
THE COUNTRY-OF-ORIGIN EFFECT AS A CONSTRAINT TO
INTERNATIONALIZATION: THE CASE OF PORTUGAL'S FURNITURE
INDUSTRY

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Biographic note

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In 2012, she joined the University of Trás-os-Montes e Alto Douro, in Vila Real, in the Languages and Business Relations degree. There were 3 rich years of academic learning and moments of coexistence, where she had the opportunity to make great friendships.

After graduation, she began her professional career at Altaroda in the same here (2015), a company that operates in the automotive Industry. She was responsible for the Purchasing Department where she developed her first management skills and created enriching relationships with several international export companies. Alongside that, she held a German course to add value to her professional profile.

Due to the increasing competitiveness of the labour market, she felt the need to complement her basis academic training by applying to the master's in Economic and International Management by the School of Economics of Porto. The lessons learned by some of the best professionals in the country will always be considered as fundamental for the development of any function in this area.

She currently works as a purchasing and logistics agent at Cudell, one of the largest Portuguese companies in the irrigation sector.

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Abstract

Purpose: This study aims to understand to what extent the country-of-origin effect represents a constraint to the internationalization process of a firm and what are the strategies that firms can rely on to overcome such constraint. The focus of the present study is to find out if Portuguese country of origin effect has any implication in the internationalization of Portuguese furniture companies.

Design/Methodology: For that purpose, it was used a qualitative methodological model, based on Grounded Theory, through the analysis of interviews with Portuguese entrepreneurs in the furniture Industry. The sample is composed of eight companies, as heterogeneous as possible, and a regional business association.

Findings: It was verified that Portuguese country of origin effect may have an influence on the internationalization process of a company, making it difficult to develop brand awareness and consumer's perception of its origin.

Limitations/Implications: We considered only one entry mode (exports) and one single national identity. Future research could explore the influence of COO in other entry modes; It was also considered a small sample based on a qualitative analysis. Future research could complement this study with a quantitative analysis and wider sample;

Originality/Value: This study can be considered quite relevant since it suggests to companies' ways of overcoming possible barriers to internationalization, especially the country of origin effect.

Key words: Internationalization, Country-of-origin effect, furniture, Portuguese furniture, Internationalization constraints, strategy.

Resumo

Objetivo: Este estudo procura perceber em que medida o efeito país de origem representa um constrangimento ao processo de internacionalização de uma empresa e quais são as estratégias que estas podem adotar para ultrapassar este constrangimento. O foco principal do presente estudo é perceber se o efeito país de origem português tem alguma implicação na internacionalização das empresas de mobiliário portuguesas.

Desenho/Metodologia/Abordagem: Neste estudo, optou-se por seguir um modelo metodológico qualitativo, sustentado no *Grounded Theory*, através da análise de entrevistas a empresários portugueses na área do mobiliário. A amostra é composta por oito empresas o mais heterogéneas possível e uma associação empresarial regional.

Resultados: Verificou-se que o efeito país de origem português pode ter influência no processo de internacionalização de uma empresa, dificultando o desenvolvimento da notoriedade da marca e a perceção que o consumidor tem da sua origem.

Limitações/Recomendações: Foi considerado apenas um modo de entrada (exportações) e uma única identidade nacional. Pesquisas futuras poderiam explorar a influência do Efeito País de Origem em outros modos de entrada; Foi também considerada uma pequena amostra baseada numa análise qualitativa. Pesquisas futuras poderiam complementar este estudo com uma análise quantitativa e uma amostra mais ampla;

Originalidade/Valor: Este estudo pode ser considerado bastante relevante uma vez que sugere às empresas formas de ultrapassar as possíveis barreiras à internacionalização, nomeadamente o efeito país de origem.

Palavras-chave: Internacionalização, Efeito país de origem, mobiliário, mobiliário português, Constrangimentos à internacionalização, estratégia

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Introduction

The country of origin effect has been a much discussed and studied subject in the international business area (Peterson and Alain, 1995), mainly because globalization and the growth of international trade have raised a new paradigm and, with it, new questions to be studied (Silva and Saraiva, 2016). Globalization has allowed the increase of competitiveness and the opportunities for companies to sell their goods to worldwide consumers. Due to the wider range of products offered and increasing similarity of the products, country of origin becomes an important variable when studying the evaluation process of foreign products (Jiménez and San Martín, 2010).

Country of origin is classified as the “home country” of a product, where it is assembled and produced (Al-Sulaiti and Baker 1998; Rezvani et al., 2012). Previous studies have shown that country-of-origin has influence on consumers’ attitudes/behavior as well as, for example, on purchase intention (Yunus and Rashid, 2016) which can be defined as a person’s willingness to buy a certain product (Dodds et al., 1991). Han (1989) says that there are numerous studies, which demonstrate that the origin of a product acts as a kind of quality mark, which ultimately influences the consumer's purchase intention. COO can also be considered as something truly powerful (Han, 1989), however some authors do not strongly agree with that, referring that there are some moderating factors that must be, also, taken into consideration, as price, brand, and distribution channels (Galhanone et al., 2015). COO effect can prove to be negative, positive or null for a country (Silva and Saraiva, 2016). When negative, this effect could turn itself into a constraint to internationalization, making it difficult to accept a product with a certain origin.

Although Portugal’s image has changed over the time, there is still a stigma associated to it. The most recent financial and political crisis has jeopardized the perception of Portugal abroad, so, it has been, consequently, contributed for a formation of a negative country-of-origin. Furthermore, according the Hofstede Cultural Dimension study, Portuguese people is still very conservative and averse to change, which also contributes for such negative impact and affects Portuguese companies that wish to expand their business overseas (Silva and Saraiva, 2016).

According to APIMA (2017) (*Associação Portuguesa das Indústrias De Mobiliário e Afins*)¹, the Portuguese furniture sector has been growing quite fast over the last few years. Portugal establishes itself as the 11th largest producer of furniture in Europe and the 21st in the world. Most of the Portuguese furniture companies are located in the north of the country (mainly in Paredes and Paços de Ferreira areas). In the 1980s, Portuguese furniture companies operated, practically, in the domestic market. At that time, there was no innovation, design or commercial departments. However, over the years and with Portugal's entry into the EU, there has been a growing need for investment in innovation and technology. This, in conjunction with the growth of the quality of life and the real estate boom, encouraged the consumption of furniture. However, with the real estate crisis of 2007, furniture companies suffered a lot and only the most versatile ones were able to survive and remain in the market. There was a rapid learning process and, between 2007 and 2010, there was a great concern about the quality of presentation of Portuguese companies as well as the diversity of styles produced, innovation and design.

Despite the continuous growth, this sector still faces certain challenges, such as the lack of academic training for certain managers who could provide them the key tools to overcome certain liabilities. Investing on marketing, communication and strategic management are also major concern since it is necessary to know how to sell and not just produce. Additionally, another big challenge that Portuguese companies face is the country of origin effect. Despite the current assured high quality offered by many of Portuguese companies, the “made in Portugal” label still evokes some constraints.

There are numerous studies about the country of origin effect. However, most of them focus on the effect on consumption. There is, therefore, a gap in how such effect influences the internationalization process and how companies can mitigate and overcome it.

The main purpose of this study is to understand to what extent the country-of-origin effect represents a constraint to internationalization: Does it have influence on a company's internationalization process? Which are the main difficulties that a company can face during the process of internationalization due to country of origin? And why does this happen? This study seeks to answer all these questions and to suggest some strategies to

¹ Data from APIMA's seminar about the internationalization of the Portuguese furniture sector. UP-Faculty of Economics. Porto, 25th of September of 2017.

overcome such issue. This particular subject focuses on the Portuguese furniture industry since, despite its fast growing reputation in the international context, it still seems to face some difficulties due to its country of origin.

The methodology applied in this study is the Grounded Theory. The data were collected from interviews with Portuguese entities, so different cases can be compared and discussed.

This research is divided into five sections, beginning with this introduction. The first chapter focuses on the development of the existing theory about the Country-of-Origin effect as part of a constraint to the internationalization process. In addition, on this chapter, it is presented also some strategies to overcome such constraints. The second chapter includes the adopted methodological approach (Grounded Theory) and its procedures, as well as, introduces the sample data by briefly resuming the interviews. The first part of the next chapter presents the results obtained from the codification of the interviews, while the second part seeks to discuss these results by establishing a parallelism between them and the literature review presented on chapter one. Lastly, on the chapter four, it is presented the conclusions of this research as well as its inherent theoretical and practical implications, limitations and recommendations for future research.

1. Literature review

According to The International Monetary Fund (2002) and the Federal Reserve Bank of Minneapolis (2004-2005), the phenomenon of globalization can be characterized as a progressive expansion and progress of human and technological innovation among countries, a successive “integration of economies around the world”, as well as the free movement of people, products, services, labor and capital across borders. The idea of one single marketplace has revolutionized the way companies, around the world, now act towards global competitiveness. Nowadays, because of the increased supply (from the most varied countries) and intense competition, consumers’ perceptions and sensitivity to country of origin (COO) have been changing (Agrawal and Kamakura, 1999). Consumers tend to evaluate a certain product from multiples factors during their decision-making process, grounded on their knowledge, experiences, information, etc. Silva and Saraiva (2016) state that some companies can rely on their Country-of-origin effect to add value to their products while others cannot. Bilkey and Nes (1982) and Schooler (1965) support this statement saying that products with identical features made in different countries are not evaluated equally. Products from less developed countries usually carry a more negative image than products from more developed countries. Consequently, there are foreign companies/brands that, in some cases, benefit from their foreign identity (Maruyama and Wu, 2015). Therefore, companies with a negative or null COO effect need to rethink their strategies and provide unique and distinctive assets in order to develop a solid competitive position and generate a positive COO effect (Silva and Saraiva, 2016). Due to the fact that markets and production are becoming increasingly interdependent (OECD 1993), allowing a globalization of production and, therefore, the appearance of hybrid products, defining COO has been quite difficult (Mossberg and Kleppe, 2005).

1.1. Constraints to internationalization

There are many reasons that led domestic firms to internationalize. Some seek to increase sales, profits and competitiveness, achieve larger economies of scale and learn from the big international players, while others are “forced” to do it because of their saturated domestic markets, the declining sales and low domestic demand (Czinkota, 2004). However, firms’ decision to establish business abroad can be influenced by all the existing constraints.

Internationalization is a complex process that involves multiple resources and great efforts by firms who intend to do business abroad. It requires a careful and well-planned strategy, so firms can succeed overseas. Moreover, most of the times it can become quite difficult since firms can face some challenges, such as the Liability of Foreignness (LOF).

Liability of foreignness can be defined as the “inherent disadvantage foreign firms experience in host countries due to their nonnative status” (Peng, 2009). Hymer (1960) and Zaheer (1995), considered two of the main authors studying this matter, refer that foreign firms do indeed face some disadvantages during their internationalization process. Hymer (1960) was the first scholar to explore and study the costs incurred by foreign firms while operating abroad. He argues that foreign firms face certain costs (costs of doing business abroad) that domestic ones do not. This is because domestic companies are aware of their own laws, market and culture and can receive a better treatment by local government while foreign ones would have to spend more resources searching for the right information (Hymer, 1960). Both CDBA (costs of doing business abroad) and LOF concern the disadvantages firms can encounter in host countries because of their nonnative status. Some authors argue that both concepts represent the same (cf. Luo and Mezias, 2002). However, Eden and Miller (2001) defend that LOF is a CDBA component because it highlights the social costs of doing business abroad while CDBA contains both social and economic costs (Eden and Miller, 2001). In a further study, Eden and Miller (2004) define the cost of doing business abroad in the following way:

1. Relative production costs related to products’ features, distance, transport costs, trade barriers, currency rate and all additional costs that can emerge;
2. Relational Hazards composed of administrative costs resulting from managing the relationships between all parties involved in the business;
3. Managing operations at a distance related to costs that result from managing the operations at a distance;
4. Liability of Foreignness, considered by Zaheer (1995) as “all additional costs a firm operating in a market overseas incurs that a

local firm would not incur”. These may come from spatial distance between the domestic and the host country (transportation costs, etc.); cultural distance (lack of roots) and institutional distance (government and policies requirements) (Zaheer, 1995).

Considering LOF as one of the main constraints that firms can encounter in the beginning of their internationalization process, it is important to understand similar concepts and their involvement. Unfamiliarity hazards are caused by a lack of quality information about local markets and host culture as well of lack of international experience and unfamiliarity with local business. It may be called liability of newness (LON) as it is described as all the costs that a foreign firm “must incur to achieve the same level of knowledge as the national firm” (Eden and Miller, 2004). Each new entrant faces LON in the beginning because they are not familiar with foreign business practices, they cannot identify all the opportunities, and they do not have the necessary information and a good network base, so they can compete with other established companies. Within the LON, there are two kinds of unfamiliarity: newness to the industry and newness to the country, which this last one can be compounded if the origin of the firm evokes negative feelings. Besides LOF and LON, there are two other relevant liabilities: Liability of smallness (LOS) and liability of outsidership (LOO). Normally, small firms with a lack of financial and human resources and very limited production capacity are less likely to thrive and survive in the international market since they have to compete with larger players (Hannan and Freeman, 1984; Aldrich and Auster, 1986). Liability of outsidership is a recent studied concept firstly initiated by Johanson and Vahlne’s (2009). According to the authors, LOO comprehends the liability faced by firms concerning their lack of business connections. In order to compete effectively, a firm’s must search for the right resources and the right partners (networking) to, therefore, reduce its outsider position in the foreign markets (Vahlne et al., 2012).

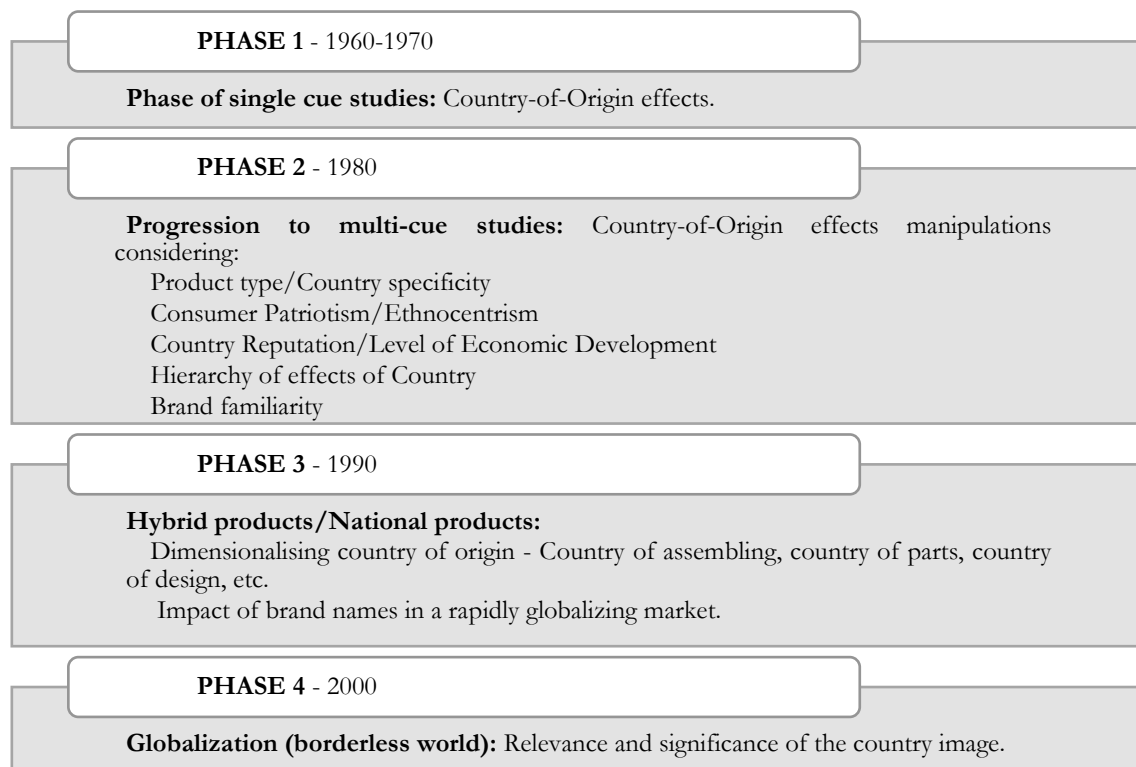
A firm's' internationalization process can be strongly affected by the existence of these above referred hazards. In addition, if a firm’s COO effect is negative, this will represent another constraint and turn the internationalization process even more difficult.

1.2. Country of Origin

The large number of studies about the Country-of-origin are a great indicator of the importance of this matter in the context of international business. The earliest studies of this subject date from the decade of 1960, when the effect of Country-of-Origin on the purchase intention began to be studied and tested. It was already stated that products from less developed countries were not considered as good as the ones from developed countries by most of the developed country consumers (Schooler, 1965). The concept continued to be deepened and its relevance questioned over the years.

Phau and Prendergast (2000) made a research of the main studies about the Country-of-Origin and organized the evolution chronologically. As shown in the figure below, the evolution is, according to the author, divided into four phases so far:

Figure 1– Evolution of the Country-of-Origin studies.



Source: Adapted from Phau and Prendergast (2000)

As can be observed, the research on the Country-of-origin effect has become more complex due to the emergence of hybrid products and the phenomenon of globalization.

1.2.1. Country of Origin and similar definitions

COO can be defined by the country of origin of a product/service. i.e., by the place of production, assembly and design (Galhanone et al, 2015) and the place where the headquarters of a company are located (Al-Sulaiti and Baker, 1998). As mentioned above, defining COO is not as easy as it seems because there are plenty of hybrid products nowadays. The emergence of these hybrid products are those whose components are sourced from several countries (Mossberg and Kleppe, 2005) and whose manufacture/assembly stages are completed in different countries as well. One of the most popular cases of hybrid products is the range of products from Apple. They are designed in California and assembled in China. Nevertheless, most people perceive them solely as an American product. This supports what Thakor (1996) stated: the place/country where a certain product is actually made can differ from the consumers' perception about its place of origin. This can be explained by a lack of knowledge, information and, sometimes, by strategies coming from companies whose countries of origin are less popular among consumers' preferences. This last reason is very common when it comes to countries with a null or a negative COO effect (Thakor, 1996).

According to Gregory and Ross (1994), COE is the influence that a certain product or service's country of origin has on consumers' decision processes and the produced effect can be null, positive or negative to a country (Silva and Saraiva, 2016). COO effect is the result of consumers' perception of a certain country due to their experience, personal and political beliefs, knowledge, etc. (Knight, 1999). COO is very related to country image (CI) (Roth and Diamantopoulos, 2009), which can be described as the general view, stereotype and perception that consumers have regarding products from a given country (Galhanone et al, 2015).

1.2.2. The impact of Country of Origin on decision-making process

Consumers go through a process of reflection and evaluation before purchasing a product. Sometimes this process can be quite fast while in others it can be more complex. It depends on how well a consumer knows the product (level of familiarity), its category, perceived quality, and its level of involvement (Zafar et al., 2004). These factors, as well of the number of existing cues and customer's ethnocentrism, can moderate the impact of COO on product evaluations.

1.2.3. Moderating factors of Country-of-Origin Effect on consumers' evaluation process

The very first studies of the COO date back to the 1960s, where Schooler's (1965) research concluded that products originated from less-developed countries were not evaluated in the same way as the ones from developed countries. According to Schooler, they were not considered as quality products because there was a bias associated with products made in such countries (less-developed ones) (Schooler 1965). The first studies tested COO as a single cue. However, the COO is no longer considered an isolated subject of study. Over the years, several authors (e.g. Schooler 1971, Bilkey and Nes 1982, Tse and Gorn, 1993, Roth and Romeo, 1992) had perceived the complexity and the importance of COO. Therefore, they started to drive their research to several areas of interest and to analyze the COO on different perspectives (multicues tests). Han (1989) and Maheswaran (1994) played an important role in research of country of origin effect and its moderating factors/variables. Han's work focuses on consumers' use of COO information, arguing that consumers use such information differently, depending on the degree of familiarity or knowledge they own with the corresponding product category (Han, 1989). Maheswaran (1994) added that consumers resort on cues during its decision-making process. Some are considered intrinsic while others are extrinsic. Intrinsic cues are those directly related with a certain product (e.g. physical and inherent features of a product) while extrinsic cues are more intangible and not fundamental to its performance (such as COO, price, brand, warrant terms, distribution channels, etc.) (Maheswaran, 1994 and (Costa et al., 2016). Intrinsic cues, generally helps to differentiate a product from another, so in their absence (lack of information or no prior purchase), consumers tend to rely on extrinsic cues (Jacoby et al., 1977). According to Hong and Wyer (1989) and Han (1989), when the COO cue is presented with others, the effects on COO in their cognitive process can be observed in two different ways: 1- The halo effect and 2- the summary construct.

Familiarity

The halo effect happens when consumers are not familiar with the product and/or its country of origin. Therefore, due to the lack of information about a certain product, consumers rely on their beliefs about it, which will affect the overall evaluation (Johansson et al., 1985) and it can be positive or even negative, depending on the consumers' feelings and beliefs about the country. Usunier and Cestre (2007) refer that the influence of COO tends to be stronger when consumers are not familiar with a product category. On the other

hand, when they become familiar with it, the importance of COO tends to diminish (Usunier and Cestre, 2007). The summary construct sets in when consumers are familiar with a country's product and resort to their stereotypical beliefs, experiences and overall knowledge regarding that country (Country Image) (Han, 1989). As a summary construct, the information about the country of origin is used as a proxy, summarizing other information on attributes already known or expected. The summary construct results from the generalization of preconceived thoughts about products made in one country to attributes of other products of that same country. In addition, the image of a country is processed as a stereotype, acting when accurate information is not available (Han, 1989).

Level of involvement

Besides the mentioned factors, the COO effect can be also moderated by the level of involvement, product categories and by the consumer's ethnocentrism. The degree of involvement with the product also leads consumers to use information about the country of origin in different ways. For Assael (1992), involvement with a product occurs when: it is important and represents a continuing interest for the consumer, it involves significant financial, technological and social risks, it has emotional appeal and/or when it is identified with the standards of the reference group (Assael, 1992). According to Maheswaran (1994), the country image or COO, under conditions of low involvement, acts as a stereotype or as a halo and it can be an important input in the attitude development as exhaustive search for information is unlikely (Maheswaran, 1994). Furthermore, Kambiz et al. (2017) affirms that COO does matter when evaluating low-involvement products. However, it tends to be weaker in the presence of other extrinsic cues, such as price and brand. Concerning the high-involvement products (products which require long and careful consideration), COO tends to be weaker since consumers search for all kind of relevant information before deciding (Kambiz et al., 2017). COO plays also an important role in certain product categories, such as cars, perfumes, electronics, wine and cheese. On the contrary, the importance of COO tends to be weaker regarding essential needs products (Hinner, 2010).

The relevance of COO for consumer decision-making process has been questioned over the past years. In fact, although people consider the COO of products as an unimportant cue in their product judgments, a study by Liu and Johnson (2005) proves that COO has an "automatic" effect on consumers' mind. Even though they do not like to recognize it, their product evaluations might be automatically influenced by the presence of COO. Martin et al. (2011), Hinner (2010) support this theory, stating that "exposure to

negative COO cues evokes spontaneous negative associations” and positive perceptions about a country will result, as well, in positive perceptions about its corresponding products/brands (Hinner, 2010).

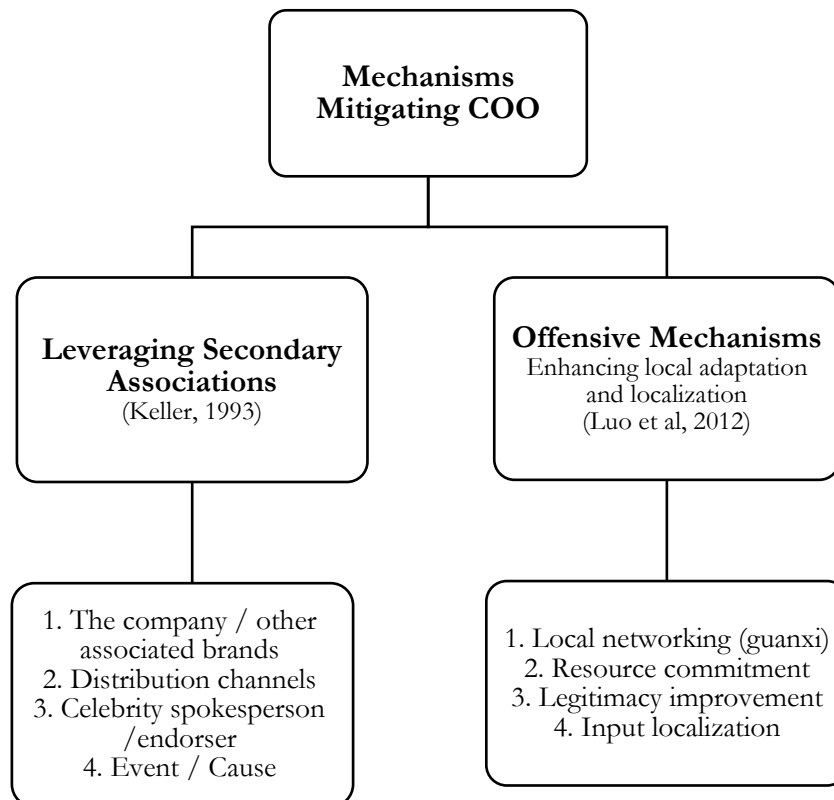
The process of internationalization is not always easy since the different difficulties may arise from internal (related to firms’ resources and capacities) and external barriers (related to the market and the external environment) (Leonidou, 2004). As firms cannot directly control external barriers, these can represent a major challenge for them. Consequently, firms with a negative COO effect will face even more difficulties than the ones with a positive effect. In order to succeed overseas, these firms have to take the risk and overcome many of the existing barriers by adopting effective strategies.

1.3. Strategies to mitigate and/or overcome the constraints

According to Eden and Miller (2004), the entry mode choice can determine the success of an internationalization process. Joint-ventures, for example, with the right partners, can be a great way to reduce the unfamiliarity and discrimination hazards as well as a possible negative COO effect (Eden and Miller, 2004). Moreover, the offensive strategies suggested by Luo et al. (2002) and the theory of the secondary associations enhance from Keller (1993) can prove to be super effective strategies to mitigate a negative COO effect.

The diagram below resumes the strategies outlined above:

Figure 2 – Mechanisms mitigating COO



Source: Adapted from Luo et al (2002) and Keller (1993)

1.3.1. Enhancing Secondary Associations

Secondary associations are the kind of associations that are in consumers' memory and that create a bond with the brand and with the consumer. Primary associations are directly linked with the product (quality, price, image, etc.) while secondary ones relate to

the experiential and symbolic benefits of products (extrinsic values). In the absence of brand information (primary associations), consumers tend to rely on secondary associations instead (Keller, 1993). On Keller's perspective, "secondary associations may arise from primary attributes associations related to the company, the country of origin, the distribution channels, a celebrity spokesperson or endorser, or an event" (Keller, 1993). The COO is itself a secondary association. When consumers recognize the country of origin of a certain brand, it may bring positive or negative feelings (Shahin, 2012). Many countries have become known for being experts in certain product categories or for conveying a particular image. The Swiss watches, French wines, German cars and Italian shoes can probably all benefit from their origin and evoke positive feelings in consumers mind. Firms that cannot be benefited by their origin, have to resort on other secondary associations that can enhance their market position. Such associations can be: Company/ associated brands, distribution channels, celebrity spokespersons and events.

1. The company / other associated brands: By associating a firm/brand with another one with great brand awareness and reputation, such firm/brand can benefit from all its knowledge (feelings images, thoughts, attitudes, experiences, etc);
2. Distribution channels: Selling through the right channels of distribution such as retailers, can benefit and improve the brand/firm's image;
3. Celebrities and endorsers: Drawing attention to a famous person can shape brand perceptions. Associate a brand/firm with a certain celebrity may improve the brands image if such person has a high level of visibility and evokes positive judgements and feelings (Keller, 1993; Yang and Wang, 2008)
4. Event/cause: Sponsoring a certain event/cause can improve brand awareness and strength associations, as well as improves legitimacy (Keller, 1993).

Secondary associations act like the extrinsic cues proposed by Jacoby et al., (1977). If consumers lack information about primary associations - those directly linked to the performance of the product (intrinsic cues), they tend to resort on secondary ones (Keller, 1993; Jacoby et al., 1977). That is why firms must work on their brand secondary associations: if consumers are not familiar with their product, at least they will resort on associations that can benefit the firm. Furthermore, if firms come from a less popular country, they must enhance their other secondary association in order to minimize the COO effect.

1.3.2. Offensive Mechanisms

Offensive mechanisms seek the firms' adaptation to the environment of the host country and the increase of its organizational legitimacy. The purpose is to reduce the "foreign" factor of a firm as much as possible and transform it into a local one (Luo et al., 2012). That way, even firms with a negative COO effect can reduce their liabilities by adopting the following four mechanisms:

1.3.2.1. "Local networking": A local network (or *guanxi* in mandarin) occurs when a firm develops and maintains connections (interpersonal and inter-organizational) with local business entities (such as customers, suppliers, governments, partners, retailers, distributors, etc.) (Luo et al., 2002). This type of networks is crucial for a firm survival. The "Networks approach theory" enhance, as well, the importance of establish and maintain networks and follow them through foreign markets to build commitment and trust with key partners and stakeholders. Like that, firms can penetrate in foreign markets faster (Johanson and Vahlne, 2009) and enhance their insider status (Vahlne et al., 2002). By establishing such key connections, firms can also see their COO effects minimized, as the target market entities already know them and their business.

1.3.2.2. "Resource commitment": If a firm wishes to consolidate its position in a foreign country and enhance its power, the best strategy to do it is through a "resource commitment", i.e., a contribution of valuable resources. Usually, firms need to rely on this mechanism since they face some disadvantages (lack of information, knowledge and experience) regarding the local and already established firms. Hence, they dispose their valuable resources in order to attract support from local governments and the right investors (Luo et al., 2002). By doing that, firms can avoid any discrimination treatment concerning their origin.

1.3.2.3. "Legitimacy improvement": It consists in a very important step, mainly when firms are entering for the first time in a market (Luo et al., 2002). Because of their lack of experience and knowledge about the target country and the lack of networks, they must seek gaining trust and supporting the social actors. It can be done throughout, for example, contributions for social and environmental projects in the host country (Maruyama and Wu, 2015). This process of legitimation could turn into a big challenge, especially if firms experience a negative COO effect. Such firms take longer and must work harder to gain legitimacy due to their country of origin (Zarkada-Fraser and Fraser, 2002).

1.3.2.4. “Input localization”: It occurs when a firm decides to use the foreign country’s production factors “as the major inputs for its production, operation and organization”. Such factors can be raw materials, facilities, human resources, etc. Like that, imports and foreign dependence can be reduced. This can improve the firm's’ image and, consequently, reduce the importance of their origin since the firm starts to prioritize the local resources and the local needs instead of their domestic ones (Luo et al., 2002).

1.4. Conclusion

As a conclusion of this chapter, we sought to address a diversity of concepts considered to be fundamental to the present study. Internationalization has been an increasingly evident phenomenon due to the increasing globalization and consequent free movement of goods and services. Companies with saturated domestic markets or that seek to increase their size and sales volume, feel tempted to direct much of their sales to foreign markets. However, the process of internationalization must be strategically designed so that companies can succeed overseas. Difficulties such as Liability of Foreignness, Liability of Newness, Liability of Smallness and Liability of Outsidership are the most pointed in the literature. However, if a company comes from a less popular country and evokes a not so positive connotation, it may face some increased difficulties in its internationalization process. The origin is assumed more and more as an intangible characteristic of the product, fundamental in its perception and in the process of construction of image. Information and communication as well as familiarity assume a preponderant role in the attitude of the consumer to the origin. It is also important to realize that consumer relies on two effects (halo and summary) both in their product evaluation and in the purchasing process.

It is therefore imperative that companies adopt strategies that can overcome these barriers. To achieve this, firms can resort on offensive strategies and through the improvement of its brand's secondary associations.

2. Methodology

This section seeks to present and describe the methodology chosen to conduct the current research, the data collection mechanism, as well as the data treatment process.

2.1. Qualitative research - Content Analysis

The methods of qualitative data analysis are an area of growing interest among researchers and professionals in the fields of administration and research. In this context, content analysis has received prominence in the academic community by increasing emphasis on methodological rigor and the need for greater depth in investigations (Freitas, 2000).

Through content analysis, it is possible to understand and interpret each unit decomposed from the original message (Flick, 2004). The unit of analysis can consist of words and themes as well as objects, characters or events (Bardin, 2009; Malhotra, 2004). This choice helps to verify the frequency of certain terms or topics, facilitating the identification of the content and information characteristics present in the text (Hair et al., 2003).

2.2. The Grounded Theory Method

The Grounded Theory was proposed by Glaser and Strauss (1967). It consists in a qualitative methodology that seeks patterns of action and interaction between various types of social units in order to generate theory. It has, in fact, some similarities with other qualitative methods, such as materials, interviews, case studies, etc. However, there are two main differences:

1. It can combine both qualitative and quantitative techniques;
2. It is based on theory development (through an inductive process) and not on theory verification (Glaser and Strauss, 1967).

This method seeks the theory development from the collection, systematic analysis and comparison of data through sequential and interconnected procedures (Fernandes and Maia, 2001). According to Glaser and Strauss (1967) the purpose of the research is not the search for the absolute truth but rather for relative and contextualized truths that can be interpreted differently (Glaser and Strauss, 1967).

Pandit (1996) identifies five analytic phases of grounded theory building: research design, data collection, data ordering, data analysis and literature comparison in which they all must be connected. Within the research design phase, there are some stages that must

be followed: the first one is to identify the research question. It must be carefully thought, so it does not compromise the entire investigation. The second stage concerns the choice of the first case in which it may be selected through a theoretical sampling (the sampling will be defined throughout the analysis instead of being defined in advance). The recommended procedure is to analyze the data as they are collected, ending when the theoretical saturation is reached. Once a category becomes saturated, i.e., there are no more new and relevant data to add, another one should be explored and become as more saturated as possible (Glaser and Strauss, 1967). The main goal is to find a relevant sample that represents different variations of the phenomena.

The following cases must be selected to test and extend the initial theoretical framework led by the first case. Yin (1989) points out three options of purposes that can be brought by cases:

1. Select a case to extend the already created theoretical framework;
2. Select a case to replicate previous case(s) and test the existing theory;
3. Select a case that represents an opposite to extend the existing theory (Yin, 1989).

These three options are appropriate and can be used in order to fill emerging theory, connect or contrast ideas.

According to Yin (1989), the next phase of grounded theory building consists in ordering data chronologically. It allows the researcher to analyze the empirical cases over time and sequentially (Yin, 1989).

The following step, data analysis, should be initiated once the first /data are collected. In this stage, the researcher starts generating concepts through the coding process, i.e., “the process by which theories are built from data” (Strauss and Corbin, 1990). There are three types of coding: the open, axial and selective coding. In the first one (open coding), the researcher starts analyzing the data by categorizing and labelling the phenomena. This type of coding enables the researcher to ask some simple questions and make systematic comparisons in order to group similar situations. The axial coding allows the researcher to join all the data in different ways to establish connections between a major category and its sub-categories. It is in the last one (selective coding) that the initial theoretical framework starts to be formed by the integration of all the emerged categories.

At last, the final stage named the “Literature Comparison” comprehends the comparison of the emerged theory with the extent literature and the analysis of their differences and similarities (Pandit, 1996).

The table 1 resumes all the phases and its purposes and motivations.

Table 1 – Mechanisms mitigating COO

Phase	Step	Activity	Motivation
1. Research Design	a) Literature Review	Definition of research question;	Focus in literature;
	b) Case selection	Theoretical sampling, not random;	Focus on theoretically useful cases;
2. Data Collection	c) Develop a rigorous data picking protocol	Create a database of the studied cases; Employ multiple data collection methods; Use qualitative and quantitative data;	Increases reliability and construct validity; Strengthens theory by triangulation of evidence; Synergistic view of evidence;
	d) Fieldwork	Overlap data collection and analysis; Flexible and opportunistic data collection methods;	Speeds analysis and allows adjustments to be made in data collection; Allows researchers to take advantage of emergent themes and unique cases;
3. Data Ordering	e) Data ordering	Organize the data chronologically;	Facilitates and speeds data analysis; Allows the examination of processes;
4. Data Analysis	f) Analysing data of the first case	Use the encoding process (open, axial and selective coding);	Develop concepts, categories and properties; Develop connections between categories and sub-categories; Integrate categories to build theoretical framework;
	g) Theoretical Sampling	Literal and theoretical replication in cases (back to step 2 until reach the theoretical saturation);	Confirms, extends and enhances the theoretical framework;
	h) Reaching closure	If possible, achieve theoretical saturation;	Process finishes when marginal improvement becomes small;
5. Literature Comparison	i) Compare emerging theory	Comparisons with similar and	Improves the construction of definitions and, therefore,

Phase	Step	Activity	Motivation
	with literature	conflicting frameworks;	internal validity; Improves also external validity as established study's findings can be generalized;

Source: Adapted from Pandit, 1996

2.3. The Portuguese Furniture Industry

The growth of the construction industry and the change in consumer habits in Portugal in the 1990s led to a significant increase in the domestic consumption of furniture products. In order to meet all these needs, Portuguese firms have decided to increase their investment in a larger and better technology that has enabled them to increase their production capacity. However, the exclusive focus on the domestic market did not allow companies to broaden their international horizons and develop marketing strategies accordingly.

At the time, Portuguese furniture sector was seen, mainly by customers of the European community, as a great supplier concerning the quality-price factor. The economic crisis in Portugal at the beginning of the 21st century has led national companies to redirect their strategy to foreign markets, more specifically to countries in the euro zone, with greater weight in Spain and France. However, the fact that these companies are mostly small and do not intend to cooperate with each other has meant that it was not possible to meet all market needs. However, traditionally, the small size of the companies also allows a faster and better adaptation to the market requirements. Therefore, changing the style of manufactured furniture and its design was not a big problem for them. Even so, these companies still denote some lack of qualification of the human resources in the specialization of new technologies, motivated by the inexistence of structures like technological centres and university institutions.

The European furniture industry is characterized by its high quality in technical, aesthetic, design and fashion terms, making it a strong brand image worldwide. The countries that stand out most in production value are Italy, Germany, United Kingdom, France and Spain. They all show strong competitiveness factors in the industry, such as research and innovation, skills and quality, design and value added, knowledge and know-how.

The Portuguese furniture sector is formed mainly by small companies, which are distinguished by the product they present, where each business is developed to the rhythm of very specific situations and market niches. With approximately 2400 companies and a sales volume of slightly less than € 1.3 billion, the sector is mainly home-based companies with a family management model.

In the northern region of the country there are located 68% of the Portuguese wood furniture companies, especially in Paredes and Paços de Ferreira Region (nearly 90% of those 68%).

Due to the continued shrinkage of the domestic market, exporting appears as the best solution for these companies. The lack of qualified human resources represents a major difficulty associated to this industry. Also, the fact that most businesses are family-owned and still run by aging generations makes resistance to change still significant. Sometimes, even if these limitations are overcome, companies are faced with the lack of adequate and necessary financing to improve the business, delaying its development.

As the furniture industry is constantly changing, the best internationalization strategy for companies may be the choice of local partners. Their experience can be decisive in the initial moments so that companies can cement their position with a lower risk. In order to thrive in external markets, domestic companies should seek to offer a product based on technology and design.²

² Data from APIMA's seminar about the internationalization of the Portuguese furniture sector, interviews with Portuguese furniture managers and from journals.

2.4. The Interviews

The interviews were the main instrument for data collection and were conducted between April and July of 2018. Those were recorded and later transcribed to avoid the loss of relevant information and their content was coded with the NVIVO software. Semi-structured interviews were used in order to conduct the interviews in a more natural and fluid way. In this type of interview, the researcher has a set of predefined questions but takes the liberty to place others whose interest arises during the interview. Predefined questions are still a guideline, but they do not indicate how the interview is going to happen, as questions do not have to be placed in a particular order or exactly as the same way as they were initially defined. All interviews were submitted to a content analysis. Through the organization of sources and data coding with NVIVO software, it was possible to extract useful and segmented information, which resulted in the creation of tree nodes, which label and ramify the interviewees' discourse.

2.5. The Participants

The sample is composed of eight furniture companies (as heterogeneous as possible) and one business association, most of them contacted through LinkedIn after a previous research. Eight of the chosen entities are located in Paredes and Paços de Ferreira region, the largest furniture-producing region in Portugal. The interviewed entities were chosen based on their business model, size, organizational culture, history and other relevant issues. All of them are Portuguese, operate in the furniture sector and have international experience (exports). The objective was to find similar and contrasting cases, as the methodological model itself requires.

The table 2 presents the interviewed entities as well as the job positions of the corresponding respondents:

Table 2 – Interviewed entities

Company/ Brand/ Institution	Name of the participant(s)	Job Position
ADN Furniture	Vítor Nogueira	CEO
Stylish Club from Jota Barbosa	Joaquim Barbosa Samuel Peixoto	CEO Foreign Markets Director
Meia Madeira	Fernando Sousa	CEO
Pregoo Upholstery	Ricardo Lourenço	General Director
Associação Empresarial	João Begonha	President

Company/ Brand/ Institution	Name of the participant(s)	Job Position
de Paços de Ferreira		
Viriato Hotel Concept	Carla Rocha	Commercial Director
DuCampus	João Campos	Managing Partner
Company X (Anonymous)	Miss Y	Project Manager
GonçalRochas	Paulo Rocha	CEO

2.5.1. ADN Furniture from *Nogueiras & Barbosa*

Nogueiras & Barbosa is a small family business with 20 years of activity. The company was founded by Vítor Nogueira (current CEO), his brother and his brother-in-law. ADN furniture is a brand created by Nogueiras & Barbosa in order to reach a more specific target audience through premium products: *“The point is, we want to have a brand associated with a superior product. ADN does not produce competitive products, only a superior range (...) this name aims to reach another segment and show a superior quality. This could not happen if we kept the name Nogueiras & Barbosa”*.

Currently, the company exports mainly to nearest European countries, such as Spain and France. Exports are made through local distributors who know the language, law, market and already have a good customer portfolio: *“We never do business to consumer abroad. We have clients in other countries, for example, the Cuisine Concept (in the case of France). This company belongs to a Portuguese but is headquartered in France. We export to them and then they do the distribution and assembly.”*

ADN furniture rely on its website and portfolio to communicate the business. Vítor Nogueira recognizes the importance and power of the internet these days. However, for him, the best way to promote its business is the word-of-mouth. *“Now that we already have good projects in our portfolio, it has been easier to receive orders and contacts. We publish these works on our website, on facebook and on our linkedin page to promote our brand.”*

2.5.2. Stylish Club from *Móveis Jota Barbosa*

Móveis Jota Barbosa, founded by Joaquim Barbosa, is a family business company with 30 years of activity. The company began to sell to the national market but quickly set out to conquer the international market (firstly for Portuguese-speaking African countries, Spain and France), producing custom-made furniture and its own collections. Joaquim created in

2012 another company named Made to Last, Lda to expand the business and to reach other potential markets. From Made to Last, Lda, Joaquim created the Stylish Club brand run by its son-in-law Samuel Peixoto. Stylish Club is a brand associated with prestige and luxury and it is communicated as “*a club where you and your home are privileged and unique members*”. Their most recent internationalization adjustment started seven years ago with the creation of their most recent brands in which their names were strategically chosen to enter in new markets and to reach other potential buyers. Before that, the firm *Móveis Jota Barbosa* exported mainly to African Portuguese-speaking Countries and to nearest European Countries, such as Spain and France “*due to geographical and cultural proximity and the ease of communication*”.

Two of the main internationalization obstacles encountered by Joaquim were “*the insufficient support provided by the government agencies and low return on investment rates*”. Most firms depend on public funds to be able to participate in international fairs since the costs are extremely high. In addition, he highlights, as well, the misallocation of these funds and the disorganization of the furniture industry’s business associations “*Our business associations do not act as one and do not have enough strength*”.

2.5.3. Meia Madeira

Meia Madeira is a medium, family-owned company, created in 2001 by Fernando Sousa and his brother that produces medium to high quality furniture for the high-end market. Over the years, the company has been adapting the wide range of proposals to the furniture market, demonstrating the great capacity to meet the requirements and the tastes of a heterogeneity of the international public. The manufacture and assembly of carpentry products is no longer an exclusive element of the firm. It also includes new segments, including the Contract sector, bringing the design closer to comfort. In addition to the furniture, the company also offers a wide range of products such as lighting, carpets, wooden floors, mattresses, drapes and bedding. The firm operates in both B2B and B2C markets and exports most of its production (around 80%) mainly to French-speaking countries. Usually, the internationalization approach is always the same: “*We do the market research, then we visit the potential customers and present our product and finally we hope to get the business done*”.

The first business was made with great effort since the company did not have established roots. “*At first, it's always more complicated because there is no trust, there is no business*

and everybody is afraid to take the risk." They spent the first four years travelling and searching for possible customers without getting any business done. However, the firm has been proving its quality and now, Fernando Sousa find the process of Internationalization a lot easier than it was before. According to him, the best way to conquer a customer is to bring them to Portugal: *"I bring customers here (...) I already have clients that invest in Porto. I do not want to just sell my product, but I also want to sell my country. Usually people come here, they love being here and we do the business?"*.

2.5.4. Preggo Upholstery

Preggo Upholstery integrates the Preggo Group: a portuguese producer of handcrafted furniture and lighting. This small group, composed of Preggo Lighting, Wood and Finish, Metals and Upholstery, belongs to one of the largest groups in the Portuguese furniture industry: The Covet Group (former name: Menina Design Group). The associated premium brands include Boca do Lobo, Delightfull, Maison Valentina, Circu, Brabu, Luxxu, Essential Home, etc. These are already well-established brands with solid background and international experience.

Preggo Upholstery is a small brand created in 2016 and with only one year and a half of international experience. Despite its recent international expansion, Ricardo, the brand's general manager, refers they have never felt any difficulties in the process since they have always had the support of the group with many years of experience and with a high reputation. *"We have always had the group support in everything we need, from marketing, to contacts, to logistics, etc. Before we started, we had already a great background of knowledge and notoriety. Therefore, it was not difficult to gain visibility and to establish ourselves abroad"*. The brand usually works to several European countries although it aspires to expand its business to the United States of America. For Ricardo, it is an attractive market and he recognizes that entering in the American continent is not easy. However, Preggo Upholstery has *"the advantage of belonging to the Covet Group. One of the group's founders currently lives in America and has agent partners that facilitate business and promote brands in American territory"*.

The brand focuses on digital marketing and social networks to promote their products and their work. The whole Covet Group considers LinkedIn, facebook and websites, as fundamental digital tools in the process of market prospecting. *"All our salespeople have a professional profile on the various social networks. This is a way for customers to feel closer to us"*. Moreover, the group usually organizes roadshows throughout Europe to exhibit

its products and present the new collections. Recently, the group has been mentioned several times in the press since it has already furnished Hollywood studios, such as Fifty Shades of Gray movie and the Empire series. According to Ricardo, *“it brought several benefits to the various companies in the group”*.

2.5.5. Associação Empresarial de Paços de Ferreira

The interview with the president of the *Associação Empresarial de Paços de Ferreira*,³ João Begonha, aimed to understand the business reality of local furniture companies and the difficulties they face the most in the process of internationalization. The Association aims to promote and increase the competitiveness of local companies in the furniture, textile and metalworking sector.

João Begonha started the interview by highlighting the *“negative discriminatory factor in relation to what is produced in Portugal”* João Begonha, as most of respondents, refers that the quality of the Portuguese product is indeed recognized, but importers refuse to pay high prices for them, even if they are as good as the Italian ones.

The lack of training and investment capacity were some difficulties mentioned by the Association president. Because they are mainly small business and do not have a sense of initiative, it leads them to depend on foreign intermediaries to sell their products overseas. Profit margins are, therefore, reduced, leading to a decrease in firms bargaining power. For João Begonha, the strategies that firms must resort to overcome the difficulties are the investment in training and qualified employees as well as the investment in marketing and brand awareness. He also points out that *“business associations could have a more interesting role if they collaborated and worked together to promote the Portugal brand and to train companies to internationalize”*.

2.5.6. Viriato Hotel Concept

Initially known as Móveis Viriato, the company was founded in 1952 by Viriato Rocha. The firm began to design, produce and sell its own furniture to the domestic market and to small retailers. These years of effort and dedication *“were fundamental to the solidification of the name Viriato and to the achievement of credibility and recognition in the market that served as a basis for the years of expansion that followed”*. The greatest step to the hotel market

³ Associação Empresarial de Paços de Ferreira is a non-profit and public entity that seeks to promote and increase the competitiveness of companies and develop the socio-economic development of the region.

took place at the Fair of Versailles. Viriato's booth attracted a very special customer who became responsible for the biggest turnaround of the company until that date. The firm signed a deal with the company responsible for managing 40 hotels in the Confortel chain in France. The years that followed were a lot of prospecting and attracting new hotel clients in France and throughout Europe. Viriato has also invested in the creative development of other elements of decoration. *“Thus, was born the Viriato Hotel Concept, an absolute innovation, with the turnkey concept, which opened the doors of the world market of luxury hotels”*. Today, Viriato Hotel Concept works with some of the best worldwide chains, such as Sheraton, Marriott, Intercontinental, Pestana, Club Med, among many others.

The firm does not invest on Trade Fairs because it does not bring any immediate investment return. Instead, Viriato Hotel Concept invest on specific network events for Hospitality.

2.5.7. DuCampus

DuCampus is a brand from the family owned company *Campos & Filhos* that has been in the furnishings sector since the 40's. Currently, the firm is investing in mass production to meet the growing international demand. *“In 1990 it was created another company exclusively dedicated to the manufacture of chairs. Now, the two companies employ around 160 employees and the sales volume represents more than 10 million euros”*. Currently both firms are investing in mass production to meet the growing international demand.

The firm usually enters in new markets through a consolidated network of commercial distributors across the Europe who act independently from the firm and sell its products through a multi brand distribution strategy. Most of its sales are concentrated in nearest European Countries such as France and Germany although it exports to the whole continent. When questioned about the reasons behind the choice of such markets, João Campos referred that *“they are the natural markets due to their geographical and cultural proximity”*.

In terms of product and brand promotion, *DuCampus* resorts mainly on international trade fairs: *“If we see interest in certain clients, then we do the follow-up and invite them to visit our facilities to get to know better the company and the business”*.

2.5.8. Company X

With only 8 years of activity, the company was initially created by three partners, with considerable experience in the furniture industry, and is now managed by only two of them. Initially the production was made only through subcontracting but nowadays the

firm owns a factory unit of its own, although it continues to resort to subcontracting. The company has always been only an exporter; it was born for that purpose. The firm acts in the Hospitality business area, so its sales are only directed to other business (Hotels) and never to the consumer. However, they have some own collections that are sold to French and English big distributors.

In the first years of its existence, the firm faced some challenges because it had no projects to present and no market recognition. When the firm applied to its first hotel project, managers felt a lot of discrimination. The years that followed were challenging yet rewarding as the high work commitment translated into company growth. Miss Y enhances the importance of *“establishing relationships and seek the right partners”*. To achieve such success, managers had participated in some specific events and had to visit many countries looking for potential customers.

2.5.9. GonçalRochas

As the majority of the companies presented so far, *GonçalRochas* is, as well, a family-owned business with 33 years of existence. In the past, the company operated mainly in the domestic market and its sales were directed to consumers. However, the biggest turnaround of the firm occurred in 2009 due to the economic crisis. The firm was forced to restructure itself in order to be able to compete with the several international players. According to Paulo Rocha, managing partner, the firm *“made a huge investment in equipment, technology, software and procedures”*. This invest has contributed to increase the firm’s sales by five times. Today, nearly 80% of the firm’s production is exported to French-speaking countries. By exporting in big quantity to local retailers, the company has been able to minimize costs and the risks of selling to the end customer. By doing this, the company only retains the responsibility of producing, packing and shipping.

In the first years of its international expansion, the firm exported also to the consumer, but it faced many difficulties due to its origin since customers refused to pay the quoted price: *“When we said that we were Portuguese, even though they recognized the quality of our products, they said we had to lower the prices”*. In order to overcome this issue, the firm decided to establish roots in France by creating a French company, which could disguise the Portuguese identity and, therefore, demand any price. According to Paulo Rocha, the consumer does not perceive Portuguese products as Portuguese. Most of firms export through big distributors who sell the Portuguese products with the “Made in Europe” label

and not with “Made in Portugal”. So, they try to hide the real origin of the product because they know it could evoke negative perceptions.

In the upcoming years, *GonçalRochas* aims to consolidate its domestic market position, hereby reducing its dependency on external markets. By continuing to invest in their digital marketing strategy, they aim to bring forth new business opportunities and reach potential clients.

3. Results

3.1. Findings

According to the methodological model used (Grounded Theory), the empirical cases are sequentially analyzed to allow the researcher to create concepts through the coding process and generate categories. These categories are constantly compared and connected between each other, so the theoretical framework can be redefined. The resulting categories can support and extend the theoretical framework.

Regarding the elements that had already been explored in the literature review, three categories resulted within the group of Internationalization Constraints (Liability of Foreignness, Liability of Newness and Liability of Smallness), and four categories resulted within the group of Strategies to overcome the Internationalization constraints (celebrities and endorsers, distribution channels, events and brand associations). However, as the following interviews were coded, other relevant categories, which were not referred in the literature, were found. The tables 3 and 4 presented below, summarize the theoretical categories (existing theories) and the emerging categories. (acrescentar coluna com breve descrição da cada uma)

Table 3 – Theoretical Categories

Name	Sources	References	Definitions	Authors
Internationalization constraints	5	22		
Liability of Newness	3	4	Unfamiliarity hazards caused by a lack of international experience	Eden and Miller (2004), Singh et al., 1986)
Liability of Smallness	4	8	Lack of resources to compete with bigger players	Hannan and Freeman (1984), Aldrich and Auster (1986)
Liability of Foreignness (CDBA)	4	10	The inherent disadvantage foreign firms face when going abroad such as CDBA;	Peng (2009), Hymer (1960), Zaheer (1995)
Strategies to overcome the Internationalization constraints	9	36		
Celebrities and endorsers	1	2	Famous persons who evokes positive feelings and trust	Keller (1993), Yang and Wang (2008)

Distributors and key partners	9	15	Establish networking to build commitment and trust among foreign key partners	Luo et al., (2002), Johanson and Valhne (2009)
Events (Trade Fairs and other network events)	8	14		
Linkages with other brands	1	5	Linkages with other known and prestigious brands to gain legitimacy	Keller (1993)

Table 4 – Emerging Categories

Name	Sources	References
Internationalization constraints	8	42
COO as a constraint to internationalization	5	21
Insufficient public funds	4	8
Misallocation public funds	1	2
Lack of cooperation among companies and associations	2	3
Lack of Innovation Capacity	1	1
Lack of qualified employees	2	3
Lack of qualified managers	2	4
Strategies to overcome the Internationalization constraints	9	67
Bring Customers to Portugal	2	7
Choosing a brand with English name	6	11
Rely on public funds	2	4
Associativism	6	8
Creation of local companies	1	1
Coopetition	1	1
Develop and promote the brand “Made in Portugal”	1	4
Education and Innovation Investment	2	7
Great portfolio	3	6
International missions / Roadshows	4	4
Internet and Social Media	4	9
Word-of-Mouth	4	5

Upon the analysis of the tables above, we can conclude that the main categories mentioned by the interviewed parties, within the group of Internationalization constraints

were the Liability of Foreignness and the Country of Origin as a constraint to internationalization. Many of the interviewees referred that doing business abroad has a lot of uncertainty associated, a long side with high risk at great expense to the foreign company, indirectly referring to the Liability of Foreignness. Concerning the country of origin as a constraint to internationalization, most of the respondents referred that even though the quality of the products is recognized abroad, it is difficult to demand a premium price for the label “Made in Portugal” and that great pressure is exerted from the manufactures to continuously prove their value.

Within the group of Strategies to overcome the Internationalization constraints, the most mentioned categories were Distributors and Key Partners, events and Associativism. Regarding the Distributors and Key Partners, the interviewees referred that when entering in a new market, they mainly focus on the key players in the market to be able to set up their business activities faster, whilst reducing their exposure to risk. Events, such as international trade fairs and specific industry events are an effective way to promote the companies name and products, contributing also to establish relationships with the different market players. Lastly, the association to local business institutions was also widely mentioned by the interviewed parties as an important tool to promote and establish a positive image of the Portuguese furniture-manufacturing sector.

3.2. Findings Discussion

The discussion of the results aims to understand if the information obtained from the interviews correspond to the importance given by the literature review. In addition, it intends to analyze and confront new information that has not been mentioned in the literature. This combination of information seeks to better explain and broaden the knowledge about the reality of Portuguese furniture companies. The empirical results effectively prove the importance of some of the topics addressed in the literature while suggesting other data in order to enrich this study. Throughout the discussion, theoretical and emerging categories will be presented and confronted simultaneously. Those related to the constraints to internationalization and the strategies to overcome them will be analyzed more exhaustively since they are the focus of the present research.

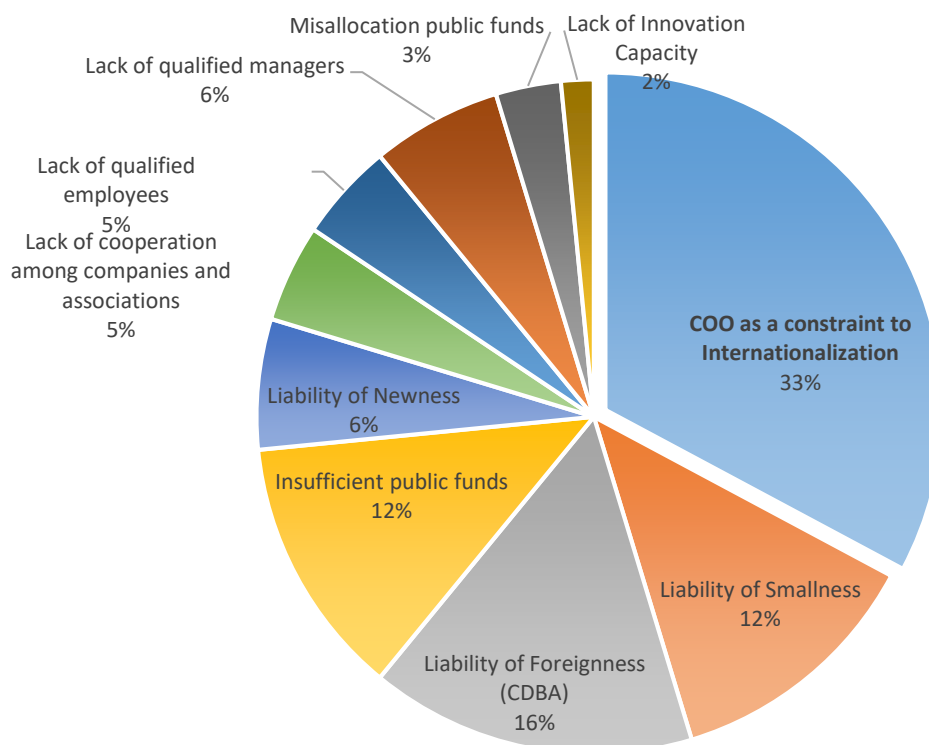
Most of the companies analyzed have a family business origin. Only two of them came from well-established and well-known business groups (Preggo Upholstery), or entrepreneurs with extensive years of experience in the market (Company X). Two of the

interviewees mentioned that it was the most recent crisis that drove their entrepreneurial initiative (*Meia Madeira* and *GonçalRochas*). The most recently created company was Preggo Upholstery (2016) and the one that was created the longest was Ducampus (1948). All companies are quite heterogeneous in terms of size, culture and business model. The common elements to all of them concern the entry mode (exports) and the market in which they operate: mostly the business to business. Some of the companies sell simultaneously to consumer but only for the national market or for geographically and culturally closer markets (*Meia Madeira* and *GonçalRochas*).

3.2.1. The Internationalization Constraints

Figure 3 presents both theoretical and emerging categories resulted from the interviews' analysis. It measures the weight of each category in the total of mentioned ones. As can be observed, two of the most referred categories (liability of foreignness and liability of smallness) were address and extended in the literature.

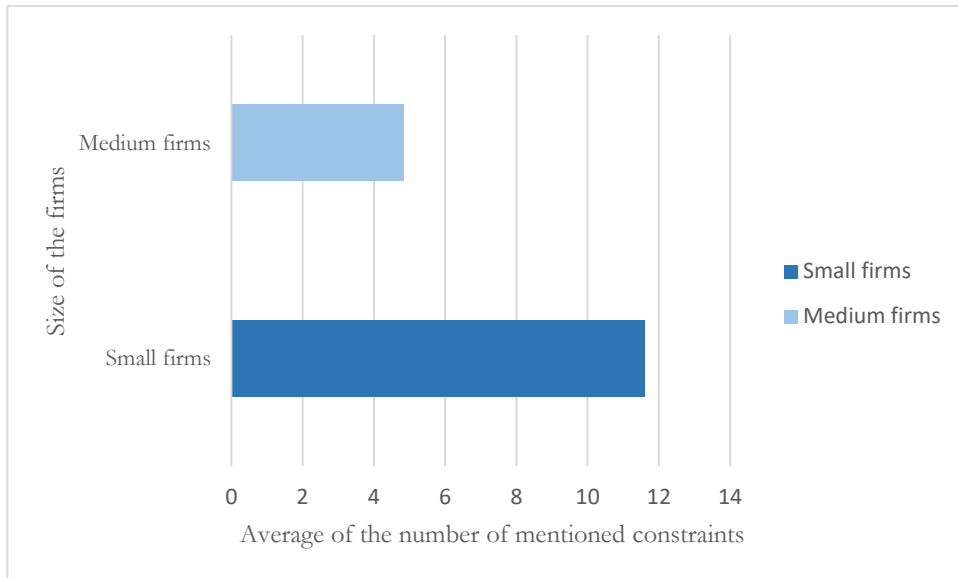
Figure 3 – Internationalization constraints (weight of each category in the total of mentioned constraints)



Source: Own elaboration (data exported from QSR Nvivo 11)

According to Peng (2009) and Zaheer (1995) liability of foreignness consists in the inherent disadvantage foreign firms face when operating in international markets because of its non-native status. Hymer (1960) adds that foreign firms face certain costs that domestic ones do not (CDBA). In fact, most interviewees reported that they experienced increased difficulties in their internationalization process mainly due to the inherent high costs of logistics, participation on international trade fairs and on social events. According to the respondents, the Industry in which they operate requires a lot of human and financial resources. That is because their products (furniture) have mostly big dimensions and weight. Therefore, the costs of doing business abroad (CDBA) are quite high when compared to other Industries, like footwear, for example. To exhibit their products on trade fairs, firms need to rent wider spaces as well as they need many employees to approach the customers. Samuel Peixoto from Stylish Club states that *“we have to furnish an entire house every time we participate on a trade fair (...) the values are very high, and the logistics process is very complicated”*. Only firms with a solid structure and a good financial capacity can make this type of investments. Consequently, small firms, like ADN Furniture and most furniture firms from Paços de Ferreira, do not have the resources capacity to make such investments. These firms face the liability of smallness as, according to Hannan and Freeman (1984) and Johanson and Vahlne (1977, 2009), they lack scale, financial and human resources to reach a strong position in the international market.

Figure 4 - Average of the number of mentioned constraints by size of firm



Source: Own elaboration (data exported from QSR Nvivo 11)

In order to understand if the empirical results support the relation between the liability of smallness and the number of constraints during the internationalization process of a firm, it was measured the average of the number of referred constraints (Fig. 4). According to this figure, the average of the number of constraints mentioned by small firms (ADN Furniture, small firms from Paços de Ferreira, Preggo Upholstery) is higher than the average of the number of constraints mentioned by medium firms with bigger structures (Stylish Club, Meia Madeira, Viriato Hotel Concept, DuCampus, Company X, GonçalRochas). In general, one can verify the existing literature and conclude that constraints to internationalization can be justified in part by the size of the firm as small firms tend to mention repeatedly these difficulties. Only a small company mentioned no obstacles to internationalization because it belongs to a large group with a good international and domestic reputation (Preggo Upholstery).

As small firms cannot invest by themselves, they rely on public funds coming from the European Union and/or the government. However, Vítor Nogueira (ADN Furniture), Joaquim Barbosa (Stylish Club), João Begonha (Associação Empresarial de Paços de Ferreira) and Paulo Rocha (GonçalRochas) refer that these funds are not enough for a firm's survival because they are too low when compared to the investment firms must make. *“We would like to participate in more international trade fairs like Il Salone in Milan, and for*

that, we could resort to community funds but that would not be enough. The bureaucracies are huge and the objectives to be achieved are quite difficult.” – Vítor Nogueira (AND Furniture).

Besides that, according to most of the respondents, funds are not fairly distributed among the different industries and the investment return takes time to be reimbursed: *“We participated on the Valencia fair last year (2017) and we still haven’t get refunded. The same happened concerning this year’s Maison et Objects fair (...) like that, companies cannot bear these costs”*- Samuel Peixoto from Stylish Club. Other categories mentioned by the respondents, such as lack of innovation and qualified workforce can be related also to LOS, since João Begonha refers that *“the clear majority of Paços de Ferreira’s furniture companies are small and lack innovation capacity as well as trained managers (...) and qualified employees”*. According to the president of the association, this could also result from the age of most managers. There is still a certain resistance to change concerning the adoption of new methods and modern practises.

The liability of newness is also a constraint addressed in the literature and mentioned a lot of times by the respondents. However, this liability does not fully correspond to the firms’ years of activity, yet to the country instead. Carla Rocha, from Viriato Hotel Concept mentions that *“Portuguese design is still very recent”* to be able to compete directly with Italian design furniture. Although Portuguese furniture industry has several years of activity, it still lacks legitimacy and innovation when compared to the big players on the furniture Industry. *“Portugal is still perceived as an industrially unsophisticated country and Portuguese products are not evaluated correctly”* – João Begonha (Associação Empresarial de Paços de Ferreira).

As can be observed in the figure 3, the country of origin represents the biggest slice of the pie chart (33% of the total of mentioned constraints). From these numbers, one can verify the importance of the COO effect in the internationalization process of a firm. Although the majority of firms do not directly admit that their Portuguese origin can evoke negative perceptions and jeopardize their internationalization process, most of them reveal some important cues regarding this matter. Firms enhance the quality of their products and refer that international players recognize this quality. However, Vítor Nogueira (AND Furniture), Samuel Peixoto (Stylish Club), João Begonha (Associação Empresarial de Paços de Ferreira), João Campos (DuCampus) and Paulo Rocha (GonçalRochas) refer that Portuguese companies cannot charge a high price for their products. *“Customers really appreciate our products and our design but, at the same time, they appreciate our products because of the low price”* – Samuel Peixoto (Stylish Club). Usually, they do not sell directly to international

consumers because they don't have yet a strong reputation among them. Instead, they sell through big retailers and distributors by a reduced price (due to its low bargaining power). Such *"big distributors will further communicate the origin of those products as European instead of Portuguese"*- Paulo Rocha (GonçalRochas).

Miss Y, João Begonha and Paulo Rocha (from Gonçarochas) tell interesting stories about real situations involved a negative perception of the Portuguese origin by foreign customers. Miss Y reports that Company X felt this negative perception in the first years of its activity. As they were new (LON), small (LOS), did not have much business connections (LOO) and were Portuguese (COO), they had to suffer some losses to prove the quality of their products and to affirm themselves as a brand: *"We were applying for a project to furnish a hotel where most of the candidate companies were Italian. Companies, after receiving the approval, could start producing a fourth model (paid by the hotel) to exhibit later. The Company X' application was rejected and only three Italian companies were accepted. Since they did not want to lose the opportunity to do their first business, the company produced the fourth model for free to be able to expose it along with the other models manufactured by the other candidates. The company had a loss of about 300 thousand euros and ended up exposing the fourth model in a corridor since there was no space left. In the end, the hotel chosen our project because they recognized its quality and the price."* – Miss Y (Company X).

João Begonha tells a story about a Portuguese entrepreneur who was exhibiting its products at an international fair. He was approach by some foreign persons who really enjoyed its products and prices. However, when they knew about the origin of the company, they refused to pay the agreed price, saying that products were too expensive for being Portuguese. *"(...) There is no clearer example that the factor Portugal still weighs negatively on the perception of quality and price of products"* – João Begonha (Associação Empresarial de Paços de Ferreira).

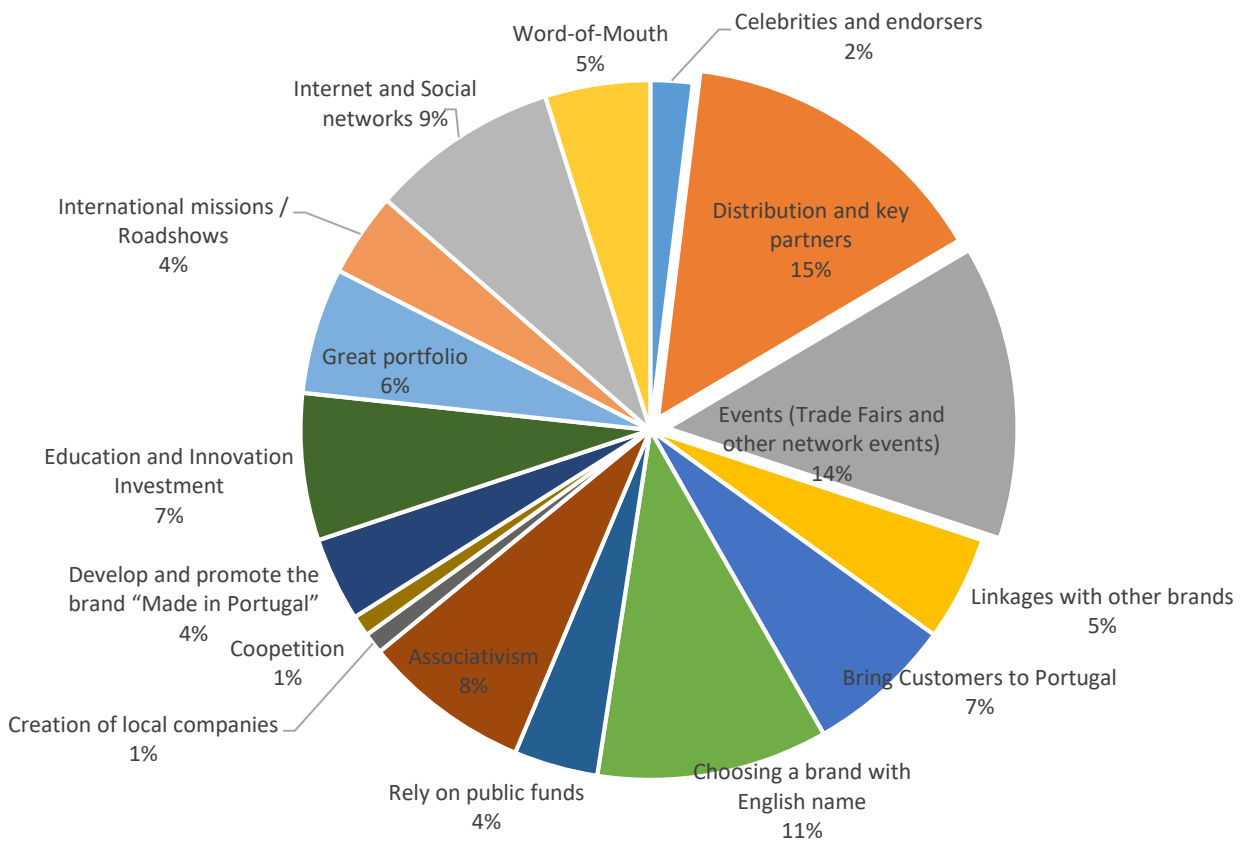
Paulo Rocha relates the story about the first years of his firm's internationalization to France. They had many difficulties in selling to French market because French customers did not agree with the prices due to the origin of the products: *"When we said that we were Portuguese, even though they recognized the quality of our products, they said we had to lower the prices"* – Paulo Rocha (GonçalRochas). Therefore, in order to overcome such barrier, Paulo Rocha created roots in France by establishing a physical presence. From the moment he hid the Portuguese origin, he started to sell more often to that market and at the fair price.

With the development of the internationalization process, all these constraints lose strength, even the country-of-origin effect. The COO effect acts as a very important secondary association/extrinsic cue when consumers are not familiar with the product and/or brand (Jacoby et al., 1977; Keller, 1993). However, the buyer no longer relies on it as they become familiar with the product over the time (Usunier and Cestre, 2007).

4.2.1. Strategies to overcome the Internationalization constraints

In order to overcome the several encountered constraints, firms are forced to adopt some strategies to overcome them and thrive within the international market. The figure (Figure 5) presents the different categories concerning the main category “Strategies to overcome the Internationalization constraints”. It measures the weight of each category in the total of mentioned ones.

Figure 5 Strategies to overcome the Internationalization constraints (weight of each category in the total of mentioned strategies)



Source: Own elaboration (data exported from QSR Nvivo 11)

As can be observed, the two most mentioned categories (Distribution and Key partners and Events) were already extended in the literature. As per the strategies proposed by Keller (1993) from the enhance of Secondary Associations and by Luo et al (2002) from the Offensive Mechanisms, local networking and distribution channels prove to be a super effective way to mitigate a given constraint. All the nine respondents establish relationships of cooperation with local distributors and commercial agents. According to the interviewed

parties, such collaboration proved and still proves to be extremely functional in the first years of a firm's internationalization process, as commercial agents can provide relevant information about the business as well as establish great and important business connections. These tools allow firms to reduce their initial LOF (liability of foreignness) and LOO (liability of outsidership) by turning such firms "less foreign". This kind of collaborations enhances also the process of legitimacy improvement, which in turn, can minimize a possible country of origin negative effect (Vahlne et al., 2002; Johanson and Vahlne, 2009). According to Paulo Rocha (GonçalRochas) this kind of collaborations prove to be helpful in shortening the entry phase and spreading market grow. However, over the years, *"firms must become independent from such entities, so their commercial margins cannot be affected anymore"* – Paulo Rocha (from GonçalRochas). Firms must improve their brand awareness in order to counter the concentration of distributor power (Aaker and Keller, 1990).

The second biggest slice of this pie chart concerns the events. Once again, it is evoked the model proposed by Keller (1993), which it's based on the enhancing of Secondary Associations. Most of Portuguese firms exhibit their products at international trade fairs or trough roadshows (DuCampus, Preggo Upholestry). It is the most effective way to present and prove the quality of Portuguese products as well as search for potential clients and key partners. Moreover, there are some others specific events that can be even more effective than trade fairs. Carla Rocha (from Viriato Hotel Concept), do not participate in trade fairs because it does not bring rapid results. For her and considering the market niche her firm acts in (hospitality), the best way to get business done and to get a quick investment return is by participating in specific events for this business model: *"We travel to a certain location and stay three days inside a hotel with buyers and suppliers from furniture, fabrics and carpet areas. Then, on the other hand, we have the brands, the investors, the hotel owners and we have speed meetings. Before going to such an event, I study who is going to be present, so I already know what projects they have. We are there for three days with playful and interesting activities and the investment is much smaller than at the fairs. And we know we can take great advantage and do good business because these events bring immediate results"* – Carla Rocha (Viriato Hotel Concept). Such events can be also great to establishing key relationships and promote firm's brand.

Another way to conquer customers is, according to Fernando Sousa (Meia Madeira) by bringing them to Portugal. Meia Madeira tries to sell its products as well as *sell* its country.

He believes that by doing that, it is improving the label “Made in Portugal” and developing the domestic economy.

Choosing/ creating a brand with an English name could also be a great way to hide and mitigate the origin of a country, especially if they come from a less popular one (Thakor, 1996). That’s way most of the interviewed firms managed to associate a brand with an English name to reach premium markets. Those who keep their domestic name (Portuguese name) usually export to Portuguese Speaking African Countries and/or direct a significant part of its production to domestic market (Meia Madeira, GonçalRochas).

Internet and social networks are also commonly mentioned by some of the respondents (ADN Furniture, Preggo Upholstery, GonçalRochas): *“Social networks are considered a key factor in our communication strategy. All our sellers have a professional profile on many social networks. It allows our customers and potential ones to feel closer to us”* – Ricardo Lourenço (Preggo Upholstery).

A big part of the respondents acknowledges that some associations (such as APIMA and AICEP) have an important role concerning the establishment of relevant connections (local marketing firms, events planners, among others), as well as the improvement of the construction and dynamization of the label “Made in Portugal”.

Besides these mentioned strategies, there are many others suggested by the existing literature as well as by the empirical evidence, such as: celebrities associations and linkages with other known brands (Preggo Upholstery), coepetition among Portuguese firms (AND Furniture), innovation (GonçalRochas) and education investment (Associação Empresarial de Paços de Ferreira, GonçalRochas).

3.2.2. Findings Discussion

From the standing point of the literature review to the exploration interviews, the Country of Origin effect proved to be a challenging factor on the internationalization process of Portuguese furniture firms. As refereed before, a product can be characterized by its intrinsic and extrinsic cues. When the buyer is not familiar with the product or has insufficient information about it, it tends to resort on extrinsic cues, such as the country of origin. Firms from a developed and popular country can benefit from it and improve their international position. However, when a country represents a negative effect, the process can be delayed (example of most of Portuguese furniture firms). The first challenge faced by these firms is related to the lack of familiarity of the product quality by the buyer. As they don't have enough information about the product, they tend to evaluate it based on their previous knowledge/experience and stereotypes about its origin. Once this quality is perceived, Portuguese firms face another big challenge: the price factor. In fact, Portuguese products are not evaluated (by international and even Portuguese buyers) the same way as the Italian ones even though their quality is similar (Bilkey and Nes (1982); Schooler (1965)). Therefore, the price paid for Portuguese products are below their real price. In addition, profit margins tend to be reduced since most Portuguese firms exports through intermediaries who sell and promote Portuguese products as European. Thus, consumers do not get the right perception and are not able to relate such products to their real origin.

Nevertheless, there is a mention of a change of paradigm concerning a possible negative connotation of Portuguese origin. Previously considered as the "China of Europe" (Meia Madeira), Portugal has been improving its image and changing mentalities. This is due to all the work firms and associations have been doing in recent years by implementing strategies which can mitigate and overcome the different barriers.

4. Conclusion

In the previous chapter we tried to present exhaustively the data obtained from the interviews. In the present chapter, the conclusions of the study are evidenced, the limitations are identified, and future research is proposed.

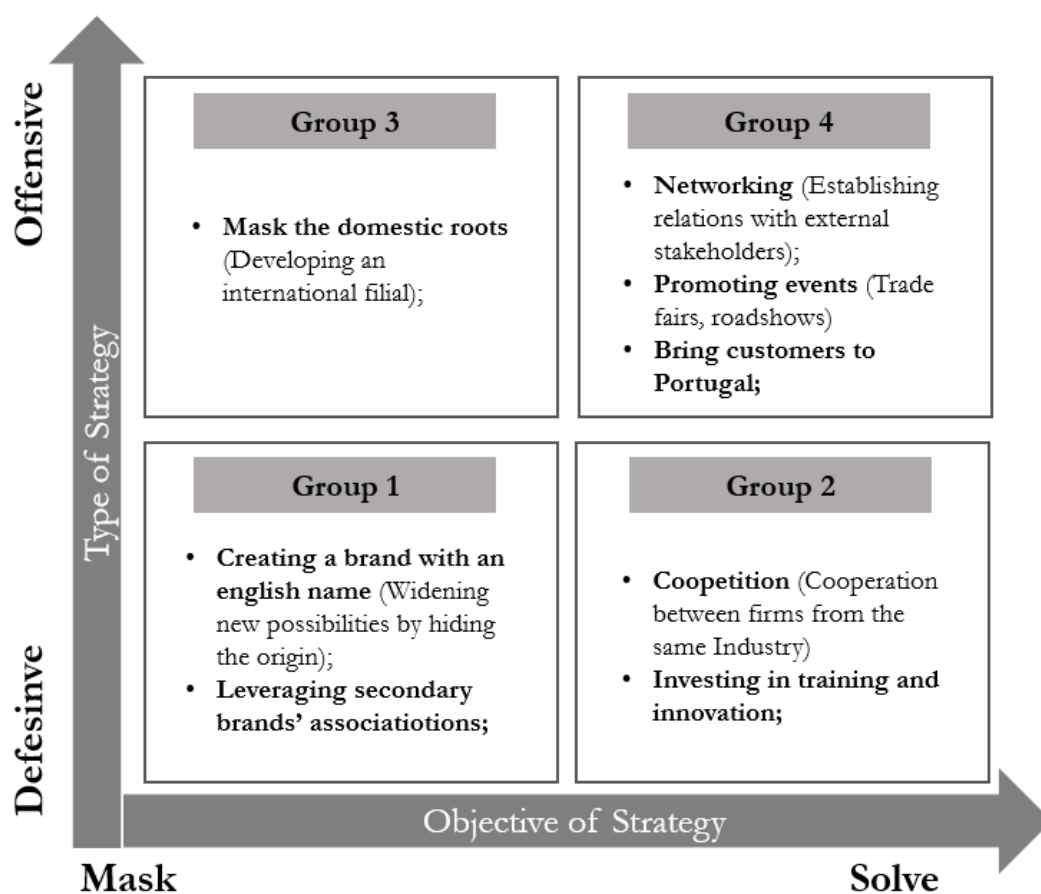
The studies of the last decades have sought to document the influence of the origin of the products in consumers' perceptions and evaluations as well as developed investigation that involved similar and parallel concepts. The research developed is an additional contribution to the already large number of publications concerning the country of origin effect. However, there are not much works that focus on Portuguese country of origin effects. Therefore, existing literature and empirical results answer the main research questions previously outlined: Does the Country of Origin have influence on a firm's internationalization process? Which are the main difficulties that a company can face during its process of internationalization due to country of origin? And how can they mitigate/overcome a negative effect?

Nowadays, due to the increasing globalization and the displacement of production to developing countries with cheap labor, companies face a new reality: the country-of-origin effect. Even the best-known brands have to find strategies to overcome a possible negative effect associated with them. Apple, for example, displaced part of its production to China. In order to not evoke a negative perception by worldwide consumers, Apple created the label "Designed by Apple in California. Assembled in China". With this, it was intended to mitigate a negative connotation with China and enhance the Californian design. Some countries are well-known for being expertise in a certain product-category so, it automatically evokes a positive perception among consumers. However, there are a lot of firms from less developed countries that need to make major efforts to successfully compete internationally. Besides the COO effect, dealing with the other inherent liabilities of going abroad (Liability of Foreignness, Liability of Smallness, Liability of Newness and Liability of Outsidership) can difficult even more the firms' situation.

In order to fight against these difficulties, firms must think strategically. They must improve brand awareness, build credibility and gain international visibility. To achieve that, they must adopt a wide set of strategies which involve both defensive and offensive approaches.

Based on literature and empirical results, it was created a scheme (figure 6) that gathers all the most relevant strategies that firms can resort. It is classified in four main groups: Group 1 (Defensive strategies that aim to mask the COO effect); Group 2 (Defensive strategies that seek to overcome the COO effect); Group 3 (Offensive strategies that aim to mask the COO effect) and Group 4 (composed by offensive strategies that seek to overcome the COO effect);

Figure 6 - Types and objectives of strategies



Source: Own elaboration

It is very important to refer that some of the presented strategies does not solve the country of origin issue (Defensive strategies). Strategies such as choosing an English brand name or leveraging brands' secondary associations just mask the problem instead of overcoming it. However, coopetition (cooperation among firms from the same industry) and innovation and training investment seek to overcome the COO effect but not immediately.

Strategies from groups three and four are more likely to effectively overcome the COO effect because of their proactivity. There are some firms that try to mask their national roots by developing an international filial. This way, foreign customers don't perceive their products as their real origin. Group four represents the strategies that seek to overcome the COO effect in a most efficient way. Establishing and improving credibility through building connections with relevant stakeholders and gaining visibility by attending fairs and conferences, proved to be the most efficient and fastest way to mitigate and overcome a negative COO effect and succeed internationally. In addition, by promoting their products and let them to be known in the international market, firms can avoid possible negative secondary and extrinsic associations.

At the practical level, this research is of interest to management professionals in order help them understanding if the internationalization strategies adopted are being effective to overcome the several possible difficulties. It serves also to aware the managers that there is still much to be done to improve the Portuguese image internationally, such as: the investment in innovation, communication and training. This study can also be useful as a basis for future studies for the development of this industry.

The results of the study should be interpreted considering certain limitations which naturally present opportunities for future research: (1) We considered only one entry mode (exports) and one single national identity. Future research could explore the influence of COO in other entry modes; (2) It was considered a small sample based on a qualitative analysis. Future research could complement this study with a quantitative analysis and wider sample; (3) We considered only companies that export mostly through intermediaries. It could be interesting, for future research, to interview firms that export directly to consumer (through own stores); (4) The empirical results are only based on Portuguese managers' opinion and experience. Future studies could complement this one by interviewing foreign entrepreneurs from this industry. This research can also be extended to other industries and countries.

Despite all the difficulties felt so far, Portuguese firms have been gradually overcoming it. By adopting the tools provided within this research, firms can be able to improve their competitiveness abroad and reduce their origin negative perception.

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Annexes

Annex 1:

Guião para entrevistas

- Permite que esta entrevista seja gravada para uma posterior transcrição?
- Caso lhe seja mais conveniente, os nomes facultados poderão ser ocultados, ou então, a tese poderá não ser tornada pública.

I- Categorização da empresa

1. Nome da empresa
2. Localização da empresa
3. Fundador(es) da empresa
4. Como e quando foi fundada a empresa?

II. A empresa no quadro internacional

1. Qual a razão da escolha do nome da empresa em inglês? (se aplicável)
 - 1.1. Consegue determinar se a marca/empresa teria o mesmo impacto se tivesse optado por um nome português? Porquê?
2. As vendas são direccionadas ao consumidor final ou são destinadas a distribuidores locais?
3. Quando é que se iniciou o processo de internacionalização da empresa?
4. Através de que modo(s) de entrada e para que mercado(s) é que a empresa iniciou a internacionalização?
5. Sentiram algum tipo de dificuldade? Quais?
 - 5.1. Que tipo de estratégias usaram para ultrapassar essas dificuldades?
6. Em quantos países está presente a empresa atualmente?
 - 6.1 Quais os fatores-chave para a escolha desses países?
7. Atualmente considera o processo mais fácil ou ainda encontra certas dificuldades?

III. Efeito País de Origem

8. Considera importante o fator país de origem na comunicação do vosso produto, a par do preço e marca?
9. A marca Portugal é comunicada nos vossos produtos? Como e porquê?

10. Em algum momento sentiram que os vossos produtos, por serem de origem portuguesa, evocaram alguma conotação negativa (intencional ou não)?

11. Já experienciaram alguns efeitos negativos? Se sim, como foram estes mitigados?

12. Sabe se os produtos da sua empresa são percebidos pelo consumidor final como produtos portugueses?

13. Crê que o mobiliário português é percebido como um produto de qualidade? Porquê?

13.1. Como é comunicada essa qualidade para o exterior? Que tipo de promoção é utilizada? (se são sócios APIMA ou outra associação; se participam em feiras internacionais; de que forma divulgam, marketing, etc).