GLOBALISATION AND INTERNATIONAL EXPANSION STRATEGIES OF THE WINE SECTOR COMPANIES IN PORTUGAL.

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Wine sector companies, particularly those pertaining to the group of traditional producer countries (TPC), have felt a strong need to increase their efforts to maintain their position given the offensive by companies of new producer countries (NPC). The former are under pressure from different factors, the most relevant being the gap between production and domestic consumption, the strong regulation asymmetry\(^1\), the decrease in world wine consumption, the commercial aggressiveness of substitute products (beer, soft drinks, spirits) in response to the evolution in tastes and trends in the consumer market.

Pressure from the aforementioned factors carries consequences to the Portuguese wine sector, where the wine culture and production are particularly important. In the current context, the external market, which traditionally was a destination for surplus production, is now being viewed as an alternative market and even as a priority by the companies of the Portuguese wine sector. This reflects itself on an increase in international expansion by these companies, implying the development of deep transformational processes, based on new strategic guidelines.

Hence, the objectives of the present study are: 1) to identify the styles of strategic thought and action that are most relevant to wine sector companies in Portugal in terms of international expansion; 2) to identify the associated contextual variables; 3) 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; 4) to analyse the relationship between the style of strategic thought/action and the profitability of the companies; 5) to verify if there is uniformity between cooperatives and private companies; and 6) to propose action guidelines to increase competitiveness in international markets.

In order to attain these aims, a variant of the IKST\(^2\) methodology was developed – (Sousa, 2000), under the acronym IKST\(_{(i)}\) – 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, through the coordination of three systematically studied components (C-T-P) – external and internal contingency factors (C), the style of strategic thought (T) and business performance (P) – see illustration 1.

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\(^1\) Stricter in the European Union, through the COM (Common Organisation of the Market).
\(^2\) GIRE is the original Portuguese acronym (Grelha Integrada de Reflexão Estratégica) (translator’s note)
The approach implied the collection of primary data, through a questionnaire mailed to business owners/managers/export directors of wine sector companies with headquarters in Portugal mainland (distributed between June and December 2010) and of secondary data, essentially for documentation.

The external diagnosis was based on the analysis of the global, European and national contexts of the wine sector, using the PEST Model (diagnosis of Political/Legal, Economic, Social and Technological/Scientific contexts) and Porter’s 5 forces Model for the transactional milieu. The internal diagnosis, in turn, allowed for the characterisation of the surveyed companies according to their human, organizational, information, technological/production and business resources.
The statistical analysis of the data collected through questionnaires allowed for the identification, by applying factorial analysis to contextual variables, of two main components: the growth in international expansion and the degree of international expansion. From the (two-step\(^3\)) analysis of clusters, based on the obtained components, four strategic thought/action styles were identified: Active Exporter (AE), Passive Exporter (PE), Global Presence (GP) and Focused Investor (FI), with the profile being characterised in accordance with contingent variables which appeared as significant in the ANOVA/MANOVA\(^4\) and Chi-squared\(^5\) tests in the following aspects: *business owner standpoint, characteristics of activity, reach/quality, IT and international expansion profile*.

The significant variables in distinguishing the groups in each of the analysed aspects were: ability to speak foreign languages to conduct business, areas of innovation (business vs. production) – *business owner standpoint*; the degree of formal structure and capital intensity – *characteristics of activity*; number of employees, production of PDO\(^6\) wine (%) and sales in the external market (%) – *reach/quality*; level of investment in and degree of sophistication and integration – *IT*; and the form of exporting and the future in terms of international expansion – *international expansion profile*.

It was concluded that the groups of companies with higher levels of growth in their international expansion (AE and GP) have significantly higher levels of performance and that cooperatives show average levels of performance, significantly lower than those of private companies.

The authors suggest, as the main strategic guidelines, a greater focus on a smaller number of markets, opting to establish strategic alliances aided by the public sector, the development of company networks (even if of a simple and informal nature, opting to establish a group strategy) and that an additional effort be made in business innovation.

This research project is of greater pertinence through its theoretical and practical contributions. Its originality comes from the actual approach logics: to identify styles of strategic thought in a context of international expansion, to characterise them in terms of the associated contextual variables and compare all this with the performance of the wine sector. The originality also extends to its methodology, through its application of a framework developed by Sousa (2000) – the Integrated Key for Strategic Thought (IKST) – here adapted to the context of international expansion and applied to a different geographical scope\(^7\) (Portugal Mainland).

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\(^3\) Firstly, a hierarchical cluster analysis is carried out, with the aim of determining the most suitable number of clusters and, secondly, once the number of groups is established, a non-hierarchical cluster analysis is carried out, with the aim of classifying the cases more accurately.

\(^4\) The Kruskal-Wallis non-parametrical alternative was applied in the cases where the parametric tests' assumptions were not met.

\(^5\) Applied to nominal and ordinal variables.

\(^6\) Protected Denomination of Origin.

\(^7\) Originally, the Key (IKST) was applied by Sousa (2000) to the Alentejo (Portugal) and Extremadura (Spain) regions.