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The relation between Internationalization and Business Model Innovation – An analysis from the elements of a Business Model

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Introduction

Business Models (BM) represent ways companies can market ideas and technologies, products and services (Chesbrough, 2010), generating value for their customers while capturing value back for themselves. A BM reveals the story about how an organization works (Magretta, 2002). Successful BMs can increase the value of the company, and enable the development of competitive advantages (Zhang, Zhao & Xu, 2016).

The increase in globalization has led to an increase in the need for innovation in BMs (Schneier & Spieth, 2013), as a BM needs to undergo a process of innovation, or at least change, to better adapt to the conditions of different external markets (Landau, Karna & Sailer, 2016). As products and services become obsolete, so do processes and organizational systems when they fail to generate the expected value (Zoot & Amit, 2017). Despite the growing importance of Business Model Innovation (BMI) as a consequence of global competitiveness, to realize these innovations is a huge challenge for companies worldwide (Taran & Boer, 2015).

The advance of BM studies was strongly related to the Internet and electronic business models (Zott, Amit & Massa, 2011.) Despite this strong initial focus, especially in the 1990s, this area of knowledge has expanded. Nowadays, it is a concept that is used in the management of organizations in different areas, and in the development of scientific research outside this initial scope. This maturing of the knowledge field allows the search for new interfaces with other business areas.

Regarding BMI and internationalization, one can argue that little is known about it. Theoretical review papers as Zoot, Amit and Massa (2011), Schneider and Spiech (2016), and Calixto and Fleury (2015) had already showed the lack of empirical research about these topics. Demil et al. (2015) even identified a specific demand for researches related with these two subjects. Only a few studies related about it were identified at the literature: Lee, Shin and Park (2012), Rask (2014), Johansson and Abrahamsson (2014), and Landau, Karna and Sailer (2016). This lack of studies represents a research opportunity. As argued by Spieth, Schneckenberg and Ricart (2014), there is need for more studies related with the antecedents of BMI, and to analyze of whether volatile environments drive BMI of firms or *vice versa*. The internationalization of a firm represents a change on its environment, which can "force" the company to reinvent its BM. As the increase in the number of markets may represent the increase in the business complexity, reinvent a BM can turn into something more complicate as companies start doing business in several countries. Considering the assumption of Pohle and Chapman (2006), to whom the ability to innovate a BM represents a way to respond to changing sources of value creation in volatile environments, BMI can represent an opportunity of competitive advantage in international environments. Management, experience, and environmental factors have a huge impact in an internationalization process (Massini & Peeters, 2008).

Following the recommendations of Zott and Amit (2013) regarding the weaknesses of studies related to the BM concept, there is a concern to establish the limits of what is considered as BM, and the way in which it will be analyzed. BM, in this study, is conceptualized as the proposition, delivery and value creation of an organization for its clients. This concept is established through Teece (2010), Timers (1998), Amit and Zoot (2001), and Zoot and Amit (2010). Regarding BM research, we opted for the analysis through the elements of a BM defined by Amit and Zoot (2001): content, structure and governance. These two delimitations allow us to avoid the criticism that BM studies approach the phenomenon with so distinct perspectives that their results can be questioned (Zott & Amit, 2013). Considering this context, the research question is: How the internationalization of the firm influence BMI? To answer this question, this paper presents an analysis of how the internationalization of a company influences the innovation on its BM in terms of context, structure, and governance, considering the different entry modes.

Considering the lack of knowledge about the relation between these subjects – BMI and internationalization – an empirical multiple case research was identified as the preference method for an exploratory research. The cases will be presented at the method section. Prior to that, the literature review regarding BM and BMI, innovation and internationalization, and entry modes will be presented.

Business Model and Business Model Innovation

Understanding the concept of BM can still be considered a complex task. As highlighted by Zott, Amit and Massa (2011), despite the growing interest and the significant increase of publications on the subject, there is a wide diversity of concepts applied to BM. According to the same authors, the adoption of idiosyncratic concepts reflects the search for definitions that are more adequate to the purpose of the different studies, rather than the adoption of a broad concept that allows a better generalization of results. In order to avoid this situation, this study follows the BM concept presented by Teece (2010), for which a BM represents the articulation of logic, data and other evidence used to support the value proposition to customers, with a structure that enables the return to the company generated by the first activity, the capture of value.

This concept can be broadened with the definition of Timers (1998), for which BM represents an "architecture" of the flows of products, services and information, identifying the actors involved in this process and their responsibilities, including the return generated for the company. Considering these two basic concepts, a BM can be understood as the proposition, delivery and value creation of an organization for its clients. Deepening the knowledge about the BM concept, it is possible to observe an organization as an interdependent system of activities that transcend the focal organization beyond its barriers (Zoot & Amit, 2010).

A BM can be understood through its elements: content, structure and governance (Amit & Zoot, 2001). These three elements are interdependent but aligned to the organization's generation and capture of value (Zoot & Amit, 2017). Content refers to the selection of the activities that are developed by the organization, that is, "what is" carried out in the system of activities (Zoot & Amit, 2017). It is related to how information and goods are exchanged, and to the required resources and capabilities to enable exchanges (Amit & Zoot, 2001). Structure, within a system of activities such as a BM, refers to "how" the different activities are related, and in what sequence they occur (Zoot & Amit, 2017). It is related to the network size and the ways in which parties are linked, and exchanges are executed, to the order and timing of exchanges, to the market mechanism, and to the flexibility and adaptability of the transaction structure (Amit & Zoot, 2001). Within this framework, governance identifies "who" performs the different activities (Zoot & Amit, 2017). It is related to the locus of control of flows of information, goods, and finances. It also includes the nature of control mechanisms, like trust and incentives (Amit & Zoot, 2001).

The use of BM for value generation transcends the Schumpeter (value creation through innovation) and Porter (value generation through value chain reconfiguration) models, as it also involves the establishment of strategic networks between organizations, and the increase of the efficiency in the activities already under development by the organization (exploitation) (Zott, Amit & Massa, 2011). Christensen (2002) points out that a BM can be a source of competitive advantage of differentiation between organizations. Within this logic, it is worth highlighting the identification of four forms of value generation performed by Amit and Zoot (2001), namely: a) novelty, related to the Schumpterian innovation model; b) lock-in, related to strategic networks; c) complementarities, related to Resource Based Vision; and, d) efficiency, related to Transaction Costs. Regardless the form of value generation, one need to understand this as a consequence of how different organizations decide to use their resources. Even with similar resources in the same market, organizations can develop completely different ways to generate, deliver and capture value from their customers (Zoot & Amit, 2008).

This conceptual research allows the identification of a centrality in the client when considering BM as unit of management and study. With value generation and delivery focused on customer needs (Teece, 2007), the resulting value capture is a consequence of this process. As Casadesus-Masanell and Ricart (2010) point out, a BM reflects the strategy pursued by an organization.

The way an organization establishes its BM will allow its use for the generation of competitiveness and competitive advantage (Markides & Charitou, 2004; Casadesus-Masanell & Ricart, 2010). As a consequence, BM become key elements in the performance of organizations. Considering the constant need for changes in organizational environments, the capacity for innovation in BM has become a critical management element.

BMI understands the complete reconfiguration of how an organization conducts business (Zoot & Amit, 2017), and is a complex process of optimizing and reengineering its resources (Zhang, Zhao and Xu, 2016). BMI represents the realization of changes throughout the system of an organization's activities from a systemic view and holistic thinking (Zoot & Amit, 2017). Innovation in the BM represents an opportunity to respond to ever-changing forces that lead to value creation in very volatile environments (Pohle & Chapman, 2006). To do so, companies need to develop processes that provide high fidelity as quickly and cheaply as possible, aiming to gain cumulative learning from (perhaps) a series of ‘failures’ before discovering a viable alternative BM (Chesbrough, 2010). According to Chanal and Caron-Fasan (2010), BMI is a continuous and evolutionary process focused on the learning aspects of the process to improve the existing BM, or to create a completely new one.

The “paradox of BMI”, when the exiting BM is hitting its limits, but as it is still profitable, the managers try to keep it as long as they can instead of innovating (Euchner, 2016), represent the assumption of Chesbrough (2010), to whom the success of the current BM may influence the managers to keep it, instead of trying a new one. To innovate a BM, managers may face a conflict with more traditional configurations of firm assets, and a new one (Amit & Zoot, 2001).

According to Zhang, Zhao and Xu (2016), there are three forms of BMI. The first is the original innovation, which is characterized by new or existing organizations that offer new products or services through a new BM. The second is the induced innovation that occurs when external factors affect the BM of the organization and major changes occur in the company's value system. The third, in turn, is imitation innovation. While the first two types refer to first movers, this type represents the organizations that follow movements of their competitors. Taran and Boer (2015) propose that innovations in BM can be divided into three types. The first represents the companies that have a proactive approach in the search for new business models beyond the existent in its essential model, or even through external sources of collaboration. The second type includes organizations that, while also having a proactive approach, maintains a more centralized approach to their core business, constantly analyzing all the risks involved in any innovation of their BM. The third group involves companies that have an open, but reactive, approach to maintaining low risk and a low level of innovation, thus having limited potential for innovation in their BM.

The complexity of a BM analysis lies in the need to understand the heuristic logic that connects the technical potential of an organization with the generation of economic value (Chesbrough & Rosenbloom, 2002). Understanding BM involves the need to apply a holistic view so that it is possible to understand how companies "do business" (Zott, Amit & Massa, 2011). The activities of companies play a fundamental role in the conceptualization of BM, and to understanding of how value is generated by companies (Zott, Amit & Massa, 2011). As a consequence, it will also play a significant role in BMI. Considering the need of BMI in a company that operates in several countries, one can assume that the level of complexity can increase in a very expressive way. Considering the low number of studies related with BMI and internationalization, we decided to focus the review in a more opened perspective, analyzing the relation between innovation and internationalization.

Innovation and Internationalization

Doloreux and Laperrier (2014) identified a huge tendency for domestic establishments to have a poorer perform regarding to innovation-related activities, and innovation outputs, than bigger international establishments. The use of sources of knowledge and advanced technologies provides support to the presence of distinctive innovation strategies. According to Schubert, Baier and Rammer (2017), the high speed of technological change increases the innovation efforts, and the propensity to conduct innovation activities internationally.

The differences between companies that operate in one and those who operate in more countries support the argument that internationalization trigger innovation. An example related with this relation is presented by Phene and Almeida (2007) who indicate two factors that influence the absorption and use of knowledge in multinational corporation. The first is the range of external and internal knowledge sources available; and the second represent the capabilities associated with knowledge absorption and utilization. The knowledge absorbed from the host country is useful to subsidiary innovation.

Golovko and Valentini (2010) assume that innovation and export are strategies for growth, and this two factors are positively reinforcing each other in an internationalization process. The main support of this idea consists in complementarity, showing that the positive effect of innovation activity on firms' growth is higher for firms that practice exports and adopt a growth strategy to innovate. The benefits of internationalization may also represent access to specific resources, as capital (Humphery-Jenner & Suchard, 2013). To Zhang, Zhong and Makino (2014), companies may reduce costs through customer involvement after understanding the fit between perceived environmental pressures in different markets and firm capabilities.

Lederman (2009) investigated the behavior in different contexts, revealing that product innovation is affected by three factors: global engagement, information, and market structure. Lederman (2009) also identified that product innovation is positively related with investing in Research and Development (R&D), licensing of foreign technologies, and low import tariffs. A specific entry mode was the focus of Zhou and Li (2007). They investigated International Joint Ventures and identified that product innovation in market-seeking have a significant positive relation with the organizational orientation and environmental adaptation. This kind of enterprise is also more innovative when they operate in an industry with a faster pace of innovation or a higher level of foreign direct investment. The exploitation of advantages in parent firms and local markets can be useful to reach an understanding of how multinational companies strategize are adapted to local needs. Considering that the different entry modes can influence the need of innovation, and the innovation outcomes, the topic entry modes is investigated in the sequence.

Internationalization and Entry Modes

Considering that the internationalization process may happens through the adoption of different strategies, the entry modes must be defined. The most known entry mode is export. This entry mode requires fewer organizational resources, provides greater flexibility for managerial actions and involves smaller business risks compared to other entry modes, such as licensing and capital investment (Leonidou *et al.*, 2007). Through export, firms are able to identify markets that have the strategic resources they need to increase their competitive advantage in the domestic market (Kanh & Jiang, 2012), as well as familiarize themselves with customer expectations, and even get connect with other companies in the market (Gaur, Kumar & Singh, 2014).

Contractual agreements represent a group of entry modes, like licensing, franchise, and join ventures. Licensing consists of a contractual agreement, with contractual clauses defined independently of past or future transactions, in which the licensing company places a good (tangible or intangible) at the disposal of the licensed company (Hagedoorn & Hesen, 2007). It can be considered an initial test of entry into a foreign market before a company commits itself through other modes of investment (Jiang, Aulakh & Pan, 2009). The franchise is an entry mode to be considered when the company wishes to spread the risk of its operations (Zhu, Wang & Quan, 2011). The franchisor receives a royalty fee from the franchisee, which represents an exchange for the extra risk assumed by the franchisee for managing its own units in the manner stipulated by the franchisor (Nugroho, 2016). Brouthers and Hennart (2007) conceptualize a joint venture as a configuration in which suppliers are remunerated for their inputs through a profit share of the enterprise. The company can learn from its partners and gain new knowledge to improve its ability to deal with risks in the host country (Xu, Hu & Fan, 2011), since in a joint venture, a local partner market offers the understanding of local markets or access to distribution channels, and natural resources that cannot easily be acquired in the market (Hennart, 2009).

Regarding Foreign Direct Investment, it is possible to highlight acquisition, greenfield, and parent-owned subsidiary. Acquisition is the fastest way to access resources in foreign countries that would be difficult to absorb if the company acted alone (Reichhe, Harzing & Pudelko, 2015). Therefore, if the company wishes to effectively enter a given country and access the complementary assets of the host market, it is interesting to do so by acquiring a company already installed in the target market (Reichhe, Harzing& Pudelko, 2015). A greenfield project does not allow direct access to existing resources, but allows the entrant to purchase the resources available in the local markets (Meyer et al., 2009). For Reiche, Harzing and Pudelko (2015), it is appropriate for companies that want to reduce their financial and business risks, since it is a more cautious means of internationalization when compared to others. To Xu, Hu and Fan (2011), the parent-owned subsidiary reflects the highest degree of international involvement of a firm. With the accumulation of experiences and resources, a greater number of companies tend to select this mode of internationalization, which is appropriate when the assets that the company seeks are easily acquired in the target market (Brouthers & Hennart, 2007).

Research Method

The development of a literature review was the first phase of the research. Several review studies about BM were published in recent years. Through these studies, we search for knowledge that connected our investigated topics. Considering the lack of knowledge about the relation between BMI and internationalization, we decided to develop a multiple case-based study with an inductive approach and an exploratory perspective.

The search for the cases started with a delimitation: the firm must have a solid internationalization process, and be recognized as innovative. Some index related with internationalization and innovation were used to identified the potential cases. Another criteria was that all companies must be responsible for R&D, manufacturing and commercialization activities. The next selection criteria were the access to collect the data. Considering the research subject, we needed to interview top managers, to access strategic decisions. Using a convenience and accessibility criteria, we contacted potential cases. Five companies accepted to be part of our research. For those ones, before the collection of primary data, a deeply research using secondary data was developed. We found lot of public information about the cases, that were used to give the researchers a previously knowledge about the companies, and also giving the opportunity to make the interviews more focused on BMI. A report about each company was developed, and during the analysis phase, we could also use these reports as a source.

The literature review served as the base to the development of an interview script. All questions were opened, as the goal was the development of semi-structured interviews. Once more, considering the gap between the analyzed topics, it was very important to followed a set of topics, but also to open space for non-expected facts that the interviewees could present during the conversation. Some questions were adapted considering the previously knowledge presented at the reports.

The face-to-face interviews were conducted in 2017 and 2018. The interviews started with the assignment of a consent term. All companies allowed us to use their names in publications. Besides that, we decided not to use the name of the companies at this paper.The interviewees were directors, founders, or managers indicated by the firms to answer the questions. The average duration was approximately one hour. The audios were recorded and transcript.

The data analysis followed the content analysis procedures. The elements of BM – content, structure, and governance, were used as codes. We also created codes for the entry modes, as there was an effort to identify the differences with the adoption of distinctive ones. Using NVivo, the transcriptions were read several times, and the codes were identified at the documents. To conduct the analysis, we used the reports by codes. We decided not to analyze the individual cases, but to conduct the analysis by the elements, crossing the information about the companies. Because of this decision, the next section present a briefly description of the cases, to give an overview about them. After the presentation, the elements are analyzed. Some statements from the interviewees are used as direct citations to support the data analysis.

Description of the cases

Group A is a leader in the footwear, handbags and accessories sector in Brazil. It was founded in 1972, focusing on men's footwear, and it now comprises five brands exclusively focused on the female market. Considering the diversity of brands within the group, the focus in this study was given to one of the brands that is managed as an individual unit – presented as Company A. Founded in 1995, its internationalization process began in 2002 through direct exports to department stores. Exports are carried out with the company's own brand. In 2012, the company's first flagship store in the USA was opened in a greenfield wholesale operation. The company also markets its products through an e-commerce in the North American market.

Founded in 1948, Company B operates in the footwear, furniture, paper and packaging, automotive, consumer, and civil construction sectors. The internationalization of Company B had its main milestone in the implementation of strategic planning in 1997. Through the analysis of the company's operational competencies, a focus was established in Latin America. The first country to receive the company's facilities was Argentina, in 1997, with the creation of a Distribution Center. New distribution centers were opened in Chile and Mexico (2000) and Peru (2003). Company B's international expansion process continued with the acquisition of local companies and the formation of joint ventures in Argentina (2002), Colombia (2004), Chile (2007), Peru (2007), Argentina (2007), Mexico (2007 and 2008) and Colombia (2013). In 2014, the first greenfield investment of the company was carried out in Colombia. The company also established several licensing agreements for technology and products in Germany (1983, 1986), Argentina (2002), France (2002), Switzerland (2003), and USA (2010).

Founded in 1994, Company C is the largest Brazilian exporter of active wear. Its performance in the domestic market began at the same time as the search for the foreign market, since its first distribution channel was an e-commerce that offered the products worldwide. Its first export took place in 1996. The direct export with the company's main brand is currently made to more than 60 countries. The company has showroom in the United States and Portugal, as well as licensed stores in Finland, Paraguay, Portugal, Mexico, the United States, Lebanon and Croatia. At the end of 2017, the company signed contracts for future physical stores in Spain and Iran. Only 10% of the company's revenue depends on the Brazilian market, in which it essentially markets its products through e-commerce. The first physical store in Brazil was established only in 2016, and there is the prospect of developing a model of local franchises.

Group D is a footwear company founded in 1971. The company sells its products through commercial representatives, distributors, direct exports and through the subsidiary in USA, reaching about 20 thousand points of sale outside of the country and 65 thousand in the Brazilian market. It owns the brands nine brands. At this research, we chose to focus on Company D, which has a separate sales area and selective distribution for the brand, with a Showroom in Milan and concept stores in São Paulo, New York and London.

Founded in 1982, Company E began its activities focusing on the development, manufacture and marketing of electronic measuring and control instruments, mainly temperature, with applications in laboratories and industries in the Brazilian market. In the 2000s, subsidiaries were opened to sell products in Argentina, the United States and Colombia. The last unit was opened in Canada most recently. In 2010 the company exported 40% of its production to more than 50 countries, through a solid network of distributors. In 2017, it exported to around 30 countries highlighting Poland, France, Germany, United Kingdom, Spain, United States and Israel.

Innovations in Content

The first BM element is content, and it represents "what" is carried out by the firm. To understand the impact of the internationalization at a firm's BM, companies were asked about changes in the selection of the activities that were performed by them, the information and goods exchange, the required resources and capabilities that enable those exchanges. As we cannot consider that all entry modes will have similar impacts, an effort to understand the different impact in each entry mode was made.

Group A is a traditional exporter company. Company A used part of this knowledge to establish its strategy, but focusing on a strong branding strategy. Export to department stores is the first entry mode identified at the company. Company A offers the products from its catalog, do not developing specific models for this type of channel. The company has a well-established distribution model. "There is a very nice benchmarking of the distribution project. It is not that innovative. It is more about a solid investment term continued with long term partners". The resources and capabilities required at this entry mode are very similar with other operations from Group A. Exports represents "operations that replicate our BM in Brazil. They are not operations that have a high level of adaptation (…) There is a small process of adaptation, but nothing compared to innovation, with the pioneering of the project in the United States (greenfield operation)".

Company E also started its operation abroad through exports. To be able to do so, the firm needed to certify its products to attend international regulations. And to keep competitive abroad it's mandatory to keep innovating in terms of products and technologies. But every time they change the products, new certifications are required. "Always looking at the market, our market and other markets too, seeking trends". At the same time, "we innovate joining the technologies with a different idea (...) in our market we cannot create too much because customers are used to a certain type of product". Besides product innovation, the company also focus on process innovation "to manufacture a greater quantity of products faster".

Company C can be considered as a born global company, as since the begging it was focused on the global market. Offering products online worldwide was a first step, but the main international movement is related with the increase of the exports as a consequence of its international exposure through international fairs. The need of innovation is a consequence of this process. Besides the final customers desire for more variety of products, innovation is also demanded to adapt products for local culture, and to increase product quality and technology innovation. "There is no (internationalization) without customization, because when you export, you enter the culture of the country". Innovation is developed by internal resources, and through partnerships with suppliers and research centers worldwide. These strategic partnerships represent a very significant part of the company's innovation capability. "The greatest innovation is the fabric. (...) The fabrics today are with solar protection, are made for athletes, have a faster heating (...) These are the greater innovations".

The increase in the exports lead the company for next entry mode: licensing. Company C has a focus on its branding strategy, but after some years it was identified that the image of the brand was been used in very different ways. As a consequence, the company developed a brand licensing strategy to standardize the use of the company's trademark abroad. "We made the manual of the brand, we made the standardization of the stores, we did the packaging renovation. It is a fundamental innovation because, without it, you will fall into the same, but this is an expensive cost". This process is a result of the international exposure and the knowledge of the company. The licensing contract assure the standardized image of the company abroad, while it still exporting its products.

The ability to manage the products flow is mandatory for a company that operate with fashion products like Company C. In order to assure the required velocity, the company have a distribution center located in USA. This unit supports the presence of the company at that market, attending the department stores, licensing units, and company's e-commerce. To have the innovation as a constant demand, Company C has a focus to keep inventory replenishment capacity.

Company B start its internationalization process with exports to Distributions Centers. Even though it was the first movement, the most relevant internationalization expansion process was the acquisition of local companies and the formation of joint ventures. The company decided to invest in Latin America because of its previously capability to run business in very volatile markets. "This issue of the unstable environment was a competence that we knew how to work with, and our global competitors did not". This process allowed the company to identify opportunities to develop new products, and to attend new market segments. The firm developed capabilities to identify new opportunities, and to innovate to better catch them. "We defined that depending on one industry, the footwear industry, was very risky and limiting, so we defined that we should look for multiple markets. We set criteria and defined the multiple markets. (...) At the time we were basically a company of components for footwear and we chose some technologies to prioritize".

The need to innovation is not a consequence, but a company BM aspect. As a chemical component company, Company B need to promote innovations that are actually going to be used into clients' products and process to innovate. To do so, the company develop a capability to identify opportunities in one market segment that can be adapted into a new one. “Our model of innovation is based on this issue of adaptive innovation. It is much faster and much more dynamic. It adds a lot of value to our customer. On the other hand, it presupposes being in a different environment. If we always stay in the same environment, we will be less innovative”. To be able to enjoy these opportunities, the firm need to develop flexibility related capabilities – “flexibility of new business models, which presupposes a very aligned strategy, a lot of local flexibility” to be able to offer new products adapted for the customers’ needs, instead of standardized ones. “Our model is (to have) facilities in each of these smaller and flexible countries. I can make the product that my client wants”. Besides that, the presence into external market, allowed the company to be identified as a global player, increasing its competitiveness. “We have had gains from global customers that are becoming more frequent here in Latin America”.

The need to be closer of the customer lead Company E to greenfield investments. The first ones focusing on distribution, to support the sales. Doing so, the company identified that they should be even closer to their customer, and the result as the establishment of units focusing on commercial activities in a boarder perspective. These units support the sales at those markets, and at the same time, the search for new opportunities to be developed, in terms of customers and suppliers. Company E has a technical team at its units abroad, as they can better generate value for the company with information about the markets. “We are always running, launching better and more competitive products, either by price or by characteristics (techniques). Products that have certification to be sold anywhere in the world”.

The wholesale greenfield investment represented a very innovative process at Company A. This strategy allowed the company to consolidate its brand in the global market. The flagship store is used to test new models, resulting from a very innovative process. Flagships “are stores where we present a much larger product mix than in a normal store”. Product innovations were developed in order to previously adapt the company for the international market, for example, different shoe size scale, and raw materials. But the main investment is to develop innovative shoes designs in a fast way. “We feed that store with a giant product mix so the really successful models can be brought (to other channels)”.

The intensity of the information flow from the flagship to the company allow the designers to develop innovative products in a fast way to respond to the costumers’ demand. These products are manufactured in small quantities and then send to the flagships to test the market acceptance. If the products have a good performance, they are included into Company A portfolio, and offered to the different distribution channels. The company had to develop some innovations at its sales and manufacturing process. It was a challenge to adapt a company that was used to manufacture in large scale, to start manufacturing small quantities to be sell in a “testing process”. Regarding capabilities and resources to innovate, it’s possible to highlight “first, the will to innovate. Second, the company's financial lung”. The increase of the velocity to manufacture new products is a capability that was developed by the company, and its success is related with the ability to manage information and goods in a fast way. “The consumer of Company A demands a lot of fashion information. She always wants to be with the latest trend. This speed with which Company A is bringing this, very driven by the market outside, is a direct consequence of this learning, of this maturity outside Brazil”, and it has a great impact into the company and its BMs content.

Company D also have a type of flagship stores, where not just new products can be tests, but mainly the company can get in contact with the market and bring that information into the firm. “Because you need to test concepts that sometimes you know will not happen in Brazil at first”. These units are used as marketing tools, “they work as a way to generate brand experience, and we have complete control over it”. The collections are developed into a global network, with information from units worldwide, and the establishment of partnerships. “(It) is thought globally. Things are done with consumers, with makers, in various parts of the world at the same time. And that point of connection is important to the company". Part of the capacity to catch the knowledge is related with the fact that the company separated functional units, like global marketing in London, and part of innovation in Italy. Another important fact is to have a salesforce with a high identification with the brand. The global presence allows the company to identify new tendencies – "We use 100% Real Plastic (…) That is, it does not kill any animals to make our shoes. That's something that came globally, long before we talked about veganism in Brazil, it was already happening in San Francisco". At the same time, qualified people represent one of the most import resources for the company, but not related with technical issues. "This is a fundamental thing today (...) people need to have a certain synergy with what happens in the world. Because you must have fertile ground to be able to make succession, so that things can grow". The company team represent its lifestyle, and it's a important resource

Considering the exposed by the investigated companies, it was possible to identify the need of innovation at content vary according to the entry mode. First of all, the need of innovation in content is required in any market, and what we tried to identify is if the internationalization increase this need. The need related with the export process seems to be low comparing with the requirements to establish contractual agreements, as Joint Venture and Licensing. When adopting a Direct External Investment approach, this need seems to be even higher. It's important to keep in mind that, even though product innovation is the most visible change into content, this is just part of it. The flows of communication and products, and the required resources and capabilities also represent part of content. And, these are the issues that represent the main differences in terms of the need of innovation as a consequence of the internationalization process.

Innovations in Structure

Innovation in structure is related with "how" the different activities are related, and in what sequence, including the network size and the way in which the parts are linked and the exchanges are executed, and the flexibility and adaptability of the transaction structure. The exporting process of Company C over years required the company to increase, not just the number of collaborators, but the whole company structure. With a centralized manufacturing process, the company need to improve its ability to be flexibly to markets changes. "The staff was getting bigger, the factory was getting bigger, the number of pieces was getting bigger", and manage it also turn into a more complex process. But besides that, the export process is very similar to almost every country. The only exception is a distribution center in the US market "that moves up to 3000 pieces per month". A very interesting issue is related with the size of the network to operate at this industry in a more regular way. "One thing that people ask me a lot is how long it took me to form the cycle to have orders every month (…) It was 8 years to close a cycle because active wear do not have a flow like regular clothes. You buy today and 4 months from now (will buy again). So, it is (necessary) a very large customer ratio to close the cycle".

Company E is facing a new challenging regarding its structure abroad. Originally commercial units, the company is also using it to capture information about the market, and to identify potential partners to join development projects. "In the USA, we have a small inventory that is outsourced. It is a company that provides service: keep the equipment, issues the invoices (...)". The same support is presented at Argentina. Besides that, some of them also represent a logistic support for local operation with an inventory. As the production is centralized in Brazil, operational units to export and deal with logistics issues remain centralized in Brazil. During the data collection, no highlight was made to the need of flexibility or adaptability of the transaction structure. The need of qualified professionals is a permanent issue at Company E.

When they started to operate abroad, they offered English classes for the collaborators. Nowadays, the company do not hire professional that do not speak English. It turns into a basic requirement.

Company B internationalization process is an example of these changes. The units that were opened abroad represented not just opportunities to increase the initial business of the company, but also support the development of new ones. To be able to do so, it was necessary to keep the local capabilities, but also improving the structure flexibility and adaptability to catch the opportunities. "All countries have a development laboratory. They have autonomy to develop their own products in their regions. These laboratories are very focused on what that region is strong". These units are connected with the main R&D center, located at the company headquarter. "Our R&D is organized as a networking, exchanging information (...) so that innovations move from one region to another". Flexibility is considered a key aspect at the structure – to share local knowledge with the other units.

The Group A created a new unit to support Company A operation in USA. Not just a company in USA, but also "we have a unit of production of samples, and of development and creation specific for the American market" in Brazil. Even though the group has a structure that could support the international operations, like logistics issues, a separated export and distribution unit was established to attend Company A. At that time, the development of the company abroad required the increase at the number of collaborators. If at the first moment, people from Brazil was sent there, the focus change for a search of local ones. "In some strategic positions, it is mandatory that we have local people who know the market, and who come from the sector. They are professionals with 20, 25 years of experience in the American footwear market, and can bring this knowledge to the company". The need of flexibility and adaptability of the transition structure were not identified as key issues at the company. They seem to have a more solid structure, that it's part of the firm internationalization strategy.

Adaptability and flexibility were better identified at Company D. The company use different distribution channels, connected with different product lines, to catch the higher value from the market. These different approaches are connected with different levels of control, and can include partners or not. The actual structure represents a result from the development of the company. At the first moment, it was centralized, but over time the need to decentralize appeared. At the same time, the way the firm deal with the commercial activities is centralized, they have a global market approach. "The choice of places, the choice of points of sale, the partners, all this has a reason, which is how the brand was designed. And that has to do with her purpose, (is related) with diversity". Partners play a very important whole at the firm strategy, and the development of join projects represent a central aspect of the R&D process.

The establishment of units abroad automatically represent changes into a firm's structure, as this new unit is not just a new "element" at the structure, but it can change the relations between other units. Considering this, we cannot focus only on the units *per se*, but on its impact at the whole company structure. Regarding innovation in structure, it was very difficult to identify a pattern of behavior at the investigated companies, besides the fact that the openness of a new unit directly represents a change at the firm structure. But at the same time, the need of flexibility and adaptability seems to be more relevant in companies that adopted other entry modes. Apparently, this is a current aspect in any internationalization effort. Contractual agreements and direct foreign investments seems to represent an increase at the firm network size, and in the ways these partners are linked.

Innovations in Governance

Governance means the locus of control of flows of information, goods, and finances, and the identification of "who" performs the different activities. It also includes the nature of control mechanisms, like trust and incentives. This was the most difficult element to analyze as all companies seems to have a very centralized governance structure, with an internationalization process directly conduct by the owners or top managers. But as one of the interviewees said, “I can’t be everywhere all the time”, the need to decentralize can be a consequence of the internationalization to achieve velocity, flexibility and, as a result, competitiveness.

At Company C, the whole business has run by the founder for a long time. A few years ago, she decided to include the second generation deeply into Company C. From a centralized process, the decisions started to be discussed by the family. “We talk. I often listen to them, and try to bring their opinions”. But this process is more related with the succession than as a consequence of the firm’s internationalization. “We must have this transformation, and care must be taken to ensure that this is well accepted by customers”.

At Company E, the governance system grew with the company over years. It reflects not just the international development, but the maturing of the whole firm. The Directors follow a strategic plan, and have autonomy into their areas. An audition process is made every year in all units to assure the performance. Differences in terms of centralization and decentralization depends on the functional area. While R&D has a more centralized decision-making process, the commercial is more decentralized – “(Between national and international activities) the commercial aspect is totally separate. Each one has its way of working and its customers”.

The governance system at Company A was developed based on the presence of its CEO. As a founder, he created the company with an international perspective, and put a lot of effort to make it happens. “It begins with his figure”. However, the increase of the company activities abroad led to the need of a more decentralized system. “From the creation of the store and the structuring of the distribution there, with its own salesforce (…) all the governance of that operation is moved there”. The decision process is a result of this system. “The company is increasingly relying, and giving autonomy, to its executive officers and managers. The history of Company A shows a very centralized administration (...), but we speak of a medium-to-large operation in Brazil. (An operation of the current size) cannot have a manager responsible for most decisions”. There is a difference between the operational levels. “(Regarding) Operational and tactical, I would tell you that the autonomy is almost 100%. (...) At strategic level, expansion plan, there, more centralized at the level of presidency and council”. There is an impact at trust mechanisms associated with the decentralization. These changes are more related with the whole development of the company, not just its internationalization process. “I see the growth of the company more responsible for this, both in Brazil and abroad”. Regarding the relations of Company A and its distributors, it was identified that the interaction is higher with those ones that have more knowledge about their local markets, and a higher purchase volume. “There is such joint decision-making at the distribution level”, as a consequence of their knowledge about the local market.

Company B faced some changes on its governance system to be more international orientated. The first was the incorporation of new members at the Board – “We've tried to change the Board to seek external advisors. Mostly people who came from companies with international vision, with international background, because it is useless to have an international vision if the Board has a local one”. Another change was the definition of the autonomy level of the units. At a first moment, they considered the units separately. But the company realized that they were losing the potential synergy. So, in a second moment, they established a regional model. Regarding the decision-taking process, the operational and tactical decisions are made at the units, while the strategic ones still centralized. There a special attention to the new business unit. It’s centralized in Brazil, but some inputs come from the several units abroad.

Company D has a more developed incentive system as they have a culture of internal promotion. This way, the company believe that they can have more engaged employees with more autonomy at the decision-making process. When associated with a low number of hierarchical levels, the company can move faster. This system is a result of the firm development, what includes its internationalization, but cannot only be related with that. However, the strategic decisions still centralized on its director. Tactical and operational decisions are decentralized with a global perspective of the firm – "People are more concerned about the outcome of the business as a whole, (...) communication gets very fast. I think agility in the decision process has always been very good, but now also with inputs from all over the world".

Most of companies revealed a need of change that can be related with the internationalization process, or with the development of the companies in general. In any of these situations, it was possible to identify a pattern related with the need of decentralization. Even with the maintenance of the strategic ones centralized, tactical and operational decisions required a decentralization. This way, companies are also able to capture local knowledge, and to identify new opportunities related with the local environment. The identification of control mechanisms was very limited at the cases. Trust is required in a decentralization process, but no information about incentives was identified. The changes of the responsible to perform the different activities is a consequence of the internationalization process when companies include new structures and partners into its networks.

BM Innovation strategy

The BM innovation strategy was identified through the analysis of BM elements at the cases. Company A, Company B, and Company D revealed an original BM innovation. Company A developed a very aggressive internationalization project comparing with its competitors. Company B presented the same approach, the company decided to use its capability to make business in volatility markets and established a strong presence in Latin America. Company D developed a global network to actually run its BM, the interdependence of global units and partners, and the ability to offer a truly global product are unique aspects of the firm BM. Following the taxonomy of Zhang, Zhao and Xu (2016), Company C and Company E, however, presented an induced BM innovation strategy. Both companies presented a trajectory of changes based on the influence of external factors and the own development of the company. The BMIs were not planned in advance, as observed on the Company B and Company A.

Companies with a more developed structure abroad, with the adoption of different entry modes, like Company A, Company B, and Company D seen to have a more proactive approach to BMI. These firms confirm the assumptions of Taran and Boer (2015), as they search for new BM beyond the existing one, and even through external sources of collaboration. There is a continuing search for more knowledge to develop new strategies, and BMI as a consequence. Company C and Company E, besides been proactive, keep a focus on their BM, with more resistance to BMI. The BMI as made when they represent not such a high risk for the essential model.

Final considerations

BMI is still a little empirical investigated topic. When relating with internationalization, the gap is even bigger. This research represents an effort to bring these two areas of knowledge together. Through the cases studies was possible to identify that there is a relation between BMI and the internationalization process. This relation may change according to the entry mode adopted by the firm.

The first dimension of analysis was the content. At this point, the need of innovation is required to enter in any market, and the adopting of different entry modes will represent different impacts on this need. The main required changes will be related with the flows of communication and products, and the required resources and capabilities.

Even though the structure may be considered as the more visibly change when the company open a new unit, for example, the implications related with structure is more than that. The network size and the ways in which the parties are linked, and exchanges are executed, change as a consequence of the internationalization. Flexibility and adaptability of the transaction structure represent requirements not just to internationalize a company, but mainly for its development.

Governance is specially related with the decentralization and centralization of the decision-making process. It was perceived that, the grown of the company abroad lead to a need of decentralization. The decentralization depends on the development of control mechanisms, including trust, incentives and auditions. The locus of control of the flows of information, goods and finance change according to the new structures that the company establish while internationalize its operation.

The lack of studies relating BMI and internationalization give us the opportunity to developed an exploratory multiple case research. Besides the interesting findings, they can only be applied to the investigated companies. One cannot generalize them, and it is a gap at BM studies. Besides this limitation, we believe that our findings can be used as a base for other studies. We recommend the continuity of studies about BMI and internationalization following the elements approach, as they represented an effective way to investigate BMI. Other future studies could investigate similar companies searching for patterns into the internationalization and BMI. At this study, we kept the differences in industrial sector to have a boarder view, but the similarities may be find with the investigation of companies from a same industry. Different industries have different innovation needs, and this can impact on BMI. This paper represents one of the first empirical efforts to understand the relation between internationalization and BMI. More studies are required about this relation.

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