The internationalization dilemma of Portuguese furniture sector SMEs

Joel Barros Fernandes
Polytechnic Institute of Porto, Portugal
ESHT, CITUR

Eduardo Barbas de Albuquerque
Polytechnic Institute of Porto, Portugal
ESHT, CITUR

Amândio F. C. da Silva
ISCA, University of Aveiro, Portugal
FCHS, University Fernando Pessoa, Portugal

Abstract
Internationalization strategies are the need of the hour in order to consolidate profits. The internationalization process is a relevant strategy for companies, has several implications and is influenced by innumerable specific aspects, namely company behavior, culture and structure, especially in the case of SMEs. The furniture companies in Portugal depend on traditional management of their founders that lack leadership, implying lower investments in innovation, training and formation and thus, lesser opportunities of expansion internationally.

Keywords: company dimension; internationalization; organizational behavior; organization culture; leadership, SMEs.

JEL: F15, L25

I. Introduction

There has been a gradual reduction in the number of SMEs in Portugal, in the furniture and related sectors, mainly due to market changes, cheap imports from Asian markets, reduction in the public purchasing power, etc. This has called for the implementation of innovative strategies such as internationalization.

SMEs internationalization could be based mainly through exports, new markets penetration, etc. This study is pertinent because company size may or may not give the organization competitive advantages to achieve and/or sustain itself in external markets. The best perception of questions linked to size will turn into a good tool, for companies to grow and conquer international markets, without being affected by any bottlenecks in domestic markets.

This study aimed at responding two questions:
- Does Portuguese SMEs size play a role in their capacity to internationalize?
- When an SME company is willing to increase its size, what tools can be of use?

To reply the above questions, and because it was not possible to study all the Portuguese companies, this study was limited to the furniture and mattress manufacturing industry, having the Economic Activity Code (CAE) 31 (revision 3), as this industry has already been the basis of a previous study (Machado & Fernandes, 2004). We also contacted the following entities: Associação Empresarial de Portugal (AEP); Instituto Nacional de Estatística (INE); Portal das Finanças; Associação das Indústrias de Madeira e Mobilário de Portugal (AIMMP); Associação Portuguesa das Indústrias de Mobiliário e Afins (APIMA).

The study was based on the Sistema de Análise de Balanços Ibéricos (SABI), a database of Iberian companies, from which the information related to companies with CAE31 that submitted the IES (simplified corporate report). Obviously, companies that submit the IES are active ones and the total number was 1515. The study was qualitative in nature and involved the analysis of 58 interviews realized in the Capital do Móvel (Furniture Capital Fair) and from the open answer e-mails sent to all the companies of our study.
We will try to explore the results of the literature review, focusing not only on the internationalization process, but also on other structural concepts, like organization structure, culture and leadership, etc.

How to internationalize an SME: concept and related theories

Internationalization addresses the need that a company has to search for new markets in order to continue being competitive (Freire, 2008). SMEs try to internationalize in order to survive and increase profits, adapting their strategies, resources and structure to new investments. Internationalization is an advantageous process for companies, as it increases their competitiveness, deepens their central competencies and knowledge in new markets, and the replication of the success of products and services in other countries.

Fryges& Wagner (2008), cited by Tavares & Marques (2013), remember that exports and internationalization involve various new coststo companies that can only be covered with an increase in productivity or in other words, by an increase in business volume.

The classical approaches of behavioral theories emerged from the Nordic School, with the creation of the Uppsala Model and the Born Global Theory (Varandaet al., 2010).

As per Hemais& Hilal (2002, quoted by Varandaet al., 2010), companies hardly initiate their internationalization process by creating subsidiaries in third countries, but by, in a first phase, exporting to markets that are quite similar to their domestic market, in order to minimize any inherent risks.

In the Uppsala model, the internationalization process contemplates four phases: 1) there are sporadic and irregular exports; 2) evolution of with agents and distributors contacts; 3) company establishes filial companies and 4) production/ manufacture of the product/service starts taking place in the external market (Hultet al., 2020).

How behavior, culture, organization structure and leadership can affect internationalization

Organization behavior corresponds to a set of cultures, made up of characteristics, beliefs and values shared by organization members (Hofstede, 1991).

Organization culture functions as a vehicle that guides and patterns the behavior and actions inside a company, based on the vision, mission and defined values and aligned with the global business objectives (Camarat et al., 2010; Schein, 2010). Culture is determinant in favoring or not the adoption of change strategies in moments of time that can be crucial to the life and/or survival of a company. Innovation capacity is very much determined by its values, beliefs, symbols and inherent behavior that are shared by the members of the company (Büscheman et al., 2013). Jacobs et al. (2013) state that the organization culture is so relevant that it can influence the competitive capacity of companies, their social and economic objectives, cooperation capacity of its members, the focus in objectives, the motivation and the workers’ deliver to the pre-established targets of the organization and subsequently to the corporate success (Cunhaet al., 2013).

Till the fifties of the last century, investigators focused their analysis on the macro aspects of the internationalization process that related mostly with the external aspects of the company (Dal-Soto et al., 2013; 2014). With the birth of the Uppsala model, the internationalization process and its different stages started being interpreted on the basis of the internal characteristics to the company and being based on a continuous learning process. Yu & Zhang (2010) state that his change in approach is also related to the need to manage and shape the influencing factors of the internationalization process. Though external macro structural factors, that are continuously dynamic, are presented as the determinants in the internationalization process, they cannot be managed or influenced by the organizations, unlike the internal ones, especially when they are directed towards the internationalization of the business.

The behavioral theories analyze the internationalization process based on the relation with the organizational characteristics, like the behavior and culture of the organizations. As per them, the internationalization process depends, among other aspects, on the attitude, perception and behavior of the decision-makers who try to decide on actions that minimize the risk the moment the company starts expanding internationally. The understanding of the organization behavior concept allows us to conclude that this is a structural element in the dynamics and actions of individuals and organizations (Chandra, & Wilkinson, 2017).

As mentioned by Mellin (1992), the corporate internationalization process is a strategic process that determines the change and development of the corporate opening and participation process in external markets. To the strategic process, he relates business ideas, orientation towards action, organization principles, management practices, corporate values and company norms. Under this perspective, internationalization is considered as influenced by the internal characteristics of the organization.

A cohesive, homogeneous and globally shared culture by all the members is a guarantee of a coherent action with the principles and values of the same culture. For these reasons, Yu & Zhang (2010) understand the organization culture as a spiritual force that guides the organization in its internationalization process.

Liu (2009) as cited by Yu & Zhang (2010) defends that the existence of a clear organization culture has several effects in the corporate internationalization process, given that: 1) it is presented as a source of
The internationalization dilemma of Portuguese furniture sector SMEs

Inspiration in attracting international talent; 2) it can create a harmonious environment for international talent; 3) it can encourage international talent to attain its values; 4) it can shape the corporate image in such a way that international talent is attracted. Yu & Zhang (2010) also state that the existence of a solid corporate culture with its own characteristics is presented as a core factor of corporate competitiveness.

The model presented by Jacobs et al. (2013) relates different types of organization culture and the competitive capacity of companies comes to reinforce the behavioral perspective of analysis of the internationalization process, in what is related to the inherent values of the organization culture and the propensity for competitiveness, innovation and external opening of the company. Their model highlights the existence of organization cultures that better adapt their focus towards internationalization and to the principles needed for exporting. A development culture (creative, adaptive, risk taking leader, innovative) and rational (competitive, objectives oriented leader and based on competitiveness and on gains), even though of distinct forms, retains an external focus and is directed towards competitiveness of the company and has more propensity to develop its activity in international markets.

Contrary to these two types of organization cultures, the clan or hierarchy cultures are presented with a focus directed towards the internal aspects of the company, not favoring thus actions directed towards innovation and competitiveness.

Besides culture, organization structure is also presented as a main element that is characterizing in nature for organizations. As per Ghoshal & Bartlett (1997) and Gonzalez et al., (2009), the type of structure adapted by a company can constitute a critical success factor in the development of the business and in staff management. The structure evolves as a form of operation of the strategy, giving support, organizing means and affecting available resources. Larger size organizations should have a larger horizontal structure as compared to SMEs, in order to reap the benefits of specialization, which implies also that the management will have to increase its vertical structure to have a better coordination of all the existing functional units. This enlargement of horizontal and vertical structures implies the birth of more hierarchical slabs for control and validation of all activities and behaviors (Camaarac et al., 2010).

As per Machado & Fernandes (2004), in a large organization it is impossible to maintain direct contact between all the members, though these large organizations attain competitive advantages through their efficiency, as well as economy of scale that can never be achieved by any SME. On the other side, the danger of bureaucratization and of economies of scale looms over large companies. Portuguese SMEs need to attain size in order to become competitive in international markets and with this to contribute for the growth of the GDP (Machado & Fernandes, 2004).

Reuber & Fischer (1997), Cancelier & Blageski (2009) and Jani (2011) state that SMEs, as compared to large size companies (multinationals), have more limited resources and competencies, causing difficulties in their performance in international markets and specifically to export their products and services. This is a perspective that is based on the resource-based view. While possessing more limited resources (at an operational level), SMEs see their capacity for action equally being more limited, thus losing their competitive capacity versus larger sized companies, in exploring and performing in international markets (Olevsky & Dunska, 2014).

As per Dubrin (1998), the concept of leadership is defined as the influence that one person through communication attains for achievement of objectives; the influence can be obtained with instructions as well as with orders; and the achievement of objectives in a shared sense; the persuasion to influence people to follow a line of action.

Several investigations made around the leadership theme have confirmed the importance that the leader and the leadership assume in the (un)success in terms of organization performance (Huang & Hsu, 2011). As per the authors, the leadership/leader is a previewer of organization performance, as he influences directly the top managers, who in turn, have direct influence in the global organization performance. It is the responsibility of the leader to increase the organization efficacy (Santos et al., 2008).

The leader’s character is decisive in order to create an adhesion to the organization in terms of depth and quality, in order to attain objectives and to face adverse circumstances that may arise. Hitt et al., (2005) defined strategic leadership as the capacity to anticipate, view, flex and capacitate others to create strategies whenever needed. Multifunctional by nature, strategic leadership involves intra and extra company management techniques reconciled with the changes that increase corporate competitiveness.

Under the perspective of Letestu & Holmgren (2012) it is the duty of the leader or decision-maker(s) to decide whether the decisions about the internationalization process will be the most adequate form for the company to obtain a competitive advantage in relation to its competitors. Regarding the typology of the decision-maker, the manager possesses a more formal decision-making capacity than the businessman (owner of the company), thus favoring the process of internationalization (Torkkeliet et al., 2018).
A qualitative approach

To better understand the problem being analyzed, we opted to make it a qualitative methodology as far as the collection and analysis of data is concerned. It is covered under a qualitative paradigm, based on historical data, phenomenon and symbolic interactions.

The selection choice is based on the need to understand and describe extensively the issue under study. Under this methodology, to collect data, we decided that the most effective way would be the semi-structured interview, due to its relative flexibility and amplitude to gather data. The semi-structured interview is based on questions and categories that allow the investigator and the interviewee to have amplitude related to the flow of the question/answer, respectively. We opted for the collection of data via semi-structured interviews in the first phase and the use of a questionnaire on a second phase.

On the questionnaire, we highlighted the analysis of the answer to the open question on the internationalization process. With the objective of interviewing the subjects of our sample form more efficiently, we considered that the interviews should be made during the fair Capital do Móvel, at Paços de Ferreira, Portugal.

We conducted 58 interviews to managers and company owners to come to some initial conclusions. The data analysis was based on the contents, where some of the categories of analysis were (re)constituted before and during the analysis, as the data collected prompted us to create new analysis categories. Bardin (2004) classifies content analysis as “a set of techniques of communication analysis that use systematic procedures and objectives to describe the message contents” (p. 33).

The categories analyzed, as a matter of operational strategy, were subdivided in an analysis size that allowed us to specify the analysis contents. Based on our assumptions, we identified six categories: 1) Exporting companies; 2) Ways of growth; 3) Financing; 4) Characteristics of business partner; 5) Company size; 6) Export promotion strategies.

Presentation and results

The partial analysis of interviews, based on aspects considered as fundamental and that matched defined categories and sizes, allowed us to collect 140 evidences, 45 from the interviews and 95 from the questionnaires (based on 64 replies to open question: Suggestions to increase company size having CAE31 and thus, incentivize exports).

The analysis of interviews revealed that though there may be difficulties in this industry, the global economic crisis context plays a role in the opinion and disbelief about possible growth and internationalization. Export is not seen as a viable growth option by the majority of the interviewees, who showed some form of resistance to the expansion to international markets (“I do not want to export as foreign buyers never pay immediately. When we buy outside, we have to make spot payments”).

In several cases, lack of education of the company leader, ignorance of external markets and bureaucracy and associated costs were presented as the main hurdles to internationalization.

There were other factors that could be considered as inhibitors or impellors of internationalization, though being less significant than the previous ones above, namely: (in)existence of Events/Information platforms and industrial promotions; Market surveys; Innovation; Product/Service quality; Brand; Focus on international tendencies (client); (in)existence of an Association/Industry regulatory entity and Organizational Structure of companies.

While analyzing the inherent evidences of inhibiting/impelling factors of the internationalization process, we concluded that there are six factors that aggregate the largest number of evidences, revealing thus its value in the context of the issue under study. They are human capital formation, fiscal charge, product/service quality, bureaucracy/legislation, event/promotion platforms and industry broadcast and market surveyas can be seen in Graph I.
Graph 1. Inhibiting/impelling factors to the internationalization process

<table>
<thead>
<tr>
<th>Factor</th>
<th>No. of evidences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Capital Formation</td>
<td>13</td>
</tr>
<tr>
<td>Fiscal Charge</td>
<td>10</td>
</tr>
<tr>
<td>Product / Service Quality</td>
<td>9</td>
</tr>
<tr>
<td>Bureaucracy / Legislation</td>
<td>8</td>
</tr>
<tr>
<td>Event/Promotion platforms for industry Promotion/Broadcast</td>
<td>8</td>
</tr>
<tr>
<td>Market Survey</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: own compilation

Though human capital formation was several times mentioned as a stumbling block to expansion due to low levels of school education and formation, there was also a parallel resistance to the betterment of this competency (“What matters is the University of Life and not basic education”; “I don’t want to have further education as I do not feel the need for it, as my life is settled”).

For some of the interviewees the investment in formation and managerial development in the industry is a critical factor for success, given that the industry has managers with low education levels and without any specific formation in critical areas (“Remember that firms like ours were created and managed by a professional woodworker/carpenter who studied up to 4th grade (it’s my case”).

So, we concluded that due to the known lacuna of these managers in terms of education and formation, there is a resistance to knowledge acquisition, many times due to the age of the managers and company owners. This old question has explicit implications not only at the formation level but also in terms of expansion aspirations and subsequently, internationalization.

Fiscal Charge is in second place as the factor with larger representation of evidences. Transversal to the interviewees, the opinion was that the fiscal legislation does not favor company expansion to international levels, and contrary to that, functions as an internal and external retractor (“I would like a lower fiscal charge).

There is also a sentiment of injustice based on the lower benefits given to SME as compared to large companies (“Have the same rights as large companies in order for SMEs to grow”).

In third place, based on evidences, interviewees highlighted that the Quality of product and service is a critical factor for corporate success, especially in the context of international expansion. They presented an opinion that products based on quality and not on mass production is a fundamental element for business success. For that, they related the reduced company size as a propitious factor towards the product/service quality rendered (“The type of product and its quality is what matters”).

In fourth place, comes the question of Bureaucracy/Legislation that involves the activity of these companies. For large part of the interviewees, excessive political bureaucracy does not favor and even discourages the action of managers for expansion to international levels (“There is so much bureaucracy that I get discouraged with all this”).

Simultaneously, some interviewees believe that there is an absence of legislation to protect corporate activity and that does not neglect business results (“Our country needs tighter payment rules”).

With the same number of evidences as the previous factor, there is another one considered of great relevance to the companies and in their internationalization: Information events/platforms and industry promotion. The participation and creation of more events and platforms that promote information and broadcast the industry and its products is interpreted by some interviewees as a fundamental step for internationalization, as it can reach farther and to a greater audience.

The existence of this kind of initiatives, considered essential for industry expansion, is counteracted by industry culture, that does not promote opening and sharing of ideas and products (“To potentiate the search for clients through the creation of means that will allow foreign companies to come to know about Portuguese companies, especially those in Paços de Ferreira”).
Lastly, surveys and knowledge of foreign markets is seen by interviewees as an essential action to enter those markets. Various interviewees highlighted the importance of market studies ("To increase exports, it is necessary to have market studies, to know what people need and like").

With a more residual number of evidences, we highlight other factors considered as relevant and propitious/inhibiting to internationalization, namely: existence of brands; accompanying international trends; innovative capacity and the existence of an Association or Industry Regulatory Authority as an advantage for the activity as it would be better protected in the market.

Regarding the ways of possible growth and taking into consideration not only the collected data, but also the literature review above, we identified eight ways of growth/expansion, such as: unions, cooperatives, complementary company clusters (ACE), strategic agreements, networking, clusters, fusions and acquisitions. The analysis of the number of evidences in each of the referred sizes leads us to conclude the existence of three forms of expansion, namely: unions, fusions and strategic agreements (graph 2).

**Graph 2. Expansion forms identified by companies**

The frequency that the size union was referred to by the interviewees makes it more relevant that the remaining ones ("It would be nice for us to get together to represent ourselves"). Nevertheless, the analysis of speeches shows that while cultural and social union between companies in this industry is by some an important strategy simultaneously there is a poor reception in the minds of people ("Rather lose alone than gain by sharing").

Some interviewees recognize, based on success stories of other industries that corporate unions can be a positive way of guaranteeing market expansion ("It resulted in wine and shoes markets, for example"). On the other side, union of companies is also recognized as relevant for the protection of businessmen ("There should have been a union among businessmen of this industry in order to guarantee spot payments for export orders"). Fusion of companies is another way of growing in which businessmen showed some disbelief, not only for questions related to culture and industry practices, but also for not believing in the financial capacity of companies that result from the fusion of several entities. There is an auto-hetero concept that does not favor the use of fusions of companies ("It is difficult to fuse companies as nobody trust anybody. Everyone tries to fool others").

In addition to this lack of trust in fusions, this perspective is also imbied with a hetero concept that highlights the existence of a cultural practice that does not favor fusions ("Companies fusion creates strong groups, enforcing growth and exports").

In third place, we put strategic agreements that unlike the previous sizes, brings in more positive perspectives from businessmen. Domestic and international strategic agreements are understood to be advantageous for the industry as they can promote actively the companies’ competitive capacity by reducing the production costs and by promoting their entry into third countries ("Create strategic partnerships among companies, even competitors").
In this context, the perspective that any expansion strategy that reduces the grade of autonomy in terms of company management will be classified as a threat and is thus not desired by the majority of businessmen (“Subcontracting is not a good option, as we lose responsibility of our products”).

Cooperatives as a way of growth of companies had lower relevance when compared with the previous options. Even then there was poor receptivity, whether as a hetero concept that does not accept this form of union or by the consequences that it may have (“Cooperatives make companies too dependent and fragile”).

Regarding networking, there was only one fact that recognizes its importance as propitious for expansion of companies (“It is necessary to start outside first and talk to the right people”).

Company-clusters though hardly referred to in the interviewees’ statements, carry a positive perspective as a form of expansion and to increase company competitive edge internationally.

Size acquisitions did not get any evidence from interviewees. Company acquisition is an expansion form that requires a greater investment and with the economic crisis and negative perspective of the industry, it will not be considered as a viable one.

With regards to financing, we identified four sizes for our study: risk capital, public financing, bank credit and own funds. The analysis of graph 3 shows a large discrepancy in the evidences of the above options.

**Graph 3. Financing sources**

| Source: own compilation |

As can be seen by the analysis of graph 3, public financing was the source that gathered the maximum evidences.

The perspective that there should be a greater financing via public funds is generalized by some interviewees. There is a sense of injustice towards SMEs as compared to larger companies (“Let politics help. The government only helps larger ones”). In their view, the weak existence of this kind of incentives is a discouraging factor for export-oriented companies.

The same happens when the bank credit issue is explored. Here too a negative perspective is noted, as this form of financing is perceived as too difficult to access. Regarding own funds, the perception is that companies do not have that kind of capacity for investment.

The analysis of the interviews’ contents revealed that increase in company size is not recognized as a guarantee or propitious factor for internationalization (“Company size does not guarantee financial sustainability nor increases exports”). Besides not being an objective due to costs and insecurity involved, increase in company size is not recognized as a main factor in internationalization. Company flexibility, as compared to its size, is recognized as a more important characteristic.

Flexibility is a complex theoretical issue that is usually associated to any organizational structure and to company culture. We highlight companies that value more intrinsic aspects to culture and flexibility implicit in company structure, more than only size, as propitious factors for internationalization. In addition, the quality and type of product are factors more valued than company size (“What is important is the type of product and its quality”).

In general, interviewees do not recognize increase in company size as an essential criterion for internationalization, as it is associated with global insecurity and risks.

Firstly, increase in company size is not one of the factors considered by businessmen who will always opt for lower risk strategies, as per example: strategic agreements, promotion of quality of product and service, stimulation of company flexibility and human capital formation.

Only when there is an obvious growth with security in the company, the hypothesis of increase in size, via contracts, may be the most desirable way for growth as compared to the previous ones (“We should search for work and as work arises, the company should be optimized and increased in size”).
Once again, the values and culture of these companies are strong vision conditioners that are used by managers in their internationalization process. The increase in company size is seen as a risky step that should only be taken up, when all other issues are duly taken care of. The macro-structural context of economic crisis also does not favor increase in company size ("Actually increasing company size is very complicated").

On the other side, the fact that companies in this industry have a familiar structure, whose owners and managers are of an advanced age and without any academic formation brings the industry to a traditional context that is averse to change by nature, very poorly receptive to strategies that may distance it from the centralized perspective of the founders. We are thus facing a management style, based on company founders with traditional and poor innovation vision, for the strategic management of companies. This characteristic has direct consequences on the growth aspirations, limiting associated practices of a more strategic management of the business ("When young we have many dreams, we want to open many shops, but with age, we resign, get used to a certain lifestyle that for us is enough").

The analysis of businessmen’s statements reveals though an inverse scenario to a leader’s and leadership perspective presented by us. In that sense, the characteristics of company managers are shown as an obstacle to the adoption of strategies that could in principle be more advantageous to the companies and propitious to its internationalization.

Main conclusions and managerial implications

This study allowed us to understand some aspects related to companies of CAE31, namely at corporate, economic, social and cultural levels.

The people with greater antiquity in the industry are not motivated and reveal fewer objectives for the future, as well as lack of interest in developing company size.

In this industry there is a certain level of distrust between businessmen, hence the poor adhesion to the idea of fusion/cooperative between the companies. They have a need to maintain certain privacy of information related to their own company and that is a stumbling block to the collection of data via interviews.

The reduced conscience to the need of training that does not allow a businessman to gain the needed knowledge in order to face the national and global challenges.

Thus, the possibility of success in the process of exports and internationalization is reduced. Though they may not recognize that their poor formation is a stumbling block in having a more strategic management for their companies, some businessmen acknowledge the importance that the formation of their collaborators can have on the promotion of the quality of their products/services.

The interviewed businessmen revealed very little ambition for their businesses and poor innovation and risk capacity, as well as ignorance of the needs of public consumption at domestic and international levels, suggesting the need for the creation of an entity to help them in the internationalization process, exports and training.

It is worth mentioning also that businessmen mentioned intrinsic aspects (e.g. external financing methods, bureaucracy, competition) as limiting factors to corporate expansion and internationalization.

A thorough analysis of data does not enable us to relate directly the size of interviewed companies with their internationalization capacity, given that they pose a multi-dimensional perspective about internationalization problems, mentioning other aspects that end up being more valued than the internationalization itself.

Generally, companies have very less interest in increasing their size, given the risks and related investment to be faced.

The data also reveals that more than company size, there are other aspects with greater relevance that discourage the internationalization process, namely: traditional management based on the founders (with low level of academic formation and traditional business view), absence of leaders and poor acceptance of growth via fusions. A generalized individualistic attitude and poor will and capacity to bet in situations that involve greater risk and investment was also noted.

Among all the expansion ways analyzed strategic alliances and, in a general way, corporate cooperation is recognized as having greater importance to these businessmen. We note that some forms of expansion (fusion, acquisition) that need a higher level of investment and a loss of dominance of the business, are for cultural reasons, not desired by the businessmen. Strategic alliances, that do not imply loss of dominance, are considered as advantageous for companies. Strategic agreements in domestic and international context are seen as advantageous for the industry as they can actively promote the competitive capacity of companies, either by reducing the production costs, or by promoting the entry of companies in third countries.
Corporate fusions are a way of growth that the businessmen eye with discredit, not only because of cultural issues of the industry, but also due to the disbelief of the financial capability of the fused concern to operate in the market. The interviewed businessmen considered that a fusion could be a threat to their autonomy and dominance in terms of management and are resistant to this way of growth. Culturally, the industry is opposed to opening, cooperation and sharing and thus fusion is not a preferred expansion route.

Regarding acquisitions also, the perspective was not positive, as it is linked to a poor will to increase size and businessmen identified economic difficulties that affect the country and the industry and that do not favor investments, as a deterrent to expansion.

The interviewed businessmen did not have a sustained perspective on risk capital, for increasing company size, as they feel that this option is only available for larger concerns.

The statements of these individuals let us conclude that there are several macro structural aspects that limit the internationalization process of CAE31 SMEs, namely the global economic crisis and the actual political and institutional status.

On the other side, in an internal company perspective, there are some views that do not permit competitive capacity and company innovation and subsequently the growth capacity in third countries, these being the formation of managers and company owners and the familiar and traditional type of management in this industry.

Though businessmen recognize the importance of some practices and actions, in order to promote company internationalization, they also acknowledge that micro and macro contexts, internal and external to the companies, do not favor growth. So, to conclude, the initial questions that we aimed to answer:

- Does Portuguese SMEs size play a role in their capacity to internationalize?

Yes, the smaller size of Portuguese SMEs inhibits their capacity to internationalize, given that the owners of these companies do not wish to grow in size, through mergers or other expansion forms, and prefer to remain small.

- When an SME company is willing to increase its size, what tools can be of use?

The willingness to increase the size is very limited. In case some companies wish to increase their size, they could opt for any or some of the expansion forms mentioned in graph 2.

Limitations and recommendations for further study

The shortcomings in this study are not only pertinent to this sector CAE31 but are more or less common in the Portuguese industrial sector as a whole, composed mainly by SMEs.

We covered a very small sector of the furniture industry limited to finding out the inherent perception of the owners and managers of the SMEs and did not cover the main macroeconomic factors that plague the Portuguese economy.

It would be interesting to expand the study to other sectors of the Portuguese industry as well as to other countries, covering the SMEs in order to analyze the factors that limit their expansion and development.

Bibliographic references


DOI: 10.9790/487X-2311035362 www.iosrjournals.org 61 | Page
The internationalization dilemma of Portuguese furniture sector SMEs


