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## **PAPER:**

***“GLOBALIZATION AND INTERNATIONAL EXPANSION  
STRATEGIES OF THE WINE SECTOR COMPANIES IN  
PORTUGAL”***

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# **GLOBALIZATION AND INTERNATIONAL EXPANSION STRATEGIES OF THE WINE SECTOR COMPANIES IN PORTUGAL.**

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## **ABSTRACT**

This research aims to analyze the competitive environment of companies in the wine sector in Portugal and assess the implications in the development of contingent strategic guidelines and different performances. Proposes to apply the methodological framework IKST – Integrated Key for Strategic Thought for international expansion. The research was carried out at two levels: at a preliminary level – a general characterisation was made of the companies as to their resources, and at a central level – the examination of the strategic aspect of the companies was carried out. The research involved the collection of primary data (survey of 164 companies in the sector) and secondary data (from documentary nature). Explores the strategic aspect, analyzing the sector in terms of global and national context, in order to design a diagnostic context of action, using the models of PEST and 5 Forces. Identifies, based on various statistical techniques, the adopted style of strategic thought and their profile in terms of contextual variables, as well as the underlying economic performance.

**KEY WORDS:** Strategic Management, Internationalization, Wine Industry, Wine

## **1. INTRODUCTION**

The international business environment has undergone profound changes in recent years. This is a new paradigm for international trade, such as changes resulting in reductions in costs, rapid penetration of markets, improvement in product/service, access to wider range of suppliers, changes in internal processes of organization, quick and easy share of knowledge (within and across organizations) and widespread use of information and communication technologies. All these factors are reflected in the internationalization of firms (Oviatt & McDougall, 1997), consolidating a need for strategic expansion, either by contagion from globalization and as a matter of survival in sectors where competition was intensified (Levitt, 1983 ; Yip, 1989; Ghoshal & Bartlett, 1988).

This is also a reality in the wine sector, as companies felt a strong need to increase their efforts to maintain their position given the offensive from the New Producing Countries (NPC), such as Australia, Chile, Argentina, USA and South Africa, under the pressure of several factors: the gap between production and domestic consumption (Barco et al, 2006; Campbell & Guibert, 2006), strong asymmetry in terms of regulation, tightest in the European Union through the Common Market Organization, decrease in global wine consumption (albeit with an increase of consumption in USA, Germany, UK and China), substitute products (beer, soft drinks, spirits) commercially aggressive in response to the evolution in tastes and trends in the consumer market. These factors contribute to significant distortions in international competition (Rastoin et al, 2006), leading Traditional Producing Countries (TPC) to face severe challenges in all markets. This reality is emphasized in several studies

conducted by many researchers around the world (Sousa, 2000; Barco et al, 2006; Bernetti et al, 2006; Remaud & Couderc, 2006; Remaud, 2006; Jordan et al, 2007; Fernández-Olmos et al, 2009 and Zen, 2010). Pressure from the aforementioned factors carries consequences to the Portuguese wine sector, countries where wine production is particularly important. In the current context, the external market, which traditionally was a destination for production surplus, is now being viewed as an alternative market and even as a priority by the companies of the Portuguese wine sector. This reflects an increase in international expansion by these companies, implying the development of deep transformational processes, based on new strategic guidelines. Given this background, we can justify the strategic orientation analysis followed by the companies and structures transformation undertaken in its approach to the internationalization process. Hence, the objectives of the present study are: 1) to identify the most relevant styles of strategic thought/action in the portuguese wine sector, in terms of international expansion; 2) to analyse the relationship between the style of strategic thought/action and the degree of international expansion of the companies as well as the growth of international expansion; 3) to identify the contextual variables associated; 4) to analyse the relationship between the style of strategic thought/action and the profitability of the companies; and 5) to propose action guidelines that lead to increased international competitiveness. In order to achieve these objectives, we developed a variant of the IKST methodology, originally designed by Sousa (2000), which now takes the name of IKST(i). After a brief theoretical background on the internationalization theories and strategies, we present the methodology used. The following is the characterization of the companies, the application of IKST(i) and its results, as well as some concluding remarks.

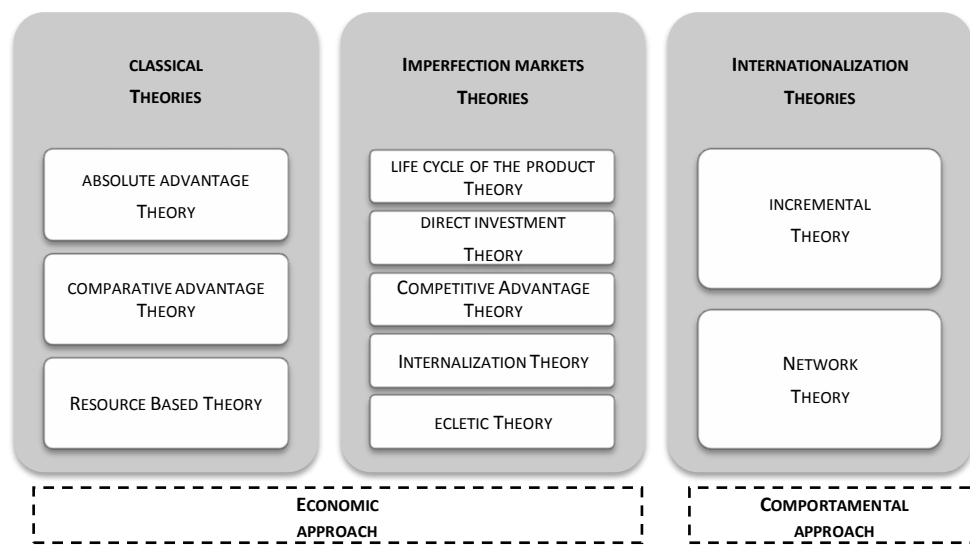
## **2. THEORETICAL AND EMPIRICAL FRAMEWORK**

### **2.1 Internationalization theories**

The internationalization concept and its evolution over time shows an increasingly widespread in the 1980s, heavily involved in operations and trading/transactions, up to its understanding in a systemic logic, with impact on the value chain of the organization.

Traditional theories have been studied by several authors, of whom stood out Melin (1992) and Mtigwe (2006) who identified two approaches: the economic approach, focused on the analysis of trade and investment in international terms, and the behavioral approach, focused on internationalization as an evolutionary process and whose most significant revision was made by Coviello & McAuley (1999) - see Figure 1. The classical theories released the basic principles of internationalization theory: the international trade theory based on differences in prices of goods in different countries, through the absolute advantage theory by Adam Smith (1776), the comparative advantage theory, for David Ricardo (1817) and the the allocation of resources theory by Heckscher and Ohlin. The unit of analysis of these theories was the nation (or country), with a static approach, based on simplistic assumptions.

**Figure 1 - Internationalization - theoretical approaches**



Source: Author's elaboration

The dynamics of international trade in recent decades of the XX<sup>th</sup> century has shown, however, the inapplicability of these theories for lack of realism of its assumptions and maladjustment (Dunning, 1999; Axinn, 2002), given the increasing mobility of natural resources and technology. From the second half of the XX<sup>th</sup> century there was thus a paradigm shift: the "company" came to be regarded as the unit of analysis (Mtigwe, 2006). In this context, new theories began to emerge: product life cycle theory (Vernon, 1966), foreign direct investment theory (Hymer, 1971), competitive advantage theory (Porter, 1990), internalization theory (Buckley, 1990) and eclectic theory (Dunning, 1988) with the OLI paradigm<sup>1</sup>. In contrast to the focus of these economic theories, there are prospects focused on behavioral aspects, which can be aggregated into two main schools or models (Coviello & McAuley, 1999; Chetty & Campbell-Hunt, 2003): the incremental theory (or stages theory), among which the Uppsala internationalization model and network theory were the most relevant. The first has its main reference on behavioral theory of the firm, Cyert & March (1963) and firm growth theory, Penrose (1959). This model was also developed from the work of Johanson & Wiedersheim-Paul (1975), Johanson & Vahlne (1977), who argue that there is a strong relationship between commitment to the market and market knowledge. In turn, the network approach derives naturally from the process of internationalization (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977), although it presents a more extreme position. According to this approach, the strategic development of a company it is based on the position it occupies in the network, composed with various stakeholders (customers, distributors, suppliers, competitors and government) with which establish direct or indirect links (Johanson & Mattsson 1988). This approach relies on theories of social exchange and resource dependence and focuses on the company's behavior in the context of interorganizational network and interpersonal relationships, which are based on mutual trust,

<sup>1</sup> According to the eclectic theory, developed by Dunning (1980, 1988), the choice of entry mode in foreign markets depends on the OLI paradigm (Ownership, Location, Internalization), ie, to internationalize, a company must have certain types of benefits over their competitors in order to justify the direct investment abroad.

understanding and commitment (Coviello & McAuley, 1999). To Mtigwe (2006), the most important contribution of this approach is to recognize that the internationalization of a company is not a solitary effort, but rather the product of a formal or informal network. In terms of positioning, the study carried out, fits the theory of competitive advantage and eclectic theory in particular in the thematic of locational advantages.

## **2.2 Internationalization theories**

Until about the mid-1990s, the study of internationalization relied on the behavior of multinational corporations (Levitt, 1983; Yip, 1989; Bartlett & Ghoshal, 1988). Both conceptual and empirical work failed in the connection between organizational strategy and the propensity of some SMEs to export by highlighting the gap, that until then prevailed, in the study of the behavior of smaller firms (Melin, 1992). However, in recent years, SMEs, by assuming a more active role in international markets, have generated a growing interest among academics (Leonidou & Katsikeas, 1996; Coviello & McAuley, 1999; Lu & Beamish, 2001; Etemad, 2004; Wright et al, 2007). The smaller companies are confronted with a variety of obstacles such as financial constraints and shortage of key resources such as informational (Rullani & Grandinetti, 1994). Some of these companies have found creative answers to overcome these constraints (several responses taken by large companies), largely facilitated by the revolution in information and communication technologies (Bonaccorsi, 1992), basing their work on the development of business networks (Chetty & Campbell-Hunt, 2003).

In the context of international strategies, Porter (1986) suggested a typology in which the characteristics of an industry determine the entry mode and the type of strategy to be followed by a particular company. The author argues that there is not an overall strategy, but various typologies depending on the company's strategic choices, considering two strategic dimensions: coordination of activities and spatial configuration of the value chain of the company.

Another matrix of internationalization is proposed by Oviatt & McDougall (1994). It was based on the value chain of Porter (1985) and on internationalization strategies also presented by Porter (1986), although distinguished by considering that the focus of such analysis must rely on the dispersion of countries where the activities in the value chain occur and not on the degree of activities dispersion when the sales take place in many countries. This matrix was adjusted initially to a very specific type of business: INV's (International New Ventures). According to these two proposals, the entrepreneur should be aware of the degree of pressure for globalization in the sector and the degree of international transferability of their competitive resources, since these two parameter settings affect the choices of strategies to implement.

The decision process in a context of internationalization, encompassing various types, assume a range of strategic management, including a phase of analysis, strategy of entry formulation and implementation, taking into account the organizational design and underlying control mechanisms (Cortés & Ramón, 2001). In the analysis phase, and also according to Root (1994), should be identified external factors and internal factors or intra-firm. In the second stage, the formulation of business strategies to be taken involves three key decisions: the entry

mode (export, contractual or foreign direct investment), how to compete (competitive strategy based on the overall efficiency versus national sensitivity) and functional areas management (product strategy, marketing, R&D, finance and human resources in an international context). In the third phase, the implementation of the strategy, the authors (Root, 1994; & Ramón Cortés, 2001) emphasize the organizational structure (ownership structure, legal form of company, age, size, number and type of activities, relationships with other companies, geographic scope and strategies developed) and the shape of strategic control to be performed through the analysis of mechanisms for data management, management guidelines, conflict resolution and formal/informal mechanisms.

### **2.3 Empirical investigation in wine sector**

In the research carried out in the portuguese wine sector it should be noted Sousa (2000) an important comparative study of strategic processes in two regions (Alentejo, Portugal and Extremadura, Spain), which emphasizes similarities between the two regions in terms of styles of strategic thinking, information systems, productive resources, innovative dynamics and strategic choices of development. The main asymmetries lie on the productive logic, upstream integration, export activity and sectorial dynamic. The author proposed the evolution towards an entrepreneurial style in terms of human resources, encouragement of innovation and an increase in the quantity produced in Alentejo and quality in Extremadura, a stronger commercial function (communication, reorganization of distribution networks and progression in foreign markets), emphasizes the need for diversification and increased commitment by sectoral organizations and public authorities. The author also highlighted the need for progression in overseas markets as a strategic key of risk diversification, (although these have been considered by producers as secondary markets). Also highlighted the importance of the involvement of institutions like ICEP and ViniPortugal to promote Portuguese wine abroad.

Also Macedo (2004) and Passinhas (2006) developed studies in the sector, with the operational spatial delimitation in Alentejo region. The common conclusion was the devaluation of the commercial function by directors of these companies. Passinhas (2006) also emphasized the fact of cooperatives as being differentiation oriented than private companies, more oriented for specialization, where quality is the determining strategic vector in both cases, proposing strategic guidelines, like concentration of business as a way to generate "critical mass".

Several authors have focused their comparative studies in TPC and NPC internationalization strategies, especially Cusmano et al (2009). They concluded that the NPC bet on creating wines tailored to international markets, based on a scientific approach to innovation, economies of scale, timing and alignment of R&D strategies with the market objectives, builded in global networks of knowledge and research. Moreover, the TPC response was to strengthen an approach based on the producing aspects, accumulated learning process and traditional production techniques, highly related with culture. These countries, with a highly fragmented sector, have access difficulties to major distribution chains - the heavy regulation does not provide the necessary flexibility in order to respond to the NPC movements. In a recent study, Fernández (2008) ranked as "high international competitive performance businesses" those that value resources related to commercial and market aspects, in contrast to

the “low international competitive performance”, the ones that value technology and production aspects as well as the access to capital.

Bretherton (2004) and Mora (2006), in turn, emphasize the importance of promotion in market niches in which it is possible to develop a value position and where competition is less ferocious, imposing themselves by differentiation and quality, penetrating in ways that move away from mass distribution, restricted to large multinationals.

In a more focused analysis Remaud (2006) identified several competitiveness factors for wine SMEs in Australia and New Zealand specially in its export markets, concluding that these were based in the exports department skills and the proactive attitude of the manager.

### 3. METHODOLOGY

As a methodological orientation, we propose a grid approach, originally developed by Antonio Sousa (2000), Integrated Key for Strategic Thought (IKST), adapted to an internationalization context (IKST-i) - see Figure 2.

The grid guides the research work, structuring it in two levels of development (idem): at a preliminary level – it was performed a general characterisation of the companies resources, and at a central level – the examination of the companies strategic aspect, through the coordination of three systematically studied components (C-T-P) – external and internal contingency factors (C), style of strategic thought (T) and economic performance (P).

#### **Resource analysis and systemic study C-T-P**

The variables used to characterize the sample and diagnose its resources are: the legal status, years in activity, size (number of employees), the wine region (headquarters), the type of commitment to wine business (general characterization) and human, organizational, informational, technical and commercial/production resources.

With regard to the **contingent factors (C)**, the characterization of the competitive environment dynamics of the industry (I) - contingent external factor - is performed using the PEST analysis (contextual environment) and the structural model of Porter's (transaction environment) .

The original IKST, from Antonio Sousa (2000), identifies four internal contingent factors, from the review of several studies in the field of strategic management: the logic of the entrepreneur (II)<sup>2</sup>, activity characteristics (III)<sup>3</sup>, extent and quality (IV)<sup>4</sup> and IS/IT characteristics (V)<sup>5</sup>.

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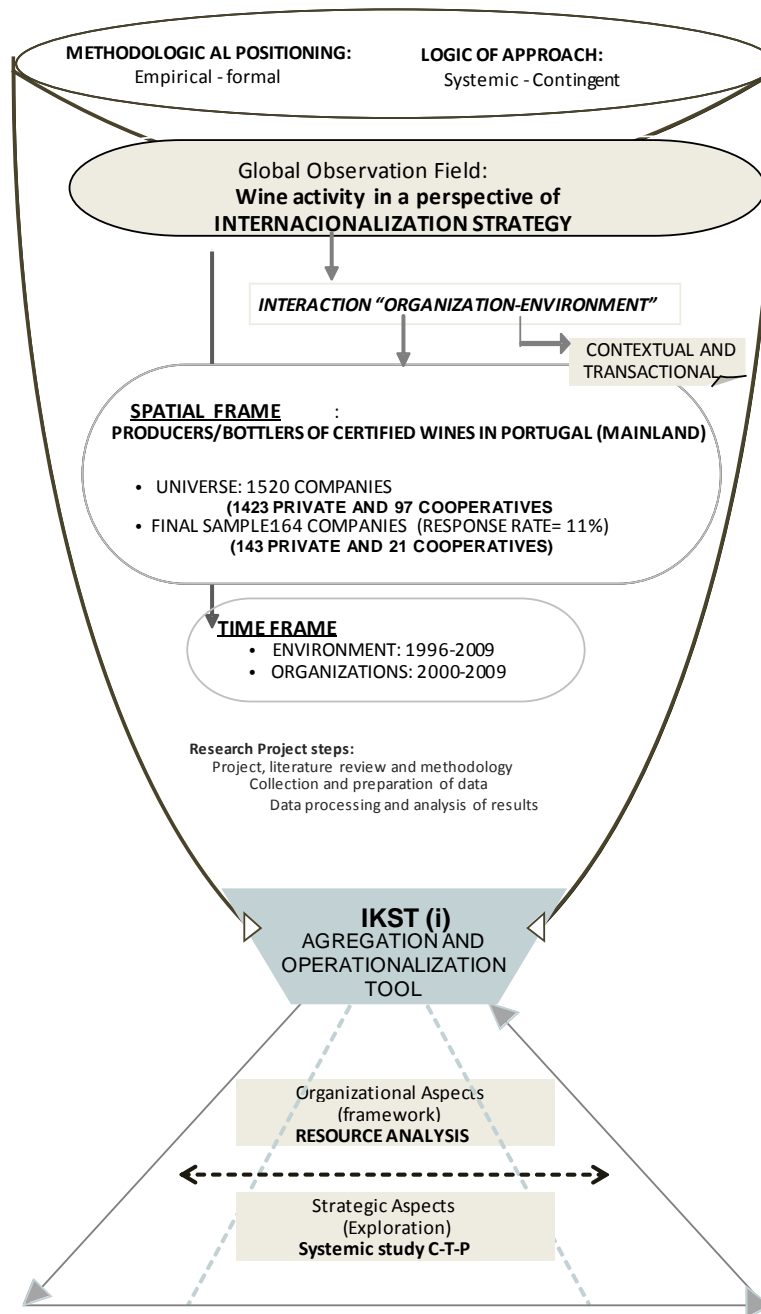
<sup>2</sup> Cf. Marchesnay (1993).

<sup>3</sup> Cf. Mintzberg (1994) and Al-Bazzaz & Griyer (1983).

<sup>4</sup> Cf. Mintzberg (1994) and Stanworth & Curran (1976).

<sup>5</sup> Cf. Mintzberg (1994) and Kandwalla (1977).

**Figure 2 - IKST<sub>(i)</sub> – Methodological framework approach**



Source: Adapted from Sousa (2000)

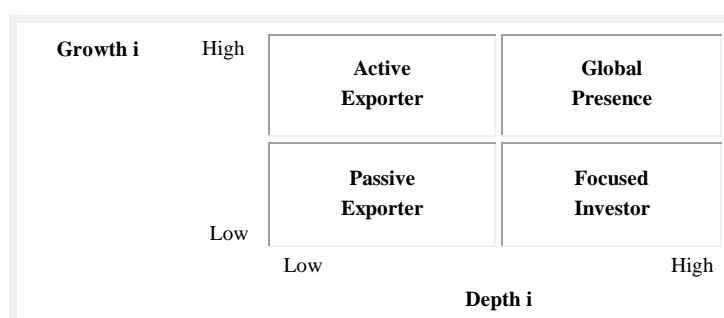
The IKST(i) includes, based on the perspectives of several authors<sup>6</sup>, an additional internal contingent factor - the internationalization profile (VI), which encompasses the characterization of the entry mode and the evolution of the company action in the international market. Note that in this work was appropriate to consider the logic of the owner as a factor (to identify their attitude towards the international market) and extension and quality (with the aim of characterizing the products exported). Each one of the underlying

<sup>6</sup> Johanson & Wiedersheim-Paul (1975), Johanson & Vahlne (1977), Johanson & Mattsson (1988), Root (1994), Sharma & Erramilli (2004) and Czinkota et al (2009).

factors have several variables, each of which is measured by indicators, identified with a specific question in the questionnaire.

The styles of **strategic thought/action (T)**<sup>7</sup>, were identified in two dimensions inspired in the internationalization literature (Porter, 1986 and Oviatt & McDougall, 1994): the “Growth of internationalization-Gi” and “Degree of internationalization-Di“, resulted in four typical thought styles: "active exporter-AE" (high Gi/ low Gi) “passive exporter-PE" (low Gi/ low Di), "global presence-GP" (high Gi/high Di) and "focused investor-FI" (low Gi/high Di) – see Figure 3.

**Figure 3 - Styles of strategic thought in internationalization context**



Source: Author's elaboration, based in Porter (1986) and Oviatt & McDougall (1994)

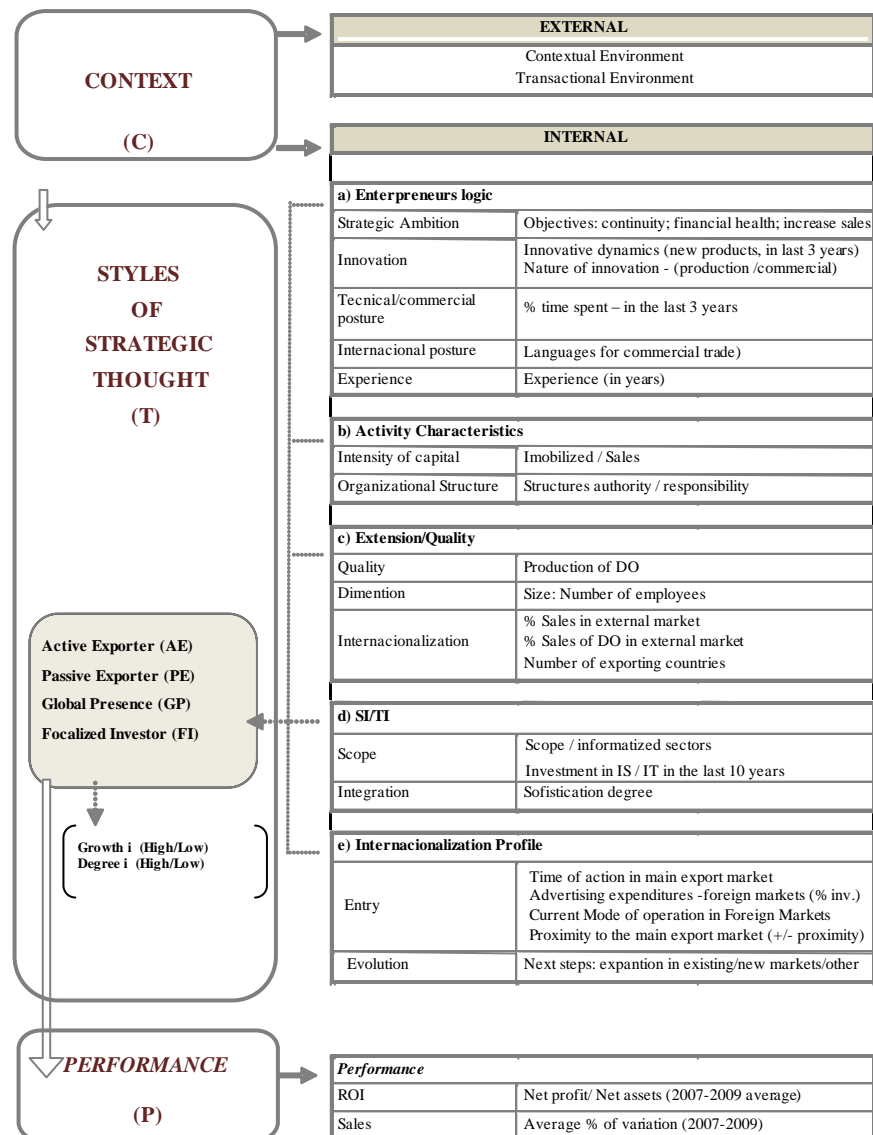
The theoretical independence and consistency of these two dimensions (Gi and Di) have been tested with a Principal Components Factor Analysis (PCFA) and Chronbach Alpha, after an exploratory statistical analysis to verify the existence of outliers, bias and missing values.

In terms of performance (P), were identified as variables economic return (or return of investment - ROI) and also sales, measured by average rate of change - see Figure 4.

This research involved the collection of primary and secondary data. Primary data was obtained by applying a questionnaire, specially developed for this purpose, implemented via mail to business owners/managers/directors of export of the companies in the Portuguese wine sector. The collection process took place between June and December 2010 and allowed to establish a sample of 164 companies (13% cooperatives and 87% non-cooperative companies), which features all of the wine regions of Portugal and in a very close proportion of the population. The information gathered was treated using PASW software with the following techniques: Factor Analysis, Cluster Analysis (two-step cluster), Discriminant Analysis, Analysis of Variance (ANOVA and MANOVA). When parametric conditions of analysis failed was performed a non-parametric test (Kruskal-Wallis) and the Pearson Chi-Square test of independency test for nominal variables. The secondary data consisted mainly in the analysis of a set of institutional documents and reports that allowed a broader view about the evolution and performance of the wine sector. These elements were crucial for the qualitative analysis, based on which it was possible to develop a contextual and transactional analysis (PEST and 5 forces model).

<sup>7</sup> It is important to note that "thought" word is generic enough to represent the diversity of more or less structured internationalization processes approach.

**Figure 4 – IKST(i): Systemic approach C-T-P; factors, variables and indicators**



Source: Adapted from Sousa (2000)

#### 4. CONTEXT, FORM OF ACTION, ORGANIZATION AND PERFORMANCE OF PORTUGUESE WINE COMPANIES

##### 4.1 General characterization of companies and resource analysis

Considering the legal form of the 164 companies surveyed, 87% are private and 13% are cooperatives. With regard to age, 46% of companies are active in the sector since 2000, and only 29% are over 20 years of activity. About 37% of the companies of the sample are dedicated to other activities (wine events, cattle raising, olive and other agricultural activities). In the sample, micro-enterprises predominate, 71% have less than 10 employees, 26% are small companies and only 3% are medium-sized companies. The percentage of firms that reported having subsidiaries in more than one wine region in Portugal amounts to 7%. Figure 5 summarizes the profile of the companies studied, in terms of resources, highlighting strengths and weaknesses.

**Figure 5 – Resources - strengths and weaknesses**

Human resources, organizational resources and information	
<b>Strengths:</b>	<ul style="list-style-type: none"> <li>- Top managers have high level of academic qualifications (Management / Economics, Agricultural Engineering / Agricultural and Enology) and professional experience (10 years average), dominating different languages (2-3 languages in about 70% of managers).</li> </ul>
<b>Weaknesses:</b>	<ul style="list-style-type: none"> <li>- Organizational structure essentially implicit (or even implicit) and informal.</li> <li>- Reduced experience/training abroad.</li> <li>- Time of the manager is mainly dedicated to technical and production issues.</li> <li>- The most relevant applications in terms of IS/IT are essentially instruments of financial and accounting nature.</li> </ul>
Technical-productive resources	
<b>Strengths:</b>	<ul style="list-style-type: none"> <li>- Large amount of newly planted vines and production of DO<sup>8</sup> wine is quite significant.</li> </ul>
<b>Weaknesses:</b>	<ul style="list-style-type: none"> <li>- Predominance of small-sized explorations.</li> </ul>
Commercial resources	
<b>Strengths:</b>	<ul style="list-style-type: none"> <li>- Most of the production and export of wine is DO and have a variety of brands.</li> </ul>
<b>Weaknesses:</b>	<ul style="list-style-type: none"> <li>- The share of exported production is still not very significant.</li> <li>- Large variety of destination countries and many of them still underexplored.</li> <li>- Weak investment in advertising and promotion, especially in foreign markets.</li> <li>- Website only as form of dissemination of the company.</li> <li>- The innovative dynamics in companies surveyed proved to be minimal.</li> </ul>

Source: Author's elaboration.

## 4.2 Systemic analysis: context-thought-performance (C-T-P)

### 4.2.1 Wine industry context (C)

#### 4.2.1.1 Global dynamic

Currently the wine sector is characterized by a "global battle", such as described by Barco et al (2006). There is a major concern in solving the gap between production and domestic consumption, which in most companies involves greater attention to the export market (Campbell & Guibert, 2006). Along with the increasing globalization of markets, there has been a redefinition of actors in a market characterized by a mature sophistication of products (high requirements of consumers in terms of targeting the supply and quality of service) by the intensification of competition and concentration of supply (Albisu, 2004).

It is also important the development of the NPC regions, that benefit from the existence of true clusters marked by strong dynamic and innovation, allowing wineries to benefit from an industrial and tertiary environment favorable increasing its international competitiveness (Rastoin & Coelho, 2004; Migone & Howlett, 2010).

According to Albisu (2004), the NPC, based their expansion on its commercial aggressiveness favored by the existence of larger companies than in TPC. These companies developed strong marketing strategies (with simple labels and appealing design) in order to appeal to a wide range of consumers and invested in advertising and marketing techniques to attract loyal consumers of traditional wines of the TPC, as well as extended their supply essentially with premium wines (Campbell & Guibert, 2006). The TPC, although in the late 90s began to take steps to solve the dual problem of overproduction and competition from the NPC, applied

<sup>8</sup> DO - Designation of Origin

essentially defensive tactics such as the restriction on new planting of vines and focus on the defense of Appellations of Origin, in winemaking practices and trademarks.

Both (NPC and TPC) have thus a battle to hang - the export markets. According to Hussain et al (2007) and Bernetti et al (2006), the TPC wines have a small margin for expansion in the domestic market (especially with declining consumption per capita) in addition with competition from imports of cheap and quality wine from the NPC, which, in turn, have developed policies and brand campaigns for quality wines, focusing on premium wines and where, the inverse of the TPC, domestic consumption tends to increase.

In this scenario, multinational corporations take position, "promoting the concentration of financial capital, technology for developing products and processes, and domain of distribution systems" (Ramalho, 2006, p. 57). The growing competition in the world of wine is associated with a growing concentration of industry, that winemaking on a small scale, present in the majority of the European Union, may not be able to answer.

#### 4.2.1.2 The world wine context

In terms of global surface, after a steady growth until the late 70s, planted area with vines lied on 7.55 million hectares (Table 1) with a decreasing tendency, especially in European countries, but keeping the growth in the Southern Hemisphere countries, USA and China (FAO, 2009). Europe has a leading position, contributing with 64% for the total planted area (OIV, 2011).

**Table 1 – World wine vineyard area, per continent (1000ha)**

CONTINENT	86-90	%	91-95	96-00	01-05	06-10	%	2006	2007	2008	2009 <sup>a</sup>	2010 <sup>b</sup>
Africa	380	4	344	320	380	381	5	395	381	378	375	374
America	876	10	808	869	959	990	13	995	981	988	992	994
Asia	1422	16	1404	1459	1682	1224	16	1686	1108	1104	1107	1113
Europe	6110	69	5507	4978	4730	4905	64	4630	5075	5029	4928	4862
Oceania	64	1	71	117	179	206	3	196	204	208	213	207
<b>Africa</b>	<b>8852</b>	<b>100</b>	<b>8128</b>	<b>7742</b>	<b>7930</b>	<b>7705</b>	<b>100</b>	<b>7902</b>	<b>7749</b>	<b>7707</b>	<b>7615</b>	<b>7550</b>

<sup>a</sup>Provisional<sup>b</sup>Estimate

Source: Author's elaboration, based on OIV statistics

Performance of world wine production over the first years of the century (Table 2) showed a decreasing trend. The forecast for 2010 is 263.9 million hl, corresponding to the second lowest level in 15 years (FAO, 2009). Europe's relative importance, although remaining high, is no longer so important, down from a contribution of 78% during 1986-1990 to 67% in 2010. On the other hand, witnessed the increasing participation of other productive areas, including America, Asia and Oceania.

**Table 2 – World wine production, per continent (1000hl)**

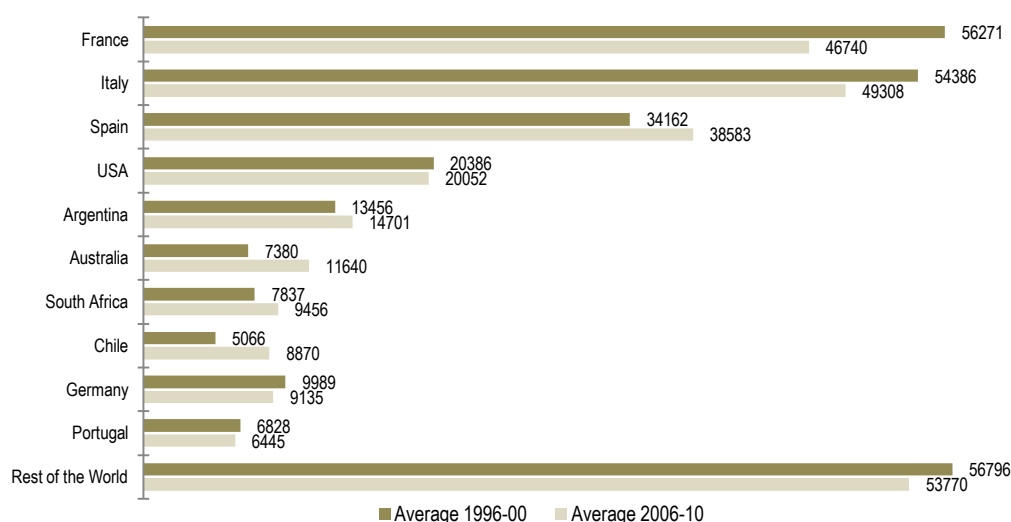
CONTINENT	86-90	%	91-95	96-00	01-05	06-10	%	2006	2007	2008	2009 <sup>a</sup>	2010 <sup>b</sup>
Africa	9259	3	9494	9091	9553	11108	4	11086	11250	11636	11017	10550
America	48595	16	42776	44815	47443	49328	18	48867	49901	49630	48097	50145
Asia	4448	1	6968	11703	13272	14029	1	13603	14123	14199	13704	14515
Europe	237165	78	198601	199000	191206	182224	67	193449	180176	179821	182178	175495
Oceania	4725	2	5253	7948	13380	13618	5	15595	11096	14500	13704	13195
<b>Total</b>	<b>304192</b>	<b>100</b>	<b>263092</b>	<b>272557</b>	<b>274864</b>	<b>270256</b>	<b>100</b>	<b>282600</b>	<b>266565</b>	<b>269513</b>	<b>268700</b>	<b>263900</b>

<sup>a</sup>Provisional<sup>b</sup>Estimate

Source: Author's elaboration, based on OIV statistics

Figure 6 shows the trend in production for top 10 wine producers, through the comparison of the averages between 1996-2000 and 2006-2010, which reveals an increase in production in Spain, Australia, Chile and South Africa, relative stability of Portugal, South Africa, USA and Germany and decreased production in Italy and France.

**Figure 6 – Wine production, by country (1000hl)**

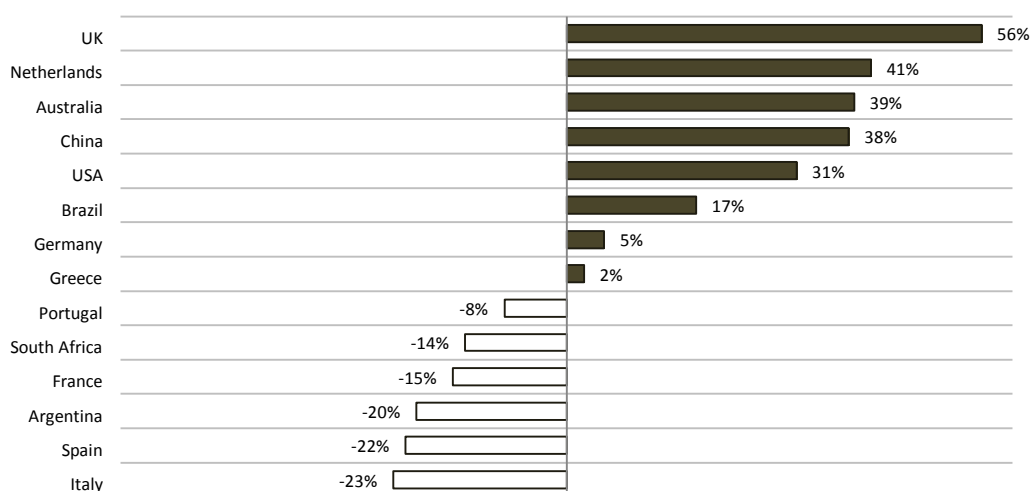


Obs.: 2010-estimate

Source: Author's elaboration, based in OIV statistics

The evolution of wine consumption between 1996-00 and 2009 for the 14th largest consumers is presented in Figure 7. The behavior has been different: its evolution appears to be quite positive in the UK, Netherlands, Australia, China, USA and Brazil, on the other hand, either Italy, Spain, Argentina, France, South Africa and Portugal witnessed sharp falls in wine consumption.

**Figure 7 – Consumption of wine, by country in % (1996/00-2009)**

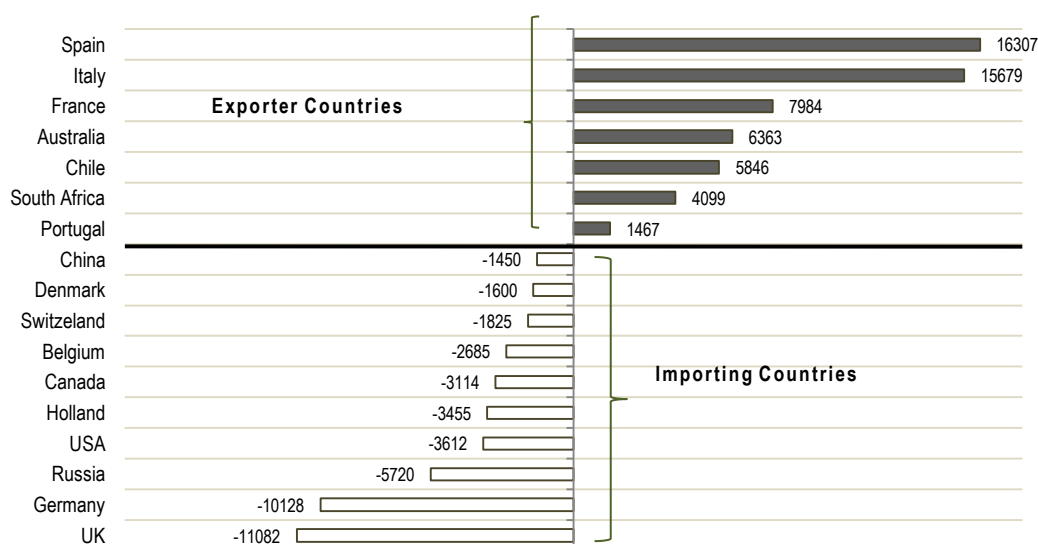


Obs.: For China, not being available 2009 data we used the 2008 data

Source: Author's elaboration, based on OIV statistics

The audit of wine international trade is highly positive for Spain, Italy, France, Australia, Chile, South Africa and Portugal (Figure 8). On the other hand, for UK, Germany and Russia, presents the opposite extreme, as essentially importing countries. Other European countries such as Netherlands, Belgium, Switzerland and Denmark are also in this group, yet taking the lowest level of international trade. Also USA, Canada and China are mainly importers, despite the USA being part of the group of NPC.

**Figure 8 – Wine international trade in 2009 (Exports – Imports) (1000hl)**



Source: Author's elaboration, based on OIV statistics

The differential production/consumption registered extremely high values resulting in chronic surplus, reaching 20% in 2000 and 19% in 2004. However, the trend is downward, and these values stood at 13% in 2009, it is expected in 2010 to be only 9% as a result of loss of production and stabilized consumption. Among the TPC the production surplus is seen as a major problem of the sector and on which government policies should act to reduce the planting of vines.

According to FAO (2009), much of the responsibility of the decrease in consumption lies in mature European markets, especially France and Italy, where wine that traditionally accompanied meals began to be replaced by soft drinks, juices and bottled water, mainly by the younger population.

#### 4.2.1.3 Portuguese context

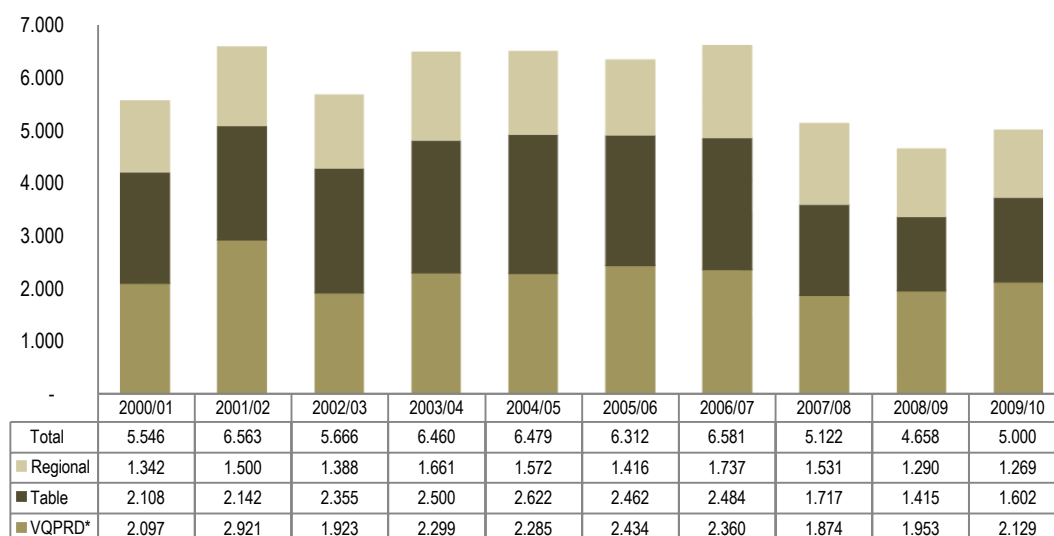
The wine productive sector in Portugal is highly fragmented, especially in the north of the country. Portugal is split into nine main production regions, plus Madeira and Azores that have different characteristics.

In recent years, Portuguese production of wine has been relatively stable, standing at around 5 to 6 million hl<sup>9</sup> (cf. Figure 9), verifying however in the period 2007/10 a more pronounced

<sup>9</sup> In this analysis were not considered liqueur wines.

fall due to temperature range high humidity associated to a above normal, favoring the spread of vine diseases.

**Figure 9 – Wine production, by wine category (1000hl)**



Obs.: \*DO wine (does not include liqueur wine)

Source: Author's elaboration, based on IVV (2012)

The qualitative characteristics of the produced wine also do not denote significant changes over the period under review, verifying a greater representation of the DO wine (VQPRD), representing about 45%, on average.

Wine production in Portugal is mainly carried out by three types of producers: smaller producers and individual entrepreneurs, medium and large producers and cooperatives. Cooperatives despite representing only 5% of total sector entities, contribute about 42% of wine production (MADRP, 2007, p. 23; IVV, 2012), given the the number of farmers covered for their activity. However, its weight has been decreasing in recent years, also as a result of the closure of some units, especially the smaller ones, in the north of Portugal.

Following the same tendency of world consumption, in Portugal this indicator has recorded successive declines since 2002/03, closing at 2009/10 (according to data released by INE<sup>10</sup>) in the 44.1 liters per inhabitant. Although, this trend does not apply to quality wines, that have increasing their consumption levels, revealing a change in the profile of domestic consumers demanding and sophisticated (MADRP, 2007).

In relative terms, Portugal is the 5<sup>th</sup> country in wine consumption European rankings and 12<sup>th</sup> in the world of wine consumption. The share of Portugal in the global consumption of wine is between 3% and 4% (IVV, 2012).

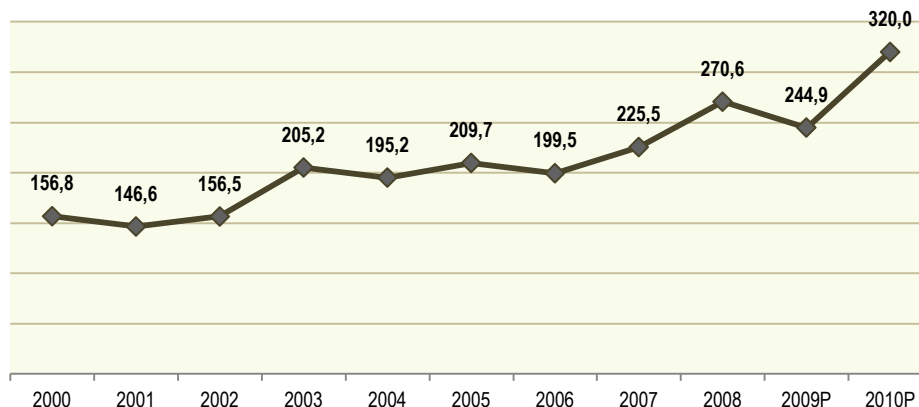
Despite the increased competition in recent years, there has also been positive evolution of the Portuguese wine exports (see Figure 10), where the last reporting year (2010) recorded an increase of about 54% of exports by volume and about 31% in value (over the previous year). In total exports, and taking 2010 as reference, bottled wine accounted for about 75% of the total (volume), ie. 10% more than in the previous year.

<sup>10</sup> Available in [www.ine.pt](http://www.ine.pt) - National Statistic Institute (consulted in 31th March, 2011).

However, Portugal is presented as one of the most fragmented wine exporters, with 50% of its sales spread essentially across six markets with different characteristics (Monitor Group, 2003) and still very focused on the domestic market.

Despite quality, portuguese wine is sold in the international key markets at a low price, below equivalent imported wines (Monitor Group, 2003).

**Figure 10 – Evolution of portuguese wine exports, in value (10<sup>6</sup>€)\***



Obs.: Does not include liqueur wine. P – Previsional.

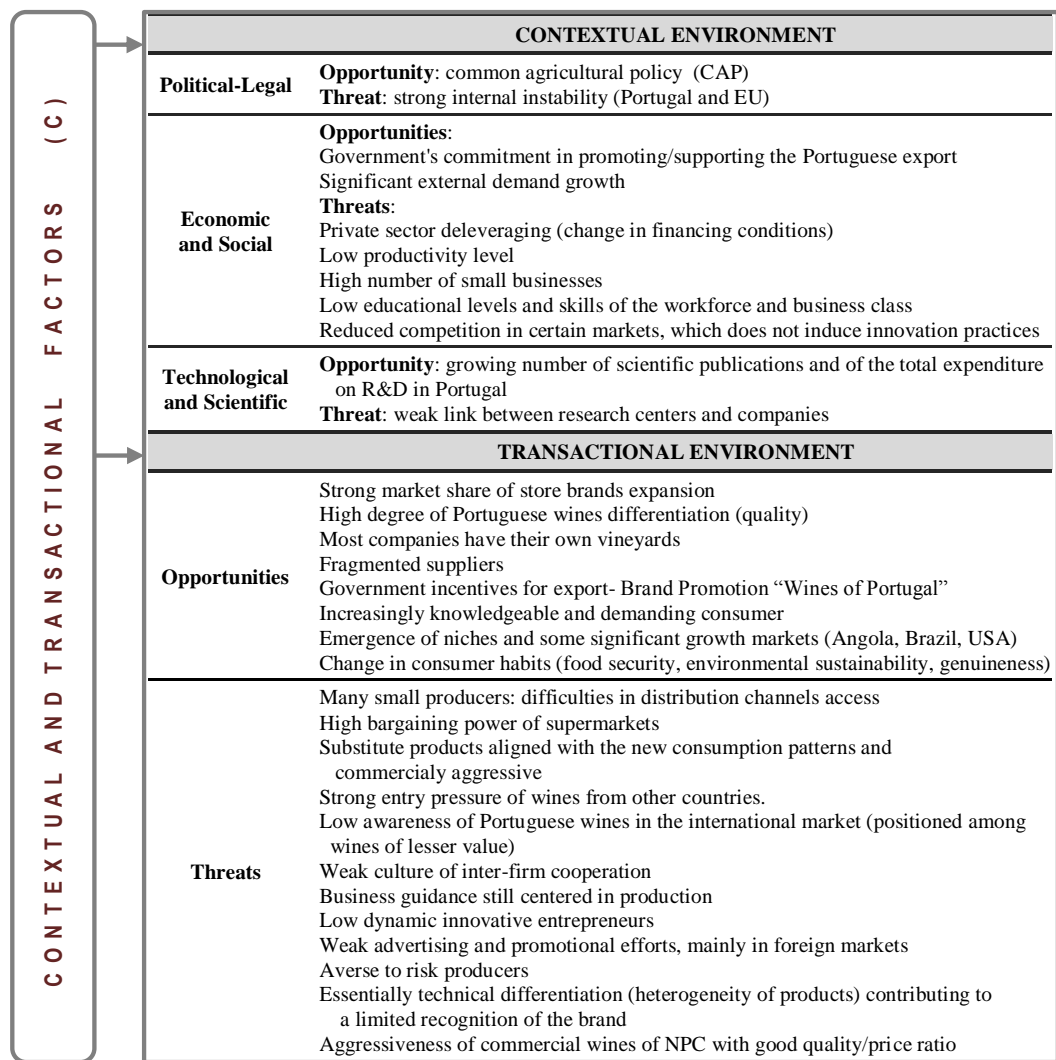
Source: Author's elaboration, based on IVV (2012)

#### **4.2.2 Wine industry in Portugal: contextual and transactional environment (C)**

To define the general context of the wine business it is important to analyze the following dimensions: political, legal, economic and social-scientific and technological (PEST analysis) as well as its transactional dimension. Figure 11 summarizes some relevant factors that characterize these dimensions.

Regarding the attractiveness of the sector, using the Porter's five forces model, it was synthesized the intensity of each of the five forces (Appendix 1). It can be inferred that the wine industry in Portugal is moderately attractive. The behalf is reduced bargaining power of suppliers, resulting largely from an increased of vertical integration of activities. The attractiveness is still favored by relatively low potential for new entrants to the sector. To its detriment, has pressure from substitute products and an increasingly intense rivalry between competitors. The bargaining power of customers is not entirely favorable.

**Figure 11 – Contextual and transactional environment (opportunities and threats)**



Source: Author's elaboration

#### 4.2.3 Strategic Thought (T)

According to the results obtained through application of the two-step cluster procedure we identified four groups of companies based in two components resulting from the application of Principal Component Factor Analysis with Varimax rotation to four strategic process variables<sup>11</sup> (KMO=0,586 and Bartlett Test with Sig=0,000)<sup>12</sup>. Given the coefficients<sup>13</sup>, appointed to a component by growth of internationalization (Gi) and component 2 to the degree of internationalization (Di). *Cronbach Alpha* value (0,617), indicates that the considered variables have reasonable internal consistency.

The four groups obtained correspond to the four styles of strategic analysis identified a priori: the Active Exporter style (AE), Passive Exporter (PE) style, Global Presence (GP) style and

<sup>11</sup> Following exploratory analysis with the aim of verifying the existence of outliers, missing values and bias.

<sup>12</sup> Taken together the two components explained retained about 76% of the total variance.

<sup>13</sup> Variable Coefficients (after varimax rotation): External/internal market (CP<sub>1</sub>: 0.877; CP<sub>2</sub>:0.059); Proximity geographical/culturally (CP<sub>1</sub>: 0.853; CP<sub>2</sub>:0.117); Strategic Definition (CP<sub>1</sub>: 0.396; CP<sub>2</sub>:0.722); Location of production<sup>3</sup> (CP<sub>1</sub>: -0.082; CP<sub>2</sub>:0.902) – all variables were previously standardized.

Focused Investor (FI) style, according with the characteristics for each of the two dimensions (Gi and Di)<sup>14</sup> - see Table 3.

Results of the Scheffé test allow us the identification of two subgroups: AE/GP and PE/FI in the first dimension (Gi) and in the second dimension (Di) the subgroup AE/PE.

**Table 3 – Group characteristics**

Dimensions	Groups	n	%	Mean	StdDev	ANOVA (Sig.)	Multiple Comparisons (Sheffé)
<b>Growth i</b>	<b>PE</b>	31	19	1,285	0.523	0,000	PE>GP*** PE>AE*** PE>FI GP>AE** GP<FI*** AE<FI*** Homogeneous Subsets: 1: AE+GP e 2: PE+FI
	<b>GP</b>	50	30	-0,363	0.519		
	<b>AE</b>	64	39	-0,687	0.613		
	<b>FI</b>	19	12	1,175	0.440		
<b>Degree i</b>	<b>PE</b>	31	19	0,928	0.508	0,000	PE>GP*** PE>AE* PE>FI*** GP<AE*** GP>FI* AE>FI*** Homogeneous Subsets: 1: FI e 2: GP and 3: AE+PE
	<b>GP</b>	50	30	-0,921	0.499		
	<b>AE</b>	64	39	0,644	0.441		
	<b>FI</b>	19	12	-1,260	0.523		

Obs.: \*\*\* Sig. <0,01; \*\* Sig. <0,05; \* Sig. <0,1

Source: Author's elaboration (ANOVA and *Post Hoc Tests outputs*)

The results suggest a preponderance of strategic thought styles based on growth, instead of the degree of internationalization, ie, the styles "Active Exporter" (39% of the companies) and "Global Presence" (30% of companies) are more frequent. These styles are associated with a strong focusing in the foreign market expansion, to distant geographical and/or cultural markets, however, in the first case (AE), strategy is set regardless of the market to which the product is intended aim and without displacement of production. The less frequent styles are "Passive Exporter" (19% of companies) and "Focused Investor" (12% of companies), essentially focused in the internal market and, in the first case (PE), defining the internationalization strategy regardless the market of the product, without displacement of production (as regards the degree of internationalization).

It were applied ANOVA/MANOVA, to test equality of means of contextual variables considering the four groups<sup>15</sup>. This analysis was performed in order to identify the profile for each group<sup>16</sup>. Appendix 2 presents a summary of the results.

These outputs allow an "horizontal reading", ie, identifying for each contingent variable the significant differences between groups and a "vertical reading" that allows us to trace the profile of each group of companies (strategic thought style) associated with contingent variables - see Table 4.

<sup>14</sup> The decision regarding how many clusters to retain was based on the following criteria: 1) visual analysis of the various dendograms: to evaluate the stability of groups by the different methods of aggregation, 2) distance between clusters: compare the number of clusters with the coefficient of fusion (agglomeration schedule), which is value for which various cases merge to form one group and 3) comparison of coefficients of determination ( $R^2$ ) obtained for each cluster (by ANOVA) (Hair et al, 2009).

<sup>15</sup> In the case of whether the nominal variables, we applied the  $\chi^2$  test of Pearson in order to verify the existence of a relationship of independence between context variables and the groups formed.

<sup>16</sup> Discriminant analysis was performed in order to confirm the results of Cluster Analysis and validation of the discriminating power of the components retained from Principal Component Factor Analysis.

**Table 4 – Styles of strategic thought: characterization**

Internationalization Growth	High	<b>Active Exporter</b> <i>(cluster 3: 39%)</i> Style adopted by companies in which the leaders dominate several languages to carry out trade and innovation are related mainly to commercial aspects. These are larger companies and in which the structure is highly formalized. Bet on a production of DO wine and register the highest percentage of sales channeled abroad as well as to a greater diversity of countries. These are companies that invest in IS/IT, but with relative sophistication. Elect expansion to new geographic regions in the future.	<b>Global Presence</b> <i>(cluster 2: 30%)</i> Style adopted by companies in which the leaders dominate several languages to carry out trade relations. These are companies with relative size and with low capital intensity. They bet heavily on the production channeling for the export and to a wide number of countries. Invest in sophisticated IS/IT and endorses the action in foreign markets, primarily through direct export, paying particular attention to geographically and culturally distant markets. Elect investing in actual markets in the future.
		<b>Passive Exporter</b> <i>(cluster 1: 19%)</i> Adopted by companies in which the manager reveals weak language skills to carry out commercial transactions and that innovations relating essentially to productive aspects. Companies small and capital intensive. Investment in IS/IT is low and have applications with low degree of integration. The future does not lie in the field of export or production of DO wine.	<b>Focused Investor</b> <i>(cluster 4: 12%)</i> Style adopted by small sized companies that innovate mainly in productive areas. These companies are capital intensive and denote informal structure. Low exports to a small number of countries, and low volume of DO production. Low investment in IS/IT with unsophisticated. They work mainly in the external market through subsidiaries, partnerships and units in closer countries (geographically and culturally). Show no intention to expand in international markets.
	Low		
		Low	High
Internationalization Degree			

Source: Author's elaboration, based in PASW outputs

#### 4.2.4 Performance<sup>17</sup> (P)

From the results obtained (see Figure 12), we can conclude that companies with GP and AE style have higher average levels of ROI than companies with style PE. When evaluating the behavior of variation in terms of sales volume, only the GP group departs significantly from PE and FI.

It follows that companies that have strong growth levels (Gi) and that have associated higher levels of performance, with the highest average value in companies that, in addition, have high levels of degree of internationalization (GP style).

**Figure 12 – Performance variables - summary of the hypothesis testing results**

PERFORMANCE (P)	DIMENSION/VARIABLE	DIFFERENCES BETWEEN STYLES OF STRATEGIC THOUGHT/ ACTION PE   GP   AE   FI	
		STATISTICS (P-VALUE)	CONTEXT VARIABLES COMPARISON
	PERFORMANCE		
	ROI (average 2007-09)	3.344* (0,024)	GP>AE> FI >PE with GP>PE* and GP>FI*
	Sales Variation Rate (average % 2007-09)	2.298* (0,082)	GP>AE> PE >FI with GP>PE* and GP>FI*

Obs.: \* Duncan Test (Sig. <0,1); A – F *Snedcor* Statistics: ANOVA parametric test

Source: Author's elaboration, based in PASW outputs

<sup>17</sup> The economic performance of companies was assessed using the indicator ROI (average of three years under review - 2007 to 2009). In testing this indicator were excluded cooperatives. Performance was assessed using the average rate of change of sales for the same period, encompassing the analysis indicated that all companies.

## 5. PERSPECTIVES OF STRATEGIC ORIENTATION AND ACTION

The proposals or strategic lines of action listed rely largely on a strategy that requires the development of larger companies, with critical mass to compete internationally. Although there is, in a comprehensive manner, a downward trend in demand, high quality products with high perceived value by consumers, still well positioned in the market.

In this context, it is important to increase competitiveness in internal wine sector (price, quality and business strategy), so that they can increase their market share, with a focus on quality, mainly in foreign markets. To make this possible, it is essential to act on some important strategic aspects. This action is segmented in time, and results from the intersection of the main strengths and weaknesses of the companies studied, with the main opportunities identified with the new SWOT matrix<sup>18</sup> (Figure 13).

**Figure 13 - Strategic guidelines: new SWOT matrix**

<i>Opportunities and time</i>		
<ul style="list-style-type: none"> <li>- Growing liberalisation of world trade</li> <li>- Favorable technological and scientific context</li> <li>- Promotion of the brand Wines of Portugal</li> <li>- Sectorial and governmental institutions engaged</li> <li>- Increasing trend in wine quality</li> <li>- Internal consumers increasingly demanding</li> <li>- Market growth of Angola, Brazil and U.S., as well as identifying new market niches</li> <li>- Wine tourism booming</li> <li>- The emergence of niches in international markets</li> <li>- Government incentives for export</li> <li>- Industry attractiveness</li> <li>- Changing consumer habits (food security, environmental sustainability and authenticity of products)</li> </ul>		
	Short and Medium Term	Medium and Long Term
<b>Strengths</b> <ul style="list-style-type: none"> <li>- Integrating the upstream</li> <li>- Several varieties of wine</li> <li>- Comparative advantages (<i>quality</i>)</li> <li>- Target markets diversity (lower risk)</li> <li>- Important know-how in terms of winemaking techniques</li> <li>- Recent restructuring of vineyards</li> </ul>	<b>Suggestions:</b> <ul style="list-style-type: none"> <li>▫ Establishing partnerships with touristic operators</li> <li>▫ Transform accumulated know-how in competitive advantage</li> </ul>	<b>Suggestions:</b> <ul style="list-style-type: none"> <li>▫ Development of own distribution networks in major overseas markets, namely to exploit niche markets</li> </ul>
<b>Weaknesses</b> <ul style="list-style-type: none"> <li>- Reduced dimension of productive units</li> <li>- Poor cooperation culture</li> <li>- Integration degree of IS / IT</li> <li>- Guidance business still very focused on production</li> <li>- Innovative dynamic</li> <li>- Logic of internal development</li> <li>- Lack of strategy</li> <li>- Low brand awareness</li> <li>- Weak bargaining power with international supply chains</li> <li>- Reduced implementation of advertising and promotional campaigns to potential target markets</li> <li>- averse to risk producers</li> <li>- In international markets, positioned between low value wines</li> </ul>	<b>Suggestions:</b> <ul style="list-style-type: none"> <li>▫ Concentration of marketing strategies and advertising in specific international markets</li> <li>▫ Sharing marketing efforts among small farmers, including the same DO</li> <li>▫ Bring together public and private units around wine</li> <li>▫ Expand the use of IS/IT, social networking, Web, e-news</li> <li>▫ Reducing complexity through greater balance in the brand mix</li> <li>▫ Develop reports (regular basis) and market research</li> <li>▫ Pricing based on quality and develop premium categories</li> </ul>	<b>Suggestions:</b> <ul style="list-style-type: none"> <li>▫ Improve internal communication within the sector (branch organizations, regulatory bodies and other institutes)</li> <li>▫ Develop strategic alliances and increasing production capacity</li> <li>▫ Boosting innovation, joint ventures between companies/research units</li> </ul>

Source: Author's elaboration

<sup>18</sup> SWOT analysis (original) "is related to the strengths and weaknesses of the company with the opportunities and threats of the environment" (Freire, 1997: 143). The objective to achieve with this type of analysis is to generate alternative measures to deal with the opportunities and threats identified. The new SWOT analysis "fits the strengths and weaknesses of the company's opportunities in the environment and time" (Ibid: 144). The aim is to define strategic alternatives in time to progression for the company or group of companies.

## 6. FINAL CONSIDERATIONS

Companies in the portuguese wine sector thus face a scenario of high complexity, as a result of various factors, including competition from new and important producing countries, of substitute products with great commercial aggressiveness, the shrinkage of domestic demand and even the evolution of tastes and trends in the consumer market. In this competitive environment, industry's internationalization shows up as the way to overcome such adversity. Focus on innovation, not only in production, but also commercially, for finding creative solutions that meet the evolving consumer tastes on an international scale, will also be crucial for development.

This study does highlight, the lack of size of the production units, coupled with poor investment in the commercial area (especially with respect to the external market), as well as the option to export to a wide range of countries, that originate insufficient ability to respond to competing producers, usually larger, more experienced in international markets and holding a more consistent commercial attitude. These conclusions are aligned with Sousa (2000), Macedo (2004), Bretherton (2004), Passinhas (2006) and Mora (2006).

With respect to strategic thought styles identified (Active Exporter, Passive Exporter, Global Presence and Focused Investor), it was found that the most common styles are those with a profile based on a higher growth of internationalization (Active Exporter and Global Posture). The predominance of styles whose strategy is the diversification of markets is convergent with the findings of Ochoa (2001) for the sector in Spain and Zen (2010) in France. In a comparative analysis, it was concluded that there are some convergent and divergent contextual characteristics according to the styles of strategic thhought, including:

- Groups of companies adopting Active Exporter and Global Posture styles of thought/action, being associated with a larger dimension and more formalized structures, where leaders are more concerned with developing skills in order to adapt to a wider market, dominating more languages to carry out its business relationships and drive innovation for commercial aspects. Invest substantially in IS/IT and in their integration. They aim to expand in foreign markets, both through today's market regardless of geographical or cultural distance, whether via new markets by betting on quality wines;
- Groups of companies adopting the Passive Exporter and Focused Investor styles of thought/action, are characteristic of companies with smaller and informal structures, showing less concern with the commercial area and focusing mainly on productive innovation, favoring capital-intensive options. Characterized by low investment and integration of IS/IT. Efforts are directed mainly to the domestic market and for firms with greater presence abroad (Focused Investor), choose to establish subsidiaries, partnerships or own units in some distant markets, geographical and/or culturally.

Are also companies that have higher levels of growth that are associated with higher levels of performance.

Proposals were presented and summarized in a SWOT matrix, taking into account the heterogeneity and homogeneity of business features diagnosed, thus possible strategic paths and, in our view, appropriate to achieve sustainable competitive advantage, always demanding for coordination efforts of all stakeholders: companies, professional associations and public authorities.

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## APPENDIX 1 - Five competitive forces model (Portuguese wine sector)

<b>New entries potential</b>	<ul style="list-style-type: none"> <li>• Legal provisions on entry (new OCM) and moderate regulation of the industry (new vineyard dependent on grant management)</li> <li>• High initial investment, however the effect of scale economy is not relevant to the viability of the project</li> <li>• Transferability of planting rights and possible acquisition / merger of existing units between growers/producers</li> <li>• Minor learning economies</li> <li>• Degree of differentiation (quality) and brand</li> <li>• Small holders: difficult access to distribution channels (distributors' preference for brands already on the market). However, the strong expansion of the market share of store brands creates space for new businesses (even without brand)</li> <li>• High storage costs and exit costs</li> </ul> <p><b>Medium-Low</b></p>
<b>Pressure from substitute products</b>	<p>Competitors: beer, mineral water, soft drinks and wines from other countries.</p> <ul style="list-style-type: none"> <li>• The substitutes are more consistent with new consumption patterns of today's society (light beverages), there is such a threat mainly in the hotels, restaurants and cafes (HORECA) channel (price of premium wine, then with greater elasticity)</li> <li>• Substitutes value for money is higher</li> <li>• Strong promotional pressure from substitute products</li> <li>• Decrease widespread consumption of alcoholic beverages with high caloric content</li> <li>• Strong inlet pressure of wines from other countries</li> <li>• Low costs of change</li> </ul> <p><b>High</b></p>
<b>Negotiation power of suppliers</b>	<p>Raw materials: grapes</p> <ul style="list-style-type: none"> <li>• upstream integration (have their own vineyards)</li> <li>• Knowledge of all alternatives for</li> <li>• Increased power by grape growers for DOP (limitation of new plantings). The producers have a high bargaining power among the remaining players in the row, as their financial performances are related to the reputation of terroir</li> <li>• Strong contribution to the final product quality and profit with the final product</li> <li>• Cooperatives can purchase a third party and cooperative can not sell to third parties</li> </ul> <p>Subsidiary materials, labels, corks, bottles</p> <ul style="list-style-type: none"> <li>• Many vendors (fragmented industry)</li> <li>• Bargaining power depends on the size of the client company</li> <li>• Low costs of switching</li> <li>• Moderate contribution to the quality of the final product</li> </ul> <p>Banking: financial</p> <ul style="list-style-type: none"> <li>• Meets conditions to express its high bargaining power</li> </ul> <p><b>Low</b></p>
<b>Negotiation power of costumers</b>	<p>Customers: wholesalers/agents, retailers, HORECA and final consumer</p> <ul style="list-style-type: none"> <li>• High power of large stores (large orders and sales of brands from other countries)</li> <li>• Poor power of HORECA, small retail and specialty stores</li> <li>• Trend for downstream integration (reduced bargaining power of customers)</li> <li>• Quality wine (limit the bargaining power of the client)</li> <li>• Low awareness of Portuguese wines in the international market</li> <li>• Low switching costs (broad range of similar products at similar prices)</li> </ul> <p><b>Medium-High</b></p>
<b>Rivalry between existing competitors</b>	<ul style="list-style-type: none"> <li>• Mature and highly fragmented sector, with large numbers of micro enterprises</li> <li>• Surplus production</li> <li>• Differentiation essentially technical (high heterogeneity of products)</li> <li>• Limited brand recognition</li> <li>• Exit barriers (of emotional-kind of family-business and value of fixed assets)</li> <li>• Commercial aggressiveness of NPC (wines with good value for money)</li> <li>• High fixed costs (mainly cooperatives)</li> </ul> <p><b>High</b></p>

Source: Author's elaboration

## APPENDIX 2 –Context Variables- summary of the hypothesis testing results

STRATEGIC THOUGHT (T)	DIMENSION/VARIABLE	DIFFERENCES BETWEEN STYLES OF STRATEGIC THOUGHT/ ACTION PE   GP   AE   FI	
		STATISTICS (P-VALUE)	CONTEXT VARIABLES COMPARISON
<div>Active Exporter (AE)</div> <div>Passive Exporter (PE)</div> <div>Global Presence (GP)</div> <div>Focalized Investor (FI)</div> <div>Function of (high)low: Growth i Degree i</div>	<b>ENTREPRENEURS LOGIC</b>		
	Experience (in years)	0,076 <sup>A</sup> (0,973)	GP>AE>PE>FI
	International posture (languages - trade)	6,957 <sup>B</sup> (0,073)	GP>AE>FI>PE with GP>PE* and AE>PE*
	Innovative dynamics (new products, the last 3 years)	0,956 <sup>A</sup> (0,420)	GP>AE>FI>PE
	Technical and production posture (% time spent - 3 years)	0,815 <sup>A</sup> (0,491)	PE>AE>GP>FI
	Commercial posture (% time spent - 3 years)	1,562 <sup>A</sup> (0,208)	PE>AE>FI>GP
	Strategic ambition (3 years): continuity	2,036 <sup>B</sup> (0,565)	FI>GP>PE>AE
	Strategic ambition (3 years) financial health	5,073 <sup>B</sup> (0,167)	FI>PE>AE>GP
	Strategic ambition (3 years): increase sales and profit	3,239 <sup>B</sup> (0,356)	GP>FI>PE>AE
	Nature of innovation - (Pr: production / Co: commercial)	10,881 <sup>C</sup> (0,012)	AE(Co)> expected ** and FI(Pr)> expected **
	<b>CHARACTERISTICS OF ACTIVITY</b>		
	Organizational Structure (authority / responsibility)	3,351 <sup>A</sup> (0,023)	FI>PE>GP>AE with PE>AE*; GP>AE*; FI>AE*
	Capital intensity (net fixed assets 2009/Sales 2009)	2,158 <sup>A</sup> (0,099)	GP>FI>AE>GP with PE>GP*; PE>AE*; FI>GP*
	<b>EXTENSION/QUALITY</b>		
	Size: Number of employees (ln)	3,397 <sup>A</sup> (0,026)	AE>GP>FI>PE with AE>PE*; AE>FI*; AE>GP*; GP>FI***
	Quality: Production of DOC / IPR (ln)	7,942 <sup>B</sup> (0,047)	AE>GP>PE>FI with AE>PE*; AE>FI*; AE>GP**
	Internationalization I: % vol. Sales in foreign markets	28,487 <sup>B</sup> (0,000)	AE>GP>PE>FI with GP>FI*; AE>FI*; GP>PE***; AE>PE***
	Internationalization II: % exported DOC / IPR	0,412 <sup>A</sup> (0,745)	GP>AE>PE>FI
	Internationalization III: Number of exporting countries	2,370 <sup>A</sup> (0,083)	AE>GP>FI>PE com GP>FI*; AE>FI*; GP>PE***; AE>PE***
	<b>IS/IT</b>		
	Scope / IT	0,577 <sup>A</sup> (0,632)	GP>PE>AE>FI
	Sophistication / IT	2,258 <sup>A</sup> (0,089)	GP>AE>PE>FI with GP>FI* and GP>PE* and GP>AE*
	Investment in IS / IT in the last 10 years (ln)	3,915 <sup>A</sup> (0,012)	AE>GP>FI>PE with GP>FI*; GP>PE* ; AE>FI*; AE>PE**
	<b>INTERNACIONALIZATION PROFILE</b>		
	Time of action in main export market	3,075 <sup>D</sup> (0,550)	AE>GP>FI
	Advertising expenditures-foreign markets (% inv.)	3,075 <sup>D</sup> (0,550)	GP>AE>FI
	Current Mode of operation in Foreign Markets (DE - direct export IE - indirect export or O - other)	12,988 <sup>C</sup> (0,066)	GP (DE) > expected*; AE (IE) > expected* FI (O) > expected*
	Proximity to the main export market (+/- proximity)	5,260 <sup>C</sup> (0,072)	GP (+ prox.) > expected*; FI (- prox.) > expected*
	Next Steps I: expansion in existing markets (yes / no)	6,746 <sup>C</sup> (0,034)	GP (yes) > expected*; FI (no) > expected*
	Next steps II: expansion into new regions (yes / no)	6,370 <sup>C</sup> (0,041)	AE (yes) > expected***; FI (no) > expected**

Obs.: \*\*\*\* Sig. <0,001; \*\*\* Sig. <0,01; \*\* Sig. <0,05; \* Sig. <0,1

A – F *Snedcor* statistics: Anova parametric test

B – Qui-square statistics: *Kruskal-Wallis* non parametric test

C – Qui-square statistics: independency non parametric test

D – Qui-square statistics: MANOVA non parametric test

Source: Author's elaboration, based in PASW outputs