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Abstract

The trajectories of internationalisation followed by family firms can be viewed from several theoretical approaches: phases and models of the internationalisation process; international entrepreneurship, the sociological perspective and family business theory. A historical perspective of internationalised family firms, allowing for the integration of the abovementioned approaches, is useful to obtain a deep understanding of the internationalisation process of different sectors and of different countries. The main purpose of this paper is to identify the facilitating and restricting factors during the internationalisation path of family firms, whilst considering the influence in their competitive advantages, of ownership structure, management attitudes and other intangible assets, as well as external factors to the firms, like location. The research involved a long run analysis (of more than one century) of two firms which operate in the cork business in Spain and Portugal: Mundet & C.ª, Lda and Corticeira Amorim. One of these companies - Mundet - was closed down in the 1980s and the other – Corticeira Amorim – became, and still is, the leading firm worldwide in the cork industry. A detailed comparison of these two histories - one of failure, and the other of success - permits an accurate identification of the determinants of successful internationalisation. In fact, this comparison is useful for understanding several characteristics of both firms, some of which are similar and others which are different, allowing to test several hypotheses within the context of the theoretical approach of the internationalisation of family firms. This methodological option can be justify by several aspects.

Firstly, both are family firms operating in the same business and both were concentrated on the foreign market since their conception. Secondly, both their histories encompass most of the 20th Century and both faced similar national and international constraints, which were overcome, as they both ended up becoming the leading firms in the cork business, although at different periods of time. Thirdly, their choices of location were different and, although in both cases they benefitted from agglomeration forces during certain phases of the business, location was an important determinant of the opposing destinies of these two emblematic cork family firms from Iberia.

Keywords: Family Firms, Internationalisation, Cork, Portugal, Spain, Business History

JEL: R12; L73; N60; O14.

Plan

1. Introduction[1]

1 Previous versions and results included in this paper have been presented at APDR 2014 and ERSA 2014. Corresponding author: ameliab@iseg.ulisboa.pt.

Family firms are crucial for economic growth and in the European context they represent over 60% of the total number of European companies, and 40% - 50% of all jobs, numbering over 100 million employees (European Commission, 2009). The Iberian Peninsula is no exception: family firms represented over 60% of GDP during the period of 1959 - 2000 (Colli and Rose 2008: 201).

There is no single definition of “family firms”, as they present a variety of features in terms of size, ownership, financial framework, etc. According to Colli and Rose (2008: 194), a family firm “is one where a family owns enough of the equity to be able to exert control over strategy and is involved in top management positions”[2] . By emphasising the proportion of family-owned shares and the corresponding voting rights and the aspects of management, the above definition also includes intergenerational succession, whereby the founder or a member of the family has to be the chief executive of the company.

Whether they be small, medium or large in size, most of the family firms have exhibited a resilient pattern through all three industrial revolutions and have maintained long-established international businesses, without losing the family character, as the families managed to keep the control and leadership of the business.

The evolution of the internationalisation of family firms through time can be viewed from several theoretical approaches. This paper follows a historical approach, which allows for the integration of several theoretical frameworks, particularly with regard to the internationalisation theory and the family business theory. Its main purpose is to identify the facilitating/restricting factors behind the success of two family firms, both of which have international business in the cork industry, by considering the creation/absence of competitive advantages in terms of ownership structure and management attitudes and intangible assets and other relevant factors, whether they be internal and/or external to the firm, like the location choice.

This paper describes a long run evolution (over almost one century) of two firms operating in the cork business in the Iberian Peninsula: Mundet&Cª, Lda., and Corticeira Amorim. One of these firms - Mundet – was closed down in the 1980s, and the other – Corticeira Amorim – became the leading company worldwide in the cork business and still maintains this leadership. Although they both followed different models of internationalisation, Mundet resembled a “born again global firm”, whilst Amorim is a “traditional firm”. The careful comparison of their two histories, one being of failure and the other of success, enables an accurate identification of the determinants of successful internationalisation.

[2] See also Colli, Canal-Garcia and Guillén (2013); Colli and Larsson (2014); European Commission (2009); Graves and Thomas (2008); Zahara (2003) and La Porta, López de Silanes and Shleifer (1999).

Furthermore, both firms had a similar business framework. Firstly, the Iberian Peninsula reunites the perfect natural conditions for growing the cork oak tree (Quercus Suber), and Spain and Portugal are the most important producers of cork in Iberia. Both firms explored this natural competitive advantage. Secondly, the international dimension of the cork business was always present in Spain and Portugal. The major buyers of cork products have been those developed countries that do not possess this raw material (or at least in abundance) although, up until the 1950s, they concentrated most of the value added activities. Spain and Portugal, being economically less developed, did not possess enough capital to develop the processing industry (with the exception of Catalonia), and the only activities carried out were restricted to cork preparation and the export of cork planks for the production of cork finished products. Thirdly, up until the late 19th Century, this industry was essentially based on the manufacture of natural cork stoppers. However, at the end of the 19th Century, a radical innovation occurred - the agglomerated cork -, which changed the industrial landscape. The larger and more capital-intensive firms started to use the waste materials that originated from the natural cork industry. The location strategies of these firms reflected the role of more developed countries, whose foreign investments were concentrated in those countries which produced the raw material. Mundet was one of these cases. Initially it was owned by Spanish capital and exported agglomerated cork products. Conversely, Amorim exported natural cork stoppers up until the 1960s.

Considering past research about the context of the cork business and bearing in mind the theoretical approach, the research questions are:

1) What were the main characteristics of the family business that boost the competitive advantages of Corticeira Amorim?

2) Were these characteristics absent in Mundet's case, causing the failure of the company?

3) Regarding the success of Corticeira Amorim, were the family firm characteristics reinforced by other features, such as for instance, the location of the firm?

In order to answer these three questions, we consider two hypotheses. Firstly, that the success/failure of a multinational family firm is related to those features of a family business that boost/constrain a competitive advantage in foreign markets. These features are related to ownership structure and to top management. Secondly, the regional roots of the firms reinforce the following features of a family business: trust, reputation, cohesion and altruistic behaviour, which means that the "family effect" can be reinforced by the "regional effect". Following Puig and Pérez (2009: 467), the small size of firms can be compensated by collaboration with other family firms within the same industrial district, which suppresses limitations in terms of economies of scale and maintains much-needed flexibly in the context of growing uncertainty in international markets.

The paper is structured as follows. Section 2 presents the theoretical framework, and has three sub-sections, namely: internationalisation models; determinants of success in a family business internationalisation process and the location of family firms in industrial districts or clusters. In

Section 3, a detailed empirical analysis is carried out of the determinants of success/failure of the two firms in a comparative perspective. Finally, in Section 4, the concluding remarks are made. We concluded that both family and district effects mutually reinforced each other in building success in the internationalisation process. On the one hand, slowness and the exercise of caution during the internationalisation process can be advantageous at an early stage. This slowness may be a result of not only risk aversion, which is typical of a family business, but also of the role of the firm within the industrial district. Secondly, district effects can also lead to greater success in internationalisation, in terms of the presence of relationships based on trust within the region and with its institutions.

As a means of better supporting the comparative analysis of the evolution of the two firms studied in this paper, as well as their relative economic performance over the long run and their failures and successes, a useful and detailed chronology is provided (in an appendix at the end of the paper) which marks the main events and milestones of these emblematic Iberian cork industry firms, the first, and now extinct, leader, Mundet, and also Corticeira Amorim, the current undisputed world leader.

2. Theoretical framework

2.1 Internationalisation Models

The decision to internationalise a business is a risky option which requires time to become effective. The process presents different characteristics amongst firms, which makes it difficult to reproduce a common model for them in terms of the scope and scale of internationalisation.

The Uppsala Model[3] explains the incremental internationalisation during the 1970s of multinational firms and defends that firms internationalise gradually, in an incremental form, passing through several sequential stages. Along these stages, commitment to the international strategy keeps growing as does the resources involved and the scale and scope of internationalisation becomes greater. The most relevant research in this area is that of Johanson and Wiedersheim-Paul (1975), which distinguishes between four different modes of entering an international market, according to the degree of involvement. Firstly, a firm starts with no regular export activities. During a second stage, it exports via independent representatives (agents) and then, it establishes an overseas sales subsidiary. Finally, builds overseas production/manufacturing units.

3 S. Johanson and Wiedersheim-Paul (1975); Johanson and Vahlne (1977) and Johanson and Vahlne (2009). Critiques of this model can be found in Andersen (1993).

To explain internationalisation across country markets, it was hypothesised that firms would enter new markets with a successively greater psychic distance, looking for countries with similarities to the nationality of the firm in terms of language, culture, political system, level of education and level of industrial development (Johanson and Vahlne 1977, p. 24). The authors presented a more dynamic model which incorporates state aspects (resources and knowledge in a given time) and changing factors (current activities and decisions to commit resources to foreign operations) for the several stages of the internationalisation process. Their model contemplates the "knowledge ownership advantage" of the Dunning Paradigm, with regard to foreign markets. Better knowledge about markets reinforces the commitment and resources involved in a greater number of markets.

The internationalisation of the International New Ventures (INV) theory (Oviatt and Mcdougall, 1994) is related to opportunity-seeking behaviour and is centred on the entrepreneur and their willingness to explore a competitive advantage from the use of resources and sales in several countries. In the case of "international from inception" firms, founders seek growth opportunities in several foreign markets, exploring the resources of those countries and their network structure, whilst skipping stages of the Uppsala model and exploiting the "first mover" advantage. The firms are classified as "born global".

In the research of Bell; McNaughton; Young and Crick (2003), an integrative model was developed in order to explain the internationalisation process of small businesses, combining the ideas of the Uppsala model and the INV theory.

The variety of strategies adopted by firms in the internationalisation process defines their pathway and can be classified according to several dimensions: time - the rapidity and pace of internationalisation; scale - in terms of weight of foreign sales, and; scope – which refers to the number of countries in which the firm operates.

Traditional Firms internationalise slowly, in an incremental form that resembles the Uppsala Model. "Born-again global" firms internationalise in several foreign markets simultaneously and very rapidly, exploring market niches by developing a product that is well adapted to international demand, and through maximising industry knowledge and existing networks. Over a period of two to five years, foreign sales reached 25% of turn-over with operations in at least five countries. These firms have previously tended to focus on the domestic market, but internationalisation occurs suddenly as a result of a critical event/s. Focus on the domestic market for a period of up to 28 years is acceptable, or sometimes firms started by following a path similar to that of traditional firms, but as a result of a critical event, they end up experiencing a more rapid process of internationalisation.

2.2. Determinants of success in the internationalisation process for family businesses

The success of the internationalisation process can be determined by the characteristics of internationalised firms. The study of internationalised family businesses becomes very relevant, as it is characterised by special features, some of them can be strong points in the international field or, on the contrary, they can be weak points.

In the study of the family business it is essential to consider the "3-circle" model: ownership, family and business (Tagiuri and Davis 1992). Ownership is a key element, and is connected to the presence of one or more family members in the governance structure with a key management role. Related to this, is the importance of succession: the continuity factor ensures that more than one generation is actively involved with the family business. The intergenerational transfer of a family business is, in effect, the transfer of ownership, and this involves a strong "personal" factor (European Commission 2009: 15).

Miller and Breton-Miller (2006: 73-75) consider that a family firm's governance structure can contribute to a competitive advantage. A firm managed by the founder, or by a family descendent, reduces agency costs, as the interests of management coincide with those of the owners. Attitudes of stewardship emerge more easily in a family business, as owner-managers are driven more by economic self-interest and the search for the collective good of their firm. On-the-job learning is possible, as they remain for many years in the business and the family name and reputation is in their hands and they are more committed to maintaining the firm for a long time. Owner-managers resist being goaded into risky short-term ventures and tend to prefer commitment to long-term investment, thus avoiding opportunistic decisions. Furthermore, concentration of ownership reduces the costs of monitoring.

These aspects can permit the transfer to the international field of a business model based on trust (for instance, by dividing tasks and management among family members or long-serving employees) and a long-term horizon perspective and a network with external stakeholders (based on a solid reputation in terms of commitment). However, according to these authors (Miller and Breton-Miller 2006: 78-79), the opposite effects can be verified through the pay-out of extraordinary dividends, the abuse of power by taking resources out of the firm and by irresponsible leadership characterised by excessive risks taking.

Gallo and Pont (1996: 46-48) highlight the internal and external factors that can enable, or restrict, the internationalisation process. Such external factors include: environmental factors connected with the competitive framework of the firm; business opportunities abroad or at home, and; the fit between the technological level of the firm and foreign competition and financial resources.

With regards to internal factors, the authors highlighted the internal organisation of the family firm (for instance, a lack of experience of foreign markets, resistance to the internationalisation process or to increasing the internationalisation process, members of the family residing abroad and the preparation of the younger generations) and also the attitudes of top management (internal power struggles, speed of decision making, alliances; etc.).

As boosting factors, Gallo and Pont (1996: 57-58) emphasise long-term perspective and strong management. The preparation of the following generations for the international process is crucial for success, and maybe the very process of internationalisation will lead to the detachment of younger members of the family abroad, which accordingly reduces international uncertainty through the involvement of foreign-based family members. These authors also highlight the fact that it is multi-generational family firms that demonstrate a higher level of internationalisation.

Graves and Thomas (2008: 151-152) also recognized three major factors can be recognised as being a huge contribution to the success of the internationalisation strategy of a family firm: long-term commitment; managerial capacities; and financial resources.

Considering family multinationals to be international entrepreneurs that explore a competitive advantage, Colli, Canal-Garcia and Guillén (2013: 122-123) stress four specific sources of competitive advantage for family businesses: human capital; social capital; patient financial capital; and low agency costs. Human capital results from the accumulation of know-how and managerial expertise that emerges from more stable top management, thus reinforcing the coherence of the business model through generations. Social capital accumulated over time by members of the family results from their relationship with stakeholders. Patient financial capital is expressed as being the long-term orientation of the business.

According to Simon and Hitt (2003: 341-346), the involvement of family resources in family firms can also reveal some negative results, such as: the limited availability of capital for investments, a lessened capacity to attract highly qualified human resources and also a lack of networks.

Kontinen and Ojala (2012: 499-501) highlight the commitment and dedication of managers in family firms and their sense of duty, emphasising the development of attitudes of stewardship as means of maintaining a business for future generations. Conversely, limited managerial capabilities and a lack of a bridging network ties may also be in evidence.

Patel; Pieper; Torsten and Hair Jr (2012: 235-238) focus on the internationalisation process and the inherent boosting and constraining characteristics of family firms during this process. The boost factors identified are: altruism, stewardship and trust. The constraining factors are: risk aversion and family conflicts. Altruism means that they all act by thinking as family members. Stewardship implies that they not only take care of family members, but also of clients, employees, suppliers and the community as a whole. The stewardship attitude leads family members to considerer the longevity of the firm and thus to take decisions that facilitate the success of the business across generations. These two attitudes can engender trust, thus increasing cohesion. Cohesion is important for collective action, as it allows for being better prepared for risk and uncertainty, which is a natural component of the internationalisation process.

Owner-manager coincidence can be a key asset for family firms, as ownership gives managers the power to make decisions about the level and scope of the internationalisation process. Family firms can also provide essential resources for the business, both tangible (financial resources and a low payroll as firms use family members as employees) and intangible (social networks, altruism and stewardship, attitudes which contribute to cohesion and a long-term approach). Within this scope, those characteristics that can hamper the process of internationalisation include: resource restrictions (human and financial), risk aversion (delay or a slowdown in international presence) and family conflicts (about controlling the destiny of the family firm, about reinvesting earnings in international expansion, etc.).

In terms of management, the prevalence of internal succession (Colli, Canal-Garcia and Guillén 2013: 33-34; 45) and a context of union between the interests of both family and the firm, may provide the foundation for long-term strategies. However, if the leader's experience within the firm is not complimented by the presence of networks and contacts at several levels - e.g. at the commercial and financial levels, then the intangible resources of a family firm may be lower.

Family firms can be seen as being capable of building a network of trust, but this network can also be extended to the local community where the business is located (Colli, Canal-Garcia and Guillén 2013: 32-33). Although the family may supply labour, financial resources and information, the boundaries of the family firm go far beyond family ties and also embrace the values and culture of a larger group. Family firms are embedded within social networks of trust, sharing the values and attitudes of a larger group that influences not only family behaviour, but also the business. In the next section a connection is made between the family firm and its location.

2.3 Clusters, industrial districts and the location of family firms

The choice of location by family firms can be a relevant determinant of their economic performance and, in a long run perspective, of their ultimate failure or success. Clusters and industrial districts are spatial concepts that need to be taken into consideration in order to understand these choices.

Alfred Marshall was the first author to use the term industrial district, in his book entitled Principles of Economics (1890; 1920), defining it as a "concentration of specialised industries in particular localities", which allows the benefits of external economies due to spill-overs as, in his own words - "in districts in which manufactures have long been domiciled, a habit of responsibility, of carefulness and promptitude in handling expensive machinery and materials becomes the common property of all. The mysteries of industry become no mysteries, but are, as it were, in the air, and children learn many of them unconsciously". This definition is particularly well-suited to family businesses that contribute with internal family ties to external relations and common trust, playing a central role in socialising values and work practices among small local firms over many generations.

The notion of marshallian industrial districts was many decades later improved by Giacomo Becattini (Becattini, 1990) and applied to the reality of the “Third Italy”, which is a set of northeastern and central regions in this country that evolved from local ethnic communal cultures based on trust and cooperation among firms and between bosses and employees, where families once played more a central role.

Given the existence in Italy of important industrial conglomerates that do not accomplish all the criteria of an Industrial district, Giacchino Garofoli coined the term Local Productive Systems (Climent, 1997 p. 99), which allows for a more encompassing definition of these realities.

Previously, the notion of Industrial district had also been used and popularised by Michael Porter (1990), with a similar content, but under a different guise, which was the concept of the “cluster”, which was defined by this author as - “a geographical concentration of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (e.g., universities, standard agencies, trade associations) in a particular field that compete and also cooperate” (Porter, 1998). Apparently this concept is not so well fitted to (small) family firms, but it may become very important for these kinds of businesses to be immersed in a cluster located in a geographical area, in order to benefit from its external economies.

Although criticised by some authors as being somewhat vague, or fuzzy notions (Martin and Sunley, 2003), clusters and industrial districts can all be operational concepts that are useful for understanding the relative performance of family firms, both internally and externally.

In the particular case of the two cork family firms studied in this paper, economic performance was certainly conditioned, among other factors, by the different kind of regional clusters chosen: Setubal, a southern district of Portugal was chosen by Mundet, and Santa Maria da Feira, a northern district, was the choice of Corticeira Amorim.

The implications of these different choices of location and of the influence of the characteristics of the two families - Mundet and Amorim, in the evolution of the businesses will be addressed in the next section.

3. Determinants of success and failure in the internationalisation process: two case studies – Mundet & Cª and Corticeira Amorim

3.1. Main features of these firms and their internationalisation model3.2. The 1755 earthquake

The cork business has always had an international character. The two leading countries in this business, Spain and Portugal, export most of their production of cork worldwide (both manufactured and as raw material). A longitudinal study, of almost one century, that considers two of the most relevant Iberian family cork firms, is of interest for the research field of internationalisation and family firm features.

In fact, Mundet & Cª, Lda and Corticeira Amorim emerge as two paradigmatic cases of entrepreneurship during the 20th Century, as they both followed a strategy from the beginning that explored the natural competitive advantage of the Iberian Peninsula. The two firms are contemporaneous, and faced the same alterations in the institutional and technological framework of the cork business.

To test the hypothesis mentioned in the introduction and to answer the research questions, we opted for a qualitative research method by analysing the historical trajectory of the two firms, highlighting the way in which the family character of the firms, and also their location, were critical to the creation of a competitive advantage that reinforced the natural advantage of the Iberian Peninsula.

A systematic analysis and comparison of a collection of chronological data on the life of the two firms was made, from their establishment, up until the 1980s, taking into consideration the most important events that allow the identification of their international pathways and the familiar context which influenced the choice of those paths (generations, successions, conflicts, etc.).

The internationalisation strategies of the two firms suggest that both, the Uppsala and the Innovation models are useful for explaining the internationalisation process.

3.1.1 *Mundet&Cª*, Lda. (1865-1988)[4]

Mundet resembles a "born-again global firm". In 1865, Lorenzo Mundet, the founder, already had two factories, one in San Antonio de Calonge and the other in Palamós (Catalonia).

In 1895, one of his sons, José Mundet, opened a new factory in Brooklyn (New York).

4 The facts about Mundet were collected in Filipe and Afonso (2010).

In 1902, his other son, Arturo Mundet, opened a factory in Mexico and José Mundet opened a business in Canada that same year. The causes for that decision came from business difficulties in the natural cork business, facing during that time the severe completion of agglomerated cork.

In 1905, a new factory was opened in Seixal (Portugal) and with this, thirty years after the foundation of the factory in Catalonia and well into the second generation, *Mundet* was already a multinational with four overseas production plants (United States, Canada, Mexico, Portugal).

In 1906 *Mundet* underwent a complete relocation and the company headquarters were moved from Catalonia to Portugal, and at the same time it changed its specialisation from natural cork stoppers to agglomerated cork.

During the 1930s, *Mundet & C.ª* already had 12 factories – located in Portugal, Spain, Algeria and England (Mundet Cork & Plastics) -, and the Mundet Cork Corporation had 2 units, one in the United States and the other in Canada (Mundet Cork & Insulation).

The manager of the Portuguese and Algerian units was Luis Gubert i Cappelá, the son-in-law of the founder. The units in the United States and Canada were managed by José Mundet (second generation) and later by Joseph Mundet Jr (third generation), who, at the end of the 1940s, also assumed total control of *Mundet & Cª*. In 1946 a new plant was opened in Jimena de la Frontera (near Cadiz, in Andalucía, Spain), and by 1958 the firm had almost 4,000 employees.

Table 1 - Characteristics of the internationalisation behaviour of Mundet

Issue	**Mundet**
Trigger/Motivation	Initially reactive (due to difficulties in the Catalonian cork business) and then proactive.
Internationalisation patterns	First exporting, and then creating production units in several countries.
Pace of Internationalisation	At the beginning, the firm only exported and then after more than 20 years of existence, it followed an exponential growth of internationalisation, becoming multinational.
Method of entry into foreign markets	Established overseas processing plants whilst maintaining total control (concentration of ownership and management).
International strategies	Adaptation to the United States market, producing cork disks (the development of a new product for the international market).
Method of financing internationalisation	Internally-generated funds and new shareholders (non-family members).

Source: Author's elaboration, based on Graves and Thomas (2008:153) and Falize and Coeurderoy (2012: 4-6)

3.1.2. *Corticeira Amorim*[5] 1922-…

All the aspects of the internationalisation pathway of *Corticeira Amorim* are similar to those of traditional firms.

The origins of *Corticeira Amorim* go back to 1908, when the Amorim family established a small workshop producing cork stoppers at Santa Maria de Lamas (in the county of Santa Maria da Feira, in the north of Portugal). The older sons of António Alves Amorim (the founder), and six employees comprised the total man-power of the workshop, which produced cork stoppers for the Port wine trade, the English market being the most important client.

By 1917 the Amorim family already had a factory in Cortinhas (also in Santa Maria da Feira), but *Amorim & Irmãos* was only founded in 1922, and it became a family business that would project the export of Portuguese stoppers to the whole world. In the 1930s, *Amorim & Irmãos* was already the largest manufactured cork producer in the north of the Country, with 150 employees. During this decade, the firm adopted a strategy of backward vertical integration, by acquiring a small store in Abrantes (Portugal), near one of the biggest areas of cork oak forest, which was also near the railway line. In 1939 this store became a factory, producing planks for the main factory. In the 1940s, *Amorim & Irmãos* already employed 321 staff and had a production capacity of 70,000 cork stoppers a day. Using a definition by Chandler (1990), the firm could be classified as a "big business".

The firm followed a path of incremental and gradual international expansion, starting with the use of agents/distributors or wholesalers. Although it was founded in 1922, it was only in the third generation that it adopted a more aggressive form of internationalisation, by opening plants abroad. Until then, the most important diversification of the international market for natural cork stoppers had been the emigration of the two sons of the founder to Brazil. The firm also had a sales agent in France, located close to the distribution channels of champagne.

Together with *Corticeira Amorim*, which was also located in Santa Maria da Feira, from the 1960s onwards, the business went through a process of partial relocation and vertical integration, but maintained the production of natural stoppers as its main area of specialisation. *Corticeira Amorim* had 40 employees and also employed an expert from *Mundet*. This partial relocation resulted in the firm opening several new units, but nonetheless it retained its pre-existing unit, i.e. it became a multi-plant company that differentiated its production in spatial terms. The vertical

5 The first company of the *Amorim Group*, as it is known nowadays, was the firm *Amorim & Irmãos*, which was founded in 1922. *Corticeira Amorim* was founded in 1963. In 1969, the partners of this company purchased 40% shares form their cousins in *Amorim & Irmãos* and also acquired an interest in the shares of the remaining shareholders (uncles and aunts from the second generation), and the firm became *Corticeira Amorim, CA*.. For further details about the firm and family Amorim history see also Santos (1997), and Branco and Parejo (2011).

strategy was followed-up by a more intensive process of internationalisation, with some relocation of production, both inside the domestic market and also abroad. This type of relocation does not necessarily affect the whole production process, but instead affects just one branch, and it can arise from different types of agreements between the firms involved, ranging from joint ventures to subcontracting, or even the acquisition of a small part of the share capital.

Table 2 - Characteristics of the internationalisation behaviour of *Corticeira Amorim*

Issue	**Corticeira Amorim**
Trigger/Motivation	Reactive and related to the succession by the third generation with managers, strongly committed to internationalisation.
Internationalisation patterns	Grow incrementally by progressively entering foreign markets with greater psychic distance. Target low-tech/less sophisticated markets. Limited evidence of networks at the beginning.
Pace of Internationalisation	Gradual internationalisation (focus on a small number of key markets, as only one family-member had contact with the clients), becoming more intense since the 1960s, almost fifty years after the foundation of the firm.
Method of entry into foreign markets	Conventional. The use of agents/distributors or wholesalers for direct sale to customers. Foreign Direct Investment was only adopted later.
International strategies	Initially only stoppers were produced, and then agglomerated products.
Method of financing internationalisation	With internally generated funds until the 1980s, and then with stock market and bank finance.

Source: Author's elaboration, based on Graves and Thomas (2008:153) and Falize and Coeurderoy (2012: 4-6).

3.2 The family firm determinants of success and failure

When Mundet started on its course for internationalisation, the ownership base was sole-ownership by its founder, Lorenzo Mundet. With the opening of three production units, in the United States, Mexico and Canada, the ownership was divided - but not in equal parts – among the two brothers (each with 1/3 of the shares each) and the remaining shares were divided in equal shares between the father and the son-in-law. In 1920s, the ownership was also divided between outside shareholders, when Mundet embarked on a spectacular expansion plan, which ended up putting the firm under financial and management stress.

José Mundet, the son of the founder, became the major shareholder and owner-manager in the American branch of the business, and when he died, Joseph Mundet Jr assumed control. In Portugal, the manager was the son-in-law of Lorenzo Mundet, Luis Guibert i Cappelá. These two managers (Joseph and Luis) certainly had different visions about the family business, and they disputed the ownership of the family business in court, jeopardizing the harmony of the family, as the division of shares was not equal, and Joseph Mundet held the majority. Together with the presence of non-family shareholders, the possibility of disagreement was increased. Luis did not agree with Joseph having the majority of the shares.

One of the questions that certainly led to disagreement, was problems in the American market, where substitutes for natural cork emerged faster, which made it hard to define the future steps of the family business. The lack of trust and the absence of strong family bonds caused greater management costs. One of the causes of failure was indisputably the absence of "familiarity", or features of a family firm that would allow for the survival of the firm in adverse economic times.

In the case of Corticeira Amorim, up until 1988 – when it was quoted on the stock market – all the shareholders were family members with equal shareholdings in the firm. Firstly, in 1908, there was one owner, the founder, and then in 1922 his sons (second generation) became partners (all nine of the brothers, although in 1939, the number of shareholders was reduced to just 5 brothers[6]). The second and third generations were groomed from an early age to work in the family cork business.

The firm next entered into a phase of being a "cousins consortium", with the creation of Corticeira Amorim in 1963, whereby four brothers (third generation) and one uncle (second generation) divided the ownership of the firm, each holding 20% of the shares. Even when the firm went public, the majority of shares were retained by the family.

This comparison suggests that ownership structure is important for success. An unequal ownership seems to lead to greater disagreement on the way forward with regards to internationalisation, whereas an equal distribution of shares between family members may contribute to success, as well as the concentration of ownership amongst family members.

In the case of the Amorim Group, clarification regarding the different positions of the family members regarding the path to internationalisation led to the creation of a new and highly internationalised unit of production - Corticeira Amorim - which was just owned by those family members who were in agreement about the intensity and direction of internationalisation that was defended by Américo Amorim (the grandson of the founder, third generation). Any radical decision about the international strategy of the firm was impossible if family members were in disagreement about that strategy, as harmony reigned and was the dominant behaviour. The shares of Amorim &

6 Three brothers went to Brazil and one died.

Irmãos that belonged to the brothers and cousins who were in disagreement with Américo Amorim, were sold to Corticeira Amorim, which enabled the development of solid cohesion and leadership for many years, which, up to now, is based on the charisma of Américo Amorim.

The business was divided into two production units, both highly connected, yet producing different products (Amorim &Irmãos - natural stoppers, which was the original business of the family, and Corticeira Amorim - agglomerated cork).

Regarding stewardship characteristics, substantial differences occur between the two family firms. In the case of Mundet, considerable investments were made in Portugal to meet the needs of the American market, which led the company to adopt a very risky strategy in terms of dependence on a single market. However, the expansion of this market did not live up to expectations as the demand for agglomerated cork slowed down. This option reveals a weaker attitude to stewardship, which resulted from the dual management of the firm, with one manager in the United States and the other in Portugal. When Joseph Mundet started to own most of the business in Portugal, and yet was absent from the production units located there, the failure of the firm's strategy was inevitable. As the owner–manager, he started to take very risky options for the firm, without perceiving the drop in demand, which ended up placing the firm in financial stress.

The lack of strong family bonds and the absence of trust resulted in larger management costs, and growing disagreement between the grandson of the founder and the son-in-law of the founder. Although there were several other managers who were shareholders of the Portuguese branch, they had unequal voting power to that of Jospeh Mundet Jr, who revealed a selfish style of management and direction of the firm's future. A growing number of shareholders - all non-family members and in-laws - became a source of conflict and a potential source of a bias in favour of family candidates for the succession of the founder - namely his son, and afterwards his grandson, which alienated other talented managers.

On the contrary, good stewardship was very evident in the Amorim Group. From the beginning, the second generation was involved with the various operations of the firm, and each family member had a mission within the firm. When the firm's interests differed from personal interests, family members chose to leave the company. Prudent international expansion was the dominant strategy, which revealed characteristics of a path similar to that shown in Uppsala model - an entry mode with high control that meant that any risky decision was impossible, as everyone had the same number of shares. The sense of duty towards the firm was very high, as was cohesion and trust.

Similar in both cases was the social network built by the families. However, in the case of Mundet, these in-family relationships led to the creation of new businesses (in the form of foreign direct investment) in the U.S. (controlled by Jose Mundet) and México (controlled by Arturo Mundet). The higher costs involved made it more difficult to respond to adverse levels of demand.

In the case of Amorim, the internationalisation process was started by using sales agents and the family maintained very close relationships with them. Members of the Amorim family frequently visited the firm's customers, thus strengthening the relationship of trust between buyer-seller through face-to-face relationships. The lower fixed costs involved in this form of international trajectory made possible a rapid response to falls in demand.

3.3. The effects of location choices of Mundet and Corticeira Amorim

The location choices of firms are important determinants of its economic performance and resilience, or lack of it, as the case studies of Mundet and Amorim both clearly show.

In the case of Mundet, the choice of starting the business in Portugal in the southern district of Setubal, near the river Tagus and the capital, Lisbon, was a reasonable one as for a start, the cost of land for building the first factory was low, as it belonged to a soap firm that had closed. It was a good location for two other reasons: its relative proximity to the raw material suppliers (the best cork in Portugal, and by far the largest quantity, comes from the Alentejo and the Ribatejo, two southern regions of the country), and also its close proximity to the port of Lisbon, the main outlet for exporting cork products, which were essentially stoppers (Sala and Nadal, 2010).

The firm Amorim & Irmãos chose another, very different location to develop its cork activity - Santa Maria da Feira, in the north of Portugal. The main reason was essentially that of a family nature: the wife of the firm's founder, António Alves Amorim, was born there (in Santa Maria de Lamas, which has been an iconic location for the firm ever since) and maintained strong family ties with the region. This region is not far away from Oporto, a city which has a well-established and strong tradition with the wine business, and the important port of Leixões. Yet other regions are better located than Santa Maria da Feira from this point of view, such as Vila Nova de Gaia, close by, which proves that the family element was crucial in this case (Santos, 1997).

But this choice of Amorim had an apparent, and potentially strong, disadvantage relative to Mundet's choice, being the much greater distance of Santa Maria da Feira from the major cork-producing regions of Portugal, particularly at a period of time and in a country characterised by high transport costs.

One of the major curious and interesting aspects of these case studies is that what appeared to be a strong disadvantage in the early phase of the business – up until the 1930s, and then actually turned out to be a determinant advantage for Amorim over Mundet, for several reasons, which up to now have not been studied much, and deserve a paper on their own, which we synthesise below.

The first comparative advantage of Santa Maria da Feira versus Setúbal, relates to labour costs, as the wage policy of the Estado Novo benefitted northern industries, as wages were fixed by law and were lower in this region (see, e.g., Branco and Parejo, 2008, 2011; Lopes and Branco; 2013).

Another important advantage of Santa Maria da Feira was the low incidence of political, social and labour conflict, which was an important determinant during the post-Revolution period after 1974, which marked the re-instauration of democracy in Portugal, as this region was mainly rural with small firms, whereas Setubal was a region populated by large firms, with a strong union movement and a tradition of resistance to the dictatorship that was characterised by a tendency to stand up and fight for labour rights.

But perhaps the most important and lasting advantage of Santa Maria da Feira, which is highly applicable to the Corticeira Amorim versus Mundet comparison, relates to the different kind of cluster, or Industrial District, between the two locations. In Santa Maria da Feira the tradition of the cork industry is much stronger (using the original terms of Marshall, "it is in the air…"), as demonstrated by a family nature of keeping and handing down very small firms, some of which even operate out of a garage, which gave precious support and flexibility to the anchor firm of Amorim, but none of this was felt by Mundet in Setúbal (Mira, 1994; Ruivo, 1995; 1996).

The Amorim Group gained tangible and intangible benefits from just being located in an established industrial district: lower wages, social networks, the reinforcement of trust and cohesion and reputation, which are all essential characteristics that were later transposed to the international area of the firm. The concentration of highly specialised small firms which bonded with each other, permitted a high degree of cooperation in both the vertical and the horizontal sense (Bonacoorsi 1992: 628-629). There was a better response to fluctuations of demand without the need for additional investment in production capacity, as the firm could subcontract the production of stoppers out to small workshops, which were often owned by the firm's employees, who thus earned some additional income.

A more careful, detailed, historical and empirical analysis is required to measure to what degree these location aspects were determinant for the economic performance of both the firms and eventually the collapse of Mundet and the success of Amorim, deserves. However the fact that they played an important role in this context is beyond any reasonable doubt.

4. Conclusions

The economic performance of firms and, ultimately in the long run, their failure or success, depends on many economic, financial, technological, social and even political factors, which are difficult to incorporate in just one sole paper, as we have attempted to do in this study of Mundet and Corticeira Amorim. This research must then be understood to be a contribution towards the study of this question, which consisting of a comparative perspective of the evolution of these two firms, which emphasises three essential factors: their internationalisation strategies, their family business behaviour and their choices of location.

The theoretical framework is accordingly based on the internationalisation models, the business family theory and the economics of clusters and industrial districts. The internationalisation models used were the Upsalla model, the Born Global Firm and the Newborn Global Firm. The family business aspect that were considered were: ownership, succession, management, stewardship and decisions about financing. The clusters and industrial districts analysis is based on a well-known regional science study, which is reminiscent of Alfred Marshall's pioneering approach and is subsequently elaborated and expanded by Giacomo Becattini and Michael Porter.

Although the histories of the two important Iberian cork industry firms are well studied in many books and articles, up to now they have only been studied independently and thus, to the best of our knowledge, this is the first attempt to make an all-encompassing comparative analysis of the two firms, using well documented historical and empirical sources, supported by a strong theoretical framework.

The main purpose of this paper is to investigate the main determinants of the economic performance of these two firms, which ultimately led to the closure of Mundet in the 1980s, after having being one of the most important firms in the cork business during almost all the previous century, and to the enormous success of Corticeira Amorim, which became, and still is, the undisputed world leader in the cork business.

After a brief description of the main characteristics of the cork industry, which is essentially a business restricted to Iberia, as Portugal and Spain possess the bulk of the raw material, the main section of this paper starts by identifying the internationalisation models of the two firms. Mundet is best described by the Born Global model, with a strong initial expansion in the USA and other countries, whereas Amorim is more a kind of Traditional model, where the first exports were made through foreign agents, before embarking on a strong expansion of production and trade through affiliates. This prudent strategy of the Portuguese company may prove to be an advantage in the fight for the worldwide dominance of the cork business.

The family facets of these two companies were also very important in determining their relative economic performance and resilience to economic and other shocks, and once more, Amorim demonstrated more advantages. The Amorim family has always been more united, cohesive and more cautious, and yet at the same time it has proved to be more ground-breaking in terms of business. It has wisely sought to keep ownership and control of the firm from the first to the fourth generation of the family and is better at managing the problems of succession and shareholding. The role of outsiders (i.e. non-family members) in management and financing decisions were much less important than in the case of Mundet. The three mechanisms of family ownership that created a competitive advantage were absent in the case of Mundet, which led to the emergence of tensions and conflicts.

Finally, Corticeira Amorim gained a competitive advantage over Mundet with regards to the choice of location. Although the initial site for Mundet's operations in Portugal in 1905, appeared to be a very good choice, in that the southern district of Setubal was close to both raw material producers (located mainly in the Alentejo and the Ribatejo) and the large export facility of the port of Lisbon, it ultimately became a source of trouble for the business. The main reasons were the politico-economic decision of the Estado Novo to establish higher wages in the southern regions of the country in order to protect the small firms of the north, and also the turbulence of the period after the Revolution of 1974, which was much greater in the south of the country, than in the north.

The location of Corticeira Amorim at Santa Maria da Feira, which is a northern region of Portugal, was based mainly on a family motive which has been explained previously, which ultimately proved to be a crucial advantage, not only from the labour point of view as mentioned above, but also because this firm has been successful in creating a well-functioning Marshallian type industrial district, which has the cork industry tradition "in the air", which is passed from generation to generation, through a myriad of small and very small firms, which gave flexibility and a subcontracted production base which led to the ingenious dominance of the Amorim family business.

In conclusion, the family character of a firm is not always an advantage. If the family that owns the firm is united, then the firm benefits from the resulting trust and cohesion. If the case is the opposite, then a family firm becomes a source of conflict and tension, as demonstrated by the case of Mundet. Maybe such harmony is also derived from the "district effect", as the family in this case, has a commitment to the region and to its people. This was the case for the Amorim family.

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Appendix

A1. Chronology of Mundet & C.ª, Lda. 1865-1988

1865 - Lorenzo Mundet i Corominas (first generation, founder) came from a long line of cork industrialists. His wife, Teresa Carbó i Saguer, was the daughter of a small-scale cork industrialist from Catalonia, for whom Lorenzo began to work in 1865, in the town of San Antonio de Calonge, in the province of Girona (Catalonia, Spain).

1895 – José Mundet, the son of Lorenzo (second generation), opened a small cork factory in Brooklin (New York) – Mundet & Sons, a subsidiary of L. Mundet & Hijos in Catalonia.

1898 – A new factory was opened in Palamós (Catalonia), a few kilometres from San Antonio de Calonge.

1902 - Arturo Mundet, son of Lorenzo and brother of José, opened a new cork factory for the group in Mexico - Casa Mundet Mexico. José Mundet opened a new unit in Canada - Mundet Cork & Insulation, and was also the Chairman.

1905 - Mundet open a new factory in Seixal (Setúbal, Portugal), close to the Lisbon harbour, on the south bank of the Tagus River. L. Mundet & Sons had four partners: José Mundet i Carbó, Arturo Mundet i Carbó (each with 1/3 of the shares), Lorenzo Mundet and Luis Gubert i Capellà (married to Carolina Mundet i Carbó, daughter of Lorenzo and sister of José and Arturo) held the remaining shares, which were divided in equal parts. The first managing director of the Portuguese unit was Luíz Gubert i Cappelà. This unit produced cork stoppers, cork discs and other cork artefacts as well as leftovers. The unit in Seixal employed 200 workers in 1905; 430 workers in 1913 and a total of 600 workers in 1916. It closed its doors in 1988.

1906 - L. Mundet & Hijos was liquidated and became L. Mundet & Sons, a family firm with four partners which was a multinational company has it possessed four sales and productive units (in the United States, Canada, Mexico and Portugal).

1907 – Opening of a new factory of cork planks at Vendas Novas (Portugal)

1908 – The company changed its name to L. Mundet & Sons Incorporated, and also moved its headquarters from Catalonia to Portugal, opting for a full delocalisation strategy from Spain to Seixal, in Portugal. Firstly José Mundet, and then his son, Joseph Mundet Jr, were the majority shareholders.

1914 - Opening of a new cork factory for the preparation of raw materials in Mora (Évora, Portugal), which was in operation until 1963.

1915 – Creation of the paper cork section at the Seixal unit.

1917 – Opening of a new unit in Amora (Seixal, Portugal) for the production of discs and stoppers. This factory was closed in 1967.

1917 - Opening of a new unit in Vendas Novas (Portugal), to produce prepared cork. Closed its doors in 1952.

1920 – A new factory was opened in New Jersey, to produce agglomerated cork.

1921 and 1924 – Opening of two new factories in Montijo (Portugal) to produce granulated cork and agglomerated cork (black; pure and composite agglomerated cork). They both closed their doors in 1988.

1922 – The units in Portugal were all integrated into a new firm – Mundet & Companhia, Lda, with three partners: José Mundet, Luis Gubert i Cappelá and Joaquim de Sousa (a non-family partner), all of them working as managers of the firm. This new firm maintained close relations with Mundet & Sons in the United States, selling the Portuguese cork production (stoppers, raw material and agglomerated cork) to the American market through Mundet & Sons. The American and Canadian branch and the English branch had the same managing director - José Mundet.

1924 - Opening of a new factory for cork preparation in Algeria. The manager of Mundet Africa SA was Luis Gubert.

1926 - Opening of a sales warehouse in Croydon (England) - Mundet Cork Products, Ltd (England), which was also an affiliate of Mundet & C.ª.

1927 - The share capital of Mundet & C.ª was reinforced.

1927 – Opening of a new factory at Ponte de Sor (Portalegre, Portugal), and another in Algeria.

1928 - Another factory was opened in San Vicente de Alcántara (Extremadura), for processing cork from this Spanish region - Corchos Mundet España, S.A. (San Vicente de Alcantara) was affiliated to Mundet & C.ª, which was managed by Joaquim de Sousa.

1930 - L. Mundet & Sons, Inc. became Mundet Cork Corporation with two units, one in New York and the other in New Jersey. This firm had exclusivity for the sale of the cork that came from Mundet & C.ª and also had exclusivity in other markets. In 1962 it was sold to Crown Cork & Seal.

1936 – The management team of Mundet & C.ª consisted of: José Mundet (second generation) , Luis Gubert (married with the daughter of the founder); Joaquim de Sousa; José María Genis Arolas; Antonio Iglesias Cruz and Luis Gubert i Mundet (ground son, third generation).

1938 – Was a turning point in terms of the management of Mundet & C.ª, as José Mundet gave his son the majority of shares and others to José Genis and Antonio Iglesias. By doing so, he allowed Joseph Mundet of the third generation to become the majority partner and he was nominated managing director of Mundet & C.ª until his death in 1962.

1939 – The mandate of Joseph Mundet was suspended and the management of the company was carried out by Luis Gubert, Joaquim de Sousa and Luis Gubert i Mundet.

1940 - José Mundet dies and Joseph Mundet, his son, assumed the role of Chairman of the Mundet Cork Corporation. Since that date only conflict took place, culminating in a court case in which the shares and managerial powers were transferred to Joseph Mundet, José María Genis, Antonio Iglesias and Henry Cant.

1946 - A new unit was opened in Jimena de la Frontera (Andalusia/Spain).

1947 – Luis Gubert and Joaquim de Sousa sued Joseph Mundet Jr. and the remaining partners. They lost and the partnership was dissolved.

1949 - Joaquim de Sousa, Luis Gubert, Luis Gubert i Mundet and Teresa Gubert Gomes sell their shares.

1951 – António Iglesias sell his shares to Joseph Mundet Jr. and José María Genis.

1953 – Joseph Mundet Jr, José María Genis and José Azeredo Perdigão were the managers of Mundet & C.ª.

1958 – The company had several new partners: José Azeredo Perdigão, José Genis Gorgot, Antonio Costa Guerra and Miguel Antonio Horta e Costa.

1962 – Joseph Mundet Jr died and his wife became the major shareholder.

(…)

1986 – Paula Mundet died.

1988- The Seixal and Montijo units were closed down.

1992 – Bankruptcy was declared for Mundet & C.ª.

A.2 Chronology of *The Amorim Group 1908 - …*

1908 – The Amorim family moved to Lamas (Feira /Portugal) and opened a factory. The founder of this factory, António Alves Amorim, his wife, Ana Pinto Alves, and their eleven sons were the main employees of the factory, together with six other employees. They only produced stoppers.
1922 – The family built a new factory at Lamas (Feira/Portugal) and founded the firm of Amorim & Irmãos, with the nine sons of António Alves Amorim as partners (second generation). Three of the brothers went to Brazil and two of then also founded firms connected to the cork business (Amorim & Pinto and Amorim & Coelho).
1935 – Opening of a new unit in Abrantes (Portugal) to produce their own cork planks.
1939 – The firm was reduced to 5 shareholders (five brothers), who were the brothers who remained in Portugal. At this time the firm had 150 employees.
1940s – The firm Amorim & Irmãos had 321 employees and produced daily almost 700,000 stoppers and almost 200 firms were dependent on it in terms of raw material and credit. The third generation entered the business and the various tasks within the company were divided among members of the family.
1960 – The Sociedade de Isolamento de Cortiça (agglomerated cork) was founded in Brazil.
1963 – Corticeira Amorim was founded in Mozelos (Feira/Portugal). There were five shareholders: 4 brothers (third generation) and one uncle (second generation). They were also shareholders of Amorim & Irmãos, which had 600 employees. This new firm produced agglomerated cork with the cork leftovers from Amorim & Irmãos.
1968 – The firm Inacor was founded, which belonged to the cousins (third generation), which also produced agglomerated cork.
1966 – Corticeira Amorim Algarve was founded, also producing agglomerated cork.
1967 – Gerard Schiesser Gmbh in Vienna was founded as a sales agent for the Eastern market.
1969 –The sons of Américo Alves Amorim (third generation) bought the firms of Amorim & Irmãos and Itexcork in Vendas Novas (Portugal) from their cousins, as well as Inacor. The firm became Corticeira Amorim CA.
1970s – The importance of the American market was reduced and the European market became more important. Santa Maria da Feira (Portugal) became the centre of cork stopper production, but there was some diversification in terms of cork products.
1972 – The group bought Comatral (production of cork planks) in Morocco (Africa).
1976 – The group bought Samec (planks production) in Seville (Spain)
1978 – Opening of a new unit at Santa Maria da Feira (Aveiro,Portugal) - Ipocork.
1982 – Champcork was founded in Lamas (Aveiro,Portugal), producing stoppers for sparkling wine.
1983 – Creation of Labcork.
1984 – Creation of the Hungarokork-Amorim partnership between Corticeira Amorim and two Hungarian publically quoted firms.

1984 – José Amorim, one of the shareholders, did not agree with his brothers about the firm's strategy and left the firm, selling his share to his brother.
1988 – The group opened the share capital to other shareholders, but the family kept the majority. The firm is now called Corticeira Amorim SGPS.
1990s – The fourth generation enters the business with degrees in management.
(…)

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