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The prevalence of alliances in the expansion of wine-producers into emerging markets

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Abstract

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The present study reviews the importance of alliances in the internationalization process of wine-producers in emerging countries. The results originated from the conducted analysis reveal that the previous existence of networks facilitates the identification of alliance partners, anteceded by the identification of potential markets for foreign entry. That being said, partnerships play a key role when it comes to entering a new emerging market and how. More so, it was possible to observe that alliances clarify some characteristics and challenges in the focal market, allowing for a realistic adjustment of expectations and goals. Finally, trust emerged as the essential characteristic of long-term alliances. Assurance brought on by the existence of personal relationships associated with reliance on the information and knowledge provided by a second party are important trust-builders. We are therefore able to establish a positive relationship between alliances and success in emerging markets, despite adverse environmental conditions. The wine industry, affected by trade sanctions imposed in Russia, is an exceptional example of how challenges and uncertainty can be vanquished by having social connections and strategic partners in foreign markets.

A prevalência de alianças na expansão de produtores de vinho para mercados emergentes
por Patrícia Silvério

O presente estudo analisa a importância das alianças no processo de internacionalização de produtores de vinho em países emergentes. Os resultados originados da análise realizada, revelam que a existência prévia de redes sociais facilita a identificação de parceiros, antecédida pela identificação de mercados potenciais para a entrada externa. Dito isto, as parcerias desempenham um papel fundamental quando se fala na entrada num novo mercado emergente e como. Mais do que isso, foi possível observar que as parcerias clarificam algumas características e desafios no mercado em foco, permitindo um ajuste realista de expectativas e objetivos. Finalmente, a confiança emergiu como a característica essencial das alianças no longo prazo. A segurança promovida pela existência de relações pessoais, associada à dependência da informação e do conhecimento fornecido por uma segunda parte são importantes meios para construir confiança. É possível assim estabelecer uma relação positiva entre alianças e sucesso nos mercados emergentes, apesar das condições envolventes adversas. A indústria do vinho, afetada por sanções comerciais impostas na Rússia, é um exemplo excepcional de como desafios e incerteza podem ser vencidos através de redes de contactos e parceiros estratégicos em mercados estrangeiros.

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2. Introduction

The growth surrounding emerging economies has not gone unnoticed by multinationals around the world that have, mostly since the 2007 financial crisis, been looking to take advantage of expansion and investment opportunities in these locations [Eyring et al, 2011; Hochberg et al, 2015]. According to an estimate by the United Nations dating to 2014, FDI in emerging markets amounted to almost 630 billion euros, corresponding to over half of the global investment flows of this nature. However, despite the potential for sales and increased revenue, emerging markets are also characterized by extreme instability and uncertainty [Khanna et al, 2013] therefore, alternative strategies such as alliances are increasingly more important to obtain success [Parkhe, 1991].

The objective of this thesis is to understand how firms in the wine industry use alliances in their internationalization process in emerging countries through the development of sub-research questions that arose from a review of existing literature and personal reflection and that clarify (1) how alliances are created, (2) on what phases of the internationalization process alliances are more influential and (3) how alliances are sustained through time.

In his research of the conditions that lead up to the formation of export partnerships, focused on 133 toy makers based out of Hong Kong, Ellis [2000] suggests there is a need to replicate his study, where main data was collected through personal interviews, in order to determine the applicability of results for firms in different industries and geographic locations. The author's findings indicate that existing personal ties are more commonly used to acquire information regarding foreign market opportunities and, therefore, lay the foundations for alliance development. In that sense, recent research has reflected an increasing interest in the study of the influence that relationships and social connections have in the behavior and performance of organizations [Gulati, 1998]. Jones and Coviello [2005] elaborate that given the focus of network research has fallen in high-tech companies (e.g. software or 'hard service' organizations), further analysis on organizations that deal in goods, with different degrees of knowledge and technological intensity, would enrich existing studies.

That being said, in regards to the chosen sector, the cultural and economic importance of the wine industry and its exports in Portugal make this a current and relevant topic to explore that can propel further expansion. According to Vini Portugal, an interprofessional association of the Portuguese

wine industry, 725 millions euros worth of wine were exported from Portugal, corresponding to 45% of the national production and 1.5% of all national exports.

Building from the aforementioned premises that existing personal ties and networks often lead to the creation of alliances and partnerships, few studies have provided evidence or explored the implications of alliance development in industries without a technological component, as is the wine industry. Those that have done so, often focus on developed markets or emerging economies that have more prominently sparked the interest of the West, such as China [Ellis, 2000; Isobe et al, 2000].

On the basis thereof, this thesis explores the gap in existing research when it comes to understanding how alliances help the internationalization process of the firm in emerging markets through time, by expanding the main research question into sub-research questions that explore the genesis, importance and sustainability of alliances. By focusing on a market that has rarely been studied such as Russia and on an industry with the same fate, the wine industry, this thesis is meant to validate or contradict some of the broader conclusions that previous authors have arrived at when it comes to the application to specific geographic and sectorial characteristics. From a managerial point of view, this topic deals with ways to increase performance in emerging markets through partnerships.

The qualitative method, more specifically a case study, proved to be the more appropriate as it allowed for an understanding of key motivations of managers throughout time. The company studied was José Maria da Fonseca, a Portuguese wine-producer. This choice appeared to be relevant given their history and extensive experience in international ventures, being present in over 70 countries, several of which emerging economies.

Following the present introduction, chapter two starts with a general overview of existing literature concerning internationalization and its phases, alliances, emerging economies and wine industry specificities. Subsequently, chapter three consists of a study of the processes used to research the aforementioned questions, culminating in chapter four, where the introduction of the case study of José Maria da Fonseca in Russia can be found. Finally in chapters five and six it is possible to find the findings sections and main conclusions of the research conducted, respectively.

3. Literature Review

The present chapter describes and distinguishes key concepts for this study such as internationalization, networks, alliances or emerging markets.

3.1. The process of internationalization

3.1.1. Conceptualizing internationalization

Literature, over time, has explained how the internationalization process occurs through several theories or models. However, before we take a closer look at what researchers have postulated, it is important to characterize the concept of internationalization and what it entails for firms. Buckley and Ghauri defined it as ‘the process of increasing involvement in international operations’ [1999, p.84], in an effort to broaden the definition so that it would encompass the dynamic side of the process, which includes both external and internal relationships. Involvement i.e. the measure by which the degree of internationalization is assessed, is often reason for discussion and can be represented by foreign sales as a percentage of total sales, research and development or advertising intensity or export sales as a percentage of total sales [Buckley and Ghauri, 1999; Sullivan, 1994], for example. However, according to a summarization of Sullivan’s findings, a firm’s international involvement can be inferred by an observation of performance, resources located abroad, but also manager’s personal orientation and views towards foreign expansion.

In that sense, the often-cited Uppsala internationalization model (U-Model) developed by Johanson and Vahlne [1977], based on research of large Swedish manufacturing firms, describes a series of stages firms usually go through during the process of international expansion. The model suggests a dynamic approach in which a series of events results on the inputs for the next phase of the internationalization cycle.

A different train of thought can be observed in the Innovation-Related Internationalization Models (I-Model) developed by Bilkey and Tesar [1977] and Reid [1981]. This is the result of looking at internationalization as an innovation for the firm and while they share similar features, the models differ in the way they explain the incentives to internationalize [Andersen, 1993]. Bilkey and Tesar

[1977] assume the firm has no intention to expand to foreign markets on a first-stage, indicating that there is something that encourages it to do so later on – a “push” mechanism or external change as suggested by Andersen [1993]. Oppositely, Reid [1981] reports of a more interested firm from inception, searching for information and trying to understand the viability of exporting internationally. Andersen, as mentioned above, best explained this phenomenon by hinting at a “pull” mechanism, or internal change agent, that drives the firm in this new direction. Insights and views of managers influence and, in turn, are influenced by involvement and experience in foreign markets [Coviello and Munro, 1997].

In light of this, it is possible to infer that there is a view that shows that stages happen because of a series of events, but there are also stages that happen due to specific firm motivations. The latter approach is significantly relevant in the study of managers’ decision making process, their choice of foreign market and means of entry. By clearly defining stages of internationalization it is possible to understand when, and therefore why, firms rely on partners to take on new, but uncertain, opportunities.

3.1.2. The stages of foreign market expansion

Considering Andersen’s [1993] schematization of several internationalization processes based on the models by Bilkey and Tesar [1977], Cavusgil [1980], Czinkota [1982] and Reid [1981] it is possible to define four distinct stages organizations go through when expanding to new foreign markets: awareness, decision, implementation and evaluation. Awareness refers to the identification of an opportunity or a problem that can be resolved through exports. Decision refers to the phase in which an organization has clearly defined its motivations, beliefs and expectations towards the expansion, but has also searched for information regarding the market and potential partners. Implementation occurs when the organization starts exporting, increasing its sales volume. Finally, evaluation takes place when there is an analysis of results from the entrance in the new market.

Despite the ability to create a pattern for internationalization, there are internal and external conditions faced by a firm that create exceptions to their fit with traditional models like company size, market conditions and existing experience [Andersen, 1993]. While they may affect the

duration of each phase for individual firms, the underlying structure and behavioral decisions uphold.

Nevertheless, the relevance of both the U-model and the I-model for the analysis in this paper lies not only in the proposed motivations and steps towards internationalization, but also when it comes to the choice of market: the rationale that companies choose to enter foreign markets gradually, based on psychic distance i.e. perceived difference in culture, language, political systems, trade practices, etc. [Coviello and Munro, 1997]. These factors are highly connected with risk and uncertainty. Uncertainty reduction has been identified as one of the main drivers of organizational decision-making [Granovetter, 1985]. It is something firms strive to minimize, also described as the liability of foreignness – ‘all of the additional costs that a firm operating in a market overseas incurs compared to a local firm’ [Zaheer, 1995, p.6].

Additionally, the U-Model introduces change aspects to an organization. Firms are influenced by their current business activities and experience in foreign markets, as well as through the continuous commitment decisions a firm makes, facing perceived problems and opportunities [Johanson and Vahlne, 1977]. The model has been revised in 2007 given the change observed in the importance of networks and relationship building in today’s business practices. The network perspective approach to the study of internationalization highlights a process that occurs through time, potentiating the development of a relationship that may result in the gradual progression of international expansion, or a discontinuous process resulting from a series of specific events [Jones and Coviello, 2005].

While psychic distance provides organizations with a way to measure market uncertainty and consequently, information acquisition costs, the overall process of internationalization must also consider the perceived benefits of entering a new market [Ellis, 2000], indicating that other factors may equally or more strongly affect the entrance of firms in new markets.

3.2. Alliances

3.2.1. The creation of alliances: the role of networks

R. Gulati defined strategic alliances as “voluntary arrangements between firms involving exchange, sharing or co-development of products, technologies, or services. They can occur as a result of a wide range of motives and goals, take a variety of forms, and occur across vertical and horizontal boundaries” [1998, p.293]. Strategic alliances involve the intention to take a strategic action on the part of organizations and they can result from both internal and external factors [Gulati, 1998]. Whether they are professional or social connections, many firms identify prospective partners through existing contacts, both for the creation of new projects or even referrals [Gulati, 1998]. Thus networks provide an opportunity for organizations to create alliances, a means of reducing and sharing risk, as well as ensuring the reliability of knowledge received [Yu et al, 2011]. Laumann, Galaskiewicz and Marsden defined a social network as “a set of nodes (e.g., persons, organizations) linked by a set of social relationships (e.g., friendship, transfer of funds, overlapping membership) of a specified type” [1978, p.458]. Researchers have found that network ties are increasingly seen as a means to reduce uncertainty when it comes to lack of information and knowledge [Zhou et al, 2007; Lee, 2007; Ellis 200], but more than that

However, while knowledge of market opportunities is described as one of the main drivers for the U-model and for the choice of strategy behind the I-model, there is little information about how firms identify and choose exchange partners [Ellis, 2000]. According to the aforementioned author, exchange relationships may be:

1. *Importer Initiated*, wherein the potential buyer or interested part in the foreign market is the one to make the first contact, frequently due to the identification of a local market requirement of a foreign-sourced product;
2. *Third-party Initiated Exchange* happens when the opportunity to engage in a partnership is identified by neither the exporter nor importer, but rather some mutually related outside party such as government agency, bank, or business associate – despite the fact that research conducted by professional or governmental sources was rarely used as a sources for finding opportunities.

3. *Trade-fair Initiated exchange*, occurs when new market opportunities are randomly discovered and initiating role cannot be attributed to a single party or entity. Providing this sort of chance encounters is often the reason international trade-fairs are organized.

In his study Ellis [2000] concluded that when social ties were the basis to choose trading partners, organizations often ended up in a relationship with importers rather than foreign trading companies. The same research also revealed that large entities are the ones that mostly rely on existing contacts to form alliances, contrary to the expectation that there would be a more systematic process to foreign market entry [Xia, 2009]. Medium size enterprises obtain the most benefits from attending international trade-fairs, taking advantage of existing diversified product ranges to build a wider network.

The formation of alliances is, however, influenced by several factors related to an organization's desire to hold control of its operations, its prior experience in foreign markets and perceived trade-offs of entering a collaborative agreement versus investing by itself [Daniels et al, 2015].

3.2.2. Types of alliances and its effects

Strategic alliances have been known to take a variety of forms [Daniels et al, 2015; Das and Teng, 2000; Meyer et al, 2009]: For the discussion in this paper we will use the typology developed by Oliver [1990] due to its wide scope, relevance and study of motivations and conditions under which each type of inter-organizational relationship may develop.

Table 1: Types of Alliances

Types of Alliances	Description	Major Motives for Alliance
Trade Associations	Associations developed to pursue common, mutually beneficial goals or interests.	To create bargaining power and exert influence on state regulators; promote collective good; obtain economic advantages; reduce

		legislative uncertainty; and enhance members' image.
Voluntary Agency Federations	Network comprised by multiple organizations in which members or affiliates delegate certain administrative tasks to a central management organization.	Increase collective power in fundraising; establish reciprocity among members; achieve efficiencies in the allocation of resources to organizations; and increase members' community visibility.
Joint Ventures	A type of operation sharing that usually involves equity ownership by more than one organization.	Increase market power and entry barriers; obtain synergies in technology and information sharing; increase economies of scale; sharing risks of entering new markets; and enhance profile in industry.
Joint Programs	Occur when two organizations work jointly in planning and implementing specific programs or activities. They do not require the creation of a separate organization.	Exert control over access to resources; facilitate exchange of clients or personnel; reduce costs of social service delivery; share risks in mounting new programs; and demonstrate norms of cooperation.
Corporate-Financial Interlocks	Members of a corporate board of directors sit on the boards of different organizations.	Influence sources of capital; share knowledge and information; reduce search costs for capital; co-opt financial constituents; and

		project appearance of financial viability.
Agency-Sponsor Linkages	Regularized flow of essential resources to a voluntary organization, regardless of the degree to which ties are formalized in written agreements.	Augment power relative to other agencies; facilitate information exchange; rationalize acquisition of funding; reduce uncertainty in flow of funds; and increase agency's acceptance and prestige.

Source: Adapted from Oliver, 1990

Financial risk sharing, uncertainty reduction and knowledge gains are some of the benefits that arise from alliances already mentioned. However, international partnerships result in some specific gains for the parties involved. Acquiring location-specific assets, overcoming governmental constraints or even faster geographical dissemination are all benefits of associating with foreign partners [Daniels et al, 2015].

These inferences refute, in a sense, the results offered by Johanson and Vahlne's theory of psychic distance [Ellis, 2000], showing that this is not always a deterring factor for international expansion. Alliances present an opportunity to balance the trade-offs between costs and opportunities to invest in foreign markets.

3.2.3. Alliance advantages to overcome barriers in emerging countries

Firms especially rely on partners' knowledge when looking to expand to emerging markets [Lee, 2007]. Emerging economies are defined by Daniels et al as "countries with developing economies, often experiencing rapid growth and offering lucrative investment opportunities, but also characterized by political instability and high risk" [2015, p.855]. These rapidly growing economies provide an ideal context to analyze reactions to uncertainty and several other typical barriers to internationalization, such as business, cultural or lifestyle differences [Daniels et al,

2015], as the environment is strongly characterized by great volatility. Despite those barriers, research has shown that technological advancement and first mover advantage are key predictors of success for partnering ventures in emerging countries [Isobe et al, 2000]. In detail, the previous author noted that, contrary to previous observations, a strategy wherein companies slowly evolved and adapted to markets wasn't ideal in emerging markets and great resource commitment to technology allied to an early development of a local buyer network created a strategic advantage. When it comes to these two specific issues, alliances are proven to offer a solution. Partners help reduce uncertainty associated with market emergence, allowing for organizations to decrease the waiting period and enter a foreign market earlier, but also result in speed advantages when it comes to R&D and innovation conception [Lee, 2007].

Compared to other forms of inter-organizational cooperation, joint ventures are more effective in exploring and taking advantage of opportunities in environments characterized by uncertainty, given the possibility to reduce risk and commitment of individual resources [Luo, 2007]. The unpredictability of the external environment is thus a forecasting element to determine which type of partnership is more adequate for organizations.

On the point of unpredictability of the external environment, when internationalizing to emerging markets is important to look at the surrounding institutional situation. Institutions, such as those responsible for the legal framework, property rights or information systems of a market, play a significant part in firms' international success [Meyer et al, 2009]. The gap in institutional presence is particularly evident in emerging economies and reduces the efficiency of the market [Meyer et al, 2009; Santangelo and Meyer, 2011]. As noted by Ellis [2000], in a foreign economy where the degree of market imperfections is high and reliability of transactions is low, interpersonal ties and alliances grant firms some security. In his research, Luo [2007] established that perceived law unenforceability heightened the conditions for opportunism by both parties in a foreign-market partnership. While foreign and local investors' opportunistic reactions are inversely correlated with industry growth, the same cannot be said for how they deal with potential unreliable information. Perhaps due to cultural background, experience in international ventures or networking ability, foreign investors are more prone than local investors to try to obtain personal gains when faced with this type of uncertainty.

3.2.4. Alliance longevity and sustainability through time

The study of alliances over time allows us to understand how they can result in limiting courses of action for the future. While relationships among firms enable international growth, they can also constrain future growth. In a study of small software firms, Coviello and Munro [1997] observed the need for separation after a certain period of time, wherein independent relationships beyond the existing network needed to be created. Several reasons can explain this observation.

First, alliances are created in an effort to minimize and diversify some of the financial risks that exists during international expansion. However, time can frequently lead organizations to broaden their scope of action to diversify and minimize the risks of being linked solely with one entity by developing products outside the partner's area of expertise [Coviello and Munro, 1997].

Second, partnering with large firms can pose difficulties particularly when it comes to market and product planning [Coviello and Munro, 1997].

Finally, in the long-run, firms will require more autonomy in the decision-making process across all stages of the internationalization process [Coviello and Munro, 1997]. On the other hand, research has also found that foreign market knowledge correlates positively with the cohesiveness of networks, explained by the fact that time is essential to build trustworthy relationships when it comes to sharing information [Gulati, 1998; Yu et al, 2011]. In an effort to guarantee the reliability of information, organizations often look at their partners' partners when examining potential investment prospects and find in this a way to shield themselves against opportunism [Yu et al, 2011]. When a joint venture is the basis for a partnership it is also more susceptible to opportunism given that each party has control of its investment and participation in the project and can, therefore, easily seek personal gains. Internal uncertainty arises from reluctance to share resources or jointly develop them, while maintaining the respective individual identities [Luo, 2007]. In time, strategic alliances can also result in an "unconscious" limitation of resource commitment to reduce exposure to partners, one of the key drivers for internationalization as pointed out by Johanson and Vahlne's U-model.

However, as suggested earlier, the importance of alliances can greatly depend on the nature of the product portfolio and the sector organizations trade in. When it comes to relationship building, the wine industry is one characterized by the development of industry-specific networks as an

internationalization strategy, making this type of expansion a possibility not only for large companies, but especially for medium and small firms.

3.2.5. Internationalization and alliances in the wine industry

The wine industry has not yet been the focus of top publications. Most of the studies conducted on this topic are featured in specialized journals that provide, nonetheless, some insight into the characteristics of the industry.

Wickramasekera and Bamberly [2003] identified in their study of Australian wineries that the attractiveness and high demand for the product worldwide, associated with reputation and quality, resulted in the overall acceleration of the internationalization process. More so, personal connections and the importance of relationship building were also indicated as some of the most important drivers towards achieving rapid expansion.

The need for partnerships often arises due to the lack of individual resources and lack of knowledge about foreign markets [Giuliani and Azra, 2009], much like other industries. However, this strategy is also adopted in an effort to develop a strong wine-producing image overseas, important particularly when internal markets are small or there is extreme competition from international producers [Dalmoro, 2013].

Affiliations such as the ones mentioned above, provide organizations with several types of resources, such as financial or promotional assets, training or knowledge about foreign markets. Additionally, by encouraging a collecting reward system, highlighting national branding, rather than focusing on the gains of the individual firms, these alliances create a partnership rather than prompting competition among members. Success depends not only on wine-producers, but also governmental and non-governmental institutions, requiring a series of synergetic relations. [Dalmoro, 2013]. Alliances present, therefore, specific advantages to the wine industry presented in the figure below.

Figure 1: Alliance effects in the wine industry

Companies level effects	Industry level effects
<ul style="list-style-type: none">• Contact with international markets;• Knowledge, learning, and sharing information;• Competitive advantage in the domestic market;• Participation in international fairs;• Financial support for international activities;• Market expansion;• Governmental and industry support;• Bargaining power;	<ul style="list-style-type: none">• Develop country wine image;• Export culture dissemination;• Wine's quality development;• Governmental resources access;• Sectorial synergy (unified discourse);• Permanent sectorial forum;• Representation in governmental decisions;

Source: *Dalmoro, 2013*

4. Methodology

4.1. Research design

The qualitative research method was chosen to clarify the impact that alliances have on the internationalization process of wine-makers in emerging countries through the analysis of specific issues such as the formation of alliances, their influence throughout the internationalization process of firms and their long-term viability. This particular approach was elected because it allows the analysis of the logic and decision making process behind a specific case [Bettis et al, 2015] of foreign market entry.

Given the “how” format of the question identified, the case study method was chosen to conduct research on this topic. More than that, this particular methodology was favored because a case study involves interviews of involved actors, safeguarding the fact that behaviors cannot be manipulated. More so, it allows for the inclusion of several sources of information beyond the aforementioned, such as documents or artifacts [Yin, 2009].

José Maria da Fonseca was the company chosen to be the focus of this research due to its prevalence in the Portuguese market and long history, which make it a source of meaningful data to analyze with a strong time component. It is also one of the only Portuguese brands with a strong presence in different emerging markets. In that sense, and following a careful discussion with the contact person at JMF, Russia was chosen as the representative emerging economy due to the uniqueness of the entry method and challenges it posed for the wine-producer.

4.2. Data collection

Primary and secondary sources were used to collect data. Extensively, these consist of semi-structured interviews to managers involved in decision-making and continuous evaluation and maintenance of the internationalization process and archival data pertaining to the Russian trade and wine-markets, as well as to the operations of José Maria da Fonseca. A field note diary was also kept with the purpose of recording social interactions, conversations or other pertinent information regarding the case.

The collection of data occurred through a period of one semester, wherein three formal interviews were conducted with the Marketing & Sales Area Manager of JMF, the CEO of Porto Union, as well as the Portuguese Economic and Commercial Counselor in Russia and followed by informal conversations and email exchanges. Interviews focused on the topics of internationalization and alliance formation in order to overcome challenges in emerging markets. Particular attention was paid to the relationships among interviewees and their perceptions of what future might hold for the partnership. The participation of a diverse group of actors proved essential to triangulate data, eliminating possible bias resulting from one-sided observations. Research based on in-depth interviews, allows for tracking of events and causal relationships [Coviello and Munro, 1997] and is expected to permit the identification of networks and partnership initiating factors [Andersen, 1993].

Archival data was provided by JMF itself, but also by trade and investment agencies, including the Portuguese organization Aicep. This data provided a means to understand the company, the industry and background and specificities of the market in question.

For a summary of data collection see appendix 1.

4.3. Data analysis

Firstly, the case story was written in order to transcribe the context in which the internationalization process took place. This type of analysis works to overcome the challenges posed by introducing time into a research problem, by finding interconnections between events [Pettigrew, 1990]. In the particular case this research focuses on, time is critical to understand motivations behind the creation of an alliance, but also to establish how in the long run the relationship is expected to progress.

In order to analyze the data obtained, the method of coding [Strauss and Corbin, 2008] was utilized. The exercise began with the identification of key words – “alliances”, “influence”, “barriers” and “sustainability” - i.e. codes, that were related with each individual sub-research question, in order to schematically organize information. This involved collecting, categorizing and labelling quotes and statements by interviewees that could be connected with broader topics defined by the

researcher. More specific processes included reviewing interviews and documents in order to identify relevant words or sentences that could be connected to the specific concepts, in an effort to preserve the intended meaning on the speakers. Categorizing results implies a matching effort between all interviews, which allowed for an identification of four different codes, observable in appendix 2. Ultimately, the different categories created during the coding process resulted in the triangulation of data and accurate response to the proposed research questions:

How firms in the wine industry use alliances in their internationalization process in emerging countries?

1. How are alliances are created?
2. On what phases of the internationalization process alliances are more influential?
3. How are alliances are sustained through time?

5. José Maria da Fonseca and the World

5.1. Company overview¹

José Maria da Fonseca (JMF) is a Portuguese wine company that was founded close to two hundred years ago – it is the oldest producer of table wines and Muscat in Portugal. The founder and namesake of the enterprise, started the business in 1834 after graduating from university. José Maria da Fonseca introduced winegrowing techniques in his vineyard such as wiring vines or marketing bottled wine rather than the traditional casks of the time. Having been established as a family company since inception, JMF is currently run by its sixth generation while the family is on its eighth.

The company currently employs 131 people and works with 650 hectares of vineyard and state-of-the-art winery. Further data on company revenues is not available due to confidentiality issues, but according to the European Union criteria JMF is considered a medium-size enterprise.

Presently, José Maria da Fonseca's portfolio is made up of more than 30 brands of table and fortified wines from regions all over Portugal: Setúbal Peninsula, Alentejo, Douro, Dão and Vinhos Verdes. The company's offering can be divided into four broad categories consisting of key brands, premium, super premium and fortified wines.

At the core of JMF are two main brands: Periquita and Lancers. Periquita is the oldest table wine-produced in Portugal and the flagship product of the company, fruity and with balanced tannins. Characterized by a strong inspiration in the Portuguese lifestyle, this wine is one of the company's most award-winning wines. Lancers, on the other hand, is a slightly sparkling wine, described as hinting at the “celebratory mood that Europe and North America witnessed after the Second World War”. Appendix 3 offers a more detailed view of the company's product range.

Despite its age, the company mixes heritage and tradition while staying current and accompanying market trends, permanently developing and investing heavily in R&D. One distinguishing aspect of JMF are the facilities in which it produces wine. The amphorae cellar in Reguengos de

¹ Institutional information regarding José Maria da Fonseca was obtained from their 2015 press kit.

Monsaraz, where three types of wines are produced, preserves a tradition with over 2000 years and is equipped with 114 clay amphorae where the fermentation process of wine takes place. Another example can be found in the Fernando Soared Franco winery that covers an area of 9000 m² with a capacity for 6.5 million litres. The facility is completely computer operated and its state-of-the-art technology occupies the same space as traditional open lagares for treading and fermenting grapes, dating from the early 1900s. It was the first producer in Portugal to receive ISO 9002 Certification of Quality.

5.2. The international presence of JMF

From early on, José Maria da Fonseca had internationalization in mind, more specifically Brazil, and the company set up an office in the country. The increasing demand led to the expansion of the vineyard space in Portugal as mentioned above. However, the economic depression that affected the world in the 1920s, aggravated by political instability in Brazil, resulted in less than positive results for the company that was forced to sell some of its assets.

In 2006, the company has ventured into the emerging Chinese market mainly due to its size and increasing demand. The process took place without a partner because the typology of the market so facilitates: the existence of many distributors, sometimes specific to certain areas, makes working with only one an ineffective task. Despite cultural difference barriers such as language or national and business cultures, China doesn't present some of the many harsh obstacles associated with emerging economies, given its more open, less bureaucratic and comparatively politically stable environment.

Given this, JMF has had very successful results internationally, being present in 70 countries worldwide, and exporting 80% of its wine production. From a partnership with an American business man that launched the Lancers brand abroad in 1944 to the creation of Twin Vines in 2008 - a wine intended mainly for export markets - JMF has built a vast international presence.

Figure 2: José Maria da Fonseca's global presence



Source: JMF Press Kit 2015

5.3. The internationalization process in Russia

5.3.1. General context

Political environment

Since the election of Vladimir Putin to the Russian presidency in 2000, the country has seen several political reforms with the aim of centralizing power within the federal executive. The current conflict with Ukraine and the illegal annexation of Crimea have severely damaged political relations of Russia with the rest of the world, putting the country in a state of instability. As a direct result of this crisis, mechanisms of cooperation with Russia are temporarily frozen and sanctions have been put in place in order to encourage the country to terminate this behavior. Some of the measures taken include the prohibition of exports of dual use goods and technology for military use in Russia or the impediment of EU nationals and companies of buying or selling new bonds, equity or other financial instruments with a maturity exceeding 30 days, issued by several Russian entities.

Russia ranks 136th on the Corruption Perception Index of 2014 and 62nd on the Doing Business Report of 2015.

Economic environment

Russia has the 7th highest GDP in the world. The perspectives of economic growth for the Russian Federation are conditioned by commodities' quotation, in particular those of petroleum and gas – the country is the world's biggest producer of petroleum and second of gas. According to the Economist Intelligence Unit, the expected evolution of prices does not look favorable for Russia. More so, the economic situation in the country has been harmed by sanctions imposed on an international level, highlighting structural deficiencies of Russia's economy which led to a devaluation of the national currency, inflation and reduced purchasing power of consumers. These factors, as well as the deterioration of the job market, are expected to cause a reduction of domestic consumption by 8.1%.

The low index of trust of companies, in addition to the aforementioned sanctions, will negatively impact investment and public expenses will drop as a result of inflation and fiscal restraints.

Legal environment

Current cooperation between the Russian Federation and the EU is based on the 1994 Partnership and Cooperation Agreement (PCA). That being said, in 2008 negotiations were started in order to create a new agreement which would more adequately represent the current state of the relationship between the parts involved. This all-encompassing agreement would include commitments in areas such as political dialogue, freedom, trade, investment and many others. However, given the current conflict with Ukraine, all negotiations have been halted.

Nonetheless, despite the difficult trading conditions in Russia overall, the agricultural and food sectors where wine is included have unique characteristics and face specific challenges brought on mainly due to the political tensions previously mentioned.

5.3.2. Market analysis of the Russian wine scene²

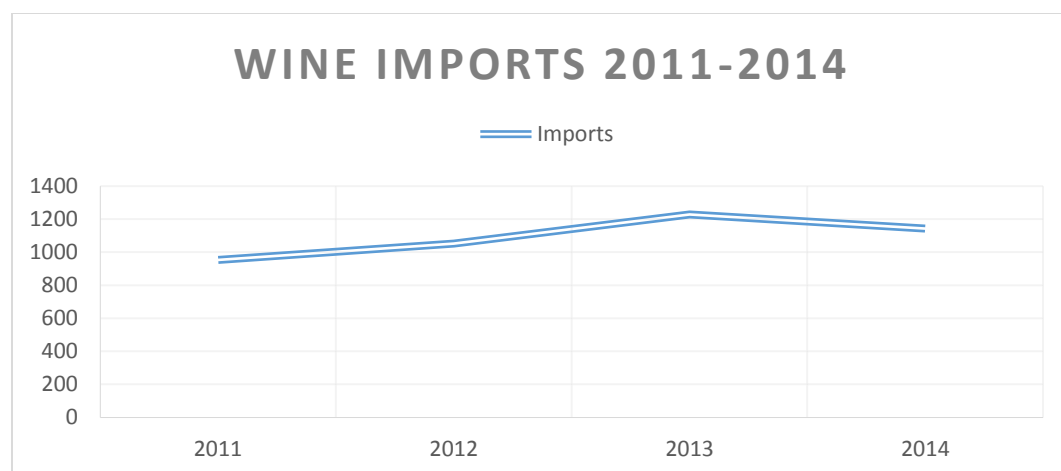
The Russian wine market has been suffering since 2014 for two main reasons. First the national currency, the Russian ruble, has devaluated 40% from two years ago and this volatility affects

² Unless stated otherwise, Russian market information was sourced from the report produced by the Spanish trade and investment governmental organization on the topic (ICEX).

imports and payments to suppliers. Second, demand has been decreasing due to the inferior purchasing power of the population and price increases of the alcoholic beverage.

Additionally, there has been some replacement of imports by national products. The current conflict with the West has created a situation wherein nationalist policies in economic matters have been supported. The wine sector is no exception, having the Ministry of Agriculture in Russia put forth a suggestion forbidding imports of the drink in bulk. Russian operators are against this since national production can't satisfy the existing demand, but are suggesting an increase of duties in order to create a fund that will help national wine-producers. Russian wines are increasingly popular in the country, perceived to have a good price-quality relation.

Graph 1: Wine Imports by the Russian Federation, in millions of USD

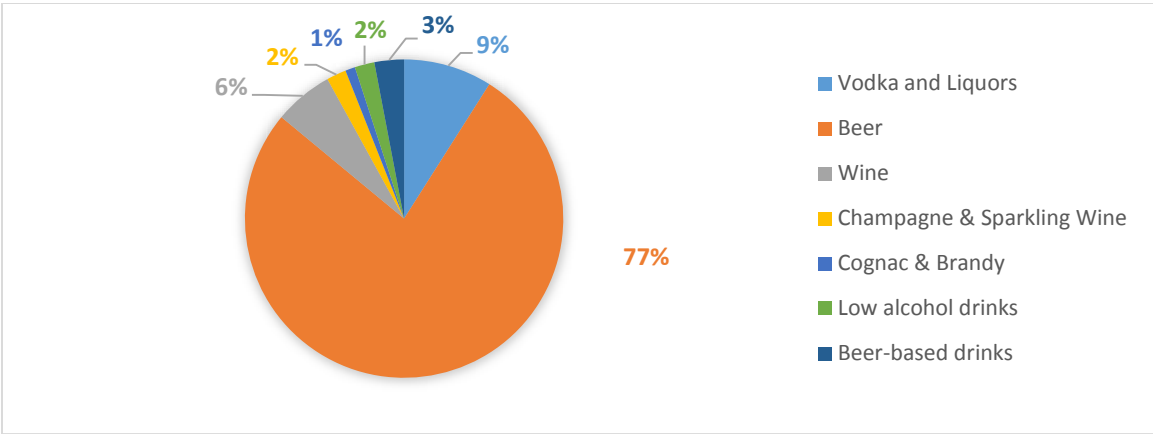


Source: adapted from ICEX

Russia is one of the countries with the most alcohol consumption per capita in the world. (Agriculture and Agri-Food Canada, 2012).

Wine consumption in Russia is around 7.5 liters per capita per year and is stable, with a slight tendency to increase. This is a relatively low number, compared to other non-producing countries such as the United Kingdom or Scandinavian countries (around 15-17 liters per year). This is explained, among other things, by a high consumption of other alcoholic drinks.

Graph 2: Structure of Alcohol Market in Volume Terms



Source: Russian Beer Market Update, GAIN 2016

Quality wine remains a luxury item only available to a small percentage of the population. With the recent loss of purchasing power “many expensive wines are being re-evaluated and put away”, said Maxim Lesnichenko, former CEO of distributor Ford, adding as well that iconic brands would keep selling, but in lower amounts.

While most wine consumption occurs at home or at friends’ houses, Russian consumers are very susceptible to advice and suggestions made by sommeliers at restaurants, this being often the first contact with new wines. In this sense, restaurant menus are extremely important when it comes to the popularity and success of quality wines in Russia.

The volume of the market, in dollars, is approximately 8.000 million dollars per year, according to unofficial statistics.

Figure 3: Categories of Wine

Quality Wine	Table Wine	Bulk Wine	Sparkling Wine
<ul style="list-style-type: none"> • Most wines imported from the old and new worlds (Spanish, Portuguese, Chilean, etc). Consumption of these wines is growing steadily and distribution is quite concentrated. 	<ul style="list-style-type: none"> • Offers interesting opportunities for wines coming from the West at competitive prices. Distribution is not as concentrated. Volumes sold are higher, making up for smaller margins. 	<ul style="list-style-type: none"> • Low quality and low price wines. Bottling usually occurs in Russia and is distributed throughout the whole country under Russian brand names, where origin is not mentioned. Usually not present in the bigger cities. 	<ul style="list-style-type: none"> • There are several categories of sparkling wine, the best known being Champagne from France and Prosecco or Asti from Italy. Distribution is similar to other types of wine, but demand fluctuates greatly.

Source: author

Despite some lack of sophistication of the wine market in Russia, interest and knowledge about the products is increasing and the most important factors taken into consideration are taste of the wine, brand, country of origin, price-quality relation and recommendations made by friends or others.

A great majority of consumers (69%) prefers red wines, with only 29% citing a clear preference for whites. Rosé wines are not particularly popular, except in the sparkling segment where demand has been stable and growing. Traditional preferences show an inclination towards semisweet wines, revealing that the population is not accustomed to dry types. While this trend has been attenuated in Moscow, it still remains strong where penetration of imports is low. Western consumption habits are, however, shifting these tendencies and those customers that are more familiar with wine and also more refined have shown a preference in regard for dry wines.

5.3.3. Strategic analysis of the Russian wine scene

Local production is not enough to satisfy demand, mainly due to insufficient supply but also to the low quality of Russian wine in general, even though, as mentioned before, there has been an

increase in Russian brands marketing themselves successfully in the muscovite restaurant scene. That being said, and as can be observed in the table below, most of the wine consumed in the country is still imported – around 60% of the total offerings.

Table 2 – Wine supply in Russia in millions of liters

Description	2012	2013	2014
Russian imports of wine	490	505	468.9
Russian production of wine	367	339	321.2
Total	857	844	790.1

Source: “El mercado del vino en Russia”, ICEX 2015

The Russian market is supplied by several countries, however, a whopping 72% of imports (in value) come from four key regions. With different characteristics and positioning techniques, the table below shows what the major competitors are and their respective competitive advantages.

Table 3 – Main suppliers of wine in Russia

Country	Most relevant segment	Competitive advantage
Italy (29%)	Quality and sparkling wines	Italian wines are characterized by a diversified offer (Pinot Grigio, Prosecco, etc) and intelligent brand management. Its identifiable styles are easy to recognize and by offering a complement to Italian food – the most popular in Russia – this makes them the favorites in the country. Careful brand presentation is also a relevant factor for loyalty building.
France (21%)	Quality wine – especially premium	Solid perception of traditional and glamorous products, with an image of luxury and refinement type translate into French wines occupying a premium image in consumers’ minds.

		High prices, however, lead to slower growth of sales.
Spain (12%)	Quality and table wines	Good price-quality relation. Strong emphasis on DOP wines and branding.
Georgia (10%)	Quality wine	Closeness and tradition of Georgian wine consumption in Russia.

Source: author

5.3.4. José Maria da Fonseca’s entrance in Russia

José Maria da Fonseca has been present in Russia since 2011. JMF identified in Russia an expansion opportunity given the size of the market and potential for sales and examined trade-offs of creating an alliance or investing by itself. In that sense, a previous relationship between JMF and one of Porto Union partners’, presented a solution to the expansion dilemma. A joint program was created wherein both companies would have a share in risk and profit, with one focusing on the product and the other on the dissemination of the same across distribution channels, something made possible due to an extensive network created after fifteen years of experience dealing in Russia. The history and size of JMF “allows us to trust the partners we do business with” said Porto Union’s CEO, mentioning one of the key forces that permitted the formation of an alliance.

The agent, Porto Union, is a company that represents Portuguese producers in several categories in the Russian market. In order to avoid conflicts of interests, the company has only one producer by sector in its portfolio. Among other things, it brings Portuguese olive oil, ham, cheese and juices into the Russian market.

Together, the companies opted to introduce into the country a diverse range of products, but always preserving a top quality image associated with the country of origin. Currently JMF exports 14 different brands of wine into Russia, a wide portfolio built to reach all consumers with red, white, rosé and fortified wine, from all regions of Portugal and in all categories offered by the company, namely key brands, premium wines, super premium wines and dessert wines (see Appendix 4 for a list of brands).

Table 4: Exports to Russia by José Maria da Fonseca

	2014	2015	2016*	2017*	2018*
Volume**	4650	1157	3316	3700	4000
Growth (% compared to the previous year)	-	-75.12	86.6	11.58	8.11

Source: author

*Projected values by JMF and Porto Union

**Number of boxes with 6 bottles each

“The Russian consumer is not very well informed about wine, particularly Portuguese wine [...], the country has a culture of drinking other types of alcohol like vodka”, pointed out Francisco Carvalho, Marketing & Sales Area Manager, as one of the biggest challenges of the market that requires the education of consumers and alteration of some cultural habits. Issues such as corruption and lack of knowledge about intricacies of the market were also highlighted, greatly explaining the need for an agent that has been present in the country for a long time and that has built a relationship with distributors and other important players in Russia.

Besides helping to solve the challenges mentioned above, this specific alliance is very important when it comes to “providing stability in the market” as mentioned by Miguel Vasco, in an economy characterized by its volatility.

While the agent has proved to be more important on initial stages of expansion and integration in the market, José Maria da Fonseca only has occasional contact with clients in Russia which allows Porto Union to keep some part of its differentiating and competitive assets. This distribution of responsibilities is also more efficient given the team of nationals the agent has placed in the foreign location. More so, by partnering with a Portuguese company that has specific knowledge, JMF avoids dealing with cultural differences in the business environment while benefitting from the know-how all the same.

Porto Union also has close contacts in the on-trade market side. Given the importance placed on recommendations in restaurants by the Russian consumer, one of the successful strategies employed consists in getting support from specific sommeliers which has a direct impact on sales.

While this has not yet shown consistent results, but rather peaks of sales, it is believe to be a start where the Portuguese brand is concerned.

Beyond this, there is a joint goal definition which thus far has been realistic considering the environmental conditions. Yearly, both companies meet in order to analyze the real results in comparison to initial forecasts.

According to Maria José Rézio Portuguese Economic and Commercial Counselor in Russia, a key strategy for Portuguese winemakers for building relevant relationships with distributors and differentiating its positioning from others is to promote visits to the country of origin, offering tastings and the opportunity for buyers to get to know the company, the country and the culture. In that sense, José Maria da Fonseca has been encouraging these opportunities having received one to two annual visits in the last couple of years. Porto Union has made it possible for the Portuguese wines to be present in the most important channels in the country and often solicit meetings with the Portuguese trade and investment agency in order to look for support and advice when it comes to actions in the Russian market, building in this sense a new network of their own.

Managers are satisfied thus far with results that, despite not being ideal, are the best in the context that they are in. When it comes to future perspectives for the alliance between JMF and Porto Union, both parties revealed confidence in the preservation of the relationship in the long-run with Francisco Carvalho believing in the creation of a “partnership that is sustainable in time” and Miguel Vasco stating that the “companies have a partnership rather than the typical client/ supplier relationship”.

6. Findings

Considering the results obtained through interviews and documentation, it is possible to answer the research questions previously mentioned and understand the impact that alliances have on the internationalization process in emerging countries in the case of JMF in Russia.

6.1. How alliances are created

The alliance between José Maria da Fonseca and Porto Union arose from the presence of a common social tie: a professional relationship between top managers in the two companies who had “worked together in different projects from 2009”, according to Porto Union’s CEO, Miguel Vasco. The previous existence of a network facilitated the identification of the partner, anteceded by the identification of a potential market.

The nature of the alliance that was created, a joint program, was what both parties believed to be more appropriate given the characteristics of the Russian market and its uncertainty, causing for a need to distribute risk and, consequently, profits.

6.2. On what phase of the internationalization process are alliances more influential

From an analysis of the interviews it is possible to conclude that for José Maria da Fonseca this alliance “had a bigger impact in the beginning” of the international expansion effort as the Marketing & Sales Area Manager of JMF referred, but Porto Union was “important in all stages of the process”. More specifically, it was made clear that partnerships played role when it came to entering the market and how. That being said, a careful analysis of the subtext and joint meaning of the information obtained allow for the following conclusion:

- a) Awareness – during this phase José Maria da Fonseca needed little to no help from a partner. Considering the results observed, the company was able to self-reflect and identify potential markets and opportunities on its own – “we had already thought about Russia, it is after all a market with 140 million inhabitants”, said Francisco Carvalho from JMF;

- b) Decision – the partner chosen by JMF played an important role in this phase as they help clarify some characteristics and challenges in the market, allowing for a realistic adjustment of expectations. In accordance to what was observed in the process, the agent provided information and knowledge, both essential in the decision stage – JMF mentioned issues such as “cultural differences” or “language barriers” which they found hard to resolve alone, as well as the significant instability of the market that is very bureaucratic. Porto Union provided help by helping the company adopt one of its wines to more accurately fit the Russian taste and bridge JMF with Russian entities or Portuguese entities present in Russia;
- c) Implementation – from what was observed, the alliance was crucial during implementation the implementation phase in Russia. The foreign agent’s know-how and expertise in the market played an important role in identifying key distribution channels and clients and set the tone for the continuation of the partnership – Miguel Vasco mentioned the fact they “were represented in the big chains” as one of the agent’s biggest contributions to the partnership, as well as the portfolio of products they had because “by having expertise in several categories [of different food products], we looked to have expertise of the business in Russia”.
- d) Evaluation – during the last stage influence is more subject to interpretation. In the present case of José Maria da Fonseca and Porto Union, there was a collective analysis of results and, when necessary, an adjustment of strategy and expectations – the CEO of Porto Union highlighted the importance of “a joint goal definition, in October or November where we decide how much we want to sell next year” and quickly corrected it to rather, “how much it is reasonable to sell” in an effort to highlight the need for realist predictions.

6.3. How alliances are sustained through time

Trust is the key observed factor when it comes to sustaining a partnership through time. In the case of José Maria da Fonseca, the fact that negative results arose on the third year after engaging in a joint program would presumably lead to a lack of confidence or even dissolution of the alliance. However, the assurance brought on by the existence of a personal relationship associated with the reliance on the information and knowledge provided by the agent in the market helped overcome

this challenge. Strong market volatility and uncertainty didn't discourage JMF's involvement nor presence in the market also due to the trustworthy relationship developed and confidence in future success.

One of the mechanisms the agent developed to sustain the alliance on its side was through the association with other important market players like governmental entities, such as Aicep, or on- and off-trade distributors that contributed to the credibility of the organization and the information and knowledge it supplies.

Lastly, it would be expected that, in time, the knowledge advantage would erode for Porto Union as José Maria da Fonseca gets more familiar with the environment and its intricacies. Despite this, the partners have been able to balance their activities in a way which allows the agent to hold on to some of the assets that are more valuable, namely the social and business connections it possesses in the Russia. As mentioned by the JMF representative, "there might be, from time to time, contact between JMF and clients in Russia, but otherwise Porto Union is solely responsible for that part, because they have a team with Russian people". By having a clear definition of functions in the partnership and limiting to an extent transferences between both parts – something only possible when trust exists – the alliance remains intact and creates the conditions for increasing performance.

7. Discussion

The purpose of this study was to investigate how wine-producers leveraged alliances to enter emerging markets.

The analysis of internationalization phases based on company behaviors supports Reid's [1981] conjectures that firms are autonomously aware of opportunities to expand internationally, proactively looking for information and assessing the viability of new foreign markets, oppositely to theories that attribute internationalization to an external change [Bilkey and Tesar, 1977; Andersen 1993]. Following that, and consistently with expectations, we found that alliances can be created through a multitude of ways wherein initiating parties vary greatly. However, it is possible to state that a very common element in partnership commencement is the presence of a network, i.e previous personal or professional relationships. Existing networks associated with the previously described "pull" mechanism often result in the formation of alliances for firms looking to enter emerging markets characterized by uncertainty and volatility.

The present study also revealed that there are somewhat sure mechanisms of guaranteeing the sustenance of a partnership in time. This can be done through the development of trust and friendship among partners or through the association with important foreign third parties like governmental entities or on- and off-trade distributors that will contribute to the credibility of the organization and the information and knowledge it continuously supplies. If, on the one hand, this finding supports current literature in saying that looking at partners' partners prevents opportunism [Luo, 2007], it also offers a conceptual twist to research that postulates companies will seek separation after a certain period of time by creating independent external relationships [Coviello and Munro, 1997].

Concerning the wine sector specifically, this study suggests that common internationalization strategy of constituting an industry-specific cluster to export [Giuliani and Azra, 2009] might not be as successful as creating a single alliance with a foreign agent. While clusters help develop a strong image overseas and create bargaining power [Dalmoro, 2013], a strategic agent with a strong network can guarantee distribution likewise and increase the individual brand awareness. As indicated by Lee [2007] and Isobe et al [2000], early market emergence and the development of a strong local network are key predictors of the successful performance of alliances.

8. Conclusion

With this research it is possible to establish a positive relationship between alliances and success in emerging markets, despite adverse environmental conditions. The wine industry, affected by sanctions posed on Russia by the European Union, is an exceptional example of how challenges and uncertainty can be overcome by having social connections and the right partners in foreign markets. The use of a medium-sized company also provides the means to ascertain the importance of alliances given the limited amount of resources they possess, making alliances a more probable choice in an effort to minimize uncertainty but also share some of the risks.

More importantly, the present case study offered some contrary data to existing literature by exemplifying that time is not necessarily connected to opportunism or tension in partnerships. Alliances developed from existing social ties often have the basis for trusting relationships to begin. This can be particularly relevant when organizations are faced with situations of distress or negative results. Additionally, widespread networks on the part of both partners, beyond the alliance, can also create trust. On the one hand, a long history is positively correlated with the existence of several social and organizational connections, which in turn are associated with market and business credibility which. Oppositely, newer companies can increase their credibility by associating themselves with strategic partners such as governmental organizations or key elements of the distribution channel.

Future research of Portuguese companies should focus on the Russian market and its potential. Despite common belief that political and economic situation pose a threat that can't be overcome, the results presented here provide some guidelines on how to successfully approach internationalization minimizing risks and increasing the chances of long-run success.

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10. Appendixes

Appendix 1: Case Study Data-Base

Type of Source	Date of Evidence	Brief Description	Observations
Interview – Dr. Francisco Carvalho	1/04/2016	Interview to Marketing & Sales Area Manager of JMF	Strong belief in sustainability of partnerships and future results of alliance
Interview – Dr. Miguel Vasco	18/04/2016	Interview to Porto Union CEO	Strong understanding of the Russian market and intricacies. Strategic thinking on how to succeed both in the existing market and possible future endeavors
Interview – Dra. Maria José Rézio	21/04/2016	Interview to Portuguese Economic and Commercial Counselor in Russia	Objective and external view of the partnership, but also provides regular support to promote activities.
Document - Press Kit	2015	Extensive description of company, history and product range	Long background in international expansion and a lot of experience

Document – Excel Report	2016	Observed and forecasted results for sales in the Russian market between 2011 and 2018	Positive future expectations, despite strong drop in results in 2014
Field Diary	2016	Annotations recorded throughout the investigation process	Personal considerations on observations
Document – Report on Russian Wine Market	2015	Detailed analysis of Russian Wine Market	Allows for a clear understanding of market conditions and difficulties faced by wine exporters

Source: author

Appendix 2: Coding

Coding	Interview 1 – Dr. Francisco Carvalho	Interview 2 – Dr. Miguel Vasco	Interview 3 – Dra. Maria Jose Rezio
Alliances	“we export through a partner”, “Porto Union’s CEO was friends with JMF’s VP”, “in complex markets like Russia it makes more sense to look for a partner”	“we at Porto Union looked for category experts in several categories”, “JMF has a very broad portfolio”, “my partner had worked with JMF since 2009”	“we became acquainted in a meeting”
Influence	“they have a bigger impact in the beginning but are important in all phases of the process”	“we try to develop the brand in the market rather than making a plain sale”, “regular meetings with partners allow me to be on top of events”, “we know chains, restaurants, distributors of wine that are very particular”, “a joint goal definition, in October or November... where when we decide how much we want to sell next year, or how much it is reasonable to sell”, “it’s not the first wine that we have adapted to fit the Russian taste”, “by having expertise in several categories, we looked to have expertise of the business in Russia”, “segmentation by type of wine and country of origin”, “the fact that we are represented in big chains helps”	“Every time I have organized tastings, JFM and Porto Union have always showed themselves to be more than available to welcome potential clients”, “By inviting potential buyers to go to tasting in Portugal, wine-makers can distinguish themselves because in a trade fair they are just one among hundreds of others”
Barriers	“markets like China are more open, have a lot less bureaucracy, a lot bigger in terms of population, more politically stable, with growing demand compared to Russia”, “language barriers are very difficult”, “cultural distance”	“sanctions to agricultural products”, “the food market is directly connected to the national currency”, “ex-Soviet Union countries have no taxes when exporting wine”, “no one really knows Portuguese wine”	“the economic crisis, political instability and ruble devaluation is affecting most industries”
Sustainability	“a partnership that is sustainable in time”, “there might be, from time to time, contact between JMF and	“our companies have a partnership rather than the typical client/ supplier relationship”, “it’s a true	“We are in contact with Porto Union regularly to provide support and counseling”, “Porto

	<p>clients in Russia, but otherwise Porto Union is solely responsible for that part, because they have a team with Russian people”</p>	<p>partnership not only with shared gains, but shared risks”, “a partnership with JMF allows us to have great market stability”, “the family has a lot of history”, “it allows us to trust the partners we do business with”</p>	<p>Union already has their products in the main distribution chains in Russia and are the only Portuguese company in the sector with a clear sustainable strategy”</p>
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Source: author

Appendix 3: Range of products

GRANDES MARCAS

São o coração da José Maria da Fonseca e os melhores exemplos de longevidade e constante adaptação.



KEY BRANDS

These are the core of José Maria da Fonseca and fine examples of longevity and adaptability.



PREMIUM

Produzidos nas vinhas próprias da José Maria da Fonseca, representam o cruzamento entre o saber tradicional e as mais avançadas técnicas de vinificação.

Grown in the company's own vineyards, they embody the fusion of traditional know-how with state of the art vinification techniques.



SUPER PREMIUM

Uma seleção especial de vinhos, criados cuidadosamente por Domingos Soares Franco, desde a combinação preciosa das castas, escolha das colheitas, tipo de envelhecimento e madeiras usadas.

A selection of wines envisioned by Domingos Soares Franco, which goes from the precious combination of the varieties to the choice of the vintages, the type of fermentation and the type of oak and aging.



VINHOS GENEROSOS

Sendo a José Maria da Fonseca o mais antigo produtor de Moscatéis de Setúbal, a sua experiência secular na produção destes vinhos aliada a uma dedicação muito especial permite-lhe produzir vinhos únicos, de qualidade impar.



FORTIFIED WINES

José Maria da Fonseca is the oldest producer of Setúbal Moscatel wines. Over 100 years of experience and very special care is poured into them originating rare and unique wines of the utmost excellence.



COLEÇÃO PRIVADA Domingos Soares Franco

Cada novo vinho é fruto da criatividade, da paixão e das experiências e técnicas de vinificação mais variadas desenvolvidas pelo enólogo Domingos Soares Franco com as diferentes castas da coleção ampelográfica da José Maria da Fonseca.

PRIVATE COLLECTION Domingos Soares Franco

The Domingos Soares Franco Private Collection is the result of the creativity and passion of winemaker Domingos Soares Franco and his team, and their experiments with the grape varieties in José Maria da Fonseca's ampelographic collection.



Appendix 4: Products Exported to Russia by JMF

Brand	Type	Wine Region	Capacity (L)
Key Brands			
Lancers	Rosé	IG Portugal	0.75
Twin Vines	White	Vinhos Verdes	0.75
Montado	Red	Alentejo	0.75
BSE	White	Setúbal	0.75
Periquita Original	Red	Setúbal	0.75
Premium Wines			
DSF Private Collection - Moscatel Roxo	Rosé	Setúbal	0.75
DSF Private Collection - Moscatel Roxo	Sparkling Rosé	Setúbal	0.75
Periquita Reserva	Red	Setúbal	0.75
José de Sousa	Red	Alentejo	0.75
Super-Premium Wines			
Domini Plus	Red	Douro	0.75
Dessert Wines			
Alambre Moscatel de Setúbal	Fortified	Setúbal	0.75
DSF Private Collection - Moscatel de Setúbal (Armagnac)	Fortified	Setúbal	0.75
DSF Private Collection - Moscatel de Setúbal (Cognac)	Fortified	Setúbal	0.75
Alambre Moscatel de Setúbal 20 Years	Fortified	Setúbal	0.5