



**How can joining an association of producers help SMEs internationalize? The case of APOMA - Associação de Produtores de Ovos Moles de Aveiro.**

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## **Abstract**

**Title:** How can joining an association help SMEs internationalize? The case of APOMA – Associação de Produtores de Ovos Moles de Aveiro.

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In an increasingly globalized world, many are the factors that facilitate the internationalization of businesses. Convergence of consumer preferences and improvements in communications and transportation are just some examples. Looking at the case of SMEs specifically, research has shown that internationalization is the path for long-term survival and profitability. Still, many firms look at internationalization with skepticism given the many barriers (internal and external) they can face when trying to reach foreign markets. There are several ways SMEs can overcome these barriers, one of them being the establishment alliances.

Following these lines, this thesis focuses on the challenges faced by SMEs when internationalizing and how establishing an alliance and, more specifically, joining an association, can help them overcome their challenges. To answer the research question this thesis studies a Portuguese association, APOMA – Associação de Produtores de Ovos Moles de Aveiro, which helped and continues to help SMEs reaching foreign markets. The overall conclusion is that, in fact, APOMA had a positive impact in the internationalization processes of the firms to it associated at the level of the firms' resources, costs and investments, legal protection of the product, increase of the expiration date of the product, promotion and getting orders.

## **Abstracto**

**Título:** Como é que juntar-se a uma associação pode ajudar as PMEs a internacionalizar-se? O caso da APOMA – Associação de Produtores de Ovos Moles de Aveiro.

**Autor:** Ana Carolina Dionísio Pires

Num mndo cada vez mais globalizado, muitos são os factores que facilitam a internacionalização de negócios. A convergência das preferencias dos consumidores e as melhorias nas comunicações e transportes são apenas alguns exemplos. Olhando para as PMEs especificamente, estudos mostram que a internacionalização é o caminho para a sobrevivência em longo prazo e para a rentabilidade. Mesmo assim, muitas são as empresas que encaram a internacionalização com cepticismo tendo em conta as várias barreiras (internas e externas) que podem encontrar enquanto tentam alcançar os mercados estrangeiros. Existem várias formas das PMEs ultrapassarem estas barreiras, uma delas é a definição de alianças.

Seguindo este raciocínio, esta tese foca-se nos desafios encontrados pelas PMEs aquando a internacionalização e como o estabelecimento de uma aliança e, mais especificamente o juntarem-se a uma associação, pode ajudá-las a ultrapassar estes desafios. Para responder à questão de estudo, esta tese estuda uma associação Portuguesa, a APOMA – Associação de Produtores de Ovos Moles de Aveiro, que ajudou e continua a ajudar as PMEs a chegarem aos mercados externos. A conclusão global é que, de facto, a APOMA teve um impacto positivo nos processos de internacionalização das empresas a ela associada a nível dos recursos das empresas, custos e investimentos, protecção legal do produto, aumento da data de validade do produto, promoção e angariação de encomendas.

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## **Table of Contents**

I. Introduction.....	7
II. Literature Review .....	9
II.1 Globalization and the internationalization of firms .....	9
II.2 The internationalization of SMEs .....	10
II.2.1 Internationalization barriers faced by SMEs.....	10
II.2.1.1 Informational Barriers.....	11
II.2.1.2 Functional Barriers.....	11
II.2.1.3 Marketing Barriers .....	12
II.2.1.4 Procedural Barriers.....	13
II.2.1.5 Governmental Barriers .....	13
II.2.1.6 Task Barriers .....	13
II.2.1.7 Environmental Barriers .....	13
II.2.2 Overcoming the internationalization barriers faced by SMEs .....	14
III.2.2.1 Networks.....	14
II.2.2.2 External support .....	15
II.2.2.3 Brand identity.....	16
II.2.2.4 Niche characteristics .....	16
II.2.2.5 Technology.....	16
III.2.2.6 Alliances .....	16
II.3 Strategic Alliances .....	16
II.3.1 Resource-Based View .....	17
II.3.2 Network and Competition View .....	18
III. Methodology .....	20
III.1 General methodological approach.....	20
III.2 The concrete methodological approach.....	21
IV. Case Study.....	23
IV.1 The History of Aveiro’s Ovos Moles .....	23
IV.2 The Creation of APOMA .....	24
IV.2.1 APOMA – Associação de Produtores de Ovos Moles .....	24
IV.3 The Process of Certification of Ovos Moles .....	25
IV.3.1 The Characterization of Ovos Moles de Aveiro .....	25
IV.3.2 Protected Geographical Indication .....	26
IV.3.3 Ovos Moles de Aveiro – A Common Brand .....	28

*How can joining an association of producers help SMEs internationalize? The case of APOMA – Associação de Produtores de Ovos Mole de Aveiro.*

IV.4 The Internationalization Process .....	29
IV.4.1 Actions for internationalization developed before the change in specifications ...	30
IV.4.2 Actions for internationalization developed after the change in specifications .....	32
IV.4.2.1 The Brazilian Market .....	34
IV.4.2.2 The American and Canadian Markets .....	34
V. Findings .....	36
V.1 Informational barriers .....	36
V.1.1 Orders .....	36
V.2 Functional barriers .....	36
V.2.1 Internal competencies .....	36
V.2.2 Method of production .....	37
V.2.3 Costs and investments .....	37
V.3 Marketing barriers .....	38
V.3.1 Expiration date .....	38
V.3.2 Promotion .....	38
V.3.3 Distribution .....	39
V.4 Task barriers .....	39
V.4.1 Culture .....	39
V.4.2 Counterfeiting .....	39
V.5 Procedural barriers .....	39
V.5.1 Bureaucracy .....	39
VI. Discussion .....	41
VII. Conclusion .....	42
VIII. Bibliography .....	43
IX. Appendix .....	48
Appendix 1: Chronological analysis .....	48
Appendix 2: Table: Coding .....	50
Appendix 3: Table: Data sources and use .....	53
Appendix 4: Table: Leonidou's barriers to exporting and how APOMA helped SMEs overcome barriers to exporting .....	54
Appendix 5: List of APOMA associates with GPI certification .....	56

## **I. Introduction**

In an increasingly globalized world, many are the factors that facilitate the internationalization of businesses. Convergence of consumer preferences and improvements in communications and transportation are just some examples. Looking at the case of SMEs specifically, research has shown that internationalization is the path for long-term survival and profitability (Narayanan, 2015). Still, many firms look at internationalization with skepticism given the many barriers (internal and external) they can face when trying to reach foreign markets. There are several ways SMEs can overcome these barriers, one of them being alliances.

Bearing this in mind, the goal of this thesis is to understand how a particular type of alliance – i.e. an association of producers – can help SMEs internationalize by successfully overcoming barriers. The objective is to understand the interactions between firms and the association and realize what barriers, if any, the association helps firms overcome and how it does it. Thus, this thesis' is divided into two research questions: “What are the barriers faced by SMEs when internationalizing?” and “How can joining an association help SMEs overcome these barriers?”. Academically this topic proves to be interesting because although alliances have been broadly studied (see Eisenhardt and Schoonhoven, 1996; Garcia-Pont and Nohria, 2002; Gulati, 1995), the specific alliance between firms and associations has not. When considering this type of alliances in the Portuguese context, the studies are even scarcer. For managers thinking about taking their businesses further by internationalizing, this thesis can provide them with insights about the barriers they will probably find and a good example of how they can overcome them. In other words, it can help firms increase performance.

The analysis was carried out by developing sub-research questions that arose from the literature review and from reflection. Concerning methodology, this thesis employs a qualitative method, more specifically a case study, which allows for a deeper understanding of the topic covered. The study is focused on APOMA – Associação de Produtores de Ovos Moles de Aveiro, an association of producers. This choice seemed appropriate since the firms to it associated are now going to start exporting significantly. Up until this point, the association has been developing so as to overcome some challenges to internationalization.

The structure of this thesis is the following. In the next chapter, a general overview of the literature concerning globalization, barriers to internationalization, tools to overcome those barriers, and alliances is provided. Chapter III contains the methodology section. In chapter IV the case study of APOMA and the internationalization process of its associates is

*How can joining an association of producers help SMEs internationalize? The case of APOMA – Associação de Produtores de Ovos Mole de Aveiro.*

presented. Findings and discussion are outlaid in chapter V and VI, respectively. The last chapter contains conclusions, limitations of the study and recommendations for future research.

## **II. Literature Review**

Internationalization is widely regarded as an opportunity for firms in general to grow or for them to establish and maintain a competitive advantage (Autio et al., 2000; Dunning, 1980; Sapienza et al., 2006). However many are the challenges that firms and, more specifically SMEs, have to face when going abroad (Entrepreneurship Unit of the European Commission, 2010; Leonidou, 2004). This section analyzes those challenges and the resources used by SMEs to overcome them.

### **II.1 Globalization and the internationalization of firms**

Several are the definitions of globalization in the literature. For example, while Robertson says that “globalization as a concept refers both to the compression of the world and intensification of consciousness of the world as a whole... both concrete global interdependence and consciousness of the global whole” (1992, p. 8), Scholte sees “globalization as deterritorialization or (...) the growth of ‘supraterritorial’ relations between people. (...) Globalization refers to a far-reaching change in the nature of social space” (2005, p. 46). Globalization translated into the improvement of communication, transportation, and in the homogenization of consumer preferences around the world, simplifying product development and thus making it easier for firms to position themselves in foreign markets (Knight and Cavusgil, 2004; Oviatt and McDougall, 1994). As a result, we now have a dynamic global market with firms taking on activities such as international sourcing, production, marketing and cross-border alliances for the development and distribution of products (Knight and Cavusgil, 2004). Globalization of production grew hand in hand with the globalization of consumption and this integration of markets is a defining aspect of globalization (Buckley and Ghauri, 2004). Nonetheless, globalization also has its drawbacks. Buckley and Ghauri (2004) emphasize the decline of culture diversity, as a result of the diffusion of modern western values; the rise of income inequalities, both within and between countries; greater insecurity in jobs and loss of jobs because of the reduction of trade and investment barriers and of the fast pace of technological change; the threatening of national sovereignty; and environmental externalities. Given this, globalization is what made international business possible.

Eden, Dai and Li define international business as the “business that crosses national borders, that is, it includes the comparative study of business as an organizational form in different countries, cross-border activities of businesses, and interactions of business with the international environment” (2010, p. 58). When considering the internationalization of firms,

three main theories arise: the stage model theory (Uppsala model) (see Barkema and Drogendijk, 2007; Johanson and Vahlne, 1977), the network approach (see Johanson and Vahlne, 2009; Malhotra and Hinings, 2010) and the born globals perspective (see Knight and Cavusgil, 2004; Oviatt and McDougall, 1994).

## **II.2 The internationalization of SMEs**

According to the European Commission (2016), micro, small and medium-sized enterprises are those which employ less than 250 people, have an annual turnover not exceeding 50 million euros and/or an annual balance sheet total not exceeding 43 million euros. “Small and medium-sized enterprises (SMEs) are key players in modern developed economies” (Hessels and Parker, 2013, p. 137). In fact, in the European Union (EU), they represent 99% of all businesses (European Commission, 2016). More so, they constitute the most critical source of employment (Lejárraga et al., 2014). Still, SMEs’ contribution to overall GDP and international trade continues to be low. SMEs tend to favor exporting as their primary entry mode (Knight and Cavusgil, 2004; Leonidou and Katsikeas, 1996). In 2011 exporting SMEs in the EU exceeded 600,000 (Cernat et al., 2014). In the specific case of Portugal, they exceeded 18,000, translating into an export value of 5,1 billion euros. Cernat et al. (2014) pose that there is potential for more EU SMEs to reach foreign markets. Engagement in export operations is of utmost importance for firms to spread business risks across markets, improve their quality, technological and services standards, make more profits that can translate into further growth, improve production efficiency and reward shareholders and employees through the creation of a better profit base (Czinkota and Ronkainen, 2006). The low participation of SMEs in international activities can be attributed to a number of barriers. Leonidou’s (2004) classification of export barriers is the most popular (500 citations, Google Scholar; 89 citations, Web of Science), therefore it is the one that will be used.

### **II.2.1 Internationalization barriers faced by SMEs**

“Barriers to exporting refer to all those constraints that hinder the firm’s ability to initiate, to develop, or to sustain business operations in overseas markets” (Leonidou, 2004, p. 281). Leonidou (1995) distinguishes between internal (related to organizational resources and capabilities) and external barriers (related with the host environment). The main internal barriers identified are the following:

### **II.2.1.1 Informational Barriers**

SMEs tend to have difficulty in getting information to locate and analyze the quality of markets (Leonidou, 2004; Pinho and Martins, 2010). Consequently they are not able to reduce the level of risk and uncertainty associated with new markets. Firms not only do not know where to look for information but also have difficulty identifying the information required to base their decisions on. When the firm is actually able to obtain information, many times there is a problem associated with the quality and comparability of sources (information may be outdated, incomplete, inaccurate or with different base years, among others) (Leonidou, 2004). As a result firms are unable to effectively identify international opportunities. Another challenge has to do with identifying customers abroad. Possible explanations for this are the distance between markets, which can make communication harder, the narrow exposure to sources listing potential customers and the small amount of research usually conducted by firms.

### **II.2.1.2 Functional Barriers**

Functional barriers are related to inefficiencies within the firm in areas associated with exporting such as human resources, finance or production (Vozikis and Mescon, 1985). Human resource problems “may arise due to the lack of specialized knowledge and expertise to deal with such export-business tasks as documentation handling, logistical arrangements, and communicating with foreign customers. To this one has to add problems in speaking foreign languages, being exposed to foreign cultures, and obtaining hands-on export experience.” (Leonidou, 2004, p. 287). This can be greatly attributed to inadequate training in export related issues. Additionally there may be limited managerial time to deal with internationalization.

As far as production is concerned, many firms consider that they can only export if they have excess production capacity. Thus the rationale is that if a firm does not have excess capacity, it will not export. Leonidou (2004) considers this to be a shortsighted vision and poses that probably the resources could be used more efficiently and effectively if they were serving foreign markets.

Shortage of working capital to finance exports is also a challenge faced by SMEs (Entrepreneurship Unit of the European Commission, 2010; Fayos Gardó et al., 2015; Leonidou, 2004). In fact, committing to export operations involves costs with market research, visiting foreign customers and adapting marketing strategies, among others.

Naturally, this can create excessive financial burdens to SMEs and thus those who are already facing financial complications will hardly take the next step.

### **II.2.1.3 Marketing Barriers**

Marketing barriers relate to several dimensions:

*Product:* Because firms tend to associate exporting with excess production capacity they show reluctance in developing entirely new products for foreign markets specifically (Leonidou, 2004). This can be a problem given the diversity of customers' tastes around the globe. Similarly, firms are averse to adapting their products to the different host markets because it can translate into higher unit costs, loss of economies of scale and poor organization and control over export operations. There are some cases where product adaptations are necessary in order to meet the standards and regulations of the host country. Leonidou (2004) poses that although this may represent a challenge because it involves additional costs, firms must take advantage of this by increasing the overall quality of their products thus gaining a competitive advantage. Lastly, firms often have to meet labeling and packaging requirements of international markets which can prove to be too time consuming and expensive.

*Price:* SMEs face a challenge when trying to match competitors' prices and offering satisfactory prices to customers (Fayos Gardó et al., 2015; Leonidou, 2004). This non competitiveness in prices can be due to higher unit production costs resulting from small production runs, modification of the product, marketing, administrative and transportation costs and extra taxes and tariffs.

*Distribution:* distribution channels are different both between home and host country and among host countries, which increases the complexity of distribution operations to SMEs (Fayos Gardó et al., 2015; Leonidou, 2004). More so, they have to face the challenge of gaining access to the distribution channels that are often already occupied by competitors or are too costly.

*Logistic:* supplying inventory to foreign markets is a challenge given the transportation delays, demand fluctuations and other unexpected events (Leonidou, 2004). Additionally SMEs have to deal with increased transportation and insurance costs and with the difficulty of finding foreign warehousing facilities.

*Promotion:* given the various buying motives and government regulations, SMEs have to adjust their promotional activities to meet the individual needs of foreign markets (Leonidou, 2004).

Leonidou (2004) identifies the main external barriers as being:

#### **II.2.1.4 Procedural Barriers**

Managing customs documents, shipping arrangements and other export procedures is a process that many SMEs find to be too difficult (Leonidou, 2004). Adding to this, communication with foreign partners can also be a challenge given its infrequency and the large physical and psychological distances between sellers and buyers. These can harm firms since there may be misunderstandings between partners, poor control over operations in foreign markets, inadequate feedback concerning the operations abroad, and delays in making decisions. More so, there may be a slow collection of payments abroad.

#### **II.2.1.5 Governmental Barriers**

These type of barriers have to do with unfavorable rules and regulations in the host country that may restrict exporting firms (Cernat et al., 2014; Hutchinson et al., 2009; Leonidou, 2004). Likewise, it concerns the lack of host government assistance and incentives to exporting. This assistance could come in the form of trade fairs, subsidies for exporting prices, and loan guarantees, among others.

#### **II.2.1.6 Task Barriers**

Task barriers focus on different foreign customer habits and attitudes that lead to “different product preferences and usage patterns, price acceptance levels, distribution systems, and communication methods” (Leonidou, 2004, p. 293). More so, it stresses the high levels of competition that SMEs have to face in overseas markets.

#### **II.2.1.7 Environmental Barriers**

This category incorporates elements such as poor economic conditions, political instability, strict rules and regulations, high tariff and non-tariff barriers, unfamiliar business practices, verbal and non-verbal language differences, currency exchange risks and different sociocultural traits in the foreign markets (Leonidou, 2004).

## **II.2.2 Overcoming the internationalization barriers faced by SMEs**

Besides all the challenges that SMEs have to face, they still manage to internationalize. To do so they resort to means that help them access and strive in foreign markets. The most cited in the literature are presented below.

### **III.2.2.1 Networks**

According to the network approach, the firm may go abroad by following important partners who wish to develop their businesses through internationalization or that have valuable networks in foreign markets (Johanson and Vahlne, 2009; Malhotra and Hinings, 2010). It is also through these “relationships that firms learn, and build trust and commitment” and that they find or create opportunities for themselves (Johanson and Vahlne, 2009, p. 1415; Oviatt and McDougall, 2005, 1994). Therefore, networks are known to help SMEs overcome internationalization barriers. Because firms may follow their business partners, the latter will have great influence on the geographical area that the firm will enter and the mode in which it will do it.

As mentioned, networks are especially important because they allow for opportunity recognition. Ellis defines international opportunity as “the chance to conduct exchange with new partners in new foreign markets” (2011, p. 101). Once an opportunity is perceived the firm uses its international network links to explore where and how quickly it can be explored in foreign locations (Oviatt and McDougall, 2005). Oviatt and McDougall (2005) defend that the most important relationships in networks are the ones with customers, brokers and suppliers that are friendly and business-like. This is because these ties are more numerous, easier to attain and develop and require less investment. What is more, these actors are frequently indispensable sources of information and know-how. The more international ties the firm establishes, “the greater the potential country scope of internationalization and the greater possible speed for increasing that scope” (Oviatt and McDougall, 2005, p. 545). Finally, it is important to have both sparse and dense networks because while the first are particularly good for information collection, the latter are crucial for when there is a need for trust and reciprocity.

Ellis (2011) acknowledges that networks are important for gathering information about opportunities, yet the coding, transmission and decoding of information do not come without a cost. While social networks may have benefits as far as commitment, reputation, trust and reciprocity are concerned, their ultimate benefits are economic. In fact, opportunities

identified via networks tend to generate greater relative incomes and are rated more highly. This may be linked with the fact that these opportunities can be exploited and developed more rapidly. Nonetheless, social ties can only provide access to international and valuable opportunities to a certain point. Opportunities found based on networks are constrained by communication horizons because there are geographic, physic and linguistic distances. What is more, whenever an entrepreneur focuses solely on social ties to go cross-borders, he/she is losing access to potentially valuable opportunities.

Entrepreneurs tend to choose markets where they already have apt exchange partners (Ellis, 2011). Still, it may be the case that an entrepreneur has limited personal or inter-business networks, thus having to find international opportunities using other methods. Ellis (2011, p. 110) identified these methods as:

“(1) formal search methods, which are characterized by the evaluation of information about potential exchange partners acquired either from formal sources (e.g., official trade-promoting agencies) or via formal data collection methods (e.g., proprietary market research); (2) fair-based methods, which rely on meetings at trade fairs and other market-like settings (e.g., exhibitions, conventions and trade missions); and (3) advertising-based methods, where exchange partners are identified on the basis of advertising and other forms of impersonal promotion (e.g., corporate websites, publicity, sponsorships, industry directories)”.

Besides opportunity recognition, networks are vital for transferring knowledge. Social network theories suggest that the utility of knowledge obtained from partners is dependent on the novelty and reliability of the knowledge (Yu et al., 2011). Also, if a firm fails to gain knowledge, it will find increased difficulties to internationalize.

#### **II.2.2.2 External support**

SMEs may resort to external support when they want to overcome barriers related with lack of information, internal capabilities or financial resources. The external support may be related with hiring new managers with previous international experience (Holmlund and Kock, 1998) and contacting with consultancy services or government support services (Hutchinson et al., 2006; Leonidou, 2004).

In their study of retailer SMEs Hutchinson et al. (2006, p. 264) found that “different levels of government services or consultancy support were found to aid their expansion overseas by providing access to market knowledge, research, and contacts in the foreign market”. Leonidou (2004), on the other hand, poses that there several governmental agencies that can

aid SMEs financially and help them understand the procedures and documentation necessary for exporting.

### **II.2.2.3 Brand identity**

In their study of retailer firms, Hutchinson et al. (2009) found that company brand was considered an asset by firms. As a result, it was not only a stimulus for internationalization but also the basis for building a competitive advantage in foreign markets. The authors noticed that company identity allowed firms to move for farther geographies, regardless of cultural complexities. Nonetheless, if firms want to succeed they must recognize internationalization barriers concerning cultural complexities and understand how their brand identity fits with the consumer culture in these markets.

### **II.2.2.4 Niche characteristics**

Having niche characteristics helps SMEs surpass barriers related to cultural complexity, specifically at the stage of market entry (Hutchinson et al., 2009) This is because when a firm possesses niche characteristics it does not need to change or adapt its products to the host market. In fact, the host market searches for the product given its specificities.

### **II.2.2.5 Technology**

Fletcher et al. (2004) stress the effects of the appearance of the Internet in the internationalization of SMEs. In fact, with it SMEs can have access to relevant information from foreign markets, communicate with foreign customers, distributors, suppliers and possible partners. Thus, firms can start exporting relatively fast.

### **III.2.2.6 Alliances**

The last resource used by SMEs to overcome barriers is the establishment alliances. A special focus will be given to alliances given the research question of this thesis.

## **II.3 Strategic Alliances**

Gulati (1998, p. 293) defines strategic alliances “as voluntary arrangements between firms involving exchange, sharing, or codevelopment of products, technologies, or services”. Similarly, for Stuart (1998, p. 668) they are “contractual asset pooling or resource exchange agreements between firms”. These alliances can take the form of joint ventures, franchising, marketing and licensing contracts, reciprocal trade agreements, R&D partnerships, long-term supply agreements, joint production, membership in research consortia (Das and Teng, 2001; Lavie, 2006), and cooperatives, i.e. “any type of alliance formed by producers for their mutual

benefit” (Gall et al., 2006, p. 26). Researchers have attributed various advantages of alliances (Stuart, 1998). They stress the possibility of organizational growth, facilitation of learning and acquisition of knowledge, and gain of status and legitimacy.

When it comes to internationalization, a SME has essentially three partner choices: firms from the host country, the home country or third countries (Makino and Delios, 1996). Alliances prove to be particularly important because they “can help SMEs overcome shortages of capital, equipment and other tangible assets” (Lu and Beamish, 2001, p. 570) during the internationalization process. Similarly they can provide knowledge on foreign markets and streamline the firm’s learning process and help avoid mistakes. Therefore, “entering into alliances and having access to alliance partners’ resources offers a potentially efficient way to overcome deficiencies in an SMEs’ resource and capabilities” (Lu and Beamish, 2001, p. 570). Additionally alliances present an opportunity for firms to share and possibly reduce risk when entering new markets (Das and Teng, 2001).

### **II.3.1 Resource-Based View**

In trying to understand why strategic alliances between firms are formed, different views arise and overlap. One of these is the resource-based view which focuses on the various resources possessed by a firm (Das and Teng, 2000). Resources are all tangible or intangible advantages and strengths that a firm has (Eisenhardt and Schoonhoven, 1996). More specifically they can be the know-how, capital, reputation (Eisenhardt and Schoonhoven, 1996) and all types of assets, organizational processes, knowledge and capabilities that are owned or controlled by a firm (Barney, 1991). Each firm has its own resources that are not perfectly mobile or imitable, thus firms can rely on their resource base heterogeneity to attain a competitive advantage (Das and Teng, 2000). In this sense, what a firm has determines what it can accomplish.

The resource-based view applies to strategic alliances since resources represent both the needs and the opportunities for the establishment of alliances (Eisenhardt and Schoonhoven, 1996). This is, “alliances form when firms are in vulnerable strategic positions for which they need additional resources that alliances can provide to compete effectively, or when firms are in strong social positions such that they have the resources necessary to know, attract and engage partners” (Eisenhardt and Schoonhoven, 1996, p. 138; Gulati, 1995). The more differentiated the resources and capabilities between firms, implying that each firm has resources that the other lacks, the higher the probability that they will become allies (Gulati, 1995). A firm is considered to be in a strong social position when it is large, well-connected and has a high

status top management team (Eisenhardt and Schoonhoven, 1996). On the other hand, a firm can be considered to be in a vulnerable social position when it is exposed to a new market, has many competitors or has a pioneer technology. Strong social positions lead to the establishment of alliances because of the personal networks of the actors that allow for opportunity recognition and ensure that there is knowledge and trust among the potential allies. Vulnerable social positions, associated with poor personal networks, do not allow for opportunity recognition and firms do not benefit from status and good reputation, at times being forced to remain alone.

Eisenhardt and Schoonhoven (1996) argue that firms cooperate when the payoff of cooperating exceeds the one of continuing alone. High payoffs in alliances are especially likely when firms are in vulnerable social positions. Consequently, weak firms are more likely than strong firms to establish alliances (Park et al., 2002). Stuart (1998) speculates that the benefits of alliances with lower-prestige firms to higher-prestige firms have to do with the different levels of bargaining power that each one has. Higher-prestige firms are at an advantage because they are the ones with power to give legitimacy to the lesser-known firms' actions. For this reason, higher-prestige firms are the ones who set the terms of the alliances and can, consequently, gain access to resources easier than if the alliance was being established between two higher-prestige firms. Still, firms – lower-prestige firms included – will only form alliances when the expected gains of the alliances are bigger than the costs of creating and managing them (Gulati, 1995).

### **II.3.2 Network and Competition View**

Using a different line of reasoning Park and Zhou (2005) argue that a great number of alliances are formed without instant economic benefits. Instead the goal is to “prevent potential losses from being left out of alliance activities” (Park and Zhou, 2005, p. 533), which is especially true for weak firms. In a market with a limited number of opportunities and resources, firms need to establish partnerships to gain access to the opportunities and resources. Otherwise other firms and alliances strengthen their competitive position and become more effective and efficient at capturing the opportunities and resources that are crucial for firms' functioning (Park and Zhou, 2005). Entering an alliance, enables a firm to both survive competition and enforce tougher competition on others (Silverman and Baum, 2002). As the number of alliances increases, the number of potential allies for a firm decreases. This way, while strong firms can delay the decision of entering a network because they can catch up effortlessly, weak firms may not be able to catch up if they do not enter an

alliance (Park and Zhou, 2005). Alliance formation is thus motivated both by the expected competitive gains of the alliances and by the possible losses from being left out and, consequently, losing competitiveness. Garcia-Pont and Nohria (2002) introduce the concept of mimetism: firms start by observing the actions of those who are more similar to them and attempt to match their strategic moves. This suggests that the alliances formed in a given period are not independent from the number of alliances formed previously (Garcia-Pont and Nohria, 2002; Gulati, 1995; Stuart, 1998). And as more firms form alliances, the bigger the pressure for the remaining firms to do it too (Garcia-Pont and Nohria, 2002). This constitutes a bandwagon effect: as rivals form alliances, there is a pressure for the firm to follow the same path so that it does not become competitively disadvantaged. On the formation of alliances, Gulati (1995) stresses that beyond a given point, additional alliances between the same firms decrease their chance of future alliances. This is explained both by the fear of overdependence and by the fact that with time the informational benefits of the repeated alliance diminish. What is more, firms that have not formerly been allied are more prone to do it if they have a common partner.

In his study of the high-technology industry, Stuart (1998) poses that when firms occupy crowded positions – many firms concentrating in an area of specialty, becoming undifferentiated – they form alliances more frequently. Garcia-Pont and Nohria (2002) share the same viewpoint: the rate of alliance formation depends more on the density of alliances of the niche group than on the industry as a whole. The reason for this is that firms can better internalize know-how from firms that are similar to them (Stuart, 1998). What is more, there is a bigger chance of complementary knowledge and duplication of efforts in developing a certain technology, for example, can be avoided.

### **III. Methodology**

In this chapter the methodological approach employed in this thesis is presented, initially from a general standpoint and after in a more concrete way.

#### **III.1 General methodological approach**

This thesis was conducted using a qualitative research approach. The aim of the thesis is to gain in-depth knowledge about how associations in a given industry can help small and medium-sized enterprises in their internationalization process, as well as what the barriers faced by these firms are. Little empirical research has been done on this topic, especially when considering associations in the exporter country and when considering the specific case of Portugal. With this in mind, it makes sense to use a qualitative research approach since “qualitative work can provide rich nuance about empirical phenomena, whether by extending prior research or exploring new contexts” (Bettis et al., 2015, p. 637), which is the case of this thesis. Moreover, the use of qualitative research can make it easier to document information with a higher level of detail.

This thesis approached the qualitative method using a case study. According to Yin (1989, p. 23) a case study is “an empirical inquiry that investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used”. Thus this method is employed because it allows for a more in-depth investigation, consequently leading to a better understanding, in comparison with other methods, of the real situation. More specifically, the method used was an exploratory single-case study since the case presented is, to some extent, unique and because the object of study was accompanied in several points in time (Yin, 2013). For Sekaran (1992) the benefits of using an exploratory case study are particularly positive when one wants to attain deep understanding of the phenomenon at study and does not have a great deal of knowledge on it.

Given the research question, the object of study of the case study had to be an association with roots in Portugal that had helped or was in the process of helping small and medium-sized enterprises in their internationalization processes. APOMA – Associação de Produtores de Ovos Moles de Aveiro fulfilled all the requirements and was thus selected as the object of study.

### **III.2 The concrete methodological approach**

Patton (2002) states that the principal sources of evidence in the qualitative research approach are in-depth and open-ended interviews, direct observations and written documents. With exception of direct observation these were the sources used.

Primary data was collected essentially by using a book published by APOMA about its origins and history and by conducting interviews. Initially, two interviews were done through skype with José Francisco Silva and Rui Almeida, president and vice-president of APOMA, respectively. Although the interviews had a guideline there was also room for spontaneity resulting in the gathering of very useful and relevant insights. These first interviews were done with the purpose of understanding the history and context of creation of APOMA, have a perception of what the interaction between the association and the SMEs is, and what were the actions developed until the present moment as far as internationalization is concerned. An additional interview was done with technician Patrícia Naia personally in order to have a deeper understanding of the themes previously discussed. This interview proved to be truly insightful since themes were discussed from a different perspective and new important information was obtained.

Later, skype interviews with a focus on the internationalization process were conducted. Again these were with the president and vice-president of the association. The goal was to gain knowledge about the actions that have been and will be developed so as to promote and help in the internationalization of the SMEs associated to APOMA. Since both the president and vice-president are also owners of two of the pastries associated, questions were asked to understand what the benefits of internationalizing with help of the association are from the standpoint of producers. In this sense, a written interview was also conducted with Lia Gomes, owner of a pastry associated to APOMA. Consulting of newspaper articles was useful to confirm information and dates of events both in the case of primary data and in the specific case of the internationalization process.

The different sources used were consistent among them, being relevant in the process of triangulation. Triangulation is described as a “method of cross-checking data from multiple sources to search for regularities in the research data” (O’Donoghue and Punch, 2003).

Before actually going into the process of internationalization, the history of APOMA and its creation are put forward in the case study. Similarly some actions that have been developed by the association are reported. By doing this, the case study is written in accordance with Pettigrew's (1990) view that an analysis must be contextualist. A contextualist analysis considers both vertical (interdependences between deeper and more superficial levels of analysis) and horizontal (sequential interconnectedness among events) levels of analysis and their interconnections through time. In fact, context influences greatly current and future actions, either in the course of maintaining or changing them. In order to understand the context, I resorted to chronologies. More specifically I established two chronologies with the help of Office Timeline: one focused on the creation of APOMA and on the process of certification of Ovos Moles and another one focused on internationalization.

Given that this thesis has an exploratory approach, the coding was done in a way to help to answer the sub-research and research questions. These questions concerned the challenges faced by SMEs when internationalizing. Thus, after doing the interviews and their transcription, I looked for the challenges identified by the interviewees and coded them. For example, interviewees mentioned that it was hard to export the product given its expiration date. As a consequence, the category "expiration date" was included in the coding. Having identified all the challenges I proceeded to understand if and how the association helped overcome them, again with the help of interviews.

Table 1  
Extract of coding table

<b>Quotes</b>	<b>Challenges</b>
<b>José Francisco Silva:</b> "Up to this moment the exports were mainly made to shops that worked by orders because of the expiration date of Ovos Moles."	
<b>Patrícia Naia:</b> "Until now exportation was very little given the expiration date of Ovos Moles."	Expiration date
<b>Rui Almeida:</b> "An impediment for the exportation of the product was its expiration date."	

## **IV. Case Study**

The present chapter reveals relevant data on the association studied. I start by introducing the product. Later I explain the association and its origins as well as what its actions have been up until this moment. Finally, an emphasis is put on the internationalization process.

### **IV.1 The History of Aveiro's Ovos Moles**

Produced for over 500 years, according to José Francisco Silva, president of APOMA, this pastry is immersed in certain sacredness. It all started thanks to the no waste policy of convents. At the time it was usual for the people to offer chickens to the nuns. They would use the egg whites to iron clothes and the egg yolks remained as leftovers since they perished quickly and were of no use. Also by this time, Portugal gained the status of biggest sugar producer. The fact that this commodity was extremely valuable and prestigious earned it the designation of “white gold” and allowed monarchs to grace religious institutions with it. The Convent of Jesus de Aveiro, founded in 1462, was one of these institutions. The great quantities of sugar and eggs, together with the difficulty to preserve food products, transformed convents into institutions with great vocation for culinary, and, more specifically, pastry. In fact, the nuns of this convent would go against their vows and sell meals and pastries – Ovos Moles included – to families outside the convent. They were later forbidden to perform these worldly tasks and, thus a secret involving the production and consumption of this pastry inside convents rose.

Ovos Moles only started to be produced outside the convent in the nineteenth century, quickly becoming famous throughout the country. A proof of their reputation lays on the fact that they appear in a number of literary and artistic works, for example, in Eça de Queiroz's book “Os Maias”.

The recipe of Ovos Moles has had few adjustments throughout time. This pastry continues to be made essentially out of sugar, egg yolks, and water with no added preservatives or coloring agents. This mix creates a sweet egg cream that is later wrapped in a wafer sheet, equal to the communion wafer. The wafer sheets have the shape of marine elements – shells, fishes, whelks, mussels – because Aveiro is a land of fishermen. They may also come in the shape of walnuts, chestnuts and acorns. Additionally, the sweet egg cream is sold in small wooden barrels that have paintings of boats and other motifs of Aveiro's Ria. After some experiences,

a variation of the original recipe emerged and now chocolate Ovos Moles (Ovos Moles with a cape of chocolate) are also produced.

## **IV.2 The Creation of APOMA**

The birth of APOMA – Associação de Produtores de Ovos Moles de Aveiro was driven essentially by two distinct but inseparable events that happened within the same time frame and had the same protagonists (APOMA, 2013).

The first one happened in May of 1998, when Confraria Gastronómica de São Gonçalo gathered some producers in order to protect the genuineness of the recipe and the traditional way of producing Ovos Moles. Since Ovos Moles had been produced for centuries now, and there was a great deal of producers, each using a different recipe, there was fear that the original recipe would be lost. It was necessary to understand what the recipe that best represented Ovos Moles was. After some meetings the challenge of protecting the recipe gained strength, and, as a consequence, some producers of this pastry partnered up with University of Aveiro to start the process of qualification of Ovos Moles. This occurred from October 1999 to November 2001 and included a characterization of the product at the physical-chemical, microbiological and sensorial levels. This process is further explained in the following section.

The second event has to do with the growing realization by Aveiro's producers that the manufacturing of Ovos Moles was increasing throughout the country. The matter at question was that the pastries were being sold under the name "Ovos Moles" - that were widely known to come from Aveiro -, but were not produced in the region and little was known about their quality – there could be both pastries of great and questionable quality being sold as the same product. In the eyes of Aveiro's producers this could represent an imminent threat for the reputation of Ovos Moles, and, consequently, for its commercialization. For this reason, and since at the time there was no protection mechanism, the group of producers, also involved in the process of protecting the original recipe, initiated the process of protection of the "Aveiro" name next to the Ministry of Agriculture. The request for protection could only be sought by a grouping of producers whose volume of production was representative of the market. In this context, APOMA was established on the 6th of October of 2000.

### **IV.2.1 APOMA – Associação de Produtores de Ovos Moles**

APOMA is a not-for-profit organization. It does not produce Ovos Moles, instead it works as the regulating entity of the sector and helps the producers connect to the market, acting

sporadically as an intermediary. Additionally, it played the main role in the qualification process of Ovos Moles that are currently a Protected Geographical Indication.

The association was created by 11 founder companies, including both Ovos Moles producers and producers of wafer sheet. Nowadays, it has 42 companies associated. The companies that produce Ovos Moles de Aveiro are mostly micro and small companies. The businessmen of the sector tend to have few or no specific educational qualifications and little training in the food area. Nonetheless they have the know-how that is fundamental to be in the industry. The SMEs associated to APOMA are companies that freely requested certification, that comply with the legislation for food security, present a capacity to grow and a financial capacity (that is verified through accounting documents of the firms such as balance sheets and the results report) and show a sincere interest in producing more and better with the goal of contributing to the reputation of the product in the regional and national market, and, in some cases, the internationalization of the product.

### **IV.3 The Process of Certification of Ovos Moles**

#### **IV.3.1 The Characterization of Ovos Moles de Aveiro**

The process of certification of Ovos Moles first started with their characterization in University of Aveiro (APOMA, 2013). Before the establishment of APOMA, when the process first started, its goal had mainly to do with defining the recipe of the pastry. Yet, after the establishment of APOMA, new reasons arose. There were several producers operating in the market, each one with their own recipe. At the time, the president of the association posed himself the question “How do we create value for Ovos Moles? Is it preferable that every producer works by himself or to have different producers, manufacturing the same product and following specifications on who the suppliers should be and how the product should be produced, packaged, and commercialized?”. If the goal was to protect the pastry and, consequently, create the common brand “Ovos Moles de Aveiro” it did not make sense to have one product in theory, but several products in practice. Therefore there was a need to adopt a single recipe, that would translate into a tasty product that presented a high level of quality, and that resembled, as much as possible, the original recipe.

The product was thus characterized at the physical-chemical, microbiological and sensorial levels. For this purpose, the oldest and more reputed producers in using traditional modes of production were invited to give samples of the sweet egg cream of their Ovos Moles to be analyzed. All samples were tested at the chemical level. What is more, the producers were

invited to taste the different samples and to assign them a rating based on organoleptic characteristics. This taste panel was used to identify the sweet egg creams which should be considered as a reference. At the end, a canonical correlation between the results of the chemical analysis and the results of the taste panel was run. After the analyses, they were able to reach the optimal recipe for Ovos Moles.

For the process of characterization of Ovos Moles, a partnership with Turismo Centro de Portugal was established to understand the historical context of Ovos Moles. Additionally, APOMA was assisted by Ministry of Agriculture to read what the documents that needed to be gathered to start the process of protection were.

#### **IV.3.2 Protected Geographical Indication**

In order to be able to certify and protect the product the next step was to create a specifications notebook. In its specifications, APOMA included all the requirements from the European Union (EU, 2012, p. 9).

The goal of APOMA was to protect the name “Aveiro” for Ovos Moles in the communitarian area as a Protected Geographical Indication (PGI) and to manage the use of the PGI (APOMA, 2013). The Protected Geographical Indication “covers agricultural products and foodstuffs closely linked to the geographical area. At least one of the stages of production, processing or preparation takes place in the area” (“Geographical indications and traditional specialities - Agriculture and rural development,” n.d.). To do so, a set of steps had to be taken. The first one was in 2004 when the request for registration and transitory national protection to the Portuguese Minister of Agriculture, Rural Development and Fisheries was made. In March 2006 dispatch 5062/2006 was published in Diário da República and the name “Aveiro” was recognized as geographical indication for Ovos Moles and transitory national protection was granted. With this national protection, the products that fulfilled the requirements laid out in the dispatch (producing according to the specifications and being submitted to audits to access if they were complying with the specifications, among others (Diário da República - II Série, 2006)) could use the logotype of Ovos Moles de Aveiro and include de words “Geographical Indication”.

In January 2006, the formal request for protection and the specifications were referred to the European Commission. The decision for the final registration had to be taken by all state-members of the European Union and by third countries, whether they were or not members of the World Trade Organization. On the 7<sup>th</sup> of April of 2009 the Regulation 286/2009 was

published in the Official Journal of the European Union, declaring Ovos Moles de Aveiro as a Protected Geographical Indication. The process of protecting the name next to the European Community was at last completed.

As of 2009, APOMA is also responsible for managing the use of the PGI. In this context, its main responsibilities are listed below (APOMA, 2013):

- Issue specification that includes the production process of Ovos Moles, the suppliers of raw materials, and expiration dates;
- Propose alterations to the specifications;
- Ensure compliance with the specifications. For this purpose, APOMA subcontracts a firm that audits the producers;
- Apply sanctions to the producers that violate the norms established in the specifications, use abusively of certificates (by including false references that may mislead consumers), and to those who fail to comply with the corrective actions applied after the checks. These sanctions may be in the form of written warnings, suspension of the certification contract or withdrawal of the certification contract;
- Authorize the use of PGI to the producers who request it (for this purpose, the producers must have production facilities in the designated geographical area, respect and comply with the specifications, accept to be submitted to auditing activities by an external entity, implement Hazard Analysis and Critical Control Point (HACCP) System, and comply with legislation);
- Monitor the presence of falsifications in the market and report it to the competent authorities;
- Ensure the quality, reputation and authenticity of the product in the market;
- Take actions in order to ensure an adequate protection for the protected designation of origin or the protected geographical indication, as well as of the related intellectual property rights;
- Perform information and promotion activities so that the consumer can be informed about the qualities that distinguish the product;
- Develop complementary activities to guarantee that the product is produced according to the specifications notebook;
- Take initiatives that have the potential to value the product and stop the ones that have the potential to threaten the image of the product;

*How can joining an association of producers help SMEs internationalize? The case of APOMA – Associação de Produtores de Ovos Mole de Aveiro.*

- Take actions that improve the system, this is, develop economic competences, perform economic analysis, and share economic information about the system and about the counseling given to producers.

The product Ovos Moles de Aveiro – PGI is in the market as qualified product since the 1<sup>st</sup> of July of 2010. In the traditional products sector, this was the first confectionary product to be qualified in the European Community. According to the individual records of the 18 producers associated to APOMA, in the first year (July to December 2010), 75 tons of product were certified in the Portuguese market, translating into a sales revenue of 1,250,250 euros. In 2012, 22 producers manufactured 135 tons of certified product, translating into a sales revenue of 2,560,000 euros (APOMA, 2013). In the last years the production levels have remained the same, which is positive considering that the overall Portuguese pastries sector saw its production being reduced by between 30% and 40%. Only in 2015, did the production of Ovos Moles increase again, in total 161 tons of product manufactured by 26 producers. This translated into a sales revenue of 3,381,000 euros.

According to article 13 of Regulation (EU) No 1151/2012 (2012) a registered name is protected against imitations, the use of the registered name by a product that is not included in the registration and misleading indications regarding the origin of the product. Nonetheless, there is still a great deal of counterfeiting of Ovos Moles. Rui Almeida, vice-president of APOMA, alleges that fighting counterfeiting and make the entrusted authorities to take action is probably the main challenge of the association. At the end of 2015 the association started the process of protection of the tridimensional shapes of Ovos Moles next to the European Union. José Francisco Silva stresses that this is the step that is missing for the association to be able to fight the counterfeiting of Ovos Moles.

#### **IV.3.3 Ovos Moles de Aveiro – A Common Brand**

By registering the name and gaining protection at community level, the common brand “Ovos Moles de Aveiro” was created. The producers continue to work separately but are now selling under a name that has potential to be stronger than before. A proof of this lies in the fact that in 2004 Ovos Moles were sold for 10€ per kilo and currently they are sold for around 22€ per kilo. Patrícia Naia, technician at APOMA, explains that the price to the consumer increased as a result of the increase of the quality of the product and of the promotional actions developed before the protection was obtained. An effort was made so that the costs of protecting Ovos Moles would not translate in an increase of the price to consumers. More recently the possible

increase in prices has to do with the cost of raw materials and with the costs arising from the daily business activities of producers.

The new common brand reflects in the packaging of Ovos Moles. The packages are the same for every producer and there are specific packages for the ultra-frozen and not frozen products. The packages for ultra-frozen products are especially directed at the international market while the packages for not frozen product are directed for the national market. Each package includes the mention “Ovos Moles de Aveiro – Indicação Geográfica Protegida”, the communitarian logotype of PGI, the logotype of Ovos Moles de Aveiro, the certification brand and the product’s origin. By having common packages for the not frozen product, producers saw the cost per package (without VAT) decrease from 36 cents to 9 cents and 14 cents (for packages of 250 grams and 500 grams respectively), attaining, this way, an economy of scale. The goal was to also attain economies of scale when buying packages for the international market. With this in mind, the association gathered a list of potential markets outside the European Union and studied their different regulations regarding packaging so that a common package could be created. The group of producers was thus able to buy the packages for the ultra-frozen product for 17 cents instead of 60 cents (both excluding VAT).

As a result of the common brand, there is less confusion from the consumer standpoint. Before, when a consumer bought the product, there was a probability that it would be of poor quality. If that was the case, probably the consumer would not buy it again. What is more, there were several products being sold under the name Ovos Moles that were manufactured in different ways depending on the producers. Both the president and the vice-president of APOMA refer this is what is happening nowadays with the Portuguese traditional egg tart, and while they had great proliferation throughout the world, their quality level is far from homogeneous. As of the moment of certification of Ovos Moles, the consumer knows what he is buying, what to expect of the product and is sure of its the quality. In other words, he can have confidence in his purchase. In fact, more and more consumers search for the certification brand and, in national fairs they tend to prefer the package of the grouping than the one of the individual producer because they already recognize the quality of the brand Ovos Moles de Aveiro.

#### **IV.4 The Internationalization Process**

In this section a separation is made between internationalization before and after the change in the specifications. This is because before the change in the specifications, exportation of Ovos

Moles was virtually impossible given their expiration date. Thus, during this time, APOMA's efforts were mainly directed to the promotion of the pastry. Only after the change in the specifications could more substantial actions be taken.

#### **IV.4.1 Actions for internationalization developed before the change in specifications**

Given the low expiration date of the product at the time of certification (21 days), exporting was a challenge to the SMEs associated to APOMA. Ovos Moles could only travel to very close distances and it was not possible for producers to respond to large orders, given that the production process is very traditional, that some of the producers do not have a large productive capacity, and due to the impossibility of product storage. This way, in 2012 only 2% of the total production of Ovos Moles was directed to the international market (APOMA, 2013). The main markets served were Spain, France, Luxembourg, Belgium and Switzerland and producers would send the product abroad individually. Internationally Ovos Moles were mainly being sold in delicatessen stores and in stores that work by orders. Additionally they were being sold in traditional markets that are popular among the Portuguese such as San Miguel Market in Madrid.

The problem of the expiration date started being faced through a partnership with University of Aveiro (APOMA, 2013). Several tests were made with the goal of increasing the expiration date of the product, without compromising its physical, sensorial, and microbiological characteristics. The solution found was to ultra-freeze Ovos Moles, being that this process must obey to specific steps (both in ultra-freezing and unfreezing of the product). By ultra-freezing Ovos Moles, they gained an expiration date of six months. This change in one of the phases of the production process had to be submitted and approved by the European Community. Thus in 2012, APOMA submitted the request for the change of the specifications that would allow for the ultra-freezing of the product. The change in the specifications would also allow the use of chocolate as a cover to the wafer sheet, the change of the sequence of the production process, so that it can allow the separation of the egg yolks from the egg whites mechanically, and the use of controlled atmospheres for product preservation (APOMA, 2013).

As far as the expiration dates of the product are concerned, when the product is preserved using controlled atmospheres, it has an expiration date of 21 days; when it has a chocolate cape and is conserved at the advised temperature it has an expiration date of 60 days; and when it is ultra-frozen its expiration date is of six months (APOMA, 2013).

With the request for the change of the specifications filed and the belief that soon the producers would be able to start exporting Ovos Moles with an extended expiration date, APOMA started engaging in promotional activities that could facilitate internationalization. One of these promotional actions took place for a month during UEFA EURO 2004 Championship that was hosted by Portugal. APOMA joined TAP and vowed to distribute Ovos Moles to every passenger in every medium and long haul flights that were coming to the championship. Inside the plane passengers were also given leaflets about Ovos Moles and their history and a video was shown promoting Ovos Moles and the Aveiro region. What is more, in the executive lounge demonstrations of the product were made and Ovos Moles were offered to the executives together with a wine. This proved to be a demanding process given the strict food safety issues involved. Each lot of Ovos Moles that went inside the planes had to be analyzed to check if the specifications were being met. The minimum product defect, either in terms of chemical composition or physical appearance, was reason enough for the lot not to enter the plane. In total, one ton of Ovos Moles was distributed. With this, APOMA's goal was to introduce the pastry to the world. Besides accomplishing the proposed objective, this action was particularly important for the producers to understand the level of exigency and rigor that entering foreign markets entail and had a positive impact on the level of quality of the product.

Excluding big sporadic actions, APOMA invested essentially in two ways of promoting the product to the international markets: fairs and demonstrations. Considering fairs, APOMA started by participating in an average of four with international impact per year. One of these was Alimentaria Exhibitions in Barcelona in 2012, where the great investment made translated into the establishment of several contacts and possible contracts. To perform the demonstrations the association would often contact Portuguese embassies and consulates abroad and tell them that they would like to have access to some of the best restaurants in town to make a presentation about wines and pastry. They would then proceed to do the demonstration and would have someone manufacturing Ovos Moles live. A presentation would also be made and people would have the chance to try the pastry together with Portuguese wine. From here, commercial agreements surfaced. The last time APOMA did this type of demonstration was in Barcelona in 2013. The association also made a demonstration in the European Parliament in November of 2014. They were included in the Portuguese delegation and for three days presented the product. Even though the tasting was more

oriented to the members of the European Parliament, some commercial contacts were established.

As time went by, contrary to expected, APOMA started realizing that the approval of the change in the specifications was not coming soon. Consequently it did not make sense to keep investing in demonstrations and fairs since the product's expiration date continued to be an impediment to exportation. Adding to this, the fact that the contracts made had to be suspended indefinitely – i.e. until ultra-freezing was allowed – could damage the reputation of the product, the producers and the association. All in all, APOMA decided to stop with the promotional actions until approval of its request was given. The request for the change in the specifications was accepted in September 2015 with the publication of Regulation 2015/173 in the Official Journal of the European Union (Notícias de Aveiro, 2015). Still, only on the 1<sup>st</sup> of December of 2015, were the producers allowed to export ultra-frozen Ovos Moles (Mundo Português, 2015).

From that moment on, the producers have been acquiring the ultra-freezing equipments, testing them and learning how to handle them. Eventually all will be audited. This adaptation phase did not allow for a great increase in exports during 2015, thus during this period exports (of unfrozen product) amounted to 2% of total production.

With the change in the specifications, both APOMA and the producers could start engaging in more substantial activities in order to increase exportation of Ovos Moles.

#### **IV.4.2 Actions for internationalization developed after the change in specifications**

As of the moment of the change in the specifications Ovos Moles' producers have two ways of exporting the product: independently or through the association. Typically, the producers establish the commercial contracts by themselves and export alone. APOMA only interferes when the volume of the order is so big that a producer alone cannot satisfy it or when a potential buyer asks the association to mediate the transaction so as to ensure the quality of the product and of the transaction itself. In the cases where APOMA mediates the transaction, i.e. orders are placed directly to it; it is responsible for managing the purchase of the product, the technical specifications and ensuring compliance with legislation – as in the case of TAP. Faced with a large order, the association determines what is the group of associates that have the conditions and capacity to export the product (besides the production capacity, they must have a special license to be able to export) and that may be interested in doing so. Once the list of available producers is found, APOMA supports them in everything that they may need

during the production process and send the product to the client. By acting in this way, the association helps both the bigger and the smaller producers. The impact is particularly beneficial to the smaller producers who, in a different scenario, would not have the conditions necessary to export. The association defends a type of economy that can offer opportunities for micro, small and medium producers.

Although this year some producers have started doing their promotion individually, by participating in fairs, to the date APOMA still has not engaged in promotional activities. Nonetheless, it is already preparing its return to international fairs and demonstrations. It will be present in 2016's Feira Internacional de Artesanato de Lisboa. Although this is a national fair, it is visited by buyers from all over the world and the association already has meetings scheduled with a number of potential international buyers. APOMA will also do demonstrations in the Portuguese and European Parliaments this year. In the case of the European Parliament, unlike previous editions, the focus will be solely on Ovos Moles. The association plans to take 100kg of product to the showing and to partner with a wine or sparkling wine brand. José Francisco Silva stresses that the importance of these actions lays on the fact that renowned gastronomy social communication from all over the world and chefs are present and networks can be established.

In the present year, APOMA has been focusing particularly on potential commercial agreements; however these actions are still involved in great secrecy. It considers that once the protection of the tridimensional shapes of Ovos Moles is finished (which will happen in the next months), most of the conditions necessary to export ultra-frozen product are fulfilled. The other conditions have to do with the existence of an aggregated production capacity to supply the market and that there is a good distribution network. Without the registration of the tridimensional shapes, there is a bigger margin for counterfeiting and if the firms manufacturing counterfeited product realize the potential of international markets and start exporting before APOMA does, there is a risk that the international market will think that the counterfeits are the real product.

José Francisco Silva states that currently there is high demand for Ovos Moles. Therefore, the challenge that the association faces is not trying to find buyers but selecting them. Selecting buyers involves the association going to their countries to ensure that they gather the necessary conditions to import and distribute the product respecting the cold chain. With that

purpose it has to audit warehouses, vans and stores. APOMA is currently preparing the entrance of Ovos Moles in two great markets: Brazil and USA and Canada.

#### **IV.4.2.1 The Brazilian Market**

A challenge to the internationalization of Ovos Moles has to do with the fact that it is a traditional and cultural product. As Rui Almeida highlights Portugal is the only country in Europe in which sweet egg cream is used in desserts in great amounts. For this reason, the task of taking the product abroad, to non-Portuguese communities proves to be a hard one. Contrary to what happens in Europe, in Brazil, particularly in the south, sweet egg cream is also used in desserts. Motivated by this information in 2014, APOMA participated in Fenadoce, in the state of Rio Grande in Brazil. During 15 days the association manufactured the product live, promoted it and had meetings with universities of the region. APOMA not only had the confirmation that there is an affinity between the countries as far as pastries are concerned, but also that Brazilian buyers are willing to purchase the product for a price that is the double or triple of the one practiced in Portugal. After this fair, APOMA started being contacted by several Brazilian trading firms interested in commercializing Ovos Moles. As a result, the association is now in the process of protecting the brand in all federations of the country. For José Francisco Silva, this is a market with great potential that, in one or two years, may represent exports of 50 tons per year.

#### **IV.4.2.2 The American and Canadian Markets**

APOMA initiated the protection process of Ovos Moles in the USA and in Canada in the beginning of 2015. Although in these markets, the brand does not find direct competitors, the process of protection is long because of the high exigencies of the markets and due to the fact that they are very protective of national firms. From the demonstrations that APOMA has done in the North American market, it realized that people were not fond of the more simple Ovos Moles. As a result, it changed its strategy and started introducing chocolate Ovos Moles, together with Porto wine. Porto was already a brand well-known by them, thus it would facilitate the introduction of the pastry. In turn, the fact that Ovos Moles were covered in chocolate proved to be more appealing to the market.

At the moment, APOMA is working with eighteen people in these markets so as to perform market studies and promote the product. Likewise, it is working with lawyers in distribution contracts. For the association this is a market that has tremendous potential.

*How can joining an association of producers help SMEs internationalize? The case of APOMA – Associação de Produtores de Ovos Mole de Aveiro.*

Both in the Brazilian market and in the North American market, APOMA is working as an intermediary for the exportation of Ovos Moles. It is not only preparing the markets from a legal standpoint, but also ensuring that the distribution networks are of good quality. Eventually it will also start mediating the purchases. When asked about other important markets to invest in the future, José Francisco Silva answered that at the European level the focus will be in France and Switzerland, where there is a great Portuguese community. Nonetheless, the markets that truly make him happy are the Brazilian one and the North American One.

## **V. Findings**

In this chapter the findings concerning SMEs challenges to internationalization and how the association helps overcoming them are presented simultaneously. For each challenge or group of challenges identified, an explanation of how APOMA positively interfered is provided.

### **V.1 Informational barriers**

#### **V.1.1 Orders**

APOMA helps its affiliates to identify customers abroad. Through it, producers have gain access to orders that otherwise they would not. This is especially true in the case of small producers, as José Francisco Silva and Patrícia Naia explain. Some buyers make orders, by contacting the association directly thus ensuring the high quality of Ovos Moles. The association then proceeds to divide the order among several producers. Patrícia Naia explains that by “dividing the orders among producers we can help small and big producers at the same time. But the biggest advantage is for the small producers.”

### **V.2 Functional barriers**

#### **V.2.1 Internal competencies**

Going back to the beginning, APOMA was created because there was a great deal of bad quality product in the market. Its creation thus led to the protection of Ovos Moles, first at national level and then in the communitarian space, and also to the adoption of a single recipe of superior quality by all producers. “This meant an improvement of the quality of the product manufactured by several producers” as Patrícia Naia notes. The technician explains that in addition to having an impact on the product quality level, APOMA went deeper and helped the firms evolve by organizing them. Firstly, it interfered in the process of licensing of some companies that needed support. It was also a facilitator making firms understand legal requirements regarding their general functioning and, more specifically the ones related with food security, and comply with them. More so APOMA helped firms implement HACCP - Hazard Analysis and Critical Point Control, a system that deals with food security and that became mandatory in 2006 (ASAE, 2007).

Additionally, Patrícia Naia stresses that "APOMA gives training to business man in management and training to all employed in food security, customer service, management, languages and food hygiene and security".

### **V.2.2 Method of production**

APOMA's influence was felt in the production processes as well. The method of production is an issue for the producers because "the product is still manufactured greatly by hand" as José Francisco Silva explains. In the words of Rui Almeida this means that "it would not be easy to have a quick response if there was a great increase in orders". Investments had to be made in several firms so as to improve their production process and the association accompanied the firms during the process, helping in the adoption of the improved processes and indicating the right way to do it in the specific case of each producer. One example has to do with the process of separating egg whites from egg yolks. With the increase of orders, some producers did not have the capacity to conduct the process internally. APOMA interfered by establishing a long-term contract with a firm that does the separation mechanically. The producers can now buy egg yolks directly to this supplier for a pre-established price and the association is responsible for auditing the supplier to ensure the quality of the raw material.

### **V.2.3 Costs and investments**

Being associated to APOMA made it possible for SMEs to attain economies of scale when buying Ovos Moles' packages. José Francisco Silva explains that with the adoption of common packages and their joint purchase, "there was a price reduction that was enough to cover the costs of the certification and HACCP, among others". To be able to develop a common package for ultra-frozen Ovos Moles, the association alone invested €5,000 to study the regulation of the target markets. In the end the cost of the packages of not-frozen product is 9 cents (250 grams) and 12 cents (500 grams) (previously it was 36 cents) and the cost of the packages of ultra-frozen product is 17 cents (previously it was 60 cents).

The impact in terms of investments is also positive. Patrícia Naia reveals that this happens firstly, because "general investments are split among producers according to their level of production, i.e. the impact of the investment costs is the same for every producer". Naturally, if firms were not associated to APOMA they would have to invest alone and assume all costs. Secondly, "as the majority of the investments are done under the name of the association, the value of the investments tends to be smaller. This happens because associations tend to have benefits when compared to firms".

### **V.3 Marketing barriers**

#### **V.3.1 Expiration date**

The expiration date of the product was identified by José Francisco Silva, Patrícia Naia, and Rui Almeida as one of the main impediments for Ovos Moles to be exported ("Up to this moment the exports were mainly made to shops that worked by orders because of the expiration date of Ovos Moles.", "Until now exportation was very little given the expiration date of Ovos Moles.", "An impediment for the exportation of the product was its expiration date.", respectively). Attempting to overcome this challenge APOMA established a partnership with University of Aveiro to find a way to increase the expiration date of the product without compromising it. The solution found was to ultra-freeze the pastry, which can be considered an innovation. This step could be taken by an SME alone, although it would probably result in substantial higher costs. Furthermore, it can be presumed that this SME would be a big producer since a small producer would not have the resources, the production capacity and thus probably the interest in going abroad.

#### **V.3.2 Promotion**

Promotion can be said to start with the protection of the brand and thus creation of the common brand. In the field of promotion APOMA has been responsible for taking Ovos Moles to several international fairs and national fairs with high visibility. Similarly, it organized multiple exhibitions abroad in restaurants and in the European Parliament. These actions are important because they allow for networking and, consequently, for future orders. Although these actions could be undertaken by producers alone, certainly it would be with increased difficulty, given the great costs involved and the complexities associated with organizing them. What is more, if organized by a producer alone it can be assumed that it would most probably be a big producer with some resources than a small producer. Lia Gomes, producer associated to APOMA, discloses that from her standpoint "the biggest advantage of being associated to APOMA has to do with promotion and dissemination of the brand Ovos Moles next to foreign people".

The promotional activities developed helped consumers gain awareness of the brand Ovos Moles in a way that, at least in the national market, consumers tend to look and prefer the common package created by APOMA than the one of individual producers, as it shows that the product is certified. What is more, there was a valorization of the product that translated in an increase of the price to the consumer.

### **V.3.3 Distribution**

As José Francisco Silva poses "the problem of APOMA is not not having people to sell to. It is selecting them. We have to check if the importers have the necessary conditions to import the product, for example if they have a good cold chain. We have to ensure that the distributor is not going to mistreat the product". This way, by joining APOMA producers can be sure that, at least in the orders mediated by the association, the distribution channels are of good quality and will not compromise the characteristics of the product.

### **V.4 Task barriers**

#### **V.4.1 Culture**

Being a very cultural product, there is lack of knowledge of Ovos Moles in the foreign markets. What is more, given the different cultural habits and preferences, the product was not having acceptance in some markets. Answering this problem, APOMA "had to make an adjustment and introduced chocolate Ovos Moles instead" in some markets, as José Francisco Silva points out.

#### **V.4.2 Counterfeiting**

One of the first actions undertaken by APOMA was registering Ovos Moles at the communitarian level, thus protecting it. It must be stressed that this is a step that could only be taken by a grouping of producers (APOMA, 2013); a single player in the market could never do it. This step is particularly important because it has not only the potential to eliminate disloyal competition but also to add value to the product. Consequently, it is a substantial action considering the goal of internationalization. At the moment, the association continues investing in protection, being in the process of registration of the tridimensional shapes in the EU and in the process of protection of the brand and recipe in Brazil, USA, and Canada. This is because "we fear that if producers of counterfeited product realize the potential of international markets they go there before us and then the client thinks that that is the real product" as explained by Rui Almeida.

### **V.5 Procedural barriers**

#### **V.5.1 Bureaucracy**

Since the beginning of the process of protection of Ovos Moles, APOMA had to deal with great bureaucracy. An example of this was the time that passed since the request for protection became public till the acceptance of Ovos Moles as PGI: 5 years. Also outside the communitarian space the association faces bureaucracy. José Francisco Silva states that "the

*How can joining an association of producers help SMEs internationalize? The case of APOMA – Associação de Produtores de Ovos Mole de Aveiro.*

process of protecting the product in every state of the US and Canada one year and a half ago". Rui Almeida adds that "it is hard to enter some countries because of the customs". Regarding this subject one can assume that the bureaucracy faced by a single producer or by an association is somewhat similar. The difference lies in the fact that the association can exert more pressure due to its size. That happened with the request for the changes in the specifications. The process was taking more time than expected, but because APOMA had some important orders it pressured the competent entities to rush the process.

## **VI. Discussion**

In this section the findings and literature review sections are crosschecked to understand if this case study's findings are consistent with the literature.

Crossing the findings and literature review section, one can understand that the challenges faced by the SMEs in the case study are consistent with the barriers to internationalization identified by Leonidou (2004). More specifically the common internal barriers identified are informational, functional, marketing, and task barriers. The external barriers identified are procedural. All the barriers mentioned may not be shared by all the firms associated to APOMA. What is more, firms with fewer resources may face more barriers than firms with more resources.

From the case study, it is also possible to understand that APOMA helped firms by forming more alliances (for the production process) and by establishing networks itself (in the promotional actions developed).

Finally, concerning the literature about alliances, one can consider the association as a cooperative. Furthermore, it can be argued that firms join APOMA because of resources and not competition. Firms join the association because it has resources that may help them evolve and not necessarily because others are doing the same. In this case, an alliance for a firm does not mean fewer potential partners for another firm. In fact, every producer of Ovos Moles is associated to APOMA and new producers can also join.

## **VII. Conclusion**

The research questions of this thesis – “What are the barriers faced by SMEs when internationalizing?” and “How can joining an association help SMEs overcome these barriers?” - were fully addressed through the case study. The findings obtained allowed to understand some of the difficulties faced by the SMEs in question and how these were overcome with the help of an association, i.e. APOMA.

Crossing the findings and literature review sections some main conclusions can be withdrawn. Firstly, internationalization is at reach of all firms, including SMEs. Nonetheless, SMEs may be more prone to experience some challenges when trying to internationalize. These challenges are due to both internal and external factors. However, it can be said the SMEs in the case study experienced more internal barriers. All of these barriers can be surpassed with resource to networks, external support, brand identity, niche characteristics, technology, and alliances. In this specific case they were surpassed with resource to an alliance. Joining the association allowed firms to overcome both barriers that were and were not described in the literature. APOMA had a positive effect on the firms to it associated on various levels: organization of firms, training, understanding legislation, costs, investments, legal protection of the product, increase of expiration date, promotion, and getting orders.

This study has mainly two limitations. Firstly, it is limited to one context in one specific country. In fact, it focuses on the internationalization of Ovos Moles, which is, for itself, a very unique product. Joining an organization with the purpose of internationalizing other products, even if they are pastries, may be totally different and present other challenges. Additionally, if we consider joining an association in a different country, differences may also arise. The second limitation has to do with the fact that it was only possible to obtain the insight of one exporting producer. It can be the case that if more exporting producers were interviewed new and different data would arise.

Given this, it would be interesting to apply these same research questions to different scenarios. This is, associations of other natures in other countries trying to internationalize a different type of product.

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*How can joining an association of producers help SMEs internationalize? The case of APOMA – Associação de Produtores de Ovos Mole de Aveiro.*

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## IX. Appendix

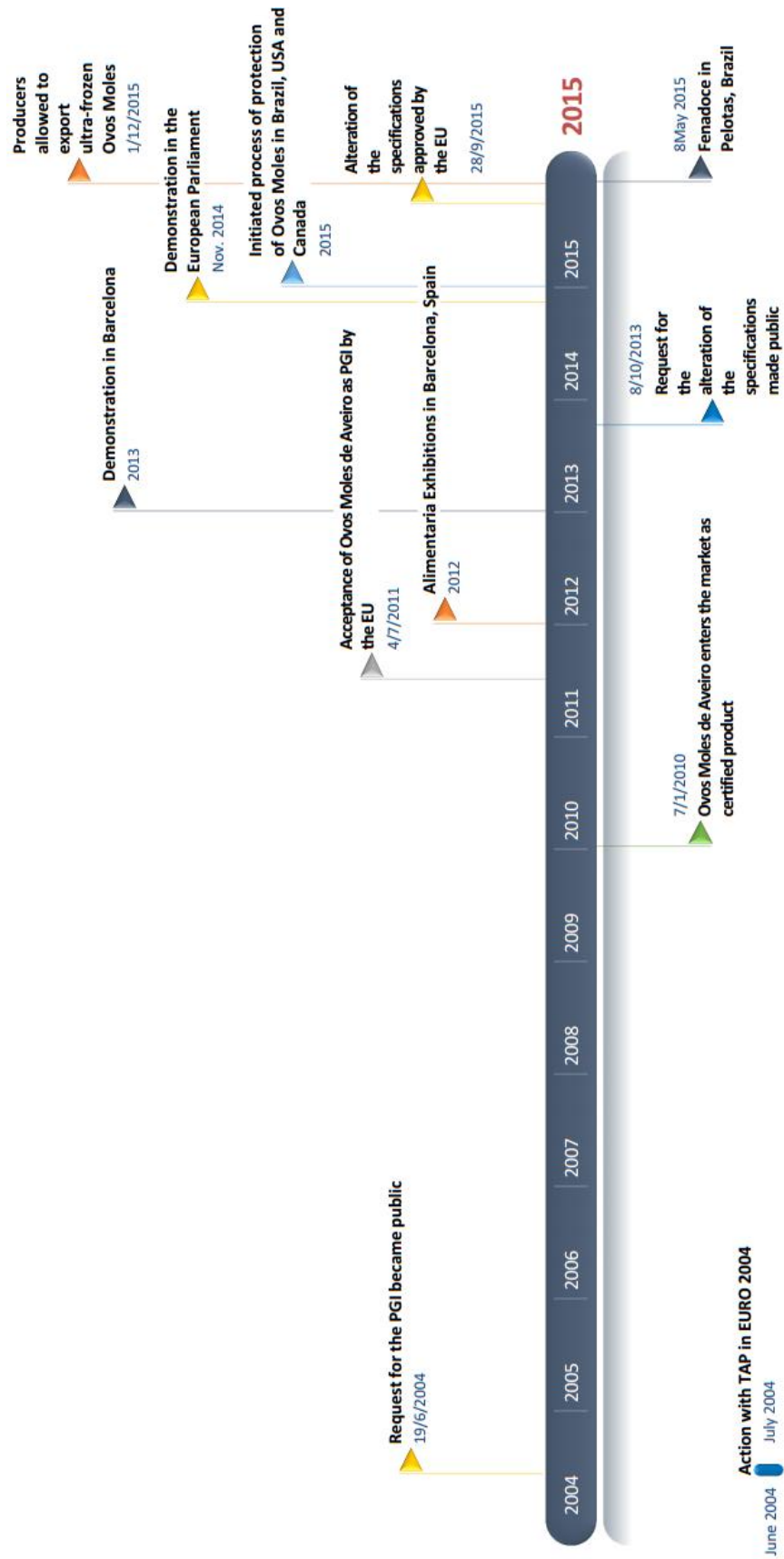
### Appendix 1: Chronological analysis

#### Creation of APOMA and certification of Ovos Moles



How can joining an association of producers help SMEs internationalize? The case of APOMA – Associação de Produtores de Ovos Mole de Aveiro.

## The internationalization process



## Appendix 2: Table: Coding

Quotes	Challenges
<p><b>José Francisco Silva:</b> "We started the process of protecting the product in every state of the US and Canada one year and a half ago."</p>	<p>Bureaucracy in America</p>
<p><b>Patrícia Naia:</b> "The Brazilian market demands special authorizations for the producers to be able to export."</p>	
<p><b>Rui Almeida:</b> "It is hard to enter some countries because of the customs."</p>	
<p><b>José Francisco Silva:</b> "We started the protection the tridimensional shapes in the EU seven months ago."</p>	<p>Bureaucracy in the EU</p>
<p><b>José Francisco Silva:</b> "The study of the packaging cost €5,000. It was paid by the association because it is for everyone. The big producer probably did not need this, but the small producers did not have the capacity to do it alone." "Regular packages cost 36 cents plus VAT and packages for ultra-frozen product cost 60 cents plus VAT. But because they are buying through the association, the cost for regular packages is now 9 cents (for packages with 250 grams) and 12 cents (for packages with 500 grams) plus VAT and 17 cents plus VAT for the packages for ultra-frozen product." "There was a price reduction that was enough to cover the costs of the certification and HACCP, among others". "Going to fairs represented a big cost to producers. By going to the fairs together with APOMA and having a common brand there was a decrease in costs for producers." <b>Patrícia Naia:</b> "Being present in international fairs represents a big investment." "APOMA made an effort so that the costs of certification would not translate into an increase of the price to the consumer." "As the majority of the investments are done under the name of the association, the value of the investments tends to be smaller. This happens because associations tend to have benefits when compared to firms." "General investments are split among producers according to their level of production, i.e. the impact of the investment costs is the same for every producer."</p>	<p>Costs and Investments</p>

**José Francisco Silva:**

"We want to start exporting when we have the guarantee that when we find counterfeited product we can react judicially."

**Rui Almeida:**

"The great challenge of APOMA is to fight counterfeiting. If a person tries bad quality counterfeited product for sure will not want to buy it again." Counterfeiting

"We fear that if producers of counterfeited product realize the potential of international markets they go there before us and then the client thinks that that is the real product."

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**José Francisco Silva:**

"In North America the product was not having acceptance, they found it too sweet. So we had to make an adjustment and introduced chocolate Ovos Moles instead."

"In North America Ovos Moles have more acceptance because they have been sold together with Porto wine, which is a more known brand."

**Lia Gomes:**

"The biggest advantage of being associated to APOMA has to do with promotion and dissemination of the brand Ovos Moles next to foreign people." Culture and

**Rui Almeida:**

"One of the great difficulties is the fact that people do not know the product, it is not in their culture." lack of knowledge

"In Portugal I do not eat sausages, but when I go to Germany I do because it is part of the culture there. When I come back I go back to not eating them because it is not ingrained in our culture. The same happens with Ovos Moles."

"Portugal is the only place in Europe that uses sweet egg cream in the way we use it, this is, in great quantities."

"We have to do a lot of promotion."

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**José Francisco Silva:**

"Up to this moment the exports were mainly made to shops that worked by orders because of the expiration date of Ovos Moles."

**Patrícia Naia:**

"Until now exportation was very little given the expiration date of Ovos Moles." Expiration date

**Rui Almeida:**

"An impediment for the exportation of the product was its expiration date."

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**José Francisco Silva:**

"The product is still manufactured greatly by hand. When we have to produce great quantities, the association contacts the producers and each producer manufactures what he can."

**Patrícia Naia:**

"Eggs have to be produced in the geographical area. APOMA evaluates the possible suppliers and then gives a list of the suppliers to the producers. The producers can only choose from that list." Method of production

**Rui Almeida:**

"The product is still manufactured greatly by hand and there are few authorized

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suppliers of raw materials so it would not be easy to have a quick response if there was a great increase in orders."

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**José Francisco Silva:**

"The problem of APOMA is not not having people to sell to. It is selecting them. We have to check if the importers have the necessary conditions to import the product, for example if they have a good cold chain. We have to ensure that the distributor is not going to mistreat the product."

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Quality of partners

**José Francisco Silva:**

"Big producers do not need APOMA's mediation, but small ones also have the rig to produce."

"In specific orders we will gather a group of producers, otherwise it would only l for two or three big producers. The goal is to give opportunities to small producers.

"The study of the packaging costed €5000. It was paid by the association because is for everyone. The big producer probably did not need this, but the small produce did not have the capacity to do it alone."

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Size of producers

**Patrícia Naia:**

"By dividing the orders among producers we can help small and big producers at the same time. But the biggest advantage is for the small producers."

**Rui Almeida:**

"Being associated to APOMA it is possible to have access to a series of services that alone small producers would have difficulty to access."

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**Patrícia Naia:**

"APOMA gives training to business man in management and training to all employed in food security, customer service, management, languages and food hygiene and security."

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Training

**Appendix 3: Table: Data sources and use**

<b>Data Source</b>	<b>Type of Data</b>	<b>Use in the Analysis</b>
Written documents	<i>Book published by APOMA</i> that provided information about the context in which APOMA was created and its actions in recent years.	Understand the context in which the association was created and the impact that its actions had in the process of internationalization of SMEs.
	<i>Pieces of News in Newspapers</i> that provided information about APOMA's actions and included interviews to its members	Gain more knowledge about APOMA's actions and confirm information given in interviews.
Interviews	<i>Preliminary Interviews (3)</i> with the president, vice-president and technician of the association to investigate APOMA's history and events anteceding internationalization.	Familiarize with the organization context.
	<i>Focused Interviews (3)</i> with the president, vice-president and technician of the association and two producers of Ovos Moles to understand how the association helped SMEs internationalize.	Investigate the processes used by APOMA to help SMEs in their internationalization processes.

**Appendix 4: Table: Leonidou’s barriers to exporting and how APOMA helped SMEs overcome barriers to exporting**

<b>Leonidou’s barriers to exporting</b>	<b>How APOMA helped SMEs to overcome barriers to exporting</b>
Informational	<i>Orders:</i> helps affiliates finding clients abroad. When it gets orders it divides it by the producers, giving opportunities both to big and small producers.
Functional	<i>Internal competencies:</i> APOMA helped companies organize themselves, implement the HACCP system, improve the quality of the product, and gives training to all employees of the affiliated SMEs. <i>Method of production:</i> to streamline the production of SMEs, the association helped implement improves processes of production and established a partnership with a firm that separates egg yolks from egg whites mechanically. <i>Costs and investments:</i> APOMA allowed SMEs to attain economies of scale when buying the packages. The value of investments is split among producers evenly. What is more, because the investments are made under the name of the association, there are benefits in terms of the value of the investments.
Marketing	<i>Expiration date:</i> by establishing a partnership with University of Aveiro, APOMA was able to increase the expiration date of Ovos Moles, making it easier to export them. <i>Promotion:</i> APOMA participated in several international fairs and prepared international exhibitions of the product

which were important to raise awareness of the product in international markets. What is more, these actions help build networks and obtain future orders. Because the promotion is done by the association, the cost to producers is smaller.

*Distribution:* the association ensures that the distribution channels are of good quality and do not compromise the characteristics of the product.

Procedural      *Bureaucracy:* Although it cannot overcome the problem of bureaucracy per se, the association can pressure the competent entities to rush the processes.

Governmental      NA

Task      *Culture:* the association realized that the product was not having acceptance in some markets and thus adapted the product to them.  
*Counterfeiting:* APOMA protected the product at the communitarian level, is in the process of protecting the tridimensional shape in the EU and is protecting Ovos Moles in Brazil, USA, and Canada. All of this is being done to ensure that only the original product can be sold in these markets.

Environmental      NA

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*How can joining an association of producers help SMEs internationalize? The case of APOMA – Associação de Produtores de Ovos Mole de Aveiro.*

#### **Appendix 5: List of APOMA associates with GPI certification**

<b>Empresa</b>	<b>Cidade</b>
Carlidoce - Ministro e Santos, L.da	Aveiro
Carlos Alberto Dias Saraiva	Aveiro
Confeitaria Padaria Coza Nova , l.da	Ílhavo
Confeitaria Peixinho	Aveiro
Eurodoce -Messias de Jesus Pequeno	Aveiro
Fabridoce - Doces regionais, l.da	Aveiro
Padaria e Pastelaria Quintãs, Lda.	Aveiro
Padaria e Pastelaria Riapão	Aveiro
Padaria Galeota - Travelho e teixeira, l.da	Ílhavo
Padaria Pastelaria Flor de Aveiro, L.da	Aveiro
Padaria Pastelaria Latina	Aveiro
Padaria Pastelaria Lusitana	Aveiro
Padaria Pastelaria Massasvougá	Sever do Vouga
Pastelaria Avenida	Aveiro
Pastelaria Diva	Águeda
Pastelaria Flor do Vouga Lda	Águeda
Pastelaria Rossio	Aveiro
Pastelaria Sta Joana, L.da	Aveiro
Pastelaria Tricana de Aveiro	Aveiro
Pastelaria Veneza - tavares e Santos, l.da	Aveiro
Moliceiro dos Sabores	Aveiro
Rainha de Aveiro - Pastelaria Hotelaria, l.da	Aveiro
Rosa Liria Soares	Aveiro
Silvina Raimundo	Aveiro
Venepão- Irmãos Vinagre	Aveiro

## **Appendix 6: Requirements of the European Union for the specifications:**

As required by the European Union (EU, 2012, p. 9), in its specifications, APOMA included:

- a) “the name to be protected as a designation of origin or geographical indication, as it is used, whether in trade or in common language, and only in the languages which are or were historically used to describe the specific product in the defined geographical area;
- b) a description of the product, including the raw materials, if appropriate, as well as the principal physical, chemical, microbiological or organoleptic characteristics of the product;
- c) the definition of the geographical area delimited with regard to the link referred to in point (f)(i) or (ii) of this paragraph;
- d) evidence that the product originates in the defined geographical area;
- e) a description of the method of obtaining the product and, where appropriate, the authentic and unvarying local methods as well as information concerning packaging, if the applicant group so determines and gives sufficient product-specific justification as to why the packaging must take place in the defined geographical area to safeguard quality, to ensure the origin or to ensure control, taking into account Union law, in particular that on the free movement of goods and the free provision of services;
- f) details establishing the following:
  - (i) the link between the quality or characteristics of the product and the geographical environment;
  - (ii) or where appropriate, the link between a given quality, the reputation or other characteristic of the product and the geographical origin;
- g) the name and address of the authorities or, if available, the name and address of bodies verifying compliance with the provisions of the product specification and their specific tasks;
- h) any specific labelling rule for the product in question”.