UNIVERSIDADE CATÓLICA PORTUGUESA

The Portuguese Home Textile Sector: Barriers to Internationalization to the United Kingdom

by

Beatriz Maria Sousa Marinho

Católica Porto Business School

2020

UNIVERSIDADE CATÓLICA PORTUGUESA

The Portuguese Home Textile Sector: Barriers to Internationalization to the United Kingdom

Final Assignment in the category of Internship Report presented to Universidade Católica Portuguesa to obtain master's degree in Management with specialization in Business Analytics

by

Beatriz Maria Sousa Marinho

Supervision by
Professor Liliana Fernandes

Católica Porto Business School
May 2020

Acknowledgments

The Final Master's Assignment is a lonely process but it is not a path that one walks alone. And, for that reason, this space is dedicated to those who have given their contribution to this research work. To all of them, I leave here my sincere thanks.

Firstly, I would like to thank my sister and my parents for all the affection and unconditional support they give every day of my life. For being an encouragement pillar during this challenge and providing me with all the means necessary to accomplish this goal.

I would like to thank my grandmother Quina for all the support and fundamental role that she played in this journey and in my life every day.

I would like to thank all my family and close friends for their love and belief in me. In particularly, I would like to thank my mother, my godmother, my aunt Lindinha, my cousin Diogo and my friends Beatriz, Bela and Rita for making the six months in London a little shorter and a whole lot more special. And my cousin Mafalda for her help in the final moments of this journey.

I would like to thank my supervisor, Professor Liliana Fernandes, for her continued support, guidance and availability throughout this journey.

I would like to thank AICEP, in particular the people in the London Office, for their warm welcome, availability and support during my six months internship.

I would like to thank Maria and Pedro for their support and encouragement even in stressful times. For all the memories during our six months in London.

I would like to thank Alda Têxteis, Lda. and Gipanolar - Comércio Internacional de Têxteis, Lda. that participated in this study for their availability and contribution, by providing all the information needed for this research.

Resumo

Este trabalho de investigação visa estudar o processo de internacionalização das PME portuguesas do sector do Têxtil-Lar para o Reino Unido e as barreiras enfrentadas durante o processo de internacionalização. Inicia-se com uma revisão da literatura existente sobre teorias de internacionalização, modo de entrada e motivações, bem como as barreiras e constrangimentos enfrentados pelas empresas e consequentes estratégias utilizadas para os ultrapassar. De seguida, com base em metodologias qualitativas, é levada a cabo uma análise do processo de internacionalização das empresas Alda Têxteis, Lda. e Gipanolar - Comércio Internacional de Têxteis, Lda. Com base nestes dois estudos de caso, é possível concluir que as PME portuguesas do sector Têxtil-Lar com presença no mercado do Reino Unido aparentam seguir estratégias de internacionalização semelhantes, utilizando modos de abordagem e entrada nos mercados internacionais que requerem um baixo compromisso em termos de recursos. As principais barreiras identificadas pelas empresas estão associadas a fatores externos e uma barreira comum é a concorrência de outros países. No caso específico do mercado do Reino Unido, a barreira da concorrência é associada às expectativas e exigências do mercado. Ambas as empresas optaram por abordar os obstáculos enfrentados através da implementação de estratégias próprias, em vez de solicitarem ajuda externa, o que nem sempre se traduziu num resultado bem sucedido.

Palavras-chave: Internacionalização, Barreiras à Internacionalização, PMEs, Têxtil-lar, Portugal, Reino Unido

Abstract

This research work aims to study the internationalization process of Portuguese SMEs from the Home Textile sector to the United Kingdom and the barriers faced during the process of internationalization. It starts with a review of the existing literature on internationalization theories, entry mode and motivations, as well as the barriers and constraints faced by the companies and consequent strategies used to overcome them. After that, based on qualitative methods, follows the analysis of the internationalization process of two companies, Alda Têxteis, Lda. and Gipanolar - Comércio Internacional de Têxteis, Lda. Based on these two case studies, our research study allowed us to conclude that Portuguese SMEs from the Home Textile sector with presence in the United Kingdom's market seem to follow similar internationalization strategies, using low resource commitment modes to approach and enter international markets. The main barriers identified by the companies are associated with external factors and a common barrier is competition from other countries. In the specific case of the United Kingdom's market, the competition barrier is associated with the market's expectations and demands. Both companies chose to address the barriers by implementing their own strategies instead of asking for external help, which did not always translate into a successful outcome.

Keywords: Internationalization, Barriers to Internationalization, SMEs, Home Textile, Portugal, United Kingdom

Index of contents

Index of Tables

Index of Figures

Index of Graphs

Index of Appendixes

Introduction

The present Master´s Final Assignment, developed in the context of the Master of Management with specialization in Business Analytics, was carried out in an organizational context. The internship took place at the AICEP Office in London for a period of 6 months. The main purpose of this research work is to study the internationalization process of Portuguese Small and Medium Enterprises (SMEs) in the Home Textile sector. This has close links to the activities that were developed during the internship at the London AICEP Office, where one of the tasks was to carry out a market research study on the United Kingdom's Home Textile sector and its relation with the Portuguese market. This also motivated us to study in specific the internationalization process of Portuguese SMEs of the Home Textile Sector to the United Kingdom (UK).

Over the years, the evolution of technology and the increasing number of people with international business experience has led to a converging global world. Companies are acting in accordance by intensifying international trade and foreign direct investments, and due to the nature of today's marketplace companies cannot operate without having in consideration the foreign and/or the global competition, and the opportunities and challenges that may represent (Leonidou & Katsikeas, 1996; Morais & Franco, 2018; Ruzzier, Hisrich, & Antoncic, 2006). As such, internationalization, understood as "the process of adapting firms' operations (strategy, structure, resource, etc.) to international environments" (Calof & Beamish, 1995, p. 116), has become an important aspect of firms growth and competitiveness, making it a relevant subject of research.

The selection of SMEs as the focus of this study is justified by the importance that SMEs have for the Portuguese economy, representing 99.9% of the total number of companies in the country, 78.6% of total employment of companies in the country, and 59.3% of total turnover of companies. They also carry importance to the exporting profile of Portuguese companies: in 2018, the companies with an exporting profile in Portugal represented 6.3% (showing an increase of 4.6% from 2017), and 23% of the total employment and 34.7% of the total turnover. In specific, SMEs had a contribute of 48.9% of the total Gross Value Added of the companies with exporting profiles (INE, 2020). Additionally, the choice of SMEs as focal point of this study was motivated by the characteristics of SMEs that, in general, have limited resources, in particular, resources related with information, financing, and management skills, and consequent difficulty commitment to international markets, which therefore translates into more difficulties in becoming internationalized (Hollensen, 2011; Hollenstein, 2005; Kraus, Mitter, Eggers, & Stieg, 2017; OECD, 2008).

The purpose of this research work is, thus, to analyse, understand and explain the internationalization process adopted by Portuguese SMEs in the Home Textile sector, including the motivations that triggered the start of the internationalization process, the chosen entry modes, and the barriers faced by the companies and consequent strategies implemented to overcome them. In short, the aim is to study the general internationalization process of the Portuguese companies of this specific sector and, their internationalization to the UK. In order to better understand the details of such a process, a qualitative study was conducted on two companies, Alda Têxteis, Lda. and Gipanolar - Comércio Internacional de Têxteis, Lda..

Having in mind what was just said, the research questions of this study are the following:

i) How is that Portuguese Home Textile firms start their internationalization process?

ii) What barriers do Portuguese Home Textile firms identify at the international market entry and in the internationalization process?

iii) What strategies do Portuguese Home Textile firms adopt in order to overcome the barriers to internationalization?

iv) What barriers and strategies do Portuguese Home Textile firms identify as being specific to the United Kingdom's market?

In order to try to answer the proposed research question, Chapter 1 starts with a review of existing literature about internationalization. The goal here is to showcase and explain the main theories about the internationalization of SMEs identified by the literature, the entry modes, the reasons that lead to the internationalization of a company, the barriers that usually hinder the process and consequent strategies to overcome them.

In Chapter 2, the methodology used is described, as well as the process of the cases selection and the data collection process. In Chapter 3, after describing the general context of the Portuguese and UK´s Home Textile markets, the two selected cases of internationalization are presented and analysed. We start with a brief description of each company, followed by a general explanation of its internationalization process and finally a description of its specific internationalization process to the UK. After that, we analyse and compare the results of the two case studies, within the framing of the theories reviewed in Chapter 1, in order to understand how companies approach markets and what behavioural patterns we can identify for Portuguese SMEs exporting to the UK. Finally, in the Conclusion chapter we summarize the main findings of this study, and also point out its main limitations and possible paths for future research.

Chapter 1: The SME internationalization process: theory and general findings

1.1 Concept of Internationalization

Internationalization has been the subject topic of different research fields, from international business to small business management, from organization theory to strategic management, or from organizational learning to resource-based theories (Pacheco, 2019; Ruzzier et al., 2006; Saarenketo, Puumalainen, Kuivalainen, & Kyläheiko, 2004). As such, several definitions about what internationalization is can be found in literature.

Welch and Luostarinen (1988) define internationalization as "the process of increasing involvement in international operations." (p.36). Several authors associate internationalization only with firm's operations outside of the national market border (Coviello & Munro, 1997; Johanson & Wiedersheim-Paul, 1975; Jones & Coviello, 2005; Ruzzier et al., 2006; Saarenketo et al., 2004). Johanson and Wiedersheim (1975) and some research, mainly from Nordic countries, describe international activity as a sequence of decisions (Johanson & Wiedersheim-Paul, 1975; Ruzzier et al., 2006). Authors also point out that, once the internationalization process starts, there is no inevitability about its continuance. The opposite, "de-internationalization", can occur at any moment (Welch & Luostarinen, 1988).

In a network context, Johanson and Mattsson describe internationalization as a "cumulative process, in which relationships are continually established, maintained, developed, broken and dissolved in order to achieve the objectives of the firm" (as cited by Ruzzier et al., 2006, p. 478). A similar approach is followed by Johanson and Vahlne (2009), who describe internationalization "as the outcome of firm actions to strengthen network positions by what is traditionally referred to as improving or protecting their position in the market." (p.1423). Yet, this view seems to over focus on the relationships. The definition of Lehtinen and Penttinen (cited in Ruzzier et al., 2006, p. 478) tries to cover also the central characteristics of the firm´s internationalization process by dividing the concept in two, namely, international orientation and international commitment. Here, international orientation refers to firm's general attitude towards internationalization, and it can be measured in terms of the economic, cultural, political, and market-strategic dimensions, while trying to capture differences between foreign markets and the home market. As for international commitment, it refers to the resources committed in terms of the operation modes chosen and the size of international business (Ruzzier et al., 2006).

More recent research has looked at internationalization as a multi-layered concept. To better explain firm´s internationalization efforts, Miller and colleagues (2016) divide the concept of internationalization into international intensity, international diversity and international distance. International intensity captures the firm's commitment to serving customers in foreign markets. International diversity captures the breadth versus depth of internationalization by studying the dispersion of a firm's operations across the host countries. International distance refers to the geographic, cultural, institutional, and economic differences between the characteristics of the firm's home country and those of the host countries (Miller, Lavie, & Delios, 2016; Pacheco, 2019).

The concepts presented above describe internationalization as an incremental process of involvement in foreign markets, however a firm may be force to some form of de-investment, such as discontinue a product, cease operations and, in consequence, dismiss workers, or sell a production plant.

Therefore, a broader definition will be adopted throughout this study. In accordance with Calof and Beamish (1995), internationalization will be understood as "the process of adapting firms' operations (strategy, structure, resource, etc.) to international environments" (Calof & Beamish, 1995, p. 116).

1.2 Theories of Internationalization

The focus of international business literature has been manly on Multinational Enterprises (MNEs), and only recently SMEs have attracted more attention from scholars (Ruzzier et al., 2006). Research on SMEs tend to focus on various stages (or export development modes) of internationalization, and despite the difference between of research on MNEs and SMEs both build on the foundations of organization theory (Saarenketo et al., 2004).

Traditional theories proposed by scholars can be divide into behavioural theories, which include the stages theory and the network approach, and economic-based theories, which include the internalization theory, the transaction cost approach, the eclectic paradigm, and the monopolistic advantage theory (Ruzzier et al., 2006; Saarenketo et al., 2004). Economic-based theories are based on large firms’ experiences and researchers’ attempts to apply these theories to SMEs have led to unsatisfying results, leading them to conclude that theories based on large firms do not always seem fit to explain the dynamics of SMEs internationalization (Ruzzier et al., 2006; Saarenketo et al., 2004). For this reason, and since our focus is on SMEs, we will not include them in our study.

Following Ruzzier and colleagues’ (2006) proposal, other research streams can be identified, such as the resource based approaches, which emerge based on existing models, namely U-models (Andersen & Kheam, 1998; Ruzzier et al., 2006), and the international entrepreneurship theory, which tries to explain the dynamic and rapid internationalization process as a result to advances in technology (Jones & Coviello, 2005; Oviatt & McDougall, 2005; Zahra, 2005).

Thus, we will now turn our attention to theories and models of internationalization of SMEs, namely stage models, network approaches, resource-based approaches and international entrepreneurship approaches (Ruzzier et al., 2006) (see Appendix A).

1.2.1 Stage Models

The Uppsala Internationalization Model (U-model)

Based on empirical research in four Swedish firms, Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) developed a model of the internationalization process of a firm: the Uppsala Model. The model is constructed based on the assumption that a firm will first develop and establish itself in the domestic market, and as consequence of a series of decisions will initiate a gradual internationalization process (Johanson & Wiedersheim-Paul, 1975).

Johanson and Wiedersheim-Paul (1975) noticed a pattern in the internationalization process of the Swedish companies that they believed it could be followed by companies in other countries. They observed that companies would start by exporting and formalizing its entry in the market with intermediaries, often through agents. Eventually, with the sales growth, companies established a sales subsidiary in the foreign market, and, with the continuous growth, they would open a manufacture (Johanson & Vahlne, 2009; Johanson & Wiedersheim-Paul, 1975). To this pattern, Johanson and Wiedersheim-Paul (1975) called it establishment chain, which is characterize by the use of low-commitment entry modes in the beginning of the internationalization process and it is restricted to a specific country market (Johanson & Vahlne, 2009). The establishment chain implied that the choice of the market was based on psychic distance (Johanson & Wiedersheim-Paul, 1975), which the authors define "as the sum of factors preventing the flow of information from and to the market. Examples are differences in language, education, business practices, culture, and industrial development" (Johanson & Vahlne, 1977, p.24).

Johanson and Vahlne's model (1977) is a dynamic model structured in two dimensions, which the authors classify as state aspects and change aspects. The state aspects are market commitment and market knowledge. The change aspects are commitment decisions and current business activities (see Figure 1). Market knowledge and market commitment are supposed to affect both commitment decisions and the way current decisions are performed, and these, in turn, change market knowledge and commitment (Andersen & Kheam, 1998). As for the market commitment concept, it is composed by two factors - the amount of resources committed and the degree of commitment (Johanson & Vahlne, 1977). The amount of resources committed can be seen as the size of the investment in the market, including investment in marketing, organization and personnel (Johanson & Vahlne, 1977, 2009). The degree of commitment "is higher the more the resources in question are integrated with other parts of the firm and their value is derived from these integrated activities" (Johanson & Vahlne, 1977, p. 27).

Market knowledge is an important feature of the model since commitment decisions are based on a different kind of knowledge, and is seen as a resource that increases the degree of market commitment (Johanson & Vahlne, 1977).

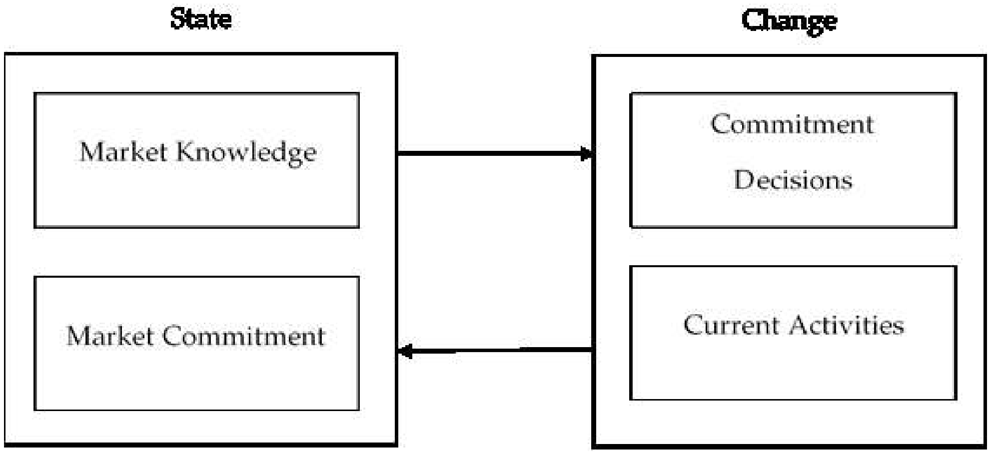


Figure 1 – The Basic Mechanism of Internationalization – State and Change Aspects
Source: Johanson & Vahlne (1977, p. 26)

The Innovation-related Models (I-models)

Although there is evidence in the literature of the relationship between decision making variables and firm variables influence on foreign export and expansion behaviour, a large percentage of scholars focus on the specific characteristics of past export behaviour (Reid, 1981). The export expansion process tends to be represented schematically into different stages (Leonidou & Katsikeas, 1996). In order to represent the firm's involvement degree through the different stages it is often used the ratio of export sales to total sales, referred as export intensity (Gankema, Snuif, & Zwart, 2000).

The most well-known innovation-related models are the ones suggested by: Bilkey-Tesar (1977), Cavusgil (1980), Reid (1981) and Czinkota (1982), where the "internationalization decision is considered as an innovation for the firm" (Andersen, 1993, p. 212) (see Appendix B).

The main differences between the models are the number of stages adopted by each proposal and its descriptions. Additionally, the reasons behind the firm's motivation to initiate the process of exporting are interpreted differently in the four models. Bilkey-Tesar's (1977) and Czinkota's (1982) approaches assume a "push" perspective, where an external change agent may influence the start of the process. The firm starts by not being interested in exporting at the first stage, but keen to answer to unsolicited orders at the second stage. In contrast, Cavusgil's (1980) and Reid's (1981) approaches explain the export process following a "pull" perspective, where an internal change agent is most likely to be the reason why the firm starts to export (Andersen, 1993).

Bilkey and Tesar's (1977) model is a six-stage model that tries to explain the export process of SMEs. The authors concluded that the export development tends to occur in stages. The model defends that a firm interested in exporting, should elaborate an export policy together with a plan and designate exclusive resources to execute it. The initial target markets should be psychologically close to the firm's home market. The stages proposed range from lack of interest in start the process to full commitment in exploiting export opportunities abroad (Bilkey & Tesar, 1977).

Cavusgil (1980) creates a model under the assumption that marketing outside a firm's home market also allows a firm to achieve organizational goals of growth and profit, and that those decisions occur in stages. The process is viewed as incremental reflecting managers' risk avoidance and the need of "experience knowledge" and information about the foreign market, as well as, the cost of obtaining it (Cavusgil, 1980). In order to study the export process, the author draws the model's determinants of each stage from empirical evidence that "suggest that the behavioural variables, along with individual firm characteristics, are especially useful in explaining firm-to-firm variation in export behaviour" (Cavusgil, 1980, p. 279).

Reid (1981) constructed a chronological five-stage model, where there is a possibility of different stages occurring at the same time. The model is focused on decision-making and considers the export behaviour and foreign entry decisions an innovation adoption behaviour and a process. According to empirical evidence, decision-maker's attitude, experience, motivation, and expectations are the primary causes to firms starting activity in a foreign market (Reid, 1981).

Czinkota (1982) (cited in Crick, 1995; Leonidou & Katsikeas, 1996) criticizes the Bilkey and Tesar Model aiming to explaining government export assistance requirements of manufacturing firms. Czinkota incorporates two additional stages, "disappointed exporter" and "temporarily declining exporter", where the main difference is the will of the former group to increase export activities again. After empirical testing, Czinkota reached the conclusion, based on a poor response of those 2 groups of firms, that the two stages were not so relevant as he expected, therefore he shrank the number of stages into six, ranging from firms with no interest in exporting to firms already established in foreign markets (Crick, 1995; Leonidou & Katsikeas, 1996).

Leonidou and Katsikeas (1996) identified three broad stages of the exporting process common to every approach, which they called pre-engagement, initial and advanced. The pre-engagement stage referrers to firms selling in the domestic market and not interested in selling abroad, firms selling in the domestic market and considering enter in a foreign market, and firms that once sold to a foreign market but no longer do it. The initial stage refers to firms that already have sparse export activity, which can potentially increase their involvement abroad or are unable to respond to demand and withdrawal their actives from the foreign markets. The advanced stage refers to firms with steady export behaviour and often consider increasing their involvement in foreign markets (Leonidou & Katsikeas, 1996).

1.2.2 Network Approach

Industrial System

Under the industrial marketing topic, several scholars have been studying relationships within the industrial markets. Johanson and Mattson (1998) believe that an industrial system is "composed of firms engaged in production, distribution and the use of goods and services" (Johanson & Mattson, 1988, p. 470).

The industrial network model assumes that firms depend on resources held by them and by other players, and that the access to those resources depends on its positions within a network (Karlsen & Nordhus, 2011). The structure of those resources will vary according to the firm's and the network's degree of internationalization (Johanson & Mattson, 1988).

The establishment of a firm in a new market, according to the industrial network approach, happens through the creation of new relationships that are cumulative with previous ones. "Relationships are continually established, maintained, developed, and broken" (Johanson & Mattson, 1988, p. 472) in order to seek economic return and firm´s survival through time, which works as motivation factors to internationalization (Johanson & Mattson, 1988).

Internationalization is then achieved by the establishment and development of the firm's position in a foreign network, which can happen through three types of action: international extension, penetration and international integration. International extension means establishing relationships with other players in a network new to the firm, in the target market. Penetration implies consolidation of the firm´s position in networks that the firm has already established. And international integration concerns the increase of firm's position importance through co-ordination between the different networks in the different target markets (Johanson & Mattson, 1988; Karlsen & Nordhus, 2011).

The industrial network model tries to explain internationalization through four situations considering the three dimensions presented above, them being the early starter, the lonely international, the late starter, and the international among others (Johanson & Mattson, 1988), and which are described below.

The early starter: the firm and its network have none or few unimportant relationships with firms abroad, which means little knowledge about foreign markets. Two strategies tend to be used, one being the use of agents rather than opening a sales subsidiary. The reasons behind the choice are normally related with the attempt to tackle the need for knowledge development and demands for adjustment, and the use of agent's position in the market. On the other hand, a strategy that requires a greater investment, the firm can establish itself with an acquisition or greenfield investment.

The lonely international: the firm has relationships in foreign countries, but its production net does not. The firm's position in networks in foreign countries enables it to manage cultural and institutional differences in each country's environment, and work as a stimulus to the rest of its production net that will then follow and start the process of internationalization. One of advantages of being a lonely international arises from the ability of coordinating activities in different national networks.

The late starter: the firm's production net is internationalized, yet the firm is not, but its indirect or even direct relations with foreign networks allows it to be "pull out" into the start of the internationalization process. Size is an important feature in the selection of the strategy adopted by the firm. Small firms tend to need to be highly specialized and explore specific problems in the production net.

The international among others: both the firm and its environment are highly internationalized. An increase on international activity does not imply quantitative changes for the firm. To boost extension and penetration, the firm will use its position in a network as a link to other networks, and to achieve that has to assure that the horizontal relations within the firm are strong.

Revision to the Uppsala Model

After evidence brought by different authors about the importance of networks in the internationalization of firms, Johanson and Vahlne (2009) conclude that their model developed in 1977, called The Uppsala Model, needed some revision. Coviello and Munro (1995, 1997) found that "network relationships have an impact on foreign market selection as well as on the mode of entry in the context of ongoing network processes" (cited in Jan Johanson & Vahlne, 2009, p. 1413). Johanson and Vahlne (2009) believe now that a firm's environment is made up of networks and "anything that happens, happens within the context of a relationship" (Johanson & Vahlne, 2009, p. 1415).

A firm that is well established in a relevant network or networks, it is called "insider". However, the insidership is not an exclusive condition to business success, and for that reason, they identified another type of firm, the "outsider", a firm that does not have a position in a relevant network. They believe that outsidership does not allow a business to develop, yet the internationalization process starts anyway. That might happen because "a potential partner inside the target market requests a service from the focal firm, thus creating an initial insider opportunity" (Johanson & Vahlne, 2009, p. 1415). Johanson and Vahlne (2009) also believe that internationalization might happen due to efforts of the firm after a request from a firm in the firm´s home country to deliver products to its customer in a facility in a foreign market (Johanson & Vahlne, 2009).

The original model does not include emotional dimensions in relationships, yet after reviewing the model, Johanson and Vahlne (2009) believe that it should be included. Based in other authors, they state that trust is an important factor to successful learning and the development of new knowledge.

Johanson and Vahlne (2009) characterize opportunity development as "an interactive process characterized by gradually and sequentially increasing recognition (learning) and exploitation (commitment) of an opportunity, with trust being an important lubricant" (Johanson & Vahlne, 2009, p. 1420).

In the revised model, the authors believe that the concept of establishment chain no longer applies, since transactions occur faster and in a different order. They state that firms with rapid internationalization after their foundation do not interfere with the model, since it happens due to manager's previous experience and motivation to export (Johanson & Vahlne, 2009).

The framework of the model is now different, where the state aspects are knowledge opportunities and network position, and the change aspects are relationship commitment decisions and learning, creating and trust-building (Johanson & Vahlne, 2009), as shown in following figure.

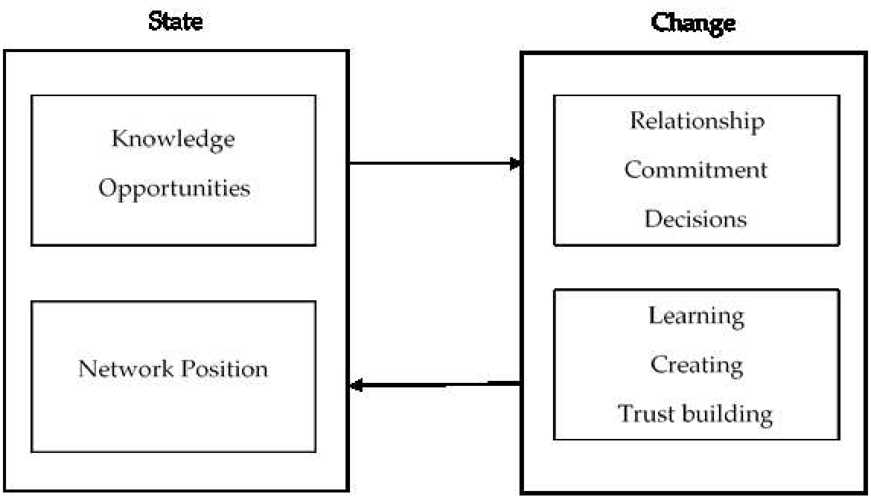


Figure 2 – The business network internationalization process model (the 2009 version)
Source: Johanson & Vahlne (2009, p. 1424)

1.2.3 Resource-Based Approach

The resource-based approach emerged from other theories, namely U-models, and has in its focus on the importance of intangible knowledge-based resources as a mean to achieve sustainable competitive advantage necessary to internationalization (Andersen & Kheam, 1998; Ruzzier et al., 2006; Saarenketo et al., 2004).

In Andersen and Kheam´s (1998) view, internationalization consists of a firm's ambition to international growth and intended strategies adopted. Andersen and Kheam (1998) identified two approaches to predict growth strategy:

i) Focus on the role of the firm's resources to determine limits of the firm's activities and to predict change in the degree of diversification.

ii) Focus on the business strategy level, studying the strategy formulation process.

The main difference between the two approaches is related with their nature. The first approach has an inward nature, where the main driving force for internationalization are firm's resources, where the company is the stimulating factor. On the contrary, the second approach studies the strategies that better allocate the firm´s resources and capabilities according to external opportunities, pointing out its outward nature (Andersen & Kheam, 1998).

It is widely accepted in the literature that resources can be classified as physical, intangible, and financial (Andersen & Kheam, 1998). In the specific case of intangible resources, its understanding is yet to come to a common definition. Andersen and Kheam (1998) present two different proposals, starting with Grant (1991), who divides the definition of intangible resources into human resources, technological resources, reputation and organizational assets (Grant, 1991). Hall (1993) presents a different view classifying intangible resources into "assets", people independent resources, or "competencies", people dependent resources (Hall, 1993). What seems to be accepted is the fact that not all types of resources can constitute a sustainable competitive advantage, which is measured in terms of resources' capability to generate above-normal rates of return (Andersen & Kheam, 1998).

The unclear conceptual definition of sustainability proposed in literature led the authors to use the concept of firm's capabilities instead of sustainable competitive advantage, in which the firm's capabilities are identified by the firm ability to perform more effectively than its rivals (Andersen & Kheam, 1998).

Anderson and Kheam (1998) propose a resource-based framework to predict the rate and direction of firms' international growth strategy. The model is constructed under the assumption that the direction of a firm's growth is influenced by its capabilities and market opportunities, presented in the figure 3 and described below (Andersen & Kheam, 1998):

i) Intended growth strategy – is the dependent variable in the model. The authors use Ansoff (1965) proposal to classify growth strategies, market penetration, market development, product development, and diversification growth. The author included a fifth dimension, no growth, to evaluate the growth rate.

ii) Capabilities – dimension of the model that aims to identify the resources held by the firm, which can constitute a capability in the international market. Note that, only intangible assets were considered. To better explain them the author created three sub-categories: 1. Intangible product and production (included technology) capability; 2. International marketing capability; 3. International management capability.

iii) Market opportunities – dimension of the model regarding the selection of attractive foreign markets.

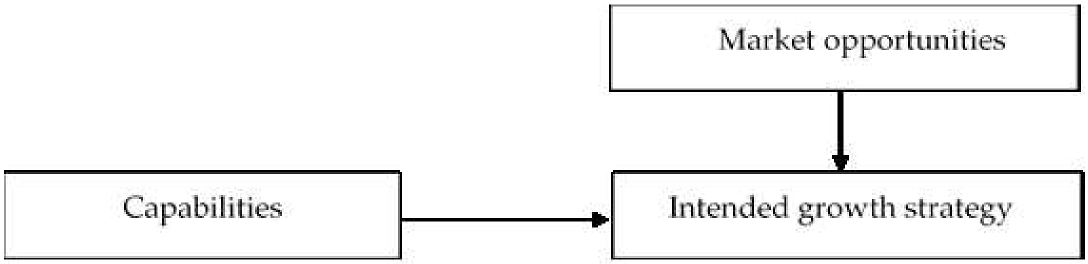


Figure 3 – Resource-based internationalization model framework
Source: Andersen and Kheam (1998, p. 168)

When explaining the resource-based view of the firm (RBV) Saarenketo and colleagues (2004) define a firm as a set of resources with the potential to become the firm´s sustainable competitive advantage. Those resources must be hard to copy or transfer, and therefore should be valuable, rare, inimitable and non-substitutable, the so-called VRIN attributes (Saarenketo et al., 2004).

Contrary to Andersen and Kheam's (1998) approach, Saarenketo and colleagues (2004) emphasize the sources of a firm's sustainable competitive advantage necessary to internationalization, giving special importance to intangible resources, also known as knowledge, and its role in the creation and development process of a firm's sustainable competitive advantage. Based on that, the authors approach of the RBV, also referred to as knowledge based view, sees the firm as "a repository of knowledge" (Saarenketo et al., 2004, p. 369).

Given the importance of knowledge in the authors evolutionary knowledge based model of internationalization, they classify knowledge according to its nature: i) Tacit knowledge – know-how – based on experience and easiness to protect; ii) Fully articulated codified information – know-that – source of positive externalities; iii) Generic knowledge – combination of the other two types of knowledge (Saarenketo et al., 2004).

The model, summarized in figure 4, is based on the bigger importance of the influence of internal knowledge and capabilities – learning processes – than the external industry-level influence – search processes. The learning processes will influence the "nature of firm specific knowledge base", firm's "routines, capabilities and core capabilities", and the "internationalization strategy", with the goal to reach a sustainable competitive advantage (Saarenketo et al., 2004).

Saarenketo and colleagues (2004) identify some basic knowledge determinants that will define the nature of the firm's knowledge, such as:

i) Appropriability – the firm's ability to protect itself from imitation;

ii) Threat of opportunism – the firm's dependency on asset specificity;

iii) Economies of scale – the firm's replication ability using cumulative learning and specialization;

iv) Economies of scope – the firm's ability to use synergies from applying existing capabilities to other activities;

v) Path dependency – the firm's ability to use earlier experiences into its current behaviour;

vi) Asset specificity – the firm´s incapacity to use knowledge on alternative activities;

vii) Strength of complementary providers – the firm's dependency on its partners and other actors.

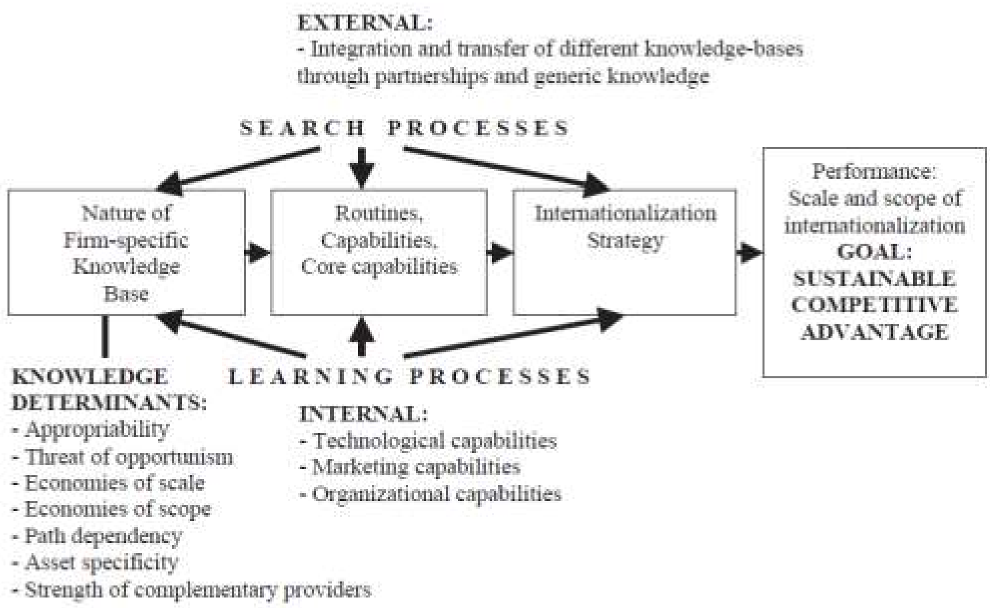


Figure 4 – Evolutionary knowledge management model for internationalization
Source: Saarenketo et al. (2004, p. 370)

1.2.4 International Entrepreneurship

International entrepreneurship (IE) as an independent research field had its first appearance in the end of the 1980s. Morrow (1988) defined IE as a consequence of technological evolution and cultural awareness (cited in Zahra & George, 2002).

McDougall (1989) studied 188 firms in the computer and communications equipment manufacturing industries in terms of its sales in the international market. During the study, McDougall defines IE “as the development of international new ventures or start-ups that, from their inception, engage in international business, thus viewing their operating domain as international from the initial stages of the firm's operation” (Mcdougall, 1989, p. 387). Later, following the same premise, McDougall and Oviatt (1994) refer to IE “as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries“ (McDougall & Oviatt, 1994, p. 49).

In the same year, Wright and Ricks (1994) address IE through international business research perspective, saying it is “firm-level business activity that crosses national boundaries or is conducted in a location other than the firm's home country” (Wright & Ricks, 1994, p. 689).

Research on IE suffered a change by taking in consideration established firms, with the definition suggested by McDougall and Oviatt (2000), where IE is understood as “a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations” (McDougall & Oviatt, 2000, p. 903).

Zahra and George (2002), after analysing the existing literature, defined IE as “the process of creatively discovering and exploiting opportunities that lie outside a firm's domestic markets in the pursuit of competitive advantage” (Zahra & George, 2002, p. 11).

McDougall and Oviatt refined their definition, considering now IE as "the discovery, enactment, evaluation, and exploitation of opportunities - across national borders - to create future goods and services" (McDougall & Oviatt, 2003, p. 7; Oviatt & McDougall, 2005, p. 540).

In an attempt to partition the different types of firms within the concept of IE, Zahra (2005), based on the work of Oviatt and McDougall (1994), summarizes the division done in the literature, with four labels: International New Ventures, Born Global, Accelerated Internationalization and International Entrepreneurship (Zahra, 2005).

Following Zahra (2005), Wach (2014) created a framework to better explain the generic concepts of IE based on two criteria: speed of internationalization - sequentially vs. rapidly - and the initial geographic market orientation - domestic vs. international -, as presented in the following figure (Wach, 2014).

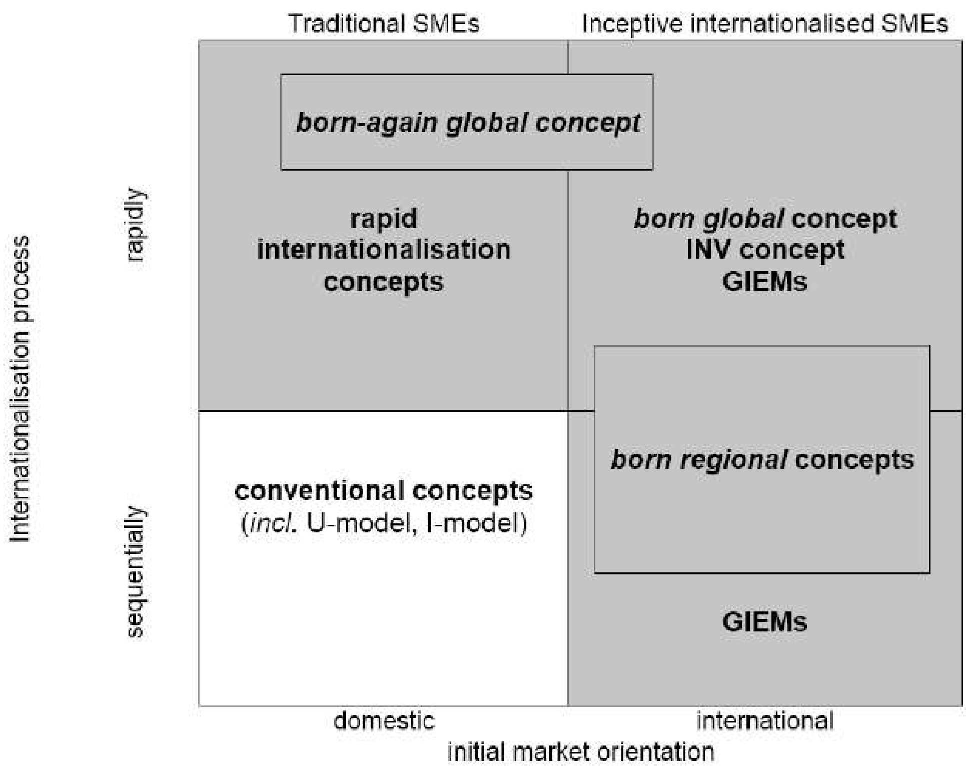


Figure 5 – Basic typology of IE concepts
Source: Wach (2014, p. 68)

The term "born global" had its first appearance in a research project led by the Australian Manufacturing Council and McKinsey, where they study high value-added manufactures. In the study, Rennie (1993) identified two types of firms: domestic-based firms and born-global firms. The first group is well established and its core business continues to be developed in its home market, having, on average, 27 years when its first export occurs and its exports reach, on average, 20 percent of total sales. On the other hand, the firms referred to as born global start to export, on average, 2 years after their creation and their exports reach, on average, 76 percent of total sales (Rennie, 1993).

Rennie (1993) presented "the dynamic interrelationships between changing consumer preferences, changing manufacturing and information technology, and changing competitive conditions" as the causes behind the global pattern of SMEs growth (Rennie, 1993, p. 48).

Knight and Cavusgil (2004) define born globals as "business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries" (Knight & Cavusgil, 2004, p. 124). Characteristics often associated with traditional young companies are also associated with born globals, like limited financial, human and equipment and other physical resources (Knight & Cavusgil, 2004). On the other hand, born globals are characterized as flexible, less bureaucratic and, commonly, with an innovation culture and intangible knowledge-based capabilities that facilitated their entry into foreign markets (Knight & Cavusgil, 2004; Knight & Liesch, 2016). Authors also attribute importance to managers, as a factor of influence on the early international performance of the firm, since managers see the world as their marketplace (Knight & Cavusgil, 2004; Knight & Liesch, 2016).

Knight and Liesch (2016) point the globalization, the Internet, and other communications innovations as reasons why the number of this type of firms increased in the last years. However, it is also noted that not all firms, referred to as born global, are indeed global, instead they are regional in the first years (Knight & Liesch, 2016; Lopez, Kundu, & Ciravegna, 2009).

Firms are exposed to specific events, like "new opportunities in international markets, favourable exchange rates or adverse economic conditions in the domestic market" (Bell, Mcnaughton, & Young, 2001, p. 177), that may trigger rapid internationalization or deinternationalization. Such behaviour is typical in "born-again" global firms, firms that are already established in their home market before the first internationalization. Bell and colleagues (2001) also highlighted that born again global firms normally internationalize fast within 2-5 years of the first international transaction (Bell et al., 2001).

Coviello (2015) points out the misuse of the terms "born global" and "international new ventures" that at times are used to refer to the same type of firms. Born global refers only to firms only exporting, while, international new venture, following the definition of McDougall and Oviatt (1994), implies the coordination of multiple value chain activities in a foreign market (Coviello, 2015).

McDougall and Oviatt (1994) defined international new venture as "a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (McDougall & Oviatt, 1994, p. 49). The major feature differentiating this type of internationalization process from a more slow and gradual one, is the amount of resources committed to foreign markets, as well as the firm's age when the internationalization process starts (McDougall & Oviatt, 1994). McDougall and Oviatt (1994) proposes a classification for the types of international new ventures based on two criteria: value chain activities that are coordinated abroad and the number of countries entered, as figure 6 shows (McDougall & Oviatt, 1994).

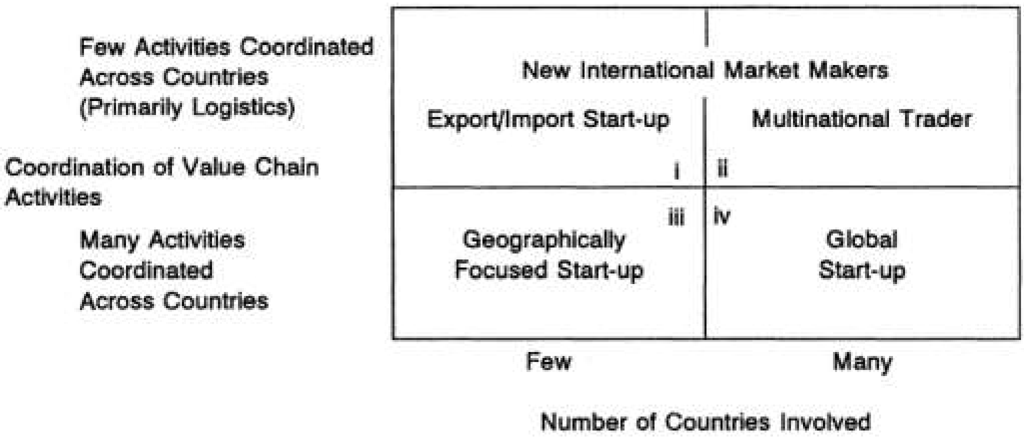


Figure 6 – Types of International New Ventures
Source: McDougall and Oviatt (1994, p. 59)

1.3 Entry Modes

When entering a new market, the firm has to choose how to do it, meaning, the firm has to choose an entry mode, also referred to as foreign operational mode (Benito, Petersen, & Welch, 2009; Bruneel & De Cock, 2016). Foreign market entry modes are defined as the institutional arrangements that allow a firm to use its resources in a foreign country (Anderson & Gatignon, 1986; Calof & Beamish, 1995; Rasheed, 2005).

Benito and colleagues (2009) argue that the generally accepted term "entry mode" takes into consideration only the first moment of the firm's entry into a foreign market, but not further, what they define as primary entry mode. In its definition, Benito and colleagues (2009) take in consideration the evolution over time in the mode form and the possibility of using a combination of different entry modes. Consequently, the authors define "foreign operation modes as the organizational arrangements that a company uses to conduct international business activities" (Benito et al., 2009, p. 1458). Benito and colleagues (2009) definition refers to foreign operation mode as the activities implemented in a particular place at a particular moment in time. And, considers not only the operation mode used in the point of entry but also the possibility of change the operation mode and the possibility of combination of operation modes for activities of the same nature in the same location (Benito et al., 2009).

The decision between the different entry modes needs to have in consideration the trade-off between resource commitment, meaning resources tangible or intangible, that cannot be reused without an inherent cost and allocate them to the new market; risk and uncertainty; control, meaning the firm's degree of responsibility for decision making; and profit return (Agarwal & Ramaswami, 1992; Anderson & Gatignon, 1986; Hill, Hwang, & Kim, 1990; Pan & Tse, 2000).

Different approaches have been proposed concerning the entry mode choice, mainly, focusing on MNEs (Brouthers & Nakos, 2004; Bruneel & De Cock, 2016) as it is the case of the transactional cost theory approach that is used to explain why firms choose different entry modes when internationalizing (Brouthers & Nakos, 2004). This approach sees entry mode choice's efficiency as a construction of transaction-specific assets, external uncertainty, internal uncertainty and free-riding potential (Anderson & Gatignon, 1986). Yet, Brouthers and Nakos (2004) found evidence that, when applied to SMEs, the choice of entry modes predicted by the transaction cost theory tends to lead to a better performance of the firm in the international market than choosing other entry modes (Brouthers & Nakos, 2004).

Although the majority of approaches focus on MNEs, research has identified differences on managerial style of SMEs that carry new variables to the entry mode's choice decision. When comparing the two types of firms, researchers identified that limited resources force SMEs to use different foreign entry strategies, what often means, less expensive strategies and short-term focus (Brouthers & Nakos, 2004; Bruneel & De Cock, 2016).

Considering the exiting types of foreign operational modes, the choice may vary between "direct exports, in partnership with other companies via contracts with distributors, or by making a direct investment in a foreign country (FDI)" (Bruneel & De Cock, 2016, p. 135). These can be classified into "equity and non-equity modes of entry based on the amount of resource commitment that is necessary to establish operations in the foreign market" (Kumar & Subramaniam, 1997, p. 68), as shown in figure 7. The modes described in the table 1 referring to the modes presented in the figure 7 differ in terms of risk, return, control and resources commitment, with equity modes being the modes requiring a greater amount of resources (Kumar & Subramaniam, 1997).

Kumar and Subramaniam (1997) and Pan and Tse (2000) suggest that the decision about the entry mode is a hierarchical process, and so, the management team will first choose between equity and non-equity type of mode and then choose the specific entry mode. This schematization facilitates the study of the strategies implemented in the foreign markets by the SMEs.

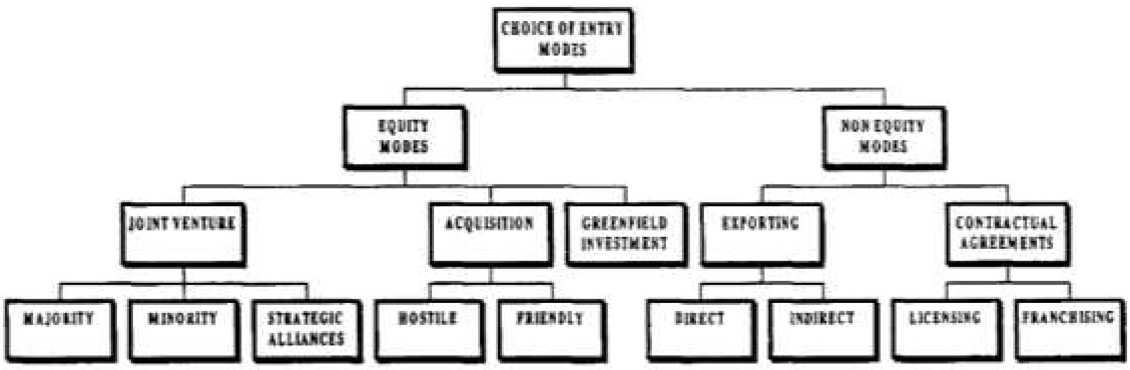


Figure 7 – A hierarchical model of the mode of entry decision
Source: Kumar and Subramaniam (1997, p. 68)

Entry mode	Definition propose by Kumar and Subramaniam (1997)
Exporting	"Exporting Involves only the physical transfer of goods from the firm to the foreign market with or without an agent in exchange for the value of the goods in monetary terms."
Contractual Agreement	"Contractual Agreement is a binding contract between the firm and an agent to produce and distribute the goods in the foreign market in return for some form of economic rents."
Joint Venture	"A Joint Venture is the pooling of assets and (or) knowledge by two or more firms who share joint ownership and control over the results of the pooling."
Acquisition	"Acquisition refers to the purchase of stock in an already existing company in an amount sufficient to exercise control."
Greenfield investment	"Greenfield Investment is a start-up investment new facilities in the foreign market."

Table 1 – Definition of the entry modes
Source: Own authorship, based on Kumar and Subramaniam (1997, p. 54)

Regarding the specific case of the Home Textile sector, it is worth mentioning the study conduct by Santos (2005) on the textile and apparel industry in Portugal and relevant approaches to the international market. Santos (2005) proposes a set of internationalization strategies relevant for the industry and in specific for three sub-sectors, technical and functional textiles, home textiles and apparel sectors (Santos, 2005). Even though the study analyses the industry and the three specific sub-sectors, the focus here will be on the proposed strategies and considerations for the whole home textile sector. Santos (2005) proposes a set of strategies to address international markets according to its positioning in the value chain, dividing them into, internationalization strategies with an upstream, focused or downstream impact on the production process. The author then characterizes them according to its level of significance to each sub-sector, as shown in the Appendix C. The author considers as very significant for the specific case of the home textile sector the following strategies: collective market prospection (what the author names "antena coletiva"), joint venture, commercial subsidiary abroad, exporting, showroom and trade shows, piggyback, franchise, export consortium, group of exporters and business club.

1.4 Drivers for and barriers to internationalization

SMEs do not have as much resources available for international market operations as larger firms, and, for that reason, they may consider a pre-internationalization process to gather information that will help managers decide if internationalization is the right strategy to adopt (Hollensen, 2011; Hollenstein, 2005; Kraus et al., 2017).

Hollensen (2011) proposes that internationalization may occur due to proactive or reactive internationalization motives. Moreover, during the information gathering process, barriers to internationalization also need to be considered, as well as internal or external triggers that may precipitate the manager's decision. After analysing the information, the firm will choose which strategy to implement (Hollensen, 2011).

1.4.1 Drivers for internationalization

Morgan and Katsikeas (1997) divide the internationalization motives in two different dimensions: "Whether the export decision is stimulated primarily by the firm's internal situation, or mainly driven by factors in the external" (Morgan & Katsikeas, 1997, p. 479), referred to, also by Cavusgil (1980) and Crick and Chaudhry (1997), as *internal and external*; and "whether or not firms take the initiative to seek, identify and exploit foreign market opportunities" (Morgan & Katsikeas, 1997, p. 479) referred to, also by Hollensen (2011) and Kraus and colleagues (2017), as *proactive and reactive*.

Proactive motives, also referred as pull factors (Kraus et al., 2017), express the firm´s intention to explore strategy chances, export opportunities and a forward-looking behaviour (Hollensen, 2011; Kraus et al., 2017; Morgan & Katsikeas, 1997).

Proactive motives can arise from the firm's will to achieve short-term profit or the managers´ desire to internationalize (Hollensen, 2011; OECD, 2009). Manager's incentives can come from a wish to international travel, or because they were born or lived before in a different country, or, even, because they worked before in an international context (Hollensen, 2011).

Kyvik and colleagues (2013) point out the managers' global mind-set as a driver to internationalization, explaining it in five different dimensions: childhood grounding, education, decision-maker characteristics, work experience and domestic firm performance. The childhood grounding dimension is based on the managers childhood and family background, emphasizing if the manager grew in an environment where teenagers were recommended to study abroad and if there was appreciation of international experiences. The education dimension is a combination of the level of formal education and language skills of the manager. The decision-maker characteristics dimension is measured in terms of cross-disciplinary collaboration's skills, cognitive flexibility, locus of control and network skills. The work experience dimension is a construct of experiences, such as sales-marketing experience, general management work experience, international work experience and international travel experience. Lastly, the domestic firm performance dimension is evaluated in terms of domestic performance satisfaction and networking activity (Kyvik et al., 2013).

The firm may decide to internationalize because its knowledge about the market and potential foreign customers, because its product/service is perceived as not fully developed in the overseas market or because its technology is more advanced (Czinkota, Ronkainen, & Moffett, 2010; Hollensen, 2011; OECD, 2009).

Economies of scale are also a strong motivation to a firm's internationalization as they lead to an increase in the firm's learning curve speed, and also because an increase in firm's output due to international sales will help reduce production costs, helping the firm becoming more competitive in the domestic market (Hollensen, 2011).

It is also important to point out tax benefits as motivation for internationalization. Although international trade rules try to prevent such incentives from happening, when these incentives are given by the government, they may lead to lower prices offered by the firm in the foreign markets or to a bigger return (Czinkota et al., 2010; Hollensen, 2011).

Reactive motives, also referred to as push factors (Kraus et al., 2017), indicate that "the firm reacts to pressures or threats in its home market or in foreign markets and adjusts passively to them by changing its activities over time" (Hollensen, 2011, p. 50).

Often foreign markets opportunities may appear because the firm's home market is small or glutted in terms of market share or sales volume, which can be insufficient for the firm to sustain its economies of scale or scope (Czinkota et al., 2010; Hollensen, 2011; OECD, 2009).

Other reactive motivation is overproduction, which can trigger the firm's need to explore foreign markets. This strategy is commonly used to utilize production excess while the home market is adjusting to its normal demand. The same strategy is used when firm's products are seasonal (Hollensen, 2011).

Lastly, proximity to international customers can be a strong motivation when considering internationalization (Hollensen, 2011). Johanson and Wiedersheim-

Paul (1975) refers psychic distance as an important variable to take in consideration over the foreign market decision.

In order for these motivations to lead to an internationalization process, an internationalization trigger and an agent's influence are needed to initiate and conduct it. Internationalization triggers alone normally do not generate an internationalization event, what happens often is a combination of internationalization triggers. Triggers can be divided into *internal and external* (Hollensen, 2011).

Internal triggers can arise from a specific event within the firm and the management team like foreign travel or development of the manager's personal networks (Hollensen, 2011). Crick and Chaudhry (1997) stressed the manager as the most important change agent due to its decision-making roll within the firm.

Players from outside the firm generate *external triggers*. Hollensen (2011) emphasizes foreign market demand, networks, direct competition and other players outside the firm like export agents, governments, chambers of commerce and banks, which can give incentives to internationalization. Foreign market demand can work as a trigger when demand from a foreign market increases for a specific product/service offer by the firm or when an unsolicited order is received. When within a network or a supply chain with foreign connections, firms can receive incentives and help to facilitate the internationalization process (Czinkota et al., 2010; Hollensen, 2011; OECD, 2009). Crick and Chaudhry (1997) refer to first international orders, solicited or unsolicited, as the most important external influential agent.

Several other empirical studies have been conducted in order to catalogue the motivations to international expansion. One example is the work developed by Evans and colleagues (2008), who identified as main motivations the profit growth, domestic market saturation, exploitation of core competencies and unsolicited foreign orders. Kubíčková and colleagues (2014) point out as main motivations to international expansion foreign demand, possibility of customer's portfolio enlargement, lack of demand in the domestic market, increase in sales and competitive pressure in the domestic market.

1.4.2 Barriers to internationalization and strategies to overcome them

The barriers

Due to lack of resources required for the internationalization process, SMEs may consider a gathering information process before making a decision about their international strategy. Following that process, the firm may encounter barriers that might influence negatively the firm's decision, in two different stages of the internationalization process, the *initiation of internationalization* and *during the process of internationalization* (Evans et al., 2008; Hollensen, 2011).

Barriers to internationalization can be understood as "all those constraints that hinder the firm's ability to initiate, to develop, or to sustain business operations in overseas markets" (OECD, 2008, p. 13).

Barriers to initiation of internationalization are typically associated with firm's characteristics, mainly related with internal barriers, such as the lack of resources, foreign market knowledge and networks (Evans et al., 2008; Hollensen, 2011). Hutchinson and colleagues (2006) in their study of nine SME retailers operating in the UK market with international operations found 5 main barriers that come from within the firm: financial commitment, complexity of international markets, limited market information, brand control and management resources, such as lack of managerial time, skills and knowledge (Hutchinson et al., 2006; OECD, 2009).

Barriers to the process of internationalization are mainly associated with environmental factors (Evans et al., 2008; Hollensen, 2011). Hollensen (2011) divides them into 3 groups: general market, commercial and political risks.

General market risks include language and cultural differences, competition from other firms, difficulties in find a suitable distributor in the foreign market and in the shipping process, and different product regulations in foreign market. Different product regulations can lead to a loss of a competitive advantage, creating a disadvantage for the company when it transfers a resource to a new market (Cuervo-Cazurra, Maloney, & Manrakhan, 2007; Hollensen, 2011; OECD, 2009). Commercial risks include exchange rate fluctuations, struggle in obtaining export financing and access to key infrastructures (OECD, 2009), delays and damage in the export shipments and distribution process, and lack of complementary resources required to operate in the new foreign market (Cuervo-Cazurra et al., 2007; Hollensen, 2011). Lastly, political risks include national export policy, lack of government assistance, foreign governments import regulations, and political instability (Hollensen, 2011).

Cavusgil and Zou (1994) in their study of the marketing strategy – performance relationship in the context of export ventures propose a dichotomy of *internal vs external* to classify the forces influencing the market strategy of a firm. In their proposal, the authors characterize the internal forces as firm and product characteristics, and the external forces as industry and export market characteristics (Cavusgil & Zou, 1994).

Later, in 2006, Tesfom and Lut (2006) in their study of export problems of SMEs from developing countries, propose an update to the framework proposed by Cavusgil and Zou (1994) in order to better synthesize the export problems of small and medium-manufacturing firms from developing countries, shown in figure 8 (Cavusgil & Zou, 1994; Pinho & Martins, 2010; Tesfom & Lutz, 2006).

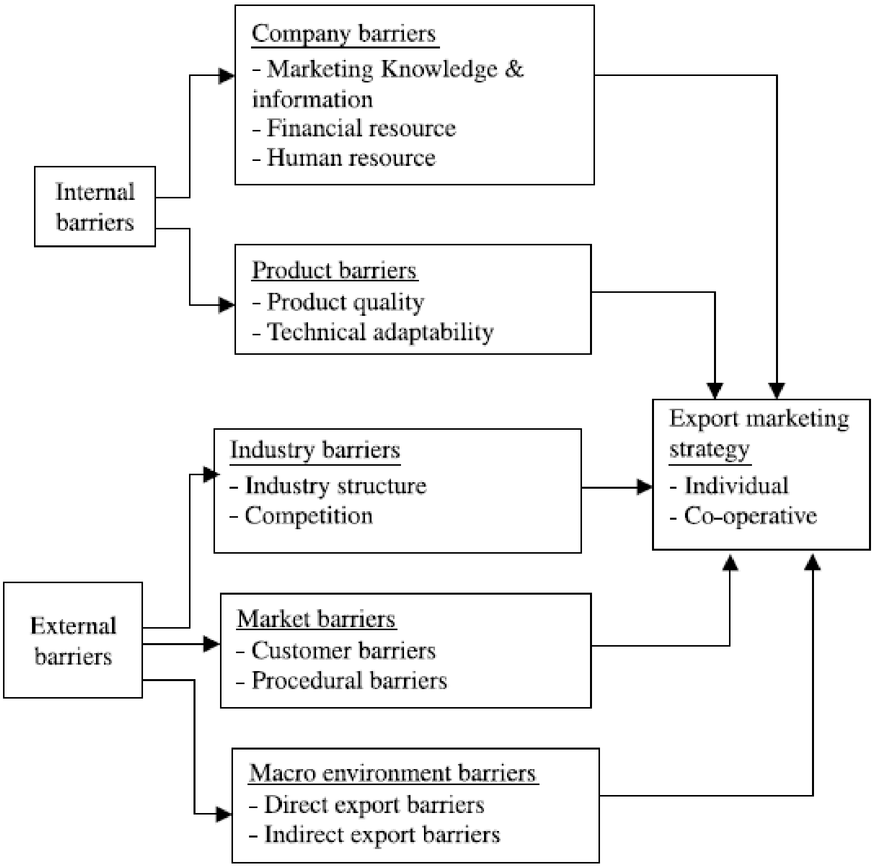


Figure 8 – Internal and external export problems that influence export-marketing strategy of manufacturing firms from developing countries
Source: (Tesfom & Lutz, 2006, p. 269)

Leonidou (1995) studied 112 non-exporters from Cyprus, which were registered in the Directory of Cyprus Chambery of Commerce and Industry in 1990. The author concluded that increasing competition in world markets together with the inability to offer competitive prices abroad and the limited availability of foreign market information were the most frequent barriers to export activity. In an attempt to classify the barriers influencing the non-exporters firm's behaviour, Leonidou (1995) classifies them based on whether they are internal or external to the firm and whether they have their origin in the home market or in a foreign market. The author also denotes that each group of barriers has similar impact in the pre-export behaviour (Leonidou, 1995).

Later, in 2004, Leonidou (2004) identified a gap in the literature, which, according to the author, created confusion about the real inhibiting effect of barriers on export behaviour, where existing literature provided only a partial examination of export barriers, and did not offer a detailed understanding of the specific nature and relative impact of each barrier on exporting. Leonidou (2004) based his work on an integrative review of 32 empirical studies conducted during the period 1960–2000, and tried to analyse the barriers hindering small business export development. The author classified the barriers as informational, functional and marketing, which formed the group of the internal barriers, and as procedural, governmental, task and environmental, these forming the group of the external barriers (Leonidou, 2004).

Based on the proposal from Leonidou (2004) the OECD (2019) created a glossary of the barriers to internationalization, introducing only small changes to the original work (J. Silva, 2018). The OECD (2019) considers internal barriers to be "associated with organizational resources/capabilities and company approach to export business" and external barriers to "stemming from the home and host environment within which the firm operates", for details on the OECD's glossary see Appendix D.

Several other empirical studies have been conducted in order to understand the reasons why a firm struggles when it decides to internationalize. One example is the work developed by Arteaga-Ortíz and Fernández-Ortíz (2010), who conducted a survey that was sent to 2590 small and medium Spanish enterprises in 4 macro sectors, food and agriculture, consumer goods, capital goods and services, where a total of 478 valid responses were analysed. In their study, Arteaga-Ortíz and Fernández-Ortíz (2010) tried to understand the barriers to internationalization assuming exporting as one of its first steps. Based on this research, the authors ended up proposing four different types of internationalization barriers, knowledge, resources, produce and exogenous (Arteaga-Ortíz & Fernández-Ortíz, 2010).

The World Trade Organization (WTO) produced a report in 2016 with the United States International Trade Commission (USITC), the European Commission, the World Bank, the International Trade Centre (ITC) and the Organization for Economic Co-operation and Development (OECD). The study aimed to identify SME-specific obstacles to international trade (WTO, 2016). After conducting a survey to companies in developing countries, the WTO was able to identify as main barriers to international trade the following barriers (WTO, 2016):

i) Limited information about the working of the foreign markets, and in particular difficulties in accessing export distribution channels and in contacting overseas customers;

ii) Costly product standards and certification procedures, and, in particular, a lack of information about requirements in the foreign country;

iii) Unfamiliar and burdensome customs and bureaucratic procedures;

iv) Poor access to finance and slow payment mechanisms.

Empirical works on Portuguese companies have also been carried out. For example, in 2012, Silva and Simões (2012) contributed to the literature on the barriers to internationalization with their study, by addressing firms that choose exports as their internationalization strategy and firms that choose foreign direct investment (FDI). The authors used a 4425 enterprises sample, and obtained 220 valid responses (J. R. Silva & Simões, 2012). Regarding exporting companies, 186 were considered, and lack of incentives was identified as the main obstacle, followed by the existing bureaucracy associated with the export process and the lack of information. When the answer was “others”, the answer of the lack of qualified human resources was the most important one indicated by the responders, followed by the lack of financial support and of their own liquidity to invest, competition in the foreign markets, the lack of free-of-charge commercial information (J. R. Silva & Simões, 2012). On the other hand, concerning FDI only 34 respondents fell into this category. The main barriers identified were bureaucracy, the lack of incentives, and the lack of information, but all these barriers had lower importance when compared with the significance they showed for exporting firms (J. R. Silva & Simões, 2012).

Another example of empirical work on Portuguese companies is the joint study conducted by AICEP and Deloitte in 2012 and in 2014. The study goal was to try to illustrate the main motivations and barriers faced by Portuguese firms in their internationalization process, by interviewing 412 firms. In the 2014 edition, they identified the following top 10 barriers (AICEP & Delloite, 2014):

i) Lack of knowledge about the international markets;
ii) Barriers to entry into the country of destination;
iii) Mobilization of financial resources;
iv) Lack of knowledge about the negotiation mode/decision process in the destination country;
v) Difficulty in obtaining qualified resources in destination markets;
vi) Lack of government support/incentives for internationalization;
vii) Lack of knowledge about target country's language and/or other cultural barriers;
viii) Absence of agreements to avoid double taxation or the mutual promotion and protection of investments;
ix) Lack of management team support and/or commitment to the internationalization program;
x) Lack of internal resources to address these issues.

In the last few years, AICEP and GPEARI - Gabinete de Planeamento, Estratégia, Avaliação e Relações Internacionais do Ministério das Finanças have been conducting an inquiry to try to obtain information about Portuguese firm's export and investments prospects (AICEP & GPEARI, 2018). In April of 2018, the 5th edition of the inquiry was conducted, and of a total of 75 exporting firms only 26 valid responses were obtained (resulting in a 35% response rate, the lowest rate register to the date) (AICEP & GPEARI, 2018). Regarding to the main barriers identified by the responders, external competition was the barrier with the highest response rate, followed by currency fluctuations, customs constraints, lack of demand, financing difficulties, lack of trained human resources and local competition. Among the firms that answered "others", the responders identified difficulty in obtaining foreign currency, difficulty in adapting to local requirements and the lack of support for increasing productive capacity as the main barriers to internationalization (AICEP & GPEARI, 2018).

Regarding the specific case of the Home Textile sector, it is worth mentioning the study conduct by Santos (2005) on the textile and apparel industry in Portugal. The author identifies three main dimensions regarding barriers of internationalization in the industry: structure, rigidity and institutional (Santos, 2005). Structure barriers are mainly related to the small dimension of the companies, to which other constraints accumulate, like the difficulty in obtaining financing for internationalization projects, lack of specialized human resources, or the preferred entry mode, exporting or subcontracting, that does not ensure proximity to customers or the control of the distribution process (Santos, 2005). The rigidity of the organizational and management model of the companies in the industry emphasizes its attention on the production system and almost none to the dynamic competitiveness factors. Hence, the lack of attention to factors as the flexibility related to the response to small orders, capacity of response, quality and quick production, producing according to internationally accepted quality standards, and innovation and codesign processes, are also identified as international performance inhibitors (Santos, 2005). At an institutional level, the image of Portugal is identified as a barrier to the internationalization success, mainly because the country's image tends to be associated just with the fashion sector (Santos, 2005). The author notes that the mentioned barriers do not have the same impact across the industry, and that every sub-sector is exposed to different challenges. In the particular case of the Home Textile sector, highlights go to the capital intensive characteristics of the sub-sector and the moderate level of internationalization. Additionally, Santos (2005) mentions that the home textile and apparel sub-sectors are the ones suffering the major challenges due to high international competition, which arose due to the WTO withdrawn of trade protection mechanisms.

The strategies

As previously stated, one of the goals of this research work is to study the strategies implemented by companies to overcome the barriers faced during their internationalization process. Some of studies that deal with this topic are presented and summarized below.

According to the OECD (2008), firms can choose from four different types of possible strategies to overcome a barrier to their internationalization process, firms may deal with the barriers themselves, seek support in its home government, seek assistance from the host government authorities and ask for help from industrial associations (OECD, 2008). The OECD (2008) highlights home governments' role and SMEs' role by proposing a framework that facilitates SMEs integrations into the trade policymaking.

Home governments are expected to develop their policies taking into considerations national actors, offering an opportunity for firms, including SMEs, to actively influence priorities and objectives. In case of need direct intervention by the government, governments can make use of different methods to help remove or reduce the impact of trade barriers for their firms. Among those, OECD (2008) highlights active engagement in multilateral and bilateral negotiations, recourse to international legal proceedings to resolve disputes, and aggressive trade advocacy (OECD, 2008).

In order to reduce the impact of trade barriers, firms can try to have an active influence in trade policymaking by: i) monitoring policy developments abroad; ii) building a case in favour of an interest and presenting it to policy makers; iii) assisting government negotiators by providing technical support and information; iv) building relationships with key policy makers; v) evaluating the benefits obtained in negotiations and promoting them domestically (OECD, 2008).

Trying to stay relevant in the trade policymaking process is difficulty for SMEs because it requires investment in both time and resources. SMEs fear that trade policy is biased and lack the advocacy expertise, which together with financial and human resources constraints may lead them to unengaged in trade policymaking (OECD, 2008).

The OECD (2008) proposes a creation of a framework that facilitates SMEs integration into the trade policy process, which includes SMEs participation in governmental mechanisms for public consultation and programs provided by governments, international organizations, business or trade associations that assist firms to understand and overcome trade barriers.

Another worthy to mention study is the one conducted by Hutchinson and her colleagues, on six retail SMEs based in the UK. After interviewing managers/decision-makers of the six firms in focus, the authors were able to identify the following as main barriers the owner/managers lack of vision, fear of losing control, lack of market knowledge, the lack of transferability of the product or concept to the new market, legislative and logistical barriers, as well as cultural differences (Hutchinson, et al. 2009a).

In their study, Hutchinson and colleagues (2009a) also point out recommendations on how to overcome the identified barriers.

For the owner/managers lack of vision, it is recommended to seek external support to help clarify the strategic orientation of the firm and develop strategic planning and resource allocation skills.

In order to cope with the fear of losing control, it is suggested that the owner/manager develop an international orientation through mentoring, network development, and exposure to international markets (Hutchinson, et al., 2009a).

So that firms can overcome the lack of transferability of the product or concept to the new market, according to the authors, the firms may seek mentoring from successful international firms, visit trade fairs in order to assess the competitive environment, market conditions and better understand the consumer in the potential new market. Additionally, it is also proposed the elaboration of a comprehensive guide, provided by the government agencies and in order to facilitate the firms to assess the viability of transferring their product or concept to a market.

Finally, regarding the cultural differences barriers to internationalization, Hutchinson and colleagues suggest visits to the potential market, mentoring from organizations already trading in a particular market and the development of language skills in order to more fully understand any cultural differences (Hutchinson, et al., 2009a).

On a later study, Hutchinson and colleagues (2009b) tried to understand the barriers to foreign market expansion focusing on SMEs retail firms from both the firm and industry-level perspectives, considering also how such problems may be overcome. The authors conducted interviews with 9 firms from the clothing and accessories, beauty and cosmetic, jewellery and gifts, and sports and leisure sectors, as well as 8 industry organizations, including 4 government and 4 consultancy organizations. According to the authors, there are three main strategies, specialist/niche characteristics, brand identity, network/partnering, which firms adopt in order to overcome barriers to internationalization. Regarding barriers associated with cultural complexities of foreign markets, it is suggested that firms take advantage of the specialist/niche characteristics of their products, which will allow them to expand without having to do major adaptations. Interviewees highlighted brand/company identity as the main strength that a firm can possess when it decides to expand to foreign markets, since it allows firms to pass through cultural complexities and expand to markets that are more distant. Finally, Hutchison and colleagues (2009b) point out that firms tend to engage into networking/partnering in order to overcome barriers associated with legislation, finance, infrastructure and lack of knowledge.

Summing-up, in general, barriers to the internationalization process can be divided into barriers to the *initiation of internationalization*, typically associated with firm characteristics, and barriers *during the process of internationalization*, typically associated with environmental factors. Barriers to internationalization can also be classified following the dichotomy of *internal vs external* to classify the forces influencing the market strategy of a firm. Based on the selected studies it is possible to conclude that the main barriers to internationalization faced by SMEs are the lack or limited availability of foreign market information, lack of incentives or government support for internationalization and financing difficulties (see Appendix E for more details).

In order to better succeed in the international markets, companies must adopt strategies to overcome the existing barriers. OECD (2008) proposes four approaches to address the barriers to internationalization: companies can address the barriers themselves, seek help from their home country government, from the foreign countries governments or from industrial associations.

1.4.3 Overview of some qualitative studies on Portuguese companies

In the previous section, the conclusions of some more large-scale and quantitative studies focusing on Portuguese companies were described. This section provides a review of a selected number of qualitative studies, on the internationalization process of Portuguese firms to the UK.

As no case studies were found for the specific sector of Home Textile, the studies described here refer to Portuguese companies from the footwear, apparel, and urban waste sector. Even though these sectors are quite different from the one on which we will be focusing, reviewing their conclusions will still be informative for the purpose of identifying the barriers commonly faced by Portuguese companies when exporting to the UK and what strategies might be adopted to deal with those barriers.

Capoulas (2012) analyses the case of "Shoes Closet", a women's non-sports footwear SME, and its strategy to enter the UK market. In her analysis, for the case of "Shoes Closet", Capoulas (2012) proposes exporting directly to retailers as the preferable way of entry in the British market. Based on the analysis of this particular SME, Capoulas identifies as potential barriers to entry in the British market the dominance of large retail chains, the high bargaining power and resulting demand of large payment periods or very low margins, the lack of negotiation and contract management skills, the lack of a competitive advantage in the UK market and the need to improve key processes (Capoulas, 2012).

In order to overcome the mentioned barriers and to succeed in its entry in the UK, Capoulas (2012) suggests that "Shoes Closet" should establish direct contacts with UK clients, through trade fairs and trips to the UK. The use of a local agent is also suggested, although that would also mean paying an extra commission. Entry through department stores is also another suggestion made by the authors, so that the company could benefit from an established distribution system.

Marcos (2015) analyses the company Univest, an apparel SME, and its internationalization strategy to the UK and to Czech Republic. For the reasons previously mentioned, the conclusions reported here focus on the entry in the UK market. Univest tends to adopt indirect exporting through a local agent or distributor as entry mode in international markets. Because the market does not allow an immediate entry due to its high quality, delivery times and custom service requirements, the entry mode to the UK's market proposed for the company is also indirect exporting through a local agent or distributor. It is expected by the author that high demand for quality, delivery times and customer service will constitute as barriers to Univest entering in the British market. In order to overcome them, Marcos (2015) suggests that the company should ensure that its competitive advantage includes a combination of product adaptation capability and reaction time. Marcos (2015) also recommends the company to look for a strategic partner to obtain access to the market and distribution channels. The search of that partner should rely on the company's and the founder's network as well as presence in trade fairs. Such presence could also be used to benchmarking activities and skills development, such as, for example, language and bargaining (Marcos, 2015).

Almeida (2017) tries to understand the internationalization process of Portuguese companies by studying three specific companies, Sotkon, Viarco and ISA. Of the three companies, Sotkon, a company of production, assembly and installation of underground containers for urban waste, is the only one with a significative exporting activity to the UK, so the study's conclusions described here refer to that company only. Sotkon faced some barriers trying to enter the UK. First, its entry mode choice had to be reconsidered, since the opening of a subsidiary did not go as planned and had to be closed due to lack of profit gains, and, as such, the company was forced to start exporting through distributers (Almeida, 2017). Second, the product characteristics were not completely in accordance with the market, as the English waste collection system works differently from the system that Sotkon offers, which led to a several years period of adaption from its clients to Sotkon’s way of working (Almeida, 2017). Additionally, the cultural barrier was identified as an overall barrier faced by the company, which led to the development of strategies to overcome it. Thus, according to Almeida (2017) , the need to study the market and its organization, asking help from a native partner should be strategies implemented by Sotkon in order to overcome the barriers that the company faced in its internationalization process (Almeida, 2017).

In general, through these case studies it is possible to observe that Portuguese firms typically choose exports as the entry mode to the UK’s market. The main barriers found were British companies high bargaining power, resulting in high demand for quality, delivery times, customer service, large payments periods and low payments. Lack of negotiating and contract management skills and lack of a competitive advantage in the British market were also identified as barriers to internationalization of the Portuguese companies. The authors propose several strategies for companies to follow in order to try to overcome existing the barriers, namely, establishing contact through trade shows and trips to the UK, study the market and use a local agent that has knowledge about the market and the distribution channels. Additionally, it was also recommended the investment in a competitive advantage that combines product adaptation and reaction times.

In conclusion, internationalization can occur in different ways at different speeds. In our research study, we consider both gradual and rapid internationalization theories, by following Ruzzier and colleagues’ (2006) proposal, considering different theories and models that study internationalization of SMEs, namely stage models, network approaches, resource-based approaches and international entrepreneurship approaches. In order to enter international markets, firms need to do the necessary arrangements to move some of their operations to those markets. The entry mode should take in consideration the trade-off between resource commitment, risk and uncertainty, control and profit return, and can be divided into equity and non-equity entry modes.

Internationalization is a consequence of reactive and proactive motives, as well as internal and external triggers, depending on the initiative of the company to seek international market opportunities or the market's influence. However, when the internationalization process starts several constraints may have a negative influence that can be felt at the beginning or during the process, and can arise from either company characteristics or external environment. To overcome the barriers, companies can use different strategies, namely address the barriers themselves or ask for external help.

Chapter 2: Methodology

This chapter describes the methodological approach chosen for this research work. It starts by identifying and explaining the chosen method of research, to then describe the procedures adopted in the selection of case studies and the instruments used to collect empirical information.

2.1. Description of the method

As mentioned in the Introduction chapter, the goal of this research work is to analyse, understand and explain the internationalization process adopted by Portuguese SMEs in the Home Textile sector, including the motivations that triggered the start of the internationalization process, the chosen entry modes, and the barriers faced by the companies and consequent strategies implemented. This section focuses on the methodology that was chosen in order to give an answer to this main research goal and the methodology deemed the most appropriated to analyse in detail the previously mentioned phenomenon is the qualitative methodology.

Qualitative research is used to study a problem that needs to be understood and explained. Qualitative research studies phenomena under real-world conditions, within a specific context representing the views of participants of the study. The analysis emerges from multiple sources of evidence (Creswell, 2007; Denzin & Lincoln, 2005; Yin, 2011).

Considering the purpose of this investigation and within the qualitative methodology, the particular method chosen was the case study. Case studies are used to understand an issue or problem using the case as a specific illustration

(Creswell, 2007). Creswell (2007) proposes a definition of case study research where it is described as being “a qualitative approach in which the investigator explores a bounded system (a case) or multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information (e.g., observations, interviews, audio-visual material, and documents and reports), and reports a case description and case-based themes” (Creswell, 2007, p. 73).

According to Yin (2009), case studies are usually “the preferred method when (a) "how" or "why" questions are being posed, (b) the investigator has little control over events, and (c) the focus is on a contemporary phenomenon within a real-life context” (Yin, 2009, p. 2).

All the above reasons, have, then, contributed to the choice of the case-study method. We now move to explaining how the case studies were selected.

2.2 Selection of case studies

In order to assure the pertinence and the relevance of the information derived from the data collection, the firms object of case study were chosen using specific selection criteria, which are described below.

First, and in order to collect a more complete list of the Portuguese firms from the Home Textile sector that have presence in the UK, a list was put together based on the following sources:

i) Lists produced by AICEP about the Home Textile sector provided by AICEP on the 27th of September of 2019;

ii) List of the home textile producers exporting to the UK provided by Associação Têxtil e Vestuário de Portugal (ATP) on the 30th of September of 2019;

iii) List of the companies exporting to the UK provided by Associação Nacional das Indústrias de Têxteis-Lar (Anitlar) on the 14th of October of 2019;

iv) List of the 100 major exporters to the UK provided by AICEP on 17th of October of 2019;

v) List of home textile firms with exports over EUR 100 000 to the UK in 2018 provided by AICEP on 26th of November of 2019.

Based on database SABI, a database that gathers financial information on Portuguese and Spanish companies, the small and medium enterprises were selected. Small and medium enterprises are those enterprises "which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million" (European Union Commission, 2003, p. 39).

The firms for which there were no working websites were discarded. The resulting list was then fine-tuned by considering additional criteria in order to try to define a diverse sample. The criteria used were: product range, year of foundation, turnover and number of employees. The resulting list of 10 companies. Finally, one last criterion was considered, the ease of contact through AICEP, which led to a more restrict set of 4 firms.

The first contact was established on January 30th of 2020 and follow-up contacts were made until the third week of February of 2020. However, for several reasons[1], none of the selected companies were available. Because of that, the list of 10 companies was again considered and a second and third round of contacts[2] were made, this time with a larger number of companies. The contact phase lasted until the 20th of March. Two companies, Alda Têxteis, Lda. and Gipanolar - Comércio Internacional de Têxteis, Lda., replied and revealed an

[1] Namely, the fact the companies were busy with trade fairs.
[2] The need to go to a third round of contacts and to contact a larger number of companies was mainly associated with the current situation of the Covid-19 pandemic, which, naturally, resulted in companies not being available for interviews and visits.

interest in taking part in the study. These are, thus, the two case studies that will be analysed in Chapter 3.

2.3 Data collection procedures

As mentioned above, the case study makes use of various techniques of data collection specific to qualitative research. The use of different data collection tools provides the possibility of crossing information for a well-founded analysis. As Yin (2009) states, the use of multiple data sources allows us to consider a more diversified set of topics of analysis and, at the same time, allows us to corroborate the same phenomenon. Some of the main sources of data acquisition for case studies: documentation; archive records, interviews and direct observations (Yin, 2009).

Regarding the interviews script, it was developed especially for this research, based on the literature review and according to the aims of this study. The interview can be classified as semi-structured, or focused interview (Yin, 2009), allowing for it to happen in a conversational manner, although it follows a specific set of pre-defined questions (see Appendix F). The interviews scripts were organized in four different sections:

i) General company information;

ii) Characterization of the internationalization process;

iii) Identification of motivations for internationalization;

iv) Barriers to the internationalization process and other related questions.

External constraints [3] limited the possibility of conducting face-to-face interviews and it was also not possible to conduct video-call interviews[4]. This

[3] These constraints resulted, as mentioned in footnote 2, from the Covid-19 pandemic, which limited, for example, the possibility of face-to-face interviews and visits to the facilities of companies.
[4] For reasons related with what is mentioned in footnote 3, which limited the agenda and availability of the interviewees.

means that the above-mentioned advantages of conducting interviews were not fully accomplished, as the answers were obtained in writing. In order to try to compensate for this limitation, two more rounds of electronic mail contacts were made to obtain clarifications about some of the information shared by the interviewees. An informed consent explaining the purpose of the research study and asking for permission to identify the persons and companies was sent to the interviewees (see Appendix G) and in both cases the permissions were obtained.

The above-mentioned difficulties that arose during the process of data collection (see footnotes 3 and 4), also constrained the possibility to resort to other sources of information, such as direct observations. Documentation or archive records from both companies were also not available. Additional information on the companies was, thus, limited to the one retrieved from the companies' websites and the SABI database. For the specific case of Alda Têxteis, an existing research work on this company (Pinto, 2012) was also considered as a secondary source of information.

The previously mentioned constraints in terms of data collection procedure are an acknowledged limitation of this research work.

Chapter 3: Empirical Study

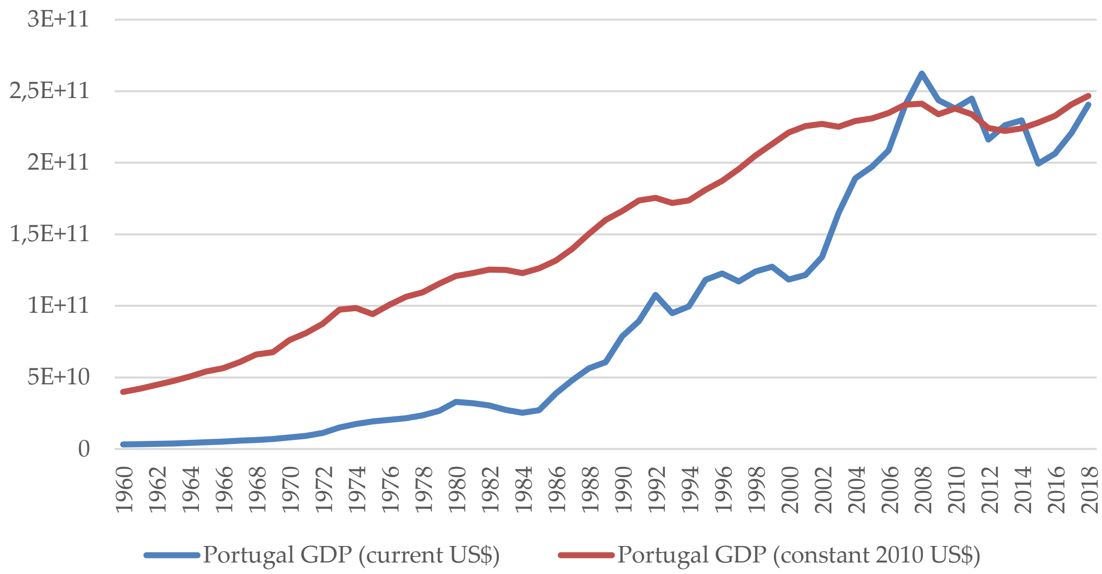
This chapter starts with a brief description of the Portuguese and UK economies. After that, the trade relations between Portugal and the UK are also analysed, with a focus on the Home Textile sector. Following this contextualization, we present the selected case studies, starting with an individual analysis of each company and then proceeding to a comparative analysis, with the aim of extracting or identifying patterns of behaviour. The chapter ends with a discussion and summary of the results obtained from the previous analysis.

3.1 The General Macroeconomic Context, the Commercial Relations and the Home Textile Sector of Portugal and the United Kingdom

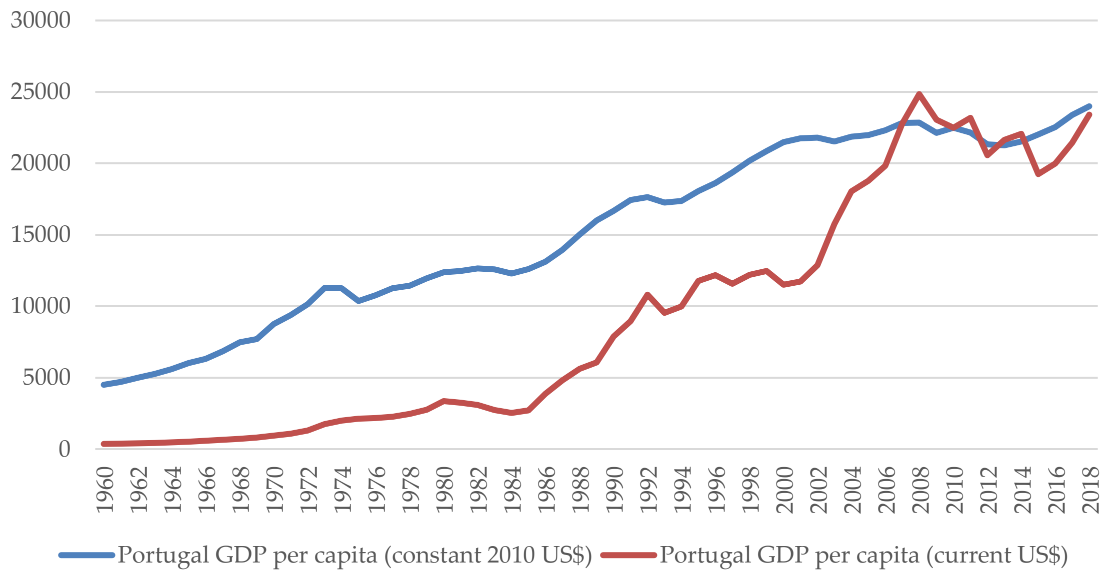
3.1.1 Portugal

Portugal has a total area of 92 225.61 km^2 being the 21st biggest country in Europe and the 108th in the world, which includes the continental area and the archipelagos of Azores and Madeira (AICEP Portugal Global, 2017; World Bank, 2020). In terms of population, in 2018, Portugal was the 15th biggest country in Europe and the 87th in the world, with a population of 10.28 million and a negative annual growth rate of 0.18%, and a population density of 112.4 people per square km of land area (World Bank, 2020).

In terms of gross domestic product (GDP), Portugal is the 19th largest economy in the Europe and the 46th in the world (World Bank, 2020). In 2018, according to the World Bank, Portugal registered a GDP of $240 674 million (€222 625.9 million) and a GDP per capita of $23 407.9 (€210 652.5 million) (World Bank, 2020).



Graphic 1 – Gross Domestic Product of Portugal
Source: World Bank (2020)



Graphic 2 – Gross Domestic Product per capita of Portugal
Source: World Bank (2020)

In order to have a better picture about the macroeconomic context of the Portugal, it is important to analyse the Portuguese Trade Balance of Goods. As can be seen in table 2, the volume of exports reached €59 906 060 in 2019, showing an increase of about €10 272 059 compared to 2015, which corresponds to an average annual variation of 4.9%. As for imports, there was an average annual increase of 7.5% between 2015 and 2019, with their volume increasing from €60 344 800 to €80 305 538. It was also possible to observe that the balance was always negative, meaning that the imports were higher than the exports, but registering a slight decrease.

	2015	**2016**	**2017**	**2018**	**2019**	**Var % 19/15[a]**	**Var % 19/18[b]**
Exports	49 634 001	50 038 841	55 017 988	57 806 517	59 906 060	4.9	3.6
Imports	60 344 800	61 424 015	69 688 565	75 363 915	80 305 538	7.5	6.6
Balance	-10 710 798	-11 385 174	-14 670 577	-17 557 399	-20 399 478	--	--
Cov. Coef. %	82.3	81.5	78.9	76.7	74.6	--	--

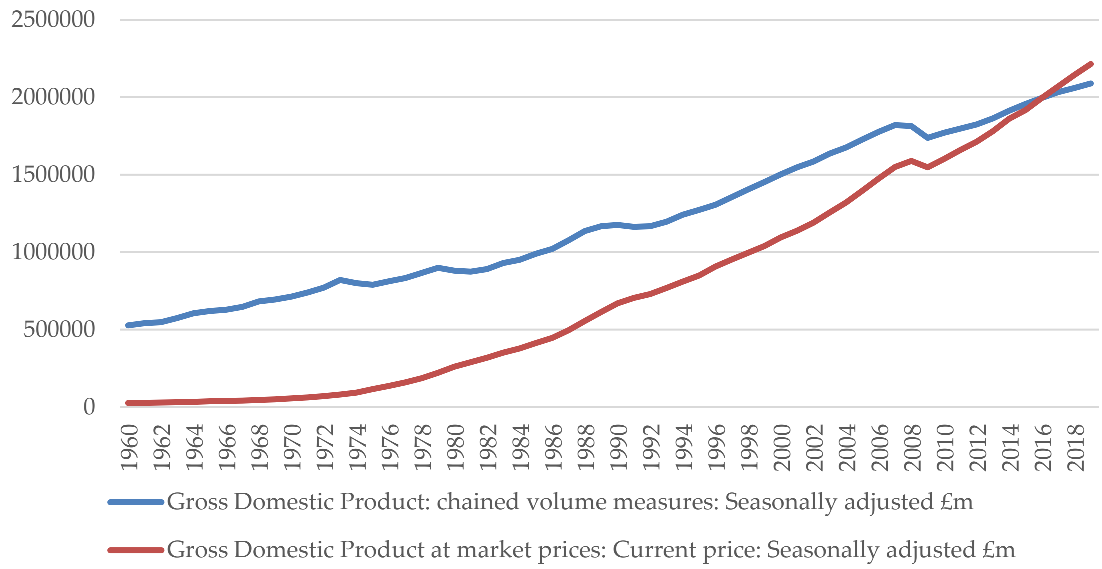
Source: INE - Instituto Nacional de Estatística
Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019

Table 2 - Portuguese Trade Balance of Goods (Thousand Euros)
Source: AICEP Portugal Global (2020b)

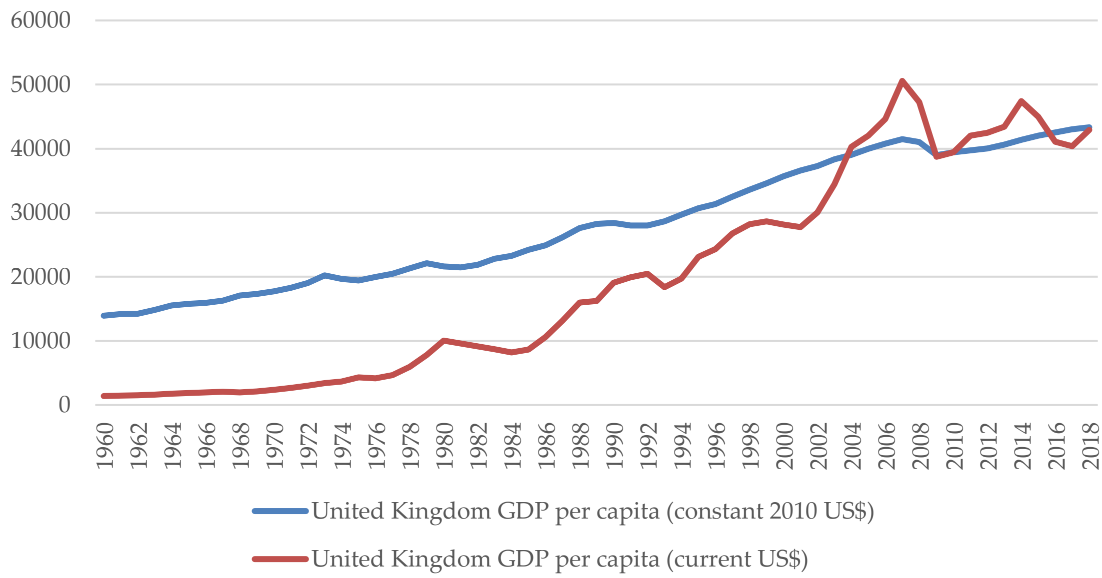
3.1.2 The United Kingdom

The UK has a total area of 242 509 km^2 being the 12th biggest country in Europe and the 77th in the world, composed by England (130 279 km^2), Scotland (77 933 km^2), Wales (20 735 km^2) and Northern Ireland (13 562 km^2) (AICEP Portugal Global, 2017; World Bank, 2020). In terms of population, in 2018, the UK was the 5th biggest country in Europe and the 22nd in the world, with a population of 66.49 million and 0.6% annual growth rate, and a population density of 274.8 people per square km of land area (World Bank, 2020).

In terms of gross domestic product (GDP), the UK is the second largest economy in the Europe and the fifth in the world (World Bank, 2020). In 2019, the UK registered a GDP of £208 942 million (€237 854.4 million) and a GDP per capita of $42 943.9 (€48 886.3) (Office for National Statistics, 2020a; World Bank, 2020).



Graphic 3 – Gross Domestic Product of the United Kingdom (Million Pounds)
Source: Office for National Statistics (2020a)



Graphic 4 – Gross Domestic Product per capita of the United Kingdom
Source: World Bank (2020)

In order to have a better picture about the macroeconomic context of the UK, it is important to analyse the UK's Trade Balance of Goods. As can be seen in table 3, the volume of exports reached £698 626 million (€795 298.4 million) in 2019, showing an increase of about £168 577 million (€191 903.8 million) compared to 2015, which corresponds to an average annual variation of 7.2%. As for imports, there was an average annual increase of 6.8% between 2015 and 2019, with their volume increasing from £556 507 million (€633 513.7 million) to £724 521 million (€824 776 million). It was also possible to observe that the balance was always negative, meaning that the imports were higher than the exports.

	2015	**2016**	**2017**	**2018**	**2019**	**Var % 19/15[a]**	**Var % 19/18[b]**
Exports	530 049	567 499	629 085	656 478	698 626	7.2	6.4
Imports	556 507	599 822	654 212	686 265	724 521	6.8	5.6
Balance	-26 458	-32 323	-25 127	-29 787	-25 895	--	--
Cov. Coef. %	95.2	94.6	96.2	95.7	96.4	--	--
Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019							

Table 3 – United Kingdom's Trade Balance of Goods (Million Pounds)
Source: Own authorship. Data retrieved: Office for National Statistics (2020c)

3.1.3 Trade relations between Portugal and the United Kingdom

Analysing trade between Portugal and the UK, as well as the weight of each in the other's trade balance, is also relevant to understand the context in which Portuguese firms with commercial relations with the UK are operating. As can be seen in table 4, that shows the value of Portugal's trade in goods with the UK, the volume of exports reached €3 644.8 million in 2018, showing an increase of about €289 million compared to 2015, which corresponds to an average variation of 2.1%. As for imports, there was an average annual increase of 2.9% between 2019 and 2015, with their volume increasing from €1 893.6 million to €2 110.9 million. Looking at January of 2020 alone, compared with the same period in 2019, there was a decrease in exports from €318.4 million to €299.1 million, assuming a negative variation of 6.1%. Imports increased by 18.3% from €153.2 million to €181.3 million. During the period under review, the trade balance between Portugal and the UK always takes positive values. The coverage rate has been on an upward trend, however it fell in 2019, registering a value of 172.7%.

	2015	**2016**	**2017**	**2018**	**2019**	**Var % 19/15[a]**	**2019 jan**	**2020 jan**	**Var % 20/19[b]**
Exports	3 355.8	3 538.3	3 648.8	3 668.2	3 644.8	2.1	318.4	299.1	-6.1
Imports	1 893.6	1 801.3	1 863.7	1 892.9	2 110.9	2.9	153.2	181.3	18.3
Balance	1 462.2	1 736.9	1 785.1	1 775.3	1 533.9	--	165.3	117.8	--
Cov. Coef. %	177.2	196.4	195.8	193.8	172.7	--	207.9	165.0	--

Source: Banco de Portugal
Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2019-2020

Table 4 - Trade Balance of Goods of Portugal with the United Kingdom (Million euros)
Source: AICEP Portugal Global (2020c)

Besides observing the total value of trade of goods between the two countries, it is important to understand the relative weight of the UK in the Portuguese trade balance. In 2019 the main customers of Portugal were: Spain, absorbing 19.8% of exports, France (13.4%), Germany (11.2%), the UK (10.1%) and the United States of America (6.0%). In the same period, Spain represented 29.8% of Portuguese imports, followed by Germany (12.5%), France (7.8%), the Netherlands (5.0%) and Italy (4.9%). On the other hand, as a supplier, the UK ranked sixth in 2019, with imports accounting for about 4.6% of the total (AICEP Portugal Global, 2020a)

On the other hand, when analysing Portugal's weight in the UK trade balance, it is possible to see that Portugal plays low relevance role, as the country is outside of the top thirty suppliers and customers of the UK. In fact, Portugal is responsible for only 0.4% of exports and 0.6% of imports from the UK, occupying the thirty-second place and twenty-eighth, respectively, in 2019 (AICEP Portugal Global, 2020c). The main customers and suppliers of the UK are Germany, the United States of America, China, France and the Netherlands. It should be noted that this data only contains information on trade in goods, being this the contextualization that best fits the case studies that will be discussed later, as they do not refer to trade in services.

		2015	2016	2017	2018	2019	2020 jan
United Kingdom as Client	Position	4	4	4	4	4	4
	% Export.	6.76	7.07	6.63	6.35	6.08	5.77
United Kingdom as Supplier	Position	6	7	8	8	8	9
	% Import.	3.14	2.93	2.67	2.51	2.63	2.70
Source: INE - Instituto Nacional de Estatística							

Table 5 - United Kingdom Position and Share in Portuguese International Trade in Goods
Source: AICEP Portugal Global (2020c)

		2015	2016	2017	2018	2019
Portugal As Client	Position	35	31	32	31	32
	% Export.	0.41	0.47	0.46	0.43	0.43
Portugal As Supplier	Position	28	30	28	26	28
	% Import.	0.57	0.57	0.61	0.62	0.59
Fonte: ITC - International Trade Centre						

Table 6 - Portuguese Position and Share in United Kingdom International Trade in Goods
Source: AICEP Portugal Global (2020c)

Looking at the different product groups, the groups with more importance, in 2019, in the Portuguese exports are vehicles and other transport equipment (21.4%), machinery and equipment (17.5%), base metals (7.6%) and clothing (6.9%). Regarding imports, machinery and equipment (23.1%), chemicals (18.8%), vehicles and other transport equipment (10.2%) and mineral fuels (10.1%) are the groups of products that stand out (AICEP Portugal Global, 2020c) (see Appendix H for more details).

The trade relationship between Portugal and the UK is characterized by a positive Trade Balance of Goods, which means that exports from Portugal to the UK are higher than imports from the UK, which shows the importance of the UK's market to Portugal. The UK's position in the Portuguese market is also important, where is represents the fourth client and the eighth supplier of Portugal (AICEP Portugal Global, 2020c).

3.1.4 The Home Textile Sector

Focusing on the Home Textile sector, it is important to analyse the Portuguese and the UK's Home Textile balance of trade, as well as the weight of the sector on the both countries' international activity. As it can be seen in table 7, which represents the value of UK's trade in home textile, the volume of exports reached £1 651 million (€1 879.5 million) in 2019, showing an increase of about £219 million (€249.3 million) compared to 2015, which corresponds to an average annual variation of 3.6%. As for imports, there was an average annual increase of 3.8% between 2015 and 2019, with their volume increasing from £3 838 million (€4 369.1 million) to £4 445 million (€5 060.1 million). Looking at its share in the UK's international trade, it is possible to see an average annual decrease of 0.01% of the exports, with a weight of 0.27% in 2015 and a weight of 0.24% in 2019. As for imports, the weight suffered a slight decrease from 2017 to 2018, and stayed unchanged from 2018 to 2019, with negative average annual variation of 0.02% between 2015 and 2019, changing from 0.69% in 2015 to 0.61% in 2019.

	2015	2016	2017	2018	2019	Var% 19/15[a]	Var% 19/18[b]
Exports	1 432	1 511	1 562	1 610	1 651	3.6	2.5
Imports	3 838	4 087	4 281	4 202	4 445	3.8	5.8
Balance	-2 406	-2 576	-2 719	-2 592	-2 794	--	--
Cov. Coef. %	37.3	37.0	36.5	38.3	37.1	--	--
Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019							

Table 7 - Home Textiles Trade Balance of the United Kingdom (Million Pounds)
Source own elaboration, Data retrieved: Office for National Statistics (2020b)

	2015	2016	2017	2018	2019	Var p.p. 19/15[a]	Var p.p. 19/18[b]
Exports	0.27	0.27	0.25	0.25	0.24	-0.01	-0.01
Imports	0.69	0.68	0.65	0.61	0.61	-0.02	0.00
Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019							

Table 8 - Home Textiles Share of International Trade in the United Kingdom (% of Total)
Source own elaboration, Data: Office for National Statistics (2020b)

Focusing on the Portuguese Home Textile sector, we can observe that the volume of exports reached €726.4 thousand in 2019, showing an increase of about €25.1 thousand compared to 2015, which corresponds to an average annual variation of 0.9%. As for imports, there was an average annual increase of 5.4% between 2019 and 2015, with their volume increasing from €163.7 thousand to €201.8 thousand. Looking at the sector's share in the Portuguese international trade, it is possible to see an average annual variation decrease of 0.05% of the exports, with a weight of 1.41% in 2015 and a weight of 1.21% in 2019. As for imports, the weight stayed almost unchanged, with negative average annual variation of 0.01%, changing from 0.27% in 2015 to 0.25% in 2019.

	2015	2016	2017	2018	2019	Var % 19/15[a]	Var % 19/18[b]
Exports	701 287	721 877	713 393	747 766	726 427	0.9	-2.9
Imports	163 775	176 403	188 768	198 335	201 852	5.4	1.8
Balance	537 512	545 474	524 625	549 431	524 574	--	--
Cov. Coef. %	428.2	409.2	377.9	377.0	359.9	--	--
Source: INE - Instituto Nacional de Estatística Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019							

Table 9 - Portuguese Trade Balance in Home Textiles (Thousand Euros)
Source: AICEP Portugal Global (2020b)

	2015	2016	2017	2018	2019	Var p.p. 19/15[a]	Var p.p. 19/18[b]
Exports	1.41	1.44	1.30	1.29	1.21	-0.05	-0.08
Imports	0.27	0.29	0.27	0.26	0.25	-0.01	-0.01
Source: INE - Instituto Nacional de Estatística Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019							

Table 10 - Home Textiles Share of International Trade in Portugal (% of Total)
Source: AICEP Portugal Global (2020b)

Looking at the exports and imports of home textile by group of products, it is possible to see that "carpets and rugs" and "bedding, table, dressing table, kitchen" are the groups of products with the biggest weight on the Portuguese home textile balance trade. Regarding "bedding, table, dressing table, kitchen", it represents more than half of the Portuguese exports of home textile, with a weight of 68.7%, followed by "carpets and rugs" (11.1%) and "velvet, lace, embroidery" (10.1%). As for imports "carpets and rugs" and "velvet, lace, embroidery" represent more than half of the Portuguese exports of home textile, with a weight of 38.3% and 32.8%, respectively, followed by "curtains, drapes, blinds, pelmets" (9.2%).

	2015	2016	2017	2018	2019	Var p.p. 19/15[a]	Var p.p. 19/18[b]
Bedding, Table, Dressing Table, Kitchen	70.4	69.1	69.0	69.6	68.7	-0.44	-0.93
Carpets and Rugs	11.1	10.9	11.2	10.7	11.1	-0.01	0.40
Velvet, Lace, Embroidery	8.7	10.1	9.5	9.5	10.1	0.34	0.51
Bedspreads	5.9	6.1	6.3	5.9	5.2	-0.19	-0.75
Blankets	2.4	2.6	2.8	3.0	3.6	0.30	0.53
Curtains, Drapes, Blinds, Pelmets	1.4	1.2	1.2	1.2	1.4	0.01	0.23
Total	100.0	100.0	100.0	100.0	100.0	--	--

Source: INE - Instituto Nacional de Estatística
Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019

Table 11 - Portuguese Home Textile Exports by Product Type (% of Total)
Source: AICEP Portugal Global (2020b)

	2015	2016	2017	2018	2019	Var p.p. 19/15[a]	Var p.p. 19/18[b]
Carpets and Rugs	35.5	37.2	40.1	40.4	38.3	0.69	-2.11
Bedding, Table, Dressing Table, Kitchen	29.4	28.8	29.3	30.7	32.8	0.85	2.03
Curtains, Drapes, Blinds, Pelmets	10.7	10.4	10.2	9.2	9.2	-0.40	-0.01
Velvet, Lace, Embroidery	13.2	13.2	10.4	9.4	7.7	-1.39	-1.74
Bedspreads	4.9	4.4	4.6	4.8	6.7	0.44	1.87
Blankets	6.3	5.9	5.4	5.5	5.5	-0.20	-0.05
Total	100.0	100.0	100.0	100.0	100.0	--	--

Source: INE - Instituto Nacional de Estatística
Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019

Table 12 - Portuguese Home Textile Imports by Product Type (% of Total)
Source: AICEP Portugal Global (2020b)

The number of destinations of home textile exports from Portugal has grown, reaching its peak in 2019 with 143 markets. The groups “bedding, table, dressing table, kitchen” and “carpets and rugs” are the groups of products with the highest number of destinies, with 138 and 115, respectively.

The UK is the fourth most important country in Portuguese exports of home textile, after the United States of America, Spain and France. Looking at each group of home textile products, the UK is the fourth most important country in "bedding, table, dressing table, kitchen", the second in "carpets and rugs", eleventh in "velvet, lace, embroidery", third in "bedspreads", fourth in "blankets" and the fourteenth in "curtains, drapes, blinds, pelmets" (AICEP Portugal Global, 2020b) (see Appendix I for more details).

	2015	2016	2017	2018	2019
Home Textile	**129**	**134**	**135**	**141**	**143**
Bedding, Table, Dressing Table, Kitchen	114	124	124	132	138
Carpets and Rugs	105	105	113	109	115
Velvet, Lace, Embroidery	67	78	79	83	75
Bedspreads	83	81	80	82	85
Blankets	80	86	85	90	91
Curtains, Drapes, Blinds, Pelmets	77	80	77	68	79
Source: INE - Instituto Nacional de Estatística, CIP – Confederação Empresarial de Portugal					

Table 13 - Number of Markets Destinations of Portuguese Export
Source: AICEP Portugal Global (2020b)

	2015	2016	2017	2018	2019	Var p.p.[a] 19/15	Var p.p.[b] 19/18
United States of America	15.82	15.20	17.34	17.00	18.63	0.70	1.63
Spain	19.17	20.43	17.96	19.29	17.11	-0.51	-2.18
France	14.70	13.89	14.78	13.65	14.55	-0.04	0.90
United Kingdom	12.11	11.50	10.58	9.48	9.81	-0.57	0.33
Germany	4.83	5.30	5.59	6.08	6.06	0.31	-0.02
Source: INE - Instituto Nacional de Estatística Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019							

Table 14 - Top 5 Home Textile Customers (% of Total)
Source: AICEP Portugal Global (2020b)

Regarding the specific case of Home Textile sector, the UK is the fourth market of the Portuguese Home Textile exports, representing 9.81%, and the most important sub-sectors are the "carpets and rugs" where the UK represents the second market (17.85%) and the "bedspreads" where the UK represents the third market (10.02%) (AICEP Portugal Global, 2020b).

3.1.5 A note on "Brexit"

In the UK, the pressure raised by the Eurosceptic party, UKIP - UK Independence party, led David Cameron, the prime minister at the time, to hold the UK European Union Membership referendum (Henley, Rankin, & O'Carroll, 2020). The referendum took place on June 23rd of 2016 and resulted in a majority of 52% of the expressed votes with a response "LEAVE", which led to the discussion about what is currently known as "Brexit". The word Brexit was first used in 2012 inspired by the word "Grexit", which described a possible situation of Greece leaving the EU (Atkins, 2012).

After a long period of negotiations and several delays of the Brexit date, on January 31st 2020 the UK left officially the European Union and became the first member of the European Union to left. From February 1st 2020, the UK entered a transition period due in the end of December 31st 2020, unless the UK and European Union agree to delay the period for another year or two. During the transition period, the European Union law will continue to apply in the UK and the trade relationships will remain the same, meaning the UK will stay in the European Union Customs Union and in the Single Market. However, the UK will no longer be represented in the European Union institutions, agencies, bodies and offices (European Commission, 2020).

According to several sources, Brexit can result in three possible scenarios. If the UK and the EU reach an agreement by the end of the year of 2020, new trade relations between countries will take effect as soon as the transition period ends, even if some questions remain pending, for which a contingency plan must be defined. However, the implementation of the free trade agreement requires approval from the EU, as well as from each Member State. If the agreement is not agreed and ratified by the end of the transition period and if the extension of the transition period has not been agreed, the UK will have to follow the rules of the World Trade Organization (WTO) in trade with the EU and other countries, setting tariffs on imported products until a new agreement. According to a Bloomberg study (Pogkas & Diamond, 2020), around 16% of European goods exports to the UK will be exposed to the new tariffs. In the event of a non-agreement, the one set out in the Withdrawal Agreement in relation to citizens rights, the Divorce Bill and the Irish border remain and should be implemented. Alternatively, if no agreement is approved by the end of the transitional period, the British Prime Minister may agree to extend the transitional period with the EU, allowing negotiations to continue (Dunt, 2020; European Commission, 2020; Pogkas & Diamond, 2020).

Although the consequences of Brexit are not all known now, its effects have been felt since the day of the referendum, costing 130 billion pounds in the beginning of 2020 to the UK, and according to a study of the economist Dan Hanson from Bloomberg Economics, the cost will raise another 70 billion pounds until the end of 2020 (Colson, 2020; O'Brien, 2020). Several studies have been conducted in order to predict the impact of the Brexit in the economy, as is the case of the following.

The International Monetary Fund (IMF) conducted a study to estimate the losses caused by the UK departure from the European Union, using two complementary approaches (IMF, 2018). First, a multidimensional index that captures the depth and evolution of integration between the UK and the rest of the EU was created to estimate the average long-term impact of several Brexit scenarios. The index was created considering trade in different dimensions, such as supply chains, financial linkages, as well as migration. Second, was used a standard multi-country and multi-sector computable general equilibrium (CGE) model to estimate country and sector specific impacts from higher trade barriers between the U.K. and the rest of the EU countries (IMF, 2018).

The study allowed the IMF to conclude that the level of output of EU27 countries may fall by between 0.06% (considering a scenario where the UK stays in European economic zone) and up to 1.5% (considering a scenario where the United King and EU establish a WTO rules-based trade relationship) in the long run. The countries more affected in the simulated scenarios are Ireland, Netherlands, and Belgium, with Ireland being the only EU27 country showing potential Brexit-related losses similar to UK (IMF, 2018).

The analysis at the country level revealed that Portugal would be the 6th country in the EU most affected, when considering a scenario where the UK stays in the European economic zone, and the 12th most affected country, when considering a scenario where the UK and EU establish a WTO rules-based trade relationship. The impact is expected to be a production reduction between 0.2% and 0.4%, respectively (IMF, 2018).

Lawless and Morgenroth (2019) tried to assess the impact of the WTO tariffs in EU members, by matching over 5200 products to the WTO tariff applicable to external EU trade and estimating the exposure of each country using detailed tariff information (Lawless & Morgenroth, 2019).

The authors conclude that the aggregate impact would represent a reduction of 30% in EU to UK exports, representing a 2% reduction in its total world trade, and 22% in UK to EU exports, representing a 9.8% reduction in its total exports (Lawless & Morgenroth, 2019).

At a country level, the most exposed countries would be Ireland and Belgium suffering a reduction of 4% and 3.1% of their total exports, respectively, and on contrary Estonia and Finland would suffer a reduction in their total exports of less than 0.3%. In the specific case of Portugal, Portugal to UK exports are expected to fall 33%, representing an impact of 2.2% in total exports, and the UK to Portugal exports are expected to fall 27.7%, representing 0.1% in total exports (Lawless & Morgenroth, 2019).

At a sector level, food and textile products are expected to be the ones suffering a bigger impact, with an estimated reduction in trade by up to 90%, followed by the vehicles products with an estimated reduction by over 60% (Lawless & Morgenroth, 2019).

Clearwater International, a financial services company, conducted a survey with 2100 companies with a turnover over 10 million euros from eight European countries, UK (500), Ireland (200), France (250), Germany (250), Italy (250), Spain (250), Portugal (200) and Denmark (200) (Clearwater International, 2019). The survey revealed that Brexit is raising anxiety across the European countries, where 23.9% of the firms inquired assume that Brexit is among the top three challenges faced by their business (Clearwater International, 2019).

It is notorious that the anxiety generated by Brexit is higher in the UK with 34% of the British companies revealing that Brexit is one of the biggest challenges they face. Following the UK, Ireland (27%), Germany (26.8%) and Spain (26%) are the top three countries considering Brexit as one of the biggest challenges they face, nonetheless it is also relevant to say that 19% of the Portuguese companies consider it as a major challenge (Clearwater International, 2019).

However, when questioned about the impact in the long-term, almost half of the firms considered in the study (46.5%) believe that Brexit will have a positive impact on their business, compared to 23.8% that believe it will have a negative impact, and a quarter believe that will have no impact. Considering the response of each country individually, 51.2% of the companies in the UK said it will have a positive impact, 62% in Ireland, 58.8% in Germany, 54.4% in France, 42% in Italy, 38% in Spain and in Denmark. Portuguese are the most pessimistic about Brexit long-term effects, with 37% of the firms inquired answering it will have "negative" or "very negative" effect on them (Clearwater International, 2019).

One of the Brexit studies conducted in Portugal, uses the qualitative methodology case study in order to identify the implications Brexit will have on Portugal's strategic interests (Vieira, 2018). The author concludes that both scenarios considered the UK's exit from the EU will have implications on Portugal, and that its degree will depend on what scenario will be implemented. Vieira (2018) considers two scenarios, a free-trade agreement scenario and a no-deal scenario. The author believes that the free-trade agreement scenario will have less severe implications due to the existence of a transition period that will allow the EU to rebalance its political and financial framework. In both, scenarios it is predicted that the tourism sector will be most affected in Madeira Islands and Algarve. In the no-deal scenario, Brexit is expected to create a higher bureaucratic and administrative burden, to reflect a decrease in exports, and to cut fishing quotas contrary to the free-trade agreement scenario where is expectable that the fishing and civil aviation won't have negative effects (Vieira, 2018).

The CIP – Confederação Empresarial de Portugal (Portuguese Business Confederation) conducted a study on the potential economic consequences of Brexit for the Portuguese economy and its companies, in order to facilitate their associates training and preparation of the best responses to the challenges arising from Brexit (CIP, 2018). The study allowed the CIP to conclude that Brexit and the contraction foreseen for the British economy during the transition period might led to a reduction of exports to the UK between -1.1% and -4.5%, to a FDI (Foreign Direct Investment) flow reduction between -0.5% and -1.9%, and to emigrant remittance reductions between -0.8% and -3.2% (CIP, 2018). The regions Alto Minho, Cávado, Ave e Tâmega e Sousa are expected to be the regions more affected by Brexit because the majority of the products they produce are more dependent of British purchases (CIP, 2018). At a sector level, CIP identified IT, electronic and optical products, electrical equipment and the automotive sectors as being the sectors showing a higher risk of being affected in a more severe way by the Brexit. In the specific case of the textiles products, the sector shows a medium high risk (CIP, 2018).

Other study of about Brexit conducted in Portugal uses 2 methodologies to study the potential Brexit impacts on Portugal, studying in particular the impacts on the textile am apparel sectors. Mateus (2018) uses a qualitative method to better understand the Brexit impact may have on both countries, by doing interviews to a Portuguese textile agent and a British textile agent. The author also uses a quantitative method approach through a survey, where he had 91 valid responses, of which 25 companies are exporters, 3 are importers, 12 are both exporters and importers, and 51 have no relationship with the British market (Mateus, 2018). In his study, Mateus (2018), based on the responses to the survey, concludes that Brexit will have a negative impact in the trade partnership, albeit moderate. It is also evident that the Portuguese companies believe in a soft scenario, which is also the opinion of the Portuguese textile agent interviewed. The main implications identified by the Portuguese companies were limitations in terms of trade barriers and bureaucracy implications. The opinion of the British agent is a more optimistic one, neglecting a hard Brexit scenario (Mateus, 2018).

As previously mentioned, Brexit can result in three scenarios, EEA style agreement, such as the agreement between Norway and the EU, a free trade agreement (FTA), such as the agreement between Switzerland and the EU, and a WTO (World Trade Organization) agreement (Bergin, Garci-Rodriguez, Morgenroth, & Smith, 2017). It is expected that Brexit will have an impact not only in the UK economy, but also in the economy of each of the EU member states (IMF, 2018; Lawless & Morgenroth, 2019) (for details see Appendix J).

One of the more common impacts identified was the negative impact in the output and in the international trade in the EU member states, where Ireland, Belgium, Netherlands are identified as the countries suffering the biggest impact (Bergin et al., 2017; IMF, 2018; Lawless & Morgenroth, 2019).

The study of IFM (2018) reached the conclusion that Portugal would be the 12th most affected country if the WTO rules apply and 6th if UK stays in the European economic zone.

Regarding the specific studies on Portuguese companies, Portuguese companies revealed to be both the most pessimistic, as the impacts are expected to be negative (Clearwater International, 2019). In addition to the loss on international trade, other impacts identified by Portuguese companies were the increase of limitations in terms of trade barriers and bureaucracy implications (CIP, 2018; Mateus, 2018).

Thus, Brexit is expected to have a negative impact in the trade relations between Portugal and UK, as Portuguese companies expect a loss in the international trade, increase of limitations in terms of trade barriers and increased bureaucracy (CIP, 2018; Mateus, 2018).

3.2 The Case Studies

In this section, we present and discuss the selected case studies, with the purpose of analysing the internationalization process adopted by both companies, Alda Têxteis, Lda. and Gipanolar - Comércio Internacional de Têxteis, Lda., and their specific internationalization process to the UK (see Appendix K for a summary of the results of this analysis). After that, we conduct a comparative analysis, with the aim of extracting patterns of behaviour and the results of this analysis will be discussed.

3.2.1 The case of Alda – Têxteis, Lda.

3.2.1.1 History and brief description of the company

Alda – Têxteis, Lda. (from now on referred to as Alda Têxteis), based in Póvoa de Lanhoso, is a family business that belongs to the Home Textile sector. It was founded in 1987, according to the database SABI and the company's website, however it changed administration in 1995 (Pinto, 2012), being this the year identified by the current General Director as year of establishment[5] (SABI, 2020a). The company employs 44 employees, of which 3 constitute the management team.

According to the database SABI, Alda Têxteis had a turnover of 4 375 762€ in 2018 (SABI, 2020a). The company estimates that exports constitute around 92% of the total turnover. The company's internationalization process started, in 1998, and the first international market was the UK.

The company integrates in its production process the printing, finishing, made-ups and packaging stages. It produces different types of home textiles, certified with the Oeko-tex Standard 100 certificate, which refers to testing for harmful substances. Alda Têxteis presents a wide range of products for bed, such as duvets, quilts, sheets, mattress protectors, pillowcases, decorative pillows, waterproof protectors, crib protectors and baby bed linen; for table, such as towels, napkins, runners and placemats; and for bath, such as bath towels, robes and bath rugs. The production of its products uses different raw materials, such as 100% Cotton, 100% Organic Cotton, Polyester/Cotton blends, 100% polyester, Blackout, PVC, PU and other blends, applying several technics, such as prints, piece dye, yarn dye, jacquard, jersey and embroidery.

[5] In the following analysis, 1995 will, thus, be considered the year of establishment.

Alda Têxteis owns two brands, Terre de Coton®, a brand inspired in a solid history of a traditional textile family, and Les Enfants de Terre de Coton®, a brand targeted for the children's market.

3.2.1.2 General Overview of the internationalization process of the company

Alda Têxteis was created with the purpose to work with international markets. Due to the limited size of the Portuguese market and its low capacity to absorb high quality products, it was the founders' desire to create an exporting company. This means that, in terms of the theories of internationalization reviewed in Chapter 1, Alda Têxteis seems to fit the description made by International Entrepreneurship theory (section 1.2.4), that refers to companies that, from inception, are created to work in the international markets (Mcdougall, 1989; McDougall & Oviatt, 1994). This feature together with the year of the first internationalization, mentioned in the previous section as the third year after establishment, makes Alda Têxteis fit in what is called a Born Global company, as discussed in section 1.2.4.

The motivations of Alda Têxteis to start the internationalization process were reactive in the sense that the company was reacting to an external pressure, also referred to as trigger (Hollensen, 2011), in this case, the constraints resulting from the home market size and limited capacity to absorb quality products (Czinkota et al., 2010; OECD, 2009). Additionally, foreign increased demand, mentioned by Hollensen (2011) as an external trigger, prompted internationalization as at the time the British market was sourcing home textile products in Portugal, which led the company to start its internationalization to that country.

The internationalization process was also motivated by proactive motives (Kyvik et al., 2013) as a result of the global mindset and perception of Alda Têxteis' founders that led to the beginning of the internationalization process.

As mentioned before, Alda Têxteis started its internationalization process to England in 1998, adopting a non-equity entry mode, which, as previously discussed in Chapter 1, translate into a lower level of resource commitment (Kumar & Subramaniam, 1997). The specific entry mode that was chosen was indirect exports through an agent, which, according to the literature review, is what is usually recommended for the internationalization of home textile companies (Santos, 2005, see section 1.3).

Nowadays, the company has presence in 15 countries, that represent 92% of the total turnover of the company, and the main markets are Germany, France, Belgium, Iceland and Canada.

The company works under the following guidelines in order to better succeed in an international context:

- Avoid invoicing concentration up to 25% in a single client;
- Look for clients with credit insurance/ countries that offer guarantees of payment;
- Partnerships with local agents who have greater knowledge of the market.

Alda Têxteis' General Director, Mr. Machado, mentioned in the interview that in order to succeed when exporting to any country in the world, the company must ensure that it is able to understand the needs of the client and the purchasing dynamics, and try to meet them. Nonetheless, the General Director points out to the complex and challenging process of gathering information that companies may face, as a result today's globalized society, which allows every player to be able to obtain the same information, and that this may influence negatively their entry in a new market, as previously discussed in Chapter 1. The concern expressed by the General Director of Alda Têxteis meets what

Portuguese companies identify as one of the main barriers to internationalization (AICEP & Delloite, 2014; J. R. Silva & Simões, 2012), and constitutes an internal barrier according to Tesfom and Lutz (2006), as previously seen in section 1.4.2.

The beginning of Alda Têxteis’ internationalization process was conditioned by some barriers, in particular, by language barriers, since, due to the company’s small size, there were no employees with language skills. The initial process of internationalization was also conditioned by travel costs due to their expensive nature, inhibiting travels to foreign markets. Typically, as seen in section 1.4.2, the barriers identified in the initial stage of internationalization are associated with the companies’ characteristics, as seems to be the case for Alda Têxteis (Hutchinson et al., 2006; OECD, 2009). Additionally, the lack of qualified human resources, and specifically the lack of language skills, is commonly identified by the Portuguese exporters as one of the main barriers to internationalization (AICEP & Delloite, 2014; AICEP & GPEARI, 2018; J. R. Silva & Simões, 2012), revealing that the barrier felt by Alda Têxteis is in line what Portuguese companies generally experience.

The approach used by Alda Têxteis to deal with and overcome these barriers was one of the four different strategies proposed by the OECD (2008) (see section 1.4.2), specifically, Alda Têxteis chose to deal with the barriers by itself. In order to deal with the constraints caused by the lack of language skills, Alda Têxteis hired people with those specific skills. As for the barriers associated with high travel costs, the company has benefited from the emergence of low cost airlines that allow traveling at a lower cost.

In addition, Alda Têxteis' General Director also identified other external barriers that ended up affecting the company’s ongoing international performance, such as customers who reduced their purchases due to economic factors and customers who redirected their purchases to the Middle East and Far East and within Europe. This comes out as a barrier to Alda Têxteis’ internationalization process resulting from competition from other countries, commonly identified by the Portuguese exporters, as mentioned in section 1.4.2.

Throughout its internationalization process, the company identified other barriers that in some way inhibited its international performance. During the interview, the General Director pointed out that, nowadays, the main barriers faced by the company are mainly external, namely the unfavourable economic environment, the sourcing orientation of international clients and the purchasing policy of its clients, in specific due to the price point of purchase of its clients and regulations that inhibit specific clients from specific countries from buying in Portugal, the latter identified as political risks by Hollensen (2011). These barriers condition the company's performance in international markets due to their negative effects on demand.

Alda Têxteis' General Director considers that the company has been able to deal with the barriers that have arisen during its internationalization process, namely through investments in personnel with language skills, allowing them to respond to the needs of the company's customers worldwide. Also, the company benefited from external agents to overcome the travel costs barriers, namely due to the fact that companies in the UK were already sourcing Home Textile products in Portugal and due to the emergence of low-cost airlines.

The General Director also believes that the knowledge barriers that emerge from the entry in foreign markets no longer apply and that, due to their market positioning, their new-to-be customers are now able to find them through their more recent strategy of advertising media, namely trade shows and multi-site advertising on the internet.

3.2.1.3 The specifics of internationalization to the United Kingdom

The motivations that led Alda Têxteis to choose the UK as the first market for internationalization were the great potential of the market and the attractive value of its currency, the pound. However, those were not the only reasons behind the company's choice. Alda Têxteis' General Director pointed out as the main reason the existing demand of the British market for Portuguese home textile products, stating "the truth is that it was the UK market that chose Portugal and not the other way around". This means that, as we previously concluded, the start of the internationalization process to the UK was motivated by an external trigger, this is, foreign market demand, which is one of the reasons identified in literature (see section 1.4.1).

As also mentioned in the previous section, the internationalization process to the UK started with indirect exports through agents, but then evolved to direct exports. Both strategies, as mentioned in section 1.3, are considered as very significant for home textile companies. The company had a period of market share loss in the UK, as a result of the loss of some customers who have become more pricebase focused and as a result of a redirection of the company's focus to others markets, and in particular to France, which were more attractive in terms of business opportunities and margins. However, the company was able to recover some market share 2 years ago, mainly through the addition of two new direct customers, and nowadays the market represents around 8% of the total turnover of the company.

As previously described, at the beginning of the internationalization process to the UK the company faced language and travel costs barriers. The language was a barrier for the company because at the time, in 1998, French was the foreign language studied by the Portuguese and people had no knowledge in English. It has been seen that the company overcame the barrier by hiring people with language skills. Alda Têxteis also benefited from the emergence of low cost airlines, as mentioned in the previous section. Additionally, the fact that British companies already knew the Portuguese market also helped the company´s internationalization to England, since English costumers were the ones traveling to Portugal in order to find what they were looking for. Which meant that there was no need for Alda Têxteis to travel abroad.

The presence in the British market was later conditioned by the shift in the local consumption patterns due to the years of mass immigration of people from Asia. The difficulty in adjusting to the changing local consumption patterns, considered, according to what was seen in the literature review chapter, as an external barrier, represented a constraint to the performance of Portuguese home textile companies, and therefore the loss of some importance in the British market.

Concerning possible knowledge barriers, fundamental to a company´s performance in a foreign market, the General Director of the company stated that, for the specific case of the British market, these were not felt by Alda Têxteis, since the founders of the company already had working experience in the market from other exporting companies.

Regarding Brexit and the potential barriers associated with it, the only barrier pointed out by Alda Têxteis was the additional bureaucracy, one of the main barriers pointed out in Mateus' study on the Portuguese companies of the textile and apparel sectors (Mateus, 2018), as seen in section 3.1.5. In fact, since Brexit was announced the company noticed an increase in its activity in the UK, which Mr. Machado associates with the company's ability to meet the needs of some customers who chose to buy in Portugal and changed their way of buying namely for reasons of flexibility, related with firms' ability to adapt to the customers' needs.

All-in-all, according to Alda Têxteis General Director's view, British companies value the quality of the Portuguese products. From his point of view, the British market expects the Portuguese products to combine quality, with a competitive price, a creative and development ability, which gives the British consumers the possibility of not having to plan their purchases. The British companies expect a combination of lead times and delivery times that will allow them to place and receive an order in 8 weeks. However, it seems that these expectations have more recently become a barrier to the Portuguese companies as British companies have started to look for products with the same characteristics but at a more competitive price in companies of Asian origin, that have managed to become more price competitive and to provide the quality levels demanded by UK consumers.

3.2.2 The case of Gipanolar - Comércio Internacional de Têxteis, Lda.

3.2.2.1 History and brief description of the company

Gipanolar, Lda. (from now on referred to as Gipanolar), based in Selho S. Jorge (Pevidém) in Guimarães, was founded in 2003, and is a commercial company that trades home textiles. The company employs a total of 4 employees, specifically a managing director, a sales manager, a logistics employee and an operations employee.

According to the database SABI, Gipanolar had a turnover of 1 139 149€ in 2018 (SABI, 2020b). The company estimates that exports represent between 70% and 75% of the company´s turnover. The company's internationalization process started on its year of establishment, in 2003, to France.

Being a commercial company, Gipanolar outsources its production to another company, a company in which the Gipanolar's manager is also a shareholder. Gipanolar develops its products and chooses the raw materials and techniques that will be used in its products. However, occasionally, the company buys the final products from other companies and then trades them.

Regarding the products traded by Gipanolar, they include bath towels, hotel/wellness and spa textiles, and kitchen textiles, beach and merchandising textiles. As for materials and techniques, its products are produced with different raw materials, such as cotton, polyester, linen, viscose, among others, applying several technics, such as printing, embroidery, sublimation, fade out, stone wash, denim and garment dye, to different types of weavings, such as jacquard, dobby and yarn dyed.

3.2.2.2 General overview of the internationalization process of the company

Gipanolar's Manager previous knowledge about some markets and ongoing contact with some clients and previous work experience acted as internal and proactive triggers to the company's motivation to start the internationalization process (see section 1.4.1). The manager also strived for internationalization because of his belief in the potential of the company's products in international markets. This description points to Gipanolar being an example of what is described in the International Entrepreneurship theory. In particular, Gipanolar shows characteristics of what is called a Born Global company, as discussed in Chapter 1. As was seen there, and according to Knight and Cavusgil (2004) born global companies can be define as "business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries" (Knight & Cavusgil, 2004, p. 124), which fits the description of Gipanolar.

Gipanolar started its internationalization process in its year of establishment, 2003. The company started by adopting a non-equity entry mode, which, as mentioned before, requires a lower amount of resources commitment (see section 1.3), and, according to Santos (2005) constitutes a recommended strategy for the internationalization of home textile companies (see also section 1.3). As previously mentioned, Gipanolar started to export directly to France.

Over the years, Gipanolar has exported to a total of 35 countries from the 5 continents (such as USA, Mexico, Caribbean, Chile, Cape Verde, Angola, Mozambique, Morocco, Algeria, Saudi Arabia, Lebanon, UAE, Russia, China, Japan, New Zealand, and several countries in Europe, such as Spain, France, UK and Finland). Nowadays the exports to the international markets represent between 70% and 75% of the total turnover of the company, and the main markets are Spain, France and Finland. In general, the exported products are the same sold in Portugal, albeit with small adjustments, such as quality, colours, measures, among others.

Gipanolar uses the same approach when entering a new foreign market, with its presence in international trade shows, a recommended strategy for the internationalization of home textile companies, as discussed in section 1.3.

At the beginning of its internationalization process to France, Gipanolar did not identify many constraints to its entry, except for price, a common barrier identified by Leonidou (1995), as was seen in section 1.4.2, being this also listed by OECD (2009) as a possible barrier. In regards to other international markets, Mr. Neiva, the manager of Gipanolar, also identified exchange rates as a constraint, since a big number of clients did not accept trading in euros. As we have previously seen in section 1.4.2, exchange rates are identified as a common barrier to the internationalization process, and faced by Portuguese companies.

The company tried to address the barriers without external help, which fits into one of the four strategies proposed by OECD (2008), as mentioned section

1.4.2. It used its presence in international trade shows to raise clients of smaller dimension and that pay better that bigger clients associated with more risk, allowing the company to practice bigger margins.

The barriers associated with price intensified over the years and continued to constrain the international performance of Gipanolar. However, the company was not able to successfully adopt a strategy with the resources available to overcome these constraints, which, according to what was discussed in section 1.4.2, is also a barrier commonly identified by Portuguese companies. The company thus accepted the loss of market share as a result of this. Additionally, according to Mr. Neiva, the loss of market share also resulted from the retirement of some clients, who closed down their businesses.

From Mr. Neiva's point of view, the lack of protection of EU's internal markets from competition from markets outside the EU may harm some countries within the EU, such as Portugal, because they have to compete with countries such as Bangladesh, Vietnam or China, in their exports to other countries European markets, including the UK. In other words, Mr Neiva seems to believe that if there were more EU protectionist measures, Portugal and his company would not face such strong competition from other countries that produce more cheaply and, therefore, manage to enter the European markets more easily. This is an external barrier identified by OECD as a tariff and non-tariff barrier regarding competitors with preferential tariff by regional trade agreements (OECD, 2019).

All-in-all, despite the effort to raise smaller clients through the company's presence in international trade shows, Gipanolar's manager points out the incapacity of the company to address the barriers faced during its internationalization process and therefore the intensification of the barriers faced by the company, in particular the price barriers.

3.2.2.3 The specifics of internationalization to the United Kingdom

Gipanolar decided to internationalize to the UK in 2004 through direct exports, albeit with the help of commercial agents, a strategy mentioned before as very significant for home textile companies (see section 1.3). The motivations that triggered the start of the internationalization process to the UK were both internal and proactive motives, specifically, as mentioned in the previous section, the market entry was triggered by previous manager's knowledge of the market, ongoing contact with some clients and belief in the potential of the company's products in international markets.

The UK market now represents around 10% of the total turnover of the company but it is the market with the smallest margin to the company, since the company still works with importers/distributers instead of retailers. The market share relates, mainly, to the trading of only one type of product from the company's products range, tea towels, and, occasionally, the trading of towels.

The main barriers to entry in the British market faced by Gipanolar were the same barriers identified by Mr. Neiva as the general barriers to internationalization, namely, price and exchange rates.

In addition, and according to Mr. Neiva's perception of the British market, another barrier that is felt by Gipanolar is the strong competition from other countries, which is a barrier commonly mentioned in the literature, and also usually identified by Portuguese companies (see section 1.4.2).

Regarding Brexit and the possible associated barriers, Gipanolar identified uncertainty as the main effect felt by the company. The possibility of feeling it again after the end of the negotiations between the UK and European Union was also mentioned by Mr. Neiva.

According to Mr. Neiva, the British market is price-sensitive, and prefers good delivery times, good quality products and good design, at a reduced price. As a result from UK's demand for quality at a competitive price Portugal faces competition from Turkey, pointed out by Mr. Neiva as Portugal's main competitor in the medium/high segment of the sector, due to the benefits of having its own currency and incentives to exporters. Additionally, Portugal faces competition from countries in the Commonwealth, such as India, Pakistan and Bangladesh, which results from UK's demand for competitive prices.

However, Mr. Neiva does not consider that the British market's perception about the Portuguese market constitutes an additional barrier to the company.

3.2.3 Analysis of the results

In this next section, the information about the case studies described in the previous section is crossed with the literature review discussed in Chapter 1. The final purpose of this exercise is to give objective answers to the research questions identified in the Introduction of this research work.

It is important to note that, given the use of the case study as the methodological approach for this work, the conclusions that are reached in this section are limited to the cases under study and cannot be generalized to the universe of all companies that have internationalized to the UK.

Comparative analysis of the case studies

The previous analysis of the two companies, Alda Têxteis and Gipanolar, allowed to reach both similar and divergent conclusions about their approach to internationalization and barriers faced during this process. According to Yin (2009), this constitutes an advantage of the use of the multiple-case study methodology approach in comparison to the use of a single case study methodology approach, because it allows to check their convergence or to distinguish contrasting situations, and reach more robust conclusions.

The process of internationalization of each company shows similarities and the internationalization theory that better fits both companies, Alda Têxteis and

Gipanolar, seems to be the **International Entrepreneurship theory**, that focuses companies that begin their internationalization from or near their establishment (Mcdougall, 1989; McDougall & Oviatt, 1994), as it was the case of both companies here analysed. Both companies also show specific characteristics of a **Born Global**. In the case of Gipanolar, the main motivation for internationalization was the manager's previous knowledge of the market and the company started to internationalize in the year of establishment. In the case of Alda Têxteis, the company was created with the purpose to work with international markets and started internationalization near its year of establishment.

Notwithstanding, it is here believed that the cases in study do not follow a predefined model, and for that reason, it is possible to identify different features from different theories of internationalization. Being so, it is argued here that Gipanolar also falls within the **Revised Uppsala Model** theory of internationalization, which considers that "anything that happens, happens within the context of a relationship" (Johanson & Vahlne, 2009, p. 1415) and that a rapid internationalization happens due to the manager's previous experience and motivation to export (Johanson & Vahlne, 2009). And this is precisely the case of Gipanolar, meaning, the internationalization of the company and the choice of the foreign markets was based on previous international work experience of its managers and knowledge of the market, as well as on ongoing relationships with customers.

It is also important to refer that both companies establish contact with foreign markets through international trade shows, and Gipanolar actually uses this as an approach to every market. For that reason both companies seems to privilege first the development of a network to then, at a later stage, enter the markets, a feature of the **Network Approach** to the internationalization (Johanson & Vahlne, 2009). International trade shows are consider as very significant to the home textile sector due to its ability to provide "prospecting and winning over customers and foreign markets" (Santos, 2005, p. 24).

Regarding the **entry mode,** Alda Têxteis and Gipanolar's most frequently used entry mode is the non-equity form, **exports**, which, as previously seen, require a lower level of resource commitment (see section 1.3) and, at the same time, is the most recommended for the internationalization of the home textile companies (Santos, 2005). Depending on the market and their previous knowledge of some clients, the companies use an intermediary, typically an agent, or enter directly into the market. As discussed in section 1.4.3, several studies do recommend the establishment in the market through trade shows and the market entry through indirect exports with the help of an intermediary (Capoulas, 2012; Marcos, 2015).

Regarding the **motivations** to internationalization, common motivations were found, Gipanolar was motivated by its manager's network and previous knowledge of the markets, classified in literature as **internal triggers** (Hollensen, 2011). Alda Têxteis was also motivated by **internal proactive motives**, as the global mindset and perception of Alda Têxteis' founders led to the start of the internationalization process (Hollensen, 2011; Kyvik et al., 2013). In the case of Alda Têxteis, the company's internationalization was also associated with **reactive motives** (Czinkota et al., 2010; Hollensen, 2011; OECD, 2009) as is a resulted from the company's reaction to external pressures from its home market limited size. The beginning of Alda Têxteis internationalization process to the UK was also triggered by **external reactive motives** (Czinkota et al., 2010; Hollensen, 2011; Morgan & Katsikeas, 1997; OECD, 2009), as the company's decision was a reaction to the British market's sourcing of home textiles in Portugal and the British market's big potential and attractive currency.

As already stated, the main purpose of our study is to understand the barriers to internationalization faced by Portuguese home textile companies, and in specific, the barriers faced in their internationalization to the UK.

After analysing the two case studies, it is possible to conclude that both companies faced both **internal and external barriers**. The companies faced, however, different barriers during their internationalization process, except for the competition from other countries, a barrier commonly identified by Portuguese exporters, as seen in section 1.4.2. Alda Têxteis also encountered both internal and external as general barriers to its internationalization process. In terms of external barriers, the ones identified were the purchasing policy of the customers, unfavourable governmental regulations barriers and business environment.

Gipanolar identified the same barriers for the internationalization process in general and for the specific case of the UK. The company identified an internal barrier related with price requirements and their difficulty to match it, and external barriers related with the business environment, in specific related with foreign currency exchange risks and regarding competitors with preferential tariff by regional trade agreements (OECD, 2019).

For both companies, barriers associated with competition from other countries in the British market, an external barrier, were linked to the market demand for a competitive price, but also to their difficulty to match this requirement, which constitutes an internal barrier. These expectations were also mentioned in the study of Marcos (2015), see section 1.4.3. In his study of a Portuguese apparel SMEs, which allows to confirm the type of characteristics that British companies look for in the Portuguese companies (Marcos, 2015). Both Alda Têxteis and Gipanolar associate the barriers of the British market with the expectations about the Portuguese market and home textile market in general, which they identified as being good quality, good lead and delivery times, good design, and a competitive price. Both companies also identified completion from other countries, in specific from Turkey, Asian origin countries and Commonwealth countries, such as India, Pakistan and Bangladesh.

In the specific case of the British market, Alda Têxteis identified internal barriers related with lack of trained personnel, in specific trained with language skills, also identified by Santos (2005) as a common barrier in the textile and apparel sectors, and barriers related with travel costs. Regarding external barriers, identified together with strong competition, barriers related with changing customer habits and consumption patterns (OECD, 2019).

Regarding **Brexit** and the potential barriers associate with it, the companies had a different perception of its impact, where Alda Têxteis identified bureaucracy as the main impact felt by the company, one of the main barriers pointed out in Mateus' study on the Portuguese companies of the textile and apparel sectors (Mateus, 2018), and Gipanolar identified uncertainty.

When addressing **strategies to overcome the barriers**, the companies did not request for external help, using one of the four strategies proposed by OECD (2008). However, they were not equally successful, as Gipanolar was not able to overcome its barriers and has decided to accept the loss of market share. On the other hand, Alda Têxteis' manager has shown confidence in the strategies implemented, that he believes have been successful, such as hiring people with language skills, using alternative ways of contact, investing in tools and skills training that equipped its employees to address customer needs, and advertisement of the company through different media.

Conclusion

The purpose of this research work was to study the internationalization process of Portuguese SMEs from the Home Textile sector to the UK, and their entry mode and motivations, as well as the barriers and constraints faced by the companies and consequent strategies used to overcome them. In order to answer the proposed research questions, this research study started with a review of the existing literature on the subject, followed by the description of the methodology used and finally by a description and analysis of the selected case studies in order to extract patterns of behaviour. Below is provided a summary of the main findings.

For the two cases in study proxying analysis, it is possible to conclude that Portuguese SMEs from the Home Textile sector do not follow what is predicted by one single internationalization theory. In fact, features from the International Entrepreneurship theory were identified, as both companies started with the intention to internationalize and started the process near or from its establishment, but features from the Revised Uppsala Model were also noticed, as the model considers that internationalization processes arise influenced by networks, as according to the previous analysis, was the case for Gipanolar.

Regarding the approach to international markets (research question i)), it was possible to observe a similar approach to the market by both companies, as they both use international trade shows as a first approach, and evolve to the use of exports as the preferable entry mode, often with the help of intermediaries. This is probably related with the fact that exports imply a lower level of resource commitment, relevant for SMEs due to their limited access to resources, as discussed in Chapter 1.

As for the motivations triggering the start of the internationalization process, it was possible to observe both proactive and reactive motivation, as well as internal and external. The proactive internal motivations identified were the global mindset and perception of the company´s founder, and the previous knowledge of the market and potential clients. Regarding the reactive external motives that led the companies to internationalize, it was identified the home market limited size and foreign market demand. In the specific case of internationalization process to the UK market, external reactive motives as the great potential of the market and its currency attractiveness were identified.

Regarding the main barriers (research questions ii) and iv)), a common external barrier identified was competition from other countries. This barrier was also particularly associated with the British market, along market demand for a competitive price and difficulty to match this requirement, which constitutes an internal barrier. Other external barriers were related with the purchasing policy of the customers, with unfavourable governmental regulations barriers and with business environment.

Other barriers specific to the UK were: lack of trained personnel, in specific trained with language skills; barriers related with travel costs; barriers related with price requirements; barriers related with changing customer habits and consumption patterns; and barriers related with foreign currency exchange rates fluctuations.

In order to overcome the barriers to internationalization (research question iii)), the Portuguese home textile companies here studied chose to try to address the barriers by themselves, one of the four strategies proposed by OECD (2008). The measures adopted were the hiring of qualified people with language skills so that they can meet the needs of the company's customers and use different advertising alternatives. It was also possible to notice that the companies were not always able to address and overcome the constraints to its performance in the international markets. The two Portuguese home textile SMEs addressed the barriers to the internationalization to the UK the same way they addressed the barriers faced in the internationalization to the other countries, by hiring qualified people with language skills so that they can meet the needs of the company's customers and use different advertising alternatives. The Portuguese Home Textile sector also benefits from the UK knowledge about the Portuguese home textile products and their quality.

This work could not be concluded without mentioning its main limitations and also some recommendations for future works.

One of the main limitations that can be mentioned has to do with the methodology used in this research work. Although it has some advantages, as mentioned in Chapter2, the case study method only allows for conclusions for cases under study and they cannot be generalized to the universe of all SMEs of the sector that have international operations.

Another limitation faced was related with the data collection process. This was associated with difficulties in obtaining answers and recruiting companies for the study, and also with constraints imposed by global current events[6], that inhibited visits to the companies facilities and conducting face-to-face interviews. For similar reasons it was also not possible conduct interviews via video call, meaning the answers were obtained in writing, via email, which limited the richness and content of the responses.

In order to overcome these limitations, it would be relevant in future works to conduct a more complete qualitative analysis, with more interviews, more supporting documentation and more case studies. This could be complemented with a quantitative study, using for example a survey, to have a broader sample and, thus, a broader understanding of the internationalization process of companies from the Home Textile sector that have presence in the UK.

[6] The Covid-19 pandemic.

Bibliography

Agarwal, S., & Ramaswami, S. N. (1992). Choice of Foreign Market Entry Mode: Impact of Ownership, Location and Internalization Factors. *Journal of International Business Studies*, *23*(1), 1–27. https://doi.org/10.1057/palgrave.jibs.8490257

AICEP & Delloite. (2014). *Estudo sem fronteiras PMEs levantam voo*.

AICEP, & GPEARI. (2018). *Análise do Questionário – Expetativas de Exportação, Investimento e Emprego*. 1–22.

AICEP Portugal Global. (2017). Reino Unido: Ficha de Mercado. Retrieved February 17, 2020, from http://www.portugalglobal.pt/PT/Biblioteca/Paginas/Detalhe.aspx?documentId=70510315-445c-4677-8649-1a452d59d18b

AICEP Portugal Global. (2020a). Comércio Internacional Português de Bens e Serviços 2019 (janeiro a dezembro). Retrieved February 27, 2020, from http://www.portugalglobal.pt/PT/Biblioteca/Paginas/Detalhe.aspx?documentId=cd9276f4-6426-453e-9cc3-c9df291cda44

AICEP Portugal Global. (2020b). *Portugal: Comércio Internacional de Têxtil-lar [Unpublished manuscript]*.

AICEP Portugal Global. (2020c). Relações Económicas Bilaterais com o Reino Unido 2015-2020 (janeiro). Retrieved April 16, 2020, from http://www.portugalglobal.pt/PT/Biblioteca/Paginas/Detalhe.aspx?documentId=0a59426e-4748-4904-ba4b-7d71e39b2192

Almeida, J. E. S. R. G. (2017). A Internacionalização de empresas portuguesas: estudo de caso.

Andersen, O. (1993). On the Internationalization Process of Firms: A Critical Analysis. *Journal of International Business Studies*, *24*(2), 209–231. https://doi.org/10.1057/palgrave.jibs.8490230

Andersen, O., & Kheam, L. S. (1998). Resource-based theory and international growth strategies: An exploratory study. *International Business Review*, *7*(2), 163–184. https://doi.org/10.1016/S0969-5931(98)00004-3

Anderson, E., & Gatignon, H. (1986). Modes of Foreign Entry: A Transaction Cost Analysis And Propositions. *Journal of International Business Studies*, *17*(3), 1–26. https://doi.org/10.1057/palgrave.jibs.8490432

Arteaga-Ortíz, J., & Fernández-Ortíz, R. (2010). Why Don't We Use the Same Export Barrier Measurement Scale? An Empirical Analysis in Small and Medium-Sized Enterprises. *Journal of Small Business Management*, *48*(3), 395–420. https://doi.org/10.1111/j.1540-627X.2010.00300.x

Atkins, R. (2012). A year in a word: Grexit. Retrieved March 12, 2020, from Financial Times website: https://www.ft.com/content/9e59bcfc-4b74-11e2-

88b5-00144feab49a
Bell, J., Mcnaughton, R., & Young, S. (2001). 'Born-again global' firms An extension to the ' born global ' phenomenon. *Journal of International Managment*, *7*(3), 173–189. https://doi.org/10.1016/S1075-4253(01)00043-6
Benito, G. R. G., Petersen, B., & Welch, L. S. (2009). *Towards More Realistic Conceptualisations of Foreign Operation Modes*. *40*(9), 1455–1470. https://doi.org/10.1057/jibs.2009.54
Bergin, A., Garci-Rodriguez, A., Morgenroth, E., & Smith, D. (2017). Modelling the Medium- to Long-Term Potencial Macroeconomic Impact of Brexit on Ireland. *The Economic and Social Review*, *48*(3), 305–316.
Bilkey, W. J., & Tesar, G. (1977). The Export Behavior of Smaller-Sized Wisconsin Manufacturing Firms. *Journal of International Business Studies*, *8*(1), 93–98. https://doi.org/10.1057/palgrave.jibs.8490783
Brouthers, K. D., & Nakos, G. (2004). SME Entry Mode Choice and Performance : A Transaction Cost Prespective. *Entrepreneurship Theory & Practice*, *28*(3), 229–247. https://doi.org/10.1111/j.1540-6520.2004.00041.x
Bruneel, J., & De Cock, R. (2016). Entry Mode Research and SMEs: A Review and Future Research Agenda. *Journal of Small Business Management*, *54*, 135–167. https://doi.org/10.1111/jsbm.12291
Calof, J. L., & Beamish, P. W. (1995). Adapting to foreign markets: Explaining internationalization. *International Business Review*, *4*(2), 115–131. https://doi.org/10.1016/0969-5931(95)00001-G
Capoulas, M. L. L. (2012). Internationalization Strategy of Shoes Closet to the United Kingdom.
Cavusgil, S. T. (1980). On the internationalisation process of firms. *European Research*, *8*(6), 273–281.
Cavusgil, S. T., & Zou, S. (1994). Marketing Strategy-Performance Relationship: An Investigation of the Empirical Link in Export Market Ventures. *Journal of Marketing*, *58*(1), 1. https://doi.org/10.2307/1252247
CIP. (2018). *Brexit: As consequências para a economia e as empresas portuguesas*.
Clearwater International. (2019). Current "Brexit uncertainty" is a major challenge for one in four european firms - but almost half are optimistic about long-term success. Retrieved March 10, 2020, from Clearwater International website: https://www.clearwaterinternational.com/pt/noticias/brexit-uncertainity-major-challenge-one-in-four-firms-but-almost-half-optimistic
Colson, T. (2020). Brexit will have soon cost the UK more than all its payments to the EU over the past 47 years put together. Retrieved March 6, 2020, from Business Insider website: https://www.businessinsider.com/brexit-will-cost-uk-more-than-total-payments-to-eu-2020-1
Coviello, N. (2015). Re-thinking research on born globais. *Journal of International Business Studies*, *46*(1), 17–26. https://doi.org/10.1057/jibs.2014.59

Coviello, N., & Munro, H. (1997). Network Relationships and the Internationalisation Process of Small Software Firms. *International Business Review*, *6*(4), 361–386. https://doi.org/10.1016/S0969-5931(97)00010-3

Creswell, J. W. (2007). *Qualitative inquiry & research design: Choosing among five approaches*. Sage publications.

Crick, D. (1995). An investigation into the targeting of UK export assistance. *European Journal of Marketing*, *29*(8), 76–94. https://doi.org/10.1108/03090569510097565

Crick, D., & Chaudhry, S. (1997). Small businesses' motives: for exportingThe effect of internationalization. *Journal of Marketing Practice: Applied Marketing Science*, *3*(3), 156–170. https://doi.org/10.1108/EUM0000000004340

Cuervo-Cazurra, A., Maloney, M. M., & Manrakhan, S. (2007). Causes of the difficulties in internationalization. *Journal of International Business Studies*, *38*(5), 709–725. https://doi.org/10.1057/palgrave.jibs.8400295

Czinkota, M. R., Ronkainen, I. A., & Moffett, M. H. (2010). *International Business: 8th Edition*. John Wiley & Sons, Inc.

Denzin, N., & Lincoln, Y. (2005). *The Sage Handbook of Qualitative Research*. Sage publications.

Dunt, J. (2020). Brexit 2020 : Everything you need to know about Boris Johnson's trade deal nightmare. Retrieved March 12, 2020, from Politics.co.uk website: https://www.politics.co.uk/blogs/2020/01/23/brexit-2020-everything-you-need-to-know-about-johnson-s-trad

European Commission. (2020). Questions and Answers on the United Kingdom's withdrawal from the European Union on 31 January 2020. Retrieved January 30, 2020, from European Commission website: https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_104

European Union Commission. (2003). Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises. *Official Journal of the European Union*, *46*(L124), 36–41. https://doi.org/10.1093/nq/s10-I.5.88-c

Evans, J., Bridson, K., Byrom, J., & Medway, D. (2008). Revisiting retail internationalisation: Drivers, impediments and business strategy. *International Journal of Retail and Distribution Management*, *36*(4), 260–280. https://doi.org/10.1108/09590550810862679

Gankema, H. G. J., Snuif, H. R., & Zwart, P. S. (2000). The internationalization process of small and medium-sized enterprises: An evaluation of stage theory. *Journal of Small Business Management*, *38*(4), 15–27.

Grant, R. M. (1991). The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation. *California Management Review*, *33*(3), 114–135. https://doi.org/10.2307/41166664

Hall, R. (1993). A Framework Linking Intangible Resources and Capabiliites to Sustainable Competitive Advantage. *Strategic Management Journal*, *14*(8), 607–618. https://doi.org/10.1002/smj.4250140804

Henley, J., Rankin, J., & O'Carroll, L. (2020). Brexit explained : how it happened and what comes next beyond. Retrieved March 12, 2020, from The Guardian website: https://www.theguardian.com/news/2020/jan/27/brexit-explained-how-it-happened-and-what-comes-next

Hill, C. W. L., Hwang, P., & Kim, W. C. (1990). An Eclectic Theory of the Choice of International Entry Mode. *Strategic Management Journal*, *11*(2), 117–128. https://doi.org/10.1002/smj.4250110204

Hollensen, S. (2011). *GLOBAL MARKETING, fifth edition*. Pearson Education Limited.

Hollenstein, H. (2005). Determinants of international activities: Are SMEs different? *Small Business Economics*, *24*(5), 431–450. https://doi.org/10.1007/s11187-005-6455-x

Hutchinson, K., Fleck, E., & Lloyd-Reason, L. (2009a). An investigation into the initial barriers to internationalization: Evidence from small UK retailers. *Journal of Small Business and Enterprise Development*, *16*(4), 544–568. https://doi.org/10.1108/14626000911000910

Hutchinson, K., Quinn, B., & Alexander, N. (2006). SME retailer internationalisation: Case study evidence from British retailers. *International Marketing Review*, *23*(1), 25–53. https://doi.org/10.1108/02651330610646287

Hutchinson, K., Quinn, B., Alexander, N., & Doherty, A. M. (2009b). Retailer internationalization : overcoming barriers to expansion. *The International Review of Retail, Distribution and Consumer Research*, *19*(3), 251–272. https://doi.org/10.1080/09593960903233673

IMF. (2018). Euro Area Policies : Selected Issues. *IMF Country Report*, *18*(224). https://doi.org/10.5089/9781498325073.002

INE. (2020). Empresas em Portugal - 2018. Retrieved April 20, 2020, from INE website: https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOESpub_boui=418670737&PUBLICACOESmodo=2

Johanson, J., & Mattson, L. G. (1988). *Internationalization in Industrial systems - A Network Approach* (pp. 468–486). pp. 468–486. https://doi.org/10.1057/9781137508829_5

Johanson, J., & Vahlne, J.-E. (1977). The Internationalization Process of the Firm - a Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, *8*(1), 23–32. https://doi.org/10.1057/palgrave.jibs.8490676

Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, *40*(9), 1411–1431. https://doi.org/10.1057/jibs.2009.24

Johanson, J., & Wiedersheim-Paul, F. (1975). The Internationalization of the Firm

— Four Swedish Cases. *Journal of Management Studies*, *12*(3), 305–323. https://doi.org/10.1111/j.1467-6486.1975.tb00514.x

Jones, M. V., & Coviello, N. (2005). Internationalisation: Conceptualising an entrepreneurial process of behaviour in time. *Journal of International Business Studies*, *36*(3), 284–303. https://doi.org/10.1057/palgrave.jibs.8400138

Karlsen, A., & Nordhus, M. (2011). Between close and distanced links: Firm internationalization in a subsea cluster in Western Norway. *Norsk Geografisk Tidsskrift - Norwegian Journal of Geography*, *65*(4), 202–211. https://doi.org/10.1080/00291951.2011.623309

Knight, G. A., & Cavusgil, S. T. (2004). Innovation , organizational capabilities , and the born-global firm. *Journal of International Business Studies*, *35*(2), 124–141. https://doi.org/10.1057/palgrave.jibs.8400071

Knight, G. A., & Liesch, P. W. (2016). Internationalization: From incremental to born global. *Journal of World Business*, *51*(1), 93–102. https://doi.org/10.1016/j.jwb.2015.08.011

Kraus, S., Mitter, C., Eggers, F., & Stieg, P. (2017). Drivers of internationalization success: a conjoint choice experiment on German SME managers. *Review of Managerial Science*, *11*(3), 691–716. https://doi.org/10.1007/s11846-016-0201-4

Kubíčková, L., Votoupalová, M., & Toulová, M. (2014). Key Motives for Internationalization Process of Small and Medium–Sized Enterprises. *Procedia Economics and Finance*, *12*, 319–328. https://doi.org/10.1016/s2212-5671(14)00351-7

Kumar, V., & Subramaniam, V. (1997). A contingency framework for the mode of entry decision. *Journal of World Business*, *32*(1), 53–72. https://doi.org/10.1016/S1090-9516(97)90025-0

Kyvik, O., Saris, W., Bonet, E., & Felício, J. A. (2013). The internationalization of small firms: The relationship between the global mindset and firms' internationalization behavior. *Journal of International Entrepreneurship*, *11*(2), 172–195. https://doi.org/10.1007/s10843-013-0105-1

Lawless, M., & Morgenroth, E. L. W. (2019). The product and sector level impact of a hard Brexit across the EU. *Contemporary Social Science*, *14*(2), 189–207. https://doi.org/10.1080/21582041.2018.1558276

Leonidou, L. C. (1995). Export barriers: Non-exporters- perceptions. *International Marketing Review*, *12*(1), 4–25. https://doi.org/10.1108/02651339510080070

Leonidou, L. C. (2004). An Analysis of the Barriers Hindering Small Business Export Development. *Journal of Small Business Management*, *42*(3), 279–302. https://doi.org/10.1111/j.1540-627X.2004.00112.x

Leonidou, L. C., & Katsikeas, C. S. (1996). The Export Development Process: An Integrative Review of Empirical Models. *Journal of International Business Studies*, *27*(3), 517–551. https://doi.org/10.1057/palgrave.jibs.8490846

Lopez, L., Kundu, S., & Ciravegna, L. (2009). Born global or born regional? Evidence from an exploratory study in the Costa Rican software industry.

Journal of International Business Studies, *40*(7), 1228–1238. https://doi.org/10.1057/jibs.2008.69

Marcos, R. M. N. (2015). Estratégia de internacionalização de uma PME familiar do sector têxtil e vestuário: o caso Univest.

Mateus, M. S. R. (2018). The Expected Impacts of Brexit on Portugal: Managers' Perception on the Textile and Apparel Sector.

Mcdougall, P. P. (1989). International versus domestic entrepreneurship: new venture strategic behavior and industry structure. *Journal of Business Venturing*, *4*(6), 387–400. https://doi.org/10.1016/0883-9026(89)90009-8

McDougall, P. P., & Oviatt, B. M. (1994). Toward a Theory of International New Ventures. *Journal of International Business Studies*, *25*(1), 45–64. https://doi.org/10.1057/palgrave.jibs.8490193

McDougall, P. P., & Oviatt, B. M. (2000). International Entrepreneurship : The Intersection of Two Research Paths. *The Academy of Management Journal*, *43*(5), 902–906. https://doi.org/10.2307/1556418

McDougall, P. P., & Oviatt, B. M. (2003). Some Fundamental Issues in International Entrepreneurship. *Entrepreneurship Theory & Practice*, *18*(27), 1–27.

Miller, S. R., Lavie, D., & Delios, A. (2016). International intensity, diversity, and distance: Unpacking the internationalization-performance relationship. *International Business Review*, *25*(4), 907–920. https://doi.org/10.1016/j.ibusrev.2015.12.003

Morais, F., & Franco, M. (2018). The role of cooperative alliances in internationalization strategy: Qualitative study of Portuguese SMEs in the textile sector. *Journal of Strategy and Management*, *11*(4), 461–482. https://doi.org/10.1108/JSMA-03-2018-0023

Morgan, R. E., & Katsikeas, C. S. (1997). Export stimuli: Export intention compared with export activity. *International Business Review*, *6*(5), 477–499. https://doi.org/10.1016/s0969-5931(97)00017-6

O'Brien, F. (2020). $170 Billion and Counting: The Cost of Brexit for the U.K. Retrieved January 29, 2020, from Bloomberg website: https://www.bloomberg.com/news/articles/2020-01-10/-170-billion-and-counting-the-cost-of-brexit-for-the-u-k

OECD. (2008). Removing Barriers to SME Access to International Markets. In *OECD Publishing*. https://doi.org/10.1787/9789264045866-en

OECD. (2009). Top Barriers and Drivers to SME Internationalisation. In *Report by the OECD Working Party on SMEs and Entrepreneurship, OECD*. https://doi.org/10.1787/9789264045866-en

OECD. (2019). Glossary for Barriers to SME Access to International Markets. Retrieved January 6, 2020, from OECD website: http://www.oecd.org/cfe/smes/glossaryforbarrierstosmeaccesstointernationalmarkets.htm

Office for National Statistics. (2020a). Gross Domestic Product: chained volume measures: Seasonally adjusted £m. Retrieved March 10, 2020, from ONS website: https://www.ons.gov.uk/generator?format=xls&uri=/economy/grossdomesticproductgdp/timeseries/abmi/pn2

Office for National Statistics. (2020b). UK trade in goods by classification of product by activity time series. Retrieved April 16, 2020, from ONS website: https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/uktradeingoodsbyclassificationofproductbyactivity

Office for National Statistics. (2020c). UK trade time series. Retrieved April 16, 2020, from ONS website: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/tradeingoodsmretsallbopeu2013timeseriesspreadsheet

Oviatt, B. M., & McDougall, P. P. (2005). Defining International Entrepreneurship and Modeling the Speed of Internationalization. *Entrepreneurship Theory & Practice*, *29*(5), 537–553. https://doi.org/10.1111/j.1540-6520.2005.00097.x

Pacheco, L. (2019). Internationalization effects on performance: The case of the portuguese textile and wearing firms. *Journal of Textile and Apparel, Technology and Management*, *11*(1), 1–15.

Pan, Y., & Tse, D. K. (2000). The Hierarchical Model of Market Entry Modes. *Journal of International Business Studies*, *31*(4), 535–554. https://doi.org/10.1057/palgrave.jibs.8490921

Pinho, J. C., & Martins, L. (2010). Exporting barriers: Insights from Portuguese small- and medium-sized exporters and non-exporters. *Journal of International Entrepreneurship*, *8*(3), 254–272. https://doi.org/10.1007/s10843-010-0046-x

Pinto, H. J. F. (2012). Inovação estratégica na indústria têxtil e do vestuário nacional : estudo de caso.

Pogkas, D., & Diamond, J. S. (2020). The EU Risks Tariffs on €47 Billion Without a Brexit Trade Deal. Retrieved March 12, 2020, from Bloomberg website: https://www.bloomberg.com/graphics/2020-no-deal-brexit-trade-tariffs-european-union/

Rasheed, H. S. (2005). Foreign entry mode and performance: The moderating effects of environment. *Journal of Small Business Management*, *43*(1), 41–54. https://doi.org/10.1111/j.1540-627X.2004.00124.x

Reid, S. (1981). The Decision-Maker and Export Entry and Expansion. *Journal of International Business Studies*, *12*(2), 101–112. https://doi.org/10.1057/palgrave.jibs.8490581

Rennie, M. W. (1993). Born global. *The McKinsey Quarterly*, (4), 45–52.

Ruzzier, M., Hisrich, R. D., & Antoncic, B. (2006). SME internationalization research: Past, present, and future. *Journal of Small Business and Enterprise Development*, *13*(4), 476–497. https://doi.org/10.1108/14626000610705705

Saarenketo, S., Puumalainen, K., Kuivalainen, O., & Kyläheiko, K. (2004). Dynamic knowledge-related learning processes in internationalizing high-tech SMEs. *Internatioanl Journal of Production Economics*, *89*(3), 363–378. https://doi.org/10.1016/S0925-5273(03)00185-3

SABI. (2020a). Sabi - empresa report of ALDA - TÊXTEIS, LDA. Retrieved April 10, 2020, from SABI website: https://sabi.bvdinfo.com/version-2020417/Report.serv?_CID=31&context=2UEWH5EB5S66BXL

SABI. (2020b). Sabi - empresa report of GIPANOLAR - COMÉRCIO INTERNACIONAL DE TÊXTEIS, LDA. Retrieved April 10, 2020, from SABI website: https://sabi.bvdinfo.com/version-2020417/Report.serv?_CID=91&context=2UEWH5EB5S66BXL

Santos, J. F. (2005). Estratégias de Internacionalização para a Indústria Têxtil e do Vestuário. *Review of Business and Legal Sciences/ Revista De Ciências Empresariais E Jurídicas*, *4*, 7–25. https://doi.org/10.26537/rebules.v0i4.782

Silva, J. (2018). *Barreiras à internacionalização: O caso das empresas portuguesas no mercado belga*.

Silva, J. R., & Simões, C. C. (2012). Portuguese Exports and FDI: Observations From the Firms' Perspective. *China-USA Business Review*, *11*(6), 820–835.

Tesfom, G., & Lutz, C. (2006). A classification of export marketing problems of small and medium sized manufacturing firms in developing countries. *International Journal of Emerging Markets*, *1*(3), 262–281. https://doi.org/10.1108/17468800610674480

Vieira, J. P. P. N. (2018). Brexit – Implicações nos interesses estratégicos Portugueses. *Instituto Superior de Ciências Sociais e Políticas, Universidade de Lisboa*.

Wach, K. (2014). International Entrepreneuship and the Third Age: The Effect of the Entrepreneur's Age on Internationalisation of Polish Business. *Przedsiębiorczość i Zarządzanie*, *XV*(11 [1]), 65–80.

Welch, L. S., & Luostarinen, R. (1988). Internationalization: Evolution of a Concept. *Journal of General Management*, *14*(2), 34–55. https://doi.org/10.1177/030630708801400203

World Bank. (2020). World Development Indicators. Retrieved from Work Bank website: https://databank.worldbank.org/reports.aspx?source=2&country=GBR#advancedDownloadOptions

Wright, R. W., & Ricks, D. A. (1994). Trends in International Business Research : Twenty-Five Years Later. *Journal of International Business Studies*, *25*(4), 687–701. https://doi.org/10.1057/palgrave.jibs.8490219

WTO. (2016). World Trade Report 2016 - Levelling the trading field for SMEs. *World Trade Report*. https://doi.org/10.30875/65678d0b-en

Yin, R. K. (2009). *Case Study Research: Design and Methods*. Sage publications.

Yin, R. K. (2011). *Qualitative Research from Start to Finish*. Guilford publications.

Zahra, S. A. (2005). A Theory of International New Ventures: A Decade of Research. *Journal of International Business Studies*, *36*(1), 20–28. https://doi.org/10.1057/palgrave.jibs.8400118

Zahra, S. A., & George, G. (2002). International Entrepreneurship: The Current Status of the Field and Future Research Agenda. *Strategic Entrepreneurship: Creating a New Mindset*, 255–288. https://doi.org/10.1002/9781405164085.ch12

Appendixes

Appendix A: Summary table of internationalization theories

Theories		Determinants	Author (Date)
Stage models	Uppsala internalization models	Psychic-distance Market commitment Market knowledge	Johanson & Vahlne (1977) Johanson & Wiedersheim-Paul (1977)
	Innovation-related models (I-models)	Internationalization degree	Gankema et al. (2000) Reid (1981) Bilkey-Tesar (1977) Cavusgil (1980) Reid (1981) Crick (1995) Leonidou & Katsikeas (1996) Andersen (1993) Saarenketo et al. (2004)
Network approaches	Industrial System	Firm's degree of internationalization Firm's position in a network Network's degree of internationalization	Johanson & Mattson (1988) Karlsen & Nordhus (2011)
	Revised Uppsala model	Firm's position in a network Knowledge opportunities	Johanson & Vahlne (2009)
Continue on next page			

Summary table of internationalization theories (continued)			
Resource based		Export involvement Firm's sustainable competitive advantage Firm's capabilities Market opportunities Intended growth strategy Knowledge determinants	Andersen & Kheam (1998) Ruzzier et al. (2006) Saarenketo et al. (2004)
International Entrepreneurship		Entrepreneur's characteristics and experience Market orientation Year of the first internationalization	Zahra & George (2002) McDougall (1989) McDougall and Oviatt (1994) Rennie (1993)

Source: Own authorship

Appendix B: Comparative summary of I-models

	Bilkey-Tesar (1977)	**Cavusgil (1980)**	**Reid (1981)**	**Czinkota (1982)**
Stage 1	Management is not interested in exporting; would not even fill an unsolicited export order	Domestic Marketing: Preoccupation with the home market	Export Awareness: problem or opportunity recognition, arousal of need	Completely uninterested firm: No exploration of feasibility to export
Stage 2	Management would fill an unsolicited export order, but makes no effort to explore the feasibility of exporting	Pre-Export Stage: Deliberate search for information and preliminary evaluation of the feasibility of undertaking international marketing activity	Export Intention: motivation, attitude, beliefs, and expectancy about export contribution	Partially interested firm: exporting is desirable but uncertain activity
Stage 3	Management actively explores the feasibility of exporting	Experimental Involvement: Initiation of limited international marketing activity	Export trial: personal experience from limited exporting	Exploring firm: planning for export and actively exploring export possibilities
Continue on next page				

Comparative summary of I-models (continued)				
Stage 4	The firm exports on an experimental basis to some psychologically close country	Active Involvement: Systematic exploration of expanding international marketing activity	Export Evaluation: results from engaging in exporting	Experimental firm: favourable export attitude but little exploitation of export possibilities
Stage 5	The firm is an experienced exporter to that country and adjusts exports optimally to changing exchange rates, tariffs, etc.	Committed Involvement: Resource allocation based on international opportunities	Export Acceptance: adopting of exporting/ rejection of exporting	Experienced small exporter: favourable attitude and active involvement in exporting
Stage 6	Management explores the feasibility of exporting to additional countries that, psychologically, are further away			Experienced large exporter: very favourable export attitudes and future export plans

Source: Own authorship

Appendix C: Internationalization strategies for Home Textile sector

Internationalization strategy		**Brief definition according to the author**	**Degree of implementation of the strategy**	**Justification**
Internationalization strategies with an upstream impact on the production process	Sourcing	Consists in "the purchase of raw materials, products in the process of being manufactured and components on international markets for use in the production or finishing of a product" (p. 11)	Significant	Weight of purchases in the value chain
	Collective market prospection (what the author names "antena coletiva")	Is the "business cooperation mode" which allows "a group of companies to prospect for external markets, sharing the costs between them" (p. 12)	Very Significant	Trend monitoring
Continue on next page				

Internationalization strategies for Home Textile sector (continued)				
Internationalization strategies focused on the production process	Production delocalization	Through the creation of a production subsidiary abroad	Significant	Reduce production costs
	Joint venture	It "results from an agreement between two or more companies to create an entity, with its own legal entity, which will develop, abroad, an economic activity (investigate, manufacture and/or sell one or more products or techniques)" (p. 14)	Very Significant	Sharing risk and investment in foreign markets
	Purchase of license or brand	"[T]hese contracts authorize the manufacture of a product to an enterprise (dealer) through the assignment of know-how, industrial property rights, patents, brands, models or designs on the product or manufacturing process, in return for economic compensation or royalty to the assigning enterprise (licensor)" (p. 14)	Not Significant	Enhancing know-how productivity
Continue on next page				

Internationalization strategies for Home Textile sector (continued)				
	Subcontracting and Comakership	Subcontracting "involves two companies: one, the contractor, controls the design and marketing stages of the product; the other, the subcontractor, is responsible for carrying out manufacturing operations or the production of parts of products or products, on the basis of prior specifications provided by the contractor" (p. 15) Comakership "enables the development of a longer-term relationship with clients" and there is a "shared responsibility for product design, while ensuring the flexibility of the production and the efficiency of the operational chain" (p. 15)	Significant	Integration into subcontracting networks
Continue on next page				

Internationalization strategies for Home Textile sector (continued)				
Internationalization strategies with an impact downstream of the production process	Commercial subsidiary abroad	"[T]he company develops its own marketing network in the host market, either by buying or renting stores, or by negotiating corners in large international warehouses or multi-brand stores" (p. 17)	Very Significant	Control distribution
	Exporting	"Sale, whether regular or occasional, of domestic products on foreign markets" (p. 17) Own export: "occurs when the producing company sells the products directly to the final customer" (p. 17) Direct export: "the company uses intermediaries based in the country of destination, who then take care of the distribution of the products" (p. 18) Indirect export: "the producing company delegates to an intermediary, based in the country of origin, the placement of its products in foreign markets" (p. 18)	Very Significant	Sale in the most distant markets
Continue on next page				

Internationalization strategies for Home Textile sector (continued)				
	Showroom and trade shows	"[T]rade shows represent a meeting point for all agents in the sector, offering exhibitors the possibility to observe the behaviour of their potential customers and their competitors in an environment close to reality" (p. 18) and "[a] privileged prospecting and promotion tool, which everyone who wants to sell can use" (p. 19) Trade shows also helps companies to "[E]nsure continuity of presence in the markets" (p. 18) Showrooms allows "[r]epresentatives and costumers can, with more time and space, visit and examine the products of the companies" (p. 18)	Very Significant	Prospecting and winning over customers and foreign markets
	Piggyback	"[A]llows the company (usually large), that has a marketing network on foreign markets, to make its sales infrastructure available to another company (often small) under certain conditions (payment of a commission or entry fee)" (p. 20)	Very Significant	Leverage distribution in foreign markets
Continue on next page				

Internationalization strategies for Home Textile sector (continued)				
	Franchise	"[C]onsists in a contract between two enterprises through which one of the enterprises (franchisor) grants the other (franchisee) the right to exploit a brand, product or technique owned by it in a given territory under certain conditions. In return, the franchisee company undertakes to fulfil its obligations and to remunerate the franchisor company financially, directly or indirectly" (p. 21)	Very Significant	Share risk and investment
	Export Consortium	"[I]t is a form of cooperation in which a group of companies joins and forms a new company in order to take joint action on external markets" (p. 22)	Very Significant	Ensure presence in foreign markets
	Group of exporters	"[C]onsists of a horizontal association involving several companies in the same sector, with the aim of creating common sales facilities or an export service which may be available to the different members of the group" (p. 22)	Very Significant	Ensure presence in foreign markets
Continue on next page				

Internationalization strategies for Home Textile sector (continued)				
	Business Club	“It is a form of business cooperation in which a group of companies (usually SMEs), manufacturers of complementary products, join in order to implement joint marketing and distribution actions on external markets, such as the construction of subsidiaries, the creation of joint catalogues, joint exhibitions at trade fairs, constitution of missions of collective prospecting, etc.” (pp. 22-23)	Very Significant	Ensure presence in foreign markets

Source: Own elaboration, based on Santos (2005, pp. 11–24)

Appendix D: Glossary for Barriers to SME Access to International Markets (OECD, 2019)

Glossary for Barriers to SME Access to International Markets

Internal Barriers

- Informational Barriers
- Human Resource Barriers
- Financial Barriers
- Product and Price Barriers
- Distribution, Logistics and Promotion Barriers

External Barriers

- Procedural Barriers
- Governmental Barriers
- Customer and Foreign Competitor Barriers
- Business Environment Barriers
- Tariff and Non-tariff Barriers

INTERNAL BARRIERS: Barriers internal to the enterprise associated with organizational resources/capabilities and company approach to export business.

Informational Barriers: problems in identifying, selecting, and contacting international markets due to information inefficiencies.

Limited information to locate/analyse markets: difficulty in knowing what national and international sources of information is available or required to reduce the level of uncertainty of foreign markets.

Unreliable data about the international market: problems associated with the source, quality, and comparability of available information used to attempt to increase understanding of foreign markets (including access to data, ability to retrieve data quickly, and the cost of obtaining data).

Identifying foreign business opportunities: difficulty in strategically and/or proactively identifying and selecting opportunities in foreign markets (including customers, contacts, business partners and joint ventures).

Inability to contact overseas customers: difficulty in contacting customers in overseas markets due to geographical distance and time-zones, poor research by the firm in identifying customers, and limited exposure to sources listing potential customers such as databases.

Human Resource Barriers: inefficiencies of human resource management with regard to internationalisation.

Lack of managerial time to deal with internationalisation: inability for managers to devote sufficient time, resources and energy towards selecting, entering and expanding into foreign markets, designing marketing strategies, and conducting business with overseas customers.

Insufficient quantity of and/or untrained personnel for internationalisation: problems associated with insufficient numbers of personnel to handle the excess work demanded by international operations, in addition to a lack of specialised knowledge and expertise within the company to deal with international business tasks such as documentation handling, logistical arrangements, and communicating with foreign customers (including knowledge of foreign languages, cultures and hands-on export experience).

Difficulty in managing foreign employees: inexistence of proper managers to employ and manage foreign employees to deal with international business task such as operating activity in foreign markets.

Financial Barriers: lack or insufficiency of finance with regard to internationalisation.

Shortage of funds to finance working capital for internationalisation: difficulty in allocating and/or justifying adequate expenditure towards researching overseas markets, visiting foreign customers, adapting international marketing strategies.

Shortage of funds to finance investment for internationalisation: difficulty in allocating and/or justifying adequate expenditure towards investment to start or expand international activity.

Shortage of insurance for internationalisation: difficulty in insuring products for foreign markets and/or assets in foreign markets.

Product and Price Barriers: pressures imposed by external forces on adapting the elements of the company's product and pricing strategy.

Difficulty in developing new products for foreign markets: inability, difficulty or unwillingness to develop entirely new products for specific foreign market needs and wants.

Difficulty in adapting product design/style: inability, difficulty or unwillingness to adapt the company's product design or style to the idiosyncrasies of each foreign market (e.g. different conditions of use, variations in purchasing power, dissimilar consumer tastes, diverse sociocultural settings).

Difficulty in meeting product quality/standards/specifications of foreign markets: inability, difficulty, or unwillingness to adapt products necessitated by both legal and non-legal differences in quality standards and preferences among overseas markets.

Difficulty in offering satisfactory prices to customers: inability to offer foreign customers satisfactory prices because of: higher unit costs due to small production runs; additional costs incurred in modifying product, packaging and/or service; higher administrative, operational and transportation expenses; extra taxes, tariffs, and fees imposed; and higher costs of marketing and distribution.

Difficulty in matching competitors' prices: lack of price competitiveness due to factors that are controllable (e.g. strict adoption of a cost-plus pricing method) and/or uncontrollable (e.g. existence of unfavourable foreign exchange rates; differences among countries' cost structure of production, distribution, and logistics; adoption of dumping practices by competitors; and government policy to subsidise local industry).

Difficulty in granting credit facilities to foreign customers: problems due to a lack of funds to sustain providing credit facilities to customers and/or a fear that debts may not be recovered from customers that might be far away, have no past experience with the company, and come from countries with unstable politico-economic environments.

Lack of excess production capacity for foreign markets: inexistence of or inability to generate excess production over and above what the domestic market requires in order to initiate or expand export business operations.

Distribution, Logistics and Promotion Barriers: barriers associated with the distribution, logistics and promotion aspects of in foreign markets.

Difficulty in establishing/using distribution channels in foreign markets: problems associated with adjusting distribution methods according to the variations and idiosyncrasies within foreign markets (e.g. range and quality of services offered, and number of layers of a distribution channel), and/or problems associated with gaining access to distribution channels in overseas markets (including channels that are occupied by the competition; the costs of managing the length of the channel; or various levels of the system being controlled by a certain distributor).

Difficulty in obtaining reliable foreign representation: difficulties in obtaining reliable representation overseas who meet the: structural (territorial coverage, financial strength, physical facilities), operational (product assortment, logistical arrangements, warehouse facilities), and behavioural (market reputation, relationships with government, cooperative attitude) requirements of the exporter and is not already engaged by a competitor.

Difficulty in supplying inventory abroad: problems associated with re-supplying the foreign market adequately including transportation delays, demand fluctuations, and unexpected events that create shortages of the company's products overseas.

Excessive transportation/insurance costs: the exacerbation of transportation costs because of large distances to and within foreign markets, poor infrastructural facilities, limited availability of transportation, and delays in product delivery; and/or insurance costs because of the higher risks associated with selling goods overseas.

Difficulty in offering technical/after-sales service: problems associated with the provision of technical and/or after-sales service including delays and increased costs associated with: geographical distances between the company and its foreign market; setting up servicing operations in strategic locations; maintaining large quantities of spare parts; adjusting the approach to after-sales service for country variations in conditions of use, competitive practices, and physical landscape.

Difficulty in adjusting promotional activities to foreign market: problems associated with adjusting promotional activities due to country variations in buying motives, consumption patterns, and government regulations including: variations in the composition of the target audience, inappropriate content of the advertising message, unavailability or different use of advertising media, restrictions in the frequency/duration of advertising, and insufficient means to assess advertising effectiveness across countries.

EXTERNAL BARRIERS: Barriers stemming from the home and host environment within which the firm operates.

Procedural Barriers: barriers associated with the operating aspects of transactions with foreign customers.

Unfamiliar exporting procedures/paperwork: difficulty in understanding and/or managing customs documentation, shipping arrangements, and other export procedures.

Difficulty in communicating with foreign customers: insufficient and/or infrequent communication with customers due to the large geographical and psychological distances between buyers and sellers, and poor communications infrastructure.

Slow collection of payments from abroad: difficulty in achieving timely collection of payments from overseas due to the lack of immediate contact with overseas markets, foreign buyers requesting more credit facilities, the use of intermediaries to enter a foreign market, and/or strict currency restrictions imposed by the central bank of the foreign market.

Difficulty in enforcing contracts and resolving disputes: problems associated with: enforcing contracts due to poor quality (e.g. non-verifiable information, ambiguity, lack of consideration or mutual acceptance, and/or unreasonable breadth of the contract); enforcing contracts because of unclear expectations, misinterpretation, 'bad faith' and/or unwillingness of contract partner(s) to uphold the contract; resolving disputes because of nonexistent or unsophisticated dispute resolution mechanisms, time and/or cost of accessing foreign legal systems, lack of knowledge of foreign laws, and conflicts of laws; and/or unwillingness of contract partner(s) to participate in dispute resolution mechanisms.

Governmental Barriers: Barriers associated with the actions or inaction by the home and foreign government in relation to its indigenous companies and exporters.

Lack of home government assistance/incentives: support and/or encouragement by government agencies to SMEs for export and internationalising activities is non-existent, scarce or unsophisticated.

Unfavourable home rules and regulations: local exporters are restricted by controls imposed by the home government including restrictions on exports of either components or final-products to certain hostile countries and/or restrictions on products with national security or foreign policy significance.

Restrictions to have foreign ownership: foreign companies are restricted on the equity share they can hold by the foreign government.

Restrictions on the movement of people/business persons (such as problems obtaining visas, quotas, limited duration of stay, etc.): there are restrictions of the movement of people including numerical limitation to movement of natural persons which provide a specific service such as computer related service and legal service.

Unfair treatment compared to domestic firms in tax or eligibility to affiliate: foreign companies are treated less favorable regarding taxes including higher direct or indirect taxes charged to foreign companies.

Unfair treatment compared to domestic firms in public procurement: foreign companies are treated less favorable regarding participation in public procurement including discrimination in the application of financial or technical criteria for project and/or imposition of using local contents.

Unfair treatment compared to domestic firms in competition regulation: foreign companies are treated less favorable regarding competition with domestic companies including the case that publicly-controlled firms are subject to an exclusion or exemption, either complete or partial, from the application of the general competition law.

Laws and regulations are not transparent in the foreign country: regulatory inefficiency including difficulty in finding the necessary information in laws and regulations and/or information cost and time of obtaining necessary licenses or permits.

Customer and Foreign Competitor Barriers: Barriers associated with the firm's customers and competitors in foreign markets, which can have an immediate effect on its export operations.

Different foreign customer habits/attitudes: difficulty in adjusting the company's strategy to accommodate variations in consumer habits and attitudes caused by different topographic and climatic conditions, household size and structure, level of technical understanding, income level and distribution, manners and customers, and education standards.

Keen competition in foreign markets: difficulty in maintaining competitive advantage in overseas markets due to more complicated and intensive competitive situations (e.g. competition arising from many sources, different cost competitive strategies and protections, different brand positioning and variable marketing strategies).

Business Environment Barriers: Barriers associated with the economic, political-legal and sociocultural environment of the foreign market(s) within which the company operates or is planning to operate.

Poor/deteriorating economic conditions abroad: unpredictable consumer behaviour caused by economic effects such as large foreign debts, high inflation rates, and high unemployment levels in foreign markets, which erode their citizens' purchasing power and impacts on their spending habits (e.g. seeking more economical products, purchasing goods less often, and carefully selecting what they buy).

Foreign currency exchange risks: risks to international business transactions arising from unstable exchange rates leading to fluctuating export prices overseas; revaluation of exporter's currency resulting in less favourable prices to end-users; and unconvertible foreign currencies that impede the repatriation of sales/profits from overseas.

Unfamiliar foreign business practices: variations in business practices from country to country which may confuse or send distorted signals to companies that are unfamiliar with the formal and informal procedures performed in foreign markets.

Different socio-cultural traits: challenges associated with understanding and accommodating the affects that variations in religion, values, attitudes, manners, customs, education, and social organisation have on consumer behaviour, targeting approaches, and marketing programmes.

Verbal/non-verbal language differences: challenges associated with understanding the oral and written aspects of the foreign language and its nonverbal characteristics, such as body language and time perception, in order to communicate both verbally and non-verbally through marketing, advertising, branding and packaging.

Inadequacy of infrastructure for e-commerce: non-existent or unsophisticated structures (e.g. hardware, software, security, and broadband) are in place to support the distribution, sale, purchase, marketing, and servicing of products or services over electronic systems such as the Internet and other computer networks.

P**olitical instability in foreign markets:** difficulty in initiating or maintaining operations overseas due to economic (low household incomes, inflationary trends, large foreign debt), societal (religious fundamentalism, ethnic tension, high degree of corruption), and/or political (authoritarian regime, conflict with neighbours, military control) factors.

Tariff and Non-tariff Barriers: Barriers associated with restrictions on exporting and internationalising imposed by government policies and regulations in foreign markets.

High tariff barriers: the burden associated with excessive tax applied to imported goods to artificially inflate prices of imports and protect domestic industries from foreign competition.

Inadequate property rights protection (e.g. intellectual property): difficulties associated with an inadequate legal framework to protect the ownership, use, control, benefit, transferral or sale of both physical and intangible property especially intellectual property (e.g. copyrights, patents, trademarks and trade secrets).

Restrictive health, safety and technical standards (e.g. sanitary requirements): difficulties associated with meeting high, non-transparent, inconsistent and/or discriminatory country specific standards for imported goods including: sanitary and phytosanitary requirements; industrial and environmental protection standards; conformity assessment procedures (testing and re-testing, verification, inspection and certification to confirm products fulfil standards); and technical standards (e.g. preparation, adoption and application of different standards for specific characteristics of a product such as production, design, functions and performance).

Arbitrary tariff classification and reclassification: problems and costs associated with the practices by Customs administrations of classifying goods in a way which is not in accordance with internationally accepted rules and principles of tariff classification (e.g. increasing the level of duty payable for imported goods either for trade policy, trade protection and/or revenue raising reasons; imposing tariffs less favourable than those implied previously through reclassification of imported goods; inability to obtain firm rulings from overseas Customs authorities on duties for some products; and/or lack of technical knowledge by Customs' administrations to enable them to provide correct tariff classifications to importers).

Unfavourable quotas and/or embargoes: unreasonable prohibition of commerce and trade with a certain country or unreasonable restrictions on the quantity of specific goods being imported to certain countries.

High costs of Customs administration: costs associated with: divergent interpretations of customs valuation rules by different Customs administrations (including the use of arbitrary or fictitious customs values); delay in customs clearance procedures (e.g. excessive and/or irrelevant paperwork, congestion at points of entry, delay and cost of cargo clearance); lack of procedures for prompt review; and lack of transparency and/or irregular/illegal practices (e.g. unofficial customs procedures, unwritten rules and unpublished changes, unofficial fees to accelerate processing, and the absence of information on customs regulations and procedures in English).

Competitors with preferential tariff by regional trade agreement: disadvantageous competition with competitors who can benefit low or zero tariff from regional trade agreement between host country and home country of competitors.

Appendix E: Summary table of barriers to internationalization

Authors	Sample size	Country of the study	Main barriers identified
Leonidou (1995)	112 non-exporters	Cyprus	Increasing competition in world markets together; Inability to offer competitive prices abroad; Limited availability of foreign market information.
Arteaga-Ortíz and Fernández-Ortíz (2010)	478 small and medium in 4 macro sectors, food and agriculture, consumer goods, capital goods and services	Spain	General ignorance of export processes; Ignorance of the potential benefits exporting can generate; Ignorance of potential markets; Lack of productive capacity; Lack of foreign branches of the banks and specialists in international business at the banks which the companies work; High financial cost of the means of payment used in international operations; Documentation and red tape required for the export operation; Language differences; Nontariff barriers related to the standardization and homologation of the product, or health, phytosanitary or similar barriers; Risk from variation of exchange rates; Political instability in destination country; Risk of losing money by selling abroad.
Continue on next page			

Summary table of barriers to internationalization (continued)			
Silva and Simões (2012)	220 companies 186 exporters	Portugal	Lack of incentives was identified as the main obstacle; The existing bureaucracy of the export process; Lack of information; Lack of qualified human resources; Lack of financial support and of their own liquidity to invest, competition in the foreign markets; Lack of free-of-charge commercial information.
	34 non-exporters		Bureaucracy; Lack of incentives; Lack of information.
Continue on next page			

Summary table of barriers to internationalization (continued)			
AICEP and Deloitte (2014)	412 firms	Portugal	Lack of knowledge about the international markets; Barriers to entry into the country of destination; Mobilization of financial resources; Lack of knowledge about the negotiation mode/decision process in the destination country; Difficulty in obtaining qualified) resources in destination markets; Lack of government support/incentives for internationalization; Lack of knowledge about target country's language and/or other cultural barriers; Absence of agreements to avoid double taxation or the mutual promotion and protection of investments; Lack of management team support and/or commitment to the internationalization program; Lack of internal resources to address these issues.
Continue on next page			

Summary table of barriers to internationalization (continued)			
WTO (2016)	Ethiopia (9 SMEs producing leather and leather products) Iran (76 SMEs producing fruit and vegetables) Jordan (135 manufacturing SMEs) Mauritius (41 SMEs exporters) Nigeria (72 manufacturing SMEs) Sri Lanka (SMEs) OECD and APEC countries (978 SMEs across 47 countries) ALADI countries (30 SMEs in 12 countries) CBI's Export Coaching Programmes (ECPs) (33 SMEs, 24 were Indian firms)		Limited information about the working of the foreign markets, and in particular difficulties in accessing export distribution channels and in contacting overseas customers; Costly product standards and certification procedures, and, in particular, a lack of information about requirements in the foreign country; Unfamiliar and burdensome customs and bureaucratic procedures; Poor access to finance and slow payment mechanisms.
AICEP and GPEARI (2018)	26 export companies (Extractive Industries; Manufacturing; Electricity, Gas, Steam, Water, Sanitation and Waste Management; Construction; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)	Portugal	External competition; Currency fluctuations; Customs Constraints; Lack of demand; Financing difficulties; Lack of trained human resources and local competition; Difficulty in obtaining foreign currency; Identified difficulty in adapting to local requirements; The lack of support for increasing productive capacity.

Source: own elaboration

Appendix F: Interview Guidelines

O propósito desta entrevista é, então, perceber o processo de internacionalização das empresas portuguesas do setor têxtil-lar que estão presentes no mercado do Reino Unido, em particular as barreiras enfrentadas nos processos de internacionalização.

A entrevista será composta por 4 secções, caracterização da empresa, caracterização processo de internacionalização e caracterização das motivações e barreiras do processo de internacionalização.

1. Caracterização da empresa

1.1. Nome da empresa: ________________________________

1.2. Qual a sua posição na empresa: ____________

1.3. Ano de fundação da empresa: _________________

1.4. Empresa familiar: _sim _não

1.5. Número de funcionários: ____________

1.6. Por quantas pessoas é constituída a equipa de gestão: ________

1.7. Qual é o valor aproximado do volume de negócios da empresa no ano mais recente para o qual tem informação: _______

1.8. Indique, por favor, da forma mais específica possível, qual o CAE (Classificação Portuguesa de Atividades Económicas) da sua empresa: ____________________

2. Caracterização do processo de internacionalização

2.1. Indique, por favor, qual o ano da primeira internacionalização e qual o país de destino: _________________

2.2. Em que momento se iniciou o processo de internacionalização:

_ ano de fundação da empresa

_ depois de a empresa estar estabelecida no mercado doméstico

_ em simultâneo com o processo de estabelecimento da empresa no mercado doméstico

2.3. De que forma foi feita a primeira internacionalização:

_ Exportações diretas realizadas pela empresa

_ Exportação indireta (por exemplo através de um agente)

_ outra: ____________

2.4. Pode, por favor, indicar em quantos países está presente a empresa atualmente: ____________

2.5. Em relação ao volume de negócios da empresa associado a mercados internacionais, pode, por favor, dar uma indicação sobre o seu valor?

____

2.6. Se aplicável, indique, por favor, quais os 5 mercados internacionais principais em termos de volume de negócios? Pode, por favor indicar, qual o mais importante e qual o menos importante?

2.7. Se aplicável, indique, por favor, o número de colaboradores dedicados exclusivamente às atividades de internacionalização da empresa:

____

2.8. Quanto aos produtos vendidos no exterior, pode, por favor, dizer se são os mesmos que são vendidos em Portugal? Se não, por que motivo é que isso acontece?

2.9. **Caracterização do processo de internacionalização no Reino Unido**

(NOTA: se apenas tem atividade internacional do Reino Unido ou se este mercado foi a sua primeira internacionalização, não responder às questões 2.9.1 e 2.9.3)

2.9.1. No que respeita ao processo de internacionalização para o Reino Unido, pode, por favor, indicar qual o primeiro ano de internacionalização para o mercado do Reino Unido: _____________

2.9.2. Em termos do volume de negócios total da empresa, pode, por favor, indicar qual a percentagem proveniente de atividades internacionais para mercado do Reino Unido: _____________

2.9.3. De que forma foi feita a entrada no mercado do Reino Unido (ex. Exportações diretas realizadas pela empresa; Exportação indireta (por exemplo através de um agente; etc.): _____________

2.9.4. Atualmente, a presença da empresa no Reino Unido continua a ser caracterizada por [resposta à questão anterior] ou optaram por uma presença de outro tipo? Se sim, qual?:

_ Exportações diretas realizadas pela empresa

_ Exportação indireta (por exemplo através de um agente)

_ Acordos contratuais

    _ Licensing

    _ Franchising

    _ Outro: _________

_ Joint venture

_ Aquisição

    _ Subsidiária de vendas

    _ Subsidiária de produção

    _ Outro: ___________

_ Investimento greenfield

    _ Subsidiária de vendas

    _ Subsidiária de produção

    _ Outro: ___________

3. Motivações

3.1. Pode, por favor, indicar quais os motivos que conduziram à internacionalização da empresa? (ex. oportunidade de crescimento, saturação do mercado interno, pressão competitiva no mercado interno, procura do mercado externo, encomendas estrangeiras não solicitadas, exploração das competências fundamentais/ vantagem competitiva, possibilidade do aumento da carteira de clientes, superprodução (necessidade de escoamento))

3.2. Tendo em consideração especificamente o mercado do Reino Unido, quais os motivos/razões pelo(a)s quais escolheram entrar no Reino Unido?

4. Barreiras

4.1. Pode, por favor, indicar que barreiras/dificuldades surgiram no início do processo de internacionalização que possam ter constrangido de alguma forma a entrada da empresa no mercado internacional? De que forma lidaram com/ultrapassaram essas barreiras? (ex falta de informação sobre o mercado estrangeiro, falta de incentivos e apoio do governo, dificuldade em adaptação aos requisitos locais, dificuldades de financiamento, etc)

4.2. Após a fase inicial do processo de internacionalização, as barreiras que anteriormente identificou mantiveram-se aquando do estabelecimento da empresa nos mercados internacionais? Se sim, todas elas ou apenas algumas? Pode, por favor, indicar quais? E quanto a novas barreiras após a fase inicial de entrada: surgiu algum tipo de dificuldades diferente? Se sim, pode, por favor, indicar qual ou quais? De que forma lidaram com essas barreiras?

4.3. Das barreiras/dificuldades mencionadas, sente que, apesar das estratégias implementadas, alguma das barreiras/dificuldades identificadas continua a constranger a performance da empresa no mercado internacional? Se sim, pode, por favor, identificar qual ou quais e explicar por que motivo a(s) dificuldade(s) permanece(m)?

(NOTA: Nas questões que se seguem, se o Reino Unido foi o primeiro mercado responda às questões 4.7 e 4.8, e não questões 4.4, 4.5, e 4.6)

4.4. No que respeita ao processo de internacionalização para o Reino Unido, indique, por favor, se surgiu alguma barreira/dificuldade já identificada por vocês noutro mercado? Se sim, indique, por favor, qual ou quais?

4.5. De que forma tentaram ultrapassar essas barreiras? Adotaram uma estratégia específica pensada para o mercado do Reino Unido ou adotaram uma estratégia já implementada noutro mercado?

4.6. Indique, por favor, se surgiu algum tipo de barreira/dificuldade que possa de alguma maneira ter prejudicado especificamente o processo de internacionalização no mercado do Reino Unido? Se sim, qual ou quais? E de que forma lidaram com essas barreiras?

4.7. No que respeita ao processo de internacionalização do Reino Unido, indique, por favor, se surgiu algum tipo de barreira/dificuldade que possa de alguma maneira ter prejudicado especificamente o processo de internacionalização no mercado do Reino Unido? Se sim, qual ou quais? E de que forma lidaram com essas barreiras?

4.8. Indique, por favor, se surgiu alguma barreira/dificuldade identificada por vocês no Reino Unido e noutro mercado? Se sim, qual ou quais?

De que forma tentaram ultrapassar essas barreiras? Adotaram uma estratégia específica pensada para o mercado do Reino Unido ou adotaram uma estratégia também pensada para outro mercado?

4.9. No que respeita a Brexit, considera que este já teve algum impacto direto na vossa empresa ou que possa vir a ter no fim do período de transição? Se sim, indique, por favor, quais os efeitos sentidos.

4.10. Indique, por favor, se tem contacto com entidades no estrangeiro ou com entidades portuguesas com ligações ao estrangeiro? Se sim, como caracteriza o impacto dessas relações no processo de internacionalização da vossa empresa? (Por entidades entende-se grandes empresas, outras empresas, associações comerciais e organizações do sistema científico e tecnológico (como por exemplo universidades)).

4.11. Pela sua experiência no mercado do Reino Unido, o que pensa serem as características procuradas por este mercado nas empresas portuguesas do têxtil-lar/ produtos portugueses do têxtil-lar?

4.12. Tendo em conta as características identificadas por si, pensa que estas facilitaram o processo de internacionalização da sua empresa? Sentiram algum tipo de dificuldades relacionadas com as perceções que o mercado do Reino Unido tinha/tem sobre os produtos portugueses/ empresas portuguesas, que tenham obrigado a empresa a investir em estratégias para ir de encontro ao que o mercado do Reino Unido procura? Se sim, pode, por favor, elaborar um pouco sobre as dificuldades sentidas e as estratégias adotadas?

4.13. Relativamente ao processo de internacionalização da sua empresa (motivações e sobretudo barreiras), há algum outro aspeto ainda não mencionado que gostasse de mencionar/referir? Se sim, pode, por favor, explicar a importância desse aspeto?

4.14. Finalmente, e para terminar, daria algum tipo de recomendações às PME que pretendem atualmente iniciar o seu processo de internacionalização? Se sim, qual ou quais e pode, por favor, elaborar um pouco sobre isso?

Muito obrigada pelo seu tempo e colaboração.

Appendix G: Consent form

Formulário de consentimento

The Portuguese Home Textile Sector: Barriers to Internationalization to the United Kingdom.

O propósito desta entrevista é perceber quais as barreiras encontradas pelas empresas portuguesas do setor têxtil-lar no seu processo de internacionalização e quais as estratégias que adotaram para as ultrapassar, focando em particular o caso do mercado do Reino Unido.

Desta forma, é solicitado por este meio a sua autorização para proceder à gravação da entrevista e consentimento para a sua utilização no meu trabalho de investigação. Os dados recolhidos serão utilizados unicamente para os fins da investigação acima mencionada e nenhuma informação será divulgada sem autorização prévia.

Autorizo que a entrevista seja gravada.

- [ ] Sim
- [ ] Não

Autorizo que a informação recolhida na entrevista seja incluída neste trabalho de investigação.

- [ ] Sim
- [ ] Não

Autorizo a divulgação da minha identidade bem como da organização à qual pertenço.

- [ ] Sim
- [ ] Não

Data: _____/___/_____

Assinatura

____

Appendix H: Exports from Portugal to the United Kingdom and Imports from Portugal from the United Kingdom by Product Group

	Exports from Portugal to the United Kingdom by Product Groups					Imports from Portugal from the United Kingdom by Product Group				
	2018	**% Tot 18**	**2019**	**% Tot 19**	**Var % 19/18**	**2018**	**% Tot 18**	**2019**	**% Tot 19**	**Var % 19/18**
Agriculture	113.1	3.1	122.0	3.3	7.9	92.6	4.9	135.2	6.4	46.0
Base Metals	303.4	8.3	275.5	7.6	-9.2	206.7	10.9	187.9	8.9	-9.1
Cellulose Pulp and Paper	138.2	3.8	149.6	4.1	8.3	56.0	3.0	47.0	2.2	-16.0
Chemicals	214.9	5.9	186.7	5.1	-13.1	427.2	22.6	397.8	18.8	-6.9
Clothing	260.4	7.1	253.1	6.9	-2.8	30.6	1.6	35.9	1.7	17.4
Food	226.4	6.2	233.8	6.4	3.3	85.4	4.5	104.6	5.0	22.5
Footwear	122.9	3.4	114.5	3.1	-6.9	19.8	1.0	23.9	1.1	20.4
Leather and hides	6.7	0.2	8.3	0.2	24.8	5.9	0.3	7.0	0.3	17.4
Machinery and Equipment	725.3	19.8	638.1	17.5	-12.0	463.1	24.5	486.8	23.1	5.1
Mineral Fuels	29.7	0.8	30.9	0.8	4.1	44.8	2.4	214.2	10.1	377.9
Minerals and Ores	113.5	3.1	118.3	3.2	4.2	29.9	1.6	34.0	1.6	13.7
Optical and Precision Instruments	108.2	2.9	120.7	3.3	11.6	51.3	2.7	56.7	2.7	10.6
Other Products (a)	135.6	3.7	127.6	3.5	-5.9	33.6	1.8	40.6	1.9	21.0
Plastics and Rubber	222.2	6.1	203.0	5.6	-8.6	55.9	3.0	58.9	2.8	5.3
Continue on next page										

Exports from Portugal to the United Kingdom and Imports from Portugal from the United Kingdom by Product Group (continued)										
Textile Materials	138.8	3.8	139.7	3.8	0.7	65.6	3.5	62.5	3.0	-4.7
Vehicles and Other Transport Equipment	688.9	18.8	778.9	21.4	13.1	220.8	11.7	215.1	10.2	-2.6
Wood and Cork	120.0	3.3	143.9	3.9	19.9	3.8	0.2	2.9	0.1	-23.3
Total	3 668.2	100.0	3 644.8	100.0	-0.6	1 892.9	100.0	2 110.9	100.0	11.5
Source: INE - Instituto Nacional de Estatística Note: (a) Tobacco, hats, umbrellas, precious stones and metals, weapons, furniture, toys, art pieces, various works										

Source: own elaboration, based on AICEP Portugal Global (2020c)

Appendix I: Top Customers of Home Textiles by sub-sector

Table I1 - Top 5 “Bedding, Table, Dressing Table, Kitchen” Customers (% of Total)

	2015	2016	2017	2018	2019	Var p.p.[a] 19/15	Var p.p.[b] 19/18
United States of America	15.69	14.98	17.72	17.79	19.57	0.97	1.79
France	18.58	18.20	19.10	17.29	18.51	-0.02	1.23
Spain	20.60	22.35	19.62	20.95	17.95	-0.66	-3.01
United Kingdom	12.54	11.91	10.63	9.28	9.69	-0.71	0.42
Germany	4.77	4.52	4.70	5.63	5.75	0.25	0.12
Source: INE - Instituto Nacional de Estatística Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019							

Source: AICEP Portugal Global (2020b)

Table I2 - Top 5 “Carpets and Rugs” Costumers (% of Total)

	2015	2016	2017	2018	2019	Var p.p.[a] 19/15	Var p.p.[b] 19/18
Spain	20.36	23.73	18.58	17.98	19.89	-0.12	1.90
United Kingdom	20.01	17.22	17.22	17.34	17.85	-0.54	0.51
United States of America	20.19	19.94	20.01	17.58	17.71	-0.62	0.12
France	6.03	4.65	6.91	7.57	7.96	0.48	0.39
Italy	5.14	6.12	8.10	7.32	7.42	0.57	0.10
Source: INE - Instituto Nacional de Estatística Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019							

Source: AICEP Portugal Global (2020b)

Table I3 - Top 5 “Velvet, Lace, Embroidery” Costumers (% of Total)

	2015	2016	2017	2018	2019	Var p.p.[a] 19/15	Var p.p.[b] 19/18
Czech Republic	27.61	21.13	18.36	14.69	16.84	-2.69	2.15
Poland	6.46	9.23	12.49	14.15	16.18	2.43	2.03
Germany	6.34	11.80	11.15	11.74	10.72	1.09	-1.03
Sweden	10.35	10.63	12.23	10.23	9.23	-0.28	-0.99
Spain	5.42	3.10	3.97	6.09	5.56	0.04	-0.53
United Kingdom	2.98	4.85	4.50	3.89	3.22	0.06	-0.67

Source: INE - Instituto Nacional de Estatística
Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019

Source: AICEP Portugal Global (2020b)

Table I4 - Top 5 “Bedspreads” Costumers (% of Total)

	2015	2016	2017	2018	2019	Var p.p.[a] 19/15	Var p.p.[b] 19/18
United States of America	28.40	30.41	28.94	25.85	24.94	-0.86	-0.92
Spain	20.29	22.07	22.82	24.81	24.12	0.96	-0.70
United Kingdom	8.68	9.28	7.84	7.95	10.02	0.34	2.07
France	9.37	6.82	7.83	6.84	9.69	0.08	2.85
Italy	3.25	4.48	4.17	4.28	5.24	0.50	0.96

Source: INE - Instituto Nacional de Estatística
Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019

Source: AICEP Portugal Global (2020b)

Table I5 - Top 5 “Blankets” Costumers (% of Total)

	2015	2016	2017	2018	2019	Var p.p.[a] 19/15	Var p.p.[b] 19/18
United States of America	27.65	27.42	31.98	32.70	41.27	3.40	8.57
Spain	18.47	17.17	9.80	13.70	12.12	-1.59	-1.57
Germany	17.95	16.42	17.20	12.99	11.40	-1.64	-1.59
United Kingdom	11.54	12.71	13.95	10.84	9.09	-0.61	-1.75
Canada	3.43	3.62	4.04	6.39	5.93	0.63	-0.45

Source: INE - Instituto Nacional de Estatística
Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019

Source: AICEP Portugal Global (2020b)

Table I6 - Top 5 “Curtains, Drapes, Blinds, Pelmets” Costumers (% of Total)

	2015	**2016**	**2017**	**2018**	**2019**	**Var p.p.[a] 19/15**	**Var p.p.[b] 19/18**
Netherlands	0.39	0.23	2.98	7.18	33.29	8.22	26.10
Spain	19.89	23.21	20.29	26.40	23.84	0.99	-2.56
United States of America	10.87	6.84	10.78	8.61	12.21	0.34	3.60
Angola	37.18	25.53	29.75	20.13	11.06	-6.53	-9.07
Cape Verde	1.33	3.38	5.35	1.12	2.67	0.34	1.55
United Kingdom	0.21	0.15	0.09	0.29	0.72	0.13	0.43

Source: INE - Instituto Nacional de Estatística

Notes: (a) Arithmetic average of annual growth rates in the period 2015-2019; (b) Year-on-year rate of change 2018-2019

Source: AICEP Portugal Global (2020b)

Appendix J: Summary table of Brexit expected impacts

Authors	Notes on the approach taken in the study	Country of the study	Expected Impacts
International Monetary Fund (2018)	Two complementary approaches: a multidimensional index that captures the depth and evolution of integration between the UK and the rest of the EU was created to estimate the average long-term impact of several Brexit scenarios; was used a standard multi-country and multi-sector computable general equilibrium (CGE) model to estimate country- and sector specific impacts from higher trade barriers between the U.K. and the rest of the EU countries.	EU member states	the level of output of EU27 countries may fall by between 0.06% (considering a scenario where the UK stays in European economic zone) and up to 1.5% (considering a scenario where the UK and EU establish a WTO rules-based trade relationship); The countries more affected in the simulated scenarios are Ireland, Netherlands, and Belgium; Considering a scenario where the UK stays in European economic zone: Portugal would be 6th country in the EU most affected; Considering a scenario where the United King and EU establish a WTO rules-based trade relationship: Portugal would be the 12th most affected country.
Continue on next page			

Summary table of Brexit expected impacts (continued)			
Lawless and Morgenroth (2019)	Matching of over 5200 products to the WTO tariff applicable to external EU trade and estimating the exposure of each country using detailed tariff information	EU member states	Expected reduction of 30% in EU to UK exports and 22% in UK to EU exports; Most exposed countries: Ireland and Belgium suffering a reduction of 4% and 3.1% of their total exports, respectively; Less exposed countries: Estonia and Finland suffering a reduction of less than 0.3%; Portugal to UK exports are expected to fall 33%; The UK to Portugal exports are expected to fall 27.7%; Most exposed sectors: food and textile products suffering a reduction by up to 90% and vehicles products (60%).
Clearwater International (2019)	Survey 2100 companies with a turnover over 10 million euros	UK (500), Ireland (200), France (250), Germany (250), Italy (250), Spain (250), Portugal (200), Denmark (200)	23.9% assume that Brexit is among the top three challenges faced by their business; 46.5%, believe that Brexit will have a positive impact on their business, o 23.8% that believe it will have a negative impact, and a quarter believe that will have no impact; Portuguese are the most pessimistic about Brexit long-term effects, 37% it will have “negative” or “very negative” effect on them.
Continue on next page			

Summary table of Brexit expected impacts (continued)			
Vieira (2018)	Qualitative methodology: case study	Portugal	Brexit will have implications on Portugal's strategic interests; Tourism sector most affected in Madeira Islands and Algarve; Free-trade agreement: expectable that the fishing and civil aviation won't have negative effects; No-deal agreement: expected to create a higher bureaucratic and administrative burden, to reflect a decrease in exports, and to cut fishing quotas.
Continue on next page			

Summary table of Brexit expected impacts (continued)			
CIP (2018)	2 approaches: Analysis of the main studies carried out for the UK economy. Assessment of risks and opportunities for bilateral flows of goods and services based on different approaches: Approach 1 - Analysis of the risk for Portuguese exports of a change in the commercial relationship framework; Approach 2 - Analysis of risks and opportunities by comparing real and potential trade; Approach 3 - Analysis of the risk for Portuguese exports of the existence of a deviation of imports from the United Kingdom; Approach 4 - analysis of the risk for Portuguese exports arising from the response of UK imports to changing trade conditions; Approach 5 - Analysis of opportunities associated with the possibility of Portugal replacing British imports or exports.	Portugal	Brexit might lead to a reduction of exports to the UK between -1.1% and -4.5%, to a FDI (Foreign Direct Investment) flow reduction between -0.5% and -1.9%, and to emigrant remittance reductions between -0.8% and -3.2%; Most affected regions: Alto Minho, Cávado, Ave e Tâmega e Sousa; Sector with higher risk: IT, electronic and optical products, electrical equipment and the automotive sectors textiles products sector: medium high risk.
Continue on next page			

Summary table of Brexit expected impacts (continued)			
Mateus (2018)	2 methodologies: Qualitative method: interviews to a Portuguese textile agent and a British textile agent Quantitative method: survey with 91 valid responses	Portugal	Negative impact in the trade partnership albeit moderate; Portuguese companies believe in a soft scenario; Portuguese textile agent interviewed also believes in a soft scenario; Portuguese companies identified limitations in terms of trade barriers and bureaucracy implications; British textile agent neglects a hard Brexit scenario.

Source: own elaboration

Appendix K: Summary table of the case studies results

Table K1 - General information about the company

Companies	**Alda Têxteis**	**Gipanolar**
Headquarters	Póvoa do Lanhoso	Selho S. Jorge (Pevidém), Guimarães
CAE – Portuguese Classification of Economic Activities (Classificação Portuguesa das Atividades Económicas)	13910 – Manufacture of knitted fabrics (Fabricação de tecidos de malha)	46410 – Wholesale of textiles (Comércio por grosso de têxteis)
Products	Bedlinen: Duvets, quilts, sheets, mattress protectors, pillowcases, decorative pillows, waterproof protectors, crib protectors, baby bed linen Tablelinen: Towels, napkins, runners, placemats Bathlinen: Bathtowels, robes and bath rugs	Bath towels Hotel/wellness and spa textiles Kitchen textiles Beach and merchandising textiles
Turnover in 2018	4 375 762€	1 139 149€
Year of establishment	1995	2003
Year of first internationalization	1998	2003
Location of first internationalization	England	France
Entry mode	Indirect exports through an agent	Direct Exports
Continue on next page		

General information about the company (continued)		
Total number of employees	44	4
Number of employees dedicated exclusively to international activities	0	2
Share of foreign market in turnover	92%	+/- 70 to 75%
Main foreign markets	Germany, France, Belgium, Iceland, Canada	Spain, France, Finland

Source: own elaboration

Table K2 - Companies' internationalization process

Companies	**Alda Têxteis**	**Gipanolar**
Motivations to internationalization	Company created with the purpose to work with international markets Market characteristics: limited size and low capacity to absorb a quality product Foreign increased demand	Manager had previous knowledge of some markets and ongoing contact with some clients Manager belief in the potential of the company's products in international markets
Barriers to internationalization: first internationalization	Language Travel costs	Prices Exchange rates differences, clients did not accept trading in euros
Continue on next page		

Companies' internationalization process (continued)		
Overcoming first barriers to internationalization	Hired people with language skills Emergence of low-cost companies also helped to combat travel expenses	Presence in international trade shows to raise smaller clients
Barriers to internationalization: during internationalization process	Customers reduced their purchases due to economic factors Customers redirect their purchases to the Middle East or Far East and within Europe Unfavourable economic environment Sourcing orientation of international clients Purchasing policy of the customers: price point of purchase of the customer, regulations that inhibit clients from buying in Portugal	Prices Exchange rates differences, clients didn't accept euros Retirement of some clients Lack of protection of EU's internal markets from competition from markets outside the EU
Overcoming barriers to internationalization	Advertise through international trade shows and multi-site advertising on the internet	Presence in international trade shows to raise smaller clients

Source: own elaboration

Table K3 - Companies' internationalization process to the United Kingdom

Companies	**Alda Têxteis**	**Gipanolar**
First internationalization in the United Kingdom	1998	2004
Entry mode in the United Kingdom	Indirect exports through an agent	Direct exports
Share of the United Kingdom market in turnover	8%	+/- 10%
Motivations to internationalization to the United Kingdom	Great potential of the market Pound attractiveness Existing demand of the British market for Portuguese home textile products	Manager had previous knowledge of some markets and ongoing contact with some clients Manager belief in the potential of the company's products in international markets
Barriers to internationalization to the United Kingdom	Language Travel costs Shift in the local consumption patterns	Prices Exchange rates differences Strong competition from other countries
Overcoming to internationalization to the United Kingdom	United Kingdom was sourcing home textile products in Portugal, so was not no need to travel	Didn´t adopt any specific strategy
Brexit consequences	Bureaucracy	Uncertainty
Continue on next page		

Companies' internationalization process to the United Kingdom (continued)		
Characteristics of Portuguese companies that the United Kingdom looks for	Products that combine quality, competitive price, creative and development ability Lead times Delivery times Be able to place and receive an order in 8 weeks	Good delivery times Good product quality Good design Reduced price
Barriers that Portuguese companies encounter due to United Kingdom preferences	Competition of products of Asian origin	Competition of products of Turkish origin (main competitor in the middle/high segment) Competition from countries in the Commonwealth, such as India, Pakistan and Bangladesh

Source: own elaboration