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International Expansion of SMEs: The Inducascos Case

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ABSTRACT

While small and medium enterprises contribute to gross domestic product, generate crucial employment, and improve socio-economic development, unfortunately the literature on the internationalization processes of these companies remains timid and inconsistent. The following study seeks to analyze the international expansion of the Colombian company Inducascos. The research follows the structure of a case study including literature analysis and secondary data of the Colombian industrial market and Inducascos. Challenges, opportunities and learning process of the organization related to its international expansion and set out, seeking to contribute to the existing studies in international business.

RESUMEN

Mientras las pequeñas y medianas empresas (PYMES) contribuyen al PIB, que generan importantes tasas de empleo y mejorando el desarrollo socioeconómico, lamentablemente, la literatura sobre los procesos de internacionalización de dichas empresas sigue siendo modesta e inconsecuente. Este estudio pretende analizar la expansión de la internalización de la empresa colombiana Inducascos. La investigación se realizó en la modalidad estudio de caso, incluyendo un análisis de la literatura y datos secundarios del mercado industrial colombiano, e ilustrando también un proceso de aprendizaje de la organización, resultante de su expansión internacional, con el propósito de contribuir con los estudios sobre los negocios internacionales.

RESUMO

As pequenas e médias empresas contribuem com o PIB, geram índices de emprego cruciais e melhoram o desenvolvimento socioeconômico. Infelizmente, a literatura sobre os processos de internacionalização dessas empresas permanece tímida e inconsistente. O presente trabalho busca analisar a expansão por internacionalização da empresa colombiana Inducascos. A pesquisa foi realizada com a estrutura de um estudo de caso e inclui análise da literatura e dados secundários do mercado industrial colombiano e da Inducascos. São apresentados os desafios, as oportunidades e os processos de aprendizado da organização, que foram obtidos de sua expansão internacional, com a intenção de contribuir com os estudos existentes sobre negócios internacionais.

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Introduction

SMEs contribute approximately 38% of gross domestic product (GDP) in Colombia. Although this rate may appear adequate, compared to rates of 50% to 60% in countries in more developed markets (Dinero, 2015), it needs improvement. What is even more alarming is the failure rate of SME in Colombia: it is estimated that about half of such companies (50%) fail in the first year of operations and only 20% survive through to their third year, (Dinero, 2016). As for the internationalization processes, the situation varies according to company size: small businesses are more cautious in this process; however, medium enterprises try to expand their international operations more aggressively. Indeed, they enter international markets to gain experience and learn from new market opportunities (Escandon, Murillo, & González-Campo, 2013a), (Escandón, González-Campo, & Murillo, 2013b). Unfortunately, the lack of innovation, added value, and product diversification of Colombian SMEs requires capital investment (Portafolio, 2012), (Escandon et al., 2013b), (Portafolio, 2016), (Portafolio, 2017). Thus, Columbian SMEs do not enjoy an advantageous or well-established position in international markets.

The scenario described shows the importance of studying Colombian SMEs with a successful internationalization processes. Moreover, an understanding of the conditions that led those companies to expand internationally and how to replicate the process can enable the process to be implemented in new companies based on past experience.

This research aims to study and analyze Colombian SMEs based on one case: Inducascos, including its internationalization process and evolution and expansion in terms of three internationalization models. Those models are the Progressive Internationalization Model, also known as "Uppsala Model" (Johanson & Vahlne, 1977), (Johanson & Vahlne, 2006), (Johanson & Vahlne, 2009); the "Born Global Model" or "International New Ventures" (Oviatt & McDougall, 1994), (Oviatt & McDougal, 1997), (Hohenthal, 2001), (Bell, McNaughton, & Young, 2001), (Moen & Servais, 2002); and the "International Networks Model" (Håkansson & Johanson, 1988), (Keeble, Lawson, Lawton, Moore, & Wilkinson, 1998), (Hohenthal, 2001), (Sharma & Blomstermo, 2003), (Jones & Coviello, 2005), (Johanson & Mattsson, 2015). The abovementioned models can be complemented with a fourth model, the "Eclectic Paradigm" (Dunning, 1979), (Dunning, 2000). All of these are possible approaches to analyze the international markets created by a company according to its evolution, growth and development some years after inception. Furthermore, the case-study approach seeks to identify which international marketing and sales strategies are used by Inducascos to penetrate and/or consolidate its position in the international markets and to identify the company's future challenges and opportunities.

The Inducascos company was chosen due to its innovative entrepreneurial development and success in the Colombian Market, which later allowed the company to search for growth opportunities in other, international markets. The company's diversification, innovation, growth, development and flexibility in a developing country, combined with the founder/owner's and executives' willingness and compromise to improve and set new objectives, were the reason Inducascos was chosen as the subject of a case study.

This research will be conducted using the case method described by Yin (1994, 2013), by observing and surveying the company's management personnel and through the collection secondary data from previous studies. Such data includes official documents, Columbian foreign trade databases (PROCOLOMBIA[1]; DIAN[2]; CONFECAMARAS[3], Medellin Chamber of Commerce) and data from press reports posted on Colombian news portals. The case method is developed using information taken from in-depth interviews with personnel involved in the internationalization processes of the company, a technique previously used in exploratory and descriptive studies. This paper is structured as follows. We first undertake a literature review of the main internationalization theories, followed by a description of the methodological framework and the Inducascos case. We compare the internationalization expansion of the company and internationalization models previously studied. Finally, the results are presented, together with closing remarks.

Literature review

The study of the Internationalization process of Small and Medium Enterprises (SMEs) has been addressed by several different studies (Lu & Beamish, 2001), (Schulz, Borghoff, & Borghoff, 2009), (Kuivalainen, Sundqvist, Saarenketo, & McNaughton, 2012); from case analysis, literature and data reviews, as well as with qualitative approaches and quantitative research (data recollection) throughout the world. Many large companies started as SME and developed over time to become large enterprises and then expand internationally as multinationals. In the case of Latin American Enterprises, these are also known as *Multi-Latinas* (Ruzzier, Hisrich, & Antoncic, 2006), (Rodriguez, 2007), (Mathews & Zander, 2007), (Masum & Fernandez, 2008), (Veléz-Ocampo & Gonzalez-Perez, 2016). Many different studies have focused on more developed markets, such as Europe and North America, and, little by little, more studies are published focusing on Middle East and Far East, Africa. Few studies have focused on Latin America and fewer still on Colombia; moreover, many of them are in Spanish. Noteworthy studies dealing with Colombia have addressed the factors and conditions that affect the expansion of Born Global firms in Colombia (Escandon, 2009), (Escandon et al., 2013a); characteristics of the managers of Born Global

Companies in Colombia (Escandon & Hurtado, 2012); a proposed internationalization model for Colombian SME (Mesa, Pareja, & Gonzalez-Perez, 2012); factors that determine the appearance of Born Global companies in Colombia (Escandon et al., 2013b); factors that influence the export development of SMEs in Colombia (Escandon & Hurtado, 2014); effects of export behavior of founder/owner and management's commitment to innovation in Colombia (Izaias, Gómez-Araujo, & Vaillant, 2014); case comparison study of SMEs international cooperation and internationalization (Tabares, Anzo, & Estrada, 2014); understanding the emergence and expansion of Colombian Companies in international markets (Veléz-Ocampo & Gonzalez-Perez, 2016); export posture of SMEs in Colombia (Hurtado-Ayala & Escandón-Barbosa, 2016). These papers, besides sharing some common ground with this study, have interesting findings regarding the factors that induce the internationalization process of SMEs in Colombia and in Latin America.

Models and factors that affect and influence the internationalization process

The internationalization process can transpire in a progressive way, minimizing perceived risk, cultural differences and geographical distances by first approaching similar and nearby countries, where the same language is used, culture and customs are similar, and the company starts with lower-risk actions, such as exports (directly or indirectly); contractual agreements, (licensing, franchising, manufacturing contract and goods/services supply contracts either). Eventually, with the progressive development of international expansion (acquired through the company's experience and market knowledge), the firms takes the leap forward with the use of Foreign Direct Investment (FDI) (Glowik & Göttert, 2009). This is known as the "progressive model" or "Uppsala model," developed by Johanson & Vahlne (1977, 2006, 2009). Some companies may act differently, even erratically, employing relationships with a network of suppliers and distributors or by searching a potential partnership outside their origin country, taking advantage of latent opportunities using an "International Networks Model." Such an approach has been studied and analyzed by several academic researchers, including (Håkansson & Johanson, 1988), (Keeble et al., 1998), (Hohenthal, 2001), (Sharma & Blomstermo, 2003), (Jones & Coviello, 2005), (Johanson & Vahlne, 2009), (Johanson & Mattsson, 2015). According to Kotabe and colleagues (2000), the main motivation for a domestic company to seek partnerships and have collaborative projects with foreign companies is the possibility of access to better supplier connections and technology, marketing expertise and market knowledge; partner's financial resources (capital and credit line); direct access to foreign markets (commercial ties, distribution, commercialization and use of distribution channels); and to minimize risk and achieve cost reductions. These motives are listed in the business network theory (Johanson & Vahlne, 2009), whereby companies forge business relationships with local businesses, aiming to gain knowledge and connections, thereby overcoming the liability of foreignness in the host country.

On other situations, "Born Global Companies" (BGC) start international expansion early or at inception, aiming to conquer new (international) markets, compete, exploit market opportunities, learn, expand, obtain new competitive advantages, grow, and add value (Oviatt & McDougall, 1994), (Oviatt & McDougal, 1997), (Hohenthal, 2001), (Bell et al., 2001), (Moen & Servais, 2002), (Gabrielsson & Pelkonen, 2008). A Born Global Company (BGC) aims and conceives its internationalization process as a challenge. These companies manage their low-to-scarce resources efficiently so they can focus on the creation of their own distinctive competitive advantage and generate value. This is a way to remain, establish and compete in the new markets into which they venture (Lechner, Dowling, & Welpe, 2006). The Born Global and the International Networks Model are related (Zhou, Wu, & Lou, 2007) because they share certain characteristics, in terms of firms and markets, such as scarce resources, innovation, value creation, taking risks, and forming a close network based on relationships with world providers, distributors and customers (Boter & Holmquist, 1996), (De Chiara & Minguzzi, 2002), (Glowik, 2009), (Andersson, Evers, & Kuivalainen, 2014), (Glowik, 2016). Lastly, according to the "Eclectic Paradigm" (Dunning, 1979), companies seek to internationalize for three motives: (i) the search for marketing efficiencies, (ii) the search for natural resources at reasonable prices, and (iii) the search for new markets. Further, internationalization does not necessarily follow a structured step-by-step or "progressive" pattern. Rather the behavior may appear erratic, i.e., a company may jump from its natural market to a foreign market, driven by the motives listed above (Dunning, 2000).

A company's internationalization process is either (i) progressive (Johanson & Vahlne, 1977); (ii) erratic (Dunning, 1979); (iii) relies on an international network expansion (Håkansson & Johanson, 1988), (Keeble et al., 1998), (Hohenthal, 2001), (Johanson & Vahlne, 2003), (Lechner et al., 2006), or (iv) since inception, by rapidly entering foreign markets at an early stage as a BGC or BGE (Gabrielsson & Pelkonen, 2008). The company selects the entry strategy to each market depending on different factors listed and explained by (Escandon et al., 2013a), (Escandon et al., 2013b), (Matiusinaite & Sekliuckiene, 2015), those factors can be: (i) managerial (executives' and/or founders-owners') business orientation, (ii) internal characteristics of the company, and (iii) external business environment. Managerial business orientation encompasses managerial or executives' expectations, past experiences (mainly in the internationalization process obtained in other companies), education level or professional education (academic degrees), vision, leadership and direction style. This helps as a guideline to set the company's international vision, objectives and goals, which prepares the main strategies of a company in the internationalization process. Internal characteristics derive from company's resources, experience in the industry, market knowledge, recognition, networking (Rialp, Rialp, & Knight, 2005), (Harris & Wheeler, 2005) and innovation, including industrial innovation, process innovation, know-how, and product/services development. In the external environment, several aspects influence the internationalization strategies followed by the company, such as the level of competition in the industry or economical activities performed by the company, technology within the industry, and external aspects, including legal, political, social, cultural, economic, and environmental, also referred to as "contextual determinants" by Matiusinaite and Sekliuckiene (2015).

Methodological approach

After exploring and analyzing the internationalization literature, we proceeded to select a Colombian company, Inducascos, which started as an SME and later developed into a large firm, thanks to its efficiency and effectiveness in the local market, and which later allowed the company to seek new international opportunities in foreign markets. Inducascos is a private firm located in Medellin and founded in 1998. The case approach is developed using qualitative methodology (Yin, 1994, 2013) and exploring and describing the firm's international expansion and growth. In-depth interviews were held with the founder/owner of the company and with two executives/managers. Primary data was gathered using exploratory field research and complemented with secondary data from PROCOLOMBIA, DIAN, CONFECAMARAS, Medellin Chamber of Commerce, press reports posted on Colombian news websites, and additional company background in a Spanish language paper by Velásquez-Montoya, Robledo-Ardila, & Aristizábal-Uribe (2015).

In this study, the primary and secondary data gathered, transcriptions, preliminary findings and conclusions were organized and kept for future investigations to facilitate the replication of the case study (Gibbert & Ruigrok, 2010) or to compare it and use it in future studies. Rigorous research procedures were followed by producing a case study protocol that describes how the entire case study was conducted (Yin, 1994), (Yin, 2013). First, the case study is defined in terms of scope and designed. Second, planning occurs to collect the relevant and required information efficiently. Third, the case study evidence is analyzed and compared with the extant internationalization models; and finally, some conclusions, recommendations and implications are offered based on the evidence (see Table 1).

To strengthen the robustness of the case study, the research is divided in two stages: one, a descriptive phase; the other, an analytical comparison,

Table 1. Case study protocol.

Aspect	Description
Objective	Describe the internationalization process and expansion of SMEs in Colombia based on the case of a Colombian company.
Company	*Inducascos* S.A.
Information sources	Primary: founder/owner, and in-depth interviews with two executives/managers. Secondary: press reports, official company web page, company´s social networks, PROCOLOMBIA, DIAN, CONFECAMARAS, Medellin Chamber of Commerce.
Data gathering method	Data review: Company background: inception, expansion and growth process within internationalization scope, company´s portfolio, features and competitive advantage, business model. Duration: three months. Interviews: three sessions with executives/managers and one phone interview with founder/owner following a semi-structured questionnaire. Duration: three months.
Field work	Four months.
Data analysis	Two months.

Source: Authors.

which combined clearly represent different stages of the research process. The categories used for both stages are listed in Table 2.

Findings

Colombian background

According to CONFECAMARAS and DANE, 92.1% of Colombian companies rank as micro-companies (1 to 10 employees); 5.9% are small companies (11 to 50 employees); 1.5% are medium companies (51 to 200 employees); and 0.5% are large companies (above 200 employees) (See Table 3).

A total of 42.1% of Colombia's active companies are engaged in commerce, 39.6% in services, 13.1% in industry and 5.4% in construction. In industry, 90.7% are micro-companies, 6.6% are small companies, 1.8% medium enterprises, and 0.9% large firms (Confecámaras, 2016b).

Between 2011 and 2015, the number of exporting companies in Columbia increased by 9% (See Table 4). Colombia exports an average of 3,345 products, 97% of which are non-mineral and energy, i.e., mainly industrial products.

Table 2. Macro and micro categories.

Level	Category
Macro	Country of origin economic context Country of origin export profile
Micro	Historical context of the company International presence and value proposition Distribution channels Promotional strategy International target market Human resources skills

Source: Authors.

Table 3. Colombian companies by size 2015.

Company type by size	Number of companies	Percentage share
Micro business (1 to 10 employees)	1,273,017	92.1
Small business (11 to 50 employees)	79,926	5.9
Medium business (51 to 200 employees)	19,980	1.5
Large business (above 200 employees)	6,361	0.5
Total	**1,379,284**	**100.0**

Source: Adapted from "Cuaderno de Análisis Económico No. 11 (Confecámaras, 2016b)".

However, the value of the country's exports remains concentrated in few products such as commodities and in a small number of large companies. Although more than 3,300 products are exported, just 10 account for 67% of exports. Forty-seven companies account for approximately 68% of total exports (Confecámaras, 2016a).

In 20 years, from 1994 - 2014, the value of Colombian exports has increased six-fold, growing from USD 8,536 million to USD 54,795 million (Confecámaras, 2016a). Then, in 2015, due to fluctuations in international market prices and the decline in value of mining and energy products, Colombia saw the value of its exports decline to USD 35,691 million (See Table 5).

Large companies (1,561) are the most important to the Colombian economy in terms of exports. They represent 17% of the total companies with international export activities (35,691), yet represent 91% of total Colombian exports (See Table 6). Although SMEs account for only 8%, they total more companies (4,684) than the number large companies.

SMEs in Colombia have several opportunities to internationalize and increase their market access. Moreover, some studies have focused on studying the factors that affect the internationalization of Colombian SMEs, such as the traits and problems SMEs face, including low access to financial resources, lack of managerial expertise and innovation. Such problems may lead company executives and/or founder/owner to develop empirical knowledge, which in some companies manifests as an ad-hoc internationalization process based on intuition, or in Colombian Spanish, *malicia indigena*, a cultural concept that refers to a sort of commercial gamble or a belief in winning against the odds. The companies that won that gamble and learned during the process did it using exports as the main entry mode and some continued with a progressive approach. Others use a combined strategy of exports and

Table 4. Colombia's companies' export profile, 2011–2015.

Data	2011	2012	2013	2014	2015
No. of companies	8,418	8,612	8,848	8,862	9,184
No. of products (variety)	3,330	3,358	3,313	3,372	3,354
No. of markets (international foreign countries)	177	172	177	185	185

Source: Adapted from "Cuaderno de Análisis Económico No. 10 (Confecámaras, 2016a).

Table 5. Exported value by companies in Colombia 2015.

Exported value (USD)	No. of companies	% of companies	Exported amount (USD million)	% of exports
Less than $100,000	5,654	61.6	146	0.4
Between $100,000 and $1 million	2,312	25.2	800	2.2
Between $1 and $10 million	902	9.8	2,829	7.9
Between $10 and $100 million	269	2.9	7,816	21.9
Above $100 million	47	0.5	24,099	67.5
Total	**9,184**	**100**	**35,690**	**100.0**

Source: Adapted from "Cuaderno de Análisis Económico No. 10 (Confecámaras, 2016a).

international contracts, or, depending on the perception of risk and opportunities, take a riskier strategy, such as joint venture (JV) or other FDI or green-field operation. Establishing a manufacturing facility abroad is the least used. This behavior can also be observed in medium and large companies that become Multinational Enterprise Companies (MECs) from Latin America (*multilatinas*) (Veléz-Ocampo & Gonzalez-Perez, 2016).

History of Inducascos

Inducascos was founded in 1998 in Medellin, Colombia, as a small company with 3 to 5 employees (El Tiempo, 2014). At inception, it had two executives, including the founder/owner and his wife, and a small capital investment of USD 600 (see Table 7). According to Ramiro Agudelo,[4] the company' mission was to produce plastic household products and motorcycle helmets. In the following years the company dedicated itself exclusively to the production of helmets to supply the Colombian market. A change in the law and the creation of a Colombian technical standard, Colombian resolution 1737 and Colombian technical standard 4533 of 2004 required the use of helmets by Colombia's motorcyclists. This event increased demand for the goods produced and offered by the company; therefore the company decided to import competitively priced helmets from a Chinese company, initially via a trading company in Panama, with no detriment to the firm's local manufacturing and production (Velásquez-Montoya et al., 2015). Within a few years of the company's inception, the organization expanded its product portfolio and began direct imports from China and then progressively more so from such countries as United States, Italy, Spain, Portugal, South Korea, Netherlands, and since 2014, from Pakistan (see Table 7).

Table 6. Exported value by size of Company in Colombia in 2015.

Company type by size	Exported amount (USD)	No. of companies	% of companies
Micro business	357	2,939	32
Small and medium business	2,855	4,684	51
Large business	32,479	1,561	17
Total	**35,691**	**9,184**	**100**

Source: Adapted from "Cuaderno de Análisis Económico No. 10 (Confecámaras, 2016a).

Table 7. *Inducascos* history of international expansion.

Date/year	*Inducascos* Company important events
1998	***Company´s inception.*** Start and run of operations: an industrial company, in charge of manufacturing and selling of helmets and plastic injected products at the middle of the first quarter. Ramiro Agudelo Castaño (founder/owner) accompanied by his wife, starts with three employees and with a capital investment: COP 800,000 (approx. USD 600)[11]. By yearend, the entrepreneur had 30 employees. A 100-square-meter production facility and an average monthly production of 600 motorcycle helmets.
2000	***Company´s progressive growth in the domestic market.*** The company had 20% of the Colombian market share in Motorcycle's helmets. 100% of the products sold were domestically produced.
2002–2003	***Import process begins.*** Direct imports from Panama began (1 provider), after the founder/owner visited the Colon Free Trade Zone. Share in Colombian motorcycle helmet market 35%.
2004	***Imports diversification.*** Direct importations from China began (2 providers), after the founder/owner visited Taiwan. Share in Colombian motorcycle helmet market 40%. 95% of the products sold domestically produced and 5% imported from Panama and China.
2005	***Portfolio diversification and introduction of new brands.*** The company diversified the portfolio by introducing other motorcycle accessories and 5 new brands, and by repositioning an iconic brand. New product lines stablished: textiles (gloves, jackets, jerseys, trousers, raincoats, boots, knee pads, elbow pads, shoulder pads and other protective gear) and motorcycle accessories and equipment (trunks, cases, bags, sliders, intercoms, grips, tank-protectors, etc.) ***Safety tests for helmet development.*** *Inducascos* starts to develop its own testing machine and imports other testing machines from Italy after the enactment of legal standards and regulations for motorcycle helmets[12]. Share in Colombian motorcycle helmet market 50%, 80% of the products sold were domestically produced and 20% imported. International providers increase to 8.
2006	***Inducascos becomes a trading company.*** The company changed its name to become in addition to a manufacturing and industrial business, a retailer chain and importer as well. The company, with 180 employees, re-structured the organization as five different businesses and four independent companies: (1) "Comercializadora *Inducascos*" (also known as *Inducascos*): manufactures, imports, trades, and distributes motorcycle helmets and accessories. (2) "Plásticos Línea Hogar (also known as Línea Hogar): manufactures, imports and distributes plastic products. (3) "La Boutique del Casco" (also known as Boutique *Inducascos*): a retail chain, offers and sells helmets and motorcycle accessories. (4) Testing laboratory of the company, later known as "Laboratorio Impacto," depending directly on the *Inducascos* company as the main provider of *Inducascos* helmet tests. Company born, but not yet an independent business. (5) "Radar" an industrial user that can provide services. Located in the Free Trade Zone of Rionegro, Antioquia, Colombia. An international division was established in charge of managing: (i) international sales, (ii) procurement (international negotiations and purchases), (iii) management of warehouses in the Free Trade Zone (Rionegro, Antioquia, Colombia). Share in Colombian motorcycle helmet market 60%. 60% of products sold domestically produced, while 40% imported from 8 different international providers in China, Taiwan and Panama. The company becomes the market leader.
2007	***Imports increases.*** Imports increased from 40 containers (120,000 motorcycle helmets) in 2006 to 100 containers (300,000 units) in 2007. Share in Colombian motorcycle helmet market 70%. 45% of products sold domestically produced, while 55% were imported from 17 different international providers, among them China, Taiwan and Panama.

(*Continued*)

Table 7. Continued.

Date/year	*Inducascos* Company important events
2008–2009	***Imports continue to increase.*** Around 180 containers (540,000 units) per year. Share in Colombian motorcycle helmet market 70%. 40% of products sold domestically produced, while 60% were imported from 29 providers, including China, Taiwan, United States, and Italy. "Laboratorio Impacto" becomes an independent organization. The main customer of this organization is *Inducascos* Company. The testing laboratory obtains ONAC[13] certification. A new low-end brand was introduced in the portfolio.
2010–2011	***Company growth and market share expansion.*** Sales up 475% since 2004 and share in Colombian motorcycle helmet market increased to 90%. 30% of products sold domestically produced, while 70% were imported from 49 providers (in 2009, 40 international providers), including China, Taiwan, United States, Italy, Portugal, Spain, and South Korea. The company becomes market leader.
2012–2013	***Company enters e-commerce; opens own exclusive products store.*** The company stablishes a new e-commerce site and an exclusive high-value brand business called "Helmet Shop" (https://helmetshop.com.co), including company retail outlet located in Bogota (Colombia) and opened to the public in 2013. Offering both exclusive distribution of brands represented by *Inducascos* in Colombia, from international providers such as X-lite (Italy), Nolan (Italy), Nexx (Portugal), Grex (Italy), HJC (USA, South Korea), LS2 (Spain, China), Shad (Spain), Progrip (Italy), Macna (Netherlands), Suomy (Italy), Momo Design (helmets only, Italy). ***Company's first attempts to internationalize.*** Company begins to analyze international markets and seeks advice from PROCOLOMBIA. Assigns one executive and a commercial staff member to develop an internationalization plan. The company starts a market analysis in 2013 of Mexico, Guatemala and Chile. The company invests in production facilities expansion and growth. Invests in design, research and development and ERP[14] software implementation.
2014	***The company expands.*** The company has a 7,000 square-meter production facility in Medellin city, Colombia, with average production of 40,000 certified motorcycle helmets (NTC 4533). The company has 410 employees, including a staff of 7 engineers working in research, development and innovation, in charge of designing new certified helmets. Company´s portfolio has 29 brands, diversification both in product lines and economy segmentation: entry-level brands (low prices or low-end), mid-level brands (average prices and mid-to-low to high value) and top level brands (high prices and very high prices for exclusive products). ***Company begins international sales.*** The company begins exports to Latin America: Ecuador, Mexico, Guatemala, Costa Rica and El Salvador. Company offers product portfolio from Asia SBU (international networks in strategic alliances with *Inducascos* providers) through an offshore operation in Panama, or from Colombian SBU (*Inducascos'* own manufacturing company in Medellin).
2015–2016	***Company strengthens and re-shapes.*** *Inducascos* has 600 employees and a presence in more than nine countries (http://www.inducascos.com/nosotros/), 8 directly owned distribution and retail stores in Colombia: 4 in Medellin, 1 in Bogota, 1 in Barranquilla, 1 in Cali, 1 in Ibague. The company's logistic warehouse expands from 600 square meters (2012) to 1,700 square meters. The company reduces the number of brands in order to reorganize both commercial areas (locally and internationally), and increases logistic, manufacturing and inventory efficiency. The company separates its main local manufacturing facility from *Inducascos* and name it "Protec" as a new independent enterprise, continues its international offers from both different SBUs: in Asia (offshore operations) and in Colombia. ***Company expands abroad.*** *Inducascos*' increases exports and diversifies international markets; sells to international customers in Mexico, Guatemala, Costa Rica, El Salvador, Ecuador, Brazil, Peru, Bolivia, Chile, Uruguay and Pakistan. Enters negotiations with potential customer in India.

Source: Authors.

In 2014 Inducascos sold around 25,000 helmets per month, to satisfy different segments of Colombia's motorcycle accessories market with a diversified product portfolio. By that time, Inducascos' market share in terms of motorcycle-rider segments was (i) low income segment market share, 75%; (ii) middle income segment market share, 55%, and (iii) upper income market share, 35% (Dinero, 2014). Inducascos' international commercial strategy consists of using indirect or direct exports as an entry mode strategy, offering semi-standard and standard products through manufacturing and supply contracts, depending on the market and consumer-type serviced by the importer.

According to the interview with Juan Camilo Montoya[5], the company sells two types of products to international distributors, depending on the market segment. The first is low-price/cost products, whereby the customer can access a manufacturing contract or order its own private label to sell semi-standard products or Inducascos brands in its own market. However, for private label, the company requires large orders, and product lead time is between 3 to 4 months if the goods come from China, or 1 to 2 months if the products are made in facilities in Colombia. However, size of the collections is smaller than when the customer asks for an Inducascos brand. The second segment refers to mid-price or products certified under international motorcycle helmets standards (DOT, ECE 2205, NTC 4533, NBR 7471, NTE INEN 2669[6]) under Inducascos' brands, according to an interview with Juan Camilo Montoya and Paula Andrea Marulanda.[7] Inducascos' offers better high-quality products, with the possibility of importing them from Asia or Colombia. These helmets include the company's latest improvements in terms of features, quality and product range (different graphical designs) to increase consumer satisfaction.

According to Juan Camilo Montoya and Paula Andrea Marulanda (interview), Inducascos' potential customers abroad are motorcycle producers, motorcycle assembly industries, and importers and distributors of motorcycle accessories and equipment. As added value, depending on the negotiation, Inducascos can customize motorcycle helmets (adapting external graphical designs or helmet characteristics) and other products of its portfolio (e.g., helmet cases, raincoats, gloves, water-proof jackets), or offer its own standard products within the company's portfolio. Product customization is per international contract (manufacturing contract or, in some cases, a supply contract), which includes a minimum purchase clause. Initially, such contracts were made in countries including Ecuador, Guatemala, Costa Rica, Mexico, and El Salvador, in the early stages of Inducascos' international expansion.

The international supply and manufacturing contracts for new markets offered by Inducascos were the result of the local learning process deployed by the company in 2004, when the commercial department began to negotiate with other Colombian firms manufacturing and assembling motorcycles in Colombia, for example, Fanalca-Honda, Incolmotos-Yamaha, Suzuki and

Auteco. As a result of those interactions and learning processes, in 2014 Inducascos reached an average monthly production of 40,000 units of certified motorcycle helmets (NTC 4533) and average sales of 25,000 imported certified motorcycles helmets (DOhenT and ECE 2205—other accepted certified standards allowed in Colombia) (El Tiempo, 2014), (Motor, 2014). Therefore, since the end of 2013, through some international contacts signed by international sales representative and a top company executive, the company commenced international sales to Central America (Costa Rica, Guatemala, Mexico and El Salvador) and Ecuador via direct and indirect exports.

The local expansion of Inducascos in the Colombian market can generally be explained in terms of three aspects: (1) the opportunities afforded by a change in the law with respect to motorcycle safety accessories and equipment; (2) the founder/owner's vision, leadership and managerial skills, which led the company to take higher risks and invest in new technology, facilities and equipment; and (3) the managerial and executive team hired directly by the founder/owner.

The change in the regulations—a standard implemented in Colombia since 2004—made a substantial change in the demand for motorcycle helmets, including a gradual change to certified helmets and thereby spurring sales and production. The vision and leadership of founder/owner and CEO drives company growth, learning, and both local and international expansions. This permeates the corporate culture at the executive, middle and lower levels, allowing the staff to take risks. In turn, employees and the organization can learn and develop new, distinctive, organizational competencies, such as improved technology and innovation. The development of these competencies can be found in the improvement of agile internal processes, product features, characteristics, quality and design, and services. Thus, the company has developed a competitive business advantage. Finally, when the founder/owner (CEO) is surrounded by highly trained and committed human capital, beginning with the executives—mostly young professionals with graduate degrees, many, if not all of them have a master degree; knowledgeable and experienced in other companies; and middle management—well trained and educated—managerial interdependence and delegation is possible. This helps to promote both team work and intra-team competition in different areas, departments and divisions, thereby fostering organizational synergy.

Another factor that helped the international expansion of Inducascos, found in the company's culture, is human capital. This aspect is found in the young executives, with their professional degrees and higher competencies. Some hold a master's degree and have previous experience outside the company or within the company. Most have travelled abroad and have previous commercial experience, which qualifies them to analyze and understand the risks and opportunities in international markets. This enables top management (founder/owner) to see things differently and gamble/take risks, targeting countries in other geographical regions. Such is the case with the company's current assessments of India, China, Europe (Portugal and Spain), and the United States. In Latin America, where the company has commercial ties with several countries and distributors, it constantly monitoring Brazil, Mexico, Guatemala, El Salvador, Panama, Ecuador, Peru, Bolivia, Uruguay, Argentina and Venezuela. This activity dates to 2012 and will continue, according to Juan Camilo Montoya. This helps the company to engage in diversification of export markets and in the future implement other types of entry modes, such as franchises or FDI, JV, or off shore operations.

Other characteristics of Inducascos' proficiency and competitive advantages comes from other sources. In Latin American, this means (1) geographical distance; (2) cultural similarities (not only language, but behavior and trade customs and law); (3) tax incentives and tariffs (due to Colombia's free trade agreements with countries in the region; (4) diversity of products portfolio (wide variety of product lines, brands and prices); (5) quality/competitive costs ratio; (6) lead times (applies to Colombian manufacturing facility in terms of production, logistics and delivery); and (7) customer service/relationship (solving issues related to quality assurance, commercial recommendations, marketing support and close bidirectional communication with the sales department, middle management, or even an executive).

International expansion and growth of the company was spurred by opportunities to service local demand in 2000 and thereafter, initially by consolidating international providers and searching for new brands to represent and distribute in Colombia. Doing so allowed executives to form a networking structure—both social and professional relationships—and gave the company founder/owner and some executives a renewed vision. Inducascos decided to consolidate an international department while investing in production facilities and capacity, plus research, innovation, design and development (See Table 7). As of 2013, with a group of top executives leading this new department and an international salesperson, the company searched for new potential customers abroad.

The company's process to enter a new international market is done first by analyzing the target country and then planning a visit to the main cities. Then, in each city, an explorative field research and some surveys are made of the motorcycle consumer market[8]. In effect, this field research, with the recording of observations, talking to vendors, asking about importers and purchasing of products for future benchmarking analysis (research, development and other company areas subsequently intervene in this process). Then a company's executive and/or international salesman visit several (previously identified or recommended) potential customers to establish an initial direct contact. After the field research is done, the company's executives analyze the competitor's products, prices and distributors. Another analysis is done regarding potential distributors—their purchasing power, facilities, staff, experience and knowledge of the foreign market, in order to choose the most likely international customers.

Inducascos tries to pick one to two distributors per country, one that can purchase low-end or low-cost products, for market penetration and massive distribution, either by offering a variety of seven company brands or by offering a manufacturing contract or private label; and another that can purchase, represent and manage mid-income products, including at least two Inducascos brands. The minimum purchase to export from either Asia or Colombia is one container. Negotiations can be done in EXW, FOB or CIF[9] INCOTERMS. The first order generally is 100% in advance and after some time, usually after two or three orders or after one year of business (depending of the situation), the customer can pay 30% in advance to confirm the order and 70% at issuance of the BL.[10]

Inducascos' internationalization can be explained with a mix of two models. One of the models is a progressive international approach and is accompanied by a second networking approach or "international networks" model. According to the "progressive internationalization model," the company began with countries similar and close to Colombia (psychic and geographical distance), regional countries which share the same language, have similar cultural ties, socio-economic power, and consumer behavior elements. As such, the company penetrated the following international markets between 2014 and 2016: Mexico, Guatemala, Costa Rica, El Salvador, Ecuador, Brazil, Peru, Bolivia, Chile, Uruguay, and Pakistan (See Table 7). Using exports as the main entry mode, the company offered the possibility of delivering goods to international customers from two different Strategic Business Units (SBUs): (i) products coming from company networks in ASIA and strategic allies, mainly in China, and (ii) products made by the company's own manufacturing facility in Medellin, Colombia.

Regarding international networks, provider networks have helped the company to enter faraway markets, such Pakistan, and, in the near future, to explore India and China. Both international customers and providers had referred and recommended Inducascos to other potential customers abroad. Another source of potential customers pertains to promotional and marketing strategies developed by the company. These include participating in Colombia's and Brazil's motorcycle expo with several booths; visiting Italy's motorcycle expo, and by taking advantage of the company's social media and web page contacts, thanks to its digital marketing strategy.

Conclusions

Inducascos' international expansion increased after the company experienced maturity in the domestic market. The company has developed an efficient commercial model, based on importing and manufacturing different products, aimed initially at satisfying the needs and wants of Colombian motorcycle riders, and now shaped to each international market based on the previously obtained know-how, which further helps the company to adapt and learn from each market.

Several years after its inception, steadily strengthening and becoming Colombia's market leader in motorcycle helmets, Inducascos sought international markets to continue to grow, learn, innovate, improve its competitive advantage and diversify business risks. Contrasting the firm's internationalization process with the models found in the literature, the expansion was (i) progressive, as explained by the Uppsala Model of Johanson & Vahlne; sometimes even (ii) erratic as described by Dunning, highlighting adaptation through innovation and learning from past situations (errors and mistakes) and external factors (climate change, logistical issues, laws, regulations and importation standards, as mentioned by Matiusinaite & Sekliuckiene, Escandon and colleagues; and (iii) network driven, as enabled by the social and professional ties of founder/owner and executive teams, as illustrated and explained with the "International Networks Model" (Håkansson & Johanson, 1988), (Boter & Holmquist, 1996), (Keeble et al., 1998), (Hohenthal, 2001), (De Chiara & Minguzzi, 2002), (Sharma & Blomstermo, 2003), (Jones & Coviello, 2005), (Lechner et al., 2006), (Glowik, 2009), (Johanson & Mattsson, 2015), (Andersson et al., 2014), (Glowik, 2016).

Inducascos has used a geographical diversification strategy, replicating the commercial model that was successful in its local market, Colombia. The segmentation strategy aimed to satisfy different consumers by offering several product lines and multiple brands based on consumer purchasing power, while effectively matching consumer needs and wants. The consumer segmentation employed by Inducascos—low income (low-end or low-cost products), mid income, high income and exclusive consumers, offers both Inducascos and its international customers (different types of distributors) many possibilities for growth and learning in each market. This strategy, although risky and aggressive, is effective to diversify market risks and penetrate several segments of each international market.

The Inducascos case (i) helps us visualize a company that survives the early years post-inception—micro, small and medium enterprises, which tend to have a high probability of failure; and (ii) shows possibilities for growth, change and expansion, overcoming local frontiers. With market knowledge, acquired by risk-taking, learning from past experiences, innovating and developing a distinct competitive advantage, an organization can strengthen from its local position and take advantage of know-how to apply it to foreign markets, thus grasping new opportunities, pursuing new challenges and attaining goals (Escandon et al. (2013). Thus, the internationalization process of the firm was able to overcome obstacles and metamorphose into a large organization.

This business case can serve as an example for entrepreneurial projects and academic researchers to study and analyze a company that started as a micro-to-small company, which developed over 15 years to become a stable and competitive large firm. The company can continue to mature and grown as an international organization, and could become a multinational as the internationalization process consolidates. Yet the company needs to constantly improve to compete with aggressive competitors manufacturing helmets and accessories and that operate in more developed markets (such as United States, Europe, China and South Korea) and offer helmets to mid, high and exclusive segments. But the company's envisions in the mid to long term to enter to those highly competitive markets, listed by Ramiro Agudelo and Juan Camilo Montoya as India, China, Europe and United States. Indeed, the latter two rank as the most competitive markets in the world, for motorcycle helmets and accessories.

Other companies may face challenges, successes and changes; but with international market opportunities and using an internationalization process, whether progressive, networking, Born Global or eclectic in approach, a company can pursue those opportunities, changing, innovating, learning and overcoming obstacles. As observed in this case, and many other companies that have started out small, a business can grow into a large multinational by managing the risks, obstacles and challenges necessary for the growth and expansion of the organization. According to Johanson & Vahlne, the commitment of the founder/owner and executives is required to re-invest capital, manage resources and promote innovation for companies to become stronger, before attempting to conquer other international markets. Human capital is a highly valuable resource for any organization, and Inducascos is a good example in terms of (i) choosing an appropriate and efficient leadership team; (ii) decision-making, even if some mistakes are made because they enable the company to learn from them; (iii) compromising to achieving mid to long term results.

Implications for academic researchers and managers

From an academic perspective the present study deepens the understanding of international expansion processes of companies from an emerging country, specifically Columbia in Latin America. The study notes that classical internationalization theories are not fully able to explain their process, and a contingent theory is needed to be developed, including for the special context of Latin American countries. To do so, it is important to gather other studies, retrospective or prospective, from different industries or economical activities, or develop a quantitative research study based on accurate data from a larger sample of Latin American companies in order to identify and stablish parameters and even establish common patterns or correlations for a Latin American Model. Other possible analyses can be conducted after developing a Latin American Model, including presenting and establishing a comparative analysis with other companies from other regions of the world, such as United States and Europe.

From a managerial perspective the case allows companies to study appropriate factors of success or failure in international expansion processes, especially in contexts of high competition and low product differentiation, and learn from the case of Inducascos regarding the process and stages of its internationalization.

Notes

1. A governmental entity in charge to promote Colombian exports, Foreign Direct Investment (FDI) and tourism in Colombia, in favor of commercial trade improvement of the industry of the country.
2. Colombian entity in charge of collecting, process, analyses and share official statistics. Spanish acronym of "Departamento Administrativo Nacional de Estadística."
3. A Colombian private, non-profit entity that groups and represents the 57 Colombian Chambers of Commerce, in order to promote the competitiveness of the Colombian regions, in terms of formalization, entrepreneurship and business innovation. Spanish acronym of "Confederación Colombiana de Cámaras de Comercio."
4. Inducascos founder/owner and CEO.
5. Inducascos' officer in charge of logistics and international sales.
6. DOT and SNELL are the technical standards used in USA and Canada. ECE 2205 is the technical standard used in Europe. NTC 4533 is used in Colombia. NBR 7471 is used in Brazil, NTE INEN 2669 is used in Ecuador.
7. Inducascos officer in charge of international logistics and imports.
8. Retailers and wholesalers of motorcycles, motorcycle spare parts and accessories.
9. EXW: Ex Works, FOB: Free on Board, CIF: Cost Insurance and Freight. INCOTERMS, 2010.
10. Bill of Lading.
11. Colombia exchange rate February 1998.
12. Colombia' law and regulation for motorcycle helmets: "Resolución 1737 of 2004, and NTC 4533 of 2004."
13. ONAC, Organismo Nacional de Acreditación de Colombia, or "National Accreditation Organization of Colombia." Web page: **http://www.onac.org.co/**.
14. Enterprise Resource Planning software, to improve both internal process and external services.

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