

**International Marketing: export
motives and entry modes in international markets.**

The case of Portugal and the Scandinavian countries.

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FEUP - University of Porto/ NTH - University of Trondheim.

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Preface

In our days companies in increasing number are going more and more international. This is due to several reasons: some firms get themselves involved in an internationalisation process with full conviction, while many others are driven into it in their strive for survival. Companies that have been serving only domestic markets are finding that these markets are reaching the point where supply, at least in terms of productive capacity, is exceeding demand. This is due to a number of factors including the slowing down of growth in the market, increased competition from domestic and foreign firms, and last but not least the lowering of trade barriers (of which the case of the common internal market in the European Union is paradigmatic).

This report tackles several features of international Marketing which the manager in the company going international has to face. A special highlight is given to exports, which is the overwhelmingly most common way in which firms are internationally involved, and as for these it especially approaches micro and macroeconomic considerations about the Portuguese and Norwegian markets.

The report comprises three distinct chapters: in the first one, all the different motivations that lead firms into exports are analysed, including the investigation about possible relationships between these and company size and export performance. In the second chapter, an approach to Portugal and the Scandinavian markets (with a special focus on Norway) is made, including a general overview over some features relevant for the international marketer, such as socio-cultural, economical and export structure considerations. Trade between these countries is also analysed.

Finally, the third chapter intends to provide an approach to all the different possible ways of entering a foreign market, as well as to some factors that can prove to be decisive in the success or not of the chosen market entry mode. Finally, some considerations about entry mode possibilities in Portugal and Norway are drawn, and the results of a field study concerning the relationship of Portuguese suppliers with Norwegian distribution channels are presented.

All in all, this report intends to provide, among other things, some interesting considerations about exports and Portuguese and Norwegian involvement in it.

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José Rodrigues
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Export motives:

Effect of company size and impact on export performance.

1. Introduction

This study intends to provide an overview of the issues associated with the motives that lead firms into exports. The different weight of importance for each of the motives is investigated, as well as possible correlations between motives, size of firm and performance. The investigation is based on one hand on a survey conducted in Norway among 67 small and medium-sized companies, and on the other hand on previous works concerning these issues. This article reviews the essential features of that literature and integrates them by topic covered.

2. Export and its importance

The conventional wisdom is that exports almost universally have a positive effect on an economy. Certainly, the post-World War II successes of some of the most export-oriented countries, such as Japan, seem to substantiate this, which leads to the inevitable question: why is export such a *panacea* ?

At a macro level, as for a rule international trade leads to benefits ascertained by its impact both on production and consumption. Hardly any country is self-sufficient in satisfying effectively and efficiently the entire range of desires and needs of its inhabitants. Therefore, the main benefit of exports is its contribution to the welfare of consumers abroad as well as creating employment opportunities and increasing purchasing power at home. It also provides a way to finance imports and smoothen the effect of recessions.

At a micro level, exporting can lead to economies in the production process, lowering costs and therefore improving its competitive position, diversifying the risk inherent to conducting business and providing a way for the company to expand and grow.

3. Export motives

First of all, export motives should be classified in order to undertake a better analysis and comprehension of their influence. The most common and accepted criteria used for that purpose are:

1) The nature of the behaviour that conducts export activities, which can be of either two kinds: REACTIVE (the firm responds to pressures it is suffering - *push factors* - and acts passively) or ACTIVE (the firm takes the initiative on the account of its interest in exploiting unique competencies or market possibilities - *pull factors*).

2) The source of the motives: these can be originated by stimuli INTERNAL to the company or stimuli from the company's EXTERNAL environment (either home or export markets).

The overwhelming majority of the motives quoted by firms can be fitted into the next categories:

- Growth and profit goals

This motive is quite important and somehow underlying in all the other motives. Quite often firms firstly engage in exports on the account of perspectives of short-run higher profit. Motivation to growth is also a factor that influences the firms commitment to developing efforts in export activities.

- Economies of scale

When scale economies exist (what is quite common in industry) in any of the firm's activities (advertising, administration, distribution, etc.), increased production can lead to decreases in unit costs. Through exporting fixed costs such as labour and machinery can be spread over more units.

- Unique product/technology competence

When a company produces a product with recognised unmatched higher quality, it is more likely to get inquiries from foreign markets. If it has unique competencies in the domestic market, the possibilities of taking advantage of those assets in foreign markets is very high, since the opportunity costs will be, in such case, very low if not zero.

- Foreign market advantages

If a company has specialised competence in at least one of the major marketing activities, or past success in Marketing, it may feel encouraged into exporting.

- Managerial urge

Managerial attitudes toward foreign markets play a very important role in determining the exporting activities of the firm. A number of processes of cultural socialisation may reinforce key decision makers' perceptions and evaluations of foreign environments.

The export decisions are usually taken by individuals in small and medium-sized companies and by a decision-making group in bigger companies.

- Foreign market opportunities

The arising of marketing opportunities abroad exercises strong influence upon a firm's willingness to export. Nevertheless, the firm only engages itself if it is felt that it has the correspondent necessary resources. So, usually firms start exporting to markets which correspond to opportunities perceived as similar to those of the domestic market.

- Change agents

Some organisations, such as government agencies and industrial trade associations, may provide useful export promotion activities. Such activities vary from the provision of foreign market data to partnership in a trade agreement or convention, among many others.

- Risk diversification

Exporting firms face, in general, less total market risk, for they are not dependent on one single market. Countries do not usually have the same timing and type of business cycle (e.g. the last economic recession that affected Europe first hit the UK and Scandinavian countries, and only 1-2 years later most of the other countries).

- Extended sales of a seasonal product

Seasonality in demand conditions in the home market may be industry specific and can act as a stimuli for foreign market exploration, in order to remove fluctuations in the product cycle. Examples are clothing and tourism.

- Excess capacity of resources

When a company faces excess capacity of resources due to competition, small market or any other reason, it may be stimulated to examine expansion possibilities by exporting to markets which are feasible to lead to the employing of free resources.

- Unsolicited foreign orders

Receiving unsolicited inquiries as a result of exhibitions or advertising in trade journals with international distribution or any other way may well be a common method by which companies become aware of opportunities in export markets.

- Small domestic market

Small home market potential not being able to sustain economies of scale may drive firms into exporting. This usually occurs in companies producing industrial products with few, easily identifiable customers around the world and companies producing specialised consumer goods.

- Stagnant or declining home market

Firms can be encouraged to search for new opportunities when the market becomes saturated , facing foreign expansion as a subsequent strategy. This saturation may lead to unused productive resources that could be used through exporting.

So, all these motives can be classified according to the specified criteria, what can be seen in fig.1.

	<u>Internal</u>	<u>External</u>
<u>Active</u>	• Growth and profit goals • Economies of scale • Unique product/technology competence • Foreign market advantages • Managerial urge	• Foreign market opportunities • Change agents
<u>Reactive</u>	• Risk diversification • Extended sales of a seasonal product • Excess capacity of resources	• Unsolicited foreign orders • Small domestic market • Stagnant or declining home market

Fig. 1 - Classification of motives

4. Export motives and their different importance

In previous studies trying to ascertain the different importance of the export motives, authors have often reached the conclusion that internal motives have more importance than the external ones.

In a study conducted in the USA among 301 small and medium-sized firms which were asked to list the motives that lead them into exporting, Johnston & Czinkota got the following responses: profit advantage (65%), unique products (62%), technological advantage (53%), managerial urge (44%), fiscal benefits (36%), competitive pressures (35%) and marketing advantage were the most quoted, leading to the following conclusion:

«Exports are motivated mainly by internal factors. These motivations do not seem to shift dramatically over time but are rather stable. The two types of motivations seem to result in a number of important differences among firms.

Internally motivated firms seem to have a larger sales volume and be more service oriented than externally motivated firms. Those firms also seem to be more marketing and strategy oriented than the latter, whose major concerns rest with operational issues. Internally motivated firms are also much less willing to seek or use outside assistance for their exporting effort.»

Johnston & al. (1982), pp. 15-16

Also two UK studies (Hunt, 1967; Cooper, 1970) concluded that internal factors were more important, more specifically long-term profitability secured through market diversification and long-term growth. Furthermore, in a study conducted among 120 manufacturing firms in the USA Simpson and Kujawa (1973) concluded that an external stimulus is a significant but not sufficient condition for initiation of exports, since most of the non-exporters firms investigated had been exposed to such stimulus. However, no non-exporting firm indicated having reacted to, analysed, or otherwise «received» any internal stimuli.

In another study conducted in Canada with 575 firms by Brooks and Rosson (1982), the most quoted motive was availability of unused production capacity (57%), which somewhat confirms this tendency to export on account of internal stimuli.

Nevertheless, there are some studies that came up with different results. In a study conducted by Karafakioglu (1986) in Turkey, with 108 manufacturing firms, external factors were more important: declining demand and competitive pressure (81%), unsolicited orders (61%), export obligations (53%), export incentive measures (40%), contribute to economic development (39%), desire to expand the activities (26%) and firm's competitive advantages were the most quoted. I believe that these results should be understood in the context of Turkish economy, where the State directly and indirectly has great influence.

Also in another study with 106 USA manufacturing companies, conducted by Pavord and Bogart, the most quoted incentives to export were, respectively, saturated domestic market (34%), reducing dependence from home market (28%), declining home sales (20%) and growth and profit goals (18%). This reflects more a reaction to adverse domestic conditions rather than an aggressive attempt to obtain even more sales when the domestic market is good.

As for the Norwegian market, which is specially focused in this paper, two studies concerning small and medium-sized firms were conducted and published in the last few years.

In a survey conducted by Ghauri (1991) among 600 companies, the most quoted incentives to export were: excess capacity (35%), competitive strength (33%), unsolicited order (27%), saturated home market (33%), maintain turnover (23%) and seasonal variations (13%).

Another study conducted previously by Joynt (1982) among 70 companies showed that the most quoted motive was the reaction to an unsolicited order, followed respectively by extra production capacity, increased competition in the home market and need for a larger market.

A factor that is quite relevant in these two studies is *the unsolicited foreign order*. That is not surprising at all, since it is present in most studies about this matter; 73% in a Canadian survey (Perkett, 1963), 44% in a UK study (Simmonds & Smith, 1968), and 40%, 60%, 69%, 82% and 83% in five US studies (Snively, 1964; Tesar, 1975; Sinai, 1970; Simpson & Kujawa, 1974; Pavort & Bogart, 1975).

The expectations of managers concerning profit, risks and costs of export activity may also play an important role in the decision to enter foreign markets. Simpson and Kujawa (1973) so concluded, as well as Roy & Simpson in a study conducted among 124 firms in the south-eastern US. On the other hand, Abdel-Malek concluded that there were no significant differences between these perceptions on exporting and no-exporting firms.

These apparent contradictions could very well result from the samples chosen. Firms in different stages of internationalisation have different perceptions about these issues.

In the survey focused in this paper company managers from 67 small and medium-sized Norwegian firms were asked to attribute different degrees of importance (in an ordinal scale from 1, not important at all, to 5, extremely important) to the different motives. The distribution of the results is shown in fig. 2.

All the tests performed from these pages onwards are based on available data referring to this enquire, which was kindly provided by Dr. Moen.

To these companies, small home market, reducing dependence of home market, profit possibilities and part of expansion/growth turned out to be the most important motives. On the other hand, government incentives, unsolicited order, good results from previous experience and positive contacts proved to be the incentives to export less important.

Attending to results of previous studies, T-tests at a significance level of 95% were performed, in order to confirm or not the following hypothesis:

H1: Internal motives are more important than external motives.

H2: Active motives are more important than reactive motives.

The importance of active motives did not prove to be significantly different from that of reactive motives (although being slightly bigger), as shown in fig. 3, not confirming H2. However, in the test for internal and external motives the former proved to significantly have more importance (fig. 4), confirming H1.

So, at least for these companies, motives originated from inside the firm seem to have much more preponderance in the decision to export.

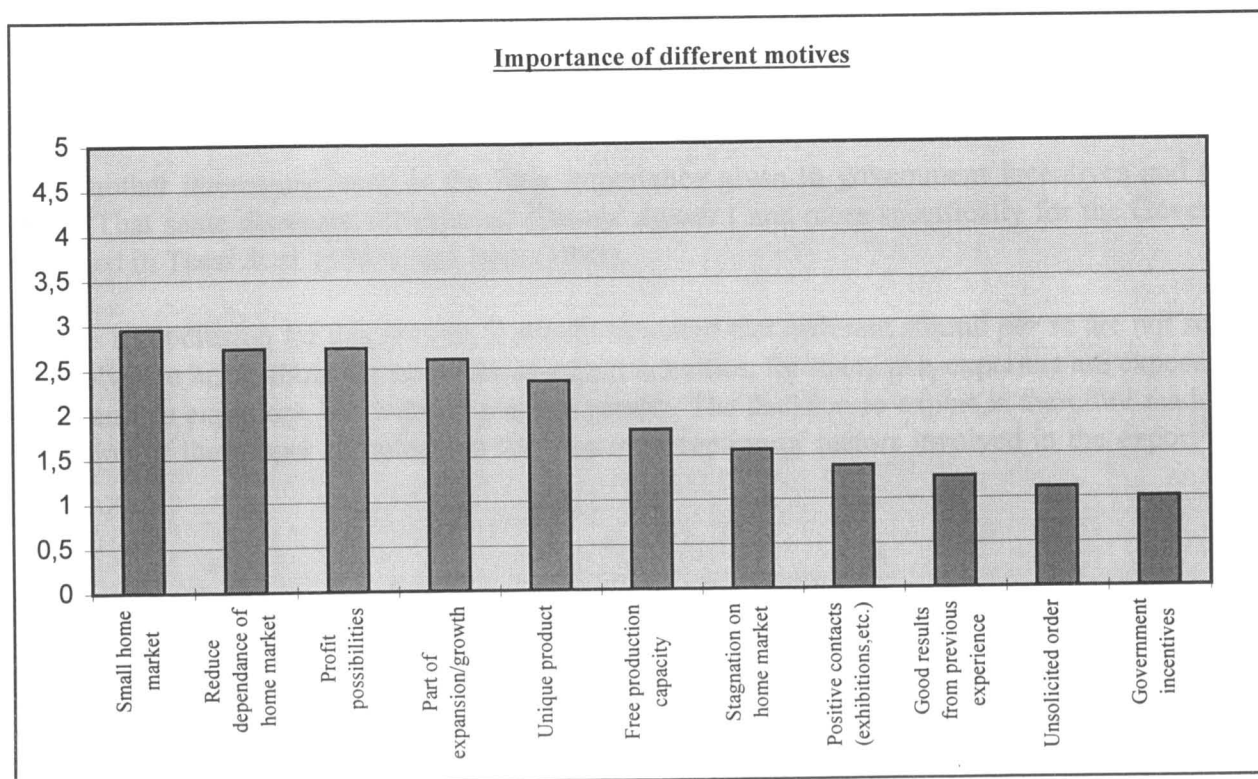


Fig.2

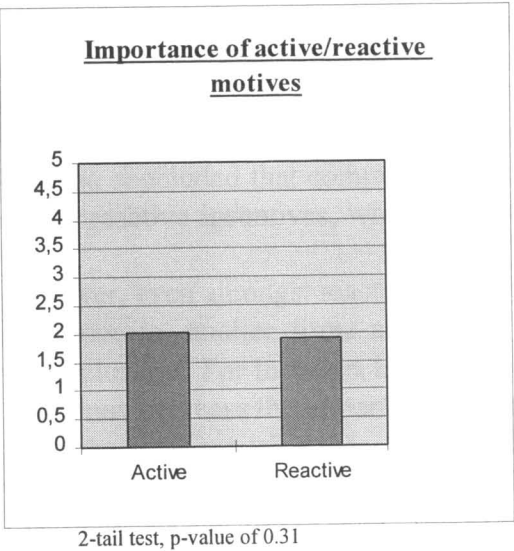


Fig. 3

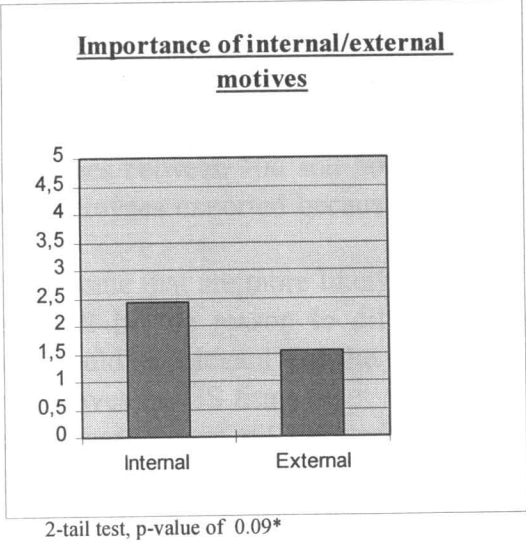


Fig. 4

It is remarkable that the most important motive in the present study is the small domestic market, what does not go against the other two studies conducted in Norway. It is also corroborated by a study of Pavort and Bogart, in 1975, in the US. Perhaps this factor is more important in Norway since it has a small market. There is further investigation about this factor present in Hübner, (1986).

Nevertheless, there are great discrepancies between the present study and the other two, concerning the importance of *the unsolicited foreign order*. In this study it is referred as one of the meaningless motives, while in the previous studies it was often quoted as one of the reasons to export. However, is should be stressed that the nature of this inquiry is significantly different, as respondents are asked not of whether the stimulus was present, but yet of its *importance*. So, as even it could have been present in most of the firms surveyed, it was not regarded as an important factor in the decision to export.

Another interesting result is the little importance given to government incentives and positive contacts. That same disregard for external *Change Agents* (and more specifically for the Government) was noticed in Tesar & al. (1982), and Reid (1982).

As a conclusion for this section, it should be stated that different stimuli *per se* are not sufficient in themselves to bring about the initiation of export activities, for many non-exporters are exposed to the same stimuli as exporters, but with no positive results. The decision to export is therefore made with a combination of the proper stimulus and the proper perception of factors involved in the export process itself.

5. Motives and company size

In previous studies different criteria have been used to ascertain of a firm's size. Among those, three were more commonly considered: number of employees, size of sales and size of assets. For the present study only the first two of these shall be considered, as they are the most consensual.

Smaller firms usually have more scarce resources than bigger ones, what makes them to fully apply those resources in current activities. Larger firms may much more often have *slacks* (people and other resources) that can be applied in other activities, such as exporting. Also larger firms, as a

result of their size, can afford to expose themselves to higher risks. So, since reactive motives may be seen as weaknesses, unlike smaller firms larger ones may find export to be a solution if having problems, resulting in a higher tendency to export on account of reactive motives. In fact, quite often large firms may be driven into exports as a result of a small or stagnant domestic market.

Nevertheless, this hypothesis is not corroborated by a study conducted by Piercy among USA firms, where he concluded that companies with a number of employees between 100 and 500 exported mainly due to reactive incentives, whereas those with 500-2000 employees exported because of active incentives.

However, even amongst reactive or active motives there are some that are more likely of having more importance to smaller firms and vice-versa, which may well be the reason to different and confusing conclusions. For instance, in the quoted study perhaps it could be relevant that the US market is huge, what may decrease the importance of small home market motives for US firms.

On the basis of available data, a regression analysis at a significance level of 95% was performed to ascertain of the existence of any correlation between size and active/reactive motives, both for number of employees and size of sales. The hypothesis raised were:

H3: The bigger the company, the more likely it is to give more importance to reactive motives.

H4: The smaller the company, the more likely it is to give more importance to active motives.

The results are shown in tables 1 and 2. In both analysis there was a significant positive correlation between size and the importance of reactive motives, confirming H3. There was also a negative correlation (that is, the smaller the firm the more importance it gives to active motives), although not statistically significant, between size and active motives, whether when considering number of employees or size of sales. No conclusions can be therefore extracted regarding H4.

Independent variable: Number of employees

	D.F.	T value	P-value
ACTIVE MOTIVES	56	-2.44	0.124
REACTIVE MOTIVES	56	8.47	0.005 **

** significant at a level of 5%

Table 1

Independent variable: Size of sales

	D.F.	T value	P-value
ACTIVE MOTIVES	59	-1.82	0.182
REACTIVE MOTIVES	59	3.22	0.078 *

* significant at a level of 10%

Table 2

The same test was performed considering this time internal/external motives. The hypothesis considered this time were:

H5: The bigger the company, the more likely it is to give more importance to external motives.

H6: The smaller the company, the more likely it is to give more importance to internal motives.

There was a significant positive correlation between size and external factors, as shown in tables 3 and 4, confirming H5. No significant correlation between size and internal motives was found, not validating H6.

Independent variable: Number of employees

	D.F.	T value	P-value
INTERNAL MOTIVES	56	-0.06	0.813
EXTERNAL MOTIVES	56	3.29	0.075 *

* significant at a level of 10%

Table 3

Independent variable: Size of sales

	D.F.	T value	P-value
INTERNAL MOTIVES	59	-1.61	0.209
EXTERNAL MOTIVES	59	3.16	0.081 *

* significant at a level of 10%

Table 4

These results, specially those in tables 1 and 2, seem to confirm the hypothesis raised. To fully understand them, a detailed analysis for each of the motives was performed, with the results shown in tables 5 and 6. The individual motives that came out to be most significantly correlated to size were *stagnation at home market* (the bigger the firm, the more importance this motive has for it) and *profit possibilities* and *unique product* (the smaller the firm, the more importance these motives have for it). Those results are not surprising. Stagnation at home market is one of the reasons commonly accepted as leading larger companies to export, since very difficult it is for a small firm to face a market fully explored (whether stagnant or too small). Smaller companies tend to export in order to achieve higher levels of profitability, while larger ones intend more to increase their sales volume, as Piercy noted in another study. In fact, it is much more likely to a small firm start exporting trying to achieve some extra profit (quite often thinking in the short-run) than a bigger one.

Independent variable: Number of employees

	T value	P-value
Free production capacity	-0.582	0.5632
Government incentives	-1.456	0.1521
Stagnation on home market	3.346	0.0016 **
Profit possibilities	-2.006	0.0508 *
Small home market	-0.471	0.6400
Part of expansion/growth	0.041	0.9678
Good results from previous experience	1.136	0.2619
Unique product	-1.970	0.0549 *
Unsolicited order	-1.153	0.2550
Positive contacts (exhibitions, meetings)	0.250	0.8034
Reduce dependence of home market	0.595	0.5549

* significant at a level of 10%
* significant at a level of 5%

Table 5

Independent variable: Size of sales

	T value	P-value
Free production capacity	-0.411	0.6831
Government incentives	0.024	0.9813
Stagnation on home market	2.269	0.0277 **
Profit possibilities	-1.458	0.1511
Small home market	-0.172	0.8644
Part of expansion/growth	0.657	0.5143
Good results from previous experience	1.498	0.1405
Unique product	-3.205	0.0024 **
Unsolicited order	-0.685	0.4967
Positive contacts (exhibitions, meetings)	-0.342	0.7340
Reduce dependence of home market	-1.043	0.3019

** significant at a level of 5%

Table 6

Not so obvious, unique products motivation is also more bound to smaller firms. These often possess unique strengths and capabilities that make international involvement particularly attractive. For example, a number of writers have argued that some small firms can and do exploit opportunities to meet the needs of small niches in foreign markets. Indeed, small firms may possess the flexibility and adaptability necessary to meet market conditions and demands of foreign market niches that are bypassed by larger firms.

6. Export motives and performance

Performance of exports is not a consensual issue. What constitutes success ? What standards are used to measure it, and who are the judges ? Most authors consider *export dependence* (export sales as a percentage of total sales) as the most valid criterion (Hübner, Abdel-Malek, Reid, Hunt, Tesar, Culpan and others). Other criteria may be : a substantial and sustained increase in total exports or export dependence over a certain period (usually 3 years); a percentage of exports to total business which is considerably and consistently higher than the average for the sector of industry; number of countries where the products of the firm are exported to; number of years of exporting activity; export sales; market share abroad; export profitability exceeds home profitability (difficult to measure...); subjective ratings by managers; and others (see Cunningham [10]).

However, criteria against which to judge the export performance of individual firms are elusive. The most widely used statistical standard concerns the proportion of a firm's total sales which is exported, as it has been said. Viewed as a trend over a minimum period of, say, 3 years, and along with the trend in absolute sales values, an export percentage is a valuable indicator of the contribution made by a firm to national exports. Yet it is essentially an ordinal standard, and one which gives little or no clue as to whether a firm is grasping all the profitable opportunities open to it. This deficiency stems from the fact that the percentage of exports in total sales may be heavily dependent on factors in home and foreign markets which are well outside the direct control of the individual firm. In relation to total opportunities in domestic and foreign markets, a firm exporting 70 % of a total turnover of 10 million Kroner is not necessarily a keener or more efficient exporter than a firm in the same line of business exporting 40 % of a total turnover of 30 million Kroner. The high export dependence of the first firm may disguise a failure to accept the opportunities and potentialities of expansion rather than reflect a conscious and aggressive export effort.

It must be also noticed that in most studies trying to correlate export success with others variables there is the danger of mixing firms from different sectors of industry whose *product life cycles* are in different stages (sectors in the stage of growing are more likely to be successful).

Among the factors affecting the firm's export effort and success, basic policy objectives and attitudes towards exporting formulated at the top of the firm's management structure are of fundamental importance, according to several authors (see Hunt & al [11]). There has also been considered that there is a link between export performance and research development (see Pavord & al [2]).

As far as motives are concerned, *small home market, risk diversification, economies of scale and growth aspirations* can act as a continual spur to export effort and success. Firms motivated by these motives tend to recognise not only the need to base expansion plans on a flourishing export trade, but also the positive contribution that large and growing exports can make to efficiency and profits by facilitating longer production runs and so reducing unit costs.

On the other hand, *extended sales of a seasonal product, excess capacity of resources and unsolicited foreign orders* are bound to provide the firm with fewer chances of success. Firms that export just on account of having a seasonal product can not regulate foreign demand so that it dovetails with movements of the home market, neither can firms which approach exports as a vital element in long-term policy afford to turn them on and off like a tap governed by domestic market vagaries. Continuity is a vital factor in exporting to established or growing markets not only because of keen competition in most sectors, but also because of the critical need to preserve the confidence of agents, distributors and clients.

As for excess capacity, expansion of exports is not compatible, in the medium-term at least, with simply keeping the present plant and labour force fully occupied.

In the same way, expansion of exports can not be dependent on sporadic orders by foreign clients.

There are, nevertheless, some discrepancies among the several studies published.

In a survey conducted by McDougall among 170 manufacturing firms in Australia, Canada and New Zealand high export performance was significantly correlated to excess capacity and managerial urge. No correlation was found regarding profitability urge.

In another study, conducted among 250 medium-sized firms, Piercy concluded that reactive motives lead to a much lower export dependence than active motives. Those results can be seen in table 7.

	Export sales contribution				
	0-10%	11-20%	21-40%	>40%	
REACTIVE	74	53	32	7	usually 0-20 %
ACTIVE	26	47	48	93	« >20 %

Table 7

Piercy (European Journal of Marketing 17,1), pp. 8-9

In yet another study conducted by Welch among 33 firms in the US he noticed that internal motives had been important to 71% of the successful exporters, while only 50 % of the unsuccessful exporters had given the same importance to those motives.

Finally, in another study conducted by Tesar and Tarleton among 664 US companies successful exporters proved to be more motivated by *unique qualities of the product* and *technological advantage*. On the other hand, unsuccessful exporters most quoted motives were *unsolicited orders* and *change agents*. Government incentives had been irrelevant for both groups.

In order to bring more light to the subject, some analysis were made in order to confirm or not the following hypothesis:

H7 - Successful exporters are bound to be more motivated by internal motives.

H8 - Successful exporters are bound to be more motivated by external motives.

Regression analysis at a significance level of 95% was the method chosen to verify those hypotheses. The measuring variable to ascertain success was *export dependence*. Both hypotheses were not confirmed, although there was a considerable relation between success and active factors, as it can be seen in tables 8 and 9.

Independent variable: Export sales/Total sales

	D.F.	T value	P-value
INTERNAL MOTIVES	53	-0.005	0.960
EXTERNAL MOTIVES	53	0.20	0.653

Table 8

Independent variable: Export sales/total sales

	D.F.	T value	P-value
REACTIVE MOTIVES	53	-0.63	0.430
ACTIVE MOTIVES	53	2.64	0.110

Table 9

Another test was performed, this time an independent-sample T-test at a significance level of 95% to verify whether firms with an export dependence above 10 % have a tendency to attribute more importance to active motives. No trend was found, as shown in table 10.

	T value	P-value
EXPORT SALES/TOTAL SALES > 10%	0.42	0.839

Table 10

Finally, another regression analysis for the individual motives was made, trying to ascertain any relationship with export success. Success was strong positively correlated to good results from previous experience, positively correlated to part of expansion/growth and strongly negative correlated to free production capacity. A certain, but not statistically significant, tendency for positive relationship with small home market and negative with unsolicited orders has been also found, as it is shown in table 11.

Independent variable: Export sales/total sales

	T value	P-value
Free production capacity	-2.221	0.0316 **
Government incentives	0.700	0.4875
Stagnation on home market	-0.066	0.9476
Profit possibilities	0.836	0.4080
Small home market	1.549	0.1287
Part of expansion/growth	1.765	0.0846 *
Good results from previous experience	2.963	0.0049 **
Unique product	-0.625	0.5355
Unsolicited order	-1.518	0.1362
Positive contacts (exhibitions, meetings)	0.190	0.8505
Reduce dependence of home market	-0.888	0.3792

* significant at a level of 10%
** significant at a level of 5%

Table 11

To conclude, although no definite conclusions can be drawn from the hypothesis tested, the last table tends to confirm the author’s considerations in the beginning of this topic, *i.e.* the positive relationship between export success (measured as an important export share in the total turnover of the company) and the importance of *growth/expansion goals, small home market, managerial urge* (in which category could be perhaps included *good results from previous experience* as reflecting in managers commitment) and negative relationship with the importance of *free production capacity* and *unsolicited orders*.

However, it should be stressed that any conclusion should always take in mind the influence that different sectors of activity can have in firms’ performances, as well as others factors that can not be quantified.

7. Company size and export performance

Much has been written about this topic and many of the results turned out to be contradictory. According to Hirsch and Adar, larger firms should be more successful (insofar as success being measured by *export dependence*). These firms can afford to assume more risks than smaller ones; in addition, their risks from foreign operations are less than those of small firms, because the larger companies benefit from economies of scale in foreign marketing. Consequently, the risk premium

demanded by large firms from foreign marketing is less than the premium insisted upon by smaller ones. Large firms therefore tend to export a higher share of their output. These theoretical constructs are confirmed by empirical analysis performed on a sample of several hundred companies from six industries in Denmark, Holland and Israel. Also a study by Culpan among 210 small and medium-sized manufacturing firms in Pennsylvania provides the same results.

Nevertheless, three other studies conducted by McDougall with 170 Canadian manufacturing firms, Abdel-Malek with 154 US firms and Verhoeven in Holland concluded that there is no clear relationship between size and performance.

In fact, small companies have less means in regard to knowledge, management, financing and covering risks. However, most of them usually overcome this handicap by making use of the services of intermediaries. Furthermore, not in every case economies of scale in foreign marketing exist, and smaller firms may be more able to respond to small niches in foreign markets.

In order to ascertain of a possible relationship between size and performance, a regression analysis was performed among the companies of the present study. The results are shown in table 12. There is no evidence in this data for size having any relationship with success, for small and medium-sized firms at least - remember that large companies were excluded from the present study. Therefore, it is my belief, for reasons already explained, that there is no clear correlation between size and performance.

Independent variable: Export sales/total sales

	D.F.	T value	P-value
SIZE (NUMBER OF EMPLOYEES)	53	-0.098	0.9225
SIZE (TOTAL SALES)	53	-0.385	0.7016

Table 12

II

Portugal and the Scandinavian countries: **General profiles and export overview.**

1. Socio-cultural environment

1.1. Introduction

Portugal and the Scandinavian countries have considerably different social structures and habits. This may lead to increased problems when trying to export from one country to the other. In order to bring some light to the understanding of the different characteristics, this chapter essays to contribute to elucidation, comparing the different psychological traits, consumer patterns and living standards.

1.2. The Scandinavian countries

Norway, Sweden and Denmark appear to be a fairly homogeneous area: small democratic states; similar political systems; three Monarchies, with heads of state whose functions are largely ceremonial; predominantly - often irreligiously so - Lutheran; a high standard of living; social welfare states with strong, moderate social-democratic traditions, rejecting political extremes on both sides; a virtually common language, mutually understood; very similar attitudes and values in respect to the external world (in spite of different security policies - while Denmark and Norway are members of NATO, Sweden has chosen to remain neutral. This is mostly a consequence of the 2nd. World War).

These countries have common social points of view: use of a "post-Taylorism" management and quality circles; combination of quality of life and environment with industrial efficiency; compatibility of "egalitarianism", "national solidarity" and economic progress; inflexibility of working hours.

Most Scandinavians can speak reasonably well English. It is undoubtedly the most used language there, as far as international business is concerned. A considerable part can also speak German, while French is rather less popular, as it can be seen in Table 1.

Table 1: Languages and religion in Scandinavia (1990), %

Adults (18 or over) who speak:	NORWAY	SWEDEN	DENMARK
English	58	73	61
French	2	9	9
German	17	35	45
Italian	-	1	1
Spanish	2	6	1
Adults (18 or over) religion:			
Roman Catholic	1	1	1
Protestant	93	94	95
Others or none	6	5	4

Source: Gallup International, [14]

1.3. Socio-cultural characteristics: comparisons

Psychological traits may prove to be decisive when dealing in an international environment. Quite often psychological differences between people from different cultural backgrounds may lead to major setbacks in negotiations; also some products which prove to be quite popular and some approaches to promotion which are rather effective in a certain country may turn out to be a complete failure in an other. Therefore, it would be interesting to compare Portugal and the Scandinavian countries considering the differences in psychological traits.

A major study trying to investigate cultural differences between different countries was conducted by Hofstede in 1984, in 50 countries. He considered 4 different cultural dimensions: individualism, power distance, uncertainty avoidance and masculinity. The results (points ranging from 0 to a maximum of 100) for Portugal and the Scandinavian countries are shown in Table 2.

Table 2: comparison of psychological traits

	Individualism		Power Distance		Uncertainty Avoidance		Masculinity	
	Points	Ranking	Points	Ranking	Points	Ranking	Points	Ranking
PORTUGAL	27	18-19	63	29-30	100	49	31	9
NORWAY	69	38	31	6-7	50	16	8	2
SWEDEN	71	40-41	31	6-7	29	4-5	5	1
DENMARK	63	34	18	3	23	3	16	4

Source: Asia Pacific Journal of Management, Jan 1984, [13]

Individualism

Individualism stands for a preference for a loosely knit social framework in society where individuals are supposed to take care of themselves and their immediate families only. The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among individuals; it relates to people's self-concept, "I" or "we".

The Scandinavian countries prove to be quite individualistic. Portugal ranks in the middle, much nearer to collectivism (people tend to rely more in the family). The implications are that pure capitalism is more attractive in the Scandinavian countries; in Portugal, group interests may have some

preponderance. Also Maslow's pyramid of needs (physiological ↗ safety ↗ belongingness ↗ esteem ↗ achievement) possibly does not apply so well to Portuguese ("belongingness" plays a higher role) as in Scandinavian countries.

There is probably more loyalty and protection at stake in the employer-employee relationship in Portugal (not mere economic interests). Also in this country, a certain tendency to favour people from the same group (family, etc.) in business may occur. Also is it more usual to see people from the same family working together. However, it should be noticed that the tendency is in the direction of Individualism, and most probably an inquiry today would provide different results.

Power distance

Power distance is the extent to which the members of a society accept that power in institutions and organisations is distributed unequally. This affects the behaviour of the less powerful as well as of the more powerful members of the society. People in large power distance societies accept a hierarchical order in which everybody has a place which needs no further justification, while those in small power distance societies strive for power equalisation and demand justification for power inequalities among people when they occur.

According to the results, hierarchies are abolished as much as possible in the Scandinavian countries. Portugal ranks in the middle. The implications are that subordinate consultation is much more common in the Scandinavian countries, also status differences are undesirable in these countries, and Management by Objectives (MBO) is more likely to succeed in the same countries.

Uncertainty avoidance

Uncertainty avoidance is the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue addressed by this dimension is how a society reacts to the fact that time only runs in one direction and that the future is unknown: whether it tries to control the future or to let it happen. Uncertainty avoidance has consequences for the way people build their institutions and organisations.

Portugal is a country where uncertainty is extremely avoided. The Scandinavian countries are on the opposite side (specially Sweden and Denmark). In Portugal, there is more formality and rituals, strategic planning is less appreciated, showing of emotions is much more acceptable, and there is less tolerance for deviant ideas or behaviours (nevertheless these are taken more seriously).

Masculinity

Masculinity stands for a preference in society for achievement, heroism, assertiveness and material success. Its opposite, Femininity, stands for a preference for relationships, modesty, caring for the weak and quality of life. This fundamental issue addressed by this dimension is the way in which a society allocates social (as opposed to biological) roles to the sexes.

There is no big difference between Portugal and the Scandinavian countries as far as masculinity is concerned. There is, however, some difference between Portugal on one hand and Norway and Sweden on the other. The last 2 countries have a bigger tendency to be quality-of-life oriented, and also to favour "group work". In these countries the "macho" manager is looked down.

Other traits

Work and achievement - in the Scandinavian countries Protestant ethic still has some influence in the society: hard work is often seen as the best way to serve God and the society, and to show what one is really worth. In Portugal it is not quite so. This is not, nevertheless, a pacific issue.

Youth orientation - Scandinavian countries are much less youth-oriented than Portugal; older people hold much more power in the former.

Informality - People in Portugal are much more formal. In Norway, Sweden and Denmark titles are much less used when addressing to someone, and the 2nd. person of the singular is widely used. Clothing in these countries is also more casual.

Relative status of women - There is more equality between men and women in the Scandinavian countries. Paternity leave is quite often used, and women also dispose great deal of power both in economic and political terms. It is remarkable that this position of women in the society has been achieved in the last 20 years. Norwegian women, for instance, had one of the lowest European rates of participation in economy and politics in 1975.

Competition - People in Portugal usually prefer to work in competition, while people in Norway, Sweden and Denmark give preference to co-operation.

Summary

This sub-chapter has discussed a number of management and planning aspects that are culturally constrained. Effectiveness within a given culture and judged according to the values of that culture asks for management skills adapted to the local culture.

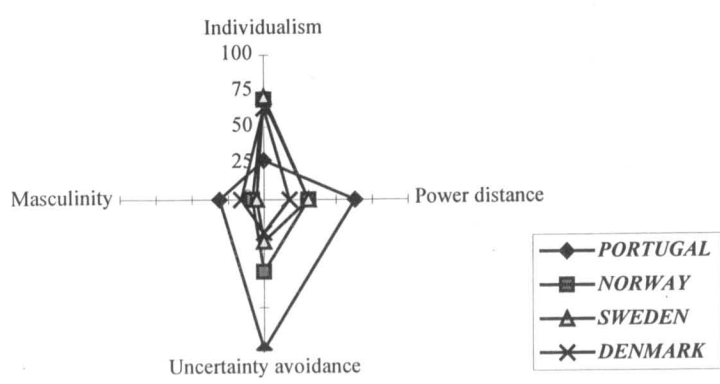
A visual layout of the global positioning of these four countries as far as the previous four most important dimensions considered are concerned is shown in Chart 1.

The trait in which Portugal differs more of the Scandinavian countries is “uncertainty avoidance”. As a consequence, huge differences between the former and the latter are expected in degree of formality, improvisation, showing of feelings and punctuality, which are considerably more intense in Portugal (except for punctuality).

Considerable differences are also expected in “individualism” and “power distance”, leading to a higher predominance of hierarchies and group behaviour in Portugal. Finally, as for masculinity no significant differences are expected between these countries.

All in all, the Scandinavians seem to have a rather similar way of thinking, while the Portuguese one is considerably different. Nevertheless, Portuguese psychological traits appear to be changing in the direction of the Scandinavian. Therefore, a similar study today should provide somewhat different results for Portugal.

Chart 1: Psychological traits



1.4. Population and living standards

One could say that, as far as population is concerned, Norway and Denmark are small countries in Europe while Portugal and Sweden are medium-sized. Portugal and Denmark have high population densities, while Norway and Sweden are scarcely populated. Every one of these countries is formed by an ageing population, whose growth has remained quite low in the last few years.

Table 3: population, its evolution, and living standards

	Population (91) *1000	Annual growth 1985-1991	Inhab/sq. km	per 1000 inhabitants			
				Cars ('91)	Tvs (90)	Radios (90)	Nr. doctors
PORTUGAL	9 890	0,4	111	301	189	233	2,9
NORWAY	4 262	0,4	13	378	780	798	3,1
SWEDEN	8 617	0,6	19	419	866	888	3,1
DENMARK	5 148	0,1	120	385	535	1030	2,7

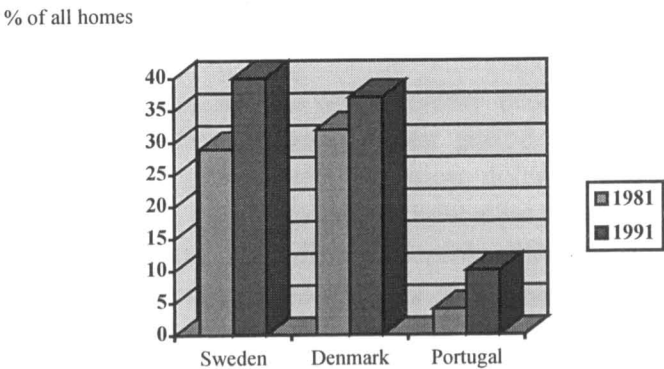
Source: Statistisk Sentralburå

Living standards in the Scandinavian countries are among the highest in the world; the proportion of television sets and radios in these countries is rather higher than in Portugal, while that of cars is somewhat higher. The number of doctors per inhabitant is relatively similar in these countries, though.

1.5. Consumer patterns

A trend that is developing in Europe is the breakdown of the “nuclear” family. While in the Northern countries it has started a long time ago, in Southern Europe and more precisely in Portugal it is still at an early stage, as seen in chart 2. This phenomenon may certainly lead to different consumer patterns, as for instance higher expenses in housing, and to a different process of decision by the occasion of purchase (decisions more spontaneous and individual), as the number of one-person households increases.

Chart 2: The rise of the one-person household



Source: AGB - Euromed, [14]

In Portugal, food and other “basics” represent a higher share compared to more “luxury” items such as leisure (only 2,4% , compared to 9,2% and 9,3% in Norway and Denmark), as shown on Table 4.

It is interesting to note that people in Scandinavian countries considerably spend a higher percentage of their income in alcoholic drinks than Portugal, but this is an effect of rather higher taxes on alcohol.

Table 4: Consumer expenditure by object (1990), %

	Food	Alcoholic drinks	Non-alc. drinks	Tobacco	Clothing	Footwear	Housing
PORTUGAL	34,6	1,5	0,2	1,3	4,9	1,5	8,9
NORWAY	18,4	3,4	1,1	2,3	6,2	1,3	12,2
SWEDEN	15,2	2,7	0,4	1,9	5,4	1,0	17,6
DENMARK	14,8	3,1	0,6	2,9	4,7	0,7	19,7

	Household fuels	Household goods & services	Health	Transport	Communications	Leisure	Others
PORTUGAL	NA	6,2	3,0	11,0	3,0	2,4	21,5
NORWAY	7,0	7,0	4,1	12,5	1,8	9,2	13,5
SWEDEN	4,0	6,3	1,6	16,8	NA	7,2	19,8
DENMARK	6,3	6,7	1,7	13,8	1,3	9,3	14,4

Source: National Accounts/Euromonitor estimates, [14]

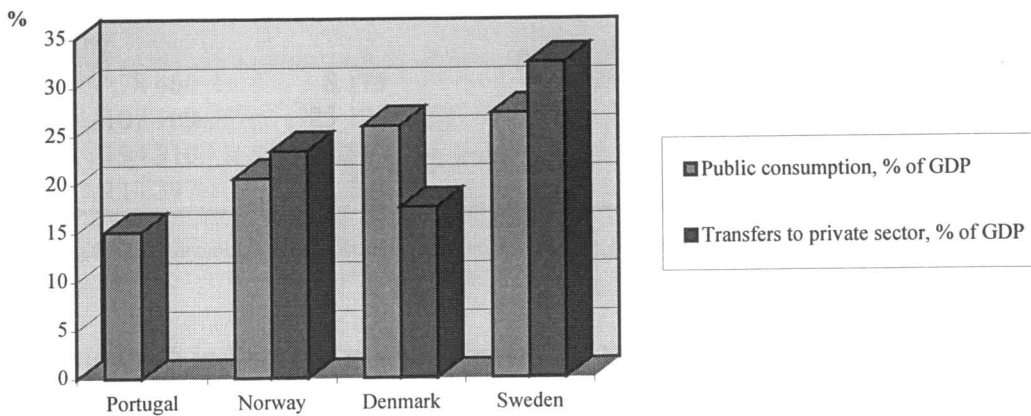
2. Economy

2.1. Introduction

This chapter shall focus on a general overview over the current situation, structure, wealth and involvement of the State in the economy of the four different countries. A special attention is also given to the different advertising and distribution structures. Finally, some future prospects are presented, in an attempt to somehow predict the evolution of those economies.

2.2. General considerations

The Scandinavian economies are not only wealthy economies, but also economies which are often characterised as welfare states. In the post-war period the State has taken larger and larger responsibilities outside traditional tasks of administration, defence, and maintenance of law and order. Production of services and transfers related to health, education, housing and many social services have been growing particularly fast. There are still considerable differences in the magnitude of the public sector in these countries: Sweden and Denmark have exceptionally large public sectors compared to other western industrial countries, such as Portugal, while Norway is closer to the international average, as shown in Chart 3. This is, however, a result of public sector expansion during the 1970s. At the beginning of the 1960s the public sectors of Sweden and Denmark were relatively small by western European standards. In Norway the public sector's share steadily increased during the 1980s, while it remained relatively stabilised in the other two countries.

Public sector activities, 1988

Sources: Banco de Portugal, National Foreign Trade Statistics [7], [1]

The Scandinavian countries obviously have comparative advantages in relation to other European countries mainly in industries based on the use of natural resources, like forests, ore and energy, and in branches with a highly skilled labour force. The standard static trade model predicts that industries in Scandinavian countries extensive using low-skilled high-wage labour, such as the clothing industry, are likely to be losers in the European integration process, in favour of Southern European countries as Portugal or Italy, or Far Eastern countries.

The effects of European integration are likely to be the greatest in branches that have today important scale economies, low competition and high barriers to trade. Scale economies exist, for instance, in production of telecommunications equipment, computers, office machines and medical instruments. Increased competition is likely to have large effects in air and road transports, construction, wholesale trade and in the financial sector. Barriers to trade in turn have been substantial in the pharmaceutical industry, in some parts of the food industry and in the production of railway equipment. Impacts of integration are likely to be rather small in branches where markets are local or regional. This is the case in retail trade and retail banking, in some parts of the food industry, and in various service activities like restaurants and personal services. These activities are more affected by rising direct investment and increased labour mobility than by direct foreign competition. Even these effects, compared to the size of the sectors, will remain limited.

2.3. Economic comparisons

The Scandinavian countries are among the richest in the world, while Portugal is among the poorest of the industrialised countries. Hence, Portuguese GDP per capita is about a 1/3 of those of those countries, being the Norwegian slightly larger than those of Sweden and Denmark.

The Portuguese economy was by far the most dynamic from 1987 until 1992, mostly due to the adhesion to the EC in 1986. Portugal was the last country to be affected by the recession in the early 90's (except for Norway, which was able not to experiment negative economic growth, mainly due to the stability achieved through the importance of the offshore industry), but it was also the last one to recover. Norway is undoubtedly the country with the strongest economic development since 1992.

Table 5: Gross Domestic Product and its evolution

	GDP (million USD)	GDP per capita (USD)	GDP annual growth rate (87-92)	1992	1993	1994 (*)	1995 (*)	1996 (*)
PORTUGAL	78 460	8 173	3,8	1,1	-1,2	1,1	3,0	3,2
NORWAY	107 100	25 129	1,3	3,2	2,5	5,0	4,8	
SWEDEN	194 310	22 550	0,6	-2,0	-2,8	2,0	2,4	2,5
DENMARK	117 397	22 804	1,2	1,0	1,3	3,7	3,2	

(*) Forecasts

Sources: Banco de Portugal, The Economist, Statistisk Sentralburå, Eurostat, [7], [24], [2], [25]

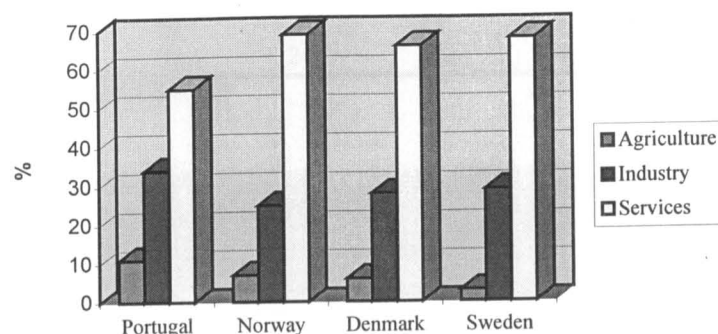
The inflation rate in Portugal is somewhat higher than in the Scandinavian countries, whose are around 2%. The unemployment rate in Portugal and Norway is considerably lower than those in Sweden and Denmark. Taxes in Norway, Sweden and Denmark are rather higher than in Portugal, reflecting the welfare state nature of those countries. Industries in the Scandinavian countries steadily increased their production in 1994, while industrial production in Portugal remained virtually unchanged, reflecting the late recovery in the Portuguese economy.

Table 6: Other economic indicators

	Inflation rate (Jan 1995)	Unemployment rate (Mar 1995)	Government Debt (% of GNP) 1994	Budget deficit (% of GNP) 1994	Taxes revenue (% of GNP)		Industrial production (change 1994)
					1985	1991	
PORTUGAL	4,7	7,1	70,4	-5,8	31,6	35,6	+0,3
NORWAY	1,7	5,5	49,0	-1,4	47,6	47,1	
SWEDEN	2,5	11,2	78,9	-11,7	50,4	53,2	+13,2
DENMARK	2,4	10,4	78,0	-4,3	49,0	48,3	+10,8

Sources: Banco de Portugal, The Economist, Statistisk Sentralburå, Eurostat, [2], [7], [14], [25]

The employment structures do not differ much among the four countries, with services accounting for the majority of employment. Nevertheless, agriculture in Portugal still represents a considerable share, relatively to the Scandinavian countries. Industry is also little more important in Portugal than in those countries.

Chart 3: Employment by activity sector, in 1993

Sources: Instituto Nacional de Estatística, OECD, [10], [7]

2.4. Advertising and Distribution structures

TV is the most used way to advertise in Portugal, with a share of 40% of the total, unlike Norway, Sweden and Denmark where the trend is the opposite, having TV little importance (from 3% to 10%). Nevertheless, the share of TV in Norway has been rapidly increasing in the last few years, due to new private TV channels. In Sweden newspapers take the strong majority of total advertising, with 75%, while in Portugal their share does not go over a ¼ of the total.

Table 7: Distribution of advertising expenditure in 1991 (%)

	PORTUGAL	SWEDEN	DENMARK	NORWAY
Newspapers	25	75	NA	NA
Magazines	21	15	NA	NA
TV	40	5	10	3
Radio	6	-	NA	NA
Cinema	-	1	NA	NA
Outdoor	8	5	NA	NA

Source: The European Advertising and Media Forecast, NTC Publications Ltd. (92), [14]

European retail has been predominantly national with, to simplify, a split between a relatively concentrated “North” and a less concentrated “South”. The difference between Portugal and the Scandinavian countries is huge: while in the former the overwhelming majority of retailers is independent, in the latter multiple chains and associations have a remarkable weight, specially in Norway and Denmark. In Sweden independent retailers still have the largest share.

Table 8: Retail trade by form of organisation in 1990,1995 (% Share of market)

		LMR	MULT	ASSO	COOP	MO	IND	TOTAL
PORTUGAL	1990	1	5	2	2	-	89	100
	1995	2	7	4	3	1	83	100
DENMARK	1990	4	19	33	20	2	22	100
	1995	2	22	34	19	3	18	100
NORWAY	1990	5	30	28	15	2	20	100
	1995	4	33	29	15	2	17	100
SWEDEN	1990	7	12	24	15	3	39	100
	1995	6	12	24	15	4	39	100

Source: Euromonitor, Book of European forecasts (1991), [14]

Key:	
LMR	Large, mixed retailers of department and variety store chains.
MULT	Multiple chains, including franchised outlets.
ASSO	Associated retailers, including voluntary groups.
COOP	Co-operatives.
MO	Mail-order operators.
IND	Independent, unaffiliated retailers.

Nevertheless, some trends are emerging. Examples are European advertising agency networks, fashion magazines, general distribution principles such as self-service, supermarkets, boutiques, and world-wide franchise systems. Portuguese retailing organisation is expected to move in the direction of those of Denmark, Norway and Sweden.

To conclude, Portuguese companies trying to install themselves in the Scandinavian countries are much more dependent on agreements with the most important chains and wholesalers. On the other hand, Scandinavian companies trying to penetrate the Portuguese market may find it more easy to establish individual contacts.

3. Exports

3.1. Overview

Foreign trade is quite important to every one of these four countries, although the Portuguese economy is considerably more open than the others. This difference is bound to increase even more in the next few years, attending to the huge growth rate of Portuguese exports and imports.

Another feature that distinguishes Portugal from the Scandinavian countries is that Portugal imports reasonably more than it exports, leading to a steady negative balance of payments.

Chart 4

*Foreign trade as a % of GDP, in 1990**

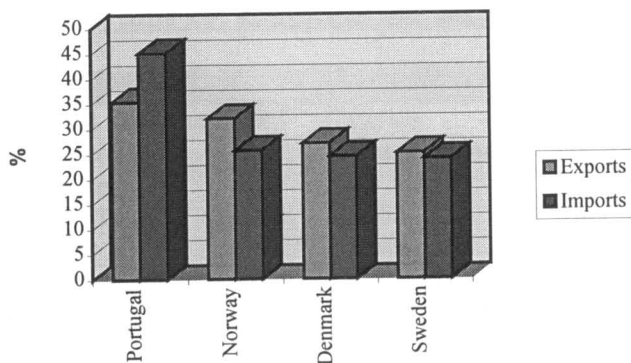
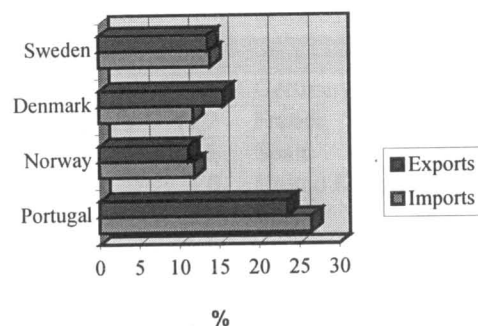


Chart 5

Average annual increase during 1985-1990



(*) Portugal 1993
Source: OECD, [7], [10]

Both Scandinavian countries and Portugal show concentrated export patterns. Norway has the thinnest and most vulnerable export base being heavily dependent on oil revenues. About two thirds of total exports consists of oil, gas and other energy and raw material based products like metals, pulp and chemicals - the rest being mainly services. Portugal also presents a very concentrated base of exports, with textiles and clothing accounting for almost a third of total exports. Denmark is at the other end of the spectrum. Still the five most important Danish export items represent as much as one third of its total exports. Sweden and Finland fall between the two extremes, with Finland showing a higher export concentration than Sweden.

Table 9: Five most important export items, % of exports of goods in 1988*

Product group	NORWAY	SWEDEN	DENMARK	PORTUGAL
Meat and preparations			10,0	
Fish and preparations	7,0		6,0	
Petroleum and paper products	24,0			
Gas	11,3			
Paper and paper products		10,9		
Iron and steel	3,9	5,8		
Non-ferrous metals	12,3			
Machinery for special industries		4,9		
General industrial machinery		7,8	7,6	10,1
Road vehicles		15,4		8,4
Furniture			3,7	
Manufactures, NES			5,8	
Textiles				15,4
Clothing				15,2
Footwear				8,9
<i>Total</i>	<i>58,6</i>	<i>44,0</i>	<i>33,1</i>	<i>58,0</i>

(*) Portugal 1992

Source: Gallup International, [1], [7]

By European standards these four countries are also geographically quite heavily specialised in their exports. Portugal presents the highest score in this respect: five countries account for two thirds of total exports. Norway exhibits a bit more spread regional structure, while Sweden and Denmark diversify considerably more their export destinations.

Table 10: Exports to five most important customer countries, % of exports of goods

NORWAY (93)		SWEDEN (90)		DENMARK (88)		PORTUGAL (94)	
United Kingdom	24,5	Germany	13,9	Germany	17,6	Germany	18,7
Germany	12,7	United Kingdom	10,1	United Kingdom	12,2	France	14,7
Sweden	8,7	USA	8,6	Sweden	11,5	Spain	14,4
Netherlands	8,5	Norway	8,3	Norway	7,0	United Kingdom	11,7
France	7,8	Denmark	6,8	USA	5,8	Italy	5,3
<i>Total</i>	<i>62,2</i>		<i>47,7</i>		<i>33,1</i>		<i>64,8</i>

Source: National Foreign Trade Statistics

It is symptomatic that Germany is the most import partner of all countries but Norway, where it ranks second. The United Kingdom also appears among the main clients of all these countries, having special importance for the Scandinavian countries.

Portuguese and Norwegian exports are rather more geographically concentrated (5 countries accounting for more than 60%) than those of Sweden and especially Denmark.

In addition, inter-Scandinavian trade is of great importance: more than 20% of total exports in each country ends up in the Nordic region. This share has, however, diminished throughout the 80's. Sweden is most dependent on the other Nordic countries for exports. Sweden is also a particularly important market for Norway and Denmark.

There is some evidence that inter-Scandinavian trade has affected Scandinavian export patterns and competitiveness more strongly than the mere size of trade implies; it seems to have had a positive

impact on the gradual transformation of Scandinavian exports from raw material based products towards advanced industrial goods in the 60's and 70's. The Scandinavian home market has provided a growth base for some new, technology-intensive products at the early age of their life cycles. Scandinavian economy integration seems to have spurred production of such products as pharmaceuticals, plastics or telecommunication equipment (the most important example being mobile communication system). This lends support to the idea that the more similar the participating countries are, the more likely economic integration is to enhance innovation.

Export in the Scandinavian countries is concentrated companywise as well. In Norway and Sweden the ten largest exporters are responsible for 40-50% of total merchandise exports. Moreover, the contribution of large firms to exports and other foreign operations has been steadily increasing in these countries.

Table 11: Ten Largest export companies in 1988, % of total merchandise exports

NORWAY		SWEDEN		DENMARK	
Statoil	18,2	Volvo	11,5	ESS-Food	3,1
Norsk Hydro	10,7	Saab-Scania	6,6	J. Lauritzen	2,9
Eso Norge	3,6	Asea	5,4	MD Foods	2,4
Philips Petroleum	3,2	Stora	4,3	Danfoss	2,4
Elkem	3,0	Mo och Domsjö	3,7	Novo	2,1
Elf Aquitaine	2,9	Nobel Industrier	2,8	Tulip	1,6
Fina Exploration	2,5	Electrolux	2,3	FLS Industries	1,6
Total Marine	1,7	Svenska Cellulosa	2,2	Rockwool Internat	1,5
Orkla-Borregaard	1,3	Sandvik	2,1	Sophus Berendsen	1,4
Norsk Agip	1,2	Nordstiernan	1,9	De Danske Sukkerfabriker	1,4
TOTAL	48,3		42,8		20,4

Source: IFF, [1]

Norwegian and Swedish exports are much more concentrated than the Danish. In those two countries, the ten largest exports account for almost half of the total, while in the Denmark those ten top companies weight is of about 20%. It should be noticed, however, that in the Norwegian case it is due to the existence of two huge companies, Statoil and Norsk Hydro. The universe of the Norwegian exporting firms is characterised by small and medium-sized companies, except for the oil and gas related industries.

When analysing the most predominant sectors among these top ten companies, one can not help noticing that practically every firm in the Norwegian top ten is related to the oil and gas sector. In Sweden, mechanical and machinery industries are the most predominant. In Denmark, food products are notably present.

The international dependency of the Nordic economies has been increasing via direct investments abroad even more than through trade flows. These developments have especially characterised Sweden, where the foreign direct investments are already about 25% in relation to domestic fixed capital formation of the business sector. One of the factors explaining the accelerating internationalisation of business is the firm's reaction to the European internal market.

Chart 6

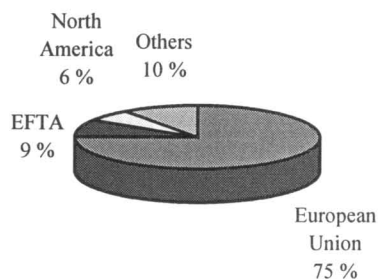
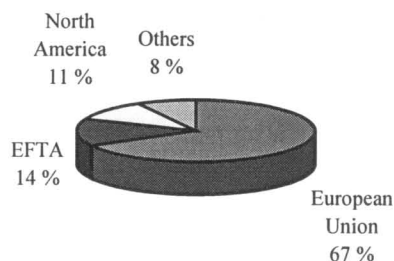
Destination of Portuguese exports in 1994

Chart 7

Destination of Norwegian exports in 1994

Sources: Statistisk Sentralburå, Fortuna, [2]

Portuguese and Norwegian exports follow a similar trend, when it comes to the destination of exports: both countries are extremely dependent on the European Union, as shown in the above charts (even more from now on, as Sweden, Finland and Austria, which used to be part of EFTA, have now joined the EU).

3.2. Trade between Portugal and Sweden

Trade between the two countries is largely favorable to Portugal (a surplus of 43% in 1994). Portuguese exports to Sweden were of 3077 Million NOK in 1994, corresponding to a growth of 13,7 % relative to the previous year, while Swedish exports totalled 2149 Million NOK in 1994. Portuguese exports to Sweden corresponded to 2,5 % of the total value, in the same year.

A significant part of Portuguese exports is constituted by clothing (over a third) and footwear. These two items account for about half of total export merchandise. Electrical machinery is the other item whose weight exceeds 10%, being one of the products with the highest growth rate in recent years.

On the Swedish part, processed goods such as machinery or vehicles represent the bulk of Swedish exports. Nevertheless, paper and its derivatives accounts for about a third of the total amount.

Main Portuguese exports to Sweden

PRODUCT	SHARE (%)
Clothing, except jersey	24,1
Footwear	18,9
Clothing, jersey	12,4
Electrical machinery	10,8
Textiles	5,0
Ceramics	4,0
Cotton	2,5

Source: Instituto Nacional de Estatística

Main Swedish exports to Portugal

PRODUCT	SHARE (%)
Paper and derivatives	32,2
Mechanical machinery	15,7
Electrical machinery	12,6
Road vehicles and accessories	8,4
Pharmaceutical products	3,5
Plastics	3,3
Specialised instruments	2,1

Table 12

The recent Swedish decision of dismantling the alcoholic drinks monopoly (*Sistembolaget*) may provide a boost in Portuguese wine exports to the country.

Another important sector for Portugal in the trade with Sweden is *tourism*. Swedish have a large tendency to travel abroad (a 96,2% rate in 1993), high purchasing power and a tendency to choose high quality accommodation, which favours Portugal relatively to other Mediterranean destinations. Portuguese quota of the Swedish tourism market was of 0,8% in 1993.

3.3. Trade between Portugal and Denmark

Even more markedly than in the previous case, also between Portugal and Denmark trade is largely favorable to the former (a surplus of 81,9 % in 1994). Portuguese exports to Denmark were of 2872 Million NOK in 1994, while Danish exports totalled 1579 Million NOK in the same year. Portuguese exports to Sweden corresponded to 2,2 % of the total value, in 1994

The pattern of Portuguese exports to Denmark does not deviate much from the characteristic one, with traditional products such as footwear, clothing and textiles representing a large share (almost $\frac{3}{4}$ in this case). Another Portuguese product with tradition in Denmark is Port wine, which accounts for about 4 % of total exports.

Danish exports to Portugal are more diversified, being food products such as fish and meat the most important items (over a third of the total value). Machinery also represents a considerable share.

Main Portuguese exports to Denmark

PRODUCT	SHARE (%)
Footwear	31,5
Clothing, except jersey	17,9
Clothing, jersey	17,2
Textiles	5,7
Drinks, alcoholic and non-alcoholic	4,5
Iron and steel derivatives	3,4
Ceramics	2,1

Main Danish exports to Portugal

PRODUCT	SHARE (%)
Fish and other sea products	22,9
Meat and derivatives	13,5
Mechanical machinery	8,3
Electrical machinery	4,0
Pharmaceutical products	3,8
Synthetic fibres	3,5
Cereals	3,2

Source: Instituto Nacional de Estatística

Table 13

Tourism is also an important source of revenues for Portugal in the relations with Denmark. The considerations made about the Swedish tourist also apply to the Danish. The Danish tendency rate to travel abroad was of 111 % in 1993. Portuguese quota of the Danish tourism market was of 1,7 % in 1993.

4. Portugal

4.1. Short Profile

The Portuguese Republic is located in South-western Europe, in the western part of the Iberian Peninsula, and shares borders only with Spain. The country is composed by three Autonomic regions: the archipelagos of Azores and Madeira, and Macao (Chinese territory under Portuguese administration, which will be returned to China in 1999).

The climate is generally mild with temperatures ranging from 10°C in Winter to 23°C in Summer. Nevertheless, due to geographic conditions three climate groups can be described: the Northern coast with Atlantic influence, the Northern Interior with Continental influence from Spain, and the South with Mediterranean influence.

Portugal uses a semi-parliamentary government system, in which the executive power is exerted by both the Government, which is presided by the Prime Minister, and the President of the Republic. Legislative power is in its turn attributed to the Parliament - *Parlamento* - which has 235 members elected every 4 years.

The country presents an average population density (112,8 inhabit/sq. km), with about 75% of the population living along the Atlantic coast and 70% living in the city.

4.2. Telecommunications and means of transport

Maritime transportation has been made easier and more effective due to the development and modernisation of port facilities and equipment during the last few years. Trade exchange is mainly achieved via four ports: Lisbon, Porto, Setubal and Sines.

Portugal has been improving the existing conditions of the road network, which accounts for most of internal transportation, with a National Road Plan that includes the creation of the National Fundamental Net. 50% of this network will be part of the international road net with nine main routes from North to South and 24 complementary routes. Portugal had in 1994 547 km of motorway.

Portugal has three major airports with good facilities handling international flights: Lisbon, Porto and Faro.

As for the railway system, the existent network is 3600 km long and has a considerable role in the country's social and economic life.

Extension and improvement of telecommunications networks have been taken place during the last few years in order to meet European standards. A program for digitalisation of the telephone network is under way, with several telephone exchanges already operating. The use of telefax is also becoming widespread.

4.3. International relations

Among the organisations to which Portugal belongs, the most important are the UN, EU, OECD, NATO, and GATT. Portugal also has strong relationships with the PALOP, the African countries with Portuguese as the official language.

Portugal has trade agreements with most of the countries with whom it has trade relations. Nevertheless, these agreements are strongly influenced by the Free-trade agreements established between the trade blocs from which Portugal is a member, namely the European Union and GATT.

4.4. The people

The following considerations are based on the opinions expressed in "International business: Portugal" {18} and on the author's own opinion.

An important Portuguese feature is that one of people's main concerns is enjoying life. Being a Latin country, people are very emotional and live for the present; they hate to let plans rule their lives,

and so they bend more towards improvisation and spontaneity. People also avoid doing everything according to the rules.

People are usually quite devoted to their families. Nevertheless, they don't expect much from the society or the State, and so there is a considerable disparity between rich and poor.

The country has a relatively homogeneous population, but there is a certain distinction between an industrialised, urban coastline and a poor, rural and more religious inland. People's values still have strong influence from the Catholic Church.

Portuguese are usually known to adjust well to other cultures, having had throughout History wide and active nets of contacts with other countries. Language and culture in Brazil and African ex-colonies are quite familiar to the Portuguese, and so there is a strong relationship with these countries (the overwhelming majority of immigrants are originating from those countries). In Europe, the United Kingdom has historically been the most important ally, and so its influence is considerable. There has been a lot of British industrial investments, especially in the North of Portugal. Spain, the only country with which Portugal shares borders, is usually seen as the «big brother». Relations between the two countries have always been tense and conflicting, and so these countries have had their backs turned at each other for a long time. Nevertheless, in recent years the relationship between these two neighbours has grown much better.

In doing business, Portuguese like to get to know each other, developing human relations. They don't like to rush ahead straight into business. Patience, etiquette and good manners are very important. To a Norwegian, Portuguese may seem very formal and somehow conservative.

In industry, most firms are often hierarchically organised, with a great distance between the workers and the management. Usually workers on lower levels don't have neither responsibility nor initiative. The major part of the Portuguese firms are small and medium-sized, and many of them are owned by a single family, who administrates the business, often disregarding strategic planning and organisational development.

5. Portuguese economy

5.1. Export Industry

Portuguese exports are considerably concentrated, partially relying in labour-intensive industries (mainly textiles, clothing and footwear), taking advantage of rather cheaper labour comparing to its European competitors. These products constitute almost half of the value of total exports. Two other important groups of products are processed goods, with electrical machinery and road vehicles leading the way, and on the other hand traditional commodities such as wood, cork, paper and wine. It is remarkable that the Portuguese share of world's total cork exports is of 77 %.

As for imports, a heavy concentration in a few items is also noticeable. Road vehicles, and mechanical and electrical machinery account for about 45 % of total imports, reflecting a high dependence on industrial processed goods. Textiles, the Portuguese main export item, is also among the most important imports. Chemicals in their turn also have a significant share of total imports.

Portugal's main exports in 1992

PRODUCT	SHARE (%)
Textiles	15,4
Clothing	15,2
Electrical machinery	10,1
Footwear	8,9
Road vehicles and accessories	8,4
Wood and cork	5,5
Paper	4,9
Metal manufactures	4,1
<i>Ten biggest sectors</i>	<i>72,5</i>

Source: Statistisk Sentralburå

Portugal's main imports in 1992

PRODUCT	SHARE (%)
Road vehicles and accessories	19,1
Mechanical machinery	13,8
Electrical machinery	11,7
Textiles	8,6
Food products	5,9
Industrial chemicals	5,8
Other chemicals	5,4
Metal manufactures	3,6
<i>Ten biggest sectors</i>	<i>73,9</i>

Table 14

Table 15 shows the evolution in the last ten years of the Portuguese export industry. Textiles have lost a considerably part of their share, in spite of still being the most important sector. This is a trend that is likely to be reinforced in a near future, due to loss of competitiveness facing developing countries and world's trade liberalisation. On the other hand, clothing, another traditional sector, has seen its importance being significantly increased. The footwear industry faced a boost in its share, doubling its weight on total exports. Exports in these two sectors are expected to stabilise in the next few years.

Processed goods such as electrical machinery or road vehicles have undergone a considerable growth rate in the considered decade. This last industry is expected to continue its expansion in the coming years, due to the recently built Ford/Volkswagen factory.

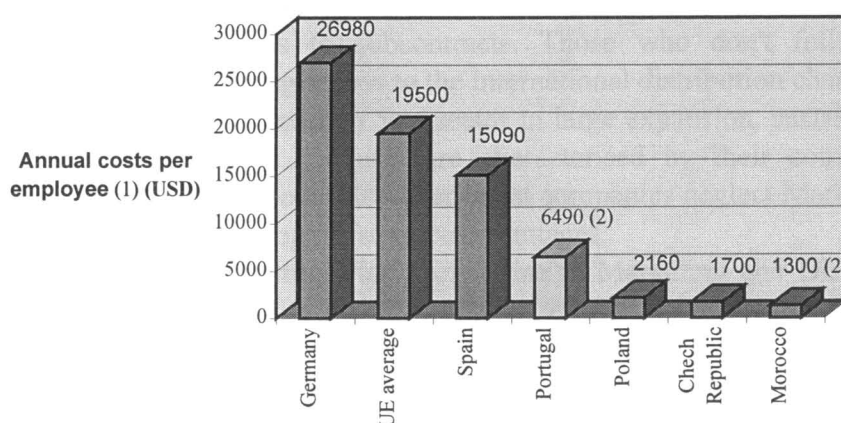
On the other hand, industrial chemicals lost a huge part of their share, reflecting a loss of competitiveness. Traditional sectors as paper or wood and cork have also seen their share being significantly reduced, but nevertheless are expected to stabilise around the current values.

Table 15: Evolution of the most important export industries (% of total exports)

	1982	1992
Textiles	19,0	15,4
Clothing	10,5	15,2
Wood and cork	7,9	5,5
Industrial chemicals	6,7	2,7
Paper	6,4	4,9
Electrical machinery	6,2	10,1
Footwear	3,6	8,9
Road vehicles and accessories	4,0	8,4
<i>Total</i>	<i>64,3%</i>	<i>71,1%</i>

Source: Statistisk Arbok

Sectors depending on intensive labour face the challenge of creating unique competitive advantages, such as product development or image, in order to remain competitive facing the competitors from developing countries, which have rather cheaper labour, as one can see in the next chart.

Chart 8: Labour costs comparisons, 1992

(1) Costs with employees in industry; includes costs with social security.

(2) Data from 1990, minimal wage.

Source: International labour office, INE, Polish embassy; [6]

Portuguese exports by destination, 1994

POSITION	COUNTRY	EXPORTS	%
1st.	GERMANY	542,8	18,7
2nd.	FRANCE	427,0	14,7
3rd.	SPAIN	418,7	14,4
4th.	UNITED KINGDOM	338,7	11,7
5th.	ITALY	116,0	4,0
...	...	...	...
15th.	NORWAY	29,7	1,0
TOTAL		2 900 Billion Escudo	100

Portuguese imports by origin, 1994

POSITION	COUNTRY	IMPORTS	%
1st.	SPAIN	633,8	14,4
2nd.	GERMANY	633,1	14,4
3rd.	FRANCE	506,0	11,5
4th.	ITALY	440,1	10,0
5th.	UNITED KINGDOM	330,2	7,5
...	...	...	...
16th.	NORWAY	50,1	1,1
TOTAL		4 400 Billion Escudo	100

Source: Statistisk Sentralburå

Table 16

There was a large increase (17,2%) in total exports in 1994 (from 2 440 billion in 1993 to 2 900 billion Escudo). Total imports increased by 13,4% in 1994 (from 3 880 billion in 1993 to 4 400 billion Escudo).

5.2. Most competitive industries

The most important and competitive Portuguese sectors in an international outlook are considered to be wine, road vehicles, ceramics, wood products, cork, furniture, moulds, ornamental rocks, footwear, textiles, clothing and tourism.

Most of these sectors have a considerable tradition in the country. Some of them are based on natural resources, such as wine, forest products or even tourism.

The traditional footwear industry is still exploring benefits from the Portuguese adherence to the European Union. This industry is heavily concentrated geographically in the area around Porto.

In spite of its importance and growth, the footwear cluster is very shallow. This industry is characterised by high quality ratings, but nevertheless it is not given recognition abroad, since most companies restrict themselves to subcontracts. Those who don't follow this trend usually find considerable problems in having access to the international distribution channels.

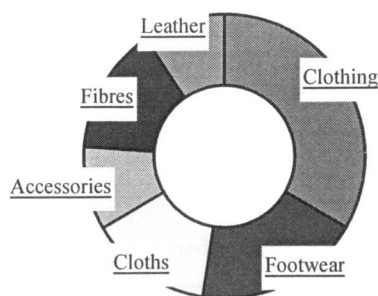
The ornamental rocks industry is a sector in large expansion, sustaining an annual growth of 11 % in the last decade. These products are characterised by their complexity and a sophisticated understanding of the client's needs. However, most companies neglect Marketing efforts, which are vital in such industry, and tend to emphasise price advantages.

The wine sector in Portugal lacks expertise in Marketing and Distribution, and so Portuguese wines are not recognised as having high quality, exceptions made for Port wine and Mateus Rosé. Portuguese wines are therefore underrated in the international market. R&D is also neglected, and there are not clear quality standards. The future for this sector must rely in co-ordinated efforts in order to upgrade the image of Portuguese wines and decrease global costs.

As for road vehicles, Portuguese companies are fairly competitive as far as price and quality are concerned. However, there is a lack of infrastructures of support in this cluster as well as a focus on design. This is a sector in expansion, but Portuguese firms must increase and reinforce their competitiveness as the opening Eastern European countries have fairly cheaper labour.

Textiles and clothing, the largest exporting sectors, face problems of lack of image and control over the distribution channels, since most of the companies sell through agents and wholesalers. Moreover, they usually work by clients orders, lacking basic expertise in Marketing. They do must focus in these points, as well as in productivity, for the historical advantage of cheap labour is eroding.

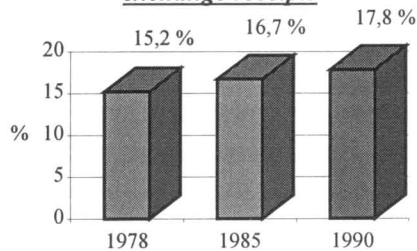
Chart 9: The large textiles/footwear cluster



The forest cluster is based on the main renewable Portuguese natural resource. This cluster accounts for 12 % of industrial production, 9 % of labour and 11 % of total exports. Although most companies focus their production on low value products, Portugal is in a good position to reinforce its weight in an European context, as the country has adequate types of soil and climate for rapid tree growth, along with a huge potential as far as forest management techniques are concerned.

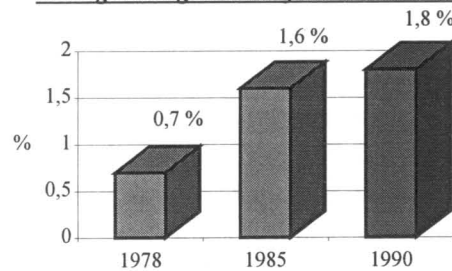
Finally, tourism is of great importance for the country. Foreign tourists income totalled 3500 million USD in 1990, and represents more and more a larger share in foreign exchange receipts, according to the following charts.

Chart 10: Tourism weight in foreign exchange receipts



Source: Direcção Geral do Turismo, [6]

Chart 11: % of international travellers having Portugal as the final destination



Portugal increased its share in the international market in 1,1% in 12 years, with an increase of foreign tourists from 0,7 % in 1978 to 1,8 % in 1990. The country has a favorable climate, an impressive natural and architectonic scenery, a rich cultural heritage and a warm, friendly people, which in all constitute an unique competitive advantage. Nevertheless, there are a few problems in the sector: companies in the business focus too much on the product, disregarding other pro-active Marketing vectors such as design, promotion and lack of information about the market and the clients; a certain lack of co-ordination in the business; lack of adequate management skills.

6. Norway

6.1. Short Profile

The kingdom of Norway is located in northern Europe, in the western part of Scandinavia, and shares borders with Sweden, Finland and Russia. The country has about 50 000 islands, of which only 2 000 have inhabitants. The most important are those which form the archipelago of Svalbard (62 700 sq. km).

The climate is affected by the high latitude, but not as much as one would expect, due to the influence of the Gulf's warm stream. In the western coast, temperatures are moderate without great amplitudes, and rain is constant during Winter. Further inside the country, the climate is rather continental, experiencing great thermal amplitude (temperatures around -10°C in Winter and 20°C in Summer) and less rain.

Norway uses a Parliamentary government system, in which the executive power is exerted by the State's Council, which is presided by the Prime Minister. This Council is nominated by the King, by appointment of the Parliament. Legislative power is in its turn attributed to the Parliament - *Storting* - which has 165 members elected every 4 years.

The country is administratively divided in 19 counties - *fylker*.

The country presents one of the lowest population densities in Europe (13,8 inhabit/sq. km), with about 80% of the population living in the southern part of the country and 55% living in the city.

6.2. Telecommunications and means of transport

The Norwegian telecommunications system is excellent and rather advanced, technically. most used means are phone, telefax and telex (its use is in decline). Satellite and radio systems are part of daily life. Norway is one of the European countries with higher rate of mobile phones per capita.

The development of transport infrastructures in Norway was originally more intense in maritime transports, due to the mountains and to the fact that most main cities are by the coast. Road and train transport were also not favoured by the fjords, widely ramified and often penetrating deeply inside the country.

There are about 88 000 km of roads (of which 370 km are motorway) and 4 100 km of railway (of which 2 500 km are electrified).

Maritime transport is therefore the most important (it accounted for 83.5% of total commodities imports in 1992), based in a vast modern fleet and excellent port facilities: Oslo, Bergen (oil and commodities), Trondheim, Stavanger (fish, shipbuilding, tourism), Drammen (connection to roads), Haugesund, Kristiansand, Bodø and Tromsø.

Ferry-boats play also an important role in the transport of vehicles, shortening distances between the different destinations.

The main Air companies are SAS (Scandinavian Airlines System), a Scandinavian consortium, and Braathens SAFE, a national company, with regional and international flights. Norway has 38 airports, Fornebu being the main international airport, 8 km from Oslo. Most of the international routes from Oslo are via Copenhagen, in Denmark. A new airport is under construction in Gardermoen to serve the capital.

6.3. International relations

Norway plays an important role in the international organisations where it is a member. Among these organisations, the most important are the UN, EFTA, OECD, NATO, GATT, and the Nordic Council, organisation that also includes the other three Nordic countries (Sweden, Denmark and Finland), meeting annually to discuss projects of common interest.

Norway has trade agreements with most of the countries with whom it has trade relations. However, these agreements lost significance due to the Free-trade agreements established between the trade blocs from which Norway is a member, namely GATT and EEA. Nevertheless, Norway is not a member of the EU, which may imply special considerations when considering exporting to Norway.

6.4. The people

In a survey conducted by Habert and Lillebø in 1991, 80 executives with considerable experience in doing business with Norwegians, from 18 different countries, were asked to characterise the Norwegian people. About 10% of those executives had been living in Norway for the last 3 years. Although one may not draw definite generalisations from the study, it may provide a fair first approach to the Norwegian way of thinking. The most agreed observations made in this survey are presented in the next paragraphs.

Norwegians are seen as rather simple, uncomplicated people. They are modest and not attracted by status, and don't care much about appearances, dressing usually plain and casual. This

could be partly a result of the country being composed by somehow isolated, small towns. This same fact leads to distinguishable local differences within the country.

Most people are conservative and very nationalistic: they give high preference to Norwegian products, being suspicious and distrustful about other cultures than the Nordic one. This leads to a very protected, sheltered culture. They have a good relationship with the other Nordic countries, but nevertheless there is a considerable rivalry with Sweden, which is seen as a "big brother".

Norwegians are usually very informal and direct, giving little importance to titles and being easy to get in touch with. The other side of the coin is a certain impoliteness and bluntness. They are also seen as reliable, loyal, honest and serious, but on the other hand naive and unaware of tactics.

They are natural conflict avoiders, trying to get a consensus. They are unwilling to take risks, usually doing everything "by the book". Normally they are not very ambitious or keen in making a career, conscientious in their private life. Their interests are rather unsophisticated, being centred in leisure and outdoor activities: skiing, fishing, sports, contact with nature. Many families have a small cottage in the mountains or by the sea, where they spend a considerable part of the year.

As far as business is concerned, they are seen as straightforward but somewhat inflexible, often disregarding give-and-take attitude and having difficulty in putting themselves in the other person's shoes.

Norwegians are seen as shy in international business. Nevertheless, exceptions quoted in these interviews occur mainly in the shipping industry and among those who have lived abroad.

They focus mainly on the technical function; Marketing has been an underdeveloped area in Norway. So, it does not surprise that technical staff is usually present during negotiations; decision-making is collectivist, and so it usually takes a considerable time, making Norwegians to look indecisive; "peripheral stuff" not directly connected with hard business is often disregarded: Norwegians are usually quite reserved, unwilling to spend their free time with business partners. Avoid talking to Norwegians about family, personal economy, sex and religion in the first meetings. Most people have problems in being happy drinkers, and alcoholic drinks are usually not present at meals.

Foreign executives often complain that their Norwegian partners forget following-up after the deal is made, and they are seen as somewhat rigid, closed communicators. The working hours are very rigid, and so it is no surprise if no-one answers in the company after 4.00 p.m.

The management style is seen as open, democratic, informal and tolerant. There is a genuine concern for the welfare of the employees. There is therefore a strong reciprocal loyalty between the firm and the employees.

7. The Norwegian economy

7.1. Natural resources

Oil has been the motor of the Norwegian economy for the last 20 years, which may last until the middle-21st. century, according to forecasts. Nevertheless, the discovery of natural gas in quantities that could lead Norway into being the 2nd. world producer shall reinforce the importance of energetic resources in the Norwegian economy.

The productive structure in 1991 was as follows:

	NOK bn	% of GDP
Agriculture/Forestry/Fishing	20	2,9
Production and transport of petroleum	100	14,6
Manufacturing and mining	94	13,7
Electricity supply	26	3,8
Ocean transport and oil drilling	25	3,6
Transport and communications	67	9,8
Dwellings	23	3,3
Wholesale and retail trade	41	6,0
Construction	34	4,9
Other industries	103	15,0
<u>Government services</u>	112	16,4
<u>Correction items</u>	41	6,0

Source: Statistisk Sentralburå

Table 17

Agriculture has little importance, for cultivated area occupies only 3% of the total area. Main products are the cereals - barley, oats and wheat - and potatoes, insufficient to fully supply the home market.

Cattle-raising is more developed, and the country is self-sufficient in meat and milk products, exporting some animal products.

Forestry is quite important, for almost 60% of the country is covered by forests. However, some locations in inhospitable areas does not show to be profitable. Beside timber, paper and gross paper are produced, mainly for the external market.

Fishing is a traditional Norwegian activity. Nevertheless, its importance has been declining in the last few years. Main captured species are codfish, herring, whiting, mackerel and trout.

Key Industry, with a contribution of almost 20% for the GDP and employing only 3% of the population, is based in oil and natural gas, which are extracted from the North Sea at the expenditure of huge technical and financial resources. It's no wonder that this activity plays a primordial role in the Norwegian economy.

Norway is already the most important oil producer country in Europe. Its production is expected to continue steady until 2010, when it shall start to decrease until it virtually stops by 2050.

The extension of natural gas reserves lead to an expected steady exploration during the next century. Its exports may triply until 2010, since it is considered as the energy of the future, due to growing concern about the environment. There are also some deposits of other minerals, the main of which are iron, copper, tin, zinc, molybdenum and titanium.

Process Industry is widely connected to the process of raw-materials existing in the country (such as hydrocarbon, other minerals and timber), producing mainly to export. These companies take advantage of the low electricity's cost (Norway is one of the biggest electricity producers in the world). Iron, steel and metal alloys (including aluminium) industries account for about of 10% of total production.

Chemical products, essentially fertilisers and artificial fibres, account for about 4% of industrial production. Paper and its derivatives have a similar weight.

Shipbuilding plays an important part in the Norwegian economy, although having gone through a serious crisis in the 70's.

The Norwegian industrial structure has progressively undergone profound readjustments, with the substitution of small old factories by well-equipped and bigger ones. Nevertheless, still 95%

of the companies are medium or small, accounting for about half of the employment and 40% of the total production. Bigger companies have lower profit margins, since they experience much more the problems of the international conjuncture. New sectors in industry are also holding ground, mostly connected to Computers and up-to-the-minute technology.

Services is the most important sector in the economy (61% of GDP and 66% of the employment).

The activities that turn this sector so important are essentially services to the community, and personal and social services, such as Health and Education, in which Public Administration plays a relevant role.

Other relevant activities are commerce, activities related to transports (specially those connected to the maritime), tourism and hotels (greatly due to Winter sports), and financial and insurance services, some of which related to the oil industry.

7.2. Economic prospects

The development of production and export of oil derived products since 1975 implied significant changes in the Norwegian economy, leading to a gradual but steady loss of importance of traditional sectors in benefit of activities directly or indirectly related to oil. Expansion policies then adopted contributed to this tendency.

As a consequence of the fall of oil prices in 1976, which provoked an internal crisis, those policies had to be abandoned. Government adopted austere measures and tried to promote economy diversification.

So, in spite of expanding off-shore activities, the Norwegian economy has experienced a prolonged period of slow growth since the mid-80's. Export markets for major Norwegian products have been stagnant; private investment and consumption have been weak, as households and companies have attempted to improve their financial position; and the fragility of the financial system has increased, with banks experiencing persistent difficulties associated with growing corporate bankruptcies. Unemployment has risen markedly, although - at 6.5% - its current level remains much below that in many other European countries. Meanwhile, inflation has been gradually reduced to a level lower than the average of other European economies.

Mainland economic activity gathered some strength in 1993 and 1994 as export earnings picked up, due to a certain increase in cost competitiveness in the manufacturing sector, a recovery in the economy of the main Norwegian export clients, and improvement in business investment. The labour market is likely to remain soft, however, and inflation low. The current account surplus, which has been rising in line with oil revenue, is projected to stay large, as oil and gas production continue to expand rapidly.

	87	88	89	90	91	92	93	94
GDP	2.0	-0.5	0.6	1.8	1.9	1.5	1.3	3.8
Mainland GDP	1.2	-1.7	-2.2	1.1	0.1	0.3	1.8	3.2
OECD Europe GDP	2.7	3.9	3.3	2.8	1.3	1.0	-0.5	2.7
Private consumption	-1.0	-2.8	-2.8	2.9	-0.1	1.8	1.1	2.7
Government consumption	4.0	0.5	2.6	2.0	2.3	2.6	2.2	1.5
Exports	1.2	5.5	10.7	8.0	6.3	4.3	2.1	5.2
Imports	-7.3	-1.7	0.9	2.3	1.2	2.1	1.7	3.6
Unemployment	2.1	3.2	4.9	5.2	5.5	6.2	6.4	6.5
Consumer prices	8.7	6.7	4.6	4.1	3.4			

Source: OECD, [10]

Table 18

A challenge faced by Norway today is how will it manage to reduce the economy's dependence on the oil-sector and increase the growth of the mainland economy. To achieve this has been, as it has been previously said, the stated aim of the governments during the last 15 years. But industrial output has remained virtually stagnant since the early 1970's. Oil today constitutes around 20% of the GNP compared to next to nothing 20 years ago.

7.3. Economic Policies

The economic strategy in Norway has had a two-fold orientation since the mid-80's:

- ⇒ An attachment to stable exchange rates as a means to achieve low inflation, a position which has been reaffirmed despite the 92 decision to let the Krone (NOK) float;
- ⇒ The implementation of supply-side reforms in order to enhance the performance of the mainland economy.

The State plays a very important role in the Norwegian economy. The subsidies to the business sector are quite large, when compared to other OECD countries. A question that raises is: are national policies still efficient in an increasingly globalised world economy? Norwegian companies strategies and policies may perhaps be too much dependent on the state, in Norway, which may lead to a certain lack of dynamics in these days.

Table 19: Subsidies to the business sector, as a % of GDP

	89	90	91	92
Norway	5.9	6.0	6.3	7.0
OECD average	2.1	2.1	2.1	2.1

Source: OECD, [10]

7.4. The European Economic Area treaty: implications

The EEA treaty has had some important consequences in the areas of trade and competition policies. Technical standards are being harmonised, border controls simplified and a wider access to public procurement by nationals of other EEA countries permitted.

With respect to the adjustments required in Norway's legal framework to conform with EU rules, the treaty has implied:

- i) rescinding the so-called Concession Law, which generally limits foreign ownership in a Norwegian company to one-third of the equity.
- ii) granting the citizens of other EEA countries a non-discriminating right of establish an enterprise or acquiring real estate in Norway.

These restrictions have been removed in 1/Jan/1995. The treaty also includes regulations concerning government aid to industries and public monopoly.

7.5. Export Industry

Norway export industry is mainly based in commodities and semi-processed goods. In fact, those constitute almost 80% of the value of Norwegian exports, including oil and gas. Norway faces the challenge of managing to get a higher economic return out of this industrial structure than it is the case today. Norwegian exports are highly dependent on a few industries, and that may represent a considerable risk.

Norway is one of the biggest world exporters of iron and metal alloys, such as aluminium, and has one of the largest oil deposits in the North Sea.

As far as imports are concerned, these are much more diversified. Norway imports almost everything, and so not one of the main imports exceeds 7%. It is interesting to note that the most important import product, ships, is also one of Norwegian main exports.

Norway's main exports in 1993

PRODUCT	SHARE (%)
Oil and derivatives	43,7
Natural gas	7,1
Fish and other sea products	6,9
Non-ferrous metals	6,6
- Aluminium	(4,4)
Ships and oil platforms	5,3
Paper and derivatives	2,8
Iron and steel	2,6
<i>Ten biggest sectors</i>	<i>79,1</i>

Source: Statistisk Sentralburå

Norway's main imports in 1993

PRODUCT	SHARE (%)
Ships	6,2
Road vehicles	5,9
Electrical machinery	5,4
General industrial machinery	5,2
Clothing	5,0
Iron and steel	4,6
Office equipment	4,4
Manufactures of metals	3,3
<i>Ten biggest sectors</i>	<i>44,5</i>

Table 20

The following table shows the rapid growth of importance of the oil and gas sector, accounting nowadays for near half of exports. Metallurgy, which used to be the most important export sector in the 70's, has lost importance, but nevertheless still has a considerable share. The same applies to the Mechanical industry. Traditional sectors as fishing or lumber have also seen their share being reduced to half of what it used to be.

Table 21: Evolution of the most important export industries (% of total exports)

	1970	1980	1990
Metallurgy	28,3	13,9	12,9
Mechanical Industry	23,2	12,1	13,9
Chemical products	7,6	6,3	6,3
Fish products	9,5	4,2	5,9
Lumber manufactures	12,3	5,4	5,0
Oil and gas	1,8	45,2	41,8
<i>Total</i>	<i>83%</i>	<i>87%</i>	<i>86%</i>

Source: Statistisk Arbok

There was an increase of 7,8% in total exports in 1994 (from 226 626 million in 1993 to 244 415 million Krone). When considering traditional goods only (excluding ships, oil, oil platforms and gas), the change was of +14,3% (from 112 463 to 128 525 million Krone).

Total imports increased by 12,4% in 1994 (from 170 991 million in 1993 to 192 178 million Krone). When considering traditional goods only (excluding ships and oil platforms), the change was of +16,6% (from 112 463 to 128 525 million Krone).

Norwegian exports by destination, 1993

POSITION	COUNTRY	EXPORTS	%
1st.	UNITED KINGDOM	55 516	24,5
2nd.	GERMANY	28 833	12,7
3rd.	SWEDEN	19 724	8,7
4th.	NETHERLANDS	19 140	8,5
5th.	FRANCE	17 649	7,8
6th.	USA	13 511	6,0
7th.	DENMARK	9 943	4,4
8th.	ITALY	5 891	2,6
9th.	FINLAND	5 790	2,6
10th.	BELGIUM	5 541	2,4
...	...	...	...
16th.	PORTUGAL	2 031	0,9
TOTAL		226 481 Million Krone	100

Norwegian imports by origin, 1994

POSITION	COUNTRY	IMPORTS	%
1st.	SWEDEN	28 828	15,0
2nd.	GERMANY	26 775	13,9
3rd.	UNITED KINGDOM	19 929	10,4
4th.	DENMARK	14 191	7,4
5th.	USA	14 145	7,4
6th.	JAPAN	11 474	6,0
7th.	NETHERLANDS	8 156	4,2
8th.	FRANCE	7 777	4,0
9th.	FINLAND	7 017	3,7
10th.	ITALY	6 671	3,5
...	...	...	...
19th.	PORTUGAL	1 756	0,9
TOTAL		192 178 Million Krone	100

Source: Statistisk Sentralburå

Table 22

7.6. Most competitive industries

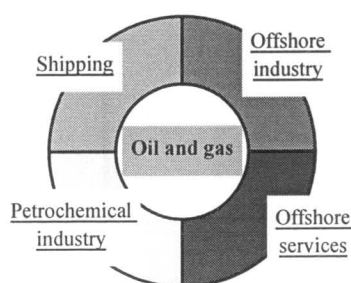
The most important and competitive Norwegian exporting sectors are the aluminium industry (Norway has one of the world's largest deposit), lumber manufacturing (18 000 million Kr. gross production in 1990), the cement industry (Aker & Euroc, a Norwegian/Swedish consortium, is the 5th. largest company in Europe, in capacity), shipbuilding, fishing, telecommunications, pharmacy, tourism, shipping, the chemical and petrochemical industry, oil and gas, and finally the offshore industry. Note that the last four are interconnected, undoubtedly forming the most important Norwegian cluster, the petrol-industry.

Oil production has increased from 50 million t.o.e. in 1980 to 120 in 1991. It is expected to increase until 180 million in 1998, when it should start to decrease. Gas production has been stabilised around 20/25 million t.o.e. in the last few years. It is expected to start increasing in the late 90's, until it reaches 40 million in the year 2000.

Shipping profited in Norway until 1973, when it was hit by a serious crisis (continuous negative results) until 1987, and it is now into profit again.

Pharmacy and telecommunications are part of a developing cluster, the research environment, where Information Technologies (IT) and biotechnology also play an important role.

Fishing and lumber manufacture are the most traditional exporting industries, which through a balanced management may continue to hold a considerable importance.

Chart 12: The Petrol-industry cluster

Another important sector of Norwegian exports is tourism. Norway is mainly a destination for Nature lovers, with high mountains, deep fjords and wild landscapes. Norway is also renown for its skiing resorts, some of them open during the whole year. The typical tourist in Norway has a high purchasing power.

8. Trade between Portugal and Norway

8.1. General considerations

Trade between Portugal and Norway has developed tremendously in the 80's in both directions, but in 1990 a shift occurred: since then, Norwegian exports continued to increase, mainly due to the increased importance of fish and fish products, while Portuguese exports stagnated. Therefore, a traditional large Portuguese surplus in the 80's gave place to a Norwegian one in the early 90's.

In the future, Norway shall experience a shift in the trade with Portugal from labour intensive products, as we can see in the following chart, to more technology intensive products

Table 23: Portugal/Norway trade balance

YEAR	PORTUGUESE EXPORTS	NORWEGIAN EXPORTS	PORTUGUESE SURPLUS	SURPLUS RATE	INCREASE INDEX*
1981	490,5	303,6	+186,9	183,2	-
1985	1 053,1	595,0	+457,8	176,9	100
1987	1 469,2	798,0	+670,3	183,9	139,5
1989	1 915,0	1 039,0	+875,7	184,3	181,8
1990	1 825,7	1 455,9	+370,8	125,8	173,4
1991	1 705,7	1 693,0	+12,7	100,7	162,0
1992	1 850,7	2 033,2	-182,5	91,0	175,7
1993	1 673,0	2 031,1	-358,1	82,4	158,9
1994	1 756,5	2 149,1	-392,6	81,7	166,8

(*) 1985=100

Source: Statistisk Sentralburå

Main Portuguese exports to Norway in 1994

PRODUCT	SHARE (%)
Clothing, except jersey	30,0
Footwear	18,6
Clothing, jersey	15,6
Textiles	9,1
Road vehicles and accessories	5,1
Ceramics	4,4
Cotton	1,7

Source: Instituto Nacional de Estatística

Main Norwegian exports to Portugal in 1994

PRODUCT	SHARE (%)
Fish and other sea products	45,6
Combusting and mineral oils	21,8
Ships	11,1
Organic chemicals	5,6
Aluminium	3,8
Specialised instruments	1,9
Cloths	1,5

Table 24

Besides clothing, footwear and textiles, which will be examined in more detail, also road vehicles and accessories, and ceramics account for a considerable share of Portuguese exports to Norway. These two sectors are considered to be among the most competitive in Portugal, and considering that they are not intensive labour industries it is likely that their importance will increase in the near future.

As for Norwegian exports to Portugal, commodities account for a very large share. Fish and other sea products account on their own for almost half of the total value, and it probably won't change much in the next few years, attending to the Portuguese consumers preference for typical Norwegian species, especially codfish and whiting. Being Portugal a maritime country, just like Norway, having therefore a considerable fleet, Norwegian ship industry may find it to be an interesting market.

Now that car industry is developing in Portugal, mainly due to the Ford/Volkswagen joint-venture, there is a considerable potential for Norwegian companies as sub-contractors. Portugal is also one of the countries in the world with the highest growth rates in telecommunications and IT, which may prove to be an opportunity to the Norwegian companies of that sector.

It is interesting to analyse the following chart, respecting to the standing and market share of Portuguese products in the total of Norwegian imports:

YEAR	TOTAL IMPORTS (Million Krone)	IMPORTS FROM PORTUGAL	SHARE % OF TOTAL
1980	83 601,6	488,0	0,58
1985	132 563,4	1 053,1	0,79
1990	167 974,4	1 825,8	1,09
1991	165 181,2	1 705,8	1,03
1992	160 820,6	1 850,7	1,15
1993	170 620,1	1 673,0	0,98
1994	192 178,2	1 756,5	0,91

Source: Statistisk Sentralburå

Table 25

Portugal share of Norwegian imports steadily increased from 1980 until 1990, and has remained virtually unchanged since then.

Portuguese exports to Norway increased 9,6% in 1994, from 1 673,0 million in 1993 to 1 756,5 million Krone in 1994.

Some of the products responsible for this evolution in 1994:

- Footwear, from 324,7 to 407,2 million (+25,4%).
- Clothing, from 889,0 to 843,4 million (-5,1%).
- Textiles, from 179,2 to 204,1 million (13,9%).
- Organic chemical products, from 10,3 to 25,4 million (+146,6%).
- Fruit and vegetables, from 15,0 to 15,4 million (+2,7%).
- Mineral oil and derivatives, from 0,0 to 13,5 million.
- Wine, from 14,2 million to 17,0 million (+19,7%).
- Non-metallic mineral articles, from 84,4 to 83,5 million (+1,1%).
- Non-electrical metallic articles, from 15,8 to 20,6 million (+30,4%).
- Electrical apparatus and machinery, from 12,2 to 13,9% (+13,9%).

In their turn, Norwegian exports to Portugal increased 5,8%, from 2 031,1 million in 1993 to 2 149,1 million Krone in 1994.

Some of the products responsible for this evolution in 1994:

- Organic Chemicals, from 105,2 to 157,5 million (+49,7%).
- Technical and scientific instruments, from 34,0 to 43,8 million (+28,8%).
- Textiles and fibres, from 82,3 to 88,4 million (+7,4%).
- Telecommunications apparatus, from 26,6 to 34,8 million (+30,8%).
- Non-ferrous metals, from 138,0 to 107,2 million (-22,3%).

Exports of this last item are expected to keep high growth rates in the next few years.

8.2. Portuguese main exports

Portuguese exports to Norway basically lay in 3 groups of consumer goods (Clothing, Footwear and Textiles), which represent more than 80% of the total value, as shown in the following table.

Table 26: Most important products in Portuguese exports to Norway

YEAR	CLOTHING %	FOOTWEAR %	TEXTILES %	OTHERS %
1988	57,7	14,1	11,4	16,8
1989	46,1	12,7	8,0	33,2
1990	56,9	15,9	9,7	17,5
1991	56,8	16,3	9,9	17,0
1992	55,8	17,5	10,1	16,6
1993	53,1	19,4	10,7	16,8
1994	48,0	23,2	11,6	17,2

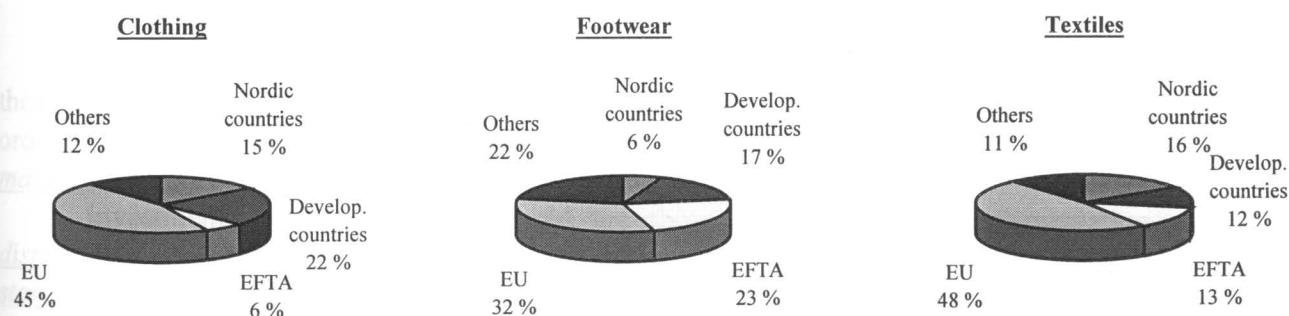
Source: Statistisk Sentralburå

Clothing has been slowly losing importance since 1990, reflecting the concurrence of other countries with rather cheaper labour, such as India and other Asiatic countries. Nevertheless, it still accounts for almost 50% of total exports.

Footwear, on the other hand, as been gradually and steadily gaining more weight, accounting in 1994 for ¼ of the total . Textiles weight has remained relatively unchanged, around 10%.

Considering that these three large sectors competitive power has been mainly based on cheap labour, it is likely that they shall lose market share for the Asiatic countries, specially attending to the trade liberalisation agreements in these sectors achieved during the last GATT negotiations. The alternative is for the companies in these sectors to strongly invest in Marketing and R&D, in order to differentiate their products.

Chart 13: Norwegian selected imports by origin, in 1992



Source: Statistisk Sentralburå

In the above chart, we can notice that both in clothing and textiles about half of imports come from the European Union, while in footwear the EU accounts for about a 1/3. The Norwegian position in these sectors is not significant, as Norwegian firms only account for less than 15% in home sales in textiles and clothing and less than 5% in footwear. Portuguese companies must take an effort in product differentiation, in order to be competitive facing other European firms.

8.3. Distribution channels in Norway

As far as textiles and clothing are concerned, many importers conduct their business through agents residing in the exporting country. Imports are mainly conducted by commercial agents, but also by large retail chains, wholesalers, individual retailers, as well as manufacturing companies. Chain stores increasingly take on responsibility for both product development and design. Much of the sales in Norway are still, however, affected by the large number of retailers specialising in textiles and clothing.

As for footwear, most shoes in Norway are purchased and marketed by one of the three large chains dominating the Norwegian market for shoes. This may imply that it may be considerably difficult to enter in the Norwegian market, but once that a company reaches agreement with one of the chains then expansion can be easily achieved; nevertheless, it would be quite dependent on the chain's plans and strategy.

9. Export development programmes

9.1. Government incentives in Portugal

The backbone of Portuguese incentives to exports is the PAIEP, "Program of support to the internationalisation of Portuguese companies", whose management is in the hands of ICEP, the "Portuguese external trade council". This program unfolds in several specific support actions, and is aimed to promote projects in foreign investment that may provide the implementation of strategies and organisational structures, utilisation of advanced technologies, or the introduction of substantial improvements in productivity and competitiveness.

Attending to the existence of an overwhelming majority of small and medium companies among those involved in exports, special emphasis is put in projects involving associative entrepreneurship, in order to attain an adequate dimension in the process of internationalisation, and projects which promote market diversification.

Investments bound to be supported are those concerning the implementation of an own distribution network, the establishment of own retail sale points abroad, and the transfer of production stages to developing countries, especially those involving intensive labour and countries of the PALOP (African countries with Portuguese as the official language).

There are four main support areas: *Logistics and Information*, *Financial support*, *Fiscal support* and *Commercial support*.

In *Logistics and Information*, the main "tool" is Consultancy in International Strategy.

In *Financial support*, the most important features are equity reinforcement, access to alien capital, acquisition of foreign installations, and insurance.

As for *Fiscal support*, special emphasis is in fiscal incentives, account consolidation and investments mutual protection and double taxing agreements.

Finally, in *Commercial support* the main utilities are costumes benefits and FCE (funds for economic co-operation) incentives, and export credit insurance.

Other support areas are programs sponsored by the EU (TACIS, JOPP), and multilateral agreements.

9.2. Government incentives in Norway

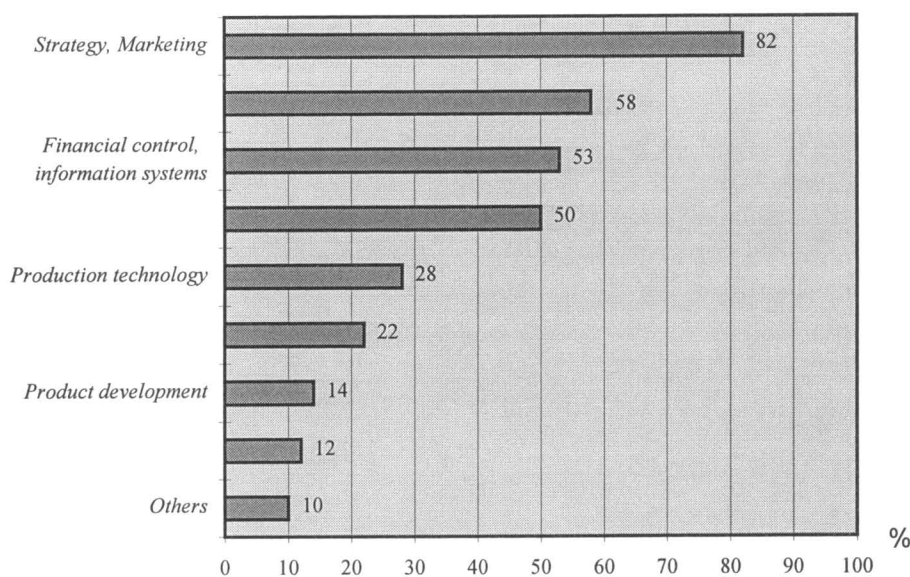
As far as exports to developing countries are concerned, the Norwegian government is of the opinion that the private sector is an important instrument in official development assistance. Project export from Norway to these countries also means transfer of capital and know-how; in order to stimulate such a process, financial supporting schemes have been established to place the competitive position of Norwegian exporters on an equal footing with their competitors and so increase the flow of capital and technology. This means:

1. Support for training projects
2. Mixed credits
3. Export guarantee

Another program, more generic though, aiming to improve the international competitiveness and development of small and medium companies through effective and strategic use of new technology is BUNT (Business Development Using New Technology), under the responsibility of the Norwegian Research Council. The program focuses more on strategic analyses rather than technology.

Most important problem areas identified were defining strategy and market orientation, followed by quality assurance, financial management and control, and logistics problems, as shown in the above chart. Technology and human resource development were seen as less important problems. New technology is not automatically the right solution, and one of the aims of BUNT is to justify any technological investments in the wider economic and business framework.

Chart 14

BUNT main focus/problem areas identified

Source: BUNT evaluation, 109 firms, 1991, [17]

10. Final considerations

10.1. Portuguese and Norwegian export industries: comparisons

Export industry in both countries have both similarities and differences.

The universe of exporting companies in both countries is dominated by small and medium-sized firms, reflecting the overwhelming majority of these companies in industry (exceptions made in the Norwegian case for the offshore industry). In the Portuguese case, small companies are about 94% of the total number while the medium-sized companies share is of about 5%, being large companies (firms with more than 500 employees) less than 1% of the total number of companies.

A considerable part of export industry in both countries is extremely dependent on natural resources, remarkably more in Norway than in Portugal; oil, gas, aluminium, fish products and paper in Norway (about 65% of total exports), and wood, cork, paper and wine in Portugal (15% of total exports). This last country is more dependent on intensive-labour processed and semi-processed industries, such as textiles, clothing and footwear (almost 40% of total exports).

In a perspective of microeconomics, firms in both countries mention Marketing and Strategy as their weakest points. Financial control, logistics, access to information and information systems are also areas where companies experiment considerable problems in both Portugal and Norway. On the opposite side, firms in both countries consider production technology as a competitive advantage.

Nevertheless, while Portuguese firms point out price as being one of their main advantages, the Norwegian ones consider that feature as a major disadvantage. On the other hand, personnel development is not considered a problem in Norway, unlike in Portugal. R&D is given very little attention, in Portugal, while Norway is one of the European countries investing more in that area.

Quality is thought to be one of Norwegian main advantages. As for Portugal, it depends considerably on the considered sector, with automobile and mould industries having excellent standards while certain areas of textiles have rather low quality, when comparing to other European competitors.

Industrial co-operation and alliances is one of the main setbacks faced by Portuguese companies. The same problem is noticeable (at a less extent, though) in the Norwegian industry.

III

Entry mode alternatives for international markets.

1. Introduction

The choice of an entry mode - or *distribution channel* - in order to penetrate a target country is very important as it determines the degree of a company's control over the marketing mix in the target market, with considerable repercussions in the final price and the promotion activities, and, in a lesser degree, in the product itself. This choice should be made in co-ordination with the other elements of the *entry-strategy*, which besides the choice of the entry mode also comprises the time horizon, the choice of the target product/market, the objectives and goals in the target market, the marketing mix and the control system to monitor performance in the target market. The final choice relies therefore in a trade-off between the optimal point of the different features, as usually they indicate in opposite directions, due to several conflicting forces.

2. The alternative market entry modes

An international market entry mode is an institutional arrangement necessary for the entry of a company's products, technology, and human and financial capital into a foreign country/market. Broadly speaking, there are two major ways of entering a foreign market. First, the company can export its products to the target country from a production base outside that country. Second, it can transfer its resources in human skills, technology, capital and/or enterprise to the foreign country, where they may be sold directly to users or combined with local resources (especially labour) to manufacture products for sale in local markets. Companies whose end products are services can not produce them at home for sale abroad and must, therefore, use this second way to entry a foreign country.

These two forms of entry, in their turn, break down into several distinctive entry modes, which offer different benefits and costs to the firm involved in international business.

2.1. Exporting

Management can choose from two broad types of exporting: *indirect* or *direct* exporting. These two basic forms are distinguished on the basis of how the exporting firm carries out the transactions flow between itself and the foreign importer or buyer. In indirect export the manufacturer utilises the services of various types of independent marketing or co-operative organisations, which

are located in the home country. When a manufacturer exports indirectly the responsibility for carrying out the foreign selling task is transferred to some other organisation. On the other hand, in direct exporting the responsibility for performing international sales activities is in the hands of the producer. These activities are carried out and managed by so-called dependent organisations that are administratively a part of the manufacturer's firm organisation. To conclude, the choice facing a company is whether market entry and/or expansion is to be handled by an integrated channel (captive or company owned) or by a channel that includes independent middlemen.

2.1.1. Indirect exporting

There are two broad alternatives available to the manufacturer wanting to export indirectly: using *international marketing* organisations, and exporting through a *co-operative* organisation. As for the international marketing organisations, there are two basic types of independent wholesale intermediates: merchants and agents. The basic distinction between the two is that the merchant takes title to the products to be sold, while the agent does not; in this last case, it is up to the manufacturer to assume all financial risks.

Home country based merchants

Export merchants or Trading companies

The domestic based export merchant buys and sells on its own account. It is generally engaged in both exporting and importing, and handles the activities relating to sales, marketing, advertising, delivery and services; the only aspect of international marketing left to the producer is any needed modifications in the product itself. It is completely free to choose what it will buy, where and at what prices. It is usually well financed and has a high bargaining power, as it does not depend on any one manufacturer. It is principally interested in staple commodities, as in that case there is no association of the product with a strong producer's image. The merchant is also generally unwilling to allow the manufacturer much more than a *manufacture profit*. To sum up, it may be said that an export merchant operates in a similar way to a regular domestic wholesaler.

Export desk jobber

This is a special type of export merchant (who is also known as *cable merchant* or *export drop shipper*), who has the specific characteristic of never seeing or physically acquiring the goods, only owning them for a few hours. In this case, the physical movement (including documentation requirements) of the product is left to the producer. It is used primarily in the international sales of raw materials.

Home country based agents

Export commission house

This is a representative of foreign buyers residing in the exporter's home country; it is therefore the buyer who pays a commission to the export commission house. This organisation operates on the basis of orders received from these buyers, and the terms of purchase are worked out between the commission house and the overseas buyer, and so, other conditions being equal, the manufacturer who

provides the most attractive bid gets the order. For the exporter, prompt payment is usually guaranteed, and no problems of physical movement have to be handled.

Confirming house

The basic function of a confirming house is to assist the foreign buyer by confirming, as a principal, orders already placed, being the exporter paid from the confirming house as soon as the products are shipped.

This organisation therefore interposes its credit between the exporter and the buyer, involving mainly payment aspects, but may eventually provide arrangements for the shipper. The confirming house is much more common in the UK than anywhere else.

Resident buyer

This organisation is quite similar to a commission house, with the main difference being that resident buyers are permanently employed representatives of foreign buyers. It is usually largely used by large retailers.

Broker

The main function of a broker is to bring a buyer and seller together, being a specialist in performing the contractual function. It may act as the agent for either the seller or the buyer, and is accordingly paid a commission by the principal. Brokers normally focus on *staple primary commodities* (lumber, grains, etc.), being a specialist in one or two products.

Export management company (EMC)

This organisation basically functions as the exclusive export department for several allied non-competing manufacturers. In the eyes of the overseas buyers it functions as the manufacturing firm. It handles selling activities, does research, chooses the best type of channel, does its own advertising and promotion and provides legal advice, and sometimes works as a manufacturer's distributor, since often operates on a buy-and-sell basis rather than on a commission.

Manufacturer's export agent

The basic differences between this organisation and an EMC are that the export agent retains its own identity by operating in its own name, and that it does not engage itself in buy-and-sell arrangements, operating on a basis of a straight commission. It does not offer advertising nor financial assistance neither, although it may eventually assume foreign credit risks; in this last case, it is paid a so-called *del credere* commission in addition to the regular commission. The export agent usually wants to be the manufacturer's foreign-sales representative.

Co-operative organisations

This is somewhat a cross between indirect (the organisation is not administratively a part of the company) and direct exporting (the firm has administrative control over the organisation to some extent). There are two distinct types of co-operative international marketing organisations: *piggyback marketing* and *exporting combinations*.

Piggyback marketing or Mother henning

This occurs when a manufacturer (the carrier) uses its foreign distribution facilities to sell another firm's (the supplier) products alongside its own. This type of marketing is used by unrelated companies whose products are non-competitive (but related), complementary (allied), or unrelated. The larger firm can provide a well-established export department and export marketing channels geared to the necessities of the smaller firm, but on the other hand the latter loses control over the marketing of its own products. As for the larger firm, benefits from piggyback marketing may be the broadening of their offer of product lines or simply extra-profits, as in general the carrier's compensation takes the form of a discount from the supplier's domestic distributor list plus a mark-up. The larger company may eventually act as an agent and be compensated by a commission, instead of buy outright the products of the smaller company.

Exporting combinations

In this case the exporter is a member of a more or less association of independent and competitive business firms, with membership being voluntary, organised for the purpose of selling to foreign markets. The two basic general types of exporting combinations are the *normal domestic marketing co-operative associations* and the *export cartels*, which are created for the purpose of exerting control over a market.

2.1.2. Direct exporting

In direct exporting the several possible types may be combined accordingly to the company's needs; a travelling salesperson may be used in addition to a foreign based distributor, for example. Note that, regardless of the way of entry through direct exporting, some type of home based export department should exist.

Home country based department

Manufacturers involved in direct export usually have to establish some type of export department or division in the home country, be it either for making export sales or serve as the home base export marketing department in order to co-ordinate and control the activities of other dependent organisations located abroad. There are basically three different types of home country based export organisations: a *built-in export department*, a *separate or self-contained export department*, and an *export sales subsidiary*.

Built-in department

This structure is the simplest type of export organisation, and therefore the easiest to establish. It may be generally composed by an export sales manager and some clerical help, taking care of the actual selling (or directing it), leaving the other export activities to the regular domestic market-oriented departments of the company. This structure may be also quite useful in the co-ordination of indirect export activities.

Separate export department

This structure is, in contrast with the built-in department, a self-contained and largely self-sufficient unit in which most of the export activities are dealt within the department itself, making it a

relatively complete export marketing department. This structure may not be located at the headquarters of the company, but have its export department near international transport facilities.

Export sales subsidiary

This structure is a separate corporation from the firm, leading to a divorce between domestic and foreign marketing activities. It is, nevertheless, fully controlled and owned by the parent manufacturer. All responsibility and authority over international business lay in this case in the hands of subsidiary, leading to a simpler way of ascertaining the profitability of overseas activities.

Foreign sales branch

If a company believes that it is necessary to have close supervision over foreign sales, it may feel compelled to establish a foreign sales branch. This structure handles all of the sales, distribution and promotional activities in a designated market area. It usually sells primarily to marketing organisations, such as wholesalers and dealers, or, in certain cases, to industrial consumers. Often storage and warehousing facilities are required, in order to permit inventories, replacement parts, and maintenance and/or operating supplies. In general, the operating characteristics of this structure are pretty much the same as those of a foreign distributor, apart from the fact that it belongs to the manufacturer and must report to the home office.

Foreign sales subsidiary

This structure basically operates in a similar way to a foreign sales branch, having however broader responsibilities and performing several more activities. Its foreign incorporation and domicile may provide it with tax benefits, less bureaucracy and easier access to credit.

Storage or warehousing facilities

These are established as either a way to maintain an inventory in a foreign market or as central distribution points to serve several foreign countries, reducing logistics costs.

Travelling salesperson

This is a salesman who resides in one country (usually the home country of the employer) and travels abroad to perform the sales activities; these are, broadly speaking, the communication of product information to customers and taking orders, customer relations, and gathering of information and communicating. This salesperson may also serve as a *demonstrator* or *tutor*, elucidating foreign distributors and agents.

Foreign based distributors

These are middlemen in the foreign country; they act as merchants, being customers of the exporting company. Its compensation is obtained through a mark-up, depending on the trade discount

granted by the exporter. The functions of these distributors are basically the same as those carried out by the domestic based merchants, except for the fact that extra effort is expected since they are usually given exclusive representative rights in a certain area. Another difference is that they may provide service when it is required, unlike domestic-based merchants.

Foreign based agents

Just like the foreign based distributors, foreign based agents are middlemen in the foreign country; they act as no more than representatives, however, operating on behalf of the exporting company, not taking title to the exporter's goods, unlike the distributor. Its compensation is obtained on a basis of a commission. As for its operations, a parallel can be established with what has been told for the foreign based distributors.

2.2. Manufacturing facilities

This mode involves ownership by an international company of plants in the target country. The decision of making such an investment is often forced upon a company, although it may be the result of a company's long-run plan in order to strengthen its international activities. Most generally, a factory is not established in a foreign country unless and until the market has been served by export channels.

Manufacturing facilities often requires a significant investment in capital, and risks are also considerably higher.

2.3. Assembly operations

This solution represents somehow a cross between exporting and overseas manufacturing. Part or all of the components of the product are exported to the foreign country, where they are put together. This may bring about reductions in overall costs, and may also provide the firm with some of the intangible advantages of being identified as a "local" company in the foreign market.

2.4. Strategic alliances

These entry modes also represent an investment of capital or know-how in the foreign market. A strategic alliance may be defined as a long-term contractual arrangement between firms based in different countries that link aspects of their businesses in such a way that mutual dependence is created and used to attain a strategic objective. The three basic types of strategic alliances are *joint-ventures*, *licensing* and *contracting*.

2.4.1. Joint-venture

A joint-venture is basically a form of association that implies collaboration or co-operation for more than a very transitory period of time, comprising a partnership reflected in both technical (joining of contributions) and emotional aspects (feeling of co-operative effort).

Both partners much have something complementary to the other. In most developing countries it may be the only way to acquire production capacities. It may be also a way to reduce risks, but on the other hand its design and implementation are usually complex and time-consuming processes.

2.4.2. Licensing

In a licensing arrangement, a company transfers to a foreign entity (usually another company), for a certain period of time, the right to use its industrial property (know-how, patents, or trademarks) in return for a royalty or other compensation. A licensing agreement may also be one of *cross-licensing* wherein there is a mutual exchange of knowledge and/or patents, and in this case there might not be any cash payment involved.

Another special case of licensing is *franchising*; in this case, in addition to granting the right to use the company's name, trademarks and technology, the franchiser also assists the franchisee in organisation, marketing and general management under an arrangement intended to be permanent.

2.4.3. Contracting

Contractual entry modes involve the transfer of services directly to foreign entities in return for monetary compensation, or in return for products manufactured with those services. International companies usually combine contractual entry modes with export or investment modes. The basic distinction in contractual entry modes is between *management manufacturing* and *contract manufacturing*.

Management contracting

This occurs when the international marketer operates a company in a foreign market for a local investor of the country where that company is located. The local investor provides the capital for the enterprise, while the international marketer provides the necessary know-how to manage the company. A special type of management contracting is the *turnkey operation*, by which the international marketer builds a plant, trains the personnel and initiates the operations, and thereafter hands it over to the local investor.

Contract manufacturing

This is somehow a cross between licensing and direct investment; a company contracts for the manufacture or assembly of its products by manufacturers established in foreign markets, either aiming for sales there or elsewhere while still retaining the responsibility for distributing and marketing its products.

3. Factors influencing the choice of the entry mode

There are several different factors influencing the choice of the entry mode, which may be classified in two distinguishable groups, *external* and *internal* factors.

The *external factors*, which may be regarded as parameters of the entry mode decision since very rarely may they be affected by management decisions, can be divided in four different groups: target country *market*, *production* and *environmental* factors, and *home country* factors.

Among the target country market factors the most important are the market's *size* (usually small markets favour low-investment entry modes, such as indirect and agent/distributor exporting, licensing and contractual arrangements, while markets with high sales potential can justify entry modes with high break-even sales volumes, such as branch/subsidiary exporting and equity investment in local production), *competitive structure* (markets with many competitors are easier to penetrate and require less investment than oligopolistic or monopolistic markets), and *marketing infrastructure* (the less developed it is the more initial investment is required).

The target country production factors, such as raw materials, labour and energy, have evident implications on entry mode decisions, according to their availability, quality and cost. Low production costs in the target country clearly encourage some form of local production as against exporting, and vice-versa.

There is a multitude of environmental factors in the target country influencing the choice of entry mode. The most important are perhaps *government policies and regulations* pertaining to international business; restrictive import policies obviously discourage an export entry mode in favour of others, for instance. In general, low political risks encourage equity investment. *Geographical* and *cultural distance* are also important; great geographical distances may imply too high transportation costs for exports to be used, and striking cultural differences between the target and the home countries may lead the firm to limit its commitment, inhibiting it from using equity entry modes.

Many features of the target country's economy may influence the choice of entry mode, such as its *size*, its *wealth*, its *structure* and its *dynamics*. Also its *external economic relations* may be important: a persistently weak balance of payments can lead to a government's decision of restricting imports, for example.

The *internal factors*, in their turn, can be divided in *product factors* and *resource/commitment factors*. Highly *differentiated* products with distinctive advantages over competitive products can be sold at an higher price without losing competitiveness. Therefore, they can absorb high unit transportation costs and import tariffs, favouring hitherto export entry. On the other hand, a product that requires intensive pre- and post-purchase services (what usually happens with many industrial products) makes it more difficult to market the product at a distance, favouring branch/subsidiary exporting and local production modes of entry. Finally, products that require considerable adaptation to be marketed abroad favour entry modes that bring a company into close proximity with the foreign market (branch/subsidiary exporting) or into local production.

As for the resource/commitment factors, the more abundant resources are and the more commitment a company puts in its foreign market operations the more likely it is to choose equity entry modes, which usually are more demanding and complex.

4. Relative advantages of the alternative market entry modes

4.1. International involvement as a learning experience

When a firm goes international for the first time, it usually has doubts about its ability to compete in foreign markets. The neophyte international focus, thus, in minimising risks rather than in maximising the control over international market operations. For a company in such a position exporting will appear to be the best entry mode. By choosing indirect channels, a firm may start its international operations with low start-up costs, immediate profits and without incremental investment in fixed

capital, as well as gaining experience about international markets, and therefore reducing the level of perceived risk.

Once a firm has started its international operations, it will gradually change its entry mode decisions in a fairly predictable way; increasingly, it will choose entry modes that provide greater control over foreign marketing operations, becoming more willing to enter foreign target countries as an equity investor.

Because of constraints imposed by size, some firms may never evolve beyond exports. Licensing and equity investment in foreign production do not offer the advantages of exporting as a learning experience: licensing, on one hand, although being easy to initiate with low start-up costs, it is available only to manufacturers who have technology or trademarks desired by the would-be foreign licensees, and even if the firm has those characteristics the marketing of its products would be controlled by the licensees; equity investments, in its turn, require an intimate understanding of the market, competition, production and investment climate in the target country. Furthermore, it requires a substantial capital investment.

4.2. Influence of external and internal factors in the success of a specific entry mode

In order to correlate the degree of possibility of success with some relevant external and internal factors, I shall divide the possible entry modes in 5 relatively homogeneous groups: *indirect and agent/distributor exporting*, *branch/subsidiary exporting*, *licensing*, *contracting* and *equity investment* (joint-venture and manufacturing/assembling facilities).

The external factors related to the foreign country that favour *indirect and agent/distributor exporting* are small markets, great cultural distance, high production costs, small geographical distance, high political risk, liberal import policies, good marketing infrastructure and restrictive investment policies. As for external home factors, the same entry modes are favoured by a small home market, low production costs and strong national export promotion. Finally, and concerning the internal factors, highly-differentiated products, low product adaptation, limited resources and low commitment also favour these entry modes.

Branch/subsidiary exporting has in its favour large target markets, poor marketing infrastructure, high foreign production costs, liberal import policies and restrictive investment policies, small geographical and cultural distances, low political risk, small home market, low domestic production costs, strong national export promotion, highly differentiated and service-requiring products, high product adaptation, substantial resources and high commitment.

Licensing, in its turn, is benefited by small target market, restrictive target country's import and investment policies, great geographical and cultural distances, high political risk, high domestic production costs, service and technology-intensive products, limited resources and high product adaptation.

As for *equity investments*, these are favoured by high sales potential, low overseas production costs, restrictive import policies and liberal investment policies, great geographical and small cultural distances, dynamic target market's economy, low political risk, large home market, high domestic production costs, standard, service and service-demanding products, high product adaptation, large resources and high commitment.

Finally, *contracting* is benefited by restrictive import and investment policies, great geographical and cultural distances, high political risk, high domestic production costs, service products and low commitment.

5. Considerations about entry modes in Portugal and Norway

There are several reasons favouring the choice of exporting as an effective way of penetrating both the Norwegian and the Portuguese markets, especially the latter; both countries are members of the EEA (European Economic Area), which leads to the absence of tariffs or restrictions in the exports of almost every product from one country to the other. Also both countries have relatively small markets, with populations of 10 and 4,5 million people in Portugal and Norway, respectively. The apparent smaller size of the Norwegian market is compensated by a considerably higher purchasing power.

Also the transportation costs due to the geographical distance between these countries are relatively low and the connections fast, either through the use of ship or road transport (the latter with considerable improvements in the last few years). In the same way, a considerable cultural distance favours the use of exports (especially indirect and agent/distributor exporting) instead of equity investment, which requires a more profound knowledge of the market and the local environment.

Finally, industry in both countries is dominated by small and medium-sized companies, which usually don't have the resources needed for adventuring into equity investment.

5.1. Norwegian companies penetrating the Portuguese market

Although exports are favoured for the reasons presented, there is also a factor that may lead towards the use of equity investment: the rather lower wages (the average wage in Portugal is about $\frac{1}{4}$ of that in Norway) may benefit the use of, say, assembly lines or contract manufacturing in sectors with use of intensive labour.

Considering that marketing infrastructures in Portugal in most industries are still rather incipient, I would consider exporting through the use of a branch or a subsidiary a generally good choice to enter in the Portuguese market, although other restrictions (limited resources of the firm, for instance) may lead to the use of indirect exporting, or the use of an agent or distributor in Portugal. However, there are some sectors where the marketing infrastructure is well developed, as it is the case of the frozen fish market (which accounts for a considerable part of Norwegian exports to Portugal), which is controlled by a few chains and distributors.

5.2. Portuguese companies penetrating the Norwegian market

The marketing infrastructure in Norway is well developed. Many of the commercial firms are organised in *commercial chains* (purchasing associations, retail chains, etc.), where they collaborate through common purchasing and promotion activities. These chains are quite powerful, usually ordering large quantities, constituting a very important group of clients for those foreign suppliers who intend to enter the Norwegian market. So being, the Portuguese suppliers should seriously consider entering the Norwegian market through exports, by either trying to directly contact these chains, using distributors or established agents. Since the Norwegian retailing market is controlled by a few organisations and has other specific characteristics not present in the Portuguese market, I discourage the establishment of a branch or a subsidiary (especially in the sectors of textiles, clothing and footwear) unless the company is willing to invest considerable resources of heart and soul. Comparing agents on one hand with distributors and chains on the other, I would say that the former present the advantage of working with fewer suppliers, therefore being able of allocating more efforts to the selling of the products of each individual supplier, while the latter provide a closer way of collaborating in the elaboration of the marketing-mix and establishing long-term relationships.

5.2. Field study about the relation of Portuguese companies with Norwegian distribution channels.

Nine Norwegian agents, wholesalers or distributors in textiles, clothing and footwear were interviewed concerning their relationship with the market and their suppliers, focusing especially in the relationship with those in Portugal.

Most of these firms have been established in the market for a long time (some back to the 19th. century), and all except for one have had business with Portuguese companies for 5 years or more. They are small and medium-sized companies, with 5 or less employees in agency firms and less than 100 in wholesalers and distributors, and sales volumes ranging from a few Million Krone to a few dozens of MKr.

These firms work with suppliers only from Europe and Asia. The quality of the products coming from north and central European countries (Germany, Finland, Austria) is considered to be slightly higher or at the same level than those coming from Portugal, and reasonably higher than those coming from Asia (a notable exception is training shoes, where Far Eastern products have a remarkable quality). It should be noticed, however, that some of these Norwegian companies often order products with strict specification concerning to quality, and therefore in these cases there is not a very noticeable distinction in the quality of the products coming from the different countries.

As for prices, there is a very definite distinction with north and central-European products being reasonably more expensive than those from Portugal, whose in turn are reasonably more expensive than those from Asia. This is deeply correlated to the level of labour costs, since these three sectors of activity use a relatively intensive use of man-power.

Finally, a special mention to products coming from some Eastern-European countries (the Baltic states, Poland and Czech Republic), which have good quality (labour in these countries is well-trained and educated) and prices between those of Portugal and the Asiatic countries. Those Eastern-European countries have the additional advantages of being close to Norway and the fact that they have low taxes and few restrictions on their exports to Norway, since this country is outside the European Union.

A striking feature is that almost in every case the Portuguese products are sold in the final market under the Norwegian middlemen own labels. These firms are in charge of all the marketing activities in the Norwegian market, with whom the Portuguese suppliers have virtually no contact and therefore no control. Therefore, any eventual strong image that the product might have in the market benefits not the suppliers but the merchandising firms. Another disadvantage is that the company has little control over sales volume and the marketing-mix strategy. On the other hand, the marketing expertise of the distributor can be used with possible extra effectiveness and efficiency. This also provides a way of penetrating the market (which is not very large) with low fixed costs and quick returns on investment.

As for the way in which the contact with the Portuguese supplier was established, it is noticeable that it is usually the Norwegian company who takes the initiative, after gathering information from the Portuguese Export Council (ICEP) in Oslo or through visits to trade fairs where the suppliers are represented, especially the Portex fair in Porto, Portugal. In some cases, the initiative was up to agents located either in Portugal or Norway who first contacted the distributor.

The relationship with the Portuguese suppliers is usually quoted as being rather stable (especially with larger manufacturers), existing nevertheless some periodical changes in suppliers depending mainly on the conditions offered by other potential manufacturers, with price being an important factor in this change.

The business contact is usually established by phone and fax, along with a few visits from the Norwegian agent or distributor to Portugal, and some eventual meetings in international trade fairs. Visits from the manufacturers to Norway are not very common, though.

The most quoted advantages of Portuguese products compared to those coming from other countries are reasonable prices, great flexibility (especially when the supplier is a small company, what happens quite often), good quality and proximity to the Norwegian market (when compared to countries from Asia). The fact that Portugal belongs to the EU was also mentioned as an advantage. The most quoted disadvantages are few personal support, lack of a strong image and investment in design and innovation, and high prices when compared to countries from Asia. The Portuguese products do not usually have a strong image that differentiates them from the competition.

Reliability is usually mentioned as being quite high, but some companies tend to disagree on this (especially compared to other European countries). Promotion support is not quite a pacific point neither, with some firms complaining that support could be reasonably improved. The same goes for general service, but in this case there are more firms pointing it as positive than those who point it as being negative.

Norwegian firms usually see the relationship with their Portuguese counterpart as being quite good, not being affected by any cultural differences. Nevertheless, it was mentioned as setbacks a certain Portuguese tendency to face time as being "elastic", some impulsiveness, lack of punctuality and finally lack of delegation of responsibility and information to inferior personnel in the manufacturing company.

The customers of these Norwegian companies are usually in large numbers, being composed by large retail chains, distributors/wholesalers and a few individual retail stores. The relationship of the firms with these clients is seen as very stable. All the marketing activities are usually left to the Norwegian company. Product development is usually done through either suggestions from the Norwegian buyer and also (in a small number, however) suggestions from the manufacturer.

To conclude, it is remarkable that these Norwegian companies usually point a lack of investment in the study of the Norwegian market by the suppliers as a setback that could be drastically improved, with benefits in the relationship with the Norwegian company.

Final remarks

It was seen in the first chapter that, among all the different motives that a company may have for exporting, those internal to the company have more importance. As for smaller companies, which account for the vast majority of the exporters in Portugal and Norway, as seen in the second and third chapters, the most important motives among these which are internal seem to be *profit possibilities* and *possession of an unique product/technology*, followed at a certain distance by *unsolicited orders* and *free production capacity*. It was also remarked that these small companies do not seem to be less bound to be successful in exporting than larger ones. Finally, it was also seen that the motives most bound to lead a company to success (measured as a turnover dependence on foreign sales) are *small home markets*, *risk diversification*, *growth aspirations* and *economies of scale*. This last factor must surely have a great preponderance in small and medium-sized firms, with whom are chapters 2 and 3 more concerned, as they are the bulk of the industrial universe in Portugal and Norway.

Due to this small size, it is no wonder that among all the different alternatives presented to a company facing international involvement, as seen in the third chapter, Portuguese companies in the sectors of textiles, footwear and clothing (which account for about 80% of Portuguese exports to Norway) overwhelmingly choose *exporting* as the entry mode for the Norwegian market, usually choosing the use of a distributor or an agent well established in the market. Profit possibilities must probably be the most important reason to export to Norway, since the market does not seem to be large enough to provide large economies of scale and unique products/technologies are not usually a strong point of the Portuguese companies in these sectors. On the other hand, Norway as a destination presents a market with a high purchasing power.

Norwegian companies, on their turn, have some more preponderance to find other alternatives to exporting when approaching the Portuguese market, such as assembly lines or joint-ventures, mainly due to the much lower wages there. Exports are, however, still the main component of the Norwegian firms envelopment with Portugal, and quite probably this is mainly due to the possession of an unique product or technology, as it is the case of the Norwegian main export to Portugal, fish (which accounts for about 50% of total Norwegian exports to Portugal, as seen in chapter 2).

Portuguese companies in the sectors of textiles, clothing and footwear face nowadays the challenge of the opening of world markets and consequent lower tariffs and restrictions on imports. Attending to the fact that they have been competing in Europe mainly based in lower costs when compared to other European countries, this has led to the surge of low-cost Asiatic products in the market. Most of these Portuguese companies are now stuck in the middle, since Asiatic products are cheaper while most of European products have a much stronger image. The solution must certainly imply a change in these Portuguese firms positioning in the market; either through a strong investment in Marketing and R&D (improvement of brand image and design, promotion activities), increased flexibility, and strong focus in selected niches in the market (taking advantage of their large experience in the sector). Otherwise, these firms will find themselves in an ambiguous position which will almost certainly decrease their competitiveness.



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Annex

- *Companies who contributed with interviews for the analysis presented in 5.3.*

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