The Impact of Home Country Government in Firm Internationalisation

Master degree in International Business

Margarida Silva Reis

Leiria, march of 2019
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Internship Report under the supervision of Professor Doctor João Carvalho Santos, professor at the School of Technology and Management of the Polytechnic Institute of Leiria and co-supervision of Doctor Nuno Rosa Reis, professor at the School of Technology and Management of the Polytechnic Institute of Leiria.

Leiria, March of 2019
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Dedication

I dedicate my investigation work to everyone who joined me through this battle.
Acknowledgements

This report is the last stage of all of my learning path during the master level, which represents the end of my educational path. Over this battle, different people each one in her own way left its personal contribution. In this sense, it is indispensable to do a message of thanks to the people have been highlighted:

To my master supervisors Professor Doctor João Carvalho Santos and co-supervisor Professor Doctor Nuno Rosa Reis for all supporting and guidance;

To my internship supervisor Dr.ª Marta Ribeiro and the team of ÍNDICE ICT & MANAGEMENT, Lda for the opportunity and accommodation during six months, where it was possible the knowledge sharing with different colleagues;

To my family since without their support, it would not be possible to reach my objective.

To my closest friends, like Cátia, Guilherme, Melissa, Célia, Maryli, Daniel I am grateful for the attention and availability demonstrated and, my boyfriend André for the transmission of motivation words and, for believing in myself.

Thank you, everyone!
Resumo

O presente relatório teve origem no estágio curricular realizado na empresa INDICE ICT & MANAGEMENT, LDA em Leiria, com o intuito de terminar o mestrado em International Business. A atividade principal da empresa baseia-se na concretização de projetos de investimento para o setor empresarial, nomeadamente através do apoio à concessão de fundos europeus.

Durante 1040 horas de estágio foram desenvolvidas atividades relacionadas com a elaboração de projetos de investimento, para empresas que tencionam principalmente enveredar pelo mercado internacional. A execução do estágio permitiu a aplicação de conhecimentos anteriormente adquiridos, além da aquisição de outros através da partilha de ideias, traduzindo-se assim numa experiência absolutamente enriquecedora.

De realçar que, todas as empresas que optam pela internacionalização de uma esfera de negócio poderá tornar-se numa experiência recompensante, permitindo não só aumentar a sua competitividade, mas também da economia nacional no mercado global.

O mercado doméstico tem-se mostrado bastante reduzido, levando as empresas a seguirem a via internacional. No entanto, este processo global não é assim tão linear, pois pressupõe um conjunto de barreiras que devem ser ultrapassadas. Recentemente, os governos nacionais têm tido alguma influência no processo de internacionalização das empresas, beneficiando-as no sentido de obter as melhores soluções de financiamento.

O presente relatório de estágio pretende esclarecer quais são as restrições ligadas à esfera global experienciadas não só pelas empresas multinacionais, mas também pelas pequenas e médias empresas e, de que forma é que as políticas nacionais têm contribuído para o sucesso do investimento no exterior.

Palavras-chave: modo de entrada, governo do país de origem, distância institucional, internacionalização, governo Português.
Abstract

The present report is entrenched in the curricular internship carried out in the company INDICE ICT & MANAGEMENT, LDA in the city of Leiria. The aim of this report is the finalization of the Master’s in International Business. The main activity of the company is based in the execution and monitoring of investment projects for the entrepreneurial sector, namely through the support of the granting of European funds.

The internship comprised 1040 hours, I developed activities related with the elaboration of investment projects for companies, whose main focus is the international path. The execution of this internship allowed me to apply the knowledge assimilated previously. Furthermore, the internship allowed the acquisition of new knowledge, through ideas sharing, undoubtedly resulting on an enriched experience.

When following an international pathway, all firms can benefit from a rewarding experience, besides increasing their competitiveness, boosting of national economy in the marketplace.

Considering the small domestic market, companies are obliged to take the international path. Nevertheless, this global process is not straightforward, and it presupposes a set of boundaries that need to be surpassed. Recently, national governments have had some influence in the internationalisation process of firms, resulting in the most feasible investment solutions.

The current internship report intends to clarify what are the constraints experienced linked to the global sphere for the multinational firms, but also for Small and Medium Enterprises (SMEs). Additionally, this report intends to understand the way national politics contribute to the success of the overseas investment.

Keywords: entry mode, home country government, institutional distance, internationalisation, Portuguese government.
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## List of Abbreviations and Acronyms

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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>BRICS</td>
<td>Brazil, Russia, India, China and South Africa</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technologies</td>
</tr>
<tr>
<td>INE</td>
<td>National Institute of Statistic</td>
</tr>
<tr>
<td>MNC</td>
<td>Multinational Companies</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Companies</td>
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<tr>
<td>SOEs</td>
<td>State Owned Enterprises</td>
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1. Introduction

The present report happens in the context of the internship carried out to finish the second year of the Master’s in International Business (MIB), where the main objective is to analyse the influence factors in the internationalisation process.

INDICE ICT & MANAGEMENT, LDA was the entity welcomed me during about six months. The internship started at 2 of October 2017 and it ended at 16 of April 2018, the internship plan presupposed the duration of 1040 hours in the total. During this period, I have contact with external markets department.

INDICE ICT & MANAGEMENT, LDA is a company located in the centre of a city of Leiria, with an experience of 28 years. The firm obtains solutions related with investment projects, training, Information and Communication Technologies (ICT), design and multimedia. Considering the increase of labour capacity over time, the company decided to diversify the services provided and, to invest in a highly skilled workforce, becoming able to respond to the requirements of clients (Mendes, 2016).

The main activity of the company is related with investment projects about Portugal 2020. In my report, I related the main activity of the company – consulting of investment projects with the constraints associated to the internationalisation process. At the light of institutional theory, there are several limitations linked to the market selected, whenever firms decide to make investment abroad (Wu & Chen, 2014). Whether it exists a great support of national governments, it will be possible to mitigate this bureaucratic process.

In the report, I analyse this question in diverse types of countries, developing and developed nations and, later I analyse the case of Portugal. In each country, the measures of home country governments are different and, each one of them has a different impact on firm’s performance.

At the second half of 2007, Portugal has faced a set of difficulties connected with a deep economic and financial crisis (Pedroso, 2014), this situation affected negatively the human life. Gradually, the Portuguese economy has managed to overcome, it expected to recover between 2018-2020 (Bank of Portugal, 2018). The upsurge of Foreign Direct Investment (FDI) flows was considered a fresh breeze to the national economy nevertheless, the inward is higher than outward investment (OECD, 2017).
Portuguese firms have found some difficulties in the international process due to the lack of funding. In this context, the national government, together with the European Commission, have been an active role through the creating of instruments to favour national firms to invest in the most diversified areas and, the internationalisation is not an exception (AD&C, 2018). This European support, what is calculated in 25.000 billion euros, has favoured the success and the growth of national firms (Portugal 2020, 2018).

In preceding studies, authors focused on the effect of experience of multinational firms in outside investment, others on the necessity to adapt the international strategies at the market selected. The target of my report is to fulfil the existent gap in the literature, seeking to understand what is the impact of home country government in internationalisation process of firms, it will be a positive or negative contribution?

The structure of this internship report is as follows: Section 2 contains the presentation of INDICE ICT & MANAGEMENT, LDA, Section 3 presents the consulting market, at global and national spheres, Section 4 comprehends the description of activities during the internship, Section 5 contains the connection between the internship and the international context. Finally, the Section 6 presents the conclusion of this study.
2. INDICE ICT & MANAGEMENT, LDA.

2.1. Firm Presentation

INDICE ICT & MANAGEMENT, LDA (hereafter referred to as INDICE), was the company chosen for the accomplishment of my curricular internship.

Located in the city of Leiria (Portugal), the company provides consulting services, aiming at the development of solutions related with Information and Communication Technologies (ICT). Whether working for companies, higher educational institutions, public administration or social economic services, the main goal is to provide adequate and innovative ICT solutions to the client. INDICE has experience in the global market, possessing offices in Portugal, Spain, Poland and Romania (figure 1). Additionally, the company is present around the world due to the connection with external consultancies (INDICE ICT MANAGEMENT, 2016).

Figure 1. INDICE ICT & MANAGEMENT in the world. Source: INDICE ICT & MANAGEMENT, LDA. (2016).

2.2. History

INDICE was created in 1989, under the name INDICE CONSULTORES. Originally, the company was focused on consulting services, directing its main effort to the investment
projects. Considering the great expertise, know-how and transparency, it was easy to obtain the customers’ trust and to expand to other business areas (Mendes, 2016).

In 1994, INDICE invested on the implementation of quality systems, namely the ISO 90001. Additionally, it invested on the environmental area, besides executing diagnostics, projects, and auditing services. In 1995, INDICE decided to expand geographically to city of Porto, the significant number of clients there justified a subsidiary creation (Mendes, 2016).

The formative services obtained Accreditation by Direction General of Employment and Labour Relations (DGELR) in 1999, emphasizing the excellence level of the formative offer. The beginning of the Millennium saw the creation of a new branch in Lisbon and Faro. INDICE always sought to follow-up the evolution of ICT, developing in 2001 its software of management (Mendes, 2016).

Nowadays, the offer of ICT solutions is wider, adapted to each client’s needs, and diverse. Two examples of management platforms are the back-office and the front-office. INDICE was certified Excellence SME company and, recently, it obtained the prestige of Small and Medium Enterprises (SMEs) leader that it has been renovated annually. In 2014, the added value allowed the company to dedicate itself to innovation in the SME network (Mendes, 2016).

Over the last years, INDICE reached international markets due to its presence in countries like Poland, Spain and Romania. A cross border network of partners allocated a new impetus to the internationalisation process. Currently, the company approximately employs 40 people (employees and trainers) with provide permanent and exclusive support. Occasionally, it has more than 200 consultants/trainers connected to INDICE GROUP (INDICE ICT MANAGEMENT, LDA, 2016).

2.3. Human Resources

INDICE ICT & MANAGEMENT, LDA is guided jointly by the manager and the executive direction. In figure 2, it is possible to observe an organizational chart about the firm, namely its division in juridical, financial, multimedia design, commercial, and project investment departments (Mendes, 2016).

In consulting sphere, the multiplicity of problematics led to the hiring of highly qualified human resources. In fact, the majority of its consultors and trainers are characterised by
having both a superior level of education (level 6) and a master’s degree. Besides, human resources are certified of technological ability on diverse professional areas such as Management, Engineering, Psychology, Informatics, Health Sciences and Law Course (INDICE ICT MANAGEMENT, LDA, 2016).
Figure 2. Organizational Structure of INDICE ICT & MANAGEMENT, LDA. Adapted from Mendes (2016).
2.4. Mission, Vision and Principles

INDICE has like a mission to improve the developed work, supported by an innovative service to guarantee the customer satisfaction and, to generate added value for the corporate scope (Mendes, 2016).

Innovation and learning are the main premises of this company. The objective is to enhance the performance of human resources, ensuring their satisfaction and promoting a great work environment. Honesty, ethics, professionalism and innovation are values followed by all collaborators (Mendes, 2016).

2.5. Business Areas

Nowadays, INDICE presents a multitude of investigation areas, as management and organization, training, ICT and multimedia, energy, internationalisation and environment (Mendes, 2016).

In the management and organization ambit, INDICE provides services directly related with new methods. Thus, it allows the enhancement of the organization of companies, improving their efficiency and effectiveness and, stimulating the interest from stakeholders. In this context, the company provides a healthy environment between collaborators and, it spreads the most refined techniques, such as benchmarking models and identification of good practices (Mendes, 2016).

Concerning the training, INDICE offers more than 150 professional areas, it can be distinguished between modular and professional training, where the first one is characterised for the short duration, and normally it complements other areas also related. The second one is related with the scholar component, being the main recipients of the younger age group without any professional qualification or, even adults desiring to enhance their skills (Mendes, 2016).

In the ICT universe, it is important to underline that INDICE has a management software from its own authorship, able to adapt to the reality of all companies. Moreover, it is possible to combine the software and a platform of diversification of services (Mendes, 2016).
In relation to the energy theme, there is a set of activities that have been developed. These activities include energetic efficiency, optimization of the resources, management system of energy and, the energy in a network. In this context, it has been supported investment projects to guarantee the execution of previous activities. At the environment vision, the main objective is the planning and monitoring of actions that protect the environmental sustainability (INDICE ICT & MANAGEMENT LDA, 2016).

In international scenario, INDICE provides a large number of services, such as marketing plan execution, international customers prospection, conception and sending of promotional material to international clients, participation in global events, definition and implementation of distribution channels to global markets, electronic catalogues conception and, all the specialized support in international scenario and exporting activity (Mendes, 2016).

Considering the information provided by Informa db (2018), we may evidence the financial results improvement from 2012 until 2017. The higher turnover was verified in the 2017. INDICE reached a total of 3,508,915.56€, being that 173,306.70€ represents the net sales (figure 3). The positive results represent the great recognition of the company in the national and global markets, but also the added value by the highly advanced workforce. Notice that, among 2016 and 2017, it observed an increase of almost 2 million euros.

![Figure 3. Financial data (million euros) of INDICE. Source: Informa db (2018).](image-url)
3. Consulting market

The instability that described the entrepreneurial environment over the last years favours the appearance of new companies with a new business area – consulting. The colossal expertise has favoured firms to get advanced solutions to satisfy the needs related with technological development (Consultancy.uk, 2017).

Consulting companies support firms to obtain sophisticated solutions in order to be able to compete with competitors in the sector. This business area has reached some preponderance, which can be explained by the large turnover and the huge number of companies, so much there are bigger references at global and national spheres.

3.1. Global market

Considering the global market of consulting companies, it is relevant to note an increase in the credibility of these companies due to the surprising turnover (figure 4). It shows that there was a continuous growth of consulting industries between 2012-2017, predicting a business volume evaluated in 155 billion dollars in 2017.

![Figure 4. Size of the global consulting industry (billion dollars). Adapted from Consultancy.uk (2017) analysis, data from Gartner.](image)

The multinational firms like DELOITTE, PwC, EY, KPMG, which are frequently designated by Big Four represent the top of consulting companies, with a market share of
11.7%, 10.2%, 9.6%, and 8.6% respectively. DELOITTE is the one with a larger number of consulting deals worldwide, and from 2012 to 2016, it closed around 82 deals, as it may be seen in the figure 5\(^1\).

This recognition may be explained due to the use of breakthrough technologies that permit to be pointed out among the competitors. The sophisticated know-how, great ability, higher geographic reach combining with the most advanced technological solutions have been the key ingredients to be on the top 4 of consulting companies (Consultancy.uk, 2017).

![Figure 5. Number of major consulting deals closed by the Big Four. Adapted from Consultancy.uk (2017) analysis, data from Gartner.](image)

3.2. PEST Analysis

3.2.1. Political - legal Analysis

In all of the business sectors, the political measures should be evaluated constantly, since each modification that has been adopted has a specific impact in the corporative scope. Recently, the Portuguese politics have proportionated an uncertainty environment explained by the economic crisis, what has affected the growth of national firms.

Nonetheless, the governmental Institute of Employment and Professional Training (IEPF) has developed some measures to increase employment and improve the entrepreneurship, such as the INVESTE JOVEM, the MICROINVEST AND INVESTE +,

and the PAECPE. The objective of the first is to provide young people with the financial means to invest in a business idea and to create employment. The second program, MICROINVEST AND INVESTE +, is responsible for providing credit lines for the development of minor projects, with guarantee and interest rate subsidies. At last, the beneficiaries of employment payments may create his own employment using the PAECPE program.

3.2.2. Economic Analysis

Since the economic and financial crisis plagued the national territory, our country has attended a turbulent period of various social, political and economic difficulties (Pedroso, 2014). Gradually, Portugal has succeeded to overcome this instability time with people affirming that the economy is in rebound (Bank of Portugal, 2018). Since 2014, the Gross Domestic Product (GDP) index starts to witness reassuring results, achieving a real growth rate of 2.52% in 2017 (figure 6).

![Figure 6. Real GDP Growth Rate (%). Adapted from Pordata (2018b).](image)

The increase of the GDP is the proof that shows us the opening of the economy, the increasing of investment, the decrease of unemployment and the qualification level of individuals were crucial factors. Already in 2018, the real rate of 2.1% which impacted positively in the domestic demand, private consumption and investment creation (INE, 2018).
Between 2007 and 2017, the people younger than 25 years old were the most impacted by the unemployment rate, being the worst years those during the economic crisis, in 2013 reaching a staggering 38.1% (figure 7). After 2013, the unemployment in all age ranges started to decrease, and in the last year, the unemployed people under 25 years old became 23.9% of the total population, representing a decrease of nearly 14% comparatively to 2013.

![Figure 7. Unemployment rate evolution (2007-2017) by age group (%). Adapted from Pordata (2019b).](image)

Taking into consideration the figure 8, it is important to emphasize the overcoming of exporting in relation to the importing since 2013, becoming the trade balance positive. Our country started to attract external demand and foreign investors while enjoying potentialities. Spain (25.2%) France (12.5%), Germany (11.3%), United Kingdom (6.6%) and USA (5.2%) are the main clients of the Portuguese exports (International Trade Centre, 2018).
In the financial sphere, it is relevant to evidence the public debt. In September of 2018, the debt was evaluated in 249 billions euros, translating in a reduction of 0.3 billions euros compared with the previous month (Bank of Portugal, 2017).

3.2.3. Social analysis

In the period between 2007-2017, there was a strong decrease of population growth, which has been maintained over the last years (table 1). Nowadays, the national population rounds 10.291,027. This result has translated into a negative evolution evaluated in 0.18%.

The financial crisis has been the main obstacle to the demographic growth. Truly, these new circumstances do not favour the increase in the family household, meanwhile the national society face the growth of older population.

The ageing of the population has been a dramatic reality that it has been common to all the European countries however, the number of youngest people has decreased since 60’s. In 2016, this ratio rounded 16% of population total (OECD, 2016).

The age average in our country rounds between 75-80 years old, that nowadays is around 2.194.957 individuals in conformity with national statistics. The future is not encouraging as it predicts the extension of a dramatic situation.
Table 1. Resident population evolution by age group (million individuals). Adapted from Pordata (2018a).

<table>
<thead>
<tr>
<th>Years</th>
<th>Total</th>
<th>0-14</th>
<th>15-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>10.542.964,00</td>
<td>1.650.412,00</td>
<td>7.033.533,00</td>
<td>1.859.020,00</td>
</tr>
<tr>
<td>2008</td>
<td>10.558.177,00</td>
<td>1.637.410,00</td>
<td>7.036.435,00</td>
<td>1.884.332,00</td>
</tr>
<tr>
<td>2009</td>
<td>10.568.247,00</td>
<td>1.624.489,00</td>
<td>7.029.408,00</td>
<td>1.914.350,00</td>
</tr>
<tr>
<td>2010</td>
<td>10.573.100,00</td>
<td>1.606.583,00</td>
<td>7.013.108,00</td>
<td>1.953.409,00</td>
</tr>
<tr>
<td>2011</td>
<td>10.557.560,00</td>
<td>1.584.037,00</td>
<td>6.981.489,00</td>
<td>1.992.034,00</td>
</tr>
<tr>
<td>2012</td>
<td>10.514.844,00</td>
<td>1.561.551,00</td>
<td>6.933.167,00</td>
<td>2.020.126,00</td>
</tr>
<tr>
<td>2013</td>
<td>10.457.295,00</td>
<td>1.536.028,00</td>
<td>6.870.043,00</td>
<td>2.051.225,00</td>
</tr>
<tr>
<td>2014</td>
<td>10.401.062,00</td>
<td>1.506.048,00</td>
<td>6.807.509,00</td>
<td>2.087.505,00</td>
</tr>
<tr>
<td>2015</td>
<td>10.358.076,00</td>
<td>1.475.537,00</td>
<td>6.759.544,00</td>
<td>2.122.996,00</td>
</tr>
<tr>
<td>2016</td>
<td>10.325.452,00</td>
<td>1.451.624,00</td>
<td>6.715.096,00</td>
<td>2.158.732,00</td>
</tr>
<tr>
<td>2017</td>
<td>10.300.300,00</td>
<td>1.433.156,00</td>
<td>6.672.187,00</td>
<td>2.194.957,00</td>
</tr>
</tbody>
</table>

The number of graduates on tertiary education grew over the years 2007-2017 (figure 9). This scenario favoured the economic growth due to the higher qualification of human resources and, also the reduction of school withdrawal. However, it also contributes to improving the competitiveness and productivity of firms. People with age between 30 and 34, who succeeded in tertiary education increased 39,1% in 2016 (Eurostat, 2017).

![Figure 9. Evolution of graduates on tertiary education level (thousand individuals). Adapted from Pordata (2018c).]
3.2.4. Technological analysis

Nowadays, the advance of new technologies has been a positive impact on a company’s performance in order to join forces to compete with the main competitors of the sector. It is increasingly important to take profit of the most innovative resources to respond to the needs of the clients. Then, the investment in technological innovation has been a precious good, since it enables the enhancing of labour methods.

In this sense, Portugal also follow-up the technological innovation attended in Europe, and it has seen the replacement of archaic solutions. It is the only way if our country wants to compete with the biggest economies in Europe. Notice that, the WEB SUMMIT Conference is associated to the Portuguese capital since 2016 and it is expected to continue until 2028 (Observador, 2018).

In technological context, Portuguese government, in combination with European Commission, have sought to stimulate this innovative spirit nearby firms like the Incentives System to Research and Technological Development. The main target is to appeal to the attention of companies to technological intensity and knowledge (AD&C, 2014).

3.3. Portuguese Consulting Market

The north of Portugal is the region with the largest number of consulting companies in 2016 (figure 10). It can be observed that, since 2012, the north of Portugal saw an increase of companies dedicated to this business area, peaking in 2016 with 4,871 companies. It is relevant to refer that, the North is the region that beneficiate the most from communitarian financing (AD&C, 2018). Subsequently, it is important to emphasize the centre region with the second largest quantity of companies – 2,393 in the last year of evaluation.
Figure 10. Number of existent firms with the CAE 70220, by geographic location (thousand). Adapted from INE (2019b).

According to the table 2, in the last year of analysis, the turnover of consulting activity in Portugal reached 2,712,085,443 € in 2016, a value has been increased since 2012. The north region was the one pointed out with a total of 390,368,962 €. In accordance with statistic data of (National Institute of Statistic) INE, it is relevant to note that north presented a decline since 2014.

Table 2. Turnover of existent firms with this specific economic activity, for geographic location. Adapted from INE (2019a).

<table>
<thead>
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<th></th>
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</thead>
<tbody>
<tr>
<td>North</td>
<td>364,704,319 €</td>
<td>381,017,986 €</td>
<td>430,026,139 €</td>
<td>355,632,019 €</td>
<td>390,368,962 €</td>
</tr>
<tr>
<td>Centre</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Metropolitan Area of Lisbon</td>
<td>2,033,785,140 €</td>
<td>1,966,021,174 €</td>
<td>2,049,024,533 €</td>
<td>2,082,222,819 €</td>
<td>2,115,207,303 €</td>
</tr>
<tr>
<td>Alentejo</td>
<td>17,806,201 €</td>
<td>19,069,736 €</td>
<td>22,329,090 €</td>
<td>-</td>
<td>29,469,126 €</td>
</tr>
<tr>
<td>Algarve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,957,786 €</td>
<td>38,255,907 €</td>
</tr>
</tbody>
</table>

3.3.1. Big Four in Portugal

Big four (DELOITTE, PwC, EY, KPMG) already have a place in Portugal. These global firms occupied the ranking of largest consulting companies in the national territory. These multinational firms are present in more than 150 countries including ours.

Deloitte & Associados, SROC S.A. is one of the firms disseminated by the world integrated into the network of Deloitte Group. Deloitte Portugal, in combination with all the
societies, already employs 2,500 professionals between the two Portuguese major cities (Deloitte & Associados, SROC S.A., 2018). Deloitte & Associados, SROC S.A. shows a turnover evaluated in 131,669,223€ however, if we consider all the societies, the Deloitte Consultores, S.A. is the one with the largest business volume (table 3).


<table>
<thead>
<tr>
<th>DELOITTE PORTUGAL SOCIETIES</th>
<th>TURNOVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deloitte Consultores, S.A.</td>
<td>109,115,628</td>
</tr>
<tr>
<td>SGG - Serviços Gerais de Gestão, S.A.</td>
<td>19,103,032</td>
</tr>
<tr>
<td>Weshare - Centro de Serviços Partilhados de Gestão, S.A.</td>
<td>1,088,790</td>
</tr>
<tr>
<td>Wingman - Estratégia Internet, Unipessoal, Lda.</td>
<td>1,399,085</td>
</tr>
<tr>
<td>Searasoft - Desenvolvimento de Software, Sociedade Unipessoal, Lda.</td>
<td>725,297</td>
</tr>
<tr>
<td>Maksen Consulting, S.A.</td>
<td>237,391</td>
</tr>
<tr>
<td>Total</td>
<td>131,669,223</td>
</tr>
</tbody>
</table>

Relatively to the PwC, the international group is present in 158 countries and it has more than 236,000 collaborators. PwC SROC is the subsidiary in Portugal and, it is responsible to provide service to the local customers. In the last year, it had 744 collaborators and 53 certified public accountants. PwC SROC & Associados, together with other societies (PwC AG and PwC MFAS, Lda.) reached a business volume around of 108,368,419€, in 2017 (PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda, 2018).

Ernst and Young (EY) is another multinational company in Portugal, it is represented by Ernst & Young Audit & Associados – SROC, S.A. Nonetheless, the network has three more firms, Ernst & Young, S.A., EY Managed Services, Lda., and Ernst & Young Angola, Lda. EY fills the leadership in the ambit of consulting firms, it is accessible in more than 150 nations and, it has more than 250,000 employees. At the end of 2017, the EY Portugal achieved a turnover calculated in 95,010,308€ (Ernst & Young Audit & Associados – SROC, S.A., 2018).

Finally, KPMG occupies the top 4 of the ranking of largest consulting firms and, it is represented in Portugal by the KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., which is constituted by the following societies KPMG Portugal – SGPS, S.A. and KPMG Advisory Consultores de Gestão, S.A. In Portugal, KPMG has four offices, 1,120

3.4. SWOT ANALYSIS OF INDICE ICT MANAGEMENT

Strengths

• Great capacity of response to needs of clients;
• Highly qualified workforce;
• Stronger experience in the sector;
• Higher array of clients;
• Services diversification;
• Stronger proximity with clients;
• Great segmentation.

Weaknesses

• Weak presentation of the website;
• Centralization of decision-making process;
• Weak communication below the line.

Opportunities

• Increasing relevance of digital marketing strategies;
• The services diversification is an imperative to the firms;
• New national strategy: Portugal 2030;
• ICT vanguard;
• Increasing number of graduates;
• Lack of knowledge about certain areas.
Threats

- High competition in the sector;
- Innovative mechanisms of leading companies;
- Reduced internal market;
- Limited financing.

By observing the SWOT analysis, it is possible to notice that there is a connection between the national scenario (opportunities and threats) and companies, in this case, the INDICE ICT MANAGEMENT.

In Portuguese context, there are realities that should be emphasized such as the increasing of digital marketing strategies, as well as the ICT vanguard has permitted the diversification of the offered services. Thus, the company is talented with the most innovative resources to appeal customers from diverse sectors, resulting in a high spread of clients in several countries, like Spain, Romania and Poland (INDICE ICT & MANAGEMENT, 2016).

Consulting companies are concerned with several business areas, such as the financing instruments provided by Portugal 2020. The politic leaders already outlined the next national strategy – Portugal 2030 - where consultancies will support the firms to invest in energy, environment, mobility and transports (AD&C, 2017).

The number of graduates, as I mentioned in the section 3.2.3, has risen becoming an added value to the companies, besides contributing to the increase of the productivity of the firm and, ultimately, the Portuguese economy. Many times, the lack of knowledge about specific areas can be an adversity nevertheless, it can also be seen as an advantage since it allows the firms to develop a set of solutions for a market segment.

It is important to highlight the several existent threats and take them into consideration. One of those threats is the higher competition in the sector, namely in the north of Portugal (it is the region with the biggest number of consulting firms), since many of the leaders have, at her disposal, the most innovating mechanisms.

Considering the reduced internal market, many firms are forced to turn for the international market, seeking new business opportunities. Communitarian financing has
been a great support for many firms, however, it has been frequently conditioned, in the sense that, a lot of financing does not match the need of the companies.

In relation to the strengths, INDICE is characterised for a strong experience in the sector. Hence, its response capacity to the clients is also great, and it has permitted a customer retention and, consequently, an advanced proximity with them. The higher qualification of the workforce has allowed a service diversification, giving INDICE the attention of a variety of customers of the most diverse sectors, like farming, industrial as the case of the moulds sector, and tourism. There is a well-defined segmentation, each department (management and organization, training, ICT and multimedia, energy, internationalisation and environment) possesses skilled professionals that execute each task successfully (INDICE ICT & MANAGEMENT, 2016).

Concerning to the weaknesses, it is also relevant to refer to the necessity of upgrading the website of INDICE in order to improve its image and, to appeal to the attention of clients, at global and national scales. The absence of heads in each department has been one of the main disadvantages, troubling the internal communication. In this firm, there is just one responsible person for all of the departments. Perhaps in the future it would be easier if there was a leader in each department.

About digital marketing, there is a way to follow, the firm should invest in communication below the line, this is the best method to conquer the attention of clients everywhere. In fact, today’s selling firms use diverse tools, like newsletters, participation in fairs and other events to disseminate their products. The marketing digital has determined the surveillance of several firms.
4. Internship Programme

This internship is included as one of the options available to successfully finish the second year of the Master’s in International Business. The internship was the best option to practice the knowledge acquired, but also enhance the technical expertise through information sharing between colleagues, favouring the integration in the labour market.

INDICE ICT & MANAGEMENT, LDA, logotype presented below in the figure 12, was the company chosen to undertake the internship of 1040 hours across six months. The internship program was defined in articulation with the company supervisor, professor advisor and the trainee. During the internship, there was the opportunity to perform tasks in some of the departments, such as investment projects and commercial and, also the opportunity to participate in some meetings where new findings were transmitted and some doubts clarified.

Figure 11. Logotype of INDICE ICT & MANAGEMENT, LDA.

4.1. Description of Activities

My internship started at the 2nd of October 2017 and ended on the 16th of April 2018. In the beginning, I had the opportunity to know the colleagues and the functions of each department. The main objective, with my integration, was to provide support in external markets area.

During the internship, my supervisor Marta Ribeiro gave me the opportunity to participate in projects, supported financially by the Communitarian Border Portugal 2020. Each one of them was related with an innovative theme, aiming at the promotion of the Portuguese economy on a global scenario. However, not all projects in execution are related with the internationalisation of SMEs, but also with training and energy. Among others, the projects where I was of greater assistance were the “Chestnut with all, all with the Chestnut” (from the Portuguese “Castanha com todos, todos com a Castanha”), Ginfab, Nerlei Link
The Impact of Home Country Government in Firm Internationalization

Lusa, Portugal Valley, and Powered by Portugal. Every time a new project was introduced, the responsible technician performed a presentation, as well as the reasons of appearance and the objectives intended to achieve with it.

Among other tasks, the main one was the development of market study in order to better know the country to invest abroad. A market study is seen as a previous analysis of the market that a firm intends to expand the business to. Therefore, managers acquire knowledge about the politics, economy, society, advantages and disadvantages associated with the country, and the main products traded between both nations. The market study is a determinant factor at the time of the decision of the recipient country.

a. The Chestnut with all, all with the Chestnut

Presentation

The first one is related with the feeding sector, designated by “The Chestnut with all, all with the Chestnut”. This project is supported by the Operational Program Norte 2020 in the ambit of Communitarian Border Portugal 2020. The objective was to promote the region of Sernancelhe (Portugal) as the chestnut land, benefiting all the firms with activities associated with this product. This project was promoted by ACIS (Associação Comercial e Industrial de Sernancelhe) to valorise and promote the chestnut of Sernancelhe, besides creating added value to the region.

Assigned tasks:

Support on a benchmarking plan related with modernization and mechanisation of the productive process of chestnut, in order to introduce technologically advanced equipment inherent to production, crop and distribution;

SWOT analysis to discover what is the economic potential of the chestnut production.

My contribution:

For this study, I focused on studies from countries where the production of chestnut is larger, such as Italy and China (Hochmuth et al, 2012). These countries have adopted sustainable measures, and the number of farmers still using traditional methods is reduced. Hence, considering the modernisation taken by other nations, I suggest similar procedures for this promotion action.
During my education, it is important to mention that the firm AgroAguiar in Portugal had previously searched for additional value to the Portuguese chestnut, seeking to satisfy the needs of the fussiest clients.

I also tried to understand if the Portuguese people and tourists are consumers of this specific fruit through a survey available on Google forms. In this inquiry, I included several questions related with the consumption on a daily basis. Some other questions, like the preference level for this fruit, the most appealing factors when buying chestnuts, the places and frequency of this purchase and the certification of the purchased chestnut were also included in the inquiry.

At the regional level, I did a breakdown about the restaurants of Sernancelhe, in order to appeal to the incorporation of recipes related with the chestnut. The idea was supported by a cook book with traditional recipes from the local population.

Considering the chestnut as agri-food, agri-industrial and touristic of excellence, it becomes important to execute an investment plan to develop digital marketing strategies to appeal to the attention of tourists. With this project, I learned that it is important that Portugal continues to invest in differentiation in order to promote the equilibrium of this sector and, to be present in international markets.

b. Ginfab

Presentation

The Ginfab is a project promoted by the Portuguese Association of Digital Fabrication Labs (APLFD). It is a thematic that reflects the promotion of investigation and technological development. The global network fab labs has allowed the connection between students, makers, citizens and professionals with digital manufacturing and ICT.

Assigned tasks:

Analysis of external markets and database creation about potential clients in Brazil, England and France.

My contribution:

The client predicts a network of fab labs among Brazil, France and the United Kingdom. In this context, besides a market study about each country, I made a database where it is possible to find all fabrication laboratories and the activation state located in these countries.
through the website www.fablabs.io. The database has information related to the name of fab lab, place, contacts, responsible person, team members and laboratory abilities.

After, I found that France is a fab labs’ champion since it contains 158 unities. The evolving sectors are the automobile and aeronautic, nevertheless it has recorded advances in telecommunications, energy and even numeric architecture. Regarding Brazil and the United Kingdom, the main economic activity is the automobile sector however, the arts have not gone unnoticed.

c. NERLEI Link Lusa

Presentation

Link Lusa project aims to establish a “bridge” between employers in the Leiria region and emigrants integrated in the target countries of the project Germany, France, United Kingdom and Switzerland. It translates in a business network between all Portuguese communities presented in these markets. This project intends to increase the knowledge about relevant markets to Portuguese diaspora, to disclose more economic information about internationalisation and to favour export channels.

Assigned tasks:

Market studies to exporting with identification of Portuguese Communities in target countries (France, Germany, United Kingdom and Switzerland).

My contribution:

In the ambit of this project, I developed four different market studies, where the majority of information was picked from the AICEP website (www.portugalglobal.pt). Regarding the international trade, I used the statistical data from ITC (www.trademap.org). ITC was a fundamental tool over my learning in INDICE, taking into account that it gives us the detailed information about the main products traded between a set of countries.

In each market study, I refer a description about the Portuguese community in the selected markets for this project. Indeed, I discovered that France is the nation with the largest Portuguese community in the world. Furthermore, it is relevant to mention that there is almost more than half a million Portuguese in France, being the number of Portuguese employers around fifty thousand.

In the current study, I developed a list about a directory of Portuguese descendants’ businesses in England, France, Germany and Switzerland, concluding that Germany has the
largest volume of businesses from Portuguese people, which dedicate predominantly to the agri-food industry. This information was picked from Portuguese reviews that commercialised in these countries. PORT.COM (2017), LUSO PRESS (2017), PORTUGALMAG (2017) and PORTUGAL POST VERLAG (2017) were the most required reviews. The website from Switzerland Commerce and Industry Chamber in Portugal (www.camsuica.com) was an important tool to get specific information about Portuguese businesses in Swiss territory.

In the ambit of this project, I had the opportunity to participate in the II Meeting of Investors from Portuguese Diaspora on the 15th and 16th of December of 2017, placed in Viana do Castelo, which translates in the arrival of 570 participants. Almost all the participants are Portuguese employers of success living throughout the globe. During the event, the speakers sought to transmit the importance of business fabric of Portuguese communities, as well as the relevance to establish a network of companies, creating the bonds between countries (PORT.COM, 2018).

d. Portugal Valley

Presentation

Portugal Valley was a project oriented by a set of companies, one of them is named OXYGEN APPROACH, LDA. The main target consists to sell characteristic products of our country, as extra virgin olive oil, green wine, salt flower, vinegar, honey and green olives in an international scenario, namely in Germany and in the United States (California and Florida).

The key objective continues to be the development of an internationalisation project to amplify exports until 100% in 2019, through concrete actions of prospection and promotion in market target. In the end, the main goal sits on competitiveness growth and visibility of the firms involved, to highlight market strategies, increase innovation capacities and, to enable access to digital markets.

Assigned tasks:

Market studies of Florida and California as potential clients of gourmet products.

My contribution:

In this context, I proceeded to the development of a market study about nations like California and Florida. I tried to understand if these products would be well accepted in the
market recipients, what is the difference of prices between Portugal and the USA, and to know something about the competitors’ foodstuffs. At the time of market studies execution, I found some difficulties as the found information was about the USA as a whole and not concerning a specific state.

The information obtained was selected through websites such as AICEP (www.portugalglobal.pt), Vineyard (www.singlevineyards.com/export) and Wine Institute (www.wineinstitute.org), where I got statistical data about worldwide exporting of vinegar and wine. PORTUGAL FOODS (www.portugalfoods.org) gives us the necessary information about the Portuguese internationalisation strategy to the olive oil. In International Olive Council (www.internationaloliveoil.org), I had access to information about Olive Oil market in the USA, namely imports, exports and, even about prices practised and, PROCHILE (www.prochile.gob.cl), it was possible to verify the Gourmet Products market (e.g. olive oil, salt flower, vinegar) in the USA.

In the website of Food and Drug Administration (FDA) (www.fda.gov), I also searched for specific norms about international trade with the American territory. This information is meant whenever firms decide to sell their gourmet products to this country.

e. Powered by Portugal

Presentation

Powered by Portugal was developed to stake in Portuguese habitat supply chain, looking for Portuguese firms that have interest in the exportation of products to new markets as Peru and Mexico. The goal is the creation of a network between national and outside firms from involved nations. Illumination, decorative and structural ceramic, construction, metals, furniture, textile, glass, cutlery and ornamental rocks are some of the industries that integrate the habitat supply chain.

The project intends to select activities and products with a potential to stimulate exports to increase business volume interpreted by the Centre region. In the ambit of the project, the smart specialisation is one of the targets to provide the fundamental tools to get a major level of competitiveness and innovation.

Assigned tasks:

Market study about Peru in order to identify the existence of economic viability of exporting products linked with the habitat supply chain.
**My contribution:**

In this context, I sought to join statistical data about companies related with the habitat supply chain in the centre of Portugal through the INE (www.ine.pt), namely the number of companies, the added value, number of employees and the turnover. This investigation was indispensable to characterise the national scenario.

In relation to the Peruvian perspective, I conducted a market prospection about Peru, where I included a brief presentation of social, economic and politic domains, the economic relations with Portugal and, finally, the financial instruments. I also carried out a database with information about logistic operators in Peru, in order to understand what are the means of transport that firms can use to export products.

Considering that Peru is seen as an emerging economy, it was hard to obtain some information. Still, my research was supported through information sources such as AICEP (www.portugalglob.al.pt), National Statistical from Peru (INEI) (www.inei.gob.pe) and World Bank (www.worldbank.org). In the last years, Peru was highlighted for a high economic growth, what is chiefly due to the advance of several economic sectors, such as commerce, telecommunications and manufacturing.

In the ambit of digital marketing, I identified some news related with the habitat supply chain to publish in the social networks of the project.

**f. AMOG GLOBAL**

**Presentation**

It is a joint project executed by twelve firms, where all of them share the same objective, that is to expand internationally the agri-food sector, seeking to assert its presence in the strategic markets of Poland and Luxembourg.

**Assigned tasks:**

Development of a market study about Poland and Luxembourg.

**My contribution:**

In the course of the project, I sought to discover what are the strengths and weaknesses in the selection of these markets to extend the Portuguese agri-food sector.
I also promoted the firm presentation by call phone, as well as the diffusion of some workshops related with the AMOG GLOBAL, among which the project “Analysis to Peruvian Market”, promoted by AMOG (from the Portuguese, Associação para a Melhoria da Organização da Gestão) is important to highlight. My role consisted in trying to conquer the public, namely the companies linked to the agri-food sector to participate in these meetings. The objective is to perceive what are the main obstacles, what is the best way to solve it and also, to identify new business opportunities destined to participants firms.
5. The Internship in the International Business context

5.1. Entry Mode Choice

Since the beginning of XXI century, firms have sought to drive their businesses to the international sphere (Malhotra et al., 2003). Firms have sought to be involved in the international arena gradually, which was an important milestone in corporate life. In this sense, it will determine the success and growth of the largest amount of firms. Before to go abroad, it is necessary to decide what the best entry mode is. However, this decision is not so linear and the hardest phase is to not only to decide the best entry mode but, also the market recipient (Ferreira & Serra, 2008).

Entry mode choice is a managerial decision which needs to be deliberated and discussed, as there are several factors to take into consideration until the final decision (Kim & Hwang, 1992). When a firm intends to go out from the origin country, it should know that the unknown might be associated to a set of uncertainties or difficulties (Zaheer, 1995). Though we live in an interdependent world, without physical barriers, there are some issues that become major obstacles to foreign investment.

Thus, before selecting the market of FDI destiny, there is homework that is indispensable, since each country has its own particularities (Ferreira & Serra, 2008). Aspects such as wage rates, labour skills, tax rates, transport and infrastructure, size of economy, political stability, exchange rate are variable across the territories. For instance, the highest the experience of managers, the more predictable and weighted is the decision (Erramilli, 1991).

Entry mode strategy is an international arrangement that favours the entrance of a multinational firm in a host market, however its success is dependent on some factors, such as resource commitment, risks, control, and performance outcomes (Anderson & Gatignon, 1986; Pan & David, 2000; Puck et al., 2013). It is possible to define the following entry modes types, exporting, contractual agreements, joint ventures and wholly owned operations (Andersen, 1997; Root, 1987). Exporting has a low resource commitment since it implies the sale of products and the consequent shipment for a market through distributors (Agarwal & Ramaswami, 1992). Hence, it is not exposed to the risk, taking into account it is carried through intermediaries.
Contractual agreements, like franchising and licensing, presuppose that a firm hires an agent to sell or distribute a product in an external market (De Villa et al., 2015). When we are talking about joint ventures, it must be considered that there is a sharing of know-how or experience between two firms in a foreign nation, then the ownership and control is divided by both (De Villa et al., 2015). Finally, wholly owned is when a firm is the shareholder of a subsidiary in another country, as it is possible to observe in the case of greenfield investment or acquisition (De Villa et al., 2015).

The figure 12 shows the relation between the control level and resource commitment to take into account in the decision-making of entry mode choice, the exporting is the one with the lowest control level and risk simultaneously, contrary to the wholly owned subsidiary.

![Figure 12. Entry mode characteristics. Adapted from Tepjun (2016).](image)

The fear of the unknown has been the main obstacle to follow other entry modes besides the exportation. Frequently, firms decide firstly to follow the exporting via through an intermediary that has a clarified knowledge about the chosen market, whereas others decide to invest in sales subsidiaries and few are the ones that decide early to produce in host nation (Welch & Luostarinen, 1988).

Entry mode choice determines the firm’s operations (Hollensen et al., 2011), once selected it can be very hard to change, and it may create weighty consequences (Pedersen et al., 2002). Moreover, there are studies confirming that there is not an entry mode choice able to provide a greater performance than others do (Brouthers, 2002; Brouthers et al., 2003).
In recent years, scholars found that the differences about entry mode options vary according to the host country, international experience, immigration effect, firm's size, the capacity of adaptation and home country government (Chung & Enderwick, 2001). Altogether, these factors continue to be critical for success or failure.

5.1.1. International experience

The proximity connections absolutely influence the decision-making about entry modes since it assumes that, there is some knowledge about where the multinational firm intends to invest in. Several authors share a positive idea about the international experience. The higher the international experience, the upper the response capacity to satisfy the demands of the new public and the adaptation to the surrounding market (Broughters & Hennart, 2007).

An initial proximity to the market is a recurring practice of multinational firms. Before the investment, there are managers who carry out a prospection trip in order to get some accurate data, which allows the reduction of the distance between home country and selected market. Exporting has allowed to the multinational firms to take advantage from an enriched knowledge about host markets (Chang & Rosenzweig, 2001; Terpstra & Yu, 1988; Yu, 1990).

In cases without any previous experience, it can be hazardous, since many multinational firms based on previous experience in similar countries. For instance, in the article written by Chung & Enderwick (2001), they recurred to an example of firms from New Zealand intending to enter the Taiwan market. The authors analysed this question and concluded that, even though there is information about similar markets like Japan, this is not helpful. Although Taiwan shares some characteristics with other neighbour nations, it has own particularities as the marketing environment (Chung & Enderwick, 2001). Whether multinational firms do not have any experience in the selected market, it is more propitious to face more risks and uncertainty.

5.1.2. Immigration effect

The presence of immigrants can be a strength for multinational companies whenever it intends to go abroad. For instance, in the case of an immigrant from Romania, this individual is equipped with the most genuine knowledge, that is, the language, cultural traits, organizational practices, political and economic system and, even business contacts, which can offer a privileged relation with the host country (Chung & Enderwick, 2001).
5.1.3. Firm size

Firms seeking the international expansion should be large enough to, at disposal, display the more convenient resources and tools to invest in another country. Huge firms have the tendency to have a large history of operations in diverse cultures (Tihanyi et al., 2005). Whether there are multinational firms without more advanced skills, it cannot be involved in an entry mode of higher commitment. Then, SMEs with limited resources tend to choose lower control and resource commitment modes for their international opening (Koch, 2001; Root, 1994).

5.1.4. Capacity of adaptation

The lack of knowledge about the host country reflects the existence of numerous problems, considering each country has its own specificities. For instance, in the case of emerging economies it is important to refer these markets are suffering constant institutional and social modifications.

Whether we look at China, as Deng Xiaoping said before, “One country, two systems”. This sentence is correlated with the fact that the mainland defends the socialism, while Hong Kong and Taiwan sustain the capitalism. It is not an easy task to please to everyone and many multinational firms struggle to enter the Chinese market.

In conformity with recent studies about institutional theory, organizations need to adapt to the institutional norms from host country to get legitimacy of their operations (Davis et al., 2000). “Social adaptation lowers the risk of public crises by managing negative externalities on potential challengers or their negative perception of the firm” (Zhao et al., 2014, 8). Many times, the adaptation to the practices and ideology of the host country is the only solution to safeguard the surveillance of multinational firms.

5.2. Home country government

Internationalisation implies a previous reflection about the fundamental conditions before betting on a new adventure (Tepjun, 2016). Many firms do not gather the conditions to follow this path. The lack of qualified human resources, inadequate logistics, a scarce financial capacity, low levels of competitiveness and innovation are examples of that.

Whether managers want to follow the international path, they should analyse the impact on their own firm, that is, what are the main costs and prospects. In this respect, emerging economies are the nations more affected for this type of difficulties.
In the case of developed countries, the connection between home country institutions and performance can be stronger, whereas in emerging economies it can be weaker. This difference can be due to factors such as home control, labour flexibility and the level of corruption (Geleilate et al., 2016).

In developing nations, the largest obstacle is related with the lack of funding for the companies (Geleilate et al., 2016). Scholars have argued that home country institutions have contributed positively for the performance of multinational firms, through improvement of ability to power tangible and intangible resources in the global board (Geleilate et al., 2016). For example, institutions can provide companies specific assets, such as marketing, managerial and innovation skills.

Considering the institution-based view, country’s institutions are not different only for the richness level but also according the heterogeneity of institutional rules that are constantly in mutation (Park et al., 2006; Peng et al., 2008; Wan, 2005). The role of institutions has a special relevance in emerging countries since the rules are very different and without precedent.

In generally, governments can have a preponderant role in this question, with the development programmes to sustain new SMEs, as it will mentioned in the section 5.4. Hence, it allows the firms the development of new investments that were not previously feasible.

In the case of Latin America (LA), the industrialization process and pro-market reforms (Cuervo-Cazurra & Dau, 2009; Cuervo-Cazurra, 2008) led translated into a system based on private companies lead space to a strong intervention of government (Pinto et al., 2017). Governments from LA have sought to benefit the national firms and protecting them in relation to competition. The State has supported firms through three mechanisms: financial, stock participation and political connections (Pinto et al., 2017).

It should be notice that the intervention of government had an essential preponderance in entrepreneurship creation, but it is necessary to evaluate what are the motivations of entrepreneurs and the impact of this measure on a firm’s performance. The government interference may have a positive or negative connotation. In this context, the government created State-Owned Enterprises (SOE), which display a dependency relation with the
The Impact of Home Country Government in Firm Internationalization

governments. Moreover, to be a tool at the disposal of managers, it can be used to reach political or economic objectives (Cui & Jiang, 2012).

Many firms from weak economies do not have enough firm-specific expertise to outcompete rivals abroad (Luo et al., 2010; Rugman & Li, 2007). SOEs are more propitious to get support from government, they can obtain several advantages, as the financial support, preferential treatment and backing in adverse circumstances (Cui & Jiang, 2012).

As previously mentioned, the government can also negatively influence a firm’s performance. Indeed, the support of government can reduce the market orientation and autonomy of national firms. The negative effects are more visible into central SOEs (affiliated by central governments) than local SOEs (local governments), because central organisms can control the majority of resources. In fact, firms can be more dependent from government intervention and, consequently to suffer a higher institutional pressure (Li et al, 2018).

The incentives and constraints of government can influence the managers’ strategies. Frequently, self-interests of these firms may not be similar with public interests. SOE’s are not exempt from this pressure and persuasion. Typically, SOEs managers are seen as representatives of the state to act on their behalf. Hence, this linkage between home country institutions and firms can originate a resource-dependency (Li et al, 2018).

The institutional opening of emerging markets has been favourable by FDI flows. Increasingly, emerging economies have betted on direct foreign investment and countries like BRICS (Brazil, Russia, India, China and South Africa) have attracted 21% of global inflows of FDI, which is considered a source of external finance. This sudden interest in developing nations is due to the cheap labour force, a large stock of natural resources, a huge population and the biggest size of these specific markets (Nasdaq, 2018).

Local firms benefit from a higher level of productivity owned to the presence of foreign entrants (Wu & Chen, 2014). If local firms would become more sophisticated and modern, it would likely improve their productivity, as with a market-oriented ownership structure, firms would have abilities to face an adverse competition. On the other hand, local companies attended the loss of highly skilled workforce for foreign firms (Gu & Lu, 2011; Xiao & Park, 2018).
Internationalisation of firms depends on some elements that may determine its success or failure. Today it is fundamental that companies invest in technical networking and technological modernisation. With the assistance of a highly qualified team, it is easier to invest in sophisticated techniques as new solutions of marketing to put forth its products. The investment in innovative measures is translated on the increase of productivity and competitiveness and, consequently, there are more skills to thrive over rivals.

5.3. Institutional distance

Doing business abroad can be a large challenge for multinational firms in the sense that corporate practices and legitimacy can be affected by institutional differences between home and host nations (Wu & Chen, 2014). The institutional theory is the basis of any individuals, national states and organizational structure. The “rules of the game” (North, 1990) are the basis of any country’s institutions and they determine how the game is played (Geeliate et al, 2016). The institutional framework is viewed as an obstacle to follow a new modernization process, new technological advances have challenged the institutional suppositions.

The behaviour of firms is influenced by the institutional context where they are inserted. Since multinational firms are moulded in their original country, it is not an easy task when going to foreign countries to have difficulties linked with the unknown. Each modification must be in harmony with values, norms, and beliefs, as these influence factors constitute the three pillars (regulative, normative and cognitive) of institutional theory (Korsakienė et al, 2015).

Both informal and formal institutions on a firm’s behaviour characterize the Neoclassical institutional theory (North, 1990). In relation to informal institutions, it is relevant to emphasize values, family and relationships, whereas by contrast, formal institutions are linked to the social, economic and political spheres (Chen et al, 2009).

Palthe (2014) argues that the organizational behaviours is dependent of market pressures, but also need to be aligned with institutional context. Institutions tell us what can be seen as wrong or right considering legal, cultural and moral borders.

Institutional differences can be a theme presuppose a deep analysis, the process starts through firm-mother transmits a set of ideas has as basis cultural characteristics of the home country, what it causes some dissimilarities with the host country and, even difficulties when
multinational firms entry in some markets. The higher the institutional distance the greater the conflicting demands between external legitimacy in the host country and global integration of MNC (Xu & Shenkar, 2002).

Constantly, multinational firms need to overcome the “liability of foreignness”, fear of what is unknown (Zaheer, 1995). The largest the distance between home and host nations, the more difficult will be the transference of organisational structures.

Often, the only solution for multinational firms is to adjust the practices and governance to match those of the host country, eventually becoming well succeeded and gaining the reliance of locals. The local isomorphism strategy can be the best solution, that is, to mimic the same tactics of local firms is the solution to obtain legitimacy in the external environment, benefiting of competitive advantage and, attenuating the larger distance between both markets (DiMaggio & Powel, 1983). Multinational firms seek to get a competitive advantage from competitors in the external environment and, the solution is not to keep the same practices as in the home country (Ang et al, 2014).

Although we know it is common for multinational firms to exert the same ideas in their subunits, it is important to consider that if organisations define a diversity model it is more likely that they are not manipulated by pressures from the host country. Conversely it can reduce the superiority power of mother firm and overseas branches, opening towards new social tendencies (Tihanyi et al, 2005).

Indeed, flexibility is an important factor to consider, the organisations need to become diversified. This concept means that is not dependent on a single resource (Pfeffer & Salancik, 1978), which means it receives the influence of diverse stakeholders (Evan & Freeman, 1988) and institutional constituents (Oliver, 1991).

Whenever the home country government disagrees with the host country government, there is a higher tendency for political risk. When firms go abroad, it is necessary to answer to pressures from extra-institutional environment, such as demographic and economic modifications. In the beginning, the multinational firms are always in a disadvantage position in relation to the local firms, due to the lack of knowledge and experience in the host country (Filipe et al, 2012).
Gradually firms will become aware of what is unknown. “(...) the foreign MNCs are taken as insiders rather than outsiders and thus will likely have easier access to local knowledge and other locally-based strategic assets” (Ferreira & Serra, 2008, 18).

Organisational decision-making is manipulated by external institutions to obtain legitimacy in the host country. Legitimacy is a resource that determines failure or success of the chosen entry mode, and foreign firms must be acknowledged by the host country in order to determine their legitimacy process (Kostova & Zaheer, 1999; Haveman, 1993; Jepperson, 1991).

5.4. Internationalisation and European Governments

The success of the internationalisation process depends on characteristics from countries but also the government support in each nation, which it is constituted as a determinant factor in the performance of firms. Nowadays it is very common to observe the involvement of firms in the international scenario. It has been seen as the outflow to national constraints, and, the only way to ensure the surveillance and to increase the profits.

Nevertheless, not always it is easy to follow the internationalisation path, it presupposes a global integration. However, the main difficulty for national firms has been insufficient financing. Since the entrance in the European Union, the European governments signed an agreement with the European Commission in order to allow national firms to invest with the support of financing promoted by the Communitarian Border (Comissão Europeia, 2018).

The European support comes to help SMEs face financing difficulties or even to reduce the costs or hesitation associated to possible and necessary investments (Comissão Europeia, 2018).

Indeed, in conformity with several studies, foreign investment brings advantages not only for the operating firm but also for the recipient market. Thus, the presence of a multinational firm in a determined region can help local context, in the sense it may stimulate the economic development of the host country selected, generating the technological advance and the expertise increasing (Wu & Chen, 2014).
5.4.1. Portugal Context

Will be Portugal an attractive country for multinational firms to invest?

What are the incentives and constraints to invest on it?

Portugal is the 88th smallest country in a global context (World Population Review, 2019). Despite its size, it can take advantage of some benefits due to the strategic position with an international accessibility, being also considered an open door to Europe (AICEP, 2018). Over the last years, the Portuguese labour market has reached a high reputation for its competitiveness and value added.

At this moment, our country is recovering from a profound economic crisis that began in the second half of 2007 (Pedroso, 2014). In fact, the year of 2018 has presented a wave of optimism due to the falling of unemployment, job creation and, even the debt decline, as shown in the section 3.2. These factors suggest that our country is present a higher economic growth.

If we observe the table 4, we may verify an evolution of exports between the twelve months of 2017 and the same period in 2018, reaching 89 222 million euros in the last year. Notice that, importing also records an increase, achieving 4 906 million euros in 2018. Therefore, exports overcome imports, becoming the trade balance positive in the last two years, emphasizing a coverage rate of 102.30% in 2018.

Table 4. Trade balance of goods and services. Adapted from Bank of Portugal (AICEP 2019a).

<table>
<thead>
<tr>
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<th>2017 Jan/Dec</th>
<th>2018 Jan/Dec</th>
<th>Variation 18/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting</td>
<td>84 316 €</td>
<td>89 222 €</td>
<td>4 906 €</td>
</tr>
<tr>
<td>Importing</td>
<td>80 805 €</td>
<td>87 211 €</td>
<td>6 407 €</td>
</tr>
<tr>
<td>Trade balance</td>
<td>3 511 €</td>
<td>2 011 €</td>
<td>-1 500 €</td>
</tr>
<tr>
<td>Coverage rate (%)</td>
<td>104.34%</td>
<td>102.30%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Our country recorded a negative value of FDI stocks assessed in -248 million euros (table 5). The statistical data shows the outward flows is lower than inward. Portugal occupy the top 22º of the most attractive countries for foreign investment, being that the Portuguese Direct Investment Abroad was around 49.1 billion euros (Laudicina et al, 2018).

Concerning our relationship with the exterior, the main destinations of Portuguese Direct Investment between 2017 and 2018 include countries such as Netherlands, Luxembourg and
Poland, with a total calculated in 234.87, 194.13 and 91.42 million euros in the first nine months of 2018.

Table 5. Portugal Foreign Direct Investment flows (million euros). Adapted from AICEP (2019b).

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Total direct investment</td>
<td>-71,2</td>
<td>-248</td>
<td>-177</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-610</td>
<td>235</td>
<td>844,79</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>-370</td>
<td>194</td>
<td>564,11</td>
</tr>
<tr>
<td>Poland</td>
<td>-10</td>
<td>91</td>
<td>101,76</td>
</tr>
<tr>
<td>Brazil</td>
<td>60</td>
<td>50</td>
<td>-10,31</td>
</tr>
<tr>
<td>Spain</td>
<td>693</td>
<td>42</td>
<td>-651</td>
</tr>
<tr>
<td>Switzerland</td>
<td>-29</td>
<td>23</td>
<td>52</td>
</tr>
</tbody>
</table>

The Region of Lisbon and Vale do Tejo is the most attractive area, followed by the north. The Portuguese market has attracted investors around the world due to a set of factors, such as political stability, industrial capacity of firms to produce, innovative measures and the huge ability to respond to new challenges (Ernst & Young, 2018).

One of the biggest strengths is the great recognition of national universities and, consequently the higher qualification of human resources. Although the Portuguese market has a reduced dimension, the investors consider that it has attractive factors, being the greatest the expansion of Made in Portugal products to other countries in order to stimulate the external demand (Ernst & Young, 2018).

Taking into account the table 6, we can observe the most popular multinational firms with Portuguese origin, highlighting firms such as Inapa, Ascendum, Hovione and Mota-Engil.

Inapa is the biggest producer of paper at the national level however, the majority of profits come from the international scope, and countries like Germany and France represent 80% of corporate revenues (INAPA, 2018). Ascendum dedicates to the supplying of industrial infrastructures and construction equipment, trucks and cars. Its ambition allowed it to conquer a great recognition worldwide (ASCENDUM Group, 2016). Hovione has responded to the main needs of the pharmaceutical industry, seeking to give a better quality of life to the people with the development of innovative medicines. The innovation and quality favoured the success in nine nations scattered around the world (Hovione, 2019). The success of Mota-Engil enabled the internationalisation process. Specialized in diverse areas
as engineering and construction, environment and services, transports, energy, mining and tourism, the national group have extended to a wide range of nations, mainly within Latin America. Notice that Mota-Engil is responsible for the public works executed for the Pan American Games in Peru (MOTA-ENGL, 2019).

Table 6. Biggest Portuguese Multinational. Adapted from INDEG-IUL ISCTE Executive Education (2014).

<table>
<thead>
<tr>
<th>Position</th>
<th>Company</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Inapa</td>
<td>0.9153</td>
</tr>
<tr>
<td>2</td>
<td>Ascendium</td>
<td>0.78</td>
</tr>
<tr>
<td>3</td>
<td>Hovione</td>
<td>0.7417</td>
</tr>
<tr>
<td>4</td>
<td>Mota-Engil</td>
<td>0.7191</td>
</tr>
</tbody>
</table>

After the second half of 2007 the Portuguese nation lived a troubled period due to the structural fragilities left by the economic and financial crisis. This scenario brought several consequences for many young companies and also for several SMEs, which have suffered some difficulties to expand their business volume. This dramatic situation was characterised by the lowest level of competitiveness, productivity, professional qualification (Pedroso, 2014).

The intensification of the globalisation phenomena and, consequently the appearance of new markets startled the national economy, arising the necessity to invest in sophisticated measures to compete with them. The lack of funding was the main obstacle.

As mentioned before, with the adhesion to European Union, the Portuguese government in combination with European Commission, agreed to a partnership so that our country may benefit from communitarian funds, stimulating the foreign investment overseas. The agreement designated by Portugal 2020 is an instrument of national government to develop public programs to sustain the financing of SMEs (AD&C, 2014).

The European Funds were formulated to support the countries included in communitarian space in investment matters. One of the main objectives consists in stimulating the companies to invest beyond borders, supported by funding instruments. This process upholds the firms in the development of sophisticated strategies connected to the innovation, competitiveness and productivity, positively impacting the national economy (AD&C, 2014).
The funding is divided between five funds, European Social Fund (ESF), European Regional Development Fund (ERDF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD) and, European Maritime and Fisheries Fund (EMFF) (Comissão Europeia, 2018).

Portugal 2020 comes to replace what was denominated previously as Quadro de Referência Estratégica Nacional (QREN), that was translated into a relevant mechanism to execute the Communitarian Politic in the 2017-2013 period (QREN, 2007).

Until 2020, Portugal will receive about 25 billion euros in order to stimulate the job creation, increase exports, to favour the professional qualification, to promote the sustainable development through the efficient utilisation of resources. This strategic program aims to reach all of the national territory including the Azores and Madeira archipelagos (Portugal 2020, 2018).

Portugal 2020 aims to continue the structural adjustment to the Portuguese economy, developing measures to promote the employment creation, the entrepreneurial innovation, the competitiveness and internationalisation, the professional qualification of human resources, the social inclusion and, also the environmental sustainability (AD&C, 2014).

At the end of September 2018, there are 31,254 approved projects in the ambit of Operational Programmes, translating in an eligible value of 22 billion euros supported by European funding. The Competitiveness and Internationalisation domain has been the one receiving the highest funding, having absorbed 38% of approved operations. It was followed by the rural development (18%), education (10%), science and investigation (10%) and, environment and natural resources (7%) (AD&C-UAME, 2018).

All the European support has been driven successfully, in the sense Portugal has filled a special position in to relation to the financing received by the European Commission (AD&C, 2018). Thus, we can affirm the Portuguese government has had an active role in relation to the support to the firms that seek to invest in diverse areas like the internationalisation. Consequently, this support help to mitigate the obstacles linked to the challenge of going abroad.
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6. Conclusion

Undoubtedly, the internship in INDICE ICT MANAGEMENT was an advantage considering that it was the first impact with the work world, beyond to have developed several tasks transversal all the departments, which allow me to absorb the maximum of knowledge shared by different colleagues.

As I stated previously the main activity of INDICE is the development of investment projects targeted for different companies in the most diversified activities sectors. These projects are supported by European funds since our national government assigned an agreement with European Commission, being designated by Portugal 2020.

In the current internship report, I shared the idea of that multinational firms suffered with the constraints face in the moment they decide to go abroad. Considering the institutional differences between the home and host countries, it is not easy to go to other market and to execute operations, at the light of home institutional basis. The entry mode choice can be a harder decision, each one should be chosen taking into account the characteristics of the host country.

When a multinational firm decides to go abroad, there is a homework about the market selected should be carried. Frequently, managers hire agents to work as intermediaries to get knowledge about a specific market, resulting in market study execution. The market study normally includes the politic, economic, social about a specific country, with this investigation managers can guess which are advantages or disadvantages associated to the host country. Considering the nature and quality of host country institutions affects the location of FDI in a variety of ways (Nielsen et al, 2017), one of the best solutions is to adapt the strategies, organization methods and, even the product to please to the host country government.

In the end, the government intervention should not be strongest or weak, it should be on point to guarantee the satisfaction of firms, impacting positively on the firm’s performance. This support is determining to help firms to collect resources to face difficult abroad in the internationalisation path and, to fulfil the lack of funding to the investment, as it is the case of Portugal. But, unfortunately, this situation is not common to all the countries, as mentioned in the section 5.2. Hence, the government beyond to help companies it can
guarantee the investment priorities areas of national economy, like the employment of higher qualification people, the increase of exporting rate and FDI, sophisticated organizational methods, between others.
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The Impact of Home Country Government in Firm Internationalization


