



PrecisionElite: A case study of Born Global to Success

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Dissertation submitted in partial fulfilment of requirements for the MSc in Management with Specialization in Strategic Marketing, at the Universidade Católica Portuguesa, January 2025.

Abstract

Title: PrecisionElite: A Case Study of Born to Global Success

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Keywords: Internationalization Strategies; Born Global Firms (BGFs); Competitive Advantage; Sustainability

This dissertation aims to understand how PrecisionElite, a small cork stoppers enterprise, has been, since its inception, focused on internalizing its business and reaching and maintaining competitive advantage in foreign markets. This thesis aims to study the entry strategies, resources and capabilities needed to gain international competitive advantage. The transaction is a B2B (business-to-business) commercial relationship. Finally, it aims to analyze the evolution of the company's sales and results over the years.

The cork industry is always changing and adapting. Even though ancestral knowledge still has a huge importance and application in the cork industry, continuous technological developments and investments are essential to stay competitive in today's fierce environment. This sector relies on cork as a particular natural resource, so it is influenced by the quality and quantity nature offers, affecting market prices. Simultaneously, the need for cork relies on the wine sector, a byproduct of a natural resource, the grape. This market is highly unpredictable, affected by factors outside the company's influence.

Due to fierce competition in the domestic cork stoppers industry, PrecisionElite viewed international expansion as the most effective strategy for market entry. Another factor relevant to the path taken was the ability to build a commercial team abroad in the start-up phase. Therefore, PrecisionElite is a small enterprise that successfully captures the global market as a company destined for international success. Hence, it is essential to comprehend which tactics would be most effective in breaking through international market obstacles and expanding the business globally.

Resumo

Título: PrecisionElite: O Case de Estudo de um Sucesso Nascido Global

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Palavras-Chave: Estratégias de internacionalização; Born Global Firms (BGFs); Vantagem competitiva; Sustentabilidade

Esta dissertação tem como objetivo compreender como PrecisionElite, uma pequena empresa de acabamento de rolhas de cortiça, tem estado focada na internalização desde o seu início, alcançando e mantendo vantagem competitiva no exterior. Esta tese tem como objetivo estudar as estratégias de entrada, os recursos e as capacidades necessárias para ganhar vantagem competitiva internacional. O negócio integra-se numa relação B2B. Por fim, pretende-se analisar a evolução das vendas e dos resultados da empresa ao longo dos anos.

A indústria da cortiça está sempre a adaptar-se. Não obstante a importância do conhecimento ancestral, o desenvolvimento tecnológico e os investimentos contínuos são essenciais para se manter competitivo. Este setor depende da cortiça como um recurso natural específico, pelo que é influenciado pela qualidade e quantidade que a natureza oferece, afetando os preços de mercado. Simultaneamente, a necessidade de cortiça depende do setor do vinho, que é também um subproduto de um recurso natural, a uva. Este mercado é altamente imprevisível, afetado por fatores externos aos fabricantes de rolhas.

Devido à forte concorrência no setor nacional da cortiça, a PrecisionElite considerou a expansão internacional como estratégia mais eficaz para entrar no mercado. Ter-se proporcionado a disponibilidade para formar uma equipa comercial no exterior na fase de arranque foi um fator relevante para a trajetória tomada. Por conseguinte, esta é uma pequena empresa que capta com êxito o mercado global. Finalmente, é essencial compreender quais as estratégias utilizadas mais eficazes para ultrapassar os obstáculos do mercado internacional e expandir a empresa a nível mundial.

Table of Contents

- 1. INTRODUCTION.....4**
- 1. RESEARCH NOTE5**
 - 1.1. INTERNALIZATION STRATEGIES5**
 - 1.1.1. The Uppsala Model..... 5*
 - 1.1.2. International New Ventures (INVs) 7*
 - 1.1.3. Born Global Firms (BGFs) 10*
 - 1.2. COMPETITIVE ADVANTAGE 11**
 - 1.3. PORTER’S DIAMOND MODEL 13**
 - 1.4. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE 14**
- 2. CASE STUDY16**
 - 2.1. THE CORK STOPPERS INDUSTRY 16**
 - 2.1.1. Introduction 16*
 - 2.1.2. The Production of Cork Stoppers..... 16*
 - 2.1.3. Investment in the industry..... 21*
 - 2.1.4. The international market..... 22*
 - 2.1.5. Demand drivers..... 22*
 - 2.2. THE COMPANY: PRECISIONELITE23**
 - 2.2.1. Introduction 23*
 - 2.2.2. Mission, Vision and Values 24*
 - 2.2.3. Positioning and Target..... 24*
 - 2.2.4. Internationalization Process 25*
 - 2.2.5. Competitive Advantage 29*
- 3. TEACHING NOTE32**
 - 3.1. INTRODUCTION 32**
 - 3.2. SYNOPSIS 32**
 - 3.3. TEACHING OBJECTIVES 32**
 - 3.4. SUGGESTED QUESTIONS 33**
- 5. CONCLUSION38**
- 6. REFERENCES38**
- 7. APPENDICES41**

1. Introduction

This is an educational case study centered on the manufacturer and internationalization of Portuguese cork stoppers, emphasizing the company PrecisionElite. Consequently, the primary aim of this dissertation is to offer students a chance to utilize strategic management ideas in a tangible, dynamic company.

Portugal is the world's leading producer of cork stoppers, exceeding even the quantity of wine bottles manufactured in the country. Given that most cork producers are based in Portugal, the domestic market for this product is highly competitive, which makes the Portuguese wine market very unappealing for cork stoppers producers, since profits usually decrease with rising competition. In addition, there is a demand for the Portuguese cork stoppers industry among wine producers worldwide to allow them to bottle all production.

A comprehensive study was needed to understand the internationalization process and results of PrecisionElite. This company, founded thirteen years ago, operates as an SME (Small and Medium Enterprise), and belongs to the category of businesses that embraced a global mindset from the beginning. How can PrecisionElite, as a SMS, maintain a competitive edge in the global marketplace? To comprehend the development of this company, it is essential to first understand some of the theoretical concepts outlined in a comprehensive literature review. Consequently, a presentation of the case study will be included, detailing the company's evolution over the years and the adjustments it made to stand out and set itself apart from its competitors. Finally, a discussion comparing the findings with both the case details and theoretical concepts.

1. Research Note

1.1. Internalization Strategies

1.1.1. The Uppsala Model

The Uppsala Model, first formally presented in 1977 by the authors Johanson & Vahlne, studies the process of internationalization that companies go through. These authors define internationalization as a process composed of all the incremental decisions the company makes to enter foreign markets: *decisions to start exporting to a country, to establish export channels, to start a selling subsidiary* (Johanson & Vahlne, 1977, page 23).

Assumptions of the Uppsala Model:

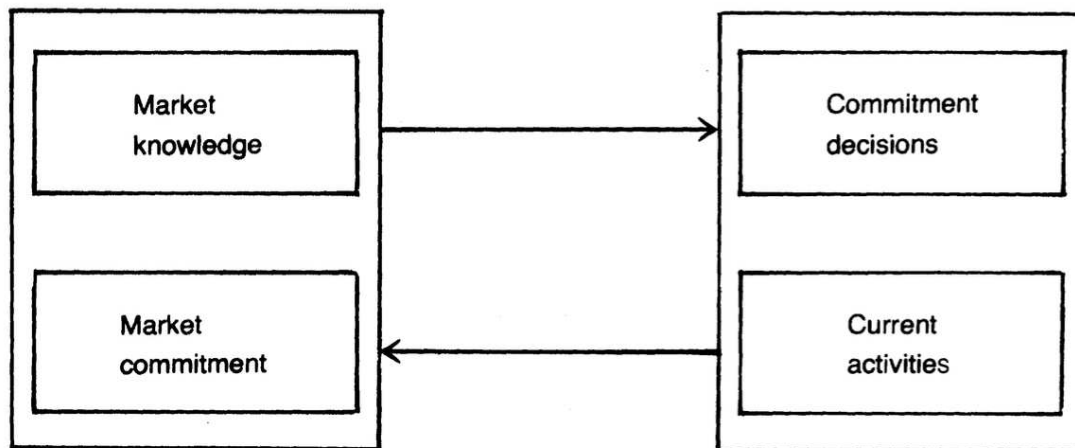
- Heterogeneity:
 - Firms differ in their resources, capabilities, and knowledge. So, the way a firm is managed is going to be crucial when it comes to its success in internalization, *the bottleneck in achieving growth* (Vahlne & Johanson, 2017, page 1090). The network, the relationships, the experience and the partnerships of the entrepreneurs will influence the knowledge, so this is not the same in every company (*knowledge about entrepreneurial opportunities is by no means a public good, but is private and shared between the parties involved*, (Vahlne & Johanson, 2017, page 1090)).
 - It is important to highlight network relationships among organizations. These are particularly important to reduce uncertainty and risk. It is important to evolve alongside the market, which is possible when there is an exchange of knowledge and partnerships between market participants: *relevant network partners should be considered to be co-evolving units in any specific research project* (Vahlne & Johanson, 2017, page 1091).
- Risk, Uncertainty and Partial Ignorance:
 - The market is constantly changing so it is impossible to stay up to date on a second-by-second basis. This leaves the entrepreneurs with the knowledge that it is not possible to always predict and prepare for future conditions of the market. So, taking into consideration these conditions, and the fact that

companies cannot avoid making decisions to progress, the risk of the activity is never zero (Vahlne & Johanson, 2017).

- When going internationally and entering a specific country for the first time companies may experience differences in cultures, habits, and language that may complicate the building of global relationships (Johanson & Vahlne, 1977).

In the Uppsala Model there are two variables: the state and the change variables.

Figure 1. The Basic Mechanism of Internationalization—State and Change Aspects.



Source: Vahlne & Johanson, 1977, page 26.

The state variables are foreign market capabilities (operational and dynamic) and resource commitment. The operational capabilities represent the firm's ability to perform core business activities efficiently and effectively in foreign markets (day-to-day operations) and the dynamics are the ones that must be developed internally, making it difficult to imitate and steal (Vahlne & Johanson, 2017). The resource commitment is composed of two factors: amount of commitment – *close to the size of the investment in the market* (Johanson & Vahlne, 1977, page 27); and degree of commitment – *The more specialized the resources are to the specific market the greater is the degree of commitment.* (Johanson & Vahlne, 1977, page 27). These are the results and effects of the change variables.

The change variables are the processes of commitment/performance and knowledge development, which indirectly influence each other. Using the information and expertise acquired from ongoing operations, companies decide whether to increase or decrease their involvement, specifically the allocation of resources, in the international market. Knowledge is especially important in this model as it is the element that can reduce uncertainty. The model

focuses on the gradual accumulation of experiential knowledge gained by direct experience in the foreign market, which is difficult to transmit to others. The majority of this is tacit or implicit, meaning that is deeply ingrained in the organization and is not easily systematized. The process of learning and developing knowledge requires *relationship-building, flexibility in strategy implementation, and adaptation to the organization's task environment* (Vahlne & Johanson, 2017, page 1094). The greater the company's understanding of the market, the more effectively it can handle the risks and uncertainties, which increases resource commitment, allowing it to make informed decisions on adjusting its commitment (*what matters most in the Uppsala model approach is how adaptation ultimately affects entrepreneurial attitudes, since these will directly affect the resource commitment* (Vahlne & Johanson, 2017, page 1095)).

Overall, the Uppsala Model offers a perspective on internationalization that focuses on learning, gradual commitment, and reducing risks through experience. It continues to be important to comprehend how companies manage the challenges of entering global markets.

1.1.2. International New Ventures (INVs)

International new ventures (INVs) have existed for a long time, but it is only in the last decades of the last century that they have received more attention and study. Oviatt and McDougall, in their study *Toward Theory of International New Venture*, define INVs as a *business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries* (Oviatt & McDougall, 1994, page 49). These authors emphasize that this type of company has the peculiarity of having a clear internationalization strategy from the beginning, regardless of the size of the company. It is clear in the 1994 article that since international new ventures are generally small companies (because they are in their early years of existence), size is not a prerequisite to being multinational. The changes in the international environment, such as technological developments that allowed for faster communication and transportation, which consequently made markets more homogeneous, were crucial in facilitating the internationalization process. Oviatt & McDougall (1994) show four types of INVs that differ in the number of value chain activities and the number of countries, which are illustrated in the following picture.

Types of International New Ventures

<p style="text-align: center;">Few Activities Coordinated Across Countries (Primarily Logistics)</p> <p style="text-align: center;">Coordination of Value Chain Activities</p> <p style="text-align: center;">Many Activities Coordinated Across Countries</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="padding: 5px;">New International Market Makers</td> </tr> <tr> <td style="width: 50%; padding: 5px;">Export/Import Start-up i</td> <td style="width: 50%; padding: 5px;">Multinational Trader ii</td> </tr> <tr> <td style="padding: 5px;">Geographically Focused Start-up iii</td> <td style="padding: 5px;">Global Start-up iv</td> </tr> <tr> <td style="text-align: center; padding: 5px;">Few</td> <td style="text-align: center; padding: 5px;">Many</td> </tr> <tr> <td colspan="2" style="text-align: center; padding: 5px;">Number of Countries Involved</td> </tr> </table>	New International Market Makers		Export/Import Start-up i	Multinational Trader ii	Geographically Focused Start-up iii	Global Start-up iv	Few	Many	Number of Countries Involved	
New International Market Makers											
Export/Import Start-up i	Multinational Trader ii										
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Number of Countries Involved											

Source: Oviatt & McDougall, 1994, page 59.

First, there are the New International Market Makers, where sustainable competitive advantage depends on knowledge of markets and suppliers, the ability to attract and maintain a loyal network of suppliers, and the ability to identify new opportunities before competitors. They may be export/import start-ups operating in a few countries familiar to the entrepreneur, or multinational traders operating in several countries. Then there are the Geographically Focused Start-ups that operate in the specific needs of a particular region (geographically restricted). Finally, the Global Start-ups that operate in global markets (unlimited), acquire resources, and sell outputs wherever the higher value is. Developing these INVs is the most challenging, yet they offer the strongest sustainable competitive advantages.

In 2005, Oviatt & McDougall introduced the **Model of Forces Influencing Internationalization Speed**, shown in Appendix 9. As demonstrated, three factors play a role in determining the pace of internalization: the timing of market entry post-discovery, the rate of expanding into new countries, and the rate of growth in foreign sales. The model states that the speed at which a company expands internationally is influenced by **four different forces**:

1. **Enabling:** through the development of technological aspects, such as transportation, communication, and digital technology, which allowed cost reductions and more efficiency, there was the opportunity for faster internalization.

2. **Motivating:** the presence of competitors and the pressure of new potential rivals increase as an encouragement for faster internalization.
3. **Mediating:** The person/entity/company that can identify an opportunity and act on it is critical to the process of internalization.
4. **Moderating:** The sum of known knowledge and the knowledge intensity of the opportunity combined with the international network characteristics of the entrepreneurs can determine the speed of internalization.

In their article "Defining International Entrepreneurship and Modeling the Speed of Internalization", Oviatt and McDougal highlight the importance of **network** and **knowledge intensity** in the process of international expansion. Regarding the network, the model described above emphasizes the importance of entrepreneurs' network relationships worldwide to maximize the identification and results of an opportunity. The speed of internationalization may depend on the strength of the network ties (links between actors, also known as nodes), the size and the density of the whole network. Considering now the knowledge, market, and knowledge intensity, it is important to explain how much this factor can increase the speed of internationalization. Initially, it is important to consider the existing knowledge that the company has, especially in the case of SMEs where it is centered around the entrepreneur or their small team. This highlights the significance of the entrepreneur's personal international knowledge in maximizing opportunities. In addition, a high level of knowledge intensity is crucial for gaining a stronger competitive edge, as properly highlighted in the study *Effects of Age at Entry, Knowledge Intensity, and Imitability on International Growth*. The final author clarifies that companies that focus on enhancing their knowledge are better equipped to adapt and thrive in new environments compared to companies that rely solely on tangible resources. Furthermore, knowledge can be considered a flexible asset as it can be adjusted to support a wide range of international business strategies. So, it may be concluded that *the more knowledge-intensive an internalization firm is, the more likely it is to develop the learning capacities necessary for rapid adaptation to a foreign environment and to perceive opportunities for continued or accelerated foreign expansion as being less costly* (Autio & Al., 2000, page 913).

1.1.3. Born Global Firms (BGFs)

The Born Global is a term that was popularized by Knight & Cavusgil (1996), and it may be seen as a niche in the INVs. These firms known as Born Globals have the following **characteristics**:

- The whole world is viewed as the market in which to operate (no distinction between foreign and domestic market) – origins of the firm are international;
- Exportation starts in a maximum of 2 years of establishment (1/4 of total production);
- Small manufacturers;
- Founded by dynamic entrepreneur(s) and a result in an innovation on process/technology;
- Use technology to develop unique product or improved approach to conducting business;
- Products sold involve significant value adding.

To sum up, Knight & Cavusgil (2004, page 124) define born global firms as *business organizations that, from or near their funding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries.*

Several factors contribute to the emergence of Born Global Firms:

- 1) There is an increasing demand for niche products and specialization/customization is an opportunity for smaller companies to conquer a multinational market that bigger corporations are not able to.
- 2) The evolution of technology allows small companies to create a variety of products on a smaller scale while remaining competitive in the market.
- 3) Advancements in communication allow any firm to stay constantly informed and carry out operations worldwide with greater efficiency.
- 4) Small businesses benefit from being more flexible and able to adapt compared to larger corporations.
- 5) All companies, regardless of size, have easier access to the tools of international expansion, such as knowledge and technology. With the globalization of technology, *new and better approaches to manufacturing, product innovation, and general*

operations have become much more readily available to smaller firms (Knight & Cavusgil, 1996, page 22).

- 6) Small businesses can take advantage of collaborating with distributors, buyers, sellers, etc., through the expansion of global networks, enabling them to establish lasting connections with international partners.
- 7) The globalization of markets is associated with the *homogenization of buyer preference* (Knight & Cavusgil, 2004, page 125) which simplifies the entrance and conquest of foreign markets.

Knight & Cavusgil (2004) assume that there is more to investigate and elucidate regarding born global firms. The authors' study proposes that international entrepreneurial orientation and international marketing orientation are the top two organizational culture traits for born global. The international entrepreneurial orientation resumes the capacity of these companies to expand into new international markets by offering original and inventive products/services. The main concern of international marketing orientation is on the strategies employed to address obstacles and enhance outcomes to deliver value to customers worldwide. This research concluded that having strong global technological skills, unique product development, a focus on quality and utilizing the capabilities of foreign distributors are all driven by international entrepreneurial and marketing orientations, and collectively lead to exceptional performance in global markets.

1.2. Competitive Advantage

Porter researched and confirmed the significance of a business having a competitive advantage over its rivals. Porter (1985) suggests that to comprehend a company's competitive edge, one must focus on studying various activities like production, distribution, marketing strategy, and commercialization, as well as the interconnectedness between them, rather than just looking at the company as a whole. The concept of value chain is a crucial tool for recognizing unique competitive advantages that vary greatly among competitors. The value chain is made up of the complete value that the purchaser is ready to pay, which includes the margin and the value activities. These primary and support activities, such as production, distribution, technology, human resources, and marketing, make up an interconnected system with links within the value chain. Likewise, customers possess a value chain, and the connection between this and the companies will impact a company's uniqueness (It will be explored further).

Porter (1985) explains that there are two forms of competitive advantage: cost advantage and differentiation.

Beginning with the cost analysis, three principles that the generic chain should embody in autonomous values must be considered, such as the amount and evolution of the costs, the cost behavior, and the differences between competitors when it comes to the activity (Porter, 1985). Separating activities is necessary for conducting cost analysis in most cases. After determining the value chain, the company needs to assign resources and expenses to essential activities, and then compare how competitors allocate these costs, as it will impact their actions. This cost behavior will be influenced by ten different factors, such as economies of scale, training, capacity utilization patterns, linkages, interrelationships, integration, timing, discretionary policies, location, and institutional factors. In conclusion, a company has a cost advantage when its overall costs for all value-added activities are less than those of its rivals.

A company stands out from other businesses if it can offer something unique that is important to customers, as stated by Porter in 1985. For differentiation to be maintained, the company needs to provide distinctive value in a range of activities that significantly impact buying decisions. The sustainability relies on how buyers perceive value and competitors not copying. Differentiation enables the company to charge a higher price, increase sales, or offer additional benefits like customer loyalty. It is crucial to understand that a company's distinctiveness does not need to attract everyone and can be focused on a particular group (e.g., conservative luxury labels).

Peteraf & Barney (2003) offer their outlook on competitive advantage. They start by providing a definition consistent with Porter's research, stating that a company achieves a competitive advantage when the economic value it generates surpasses that of its rivals critical point in its product market. Hence, to make this concept clear, it is essential to explain economic value, which is defined as the *difference between the perceived benefits gained by the purchasers of the good and the economic cost to the enterprise* (Peteraf & Barney, 2003, page 314). These authors delve deeper than Porter by considering benefits minus costs, while Porter focuses solely on benefits when referring to value. This perspective on value creation aligns with fundamental economic principles and suggests that the value generated by a company can improve the welfare of its stakeholders. Price is not the sole determining factor of value. This definition highlights that the consumer's viewpoint on the product/service holds greater significance than the actual quality. Ultimately, Peteraf & Barney highlight the significance of

efficiency for a company to outperform its competitors by either delivering higher benefits at equal costs or equivalent benefits at lower costs.

1.3. Porter's Diamond Model

Porter (1990) created the diamond model as a tool to assess competitors in the global market. Using a diagram with four interconnected determinants, competitors' strengths and weaknesses can be evaluated, creating a diamond-like shape. The four points consist of:

1. **Factor Conditions:** The country's position in the factors of production (human and financial capital, natural resources, infrastructure) to compete in a given industry. International competitors do not have the same combination of factors in terms of cost and combination rate.
2. **Demand Conditions:** The nature of the industry's internal demand. International competitors have a different segmentation of domestic demand and will face different needs from local buyers.
3. **Related and supporting industries:** The presence or absence of internationally competitive suppliers and related industries. Since competitors are international, they will mostly, but depending on the type of industry, use suppliers of their nationality (local), which will be different. Similarly, the relationship they will have with their suppliers will be particular, as will the presence of related industries.
4. **Strategy, structure, and rivalry:** The culture and context of the country will influence the strategic decisions of competitors. The management style and type of organizational structure of the industry, the strategy adopted, the objectives of the investors and the internal rivalry in the country will be something to consider.

Porter (1990) underlines the significance of examining the competitor's country's diamond when expanding the company globally. He argues that the company's ability to succeed in globalization will mainly be determined by the competitive edge that the country holds in that specific industry. In other words, the company should focus on industries where the nation has an advantage, but where rival countries (competitors in internationalization) are still developing/growing. This does not guarantee success for every company within a nation's industry, but rather suggests that the country's overall environment will impact the chances of success.

It is important to realize that these factors are connected to each other and impact one another. Therefore, the impact of each factor is related to the condition of the other factors, meaning that benefits in one factor can lead to benefits in the others, but the reverse is also true. In his book *Competitive Advantage of Nations* (1990), Porter provides an example: having favorable demand conditions is not enough to gain competitive advantage if there is no rivalry pushing firms to seize these opportunities. Therefore, it is crucial for industries, especially knowledge-intensive ones in advanced economies, to have all the necessary factors in place to maintain a competitive edge. Yet, having an edge in every aspect is not compulsory for a competitive advantage.

There are two additional elements that Porter (1990) highlights as influencing the national system: **chance** and **government**. Chance refers to events beyond the control of companies, such as global epidemics, wars, changes in demand, or even major technological developments. These events can be opportunities or major losses for companies and because they are often unpredictable, do not allow for prior preparation, but as they happen monitorization is necessary so that the company may adapt to the changes. As far as the government is concerned, there are policies and laws that it can implement that will directly or indirectly affect the industry, either positively or negatively.

1.4. Environmental, Social, and Governance

Environmental, Social, and Governance (ESG) serves as a tool for organizations, investors, and other stakeholders to address sustainability objectives and manage the societal effects of a company or investment (United Nations Global Compact, 2004). The implementation of these principles is crucial not only for the overall improvement of the company's performance but also, more specifically, to boost efficiency and oversee many risks. Overall, it is a fantastic representation of the growing significance of environmental and social issues. ESG includes three main areas of focus:

- **Environmental:** Emphasize the relation between the business and the environment, along with the preservation of natural resources. Some important factors might consist of: carbon emissions and climate change; renewable energy and energy efficiency; waste management and pollution reduction; biodiversity protection.
- **Social:** Analyzes the organization's relationships with employees, suppliers, clients, and communities, along with the resulting effects of the company on society. Important

elements may include: workforce health, safety, and welfare; ethical sourcing; consumer rights and product security; community involvement and effects.

- Governance: Focus on good corporate governance, which may involve: leadership, organization, transparency, and ethical business conduct. Main focus areas consist of: diversity on the board; clarity in financial statements; measures against corruption. (Widia & Wibisono, 2024)

The adoption of ESG principles provides numerous significant benefits for businesses, investors, and the broader community. Firstly, the positive financial effect is unavoidable. By focusing on efficiency, through cutting energy use, minimizing waste, and utilizing renewable resources, organizations will reduce costs and increase their profitability. Moreover, strong ESG performance draws more ethically driven and sustainable investors, providing companies with better access to funding. Secondly, consumers and employees have increasingly prioritized values. Thus, companies that focus on sustainability and social responsibility are more likely to attract and keep customers, resulting in an improved company reputation and stronger brand loyalty (Kroeger, 2024). Finally, businesses that innovate in response to environmental or social challenges frequently uncover new opportunities for expansion, like creating sustainable products or improving supply chain efficiencies. This leads to a competitive edge for the business in the global market (Deckelbaum et al., 2020).

2. Case Study

2.1. The Cork Stoppers Industry

2.1.1. Introduction

Portugal is known, among other features, for being the largest producer of cork in the world. The annual world production of cork is about two hundred thousand tons, of which more than 50% comes from Portugal (APCOR, 2023). Many cork products are developed for different sectors (construction, furniture, clothing, and accessories), but it should be highlighted the cork stoppers sector, as it is the predominant one. The publication *The Cork Sector (2023)* by APCOR (Portuguese cork Association) made a remarkably interesting analysis of this industry. It is cited that there are over 800 companies in the Portuguese cork industry, providing jobs for over 8,500 people. Its revenue of 1.9 billion euros accounts for nearly half of the total revenue of the Portuguese wood and cork industry and 1.8% of the total revenue of the national manufacturing industry. Annually, the cork industry exports more than 1.2 billion euros, representing roughly 1.5% of Portugal's total goods exportations. The cork industry has a strong geographical concentration, with 78% of its companies located in the municipality of Santa Maria da Feira, located 20 km south of the city of Porto (Appendix 1).

In the last ten years, the cork industry has experienced a significant increase in turnover and gross value added, of 41% and 31% respectively (Appendix 2). However, the number of employees has decreased by 8%, indicating a productivity growth of 43% (Appendix 3), well above the average for the Portuguese industry.

2.1.2. The Production of Cork Stoppers

2.1.2.1. The Cork Oak & The Cork

It all begins with the cork oak. This tree, found mainly in the western Mediterranean, has the unique property of regenerating itself after each harvest of its bark, the cork. The process of stripping the bark from the cork oak is very delicate and is conducted by experienced professionals at intervals of at least nine years without damaging the tree. Only when the cork oak is about forty years old, after the third stripping, is the cork suitable for the production of cork stoppers. Cork has been a popular material since the beginning of mankind because it is elastic, light, waterproof and a good thermal and acoustic insulator.

2.1.2.2. The Cork Stopper

Cork has long been associated with wine and is therefore a cultural reference.

Types of Cork Stoppers:

Natural Cork Stoppers:

Natural cork stoppers seal the wine inside the glass container. Over time, this seal will promote the sealing of the wine through the physico-chemical processes that take place between the components of the wine and the internal environment of the bottle. In this way, the natural cork stopper, with its elasticity, compressibility, and cellular structure, will provide the perfect balance, maintaining the right level of oxygen for the wine to evolve. What is more, this natural material can adapt to the internal irregularities of the bottle neck, providing an excellent seal for dozens of years (APCOR, 2011).

The importance of cork stoppers to consumers and the value attributed to a wine with a quality natural cork stopper has been proven: *wines thought to have been come from a bottle with a natural cork closure were rated significantly higher on appearance, bouquet, taste, and overall quality compared with wines associated with other closure types* (Reynolds et al., 2018).

Colmated Natural Cork Soppers:

Colmated cork stoppers are natural cork stoppers whose pores are filled with cork powder using natural resin-based glue or water, resulting from the grinding of natural cork stoppers. The purpose of this plugging process is to improve the appearance and performance of the cork stopper (APCOR, 2011).

Champagne Cork Stoppers:

As the name implies, these cork stoppers are specially made to seal champagne or sparkling wine. Champagne cork stoppers have a larger diameter than regular corks to withstand the high pressures found in sparkling wines (APCOR, 2011).

Agglomerated and Micro-Agglomerated Cork Stoppers:

Agglomerated cork stoppers are made from cork granules that are left over from the production of natural cork stoppers. A food-grade substance is used to bind the granules together to form the stopper. There are diverse types of agglomerate stoppers depending on the size of the cork

granules (APCOR, 2011). For example, micro-agglomerated cork stoppers are made with the smallest granules.

This type of cork stopper has the advantage of being more economical and was initially widely used for low-cost, high-rotation wines (the cork stays in the bottle for a short time). Nowadays, it is a type of cork used for a wide range of wines, since the blend can be completely homogeneous. Because it is not entirely natural, but rather created through an industrialized process, it is less prone to potential contamination compared to natural products, which are harder to regulate.

Technical Cork Stoppers:

Technical cork stoppers are intended for drinks to be consumed within two to three years. These cork stoppers consist of a very dense agglomerated cork body with natural cork disks glued to one or both tops (APCOR, 2011). Listed below are the most frequently used types of technical cork stoppers:

- Technical Cork Stoppers 1+1: technical cork stoppers with one disk on each top of the cork stopper.
- Technical Cork Stoppers 2+2: technical cork stoppers with two disks on each top of the cork stopper.
- Technical Cork Stoppers 2+0: technical cork stoppers with two disks on only one of the tops of the cork stopper.

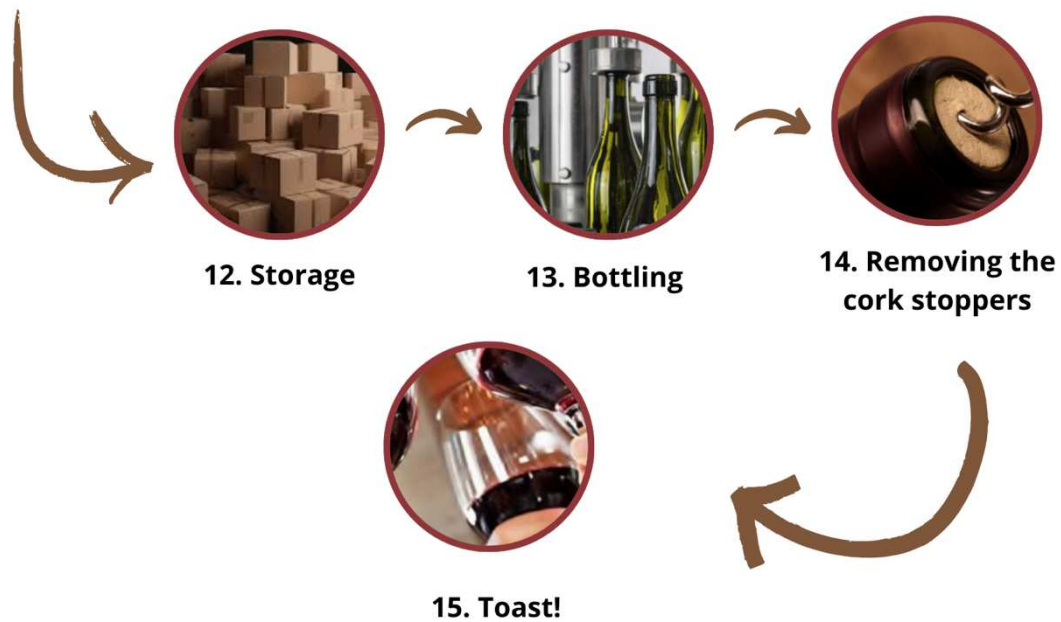
Capsulated Cork Stoppers:

A capsule cork stopper is a cork stopper, either natural or agglomerated, with a cap on the end. This capsule can consist of wood, metal, glass, or other material (APCOR, 2011). Due to its ability to be used multiple times, this closure is commonly used on bottles containing liquids that are not typically consumed in one sitting.

This kind of closure is typically utilized in liqueurs or high-alcohol wines and spirits. Some examples are Port wine, Madeira wine, Whisky, Vodka, Cognac, Brandy, and Liqueurs.

2.1.2.3. The Manufacturing Process: From Nature to the table





The manufacturing process of a cork stopper starts in nature. Cork's life begins with the extraction of the cork planks from the cork oak tree (stripping) which takes place in the more active period of growth, between the months of May and August. The first cork bark that is harvested is not adequate for the manufacturing of cork stoppers as it is too hard ("virgin cork"). Nine years later, when the tree is harvested for the second time, the cork bark shows a regular structure, not so hard, but it cannot yet be used in the manufacturing of cork stoppers. It is only from the third harvest that we can obtain a material ("amadia cork") with the adequate characteristics needed for the manufacturing of quality cork stoppers. From then onwards the tree will provide quality cork every nine years for a century and a half, in other words 15 to 16 harvests. After harvest, the planks need to stabilize so they are stacked in the forest or in specific storage locations in factories. They remain outdoors to sun exposure but covered during wintertime to prevent the infiltration of rainwater. The maturation and stabilization of the raw material occurs during the rest period that should be at least six months (International Code of Cork Stoppers Manufacturing Practices).

Industrial Flow:

The industrial process starts by boiling the cork planks in water for at least one hour. This step aims to clean the cork, remove water-soluble substances, thicken it to reduce density, and improve flexibility and elasticity. Once the planks are stacked in a well-ventilated place for 1 to 2 weeks, they will be stabilized and flattened, allowing them to rest and achieve the correct

consistency. Following the stabilization stage, planks are sliced into strips that are subsequently punched to create a cylindrical stopper within the necessary size specifications. The dimensional rectification stage will guarantee the correct dimensions and a regular cork surface. Additionally, the sorting process occurs both automatically and/or manually, marking the point where completed stoppers are categorized into various classes based on quality and where defective cork stoppers are removed. The cork stoppers are then washed with hydrogen peroxide to clean and disinfect them. After washing/disinfection, the moisture content of the stoppers is stabilized, ensuring optimal sealing performance while simultaneously reducing microbiological contamination.

Cork Stopper Finishing:

In terms of finishing touches, printing is a procedure that enables customization by the client. The customer can choose to have a text/logo chosen, along with the countermark and the supplier code. Cork stoppers can be imprinted with ink (safe for food contact), fire (heat) or laser print for the body, and only fire or laser print at each top of the cork stopper. Later, the purpose of the surface treatment is to lubricate the cork stopper's surface to make it easier to insert into the bottle's neck, as well as to enhance its sealing capacity. In conclusion, the cork stoppers are sealed under vacuum-packed with SO₂ + (an inhibitor of microbial growth) and the bags are placed in cardboard boxes and treated wooden or plastic pallets, wrapped in film, and prepared for transport. The client is responsible for the bottling process and selling the wine and then the final customer receives the bottle, removes the cork stopper and truly appreciates the wine!

2.1.3. Investment in the industry

Over the past ten years, there has been a significant increase in investment in the cork industry. Especially when referring to the production of cork stoppers, the level of capability has improved the overall production process in the manufacturing industry, from 20 million in 2011 to nearly 50 million in 2021 (Appendix 4). There have been two factors that have played a key role in the increased productivity of the industry which were the technological investment and training and the outsourcing of production to more efficient production, and the specialization of service providers in certain stages of the production process, such as natural cork-stopper covered with a water-based coating process, disinfection and washing.

The publication *The Cork Sector (2023)* emphasizes that most of the companies that are not so well developed in technological means are the smaller ones, although some small companies excel in technology as they are very well specialized in a specific stage of the manufacturing process. Most companies that fail to invest in technology do so because they lack the capital to move forward.

2.1.4. The international market

Global cork exports are experiencing significant growth, rising by nearly 60% to over 2000 million euros from 2011 to 2022 (Appendix 5). As mentioned in the introduction, Portugal has more than half of the world's cork exports. Nevertheless, in the last few years Portugal's percentage has decreased from approximately 62% to 58.5% (Appendix 6). Portugal is followed by Spain and France which, although still behind by a significant margin, have seen their shares increase over the past ten years.

In terms of Portuguese cork and cork product foreign trade, which has a surplus, cork stoppers are the primary exported product (Appendix 7) and have gained a larger share of total industry exports in the past decade. Examining the export market for cork stoppers in more detail, there has been a rise in the weight of agglomerated cork stoppers over the past ten years, while the weight of natural cork stoppers has decreased, as shown in Appendix 8.

2.1.5. Demand drivers

The demand for cork closures is dependent on wine production and the need to package it. Wine, being natural, is affected by weather conditions (high/low temperatures, heavy rain, storms, fires) as well as pests and contamination, which are mostly out of human control.

Similar to wine, the cork stopper is made from a natural material, cork, that, despite advancements and investments in technology, does not yet have full quality control. Due to this, emerging competitors like plastic stoppers and screwcaps are being seen in certain markets (typically in the lower-cost wine segment), impacting the demand for cork stoppers (*The Cork Sector (2023)*).

2.2. The Company: PrecisionElite

2.2.1. Introduction

The conviction that it is possible to have a differentiating offer in the sector, seeking the total satisfaction of the customer in all its aspects, is the motivation behind PrecisionElite's strategy and has been the indispensable driving force behind the success of the project, which has already reached many countries and different continents (Europe, Asia). It is the solid know-how based on an experienced and differentiated background and the flexibility with the customer that allows PrecisionElite to offer a very competitive offer in the markets in which it operates, guaranteeing the desired quality.

PrecisionElite's proximity to the customer allows the company to provide the desired response effectively, guaranteeing a product that meets the expectations of the customer and, consequently, the end user. To establish a lasting partnership with each customer, based on trust in the PrecisionElite brand and the credibility of its offer, PrecisionElite provides technical and quality control reports that rigorously supports the specifications of each shipment of goods.

It is still relevant to mention the special importance given to the interaction with the customer and the attention paid to the after-sales service as an equal differentiating factor, an attitude that is fundamental to the achievement of its primary objective, which culminates in the total satisfaction of the customer and the building of solid, long-lasting partnerships.

There are some objectives that PrecisionElite has always kept in mind when developing its activity:

- To satisfy the needs of our customers by respecting their requirements, thus ensuring their loyalty and the company's sustainability;
- To be recognized as one of the best suppliers of natural cork closures;
- To ensure the future of the company through constant investment in innovation and development;
- To achieve profitability to guarantee the fulfillment of its commitments to its external suppliers and relevant stakeholders, allowing for continuous investment in new technologies;
- Attract and retain professionals who match the company's ambitions and culture;

- Acting ethically and legally in society, acting positively in the surrounding community, promoting the defense of the environment and, in particular, the cork oak forest and its biodiversity.

2.2.2. Mission, Vision, and Values

PrecisionElite mission is to contribute to the promotion of the cork stopper as a natural and sustainable closure, through an offer of excellence managed by a professional model of international scope. Contribute to the development of the communities in which it operates, eagerly accepting the challenge of innovation and respect for tradition.

The company's vision is to be recognized, to the satisfaction of its customers, as a credible international benchmark in the supply of natural cork closures with added value, appreciated in the premium segment of the wine industry, through a differentiated offer, guaranteed by rigorous quality control, research and development, and by professionals who transmit the corporate culture, defending at all times the sustainability of the environment and the integrity of its relationships.

Finally, PrecisionElite core values are market orientation with the aim of total customer satisfaction, with responsibility, authenticity, integrity, partnership, and mutual commitment.

2.2.3. Positioning and Target

PrecisionElite, a company that produces cork stoppers with the signature "Cork is Life!", works every day to consolidate a brand where quality control and performance are the starting point, satisfying the needs and desires of each customer in a "totally customized" way. The concern for sustainability, the defense of the environment and its biodiversity, especially the protection of endangered species with the greatest chance of survival in the cork oak forest habitat, has made the Iberian Lynx the brand image adopted by PrecisionElite. The investment in innovation and technology, focused on the **Precision** with which it seeks to control a natural raw material, has also led it to reach an **Elite** segment, the premium market, which demands but also appreciates its working method and identifies with its internal and external requirements. Its brand name is easily understood and pronounced in the most widely spoken languages, especially in the main markets where the company operates.

Typically, wine producers who bottle large volumes are mainly concerned with the low price of the cork stoppers. PrecisionElite has invested in technologies that add value to the cork stoppers it supplies, that is why PrecisionElite targets wine producers, from 20,000 to 400,000/500,000 bottles annually. Depending on the segments of the wine range, for these quantities the quality is still important. However, it is prepared to supply customers with need for millions of corks, as well as small wine producers or even champagne producers. The company prefers relationships with family businesses where the decision maker (often the owner) is well-identified and where he is generally looking for product quality or good value for money (good quality/price ratio).

2.2.4. Internationalization Process

2.2.4.1. Entry Strategies

This company has an interesting peculiarity that can be considered unusual among small and medium-sized enterprises (SME), as PrecisionElite has started its operations internationally, rather than selling to the national wine market. The context promoted the opportunity to create sales teams in France and Spain from the outset. It was only after a period that the company began to invest in the Portuguese market through the hiring of a salesman, an investment that stopped with Covid-19. However, sales on the domestic market continue to rise consistently.

While the company was expanding its assets, it was also growing its revenue. Taking part in wine equipment and technology's international fairs in France and Spain became more important and played a crucial role in global expansion. The goal was to draw customers not just from the countries hosting the exhibitions, but also from other nations. Due to France's expertise, long-standing history and reputation in wine production, producers from other countries are eager to visit French and Spanish wine industry fairs to gain insights from their knowledge. This suggests that participation in showcasing events, per example, French producers and their suppliers, who are renowned in the wine market, can provide valuable information and quality standards for producers worldwide.

2.2.4.2. Investment: Outsourcing vs. Own Production

PrecisionElite is a specialized company that focuses on inspecting and finishing cork stoppers processes. This company does not manufacture cork stoppers from scratch but invests in the crucial steps of the process of producing cork stoppers reducing the risk of the whole operation.

Clarifying: buying cork directly from trees owners or in bulk requires a significant amount of additional investment and also expertise and experience, which is frequently passed down through generations. It is both a complex process and decision in the buying moment to determine the quality, the caliber, the amount of potential cork stoppers it can produce, and the future selling price associated with it. Even when well selected, the same slab of cork will produce different quality cork stoppers. PrecisionElite has the know-how to buy cork in the oak tree or bales of cork but has initially limited investment possibilities. On the other hand, the company is aware that the reduction of risk by controlling almost finished incoming cork stoppers batches and being able to return them to its suppliers when they are not ok, allows PrecisionElite to have only the cork stoppers with the best characteristics. There are the same internal experts who have the know-how of buying cork on the tree, which purchase the cylinder unfinished cork stopper, a much simpler and more predictable process.

Beyond the imponderables when buying cork, some factors can vary greatly when selling. The customer's choice of cork stopper quality can depend on several considerations, including ethical and financial principles, or even trends in the industry. Therefore, it is very difficult to predict in advance (at the time of purchasing the cork) whether all the qualities obtained after purchasing the cork will be in demand on the market (at the time of selling the finished cork stoppers). As a strategic approach, higher risks are positively correlated with higher potential gains or losses. Since PrecisionElite initiates its raw material procurement process from sales or potential sales, its risk is significantly reduced compared to those involved in all the stages of the production process. Thus, this company has a much easier stock management than if it bought cork. So, the risk that starts with the selection of the cork from the tree, in addition to the investment needed for all stages of production (specific equipment and skilled labor) can result in excessive costs with uncertain benefits. This is something that this company does not go through.

PrecisionElite's focus is on the high quality of the cork stoppers. Thus, the company's main investments are in quality control, in all the treatments, investment in the latest technologies in the industry of cork finishing and its quality control, and on the knowledge that will guarantee the best quality cork stoppers in the market at a fair price.

Certain processes ensuring this quality are outsourced to subcontractors or laboratories. Extra quality control for cork stoppers is conducted upon entry at the factory. Often, ensuring this extra quality control is done by external laboratories to maintain this quality. Since

PrecisionElite is an SME, not all investments are justified. For example, a huge investment in a specific machine may not have cost advantages for the company, making it unwarrantable. Sometimes it's better to let the specialist in a particular process carry it out to perfection. Washing, disinfecting and colmated processes have specific equipment, procedures and requirements that make the company choose to outsource them.

Concerning internal investments, the following industrial quality control procedures supported by differentiating technologies can be highlighted:

- Individual Sensorial Control: one of the most notorious ones is the detailed sensory analysis of each cork stopper by a single person (100% sensory control). This involves sniffing each cork stopper to detect any contamination (Trichloroanisole (TCA), smoke, perfume) for up to 1 hour. The sniffing expert technician (the employee) must rest after one hour of work to ensure they are not used to the smell. If the employee did get used to the odor, he/she would not be able to detect different odors and guarantee the cork stoppers are uncontaminated.
- Individual Seal Control: a technology that ensures the cork does not absorb the wine in the bottle (if the cork absorbs it, not only will there be spillage and waste, but the wine will also oxidize and spoil).
- Last generation electronic selection system with vision cameras to distinguish between various qualities, along with manual selection by skilled cork specialists.
- Calibration equipment: additional industrial selection technology for measures and weights that allows for super rigorous homogeneity, facilitating regularity on the bottling line.
- PrecisionElite's excellent reputation stems from its dedication to tailoring markings to suit each customer's preferences. Options include: traditional fire ink (the most popular branding type in Bordeaux and Bourgogne regions); normal and UV ink (quick-drying and currently in high demand); and laser branding for more sophisticated designs.
- Finally, the corks undergo quality control in the laboratory before being sent to the customer to ensure they meet the standards of the tender specifications.

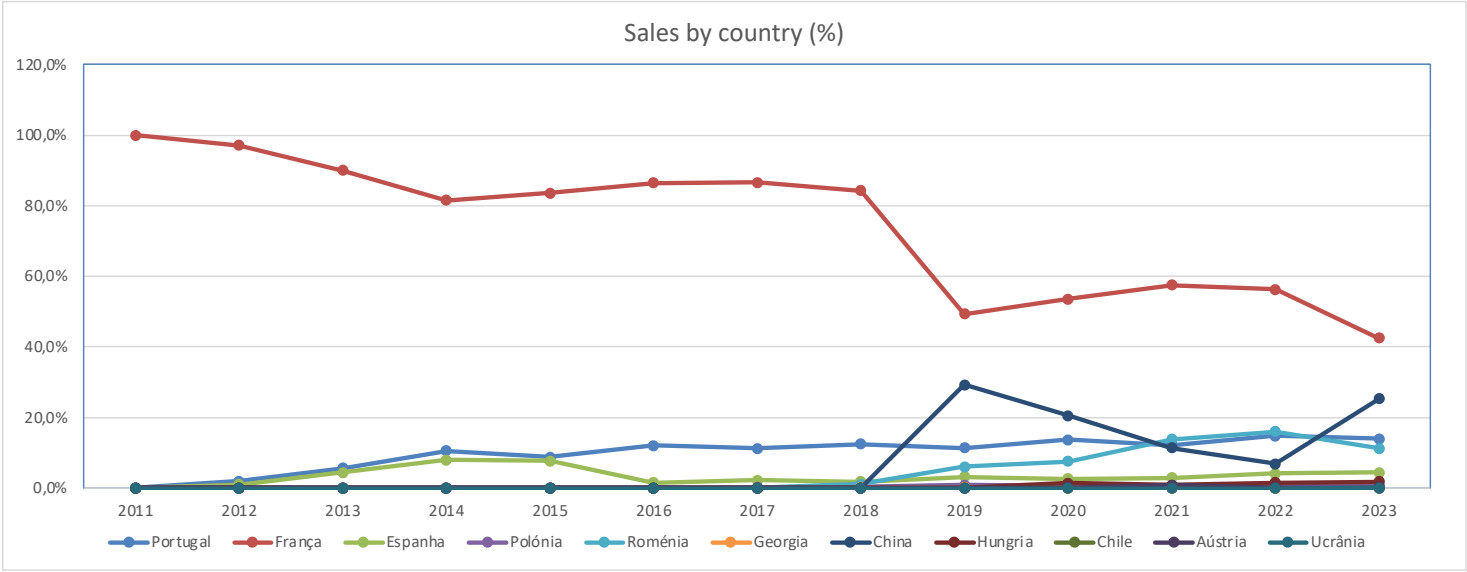
2.2.4.3. Sales Evolution Through the Years

Since the beginning of the company's existence, international sales, followed by domestic sales, have been increasing. The company started its activity in the last trimester of 2011 by

exclusively exporting to the French market. So, in that first year 100% of the sales were international. In the second year, 2012, there was the integration of the Iberian market (Portugal and Spain) and, as the year went by, the company expanded its markets. The diversification of the risks of PrecisionElite has been evolving as the company conquers clients not only in many European Countries but also some in China and a small sample in Latin America. PrecisionElite has begun its commercial team in Spain and France. Some of the customers of other countries are the result of the company's display at wine industry support fairs that occur in Spain and France, which attract wine producers from all over the world. Other customers come from successful attempts to contact wine producers, via commercial work, followed by email and phone calls, sending samples and a vote of confidence on the part of these producers that see PrecisionElite high quality cork stoppers at a fair price. In the domestic market, the most effective sales driver is word-of-mouth from satisfied customers who suggest the product to others.

Looking at the evolution of some countries over the years, we can highlight France. As already mentioned, this country accounted for all the sales in 2011 (100%). From 2011 to 2018, the position of the French market was stable, registering insignificant percentage variations, which is natural for the evolution of the wine market, which is highly dependent on climatic conditions and a greater presence of PrecisionElite at the national level. In 2019, there was a sharp decrease in the percentage of exports to France, which the company was able to compensate for with a significant introduction to the Chinese market. However, the French market has not yet managed to recover and return to its past values. China, a market that PrecisionElite entered in 2019, is quite volatile. However, it is still important because orders are always in large volume and, although it is not as interesting in terms of margins as other markets, it is relevant in terms of turnover. Since 2017, the introduction of Eastern European countries has contributed to the dispersion of sales to other countries. At the end of February 2022, when the Russia-Ukraine war broke out, PrecisionElite had orders from Ukraine placed with two different clients because of a commercial investment with the CCIP (Câmara de Comércio da Indústria Portuguesa). The wineries of these clients were destroyed during the war and the orders were never shipped. Although the war is still going on, small new orders are coming in from Ukraine, where bureaucratic difficulties in bank payments and transportation to that geographical area must be overcome.

Regarding the Covid-19 pandemic, contrary to expectations, sales were not negatively affected in the year of its occurrence. Sales to France have fallen, but the increase in sales to China has more than compensated. As the news broke, and in anticipation of transportation restrictions, customers brought forward their orders and increased their inventories. It was feared that freedom of movement would be completely compromised. Spreading sales across different countries means the company is not dependent on a single geographical area, reducing the impact of political, economic, and social changes, and even climate crises.



2.2.5. Competitive Advantage

PrecisionElite excels in its astonishing ability to adapt and customize according to the clients' needs and preferences. No matter the customer's size or order, PrecisionElite consistently strives to accommodate customer needs and preferences. From the most uncommon cork stoppers sizes to the least profitable orders and even requests for specific branding projects, it always accepts without hesitation, regardless of the effort required. The benefits of adapting to the customer's desires and requirements are evident right away, with satisfied customers pleased with the product outcome. Moreover, these advantages also have a lasting impact, as satisfied customers go on to recommend the company to other producers, sometimes even larger ones. This is the most valuable possession of the company. Proximity to customers is crucial for a firm's competitive edge. Communication remains clear, smooth, and intimate even if customers are located far away in different countries. Customers communicate their desires, and PrecisionElite promptly verifies that their requirements are being satisfied. Frequently, the customer lacks knowledge on which cork to select for a specific wine, whether in terms of cork type, quality, or caliber. PrecisionElite not only offers technical guidance but also recommends

different choices for the wine brand image to be displayed on the cork. This kind of guidance and consulting is truly special and sets PrecisionElite apart, something that customers truly value.

The sense of proximity applies not only to the relationship with the client but also to the employees. The sense of community that the CEO pretends to keep fostering makes the employees look forward to working for the better of the whole team. All employees are benefited with health insurance which is not a standard offer in SMEs in this industry in particular. However, the well-being, sense of belonging and personal fulfillment of all employees is a priority, as these concerns take part in the staff performance, and it will most certainly result in better results. Even less common in the cork sector is having a woman as CEO and PrecisionElite has more female employees than male ones. Still regarding the social, the choice of suppliers is a very considered decision, since PrecisionElite needs to guarantee that their providers hold the standards that go along with the company's vision. PrecisionElite also cares about the local communities in which it operates and, when it suits its purposes, works with other institutions such as the fire brigade, institutions that support the elderly and young people with disabilities, thus demonstrating its social responsibility to the community.

Additionally, the quality certifications discussed later in this chapter require adherence to a set of organizational and production standards that PrecisionElite anticipates its suppliers will adhere to. Moreover, environmental concern has been a crucial element in the company's decision-making since the very beginning. The tagline "Cork is Life!" along with the emblem featuring a graphic illustration of an Iberian Lynx demonstrates the recognition of the connection between a healthy ecosystem, the sustainability of cork, and the species' survival. These are the foundations upon which the brand aims to construct, and which are evident in its vision, mission, and values. This entire phenomenon is the foundation of how cork stoppers are produced: meticulousness, accuracy, and consideration for nature's sustainability. Per its values, the company aims to maximize solar energy utilization in its production by employing solar panels and favors electric vehicles that are charged by these panels to minimize their environmental impact.

Investing in innovative technologies is a priority for PrecisionElite. Since cork stoppers are a natural product, there may be certain defects that human senses cannot identify. However, advancements in industry equipment aimed at addressing this problem allow for significantly reducing the risk of contamination or leakage associated with cork stoppers. So, PrecisionElite

aims to stay aligned with the latest advancements that ensure quality control and help set it apart from the competition. There are two very important examples of technology investments that will be mentioned next. First, the 100% Sensorial Control Technology is a sensorial control at 100% of the corks, ensuring no organoleptic deviations. Secondly, the 100% Seal Control Technology which consists of a 100% seal control, ensuring no wine leaks.

Finally, the investment in certifications is an added value that the company has acquired and works towards maintaining it every day. Three certifications are especially important to emphasize: Forest Stewardships Council (FSC-CoC), ISO 9001 (quality management system) and ISO 22000 (alimentary food security). The first certification ensures that products come from responsibly managed forests that provide environmental, social and economic benefits, which sets this company apart from competitors that may not have the same standards and attracts well-oriented clients and partners. By adopting the FSC certification, PrecisionElite demonstrates leadership in sustainability, gains wider market access, and strengthens its brand, boosting its competitive advantage in a progressively eco-aware market. The possibility of supplying cork stoppers with FSC® certification allow answer the needs and concerns of the most demanding wine producers. ISO 9001 is a global standard that outlines criteria for a quality management system (ISO, 2023). As a mark of excellence and distinction, this certification assures customers and stakeholders of PrecisionElite's reliability in delivering quality products and services, thereby enhancing trust and reputation. Through obtaining ISO 9001 certification, PrecisionElite increases its competitiveness in both local and global markets, fostering long-term growth and customer loyalty. Finally, the ISO 22000 illustrates that PrecisionElite complies with the highest standards to ensure the safety and quality of its cork stoppers which are not food products themselves but do come into contact with food (the wine). Given the scale of PrecisionElite, few firms pursue these certifications, thereby setting themselves apart and demonstrating an exceptional ability for differentiation. Small and medium sized producers often cite PrecisionElite's size as an advantage over the large cork stopper industry. Having tried stoppers from the 4 or 5 big cork manufacturers and had bad experiences, they feel that a company of their size gives them more power and therefore more commitment.

3. Teaching Note

3.1. Introduction

This 2024 case study is intended to provide a strategic analysis of the cork stopper industry, focusing specially on the internationalization expansion of the PrecisionElite company. The objective is that it is utilized during classes. The students should be provided with the written case along with the questions they need to answer. This Teaching Note section is designed exclusively for the teachers' use and offers principles to help with how the case should be conducted in class discussion. Furthermore, the responses are indicative and subject to various interpretations, allowing the professor the freedom to provide their own insights or explore a topic not addressed in the information given.

3.2. Synopsis

PrecisionElite is a Portuguese company that operates in the cork stoppers industry. This company was founded in 2011 and has been expanding internationally since its inception. PrecisionElite's strategy is to produce high quality cork stoppers, customized in detail to meet customer requirements. It strives for exceptional quality control that minimizes as much as possible the problems that can arise from this natural product. The small structure of the company allows close and easy contact with the customer. PrecisionElite's main target group are producers of still wines who appreciate the tradition and nature of cork stoppers, in particular small producers and traditional châteaux. However, its customer base also includes sparkling wine producers and producers looking for agglomerated corks.

3.3. Teaching Objectives

This case study provides a chance to implement theoretical concepts in actual business scenarios. Consequently, it provides the resources that may assist the professor when discussing various subjects that were challenging previously. By exploring several topics, such as international strategy, born to global companies, diversification strategies and competitive advantage, students can utilize strategic models and various theories to solve this case.

The case aims to help students:

- Understand the key role of SMEs in an industry;
- Understand internationalizations strategies that may be implemented in SMEs;

- Identify ways of sustaining international competitive advantage.

3.4. Suggested Questions

PrecisionElite was created as a born to global company. What are the main advantages and disadvantages that led this SME to compete from day one in the global market?

PrecisionElite entered the international markets from its beginning. Therefore, this is a “Born to Global” company. In the article Internationalization of SMEs: a systematic review of 20 years of research in the Journal of International Entrepreneurship (2020), the importance of network relationships and connections in the internationalization process of SMEs is mentioned, and it was precisely previous contacts with commercial pivots in the French wine and Spanish market that led this company to have wine producers in these countries as its first customers.

On the one hand, there are numerous advantages to participating in the international market from the very first day. Perhaps the most significant aspect is that it provides the company with access to a wider customer base and diversifies its income streams. It also reduces the company's dependence on a single domestic market, minimizing its vulnerability to local economic downturns or market saturation, allowing for risk diversification across economies. Moreover, engaging in various markets exposes PrecisionElite to varying customer demands, fostering innovation and flexibility. This assists the company in creating competitive products or services that are relevant worldwide. In general, being recognized as a global company boosts PrecisionElite's status as inventive, trustworthy, and driven. This attracts global clients, collaborators, and stakeholders.

On the other hand, some negative aspects must be pointed out when talking about a “Born to Global” SME. First of all, it should be emphasized that this is a small business (SME) that has limited financial, human, and operational resources when compared to larger competitors. Particularly in the beginning of its activity, managing several markets simultaneously can put pressure on these resources. In addition, operating globally requires a good comprehension of each culture, norms and regulations, and the necessary adaptation to thrive in the different markets. Establishing connections with the unavoidable distance to various markets is more challenging and even harder, making it difficult to foster the closeness typical of SMEs. Additionally, there are costs associated with this expansion (logistics, distribution, local operation) that must be factored into the company's budget. Ultimately, in the global marketplace, PrecisionElite must compete with large, established firms with significantly more

presence and resources across all market, and the sole advantage this small company has is the differentiation through industrial quality control, customization and close customer relationships.

How does PrecisionElite sustain's a competitive advantage in international markets?

PrecisionElite sustains its competitive advantage in international markets by integrating customer-focused practices, leadership in sustainability, technological innovation, and a strong organizational culture. Since its beginning, the company has been focusing on creating value for its clients by adjusting to their particular needs and preferences. Whether it involves producing uncommon cork sizes, fulfilling small or less profitable orders, or offering customized branding solutions such as ink, fire, or laser markings, but especially to provide cork stoppers that contain only the positive aspects of the cork, eliminating the negative ones. PrecisionElite ensures that every customer is satisfied. This customized strategy promotes not only instant customer loyalty but also long-term growth, because fulfilled clients often refer the company to other producers, including larger ones.

Sustainability is another essential component of PrecisionElite's competitive strategy. In fact, the company's dedication to environmental responsibility is evident by its practices (use of solar energy, electric vehicles, supply chain aligned with ethical standards) and certifications (FSC® certification). By following rigorous environmental standards, PrecisionElite attracts eco-conscious clients and partners while enhancing its reputation in an increasingly sustainability-focused global market. Additionally, organizational culture boosts its competitive advantage. PrecisionElite prioritizes its employees by providing benefits like health insurance and promoting a sense of community and belonging. This focus on employee wellness boosts performance and ensures that the organization consistently delivers on its commitments. Moreover, having a woman as CEO and a workforce with a higher number of women than men suggest a forward-thinking and inclusive corporate culture that attracts modern stakeholders. Finally, obtaining ISO 9001 (quality management) and ISO 22000 (food safety) certifications positions the company as a trustworthy ally in international markets. These certifications, along with the FSC credential, reflect PrecisionElite's commitment to excellence and set it apart from rivals, especially smaller companies that typically do not have these credentials.

Ultimately, it is important to recognize technology as a key differentiator for PrecisionElite. The cork stopper sector depends significantly on natural resources, which leads to challenges

in assuring product quality. PrecisionElite addresses these issues by investing in advanced technologies, including 100% Sensorial Control Technology to eliminate organoleptic nonconformities and 100% Seal Control Technology to avoid wine leaks. These innovations guarantee that the company delivers high-quality products, minimizing risks for clients and strengthening its competitive position.

Accordingly to Porter's diamond, what explains PrecisionElite's international competitive advantage?

Michael Porter's Diamond Model illustrates how various elements within a nation or area affect a company's competitiveness in the international market. The model consists of four key components: Factor Conditions, Demand Conditions, Related and Supporting Industries, and Firm Strategy, Structure, and Rivalry.

Presented here is an examination of the reasons that may lead PrecisionElite in competitive advantage when expanding internationally across the four components:

1. Factor Conditions: PrecisionElite operates in Portugal, located in a country with an abundance of cork oak forests, the natural resource that serves as the primary input to manufacture cork stoppers. Also, the company is based in Santa Maria da Feira, in the central area production of cork stoppers production, which decreases time and transportation costs between cork suppliers related specialized services and guarantees efficiency in the different steps of the production process.
2. Demand Conditions: PrecisionElite advantages begin with high demand in both local and global markets. These markets are advanced and very competitive, providing PrecisionElite demanding clients that seek high-quality cork stoppers and a necessity for constant awareness of trends and new technologies. These clients motivate PrecisionElite to innovate and adjust to diverse needs, including producing cork stoppers in diverse sizes or personalized branding. From organic wine producers to traditional chateaux's, the local and global markets are evolving and value the sustainability initiatives and high-performance criteria that PrecisionElite provides (FSC, ISO 9001 and ISO 22000 certifications).
3. Related and supported industries: Portugal possesses a strong ecosystem of cork stoppers suppliers, technical specialists, and logistics companies that allow PrecisionElite to maintain effectiveness and high quality in its production process. To

ensure that the supply chain supports its core values, PrecisionElite meticulously chooses suppliers that conform to its ethical and sustainability standards.

4. Strategy, structure, and rivalry: The company's emphasis on personalization and flexibility distinguishes it from competitors. The customer-focused strategy generates loyalty and fosters lasting relationships, frequently resulting in referrals and new business opportunities. Moreover, PrecisionElite invests deeply in the well-being and inclusion of its employees, fostering a motivated and productive workforce. The company's forward-thinking culture (female CEO and higher representation of women in the workforce) differentiates it in a typically male-dominated industry. Ultimately, the fierce competition in the Portuguese cork stoppers sector can also be seen as an advantage that drives PrecisionElite to innovate and maintain high standards. The fact that the company competes in such a challenging country ensures that it stays dedicated to ongoing enhancement and efficiency to stand out in both the local and global markets.

What could PrecisionElite do to improve its ESG parameters?

The cork stoppers industry is a circular industry because minimizes waste and environmental impact. Some technical corks, like micro-agglomerate stoppers use the waste generated in the manufacture of natural cork stoppers, returning these materials to the industry and contributing to the use of waste in the industry itself or the waste of cork stoppers can also reused in construction materials industry. The cork stopper itself is biodegradable in the nature. In particular, the cork oak forest has a negative CO₂ production, which is a spectacular phenomenon, making this industry one of the most sustainable.

To improve its Environmental, Social, and Governance (ESG) criteria, PrecisionElite can leverage its current strengths in sustainability, social responsibility, and ethical business conduct. Although the company already shows admirable initiatives like utilizing renewable energy, promoting employee wellness, and choosing ethical suppliers, there are many opportunities to improve its ESG performance.

First and foremost, in terms of environmental implications, PrecisionElite might implement circular economy practices by establishing a recycling initiative for used cork stoppers in collaboration with wine makers or consumers. Partnerships with restaurants and grocery stores for collecting used cork stoppers could be of great value, since these materials could be turned into secondary items, such as flooring or insulation. Eco-friendly packaging created from

biodegradable or recycled materials could also be utilized to minimize its environmental footprint. Apart from production, the company could expand its role in biodiversity preservation by supporting forest conservation efforts and working with non-governmental organizations (NGOs) to protect cork oak ecosystems, highlighting the link between cork sustainability and wildlife, such as the Iberian Lynx showcased in its branding.

In terms of social responsibility, PrecisionElite could increase its influence by collaborating with local communities in the areas where cork stoppers are produced. Through support in education, healthcare, or infrastructure development in these areas the company could improve lives and strengthen relationships within the supply chain. Additionally, implementing advanced health and safety measures and seeking certifications like ISO 45001 would further demonstrate the firm's dedication to employees well-being.

Finally, in terms of governance, PrecisionElite could improve transparency and accountability by implementing formal ESG reporting. The publication of an annual ESG report would be a terrific way to demonstrate the company's commitment to stakeholders and attract ESG-conscious customers. To address the issues and include outside perspectives in decision-making, PrecisionElite could implement regular discussions with customers, employees, suppliers, and local communities.

PrecisionElite could also adopt strategies to incorporate ESG improvements across all aspects of its operations. Certifications such as B Corp, which reflects a commitment to social and environmental practices, or ISO 14001 for environmental management systems would provide extra credibility and confidence to stakeholders. All these efforts would not only be in line with global trends and stakeholder expectations but would also strengthen the company's competitive advantage in the global market.

5. Conclusion

PrecisionElite is an example of a SME that has successfully positioned itself in the global market since its inception. The way the company prioritizes each customer's requirement, providing a customized high-quality product, is essential for gaining trust and loyalty from clients. This born global SME obtains its competitive advantage by making the most of its small size, adjusting and personalizing to suit the client's needs and preferences. Moreover, the company strives to always be aware of global market trends and anticipates continuous adaptation, aligning itself with the growing demand for eco-friendly products and maintaining excellent quality control of the cork stoppers. Cork stoppers are a product with a natural origin, making it difficult to provide 100% assurance that they will not cause any issues with the wine, as no two cork stoppers are identical. However, the technology has progressed over the years, and innovative control methods have emerged in the market. Therefore, PrecisionElite must stay at the forefront of technological advancements and provide clients with optimal control to guarantee excellent wine conditioning.

Nevertheless, PrecisionElite has faced several challenges over the years in the international market. As a worldwide entity, the company competes against much bigger organizations with incomparable financial and human resources. These companies, which have significantly greater capacity than PrecisionElite, make it a lot harder for it to penetrate challenging markets. To maintain its competitive edge, the company must continue innovating, strengthening its ESG efforts, and implementing new strategies that align with global market demands. The limited resources prevent PrecisionElite from further expanding into international markets like the USA and Latin America, which require overcoming barriers such as operational scalability, intensified competition, and the complexities of managing ESG compliance across different regions.

Ultimately, PrecisionElite demonstrates how an inherently global small enterprise can succeed by combining a clear vision with flexibility, sustainability, and emphasis on the customer. This case study emphasizes the strategies that have driven its success and provides insights for SMEs looking to compete internationally.

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7. Appendices

Appendix 1 – Number of enterprises in the cork industry, per county

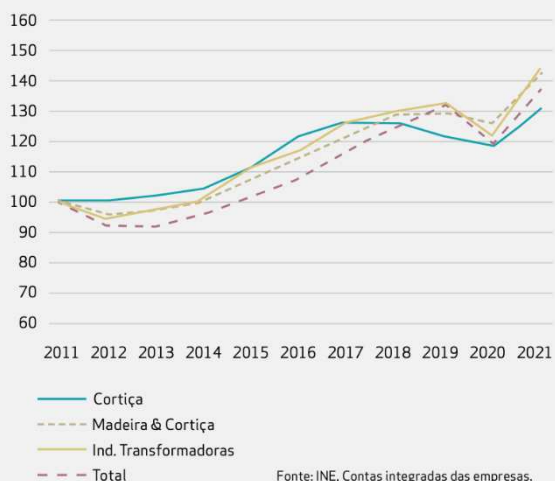
TABELA 3 – NÚMERO DE EMPRESAS DA INDÚSTRIA DA CORTIÇA POR CONCELHO (2021)

Concelho	Nº Empresas	%
Santa Maria da Feira	635	77,9%
Montijo	20	2,5%
Lisboa	14	1,7%
Évora	13	1,6%
Vila Nova de Gaia	11	1,3%
Espinho	9	1,1%
Ovar	9	1,1%
Vendas Novas	7	0,9%
Grândola	6	0,7%
São Brás de Alportel	5	0,6%
Outros	86	10,6%
Total	815	100%

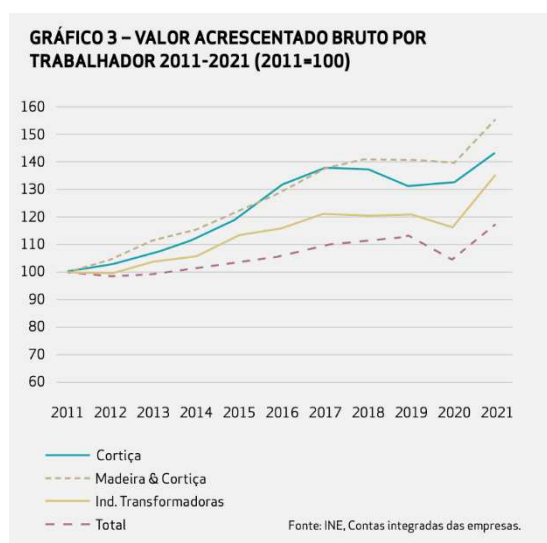
Fonte: INE, Contas integradas das empresas.

Appendix 2 – Gross Added Value 2011-2021 (2011=100)

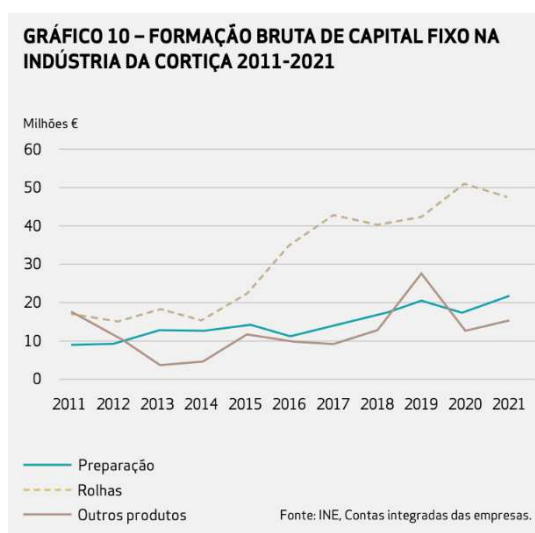
GRÁFICO 2 – VALOR ACRESCENTADO BRUTO 2011-2021 (2011=100)



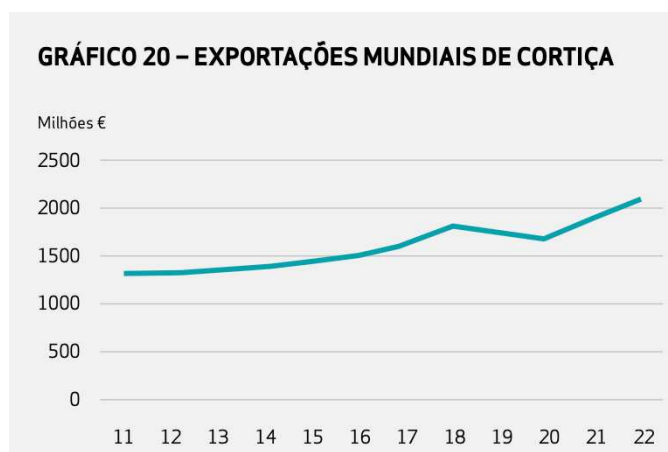
Appendix 3 – Gross Added Value per employee 2011-2021 (2011=100)



Appendix 4 - Gross Fixed Capital formation in the cork industry



Appendix 5 - World Cork Exports



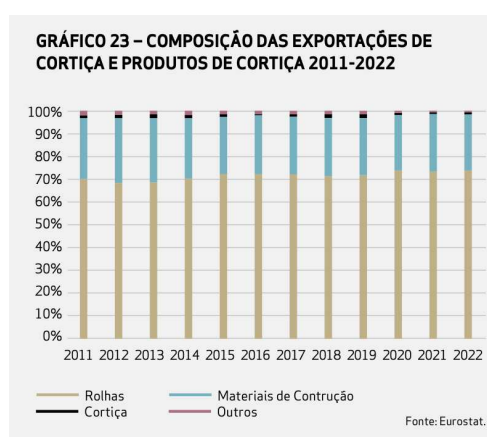
Appendix 6 – Main Cork Exporters

TABELA 4 – PRINCIPAIS EXPORTADORES DE CORTIÇA

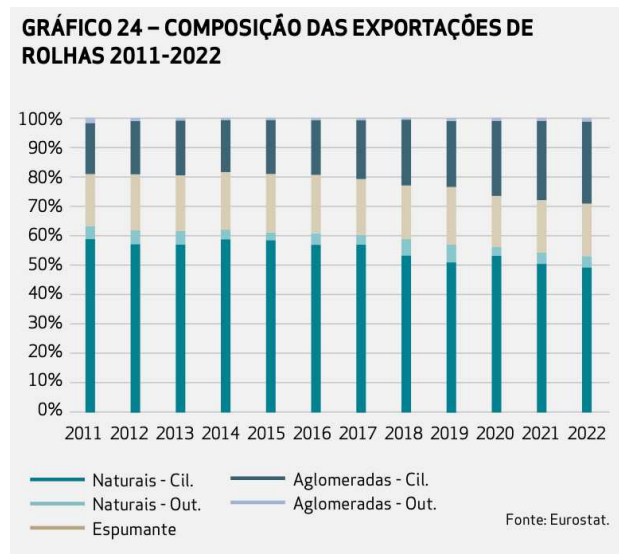
País	2011		2022		Variação 2011-2022
	10 ⁶ €	%	10 ⁶ €	%	
Portugal	816	62,3%	1220	58,5%	49,5%
Espanha	217	16,6%	413	19,8%	90,4%
França	51	3,9%	109	5,2%	112,7%
Itália	50	3,8%	68	3,3%	37,1%
China	13	1,0%	37	1,8%	193,0%
Alemanha	34	2,6%	28	1,3%	-17,6%
EUA	26	2,0%	25	1,2%	-2,5%
Chile	6	0,4%	21	1,0%	286,5%
Marrocos	9	0,7%	20	1,0%	139,3%
Polónia	4	0,3%	18	0,8%	339,7%
Total 10+	1224	92,0%	1959	94,0%	60,0%

Fonte: International Trade Centre (2023).

Appendix 7 - Composition of cork and cork product exports 2011-2022



Appendix 8 - Composition of cork stopper exports 2011-2022



Appendix 9 – A Model of Forces Influencing Internationalization Speed

