

**Interorganizational networks effects on the internationalization process of affiliates  
companies**

*Marlon Dalmoro*

mdalmoro@ea.ufrgs.br

*Aurora Carneiro Zen*

aczen@ea.ufrgs.br

*Walter Meucci Nique*

wmnique@ea.ufrgs.br

Federal University of Rio Grande do Sul, Management School

Phone: +55-51-3308-3536 Fax: +55-51-3308-3991

855, Washington Luis Street, 90010-460 Porto Alegre/RS – Brazil

**Abstract:**

The objective of this study is to understand the role of an interorganizational network and its effects on the internationalization process of affiliate companies. Thus, a case study was developed in “Sectoral Integrated Project Wines from Brazil”. This project is a formal interorganizational network formed by Brazilian wineries that aim to stimulate exports in the wine sector. Semi-structured interviews were done with Brazilian affiliate companies’ managers and network sponsors. It was detected that network participation results in “facilitating effects”, or those who help the company to access new markets, such as costs reduced in international activities, information and knowledge access necessary to minimize errors during internationalization process and construct a Brazilian wine image abroad. Furthermore, network participation also produces “resulting effects”, product of network integration, as internal changes, advantages in local market and new technologies incorporation.

**Keywords:** internationalization of firm, interorganizational network, wine, cooperation, local network for international business

## **1. Introduction**

Faced with global business environment changes, firms are starting to work with collective strategies instead of working independently (Haak, 2003). Small and medium-sized companies suffer from limited information, finance, management time and experience and are vulnerable to environmental changes (Buckley & Casson, 1989). All these limitations constrain their internationalization efforts. Collaborating through business networks, however, enables small and medium-sized firms to accelerate their internationalization process and to achieve success beyond what they could achieve alone (Coviello & McAuley, 1999; Belso-Martinez, 2006).

In the wine sector specifically, according to Hussain, Cholette & Castaldi (2008), international wine supply increase strongly with the entry of new producer countries in the global market. Countries of the so-called New World Wine is structured differently, adopting new forms of quality standards and classification, large scale production, chain production integration, creating fierce competition in the global wine industry.

In general, Brazilian wineries are less developed, compared with the biggest countries in the global wine market. However, Brazilian wineries saw that by cooperation through interorganizational networks they can reduce trade barriers and compete with large organizational structures. This formal network, called “Sectoral Integrated Project Wines from Brazil”, is managed by the Brazilian Wine Institute (IBRAVI) with support from the Brazilian Exports Promotion Agency (APEX) and other institutional partners.

The internationalization strategy alternative of network association is outside the general design of internationalization as an internal process carried out by an individual organization (Brito, 2009). In turn, it creates ambiguity, in view of the fact that international activity emerges from an internal motivation of the firm and focused on increasing control over the operations (Johanson & Vahle, 1977).

In this dichotomous relationship, global markets' dynamic character has expanded cooperation strategies used, changing the internationalization process from an individual process to a cooperative one. However, network configurations affect the internationalization process inside firms, as well as the sector structure as a whole. In order to better understand the internationalization process, considering interorganizational relationships in industrial networks, this paper aims to answer the following research question: How do relationships in interorganizational networks with a horizontal character influence the internationalization process of affiliate companies?

To answer this question, this study aims to understand the role of an interorganizational network and its effects on the internationalization process of affiliate companies. Thus, we did a case study in "Sectoral Integrated Project Wines from Brazil", an interorganizational network, with formal and horizontal character, formed by Brazilian wineries that aims to stimulate exports in the wine sector. Semi-structured interviews were done with managers of 14 Brazilian affiliate companies and two executive managers of the network sponsor, during September and October of 2008.

A literature review is presented below, highlighting network issues in the internationalization process. The third part of this study addresses the methodological procedures adopted. Presentation and analysis of the case are discussed in part four, followed by a results discussion. Finally, the work implications, as well as limitations and directions for further research are presented.

## **2. Internationalization process in a network context**

### 2.1 Interorganizational network

For Dyer & Singh (1998) the reorganization of business management models happens through collaborative strategies, which is also a way to acquire skills hard to generate internally. This organization form, called network, is defined by Castells (2000) as a set of interconnected links.

In the business environment, networks are an association by affinity. An organizational structure formed by a group of companies to promote activities of each member, without necessity of unifying the financial links between them. An interorganizational network association is a specific form of organizational structure that companies can use to implement their strategies (Barney, 1991). Resources promoted by the network generate benefits for participating companies thanks to the information received during inter-firm relation (Gulati, 1995).

In their work, Ebers & Jarrilo (1997) highlight the competitive advantage issue afforded by action in a network. For the authors, these advantages may arise from several sources, among which may be mentioned: the mutual learning between companies, better information flow and coordination between businesses, cost reduction, time savings and scale economies that can be achieved through agreements for the achievement of joint efforts.

According to Lundvall (1992), relationships developed between players over time will establish the game rules and eventually become a reference in organizational terms. This new organizational behavior can be derived from the positive externalities that are generated in local company, region or specific sector. These externalities create a set of intangible factors

that enable the creation and / or expansion of competitive advantage. This way of understanding organizational arrangements allows to verify the existence of a sharing by the actors in a sector or region, whereby information exchange will contribute for generation of competitive advantage.

In terms of network topology, the definition that seems most closely with the network type that will be investigated in this work is: networks are intentionally formed by groups of small and medium enterprises, which are geographically close, operating within the same industry, can share inputs and outputs and undertake direct interactions between them looking for business results, as proposed by Human & Provan (1997).

## 2.2 Internationalization process of firms

The internationalization process is described by Lam & White (1999) as a process in which organizations increase their awareness about the participation in international activities, involving itself in various operations beyond its borders.

Internationalization of firms can be seen as a process, a way of thought by an organization. This vision has been developed from Penrose (1966) and Cyert & March (1963) seminal works and has since had two different approaches. On one side there are studies from a behavioral approach, based on the Nordic school - Uppsala Model, which presents the internationalization as a consequence of a sequence of stages, following a sequential path in connection with the experience and knowledge of foreign markets (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). On the other hand, there are works based on economic approach, provided by the transaction costs theory (Williamson, 1975) and exposed by internalization theory and eclectic paradigm of production. In this vision, firms organize their

activities by market or hierarchy and load aspects of the surrounding environment (uncertainty and complexity) and human behavior (limited rationality and opportunism).

However, these traditional approaches do not consider internationalization process in cooperative arrangements, especially interorganizational networks that look for international market. Based on this point, a Theory of Networks has been developed (Johanson & Mattsson, 1988). In this perspective, the internationalization process is both inter and intra-organizational. Extent of international networks depends on the country as well as on the product (Coe & Hess, 2005). And these characteristics have strong implications for the internationalization of the firm (Zain & Ng, 2006).

Theory of Networks states that organic decisions, with guidance from a foreign principle, considers external actors influence, specifically the relationships between companies in the internationalization process (Johanson & Mattson, 1988). This theory about internationalization studies about networks and governance structure. Pedersen (2002, p. III) highlighted: "in this perspective, internationalization is a dyadic relationship between partners that have complementary resources. Access to scarce resources determines the path followed in the internationalization process."

Based on the networks view, Chetty & Wilson (2003) argue that business networks allow access to various resources necessary for internationalization strategy operationalization. The results of this process show that firms' ability to access resources from other organizations, mainly through horizontal networks can be an important explanatory variable in international engagement.

### 2.3 Internationalization in interorganizational networks

In the early 1980's, more precisely in 1982, International Marketing and Purchasing Group (IMP Group) developed the first's efforts to analyze the role of long-term relationships in business, developing the "Model of Interaction" (Wilson & Woodside, 1985). For this group perception, networks occur with customers, clients, vendors, suppliers, additional distributors, agents, consultants, government agencies...among others. In this vision, benefits emerge in several forms, such as economic, legal and administrative. However, ties between people would be thus cognitive and social and these ties would be especially important at the beginning of the internationalization process.

In this perspective, industrial markets can be viewed at the same time as networks between companies. Johanson & Mattsson (1988) strengthens a view where networks come through by relationships that the company has with its consumers, distributors, suppliers, competitors and government. For these authors, network relationships are common in any firms, but in internationalized firms, the number and strength of relations between the network actors increases.

For Johanson & Mattsson (1988), company market assets will be different if the company is internationalized or not, these assets are related to the degree of internationalization too. Thus, the development of the internationalization process is influenced by degree of internationalization of the firm and the market.

Axelsson & Johanson (1992) present the premise that level and depth of a company network have a positive correlation with involvement in international markets. However, these authors complemented saying that interactions affect the control over the international activity resources, but provide access to learning and active markets.

International cooperative strategies allow companies to share risks and resources to enter in foreign markets and facilitate the development of new skills. Various forms of cooperation promoted in a network can be important mechanisms in the internationalization

process. As pointed by Chen & Chen (1998), integration between organizations and government policies has a key role in the stimulating of the internationalization process.

Any type of relationship between companies in the internationalization process is important and their existence can contribute to rapid and successful internationalization (Seppo, 2007). Among the positive effects of networks are: cost reductions, increased flexibility, resource access, market knowledge, transaction cost reductions, among others (Seppo, 2007).

For the network members in an internationalization process, it is important to have cooperation activities, as in the domestic market as in foreign markets. In the view of Seppo (2007), where domestic partners' internationalization degree is low, it is assumed that the network has an indirect role in internationalization support. However, if internationalization members' degree is high, it has the possibility to generate additional information on foreign markets.

Corroborating with the statements above, Roolaht (2007) states that internationalization concept should include relationships in networks and alliances, therefore, would mean an international operation will contain more connections, not only within a company.

In Elo's (2005) view, despite a limited number of studies available about networks in international business context, international networks' formation is an evolutionary process. In the author's conception, existing models show network formation through three stages: network emergence, network development process and network achieving. In addition, three pre-requisites for the network emergence in international activities are necessary: common problem or opportunity; companies preferring to act jointly, important cooperation content for the company performance.

In Johanson & Mattson (1988) network approach, two requirements are needed for the internationalization process: a gradual development of market knowledge and learning with other network actors. According to Chetty & Holm (2000), network association can help companies detect new opportunities, gain knowledge, learn from experiences and benefit from resource synergy effects.

Brito (2009) presents a view about strategic and operational advantages created by network cooperation. As operational benefits the author points out that the networks can provide the best means of funding and sharing investment costs by affiliates, reducing costs through scale economies, synergies and economies of experience, new management methods sharing know-how and risk reduction. Within strategy, the author highlights the benefits of strengthening the competitive and performance advantages.

However, Seppo (2007) highlights the existence of negative effects. Echeverri-Carrol, Hunnicutt & Hansen (1998) emphasize negative effects such network asymmetries, as differences between companies' sizes, individual firms' network domination, resulting in a knowledge and strategic information domain. Coviello & Munro (1995) also raise network asymmetries issue, emphasizing that these differences arise not only from company size, but also due to different knowledge levels about the market.

### **3. Research method**

For this study, a cross section analysis was done through a qualitative approach. Easton (1995) argues that qualitative research is the most appropriate research method in industrial networks, given its power to detect causal forces that influence the actor's behavior and network creation. At analysis level, a case-study approach was utilized. In Elo's (2005)

conception, case-study method is characterized as an important instrument for business network studies.

In industrial network studies, Brito (1999) highlights the difficulty to research subjects' definition, given a dichotomy in the two predictable options: using a "focal organization" as research elements, versus using a "global network" as analysis unit. To overcome this challenge, Brito (1999) presents an intermediate option, headline issue-based net. This is an association form, based on the relationship between the actors who aim to cooperate on a collective issue, influencing the system structure and evolution which they belong, through control of activities, resources and other actors. Issue-based net can be considered a practical solution to capture the network connection character, providing a holistic view. In this study, analysis unit will be seen through issue-based net vision, with a focus on the interconnections between network members.

For this study the analysis unit selected was a formal network called "Integrated Sector Project Wines from Brazil" which is formed by 34 Brazilian wineries and managed by the Brazilian Institute of Wine - IBRAVIN with Brazilian Agency for Export Promotion as sponsor. Research elements were all network actors.

From theoretical basis, empirical evidence was collected on the network chosen. This collection followed the Yin (2008) guidelines, using as sources of evidence: observation, interviews and document analysis. Evidence collection was made during site visits conducted by researchers in September and October 2008. For primary data collection semi-structured interviews were done with 14 affiliate companies' managers and two managers of the network organization executive, totaling 16 interviews. To guide the interview, a roadmap with 15 open questions was prepared (Appendix). Some questions were added during interview process to accommodate unexpected needs/observations.

Interviewees' selection was a non-probabilistic intentional sample, selected for accessibility. In a non-probabilistic intentional sample, the researcher selects members of the population that are information sources, looking for professionals knowledgeable of the reality under study (Aaker, Kumar & Day, 2001). For the interviews, researchers sought actors with heterogeneous characteristics, including companies that have developed activities prior to export network formation, companies whose internationalization process started after network formation and others that have not made any shipment abroad yet, but has formal network participation.

To perform empirical evidence analysis, researchers used content analysis, suggested by Bardin (1998). This technique aims, through systematic and objective procedures to describe the content, and indicators generation which allow knowledge inference. Content analysis is a data analysis technique that aims to make a connection between theory raised in prior literature review and in what was found during data collection (Perry, 1998).

#### **4. Analysis of results and network presentation**

Brazil already has established itself as the fifth largest wine producer in the southern hemisphere. With a production about 3.2 million hectoliters per year, Brazil is surpassed by Argentina (14.8 million hectoliters), Australia (10.3 million), South Africa (8.9 million) and Chile (8.4 million) (WFB, 2008). Wine consumption is led by European countries which accounted for approximately 70% of world consumption in 2006 (OIV, 2007).

In the 1990s, global wine market had undergone profound changes with the production increase, accompanied by a gradual decline in per capita consumption. Inserted in this context, the Brazilian wine industry has intensified its concern about internationalization in the beginning of this decade, combined with a significant increase in competition with

imported products in the local market. According to Fensterseifer (2007), given the current stage of the wine industry in Brazil and the aggressive export efforts from established wine-producing countries, entering the international market may be an imperative for Brazilian wineries' survival in their own domestic market.

World wine market configuration shows requirement for an actor's articulation and construction of interorganizational arrangements to enable the internationalization process. Network formation can enable strategic resources development for this process. The following analysis examines an interorganizational network from Brazilian wineries, their construction, management aspects and actors' coordination, looking for an effect of this interorganizational structure in the internationalization of the affiliate companies.

#### 4.1 Wines from Brazil, a case-study

Wines from Brazil project started in 2002 from the "Industrial Federation of Rio Grande do Sul" initiative and sponsored by Brazilian Agency for Exports Promotion. Formed initially by six wineries by way of an export consortium, it enabled the sector with benefits like knowledge development in international markets, political articulation and participation in fairs and international events.

In 2004, this project gained consistency, and passed to be managed by Brazilian Wine Institute (IBRAVIN) with the name of "Integrated Sector Project Wines from Brazil". This change was a great leap and in 2007, three year later, the "Wines from Brazil" network was composed of 28 wineries and accounted for 57.7% of the Brazilian wine export. In 2008, network has 34 affiliates companies, which 18 companies have regular's shipments abroad. With network, the affiliate's company's presence in overseas countries jumped from 2 in 2004 to 22 in 2008 (WFB, 2008).

Figure 01 shows network affiliates exports since 2003 until 2007 in proportion with total Brazilian wine exports.

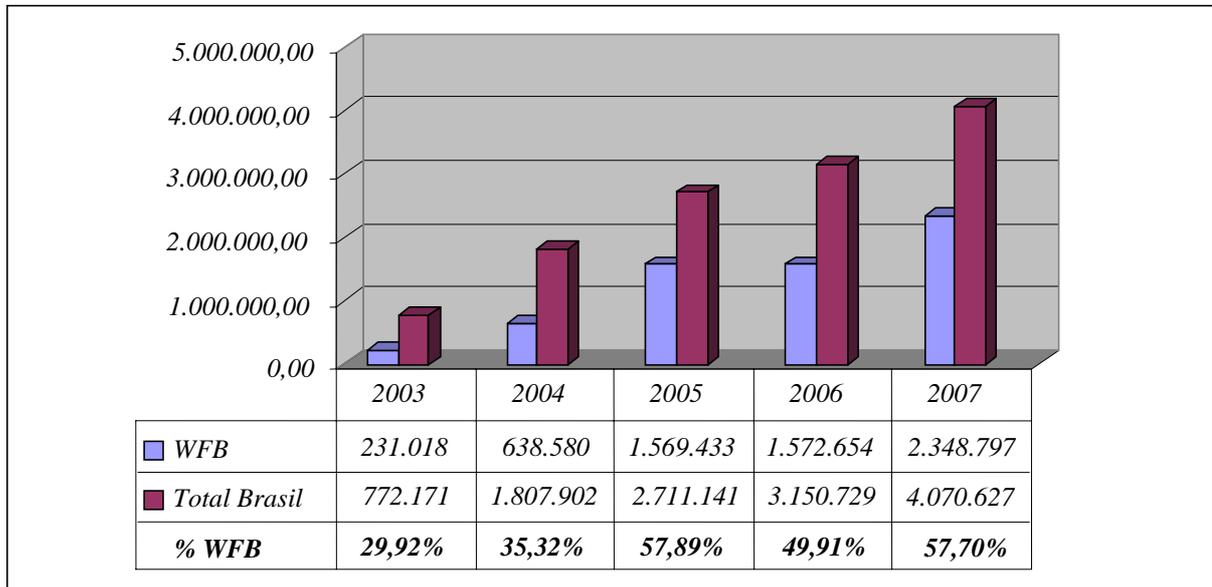


Figure 01 – Proportion between all Brazilian wine exports and network affiliates exports (US\$)

Source: WFB (2008)

“Wines from Brazil” network seeks to insert Brazilian wine in the global market. In this sense, the sector challenge is the consolidation of a country's image as a producer of wine, since the country is still unknown in the wine world. Network activities are focused on four pillars: international trade fairs, tasting meetings, project buyer and project image.

Network wineries participating has financial aid for participation in activities related to international trade promotion. This network also provides an exchange of experiences among participating companies, in addition to the strengthening of Brazilian wine brand image.

Brazilian wine industry internationalization is an alternative to overcome domestic market difficulties. Companies are seeing external market as a strategy exit, in front of worsening competition from imported wines in the domestic market, given the tax burden, disadvantageous international economic agreements and smuggling.

Brazilian wineries believe that with an increase in the number of wineries focusing abroad, importers started to look for new wineries, starting a movement of cyclical growth.

Variety offered expansion, and the network facilitated the internationalization process of the affiliate companies. Beginning of the Brazilian wineries' internationalization were difficult because importers generally open space in the sales point country by country, with few varieties, failing to meet the range of products needed to fill a sales point. Thus, network association provides a greater variety of products to the importer.

“Integrated Sector Project Wines from Brazil” is supported by Brazilian government and industry representative bodies. This network can be characterized as an intentionally formed group of SME`s, as proposed by Human & Provan (1997): they are geographically close, operating within the same industry, can share inputs and outputs; undertake direct interactions between them looking for business results. “Wines from Brazil” network is open to all Brazilian wineries who wish to use the network to reach the external market. Given this character, it is the only Brazilian wine network targeted for international action.

#### 4.2 Effects of network participation

Relations promoted by networks reduce efforts dispersion and allow for business gains. This vision shown by Elango & Pattnaik (2007) is based on the fact that the international companies' networks aid in specific capabilities construction. In turn, network participation generates different effects on business and the environment in which it is inserted.

Internationalization process through a network results in positive and negative effects (Figure 02), which differ from an individual process of internationalization. Networks provide access to information and knowledge to minimize the errors, since the international operations are more complex and risky than those of domestic market operations. Furthermore, individual company internationalization provides unlimited freedom of action.

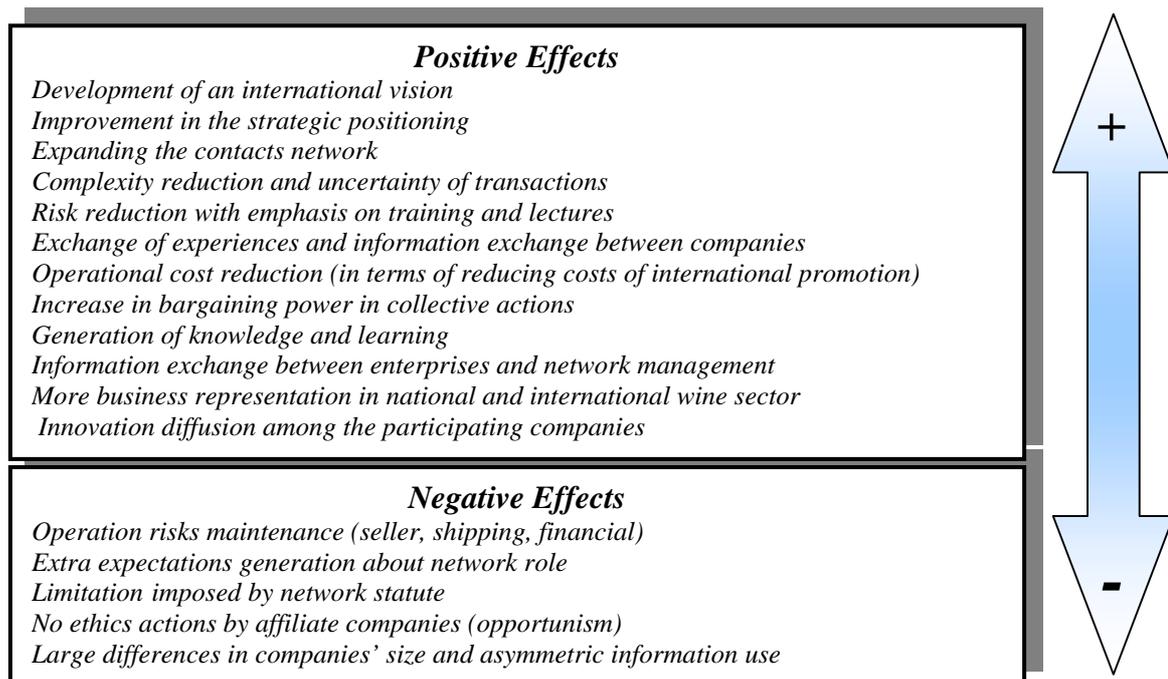


Figure 02 – Positive and negative network effects

Under network consideration, it is possible to detect several effects in the internationalization process. In general, participation in the network under analysis opens company horizons after network joining. Companies have sought to expand markets and develop new products for export. The network has better analyzed international competitors and brought new technology to Brazil. In this sense, the interviewees believe that without the network, the Brazilian wine industry could not be in its current level of internationalization.

Network effects have gone beyond the overseas Brazilian wine promotion, collaborating in the companies' adaptation process in the foreign market, and engaging in basic activities as well. After joining as affiliates in the network, the smaller companies in particular begin to think like exporters, benefiting from contacts with experienced export companies of the network and importers.

For Best (1990), network reduces uncertainties and complexities of the operations in the course of technical assistance, production, exploration and dissemination of opportunities, members' empowerment, common vulnerabilities identification, as well as information

dissemination among members. The network helps to reduce risks and complexity of operations mainly through trainings that are offered, in which members discuss issues such as contracts, laws, and errors that more experienced companies have already known in their international enterprise.

Network formation impacts in two senses: one way, it creates new opportunities resulting from a disclosure of brand “Brazil”. In another way, it brings new knowledge to companies, in the sense of showing what affiliates companies should or should not do to minimize the risks in international operations. This knowledge emerges during information exchange between companies.

More experienced companies work in the reduction of uncertainties and risks, through information passed during meetings with all affiliate companies. Training and workshops offered to network participants are highlighted as a useful mechanism to reduce the operations risk.

Miles & Snow (1986) argument that costs and risks reduction is a major factor in motivating network cooperation, especially when there are complementing business factors or when it allows heterogeneous firms to create a network capable of overcoming complex situations. Costs and risks reducing emerge from splitting advantage between associated actions and investments that are common to the participants. Therefore, according Ebers & Jarrilo (1997), network cooperation provides support and undertaking of joint actions and generates various types of costs reduction, such as: production, transaction, information and resolution of conflicts. Here, it is also useful to highlight the benefit of sharing risks of complex actions among all participants.

Tips provided by network management, for example precautions about legal contracts, reduce the operation risk. However, network in analysis is not an intermediary to sales operations, so information provided can reduce negative effects, but not eliminate them.

In terms of costs, “Wines from Brazil” (network analyzed) helps in costs reduction of execution of business activities abroad. With network affiliation, companies can participate in a fair overseas with relatively low costs, encouraging small businesses to internationalize. In addition, collective material prepared and the publications in specialized magazines contribute to costs reduction of affiliates companies.

Participation in fairs abroad promoting with the network sponsor have put Brazilian wineries in front of international market news, providing more information in terms of equipment, adequacy of production methods, among other things that may result in a reduction of production costs. However, in product cost terms, respondents of this study note that network affiliates does not get affected much. Insofar, how each company works with its own products determines its own costs. Nevertheless, an informal relationship existing for containers consolidation, sample sending, agents’ recruitment etc can help in a reduction of operating costs.

However, interviewees state that the purpose of the network is to promote trade, and focus on knowledge and learning generation. This generation is highlighted by Nonaka & Takeuchi (1998) as a major source of businesses’ competitive advantage. In Johanson & Vahle (1977), knowledge and learning generation is a key determinant in the internationalization process. Entry into a new market without the appropriate information can result in financial losses and wastage of opportunities.

Perry (1998) shows that network cooperation allows affiliates companies to access new concepts, methods, styles and ways to address the management, problem-solving and development of its business, given sharing effect of different organizational cultures. This phenomenon is called horizontal cooperation learning.

In this sense, interviewees are unanimous in highlighting the learning nurtured by the network. By this way, one company's knowledge can help in accelerating the internationalization process of other companies in the network.

However, Chen & Chen (1998) suggest the existence of barriers to alliances' stability over time. Organizational structures or management philosophies that vary between different affiliates companies are barriers to network survival. Chen & Chen (1998) also draw attention to the refusal of some companies to share know-how obtained, generating discontent in the network. Thus, over time network association can generate negative effects on the internationalization of affiliates.

Among negative effects, small businesses participating tend to dazzle with the first sale to a foreign market and are not prepared to continue the internationalization process. At the network under analysis, they seek to stimulate the gradual development of international investment by a regular trainee program.

An ethical performance appears in the interviews as crucial for the cooperation. If, any participant acts irresponsibly, it affects other companies' operations and stains the group flag. Thus, the selection and business level of participants are important elements to network success. In the same way, commitment objectives are fundamental by network stakeholders.

In information dissemination terms, researchers think that some companies, especially larger, by having a structure designed to develop exports, have better information network spread. Literature analyses suggest a possible negative effect due to the autonomy loses. However, interviewees agree that the current network configuration minimizes this loss, since each company has the autonomy to make their own marketing decisions.

As noted in this case-study, network generates positive effects that drive the internationalization process. It appears that when companies incorporate a formal interorganizational network for international actions, firms swap their individual strategies for

collective strategies. Thus, network association for internationalization results in changes in both: organization and the environment in which it is inserted.

#### 4.3 Changes generation

Interorganizational networks promote knowledge transfer between members, resulting in organizational learning from expertise and skills exchange, and improving involved organizations (Ghoshal & Bartlett, 1997). Among changes generated, there is a need for a structure geared to serve foreign markets. For wine industry, a specialized structure is important. Wine requires special care in exports, organs with regulations such as the Ministry of Agriculture, special certificates issues, temperature and humidity control during logistics process. These conditions require special attention in international activities.

Networks allow fast access to new technologies through their information channels. This information creates conditions to promote innovation inside companies. Market information generation, provided by network cooperation influences several elements like grapes purchase and therefore the whole process of wine production in view of international market.

International operations inside the formal interorganizational network have benefited companies in the domestic market too. Global competition requires generation of new skills that can be used in the domestic market too, benefiting associated companies.

This study saw that “Wines from Brazil” network formation had a significant role in internationalization process. Difficulties in the domestic market aroused the co-operation spirit and a network formation to look for external markets. Government policies to support exports through the APEX contribute significantly to the international network. Institutional support provide by government agencies have meaningful role in operational activities. This

support provides tangibles resources like cost savings to participation in international fairs and other activities promoting extern. Without this support network formation would be compromised, since the allowance of participation in wine promotion activities is the main benefit in network participation. By this way, institutional support works like kick-start of effects promoting by network association.

## **5. Discussion of research results**

This study has focused on effects arising from network participation on learning and knowledge generation, reducing promotion costs, and minimizing complexities and uncertainties of international operations. Finally, it was found that internationalization process for affiliates in a network results in internal changes, especially in terms of administrative structure adequacy to operate internationally and adoption of new technologies.

In this case, it is possible to conclude that network effects in internationalization process are beneficial to associated companies. This process follows the traditional flow, which is born from a company initiative to seek external markets. Network creates effects in this process, as in foreign market access, as in participating companies' internal environment.

This study detect that network association for international activity generate two effects groups: one, namely "facilitating effects" is connected with internationalization process, another, namely "resulting effects" is related with changes generates by network association. Figure 03 presents a model that includes this information:

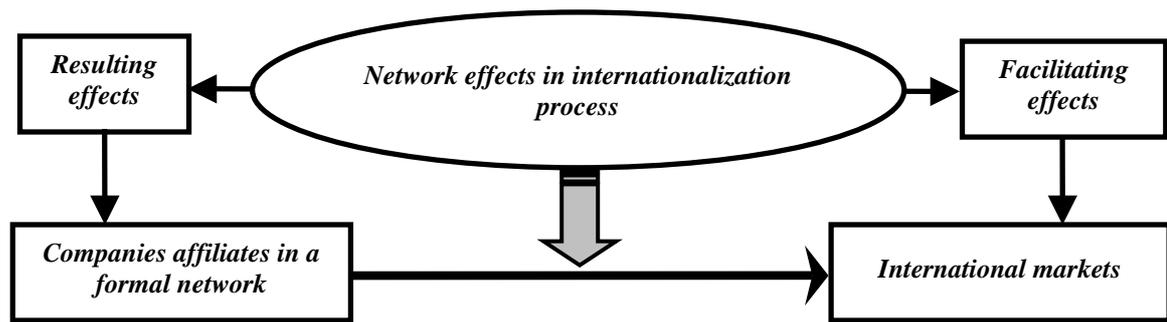


Figure 03 – Network effects in internationalization process

As Figure 03 shows, network participation results in “facilitating effects”, or those who help the company to access new markets, such as costs reduction in international activities, information and knowledge access necessary to minimize errors during internationalization and construction of a “Brazilian wine” picture. Furthermore, network participation also produces “resulting effects”, products of network integration, as internal changes and of new technologies incorporation. These effects occur because of the positive feedback provided by the network and internationalization in the companies’ internal environment.

In general, there is great heterogeneity among network members companies. The network is formed by firms with different international experience levels, as well as various sizes. These relations between heterogeneous organizations promote the exchange of expertise, benefiting especially those smaller companies with less international experience. Moreover, network benefits larger companies with expansion of Brazilian wine supply abroad. Brazilian wineries operating internationally contribute in the dissemination of Brazilian products abroad. In this way, small companies help larger companies create a Brazilian wine image abroad.

The network serves like a tool that helps overcome internationalization barriers. However, affiliate companies in a network for internationalization depend on internal motivation, especially from management level. In the wine industry under review, network

formation facilitates sector solidification in the international market, and improves the image of local wine in the domestic market. Corroborating with the vision of Marcon & Moinet (2000), this study notes that network contributes to the legitimacy of international operations. This legitimacy creates vantages to domestic market competition. In Brazilian wine sector, internationalized companies have more prestige with stakeholders, improving the company image in the domestic market and quality perceptions of the national wine.

## **6. Limitations and directions for further research**

This study aimed to understand the role of an interorganizational network and its effects on the internationalization process of affiliate companies. Based on this objective the study started as a theoretical basis, about networks, internationalization theories and internationalization process through networks. Subsequently, a case study was developed in a Brazilian network with national representation.

In methodological terms this study carries the limitations of a case study, not allowing the extrapolation of results to other contexts. However, insights gained provide an understanding in internationalization process inside networks, especially on the effects generated by the exchange of individual international strategies for collective strategies. Further, the execution of similar works in other sectors or in other network situations could help to confirm the results of this study.

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## **Appendix:**

### **Interview Roadmap**

1. How is the company's participation in the network?
2. How network affiliation provides competitive advantage for the company and for wine industry as a whole?
3. In his view, manager attitudes and corporation characteristics influence in the network success?
4. How network affiliation contributes to minimize uncertainties and complexities of international operations, as rationality problems (Risk) and agents opportunism?
5. How network seeks to expand its operations in international markets and decide enter in a new market?
6. How company network as whole (suppliers, customers, government) influence the internationalization process?
7. Currently, how is the internationalization degree of the sector and of the your company?
8. 8. In your opinion, how is the relationship between network partners and the international contacts?
9. How government policies help in the network development of the network?
10. How network affiliation contributes in knowledge and information generation?

11. Tell me about the importance of resources, actors and activities for the success of internationalization in networks?
12. In your opinion, how a network can contribute to the internationalization of firms?
13. How issues such as trust and reputation of agents influence network success?
14. How network affiliation contributes to the adoption and diffusion of innovations and internal changes in the organization?
15. Could you tell me about network negative effects?