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# Cultural Differences and Premium Flexibility

The case of The Navigator Company

Maria Francisca Pereira Oliveira

Católica Porto Business School  
April 2021





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Final work in the form of a Dissertation  
presented to Universidade Católica Portuguesa  
to obtain a master's degree in Management

by

Maria Francisca Pereira Oliveira

under the guidance of Dr Ricardo Morais

Católica Porto Business School  
April 2021



# Acknowledgements

This dissertation is one more important chapter in my life, not always easy but surely challenging.

Because the work of one person cannot be accomplished without the help and support of significant and extraordinary people, I would like to thank to my parents, from the bottom of my heart, Olga e Henrique, for their constant care, love and support in all the stages in my life. Without them, it would have been impossible to go through this process.

To my closest cousins: António, João, Filipe for their patience, guidance and kindness throughout this stage.

To my aunts and uncles, who always have my back in all the ups and downs life brings to me.

To my boyfriend André, who always made my days better by hearing, supporting and motivating every part of the process, with love and affection.

To my special friends and master colleagues for sharing the joys and the difficulties of this experience with me. This journey became way more pleasant with them by my side.

To Manuel Cardoso, from Navigator, for all the availability, time and transfer of knowledge.

A special appreciation to my supervisor, Professor Ricardo Morais for his patience and availability during the process and for always being able to clarify the doubts in my head. His intelligence and wisdom will always be a source of inspiration and admiration for me.

By last, I would like to dedicate this dissertation to my grandmother, Elsa. Her presence will always remain the greatest inspiration for everything I do in my life.



# Abstract

In a progressively digital and competitive world we live in, it is vital for the companies to objectively evaluate what competences (and not resources) bring them competitive and comparative advantage in the XXI century. Culture is a crucial resource at a country level since it shapes a nation's character and society. This implies that individuals, who are absorbed by this influence, will transfer it for their organizations, transforming culture in a competence that can be a strong basis for achieving competitive advantage in international environments.

In an international context, Portugal will struggle to be competitive in a world of top technology, scale economies and cheap labor of industrialized, emergent and developing countries, respectively. The premium flexibility theory attempts to explain the success of exporting Portuguese companies in B2B segments.

Consequently, the main objective of this dissertation is to answer the research question: "How national culture effects competitive advantage on Portuguese companies?"

For this purpose, a case study about The Navigator Company was performed in order to understand if the main national dimensions of the premium flexibility theory were verified in a real case context. It is also important to comprehend how do they influence the competitive advantage of The Navigator Company in the pulp sector.

The outcomes of this study conclude that, premium flexibility does exist on the case of The Navigator Company, although with several limitations and modifications and that it positively contributes to a better and improved customization, agility of the processes and on a greater efficiency of the flow of information and products.

**Key words:** National Culture, Competitive Advantage, Premium Flexibility Theory, Case Study, Portugal, The Navigator Company





# Resumo

No mundo cada vez mais digital e competitivo em que vivemos, é vital para as empresas avaliarem de forma objetiva quais competências (e não recursos) lhes trazem vantagem competitiva e comparativa no século XXI. A cultura é um recurso crucial ao nível do país, pois molda o caráter e a sociedade de uma nação. Isso implica que os indivíduos, absorvidos por essa influência, a transfiram para suas organizações, transformando a cultura numa competência que pode ser uma base forte para o alcance de vantagem competitiva em ambientes internacionais.

Num contexto internacional, Portugal vai lutar para ser competitivo num mundo de tecnologia de ponta, economias de escala e mão-de-obra barata de países industrializados, emergentes e em desenvolvimento, respetivamente. A teoria da flexibilidade premium tenta explicar o sucesso das empresas portuguesas exportadoras nos segmentos B2B.

Consequentemente, o objetivo principal desta dissertação é responder à questão de pesquisa: “Como é que a cultura nacional afeta a vantagem competitiva nas empresas portuguesas?”

Para o efeito, foi realizado um estudo de caso sobre a The Navigator Company, a fim de perceber se as principais dimensões nacionais da teoria da flexibilidade premium foram verificadas num contexto de caso real. Também é importante compreender de que maneira influenciam a vantagem competitiva da The Navigator Company no setor da celulose.

Os resultados deste estudo concluem que a flexibilidade premium exista no caso da The Navigator Company, embora com várias limitações e modificações e que contribui positivamente para uma melhor e melhor customização, agilidade dos processos e uma maior eficiência do fluxo de informações e produtos.

**Palavras-chave:** Cultura Nacional, Vantagem Competitiva, Teoria da Flexibilidade Premium, Estudo de Caso, Portugal, The Navigator Company



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# Introduction

Culture is recognized to have a great impact on people's beliefs, standards, morals and conduct (Leung, Bhagat, Buchan, Erez, & Gibson, 2005). In such globalized world where almost everything is interconnected, cultures and its differences become one of the most important aspects in business. Understanding cultural differences and how they can influence individuals' and organization's behaviour towards competition is key to be successful in an extremely competitive environment.

The pressing challenge for Portuguese companies resides in the search for competitiveness in a world where technology is evolving at an extraordinary speed in certain countries, there are extremely low labour costs in emergent places and also scale economies in others. The premium flexibility theory attempts to explain why a set of cultural dimensions (Particularism, Uncertainty Avoidance and Polychronism) originate three competitive and comparative advantages that put Portugal back on the competition game: customization, modularity and agility, respectively (Morais, 2018). These advantages provide a more flexible offer to increasingly demanding customers around the world.

Given this framework, there is a research gap that has not been yet addressed, which links the national cultural differences with the competitive advantage topic – a connection that will lead to the premium flexibility theory. Understanding how these cultural differences reveal themselves within the real context of a Portuguese exporting firm is the main objective of this dissertation. The mentioned gap will be explored within the specific case of The Navigator Company.

This research is relevant because the intensification of the competition requires new approaches in order to achieve success in nowadays market – business rules need to be rethought and re-evaluated so that new and creative strategies can be created.

Consequently, the main goal of this dissertation is to explore this research gap and provide an answer to the research question:

- “How national culture effects competitive advantage of Portuguese companies?”

To reach to an accurate outcome, this dissertation will be organised in five parts. For the first chapter, a thorough literature review in the field of the research topics will be executed. Therefore, the literature review will concentrate the efforts on the theory that explains the national cultural differences that constitute the premium flexibility theory as well as the resource-based view and the five forces of Porter model on the competitive advantage section. Subsequently, the Portuguese cultural dimensions and our premium value curve, that is different from other countries, are also thoroughly addressed and clarified.

The second chapter is composed by research methodology, where the method chosen for this dissertation will be presented and justified, along with the data collection and analysis techniques used for the purpose. A qualitative research method and a single case study were the approaches chosen in order to provide a valid answer to the research question.

The third chapter refers to the firm’s case study of this dissertation – The Navigator Company. This part presents an outlook of the company, its history, its evolution and the values that built and are part of such solid and remarkable national company. The Navigator Company was selected because it is a perfect example of a Portuguese exporting company which acts on a premium and B2B segment that is always in leading positions, both in European and Worldwide markets. The Navigator demonstrates how the power of innovation and a committed relationship with customers can act as big differentiators in the quest of building competitive advantage against its competitors.

The fourth chapter is intended to be the discussion ground, relating the already existent literature with the discoveries collected from the case study. Hence, it tests

if the premium flexibility theory is indeed a reality in The Navigator Company and what other characteristics impact on the competitive advantage of the firm.

Last but not least, the fifth chapter offers the principal conclusions of the present dissertation and its possible limitations as well as upcoming investigations that can be conducted on the light of this topics.



# Chapter 1

## Literature Review

### 1.1 National Cultural Differences

Although there was, up until recently, a prevalence of management theories associated with the American mindset that a good manager in one country will be a good manager in every country and that America's efficient practices will also be effective everywhere, a new vision enhances that management effectiveness, actions and core values will be different across distinct cultures. This clarification allows firms to understand that there is not only one path when managing a business and that the context matters, in a way that two different cultures will have different management habits (Harris & Mossholder, 1996).

In order to deeply comprehend what culture represents for individuals and organizations, it is necessary to understand, firstly, what culture is at its core. National culture is the set of characteristics, principles and values that are the source of differentiation among groups of people (Beck and Moore 1985, Hofstede 1991). Hofstede's vision is that culture represents "a software of the mind", which has its roots strongly incorporated within the society, making it reluctant to changes. The differences among cultures have been analysed, in recent years, in an effort to evaluate and conceptualize them and also to understand what the correlation between those distinctions and management practice differences is. Trompenaars and Hofstede were the main researchers to address this issue and were responsible for a big part of the empirical evidence that states the existence of variations among national cultures and also the modifications in management practices in distinct cultures.

One of the principal factors which influences employees in the way they view and understand work is its own culture. The strong identification with one's culture

means that there are ways of acting and reacting that will be more valued than others that arise from a distinct culture. Regarding this, when there is a clash between national cultural values and management practises, there is a greater chance of distraction, dissatisfaction and uncommitment from workers who do not feel comfortable performing a work they not believe in. One of the consequences of that situation is less ability to have a good performance. (Newman & Nollen, 1996). Employees have better focus and results when management practices are aligned with their national cultural values and beliefs.

Hence, it will now be examined in this study the work that Hofstede did from 1980 to 1991 that tries to understand the impact of five cultural dimensions and its parallel management practices. Firstly, by Hofstede (1980), and then later when teaming with Bond (1988), five dimensions related to work were identified: power distance, uncertainty avoidance, individualism, masculinity, and long-term orientation. Since national cultures vary along these dimensions, this framework has been regarded as an essential tool to understand what differentiates countries (Triandis, 1982).

- **Power distance**

Incorporates the belief from less powerful people that power is not distributed in an equal manner within organizations and society. This is a dimension typically characteristic of more centralized countries, such as Latin Europe and East Asia, which have a high-power distance, providing less room for employees to contribute in decision making processes (Newman & Nollen, 1996).

- **Uncertainty avoidance**

In order to understand this concept, it is necessary to understand that uncertainty avoidance is not the same as the attitude to avoid risk, but the level to which the individuals of a culture feel vulnerable by uncomfortable or unstructured circumstances, different from what is habitual (Hofstede, 2011).

There are several practices which can reduce the uncertainty and the vulnerability towards unknown conditions, such as structured strategies, clear laws, rules and procedures. In this way, uncertainty avoidance is present in organizations in the form of well-formed systems, processes and guidelines.

According to Laurent in 1983, employees from high uncertainty avoidance cultures are more prone to visualize an organization as an “authority structure” than cultures with a lower uncertainty avoidance.

Also, another study conducted by Schneider and DeMeyer in 1991 discovered that higher uncertainty avoidance individuals are generally more extreme when responding to uncertain situations, implementing huge modifications and a restructure within the organizations. So, it is possible to extract that what works well in one high uncertainty avoidant country does not succeed in a low uncertainty avoidant one.

- **Individualism**

Individualism on one hand and Collectivism as the opposite, is the extent to which individuals find themselves integrated in the groups that compose society. This dimension is a vital differentiator of cultures (Kluckhohn and Strodtbeck 1961; Triandis 1989). While individual countries assume that people will take care of their closest family and the position within the society is achieved through individual effort, collective

ones trust on robust and well organized groups such as religious memberships, communities or even extended family, for protection and identity in exchange of devotion according to the group's best interests (Hofstede, 2011). This leads to Individualistic cultures such as United States of America and Canada to manifest a great bundle of independence and individual accountability for outcomes and rewards, and Collectivist cultures such as East Asian nations that prioritize team-based recognitions and manifested work group solidarity (Newman & Nollen, 1996).

- **Masculinity**

This dimension intends to depict a fundamental matter for societies which is the distribution of values between male and female genders. While masculinity prefers action and achievement rather than a lot of thought and observation (an analogous deliberation made by Kluckhohn and Strodtbeck with the "orientation toward activity"), feminine ones are much more prone to care, connections and relationships and assess failure as a much less important issue.

Women in masculine cultures tend to show more ability to compete and to be self-assured but not in the same level as men - there is a breach between gender's values which puts this dimension in the taboo section (Hofstede et al., 1998).

Sweden, Norway and the Nordic countries overall are characterized by having a feminine orientation which translates into a better work life quality and better relationships at organizations. In the other side, United States of America and Germanic cultures are recognized as having a more accentuated masculine dimension, with meritocratic based opportunities for better incomes, rewards and acknowledgement and a managing style by objectives (Jaeger, 1986; Hofstede, 1991)



- **Long term orientation**

Last but not least, long term orientation is a cultural dimension characterized by Hofstede as an enduring, patient and obedient culture orientation that has an extreme accountability and respect for older and ancestral people and for the greater good. In the range of countries that follow this direction, Asian ones like Japan and Taiwan are the most noticeable ones. Within the organizations of these cultures, one may find problem solution practices with a long-term vision as well as long term employment policies, a sense of determination, shame and an ordination of relationships according to status. On the opposite pole (short term orientation), there is a respect for stability, tradition, personal balance and a reciprocating way of handling social responsibilities (Hofstede, 2011).

Adding to this, there is also the need to account for the Trompenaars' model of culture (1997) which embodies layers constituting seven levels of depth in culture. The superficial layer is constituted by the noticeable elements of culture (such as language, food), which are quickly seen by people. The layer below corresponds to the relevant, stable and common values and rules elaborated throughout the time. This layer is still regarded as an obvious expression of culture. Finally, the inner layer represents the conjectures about existence – this is a form of culture that is not directly observed by others, therefore it is implicit. These distinct layers are complementary among themselves, not independent.

There are several universal problems that require a solution and that are common to every being in the humankind. The solution that each group provides to those problems was the main factor that led Trompenaars to differentiate cultures and come up with seven distinct cultural dimensions – five (Universalism vs Particularism, Individualism vs Communitarism, Neutral vs Emotional, Specific vs

Diffuse and Achievement vs Ascription cultures) are relative to people's relationships as well as their interaction with the environment and time as well. The two remaining are Attitudes to time (orientation to past, present and future) and Attitudes to environment (Internal versus external-oriented cultures) (Trompenaars, 1997). For the purpose of our investigation, only Universalism vs Particularism will be deeply addressed, within the context of Portuguese culture.

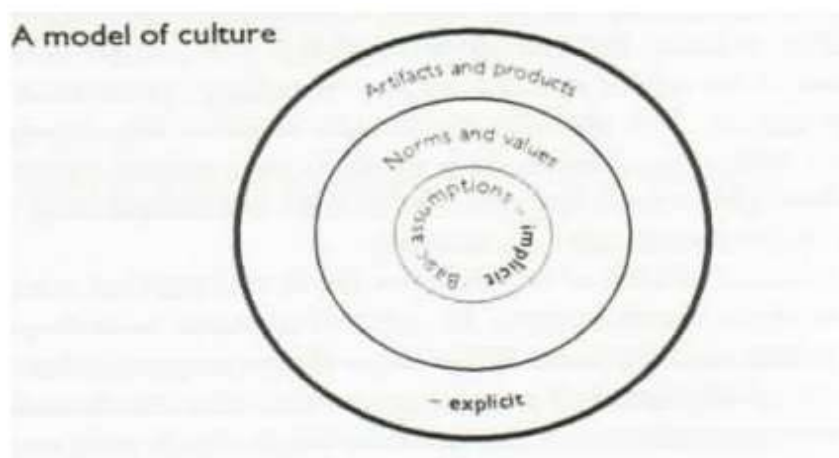


Figure 1: Representation of culture extracted from Building Cross-Cultural Competence: How to Create Wealth from Conflicting Values (Trompenaars & Hampden-Turner, 1997, p. 22)

In fact, one of the objectives of this dissertation is to understand the core of the Portuguese culture and to use those cultural dimensions to comprehend their role on the competitiveness of our firms and how they enhance our performance in relation to other foreign direct competitors.

According to the following table, it can be observed the Portugal's value system extracted from the cultural dimensions identified by three research frameworks conducted by Hofstede (1980), Hall and Hall (1990), and Kluckhohn and Strodtbeck (1961). As mentioned above, the three orientations that will matter in this dissertation are the particularism, uncertainty avoidance and polychronic (from Trompenaars' framework) dimensions.

Research Framework	Traditional Cultural Dimensions	Portugal's Value System
Hofstede (1980)	Large Power Distance v.s. Small Power Distance High Uncertainty Avoidance v.s. Low Uncertainty Avoidance (Risk-Taking) Individualist v.s. Collectivist (Group-Oriented) Task Achievement (Masculine) v.s. Human Relationships (Feminine)	Large Power Distance High Uncertainty Avoidance (Very High) High Group-Orientation High Human Relations Orientation
Hall and Hall (1990)	Monochronic (Linear Approach, Task-Oriented) v.s. Polychronic (Circular Approach, Multiple Activities Simultaneously, Relationship Oriented) Low Context (Explicit Information-Sharing) v.s. High Context (Implicit Information-Sharing)	Polychronic High Context
Kluckhohn and Strodtbeck (1961)	Human Nature (Good, Bad, or Capable of Both) Relationship to the Natural Environment Human Relations (Individualist v.s. Hierarchical/Lateral Groups) Activity Orientation (Task/Achievement, Being, Controlling) Temporal Orientation (Past, Present, Future) Private v.s. Public Space	People Capable of Good & Evil Dominate Hierarchical Controlling Time Orientation Honoring Tradition Private Space

Table 1: Portuguese Cultural Dimensions Portrayed through traditional frameworks extracted from *The Cultural Metaphor Revisited: Exploring Dimensions, Complexities and Paradoxes through the Portuguese Fado*

**Particularism:** This is one of the orientations that covers the way in which human beings interact with each other. It is a keyword that characterizes the predisposition that a certain individual possesses towards a specific orientation. Unlike universalists who like to follow general principles and rules, particularists are fonder of singular conditions and circumstances more than universal procedures (Trompenaars, 1996). An extremely important process is the one that sets norms and rules in order to regulate (on the macro and micro social level) the economic activity - its proper function is highly dependent on the aptitude to set universal rules and also taking into consideration exceptions. What this means is that, there are cultures that will more likely implement general norms (universalists) and others that pay

more attention to the exceptions that exist within the circumstances (particularism) (Nawojczyk, 2006). The reflection of the clarifications of this cultural dilemma will be present in the way economic matters are handled.

Portugal is a particularist culture. Unlike universalist countries where careful and thoughtful planning and organization is privileged and there is a greater focus on rules and regulations, Portuguese culture (and other particularist ones like India) puts its efforts on building relationships instead of focusing on laws. In Portugal, personal relationships always come first than any regulation. Adding to this, contracts are seen as something rapidly modifiable. In our culture, a contract is an honest symbol of the core intent of the relationship and should be adjusted wherever the circumstances require the transformation of the mutual essence of the agreement – the order is to protect the relationship always.

Moving to another essential dimension for the competitive advantage of Portugal, **Polychronic** time orientation, it is possible to discover how different cultures perceive time. Time is seen as one of the most important dimensions in our life as it is strongly incorporated in our quotidian. People's conduct in relation to time management and usage is one of the most relevant issues related to time (Hall, 1959). Hall differentiated this behaviour in two ways: monochronic and polychronic behaviour. While monochronicity refers to the act of doing one thing at a time, polychronic behaviour is the act of performing multiple tasks simultaneously. Society is organized in one of these two behaviours so, people that come from different backgrounds and cultures may present distinct time orientation conduct. Polychronic cultures are more interactive/relationship oriented, possess better and more elaborated info networks and do not particularly favour formal time constraints (Hall, 1990). The author also stated that these cultures are known as being "high context": this means that the circumstances and context are an important

matter to be aware when communicating to fully understand what is being communicated.

Portugal is part of the group which follows a polychronic time orientation. Rather than be preoccupied in attending schedules on time, Portuguese culture is more concerned about involving people into the tasks and in completing transactions, possessing a more flexible time management than monochronic cultures. Communication is a priority instead of time – this dimension is not that significant for Portuguese culture since there are often changes of plans, depending on the relationship with others.

Finally, the third relevant dimension for this investigation is the **Uncertainty Avoidance Index**. This Index was thoroughly explained above, and in table 6 is possible to understand that Portugal is a high uncertainty avoidant country.

In a study performed by Oana Preda, an Associate Professor at the Romanian American University from Bucharest, about the Hofstede dimensions in Portugal, it come out as a conclusion that Portugal had a score of 104 in the present Index which represents an extremely high number in terms of uncertainty avoidance. This is due to the stiff norms, guidelines and beliefs that are significantly intolerant about unconventional actions and ideas. Cultures that exhibit this type of behaviour tend to resist innovation and consider security an important part of their self-motivation. Another characteristic of Portuguese culture is the high emotional way of conduct which is moved by an internal edgy energy.

Premium flexibility theory, which will be addressed in the following segment argues that, it is thanks to these set of dimensions that Portuguese exporting companies accept orders with **high customization** (unlike the industrialized countries), **small lots** (unlike the emergent countries) and **short deadlines** (unlike the developing countries). These are three competitive and comparative advantages: customization (what), modularity (how much) and agility (when) that, together, provide flexibility to the Portuguese companies' offer. It is a strategy with

high added value with its core in research, development and innovation: a premium differentiation, with extras, rising both costs and prices towards the competitors. The extras (customization, modularity and agility) are value curve (Kim & Mauborgne, 1999) attributes that the competitors recognize but cannot imitate (Morais, 2018).

## 1.2 Competitive Advantage - Resource Based View

It has not been easy for Portugal to compete with the top technology, economies of scale and low labour cost from industrialized, emergent and developing countries, respectively (Morais, 2018).

One of the main objectives for the Lisbon agenda in 2020 was having its basis on factors of production, but above all on processes that competitors recognize as superior but fail to imitate. For this purpose, it became important to investigate and question if Portugal has the competences that provide competitive advantage to their companies and comparative advantage to the country in long term. Competences that are not exclusive of certain activity sectors but that are transversal to all industries and that can be promoted with public policies centred in the organization and not individually.

The main factors that distinguish companies are the organizational competences embedded in the routines and processes that guarantee that the tangible and intangible resources are applied in the most productive possible way (Mahoney & Pandian, 1992). This is known as **Resource Based View**, an attempt to attain a strategy that is able to provide an accurate analysis and interpretation of inner resources within the organization as well as enhance the role of both resources and competences in creating sustainable strategies of competitive advantage. It is important, nevertheless, to distinguish them. Resources are essentially inputs that

allow corporations to perform their activities, which, when aliening with competences, define strategic moves while competing in external environments (Madhani, 2010). In order to add value in the customer value chain and promote expansion in different marketplaces, competences play an important role as they comprehend the development of new products (Madhani, 2010). In fact, it is possible to state that competences can be seen as the essential key to a firm's competitive advantage – without it, strategies carefully planned and built cannot prosper and be successfully implemented. The operationalization of strategies is, then, possible due to the competences.

Other authors stress that one of the reasons why firms conquer and maintain competitive advantage is due to an extraordinary capacity to create and innovate new and old competencies (Teece & Pisano, 1997). Additionally, there is an emphasis in the fact that one resource cannot be the basis for the existence of competitive advantage, but a multiplicity of resources that, when well-structured and systematized, are able to bring new aptitudes to the company. Competitive advantage becomes, in this way, extremely difficult to copy by other players since it is impossible for them to discover exactly how the new skill was created.

Another framework of relevance in the competitive advantage topic is the Michael Porter's five forces model from 1985. It was able to identify the main drivers of competitiveness of a firm within an industry, which contributed for a greater insight about the impact of the external factors on the capability of a company to uphold a competitive advantage. Proceeding to a more complete but summarized explanation about the interaction of these factors:

- **Threat of New Entry**

This force is associated with the ability of new players to enter in the market - this is dependent on the existent entry barriers – constitute disadvantages of

new entrants in relation to already established competitors (Porter, 2008) - if the cost to enter the market and to compete is high, if there is high protectionism for top technologies or an abundant number of scale economies there is no incentive for competitors to enter in that market. These barriers are, when robust and solid, one of the factors that help in maintaining a competitive advantage.

- **Threat of Substitution**

Being a substitute means that a competitor is able to accomplish an equivalent or even the same service/product/role through a distinct way. It is considered to have a high threat of substitution if the offer (price-performance) of the opponents is higher than the one from the already established player or if customers have low costs when switching to the substitute (Porter, 2008).

- **Competitive Rivalry**

Competitive rivalry is concerned about the quality of the competitors within the industry. The force and the foundation of competition among companies influences the extent to which the industry's profitability can be limited (Porter, 2008). When a firm faces intense competition with striking offers, it is probable that ends up with less influence and power, because when customers and suppliers do not arrange a good deal, they will look for other perspectives elsewhere. It is important then, that a firm can differentiate its offer from the opponents in order to gain competitive strength (Porter, 2008). Hence, when there are higher exit barriers, a slower growth rhythm and several players with similar characteristics like power and size, the intensity of rivalry will be high.



- **Supplier Power**

Supplier power represents how easy it is for suppliers to increase prices determined by a number of factors like the number of suppliers, the strength and differentiation of its offer and the cost of switching suppliers. By increasing the prices charged, reducing the quality of offer and shifting costs to other firms there is a greater bargaining power for suppliers (Porter, 1980a). If there are no substitutes of the offer that the supplier provides, few and concentrated firms that offer a differentiated product/service and the existence of switching cost for industry players, there is a higher probability of success, power and profit for suppliers (Porter, 2008).

- **Buyer Power**

Within the industry, there is an intense competition in order to extract the most value possible by decreasing prices and demanding more and better services and quality which ends up putting opposing players against one another (Porter, 1980). There is a greater bargaining power if buyers are able to integrate backwards, are sensitive to price, relatively small and can manufacture industries' goods themselves (Porter, 1980).

It is an important model that, however, has several limitations that make this framework insufficient to explain how certain competences increase competitive advantage within organizations. One explanation relies on the fact that five forces framework is a static model, which leaves variations of the competitive environment out of the equation (Aktouf, 2004). In addition, it is a theoretical framework at the meso-level of analysis rather than micro-level of analysis. In other words, it compares industries rather than organizations within industries.

A third theoretical framework is the value curve (Kim and Mauborgne, 1999) or strategy canvas (Kim and Mauborgne, 2005) which compares competing offers of

organizations. In this case, the level of analysis is below micro because it compares attributes of competing products or services rather than organizations themselves.

It is thus possible to formulate a value curve constituted by four attributes: price, customization, modularity, and agility. In particular, the three fundamental cultural dimensions that characterize Portugal (Particularism, Uncertainty Avoidance and Polychronism) translate into an organizational culture at a company level that develops processes that competitors identify but cannot imitate through better and faster customization, better and faster modularity and better and faster agility. Culture is a resource that will give rise to the creation of a competence at a company level.

Customization is the offer of a tailored made order that meets the requirements of heterogeneous customers (Anderson, Fornell, & Rust, 1997). The goal of customization is to satisfy each customer individually by fulfilling as many requests as possible. It is often seen as the response to the ever-changing customer demand that, now more than ever, is striving for greater excellence and diversity (Pine, 1993). Since it comprehends multiples advantages, it is becoming a keystone of customer relationship management. The main benefits, that enhance the competitive advantage of companies, include customer trust, satisfaction and loyalty as well as an increase in perceived service quality (Coelho & Henseler, 2012). The enablement of a true match between the customer needs and the product or service itself, give advantage to customized offers instead of standardized ones as it delivers a sense of uniqueness to each client (Ostrom, Iacobucci, Grayson, 1995). Adding to this, it can generate customer trust as the vulnerability and ambiguity of the operation decreases. The thoughtfulness of the firm is stimulated by customization as a way of reliable conduct, leading to an increase in customer's trust (Sirdeshmukh et al., 2002), strengthening long-term B2B relationships.

Modularity involves a range of principles intended to efficiently manage the complexity of systems. Modularity means tearing a big, complicated system into small and distinct parts (Langlois, 2002). Since the very beginning of our existence,

that the world is surrounded by complex systems that go from nature's creatures and ecosystems to the human made intellectual, social, structural ones created in order to survive and evolve as a community. The analogy is also extended to the business world which is composed by a wide range of parts with complex interactions, complexity that is then the sum of the several pieces that compose the systems and the interdependence existent among those pieces. The utility of modularity is precisely to handle the complex situations that occur in systems by gathering elements in smaller subsystems (Simon, 1962). This author claims that the decomposability of modularity is a prescription for both natural systems as well as human made ones. Portuguese exporting companies are following this concept by opting to produce in small batches instead of betting in scale economies. By producing in smaller batches, companies enhance their ability to match customers' requirements once it stimulates flexibility (Goldman, 2015) and with smaller batches, there is also a decrease in inventory. Moreover, the reduction in inventory also contributes to waste reduction while helping firms controlling the materials they use and enhancing their environmental sustainability. Nowadays, customers are searching for brands that care about the environment and that seek to be sustainable. Thus, a production in smaller batches can function as an important differentiator.

Agility is "a complex, multidimensional, and context-specific concept, comprised of the ability to sense environmental change and quickly respond to unpredicted change by flexibly assembling resources, processes, knowledge, and capabilities" (Yang and Liu, 2012). Today's global competitiveness and market pressure require firms to conduct an optimization to enhance their performance in their activities – a requirement that demands business agility. A firm that is capable of quickly reacting and sensing pressing changes in the environment is better suited to find new revenue opportunities and get ahead of its competition, therefore constituting a competitive advantage. This is the attribute that Portuguese exporting companies

have that distinguishes them from the foreign competitors and that assures the increase of short notice delivers in the customer's orders.

### 1.3 National Culture and Competitive Advantage

The competitive position within the market is assured by the constant preservation and development of a viable competitive advantage. In this dissertation, it was already explored that competitive advantage is achieved through the creation and improvement of resources and competences in a fast process that gives answers to an everchanging world. Cultures are different around the world and vary across countries which means that the way processes, products and preferences are visualized, changes. A strategy that succeeds in one reality may not contribute to competitive advantage in other country because of the different culture.

An import aspect of culture is that it is tremendously difficult to replicate by competitors and is super valuable for a country. A strong competitive advantage can be the result of a robust organizational culture (Martin-de-Castro, 2006; King and Zeithaml, 2001). According to Borstorff, Moran and Palmer (2007), a robust organization culture can impose limits to the replication of strategy by other players. It is also a fundamental aspect in guaranteeing that firms are able to provide an active response to market variations first than competition as the surrounding environment progresses.

To sum up, the link between culture and the ability to stand out in terms of competitive advantage, resides on the ability that national values (like the particularistic, uncertainty avoidant and polychronic) have on providing three competitive advantages to our companies, regardless of the sector of activity: high customization, small batches and short deadlines.



# Chapter 2

## Methodology

### 2.1 Research method – Qualitative approach

The main goal of this chapter is to present and explain the aim and the methodology that was carried out, building on the work completed on my research proposal.

The key research question of this study is how national culture effects competitive advantage. In particular, we will analyse the context of international business-to-business markets, more specifically the case of the successful Portuguese exporting firm - **The Navigator Company**. The motivation to address this issue arises from a need to make an objective evaluation of the Portuguese firm's competences to reach competitive and comparative advantage in this century.

This study will be conducted through the use of qualitative research. This approach was chosen since it comprehends work evidence that is verifiable by observation along with data collection which may verify, contest or create theories, allowing a deep clarification of diverse observations that occur in real contexts (May, 1997). Qualitative research isn't focused on quantification and measurement of data analysis and collection. Instead, this type of research worries about the way people assign and elaborate meanings to the experiences observed (Gerson and Horowitz, 2002). Consequently, qualitative investigators tend to opt for a detailed descriptive process when presenting the conclusions of their studies while also being keen on asking "why" interrogations which make them concerned in providing explanations in the same conclusions (Bryman, 2008). Another differentiating characteristic is that does solely depend on few cases and on a great range of variables, therefore opposing to the quantitative research (Ragin, 1999).

Since the goal of this dissertation is to understand if the three features (customization, modularity and agility) are verified in the real context and to discover new findings/anomalies regarding this specific context that can enrich and contribute to the premium flexibility theory, a qualitative research seems the most appropriate approach. It is also possible to infer that, providing the fact that we are reasoning from a given data set (the existence of customization, modularity, and agility) to make a broader generalisation about the existence of a hypothesis (premium flexibility) that explains the data, the logic approach will be the inductive one. Inductive reasoning “involves the search for pattern from observation and the development of explanations – theories – for those patterns through series of hypotheses” (Bernard, 2011). Inductive research in case studies is done through “conceptualisation” or theory generation, based on the data collected from the case which results on a theory usually built on a set of related concepts. According to Glaser & Strauss (1967), this is the way generalisations are carried out.

## 2.2 Case study

In order to attempt to answer, in the most complete way, to the research question previously mentioned, a case study approach will be used.

Case studies are one of the most used research methods in qualitative investigation (Baskarada, 2014). This methodology allows investigators to deeply explore contemporary and intrinsic phenomena that occur in specific, real-world contexts, “when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used” (Yin, 1984). Furthermore, case studies aim at answering “how” or “why” questions and are mostly appropriate to develop and construct theory, although it can test theories already existent (Myers, 2013).

One of the great strengths of this method is that the investigation of the information collected is, regularly, carried out inside the environment where the

activity takes place (Yin, 1984). In order to discover and understand the policies and tactics a company uses, for example, the researcher must closely monitor the subject within the company's context which, for instance, contrasts with experiment since it intentionally detaches a phenomenon from its framework, leading to the focus of a very restrict number of variables (Zaidah, 2003). Nevertheless, case studies also present weaknesses. A regular criticism relies on its extreme dependence in a single case examination which hardens the aim of achieving a scientific general conclusion (Tellis, 1997). The methodology was even considered by Yin to be "microscopic" due to a short number of sampling cases, however, Hamel came to counteract the greater importance of parameter establishment and objective setting in the research rather than a large sample scope.

One of the most crucial aspects when writing a case study, it is not only a previous understanding about the topic in question, but also the need to be aware of the recent developments related to it. There is hope in our national culture due to particularist, uncertainty avoidant and polychronic values that provide three competitive and comparative advantages: customization (what), modularity (how much) and agility (when). Therefore, the case study will be used to observe and deepen the context, in order to find new information and anomalies that can provide us new insights about competitive advantage, evaluate phenomenon's in an innovative angle and ask questions about premium flexibility.

For that analysis, a single and exploratory case study about The Navigator Company will be performed.

According to Dyer & Wilkins, single case studies not only are able to generate more and better theory than multiple case studies, but also, have more devoted observation time from the researcher than an investigation with several case studies. So, instead of the latter approach, the choice was placed in a single case study. With a thorough and insightful analysis, it provides a useful vision for the elaboration of the hypothesis that attempts to understand a phenomenon.



In qualitative research, a theoretical sampling in data analysis consists in the “process of data collection for generating theory whereby the analyst jointly collects, codes, and analyses his data and decides what data to collect next and where to find them in order to develop his theory as it emerges”(Bryman, 2008). In this dissertation, the final sample consisted in one interview to a manager, Manuel Clemente. The choice of this person in particular is due to his decisive role in structuring and taking part on the decisions made on the business strategy to adopt on The Navigator Company’s pulp segment so it’s one of the most qualified people to present an accurate knowledge regarding the research question evaluated on this study.

The Navigator Company's choice for the study became clear, after a thorough research to the same. It is one of the most successful Portuguese exporting companies, with a worldwide renowned brand, that received the title of “Biggest and Best Exporter” from Exame magazine. Most part of its products (95%), more precisely paper and, in the B2B segment, pulp, are sold to 130 countries with a clear focus on premium segment products and own brands. Since it is constantly ahead of its competitors, as the European leadership position in the production of BEKP (Bleached Eucalyptus Kraft Pulp) and fifth leading producer worldwide demonstrate, it seemed one of the most suitable examples to deliver new discernments about what drives competitive advantage and to question, review and refine the premium flexibility theory.

### 2.3 Data Collection

Case studies usually include the congregation of numerous sources of evidence which is, in fact, one of the differentiating strengths of the approach. Data collection methods may comprise interviews, observations and important documents and reports (Yin, 2014). In fact, the usage of different data sources reinforces the validity

of results and allows room for distinctive understandings and interpretations in data analysis - a process named as triangulation (Flick, 2014).

In this dissertation, in the first stage, only secondary data was used, which is the information gathered by other investigators for their own purposes or by the own company throughout its time. Researchers analyse secondary data in order to provide explanations for research questions.

The data extracted came from a great range of sources, where it is possible to name: The Navigator company's corporate documents (which include mission, vision and values statements, annual reports, financial information, stakeholders' letters, project reports, CEO's presentations and communications, press publications, archival records, interviews and public-relations material); Dissertation, articles, encyclopaedias and books, case studies, biographies, chronologies and market reports; The Navigator's website, business newspapers, internet and journal databases, broadcast media and business topics covered on blogs.

Alongside with all of this disposal of pre-existing information, comes some dangers, like the dependence of public available information but also great benefits. Firstly, the secondary data collected is likely to have a better quality than most of the students can autonomously gather and in a short period of time. Internet provides a huge amount of information available from recognized and well-known sources that, even though, may be produced with a different objective than the one of this study, it still may conduct to innovative and undetected findings while reanalysing the same data. Since the information is already gathered, a thorough examination before using it is performed which confers more time for the research to analyse and make new interpretation of the data.

Besides the observation of the secondary data mentioned above, primary data also took place in this investigation, namely an interview with a set of questions constructed from empty spaces regarding the theory explored in the literature review and the data provided from the navigator's official reports and documents.

There were also some relevant questions that weren't in the initial questionnaire but were asked as the conversation evolved and that could have importance in the present research. The questionnaire is annexed at the end - the interview was carried out in Portuguese and after translated to English.

## 2.4 Data Analysis

Qualitative data analysis is often defined as an iterative and in progress procedure where the gathering, processing, examining and reporting phases are interlaced and, not necessarily, consecutive (Nieuwenhuis, 2007). It is then a method where the information collected is transformed through analytic approaches in order to offer an astute, clear, reliable and innovative analysis. While quantitative methods evaluate causes and effects, qualitative ones strive for searching and attribute meanings of specific circumstances (Muijs, 2011). For Leedy & Ormrod, the task of qualitative researchers is then to build an interpretive report from the information extracted in order to understand and capture the phenomenon under study. Therefore, a "plausible and coherent" outcome is only possible from the combination of collection and analysis (de Vos, 2005).

Analysing data in a qualitative research has some challenges but, despite their existence, it can be stated that this approach can be an important tool to, properly, handle data analysis in a case study. However, analysing data in case studies can present challenges, one of the main ones being the lack of definition by the techniques used to analyse evidence collected by the researcher. This is also a challenge regarding case studies, in which Yin (2014) argues that "analysing case study evidence is especially difficult because the techniques still have not been well defined". However, the author suggests that "the best preparation for conducting case study analysis is to have a general analytic strategy" (Yin, 2014)

In this study, the instruments used were theoretical saturation, coding, theoretical sample and comparison (Bryman, 2008). Multiple readings of the

interview conducted were made and six codes were written afterwards which we can highlight: competitive advantage, particularism, traditionalism, polychronism, customization, agility, modularity. According to Araujo (1995, p. 97, “coding must start with a frame that is well grounded in a theory or conceptual scheme”, so the coding was created having the literature review as basis.

The Navigator Company has a great public respect and attentiveness therefore, it has a large base of secondary data available. The analysis of this information also followed a thorough and rigorous procedure where, after the collection itself, a detailed reading process took place, where comments, summaries and highlights of the most relevant parts were made. Following this step, a comparison among the information from distinctive sources was completed to consider reliability and validity. Validity is relative to the truthfulness of the outcomes generated from the research, reliability concerns the consistence and similarity of the results (Bryman, 2004). The interview guide proportionated reliability to this research.

Lastly, all the data was connected and then interpreted to reach to the final conclusions of the study. It resulted from this iterative process described above.



# Chapter 3

## The case of The Navigator Company

### 3.1 The Navigator Company - Introduction

The Navigator Company is a Portuguese company which consists in one of the key worldwide players in the bleached eucalyptus pulp and uncoated printing and writing paper industry, and that also concentrates efforts on the energy field. It exports to 130 countries over five continents, having a point of focus on United States of America and on Europe. Contemporary and large-scale manufacturing units serve as basis for its operations that incorporates the very best technology, providing an outcome of excellence and quality – traits that are used to describe Navigator in the sector. For a long time in its history, this firm was known as Portucel Soporcel, but, in 2016, to reach a wider international spectrum of the brand, it changed its name for The Navigator Company.

#### 3.1.1 The Navigator's History

Everything started at 1953 when the Companhia Portuguesa de Celulose (CPC) began its activity at Cacia's complex by producing raw pine pulp – a project coordinated by Manuel Mendonça. In 1957, a big step towards the future success of the company was taken: CPC became a world pioneer in the production of pulp bleached paper from eucalyptus through the Kraft process – a wood treatment with hydroxide sodium and sodium hydrosulphide which assists in lignin dissolution - an organic molecule found in terrestrial plants - releasing the paper pulp).

Seven years later, at Setubal, in 1964, another unit was created under the name of Socel – Sociedade Industrial da Celulose - dedicated to the production of bleached eucalyptus pulp. Portucel (Empresa de Celulose e Papel de Portugal EP) was only

constituted in 1975, with the integration of several pulp and paper factories and, nine years later, Soporcel began its activity in Figueira da Foz.

After organizational restructuring and integration of other companies, in 2001, the Portucel Soporcel Group was created through the full acquisition of Soporcel - Sociedade Portuguesa de Papel, S.A. by Portucel - Empresa Produtora de Pasta e Papel, S.A. This move granted the group the title of largest producer of uncoated fine papers in Europe.

Semapa, a company founded in 1991 with the purpose of competing for the privatization of the companies Secil - Companhia Geral de Cal e Cimento, S.A. and CMP - Cimentos Maceira e Pataias, S.A., acquired in 2004 the majority of the capital of the Portucel Group Soporcel, allowing the group to consolidate its leadership position in international markets.

In 2009, a new Paper Mill in Setúbal was inaugurated, being acclaimed for having the largest and most sophisticated machine in the world to produce fine office papers and for the printing industry, under the name of *About the Future*. The 525-million-euro investment had a major impact on the Portuguese economy and earned the company the status of European leader in the production of fine paper uncoated printing and writing (UWF). This year was also marked by the constitution of Portucel Mozambique, in an internationalization context, after a year of analyzing several alternatives in the southern hemisphere.

The end of the first decade of the 21st century was also a period of great investment in the production of renewable energy and a decrease in the consumption of fossil fuels. An example relies on the important investments made in 2009 and 2010: two thermoelectric biomass plants (Cacia and Setúbal), a unit of combined cycles (Setúbal) and a steam turbogenerator (Figueira da Foz). These investments placed the firm as the largest national electricity producer from forest biomass, thus materializing its commitment to an increasingly sustainable future.

An important communication was brought, later in 2015 – the acquisition of AMS BR Star Paper S.A., justifying it with a fresh development plan for a new cycle growth and diversification. According to The Navigator Company, AMS was, at the time of the acquisition, the most efficient and profitable European tissue producer in the Iberian Peninsula, with a sales volume, in 2014, of € 51.3 million and an EBITDA of € 9.5 million.

Another crucial change took place in the group's name in 2016 - Grupo Portucel Soporcel was now The Navigator Company. This modification arises from an acknowledged need to build a common brand that promotes a stronger unification of the group. The use of the name of a tremendously successful product of the company made sense, once it brought value to the corporate dimension of the group. The *Navigator* product was born in Portugal, went international and *"became a leader in extremely relevant markets"*, Joana Seixas, communication director at the time added, making it natural to transform the *Navigator* into a corporate brand, she explains. *"It is an element of pride for all the people who work in the Group and that is why there is a natural and genuine identification that we had to make grow"*.

An innovation mindset continued present in the firm's spirit - the launch of a new Navigator paper quality, in 2019. The world's best-selling premium brand of office paper was presented in the Middle East with its improved quality, Navigator UHD, which translates in a special surface treatment allowing an even better printing quality, with an improved machine performance.

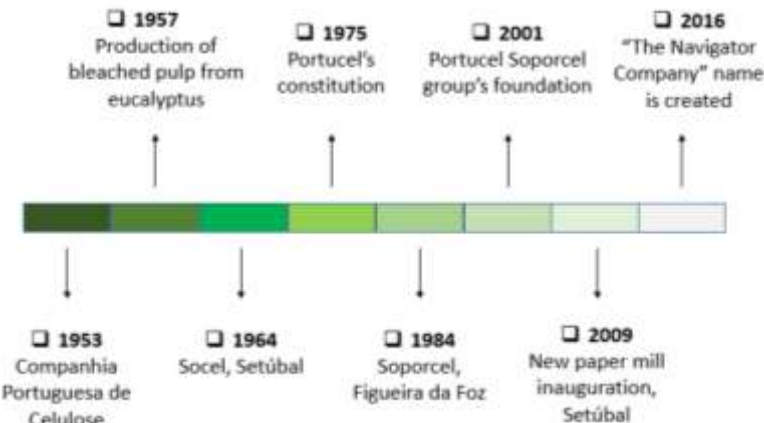


Figure 2: The Navigator Company's History

Table 5: Operational and Marketing Indictors of Navigator in relation to Europe Industry Average  
Figure 3: The Navigator Company's History



### 3.1.2 Group context

Nowadays, the navigator company is one of the strongest Portuguese presences in the world, playing a structuring role for the national economy. This role is achieved through the vertical integration of its business model: applied research, forest, cellulose pulp, renewable energy, paper and Tissue. It is currently the third largest Portuguese exporter, behind Petrogal and Volkswagen Autoeuropa, representing about 3% of total national exports, reflecting 1% of GDP and near 6% Portuguese containerized cargo. According to official figures, Navigator's turnover in 2019 was € 1688 M and in 2020, despite the difficulties caused by the pandemic, the national pulp and paper company made a profit in the first half of the year. Its turnover reached 696 million euros which represented a drop of 18.6% compared to the same period last year.

Forestry is a vital asset of the Navigator Company and its sustainability is a fundamental issue in the life of the group. One hundred and twelve thousand hectares are under the management of the firm with strict certifications and a nursery unit, which is the largest certified in Europe, produces twelve million different ranges of plants per year. Among these it is possible to find several ranges of olive trees, woodland species and ornamental vegetation which are provided by Viveiros Aliança, S.A., a The Navigator Company subsidiary. The core production at Viveiros is Eucalyptus Globulus which can produce the same quantity of paper using less resources (46% in comparison to others) and it is biodegradable. Luá Nurseries, the largest in Mozambique, also are operated by The Navigator, in which 65% of plant production is sold to the market and the remaining is for internal purposes. Beyond this, the company is also committed to forest protection against fires, investing around three million per year in this matter.

Pulp production also constitutes a core activity. Every year, 1.5 million tons of pulp are produced and around 80% are assimilated into paper, numbers that put

The Navigator Company ahead of the competitors in Europe in the Bleached Eucalyptus Kraft Pulp (BEKP) production and in the fifth place as worldwide producer. Globally seen as a reference, the several distinct pulps produced by The Navigator Company are particularly devoted to manufacturing high quality paper, in the printing and writing, decor, tissue and special paper segments. The achievement of a unique print quality, namely in terms of sheet formation, as well as high dimensional stability, opacity and whiteness, and a distinct hand index are some of the attributes that make the papers the choice of leading businesses in the industry.

Moving to one more essential business area, it is possible to extract the marvelous commitment that The Navigator has with renewable energy. Although it has become one big solar power producer, the main focus resides on biomass, being the leader in producing green power from it and generating around 50% of all energy produced from biomass in our country. In addition, energy production allows the self-sufficiency of the group and the ability to supply the national grid.

There are two units responsible for heat and electricity production – biomass co-generation plants and natural gas ones. 100% of this biomass power produced is fed into national network and thermal energy originated is used solely for pulp and paper manufacturing. The company's industrial activity is developed, mainly, in 3 industrial complexes: Cacia, Figueira da Foz and Setúbal.

Concerning tissue paper, Navigator produces approximately sixty-five thousand tons in Vila Velha de Ródão unit, which is leader in efficiency in the Iberian Peninsula and occupying the second position in Europe. The main reason for this unit spotlight is due to the reduced environmental effects that its operations involve, accounting for an increase in its performance and efficiency as well.

In 1996, the company developed the Forest and Paper Research Institute - RAIZ – an entity responsible for training, R&D and consulting activities on the forestry and industrial fields to sustain and enhance its competitiveness. By establishing partnerships with Portuguese universities, RAIZ aims to convert the knowledge

acquired into technology, optimizing Navigator's competitive advantages and thus ensuring its sustainability.

### The Navigator's Company branding

As for The Navigator Company's brand portfolio, it is divided between office and offset. In the medium-term, tissue paper brands are also predicted to gain relevance. A common yet vital denominator for all Navigator's paper brands is their great quality which is designed to always exceed the expectations of worldwide customers. Beyond that, another crucial characteristic is the outstanding diversity and customization of the products, adapted for each type of client and circumstance.

One of the most significant approaches of this group relies on the continuous innovation and development of their own brands strategy, which, nowadays, represent more than 62% sales of processed products. This tactic highlights the Navigator brand, leader worldwide in the premium office paper segment. Sales go to 127 countries located on the five continents, with greater emphasis on Europe and the United States of America. In recent years, The Navigator Company has presented an increasing growth pathway in the Middle East, contributing for the consolidation of the third position in the Portuguese exporters' pole and the best value company generator in the Portuguese economy. The growing presence in the Middle East and East Africa (essential areas in its commercial strategy) has special relevance in the high value-added and brand segment, providing 30% of European exports in uncoated printing and writing paper for the region. *"Our aim has been to boost the presence of our paper brands in these markets. This has led to growing demand and interest in our products and brands in high potential emerging markets such as the Middle East, Africa and Asia, while at the same time we are launching company innovations, as is the case of the Navigator UHD"* stated António Quirino Soares, Marketing Director at The Navigator Company.

In sum, it is possible to observe that The Navigator has a sales strategy focused on providing a great range of brands with different value propositions in order to reach different customer targets. Customization is one attribute that ensures the competitive advantage of Navigator, allowing customers to select among distinct weight and ranges of options that fit their own needs while also exceeding their prospects. Conserving or even surpassing the quality of 80 g/ m<sup>2</sup> lightweight papers, 75 g/m<sup>2</sup> and 70 g/m<sup>2</sup> options are also available due to the superiority of its technology and materials. These capabilities offer performance and sustainable advantages – features that, in such a competitive market, make The Navigator Company get ahead of other players. An innovative mindset, the ability to deliver a personalized service to clients while having an extraordinary efficiency, efficacy and premium line products are also reasons that give this company the spotlight.

### 3.1.3 Productive structure

At the top of priorities of all industry activity complexes is the constant search for quality, sophistication and environmental protection. The productive processes adopted are also an example of sustainability and energy efficiency once they resort to forest biomass as main source of energy.

Figueira da Foz Industrial Complex is currently responsible for the annual production of 570 thousand tons of bleached eucalyptus pulp and 800 thousand tons of uncoated fine printing and writing papers. With the implementation of the first paper machine which made possible the combination of pulp production with paper in 1991, Navigator mark of high quality was settled, becoming a worldwide reference. The integration of a cogeneration biomass central and a combined cycle natural gas central, which are crucial for energy production, is another significant highlight that enhances the importance of this complex.

Setúbal Industrial Complex is constituted by a pulp unit production which produces around 550 thousand tons, per year and two paper production factories, which together produce 775 thousand tons, per year. *About the Future*, the most recent paper factory, is a worldwide reference in terms of sophistication, performance and energy efficiency.

With a strategic position at the center of the largest eucalyptus forest place in Portugal, Cacia Industrial Complex has an annual production volume around 320 thousand tons of paper pulp. This complex is recognized for its folders, which are designed for special applications, customized according the demand of European customers. Later, in 2015, as stated in The Navigator site an elaborated plan to initiate the expansion of this complex took place, which allowed an increase in the productive capacity by 20%, implementing the most advanced technological solutions both from the industrial point of view as well as environmental.

### 3.1.4 Group Strategy

Navigator is putting effort into developing a strategy of growth and diversification. In 2019, a clear diversification of geographical basis supported a significant increase in sales volume. The technical dialogue was also reinforced among clients in different markets. Keeping high quality standards, a differentiated offer taking in account the end customers and products, an efficient service and the maintenance of a constant communication with the client are the key elements in Navigator's value proposition.

In the annual message from the CEO to stakeholders, the following guidelines were defined as crucial for the continuing increase in the business's performance:

- 1) An incessant protection and development of Navigator's "core" business. An overall efficacy of the firm along with the excellence of the production

process and high standards in the quality of its products will be the top priorities in the company's performance. Another key objective for the mandate in this chapter include a great management effort in Navigator's margins and a reinforcement in forest sustainability and efficiency, since it constitutes the principal raw material source for everything that The Navigator Company produces.

- 2) Consolidation and development of options that potentiate the organic growth of the Company – as a natural preference for natural organic growth, the *tissue* business should be further developed while also other growth areas related to the main business should be evaluated.
- 3) The definition and implementation of objectives that make the shareholder return compatible with the social impact of the activity developed while seeking sustainability as a source of competitive advantage in line with the firm's business. Promoting and highlighting the importance of the biodiversity and forest and creating wealth for the local communities are also decisive matters that should be addressed – they are in line with the goal of achieving carbon neutrality in the company's industrial complexes, in 2035.

A **product and brand differentiation** based on quality is the strategy that Navigator follows. The ownership of brands conducts the company's product mix to the high-end market which permits up to 7% price premium advantage. Amid European producers, the firm's market share accounts for 50% in the premium section and has a higher average (when comparing to the Europe industry Average) in premium goods and own brands.

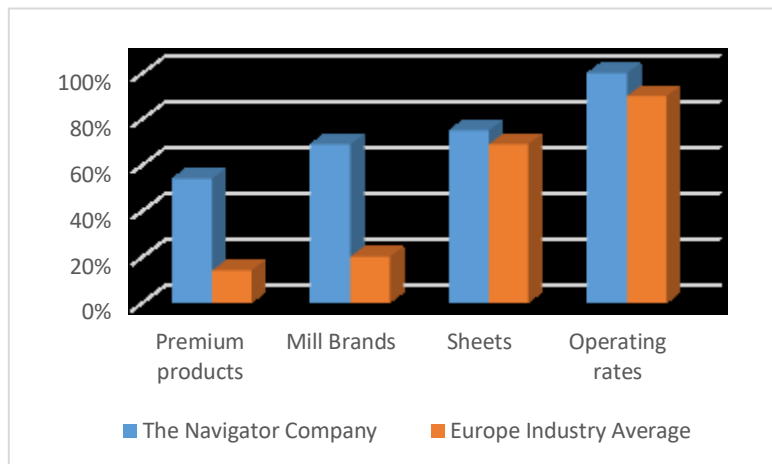


Table 8: Operational and Marketing Indictors of Navigator in relation to Europe Industry Average

Another important investment that the company has put effort in is the Mozambique project. Mozambique incited an appeal for investment due to its proximity to Asia (which is experiencing an increase in demand), an extremely low land cost, a high forest productivity and because it is in line with the geographical diversification which is the core of The Navigator company business. In 2019, Portucel Mozambique focused on consolidating conditions and structures, at different levels, in order to complete the first investment phase which amounts to 260 million dollars. The first phase comprehends the Woodchip Mill which includes the development of a eucalyptus woodchip manufacture and an export operation, having 2023 as a final line to start up. The second phase is the construction of a large-scale pulp mill which is predicted to be ready to advance in 2030 and that will be an important 2, 5 billion dollars investment once it will create 8000 new job opportunities.

## 3.2 Customization

The true key in every value chain are the customers. In this case, The Navigator Company has put all its effort in ensuring the response to the evolution of market requirements and in the establishment of trustworthy and loyal relationships with clients. There is, therefore, evidence that the premium flexibility does have room in the strategy of this corporation as it can be demonstrated in the following findings of this section, although it can be reviewed and improved to better suit the competitive advantages that our companies possess.

In order to continually evaluate these relationships, the customer satisfaction index was created and constitutes a priority instrument to supervise the group's performance. This index purpose is to support Navigator's management model concerning its product assortment and consumer relationships which are directly linked with the competitive advantage that The Navigator presents in relation to its competition. It is estimated using the outcome of private questionnaires' which consider the prospects, involvement and importance of customers considering aspects such as delivery time, product quality, tailored offer, after sales service among others. This index uses a base of around four hundred customers and it's frequently administered, every 2 years, having 33 criteria measured, with the main ones being: product excellence, environmental sustainability, flexibility, speed of response to special orders, delivery times and punctuality, efficiency in dealing with complaints, launch of new products and the standard of service. The last questionnaire performed had a satisfaction rate of 91% - a result which serves to consolidate the efforts applied throughout the years.

Regarding the B2B market (which is the one being analysed in this dissertation), more specifically in the area of paper pulp, it is possible to observe that, the previous years, have been the ones responsible for the consolidation of the company's position as a leading supplier of short-fibre pulps for the décor sector. This leading



position is, in particular, the result of a solid relationship that The Navigator has been establishing with one of their most prominent customers in this sector, the Munksjo Group.

The Munksjo Group is an international company that manufactures fiber-based products like decor paper, abrasive backings, electro technical paper, glass fiber materials, among others, which makes possible for its consumers to plan and manufacture high-value goods with fewer costs and with a great environmental awareness. The maintenance of high-quality product standards, a differentiated value proposition in what concerns the end product (tailored for each customer) and a capable and efficient service (short delivery times, punctuality) are vital characteristics for Navigator. In this sense, these capabilities provide flexibility to the Portuguese company's offer while strengthening and improving its relationship with its customers.

### 3.3 Modularity

Another critical theme for this company, it is the reduction of the consumption of resources which has a clear focus on improving sustainability. Regarding this matter, a substantial investment was carried out in order to proceed to the integration of the Excellence Programme (M2+Lean Management). This programme was determined to reduce costs and improve operational performance. The implementation of Lean Management model was made through five annual training and coaching plans plus the application of Lean tools which were applied to the operational organization and its management. This new approach was mainly focused on the Kaizen Institute's methodologies and instruments, seeking to eliminate waste (non-value-added activities) that cause the costs' inflation, lead times and inventory requirements, and highlighting the usage of protective maintenance through quality improvement plans. Although The Navigator usually provides large batches in the B2B segment (pulp), mainly to China, one of this

program achievements was allowing materials to flow in smaller batch sizes (ideally one piece flow) so that works-in-progress between processing stages could be minimized. The benefit of smaller batches (**modularity**) is that it's more likely that each upstream workplace will manufacture precisely what the customer needs when he needs it, therefore favouring a greater amount of small production sites with small batch sizes. A positive outcome of this lean strategy is the flexibility by which The Navigator Company is recognized, not only in the product mix but also in the ability to make fast enhancements in production processes, important to satisfy the demanding and rapidly changing needs of nowadays customers.

The M2 program was carried out according to the guidelines of the Executive Committee and supported the establishment of a more severe definition of benchmarks. It was a challenging way to make the corporation identify more ambitious initiatives while promoting the creation of conditions favouring a strict control regarding the systematic monitoring in the medium and long term (five-year prospect). This included an exercise designed to compare cash costs' performance with assets considered a worldwide benchmark. The outcome of the M2 programme is also particularly positive due to its effects and due to the involvement of the teams of the entire firms in order to ensure a clear pathway towards efficiency and quality.

### 3.4 Agility

In the eyes of the end customer, a consistent, safe and quality service will convey the confidence necessary for the commercial procedures to be carried out with fluidity and credibility, creating beneficial links for both parties. With a constantly changing world, where the time factor (agility) has a high weight in the long-term strategy, flexibility of operations is essential in order to be able to adapt to changes in some parameters - fuel prices, labour, or storage - thanks to natural disasters, international crises, stock market speculation or other factors. In the case of The

Navigator, the attention given to these details is crucial in the paper and pulp market in which it operates, and it is the continuous concern with these questions that make it aim to be also a leader in the new products it now introduces. Since 2014, this company has been implementing tools that enhance the computerisation of processes and data analysis that, not only reduce the consumption of chemicals but also reduce downtime in its facilities. Benefits from this implementation include the strengthening in the navigator's problem-solving ability, an increase in speed in the manufacturing of its products and, consequently quicker delivery offers. Along with this development, an Industry 4.0 Division was created in order to design a roadmap that defined the main Navigator partners and reference technologies. IBM was one of the partners with which Navigator collaborated and the goal was to identify vital areas where technology could be an important asset. As a result, an algorithm was generated for customer service that allowed the possibility to measure the delivery time of goods. This algorithm was based on the make to order idea and it has been significantly improving Navigator's **agility** and consequently, the relationship with clients.

As mentioned before, Portucel Group strives to attend each client as a unique and special one. In 1957, and for the first time on a worldwide basis, the paper pulp from eucalyptus was created by the Kraft process, at Fábrica de Cacia. This innovative mindset has always been a constant feature in this industrial unit, allowing it to excel in a diversified offer. Later came the production of pine Kraft pulps and then, the paper machine implementation started the production of several different type of papers, from heavy packaging papers to kraft bags. Throughout its history, this factory has accommodated the manufacture of the most diverse fibrous products namely kraft paper, corrugated board, among others, using a variety of chemical and mechanical pulps. Having gone through a process of continuous evolution, which involved the adoption of the newest technologies in the kraft process, the Cacia factory has, currently, a production volume of around 287000 tons designed for the foreign market and aimed to be used in the

transformation into paper in the sectors of special papers: décor, filters, cigarettes and high-quality tissues. This unit is now internationally recognized for its great range of pulps designed for special applications, which are highly appreciated by the demanding European customers who are increasingly requesting a more personalized product to suit their needs. This strong commitment to a tailored offer (customization) is a source of pride to the company and is what, often, differentiates it from its closest competitors.



# Chapter 4

## Discussion

This chapter will be focused on linking the strategies that The Navigator Company follows which are present in the case study on chapter three and the premium flexibility theory that was thoroughly described on the literature review, with the ultimate attempt to provide an answer to the research question of this investigation:

- “How national culture effects competitive advantage of Portuguese companies?”

Consequently, cultural dimensions portrayed in the theory will be evaluated and demonstrated with examples from The Navigator’s case study and official documents, in an attempt to later elucidate how a different culture impacts on the competitive advantage of companies.

The study demonstrates evidence that particularism influences The Navigator’s work, through customization. Taking an extract from the case study, it is possible to prove this fact - “Throughout its history, this factory has accommodated the manufacture of the most diverse fibrous products namely kraft paper, corrugated board, among others, using a variety of chemical and mechanical pulps. Having gone through a process of continuous evolution, which involved the adoption of the newest technologies in the kraft process, the Cacia factory has, currently, a production volume of around 287000 tons designed for the foreign market and aimed to be used in the transformation into paper in the sectors of special papers: décor, filters, cigarettes and high quality tissues. This unit is now internationally recognized for its great range of pulps designed for special applications, which are highly appreciated by the demanding European customers who are increasingly requesting a more personalized product to suit their needs”. Another paragraph that demonstrates the presence of a customized product appears on the report of

the annual general meeting of 2018 - “For Navigator, maintaining high quality standards, differentiated offerings according to the final product, efficient service and constant dialogue with customers are key elements in its value proposition”. The evidence of customization in the pulp sector that corresponds to the B2B area of The Navigator, is then in line with the premium flexibility theory.

#### 4.1 Customization

A major relevant aspect for The Navigator is the importance that the needs and wishes of customers have in the final offer: “Knowing about the direct customers and end users of our papers, is one of the ultimate objectives of Navigator's activity, as these stakeholders are fundamental links in the value chain. Our team works on a daily basis with and for the customer, in a relationship of closeness and dialogue, in order to establish long-lasting partnerships, always aiming at the creation of high-quality products and services” as described on the 2018 annual report. This mindset puts the customer at the center of development process.

Customization has the power to better suit the specific needs and requirements of the customers. This type of personalized offer demands heterogeneous teams which are more capable to offer different sorts of solutions and visions to distinct and challenging clients. This heterogeneity will contribute to improve the overall customer experience, once the customer truly feels unique and at the center of the innovation operation: “One of the main planks of The Navigator Company's strategy is to maximise customer satisfaction, and regular initiatives are launched by different Company sectors to achieve this and secure sustainable expansion of our business. Strong brands and product quality continue to be essential factors, alongside a close commercial relationship, and continuous innovation in the different components of our commercial activities”

Adding to this, customization also improves customer experience, in a way that the customer is truly involved in all the iterative process of the product and/or

service, in order to achieve the best possible outcome – “Knowing about the direct customers and end users of our papers, is one of the ultimate objectives of Navigator's activity, as these stakeholders are fundamental links in the value chain. Our team works daily with and for the customer, in a relationship of closeness and dialogue, in order to establish long-lasting partnerships, always aiming at the creation of high-quality products and services. In 2019, the Company once again reinforced its commitment to customer visits, so that they could verify, on site and in a transparent manner, the quality of the processes and products, from the nurseries, where everything begins, to the industrial complexes”.

## 4.2 Modularity

After a thorough analysis of the company's reports, official documents and the questionnaire, modularity does not strike as a big factor of competitive advantage for this corporation, which does not exactly correspond to the stated in the premium flexibility theory. Although it is possible to accept and deliver smaller orders and that a lean management program was installed, possibility contributing to a reduction in the batches size, there was no evidence that customers chose The Navigator Company due to its ability to produce in small lots. In fact, The Navigator Company uses economies of scale in all of its businesses: paper, pulp and tissue production. This is specified in a dissertation about the Navigator - “The pulp and paper production are a chemical process that also involves specialist knowledge. With this structure of costs, to have competitive price and quality, the capacity of benefiting from economies of scale is determinant.” and in an official document shared by the company itself – “Business should enjoy a positive impact from growing output and sales, and from a more efficient cost structure combined with economies of scale.” These findings challenge the premium flexibility theory in this particular sector, once modularity does not appear to be a main focus.



From the research conducted it was possible to extract other important factors that confer competitive advantage to the Navigator Company being the main ones:

- **Product quality:** “Navigator has been able to differentiate itself from competitors by following a product and premium brands differentiation strategy based on product quality. (...) The paper produced by the company is one of the highest-quality papers available in the market due to the high quality of the raw materials used in the production process” as stated on a company report;
- **Cost efficient structure:** “Navigator has one of the highest EBITDA and EBIT margins – 24, 3% and 15, 5%, respectively – which leads to strong financial key ratios, (...). Both paper mills are 100% integrated - pulp produced at the mills is immediately incorporated in paper production - which allows the company to save in pulp consumption costs (e.g. Navigator does not have expenses with transporting pulp from one mill to another and only buys 85% of the pulp to other suppliers). As seen in figure 16, integrated mills also require lower quantities of inputs to produce the same quantity of output. Therefore, costs of goods and services consumed – that include chemicals, pulp, energy and fuel consumed – of integrated mills are, on average, 15% lower than non-integrated mills.” as referred on a company report. Adding from another document reporting the company’s equity research: “This backward integration into pulp is an important competitive advantage, allowing profitability above the market average.”
- **Product differentiation:** A document from AXIA Ventures that investigates the firm in analysis, highlights “The Navigator’s strategy has been to focus on product and brand differentiation, so that the company is able to charge a premium price over its products, benefitting from a product mix skewed to the high end market of premium products and sheeted paper where the company has more value to add and, therefore, can charge higher prices.” Another proof appears on a The Navigator’s company document “with its

product differentiation and quality, besides its cost efficiency it is capable of fighting for its market share.”

Although modularity is not a powerful attribute of competitive advantage in this company and/or business sector in particular, it is possible to see its presence in other fields at Portuguese exporting companies such as, the footwear industry - “This has resulted in a manufacture industry with a very high level of service supporting excellence in three pillars: quick responsiveness (due to the geographic proximity with the main European markets in terms of turn around), collaboration with clients regarding design and logistics, and ability to provide small order batches.” – quotes a case study report *Back to the Footure: The Changing Portuguese Footwear Industry*. Besides the footwear industry, another area that incorporates the premium flexibility theory in its all is the textile business. “Our findings suggest that the ability to deliver on time, easier logistics and the possibility of ordering smaller quantities of higher-quality products, as opposed to the mass production of standardized, lower-quality, products in which developing countries specialize, has been a source of competitive advantage of Portuguese T&C firms.” cites a study *Fast Fashion: Theory and Evidence from Portuguese Textile and Clothing Firms*. These statements show that premium flexibility is indeed a strong basis for Portuguese exporting companies, especially in the footwear and textile industries.

#### 4.3 Agility

Moving to the time orientation defined in the company in analysis, it is possible to observe proof of polychronism through agility. One of the systematic approaches that The Navigator gradually implemented was Industry 4.0 which is strongly related to the ability of a firm to become agile like it is outlined in an article written by Marta Götz from Vistula University – “the pattern of relationships between Industry 4.0 and the geographical concentration of activities in the form of a cluster,

in particular the advantages it can offer for firms to be agile and employees to possess the right set of skills critical for advancing the digital transformation". To The Navigator Company it brought significant changes in the agility field - "The industry will start to interact more transparently and in real time with its supplier and customer base. For example, suppliers may have access in real time to stocks of raw materials and subsidiaries in their portfolio and react automatically depending on the level of those stocks, reducing the likelihood of rupture and also enabling the optimization of minimum stocks. As for customers, they will be able, for example, to have real-time access to the status of their order, from the time it is produced until it is delivered to it, also benefiting from a reduced time of delivery" affirms Ricardo Jorge, the responsible from RAIZ. Natural resources can also benefit from more sustainable, agile and efficient management, "right from the start, through a more efficient use of these resources, due to the process optimization opportunities that these new tools allow. On the other hand, because through real-time monitoring of these natural resources and the environment in which they operate, we may in some cases be able to optimize their productivity, as, for example, in the case of the forest". This is another argument that corroborates the premium flexibility theory analyzed in this investigation.

On other hand, The Navigator Company also benefits from **agility** – a characteristic that emerges from the polychronic orientation that the firm pursues. An agile mindset may have an influence on the way information is shared within and outside teams. The reality is that, in nowadays world, full of information and strong in competition, there is the powerful need to rapidly access, understand and transfer the knowledge of new data to the team involved as well as to the rest of the company. Agility makes this process possible and efficient to The Navigator Company teams, that strive to always be one step ahead of the competition. Aware of this challenge, The Navigator created a Learning Center to increase the knowledge flow among the teams. As explained on one of the company's reports, "organisations everywhere enjoy easier access today to products, processes,

strategies and technologies, meaning that talent is the most sustainable competitive advantage and the main source of creativity and innovation for businesses. "Talents" are the segment that produces leaders able to inspire attitudes and behaviour in their teams in line with the organisation's strategy and to share knowledge, across departments and on a cascade basis. Aware of this challenge, Navigator attaches value to its talent and furthers their development and growth. The Company has recently set up a Learning Center to build skills across its workforce and prepare its future leaders."

The positive outcome of this agile behaviour includes then a progress of key skills that encompass business sustainability, the leadership consolidation, the development of workers along with their career opportunities and the guarantee of succession for key roles within the firm.

Therefore, and answering to the research question, it is true that cultural dimensions do exist, and that premium flexibility theory is a reality in several firms but there is one variable that always changes: the corporate culture. This allow us to extract that since corporate culture varies from company to company, the aptitude for customization, modularity, and agility will also change and so the value curve. Hence, to conclude:

1. The more particularism, the more customization;
2. The more uncertainty avoidance, the more modularity;
3. The more polychronism, the more agility.



# Chapter 5

## Conclusion

### 5.1 Conclusion of the study

This investigation was conducted with the purpose to formalize and study the contribution of the premium flexibility strategy to the companies in business-to-business international markets, within a real case study of a Portuguese exporting company: The Navigator Company. Adding to this, there was also an intent to understand how cultural dimensions impact on the competitive advantage of companies.

In order to achieve this, a thorough literature research to the fundamentals of cultural dimensions that are the basis of premium flexibility was conducted.

It is recognized as a pertinent research theme since it enlightens the importance of culture as a competence for companies in competition, explores the veracity, in a real case scenario, of a new theory – premium flexibility theory – that may constitute an important tool for our national companies and also elucidates Portuguese exporting firms about what potentially brings them competitive and comparative advantage in the long run.

Hence, these topics portray an offer of endless opportunities. Understanding how national cultures and corporate cultures influence the behaviour of its individuals is a crucial step to recognize what brings value and success for the company, in a logic of continuous improvement.

Regarding this, I truly hope that this investigation contributes to deepen the level of knowledge about cultural implications on competitiveness and how these attributes help corporations achieving leading positions in their markets.

This research was performed, as written above, through the analysis of a single case study about a successful Portuguese company in an international environment, The

Navigator Company. The examination of this firm provided helpful insights about the process of internationalization, internal strategy and the thinking behind it that puts The Navigator at leading positions on the pulp and paper segments.

Navigator is the perfect example of an exporting national company always one step ahead of its competitors but at the same time, with a robust structure of well-defined procedures and goals. Now, the principal conclusions of the dissertation will be presented as an attempt to answer the purposed research question.

## 5.2 Theoretical model and propositions

Secondly, within The Navigator, although customization and agility do take an important part on guarantying a competitive advantage in the pulp segment, modularity does not appear to be among these attributes. Instead, attributes like product quality and an efficient cost structure pay a better role in differentiating Navigator's offer from the competitors. Therefore, premium flexibility theory is indeed a reality present within the framework of several businesses, but it may suffer some modifications in particular cases of exporting companies, such as The Navigator.

Thirdly, the value curve of most of the Portuguese exporting companies is, consequently, distinct of the value curve of other countries. It is constituted by 4 attributes: price, customization, modularity and agility which is typical from a premium value curve that creates great organizational value.

- Lastly, premium flexibility theory does prove itself to exist within the Portuguese exporting firm's context and provides a meaningful differentiation to our national companies in terms of competitive advantage. Customization promotes greater heterogeneity within the teams, modularity brings efficiency to the processes, and agility improves communication within/among teams which positively contributes to the speediness of the procedures. Hence,

1. The more particularism, the more customization;
2. The more uncertainty avoidance, the more modularity;
3. The more polychronism, the more agility.

### 5.3 Theoretical and managerial implications

In the theoretical field, it was possible to extract that, culture, despite being a resource, is actually a strong basis for the organizational competences. The culture of a country influences the people and the organizations that take an active part on it, shaping their rules, ideals and beliefs adopted in order to thrive. In this sense, the premium flexibility theory is formalized - there are three competitive and comparative advantages: customization, modularity and agility, which together provide flexibility to the Portuguese offer. It is a strategy with high added value, based on research, development and innovation: premium differentiation, with extras, raising both costs and prices compared to the competition. The extras are customization, modularity and agility, attributes of a value curve that competitors recognize but cannot imitate.

Portugal's growth is, therefore, through the growth of its exporting companies based on this premium flexibility strategy, adjusted to the global trend of long tail offerings of increasingly servitized products, the fragmentation of global value chains and the acceleration of technologies of information, communication and transport.

New technologies that destroy entire industries and replace them with blue oceans are invented every day, which are also temporary, because they attract domestic and foreign investment. It is up to Portugal to follow the evolution of technology with tools such as the Gartner Hype Cycle and anticipate the emergence of sectors to which it can add value with customization, modularity and agility.



A *zoom in* that is able to segment the industry is recommended, horizontally into product categories with barriers to competitors' mobility, and vertically into services with greater added value than the product category that gave rise to them. The essence of competitive and comparative advantage is, therefore, organizational and not individual skills: know-how embedded in processes that cut across the entire organization, such as attracting customers, receiving orders, financing raw materials, production, delivery, payment and after-sales follow-up, in a 360-degree cycle that generates ID+I ideas for new product generations.

In these processes, the competitive and comparative advantage of being more customized, more modular and more agile is materialized, in a word, more flexible, to charge a premium price and raise salaries. It is based on these skills that Portuguese companies can assert Portugal in the new international division of labor. The agenda should be based on production factors, but above all on processes that competitors recognize as superior but cannot imitate.

In short, the most durable resources, in ascending order, are technology, brand and culture. May Portugal know how to transform its idiosyncratic culture into inimitable skills and that competencies translate into increasingly customized, modular and agile flexibility, internationally priced at a premium price.

## 5.4 Limitations

The present research has theoretical, methodological, and empirical limitations.

The main theoretical limitation is concerned, not only to a limited amount of time that this investigation had but also to, an absence of resources needed to access many articles present in journals, therefore, several questions were not addressed in the right way, ending up being only briefly explored.

There is also the question related to the qualitative character of the research which present good advantages but also several weaknesses, which were discussed in chapter 2.

There is also the empirical limitation of being a research based on a single case study which decreases the aptitude to make general conclusions. Although The Navigator Company is a good representative of a successful Portuguese exporting company that acts on the premium B2B segment in different international markets, a multiple case investigation with other significant firms that possess these characteristics, would have been important and deepen the study.

On the other hand, there were empirical limitations related to the amount of people interviewed within The Navigator Company: only one was possible to reach which constitutes a very small inside vision of the firm, being left out a lot of information that could have been helpful to the conclusions of the research.

In summary, a future investigation can be related to the changes and adaptations that the premium flexibility may suffer due to alterations in the cultural framework and it would be also interesting to understand how the evolution of societies and corporate cultures can contribute to the design of strategies that may enhance or even transform this theory.



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# Annex

## Annex I: Questionnaire The Navigator Company

**1. What is considered to be the basis of the competitive advantage of The Navigator Company?**

MC: One of the principal differentiators basis its strategy on product quality – it is a product and premium brands differentiation approach. Around 49% of the output is constituted by premium goods and it was this product and brand differentiation strategy that allowed The Navigator Company to skew product mix to the high-end market.

**2. Do you consider that The Navigator Company strives for the personalization of its offer according to the preferences of each customer?**

MC: Yes, absolutely. One of the principal objectives of the company is fomenting a close relationship with our customers and end users. Our teams pay a great attention in building relationships of proximity and active communication with clients so that products and services are provided with the best quality and according to the preferences and needs of each customer. I think the key components of our value proposition are the efficiency of our service, clear and constant dialogue with customers, high quality offer and tailored and differentiated offering of the final products.

**3. Do you think one of the value curve attributes resides in the agility of the offer you provide?**

MC: When developing a product/service is extremely important that the teams are aligned with the strategy implemented. This can only be accomplished with great communication and flow of information as well as an agile mindset. In order to ensure this goal, the firm created a Learning Center that will stimulate a better flow of knowledge among the teams, so that the processes can be quicker and more efficient. After this, our efforts concentrate on the delivery of products and therefore, the cost, environmental gains, safety and speed of transportation are the priorities of the service. We created several processes that help us evaluate and improve the customer service, making it possible to track the delivery of the product and measure the delivery time – therefore, contributing for an improvement in the agility of the processes.

**4. Does modularity strike as a competitive advantage in the pulp business segment?**

MC: Not particularly. Our competitive advantage does not rely on the factor of being able to export in small lots (although it is possible to make that type and size of order).

**5. In the customer satisfaction survey, what are the main highlights that the customers enhance for the quality of the service?**

MC: This index is mainly for us to assess our customers' satisfaction levels by using information collected through private questionnaires made by an outside agency. It is conducted every 2 years and a total of 33 criteria is considered, including, flexibility, speed of responses, innovation of products, sustainability, delivery times, punctuality, etc and our target in the pulp segment is achieving a CSI  $\geq 60\%$  by 2025.

**6. Do you think The Navigator Company is easily adaptable to new circumstances or has difficulties in reacting to the unknown?**

MC: It is a company that easily adapts to new situations, actually in 2020 it was a year of big adaptability to unpredicted events and the company reacted really positively in adjusting the framework to the new reality. We have a robust knowledge of the markets and their dynamics as well as a strong strategic orientation that allows us to quickly adapt to pandemic driven changes and that is one of the keys to success.

**7. Do you consider The Navigator Company to have a multitasking mindset culture?**

MC: Yes, of course, otherwise we wouldn't be involved in these different segments (paper, pulp, tissue, energy, forest).