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THE INFLUENCE OF COMPANY SIZE ON ITS INTERNATIONALIZATION CAPACITY: A COMPREHENSIVE VIEW ON PORTUGAL

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Abstract. In the competitive environment that companies operate today, there is a need to adopt internationalization strategies to enable consolidation in diversified markets. The internationalization process is part of a relevant strategy for companies, has several implications and is influenced by innumerable specific aspects, namely by the behavior of companies, by their culture and structure, as well as by their leadership, but it is on the organization structure that we find one of the most relevant features: the dimension (size) of companies.

Based on a qualitative methodology, we interviewed managers of the furniture manufacturing industry. We concluded that companies value increase in size; nevertheless, for cultural reasons, they are still resistant to such an increase. For increasing their size, companies value several instruments, such as: strategic alliances/corporate cooperation; fusions and acquisitions; and risk capital interventions.

This work is an eye opener about the need to educate and train entrepreneurs in the Portuguese industrial sector and to bring about an awareness of the benefits of formation, training, expansion and diversification in order to be able to compete on a global basis.

Keywords: dimension, size, internationalization, organizational behavior, organization culture, leadership.

JEL Classification: F15, L25.

Introduction

The constant changes of markets coupled with the dangerous reduction of the number of companies in Portugal and the structural complexity have been demanding a constant reformulation and implementation of strategies that will guarantee their continuity in the marketplace. In these strategies is surely the need for internationalization (Banco de Portugal, 2021).

The exploration of organization behavioral concepts, namely the culture and organization structure were fundamental. It was important to understand how certain types of culture and organization structure influence the development and evolution a company, mainly in the value of its exports, penetration in new markets, internationalization capacity, emphasizing on one of the contingent factors like company size (Dinheiro Vivo, 2014).

Though the generality of industries was not studied, all the studies point towards the same: internationalization of Portuguese companies rarely goes beyond the first stage. It is also to be noted that in relation to leadership issues, the businessmen/managers of Portuguese companies still do not perceive the importance of various growth and cooperation strategies as a way to develop in a sustainable way and subsequently to increase their size.

This study aimed at responding three questions: *Does the size of Portuguese companies play a role in their capacity to internationalize? Are Portuguese companies interested or not in increasing their size with a view to internationalize/increase exports? When Portuguese companies are willing to increase their size what tools can help them?*

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).

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The study population 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) for the years 2017, 2018 and 2019. The total number was of active companies was 1515.

1. Internationalization process: concept and related theories

The process of internationalization corresponds to the need that a company has to search for new markets in order to continue being competitive (Freire, 2008). Internationalization is an advantageous process for companies, as it increases their competitiveness, the deepening of the central competencies in new markets, the knowledge of external markets and the replication of the success of products and services in those markets. On the other side, Fryges and Wagner (2008), cited by Tavares and Marques (2013), remember that exports and internationalization involve various new costs to companies that can only be covered with an increase in productivity.

The company internationalization process, given its practical and theoretical importance, has been studied by several authors in the last few decades. From the various theories that emerged, two theoretical ones are outstanding: one that centers its analysis on economic factors as influential elements in this process and the other that approaches the phenomenon from a behavioral perspective (Boffelli et al., 2020).

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

As per the Uppsala model, the internationalization process contemplates four phases: 1st) there are sporadic and irregular exports; 2nd) evolution for contacts with agents and distributors; 3rd) the company establishes a filial company and 4th) the production/manufacture of the product/service starts taking place in the external market (Hult et al., 2020).

Johanson and Vahlne (1977) reiterate that the internationalization process happens in a gradual learning logic and for that reason there is a greater compromise with the market and with the internationalization strategy that comes from the experience that the company keeps gaining throughout the process. In this perspective, a better sustained knowledge of the external markets and their characteristics allow for the adoption of strategically thought actions and that are based on market analysis. Later on, Johanson and Vahlne (2009) while debating on this issue again mentioned another dimension considered as fundamental and also stressed on the importance of knowledge networks as an element of great importance in the internationalization process.

Honório (2008) states that the decision of a company to internationalize passes through various motivational factors, namely: individual, organization and environmental determinants.

2. The influence of behavior, culture, organization structure and leadership in the internationalization process of Portuguese companies

The first author who wrote about the organization behavior theme was Luthans (1973) but even before attempts were made to define Organization Behavior as a study of the functioning of organizations (Pugh, 1966, 1969). The study of organization behavior involves the analysis of individual and group behavior, organization values, leadership, climate and culture as well as related management practices.

Honório (2008) affirms that organization characteristics are without doubt the decisive factors in the internationalization process of companies. For Solinger et al. (2008), organization behavior is an area of investigation about the influence that individuals, groups and organization structure exert over the behavior inside organizations. Another perspective is that of Wagner and Hollenbeck (2012) for whom organization behavior is a subject that seeks to preview, explain, understand and modify the human behavior in a corporate environment.

As per Vertel et al. (2013), organization culture can be defined as a set of cultures, made up of characteristics, beliefs, symbols and shared values by the members of the organization.

As per Camara et al. (2010), the stronger and homogeneous the organization culture of a company, the more efficient the company. No use having beautiful sentences declaring the mission of the company or an excellent set of values (published), if the workers do not feel it mirrored in their daily activities.

The absence of an organization culture management, in turn, opens doors to the existence of dysfunctional situations, less positive performance that are not based on the real objectives of the business. Thus, the impact that the organization culture management can bring to the motivation of a team and its performance is unquestionable (Ling et al., 2020).

Till the first half of the 20th century, investigators focused the analysis on the macro aspects of the internationalization process that related mostly with economic and external aspects to the company (Dal-Soto et al., 2013, 2014). With the arrival of the Uppsala model, from the Nordic countries, 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.

Theories that are based on the behavioral approach analyze the internationalization process based on the relation with the organizational characteristics, amongst others, the behavior and culture of the organizations. Under this view, 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 towards an international context.

In the perspective of Ebrahimpour et al. (2011), organization behavior is an influencing element to the members of a company, in a measure that dictates that their actions are moved by individual or group interests/motivations and when the actions of individuals are based on this second motivation, we have an organization behavior directed towards the global and strategic objectives of the business.

Liu (2009) as cited by Yu and 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 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.

The corporate perspective based on resources (Resources Based View of the Firm) enforces the idea that a company possesses resources, namely organizational (e.g. organization culture) that should be empowering tools to achieve competitive advantage (Yarza et al., 2018).

The model presented by Jacobs et al. (2013) that 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 opening for the external size 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, detains 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 of the company.

Besides culture, organization structure is also presented as a main element that is characterizing in nature for organizations. As per Gonzalez et al. (2009), the type of structure adapted by a certain company can constitute a critical success factor in the development of the business and in company staff management. The structure evolves as a form of operation of the strategy, giving support, organizing means and affecting available resources. The company structure is normally defined as a form of managing its existing complexity, formalization and centralization. There are various ways how the three structural components may be combined, but they always have an important impact on the behavior and attitude of its members (Camara et al., 2010).

The company size also has an impact on its structure (Camara et al., 2010). Larger size organizations should have a larger horizontal structure as compared to small companies, 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 will also imply the birth of more hierarchical slabs for control and validation of all the activities and behaviors.

Important differences that the size of the organization makes are referred by Machado and 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.

Even though the perspective of organizations based on resources shows a deficit of resources that does not favor the internationalization of SME, Brazinskas and Beinoravičius (2014) state that internationalization (either by way of exports, or any other way) should be an inevitable way for companies of this size, as it will empower their competitive capacity and survival in an increasingly global market.

The study undertaken by Oliveira (2011) allowed the identification of some explanatory and influencing factors of the level of exports of companies, namely: the size of the company, experience (years of activity), capital and productivity. The first two factors have, in comparison to the others, a higher weightage in the influence and segmentation of exporting companies.

Hersey and Blanchard (1988, p. 86) define leadership as "the process of influencing the activities of an individual or group in the sense of obtaining from them the efforts that will permit the achievement of targets in a given situation". Later, Kotter (1990, p. 3) expanded it as "a process that helps direct and mobilize people and/or their ideas".

Kort (2008) concluded, in his study about the different interpretations of leadership that this is a concept that is undiluted in the social relation established between two or more individuals.

Dubrin (1998) stated that leadership has an impact in the organization performance, as leaders with their actions and personal influence cause changes in the organization. Many times, it is said that to resolve some existing problems in the company it is necessary to change the leader. The author refers also to a multicultural leader who has abilities and attitudes that enable him to relate efficiently and thus motivate people of different races, gender, age and social strata.

Huang et al. (2011) acknowledged the influence that a leader has on the global performance as he is like an orientation compass of the team that acts in accordance to his guidance, values and principles. The leader is also a decision maker. So, whether more directly, by the decisions that he takes, or indirectly when he influences the actions of the team, the capacity to influence the path of a business, namely the capacity to influence the internationalization of his company and specifically of its exports will be attributed to him.

On the resource-based approach, the competitive advantage of companies depends largely on the capacity to obtain resources and distinctive competencies that allow the company to differentiate it from others (Lopes & Baiola, 2011). These competencies pass through the competencies of leaders and also by their capacity to incentivize the development of team wise specific competencies. Studies on the individual characteristics of the leader reveal also that there is a positive correlation between the charisma and the intellectual stimulation of the leader towards the led and a positive impact on the team performance (Obiwuru et al., 2011).

Villarreal and Cerna (2008) state that in an increasingly dynamic and global world, organizational leaders must continuously bet on the acquisition of competencies and intellectual tools that are fundamental for the orientation of the business.

3. Technical-methodology options: a qualitative approach

In order to better understand indepth the problem being analyzed, we opted to make it a qualitative methodology as far as the collection and analysis of data is concerned.

The selection choice is based on the need to understand and describe intensively the issue under study. Under this methodology and to collect data, we decided that the most effective way would be the semi-structured interview, based on its relative flexibility and amplitude to gather data.

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, under their activity context, we considered that the interviews should be made during the fair *Capital do Móvel 2019,* at Paços de Ferreira, Portugal.

We conducted 58 interviews to managers and company owners that allowed us firsthand to come to some conclusions for our study. 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. 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.

4. Presentation and discussion of results

Overall, we encountered a certain level of mistrust between the entrepreneurs, thus the lack of interest in the idea of cooperation/fusion between companies. The entrepreneurs feel the need to maintain some company information confidential, and this was a stumbling block for the data collection via interviews.

This made obvious that there is some emotional dimension to the company culture, that is characteristic of Portuguese companies (Fonseca & Silva, 2014; Miranda et al., 2015).

The diminished consciousness of the need for training does not enable the entrepreneur to gather enough knowledge in his area of operations, in order to face the challenges faced in his own country and in the global and competitive world. It thus reduces his possibilities of succeeding in the process of internationalization and exports. This evidence contrasts the evolutive and processual perspective mentioned by Johanson and Vahlne (1977) regarding internationalization.

Even though most entrepreneurs are not self-conscious that formation is a relevant aspect for the strategic management of the company, some businessmen recognize the fact that the training of their staff may help in the promotion of the quality of their products/services. So, we face a dual issue that is inherent to an acritical auto-concept.

The entrepreneurs that we interviewed revealed lack of ambition for the development of their business and poor capacity to undertake risks as well as to innovate, not having knowledge about the consumption needs of the national and international public, while some suggested the creation of an entity to help them in the internationalization process.

Most attributed a great weight to public financing programs and measures to stimulate internationalization, stating that the lack of such support will difficult the internationalization process. In this optic, an economic perspective of internationalization arises (Varanda et al., 2010). Some also stated that bureaucracy around the expansion process caused hurdles in the internationalization process.

It should be mentioned that across the board, businessmen mention only extrinsic aspects to their companies as hurdles (e.g. external financing forms, bureaucracy, competition, etc.). In the terminology of Leonidou (1995), cited by Honório (2008), external stimuli are thus taken into consideration in detriment to internal ones.

However, none presented an auto criticism that would permit the analysis of the factors that could be intrinsically improved (formation, innovation, management strategy, etc.) in order to empower the competitive capacity of the company in the national and international context.

The partial analysis of the interviews, based on the aspects considered as fundamental and that matched the defined categories and sizes, allowed us to collect 140 evidences, 45 from the interviews and 95 from the questionnaires (based on 64 replies to the open question:

Suggestions to increase the size of the companies having CAE31 and with this, incentivize exports).

The analysis of the 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 the possibility of growth and internationalization of companies.

Exports 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. While we buy outside, we have to make spot payments").*

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

There were other factors that could be considered as inhibitors or impellors of the internationalization process, though being less significant than the previous ones above, namely: (in)existence of Events/Information platforms and promotions of the industry; 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 evidence of the 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 survey* as can be seen from the analysis of Figure 1.

Though human capital formation was several times mentioned a stumbling block to the 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 (its my case)*").

Thus, we concluded that due to the known lacuna of these managers in terms of education and formation, there is a resistance to the acquisition of knowledge, many times due to the age of the managers and company owners. This age-related 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 evidence. 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 different 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 evidence, the interviewees highlighted that the *Quality of product and service* is a critical factor for corporate success, especially in the context of expansion to international markets. 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 size of the company 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 bureaucracy does not favor and even discourages the action of managers for expansion of their companies to international levels ("*There is so much bureaucracy that I get discouraged with all this*"). This bureaucracy is many times associated to the political approach that does not favor the expansion of companies.

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

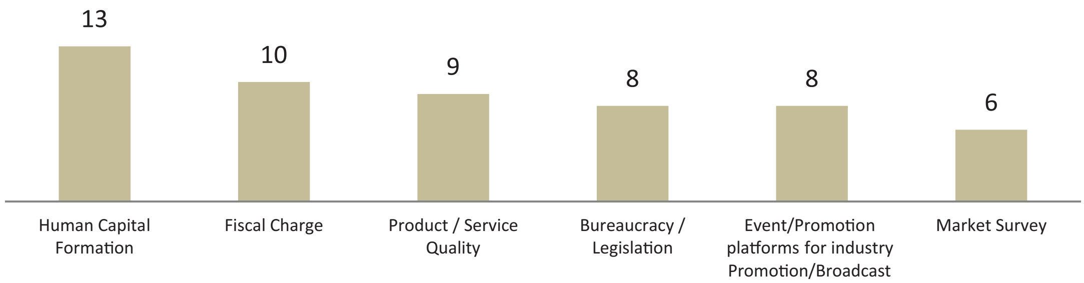

Figure 1. Inhibiting/impelling factors to the internationalization process (source: own compilation)

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 of the 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 the industry expansion, is counteracted by the industry culture, a 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 the 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 the internationalization process, namely: existence of a brand; 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 that on part of the interviewees, namely: unions, fusions and strategic agreements (Figure 2).

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 the speeches shows that while effectively the cultural and social union between the companies in this industry is by some as an important strategy simultaneously there is a poor reception in the minds of people (*"Rather lose alone than gain by sharing"*).

Some of the interviewees recognize, based on success stories of other industries that corporate unions can be a positive way of guaranteeing expansion in the market (*"It resulted in the wine and shoes markets, for example"*).

On the other side, the union of companies is also recognized as relevant for the protection of the businessmen (*"There should have been a union among the businessmen of this industry in order to guarantee spot payments for export orders"*).

Fusion of companies is another way of growing in which the businessmen showed some disbelief, not only for questions related to culture and the industry practices, but also for not believing in the financial capacity of companies that result from the fusion of several companies. There is an auto and 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, we noted the existence of another perspective of knowledge of the benefits that a fusion can bring to the expansion of companies. Nevertheless, this perspective is also imbibed 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 the 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 the companies' entry into third countries (*"Create strategic partnerships among companies, even competitors"*).

Strategic agreements, as compared with the previous expansion forms explored, are the first form that does not have a real impact and demands management and company structure transformation. We came across companies whose culture is still traditionally settled, in many cases, in family run businesses and whose management autonomy is clearly valued and protected. Any form of expansion that requires the opening of the company to the market and to other companies could be seen as a threat in the eyes of managers and owners of these companies.

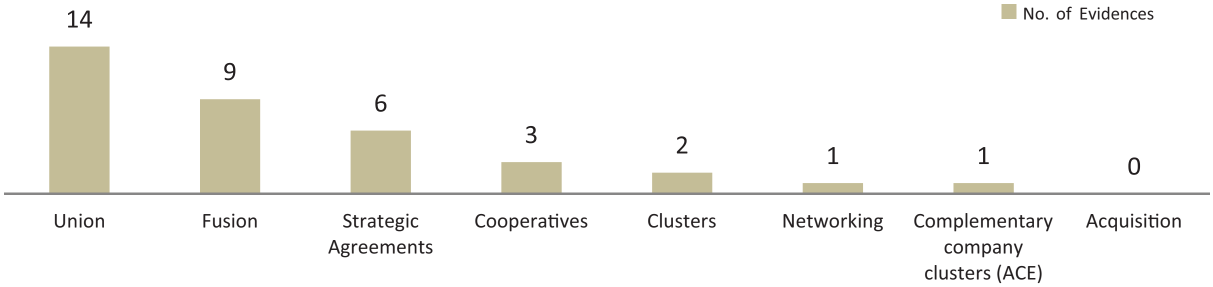

Figure 2. Expansion forms identified by the companies (source: own compilation)

Thus, 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 sizes above. 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.

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

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

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

The perspective that there should be a greater financing via public funds is generalized by some of the interviewees. There is a sense of injustice towards SME as compared to larger companies (*"Let politics help. The government only helps the large ones"*).

The analysis of the statements of businessmen in this issue shows that they attribute a strong relation between public financing, discrimination programs and the expansion of companies via exports (in the first phase of international development). 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 of difficult access by businessmen. 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 the increase in company size is not recognized as a guarantee or propitious factor for the internationalization (*"Company size does not guarantee financial sustainability nor increase in exports"*). Besides not being an objective due to the costs and insecurity involved, increase in company size is not recognized as a main factor in the internationalization process. Company flexibility, as compared to its size, is recognized as a more important characteristic in the process.

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

In a general form, the interviewees do not recognize increase in company size as an essential criterion for the promotion of the internationalization process, as it is associated with insecurity and risks in a global way.

There is some sense of fear in increasing company size and thus a sense of preserving security rather than risking an increase in size.

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, we note that the values and culture of these companies are strong vision conditioners that are used by the 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 the economic crisis also does not favor the 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

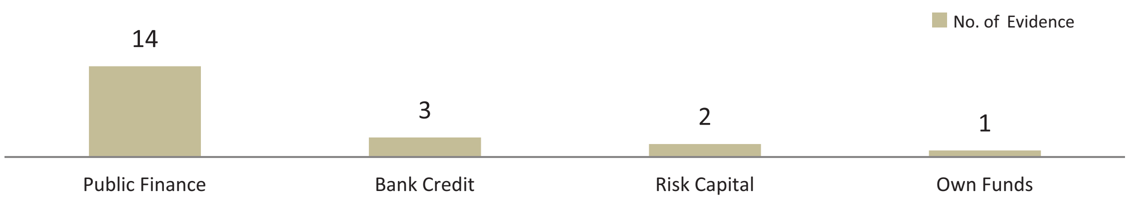

Figure 3. Financing sources (source: own compilation)

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*").

As we could find out from the literature review, leaders are a fundamental element in the path of the company, whether for the macro or micro decisions to be taken, whether for the capacity to inspire their human capital, by their own performance, speech and by the unique selling points that they can input in the company, to give it a needed competitive advantage, in an increasingly competitive market.

The analysis of the statements of the businessmen 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 the company size.

In this industry, we found 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 proved to be 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 his area in order to face the challenges posed by his own country and by the global competitive world in which he is integrated.

Thus, the possibility of success in the process of exports and internationalization is reduced. Though they may not recognize the fact that their poor formation is a stumbling block in having a more strategic management for their companies, some of the businessmen acknowledge the importance that the formation of their collaborators can have on the promotion of the quality of their products/services. We are thus before a dual and inherent question to a critical auto concept (businessman).

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 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 the internationalization process.

Nevertheless, they do not seem to possess a critical auto concept that would allow them to analyze which factors intrinsically could be improved (formation, innovation, management strategy) and thus increase the competitive capacity of their companies domestically and internationally.

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 multidimensional perspective about the internationalization problems, mentioning other aspects that end up being more valued than the internationalization itself.

In a general way, companies have very less interest in increasing their size, given the risks and related investment that the company may have to face.

Though literature states that company size is a relevant aspect in its internationalization process, the analysis of the statements of businessmen make us conclude that they do not recognize the importance of size and internationalization capacity. Under the perspectives studied, there are other factors such as quality of product and service, human capital formation, financing sources, innovation capacity, market surveys.

The data also reveals that more than company size, there are other aspects with greater relevance that discourage the internationalization process, as mentioned before, namely: companies dependent on traditional management and based on its founders (with low level of academic formation and traditional business view), absence of leaders, cultural view with 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. Nevertheless, 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 among various companies and thus fusion will not be a preferred route of expansion.

Regarding acquisitions also, the perspective was not positive, given that 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 the size of their companies, as they feel that this option is not available for SME like theirs, but only for larger concerns.

The cultural view where these companies are, is averse to risk and to loss of autonomy and has poor innovation initiative, and thus does not favor the bet on risk capital interventions.

The statements of these individuals let us conclude that there are several macro structural aspects that limit the internationalization process of CAE31 companies, 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 that is seen in this industry.

Lastly, we could not forget to mention the global cultural characteristic of this industry that limits the cooperation amongst companies. Clearly, this is an industry where the practices of openness, cooperation and sharing are not accepted so that companies could unite in order to strengthen themselves and strategically plan their entry into international markets.

Though the 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. While this acknowledgement is global, there is a general pessimistic and poor enterprising spirit that in a strategic expansion view will be a fundamental aspect for the expansion of these companies to international markets.

As per Jardón and Silva (2017), it is better to have trained human resource managers and scientists who have long-term strategies for small businesses in their area of expertise.

Limitations and recommendations for further study

The shortcomings found in this study are not only pertinent to this industrial sector CAE31 but are more or less the same in the Portuguese industrial sector as a whole. The industrial sector in the country is mainly composed by SMEs. The main issue with SMEs is the lack of importance that is given to intellectual capital.

The findings are somewhat similar to the findings of Jardón and Silva (2017) in their study of the timber industry of Oberá, Argentina, where very owners and managers pay very little attention to the intellectual capital as a factor of growth and competitiveness in companies.

This study covered a very small sector of the furniture industry and was 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 as a whole.

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