developments of the last century. This globalization process has materialized in a remarkable growth of trade between countries (Federico & Tena-junguito, 2016).

Growth of global exports

Total world exports adjusted for inflation (constant prices), relative to 1913. Values correspond to world export volumes indexed to 1913.

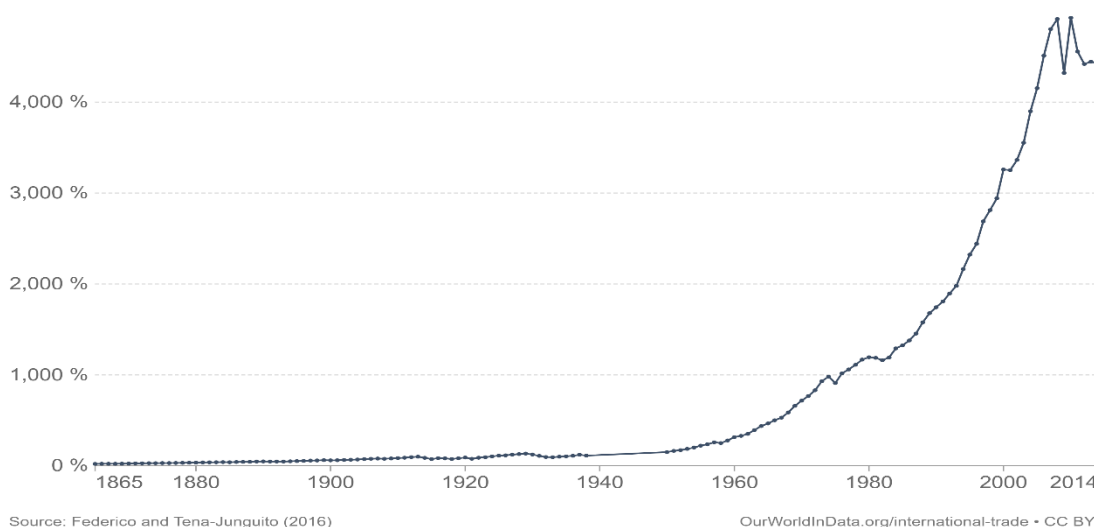


Figure 2 - Federico, G., & Tena-junguito, A. (2016). Working Papers in Economic History A tale of two globalizations : gains from trade and openness 1800-2010. Ourworlddata.

After the two world wars and the crash of 1929, it was necessary to establish a set of rules that would provide a quick and efficient recovery of the economy (WORLDBANK, 2001). This is how a series of reformist measures were taken that gave rise to the so-called 2nd wave of globalization. Measures such as the creation of the GATT ("General Agreement on Tariffs and Trade") in 1947, which required the non-discrimination of trade between more and less developed countries, the elimination of limitations on the quantity of traded products and the reduction of tariffs, with a view to reducing barriers to trade (World Trade Organization, 1947). Portugal has been a member of GATT since 6 May 1962. After the Second World War, trade started growing again. This wave of globalization has seen international trade grow faster than ever before, as we can see in the graph above.

The phenomenon of globalization and the increase in interactions between countries had very positive effects on the trade balance. Since 1996, the Portuguese balance curve has seen ups and downs, although it clearly shows more imports than exports as a trend (exhibit 1). It is interesting to note that, while services have always a positive balance, goods have negative balances every year (Pordata, 2021b). This means that the country systematically imports more goods than the ones it exports. Having a positive balance is always good for the country and we must therefore contribute to this. We can choose the way of valuing the consumption of what is national, reducing imports. Although we must not forget that what enriches the country is not only exports, but international trade. Imports are important for creating synergies, projects that accelerate the economy and to cover gaps due to the lack of certain products (Jessop, 2021).

3.2. Theories of Internationalization

Over the years, some theories have been developed about the process of growth and internationalization of companies. The origins of these theories are rooted in the 1930s, a decade known as "years of high theories". The crash of 1929 generated several studies in the areas of economics, finance and business management (Romer, C. D. and Pells, 2021). The development of the "Nature of the firm" (Coase, 1934), that tries to define a company and its growth, examining its existence and complexity in the real world and also covering economic theories (and its gaps) is considered the basis of all other theories of internationalization that arose later.

The major theories emerged from the 1960s, extending some concepts of Coase to multinational companies and businesses across borders. They all try to explain the decision-making of companies when they approach international markets to continue to be successful. Later, in 2004, the academics Varinder M. Shanna and M. Krishna Erramilli grouped these theories into 3 distinct paradigms, market imperfection paradigm, behavioral paradigm and market failure paradigm (Sharma & Erramilli, 2004). According to them, there is a direct relationship between competitive advantages and entry into other markets.

Market imperfection paradigm

According to Sharma & Erramilli (2004), in an imperfect market, big companies get more power and control over products and prices, obtaining higher profits.

This paradigm comes from Joe Bain's theory of industrial economic organizational of 1956. The author points out, among other things, that the imperfect market leads to profits well above average for any industry (Bain, 1956). This type of market is very supported by large "sharks" that dominate the market and manage to control the number of competitors. They close the door to new competitors, with high entry barriers difficult to overcome.

More than defending the interest of consumers, the idea of concentrating power in industries was to favor the "national interest", to face the competition between countries (Bianchi, 2013). The industry would become stronger with big companies all align in the same strategy of "attacking" the international market. The big conclusion raised by Bain is that a company does not exactly need to put entry barriers. Instead, focusing on the growth of the company, on a national and international scale, is better to prevent

new players from entering the market. This new way of looking at the oligopolies and monopolies identified by Bain is based on the search for monopolistic conditions despite the absence of technical entry barriers. In other words, it is based on the strategic creation of entry barriers, just by filling all market spaces, generating greater economies of scale and a very large production capacity, which makes the possibility of competitive competition almost impossible.

Monopolistic Advantage Theory

In 1960, Stephen Hymer studied foreign direct investment (FDI) from U.S. companies after World War II and founded the theory of monopolistic advantage (Stephen Herbert Hymer, 1960).

The theory of monopolistic advantage explains why companies choose to internationalize through FDI. Typically, large multinationals, when moving to another country, are at a disadvantage compared to local companies because they have to deal with cultural differences, high cost of acquiring local know-how in other countries, etc. However, these costs can be offset by certain "monopolistic" advantages of multinational companies. The implementation of these advantages in other countries allows multinationals to make profits that are not easily accessible by local companies, thus allowing them to achieve international success and gain market share (Stephen Herbert Hymer, 1960).

FDI is a category of cross-border investment associated with a company of one economy who has control or a significant degree of influence (of at least 10%) over the management of a company resident in another economy (WORLDBANK, 2020). This influence can be acquired through the purchase (partial or total) of a company in a foreign country or through greenfield investment, when a parent company creates a subsidiary in a different country.

One big objective of this method is to join monopolistic advantages that multinationals have, to the advantages of local companies (Salimath, 2020). Monopolistic advantages can arise from things such as technological innovation, manufacturing processes, brand names, knowledge, patents or economies of scale.

In Portugal, 99.9% of companies are composed by micro, small and medium-sized enterprises (Pordata, 2020). This type of company may have the necessary competitive advantages to move forward, but a major obstacle may be the lack of capital for this kind of entry mode. Therefore, to grow and gain market across borders, they should demonstrate their competitive advantages to get the attention of these big foreign companies that want to invest, being them the target for FDI and not the company who invest.

International Product Life Cycle Theory

Raymond Vernon introduced in 1966 the international product life cycle theory (IPLC).

According to Vernon's theory, the internationalization process occurs differently during the four stages of the product life cycle (Vernon, 1966). These are the introduction, growth, maturity and decline. This theory was focused on the reality of the United States back then.

In the introduction phase, production is in small quantities and without standardization, costs are not a key factor because companies want to bet on flexibility, communication and control. At this stage, companies can benefit by exporting their products to potential markets in other developed countries.

In the growth phase, standardization increases, and companies try to cut production costs and gain economies of scale. At this stage, companies start investing in developed countries with moderate income.

As the product enters the maturity stage, the level of product demand and sales volumes increase slowly. Companies shift their production line to different countries where resources and labor are usually cheaper. Normally, the product prices decrease a bit, taking advantage of economies of scale, so the company can maintain or even gain market share.

During the last phase of decline, demand in developed markets declines. At this stage, companies should focus on one of two things. On one hand, the company can reduce the production costs, so they can reduce the prices and become competitive again. On the other hand, the company can take its business to other countries with higher demand or unexplored markets.(Andersen & Chan, 2014)

Nowadays, we know that more and more companies have different production lines, with different services and products when it comes to the life cycle, so the company cannot properly have a global strategy following this model. Therefore, Johny K. Johansson presented the Optimal Entry Mode Matrix, which consists of combining three different strategies (incremental, protected, control) with the product or market situation. According to the author, there are many internal (company factors) and external (market factors) factors to the company that have to be evaluated to know the best international strategy. With this matrix, a company chose an appropriate entry mode based on the product life cycle phase or market situation and the company's strategic posture (Johansson, 2009).

Company strategy posture	Product/Market Situation			
	Emerging	High-growth	Mature	Services
Incremental	Indirect exports	Indirect exports	Direct exports	Licensing alliance
Protected	Join Venture	Indirect exports	Alliance/Licensing	Licensing
Control	Wholly Owned subsidiary	Acquisition/Alliance	Wholly Owned subsidiary	Franchising/Alliance/Exporting

Figure 3 - Optimal Entry Mode Matrix - source: Johanson, J., & Vahlne, J. E. (2009). *The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership*. *Journal of International Business Studies*, pag 172.

The author identifies 3 postures. The first one is when the company has few resources to use in its entry strategy, and this is the usual case for a young and/or small companies. The main characteristic of this posture tends to be its hesitancy and desire to keep future options open. This strategic posture is called incremental.

Another strategic posture is the protected. This posture is normally adapted when the company has a well-protected trade secret or a patent that will have great potential abroad, however the company will need to learn about the market and develop more local knowledge.

The last strategic posture refers more to large and well-established companies in their domestic market. They have strong and solid competitive advantages and are large enough to not face many obstacles to expansion and offer a product with defined potential abroad. This is called the control posture.

Behavioural paradigm

The behavioral paradigm comes from the behavioral theories (Cyert R M & March J G, 1963) that focuses on the decision-making process of the "large multinational company under uncertainty in an imperfect market". They saw internationalization as a reactive and progressive learning process, in which the knowledge gained from experience leads companies to enter foreign markets. In an imperfect market, the company seeks short-term benefits, thus avoiding greater risks.

Internationalization Theory

Based on this approach, the theory of internationalization was created, defending that the process of internationalization of a company occurs slowly and gradually (Wiedersheim-paul & Johanson, 1975). After studying the internationalization process of four Swedish companies, these researchers formulated the theory of internationalization to explain the process of international expansion by individual

companies over time. They argued that companies need to gain market abroad and for that they need an international strategy that will lead them to venture abroad. This attitude is affected by the experiences that companies gain from national and international activities. That is why they stood up for the idea that companies should have some experience, have a good strategic plan and vision for the future, as well as a stable national situation before going beyond the borders.

The empirical observations concludes that the vast majority of Swedish companies begin their process of internationalization through exports. Subsequently, if their products were successful in a given foreign market, they would formalize their entries through agreements with intermediaries in the foreign market. Typically, as sales grew, they replaced these intermediaries with agents from their own sales organization, and as growth continued, they began manufacturing in the foreign market to decrease trade barriers and costs (Johanson & Vahlne, 2009).

Another characteristic of the developed pattern is that the internationalization process often began in foreign markets that are close to the domestic market. Countries that are geographically close, where factors such as language, education, culture, business practices and industrial development are similar. After gaining such experience in countries with greater physical and cultural proximity to their country of origin, companies could then venture to other countries.

Networks Theory

By definition, networking refers to exchanging relevant information based on collaboration and mutual help (K. Eriksson, 1998). Having a good network is important for any individual. It makes more and better information arrive faster, bringing much more opportunities. With the help and synergies that are generated between people, success and personal/professional achievement are more eminent (West & Rudnicki, 2020).

The same applies to companies, and that's what this theory is about. Networking enables companies to create a network of relationships that facilitates mutual complementary actions and helps them exploit the synergies to achieve a common goal (Håkansson, 1987).

The network allows companies to expand abroad much faster. This is because business activities are normally collaborative, especially in the service industries (Håkansson, 1987). That said, it is expected that the great competitive advantage is obtained not only by internal resources but also by interaction and relationship with other companies.

Network consists of 3 components, agents, resources and activities, all of them interconnected (Håkansson, 1987). The agents include customers, managers, employees and suppliers, the ones who create and preserve relationships. When we analyze the background of the issue, the market is all formed by network, where the success of the company is dependent on the success of the interaction between agents.

Market failure

In a world of perfect competition, this paradigm suggests low-control modes such as exporting or licensing. On the other hand, if the market fails, foreign direct investment and internalize its operations will be preferable.

Eclectic Theory

John H. Dunning introduced the eclectic theory that speaks mostly about the location of economic activities. This theory was an additional development of the theory of internalization and was designed to overcome its weaknesses in the eyes of the author (John H. Dunning, 1988) .

Eclectic theory suggests that companies decide to involve FDI activities and exercise control over their resources if they have three main advantages, including ownership advantages (O), localization advantages (L), and internalization advantages (I). Therefore, this is also known as the OLI model (Cruz & Amal, 2020). After analyzing these advantages, the company should choose the entry mode that offers the greatest return on the associated risk. However, behavioral evidence indicates that the choice of the best entry method can also be determined by the availability of resources and the need for control.

The entry mode choice take into account four attributes (control, return, risk and resources). Exporting requires low investment and, consequently, is a low risk/return alternative. This modality may provide operational control to the company, but it does not provide market control. The sole venture modality is an alternative that requires high investment, therefore having a high risk/return, giving a high degree of control to the investing company. The joint venture involves relatively smaller investments, offering risk, return and control proportional to the shareholding of the investing company. Finally, the licensing modality is low-investment and provides less control to the licensing company (Agarwal & Ramaswami, 1992).

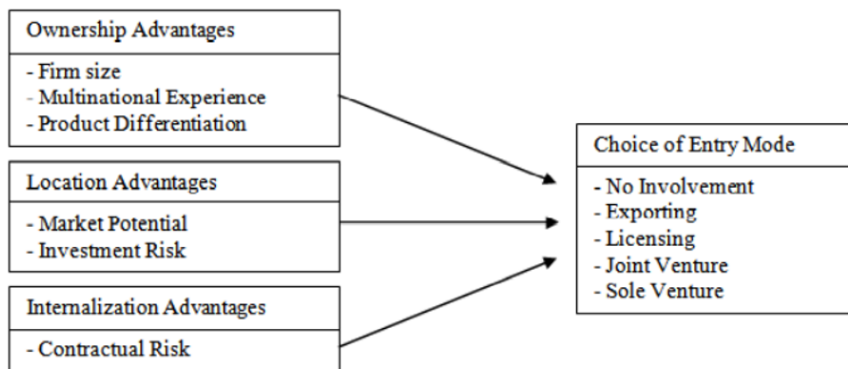


Figure 4 - An eclectic Model of Entry strategy . Sources: Agarwal, S., & Ramaswami, S. N. (1992). Choice of Foreign Market Entry Mode: Impact of Ownership

In the OLI model, ownership advantages show how company-specific unique and sustainable features, such as competitive or monopolistic advantages, help compete with local companies in foreign markets. If a company can use its ownership advantages effectively at the time of entry, it can achieve a superior market position, even knowing that these assets are not all transferable internationally.

Companies should use a selective strategy and choose to enter more attractive markets. Location advantages depend on the availability and cost of resources in a foreign market, the potential and growth of that market, and current economic and political conditions and government policies. Factors that are critical to the survival and profitability of a company's operations in that country. If a country's market potential is high and investment risks are low, the company will have a profitable business.

The advantages of internalization determine whether companies organize and coordinate their activities through the market or if, on the other hand, internalize them in the value chain to reduce transaction and coordination costs. These advantages are related to the relative efficiency of the market in trade management and the transfer of information. If contractual risks in the host country are high, companies prefer to exploit their ownership advantages internally through FDI, rather than selling it or licensing it to other companies in a target market.

Based on eclectic theory, if a company's home country has a localization advantage over the host country, it will choose export as its favorite mode. In contrast, if the target market has a location advantage, the company considers the risk of fulfilling contracts with partners. If the contractual risk is greater than the cost of internalization, the FDI will be the best way to operate. When the contractual risk is low, licensing will be preferred.

3.3. Coopetition

Following some guidelines of the theories above and according to (Leite, Emilene (Department of Business Studies, Marketing Division, Uppsala University, Uppsala, 2015), companies only focus on one of the two following concepts: cooperation or competition. In the business world, usually, the themes of cooperation and strategies to overcome competition are studied separately. One exception is the concept of coopetition, which has been explored to take into account the competitive aspects of business networks alongside the synergies that cooperation can achieve to reach common goals. The purpose of this article is to contribute to the network approach literature as well as other theories already explored above.

In the competitive paradigm, competitive advantage is expected to be achieved at the expense of other companies. This implies that companies are positioned to follow a self-oriented behavior, where their objective is to earn above-normal profits. According to this article, companies that know how to obtain and use resources most efficiently are expected to receive high economic rents.

In contrast to the competitive paradigm, other researchers who study the strategies of companies emphasize that competitive advantage can be achieved not at the expense of other companies, but through cooperation. In this cooperative paradigm, the business world is built on a network of relationships developed and nurtured through collaboration, where mutual benefits, rather than self-interest, dominate. This implies that a firm's performance is positively associated with the performance generated by the other company, which can lead to a more cooperative behavior due to the presence of mutual goals and greater interdependencies.(P. E. Eriksson, 2008)

The competitive and cooperative paradigms have been treated as two mutually exclusive events, although it has been recognized by the research community that companies can engage in both competition and cooperation with each other, ie coopetition. (Leite, Emilene (Department of Business Studies, Marketing Division, Uppsala University, Uppsala, 2015)

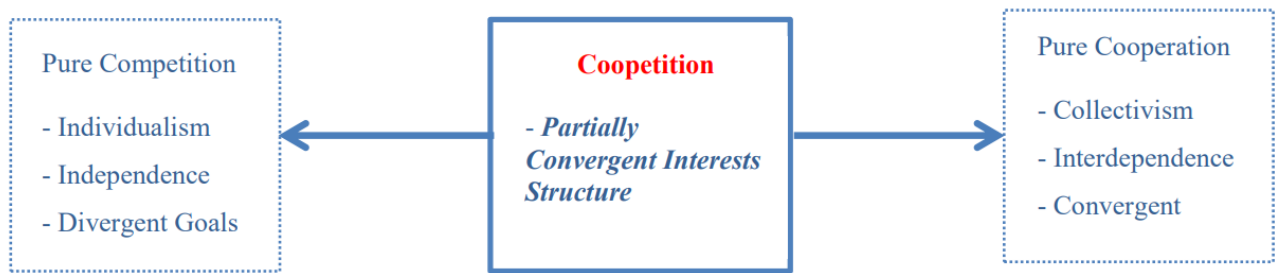


Figure 5 - COOPETITION - Source: Leite, Emilene (Department of Business Studies, Marketing Division, Uppsala University, Uppsala, S.). (2015). *The Interplay between Cooperation and Competition in Business Networks : The Case of Ericsson in Brazil*

Coopetition lies in the middle, indicating a balance between the pure state of competition and the pure state of cooperation. Being in the middle, also suggests that a partial convergence of interests within the interdependencies between companies can be achieved. This is in line with the arguments of (Padula & Dagnino, 2007) explaining that, in coopetition, companies should only partially converge towards the congruence of objectives, never forgetting that they still are competitors.

4. Primary sector – Agriculture

4.1. Industry Overview - European vision

The agricultural sector contributed with €173 billion to the EU's overall GDP in 2020, representing 1.3% of the EU's GDP (Eurostat, 2021) and the gross added value was estimated at €178 billion. Although this added value was less than in 2017, it was still higher than most of the years since 2007. The production value of the EU agricultural industry was estimated at € 414 billion in 2020. About half of the total production value of the EU agricultural industry came from crops (220 billion euros), within which vegetables and cereals were the most valuable crops.

There has been a downward trend, both in the number of farms and in the number of farmers. The share of people employed in agriculture fell from 6.4% of total EU employment in 2005 to 4.4% in 2018, with around 9.2 million workers (Eurostat, 2020). The volume of work performed can be measured in terms of full-time work equivalents, with an annual work unit (AWU) being equivalent to a person working full-time. The volume of work carried out in agricultural activities across the EU decreased by AWU 3.2 million between 2005 and 2016, a decrease of a quarter (-25.9%).

Currently, 71.3% of European farm managers are male and the majority (57.8%) have 55 years or more. Only 10.7% of farm managers are young farmers under the age of 40. This top-heavy age structure highlights the need to encourage a new generation of farmers (Eurostat, 2020).

This contraction of the agricultural workforce reflected these two factors; there have been major advances in mechanization and efficiency on the one hand, and on the other hand a wider choice of attractive job opportunities in other sectors of the economy (Eurostat, 2020).

4.2. The sector in Portugal

Until the 1970s, Portugal was characterized by a predominantly rural society. Since then, Portuguese agriculture has shown a decreasing trend of agricultural producers. Approximately, since 1968, two of every three small farms of less than 20 hectares and one in every pair of farms of less than 100 ha no longer exist (L. L. Silva & Marques, 2014).

There is a low proportion of young producers and its decreasing over time, which indicates that young people are gradually leaving agriculture and human capital is made up of a very high portion of aged producers (INE, 2021b). In addition, a very high proportion of producers do not have formal education, but high school and university graduates in agriculture have been increasing in absolute terms over the last 20 years. According to the latest agricultural census in 2019, agricultural producers are mostly men (67.1%), they are on average 64 years old (two years more than in the census of 2009), 46% only completed the first level of basic education and 53% have exclusively practical agricultural training. The producer's household consists of an average of 2.4 people. The agricultural population decreased by 7.8% between 2009 and 2019, counting now with 274k agricultural producers. Of these, more than 90k are female (down 2.7% compared to 2009) and 89,000 are agricultural producers with paid activity outside agriculture (which means an increase of 16.4% between 2009 and 2019).

The entire agricultural sector in Portugal has about 39k companies that generate a turnover of around 50 billion euros. About half of these companies are linked to agriculture (despite representing only 11% of total turnover) and the rest are divided between industry and trade of agricultural products (Bpstat, 2020).

Portugal has 290k farms, occupying 4 million hectares of usable agricultural area (about 43% of the Portuguese territory). The majority of this area is represented by permanent crops with about 51%, followed by arable land with 26.2% (the one representing the majority in the European Union, representing around 60% of the usable agricultural area (Perpiña Castillo et al., 2018)). The area occupied by temporary crops, in 2019, was 888k hectares, decreasing by 6.3% when compared to the

previous census. Of these, 48.7% are forage crops and 26.4% cereals for grain. Regarding permanent crops, the occupied area increased 24.8% between 2009 and 2019 (Exhibit 2). Among the permanent crops, the olive grove stands out, representing 43.8% of the total cultivation area (Exhibit 3). (INE, 2021b)

4.3. Horticulture - The economic sector of Agro-Graça

An important sector in Portugal that is responsible for the cultivation and commercialization of vegetables. It has about 1,375 companies (87% are micro-companies) representing total sales in 2020 of 574 million euros where exports represent about 14% of this value, which has been slightly increasing over the years (Exhibit 4). It is a sector that positively influences the trade balance, registering in 2020 a positive value of 20 million euros, having imported around 13% of all purchases (Bpstat, 2021).

Normally, companies in this sector have a financial autonomy of around 30% and the return on assets have increased over the years (Exhibit 5), where the net income normally represents 1% of the total income since 2012, although this value was 7,6% in the year of 2020 (Bpstat, 2021).

In regional terms, the North concentrates 37.8% of farms, but it is Alentejo that concentrates the most agriculture area, responsible for 59.3% of the country's usable agricultural area. The area where we can find the most agriculture companies (21.3%) is in Ribatejo (Lezíria do Tejo), where Agro-Graça is also installed (Bpstat, 2021).



Figure 6 - Distribution by location of the company (NUT III) Source: Bpstat. (2021). Ano : 2020 Setor da Atividade Económica : 01130 - Culturas de produtos hortícolas , raízes e tubérculos Classe de Dimensão : 2020 Setor da Atividade Económica : 01130 - Culturas de produtos hortícolas , raízes e tubérculos

5. Company – Agro-Graça

5.1. Background (1980-2005)

Agro-Graça is a company that had a great evolution in Portugal and in the foreign market, exporting a large portion of the total production. However, in 2018 they stopped the exportation, and the sales were declining. I contacted this company to understand what factors led them to leave the foreign market and what they have learned with them, and also to understand their plans for the future. It was interesting to understand and explore these factors and vision for the future in light of the theories studied and current trends.

The company began with the name António Graça in 1980. António Graça was a company of Mr. Carlos's father, an agricultural producer who sold his products essentially in local markets.

In 1994 he changes the name to Agro-Graça, sociedade de Agricultura de Grupo, Lda. It was a family business, father, mother and 3 sons, hiring only seasonally for fieldwork. They continued to be agricultural producers but, in addition to selling in fairs and markets, they also began to supply supermarkets, being Makro one of the biggest clients. Besides producing and selling horticultural products, they also start producing cereals. Since then, Agro-Graça has been selling its cereals to Agro-Mais, one of the largest producers of cereals in Portugal. It is Agro-Mais that then, depending on the quality of the cereals it produces and buys, transforms the cereals for human food (bread making, beer and others) or animal food.

Francisco and Carlos, two of the 3 sons of Mr. António, took over the management of the company in the early 2000s. Francisco was more connected to the office and commercialization of the products and Carlos was more connected to the fields and production.

In 2005 the company change its name to Agro-Graça - produção e comercialização produtos Agrícolas Lda. The company changed to this name when they began to export. Until that year, they used to sell to the Lisbon market in Campo Grande, local markets and supermarkets

5.2. Years of Growth (2005-2013)

Marl (Lisbon region supply market) opened at 2000, the year in which Portugal start to install agri-food-based logistics platforms to fill gaps of the old supply markets, which did not have the conditions for

logistics, accessibility, platforms, or hygienic-sanitary conditions. The objective was also to follow a European and global trend in having this type of platform and improving food safety, product quality, accessibility and moving traffic away from the city center. In 2005, Agro-Graça started to sell to MARL and suddenly an opportunity arose to start selling turnips to Prim Europe, a big wholesale company that sold fruit and vegetables mainly in the market of Perpignan (France), but distributed products all over Europe.

Soon after, they also started selling to a friend of Carlos, who owned the company ACS, a Portuguese transportation company, that was also a partner of Prim Europe. In 2008, the opportunity to start selling to the Rungis market (Paris supply market) also arises, which, together with the Perpignan market, is the reference market in Europe, being the world's biggest fresh produce market, located just over a dozen kilometers from the center of Paris. Rungis market has 245 hectares, around 18 million clients, generating 10 billion euros in turnover. It involves 1,200 companies, 12,500 employees and 9,500 tons of fresh produce each day.

The company was growing and, with the increase in production, they bought a warehouse close to its fields for 850k€ in 2013, to have more storage capacity and a greater flow of goods, both for export and for the domestic market, for the supermarkets.

5.3. The Declining (2015-2019)

The company's largest export flow always takes place between February and May of every year. Portuguese producers already know that the more it snows in France, the greater the flow of exports. This happens due to the increase in price, generated by the decrease in supply caused by adverse weather conditions in France. Agro-Graça starts producing at the end of October and November, with the intention of selling for export. If it doesn't snow in France, the export volume drops by 30 to 40%, so it always involves high risk. In other hand, Agro-Graça needs to be on the market 12 months a year, at the risk of losing its customers if it doesn't.

From 2015 onwards, the company began to experience some difficulties, with a decrease in production, largely due to atypical years in terms of weather. In 2016, the mild winter, rainy spring and the heat of July and August determined a bad agricultural year for most crops. As an example, there were losses of 20% in wine production, 15% in olive groves and 30% in apples that year in Portugal (Económico, 2016). This year of 2022 is already considered the year of the worst winter drought in Portugal (Público, 2022). It was not only a problem felt in Portugal, but in all Europe. An international team of researchers in Germany revealed that the droughts between 2018 and 2020 that hit the European continent were the

most intense since the 18th century (UFZ, 2022). In Ribatejo, where the company is located, high temperatures began to be felt above 40°C between May and August. This makes the production of some vegetables really difficult in the area, leading to the fact that most vegetables for export are now produced in the west of the country, which always has a milder and more favorable temperature to produce these products, even more nowadays.

One of the explanations for the increase in temperatures is the increasingly frequent heat waves (EPA, 2022), that is a period of at least six consecutive days in which the daily maximum temperature is 5°C higher than the average value of the daily maximums in the reference period (IPMA, 2018). A heat wave can happen at any time of the year, but its effects are more severe in the summer. In Portugal, the frequency of heat waves has increased since the 1990s, and this is not a good trend, even more for Agro-Graça because Ribatejo is already considered one of the hottest Portuguese places on summer. Heat waves are associated with greater mortality (especially among the elderly and more fragile people), a greater risk of fires and the loss of agricultural crops. Besides, with a higher temperature, it becomes more difficult to withstand work in the field and makes the industry less attractive.

The company has found serious difficulties, not just in hiring people to work in the fields, but to keep them. The hours of work per employee decreased by 22,5% between 2017 and 2020, with the biggest reduction being registered in 2020 due to some employees that had to stay home due to the pandemic situation. They can't find new people ready to work and they have now just 22 employees.

According to Pordata, the agricultural sector in Portugal has been losing around 30.000 workers per year over the last three decades, a total of 900.000 people between 1989 and 2019 (Exhibit 6) (Ribeiro, 2022). The country went from 1.5 million workers in agriculture to 650.000 or, in another point of view, from 16% of the resident population in 1989, the workforce in the sector decreased to 6% in 2019. In that same year, the national unemployed rate was 6,6%. The number of employees in Portugal and the number of workers in the agriculture sector are becoming closer and now Portugal is the fifth country in the European Union with the fewest agricultural workers per 100,000 inhabitants, just above Romania, Bulgaria, Greece and Poland (Ribeiro, 2022). If all the employees of the country started working now in the agriculture sector, this industry would gain more 50% of their actual work force, and according to Carlos and other entrepreneurs of the industry, they are all needed in the sector, there is work for everyone. They also say, and it is a normal conclusion after analyzing the available data, that the sector needs to be more attractive and retain their work force.

Alongside with these problems, the company also began to show its weak stability and planning. The company has always followed a "blind" strategy in its years of growth. The business was going well and they took advantage of the first opportunities to sell more, without outlining a well-defined strategy for the sustainable growth of Agro-Graça. When the negative impacts began to emerge, the company had a huge lack of structure and planning. In 2018, Carlos and Francisco had different views on the future of

the company, leading Francisco to leave Agro-Graça. The company thus loses its pillar in commercialization. The two areas, commercialization and production, had to always be in sync and work together. This is the only way to guarantee the company's effectiveness and efficiency, reducing waste and the lack of supply to the existing demand, presenting better results. The company had no conditions to hire 2 or 3 people to be able to continue the path in which the company was involved. Besides, Agro-Graça had made a large investment in the warehouse and sales had suffered a drop in the previous 3 years. As Carlos could not be in so many places at the same time, he ended up being forced to sell the warehouse in the beginning of 2019 for only 500k€.

The sales were decreasing, and we can see that the net profit is always very low (exhibit 7), so the bought of the warehouse was already a strong investment in 2013 and they ended up losing money with this sell 6 years later. Until 2018, around 21% of the total sales were destined for exportation, but in 2020, 100% of the sales were internal sales. The year of 2018 was terrible for the company and despite the fact that the other 3 years present a low but positive net profit, the average net profit of these 4 years was negative (-22.550€). Stop with the exportations, the exit of Francisco from the company and the other negative factors described are some good explanations for what we can see in the graphic.

Another issue that does not favor Agro-Graça is the pressure exerted on producers by intermediaries. They justify their price increase to the final consumer with the increase in fuel, energy and other factors, but they refuse to lose their profit margin. Sometimes they often ended up increasing the profit, because they don't pay much more to producers when production costs rise and they increase the price to customers more than they needed to, in the words of Carlos. These big players buy big quantities but leave very little space for the producers profit due to their negotiation power. The smaller is the producer, the bigger negotiation power the intermediaries will have, so it is hard for Agro-Graça to negotiate with them. This issue is general for agriculture in this sector and it can be noticed in the industry review. Although half of the companies in the Agricultural sector are from agriculture production, they just represent 11% of the total turnover.

This problem has increased in recent years and, therefore, Agro-Graça stopped supplying Macro in the end of 2019 due to the low prices that they wanted to buy the products of Agro-Graça. Production costs were already rising sharply, and Macro refused to buy the products at a higher price. When Agro-Graça's profit margin reaches break-even, Carlos decides to drop this big client.

5.4. Financial situation in 2020

Agro-graça assets has been dropping, decreasing in half within 3 years (exhibit 8). Nevertheless, there was an increase in financial autonomy (exhibit 9). The selling of the warehouse (one of the biggest assets of the company) and the bad times that the company are facing are the main reasons for that. In 2019, the assets were reduced through a decrease in liabilities, reducing its fixed tangible assets by 60% and the financial debt by 22%.

In the cashflow statement, there is also a decreasing trend (exhibit 10) just interrupted in 2019, with the help of the money from the sale of the warehouse, that gave the company some new oxygen for now. 2018 was the worst year since 2009, registering only 23k€ in cash. In 2020, that value was at 150k€.

Carlos, knows that the company needs a change in order to improve its situation. Nevertheless, this level of financial autonomy, which follows the trend of the average companies of the same sector, is a good indicator, meaning that Agro-Graça has some stability to invest. It can be done through its capital but, although Agro-Graça has some cash know, the company needs that to, along with the good financial autonomy, become a more stable and credible company, ready to do partnerships or get investors (national or international, through FDI for example). Another possible way is to get capital through banking loans, taking advantage of this indicator but also from the payment of a good part of the debt. One of the reasons for a company to have access to external sources of financing is the possibility of financial leverage, that is, the possibility of increasing the profitability of its equity using debt. This is possible whenever the return on the investments to be made is greater than the financial cost of the debt. Actually, this financial cost of debt has been decreasing in the average of the companies from the same sector, from 4% in 2016 to 2,8% in 2020 (Bpstat, 2021). However, making investments using external financing reduces the level of financial autonomy and, consequently, increases the risk of long-term default and even bankruptcy. Therefore, it is important to have a good level of financial autonomy before having external financing, to increase the financial leverage and reduce default risks. In the case of Agro-Graça, this is a good time to invest.

It is also interesting to see the personnel expenses of Agro-Graça. It has been always decreasing, from 258k in 2017 to 168k in 2020, a decrease of 35%. The total employees also decrease, but not that much, from 24 in 2017 to 22 in 2020, which represented a decrease in total personnel expense per employee of around 29%, from 10765€ to 7624€. As already said before, this can be explained through the reduction of production which led to fewer working hours as well, decreasing from 1729 hours per employee in 2017 to 1341 hours per employee in 2020. It became difficult to hire people to work in the fields, so that also explains the fewer hours of working register. Nevertheless, these incomes are very low.

5.5. Agro-Graça in the 20'

Covid-19 Impacts (2020/2021)

Covid has increased the problem of lack of labor in the industry. With the general lockdown and the impossibility of “work from home”, the difficulty of production has increased (Invest, 2020). Despite the increase in demand for vegetables during the pandemic, especially in the first lockdown (Moutinho, 2020), there was a lack of supply due to the little exploitation of the production of these products. Agro-Graça went through the same problem. In 2020, the inventory went from 108k€ at the beginning of the year to a minimum record of 33k€ in the end of the year. The production and stock problem is also reflected here.

It was already mentioned before that Agro-Graça had a big decrease in working hours per employee between 2017 and 2020. Around 80% was registered after 2019, being one of the covid effects on the company. At the end of 2020, IDB invest, an Inter-American multilateral development bank, explained some measures that agricultural companies should take in order to maintain their company rolling and embrace resilience (Invest, 2020). Measures such as creating a risk management committee, drawing up pandemic response plans that included protecting workers from the virus within the company's available resources, changing processes to achieve physical distancing, developing a protocol for COVID-19 outbreaks in operations, among others. In other words, outlining a business continuity strategy that protects both the company and the workers and, if possible, taking advantage of opportunities that always arise in these times of crisis. The pandemic situation brought the importance that a good structure and planning brings to any company, including business continuity and crisis management, which is essential to prepare the company for less positive scenarios. Agro-Graça didn't had that kind of structure or plans to face bad situations, much less to prepare the company for a pandemic crisis of this magnitude.

The war and the domino effects on Agro-Graça (2022)

The price of cereals had been rising for some time. For instance, in 2021 prices were 41% higher compared to the previous year of 2020 (FAO, 2022). On the other hand, in Portugal, there was also a decreasing trend in the production of cereals, having registered in 2020 and 2021 the lowest values of the last 35 years (INE, 2021a). Carlos was already beginning to see an opportunity and, in 2021, Agro-Graça made the choice of stopping producing vegetables and focusing only on cereals. An advantage of

cereals is that it requires less workforce, which, considering the current situation and the growth in demand for these products, also helped in this decision.

It was a choice made by Carlos who, before the war started in Ukraine, had also predicted that the year 2022 would not be beneficial for the horticultural market. Something that later came to be confirmed. First with the closing of Prim Europe in 2021, not resisting the pandemic crisis, and then with the rise in production costs and the intermediaries wanting to maintain their profit margin, suffocating the producers and their profit margins by paying almost the same as before. There are already reports of several producers who ended up destroying their production because no one buys them at a price that compensates the work of catching and gathering the products. This scenario got worse after the war, generating an increase in the price of these products for the customer due to the lack of supply. The largest corn supplier in Europe is Ukraine, being the 6th largest producer in the world and the main supplier to Portugal. Russia, on the other hand, was the largest producer and exporter in the world, so we can say that there is a big lack of corn supply in all of Europe. In what concerns to wheat, Russia and Ukraine are the third and sixth largest producers in the world. Besides, both countries were at the top of the wheat chain, Russia as the largest global exporter of the commodity, while Ukraine was in the fourth position. Together, the two countries exported around 210 million tons of wheat in 2021, 30% of world trade according to Forbes. This means that with the stop of exportation of Ukraine and the restrictions made to Russia (including stopping the importation of Russian products), there is an opportunity here for Portuguese corn and wheat producers.

Before Ukraine, the US was the biggest corn exporter to Europe until they decided to reduce their production destined for exportation and meet the needs of their country, especially at the time of the great financial crisis in 2008. With this actual situation of corn shortage, there is now a greater part of the US production destined for export, however, the country also comes from two years of severe drought. So, the corn production has dropped and the amount to export, considering the country's needs, is not that much.

Agro-Graça have now a greater focus on producing only cereals, which, despite representing greater risk, will allow more profit, also benefiting from economies of scale and the increased demand for these products all over Europe. The production is more expensive, but the profit margin per hectare will be much higher than in 2021, whether in cereals or vegetables/fruits. Besides, Cereal is the basis of all food, from the most impoverished to the most sophisticated, so it will have market demand in any situation.

In 2021, Agro-Graça sold wheat at €212 a ton, in 2022 they are selling at €428 a ton, which means that the price doubled in 1 year. In 2021, the corn was at €225 a ton and in February 2022 it was already at €350 a ton. The corn market works as follows: About 30% of production has to be sold by February in order to renew stock and be able to produce more without exceeding their capacity. Normally, when a company produces this good, it occupies the majority of the portfolio and the company has to sell what

exceeds its storage capacity by the end of August. For example, Agro-Mais, produces 80.000 tons of corn per year and only has capacity for 40.000 tons in its warehouse.

In the climax of Covid, there was already a prediction of a hard financial period with high levels of inflation. This war in Ukraine did not help the situation, at all. So now we are facing a huge increase in inflation and a really high increase in production costs. For example, in 2021 Agro-Garça paid between €100 and €150 per pallet and in 2022 pays more than €200. The cost of fuels, as we know, increased sharply in Portugal by around 32% compared to the same period in 2021. In this year of 2022, the inflation ration in Portugal was at 8,7% in june and the rase of prices for food, transport and housing were the main contributors (INE, 2022b). In Europe, inflation already reached the highest level of inflation ever registered, 8,6% (Melissa Eddy, 2022).

5.6.Future Initiatives

During all my research work, I was always in contact and exchanging ideas with Agro-Graça. My presentations also served as the basis for some of the management decisions that the company wants to implement. During the interviews I had with Carlos, we exchanged ideas and outlined the baselines of his future plan to reverse the company's negative trend, with a view of expansion and returning to exportation. It is necessary to overcome the bad moment of the company, considering the post-pandemic and war situation that we are experiencing today.

Becoming an exporter can put any business on a fast-track to growth, but it can be a big challenge to get started and achieve success. Many business owners have no strategy and chase every lead (BDC, 2021). It was kind of what happened to Agro-Graça. They didn't have a strategy when they started exporting, they just jumped to the first opportunity that appeared, and started increasing sales but without being prepared for that.

This happens to a lot of companies, some of them didn't overcome the bad experience, and the ones who did normally don't share the story, which is always important to know in order to avoid making the same mistakes. It was not the case of Agro-Graça and Jose Maria da Fonseca, a well-known wine company in Portugal. In an interview given by the administrator of this company (António), he shared with me the bad strategy followed by the company in the 20th century when approach to the foreign markets. In his words, even knowing that Portugal has the highest average per capita wine consumption in the world, with 51.9 litter per capita of consumption in 2020 (Karlsson, 2022), Portugal is indeed a small market and internationalization is crucial for the growth and stability of the company. This family company was established in 1834 and today it's one of the largest wine companies in the country,

making sales of over 28 million euros in 2020. Their history is mixed with the history of the country, having made the first bottled wine in Portugal for sale and making the first company online store in the industry in Portugal. In 1920, the company started to export a large part of its production to Brazil, due to willing of a client living there. In the middle of the decade, 90% of the total production was destined for Brazil. They didn't have a good strategy back then and also followed the first opportunities in what concerned foreign markets. At the end of the decade, with the crash of 1929, Brazil closes its doors to imports and the company passed through really difficult times. They put almost all the eggs in the same basket, and the basket fell. They restructured the company and nowadays they are really successful with 65% of their production destined for exportation, not just for one country, but for 70 countries. Curiously, Brazil is still the country where they export more, but now they have their risk more spread over all those countries and a better balance between the domestic market and foreign market.

With a strategy approach, companies can be proactive and improve their results, according to the internationalization theory (Wiedersheim-paul & Johanson, 1975). So, there are some steps to do before entering international markets. Following what BDC recommends, first of all it is essential to take a good look at the company and evaluate whether or not it is ready for expansion. In order to do that, managers should see if the company has the capacity for that, not just financially, but also in what concerns to workforce, production and support functions to accommodate expected sales growth. Only after doing all that, managers can develop a proper market entry strategy that better fits the reality and the goals of the company (BDC, 2021).

Having said these, the 5 main initiatives that Agro-Graça will perform are the following:

1- Create a Ribatejo DOP zone

The idea is to differentiate a product that is a commodity, which means that the differentiation of this product is made mainly through price. A DOP is a name that identifies a product from a specific place or region, whose quality or characteristics are exclusively due to a specific geographical environment and the production process.

Agro-Graça is already talking with the companies located in Ribatejo, the area where most companies of this sector are located, in order to create a brand of quality products from the region. That would give visibility and quality in the eyes of customers. Normally people are willing to pay more for quality products and sales rise when products receive this denomination.

Although they are competitors located in the same area, the objective here is to cooperate for common goals (Padula & Dagnino, 2007). All the companies from this region together would have a higher negotiation power, gaining more location advantages (John H. Dunning, 1988). In order to increase that

power, Agro-Graça intends to create a unique point of sale for the companies of this region where most companies in the sector are located as it was already said. We have a small example of this cooperation in cereals, where some small producers and companies sell these products to Agro-Mais. In one hand, Agro-Mais guarantees stock flow and profit margin to producers and companies and, on the other hand gains negotiating power and control over the market. The idea is to extend that for all products and invite other companies to join.

By cooperating, all the companies would benefit with more profit margin and an expected increase in stock turnover. Among the advantages of creating a common sales point are better access to markets and supplies, lower overall production costs and risk mitigation.

2- Sell to local markets

The inflation registered in vegetables can also be blamed on supermarkets since, according to the INE, in the first quarter of 2022, supermarkets bought vegetables from farmers 11% cheaper than seven years ago. Some national producers admit that they have already sold their products below production cost to ensure stock flow. However, in sales to the final consumer they increased the price by 7% within the same period (INE, 2022a).

In the other hand, don't sell to supermarkets may be a mistake because they have an open market every day of the year and sell a large quantity of products, which guarantees some product outflow that is good for economies of scale, visibility, and stock renewal. Nevertheless, it is good to diversify in order to reduce the dependency on supermarkets and spread the risk. Even if the profit margin stays low in the sales made to supermarkets, by diversifying Agro-Graça will join the advantages of selling to supermarkets and increase the overall profit margin due to the sales made to other clients. The spread of the risk and the benefits of economies of scale are essential to the growth phase of any company, as seen in the IPLC theory (Andersen & Chan, 2014).

Nowadays there are places to sell the products away from commissions and intermediaries, bringing closer consumers to producers. In order to sell in these markets, Agro-Graça wants to produce fruits and vegetables again, increasing the product mix again.

1st Option – Producers Market

Producer market is a place of public access where agri-food producers sell their products directly to the final consumer.

The products sold here are exclusively from their own products and have an identified local origin. The main products sold are fresh seasonal products (vegetables, fruits, and aromatic plants), products

handcrafted from local raw materials (bread, jams, cheeses, liqueurs, sweets, and sausages), nuts, honey and eggs.

These markets operate in urban centers and have a fixed regularity, usually weekly, fortnightly or monthly, and are also occasionally held during special events or local festivities. In Portugal, this was a traditional way of selling agri-food products from farms, which fall with the increase of the supermarkets, but has gained a new dynamism nowadays with people's increased awareness of the importance of local business and the consumption of quality products that are essential for a healthy lifestyle. The closest market from Agro-Graça is Feira Rural in Cartaxo (Ribatejo) which occurs every last Sunday of each month.

2nd option – local small markets

In most villages, there is usually a municipal market and we can still find many shops selling agricultural products such as fruits and vegetables. It's these markets that Agro-Graça also wants to reach, being able to supply these stores with quality products and thus also supporting local commerce and small businesses.

3- Commercial department

Agro-Graça is planning in developing a commercial area in the business. With this commercial team, Agro-Graça would guarantee a better relationship with clients and have more connection to the market, increasing the number of clients and having better service.

If they decided to sell to these local markets and start to export again, they will need this department to transport and sell the products. People who work in these departments have a low base salary because they gain more in commissions by selling to clients. This is good for the company because it requires less fixed costs and attracts people who will work hard to sell more in order to receive more money by commission.

4- New manager

Strategic planning works as a starting point for all the actions that a company will take over to reach the desired vision of the future (Wiedersheim-paul & Johanson, 1975). It helps to manage time, resources and energy for the business strategy, focusing on what really matters, what will bring more prosperity to the company. Many managers don't like to "waste time" planning because they fail to understand the value of creating a plan for the future. Strategic planning helps in understanding the changes in the

external and internal environment, as it helps to recognize problems that may arise along the way and identify opportunities for improvement. Therefore, even if the market is constantly changing, this does not invalidate the need to invest time on having a plan that directs organizational efforts. Agro-Graça failed in creating this plan in the beginning, before starting to expand, so now Carlos knows that is essential to create a good strategic plan, taking into account his experience, the resources of the company but always looking for future growth, as it is supported by the Internationalization Theory.

Having said this, it is essential for the company to have someone with good management know-how to help designing this strategic plan. The company needs to be well structured, with good contingency and business continuity plans and people who are used to managing teams and companies. Carlos has a big knowledge of the sector, but not so much know-how in what concerns to run a growing business for expansion and both knowledges, of the industry and management, are important for any company and essential do develop a good international strategy.

Carlos agreed that a new manager in the the company is also important to give new blood and implement new ideas. Joining Carlos' knowledge of the product and sector with someone who knows how to manage companies, people and resources will certainly create good synergies in favor of Agro-Graça's success. This new manager will be essential to change the structure of the company, make company resources more efficient, manage the commercial team and drive the company back to success and exports. So, it will be the priority of the company for the short term.

5- Export Again

Agro-Graça wants to start exporting again until 2024, after completing all the stages above and become a more competitive and well-structured company. As a small company that want to growth, it is expected that the only internationalization that Agro-Graça will have is exportation, as it is said in IPLC theory (Vernon, 1966), at least for now. The idea is to sell to those 2 big markets in France again and start exporting to MercaMadrid, the biggest market in Spain. In 2020, the Mercamadrid fruit and vegetable sector sold 2227785 tons of food. The Central Market of Fruits and Vegetables of Mercamadrid, occupies 65,000 covered m² distributed in 6 warehouses.

The company will export to the nearest countries, a characteristic of the developed pattern of the internationalization process (Johanson & Vahlne, 2009), and the ones who provide the most fruits and vegetables all over Europe, taking advantage of the past experience that Agro-Graça already have on this market. Besides, France has the biggest Portuguese community living outside our country in Europe and Spain is in the fifth position in this ranking (Comunidades, 2020), which is good to increase the market reach in these countries. Until the first trimester of 2024, the company is willing to buy new fields to increase production, hire more people to work in production process with more benefits in order

to get more people interested in working in the fields, find higher profits in economies of scale and reinforce its position in the national and international market, as it is recommended (Bianchi, 2013).

Carlos has still some known people in France but he intends to go there and to Spain in 2023 to reinforce his network within the markets, and also with local companies in those countries for possible agreements and partnerships, essential for exportation and internationalization as explained in the network theory (K. Eriksson, 1998) .

Since the 1980s, the world population has increased by 2.5 billion people, reaching 7.7 billion people in 2019 (U. Nations, 2019) and studies shows that it will continue to growth. Despite the slowdown in population growth rates in recent years (annual rates close to 1 %), the population is still growing and will continue to be in the future, a factor correlated with food demand. Alongside the increase in the world population, there has been an increase in per capita food consumption at an accelerated pace. Based on these factors, the Food and Agriculture Organization of the United Nations (FAO) estimates that to feed a world population of about 9.1 billion people in 2050, it would be necessary an increase in overall food production by about 70% between 2005 and 2050. (F. and A. O. of the U. Nations, 2009).

It is estimated that world per capita consumption of fruit and vegetables is between 20 to 50% of the recommended minimum daily level of 400 grams (Gabinete de Planeamento, 2020). Around 23% of the EU population consumes vegetables at least twice a day, and a slightly larger proportion (40%) consumes vegetables once a day (Lusa, 2017). With the increasing awareness of a healthy life, the consumption of vegetables and fruits is expected to grow.

It is curious to see in that Portugal is the second European country with the most fruit consumption by % of the population. In the vegetable market we are in the fourth position (exhibit 11 and 12). This can mean that the European market must grow more than the Portuguese market (Gabinete de Planeamento, 2020).

In Europe, we have Spain and Italy as the largest producers of vegetables and fruits, followed by Portugal in 3rd position. However, since 2017, this production in the two leading countries has been decreasing due to reductions in the planted area. In the other hand, Portugal witnessed an increase of 3.2% to 1.7 million tons of fruit and vegetables currently (Gabinete de Planeamento, 2020).

Exporting is the fastest and easiest way to enter the international marketplace (Wiedersheim-paul & Johanson, 1975). It requires a low degree of commitment and implies a low level of risk (Agarwal & Ramaswami, 1992). For these reasons, most companies begin their international activities by adopting this entry method. In the case of Agro-Graça, is definitely the best way to internationalize, more specifically through indirect exports, selling to big markets outside Portugal. According to the Optimal Entry Mode Matrix, and knowing that Agro-Graça has an incremental posture, this will be the best approach to international markets.

6. Conclusion

Before thinking in expansion, Companies should have some national experience and think in an international strategy to approach the foreign market (Johanson & Vahlne, 2009).

The market is always changing, and the exports have an exponential increasing trend, even more nowadays with the globalization and the exponential arising of new technologies, ideas and processes (Esteban Ortiz-Ospina and Diana Beltekian, 2014). The will of clients and the world are evolving fast, so companies need to follow this evolution and create new trends in order to survive and succeed. Companies can't delay their process of evolution and expansion, but they surely have to develop a plan, knowing that the process of internationalization of a company occurs slowly and gradually (Wiedersheim-paul & Johanson, 1975). When companies internationalize, the demand for their products will grow and they will have more clients, different than the ones they already have, entering in new markets with different characteristics. The company has to be well structured and be prepared to guarantee its business continuity and customer satisfaction during expansion and growth, making sure that the company has transferable competitive advantages to internationalize (Bradley et al., 2022).

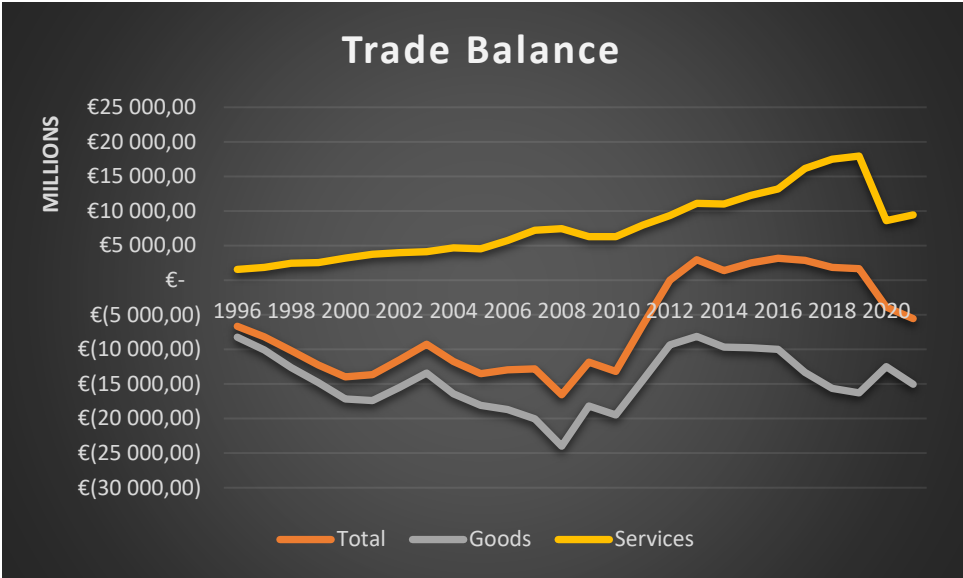
Prepare the company for several scenarios will make the company stronger and more resilient, reducing the risks of its business (Poppensieker & Thu, 2022). A good management team and time invested in creating a clear vision for the future, calculating the risks and mitigating them, will increase the probability of success of any company. Diversifying the risk by losing dependence of supermarkets, preparing the company to increase production and investing in human resources may be the best strategy for Agro-Graça before thinking in the foreign market.

Carlos understood the mistakes of the past and now wants to do everything he can to put the company back. The literature review and market research of the industry of this paper helped us analyze what could had been done different and created a very good base for the work that has to be done from now on. People and companies can eventually achieve short term success without a proper plan or thinking, but in order to have prosperity, big growth and success in the future, it is mandatory to have clear plans, goals, and vision. Even with all that, and good strategic and business continuity plans, the risk caused by internal or external externalities will always exist, but it should be reduced to minimum values (Cyert R M & March J G, 1963). Today Agro-Graça has clear ideas of what to in order take the maximum outcomes of this 2nd opportunity and do things the right way.

One thing we can be sure, the probabilities of success are much higher now. But, there are always some questions that can be made to some other people who wants to study and deepen in this case study. Will Agro-Graça have the ability to become an attractive company? Will the companies of the region get to an agreement that benefits them all? How will they overcome the trends of climate change? Given the circumstances, could Agro-Graça follow another approach to the market the international market?

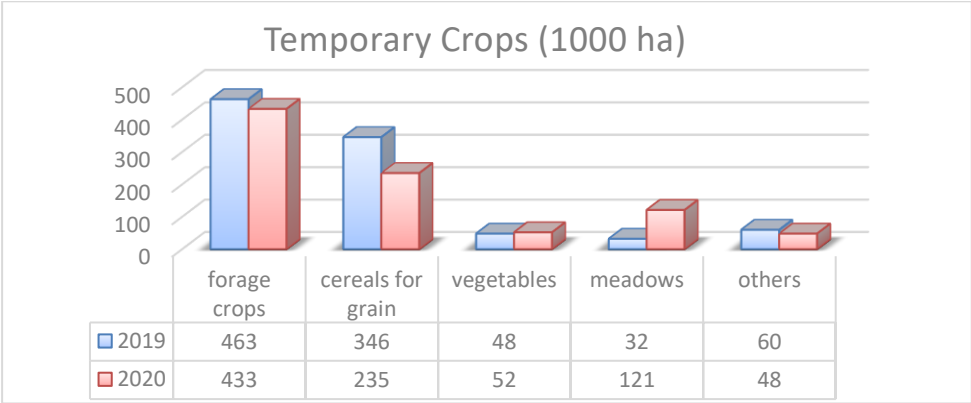
7. Appendices

Exhibit 1 – Portuguese trade balance since 1996



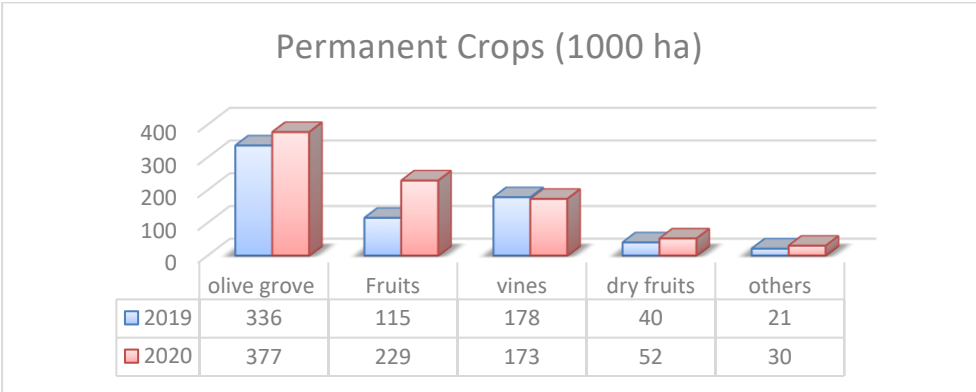
Source: Pordata. (2021b). Portuguese trade balance.

Exhibit 2 – Hectares occupied by temporary crops in Portugal



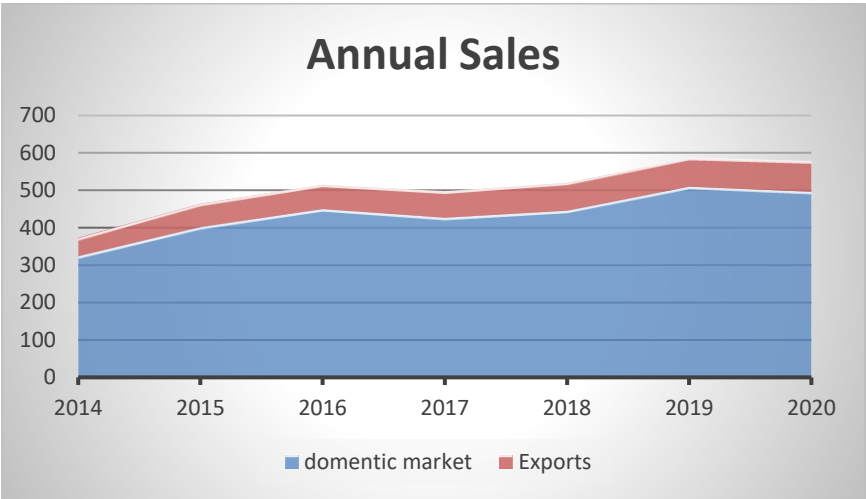
Source INE. (2021b). RECENSEAMENTO AGRÍCOLA 2019.

Exhibit 3 - Hectares occupied by permanent crops in Portugal



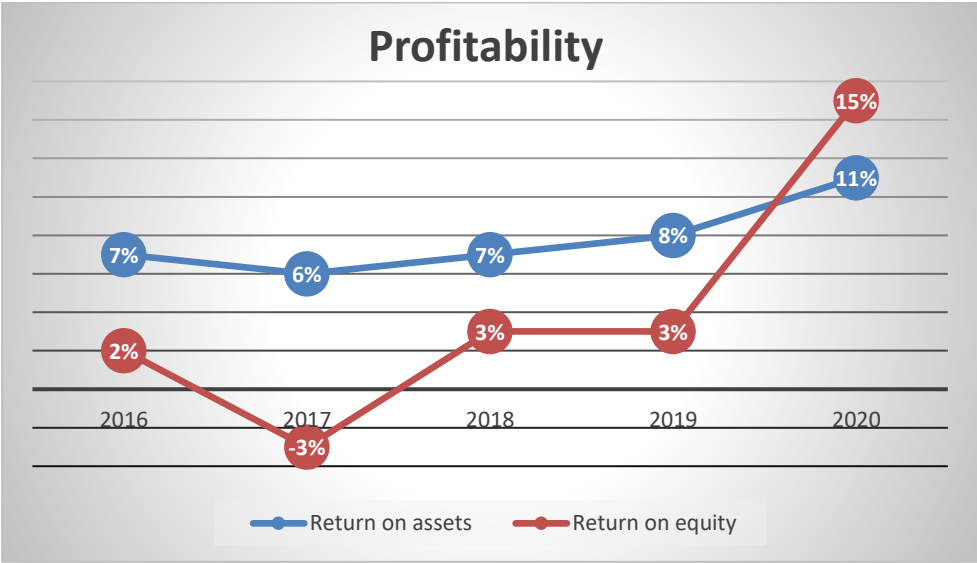
Source INE. (2021b). RECENSEAMENTO AGRÍCOLA 2019.

Exhibit 4 – Annual sales of Horticulture sector in Portugal



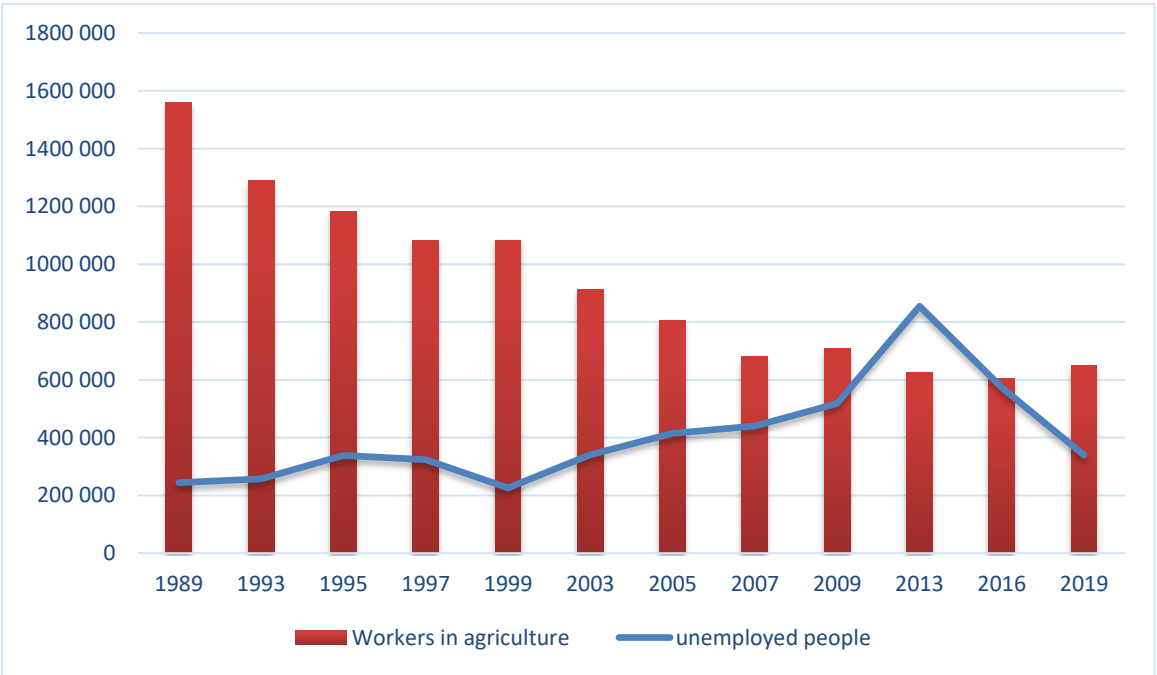
Source: Bpstat. (2021). Ano : 2020 Setor da Atividade Económica : 01130 - Culturas de produtos hortícolas , raízes e tubérculos Classe de Dimensão : Todas as dimensões Ano : 2020 Setor da Atividade Económica : 01130 - Culturas de produtos hortícolas , raízes e tubérculos Classe. 1-8.

Exhibit 5 – Profitability ratios of the Horticulture sector in Portugal



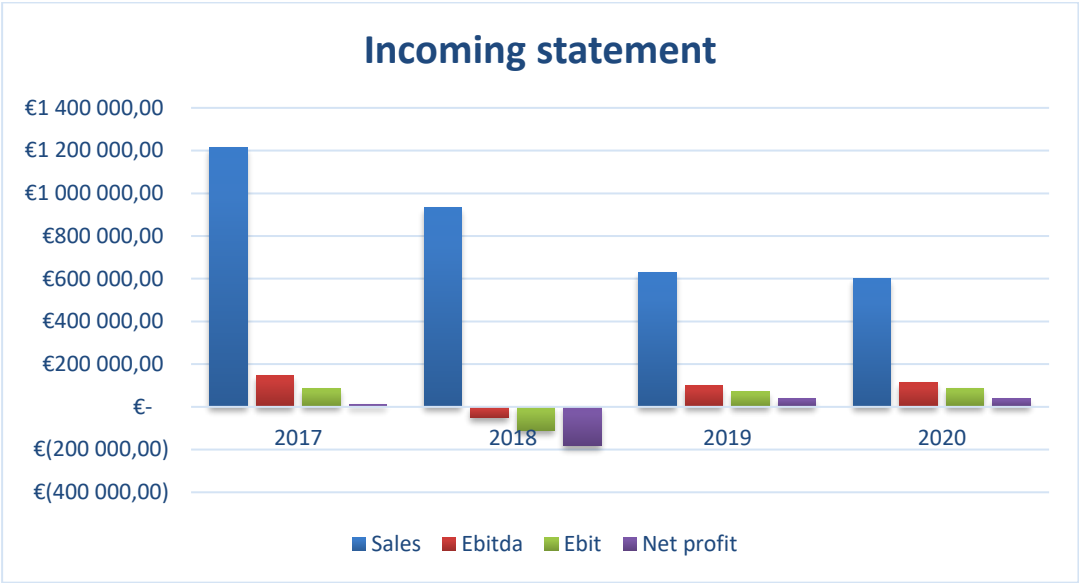
Source: Bpstat. (2021). Ano : 2020 Setor da Atividade Económica : 01130 - Culturas de produtos hortícolas , raízes e tubérculos Classe de Dimensão : Todas as dimensões Ano : 2020 Setor da Atividade Económica : 01130 - Culturas de produtos hortícolas , raízes e tubérculos Classe. 1–8.

Exhibit 6 – Unemployed people and works in agriculture sector in Portugal



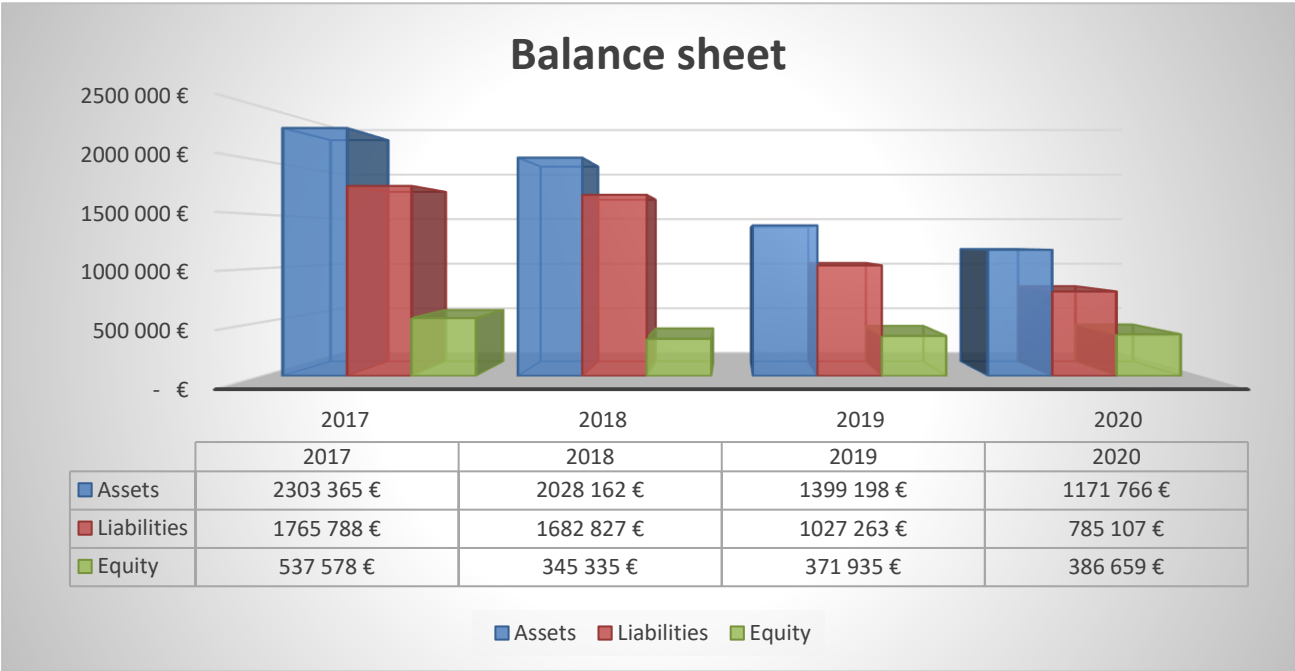
Source: Ribeiro, C. A. (2022). Agricultura perdeu quase um milhão de trabalhadores em três décadas.

Exhibit 7 – Incoming Statement from 2017 and 2020



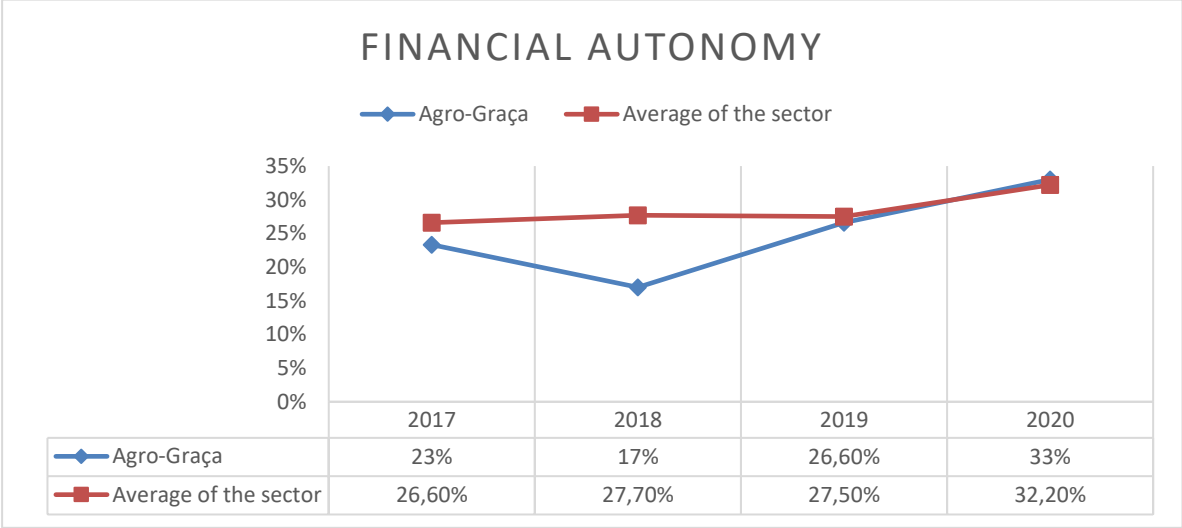
Source: Financial statements of Agro-Graça

Exhibit 8 – Balance sheet between 2017 and 2020



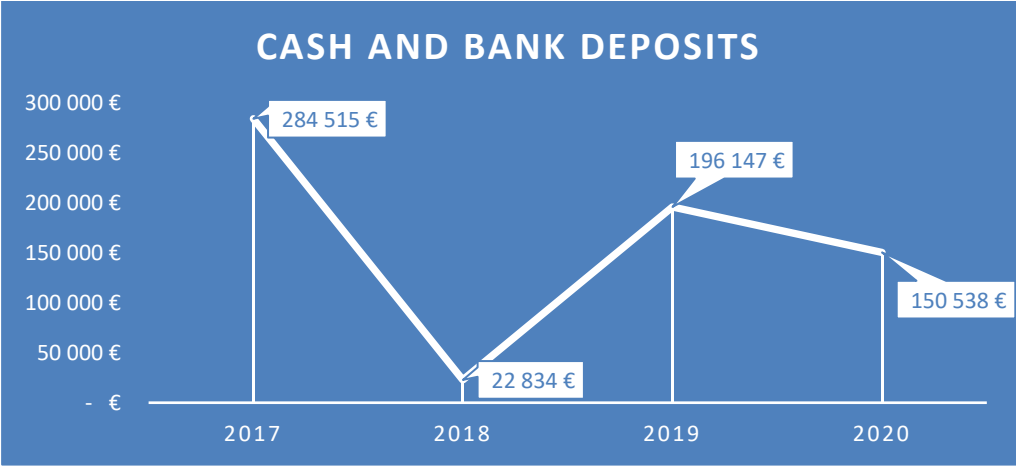
Source: Financial statements of Agro-Graça

Exhibit 9 – Financial autonomy indicator from 2017 to 2020. Comparing the indicator of the company and the industry



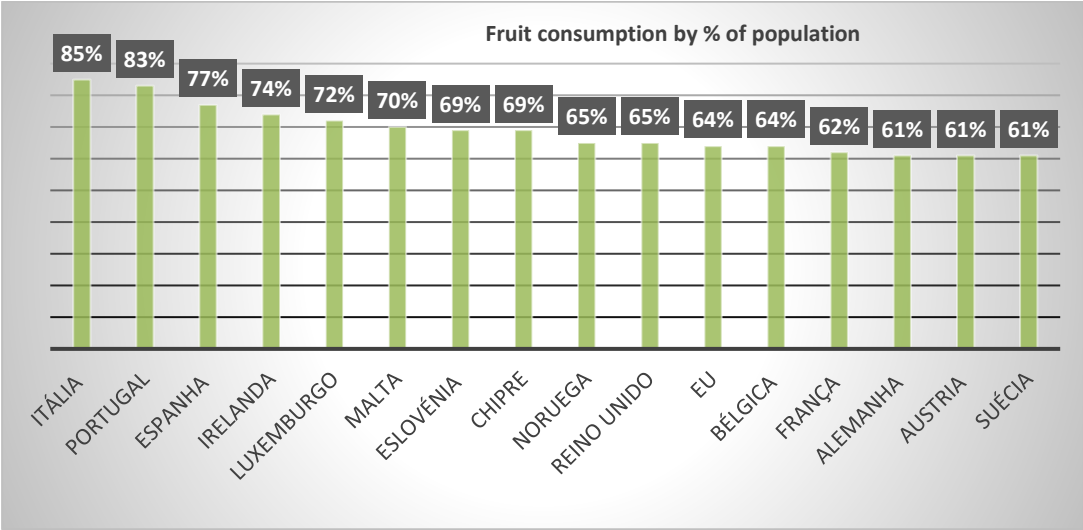
Source: Financial statements of Agro-Graça

Exhibit 10 – Cashflow statement of Agro-Graça (Cash and bank deposits)



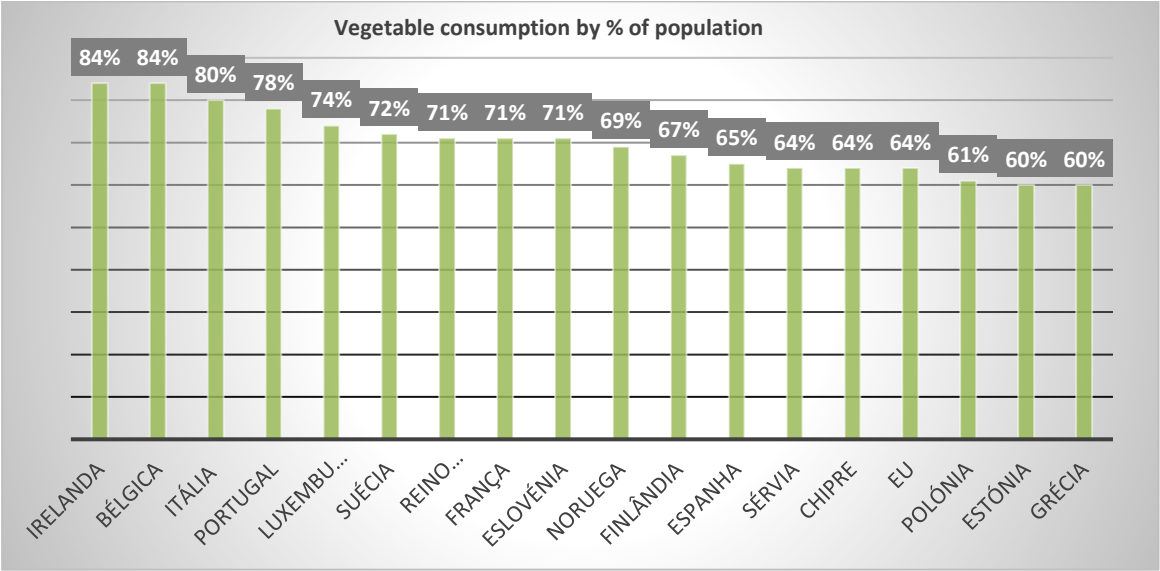
Source: Financial statements of Agro-Graça

Exhibit 11 – Percentage of population per country that consumes fruit



Source: Gabinete de Planeamento, P. e A. G. (2020). ANÁLISE SETORIAL FRUTAS & HORTÍCOLAS.

Exhibit 12 – Percentage of population per country that consumes vegetables



Source : Gabinete de Planeamento, P. e A. G. (2020). ANÁLISE SETORIAL FRUTAS & HORTÍCOLAS.

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