



Born Global vs Gradual Internationalization Strategies: A Case Study of Mexican Tequila SMEs

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1.1 Abstract

Small and Medium Enterprises (SME) seeking to internationalize their products or services enjoy many different strategies to find success in new global markets. An initial consideration for an SME is whether to seek international markets from its inception or whether to focus on local markets and gradually expand into global markets. The purpose of this paper is to suggest how the Mexican tequila industry, with several SMEs producing artisanal spirits for local and global distribution makes an interesting case study of SMEs in a developing region making the decision to adopt either Born Global or Gradual internationalization strategies. The unique constraints of a large but unevenly developed country of origin present challenges to tequila SMEs looking to expand into international markets. This paper considers three industry analysis models that can serve SMEs to evaluate their internal and external situations as they internationalize. As a product of cultural heritage with a globally recognized gastronomic tradition, the artisanal tequila industry also has some unique advantages in international expansion. The following presents a case study of Mexican tequila SMEs allowing students of internationalization to consider numerous factors in the internationalization process yet focusing on the distinction between Born Global and Gradual internationalization strategies. The paper concludes with anticipated learning outcomes of the case study.

Title: Born Global vs Gradual Internationalization Strategies: A Case Study of Mexican Tequila SMEs

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Keywords: SME, Born Global, Gradual, Tequila, Internationalization, Industry Analysis Models

1.2 Resumo

As Pequenas e Médias Empresas (PME) que pretendem internacionalizar os seus produtos ou serviços dispõem de muitas estratégias diferentes para serem bem sucedidas em novos mercados globais. Uma consideração inicial para uma PME é se deve procurar mercados internacionais desde o seu início ou se deve concentrar-se nos mercados locais e expandir-se gradualmente para os mercados globais. O objetivo deste documento é sugerir como a indústria mexicana da tequila, com várias PME a produzir bebidas espirituosas artesanais para distribuição local e global, constitui um estudo de caso interessante de PME numa região em desenvolvimento que toma a decisão de adotar estratégias de internacionalização Born Global ou Gradual. As restrições únicas de um país de origem grande, mas desigualmente desenvolvido, apresentam desafios para as PME de tequila que procuram expandir-se para os mercados internacionais. Este documento considera três modelos de análise da indústria que podem servir às PME para avaliar as suas situações internas e externas à medida que se internacionalizam. Como produto do património cultural com uma tradição gastronómica reconhecida mundialmente, a indústria da tequila artesanal também tem algumas vantagens únicas na expansão internacional. A seguir, apresenta-se um estudo de caso de PMEs mexicanas do sector da tequila, que permite aos estudantes de internacionalização considerar numerosos factores no processo de internacionalização, concentrando-se na distinção entre estratégias de internacionalização Born Global e Gradual. O artigo conclui com os resultados de aprendizagem previstos do estudo de caso.

Titulo: Born Global vs Estratégias de Internacionalização Gradual: Um Estudo de Caso das PME Mexicanas de Tequila

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Palavras-chave: PME, Born Global, Gradual, Tequila, Internacionalização, Modelos de Análise Sectorial

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3 Introduction

Small and medium enterprises (SMEs) seeking to internationalize their products or services enjoy many different strategies to find success in new global markets. The Mexican tequila industry, with a number of SMEs producing artisanal spirits for local and global distribution showcases an interesting case study of SMEs in a developing region. The unique constraints of a large but unevenly developed country of origin present challenges to tequila SMEs looking to expand into international markets. However, industry analysis models can serve SMEs to evaluate their internal and external situations as they internationalize. As a product of cultural heritage with a globally recognized gastronomic tradition, the artisanal tequila industry also has some unique advantages in international expansion. The following presents a case study of Mexican tequila SMEs allowing students of internationalization to consider numerous factors in the internationalization process yet focusing on the distinction between born global and gradual internationalization strategies.

4 Lit review:

4.1 Internationalization Strategies

4.1.1 Internationalization

There are many reasons for SMEs to internationalize and even more strategies that they can use to achieve that, especially in a world where technological advances are allowing for more opportunities to do so. While SMEs might not seem that important when looking at the global scale, they do account for over 95% of businesses while creating roughly 50% of the total value added worldwide and, depending on location, can generate between 60 and 90% of all new jobs. (OECD, 1997) Even with those numbers, smaller firms usually lack the necessary resource capabilities and market power that traditional multinational enterprises have. Also, given their relatively low base of resources compared to their larger rivals, the complexities of international operations tend to be considerably more challenging for SMEs. (Knight, 2001) A number of studies have considered the many factors for an SME considering internationalization in the twenty-first century. First, Ren, Eisingerich, and Tsai (2015) investigated how marketing, R&D capabilities and degree of internationalization affect the innovation performance of SME. The study suggested that with a higher the degree of internationalization there is a positive influence on the innovation performance especially when the SME has strong marketing and R&D capabilities. A second aspect that is important to

internationalization is the role of networks, entrepreneurial direction, and the scope of internationalization. Having strong networks and an entrepreneurial direction has been shown to influence the scope of internationalization. (Felzensztain, Ciravegna, Robson, and Amoros, 2015) Strong networks also play a crucial role in the inception of internationalization for SME's. A third factor is the degree to which the SME is proactive in the engagement and the establishment of relevant networks in order to help facilitate internationalization as it contributes to a better comprehension of the different stages of international expansion. (Ciravegna, Majano, and Zhan, 2014) A fourth factor for SMEs is their choice for foreign market entry. The choice of entry will impact the international performance of SMEs, leading to the need for a strategic approach in the entry mode selection for the internationalization process. (Stoian, Rialp, and Dimitratos, 2017) A final evolving factor are the technological advances that continue to bring more opportunities, thus allowing for new internationalization strategies that develop. The many factors governing the decision of an SME to internationalize and then its subsequent decisions about internationalization strategies will be considered in greater detail as they relate to the decision-making process for determining the point of entry for internationalization, the barriers SMEs face, the unique situation for SMEs in developing countries, and several industry analysis models. Those considerations and theories will then be addressed as they apply specifically to the tequila industry in Mexico where SMEs have either decided to enter the industry with internationalization in mind or local businesses that gradually entered the global market.

4.1.2 Entry

The market an enterprise chooses to enter and how they enter that market is key to its success regardless of the size or the industry sector. One limitation for SMEs has been that a majority do not approach international market selection or entry mode selection in a systematic way because they lack the capabilities to follow a systematic way or from a general lack of recognition of the importance of carefully selecting the point of entry. (Musso & Francioni, 2014) The digitalization age has made entry into new markets much easier especially through the global use of digital platforms. Digital platforms can help overcome resource constraints and help facilitate access to networks, as digital platforms make it easier to acquire the necessary resources and networking opportunities that were unattainable before. (Jin and Hurd, 2018) In addition, access to digital platforms has helped disseminate information and insights into internationalization strategies that have allowed for SMEs to rapidly internationalize.

However the utilization of digital platforms for internationalization varies across different regions and industries, and many barriers to internationalization remain.

4.1.3 Barriers

While internationalization can be challenging for SMEs because they don't have the same resources or capabilities as large corporations, their role is crucial in the global economy. One of the largest barriers for SMEs is the lack of capital, an inability to access financing, and other resource constraints. (Guo et al., 2020; Ratnasingam et al., 2020) Differing perceptions in internationalization criteria among SMEs present another barrier since SMEs need to understand the country specific factors that influence international market selection like the role of government policies and support programs. (Dabic et al. 2019) Another area of concern is the economic impact of globalization on SMEs. The study by Asgary et al (2020) points out, through showing the differences in contract law that might stifle trade for SMEs and consumers, that is important to understand the legal and regulatory challenges that SMEs might face regarding international trade and the implications that they might have on policy development. COVID-19 showed the impact that global events have on the supply chain and how such events negatively affect SMEs. Studies have shown that even before the global pandemic, government intervention can help negate such disruptions to SMEs. However, government intervention is not enough by itself during major events. (Cravino and Levchenko, 2016)

4.1.4 Developing Countries

SMEs in developing countries have some unique considerations when internationalizing. SMEs originating in developing regions are becoming more important in the global economy and, while they have faced unique challenges, they are continually finding new strategies to overcome those challenges. It is important to understand some of the ways that SMEs from developing countries have overcome those challenges. One of the ways that SMEs can overcome these challenges is by becoming more aware of and adopting state-of-the-art technologies. This is especially important for SMEs in emerging and developing markets as they can leverage these state-of-the-art technologies to further enhance their internationalization strategies and competitiveness. (Akpan, Udoh, and Adebisi, 2020) Another strategy those in developing countries can overcome their unique challenges is to increase open innovation practices between other similar SMEs in their region or in their industry. This allows further internationalization by creating networks and continued growth by more than just one regional market. (Markovic et al. 2021) It has also been shown that collaborative initiatives have a significant role in supporting the internationalization of SMEs in developing countries.

(Hussain et al.2012) A third way is through IT innovation and job creation. IT innovation can play a large role as it can help further facilitate internationalization and has potential to drive job creation towards SMEs operating in developing countries. (Chege and Wang, 2019) It is also very important to look into the decision-making processes of SMEs that have already internationalized aspects of their enterprises when they are entering international markets as the SME can make use of the analysis of factors and considerations that influenced the different internationalization strategies chosen by others. (Ahi et al. 2017) As more SMEs from developing regions start internationalizing, their influence as business models will continue to include more diverse factors. Future SMEs considering internationalization will have more diverse strategies to consider meeting their goals.

4.1.5 Industry Analysis Models

Several industry analysis models can be used by SMEs to gauge where they stand when they are internationalizing. The use of a standard industry analysis model is a crucial step for an SME considering internationalization. Three particularly useful models include the CAGE framework, the SWOT analysis model, and Porter's five forces strategic analysis.

The first model is the CAGE framework which is used to identify the cultural, administrative, geographic, and economic differences between countries that companies should heed when they are internationalizing. The Cage distance framework allows companies to compare the attributes between the home market and the foreign market. There are several kinds of distance to be appreciated when considering a strategy. Cultural distance refers to the differences between countries in terms of their beliefs, values, and practices. Administrative distance refers to the differences in policies and regulations between the countries. Geographic distance plays a role in determining the level of interaction and integration between the countries. Economic distance encompasses the differences in income levels, cost structures and access to resources between countries. The greater the distance, in all of its meanings, between the country of origin of the SME and its intended point of entry will mean more difficult or numerous barriers to overcome in the internationalization process.

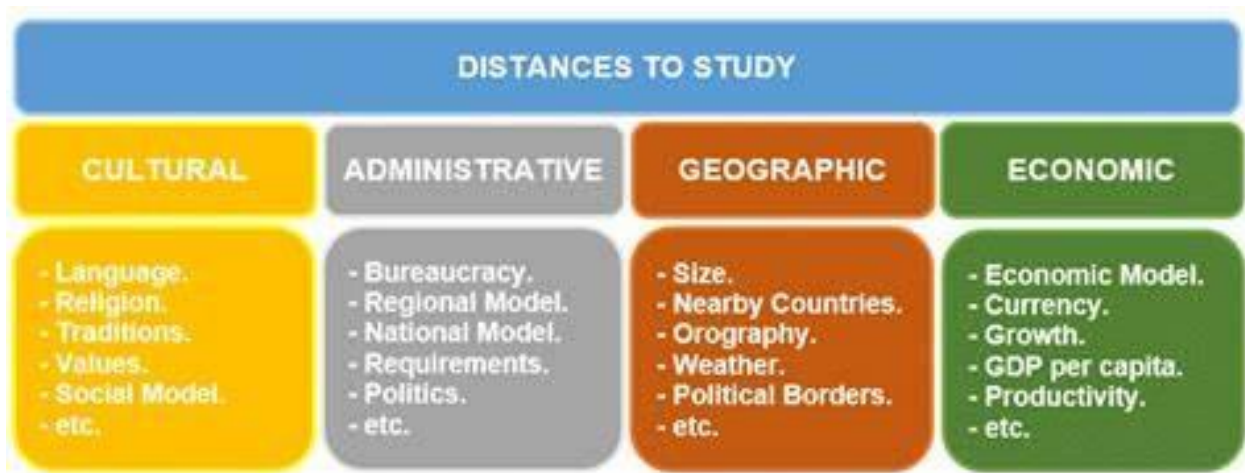


Figure 1. CAGE Model Framework

Another strategic planning tool is the SWOT analysis which is often used to evaluate the strengths, weaknesses, opportunities, and threats that might be involved at each phase of internationalization. Strengths refer to what an organization excels at and what separates its services or products from its competitors. Weaknesses are the areas in which the organization needs to improve its service or product in order to remain competitive. Opportunities refer to any external factors that could give the organization a competitive advantage. Threats refer to the factors that have the potential to harm the organization in its internationalization process. A key benefit of the SWOT analysis is that an organization can continually review its processes and services or products and update with a revised SWOT analysis as the situation requires.

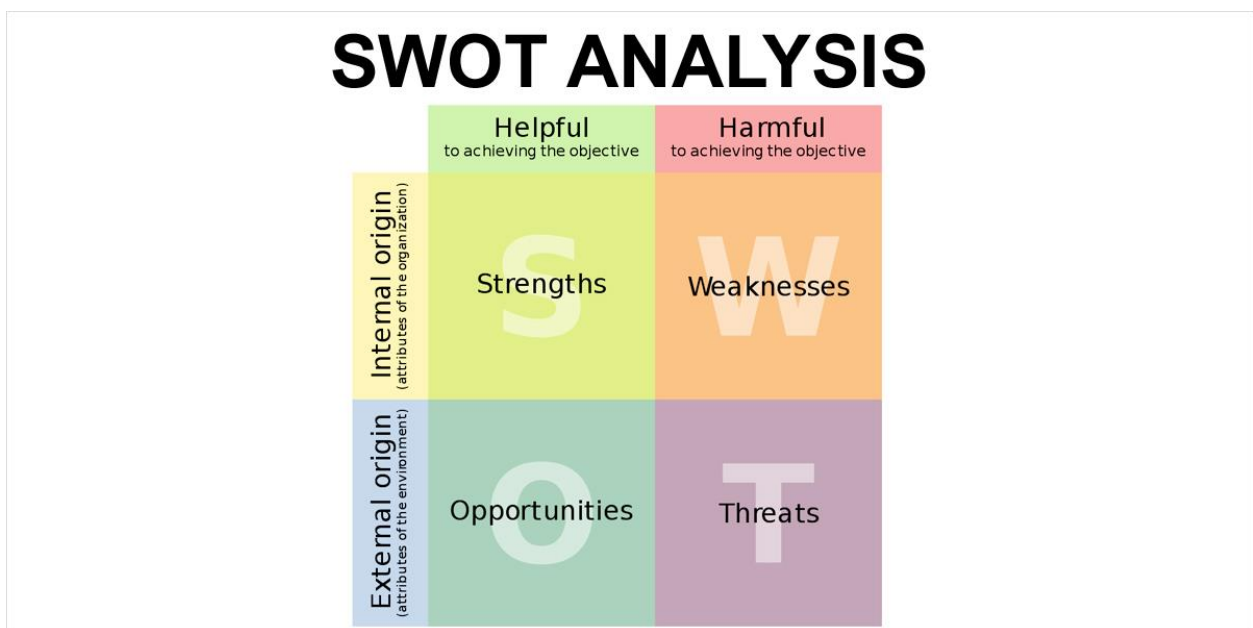


Figure 2. SWOT Analysis Framework

A third model, Michael Porter’s five forces analysis is used to identify and analyze an industry’s competitive forces. The five forces are competition, threat of new entrants, supplier bargaining power, customer bargaining power, and the existence of substitutes to a company’s services or products. Porter’s five forces allow an SME to analyze the environment of an industry.



Figure 3. Porter's Five Forces Framework

A fourth framework is the Resource Based Theory (RBT). It is used to identify the role of internal resources and capabilities that help determine a firm's competitive advantage and chances for long-term success. It looks at all the internal resources (tangible and intangible) that are controlled by the firm, which includes all physical assets, human capital, organizational assets, and financial resources. The capabilities of a firm are often based on its skills, processes, routines, and organizational structures.

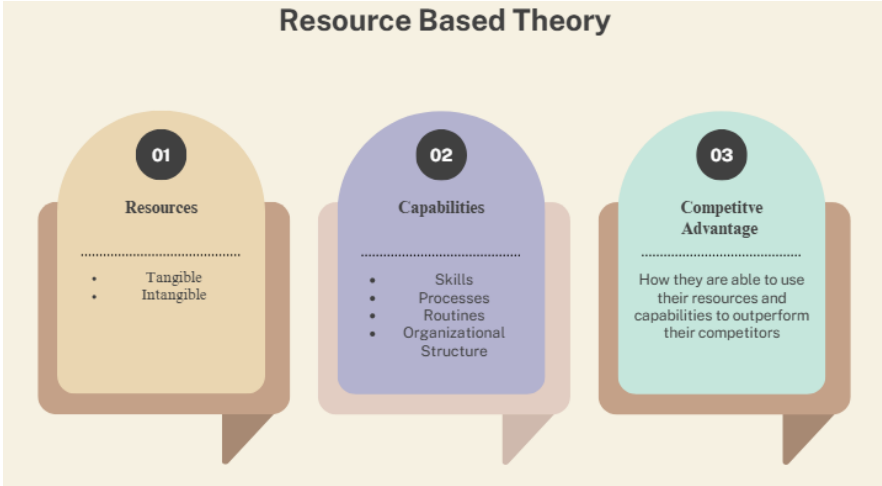


Figure 4. Resource Based Theory

4.2 Born Global vs. Gradual

4.2.1 Born Global

The concept of born global firms, referring to companies that rapidly internationalize from inception has grown exponentially as technology continues to bring the world closer together. A study done by Jonsson and Foss (2011) showed that the marketing strategy mediates the relationship between entrepreneurial orientation, networking capability and foreign market performance. They found that born global firms need to develop a strong marketing strategy to effectively leverage their entrepreneurial orientation and networking capabilities to have a superior performance in foreign markets. Another study by Gerschewski, Rose, and Lindsay (2015) showed an integrated perspective on the drivers of international performance for born global firms. The study emphasized the need to consider multiple factors, including market selection, internationalization speed, and marketing capabilities in order to better understand the performance of born global firms in foreign markets. A study done by Martin, Javalgi, and Cavusgil (2017) investigated the effect of balanced innovation on the performance of born global firms. The study showed the importance of balancing exploratory and exploitative innovation strategies for born global firms to achieve an advantageous position and to enhance their performance. Park et al. (2011) looked at a social network analysis of collaborative ventures for overseas construction projects to review the collaborative strategies used by born global firms to engage in international projects. It showed the dynamics of collaborative ventures and the role of social networks in the internationalization efforts of born global firms. Trudgen and Freeman (2014) showed how the roles of initial market selection and internationalization speed have an influence in the performance of born global firms throughout their development process. Their study showed the importance of making strategic decisions related to market entry and the internationalization speed and how those decisions shaped the trajectory of born global firms. Falahat, Knight, and Alon (2018) investigated the orientations and capabilities of born global firms from emerging markets. Their study showed the unique characteristics and challenges faced by global firms that originate from emerging markets and gave insight into the comparison of internationalization strategies and performance drivers of born global firms from different geographical context. The strategies used by born global firms will continue to expand as more companies start internationalizing, especially those from emerging markets.

4.2.2 Gradual

The most common model for gradual internationalization is the Uppsala model. The Uppsala model emphasizes the gradual internationalization process when firms start with limited commitment and knowledge about foreign markets to when they gradually increase their commitment and involvement as they continue to acquire more experience and understanding of the global opportunities. This approach is especially relevant for SMEs since they often lack the resources to engage in rapid internationalization. (Vahlne and Johanson, 2017) The Uppsala model has gone through different variations and expansions including one by Coviello, Kano, and Liesch (2017) in which they considered the macro context and micro foundations. They emphasize the importance of understanding the broader economic, political and social contexts in which the SMEs operate when they are internationalizing. The second emphasis on micro foundations is to look at the role of individual and organizational capabilities in driving the internationalization process. With this specific expansion of the Uppsala model, it provides insights into the contextual and individual factors that influence an SME's internationalization process. Scuotto, Giudice, Bresciani, and Meissner (2017) provide another set of considerations by exploring the knowledge driven preferences in informal inbound open innovation modes for SMEs. Their study showed the significance of knowledge acquisition and assimilation in the internationalization process. They showed that SMEs tend to rely on open innovation to access external knowledge and expertise which often influences their international strategies. This further shows the need to consider and understand the knowledge dynamics within the Uppsala model. Galkina and Chetty (2015) also built upon the Uppsala model by investigating the effectuation and networking strategies of SMEs that are internationalizing. The study showed that SMEs often use effectuation principles, such as the leveraging of existing resources and the forming of partnerships, to help facilitate their internationalization. Networking also proved to be a crucial factor in an SME's internationalization efforts, as it allows them to access both valuable resources and information. With the integration of multiple factors, the Uppsala model continues to provide a comprehensive framework for understanding how many SMEs internationalize.

4.3 Food & Beverage

4.3.1 Cultural Heritage

The internationalization of cultural heritage products, many of which are either food or beverage products, is a crucial aspect of global branding and advertising. SMEs are internationalizing more than ever and need a way to differentiate themselves in markets that are

seeing many cultural heritage products. Mooijand Hofstede (2011) emphasized the impact of internationalization strategies for cultural products in the context of cross-cultural consumer behavior and the global cultural environment. They showed that in these cases the development of such strategies is crucial for global marketing and communication strategies. Another study by Kwon and Kim (2014) investigated the cultural industry policies made by the Korean government and their impact on the promotion of Korea's cultural industries. The study showed the importance of understanding how government support can positively influence the internationalization of cultural products. However, there can also be negative implications of internationalization strategies for cultural products as shown by Griffith and Rubera (2014), who conducted a cross cultural investigation of new product strategies, looking at the importance of cultural adaptation in product innovation for international markets. When promoting cultural products in international markets it is important to understand the local consumer behavior and preferences when internationalizing. (Eckhardt and Mahi, 2012) As the influence of global trends increases and consumer behavior changes, use of industry analysis models to review the internationalization strategies for cultural products will continue to help SMEs prepare for future challenges.

5 Case Study

5.1 Mexico

Mexico has a rich cultural history with abundant natural resources, and that has allowed Mexico to be among the fifteen largest economies in the world. Mexico has solid institutions, is open to trade, and is connected to multiple global value chains. In the past two years the Mexican economy has grown by over 3% each year despite tending to underperform in terms of growth, inclusion, and poverty reduction. (World Bank, 2023) Considering their underperformance yet their connection to global value chains, SMEs can and do play a large role in in the Mexican economy as there are more than 4 million SMEs active in Mexico. Mexico's government has done several things to increase the efficiency of the SME sector such as the implementation of the SME fund (Fundo PYME), which has created an expanded multitude of programs to increase the state of development of SMEs in Mexico. Many SMEs in Mexico receive policy support as they make up most of the formal economy. While there has been some improvement in the economic framework conditions due to SARE (Rapid Opening System for Enterprises) several desirable conditions in Mexico remain compared to other

OECD countries. In 2006 SMEs accounted for an estimated 99% of all enterprises generating more than 52% in GDP and nearly 72% of total employment in Mexico. While those statistics help understand Mexico's formal economy, a significant portion of Mexico's workforce is active in the informal economy, with an estimated 3 million informal firms. (SMEs in Mexico, Issues and Policies, OECD, 2007)

5.2 Tequila Industry

5.2.1 Tequila industry overview

Tequila is deeply rooted in Mexican culture and tradition as its origins trace back to when indigenous populations fermented agave sap into a crude alcoholic beverage. It wasn't until later that the Spanish conquistadors introduced distillation techniques and refined the production process that laid the foundation for modern tequila production. Over time, tequila has evolved from a local Mexican spirit to a globally recognized and revered spirit. The most important part to tequila production is the blue agave plant, which is generally cultivated in the Jalisco region of Mexico. The heart of the plant, also known as the piña, is harvested and processed to extract the fermentable sugars. Tequila is classified into four main categories based on the aging of the product. Those categories are blanco (unaged), reposado (rested), añejo (aged) and extra añejo (extra aged), each with a different flavor profile and characteristic. The production and labeling of tequila has strict regulations that were established by the Mexican government in order to ensure both the authenticity and quality of the important cultural heritage product. The denomination of origin (DO) restricts tequila production to specific regions in Mexico, with requirements for the type of agave cultivation, harvesting, distillation, and bottling. The Consejo Regulador del Tequila (CRT) is the body that enforces these standards and certifies and monitors producers. Despite its growth and popularity, the industry is facing several challenges that threaten its sustainability. One of the main challenges is agave scarcity, which has been driven by increasing demand and climate change related disruptions. There are many environmental sustainability concerns, including water usage, soil erosion, and biodiversity loss, all of which necessitate efforts for responsible cultivation and production practices.

5.2.2 Tequila Industry Statistics

In 2024 it is estimated the market size for tequila will reach 457.96 million liters and is expected to rise to 597.97 million liters by 2029. The largest importer of tequila is the United States, while the fastest growing market is the Asia-Pacific region. The US presents a natural market as it is geographically contiguous and has significant overlap in gastronomic culture

with Mexico bringing greater awareness of the traditions surrounding tequila, however, Asia-Pacific is an untapped market that can drive further growth for the tequila industry. (Mordor Intelligence 2024) In 2019 tequila’s global consumption volume was valued at 297 million liters and in 2018 generated 70,000 jobs. In 2023 the global tequila market size was valued at USD 11.04 billion with a projected growth to USD 18.58 billion by 2032. One of the factors that has been driving this growth is the rising demand for premium spirits, however there could be a restraining factor, because as developing regions are increasing spirit consumption, developed regions are starting to incline towards lower alcoholic consumption alcoholic beverages. The global market share by type shows that reposado and blanco hold the highest shares followed by añejo. The presence of SMEs in the tequila industry, then faces significant internal competition for similar products and must find ways to innovate with both their products and brand promotion.

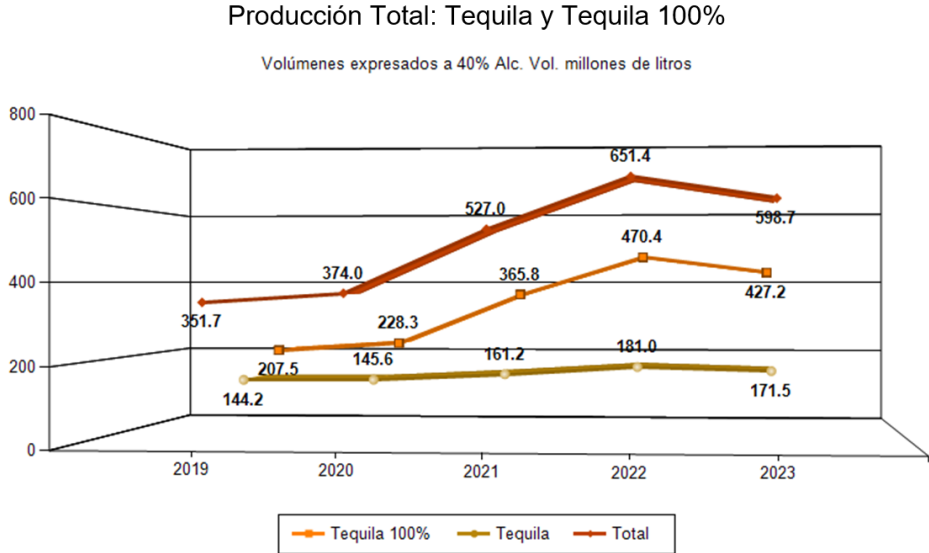


Figure 5. Tequila Production

Exportaciones por Categoría Tequila y Tequila 100% de Agave

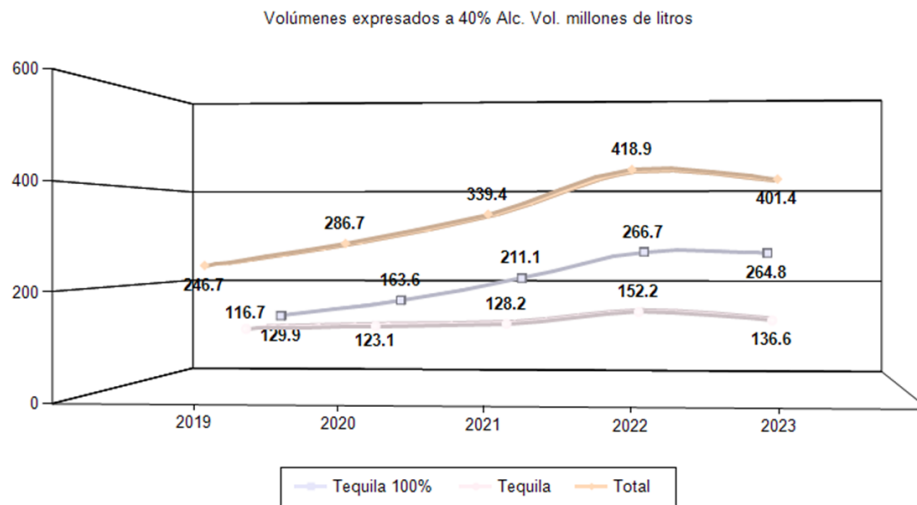


Figure 6. Tequila Exports

5.3 Company Stories

The case study includes profiles of three SME tequila firms, a Born Global company, a company that has undergone Gradual internationalization, and a third company that has a profile that shares some similarities in its profile with each of the previous firms. The firms represent actual companies, and in the exercise student groups will identify the company websites of their assigned firm (A or B) with their given profile. The firms' profiles, their websites, and the information about the tequila industry will be used by the groups to inform how they would approach using the industry analysis models for determining internationalization strategies.

5.3.1 Firm A

Firm A is an ambitious newcomer in the tequila industry. They were founded by a group of young entrepreneurs with previous upper-level executive experience in an established spirits company that wanted to show that they had what it takes to make a global impact on the tequila industry. With this in mind, they quickly embarked on a journey to rapidly expand internationally the moment they distilled their first batch of tequila. They were able to leverage new cutting-edge technology, including digital platforms, to introduce their product as a premium tequila to connoisseurs worldwide. They quickly focused on market research, brand building, and strategic alliances, in the hopes of establishing a foothold in key international markets. The alliances made possible by its owners' previous experience in the global spirits industry allowed the company to opt to launch its product with the global market in mind. However, they did face several challenges, such as navigating global trade regulations, cultural differences and a competitive landscape. These challenges did not deter them from trying to

make a name for themselves. Although the owners of Firm A were not Mexican, they chose to honor Mexican culture through their choice of the company logo (a nod to Aztec legend) and through promotion of a Mexican master distiller of tequila in their product development.

5.3.2 Firm B

Firm B was founded more than 80 years ago by a family with deep roots in the tequila industry. This family had been in the industry for generations perfecting the distilling process and techniques. They wanted to focus on maintaining their commitment to quality, authenticity, and sustainability while introducing new artisanal tequila products. They wanted to embrace the strategy of a local establishment rooted in rich heritage and cultural legacy. These standards allowed them to capture the hearts of consumers across Mexico earning them accolades for their artisanal tequila. As they continued to garner more attention from the local consumers, their name started to reach other markets. They had to decide whether they would stick with what they know about the tequila market and maintain their commitment to traditional tequilas or to expand into the artisanal global tequila market. They decided to find ways to balance their core values while expanding their product base to include artisanal tequilas in the hopes of appealing to consumers in the growing global spirits market.

5.3.3 Firm C

Firm C was founded more than two decades ago. They have marketed their tequilas as a traditional Mexican cultural product yet also want to focus on innovation in their product line. They want to continue to be known for their premium tequilas while they build a portfolio of tequila that's a mixture between tradition and innovation. For example, they regularly launch limited edition tequilas for special events like Dia de los Muertos, a Mexican holiday that has gained global familiarity. Firm C has stability within the industry and its four parts demonstrate an understanding of local cultures, preferences, and regulations. They have forged strategic partnerships and networks to try to help integrate themselves into the new markets while showcasing Mexican traditions. Specific actions taken to strategically market to international markets include the use of digital platforms with English language access throughout, hosting launch parties for limited edition tequilas and marketing them through English language media.

6 Teaching Note

6.1 Introduction

The purpose of this teaching note is to combine and put into practice the knowledge that students have gained from the theory with background information of the tequila industry in order to better understand how an SME might select the most appropriate internationalization strategies for their service or product.

The exercise will be divided into two parts with a conclusion of questions for reflection. Part one will be the division of students into groups of four, with half the groups analyzing firm A and the other half analyzing Firm B. To get started, the groups will be given the company websites for two tequila companies that match the profiles of Firm A and Firm B. Students will be asked to review their assigned firm information to determine which company most closely resembles their assigned group and to list examples as evidence for their conclusions. In the next part of the group discussion, each group needs to draw on the theories that most closely resemble the structure of each firm, meaning for Firm A they will focus more on the born global strategies and for Firm B they will be focusing more on the gradual internationalization strategies. The groups will choose two industry analysis models based on the information they know about the company or are able to find about the company's website. Students will be given their basic SME description, the SME's website, and an example CAGE model already completed for their assigned SME. Two students should complete one industry analysis model and the other two students should focus on a different model once they have completed that task, the group should come back together to share their conclusions about how their firm fits within the born global/gradual internationalization strategies.

Part 2 of the case study will continue with groups of four, however this time two students in the group will be from the Firm A group from part one, and the other two will be from the Firm B group in part one. Once these new groups are made, they will do a similar exercise in analysis as they did in part one but focused on Firm C. Students will again have access to a tequila company website that matches the description of Firm C to consider as they work through the exercise. Firm C is created to be a combination between a born global firm and a gradual internationalization firm. The final activity is to engage in a debate within the group about the best strategy for the given firm. The students from Firm A should advocate for a born global strategy, while the students from Firm B should advocate for a gradual internationalization strategy. Each subgroup should prepare a Resource Based Theory assessment based upon their assigned internationalization strategy and then present it to the

larger group, taking turns for each strategy. At the conclusion of the debate, the entire group should decide which strategy they consider to be most appropriate given their understanding of the strategies and the company information. To conclude the activity, Part 2 groups will remain together to answer questions applying specific factors of the internationalization process to the three firms using their understanding of the theories and industry analysis models.

6.2 Exercise Part 1

The first activity of Part 1 focuses on the internationalization analysis models. Students will first determine which of the company's fits their groups assigned description based upon the company websites given (Firm A - [Mijenta Tequila \(mijenta-tequila.com\)](http://mijenta-tequila.com)); Firm B - [Premium Tequila - Traditional, Artisan Made | El Tesoro™ \(eltesorotequila.com\)](http://eltesorotequila.com)). Then given the CAGE model, students will use the company description, the information provided in the CAGE model, and the company website to complete two of the other industry analysis models (working in pairs with the larger group of four).

Firm A – CAGE

Cultural distance: may be high due to founders' limited understanding of local customs and languages, or consumer preferences in certain foreign markets. They have an advantage of being quick and adaptable to adjust their strategies to the new market.

Administrative Distance: may be high due to differences in the legal and regulatory requirements of the new market. They can overcome the administrative distance by investing resources and understanding and complying with these new requirements.

Geographic distance: This presents a challenge in regard to supply chain management, distribution, and transportation. However, the distance can be mitigated by advancements in technology and logistics.

Economic distance: there's a difference in income levels, cost structures, and business practices between the home and foreign market, they may face challenges in pricing strategies and cost management when trying to remain competitive in the new markets.

Firm B - CAGE

Cultural distance: this will vary depending on the brand's existing efforts to understand and integrate into other markets, also depends on whether they've already invested in cultural adaptation strategies which can help reduce the distance in the new markets.

Administrative distance: may be lower as they have more experience navigating regulations and other legal issues, challenges may still exist as their regulations in the new market might still differ.

Geographic distance: May be high as they still have to ensure timely and cost-effective distribution of their products, however their established networks and infrastructure do provide an advantage in managing these issues.

Economic distance: Will depend on the difference in income levels, cost structures, and other business practices between the two markets, although they may still face challenges in their pricing strategies and cost management.

Next, using the information from the SME description, the CAGE model, and SME's website, the students will analyze the internationalization strategy options using the SWOT model. Students will be completing these sections, but anticipated responses for both Firms A and B are given in italics.

Firm A - SWOT

Strengths: They have a fresh perspective and are able to quickly respond to changing market trends and consumer preferences, they don't have any traditions or legacy constraints which allowed them to adopt any innovative approaches when it comes to branding and distribution, they have the potential for rapid expansion that's facilitated by digital platforms.

Weaknesses: they have limited brand recognition and have no track record which could hinder their entry into foreign markets, their high dependence on external partnerships and suppliers' further production and distribution could pose logistical challenges, there are potential challenges in overcoming international regulations and cultural nuances.

Opportunities: they are able to leverage digital platforms and social media In order to reach their target audience and establish their brand presence, They are able to target emerging markets that have a growing demand for premium spirits and luxury experiences. They have a higher chance of forming partnerships with local influencers or distributors to accelerate market entry and brand awareness.

Threats: they will have increased competition from the established brands that have greater resources and market presence, they will have a more difficult time overcoming regulatory barriers and legal risk that are associated with international expansion, they are more susceptible

to currency fluctuations and other economic factors that could impact pricing and profitability in foreign markets.

Firm B - SWOT

Strengths: they already have brand recognition and customer loyalty that provides a solid foundation for international expansion, they already have an established production capacity as well as distribution networks that will help efficiently scale up their operations, they have strong financial resources and industry experience to invest in marketing and other growth.

Weaknesses: cultural adaptation and flexibility could be harder as they are already accustomed to certain organizational processes and structures, they may have to combat negative perceptions or stereotypes that may be associated with tequila and their brand, more likely to be resistance or complacency within their firm which could impede their innovation and adaptability.

Opportunities: they already have established distribution channels and logistical infrastructure, they're able to capitalize on their brands heritage and authenticity, new products or packaging can be tailored to the new markets.

Threats: trade barriers, tariffs and import restrictions can affect market access and their competitiveness, they are more susceptible to currency fluctuations and other economic factors, competition from already established brands in those new markets.

The third type of analysis the original groups will create together again using the information in the previous descriptions, models, and websites, will be the Porters 5 Forces model. Expected student responses are again given in italics.

Firm A - Porters Five Forces

Threats of new entrants: Middle to high, Firm A's entry into new markets may encourage more brands to capitalize on the growing global demand for tequila, however barriers such as regulations, the brand awareness, and distribution networks could deter potential competitors.

Bargaining power of suppliers: Middle, they will most likely face challenges in negotiating favorable terms with new suppliers. However as Firm A has higher potential for growth, they may have some leverage in negotiations.

Bargaining power buyers: Middle, it may initially be limited since they don't yet have a high brand recognition in the new market, however that could be overcome by installing competitive pricing strategies and unique value propositions.

Threat of substitutes: Middle, their main competition would be from substitutes like other spirits, however branding and product differentiation can mitigate that threat and create a unique market niche.

Competitive rivalry: High, they will most likely face high competition from established tequila brands as well as new entrants, it will be crucial for Firm A to create differentiation in branding, product quality, and distribution channels.

Firm B - Porters Five Forces

Threat of new entrants: Low to middle, Firm B already has an established presence and brand recognition in the tequila market, competitors can still emerge, especially in foreign markets where Firm B has less recognition.

Bargaining power of suppliers: Middle to high, their established reputation and purchasing power may help them to negotiate favorable terms, however fluctuations in agave prices and availability could still impact their supply chain and profitability.

Bargaining power buyers: Middle to high, having an established brand reputation and loyal customer base can provide them with leverage, however competition and consumer preferences could impact their bargaining power.

Threat of substitutes: Middle, Firm B will likely face competition from other spirits, however their reputation may help mitigate the threat. Firm B still needs to be wary of changing consumer preferences and other innovations.

Competitive rivalry: Middle to high, Firm B competes with other established tequila brands for market share both in the market of origin and internationally. The competition can be overcome by maintaining brand differentiation, innovation, and customer loyalty.

Firm A - RBT

Tangible resources: Firm A has more modern production facilities that can produce high quality tequila efficiently. By leveraging digital platforms, they can establish distribution networks quickly in order to reach global markets. While they may be limited compared to established brands, they still have sufficient capital to fund their internationalization efforts.

Intangible resources: Firm A has less of a brand reputation, however, that means they can shape their image through marketing however they want. They have a culture of innovation and agility, which allows them to adapt quickly to changing market conditions. They have a strong digital presence and digital capabilities, which gives them an advantage in reaching foreign consumers.

Capabilities: Firm A is able to quickly respond to changing market trends and consumer preferences through their marketing strategies and digital platforms. They can be adaptable when it comes to supply chain management in order to have reliability in sourcing and distribution. Leveraging their digital platforms and networks, they are able to build partnerships and collaborate globally.

Firm B - RBT

Tangible resources: Firm B possesses production facilities that produce high quality tequila. They have existing distribution channels domestically and may have connections in foreign markets. They have stable revenue and access to capital, which allows them to invest financial resources in their internationalization efforts.

Intangible resources: Firm B has a strong brand recognition and history that can be leveraged for international expansion. They possess market knowledge and experience that will allow them to understand consumer preferences and therefore adapt its products and marketing strategies in new markets. They already possess a loyal customer base which will provide a solid foundation for internationalization.

Capabilities: Firm B has experience in brand management and communicating its story and heritage to consumers. They already have established partnerships and connections in foreign markets which will help further expansion. They can leverage their R&D capabilities to introduce new product variants that match with the preferences of new international consumers.

6.2.1 Exercise Part 2

In Part two of the case study, the new groups (two from Firm A and two from Firm B) will be given the profile and website information for a third tequila company (Firm C - [Clase Azul México Home](#)). The new groups will engage in an analysis and debate proposing the use of the internationalization strategies of their assigned company in Part one of the exercise. They will conclude by conducting a Resource Based Theory assessment of Firm C.

CAGE Model

Cultural distance: Firm C can benefit from entering markets that have similar culture and linguistic characteristics, as they can leverage existing brand recognition and consumer preferences. They still need to be careful when adapting its branding and marketing strategies to the local culture as some cultural differences, like customs, traditions, and consumer behavior may still differ.

Administrative distance: They would find it beneficial to enter markets that have similar regulations in legal frameworks, as that would mean it can streamline operations and reduce compliance costs. Even if another market has similar regulations, there will still exist differences in terms of taxation, trade, and other business regulations.

Geographic distance: It would be helpful to prioritize markets that are geographically close to Firm C domestic operations, and that can allow it to minimize transportation costs and other logistical challenges. However geographical distance presents an opportunity to expand into distant markets to have an untapped demand for premium tequila products. Leveraging strategic partnerships and distribution networks would help mitigate geographical barriers and help facilitate market entry into a foreign market.

Economic distance: Firm C would find it beneficial to the target markets with similar levels of economic development and purchasing power, as that would make it easier to transfer business models, pricing strategies, and value propositions. However, they would still need to consider income levels, inflation rates, and consumer purchasing behavior when implementing its pricing strategies.

SWOT

Strengths: Firm C benefits from combining the advantages of both born global and locally established strategies, which allow for more flexibility and adaptability in foreign markets. They have already established a strong brand presence in their domestic market, which provides a solid foundation for international expansion. They have extensive knowledge of both local and international markets which was acquired through their experience in the domestic market and strategic partnerships held in target markets. They're very efficient operational processes and supply chain management systems, which allow for cost effective production and distribution of its products in domestic and foreign markets.

Weaknesses: Firm C might lack extensive experience in foreign markets, which could lead to challenges in navigating the cultural and regulatory differences. They might struggle to allocate

resources effectively when balancing domestic operations and international growth, as that require significant financial and human resources. It will be difficult to maintain brand consistency in markets that have different cultural preferences and regulations. They're more likely to face intense competition from both local and global competitors.

Opportunities: Firm C Has a high growth potential as it can leverage both born-global and gradual internationalization strategies. Forming strategic partnerships with local distributors and retailers can help facilitate market entry and expansion into the target markets. They can enhance their positioning by innovating and diversifying the products they offer. They can leverage digital platforms to increase their brand awareness and customer engagement in foreign markets.

Threats: Political, economic, and regulatory instability can pose risk for expansion efforts. Cultural differences in preferences can create challenges in terms of branding and communication. Competition from local, global and substitute competitors can decrease Firm C's market share and profitability.

Porters Five Forces

Threat of new entrants: Low to middle, while the tequila industry might seem attractive due to its growth potential, there are still entry barriers, such as high capital requirements, regulatory requirements, and the need for brand awareness. Luckily Firm C already possesses these requirements domestically.

Bargaining power of suppliers: Middle, suppliers of materials such as agave, packaging materials, and transportation services can have leverage, however, Firm C can mitigate these issues by diversifying its supplier base, negotiating better contracts, or harvesting the agave itself.

Bargaining power of buyers: Middle to high, Firm C might enjoy recognition and customer loyalty in its domestic market, in foreign markets, buyers might have more bargaining power if alternate tequila brands are available and are established there. Firm C can overcome this by maintaining its competitive advantage of offering unique product features, high quality standards, and innovating new market strategies to differentiate its products.

Threat of substitutes: Middle, while tequila has a unique flavor profile and cultural significance, there are still alternative spirits that consumers may choose from based on their taste preferences, price, or occasion. Firm C can mitigate this issue by emphasizing the unique

characteristics and cultural heritage of tequila as well as diversifying itself to the different consumer segments.

Competitive rivalry: High, competition in the tequila industry is high, and Firm C will need to compete with other tequila brands and spirits, both domestically and internationally. If they can work on focusing product quality, brand differentiation, in strategic marketing, they can capture some market share and expand their presence.

Firm C - RBT

Tangible resources: Firm C possesses plantations and production facilities that help provide the materials and infrastructure needed for tequila production. They also possess distribution networks and connections that can help facilitate internationalization.

Intangible resources: Firm C has recognition domestically and some internationally due to marketing and product quality, and this allows them to enter new markets with some recognition and reliability established. Their R&D capabilities include assets like proprietary recipes, product formulations, and other intellectual property rights. These assets will allow them to differentiate their products and stay ahead of their competitors while meeting consumer preferences.

Capabilities: Firm C possesses efficient production processes, quality control systems, and supply chain management practices that allow them to produce high quality tequila consistently, while meeting consumer preferences and lowering production costs. They have experience in marketing their products and will be effective in positioning their products in new markets. They have strong strategic partnerships they will allow them to further expand into new markets.

Conclusion of Case Study Activity

At the conclusion of the debate about adopting strategies according to the approach used by Firm A or Firm B, students would then consider together a series of questions related to their experience. The questions below are intended to create reflection about the experiences with the models and the debate. Anticipated responses based on the theoretical concepts are given following each question, although in the exercise, response might be given with bullet points.

Q: What factors influenced each firm's choice of internationalization strategy?

A: Born global firms like Firm A tend to leverage advancements in technology and changes in global market trends in order to enter multiple markets simultaneously, for the chance to grow rapidly. Established firms like firm B tend to consolidate their position domestically first, focusing on brand loyalty and distribution networks, before they head to foreign markets. Firm C would balance local market consolidation with gradual expansion to mitigate risk while trying to maximize opportunities.

Q: How did each firm approach market selection and entry mode in their internationalization strategy?

A: Firm A could try identifying high demand markets and utilizing online platforms for market entry. Firm B could target neighboring markets that have similar preferences while utilizing traditional distribution channels. Firm C would have used a combination of the strategies of Firm A and Firm B, focusing on neighboring markets and analyzing the market response and then expanding based on that response.

Q: What role do branding and product differentiation play in a firm's internationalization strategy?

A: Firm A would emphasize building a strong global brand identity from the get-go, and they did that by leveraging unique product features and differentiating itself in the new markets. Firm B would focus on adapting its brand image and product offerings to suit the local preferences while maintaining their authenticity and tradition. Firm C would likely employ a combination approach; they would try to maintain their core brand values while also adapting to the local market values and nuances through targeted branding and product positioning.

Q: How would each firm manage cultural, regulatory, and logistical challenges?

A: Firm A would invest in cultural competency training and in localized marketing strategies in order to navigate the new markets. Firm B, which is already established locally, most likely relies on market research in strategic partnerships in order to navigate the regulatory hurdles and logistical challenges they would face a new market. Firm C could use a mixture of centralized and decentralized decision-making processes, which is done by adapting to the local cultural and regulatory differences while optimizing the supply chain logistics.

Q: What are the key Success Factors and potential risk associated with each firm's strategy?

A: Firm A's key Success Factors include adaptability, global market awareness, and advanced technological abilities. Firm A risks could include overextension and cultural misalignment. Firm B's success factors would rely on brand loyalty and local market dominance. Firm B's risks may include its vulnerability to market trends and its limited growth opportunities. Firm C success factors could include the balancing of their global aspirations with local responsiveness, but risk could arise from integration challenges between their domestic and international operations.

Q: How would each firm manage knowledge transfer and organizational learning?

A: Firm A Would likely prioritize knowledge sharing and cross-cultural learning activities while leveraging their technology and global networks to help facilitate this learning and adaptation. Firm B would most likely focus on knowledge development within the organization, emphasizing experiences and knowledge of the local market. Firm C could combine formalized knowledge transfer mechanisms with experimental learning opportunities to try and enhance their organizational capabilities for further international growth.

Q: How would each firm approach strategic alliances and network development?

A: Firm A would prioritize forming strategic alliances with global partners leveraging their capabilities, especially through technology, in order to accelerate expansion and market entry. Firm B would focus on developing local networks and partnerships, hoping to build trust and rapport with distributors and other stakeholders, in order to facilitate market entry and growth. Firm C would try to pursue a balanced approach by forming strategic alliances at both local and global levels in order to access resources and expertise while maintaining their adaptability and autonomy in their decisions.

Q: How would each firm adapt their organizational structure and management practices when entering a new market?

A: Firm A might become less centralized and instead focus on empowering local subsidiaries or groups to make decisions and to be able to respond quickly to market changes, while working on creating channels to increase collaboration and knowledge sharing. Firm B Would go more centralized with clear ideas of control and authority to ensure consistency and coordination in expansion efforts, while maintaining standardized processes and performance metrics to manage foreign markets operations. Firm C would likely combine elements of a centralization and decentralization strategy to balance global integration with local responsiveness in order to

foster a culture of innovation and adaptability with the hopes of fostering improvement and learning across the organization.

Q: How would each firm utilize new technologies and digital platforms?

A: Firm A would leverage its capabilities with digital platforms and technologies as a key part of its internationalization strategy, utilizing the technology for market research, brand building, customer engagement, and other expansion needs. They would do this while implementing digital analytics and tools to increase their performance. Firm B would first rely on traditional distribution channels and other offline marketing tactics in their domestic market before gradually integrating digital technologies into its expansion strategy as a way to increase market reach, customer engagement, and operational efficiency. Firm C would try to integrate offline and online channels to provide a unified customer experience, while trying to leverage digital platforms to drive their international sales growth and competitive advantage.

Q: How would each firm approach product adaptation and standardization?

A: Firm A would pursue a standardized product strategy making sure to offer consistent product features, quality, and branding across the different markets in order to capitalize on brand consistency and cost efficiencies, while making adjustments to accommodate local preferences and regulations. Firm B would most likely start focusing on product adaptation, focusing on its product offerings, packaging, and cultural norms before considering standardization or customization for international expansion once they receive market feedback and understand the demand patterns. Firm C would try to balance product standardization between adaptation and customization strategies, to find the balance between global consistency and local relevance, while increasing their differentiation and competitive advantage across the markets.

Q: How would each firm manage brand positioning and communication?

A: Firm A would focus more on building a strong brand identity and positioning, emphasizing its unique value proposition, and brand values through consistent messaging, imagery, and brand experiences in order to captivate consumers and gain loyalty. Firm B would first prioritize local brand positioning and communication, through similar channels, while making sure that they adhere to their consumers' cultural and social needs before adapting on an international scale. Firm C might plan to blend their global brand consistency with the local relevance and authority to establish a connection with a diverse consumer base across the different markets.

Q: How would each firm approach pricing strategies and competitive dynamics?

A: Firm A might adopt a global pricing strategy, basing prices on standardized cost structures, their market position, and the competitive analysis across the different markets in order to achieve consistency in pricing and profitability while monitoring market conditions and other events or actions that may affect those conditions. Firm B might focus more on pricing based on their competition, while trying to consider factors like price sensitivity, the intensity of the competition, and other risk in order to maximize revenue and market share while maintaining profitability and sustainability. Firm C would combine elements of local and global pricing approach by creating a balance between price consistency, competitiveness, and responsiveness to market conditions, consumer preferences, by leveraging pricing tactics and strategies in order to gain market share.

Q: How would each firm manage their supply chain and logistics?

A: Firm A will try to establish a global supply chain network and other logistical infrastructure to support its strategy by leveraging its technology and strategic partnerships, in order to increase the supply chain efficiency, visibility, and responsiveness while maintaining adaptability in meeting demand and delivering the value and experience they offer. Firm B might rely on its domestic suppliers and distribution channels before expanding its supply chain in logistical capabilities internationally. They would consider factors like lead times, transportation costs, and regulatory costs in order to minimize risk, disruptions and other costs that may occur while maximizing their performance. Firm C would combine local responsiveness, production, and distribution in order to adapt to market specific requirements, preferences, and constraints in order to enhance the supply chain resilience and competitiveness in foreign markets.

Q: How would each firm approach cultural adaptation?

A: Firm A would prioritize cultural adaptation and talent management as key parts of its strategy. They would invest in cultural competency training, cross cultural collaboration and other initiatives to create a culture with a global mindset that would be able to help drive innovation and performance in international markets. Firm B would look at its organizational culture and operations then build a connection by using their values to align with those of the new markets. Firm C would blend global practices with local insights and initiatives, to promote collaboration, knowledge, and adaptability across their organization to try to drive engagement and performance in foreign markets.

7 Conclusion

The purpose of this case study of Mexican tequila SMEs was to allow students of internationalization strategies to examine the differences between SME's that opt for an initial strategy of globalization and SMEs that gradually seek opportunities for expansion into global markets. The case study presented several theoretical concepts related to internationalization in addition to industry analysis models that companies can use to determine the most appropriate strategies for their enterprise. The study also gave an overview of the economic and political constraints specific that Mexican SMEs and an explanation of the tequila industry as a cultural heritage product within the spirits industry. With that information the case study set up student groups to examine the industry analysis models that could be used by different types of SMEs and to discuss the internationalization strategies most appropriate based on their understandings of the models, the enterprises, the internationalization theories.

7.1 Limitations

A significant limitation of the case study is the difficulty in obtaining internal data from the tequila SMEs. Requests for information were sent to ten tequila companies that met the definition of SMEs and have chosen to internationalize, but all companies responded that because of proprietary information, they could not share their internal data. This logistical limitation would be common to other industries as SMEs in particular may fear competition from sharing their internal data.

7.2 Areas of further study

This case study looked at the decision-making processes to internationalize as Born Global or Gradual internationalization in the Mexican tequila industry's SMEs. Related areas for further study include analysis of internationalization strategies of additional Mexican cultural heritage products and SMEs in the spirits industry from other developing regions. Another area of study would be to compare tequila SMEs with their larger company competitors in specific markets to see how internationalization strategies compare based on the company's size.

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9 Appendix

Company Stories: Firm A

Firm A is an ambitious newcomer in the tequila industry. They were founded by a group of young entrepreneurs with previous upper-level executive experience in an established spirits company that wanted to show that they had what it takes to make a global impact on the tequila industry. With this in mind, they quickly embarked on a journey to rapidly expand internationally the moment they distilled their first batch of tequila. They were able to leverage new cutting-edge technology, including digital platforms, to introduce their product as a premium tequila to connoisseurs worldwide. They quickly focused on market research, brand building, and strategic alliances, in the hopes of establishing a foothold in key international markets. The alliances made possible by its owners' previous experience in the global spirits industry allowed the company to opt to launch its product with the global market in mind. However, they did face several challenges, such as navigating global trade regulations, cultural differences and a competitive landscape. These challenges did not deter them from trying to make a name for themselves. Although the owners of Firm A were not Mexican, they chose to honor Mexican culture through their choice of the company logo (a nod to Aztec legend) and through promotion of a Mexican master distiller of tequila in their product development.

Which of the following two websites matches the above company profile?

- <https://www.eltesorotequila.com/>
- <https://mijenta-tequila.com/>

Company Stories: Firm B

Firm B was founded more than 80 years ago by a family with deep roots in the tequila industry. This family had been in the industry for generations perfecting the distilling process and techniques. They wanted to focus on maintaining their commitment to quality, authenticity, and sustainability while introducing new artisanal tequila products. They wanted to embrace the strategy of a local establishment rooted in rich heritage and cultural legacy. These standards allowed them to capture the hearts of consumers across Mexico earning them accolades for their artisanal tequila. As they continued to garner more attention from the local consumers, their name started to reach other markets. They had to decide whether they would stick with what they know about the tequila market and maintain their commitment to traditional tequilas or to expand into the artisanal global tequila market. They decided to find ways to balance their core values while expanding their product base to include artisanal tequilas in the hopes of appealing to consumers in the growing global spirits market.

Which of the following two websites matches the above company profile?

- <https://www.eltesorotequila.com/>
- <https://mijenta-tequila.com/>

Exercise: Part 1

Q: What factors influenced each firm's choice of internationalization strategy?

Q: How did each firm approach market selection and entry mode in their internationalization strategy?

Q: What role do branding and product differentiation play in a firm's internationalization strategy?

Q: How would each firm manage cultural, regulatory, and logistical challenges?

Q: What are the key Success Factors and potential risk associated with each firm's strategy?

Q: How would each firm manage knowledge transfer and organizational learning?

Q: How would each firm approach strategic alliances and network development?

Q: How would each firm adapt their organizational structure and management practices when entering a new market?

Q: How would each firm utilize new technologies and digital platforms?

Q: How would each firm approach product adaptation and standardization?

Q: How would each firm manage brand positioning and communication?

Q: How would each firm approach pricing strategies and competitive dynamics?

Q: How would each firm manage their supply chain and logistics?

Q: How would each firm approach cultural adaptation?

Company Stories: Firm C

Firm C was founded more than two decades ago. They have marketed their tequilas as a traditional Mexican cultural product yet also want to focus on innovation in their product line. They want to continue to be known for their premium tequilas while they build a portfolio of tequila that's a mixture between tradition and innovation. For example, they regularly launch limited edition tequilas for special events like Dia de los Muertos, a Mexican holiday that has gained global familiarity. Firm C has stability within the industry and its four parts demonstrate an understanding of local cultures, preferences, and regulations. They have forged strategic partnerships and networks to try to help integrate themselves into the new markets while showcasing Mexican traditions. Specific actions taken to strategically market to international markets include the use of digital platforms with English language access throughout, hosting launch parties for limited edition tequilas and marketing them through English language media.

Firm C Website - <https://claseazul.com/>

Debate

Working with your partner from Part 1 of the exercise, propose the Firm C adopt the same internationalization strategy as the company you were assigned in Part 1. Spend time with your partner developing a set of criteria based upon the industry analysis model you chose, and then present to the larger group.

Exercise: Part 2 Reflection Questions

Q: What factors influenced each firm's choice of internationalization strategy?

Q: How did each firm approach market selection and entry mode in their internationalization strategy?

Q: What role do branding and product differentiation play in a firm's internationalization strategy?

Q: How would each firm manage cultural, regulatory, and logistical challenges?

Q: What are the key Success Factors and potential risk associated with each firm's strategy?

Q: How would each firm manage knowledge transfer and organizational learning?

Q: How would each firm approach strategic alliances and network development?

Q: How would each firm adapt their organizational structure and management practices when entering a new market?

Q: How would each firm utilize new technologies and digital platforms?

Q: How would each firm approach product adaptation and standardization?

Q: How would each firm manage brand positioning and communication?

Q: How would each firm approach pricing strategies and competitive dynamics?

Q: How would each firm manage their supply chain and logistics?

Q: How would each firm approach cultural adaptation?