



- A case study of how Norwegian companies in the maritime sector perceive Portugal's competitiveness, a strategic perspective -

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A case study of how Norwegian companies in the maritime sector perceive Portugal's competitiveness, a strategic perspective

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Abstract

The purpose of this study is to better understand Norwegian firms' perception of the Portuguese strengths and weaknesses as a destination for Foreign Direct Investment (FDI). The focus will be on the Norwegian maritime industry, more specifically shipbuilding, repair and services. The first and uttermost importance of the study is to understand why Norwegian companies that have not invested in the Portuguese maritime industry might be reluctant to, and how the government can be advised to avoid similar pitfalls in the future. The single case study approach is utilized to understand the different aspects of the research questions. The data collection was performed through primary and secondary data. Three interviews were conducted with knowledgeable actors in the Norwegian maritime industry. The findings indicate there are areas for improvements and areas that can be further utilized and developed. The geographical location, natural resources, highly educated personnel, governmental emphasis, and excess capacity are found through primary and secondary data collection to be favorable aspects in the Portuguese maritime industry. The lack of skilled workers in production, regulatory complexity, macroeconomic instability, and difference in prosperity level between the Norwegian and Portuguese maritime industry, are found to be potential distortions. Recommendations are to develop the maritime industry through focus and regional development.

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INTRODUCTION

Liberalization of investment regulations, deregulations of nations, the outgrowth of information technology, and higher mobility of both products and people have accelerated the internationalization of both investments and trade. This has increased competition for companies in their “home markets” and they have started to look abroad. The internationalization of businesses have caused movement of capital over international boundaries, and as companies started to invest abroad the academic sphere got interested in the topic of FDI. In numerous studies have found that FDI is positively related to economic growth in a country.

The purpose of this study is to better understand Norwegian firms’ perception of the Portuguese strengths and weaknesses as a destination for Foreign Direct Investment (FDI). The focus will be on the Norwegian maritime industry, more specifically shipbuilding, repair and services. The first and uttermost importance of the study is to understand why Norwegian companies that have not invested in the Portuguese maritime industry might be reluctant to, and how the government can be advised to avoid similar pitfalls in the future. There is a strong belief in literature that companies do not only invest in foreign destination to save costs or enter potentially big markets. Companies are also believed to act on the basis of access to resources, both tangible and intangible, and in the recent years, the focus has diverged from the access to natural resources to the access into intangible networks of knowledge sharing and network externalities. This focus is embraced in the focal study, where I expect that the perception of the Portuguese competitiveness is not only affected by costs, natural resources and/or market size, but also by a numerous other factors. FDI is understood as an investment by a company in a foreign country with the purpose of establishing a long-termed relationship. This investment should be part of the strategic plan of the investor.

The paper is structured as follows: first, a review of literature in the field of international strategy and the competitiveness of nations and regions. Secondly the research methodology of a qualitative single case study will be theorized. Third the data collection and results will be discussed and evaluated. Lastly there will be concluding remarks and recommendations.

1.1 The research question

The understanding of why Norwegian firms might be reluctant to invest in the maritime sector in Portugal, and how they perceive the business environment in the country is the aim of this study. To best understand the focal topic the research questions are outlined in advance:

How do Norwegian organizations in the maritime industry perceive Portugal as a potential destination for FDI? What do the same organizations see as the biggest issues facing them in Portugal if they decide to invest? How can the government approach these issues?

2.0 LITERATURE REVIEW

A literature review is conducted to illuminate the most important and relevant literature in the field of international investments and competitiveness. It is done to direct research in the right direction, choose the best research method, specify what is explored, understand theoretical constructions, and collect appropriate data (Yin, 2011). Hence it is utilized based on the desire to conduct sound empirical research with roots in theory. In addition the literature review ensures that the work has not been done previously, so that the researcher can enhance the knowledge in a field instead of replicating it (Eisenhardt and Graebner, 2007).

This literature review will present the major strings of theory connected to the research questions. The topic of the dissertation is FDI and the perception and choice of location for it. Hence, the review will elaborate on both international strategy and competitiveness of nations, regions, and sectors. In the last section of the literature review two frameworks are selected and both the interview guide and findings are constructed according to them.

2.1 International Strategy: A matter of location

The understanding of where theory derives from can guide the literature review in the appropriate direction. Theories of international trade originated before FDI and stem from the early and well-known thinkers like Adam Smith's absolute advantage, Ricardo's comparative advantage, and Heckscher-Ohlin with their H-O model (Sills and Merton, 1968). Since them, there have been numerous developments in the field of international trade and international strategies.

The importance for a company to have a sound international strategy in an increasingly interconnected and internationalized world is growing (Ricart et al., 2004). Liberalization of investment regulations, deregulations of nations, the outgrowth of information technology, and higher mobility of both products and people have accelerated the internationalization of both investments and trade. This has increased the importance and influence of multinational enterprises/corporations (MNE/MNC) and their take on international strategy is extensively investigated and studied (Flores and Aguilera, 2007, Dunning, 1998, Meyer et al., 2011, Yip, 1989).

One of the first and most influential works on firms' decision to engage in FDI was written by Aharoni (1966). He emphasized numerous aspects in companies' internal and external sphere affecting the decision to invest, and saw the investment as a complicated strategic decision. As globalization became increasingly prevalent, scholars started to look into what global firms actually are, if they really are global (Rugman and Verbeke, 2004), and what generates their choice of location. Ricardo's theory on comparative advantage was one of the first theories aimed at investigating foreign locational choices based on differences. It suggested that internationalization and choice of location is based on the relative cost levels and resource access and performance (Dunning, 1998). Vernon (1966) suggested to include investigations of the role of innovation, economies of scale, uncertainty, and ignorance in trade. Further he proposed that country/region specifics matter and characteristics of tariffs, political situations, and current and future threats in the market can be important influencers for location decisions.

Since Vernon (1966) many scholars have thrown themselves into the work and many differences in locations concerning their attractiveness have been detected and investigated. Cost advantages are today seen by many as short-run incentives. Tax benefits and other financial advantageous schemes have limited impact on the location choice in the long run as they are not differentiated characteristics of a locations, hence do not lead to sustainable competitive advantage (Wheeler and Mody, 1992, Porter, 1990, Delgado et al., 2012, Porter, 1996).

The differences in locations are found to range over numerous factors, however, most studies seem to pay attention to culture, administration and regulation, geographic, and economical differences, in one way or another (Ghemawat, 2001, Ghemawat, 2003, Dunning, 1996, Maskell and Malmberg, 1999, Porter, 1990, Flores and Aguilera, 2007). As an elaboration of the four, scholars also emphasize the existence of regional clustering or agglomeration of specific economic activity (Knickerbocker, 1973, Caves, 1974, Dunning, 1996, Porter, 2000). Further, a study done by Flores and Aguilera (2007) of 100 US MNCs between 1980 and 2000 provided empirically tested evidence that determinants of locational choice can be divided into economical drivers (revenue, market size and costs) and institutional-cultural drivers (political system, legal system, culture and degree of trust), which summarize the extent of the research mentioned.

2.2 Locational choices determined by motivation

The strategic decision to invest in a foreign location is not only based on the location itself, but also on the motivation for the investment (Vernon, 1966, Dunning, 1998, Flores and Aguilera, 2007,

Nachum and Zaheer, 2005). Following the Resource Based View's (RBV), the firm must have valuable, rare, imperfectly imitable and non-substitutable resources (VRIN) in order to gain and sustain competitive advantage (Barney, 1991). Hence, investment in VRIN can be one potential driver for the desire to cross borders. Second, the investment can be made to save cost through lower wages, transportation and input costs (Yip, 1989). Third, the motivation can be the gain of transaction cost advantages by for instance integrating an external relationship (Williamson, 1991). Last, the size of the potential market in the region, the moves of competition, and the availability of competent partners will influence the choice of location (Dunning, 1996). To understand the motivation for the investment abroad is important to understand which FDI determinants affect the company's choice. There are very different influencers on FDI decisions whether the company seeks efficiency gains or knowledge transfer (Nachum and Zaheer, 2005).

2.3 Competitive advantage

Competitiveness is a term which has been elaborated by influential scholars through numerous studies. Few will dispute that competitive advantage is at the core of how a business becomes and stays successful. Most scholars agree that the core concept of competitive advantage relies upon the notion of being differentiated. As Porter (1996 p.64) puts it: “(...) *the essence of strategy is in the activities – choosing to perform activities differently or to perform different activities than rivals. Otherwise, a strategy is nothing more than a marketing slogan and will not withstand competition*”. With this in mind, the decision to invest and/or the perception of a foreign country by a business or its community is based on the hunt for differentiated advantage.

2.3.1 National competitiveness

Many studies find that FDI flows are positively related to economic growth (Borensztein et al., 1998, Balasubramanyam et al., 1996, Alfaro et al., 2004) . Thereby, increased inward FDI becomes an important factor in the work towards higher living standards (Balkyte and Tvaronavičiene, 2010) and is therefore of substantial importance to the development of a nation. It is generally recognized that enhanced competitiveness in a country will increase the flows of trade and FDI. Research on the competitiveness of nations stems from the work on regions and geographic relevance (Boschma, 2004) and the research is extensive (Martin and Sunley, 2003, Porter, 1990, Balkyte and Tvaronavičiene, 2010, Lawson and Lorenz, 1999). National competitiveness has been defined by Delgado et al. (2012 p.2) as “*the expected level of output per working-age individual, given the*

overall quality of a country as a place to engage in productive economic activity". This means that the nation's competitiveness is highly influenced by the country's overall quality. The authors suggest a division of influences on national competitiveness into macroeconomic and microeconomic factors as competitiveness is closely linked to economic performance. There are three macroeconomic influencers: social infrastructure, political institutions, and the monetary and fiscal government. Further, the microeconomic drivers are "*focused on specific attributes of the national business environment*" (Delgado et al., 2012 p.3) such as functions and policies which directly affect the state of doing business in the nation (e.g. ability to innovate, risk of doing business, time to start a business etc.). Porter (1990) elaborates on this and states that "*A nation's competitiveness depends on the capacity of its industry to innovate and upgrade. Companies gain advantage against the world's best competitors because of pressure and challenge. They benefit from having strong domestic rivals, aggressive home-based suppliers, and demanding local customers*" (Porter, 1990, p.73). Hence, the competitive state of a nation is additionally seen to be dependent on the firms' and industries' ability to innovate and both Porter (1990) and Furman et al. (2002) sees this ability to be created and facilitated by the government's policies and the decisions of the private sector.

2.4 Selecting a framework

There are several frameworks offered to analyze countries' differences and their competitiveness. Based on the literature read, I have selected to focus on two frameworks which seem aligned with the aim of the study. They will enable me to construct the study according to the literature. In addition, the authors and their constructs are heavily cited and highly recognized. The two frameworks are Porter's diamond and Ghemawat's CAGE. They are useful in the development of the research; they direct my interview guide and give direction to the data collection and analysis by providing theoretical constructs to categorize the findings.

2.4.1 Porter's diamond

Through a longitudinal, multi-case study approach conducted over 4 years with a team of 30 researchers Porter (1990) tried to establish why investments in some nations might be more internationally attractive than others, and more specifically, why nations are successful in different industries. The research focused on major industries in strong export nations and aimed at finding reasons for their competitive advantage. The result was "The diamond framework" (See Appendix

10.1.1). The diamond presents a paradox as it emphasizes the importance of regions and borders in a world where most scholars agree that regional boundaries to competition is diminishing (Porter, 2000). Further it contradicts many of the prevalent views that companies succeed due to beneficial economies of scale, interest rates, taxes, and exchange rates, and that the government should subsidize national industries. On the contrary, the diamond framework emphasizes the need for companies to be pressured by fierce competition, strict regulations, high environmental and safety standards etc. to innovate and invest to cope with international competition.

There are several linkages in a business environment that the diamond captures such as intra-firms, governments and institutions. As shown in the literature review, not only the nature of business will affect the state of an economy, hence linkages are important to facilitate cooperation and enhancement. Additionally they are seen as profound for efficiency and for innovation as they can generate network effects on knowledge sharing, co-production, supplier quality, joint efforts towards research etc. Porter (1990) captures these linkages through four interconnected, interdependent and reinforcing influences which are modeled like a diamond where all the four “spikes” are connected to each other. The four are set out to answer why industries in specific nations are successful, and why they are able to innovate, change and succeed. Each of the four and the diamond as a system is supposed to influence international competitive success. If one or more points are particularly strong, and the industry investigated belongs to a specific region, economic activity can be said to be clustered. In such a cluster connections and links are stronger, rivalry fiercer, and opportunities are larger.

These are the four factor inputs:

- 1. Factors (inputs):** tangible, but specialized and scarce assets. Nations that can create and sustain valuable input factors relatively better than other nations, and be productive, has according to Porter (1990) a competitive advantage. For a factor to be valuable it must be specialized to the needs of the industry. The factor conditions involve infrastructure, natural endowments, institutional efficiency, human resource, and financial capital.
- 2. Demand conditions:** The nature of the demand in the home market and the presence of sophisticated demanding customers. According to Porter (1990) it is not enough for a country to have demand for its products and services. The demand should be sophisticated and specialized. When the home market gives early indications of changes in international demand and demanding customers pressure for innovation, companies are forced to upgrade and meet the pressure, which makes them better prepared for competition.
- 3. Related and supporting industries:** The presence of sophisticated internationalized

suppliers and related firms and organizations. An industry is dependent upon competitive suppliers and related industries to compete internationally. These suppliers and organizations should be located close to customers and each other to take advantage of a close fruitful and innovative cooperative relationship. The firms up and down the stream in a supply-chain can share knowledge and ideas and benefit from specializing their services (Porter, 1990). The benefits from related and supporting companies and institutions are excelled when there exists an geographical clustering of these organizations (Lawson and Lorenz, 1999, Porter, 1990).

- 4. The context for firm strategy and rivalry:** Rules, incentives, and norms governing the competition, is strongly influenced by factors like the investment climate and the policies towards competition. According to Porter (1990) companies are shaped and influenced in their creation, organization, goal achievement and management by the nature of their home country. Different industries works best with different management and organization techniques, hence different countries will have different industries that are prosperous and should also focus their effort into these industries. The existence of rivalry and a fierce competitive environment in the domestic market will according to Porter (1990) pressure companies to upgrade to stay ahead. This pressures companies to upgrade and change continuously, which can make them internationally competitive and industry leaders.

Porter (1990) also argues that the diamond can be strengthened by the government. A government that enforces strict regulations, high standards and rules, and rewards technology development is seen to enhance the competitiveness of a nation. At the same time it should not try to manage industries and protect them against competition. The diamond framework is influential and Michael Porter has been consulted by the OECD, The World Bank, governments such as Portugal, and regional development agencies, to identify and develop regional clusters where the diamond is the competitive driver (Martin and Sunley, 2003).

However, Porter's diamond framework and cluster analogy has not gone unopposed. Martin and Sunley (2003) call the cluster concept "chaotic" as there are no clear boundaries, neither in industry-linkages nor geographical areas. They suggest that policy-makers and researchers might use the diamond and cluster concept with extensive assumptions and own perceptions of where the boundaries are. As the diamond and cluster concept can be shaped to involve the things the observer wants it to be it might obscure the nature of the research or the aim of the political reforms. Further, Cartwright (1993) points out two important aspects for this study. Firstly, selecting a framework

like the diamond makes the researcher focus on dimensions in the framework to back up the findings. This leads to selection bias and exclusion of other important measures. Second, the home-based, domestic focus on competition, industry links, and demand, leaves the international market for export-oriented nations like Portugal completely out. These critiques are important to keep in mind. The selection bias is especially dangerous as the findings might be constructed to fit a researcher's presumptions and important influencers might be overlooked. Moreover, it is important to remember that Portugal is a rather small export oriented economy and has opportunities to utilize international markets. Hence, international potential markets and industry links should be kept in mind when performing the diamond analysis.

Despite the critiques, the framework is relevant for this dissertation. Knowing the potential pitfalls makes them smaller. The Porter Diamond is useful for the evaluation of country-specific aspects of success or failure. It will provide meaning in evaluating and assessing the findings of the study and will support the categorization of the data collection.

2.4.2 Externalities and CAGE

The cost of doing business in foreign markets is often highly underestimated, and the potential size of the emerging market is making decision makers blind to the challenges. Despite that the world is growing "smaller" thanks to information technology and other developments, the costs are higher than believed due to the complex nature of "*semiglobalization*" (Ghemawat, 2001). Companies do not exclusively trade in the domestic market, but they are not entirely global either. Barriers to trade are not high enough to isolate countries, nor low enough for free trade, and this adds complexity in international relations. As a solution to the tendency to underestimate the added cost of this complication Ghemawat (2001) has developed the CAGE framework. The framework contains 4 "distances": Cultural, Administrative and political, Geographic, and Economic (See chapter 6.5 and Table 2.4.2).

Firstly, the **cultural distance** might be a barrier to trade due to different spoken and unspoken language, expectations, values, and beliefs. If a foreign country is perceived very different from its own, the barrier to initiate trade might be heightened. Secondly, cultures generate different environments for business, which is often taken into account when talking about the perception of a country (Hofstede, 2001). Second, **administrative or political closeness** is proven to intensify trade and a common currency and political union can increase trade by 300% (Ghemawat, 2001). Further, trade is shown to be distorted by complex and cumbersome regulations, and increased in

countries with similar institutional infrastructure. Third, the **geographic distance** affects transportation, communication, and coordination costs and many scholars have suggested that bilateral trade reduces with distance between countries. This suggestion is empirically tested through a study of 1467 estimates of the effect on distance where the researchers find that “*on average bilateral trade is nearly inversely proportionate to distance*” (Disdier and Head, 2008, p. 26). Hence, two countries with close proximity are more likely to trade more extensively (Ricart et al., 2004, Ghemawat, 2001). Furthermore, differences in size, access to transportation, physical and informational infrastructure, and distances within the foreign country also affects the perception of distance Ghemawat (2001). Fourth, **the economic difference** is suggested to be the most profound (Ghemawat, 2001). The difference in income often leads both rich and poor countries to trade with rich countries. One major reason for this might be the difference in a rich country’s distribution channels and supply chains compared to a poorer country. This difference makes firms unable to replicate the success from their home country, hence, the investment in time and money might be greater with economic distance (Ghemawat, 2001)

The “distances” are suggested to be a part of the evaluation when assessing a foreign market. The more two countries differ; the riskier the FDI is perceived. This framework aligns with previously mentioned research on the difference of locations, but it also incorporates perceived distances, which is relevant to answer my research question. I will use the CAGE framework to build the interview guide, and to categorize my findings.

3.0 RESEARCH METHODOLOGY

When creating the design and data collection scheme in a study the importance of theoretical guidelines cannot be emphasized enough. To perform the study in line with research literature is of great importance so that understanding and knowledge of the topic is extracted and understood appropriately (Yin, 2011). The research methodology follows a line of conscious or unconscious choices made by the researcher that are either practical choices of the research design or more underlying assumptions regarding ontology and epistemology. Without theoretical guidance these choices can be wrongful and distort the study. The following chapter is organized as follows: first the research strategy is outlined, second the research design is described, and last the nature of a case study is elaborated on.

3.1 Research Strategy

The research strategy should be based on underlying constructs that are rather consistent over similar types of studies. Epistemology will guide a researcher in what is seen as appropriate for a study in the chosen position (Bryman and Bell, 2011). A subjective and social construct, like the interpretation of cases, leads to the epistemological interpretive position that aims at understanding the subjective meaning of action. Research will also follow ontological considerations of the existence of constructs and entities (Bryman and Bell, 2011). This dissertation follows the constructionist view on reality as the interests and perceptions of people are profound to understand the topic, hence knowledge is seen as constructed and subjective, not as created and objective (Gripsrud et al., 2004). Whether a research question is best answered using a deductive approach where theory is tested through a positivist epistemology, or an inductive method where theory is developed inductively with an interpretive epistemology (Hatch and Cunliffe, 2006), should be based on the nature of the study. The nature of this study is more or less inductive. This stems from the goal to understand a complex reality through interpreting the parts of the study as fragments of a whole. In addition the emphasis is on understanding, rather than explaining or unveiling causalities (Gripsrud et al., 2004). To understand the perception of people, and to explore reasons for why the perception occurred is the aim of this dissertation, hence the study followed a qualitative design that started with a literature review and gathered primary and secondary data (Gripsrud et al., 2004).

3.2 Research design

The research design (RD) should provide an overall framework for the collection and analysis of data (Bryman and Bell, 2011). The design of the research follows in the two next chapters: Data collection and Data analysis, and they aim at investigating the research questions.

To understand the focal theme and its variables, a case study approach was chosen. A case study has the ability to describe rich perceptions and to reach conclusions (Eisenhardt and Graebner, 2007) about the perceptions and how they align or break with factual secondary data. Typically, research which aims to answer a question starting with “why”, is best studied through an inductive case study approach (Eisenhardt and Graebner, 2007, Yin, 2011). The case study has the advantage compared to other studies as it is able to provide a detailed explanation of behavior, both the evolution of a decision, who made the decision based on which assumptions, and subjective constructs in the decision (Hammersley, 1989, Yin, 2011).

The case as the unit of analysis has the object is to provide an in-depth understanding of the perception of the Portuguese maritime industry by interviewing and collecting secondary data (Bryman and Bell, 2011). To study the perceptions of Portugal's attractiveness for actors in the Norwegian maritime industry, I have performed interviews with actors in several organizations by combining open ended and semi-structured questions (See Appendix 10.2 for interview guide). To triangulate and further illuminate the primary data I have collected secondary data from publicly available sources like the internet and public reports. The decision to use some open-ended questions was to inspire the informant to participate in co-constructing of the narrative by using their own language and examples. This was done because the subjects were believed to have valuable insights that could lead to co-create conclusions and rich data. The semi-structured part ensured that all topics in the chosen frameworks were covered. Further the participants were asked to review the researcher's summary of the interviews so that miscommunication was eliminated (See appendix 10.3 for summaries).

4.0 DATA COLLECTION

To answer the research question as properly as possible, it is important to utilize data collection methods that provide the best answers and are aligned with the overall research methodology. Data collection methods can be divided in primary and secondary data and they will be presented accordingly in the next section.

4.1 Primary data collection

The selection of the case was based on the wish to understand how an industry in a foreign country perceives its counterpart in Portugal. The case is selected based on the researcher's access to informants in Norway. The maritime industry is chosen due to Portugal's rich history and current focus on the industry, and the Norwegian success.

The interviewees are chosen based on theoretical sampling, meaning their ability to illuminate the research question (Yin, 2011). They are also chosen due to the desire to capture several nuances. The Norwegian organizations participating are all embedded in, or working with, the Norwegian maritime industry and have not invested in Portugal through FDI. Secondly, they were contacted via an initial e-mail and/or phone call and asked if they had relevant perceptions of the Portuguese maritime sector. The participants are not from Norwegian firms due to the inability

to find any that had perceptions of Portugal. In addition to interviews conducted for this dissertation, I have retrieved information from one interview made by my fellow student Anders J. Farner who talked to one Norwegian company that has invested through FDI in Portugal.

4.1.1 The interviews and participants

I conducted three interviews in total. The interviews were conducted on the basis of the interview guide (See Appendix 10.2). The interview guide was built on the dimensions selected from, and synthesized in, the literature review. The interviewees were firstly asked open ended questions so they could elaborate on the topic most readily in awareness. Inferences can be drawn from what they emphasize at the most important topic. Secondly, semi-structured questions were asked to extract perceptions and knowledge in the boundaries of the theoretical constructs and framework so that relevant information could be gathered.

All three interviews performed by me were written word by word, meaning that I wrote everything they said to improve the accuracy of the transcription (Bryman and Bell 2011). Moreover, the interview questions from the initial interview guide were pre-tested with a Swedish multinational company that recently made a foreign direct investment in India. Some changes were made to the questions to reduce misunderstanding and increase the relevance of the responses.

The interviewees:

(see Appendix 10.3 for elaboration on candidates and summary of interviews)

1. Dr. Karl Strømsem from Innovation Norway (equivalent to AICEP)
2. Arild Ulset from the Norwegian embassy in Portugal.
3. Birger Skår from the marketing and sales organization for Norwegian shipbuilders: Norske Skipsverft.
4. Mr. Smith in Company A (A big international Norwegian player in the maritime industry with offices in Portugal that is anonymous) was interviewed in his office in English. The interview was conducted by Anders J. Farner to understand the perception of a company based in Portugal. However, the findings are highly relevant for this dissertation as the interviewee's perceptions are similar to the interviewees' outside of Portugal.

4.2 Secondary data

To understand the case of the Norwegian maritime industry's perception of Portugal in light of

factual data, a secondary data collection was performed and intertwined with the primary data through the chosen frameworks. The combination ensures a good storyline with more than one dimension of the findings, which can lead to rich theory development and/or sound conclusions (Eisenhardt, 1991). The secondary data utilized are webpages, reports, journal article studies, and forums.

To ensure the quality of the secondary data collection, the documents were evaluated by John Scott's four criteria; authenticity (complete and reliable), credibility (accuracy and sincerity), representativeness (access to complete set of documents) and meaning (general understanding) (Bryman and Bell 2011). These criteria have been met through the use of governmental data, official recognized reports, web of science, and webpages with high credibility like the CIA and OECD webpages.

5.0 DATA ANALYSIS

I have utilized grounded techniques to analyze the data (Eisenhardt, 1989). Here, theory or theoretical constructs is developed on the basis of the findings (Bryman and Bell, 2011). The use of grounded theoretical techniques is in line with the constructionist and interpretive approach of the overall research methodology. In addition, it aligns with the inductive nature of the study and the aim to generate conclusions that can lead to recommendations and/or be tested. The techniques allow the perceptions of the interviewees to be extracted and presented and at the same time use theory to guide the data collection.

The grounded techniques allow the collected data to be grouped into categories by the use of coding. This grouping is beneficial for this study as it aims to extract subjective perceptions as well as secondary facts to be able to understand and categorize them in line with The Diamond and CAGE (Eisenhardt and Graebner, 2007). The *open coding* principle is utilized and is an analysis of identifying, naming, categorizing and describing phenomena discovered in the interview record. This analysis was conducted by going through each line, sentence, and paragraph while asking the following questions: "What is this about? Is this a condition of the Diamond or CAGE? What phenomenon is being addressed? What reasons are given?" (Anselm Strauss, 1998).

5.1 Limitations

There are some limitations to the research, both as a result of the chosen methodology and the

chosen cases to study. First, the case study approach is criticized for not being able to generalize theory as the case selection is not based on representativeness. However, a case study is not conducted to test theory, rather to develop it (Eisenhardt and Graebner, 2007). Social contexts, relations, and processes are by definition not replicable, and case-studies are seldom done with a sole aim at generalizing. To deal with this I have evaluated the research based on four criteria developed by Guba and Lincoln (1985): (1) Credibility: Do the findings seem reasonable? (2). Transferability: Do the findings apply to other contexts? (3) Dependability: Are the findings likely to apply at a different time? And (4) Confirmability: Has the contributor allowed his or her values to intrude to a high degree? First and foremost I believe the choice of interviewees from different organizations have provided the research with reliability with regard to the four criteria. With the four different organizations of this study, there is four times analytic power compared to having only one (Eisenhardt and Graebner, 2007). In addition a secondary triangulation has been performed to see if the data collected in interviews applies to the factual circumstances, and if it seems aligned with theory and previous research.

Second, the researcher will be affected by own and interviewee's values in addition to researcher bias (own perceptions) (Alan Bryman, 2007). The data is influenced by the understanding and interpretation of the researcher. To deal with this I have been cautious in the choice of interviewees and the case to study. In the preparation before interviews I have cleared my presumptions and let the participant lead the way to ensure the candidates perception to be presented and not mine. Further, I have no relation to the maritime industry in Norway and do not have any perception of or acquaintance to the participants on beforehand.

5.2 Ethical considerations

In research, especially qualitative with human subjects there are considerations about ethics that have to be taken. As Miles and Huberman (1994) said it: "*We must consider the rightness or wrongness of our actions as qualitative researchers in relation to the people whose lives we are studying, to our colleagues, and to those who sponsor our work (...) Naiveté [about ethics] itself is unethical*" (p. 288). Hence, I see the importance of taking necessary universally dictated ethical considerations. I have chosen to follow the guidelines passed by the Institutional Review Board to do no harm, avoid deception, negotiate informed consent, and ensure privacy and confidentiality (Tracy, 2010).

The research is conducted on a voluntary basis and all wishes of the participants have been

followed. Everyone has given their informed consent. All have been given the opportunity to be anonymous and they have been able to review the transcripts so that no misunderstandings prevail. Further I have refrained from allowing my perceptions and opinions color the research as far as human constraints allow me. No harm has been done to anyone and I emphasize the importance of honesty in both the interview setting and in the recap. Thereby I have followed universal ethical principles as well as common sense.

6.0 CASE FINDINGS

The primary and secondary findings are presented in this chapter and they are structured accordingly: First a general overview of Portugal and the Portuguese maritime industry with facts with relevance to the analysis. Second the Norwegian maritime industry is presented based on secondary data analysis. Third Porter's diamond and its four influencers are presented. Lastly, Ghemawat's CAGE framework is utilized to organize the appropriate findings related to the four distances.

6.1 Portugal – an overview

Portugal has a rich history, especially in seafaring and discovery. From around 1150 to 1580 the country was seen as the most powerful sea and colony nation in Europe with the discovery of the sea route to India by Vasco Da Gama and colonial ties to Goa, Macau, Timor, Mozambique, Brazil and Angola. However due to an era of invasions and loss of colonies the power was more or less distorted. After further downfalls with political tension during the 19 hundreds the country struggled (Aarli, 2014). During the dictatorship by Salazar the economy was stable, but started to lag behind its European counterparts (CIA, 2014). In 1974 the democracy process began and in 1986 and the country became a member of the EU. This fueled an increase in FDI and due to being low cost Portugal gradually became a net recipient. However, the FDI inflows suffered when the cold war ended and Eastern European countries offered even lower costs and greater advantages (Simões and Cartaxo, 2011). This downturn was escalated during the financial crisis of 2008 and in 2013 Portugal experienced a decline from 2012 of 36, 8% in FDI inflows (AICEP 2014).

However, the economy seems to be recovering. In the last three quarters of 2013, Portugal experienced positive numbers in economic growth for the first time in ten quarters. The expected growth for 2014 is 0,6% where most will come from exports and more investments from abroad. To

fuel this growth the government is planning to reduce taxes of doing business from 23% to around 17% (Ministry of Foreign Affairs, 2013).

Today the country has 10,6 million inhabitants and is ruled by a five-year termed president (European Union, 2014). The economy is divided into services (59,8%), industry (28,5%), and agriculture (11,7%). Portugal's coast is 50% of the EU's economic zone and therefore the country is in close cooperation with the EU to develop the maritime economy. The estimated unemployment rate of the first quarter in 2014 was 15,1% (Eurostat, 2014). The global competitiveness report (GCR) places the country's competitiveness at 51, two places down from the year before (World Economic Forum, 2014). In some ways these numbers can be backed up by the perception I have of the initial screening. I have been in contact with several Norwegian firms that say that Portugal is not seen by companies as a relevant country to invest in, and is seldom mentioned as a possible destination for FDI in the Norwegian maritime sector. In a conversation with Clara Nunes Dos Santos (2014) the Portuguese ambassador in Norway, she puts great emphasis on the lack of knowledge and perception in the Norwegian sector about Portugal. She believes there is a need for Portugal to market their potential more aggressively towards Norway.

6.2 The Portuguese maritime industry

The Portuguese maritime sector has a long history and a favorable geographic location. It experienced growth and development in the 70's. However, according to Mrs. Nunes Dos Santos and Mr. Ulset, the growth stalled and the sector declined after the fall of Salazar due to an increased focus on infrastructure and business on land. Today, the maritime industry in Portugal is small. There are around 200 companies in shipbuilding, repair, and maintenance, while 5 shipyards have the potential to compete internationally. The global trend towards larger vessels and economies of scale, which makes the small size of most players in Portugal vulnerable (OECD, 2013).

The industry's share of GDP in 2011 was as low as 0,13% and was significantly affected by the financial crisis. The employment in the maritime industry dropped from 6000 in 2006 to 3800 in 2012. The maritime sector is divided into two: Shipbuilding, and repair and maintenance (R&M), where R&M generates more turnover than building. The employment rate in R&M has been constant since 2004, and currently this sector employs 48% of the total employment in the industry. In the shipbuilding sector on the other hand the employment rate fell by 50% from 2008 to 2010. The industry suffered a great deal through the financial crisis, the order books shrunk and exports decreased. Lastly, the ships built in Portugal are competing directly with China, which has major

cost and scale benefits (OECD, 2013). This means that the Portuguese sector is currently unable to compete on similar terms, and might benefit from considering niche alternatives for production.

6.3 The Norwegian maritime industry – an overview

The Norwegian maritime sector is well developed and has by several organizations and institutions been called world a class knowledge hub (Norwegian Centers of Expertise, 2013, Solbakken, 2014). With a coastline of 20.0000 km, rich natural marine endowments, and a challenging continental shelf Norway has an advantage in the maritime sector. Knowledge and expertise has been built up over hundreds of years and the government is dedicated to develop and evolve the sector. When it comes to size and importance in the Norwegian economy, only oil and gas are ahead, and the maritime sector stands for the second largest export income in Norway (38% of all goods and services exported). The small country controls the world's third largest shipping tonnage and has the fifth most valuable fleet in the world. About 200 shipping companies that mainly focuses on the global need for transportation accounts for the basis of the maritime clustering in the country (The norwegian Government, 2004). The Norwegian maritime forum reports in February 2014 that the Norwegian shipping companies with belonging service providers had a record year in 2012, the growth from 2011 peaked at 14% and reached 160 billion NOK (approximately 20 billion €). Further the exports reached 220 billion NOK where 60% came from shipping and 40% from the belonging services (Solbakken, 2014).

The maritime industry in Norway is high-tech and information-sensitive and is expected to invest abroad in seek of knowledge and efficiency; however it also relies on huge capital investments and markets to produce and sell their products. Thereby FDI is expected to be motivated both by knowledge intensity and market access (Nachum and Zaheer, 2005).

In conclusion the Norwegian maritime sector is further developed than the Portuguese and might indicate how important industry linkages are to be innovative, both in the industry and in surrounding sectors. This is also mentioned by all the interviewees where they elaborate on the benefits the countries could create together. Portugal with its long history in maritime activities, abundance of highly educated engineers and academics, and a beneficial geographic position, and Norway with its expertise and experience, could benefit from combining forces.

6.4 Findings – Porters diamond of Portugal

As outlined in the literature review, the Porter diamond can be used for the evaluation of a nation's competitiveness, which will be relevant to the agenda of the current research as it is a good indicator on how the country might be perceived by investors abroad. The diamond (See appendix 10.1.1) can be presented in three separate ways: the nation, the region, and the cluster. I will focus on the nation, but in the light of the maritime sector to understand the relevant area better.

For a country's perceived status in the international competitive arena to be beneficial, there must be certain factor conditions in place. The political system in a country can influence the attractiveness for foreign investors substantially through macroeconomic and microeconomic factors. These factors can be regulations, business environment, competition, law-enforcement, access to specialized labor, and the state of institutions (Porter, 1990, Delgado et al., 2012, Vernon, 1966). The degree of its institutions rigidity, hence ability to change also becomes important (Boschma, 2004). Through Porter's diamond I will further elaborate on the findings and at the end of chapter 6.4 the findings are summarized in an illustration of the diamond.

6.4.1 Factor conditions

Firstly I will present and discuss the geographical (natural) endowments, secondly the macroeconomic environment, thirdly the efficiency of institutions, fourth the nature of human resources, fifth the physical and technological infrastructure, and lastly the access to capital.

Geographic location: The geographic location is a major opportunity for Portugal. Portuguese territory includes the Azores and Madeira, which are strategic islands along western sea routes to the Strait of Gibraltar and the Mediterranean Sea. In total, the country occupies a continental shelf of 28000 square meters (CIA, 2014). The ports of Portugal are passed by numerous of the world's ships every day and could be natural places to stop for repair, maintenance, and similar services (Skår, 2014, OECD, 2013). The world fleet is expected to grow 20% in 7 years and Portugal can take a part of this growth. According to Mr. Smith (2014) Portugal has a stronger locational advantage than others because the combination of close proximity to important trading routes, excess capacity in yards and docks, and good weather (the painting and coating dries faster and days in docks are significantly reduced).

Macroeconomic environment: Until 1974 the dictatorship in Portugal distorted cooperation and links between science, technology, industries, and society. There was extensive regulations of private enterprises, and important facilitators of economic development such as education was reserved the elite (Baklanoff, 1979). This made Portugal suffer from lack of technological

innovation, stability of finance, and strategic views. Although the democratic work has changed this profoundly, the development started later than many other comparable countries. One indicator of this is the 124th place the macroeconomic environment in Portugal got in the GCR 2014. An unstable macroeconomic environment is expected to discourage investments or other engagements in foreign locations (Vernon, 1966, Dunning, 1996, Porter, 1990, Delgado et al., 2012, Porter, 2000, Flores and Aguilera, 2007, Maskell and Malmberg, 1999, Ghemawat, 2001, Ghemawat, 2003). However, Portugal is one of only three countries who have managed to sustain positive longer-term total factor productivity during and after the financial crisis of 2008. The achievement is probably based on an increase in efficiency and a shift in labor towards more tradable industries, and an effort to use the crisis as a means to restructure the economy (European Commission, 2014). This can mean that the macroeconomic environment is in a relatively better position than other similar European countries, and Portugal might increase its competitiveness in the longer run. Further, the instability of the macroeconomic environment is not mentioned by any of the interviewees as a specific challenge.

Efficiency of institutions: The inefficiency of the Portuguese government, complex regulations, and political instability are seen as among the five most problematic factors for doing business in the country (World Economic Forum, 2014). Mr. Ulset describes the process of getting licenses and permissions as longitudinal and complex, having to apply to 10-12 different instances with a need for minister approval. He sees the system as especially difficult for foreigners to understand. Dr. Strømsem and Mr. Ulset both mention measures taken to enhance the processes. Especially interesting is the goal to standardize procedures in the maritime industry mentioned by Mr. Ulset. The government has launched several such initiatives, however bureaucratic processes are still seen as inefficient (Simões and Cartaxo, 2011, Strømsem, 2014).

Human resources: Portugal has abundant labor capacity and relatively cheap labor (Leitão and Faustino, 2010, AICEP Portugal, 2013). This in itself does not qualify to be a factor condition as it is not specialized (Porter, 1990). Especially not when the labor cost is higher than eastern European countries, especially the Balkans. However, there are several institutions in Portugal that have specialized in maritime and naval educations including Instituto Superio Técnico, Escola Nautica De Recreio, Escola Nautica infant D.Henrique, and Marinha De Guerra Portuguesa (EY, 2013). Although there are several highly ranked educational institutions, the share of population with a tertiary education is only 18, 7% while the EU27 average is 26, 4%. The EU average of people with secondary education or more is 80% when Portugal has 44% (Instituto Nacional de Estatística IP, 2012). Further, the labor regulations are comparatively strict (World Economic

Forum, 2014). On the other hand this is in process to be deregulated due to its negative effects on efficiency of businesses (Martins, 2013). The deregulation is good news and 73% of international business leaders see it having a potentially positive impact on trade (EY, 2013). However, Mr. Ulset and Mr. Smith express concern for the highly influential and powerful unions that can generate rigidity.

On the other hand, and related to the maritime industry, all interviewees indicate that the Portuguese engineers are perceived as highly qualified, cooperative and headhunted from the Norwegian oil & gas and maritime industry. They see that companies establish in Portugal (e.g. Subsea 7, NOV, and Island Offshore) to be able to tap into this resource. However, Mr. Smith and Mr. Skår explain that there is a difference between Norwegian and Portuguese workers. While the Norwegian are more embedded in and have more knowledge about the industry and the companies in it, the Portuguese are more technical and traditional. In Dr. Strømsem's perception there is a need for more training, experience, and English skills in the mid-levels of production to be able to build sustainable suppliers and manufacturers. Mr. Smith and Mr. Ulset agrees with this when they state that the biggest issue in the Portuguese maritime sector is that there is less actual production due to lack of for instance welders, and that the vocational educations are not producing enough workers. These perceptions are supported by the report on the Portuguese shipbuilding and repair industry by OECD (2013). It shows that work is seen as hard, difficult, and dangerous and that the industry's decline might further deter young people to consider a career in it. According to the OECD (2013), competent fitters, welders, and engineers are difficult to attract and retain, especially with the emigration to higher paid countries like Norway. These finding can be backed up by the fact that the labor market productivity is low and ranks 126 in the world, despite the more positive rankings on higher education, research and development (World Economic Forum, 2014).

The physical infrastructure: of Portugal is relatively good compared to neighboring countries and places 19th in the GCR in 2013. Also the technological readiness is seen as highly developed and supporting the industries. Portugal has 9 major ports (with comparatively high taxes), 3 airports on the mainland, and 4 international cargo rail lines. The closeness of the port of Lisnova to both Lisbon and nearby airports is considered as an advantage. Investments have recently been made to improve the Port of Sines, Port of Lisboa, and Port of Leixoes. Mr. Ulset claims that the port of Sines is the only deep-water dock except Rotterdam in Europe, meaning that it has the capacity to dock the biggest ships in the world. This is obviously an advantage, however, the connection to an international railroad is lacking and transport from the dock to the landlocked Europe is not possible at the moment (this might change due to an EU initiative).

Access to capital: The financial market development suffers and is ranked 114 in the WCP. None of the interviewees have mentioned the access to capital specifically and when asked Dr. Strømsem only mentioned the Norwegian export credit, while Mr. Ulset mentioned support from the EU as an alternative. Additionally, it is mentioned as second most problematic aspect of doing business in Portugal (World Economic Forum, 2014).

6.4.2 Context for Firm strategy and rivalry

In this section I will present and discuss the competitive nature of Portugal and I will investigate the ability to innovate through the findings.

Competition in Portugal is according to OECD (2012) insufficient in the non-tradable sector. The market concentration and price is high in important sectors like energy, retail, and telecommunication. The intensity of competition is ranked 77 in Portugal by the GCR. The indicators are pulling the rank in two directions. First the trade tariffs (4th) and prevalence of trade barriers (8th) are performing well. Second, rules of FDI (98th), prevalence of foreign ownership (93rd), market dominance (95th), and effects of taxation on investment incentives (139th) are poorly ranked. This leaves Portugal with a mediocre result on the efficiency of the market (72nd) and thereby also a medium intense rivalry. These findings are consistent with what is stated in interviews. According to Mr. Ulset the Norwegian companies in Portugal serves segments of markets that are not served by others and they have no competitors. Dr. Strømsem and Mr. Skår talks about Norwegian companies entering Portugal and how he believes they will meet little competition. Mr. Smith points out that company A has no real competitors in the Portuguese market and that is why they are able to take price premiums. However, as with almost every other point in the Portuguese diamond, there is an initiative by the government to enhance this. The new competition law is launched by the Portuguese Competition Authority (PCA) and is harmonized with the legal framework of EU (The Portuguese Government, 2013). The first reform was the Competition Act of 2012 and the second was the opening of a specialized court for Competition, Regulation and Supervision. The two efforts are functioning well and the antitrust legislation is enhanced (Sebastião, 2014).

The ability to innovate and upgrade is seen as an enhancing factor for a country's ability to compete internationally (Furman et al., 2002, Porter, 1990, Porter, 2000). Although Portugal has high rankings on both public spending on R&D and on number of patents (World Economic Forum, 2014), and is perceived to have solid capacities in research (Ulset, 2014), the R&D expenditures covered by the private sector is at the bottom of the list, especially in high-tech manufacturing

(OECD, 2014). In addition, there are no research institutions dedicated directly to the maritime industry, and the maritime industry is not utilizing the domestic R&D support programs. None of the few firms that applied support from the EU shipbuilder initiative received it (OECD, 2013).

6.4.3 Demand conditions

The overall demand situation in Portugal is enhancing, but is suffering from several restrictions to the Portuguese economy. The country is experiencing net migration (Instituto Nacional de Estatística IP, 2012). In 2012 the unemployment rate was 15,9% . Spending is decreasing by 5,4% in goods and services, and reductions are made in construction. The average rate of change in gross fixed capital formation is -7.4%. All these indicate low purchasing power, hence slow demand. Portuguese are also seen to be unsophisticated buyers and only get a 3,3 out of 7 on the GCR 2014. Further, the demand for shipbuilding in Portugal is not specialized compared to other nations of same size such as Norway, and the domestic market is small with no major shipping companies present (OECD, 2013). This might be problematic as the pressure for innovation and need to upgrade is often more intense when there are sophisticated, specialized buyers.

6.4.4 Related and supporting industries

Portugal has a long coastline and strong ties to the sea. However, the maritime sector's contribution to GDP is very low. Further, according to the OECD (2013) the linkages between shipbuilders, steel producers, and equipment producers in Portugal are weak. The primary source of accessing the ship equipment is through imports due to lack of domestic specialized suppliers. Mr. Ulset and Dr. Strømsem also mention the need for more suppliers in the maritime industry. They call for enhanced linkages and interdependencies in the industry: among companies, among organizations such as research institutions and governmental bodies, and on the cross of all of them.

However, according to Mallet (2012) Portugal is now aspiring to live up to its history of using the ocean for wealth growth. There are several initiatives launched that aims at reviving Portugal's marine industries, and even to create new ones. In 2006 the government started the longitudinal effort toward "the blue economy" and launched the National Strategy for the sea, and in 2007, OCEAN XXI was established (Pinto and Cruz, 2012). Its headquarter is in Porto, Matosinhos, and is recognized by the European initiative for innovation: COMPETE as a Collective Efficiency Strategy. The system encourages investment in maritime activities (AICEP Portugal, 2013, Ocean 21, 2013). Another initiative, Plataforma Do Mar was created in 2011. The non-profit organization is aiming at taking a pivotal role in the development of the Algarve region as a

maritime cluster with focus on broad sea related activities (Pinto and Cruz, 2012).

The Portuguese government is investing heavily in the blue economy. The minister of agriculture and the sea, Assunção Cristas, said in a speech in Funchal that "*In the national strategy for the sea, we have a very clear and quantified objective for 2020, which is doubling the weight of the blue economy in Portuguese GDP*" (TPN/ Lusa, 2014). There will be invested around 400 million euros in projects. Concrete examples of initiatives aimed at enhancing the geostrategic position of Portugal are the Coastal renewal and Production Plan, the enlargement of Ports like Sines, the new port of Lisbon, and projects to enhance the maritime infrastructure. The enlargement of Portugal's continental shelf, the extension of the Panama canal and opening of new sea routes can also be good news (Diario de Noticias, 2013). These initiatives are needed and according to Mr. Ulset the port of Sines has great potential as it is one out of two deep water ports in Europe.

Dr. Strømsem, Mr. Ulset and Mr. Smith see the maritime suppliers as insufficiently sophisticated or ready to support highly technological and knowledge driven foreign initiatives in the sector. However, Dr. Strømsem and Mr. Ulset believe this can change with support and initiatives from the government and other supporting institutions, partly because of the beneficial geographic position, the excess capacity in already established ports, and the enormous continental shelf.

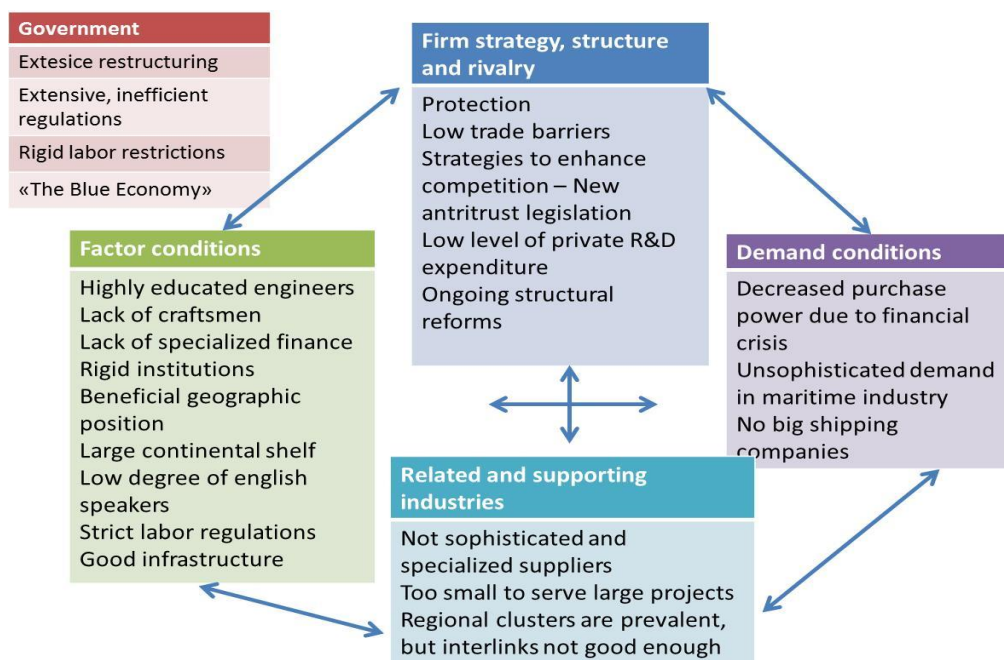


Figure 1. Porter's diamond applied to the Portuguese maritime industry

6.5 *Ghemawat – Distances*

The distance framework of Ghemawat (2001) is utilized to understand the perceptions of the interview candidates and the secondary findings in the light of theory. In this chapter I will elaborate on the four aspects of the CAGE framework presented in the literature review.

6.5.1 *Cultural distance*

Portugal and Norway have very different languages, hence, there is a need to communicate in English. According to a survey made by Education First (2014) Norway places third in the world in number of people who can converse in English with a percentage of 92% of the population. In Portugal the percentage is only 27% (European Commission, 2012). Hence, there is a rather extensive difference in English proficiency. This is mentioned by Dr. Strømsem as a potential barrier for communication. However, EY (2013) reports, Mr. Ulset and Dr. Strømsem comments that foreign investors value access to Portuguese-speaking markets, especially Brazil. For 43% of the investors asked by EY, the cultural proximity and shared language with emerging markets, namely Angola, Brazil, and Mozambique, are key attractiveness factors. Dr. Strømsem also emphasizes the important contacts the Portuguese have and says “the access to the Portuguese speaking Angola and Brazil. The Portuguese knows the language, the cultures, and many businessmen have valuable contacts in the respective markets. Hence Portugal can be a useful starting point to access those markets”.

Regarding cultural differences the findings somewhat differs. Mr. Strømsem has never experienced the culture as a barrier, rather an enhancing factor to the relationship. He says that the two cultures are very similar in the way of doing business and communicating with people. On the other hand, Mr. Ulset talks about the tendency to bargain in Portugal. As this is different from Norway, Norwegian companies might end up feeling insecure and they might be reluctant to start a process in fear of not being able to trust what is said. This view is elaborated on by Mr. Skår when saying that “I have experienced several cases where things have been promised, but not followed through”. Further, Mr. Ulset’s impression is that Portuguese focus generally more on establishing relationships before doing business and the communication is less direct. This is also indicated by Mr. Skår when saying that compared to Norwegian, Portuguese meetings takes more time as there is less focus on the time-frame. Mr. Skår emphasizes this difference in time orientation. He believes that “Norwegians will go to any meeting or business trip with a strictly planned schedule and time-frame, the Portuguese might have a different view on the importance of the time aspect, and the Norwegians who regard time as the scarcest of resources might end up being frustrated and

inpatient”.

The last point emphasized in interviews regarding culture is the power distance. Mr. Ulset. said that people respect authority more in Portugal. This view is backed up by The Hofstede Center (2014) that ranks Norway under the middle and Portugal over the middle on power distance. Mr. Skår further elaborates on this and states that the communication and interconnection between higher levels of management and the production workers seems to be disperse compared to Norway where he sees it as rather extensive.

6.5.2 Administrative and Regulatory differences

This section is closely aligned with Porter’s factor conditions that are elaborated on in chapter 6.4.1. However, to add to the analysis it is worth mentioning that despite Norway not being a member of the EU, the countries should have numerous similar regulations and agreements through EEA, EFTA, and Schengen. This will reduce the potential difference in administrative issues like safety and environmental standards, flow of workers and goods, and policies.

Although both countries have to follow EU regulations, which should be quite similar (Skår, 2014), Dr. Strømsem and Mr. Ulset believe the differences, and complexity of regulations (see chapter 6.4.1) compared to Norway might be seen as a hinder to invest in Portugal. Dr. Strømsem believes the regulations have been very different and he compares Portugal to Spain and France where the complexity has proven to be a substantial barrier. In addition, he says that he has experienced firms expressing confusion over which rules apply as there are so many reforms.

6.5.3 Geographical distance

Norway (Oslo) and Portugal (Lisbon) is approximately 2700 km in bird view. This is fairly long; however Mr. Skår states that this is relatively small and the frequency of flights is very beneficial. In addition, one can say that only one hour time zone difference is barely a barrier to communication. Further, a study performed by Redding and Venables (2004) show that a country with access to the sea has greater opportunities for international trade due to decreased transportation costs (sea is cheaper than land). Yet another important point is the unique feature of the maritime industry. The geographical location of the production and the place of delivery of a ship is close to irrelevant for the competitiveness of a shipyard (Stopford, 1997). In addition both the technological and physical infrastructure is rather similarly developed (World Economic Forum, 2014). This might enhance the incentive to invest in local production as the distance of trade might inflate the costs compared to utilization of the infrastructure established in the country (Ghemawat,

2001). In conclusion, the perceived geographical distance from Norway to Portugal might be rather small.

6.5.4 Economic distance

Several findings regarding the economic environment is mentioned in the overview of Portugal in chapter 6.1. However, a comparison of the countries show that the GDP per capita in 2012 was 65600 USD in Norway, while it was 25300 in Portugal, and that the employment rates are substantially better in Norway (OECD, 2014). How this affects the perceptions of differences is difficult to say, but has not been mentioned by any of the interviewees as a major concern.

Economic distance can also be reflected in the degree of linkages and trade between two countries. Norway and Portugal have several such linkages. Diplomatic linkages have existed between the countries since 1906 and today the trade relationship is good, but small. Norway exported for 4,8 billion (47% seafood, 35% fossil food, and 11% metals and steel) to Portugal, and imported for 1,6 billion (41% textiles, 19% machines, and 8% related to agriculture). When it comes to the maritime industries Norway and Portugal has the closest relations in cooperation against illegal fishing, marine biotech, and renewable energies (Aarli, 2014). Among the 25 Norwegian companies in Portugal, most are small, in the maritime sector however, there are three large: DNV-GL, Wilhelmsen Ships Service, and Seaweed Energy Solutions.

6.6 CONCLUDING REMARKS

The presentation of literature in the first chapter shows that scholars emphasize numerous aspects in understanding the locational choices and perceptions by companies. However, I found that there are influencers seemingly agreed upon by most scholars: cultural factors, administration and regulation complexity and differences, geographic factors, and economical differences. In the discussion I will conclude on the most important and influencing findings discussed in the previous chapter. First I will discuss them in light of Porter and secondly of CAGE.

Porter's diamond framework helped to illuminate important factors influencing the perception of the Portuguese business environment and competitiveness. The strategic decision to invest in a location is influenced by numerous factors (Aharoni, 1966). One important aspect is the quality and competitiveness of the location's input factors, which if perceived favorable has potential to increase FDI in-flows (Porter, 1990). In Portugal, the percentage of students in secondary and tertiary education is comparatively (to EU) low. Tertiary education includes

vocational studies and might thereby influence the perceived lack of mid-level production workers. Access to specialized workers is profound in order to produce and is according to Porter (1990) an important factor influencing investment decisions. The access to specialized and normal capital in Portugal is seen as insufficient, which can make it difficult to get necessary funding for investment projects, hence discourage FDI. Regulations are seen as cumbersome and complex and the macroeconomic environment found to be unstable (both interview and factual perception). This can negatively influence the decision to invest in Portugal due to increased time-frame of establishment, uncertainty, and complexity of investing (Porter, 1990, Delgado et al., 2012).

Industry linkages, rivalry, supporting industries, and quality of demand are also seen as important aspects affecting national competitiveness. The maritime industry in Portugal is seen as underachieving compared to the geographic location and capacity (mostly due to insufficient linkages and cooperation intra-industry and intra-institutional). On the other hand, the engineers are perceived as highly qualified and solid, research is seen as internationally competitive, the government is taking several initiatives to enhance the maritime sector, and most interviewees emphasize their belief in a much brighter future in the industry. Hence, there seems to be an unanimous agreement that the maritime industry in Portugal has great potential. There is excess capacity in several docks and yards, the location is especially beneficial in the repair and maintenance sector, the government is accelerating their effort towards utilizing the sea, educated engineers are highly attractive, and the research institutions are internationally recognized.

Ghemawat's (2001) CAGE framework has been utilized to understand both perceived and actual distances that potentially increase cost of investments. Studies have shown that close geographic proximity and belonging to common international organizations like EU greatly intensifies trade (Disdier and Head, 2008). Norway is neither close in proximity to Portugal nor in the EU. However, the interviewees did not mention these in their perception of distance. Several other factors are found to impact the compatibility of the countries. What I found through the CAGE framework was that Portugal and Norway is seen as rather close due to frequent flights, access by sea, and membership in trade and development agreements. Cultural differences exist according to the interviewees, especially regarding emphasis on time and the directness of communication. This might mean heightened barriers to trade due to perceived gaps in methods of doing business (Ghemawat, 2001). Administrative and regulatory differences are also mentioned as perceived issues because the interviewees see the Portugal system as different, complex and cumbersome. Difference in economic prosperity is predicted to be an added dimension to difficulties in foreign relations. During the interviews, this distance is mostly prevalent in the

prosperity levels of the two maritime industries. The different level of income and unemployment in the countries are not mentioned by any. In conclusion it seems fair to say that differences between the countries according to the CAGE framework exist, however not to an extensive degree. The most problematic distances seem to be the cultural dimension and the different state of the maritime industries. How this affects the perception of Portugal as a destination for FDI is difficult to say, but it should according to Ghemawat (2001) increase the cost dimension of communication and strategy development (Norwegian firms cannot simply replicate their home-strategy due to industry differences).

7.0 RECOMMENDATIONS

Taking the discussion into consideration, some recommendations can be made (See Appendix 10.4 for summary). However, one should always be cautious to draw firm conclusions based on somewhat limited data. The focal study is developed through theoretical frameworks, qualitative data and human perception. With this in mind, the recommendations should be presented with caution. On the other hand, the data presented is collected according to a strict research design, the findings that are taken into consideration are mentioned by more than one interviewee, and primary data is triangulated with secondary. Hence, the dataset cannot be completely disregarded and recommendations can be made.

The recommendations will be concrete suggestions for actions to initiate and initiatives to continue. The recommendations will mostly focus on the maritime industry due to data being based on it and a belief among the interviewees that Portugal has great opportunities to build a successful maritime sector. A country needs to focus their effort on specific industries where they have the potential to perform better than others in order to increase their attractiveness and competitiveness (Porter, 1990, Sills and Merton, 1968). Hence, Portugal should continue with all efforts to enhance the business environment described previously, but with a more narrow focus on specific industries. This will for instance be to further standardize, simplify and streamline regulations, decrease barriers to competition and internationalization through taxes and tariffs, and provide incentives to invest in the maritime industry. In chapter 6.4.4. I mentioned several initiatives aimed at increasing economic activity in the maritime sector. However, these seem to be focused on infrastructure and enlargement rather than quality, specialization in research and markets, and interconnectedness. My recommendations will be mostly based on the indicators in the findings that there is a need to link and interconnect, specialize, and up-skill the Portuguese maritime sector in order to enhance competitiveness and to attract and retain foreign direct investments.

The first recommendation regarding the maritime industry is related to the development of inter- and intra -industry linkages. Today, there is a potential vicious circle in the Portuguese maritime industry. The domestic market is small as there are no large shipping companies. The suppliers to the shipping industry in building, repair and maintenance are small and perceived not to be internationally competitive, so if a large shipping company wanted to establish in Portugal, the suppliers would not be sufficiently able to serve them. Hence, no shipping companies will establish and the market stays small. Based on this I believe there is a need to improve the sector. The industry would benefit from enhancing their supply-side businesses, the linkages among them, and with related institutions and organizations. There is a large international market floating past Portugal every day. If the repair and maintenance companies would innovate and upgrade they could be able to attract more of that market. To be able to become attractive there might be benefits in starting with a narrow focus in a specific geographic area. The port of Sines has a great advantage in their deep-water capacity and already has the country's biggest maritime complex and a dedicated science park. The initiative to connect Sines to an international railroad should be pushed forward and completed. Further, the development of a regional cluster in Sines could be facilitated by involvement by the government in several ways. First, according to the findings there is room for improvement in communication between the government and the industry to identify and deal with industry needs. The government could also contribute with choosing the maritime sector as a strategic focus area. They could market the sector both nationally and internationally, create stronger pressures for safety and environmental standards, engage in specialized R&D activities, establish maritime technological education with strong connection to the port of Sines, and promote a regional cluster organization to enhance information flow and interconnectedness. A regional cluster organization can enhance training and knowledge-sharing by industry experts, forums for company connection, shared R&D projects, analysis of markets and trends etc. With such an organization, more can be done to enhance linkages to for instance Norway and between different levels of production. Efforts can be made to make the international market see the potential in Portugal and to exchange, gain and sustain knowledge from partners abroad.

The second concrete suggestion is aligned with the first. The Portuguese maritime industry might benefit from focusing on niches. Asia is big on cost efficient solutions and it might become difficult for Portugal to compete due to smaller firms and higher costs. Hence, their focus on low labor costs (AICEP, 2014) could shift to innovation and high technological expertise instead. A good starting point might be the port of Sines. With the suggestions I made to upscale the area, it can be a sensible place to promote the niche focus and to develop production and services around

the companies that are already there.

Thirdly and also closely aligned with the suggestions above is the need for education and training of human resources. If Portugal is to focus on the maritime industry, they should according to the interviewees work on initiatives to enhance the access to skilled labor. The engineers are highly qualified, but they are highly theoretical and increasingly offered higher pay and better positions in other countries. Furthermore, the production personnel with sufficient skills are scarce and there is a need to upgrade vocational training and work conditions. The ability to efficiently produce qualitative products and services rely on the ability of the workforce. The focus should be on building industry-connected education systems with more practical implications such as on-the-job training, international experts, apprenticeships, professors with industry background etc. If the maritime sector is successfully enhanced, the industry will become more attractive for workers and a positive spiral might occur, hence, the marketing of the sector as an up and coming industry from the government might create a positive image. In addition, increased focus on safety and work environment standards to make the job less dangerous and efforts to increase the salary in the industry becomes profound.

In conclusion, to actually utilize the findings in a concrete manner I have chosen to focus narrowly on the region of Sines. On the other hand, most of the recommendations are valid for all regions in Portugal. However, I must emphasize the firm belief in both the literature and in the interviews that a regional effort based on already established ports and companies would be the best effort towards a specialized, high-tech, innovative, and internationally competitive maritime industry in Portugal. Moreover, the participants and other factors point towards a potentially big opportunity in the maritime sector due to excess capacity in labor and infrastructure and the supremely good geographic location in terms of weather, size, and market access.

8.0 LIMITATIONS

There will always be limitations to research, however they have been taken into consideration throughout the study and precautionary measures have been taken. The limitations of the research methodology are presented previously.

Firstly, the study is limited due to the choice of case. The maritime industry in Norway is developed to a significantly different stage than the one of Portugal. This means that the chosen industry might bias the results in a negative direction. The market in Norway is still booming and few are looking elsewhere to invest. Hence, their perception of Portuguese maritime industry might

be affected by the fact that they are comparing it to the Norwegian, which is one of the best in the world. Further, the participants in the case study are all in the top management of their organizations, which can mean that the knowledge they have is more administrative and represent less technical knowledge about challenges or opportunities. However, they have power to make decisions and are in contact with several players in the Norwegian industry every day. They should have experience and knowledge to develop important perceptions about Portugal.

Second, I have chosen to categorize the findings' importance according to quantity and emphasis by the interviewee. This might be problematic due to the participants' diverse backgrounds and experiences in Portugal. However, I believe that when a factor is mentioned by all, like the quality of engineers and the favorable geographic position, it seems to add to the findings because it is relevant for several different players.

Lastly, the study has heavily relied upon two frameworks. They are highly recognized, but can be criticized. The popularity of the frameworks does not guarantee their validity. Moreover, Cartwright (1993) points out that selecting a framework like the diamond or CAGE makes the researcher focus on the dimensions in the framework to back up the findings. This leads to selection bias and exclusion of other important measures. Second, the home-based, domestic focus on competition, industry links, and demand leaves the international market for export-oriented nations like Portugal completely out.

However, as the limitations are considered and kept in mind from the start, they have been minimized.

9.0 APPENDIX

9.1 The Framework illustrations

9.1.1 Porter's Diamond Framework



9.1.2 Ghemawhat's CAGE Framework

	Cultural Distance	Administrative and Political Distance	Geographic Distance	Economic Distance
Distance between two countries increases with...	<ul style="list-style-type: none"> - Different languages, ethnicities, religions, social norms - Lack of connective ethnic or social networks 	<ul style="list-style-type: none"> - Absence of shared monetary or political association - Political hostilities - Weak legal and financial institutions 	<ul style="list-style-type: none"> - Lack of common border, waterway access, adequate transportation or communication links - Physical remoteness - Different climates 	<ul style="list-style-type: none"> - Different consumer income - Different costs and quality of natural, financial, and human resources - Different information or knowledge
Distance most affects industries or products ...	<ul style="list-style-type: none"> - With high linguistic content - Related to national identity - Carrying country-specific quality associations 	<ul style="list-style-type: none"> - That a foreign government views as staples, as building national reputations, or as vital to national security 	<ul style="list-style-type: none"> - With low value-to-weight ratio - That are fragile or perishable - In which communication is vital 	<ul style="list-style-type: none"> - For which demand varies with income - In which labor and other cost differences matter

9.2 Interview guide

Phase	Questions	Purpose
Phase 1: Initiation and Warm Up	Initiation and Warm Up (5 Min, see under the form for elaboration) <ul style="list-style-type: none"> - Introduction of us/me: 	Warm up. Establish context of interview.

<p>Phase 2:</p> <p>Open Ended</p>	<p>Introduction:</p> <p>Hi, my name is Martine Ulvin, I am a MSc student from Norway at BI Norwegian Business School and at Católica-Lisbon business School. I writing my master dissertation in business and economics with focus on strategy and I'm here to ask you some questions about your perception of Portugal as a destination for FDI with focus on the maritime industry. The thesis is about if Portugal and the maritime industry in Portugal is attractive for companies engaging in FDI or not. All interviews will be recorded if that is ok with you? However, I emphasize the importance of them to be anonymous and neither your name, position, or the name of the company will be referred to if that is desired.</p> <p>Do you want the interview to be anonymous? Is it ok for you that I might quote some of the things you say directly?</p> <p>- Can you tell me a little about yourself and your role in company: What is the motivation of your company's internationalization process? (Save costs? Market access? Other drivers?)</p> <p>Have you considered investing in Portugal and what do you think of Portugal as a destination for your investments?</p> <p>You are currently not in Portugal, are there any specific reasons for that?</p> <p>- What other locations were considered and how did they differ from Portugal?</p> <p>- Were there any economic reasons compared to other locations?</p> <p>- Were there any geographic dis/advantages of Portugal?</p>	<p>Gain knowledge of the investment process. The motivation.</p>
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<p>Phase 3: Semi - structured</p> <p>First: Based on Gemawhat</p>	<p>In this phase there will be more structured questions. Be free to elaborate where you want. In addition, there might be several questions you might not know the answer to. I will follow a framework which is detailed. If you do not know the answer, or do not believe the factor was important for the decision, please let me know as that information is useful.</p> <p><u>GEMAWHAT'S CAGE</u></p> <p>Administrative Reasons:</p> <ol style="list-style-type: none"> 1. Did (could they have) the government facilitate the investment? How was their involvement? Was there any economic incentives? 2. Similar regulations to Norway? 3. Is the EU market attractive for the company? <p>Cultural reasons:</p> <ol style="list-style-type: none"> 1. Do you believe there might be differences in culture which could prove challenging? How? <p>Geographic Reasons</p> <ol style="list-style-type: none"> 1. Need to be close to customer/supplier? 2. Is Portugal seen as a distant or close to Norway? 	<p>Go in depth on what made the location attractive.</p>
<p>Second: Based on Porter's diamond</p>	<p><u>PORTER'S DIAMOND</u></p> <p>Competition:</p> <ol style="list-style-type: none"> 1. Can you please explain your competition in Portugal? 2. Have the competition shaped your investment decision in any way? If so how? (game issues) 3. Do you perceive the barriers to enter the competition as high? On a scale from 1- 5? 4. Is the competition open and free, or are there restrictions to competition like for instance subsidized companies/industries by the government? 	

	<p>Demand conditions:</p> <ol style="list-style-type: none"> 1. Has the market size and growth affected your decision? How? 2. Do you see the demand, the buyers, as sophisticated international with specific demands? 3. How are the standards for safety, environment and quality perceived compared to other countries? Strict or not on a scale from 1-5? 4. What do you think about the availability and quality of the distribution channels and logistics? <p>Factor conditions:</p> <ol style="list-style-type: none"> 1. How do you perceive the process of establishing business in Portugal? Is it slow, paperwork, registration etc? 2. Are there any natural endowments which could have affected your decision? 3. How is the physical infrastructure? 4. Is there a readily supply of raw material? How do you rate the quality on a scale from 1-5, and how do you rate the availability? 5. Are there qualified workers? Can you recruit from the location? Are there enough workers? 6. Is there access to competent capital? 7. Are there sophisticated suppliers which can provide the input the company needs? 8. Is there supply of industry specific knowledge in form of relationships, networks, client cooperation, supplier cooperation etc. which can provide the company with learning? <p>Cluster conditions:</p> <ol style="list-style-type: none"> 1. To your knowledge, is there a cluster or an agglomeration of customers, suppliers and competitors in Portugal which would be fruitful if you invested there? 	
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	<p>2. If you would rate the suppliers of the area on a scale from 1-5, how advance are they?</p> <p>3. Are there institutions like research organizations or universities or others (if others, then please explain) which provides and supports R&D?</p> <p>4. Is there specialized infrastructure which makes the area attractive?</p> <p>5. Is there a regional attractiveness based on related and supporting industries?</p> <p>Is there an agglomeration of activity particular to your industry in the area which has been evaluated for investment?</p>	
<p>Phase 4: Closure</p>	<p>Can I have access to internal documents regarding the decision?</p> <p>Recap findings</p> <p>Anything else you would like to add?</p> <p>Thank you for your time.</p>	<p>Make sure there are no misunderstandings</p>

9.3 Interview summaries

9.3.1 Recap - Karl Strømsem

Recap interview with Karl Stømsem 29.4.14

Dr. Karl Strømsem from Innovation Norway (IN, the equivalent to AICEP) was interviewed by me through skype in Norwegian (to enhance the quality of the narrative (Hofstede, 2001)). He is the head of energy and environment and has been recommended by the Norwegian embassy as a person with experience with the Portuguese maritime industry. He has been in contact with Norwegian firms with information and opinions about the sector in Portugal. Further, he has been involved in initiatives towards the establishment of the “blue economy” that I will come back to. He has been to Portugal several times. Hence, he is both knowledgeable and has direct experience with the sector in Portugal and how Norwegian firms perceive it. Dr. Strømsem emphasize that the answers he give are based on his personal perception through his experience with Portugal and through, he is not talking on behalf of IN, but rather on the background of his own experiences through IN.

I talked with Karl Strømsem, Head of Energy and Environment at Innovation Norway. Innovation Norway is 51% owned by the Norwegian Ministry of Trade, Industry and Fisheries, and 49% of the county councils. I found Karl Strømsem through his participation at Forum Do Mar here in Portugal where he presented Innovation Norway, the Blue Economy and the requirements to innovation. He has experience with work from both the oil and gas and the maritime sector.

Mr Strømsem emphasizes that the answers he give are based on his personal perception through his experience with Portugal and through Portuguese contacts, he is not talking on behalf of Innovation Norway, but rather on the background of his own experiences.

Why should a Norwegian company in the maritime industry invest in Portugal in your opinion?

There are highly qualified and educated people, especially specialized engineers. The access to knowledge from higher education is very good and they often have international experience. He mentions the Norwegian company Subsea 7 which opened a branch here based on the access to knowledge.

In addition, labor costs are comparatively low. He mentions that a call-center in Portugal would be cheaper than in India, and that companies from Norway originally building ships in Poland are starting to do it in Norway because Poland has become too expensive.

Third, the access to the Portuguese speaking Angola and Brazil. The Portuguese knows the language, the cultures, and many businessmen have valuable contacts in the respective markets.

Hence Portugal can be a useful starting point to access those markets.

Fourth there is a potential to manage and serve the oil fields in Africa from Portugal. Today they are managed from Aberdeen and a move to Portugal would greatly reduce the days of travel etc.

Do you have a perception of what might be an issue for the Portuguese maritime industry?

From his knowledge the main issue is the access to skilled and experienced workers. There is a need for people that do not have a higher engineering degree. The shipyards and similar producers are not able to get a hold on craftsmen, technicians etc. which can weld, produce, and compile parts and so on. Many have higher education and are theoretically solid, but there is too little hands-on experience to be able to produce accordingly.

The second important barrier is the language. People without higher education, the ones that actually are doing the hands-on work in a project, are often not able to communicate good enough in English. Portuguese is not spoken in Norway, and ease of communication might be an important factor influencing reluctance to invest here.

However, maybe the biggest barrier is to actually put Portugal into the Norwegian industry's mind.

There is little knowledge about Portugal and its opportunities in Norway.

Opportunities to enhance the situation:

He is a strong advocate for all the possibilities of aspiring maritime, aquaculture, and oil & gas sectors in Portugal. He suggests that both countries' industries have potential benefits from growing investments from Norway in Portugal. He mentions the old shipyards here in Portugal as an example. A Norwegian company with a long term perspective (5-10 years) could invest, remodel, upgrade, train craftsmen and other labor, and use Norwegian expertise to create a competitive shipyard. Norway has the fourth most valuable maritime fleet in the world whilst Portugal has 4 ships. There could be great benefits for Norwegian companies here as they could be competitive, and some establishments would generate work places, knowledge sharing, an emerging supplier industry etc. It would be win-win. He points to the great maritime nation Portugal really was and can still be. The countries are similar in many ways. The relationship is good, and a diplomatic establishment has existed for many years already. He believes that an initiative of Portuguese organizations, companies, governmental institutions etc. to go to Norway and promote Portugal and make them understand the great potential, would have the possibility of starting something fruitful. The first step is promotion of Portugal, he firmly beliefs there is a huge potential in Portugal, Norway just have to see it.

Do you know how the Portuguese government can facilitate investments of Norwegian companies in the maritime industry?

He has been in meetings with AICEP and remembers that there should be an arrangement that provides companies with tax reliefs. More specifically up to 100% relief in the payroll taxes if the company establishes work for Portuguese people, and the government might even help with economic support to salaries. (I will check this closer with AICEP to get more details). His general perception is that there is great support to establish companies in Portugal, as the government is eager to attracting foreign establishments.

On the other hand, his perception is that the government has a lot of plans and is talking about changing many of the old structures of setting up business here, but they might be struggling with a great deal of opposition, bureaucracy, and difficulties to change.

Do you know if there are similar regulations to Norway or if they might be a barrier?

He believes the differences, and complexity of regulations compared to Norway might be a barrier to investing in Portugal. The regulations have been very different and he compares Portugal to Spain and France where the complexity has proven a barrier. In addition, there is confusion over what rules that applies, and what is what. He points out that of his understanding there are actions taken to improve this, but that this takes time.

Do you believe there might be differences in culture which could prove challenging for Norwegian companies? How?

Mr. Strømsem has been in Portugal several times and has experiences from Portugal. He has never experienced the culture as a barrier, rather an enhancing factor to the relationships. He says that the two cultures are very similar in the way of doing business and communicating with people. He find Portuguese as friendly, open, relaxed and solution oriented. There is also a positive perception of Norwegians in Portugal and he has experienced conversations about Bacalhau da Noruegua and the similarities in the countries with the long coast-lines.

Are you aware of any cluster activity in Portugal

He has no knowledge of the clusters. If there are any he have not heard about them, but he do not know enough to feel that he can say anything on this point.

How do you perceive the safatey, environmental, and quality standards in the Portuguese maritime industry, are they very strict?

He knows companies which are working according to international standards. However, he also believed that there might be many companies which do not work on the level that Norwegian companies in the maritime industry does. He mentions once more the opportunity for learning and

knowledge sharing Norwegian companies could provide, and the potential market opportunity they could have in return.

How do you perceive the supplier industry and the distribution channels.

They might be good, but maybe not specialized to the need of the shipping industry. He does not believe that a huge project could be initiated and the supplier industry would be ready to handle it. However, he do believe there are many small companies which could upgrade and be sophisticated suppliers in the longer term.

About access to capital:

He believes the Portuguese government could benefit from (and be eager to) support an initiative to set up Norwegian production/firms/yards etc. in Portugal. Further he mentions the Norwegian scheme where a company that builds something abroad with 30-40% percent Norwegian share can get export credit. For instance can a ship be built with 30-40% Norwegian equipment (in value).

9.3.2 Recap – Arild Ulset

Recap Interview with Arild Ulset 13.5.14

The interview was conducted at the Norwegian embassy in Norwegian due to the explained advantages this gives. Further, the open ended questions gave indications and answers to the semi-structured part. Hence many questions were unnecessary. The interviewee was asked if he wanted to be anonymous and was ok with his name being used. The interview was not recorded with audio, but with text and this recap has been sent to him for evaluation of the translation of his perception into English.

The importance of the focus on perceptions is given. This means that the perceptions of the interviewee are emphasized. The interviewer told the interviewee to focus on his own perception and speak freely about what he thinks about Portugal and the business environment in the maritime sector.

Mr. Ulset's role at the embassy: Mr. Ulset works with the business sector and the EEA funds at the Norwegian embassy in Portugal. He has been there for three years. The embassy has a strategy to strengthen the relationship between Norway and Portugal and focuses especially at the sea and marine/maritime connections. The main areas are biotechnology and renewable energy at sea (Ports, aquaculture, and maritime services).

Connections between Norway and Portugal: The countries have developed strong ties and are now focusing on the relations to the sea. Portugal will now get the largest continental shelf in Europe, and Norway has the second largest. Hence, the embassy, and the Portuguese government

has strong incentives to enhance the cooperation and commitment to each other when it comes to marine relations. Norway is not a part of EU, but the EEA. Through the EEA the country is participating with 59 million in Portugal, and 20 million of these are aimed at projects related to the sea, for instance a research vessel, and other projects in investigating and developing the Portuguese shelf.

Human capital in Portugal: Mr. Ulset's perception of Portugal's workforce is that it is able to compete internationally and that is very cooperative. The people, for instance engineers, are theoretically sound, good at what they do, and highly educated. In addition, companies from oil & gas in Norway turn to Portugal to recruit. On the other hand he adds that there is a lack of personnel in the midrange that don't have the highest degrees. While there is a good, educated, internationally competitive workforce in Portugal, it is incomplete to support a knowledge-based economy and to fully exploit Portugal's potential at sea. He believes this might be due to the lack of a sound and longer termed strategy to build up the workforce in all layers, and that this might change now, especially for the maritime industry where the government is focusing on a long term strategy for the sea.

One important aspect of the strategy for the sea is the focus on human capital. The Portuguese government is eager to get knowledgeable people from the Norwegian maritime industry to come and lecture and teach about the knowledge they have. They also want a cooperation and interchanging of experiences and learning between the two countries.

About R&D: Portuguese R&D projects are internationally recognized. Portuguese are often on international projects that develops new technology. Mr. Ulset also says that Portugal has the technology, the researchers, solid universities and education, and is meeting international demands. However, he do not see them tapping into this in a major way for themselves and developing industries which can excel with use of innovative, knowledge based technology.

Main reasons for investing in Portugal: Recruitment of engineers and the access to the Brazilian market. He uses an anonymous Norwegian company as an example. This company is in the process of establishing a shipping base in Sines, and the access to Brazil is an important factor.

Infrastructure: general impression is that it is good. However, in the only deep water dock in Portugal, which is a part of two in Europe (the other is in Rotterdam), is not connected by a railroad that could transport products further on land. The connection to Madrid for instance is not working due to the track-size (he thinks). But, as the port in Sines is growing and developing this might change. He believes the railroad is a EU project that will continue after the crisis has settled down. This port can become a major resource for Portugal as the country is geographically very well

positioned. Portugal lies on the route for shipping for almost the whole world. Only Rotterdam has such a port which can handle the really enormous ships and Sines could compete.

Administrative issues: Mr. Ulset's general impression is that regulations and bureaucracy is too extensive when setting up business in Portugal. He says that it has to be especially difficult for foreigners to understand all the rules. He believes it is about 10-12 instances which has to be approached with applications for licenses and concessions and that companies have to go all the way up to ministers to get approval. Further, the complexity escalates in the municipalities. There are regulations that are incomplete and often goodwill is given in specific cases, meaning that the system seems to be somewhat unorganized and based on relationships. Sometimes there have also been cases of corruption in bidding rounds. In conclusion, there are too many and complex rules and a general lack of a standardized way of doing things.

However, as many other areas, this is stated by the government to be changing. They are working on new procedures in the maritime industry that will be standard, easier, and faster when it comes to for instance applying for licenses. A new framework is already published. Here there is a law firm specializing on the interests at the sea that has specific knowledge about the new framework. I can get access to both the publication and a contact in the law firm.

About restructuring: It is very difficult for the government, companies etc. to make big changes, especially if it endangers the jobs of people. Many associations have a very strong position and influence. He mentions examples like Engineers, Lawyers, and also the union of the shipyard of ENVC. They will not allow restructuring unless it is in the favor of the workers. For instance there are many layers in Portugal due to the complexity of the legal system, however, if the government makes efforts to lower the complexity, the union for lawyers might protest due to endangerment of jobs.

Cultural aspects: He talks about the tendency to bargain in Portugal which is different from Norway. Portuguese might suggest a higher price than they want and the buyer are expected to point out the issues to get a correct price. As this is different from Norway, Norwegian companies might end up feeling insecure that they will get what is promised. They might be reluctant to start a process in fear of not being able to trust what is said. It is unpredictable.

A second aspect is that Portuguese can communicate in a different way. There is a relatively greater focus on establishing relationships before doing business and often many things are said between the lines. The way to communicate can make it difficult for Norwegian companies to understand the message and to know what is actually said. There is also an issue with things taking longer.

A third aspect is the difference in distance to authority. In Portugal people respect authority more.

Meaning that there might be a gap in communication from the bottom up and there can be confusions resulting from this.

Geographical aspects: Portugal is situated geographically beneficial for the sea economy. It makes sense to focus on the sea, especially now when the continental shelf is expanding.

About competition: Mr. Ulset does not have much to say about the state of the competition. The Norwegian companies he has assisted has filled a gap and thereby had few or little competition. Hence the competition is not fierce in all segments.

His impression is that the government has subsidized many companies and he mentions the shipbuilder ENVC which is out for sale now (owned by the government). He says that the governmental support has not been good for the development of the shipyard as the company has not been pressured, they have not developed and innovated and is now obsolete in the international market, they cannot compete.

The problem in general is that Portugal base the economy on cheap labor, but it's not cheap enough to compete with other countries. On the other hand, the country is not developed enough towards the knowledge economy. It is stuck in the middle and cannot excel in the knowledge based economy. This might be due to facing fierce competition from countries in the same situation such as the Balkans. Portugal has however the benefit of better organization than these countries. The hope, and also Mr. Ulset's belief is that Portugal will in the future be able to develop its knowledge-economy to approach the international competition.

About cooperation and clusters: In Norway companies in the same industries that are competitors in some areas cooperate in others. There are maritime strategies developed based on the need of the industry. There are research institutions, educations, organizations etc. all aimed at enhancing the industry. In Portugal competition is perceived to be solely competitors in all manners. They do not cooperate enough and have a dialog in the same way as the Norwegian companies, but there is a strong will to change this. Mr. Ulset mentions Ernani Lopes, FEEM, Oceano XXI, Tiago Pitta e Cunha – among others who are engaged in the work towards enhanced cooperation.

The Portuguese government has many initiatives they call clusters, but few are actually regionally clustered. He mentioned OCEANO 21 as an example of an organization aimed at enhancing connections to the sea, but it is as far as he knows it is not regionally based in the way that companies are interdependent, thereby it is strictly speaking not a cluster.

He mentions Sines as a potential place for a growing cluster though. Here there is a port, companies are starting there. Also Leixões is mentioned as regional agglomeration of companies, there are many spin offs, there are research institutions concerned with the sea, and there is a tight

cooperation with Porto.

About specialized capital: He does not think there are specific capital institutions with focus on the maritime industry. He believes most capital comes from EU, he also says that the Norwegian company which is setting up offices in Sines has financing from EU. He adds that the crisis has made access to capital very difficult.

About sophisticated suppliers: Here Mr. Ulset says both yes and no. He believes that Portugal turned their back to the sea when they started to focus inwards on EU and building roads with the money instead of focusing on the maritime sector.

9.3.3 Recap – Birger Skår

Recap Interview with Birger Skår 20.5.14

Birger Skår is the CEO in the sales and marketing organization for Norwegian Shipbuilders: Norske Skipsverft. He has experience with Portugal, however, not extensive. He has been to Portugal a couple of times on business and a company he previously worked for had some relations in the country over a couple of years.

About the perception of Portugal: The first thing that comes to mind when talking about challenges he experienced in Portugal was the extensive bureaucracy. Things have a way of taking longer than in Norway. Mr. Skår believes this can be due to difficulties of reaching conclusions because of a need to anchor decisions in several directions, and a tendency to think things through two-three times.

About the reasons for going to Portugal: The first thing mentioned by Mr. Skår is the potential the country has in the maritime industry, which it has not utilized. He talks about the huge yard-area Lisnave, which he believes to be utilized substantially less than its potential. Mr. Skår believes the Portuguese system to be cumbersome and he links the bureaucracy and long time-spans for decisions to the unutilized resources. He points out that the country has great potential, but there is a need to accelerate processes and to have a shorter-termed result oriented focus.

About similarities in regulations etc: Mr. Skår believes there are differences. Both countries are under the directives and regulations of EU in the maritime industry. However, he believes that the Norwegian business sector has a big advantage in that the government is more proactive. He explains that the Norwegian government and its ministers are actively participating and engaging in the business sector. Meaning that the politicians in Norway are good at being present in the industry, they are focusing on the issues the industry is facing. The industry and the government

have a well-established and good connection. He believes this might be different in Portugal. In his perception, there is a bigger gap between them and that the government is not as well-connected to the business environment. He believes there is “a bigger gap between the ones that controls resources and the ones that uses them”, in Portugal.

About the cultural differences: Mr. Skår believes that Norwegians have a tendency to be very impatient and focused on efficient time management. Meaning that time is managed strictly and seen as the most valuable asset. In his perception, time is seen as less pressured in Portugal. He explains that a Norwegian will go to any meeting or business trip with a strictly planned schedule and time-frame. He thinks that the Portuguese might have a different take on the meeting, and the Norwegian might end up being frustrated and impatient.

Geographic location: Is seen as very favorable by Mr. Skår. He emphasize the location in the middle of the ship-lane from the Mediterranean to Europe. This makes the deviation time for ships to get repairs or maintenance minimal. He also compares the benefit of the position to the one of Rotterdam. Further, in relation to Norway, the distance is seen as small. To travel by air takes four hours to get to Lisbon and there are daily flights. He compares this advantage to the port of Vigo in Spain where you have to transfer in Madrid.

About the market size and demand, competition and regulations: Mr. Skår has the perception that the country has an abundance of material resources like shipyards, docks etc., but a limited amount of activities are going on to utilize them.

He believes the competition in Norway and north of Europe to be fiercer than in Portugal and that Norwegian companies probably don't see the barriers to enter the market as high due to competitive forces.

Further, his perception is that the market and demand in domestic Portugal is small and not as demanding as in Norway. He believes the success of Norwegian companies to be dependent on the demands and pressures to innovate that occurs due to sophisticated clients and fierce competition. He adds that he do not perceive the same to be the case in Portugal. However, he do believe that there is a potentially big market in the fact that Portugal has both the infrastructure, capacity, and a favorable geographic location to tap into the big international market provided by all the ships passing. He believes the market for repair and Maintenance to be huge, and with some effort, that Portugal might be able to leverage it.

Regarding HMS, safety, and environment Mr. Skår's impression is that there is compliance to international standards and regulations such as the ones presented by EU. However, he believes countries that excel in the industry are the ones focusing on more than the compliance. When there

is a norm and value in the companies such that they focus on enhancing safety and environment measures beyond the standards and regulations, he believes this to be of great value to all links in the value chains.

About the workforce: Mr. Skår perceives the workforce as skilled and highly qualified. The engineers are solid, especially theoretically. The two main issues is firstly the distance from the top in a company to the bottom. He sees this as a problem due to lack of communication and interplay between different disciplines, and between administrators and the workers, which becomes problematic as the one does not know what the other is doing. Secondly, the engineers' ability to see the connection between their effort on the drawing-table, and what is actually happening in the production. He believes that changes should be made to the system, so that there are shorter distances and that the workforce can get a more diverse skill-base.

Access to capital: Mr. Skår do not have elaborate knowledge on this, however, he has been in contact with some banks regarding competent and specialized capital and his impression is that it has potential to be enhanced.

9.4 Recommendations, summary table

Problem	Recommendation
1. Market and Company size	<ol style="list-style-type: none"> 1 Means to enhance intra- industry linkages 2 Means to enhance industry – governmental /institutional linkages 3 Focus on repair and maintenance to attract the international market floating by daily 4 Develop the port of Sines in terms of railroad connection and regional cluster 5 Maritime industry as a governmental focus area
2. Degree of specialization	<ol style="list-style-type: none"> 1. Focus on niches and specialized smaller segments of the market 2. For instance in line with the upgrading and development of the Port of Sines
3. Access to specialized labor	<ol style="list-style-type: none"> 1. Focus on lower degrees of education like vocational studies 2. On the job training and education with close relationship to industry 3. Enhance safety and salary in the sector.

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