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The internationalization of companies that are Madeira Island natives. Exhibition of some successful companies and factors that support or hinder Madeiran companies in this process.

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MSc in International Management

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ISCTE Business School

January, 2023



BUSINESS
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Acknowledgments

As this journey comes to an end, an “obrigada” will not be enough to the ones who were always by my side. It’s impossible to put in words all the kindness, the love and the patience that I have been receiving during all my life but, most specially, during these challenging months, but I will give it a try.

First of all, a big thank you to all the universities that made part of my journey as a student. From NOVA FCSH to Adam Mickiewicz University, to KEDGE Business School and, finally, to ISCTE Business School, I am very thankful for all the experiences that I gathered during the past years, all the knowledge, all the amazing professionals that I have met: thank you for everything.

A special remark for ISCTE that allowed me to grow in the world of management as the master’s program is very complete, it shows diverse points of view and has a very unique yet pioneering vision of the area of management. A particular gratitude to my supervisor, Professor Renato Pereira, for sharing his knowledge and interest in the topic.

To my friends, who gave me a lot of strength and motivation, patience, and understanding after refusing countless invitations. To those who answered my messages late at night, who were on (very) long phone calls, to those who knew I needed a hug and often managed to give me one (even if they were virtual hugs), to those who left me motivational audios in the morning, or those who stayed until the end of this journey right by my side in long nights of writing, thank you very very much!

Last but not least, I want to thank my family, the ones that I love the most in my life, it’s been hard being away from you, but I know you are always there for me.

To my parents, the unbeatable duo that raised me and made me grow and become the person I am today. To them, I thank everything, all the advice, the resilience, the patience, the love, the motivation, the drive, everything... without you I would never have been able to get where I am today.

To my sister, the best example I have of commitment, dedication, of strength. The one to whom I confide my secrets and who has always held out my hand. I hope one day to be a little bit of the fantastic woman you are.

To my brother, my big boy that I am so proud of, not only for the loving and caring person that you are, but also for the smart, dedicated, and handsome man that you are becoming. Thank you for always holding me in your arms and make me smile.

To my granny, the strong-willed woman who gives me energy, life and the hug I most look forward to every day.

OBRIGADA!

Abstract

The evolution of the internet and transportation created such a globalized world that nowadays we have fast and constant access to goods and services originally from other countries. Not only has the daily life of the population changed, but the way businesses are run had to go through a process of renovations to survive all the new involvements of the international market.

No matter how small the local market is, every company has the possibility to sell abroad and increase its profit. This investigation focused on a specific market that, besides its size, the characteristic of insularity makes it a peculiar although interesting place to study. It is the market of international companies in Madeira Island, most specifically, the process that companies originally from Madeira had to go through when going international.

Aiming to understand the impact of the insularity aspect and if there was any specific feature for these companies, interviews were conducted so, successful cases, could describe their experience and expose their evolutionary path until the acknowledgment that they have today as impactful players in the international market.

Overall, as these companies found some constraints during their international expansion, they also found aid from the government and were able to become as important as many companies from bigger markets. The eagerness to expand can enable any company from the island to give this step, they just need to do their research work and keep fighting for European funds that can help overpass the natural borders of the sea.

Keywords: Internationalization, Innovation, Madeira Island

JEL Classification:

F23 – International Business

O19 – International Linkages to Development

Resumo

A evolução da Internet e dos meios de transporte criou um mundo de tal forma globalizado que atualmente temos acesso rápido e constante a bens e serviços provenientes de outros países. Não só a vida quotidiana da população mudou, mas a forma como as empresas são geridas passou por um processo de renovação para sobreviver à evolução do mercado internacional.

Não importa quão pequeno seja o mercado local, cada empresa tem a possibilidade de vender no estrangeiro e aumentar os seus lucros. Esta pesquisa centrou-se num mercado específico que, para além da sua dimensão, a característica da insularidade torna-o peculiar, embora interessante, de estudar. É o mercado das empresas internacionais na Ilha da Madeira, mais especificamente, o processo pelo qual as empresas originariamente madeirenses tiveram de passar quando se internacionalizaram.

Com o objetivo de compreender o impacto da insularidade ou de alguma característica específica para estas empresas, foram realizadas entrevistas para que, casos de sucesso, pudessem descrever a sua experiência e expor o seu percurso evolutivo até ao reconhecimento de que têm hoje como atores de impacto no mercado internacional.

Em geral, como estas empresas encontraram algumas limitações durante a sua expansão internacional, também encontraram ajuda do governo e puderam tornar-se tão importantes como muitas empresas de mercados maiores. A ânsia de expansão pode permitir a qualquer empresa da ilha dar este passo, só precisam de fazer o seu trabalho de investigação e continuar a lutar por fundos europeus que possam ajudar a ultrapassar as fronteiras naturais do mar.

Palavras-chave: Internacionalização, inovação, Ilha da Madeira.

Classificação JEL:

F23 – International Business

O19 – International Linkages to Development

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Chapter 1 – Introduction

1.1. Theme Framework

In the last decades, the world has been the stage of an unstoppable and high-speed mode show where, in each scenario, the different national economies are growing, the companies are gaining new facets, and globalization gained a central role in this play. Although this may seem like a bright scenario that gives companies endless opportunities to expand and make more profit, it brought with it a more demanding and competitive market that imposes constant and fast changes in the existing processes, products, and services of the firms.

More than ever, the competition is not only the rival next door, but it is the players all around the world that now can easily sell and export their resources everywhere, mostly thanks to globalization. This evolution towards globalization happened thanks to the changes in regulations taken by the countries and by the World Trade Organization, where more liberalization and lower taxes were implemented. In this regard, in 1947 a treaty was signed between 23 countries to help the world economy recover after the war. Lowering barriers regarding quotas and tariffs, was an important move in the field of trade and economy and gave a boost to become the globalized world that we see nowadays.

Additionally, the great evolution of the internet and transport allowed a homogenization of the products and services found all around the world since it helped to diffuse a global lifestyle by taking down the national barriers of the countries, the tastes, and the products presented in each market became more and more similar (Varejão, 2013).

To face this, companies needed to turn their focus to the differentiator factor, either in specific transformations of their product and brand, in the use of innovative technology, or in the differentiation of the service provided, this decision to have a notorious and dissimilar element became essential for the survival of a company in the international market.

Clearly, all the stages of development and changes that we have been assisting in the past few years, became favorable to business owners and entrepreneurs and presented a lot of benefits to the daily life of the citizens of the world. Nevertheless, some factors must be taken into account when we are talking about the insertion of companies in the international environment. One key factor to have in mind in this regard is that, despite all the similarities and connections between countries, there are always cultural factors that are intrinsic in the local population and that one cannot ignore, otherwise the expected success cannot be achieved. Additionally, obstacles and barriers will arise during the process therefore a deep and careful study of the market is needed in order to survive in the very demanding process of internationalization.

Despite the fact that these ongoings happened all over the world, it is important to consider that each country took its own pace on this evolution, each faces different challenges and stages of growth and expansion according to the economic, social and political situation that it was inserted, and so companies were affected by these constraints. For some, it was easier, for others, the demands were harder, and this is the reason why studies specifying different areas or countries were done separately.

In this regard, this thesis focuses on a specific region that does not have many studies regarding the evolution of the economy and the expansion of companies to the global market, and that is also a very promising area in terms of future evolutions: the Autonomous Region of Madeira. During this research, it is possible to learn more about the island and the companies on it, about different issues and concerns involving these companies, like barriers or advantages for the companies as they are inserted in the international market, and also about the support that the government and the European Union give to the island and its enterprises.

1.2. Research Problems

Aware of the impact of internationalization not only on the companies but on the global economy that they are inserted in, adding to the fact that I come from this amazing island that can provide endless chances to their population and that, in my opinion, still has a lot of opportunities to be explored, this research intends to empower the companies of Madeira Island, to boost their entrepreneurial spirit by showing them successful examples of companies originally from the island in the international market.

The best way to ensure this analysis will be by understanding the structure of the economy of the island and the industries and enterprises that are the biggest players in this economy and the ones that better represent the island in the international environment. By following this alignment, this thesis deepens thematic like internationalization and competition considering this specific market that, due to its geographic characteristics, faces different challenges, but also different aids, from the rest of the country.

This study is clearly important for the companies of the island, as supra mentioned, but there is also an important critical part more directed to the economic and political spectrum seeing that it briefly explores the actual situation of the island and so allows an inference of some critical points to be improved or to find opportunities in, which can turn out interesting for other investors to explore or even for the government to find potential in.

Giving another perspective, this thesis also comes to help fill the hole of investigations done involving companies from Madeira Island and particular industries developed there that have huge potential and that already represent the island in the international market. However, there could be

more support or more highlight as an attraction for Madeira as a great center of opportunities for companies to develop their business.

In this regard, the demographic spectrum and the weight of tourism are underlined as differential factors for the evolution of the various industries on the island as they turn out to influence positively the success of firms on the island. The fact that there almost more 10 thousand companies in 2022 than in the previous ten years only emphasizes the matter that the island can provide favorable conditions for the development of business.

1.3. Objectives of the dissertation

With this dissertation, there is a clear intention to dive into a matter that can be beneficial for the local government, business, and population of Madeira. By exploring the successful examples of companies in the international spectrum, it's possible to gather knowledge about this concept of internationalization and all the surroundings and notions that are involved in it.

By doing so, other companies and entrepreneurs might find an understanding and a motivational aspect that will make them want to explore their options in the international market while having their headquarters in Madeira.

The purpose to install this will in companies is connected to the awareness that there is a lot of potential in the island that has not been deeply explored and because the infrastructures and lifestyle of the population can get better as there will be improvement, more job opportunities, and innovation in several sectors in the island so it can embrace a wave of investments and entrepreneurial spirit.

1.4. Structure of the Dissertation

Having these topics in mind, this thesis will be developed in the following way: first, there will be made an analysis of several concepts and theories related to the internationalization of firms, this way, when scrutinizing the practical cases, it will be easier to understand all the matters involving their international expansion. Adding to the most elementary and essential matters, there was also the preoccupation to develop subjects that are particularly connected to the circumstances of the firms on the island, like innovation, cultural dimensions, and government support.

Moving forward, the theoretical approach will explore the questions that came up during the literature review and that helped structure the questions developed in the questionnaire and all the progress of the thesis. After this, the methodology allows a clear understanding of the buildout of the questionnaires and of the choices of the companies investigated to sustain this study.

Once all the concepts and the action plan are well defined, and after being aware of the topics that will be developed and the questions in study, there will start an analysis of the overall situation of

Portugal and, particularly, of Madeira Island, as this will be defined, there will be a simultaneous focus on the evolution of the business and enterprises in the island. Then, a critical issue comes as it will be scrutinized the internationalization of the companies interviewed. At this point, several subtopics were broadened so, even if there was a need to keep the information of the companies confidential, it was still possible to get a better understanding of the history and ongoings of these companies during their process of going international. By doing these, there are common aspects that can be generalized for the companies on the island and that can be examples for the other companies to look at.

Interesting matters such as innovation and the support of the governments are also emphasized in this part of the thesis as they turn out to be mentioned by all the companies and were also a consistent matter in the literature review.

At the end of the analysis of the practical examples, it is interesting to explore the impact that these companies and the global expansion had on the island and what are the future expectation for the business on the island in general.

To finish, the conclusion will highlight the most important considerations taken from this thesis and, at the same time, will explore some limitations that can be explored in future studies to complete this theme. At this stage, it will be important to expose what are the main focuses for the companies of the island that want to go international to pay attention to, seeing that it is crucial to motivate them to expand, this way the whole island will keep great levels of evolution.

Chapter 2 - Literature review

2.1. Internationalization

Throughout the years, as countries, people and economies have been evolving, the concept of internationalization has also gained its place in the evolution of the globalized world that we live in. As we might find numerous definitions and approaches of this theory, it's crucial to start this study by clarifying what is the meaning that the word "internationalization" have in this thesis.

Seen as a decisive step for the growth of a company, the international expansion has been gaining a lot of enthusiasts as it "offers new paths for value creation through access to foreign stakeholders, resources and institutions" (Purkayastha, 2018, p. 1540).

This concept of having the need to expand the business is not a novelty since there has always been exchange between nations and competition in all the different segments of businesses, but as rivalry increases owners felt the need to step up and constantly keep evolving and making efforts so their chances to have a good position in the market are bigger (Rodrigues et al., 2012). Thanks to globalization, this statement has gained more power and companies have been embracing this vision and trying to reach new market opportunities.

Globalization allowed the progression of a world where "barriers to cross-border trade and investment are declining" (Hill, 2009, p. 37), all the advances and evolutions allowed proximity between countries and even similarities. As Hill (2009) defines "globalization refers to the shift toward a more integrated and interdependent world economy" (2009, p. 39).

This concept for businesses was very positive as companies were having the opportunity to sell in different locations and, at the same time, reduce their costs since they could produce in countries where labor and materials are cheaper (Hill, 2009). In this regard, adjustments in the regulations had to follow this trend and be more favorable so the economies could develop, and they could be more welcoming for foreign investments.

Clearly, by mentioning this, it is crucial to differentiate globalization from internationalization, even though people may connect both, internationalization can happen in a non-globalized world. There is evidence that shows how favorable globalization was for internationalization since there are benefits that make it easier for companies to internationalize, such as being able to develop a global strategy or even benefit from economies of scale (Chesnais, 1995), but the fact that products and services can flow in an international environment does not require that there is an existing homogenous culture all around the world (Cerqueira, 2018).

Twenty years ago, it was already possible to find the definition of internationalization as "across the borders of global regions and countries into different geographic locations, or markets" (Hitt et al.,

1997, p. 767), in other words, internationalization was seen as a gradual process from which companies go through in order to be a player in the international environment (Johanson & Vahlne, 1977). This simplistic vision is aligned with the meaning that the concept being explored in this thesis, which is the expansion of a company in the international market, the step outside the country's limitations plus the entry and integration in this new environment.

Being a hot issue in the past decades, the current research highlights the impact of the concept of internationalization as it “has been viewed as a process of increasing involvement of enterprises in international markets” (Yu & Si, 2012, p. 525), this process done by entrepreneurial companies combine different aspects like innovation, proactivity and the bravery to embrace and face the risks associated with stepping outside the national borders in order to achieve a higher value for their firm.

2.1.1. Internationalization and firm performance

Rapidly, people start seeing a connection between this growth strategy that is expanding outside the geographic borders of the country and the impact it had on the business as they understood that internationalization help firms “access larger markets across the border and seek new tangible and intangible resources and capabilities in technology, knowledge, and skills to overcome their competitive disadvantage” (Purkayastha, 2018, p. 1539). Being aware of the limitation of the local market they were inserted, internationalization was an opportunity to increase their sales, thus assuming there would be fewer risks (Bagheri et al., 2019) and consequently more growth and profitability for the firm (Lu & Beamish, 2006).

But to better understand this evolution, we can go back in time and as Mario Krist noticed in his studies, we can understand the timeline evolution of this relationship. The divergent findings between the 1970s and the 1990s, where at one point there was “a linear positive relationship between the degree of internationalization and firm performance” (2009, p. 1) and a couple of years later studies started to spot the risks and difficulties, made researchers want to deepen their investigation to reach a clearer vision.

Until today there is no right or wrong answer as there are many results that vary according to different factors. That is why Krist (2009) explores the discussion existing among studies mentioning “whether there are simply several context-dependent relationships reflecting the conditions when and how internationalization and firm performance relate” (2009, p. 2).

At a certain level of internationalization, as Rugman & Verbeke (2004) stated, there is a clear facilitation of access to different resources, as well as lower costs of production, advanced technologies, and even natural resources that are not possible to find in the home countries.

Indeed, internationalization is a complex term that changed the perception of business for companies, so it is interesting to explore the three dimensions analyzed by Miller, Lavie, and Delios (2016): international intensity, international diversity, and international distance, which the authors have an easy explanation about each of them being that international intensity is the “firm’s commitment to serving customers in foreign markets. International diversity captures the breadth versus depth of internationalization by studying the dispersion of a firm’s operation across the host countries (...) international distance accounts for differences between the characteristics of the firm’s home country and those of the host countries of its subsidiaries” (Miller et al., 2016, p. 908).

All these three dimensions have their own value, and they complete each other, but for this thesis, it’s central to focus on international distance, once we will develop a topic regarding a very specific region of the globe, Madeira Island. This distance is analyzed in diverse studies considering the culture, the institutions, the economic development, and the geographical location of each place (Miller et al., 2016). Like Johanson & Vahlne, (1997) advanced in their research, there is a preference for companies to start their expansion by going for markets that have more proximity and similarities or markets that they have some kind of experience working with them.

Furthermore, Miller, Lavie, and Delios (2016) also refer that when there is a big distance between countries, not only physical but in the different aspects mentioned above, it makes it more difficult to combine the resources involved in business thus making it necessary more investments, which becomes a prejudice for the firms (Miller et al., 2016).

Undoubtedly, the course to internationalization is directly connected to the choice of countries to which companies decide to start their expansion. Just like Luís Pacheco (2019) mentioned in his study, the fact that Portugal is integrated into the European Union, there are a lot of benefits when expanding to those European countries, whereas expansion to other parts of the world implies more costs and barriers at entrance.

Finally, Pacheco (2019) also refers to the impact that the age of a company might have on its performance. The older the company is it is presumed to have more maturity and experience, which can relate to the bigger knowledge of the industry and market as well as a higher reputation. This aspect may benefit a company even in the foreign market, as national recognition provides more credibility to the company (Pacheco, 2019).

On the other hand, the same author also elucidates the fact that older firms might be more conservative and prone to inertia, thus being less open to international expansion, and just as other research affirms, “a firm’s ability to change and its absorptive capacity become paramount to their international success (Bagheri et al., 2019, p. 124).

In fact, many theories have been explored regarding internationalization and business. Some of the most known are (Schmitz, 2012):

1. (Neo)-Mercantilism: From this theory, one should internalize the importance of having more goods and services exported than imported, in other words, of having a trade surplus. This theory has been adjusted throughout the years due to the protectionist policies that countries started to implement in order to protect their own economy.

2. Absolute Advantage and Comparative advantage: these two theories come, respectively, one after the other, and even they had many criticisms since many concerns were not considered. What firms can learn from these two theories is related to the production of a certain good or service in a different location as it can be more privileged, for example, because of raw material or even because of the prices, a company can get an advantage by logistically organizing their business in different locations thus getting the best from each location and so being more efficient.

3. Factor Proportions Theory: although this theory (and the ones mentioned above) is more turned to give a country advantage, it can be turned to the firms once it is explored in a way that companies should become optimal in things (either resources or services) that they are abundant in.

The next theories analyzed are firm-based trade theories. The three theories supra mentioned, were analyzed from a point of view more turned to companies, they are classical theories more related to countries, while the next ones were created already having in mind important firm factors such as brand and customer loyalty, technology, and quality.

4. Country Similarity Theory: this theory is very interesting particularly because it links with the cultural factor that will be explored in the next chapters. Overall, this theory focuses on similar preferences found between countries with similar domestic consumption. This relation will facilitate firms to introduce their good in that parallel market.

5. Product Life Cycle Theory: Stating that a product life cycle has three stages: from new product, passing to maturing product and becoming a standardized product, this theory highlights the power of a country or a company in developing a new product since it will be, in an initial stage, the only manufacture of that new innovative product.

6. Global Strategic Rivalry Theory: aware of the importance of developing competitive advantage, this theory is centered on the barriers to entry into a new market or an industry so it exposes what things companies should seek to optimize.

7. Porter's National Competitive Advantage Theory: By wanting to explain why some nations are more competitive in certain industries than others, Michael Porter identified four elements that he linked together and that, increase a) the company's competitiveness; b) the local market resources and capabilities, c) the local market demand conditions local suppliers and complementary industries,

and d) local firm characteristics. Adding to these elements, the government also has its part in the national competitiveness as their actions and policies can make a difference.

As one can see, there are different aspects that firms can pay attention to when considering these theories. Clearly, there is no dominant theory, and each firm should follow the theory or just some parts of theories that they consider will be beneficial for their own business growth, always bearing in mind the timing and situation of the market.

2.1.2.Motives for internationalization

After what was previously mentioned, several reasons make companies want to go international, even though it is straightforward to assume that they are looking for competitive advantage and earning more profit. “Motives behind internationalization can be varied as economies of scale, access to new resources, cost reduction, extension of innovative capabilities, knowledge acquisition, location advantages, and performance improvements” (Purkayastha, 2018, p. 1540), “firms would not expand into foreign markets were it not – generally if not always- more profitable to do so” (Contractor, 2012, p. 318).

For starters, there is the possibility that they are facing saturation of local demand (Kumar et al., 2013) requiring them to move to other places, it can even be something so simple as the request of a client that makes them consider looking for the external market. Companies might also be looking to reduce costs or sometimes they just need to find resources somewhere else and this way it is simpler to expand outside their country.

Even though the market is much more complex, not only due to its size but also due to the large number of competitors playing on it, companies are aware of the numerous benefits they may acquire when going international, despite the new universal number of people and places involved. As the number of participants increases, one cannot forget that not all of them are competition, new suppliers and new distributors are also involved in this scenario, therefore increasing the chances to decrease costs or even find a way to differentiate the product and/or service.

In the same line, companies benefit from having access to foreign knowledge, they will be able to see what the competition is doing, to check the innovations and new features that are constantly being developed in this highly competitive market. Firms will not only be able to use this knowledge in the international market, but they should also take it to their home country, this way they can keep up with the competition or even step up and gain advantage over the other players.

The list of benefits continues to grow, there are risk reduction advantages of geographical diversification (Contractor, 2012). Related to this, there can be 3 specific advantages: 1) “companies with businesses in several nations typically enjoy lower volatility in aggregate global demand over

time” (2012, p. 323); 2) less currency volatility if the company works with different currencies, also known as operational hedging; 3) “having multiple plants in several nations [...] confers on the firm greater operational flexibility, to shift production as factor costs, exchange rates, or the business environment changes” (2012, p. 323). So, by having their business in different locations, owners are somehow protecting their businesses from possible economic risks.

In a similar vein, another important driver is the geographic, cultural, and linguistic proximity between regions. When markets have some of this proximity, companies feel less threatened to step into that region since the complexity and uncertainty level is lower when compared to more distant markets (Varejão, 2013).

Another reason for internationalization is following clients, this means that many product and service firms (in an initial stage it was mainly service firms) “when their clients internationalize, they get an opportunity to go along and sometimes almost are forced to do so” (Weinstein, 1997, as cited in Gronroos, 1999).

Concerning research and development (R&D), by being a player in this very competitive market, the R&D question becomes more and more important for companies since it will help them differentiate from the competition. Even though R&D differs dramatically between industries and companies, “several researchers have pointed out that the competitiveness of firms is becoming increasingly dependent on their ability to establish a presence at an increasing number of locations to access new knowledge and capabilities” (Dunning, 1997, p.64; Kuemmerle, 1997, p.61, as cited in le Bas & Sierra, 2002, p. 590).

Saying this, the fact that a company goes international also makes it easier to invest in R&D abroad as they can find competitive advantage by “gaining new advantages or complementary assets which help sustain or further their global competitive competencies” (Dunning, 1997, p.64; Kuemmerle, 1997, p.61, as cited in le Bas & Sierra, 2002, p. 590).

Despite being very positive in terms that companies can gather a bunch of new expertise and that it also allows them to surpass the weaknesses in the home country (mainly regarding technology), the costs involved in these R&D processes can be very high, but there is a positive factor to have in mind that is that once companies go international, they have a larger pool of customers to distribute the costs through, therefore there is an overall decrease of costs (Contractor, 2012).

All these advantages are vital points that impulse international expansion, but one cannot forget to highlight the impacts that economies of scale can do in terms of efficiency and cost reduction. Generally, the economies of scale arise with time as the companies grow, and the main reason behind it is that “a firm needs to organize its operational processes in terms of both technical and economic efficiency, that is, it has to maximize the output of factors in the production cycle (Celli, 2013, p. 255).

This process, which must be well planned, allows the companies to reduce costs and at the same time increase productivity as more units can be produced in the same or shorter amount of time, and producing higher volumes equals a cost reduction per unit (Celli, 2013).

Another reason that hasn't been mentioned yet, is related to tax benefits and governmental support. Some government's taxation policies may be in favor of companies having their business in a certain place, which becomes very attractive since companies can practice their prices at a more competitive level thus increasing their profit margin (Hollensen, 2007 as cited in Varejão, 2013).

The government may also have its part in the decision of the companies to go international as there are helps that they can give in order to increase the competitiveness and prominence of companies from their country in the international market. These helps can come in the form of funds or regulations, but they can make a difference in terms of risk reduction thus impacting the decision-making of a company to take this step.

To sum up, these are some of the reasons that support the international expansion of firms but, to reinforce, "multinational firms would not exist, nor would they expand internationally, unless there were net benefits to be had over a considerable range of international expansion" (Contractor, 2012, p. 328).

Whatever the motive to give this step is, it is obvious that the main reason is the increase in profit, a positive return from this risky movement that can also bring many other benefits to the company, as explored in this chapter.

2.1.3. Internationalization, innovation, and IT

With the expansion to other markets, companies are exposed to other realities and different levels of evolution that require them to step up and be able to be in the same stage, or even higher, than the competitors, so they can keep playing in that market. Here is where innovation has an important role in creating competitive advantage as it is increasing at the same pace as the company is expanding.

Although innovation is a very used concept, it is important to start by defining it. Innovation "involves the creation and marketing of the new" (Kline & Rosenberg, 2009, p. 275), this can be related to different parts of the business including the products and/or services, the structure, or, also very importantly, the business model. The emphasis here given to the business model is because of its relevance and the fact that people may not give, in a first scenario, its adequate importance, but the truth is that business model "often appears to encompass everything from, among others, strategy, economic model, and revenue model" (DaSilva & Trkman, 2014, p. 379).

Going back to the concept of innovation, taking the step to innovate in any part of the business can be a bold move once there is greater uncertainty related to how it will perform and how the market

will respond to it, “successful innovation requires a design that balances the requirements of the new product and its manufacturing processes, the market needs, and the need to maintain an organization that can continue to support all these activities effectively” (Kline & Rosenberg, 2009, p. 277).

As one can see, although innovation comes with its risks, there are several examples in our daily lives that show how innovation allowed a firm to perform better and even to differentiate it from the market, most of the time we are talking about a better idea (for example the creation of a new product, or a different version of one existing product), or a technological innovation (nowadays it seems that we are seeing daily evolutions in these terms), but, as mentioned above, it can be in the business model, something that allows the firm to pop and be innovative in terms of, for example, value creation or value capture. “A better business model often will beat a better idea or technology” (Chesbrough, 2007, p. 12).

Connected with the innovative factor is technology, which is constantly innovating and improving to help everyone work in a more efficient and productive way, and so companies should take advantage of this tool in order to develop their strategy and improve their performance (García & Landeros, 2020).

As this connection is very intuitive, several studies focused on linking innovation and technology with the evolution of firms. Even during the conceptualization of globalization, one macro factor underlined was technological change “particularly the dramatic developments in recent years in communication, information, processing and transportation technologies” (Hill, 2009, p. 45).

Up-to-date technologies, plus innovative techniques and procedures, support enterprises to stand out from the competition as they allow more automation, less complexity in the procedures, and more flexibility and simplicity during the stream of operations and flow of information (Child et al., 2017).

Seen as complementary concepts, the focus on the positive balance that this relationship is discussed by many authors as they emphasize that the innovation of new technologies allowed to reduce distances and costs in businesses allocated between different countries, and at the same time allows the constant and continuous access to strategies and techniques that are being developed in the different industries all around the globe (Lecerf & Omrani, 2020).

Additionally, it’s impossible to forget the impact of the web, that in such few years developed so quickly and gain so much attention and adherence from people, since it not only allows us to access all the information we need but it also “makes it much easier for buyers and sellers to find each other, whenever they may be located and whatever their size” (Hill, 2009, p. 47).

Moreover, technology also impacted the transport industry as it made massive modifications shrinking the time distance between places, it made way easier and quicker to move people and goods

over long distances. As an outcome, costs and labor involved in these processes dropped thus increasing efficiency and money for the company (Hill, 2009).

All in all, it is undeniable that there is a correlation between internationalization, innovation, and technology. More and more, these 3 elements are at the core of businesses and are essential for expansion in such a dynamic and globalized world and economy that we are living in, that's why "entrepreneurs must also have an ongoing concern for innovation, maintaining a high level of quality, and continue to strive to provide the best business strategies and either products or services possible while adapting to different countries and cultures" (Yu & Si, 2012, p. 525).

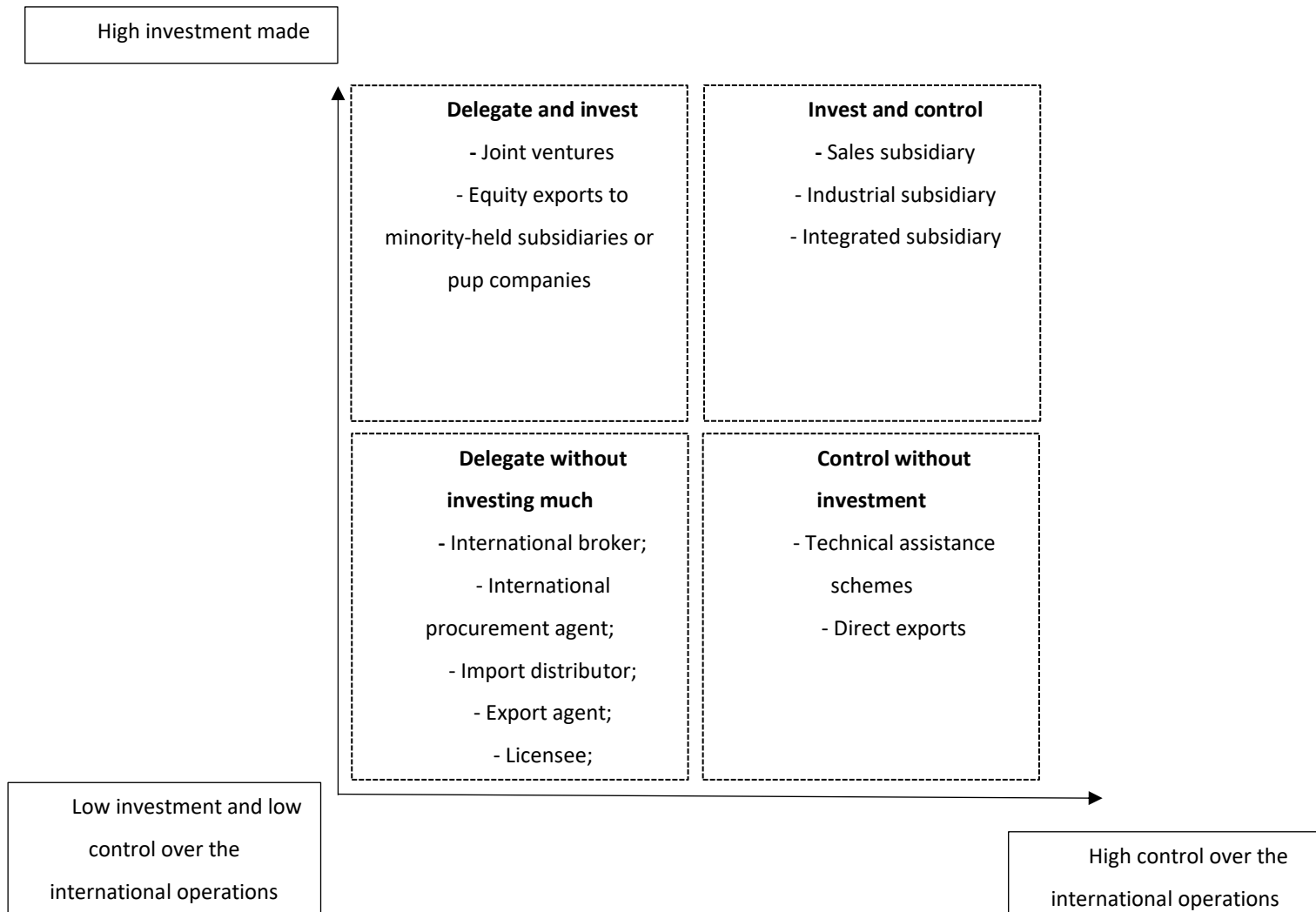
In the research of Kaltenecker and Okoye (2022), it is even possible to find an interesting virtuous cycle: "firms become internationalized, face a globally competitive environment, which requires innovative approaches, thus, increasing the competitive level of a firm, which suggests the reciprocal interactions between innovation and internationalization" (2022, p. 386).

2.1.4. Market entry methods

Bearing in mind the concept of internationalization and verifying the impact that it has on firms, there are different ways for companies to choose to expand their business outside the national borders: either being related to a change of their strategy, a boost to their business or a change in their core activities. The truth is that each company will decide what is the best method for going international according to their type of company, their service, or products, the local, the capacities, and many other factors that must be considered when deciding to give this huge step. It's always important to mention that the external and internal environment are crucial aspects when considering the best timing to go international, there is a clear need to do a deep study to gather all the essential information to go international (Cerqueira, 2018).

There are many entry methods and theories regarding it like De Leersnyder (1986) proposed different modes, under four quadrants that combines the control of the firm's foreign market activity and its international commitment, in other words, the mode of entrance is based on the level of participation in the external market (measurable by the investment made and resources spent), and the level of control under the international operations (if the company has all the control or has a third party involved to delegate the functions) (Dias, 2007).

Figure 2.1.4: International Expansion by De Leersnyder



Source: adapted from (Moore, 2017)

An interesting fact was stated by Root (1994, as cited in Dias, 2007), saying that as companies gain more knowledge and experience, they get involved in operations with higher risk and control. But now, let's clarify what are the principal ways of approaching internationalization.

- **Export:**

One of the principles and oldest ways used by companies is "a function of international trade whereby goods produced in one country are shipped to another country for future sale or trade" (Jayakumar et al., 2014). This method brings a lot of benefits once the risk, compare with others, is smaller, there are fewer financial resources required to involve, operational procedures may also be simpler, and it makes it easier to reach economies of scale. As Jayakumar (2014) highlights, this method

increases productivity growth, due to the technological knowledge that companies will acquire from the international market, and due to the financial benefits, resulting from the increase in production (unit price decrease), and also from the benefits that may arise with foreign exchange.

The downside of this method may be related to the lack of control regarding communication and distribution, but this will depend if it is indirect export (where there is a third party involved that controls the marketing strategy and the selling in that other market), or direct export (here there are no third parties involved and the mother company is responsible for the international marketing operations) (Dias, 2007).

To better explain, on one hand, we have indirect export, where the company does not need to involve many resources, therefore there is less risk involved, however, there is less control and international experience involved from the mother company as well. Basically, there are intermediary companies involved that will take care of the distribution and selling of the product or service in the international market.

On the other hand, direct export will require more investment from the company, but this will mean that they will have more control and develop more skills in the international environment. In this regard, there might be a specific department inside the company that is accountable for the exportation; there can be also developed an agreement with a distributor or external agent, or even a dealership (that has exclusive rights to the brand); a filiation is also a great hypothesis for exporting, as well as a distribution franchising.

According to data from EUROSTAT (*Eurostat*, n.d.) from 2021, the most used way for import and export in the European Union is by road (more than 70%), followed by rail and only a small percentage by sea, a vision that is very similar in Portugal. Clearly, the benefits by road, like the low cost, the possibility to schedule and track, and the time that it takes to be distributed, make this a very interesting option for companies, while by air requires more monetary effort and by sea takes a long time to be delivered.

- Licensing

With lower risks, lower investment, and by simplifying the entrance in more restrained markets, licensing is an agreement made by the mother company with another part, where there is the transmission of technological knowledge and industrial property rights, allowing other companies to produce the good or service of the mother company in another country, in exchange for a payment or *royalties*.

The advantages are clear, considering that the mother company just transfers the knowledge and then collects the earnings, however, there are also disadvantages particularly related to the lack of control and to the spread of the know-how to another party that might become a competitor.

- **Franchising**

Regarding franchising, it's easy to find similarities with licensing, but one can argue that there is a stronger commercial component and a clearer concept of business in these terms (Simões, 1997, as cited in Dias, 2007). By having more interconnection than licensing, this is a quick way of expanding internationally with low costs involved and can be done by allowing production franchising, distribution franchising, or service franchising.

- **Direct investments**

By considering some of the methods approached, it's possible to propose different types of direct investments. The analysis from Simões, (1997, as cited in Dias, 2007), distributes the direct investments in three levels:

1.Greenfield investment or acquisition – either it is an investment from the bottom where there are all the efforts needed to build something from scratch, either the company decides to invest in another company already existing, by owning it all or just some part of it.

Here there are benefits when it comes to the easiness to enter a market but sometimes it can become tricky as there might not have the effect expected, and cultural disparities might become an issue.

2.Joint venture - where the company invests with a partner - and sole venture - where there is no partner involved, and everything is earned by only one entity. The joint venture turns out to have benefits seeing that the risk is low, and the partnership can bring many benefits. At the same time, this partnership can be difficult to manage, and conflicts may arise.

The sole venture, even though it requires more time and capital involved, brings a whole new spectrum of opportunities and skills

3.Develop activities – to capture knowledge and technological progress; related to commercial filial in order to promote and sell the products and services of the company; and productive filial to foster productive activities.

Overall, there are several positive returns coming from direct investment as the risks are smaller and companies can benefit from the characteristics and resources of the new market but clearly there is economic and political exposure that can worry the company investing.

- **Distributor**

When introducing a product in a foreign market, the company must choose how the distribution happen, the “choice is between primarily captive agents (company salesforce and company distribution division) or primary independent intermediaries (outside sales agents and distributors)” (Anderson & Coughlan, 1987, p. 71). As one can deduce, the primary option allows more control for the mother company, but it also brings more “responsibility, commitment, and attendant risks”

(Ahmed, 1977 as cited in Anderson & Coughlan, 1987, p. 71). Evidently, it is also easier, in terms of costs and knowledge, to find a trustworthy distributor in the new place that will be responsible to distribute the product among customers.

When the relationship with the distributor is good and present great results, the two companies can even make exclusivity contracts, where the distribution company might not be able to sell products from the competitors of the company they are servicing, in return, they establish certain clauses beneficial for both parties. The bigger the company is, the more control they have over the distributor, the better its relationship and commercial exchange, and they can even “judge the various proposals potential distributors made by evaluating their technological knowledge, existing portfolio, market knowledge and ability to communicate with potential customers” (Schweizer, 2012, p. 748).

Indeed, this warm relationship with the distributor can become valuable for the company's expansion as the distributor may facilitate the entrance into the market and can even give advice in terms of customer preferences and marketing strategies (Schweizer, 2012).

- Subsidiary

The decision to open a subsidiary in another country can come as an initial stage or can emerge as a support and expansion method in a market where the company is already present (Ciravegna et al., 2019). Although the options mentioned above, particularly exportation, can work efficiently, there might rise some limitations in terms of future growth prospects which may lead companies to decide to open subsidiaries in certain locations.

When deciding to do this procedure, it can help if the company hires people from those places, this way, just like with distributors, they might gain quicker insides into the market preferences and so become more successful.

Looking at the bigger picture, it is important to realize that some of these methods are done with the production of the good or the service in the country of origin, while in other methods, the company chooses to produce outside their country.

Despite the entry method that the companies decide to go with, there are always basic steps to consider that will reduce the risks when deciding to go international. As it's further explored in this thesis, internationalization comes with many risks thus requiring companies to be more careful with certain details like the culture of the company or the economic and political situation of different countries and cities.

2.1.5. Risk and barriers to internationalization

Numerous studies support the internationalization of companies and the benefits that it brings, nevertheless it is always important to be aware of the high risks and uncertainties that a lot of firms face while in this long and intense trajectory towards international expansion.

Some of the barriers and challenges that most companies expect to face during this phase are related to the lack of experience, networks, reputation, or even resources in this new market (Child et al., 2017).

The increase of competition and the consequent reduction of the prices practiced (Hill, 2009), are a threat that companies were already facing once globalization gained a stronger force in the business environment, nevertheless, difficulties related to lack of technical knowledge, lack of connections in the international market, including with distribution channels and financial problems, became more notorious in the global environment.

One very important topic that should be one of the main concerns of a company when going international is related to the distance and differences between nations, it not only interferes with the way routines and knowledge are being transferred between the different parts of the globe (Miller et al., 2016), but it also affects the reaction of the customers when receiving a product or service developed in another country.

The cultural differences can be a tricky and decisive point for the success of a company in the external market. An initial investment in a deep and cautious study of the market can make all the difference, as companies will be able to consider the similarities between the markets and especially the specifications existing in each country, and the differences in tastes and habits of the local population.

As explored in the second chapter of the book of Hill (2009), the national differences between companies in terms of politics, economy, and legal systems, also have a huge impact on the costs involved in the business and influence the benefits that a company might have. Clearly, there needs to be balance between these factors so the country will be more or less attractive for companies from abroad to invest. "The risks of doing business in a country tend to be greater in countries that are politically unstable, are subject to economic mismanagement, and lack a legal system to provide adequate safeguards in the case of contract or property rights violations" (Hill, 2009, p. 120).

Saying this, the cultural factor plays a major role in the success or failure of the expansion of a company to a certain location. Hill (2009) also explored this theme and underlines the importance of understanding the cultural traditions and differences between nations and the costs that may arise with it.

Even though globalization has allowed proximity between cultures, there are always values and social norms imposed in each country that influences the behavior and habits of the societies, and if a

business want to be successful in another country it is imperative that different strategies will be developed after a meticulous diagnose of that country's culture (Adamczyk, 2017).

"A vast majority of enterprises operates in the international environment, where the cultural factor is of tremendous importance, exerting a major influence on the success of transactions and maintenance of good relations between counterparties or employees of different cultural backgrounds employed in one enterprise" (Adamczyk, 2017, p. 152).

This decisive factor has a huge impact on the success and costs of a company, therefore the importance of the market study and the careful analysis of all the players in the economic field of that region. Besides this, the social situation and current events must always be considered since there can be any particular situation that may prejudice this expansion move.

Many studies have been developed regarding cultural dimensions and cultural differences between countries, focusing on aspects like lifestyle, negotiation styles, preferences styles, and tastes. From this, certain similarities and disparities between regions or countries became very clear to describe, in a general way, thus putting into groups certain places according to their characteristics.

This information becomes, then, essential for a company since, if they are aware of the proximity between regions, they can opt to expand to those places as it will be easy to find agreement and common ground in certain aspects (at least in a first analysis).

Bearing this in mind, it is possible to predict that huge costs are applied to develop a good line of communication and flow of information and knowledge in a multinational firm (Miller et al., 2016). The smooth flow of communication is needed not only in terms of understanding and following the same line of thoughts and principles as the mother company, but it's also crucial to transmit the technical concerns that are essential for the development of the products or services, "management must be aware of the negative effects of expanding into culturally very distant locations" (Richter, 2014, p. 189).

In the same line, the relationship with business partners can become a risk since, besides the communication factor that can clearly interfere, if the objectives and strategies are not aligned, the cultural differences can also influence the good flow of the work as well as of the knowledge by the business partner regarding both markets.

Similarly, as explored in Nicole Richter studied, the economies of scale also play an important role in what concerns the costs of information, "economies of scale decrease the average internal information costs in international business" (2014, p. 187) but on the other hand, this situation is not linear when considering expansion into cultures that are very distant from the origin of the company. Once the international strategy is dispersed, barriers rise and so the need to increase costs is essential for the good communication flow inside the company.

Apart from these costs regarding communication, expenses regarding laws and regulations might also have a huge impact on the budget of companies. Bureaucracy can take a lot of time and money and may require firms to be involved in extensive and tedious processes. Control and rising taxes, lack of understanding and flexibility, excessive procedures, or even civil disagreements between countries, can impact seriously the internationalization of a company. On the same line, concerns regarding currency exchange can also have a big impact on capital particularly when firms go out of the Eurozone (Miller et al., 2016).

All in all, the slice of financial struggle can easily get bigger, either coming from communication or transportation costs or even from taxes or other bureaucracies, being these problems even more notorious if the company has a small part of the business in the international environment (Miller et al., 2016).

“Multinational firms are not always profitable, nor will one particular firm always incrementally improve its financial performance by expanding into one more country market” (Contractor, 2012, p. 318), that is a reality, but in order to grow, there are risks being taken and opportunities to chase, no other way will allow companies to acknowledge what their potential in the global market is.

Saying this, going international is usually seen as a bold but great strategy for companies to grow as they find many advantages and, especially, a more diversified list of clients, but there are all these risks (and more) to have into consideration. It is up to the firms to manage the risks that this new stage brings with, and make the advantages stronger than the disadvantages, so the company can accomplish its goals in the international market (Varejão, 2013).

2.1.6. Government and institutional support for internationalization

As markets globalized, it was vital to turn more attention to the rules and policies involved during this new transition. Saying so, “institutions are needed to help manage, regulate, and police the global marketplace and to promote the establishment of multinational treaties to govern the global business system” (Hill, 2009, p. 43).

Some global and local institutions were developed for this purpose, not only to assist governments and businesses to keep all their legal and economic part organized, but also to encourage their region to compete in this international environment, being able to keep up with the evolution all over the world.

Aware of this, incentives, funds, and other kinds of helps were developed. The positive effect of the firm’s internationalization also impacts the local economy and market as “developing these activities has positive effects on countries such as increased employment, steady economic growth,

higher productivity of the company and company survival in local and external market” (Prada-Villamizar & Sánchez-Peinado, 2021, p. 507).

The members of the European Union, as is the case of Portugal, benefit from funds that are related to investment and development. For example, there are 5 general funds for supporting economic development: the European regional development fund; the European social fund; the Cohesion fund; the European agricultural fund for rural development; European maritime and fisheries fund.

Figure 2.1.6: The 5 European Structural and Investment Funds

ERDF	European regional development fund
• Promotes balanced development in the different regions of the EU.	
ESF	European social fund
• Supports employment-related projects throughout Europe and invests in Europe's human capital.	
CF	Cohesion fund
• Funds transport and environment projects in countries where the gross national income (GNI) per inhabitant is less than 90% of the EU average.	
EAFRD	European agricultural fund for rural development
• Focuses on resolving the particular challenges facing EU's rural areas.	
EMFF	European maritime and fisheries fund
• Helps fishermen to adopt sustainable fishing practices and coastal communities to diversify their economies, improving quality of life along European coasts.	

Source: adapted from https://commission.europa.eu/funding-tenders/find-funding/funding-management-mode/2014-2020-european-structural-and-investment-funds_en

Each country will then use these funds accordingly to the structure of their economy and the reality of their firms, to the extent to make it favorable to expand and grow their international competitiveness (Alexandre, 2021). To better understand, the Partnership Agreement between Portugal and the European Commission, called Portugal 2020, where Portugal received around 25 billion euros, between the period of 2014 and 2020, defines principles to develop the country in terms of economy, society, and territory, always considering the Smart, Sustainable, and Inclusive goals of the European Commission (Alberto et al., 2018).

Currently, the new Partnership Agreement is establishing big strategic goals to apply between 2021 and 2027, with a total amount of 23 billion euros. These goals are aligned with other targets of the European Union that envision a Europe smarter, greener, more connected, more social, and closer to the citizens. In a general way, this money will be directed to the development of the economy, the society, and the territory by four pillars: 1) people first; 2) digitalization, innovation, and qualification

as motors of the development; 3) climatic transition and sustainability of resources; 4) a country that is competitive externally and cohesive internally (Diário Da República, 1.a Série PRESIDÊNCIA DO CONSELHO DE MINISTROS, 2020).

A very interesting point for this thesis is related to the amount allocated for the European Regional Development Fund (ERDF), 12,3 billion euros of the Partnership Agreement were invested in this part which turns out to be fundamental for the Portuguese firms as, accordingly to the Portugal2020, they look for (i) investigation and technological development; (ii) business innovation and entrepreneurship; and (iii) qualification and internationalization of the SME (Alexandre, 2021).

This fund is distributed all over the country according to the needs of the regions. Additionally, the attention is also turned towards the Portuguese firms' structure and, seeing the huge amount of micro and small companies, around 57% of the budget was destined to these companies, and around 26% to medium enterprises, according to the agreement Portugal2020 (Alexandre, 2021).

Moreover, this distribution also considers the sector of activity seeing that 73% of the funds of the ERDF for Portugal 2020 were directed to the manufacturing industry, 8% to the services industry, and 9% to tourism (Alexandre, 2021).

Overall, the importance of these funds is high once they are looking to raise productivity and competitiveness of the Portuguese companies in the international market, and so there is a need to intervene in the areas that lack investment and technology and make them stronger so they can have a place in the competitive environment that is the global market.

Chapter 3 - Theoretical approach

Considering some of the studies and research made in the field of international expansion of companies, there were some topics that immediately caught my attention and made me want to deepen research in this area.

Saying so, and bearing in mind the lack of studies of Madeira island's companies, I decided to help fulfill this gap and have as central research question of this thesis: how did the international expansion happened in companies originally from Madeira?

This first question should allow an understanding of the overall process that Madeira's company usually face when looking for this growth outside their country. There are a lot of topics involved in this matter, but the main purpose is to realize if the island factor can be a hindrance to this expansion, and whether the owners feel or not more constraints because they are coming from a place surrounded by the sea.

Clearly, and after examining literature regarding the topic of internationalization, there are a whole lot of other points that must be considered when talking about international expansion, and it is essential to focus and deepen the knowledge in some of them as they can be decisive points on the success or failure of a company in the international market.

For this reason, secondary questions arose from the main topic. One of the questions emerged from a study that reinforced the fact that if companies have a small part of their business in the international market, struggles are felt strongly (Miller et al., 2016), the question is: what are the major difficulties that a company originally from the island may find when going international?

As explored in the literature review above, several authors scrutinized the difficulties and barriers that companies find once they look for international expansion (Adamczyk, 2017; Child et al., 2017; Contractor, 2012; Hill, 2009; Miller et al., 2016; Richter, 2014). Adding to the global vision, the intention here is also to deepen the small island factor and understand how that may or may not be a major factor when going international.

Considering this, one might find worries by taking this important step towards expansion, but it is significant to take into consideration the examples that were studied during this research and see them as cases of success, where entrepreneurs and business owners can find inspiration and strength to boost their will to also internationalize their businesses.

At this point, the concept "entrepreneur" has been developed as an important characteristic of the business owners as they would benefit if they had that dynamic characteristic in their veins, bearing in mind that "entrepreneur can be defined as one who undertakes innovations, finance, and business acumen in an effort to transform innovations into economic goods" (Yu & Si, 2012, p. 524).

Another question that came up while exploring the studies made in this field, is related to innovation (Child et al., 2017; García & Landeros, 2020; Hill, 2009; Lecerf & Omrani, 2020). As explored above, there is an evident relationship between internationalization and innovation so, it would be interesting to understand how this relationship evolved in companies from Madeira Island, did the companies make new innovations or started using more innovative methods once they went international?

With this question, it is possible to clarify some of the benefits that companies might find in terms of innovation and internationalization. These will be benefits that companies gain once getting in touch with the competition that is already in the international environment. Then, they can and should apply these new methods, if they are aligned with the company's interests, so they will not only be in the same line as the international competition, but they might also use this to lift their local position.

In reality, "advances in technology have facilitated, but also demanded an internationalization of firms around the globe" (Kumar et al., 2013, p. 203), so it is important to understand the correlation between these technological innovations and internationalization. These concepts are working together, and it is interesting to perceive how this bond impacted the expansion of the companies from Madeira Island.

Considering this technological factor, and after perceiving other major elements associated with the international expansion, one cannot deny the increase of expenses added when processing this huge step. That is the reason why another question came up. Even though a question related to the income statement of the companies is very tempting in this phase, this study will not go directly that way since the purpose of this thesis is a qualitative study, so, even though it is underlying the impact on the internationalization in the company's economy by asking them about the benefits of the expansion, the numbers regarding income and expenses will not be mentioned.

But one important question that can be scrutinized in this realm is related to the support that the local government or the European Union is providing to the companies. This makes a fourth question emerge that is: what is the role of the government and the European Union when it comes to giving support to companies to succeed in the global market?

This information will be important to comprehend if companies feel or not supported by the government to take this risky step, since this can end up being a significant factor when deciding to internationalize or not. This will also allow a better understanding of the role of the European Union when it comes to its development as a union and the growth of its economy in general.

All things considered; these four questions will lead to a deepened knowledge of the evolution of enterprises originally from Madeira in the international environment. Even though there will only be considered some companies, it will be possible to achieve general inferences regarding the processes

involved, the strategies adopted, its benefits and difficulties, the different aids that companies have access to, and the improvements made during this trajectory.

Chapter 4 - Methodology

The internationalization process of companies is a very controversial thus interesting theme that has been explored by many researchers and business owners in the past decades. Sometimes these studies focus on specific companies or industries, other times the analysis is centered on a region, a country, or a particular city.

Nevertheless, it is not easy to find specific studies regarding the Autonomous Region of Madeira, and this lack of studies fostered the development of this thesis. Being a vast and abstract analysis, the choice of putting in place qualitative research, by compiling data from certain companies, allowed to create a global idea about what the internationalization of companies originally from Madeira Island has been in the past years.

In favor of the major goal of this thesis, it was selected a sample in a non-random way in which the companies were strategically nominated. The reasons behind this are not only related to the fact that there is a strategic vision and purpose for this choice but also because these companies made it possible to do this study since they were accessible, helpful, and show interest in developing this topic, they also allowed the analysis of their data and strategies, even though all this happened in a confidential way so company names and concrete numbers about a certain company will not be shared in this research.

Being a clear and easy sampling strategy, this non-random method is usually used in qualitative studies, as is the case of this one, considering that there are no statistical inferences (Showkat & Parveen, 2017). Clearly, the lack of representative can become a limitation in going this way, but one should notice that, once again, the accessibility of these companies to provide information and its dimension on the international market had enormous power in deciding to proceed with the research this way.

All in all, the selection of the companies to base this study on did not only arise from their role as international players but also from convenience. The 6 firms chosen, are successful cases that have been in the international market for many years and because of that, they have enough information to make possible the analysis of the effect of international expansion on their business.

The fact that the companies are from different sectors and that they are both selling products or providing services, allowed a great diversity of information collected and analyzed. For this reason, the adoption of a holistic vision allowed to associate these two situations and understand what differences and similarities could influence the process of expanding to a bigger market.

Unfortunately, this method is not infallible so there are some limitations that clearly may influence the results and accuracy of the information collected but, even with a small sample the knowledge and

public information of other companies permitted to interconnect the information and make it the most complete and accurate as possible.

Moving forward, once the companies were chosen and the contact with them started, quickly it was possible to understand that the best way to get the information needed was through interviews as this is the best way to spot the most valuable information for the study and deepen the topics directly related to it (Margaret et al, 2009). Also mentioned in the article of Margaret et al (2009), interviews are a good way to gather information from past and present behaviors, which is perfect in this situation that involves the progress of a certain action taken by these companies.

In this regard, semi-structured interviews were developed. This choice allowed to have some standardized and essential questions for all the companies that should be covered, but it also makes it possible to emphasize certain topics and change the flow of the conversation according to the information that is being collected.

Most of the questions are open and descriptive questions (as it is possible to see in Annex A), they resulted in narratives, which required more time spent on the interview, but allowed the development of a closer bond with the interviewees, making them feel comfortable and open to share the story of the evolution of the company.

Concerning the origin of the questions, they are a combination of questions from other questionnaires applied in similar research, adding a personal vision that is aligned with the goal that is to develop a fluid conversation that will lead to an understanding of the history of the companies and the difficulties and fortunes that companies found on their way to become international.

Having this in mind, analyzing research like the one developed by Vasconcellos (2013) where in this study the investigation is very similar to the one being developed but applied to a specific company, was very interesting to analyze the script made, and consider it to develop the questionnaire. Other studies like this one were developed for many other specific companies and seeing that they also did interviews and developed questionnaires and with the questions made they were able to arrive at their goals, I decided to compile the questions and see which ones would fit better the companies being analyzed (other studies like: Cerqueira, 2018 or Macedo & Lehmann, 2010). What matters here is that the compliance of the questions developed in different studies, allowed to develop a questionnaire that collected all the information needed to understand the internationalization process of the companies being interviewed.

By contacting the firms through their e-mail or phone numbers found online, it was possible to book interviews with the person in the company more involved in the internationalization process. All the interviews occurred during the second half of the year 2022, this way the data is really up to date. Via skype or phone calls, the interviews were held in an informal environment and always according

to the preferences of the employee who was responsible for transmitting the information about the company in question.

In accordance with what was supra mentioned, besides the interviews, it was made an analysis of the global economy of the region so this analysis could be more complete and more understandable. Having this extra method, was important to the interpretation of results as it is possible to draw a line of evolution linking the developments of the country and, more specifically, the island, with the progressions of the companies, therefore refining the quality of the research made.

Chapter 5 – Data Analysis and Discussion

5.1. Portugal – Macroeconomic context

In the southern corner of Europe, in the Iberian Peninsula, there is Portugal, a small country with a total area of 92,212 km² and 10.33 million inhabitants, approximately, spread across the mainland and the two archipelagos, Azores and Madeira. Despite its small size, this is one of the favorite places for tourists from all over the world to visit and it is also becoming a country where companies are willing to expand their business to or explore new opportunities in.

The safety, beauty, and good climate of the country have always attracted many people, and during 2022 the importance of tourism for the Portuguese economy maintained a strong positioning since it helped to reduce the deficit in the goods and services account, even though it still remains negative. The truth is that 8% of the national GDP comes from tourism, a similar level to after the pandemic, and this time with an increase in prices both in accommodation and coffee and restaurants.

Considering this, the GDP has been growing in a way that it's possible to mention a recovery after the slowdown caused by the pandemic. Also, private consumption faced an increment once the restriction of the pandemic became less, however, with the current increase in inflation, this can be affected. More concrete numbers regarding this data can be found in Annex C, where it is possible to clarify the evolution of these amounts throughout the years, it is just missing the exact numbers conserving the year 2022 since it is still very recent, but, thanks to the information provided by the National Statistic's Institute, it is possible to mention some evolution that happened during the year.

Regarding the private and public investment, in 2021 there was a huge increase of 8,7%, a tendency that was not followed in 2022, since there was only a 0,8% increase in investment, possibly related to the increase of costs in production, the decrease of financial support, the lack of materials and the rise of uncertainty.

According to data from the Portuguese Bank (Banco de Portugal, n.d.), the North of Portugal and Madeira Island were the two regions where there was a major recovery after the pandemic, as their growth was 11% superior to the pre-pandemic levels.

As it is important to understand the current economic situation of Portugal and Madeira Island, it is equally important to be aware that the world economic situation has been uncertain with all the unexpected events throughout the years (specifically the COVID-19 pandemic and the Russian war), so there is a possibility that this data can quickly become outdated. Nevertheless, this study focuses more on an evolution path so it will be given more importance to information from previous years.

Having this in mind and considering that this is an analysis made in the second semester of the year 2022, it's possible to see how, after a wonderful recovery of the economy in 2021, 2022 started

with great results as well, but as the year was coming to an end, one can identify a slow economic growth and a rise in inflation day by day.

This scenario, which is accurate in many countries in Europe, is mainly happening because of the invasion of Ukraine, the impact of the high inflation on the purchasing power of families, and the changes in the monetary policy orientation of the central banks. The pressure that the families have been feeling because of the quick raise of the price of many products and services is real and, as the European Central Bank projects, this inflation will maintain its increasing tendency during 2023.

Apart from the escalation of prices in energy and food, the EURIBOR tax has also been aligned with this increase, thus requiring even more economic efforts from the population. The interest rates, particularly the ones related to the home loan, predict a huge impact on household disposable income.

In the same line, the interest rates on loans to non-financial companies have registered low historical values in the past years, however, in May 2022, this tendency changed and the interest rates on loans have been continuously increasing. As the Portuguese Bank (*Banco de Portugal*, n.d.) shows in its reports, almost 83% of the interest rates of the companies are in a variable rate, and with the recent increases in Euribor, this means more pressure on the companies when the tax rates are updated, companies have been facing an increase in the amounts they need to pay.

These developments that predict a darker season, can be attenuated with support from the government. There are already some actions being taken and there will be more in the beginning of 2023.

Now looking at the labor market, at the beginning of 2022 a positive acceleration helped to increase the activity and the overall economy, however, during the second part of the year, this acceleration has not been so clear, although still stable. Nevertheless, the 5,8% unemployment rate presented in the first part of 2022, represents one of the lowest rates in many years.

In this realm, it's important to underline that there was an increase in salaries (for example the minimum salary increased 6% at the beginning of the year, being 705€), but the increase in the overall costs and the non-anticipated increase in inflation (the highest values since the 90s) has not made that increase in the salary sufficient to take the pressure out of the Portuguese population.

The last information provided by the National Statistic's Institute (Instituto Nacional de Estatística, n.d.), in December 2022, pictures a brighter image for 2023 as at the end of the year there was an increase in the GDP compared with the second trimester of the year, however, the private consumption does not express major increases nor does the investment or the exportations levels, and the inflation rate kept the same tendency as during the year and increased reaching extremely high levels (7,2% in November 2022).

5.2. Madeira Island

5.2.1. Economic analysis

Seeing that we already have the image of the country, now it is important to go one level deeper and focus on data related to Madeira Island. Located nearly a thousand kilometers from the Portuguese capital, Lisbon, near the coast of Africa, it is possible to find a group of 4 Portuguese islands, the Madeira Archipelago. With a population of, approximately, 251 thousand habitants, the group of islands is constituted by two inhabited islands, Madeira with 246 thousand people in 740,7 km², and Porto Santo with around 5 thousand people in an area of 42,5 km², and two inhabitant islands: Selvagens and Desertas Islands.

In accordance with the Regional Directorate of Statistics of Madeira (Direção Regional de Estatística Da Madeira, n.d.), there was a growth regarding the regional economic activity throughout the years (clearly 2020 was an exception, where there was a decrease due to the worldwide pandemic situation, that is not deepen explored in this thesis). This improvement in economic activity can be proved by observing data related to the shrinkage of the levels of unemployment, being 7,3% in the 2nd trimester of 2022 (even though this value is superior to the national unemployment rate that is 5,9% in the period considered, it has 2 percentage points less than the homologous regional rate), or by considering the increase in the number of companies, for example between 2015 and 2020 the number of enterprises in the island increased from 24 618 to 28 905, and the number of people working in these companies increased from 64 832 to 79 507.

Another optimistic indicator for the region is that the trade balance between RAM and abroad recorded a surplus of 23.5 million euros (as mentioned in the 1st 2022 trimester report from the Regional Directorate of Statistics of Madeira (Direção Regional de Estatística Da Madeira, n.d.)), considering that the level of goods and services exported have been increasing to countries from European Union as well as for the rest of the globe. This *superavit* has been happening since 2017 and works as a great factor to motivate entrepreneurs to set up their companies on the island and also to persuade the population to stay on the island. It is particularly important to attract younger generations to the island so the tendencies of an older population can be converted.

As a favorite destination for many tourists, the sector of tourism encompasses a large part of the regional revenue, and fortunately, the trends in this sector are reaching very high levels again, having a picture closer to the pre-pandemic period, with a significant growth of 158,3% in June 2022 compared to the same period in 2021.

A less positive factor in the regional economic spectrum, but one that follows the national trend, is the impact of the rise in the inflation rate, which is reaching record levels from the last 20 years.

Although the average monthly gross remuneration per worker has also seen an increase, this is not as considerable as the increase in inflation, which can generate some loss of purchasing power, seeing that the consumer price index shows an increase of 8,8% comparing June 2021 with June 2022.

The insularity and dimension of the region have always forced a great regional dependence not only on the mainland but also on other countries. This aspect strengthens the internationalization of Madeira's economy "... insofar as it depends heavily on international exchanges to carry out its exports and, in an equally relevant way, on obtaining a significant part of its consumption abroad" (ACIF, 2018, p. 4), however, from 2017 to the 1st half of 2022, there was (according to data from the Regional Directorate of Statistics of Madeira) a positive balance in the trade balance, recording a surplus of 55.9 million euros. Nonetheless, in this analysis from the Regional Directorate, there are included all the transactions made, including the ones with the national territory that constitute an important slice of the inflow and outflow of goods in the Region. However, for this thesis, observing the data of the same institution for the year 2020, I managed to narrow this analysis and focus only on the trade that RAM carries out with the European Union and third countries.

Saying this, once again according to data from the Regional Directorate of Statistics of Madeira (Direção Regional de Estatística Da Madeira, n.d.), until September 2022, more than half of the exportations of goods made in the island went to countries outside the European Union, 173 123 thousand of euros out of 266 094 thousand of euros in the total of exports.

5.2.2. Structure of enterprises in Madeira

Regarding the international business on the island, there was a surplus in the commercial balance of 55,9 million euros in the first semester of 2022, a superior value when compared to 2021, and a great factor here is that the number of exports made from companies that the headquarters are in the island almost duplicate its value.

Analyzing the commercial balance and the results exposed by the DREM, allow us to infer that the exportation is bigger to countries outside the European Union, while the importation is significantly bigger from countries inside the European Union. Additionally, the balance of commercial transactions of goods with Intra-EU countries is positive at 2,9 million euros, while with the Extra-EU countries is positive at 15,2 million euros.

The data from DREM highlights some of the major industries on the island, and this analysis is very important at this stage as some of those industries are included in the research made for this thesis. This data, together with the data provided by companies, grants a brighter and clearer image of the overall situation.

So, considering the Madeira Wine commercialization, there is an increase of more than 16% of the quantity produced comparing 2021 with 2022. As the quantity produced increased, the amount sold also followed the same lead: for the island market we can talk about 1,0 million euros in revenue, for the national market 0,3 million, for the European Union countries 1,6 million euros, and for the rest of the world 2,1 million euros. Having these values in mind makes it even more interesting to study this connection between the island and the market outside the Eurozone since there is clearly interest from those countries in products from Madeira.

For this reason, it is interesting to understand which countries have more impact on the island in terms of goods sold: as a primary market for Madeiran wine there are France, Belgium, and Sweden (despite the decrease in the previous years), and Germany has also been increasing considerably its interest in the Madeiran Wine.

Looking outside European Union, the US, Japan, Canada, Switzerland, and China are growing a strong position as countries to export this product to, and there is also the United Kingdom that has always placed a strong position, despite the decrease in past years.

Apart from the Madeira Wine commercialization, the overall goods exported are mainly going to 3 countries: Angola, Italy, and France, with a percentage of 71,3% of the total goods exported (in 2020, data from the International Commerce Statistics report of 2020 developed by the DREM). Besides these huge commercial connections, there are other smaller but still very important ones like Switzerland, Spain, Mozambique, the United Kingdom, the USA, and Germany.

Regarding the goods imported, most of the goods were coming from the United Kingdom (24% in 2020 according to DREM), followed by Spain, Hong Kong, France, and Germany.

Now looking at a very important sector in the economy of the island, the tourism of Madeira Island has been increasing significantly over the years, and even with the pandemic, this activity was able to reach, in 2022, values superior to the pre-pandemic. This sector brings a lot of revenue to the island as it also impacts other parts of the local economy, let's take for example employment, in 2019 DREM mentioned that 17% of the total population employed on the island are in fields connected to tourism.

If we look at the amount earned in tourist accommodation, we are talking about 146,5 million euros in the second trimester of 2022, more than 319% compared with the same period in 2021, and more than 32,5% compared with 2019. It's definitely a fundamental sector for the economy of the island that, despite some seasonal fluctuations, is a constant throughout the year.

As previously mentioned, the sector of tourism influences many other sectors, for example, transportation. Still having as basis the data from DREM, the number of people using collective transportation means, in this case, the bus, increased around 34% in the second trimester of 2022 compared with the same period in 2021, which means around 12,0 million passengers.

In this regard, another means of transportation that is very famous and attractive for tourist visiting the island, the cable cars have also increased expressively the sale of tickets: between January and June of 2022, there were sold around 459 thousand tickets, meaning more than 500% compared with the homologous period.

Additionally, the acquisition of cars (new and used) has also increased by more than 25% when comparing the 1st semester of 2021 with the 1st semester of 2022. One reason was that the rent-a-car companies had to increase their fleet as there were many tourists required to rent cars while on holiday on the island.

This *crescendum* level of tourism obviously influenced the air and sea traffic on the island, which is why, in the first semester of 2022 both airports of Madeira and Porto Santo receive, in total, around 1,8 million passengers, an increase of almost 300% compared with the same period in 2021, but also an increase of almost 9% compared with the pre-pandemic levels.

In the same line, the number of cruise ships arriving on the island in the 1st semester of 2022 was around 175, more than in 2019, however, seeing the restrictions of the number of passengers in cruise ships, it meant around 160 thousand passengers, a bit more than 50% of the passengers in the same period in 2019. The top 3 nationalities of the passengers arriving on the island were Germans, British, and North Americans.

Seeing all these numbers, it's easy to predict the huge impact that tourism has in all the other sectors like restauration, entertainment, local attractions, tours, etc. The impact is definitely huge, and a great part of the population depends on jobs related to tourism, that is why it is important to keep motivating people to visit the island and keep improving the conditions and attractions so more and more tourists will choose Madeira as their holiday destination.

5.3. Brief context of the approach

During the second half of 2022, there were made interviews with 6 companies from different sectors. As already mentioned in the methodology, these companies are great examples of successful cases of international companies originally from Madeira Island in different fields and with different characteristics, as will be further explored.

The fact that these interviews were semi-structured, allowed openness and deeper examination of certain topics that would enrich the goal intended for this thesis and that also made it possible to reach a better understanding of the history of the companies and the path that they took to get to the level of internationalization that they are nowadays.

For the following chapters, it will be possible to get to know the companies interviewed (even though their identity is maintained confidential) and, through them, understand the overall situation of the companies that are originally from the island and that are or will go through the process of internationalization.

5.3.1. Internationalization of companies in Madeira Island

As each company goes international for different reasons, the way they choose to do it's also diverse, the process, the results, and the obstacles that each company face is also different and take dissimilar steps and timings. Aware of this, this chapter intends to display the most common ways used for the companies in study to go international, the reason(s) behind this expansion as well as explore other dimensions concerning this process like the benefits and the support from the government.

Once again, bearing in mind that the company's identities are confidential, there will only be mentioned the type of industry and whether they are a company that sells goods or provide services. As there is the need to maintain their confidentiality, we should not let this factor influence the analysis and credibility of the data, there will be an extra effort to make this study the most understandable and clear as possible of the internationalization of companies originally from Madeira Island. The collaboration of the companies was very important, and the data shared on the government's website and institutions will help complement any blank space that might exist.

A) Characteristics of the companies analyzed

The companies in study started their activity between the middle and the end of the 20th century, but it was only in the nineties that their international activities commenced. There are no startup companies involved in this study, and all of them have at least 50 years' experience, this is a crucial point for this study as there can be draw a line of evolution throughout the years, and there is also the possibility to compare the great evolutions and changes that occurred during the last century with the growth and development of these companies, as well as their envision to position their business in a globalized world like the one we are currently living in.

Besides this, in terms of people working in these companies, we are considering some bigger companies and other ones smaller, to put in numbers the smaller company has around 100 people employed, while the biggest one has more than 3000 employees.

Some companies were already in business for almost 100 years, some less, but the truth is that the period where these companies were seeking for expansion is more or less the same. It was in the first years of 2000 that the need or the opportunity to expand internationally started.

To deeper understand their area of business, when mentioning companies that produce goods, all the companies mentioned in this study, besides producing their own products they also sell it directly

in their stores and, of course, sell it to other business partners, they are also in charge of the distribution of their products along the whole island.

Now, regarding the companies that are service providers and construction companies, it is important to know that some of these companies have business in different areas and sectors, they've expanded their initial business to areas that complement, develop, or are needed for the main business. By seeking growth, optimizing costs, or taking advantage of market opportunities, the owners saw potential in spreading what was the initial idea and taking this entrepreneurial vision to a higher level that would increase the brand, the company, and the potential of the island as a place where great products and excellent services are provided.

Additionally, it's easy to imagine the connection between all these business areas with tourism. There is a clear assumption that can be taken from this statement as, with the huge increase in tourism on the island, the companies had to turn their attention to this big market target and include in their strategy this potential that influences the economy of the island so much.

Either by sponsoring events, developing partnerships, or increasing their business in the direction of touristic attraction, there is a strong vision from all these companies to embrace the great momentum of tourism on the island and include this market as an important segment for the growth of their business.

To show a remarkable example of this situation, there is one company that started as a small construction company and, with time, not only grew internationally but also expanded its business in such a way that a huge slice of their portfolio now stands in the hotel and tourism industry. In other words, this company gathered its experience in construction and decided to go further and not only build the hotels but manage them. They developed expertise and searched for new knowledge so their business could take a huge step forward and make them stand out not only on the island but in the rest of the world, they took this vision to different parts of the globe and built hotels and houses in different locations.

As one can summarize, the core business of the companies interviewed is diversified which can be very interesting since the analysis comes from very different approaches and strategies, but at the same time, it is challenging to find common points that lead these companies to internationalization. There are clear differences connected to their own type of industry, but they have in common: the limitations of the island, the economy, and the market on the island; they face the extra difficulties of exportation as they only have the possibility to do it by boat or airplane; they have limited resources and limitations when it comes to finding suppliers.

All these matters will be further explored so it will be possible to have a better understanding of what are the common difficulties of these companies but also what might be different in certain industries.

B) The international expansion – why?

Despite the fact that most of these companies decided to expand their business internationally more or less in the same period, the reasons and ways they approach this expansion were different. The literature review allowed us to understand that there are multiple reasons for companies to go international and most of the time they are not motivated by only one reason but by several aims combined with good timing or opportunities.

For starters, it is interesting to exclude a particular reason: reduction of costs. Even though this motive can eventually happen, since with mass production the costs of production can be decreased due to economies of scale, none of the companies interviewed had as a main reason to go abroad the reduction of production costs. As the production and many of the raw materials come from the island or can be easily imported, there was no particular need for these companies to go international to benefit from lower production or material costs. Additionally, the island is known for the great quality of its resources and products and so, these companies did not want to jeopardize that differential factor and preferred to maintain that originality of the products from the island, rather to look at cheaper options that could compromise the quality and acknowledgment of their products.

Now, regarding the motives behind the international expansion, it's easy to understand how small the market of an island can be and that the natural borders also limit the volume of businesses allowed to have in that place. Bearing this in mind, as Kumar mentioned in his research, the saturation of local demand can be one reason that boosts companies to seek for international expansion (Kumar et al., 2013) and this was, in fact, one of the reasons given by some companies. Companies pledged that there comes to a point where there is no more space to grow their business on the island and so, in order to keep the numbers increasing, they needed to pursue their business in other markets, they needed to find places where they're product or service was attractive to the population, was still in need and had possibilities to grow.

For example, in 2009 the Portuguese economy was a target of a major recession (in fact, a little bit all over the world this recession was felt), and during this time, the construction's companies went through difficulties as there was no market available for their services. Aware of this, a construction company from Madeira was looking for ways to fight this crisis and so, they turned to markets that had potential growth and needed basic infrastructures, in this case, a particular country in Africa, Angola.

In this particular example, it's possible to find two reasons for expansion that are connected: saturation of local demand and the opportunity found in another market. There was a clear gap in

Angola and a huge need to develop their infrastructures, so all the company had to do was to be aware of that necessity and see how they could fill it according to what was needed. Then, they took the materials, machinery, and labor hand that was on standby in Portugal (as there were no opportunities for business coming) and reallocated that surplus to a market in need and with potential to grow.

There was another similar situation, now related to a company that has as an important part of their business the logistics of ports, they saw the potential and the lack of control and management in some ports in Africa, particularly Cape Verde and Guinea Bissau, and they took the opportunity to expand their business to these locations. By doing this, this company found a way to expand its business, and at the same time, they were able to improve communities by providing them with the right infrastructures and management.

Once again, in this last example, there is another factor that can link with this one related to the geographical, cultural, and linguistic proximity mentioned by (Varejão, 2013.). Most of the companies decided to expand to countries that have some sort of connection with Portugal. This question of where the companies expanded to, will be deeper explored, but at this stage, it is crucial to be aware that this proximity and familiarity was a factor that influenced the international expansion of companies in Madeira. We not only talk about countries where there is evident historical and, in some, linguistic proximity like the United Kingdom, Brazil, and Angola but we also see expanding to places like Cape Verde because there is a common factor, the island factor, that allowed the fruition of a quick bond between both islands. For that reason, the communication and the implementation of the business of companies originally from Madeira Island in these places were fluid and much easier to happen. The linguistic barrier is not a problem in many cases as there might be a common ground in the necessities or in the problems occurring in those places, making it possible to find cultural characteristics and interests that may facilitate the understanding of doing business between countries.

Apart from this cultural proximity, there was a company that highlighted that there was an interesting part regarding research and development that made them want to go international. Exploring this example, this company was having huge success on the island, among locals and tourists, and seeing that they had the potential to sell their product to foreign countries, there was the need to produce in bigger quantities and maintain the quality as they could stand out from their international competition. Saying this, as they expand their business in Madeira, they bought a bigger factory so they could do mass production, but for this, they had to bring to the island experts from abroad, and they had to look outside for better and more evolve machinery, in this way, they were able to increase significantly their production, while maintaining the fantastic quality of their products and so, start

their expansion to the international market and even gain international competitions regarding the quality of their product.

Another reason among these companies that made them go international, is related to following clients. As more tourists were coming to the island, more people were getting interested in the products from Madeira, and even business owners visiting the island got interested in certain products and saw the potential that these products could have in their home country. One of the companies in study got a proposal made by someone visiting the island and this is how we nowadays can find Madeiran products in China (in this case, beverage products developed in Madeira). This commercial relationship that has been going on for 7 years now, represents a good part of this particular business and has been increasing as an important part of their revenue. Now, not only in China but across other countries in Asia, there can be found beverages produced in Madeira. Clearly, the decision of following this client turned out to be a great deal for this company and an even greater way of promoting the island across the other side of the world.

To finish, there is another reason that was mentioned by some of these companies but that is constantly mentioned by other companies in the country, which is related to the support of the government and the European Union.

Over the years, businesses related to agriculture have been struggling to find support and be profitable for reasons that also affect the island. There are fewer people interested in working in agriculture, and the ones working make it hard to be profitable since, as their salaries increased over the years, the raw product price has not been increasing in the same way leading to a lower margin to the producer. Consequently, fewer people are using their land to produce goods, instead, they are taking advantage of the high levels of tourism on the island, and the increase in prices of land and houses due to the huge demand, so they rather sell their land or develop a tourist accommodation as this becomes much more lucrative for the landowner.

Saying this, the funds developed by the European Union regarding agricultural development turn out to be essential for the survivance of some of the companies that depend on agriculture to produce their final product. One of the companies even mentioned that without this crucial help, they most certainly wouldn't be able to support and continue with their production. These funds and helps will be further elaborated in this thesis as it is a topic that requires attention and detail.

All in all, it is evident that the "why" can be different for every company as the timing and the opportunities do not come at the same time for all. However, there are a few common reasons that turned out to boost these companies from the island and made them aware of their potential in the international market, particularly the interest from tourists visiting the island from all over the world.

C) The international expansion – how?

Once explored the reasons why these companies decided to go international, it is important to understand how they proceeded. For most of them, this transition was actually pretty natural and smooth as one of the main reasons behind the companies that were producing products on the island was that there were people interested on those products. As previously mentioned, customers were coming from all over the world to the island that immediately showed interest on their products and asked if they were willing to do partnerships or make commercial deals so they could sell the products in their home countries.

At this point, different entry methods were explored as the companies of the island started to acknowledge their potential and the quality and differentiation factor of their products. Here we can talk about direct export, some starting with small amounts to owners of small businesses, but it soon increased to bigger amounts and partners with greater presence. In an initial stage, the companies of the island were not too worried about how the exposure and the marketing would be happening in the other countries as they were exporting small amounts for specific customers (for example there were products that were exported to Portuguese coffees or markets in the other countries), but quickly they started to look for other methods for this exportation to occur so they could have more control in the marketing, for example, the most common way is with full-service distributors or franchising.

This said, by maintaining the production on the island, besides the normal direct exportation that most companies do, some of these companies opt to allow distribution franchising or got distributors in other places that would put their products available for sale in that new market. Generally, there are no major concerns regarding the marketing of these products as they are usually consumed either by emigrants of the island or people that already visited that island and got to know these products or, in the case of rum, by people who recognize and appreciate the quality of the products of Madeira.

Now considering a vision more turned to the services providers, these types of companies mentioned that they felt the need to open subsidiaries in the new countries since having a basis where customers could go to. As two of the service providers companies analyzed did their international expansion to African countries (as is further explored), they felt that there was a need for this physical contact and proximity to build a relationship of trust and also to understand the real concerns and interests of the population.

D) The international expansion - where?

All over the world, people will find products from Madeira Island, however, there are some stronger commercial relationships with the PALOPs (particularly, Angola, Cape Verde), USA, Germany, Italy, UK, France, Spain, and China.

To have a clearer vision of these figures, in 2020 around 89 985 million euros came from exportations of goods to Angola, 80 190 million euros from Cape Verde, 63 878 million euros from

Italy, and 47 297 million euros from France. Regarding the importation of goods, 60 059 million euros were spent on goods coming from the UK, 51 696 million euros from Spain, 23 245 million euros from Hong Kong, and 22 755 million euros from France.

Combining these numbers with the data provided by the companies in analysis, there is, in fact, a huge connection with PALOPs. These commercial relations are easier for reasons like there is a common language spoken by all parties and a common historical background that makes them closer. Additionally, as these are developing countries, there is a lot of room for new business opportunities and similar characteristics (either regarding the geography, the weather, or the development of the infrastructures) may turn out as significant connectors that link the business owners of Madeira with the ones in PALOPs.

In the literature review, it was possible to understand the importance of cultural distance and how it can be a deal breaker for the success of a firm. Stating this, the fact that these companies were aware of this aspect and chose to expand to places where Portugal has already made commercial exchanges, like those countries in Africa, was a smart move for a good integration and negotiation strategy.

Giving an example, there was a specific company that started their internationalization in Cape Verde, this was no coincidence, all the involvement mentioned above, adding the fact that this group of islands was going through some difficulties regarding their infrastructures, the same difficulties that once happened in Madeira due to the island factor, it got the perfect conditions for a company from Madeira Island, that was expanding their business in the field of ports management, to be present in this archipelago and help them improve their logistics and, very important, improve the way the goods were coming to those islands.

From here, we can conclude that the companies from Madeira might find attractive market places that are similar or have very look-alike conditions like the ones from the island. It is for a fact that Madeira has been developing a lot in the past years, but there are many places, or many islands even, that still have a long journey to reach that level of development.

There is also one central explanation for the expansion of the business to certain places and this is clearly connected to the emigration movements that have been occurring on the island for the past years. The migration movements from the island have been a close reality since the XIX century as great parts of the population have been seeking better opportunities and quality of life outside Madeira. The American and African continents are among the favorite destinations of the population as they were perceived as the places where the population would find great jobs and improve their economic situation. The major countries where these people were moving and where, nowadays, it is possible to still find huge communities of people from Madeira Island are South Africa, Venezuela, and Canada. In the eighties, these migration movements continued strong, but this time Venezuela and

South Africa were not between the favorites as their social, economic, and political conditions started to become problematic and so, this time, the movement was towards Great Britain.

With globalization, the profile of people moving out of the island has also changed a little bit, and now, even though there is still a strong search for better earnings, there is also a professional and personal side, not only directed to money per se but also to personal improvement and to search for a different style of life in more dynamic and frenetic places. According to data from Pordata (PORDATA, n.d.), in 2021 around 25 thousand people emigrated permanently from Portugal (around 65 thousand people emigrated but a great part of them on a temporary basis), a number that has been decreasing in the past 10 years but that still represents a huge part of the Portuguese population.

These recurrent migration movements imply that there is also a new market rising in those places as people will still look for products from their home country. Here, companies not only have the opportunity to expand to these markets as they will have natives from Madeira looking for specific products, but there will also be developed an opportunity to introduce new products to all the population and increase the popularity of the products and services from Madeira Island in a new country.

5.3.2. Benefits of internationalization

As it was explored in the literature, there are numerous benefits that companies can take advantage of when deciding to go international, and while interviewing the companies, many of these benefits came up in the conversation.

Starting with cost reduction, companies that produce goods on the island could benefit from internationalization in this aspect as, with the increase of the demand for their product, they had to produce more to a point that they could take advantage of economies of scale, meaning that as the number of goods produced increased, the price per unit declined, this because, as mentioned by Celli (2013), the organization of the processes becomes essential to reach efficiency.

This aspect, lead to an improvement of the infrastructures on the island seeing that the increase in production required bigger factories, consequently creating the need for companies to do an upgrade and, as this upgrade was made, all the companies mentioned that they took this moment to not only acquire a bigger space but acquire new and innovated materials and strategies that would benefit the overall performance of the company.

Another benefit that some companies mentioned were the fact that, with internationalization, they could stand up to struggles related to the saturation of local demand. To be clearer, giving the example of a construction company during the 2008 crisis, as the company was having problems finding business on the island during this time, they searched for market opportunities outside the

country and so they were able to outpace that hard phase since their business in Africa was being profitable.

Other benefit that companies mentioned was related to the standout of their brand once they went international, meaning that once companies were becoming more known in other countries, they started to get more recognition even among locals, and of course when foreigners were visiting the island, if they already knew their products from their home country, they would immediately recognize it and acquire it when in the island.

Clearly, other benefits like the access to new knowledge and to contacts in the foreign market made this international expansion more appealing, however, at the end of the day, it is evident that the icing on the cake is the increase in profit, the fuel that the company needs to continue its business and keep improving.

5.3.3. Downside of internationalization

Evidently, a high-risk operation like internationalizing a business comes with some problems and not everything is a bed of roses. Saying this, all the companies were on the same line when they mentioned that it was a risky and bold move to go international as it requires more responsibilities and bureaucracy. Fortunately, even though they were aware of the new challenges and new competitors, most of the internationalization happened in a fluid and smooth way which helped companies to adapt in their own steps and so everything was well thought before any major decision.

Nevertheless, issues regarding distribution channels came up in most of the interviews. Surrounded by the sea, the only means for products to go out of the island are by boat or air, which causes implications for the companies. As by air transport there are higher costs involved, airport taxes, and some constraints regarding the goods that can be transported, many of these companies opt to use sea transport for international trade. Although this is a great way to transport large volumes at low costs, shipping products by sea can take a long time, which may affect the quality of some products, there are port taxes involved, it's not always easy to find adequate routes and timetables and usually it requires another transportation overland to reach the final destination.

This limitation is one of the main problems for companies on the island, as they spend a lot of money on the exportation of goods. To face this issue, the government has been looking for solutions or funds from the European Union so it will be more attractive for the enterprises on the island to expand their business internationally.

Despite this, what becomes a nightmare for many companies when going international was not an issue for the 6 companies interviewed: the cultural differences. As explored in the literature review, cultural differences can be a deal breaker for the success of a company in a new location as it can lead

to misunderstandings, or the product or service may not be adequate for that place. Regarding this topic, the companies from the island were careful enough to study the new market they were entering and, at the same time, some of them chose places where there was some kind of proximity between the cultures and people. One cannot depreciate these choices as they could have been critical for the success of the business if there was not a careful approach.

As the companies mentioned the number of risks that they are exposed to when going international, they also revealed the pressure to keep up in the international market while maintaining a good reputation and good quality in the overall business. There's the necessity to maintain the proximity and the close relationships that they develop with the customers on the island, not only because they represent a great part of their business but also because many of them have been loyal customers since a very young stage of their business, but there is also the urge to stand out as a player of the global market that have new and evolved approaches and, at the same time, great products and service quality.

5.3.4. Knowledge and technological evolution

All the companies in study, and having in mind the literature reviewed about this topic, show that with expansion there is an inherent need to innovate, and most of the time this innovation departs from technological improvements, advanced machinery, or more refined methods or automatization.

Well, with the companies in study this was no different. All of them adopted new techniques or more advanced technologies in their processes or even in their performances as they were meeting all these new features in the international environment.

All the companies felt that they had, before internationalizing, many opportunities and place for improvement in different strands of their business, and the fact that now the companies are playing against bigger companies worked as a booster to make them desire to adjust their business and go in a way that would be more attractive, bring more costumers, be more efficient and allow them to stand out from the competition.

Saying this, once the companies started to seek international expansion and being aware of the new competition, there was immediate interest to understand what methods, techniques, and machinery the others were using. For this, they not only got in contact with other players from different places, but they also started to participate in international fairs, competitions, exhibitions, and other situations where a lot of players in the industry would be present.

Additionally, there was even a situation in a company where they paid for specialists in the industry to visit the island and its infrastructures and give them training in that area so they could improve their production methods and even their product's quality.

On the other hand, one interesting aspect to highlight in this topic is the fact that two companies mentioned that, in an early stage of their internationalization, evolution and technological development were not a reality in their business as they started their expansion to countries or cities that were less developed. This means that once they got there, they were the most innovative and advanced company and so there was not much space to find innovations however there was a lot of space to progress and evolve those new locations of business. There were a lot of opportunities for business that could be found in those places.

Saying this, the companies were not expanding for these places to find technological advances, they were going to these places because there was a huge business opportunity and a market gap that the companies from Madeira could perfectly fill since their experience and expertise fitted flawlessly the gap of some of the problems in those places.

In these cases, the companies did not find great technological advances but considering that the company was growing and having as competition and references more and bigger companies, they always looked for what the competition was doing, and which new features were coming up in the market so they could still be updated and make their business more efficient. Most of the time, they would implement the new technologies that they would find in the international market in Madeira Island and, according to the results, then they would take that to the new markets that they were exploring.

5.3.5. Innovation and the future of the companies

Looking for a conclusion, and trying to understand the future of these companies, the interview had a question regarding innovation as a key role for the company. Very interesting answers came out of this simple question.

As it was expected, all the companies wanted to show how innovative and up-to-date they are, how they have been trying to keep up with trends and technological development during the past years and, as some of them worried about explaining the transition that has been occurring in the past years, others started to speculate what might be the next steps of their company. At this stage, they were thrilled to describe a list of plans of action that were already in place or about to start, plans that would help in this expansion process and take the company further to other corners of the world.

From starting a new franchise in a new country, to finding better deals to export to another continent, this enthusiasm of being a player in the international market consumed these companies and allow them to dream bigger and desire more. This excitement of starting small but having the potential to increase exponentially certainly created an impact on these companies and open an infinite number of opportunities to improve and grow their business.

An interesting fact mentioned in this part was related to a more sustainable side of these companies. Most of them mentioned the increased need, from part of firms, to pay more attention to the environment and society, to make this theme an imperative part of their business, and to look at technological development as a mean to reach the end of being a more sustainable company.

This concern evidently has its part because there is a natural connection with the environment in general as there are many interests to maintain the natural beauty of the island, but there is also a huge share connected to the global alarms of climate change and the future of the planet and so, as more people care about it, there are more consumers that carefully choose where they acquire their products and services as they want to be active voices in the fight to protect the environment.

More than innovation, the future of these companies depends on adaptation, adaptation to the new market preferences, to the changes in habits and consumptions, to finding market opportunities that differentiate their business, and to being able to keep up with the economic troubles that may emerge.

5.3.6. EU and Government Support

Being one of the members of the European Union since 1999, Portugal benefits from the funds developed by that institution to support business. Saying this, as explored in the literature review, there are several programs that have benefits in this regard that are applied to the companies in Madeira Island, and the local government helps to make it available in a way that will be more appropriate to the needs of the companies in the island.

There is a local government institute responsible for business development where is possible to find all the information regarding the funds associated with the European Regional Development Fund. Since all the companies interviewed have been in business for many years, they are aware of all these helps and they mentioned that they are always paying attention to the new programs being developed for companies so they can have as much helps as possible.

The funds and benefits provided by any governmental institution turn out to be vital in the survivance of many of these companies particularly, as previously mentioned, for the companies that depend on agriculture. This necessity has been increasing in the previous years as the land used for agriculture have been decreasing, the price of basic goods has been increasing and the manpower to work in agriculture has also been decreasing considerably.

In this realm, there these funds help support a big part of many companies that depend on agriculture to support their business in particular the sugar cane industry. One of the companies involved in this said that if these funds do not include the increase in the prices, there might have to be necessary reformulations of the company in order to maintain the business active.

In addition, companies that directly export their products also mentioned that the support of the government is essential to make better deals regarding transportation costs. The government is also involved in helping companies to find shipping companies or agreements with other countries that may facilitate this exchange of products and lower the costs of shipping. In this example, there is a company that wants to expand its business to Brazil but mentions that the transportation costs are insanely high and so they will need the help of the government to make this expansion possible.

Throughout the funds provided by the European Union, the local government directs a part for this real for the exportation costs as they have been exploring, when in contact with the companies from the island, their difficulties regarding insularity and the companies have been claiming that they feel disadvantage when comparing to other companies since they need to make an extra effort to support the additional transportation costs. Since 2018, the government has been trying to get more funds from the programs of the European Union for this as they have been seeing the benefits of getting more international companies on the island: more economic power as there is more attraction for investments, more jobs, and a balanced trade with a very positive value, highlighting that, at least in 2018, was the only region in the country where exportations cover all the importations.

5.4. Impact on the island

As it is evident, the grandeur of these companies made huge impacts on Madeira Island, its population, its economy, and even its entrepreneurial spirit. The companies are aware of its impact, but the overall results of the island and the constant evolution in previous years also made their importance evident.

When the employees of the companies in study were asked about the impact that their company had on the island, there was an easy answer that was common to all, that is its influence in the increase of tourism. They allowed the island and its products to become more attractive to foreigners and they start having as one important part of their business tourism, so adapting their marketing according to the people that are spending their holidays on the island, and also making some adjustments in their products having in mind this new target market.

Evidently, an important part to take from this positive impact is the increase of employment on the island, there are needed more and more people to work at the different departments and facilities as there is more consumption and more visits from tourists. This is evident if we evaluate the evolution of employment on the island, according to the data provided by the Madeira employment institute, in 2012 there were around 23 thousand people unemployed on the island, while at the end of 2022, the same institute registered around 10 thousand unemployed people, less than half in only 10 years. This is a great progress for the population on the island, and the companies in study consider that they made their part in this improvement with the development and growth of their companies.

Apart from that, the fact that these companies were making major evolutions, due to the influence of the pieces of knowledge they gained when competing in an international environment, they also felt that they were the impulse that some companies on the island needed to also focus on an improvement strategy. The local competitors felt some pressure and the need to improve their strategy so they could find the differentiator factor that would allow them to be attractive to customers and compete with the newly internationalized companies on the island.

This was an important boost to develop certain industries on the island, let's see as an example the evolution of rum. The impact of the industry of the sugar cane on the island remotes to century XV when they found out that the fertile soil and the water of the island were two great aspects in favor of the development of this plant. Since those days, the importance of sugar cane on the island just increased year by year. Firstly, the export of this product was a big slice of the economy of the island, so it was not only part of the view of the fields on the island, but it also starts to become a decorative object in churches, chapels, and even museums.

Nowadays, sugar cane still represents a big slice of the economy of the island but not just the sugar cane itself, in fact, the derivate products are way more consumed and commercialized than just the plant. The most important derivate products are the rum and the honey of sugar cane, and there are some less-known cosmetic products that are also made from sugar cane.

The crucial point that can be taken from this example is how this simple plant impacted the island. As the quality of the rum made from the Madeira has been awarded in several international competitions, this product started gaining more reputation for tourists visiting the island, but here the companies on the island saw a great market opportunity and so they were capable to develop a whole marketing strategy around the sugar cane.

For this, the mills on the island became attractive so tourists could go there, buy the products produced there but at the same time experience the environment of the mill and of the process of production. They were able to follow the steps from the raw material to the final product and, even more interesting, to understand how it was done in the primary times and the evolution of the machinery used for the development of those products nowadays.

Apart from the mills, bars, hotels, and museums took advantage of the influence of sugar cane in the history of the island and embrace this product as an important part of the culture of Madeira Island. Even festivals all over the island were celebrated around sugar cane and its derivate products.

The numbers don't lie, the number of liters of rum produced on the island has almost doubled since 2012, in that year there were produced, according to the Institute of Wine, embroidery, and crafts of Madeira, 310 201 liters of rum while in 2021 there were produced 523 338 liters. Clearly, this production has been increasing due to an increase in demand. Even though the local market represents

the biggest slice of this consumption, there is also a big part sent to France, which is also one of the biggest producers of rum in the world, nevertheless, the company in Madeira claims that they can compete with such a big producer because the quality of the rum from Madeira stands out from the competition and is highly appreciated by the consumers.

All in all, it's essential to realize how such a simple product brings so many market opportunities. It is about knowing how to take advantage of these opportunities and make it a motor to foster the business on the island.

As it is mentioned above, there were made some adjustments on the products having in mind the new target market, but it was also possible to see adjustments made according to the evolution of the market and the preferences of the overall population. And this can be easily seen when having in mind that more and more the population and the governments are having more concerns and implementing measures related to diet, nutrition, and ways to fight certain diseases related to malnutrition. "Throughout the world, major shifts in dietary patterns are occurring, even in the consumption of basic staples towards more diversified diets" (Kearney, 2010). This said, one of the businesses that were considered in this research is related to food and beverage and their evolution in the previous years as an international business also involves development in their products as they are developing new products considering the new concerns of the population, they're trying to develop products with less sugar and including more natural ingredients or even considering versions of the same product but for instance without gluten.

What matters is that in one way or another the island benefits from every improvement or every step made by the companies considering that they gain recognition and visibility from the locals, from the tourist, and the global competition, making it more attractive for people to do business in the island and, this way, keep refining and growing the economy of the island and the quality of life of the population.

Chapter 6 – Conclusion

6.1. Final Considerations

In light of the prior examination of the data gathered from the interviews and taking into consideration the literature explored in this area, this last chapter aims to consolidate all the information gathered and provide key statements of this investigation. The internationalization of companies has been an imperative action for many firms as they are facing bigger challenges with globalization. While some markets have more access to resources, or better communication and transportation facilities, others need to find solutions for problems that, many times, depend on natural characteristics. The starting point of this thesis resulted from issues like these that may arise in Madeira Island.

To reach the leading conclusion of this research the attention needs to be turned toward the secondary questions that came up. For starters, exploring the difficulties that the companies may find from being from the island, as expected most of them are related to exportation costs. As the options are limited to boat or airplane (leaving out train and, most importantly, road), this is a huge problem that companies from Madeira have to face and that can be a reason why most companies are afraid of taking that step. This can be a problem not only to export but also to import machinery or goods needed for the business.

Nevertheless, and starting to answer the question regarding the support from the government and the European Union, these political institutions play a big role as they can help reduce the price of taxes from ports or airports and they can even help with monetary funds to support the costs involving exportation.

Looking at this topic, the island factor can become decisive when exploring the costs involved in expanding the business internationally. These can be decisive factors that will take a company to choose their headquarters in other countries than to do it on the island. That is why, to make it more attractive for entrepreneurs, the government must intervene in favor of the firms so there will be more international firms in Madeira.

As it is attractive for the island to have more international firms since it will increase, for example, the employment, the money circulating in the island, and the improvement of infrastructures, it is also attractive for companies to step outside the island and expand internationally as their customer network will increase, they're income will increase as well, they will desire more improvements and innovations, their contact network will also increase, overall, an endless amount of opportunities become possible as they become players in the global market.

Just by analyzing some specific examples given by the companies interviewed, they were proud to announce that their brands are gaining more respect and acknowledgment in the international

environment, there is more recognition in the Portuguese market, and many tourists visiting the island already recognize some brands and as they are getting bigger, their desire to wanting more is impacting in a good way the evolution of the business. As they are looking for optimization, they are also taking into consideration the evolution of their international marketing or the improvement of their products and services.

Looking at this spectrum, the answer to the question regarding innovation comes out naturally as there is an evident relationship between innovation and internationalization. As the competition increases, companies feel the need to step up and innovate so they can keep their business alive in the international market. This factor turns out positive for Madeira as companies are bringing these new ideas from abroad and implementing them on the island, leading to the spread of these innovations all across the local market. These modern and avant-garde ideas will allow better conditions for the population and will also attract the island as a great place for doing business.

In this same line, the technology innovation was explored and, considering that there might be more access and interest to explore these new technologies, the companies in study did not profound this topic as, when their internationalization started, many of them chose places that the technology was not very developed in this area.

All these benefits are explored in the literature mentioning the internationalization of companies, and the cases in study confirm the accessibility to these opportunities when they chose to internationalize. These positive influences are mentioned in a way that makes the difficulties look insignificant when considering all the things that a company can win when going international, even considering the extra expenses from the insularity.

All things considered, the benefits of internationalization are undeniably great for companies, and even companies from a small place can take great advantages when taking this bold step. Having this in mind, these companies' internationalization did not differ much from other companies from outside the island. The work involved studying the new market, the improvement requirements, and the innovation fever, all these are factors that were mentioned during the literature review that analyze companies from different parts.

The island factor can indeed have its influence on international expansion, but other places have their own concerns and issues. It all comes down to the eagerness and hard work of firms to aim more, the firms need to be willing to commit to this new challenge and embrace it despite any barrier that may come up. There are funds and aids from the local government that can give big help in this regard, it is up to the companies to go forward. This is a call for every company on the island, a call to make them aware that international expansion is possible and, if some companies did it 30 years ago when

the conditions and facilities were not as good as they are nowadays, today is even easier to become an international business even if it is only through an online website.

6.2. Limitations

All things considered, it's obvious that no study is infallible and there are always some things to add or to deepen in every study. Saying this, there are some questions regarding this thesis that could be improved and some that should be scrutinized in the future as this theme still has a lot of issues to explore.

For starters, the more examples we have, the better conclusions and assumptions one can make, saying this, more companies should be interviewed and give their input in order to develop a more fundamental analysis. Along the same line, as there were explored successful cases, there can also be explored examples of companies that did not succeed when they went for international expansion. This way, including more analysis and unsuccessful cases, the conclusions would have been closer to reality and there was the possibility to further explore the difficulties and barriers that the companies originally from Madeira face in this new business environment.

6.3. Suggestions for Future Research

Considering the limitations, some topics can and should be exposed for a deeper analysis. Just like it would be interesting to interview more companies and find ones with bad experiences during the process of internationalization, there would be also very interesting to scrutinize the role of the governmental institutions as a vital support or its influential part in the internationalization of companies in Madeira Island.

The fact that the island has its autonomous government but at the same time must follow the guidelines of the country and the decisions of the European Union, there is clearly a whole lot of information coming from these institutions that influence the decisions of the businesses.

Also, as there are guidelines, helps, and funds coming from these institutions that may facilitate the international expansion, these are interesting topics that, if well inspected, can be an imperative topic to be developed. If those concerns were better explored, it would be like a "must have" guide for the companies in Madeira Island in general, but most specifically for the ones looking to expand their business internationally.

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Annexes

Annex A – Interview questions applied to companies (original, in Portuguese)

Pretende-se com este questionário, a recolha de exemplos de sucesso empresarial além-fronteiras, com análise e estudo das metodologias utilizadas, da identificação dos principais obstáculos, das melhorias suscetíveis de implementação e, a relevância da evolução tecnológica nos diferentes processos. Esta informação, será utilizada no âmbito estrito da confidencialidade e dentro dos princípios de conduta e proteção de dados e servirá de base à elaboração de tese integrada no mestrado.

As seguintes questões são de resposta aberta, qualquer informação que considere adicional e que lhe pareça relevante para o conteúdo em estudo, por favor não hesite em acrescentar.

Agradeço pela sua preciosa colaboração.

1. Em que ano a empresa iniciou atividade? E em que ano iniciou o processo de internacionalização?
2. Quantos trabalhadores existem na empresa?
3. De que modo surgiu a expansão internacional da empresa X? Com que atividade? (Exemplo: exportação direta, franchising, abertura de filial no exterior, etc.)
4. Que objetivos procuravam com a internacionalização?
5. Existiu alguma parceria ou apoio que motivou/facilitou essa expansão?
6. Sendo uma empresa originária madeirense, quais os maiores entraves ao ir além-fronteiras?
 - 6.1. E quais as vantagens?
7. O que diferenciou a empresa no mercado internacional onde se inseriram?
8. Que benefícios experienciaram com a expansão?
9. Quais os critérios para a escolha do mercado externo? (Por exemplo: proximidade cultural, linguística, oportunidade de negócio, estudo de mercado, proximidade territorial, etc).
10. Consideram que o crescimento tecnológico foi mais evidente após a expansão?
11. Que novas tecnologias encontraram no mercado internacional?
12. Que impacto consideram que a empresa tem na ilha da Madeira?
13. Consideram que a inovação é um motor importante na Empresa X?

Annex B – Interview questions applied to companies (translation)

This questionnaire aims to collect examples of business success across borders, with analysis and study of the methodologies used, the identification of the main obstacles, the improvements susceptible to implementation, and the relevance of technological evolution in the different processes. This information will be used within the strict scope of confidentiality and within the principles of conduct and data protection and will serve as a basis for the elaboration of the thesis integrated into the master's degree.

The following questions are open-ended, any information that you consider additional and that seems relevant to the content under study, please do not hesitate to add.

Thank you for your precious collaboration.

1. In what year did the company start activity? And in what year did the internationalization process begin?
2. How many workers are there in the company?
3. How did the international expansion of company X come about? With what activity? (Example: direct export, franchising, opening a branch abroad, etc.)
4. What goals were you looking for with internationalization?
5. Was there any partnership or support that motivated/facilitated this expansion?
6. As a company originally from Madeira, what are the biggest obstacles to going across borders?
 - 6.1. And what are the advantages?
7. What differentiated the company in the international market where it was inserted?
8. What benefits did you experience from the expansion?
9. What are the criteria for choosing a foreign market? (For example: cultural, linguistic, business opportunity, market research, territorial proximity, etc).
10. Do you consider that the technological growth was more evident after the expansion?
11. What new technologies did you find in the international market?
12. What impact do you think the company has on the island of Madeira?
13. Do you consider that innovation is an important driver at Company X?

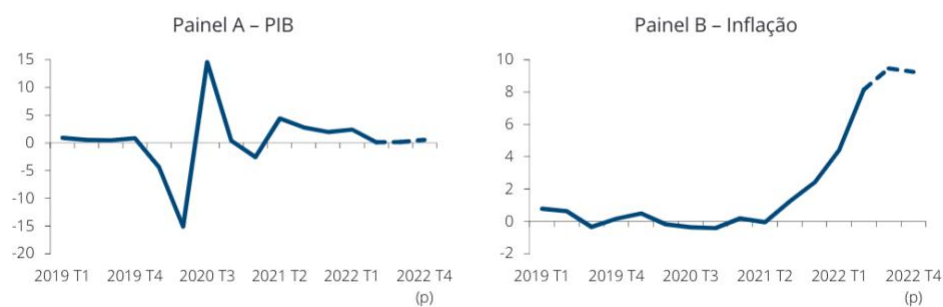
Annex C – Macroeconomic analysis of Portugal

	2010	2018	2020	2021
Population (thousands)	10 573	10 277	10 298	10 343
GDP per capita (Euro)	16 988	19 966	19 429	20 698
Private investmment (million Euros)	27 474	32 163	33 868	38 068
Public investment (million Euros)	9 479	3 790	4 642	5 520
Unemployment rate	10,8%	7,2%	7,0%	6,6%
Inflation rate (month: November)	2,3%	0,9%	-0,2%	2,6%
Balance of trade (million Euros)	- 13 168	1 849	-3 883	-5 739
Exportation (million Euros)	54 386	89 619	74 427	89 442
Importation (million Euros)	67 554	87 770	78 310	95 181
Formation of Companies	28 722	43 613	36 541	40 265

Source: PORDATA / INE

Annex D – Projections of PIB and Inflation rate

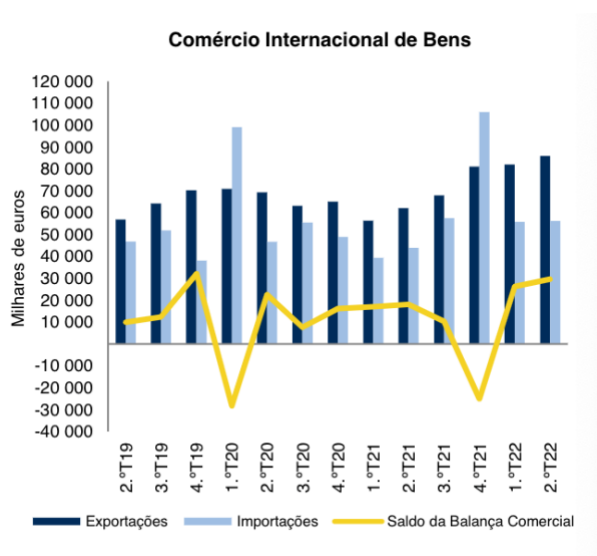
Gráfico I.1.1 • Projeções trimestrais para o PIB e a inflação | Taxa de variação em cadeia do PIB e taxa de variação homóloga do IHPC



Fontes: Banco de Portugal e INE. | Nota: (p) – projetado.

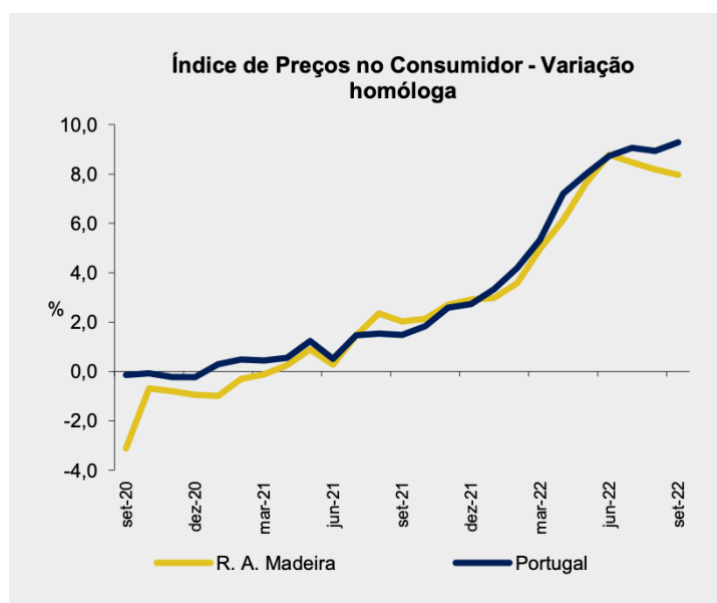
Source: Banco de Portugal / INE

Annex E – Volume of the International trade of goods in Madeira



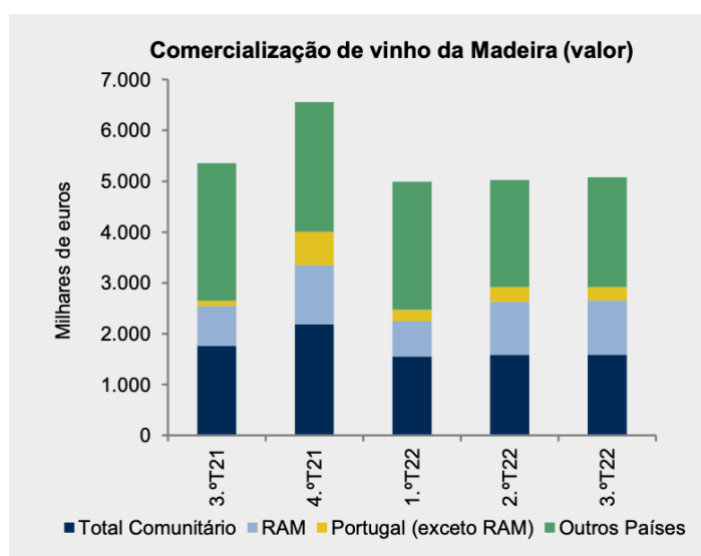
Source: DREM

Annex F – Consumer Price Index - year-on-year change



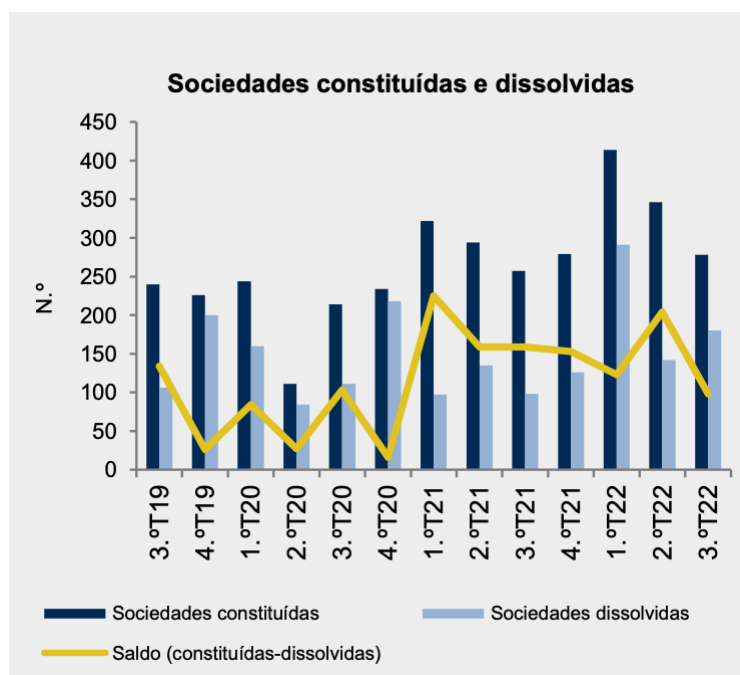
Source: DREM

Annex G – Commercialization of Madeira Wine (amount)



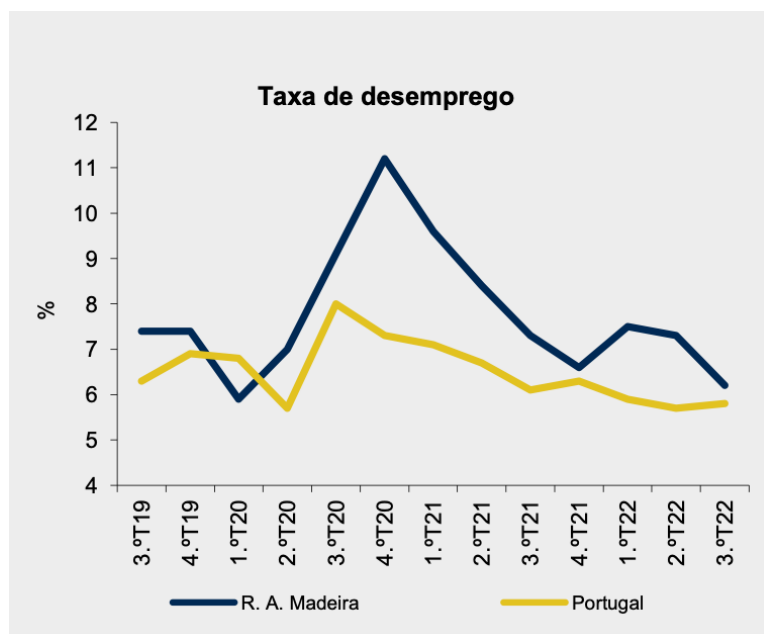
Source: DREM

Annex H– incorporated and dissolved companies in Madeira island



Source: DREM

Annex Iex – Unemployment Rate



Source: DREM