

**MEANINGFUL INTERNATIONALIZATION: A STUDY AMONG
THE LEADERS OF BRAZILIAN SMALLER ENTERPRISES**

by

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ABSTRACT

This thesis considers how leaders of smaller firms attach meanings to internationalization. This is examined by the means of a survey questionnaire of Small and Medium Sized Enterprises [SME] operating in the clothing industry of Paraná State in Brazil, and 58 qualitative interviews with the leaders of these firms.

The thesis argues that existing theories of internationalization overlook the question of what international involvement means to relevant actors and in so doing have produced a body of knowledge characterized by deterministic, rationalist and individualist assumptions of organizational action that seriously understate the role of choice, interpretation and the collective dynamics of meaningful action. Drawing on Weber's (1964; 1978) argument that social action is meaningful the thesis advances an integrative view of internationalization as a meaningful action characterized by the interplay of choice, rationality and interpretation.

The thesis presents evidence sufficient to show that meanings regarding the criteria and parameters informing rational choice in internationalization vary with decision makers' interpretations. In addition, it demonstrates that such meanings do not always accord with available theories. The thesis discusses why a recognition that internationalization is meaningful, and therefore implies choice and interpretation in addition to rationality, is critical for further theorizing. Finally, it considers the contributions of the findings and arguments for policymaking and managerial practice in smaller businesses.

For Vanessa

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1. INTRODUCTION

1.1 EXPLAINING INTERNATIONALIZATION

What explains the international involvement of firms? Why, in the course of their life cycle, do some firms engage in foreign operations while others remain purely domestic? Why do some firms internationalize fast while others do so only slowly? Why, for some firms, is international involvement little more than a one-off arrangement while for others it is an active and dynamic ongoing movement? How do firms decide on matters regarding the location, mode of operation and direction of their foreign operations? What explains differences in their degree of internationalization?

Over the past 50 years¹ these questions have been at the core of internationalization inquiry. Their answers have been of particular interest for both governments and practitioners. Overall, internationalization has traditionally been seen as a central cause of the wealth of nations (Smith, 1776), and a fundamental means for creating and sustaining a firm's competitive advantages (Zahra, Ucbasaran and Newey, 2009).

A search through the specialized literature reveals that many theories have been proposed to explain internationalization. In general they can be categorized into two broad perspectives, namely economic and behavioural (Andersson, 2000; Burgel *et al.*, 2004; Johanson and Vahlne, 1990; McDougall, Shane and Oviatt, 1994). Theories developed within the economic perspective argue that internationalization is characterized by independent events (trade and investment operations such as exports, imports, international joint ventures, foreign direct investment, and others) rationally processed in order to maximize a firm's profits through the access and deployment of distinctive advantages. By contrast, behavioural theories presume that internationalization encompasses a path-dependent learning process, which is goal-

¹ There is general agreement that one of the first systematic attempts to explain internationalization at the firm level was made by Stephen Hymer (1976) in his PhD dissertation presented in 1960 and published posthumously in 1976 (Pitelis, 2002).

complex, contextually contingent and requires little of decision makers' rational capacities.

Although economic and behavioural theories contributed much to our understanding of internationalization, some authors contend that the field is still immersed in a plethora of controversies and that definitive conclusions have not been reached (Buckley, 2002; Buckley and Ghauri, 1999; Griffith, Cavusgil and Xu, 2008). Recent assessments of available knowledge agree that much in the rationales of these theories is no longer appropriate and that theoretical renewal is required (Agmon, 2007; Axinn and Matthyssens, 2001; Buckley and Lessard, 2005; Child and Rodrigues, 2005; Dunning, 2007; Hutzschenreuter, Pedersen and Volberda, 2007; Shenkar, 2004; Sullivan and Daniels, 2008; Toyne, 1989; Toyne and Nigh, 1998).

This thesis echoes this point of view. It argues that among the subjects that mainstream theories do not adequately address is the fact that internationalization is a meaningful action and therefore implies choice (Child, 1972; 1997; Hutzschenreuter, Pedersen and Volberda, 2007), interpretation (Blumer, 1998; Daft and Weick, 1984; Seifert and Machado-Da-Silva, 2007) and collective social interaction (Barnes, 1992; Berger and Luckmann, 1966; Emirbayer, 1997). Put another way, the thesis contends that conventional theorizing in the field has been unbalanced towards determinism, rationalism and individualism and as such has ignored the role of choice, interpretation and the collective dynamics of meaningful action.

Within the economic perspective, determinism is based on the view that, given the internal nature of social actors (self-interested and utilitarian), or the laws of survival in competitive markets, decision makers in commercial firms pursue the maximization of profits (Buckley and Casson, 2009). In so doing decision makers are presumed to respond to environmental stimuli in the same way, and internationalization is expected to be predictable and capable of being modelled in econometric models. Although they encompass a sound argument, economic theories relying on this view have difficulty in recognizing that managers can take different courses of international action when operating in similar circumstances. For instance, they do not explain why not all firms internationalize when they would have economic advantages in doing so (Andreff, 2000); or why some of them internationalize without a clear view of its economic benefits (Aharoni, 1966). In addition, economic theories ignore the fact that some

organizations internationalize without possessing the full set of necessary advantages for efficient international performance (Child and Rodrigues, 2005), and that some firms may lose advantages as well as create disadvantages when internationalizing (Cuervo-Cazurra, Maloney and Manrakhan, 2007).

Behavioural theories, although recognizing that goals orienting international involvement are more complex than profit maximization, also develop a determinist view of internationalization by presuming that it can be explained in terms of knowledge, prior experiences, social networks and a number of other contingent features that characterize a firm's situation. They portray internationalization within feedback-reaction systems whereby decision makers are expected to respond passively to internal and external dispositions and pressures. Theories based on this view also face severe limitations. For example, they fail to explain the idiosyncrasy of the internationalization process of many firms that do not follow the sequence of stages in which internationalization is usually depicted, e.g.: 'born global' firms (Bell, 1995; Bell *et al.*, 2003; Millington and Bayliss, 1990; Sharma and Johanson, 1987; Turnbull, 1993; Whitelock and Munday, 1993). In addition, they fail to explain why some organizations, without possessing full knowledge, establish international operations in psychically distant markets (Freeman, Edwards and Schroder, 2006; Oviatt and McDougall, 1995; Rialp, Rialp and Knight, 2005; Sharma and Blomstermo, 2003; Turnbull, 1993). Similarly, they do not account for firms that are embedded in internationalized networks but which operate exclusively in their domestic market (Bell, 1995; Chetty and Holm, 2000). Ultimately, if internationalization is expected to progress in accordance with behavioural models, there is little space for choice.

In their tendency towards determinism, prevailing theories have emphasized rationality and understated the role of interpretation. Within economic theories, social actors are depicted as omniscient centres of calculation capable of univocally evaluating their situation and, on this basis, adopting the course of action that will maximize the utility of fixed goals. This perspective employs concepts such as 'maximization' and advantages deployment without recognizing how situations and possibilities are interpreted in terms of the potential utility of actions; or how resources and advantages are collectively understood. Behavioural theories presume that internationalization is determined by knowledge-learning mechanisms and contextual contingencies. The

perspective has little use for decision makers' limited rationality, which alternatively tends to be conventionally embodied in the actor's situation. Nevertheless, similar to economic theories, behavioural theorizing ignores the fact that learning and making sense of organizational situations requires interpretation. The present thesis advances the argument that internationalization is not only a matter of rationality, but is also dependent upon interpretation which produces (and reproduces) the meanings in which action is based (Alexander, 1988). In so doing it exposes a major gap in the dominant theorizing in the field

Beyond rationalism, both economic and behavioural perspectives of internationalization have been underpinned by individualistic assumptions regarding action that ultimately ignore the ontologically collective, susceptible and relational nature of meaningful social action (Barnes, 1995; 2000; Berger and Luckmann, 1966; Emirbayer, 1997; Granovetter, 1985; Loyal and Barnes, 2001). In so doing, prevailing theorizing has presumed that internationalization is put forward by individualized entities. In economic theories, individualism takes the form of self-action in which individualized firms are assumed to internationalize under their own powers and regardless of other firms. In other words, internationalization is a project based on contracts agreed between individualized parties. In behavioural theories, individualism assumes the forms of self-action and inter-action (Dewey and Bentley, 1949). In the former, internationalization emerges as an autonomous self-propelled and ongoing process contingent to a firm's situation. In the latter, individualized firms are assumed to be interconnected within causal networks and internationalization is presumed to be driven by the interaction of firms existing independently of each other. Internationalization is expected to be explained in terms of the attributes of that interaction such as trust, commitment, knowledge created, and network centrality.

Ultimately, by emphasizing determinism, rationalism and individualism, mainstream theorizing in internationalization has ignored: (1) the ontological unpredictability of social action given the role of choice, (2) the complexity of the meanings produced and reproduced through interpretation, and (3) the collective interdependence of organized social action. By contrast, the present thesis argues that although internationalization may be partially determined, managerial choice and volition should not be excluded. In addition, it contends that although

internationalization imply rationally, it does not preclude interpretation. Moreover, it accepts that although it is put forward by individual entities, internationalization is also collectively activated, sustained and transformed.

The present thesis develops an explanatory account of internationalization as a meaningful course of action and therefore subject to the roles of choice, rationality and interpretation. The focus on choice highlights the idea that internationalization is not merely determined, but also embodies the human condition to act otherwise (Giddens, 1979; 1984). In so doing, the thesis advances Child's (1972; 1997) strategic choice perspective by echoing the argument that so for theoretical advance to be achieved it is imperative to reorient determinist tendencies and reconcile concurrent perspectives of theorizing (voluntarism versus determinism) into a balanced view of organizational action. The focus on rationality acknowledges that internationalization is oriented towards particular purposes and evaluated in relation to the means/conditions within decision makers' situations. The focus on interpretation emphasizes that internationalization presupposes understanding over and above pure rationality and that its meanings are collectively activated, sustained and transformed. In these terms, the thesis develops a perspective for studying and explaining internationalization characterized by the analytic interplay of choice, interpretation and rationality.

1.2 RESEARCH AIMS AND OBJECTIVES

Drawing on view that organizational action is meaningful (Weber, 1964; 1978), this thesis questions what are the meanings that those with power to decide in organizations attach to the action of internationalizing. Therefore the study is oriented to the following research question:

How do decision makers understand the meaning of internationalization?

This question is approached from the analytical perspective that, as a meaningful action, internationalization encompasses choice, interpretation, and rationality. Considering this, the thesis attempts to achieve the following objectives:

1. To investigate the scope of choice in internationalization.
2. To identify how decision makers interpret the purposes and means/conditions of internationalization within their situation.
3. To explore how interpretation informs strategic choice in internationalization.
4. To explore the dynamics of choice, interpretation and rationality in internationalization.
5. To generate relevant insights for the refinement of internationalization theory and practice.

1.3 OVERVIEW OF THE EMPIRICAL INVESTIGATION

The empirical research developed in this thesis consisted of quantitative and qualitative methods of inquiry. They were carried out among Small- and Medium-Sized Enterprises [SME] operating in the clothing industry of Paraná State, Brazil².

The quantitative survey conducted with a sample of 96 firms in the first stage of the empirical investigation attempted: (1) to examine the scope of choice regarding international involvement among SMEs in the industry; (2) to describe firm and managerial characteristics of SMEs in the industry; (3) to investigate the influence of relevant firms and the managerial characteristics in internationalization; and (4) to serve as a framework for purposefully sampling firms for the subsequent qualitative stage investigation.

The investigation carried out in the second stage of the study consisted of 58 qualitative interviews with the leaders of SMEs in the Paraná clothing industry, who were purposefully sampled on the basis of the previous survey. Data collection was supported by documentary compilation and observation. In this stage the research aimed: (1) to identify how decision makers understand internationalization, and (2) how these understandings inform their action choices regarding international involvement.

² The reasons for conducting the empirical investigations with SMEs in a major emerging country are given in Chapter 5.

The results of the investigation offered evidence sufficient to corroborate theoretical arguments advanced and to question the ontological and epistemological assumptions by which internationalization has been conventionally understood. First, they indicate that choice plays a role in internationalization, and in so doing they question the deterministic assumptions of prevailing theorizing. Second, they point out that choices in internationalization entail understanding over and above purely rational calculation. The findings indicate that the purposes and means/conditions of internationalization can be interpreted in different ways, and that the criteria and parameters informing strategic choices with regards to internationalization vary with decision makers' interpretations. Hence, the findings reinforce the understanding that internationalization is not an exclusive rational project. In addition, in line with Child's strategic choice perspective, they support the hypothesis that strategic choices in internationalization are made from an interplay of rationality and interpretation. Third, the findings indicate that the meanings produced and reproduced through interpretation are socially activated, sustained and transformed.

1.4 OVERVIEW OF THE CHAPTERS

This thesis is organized into ten chapters, this introduction being the first. Chapter 2 encompasses the first steps in attempting to understand strategic choices in internationalization. In particular, it reviews how internationalization has been conceptualized and understood in the specialized literature, its key analytical components, and how it can be empirically assessed.

Chapter 3 reviews economic and behavioural theories of internationalization. It examines how internationalization has been understood and explained within these perspectives, and points out their major contributions and limitations.

Chapter 4 critically evaluates prevailing theories of internationalization. It maintains that major limitations of available theorizing can be related to the fact that it has understated that internationalization is meaningful and therefore produced a body of knowledge that emphasises determinism, rationalism and individualism while overlooking the role of choice, interpretation and the collective dynamics of action. The chapter contends that although behavioural and economic perspectives diverge in many

respects, they also have much in common. The chapter advances a perspective of analysis which portrays internationalization as a meaningful course of action and therefore subject to the role of managerial choice taken from the interplay of rationality and interpretation. In so doing the chapter sets out the theoretical platform for the empirical investigation.

Chapter 5 explains the methodological procedures orienting the empirical investigation in this thesis. It points out how a mixed-method strategy, encompassing quantitative and qualitative methods, was used in order to answer the research question and achieve the proposed research objectives. It addresses the specific objectives of each of these methodologies, and explains how data was collected and analysed.

Chapter 6 presents the findings of the quantitative analysis of the survey data. It provides an overview of the international involvement of the SMEs included in the sample, their firm and managerial characteristics, and how these characteristics influence internationalization.

Chapters 7 and 8 outline the understandings that leaders of smaller firms in the Paraná clothing industry assigned to the purposes and means/conditions of internationalization. In particular, Chapter 7 presents four main categories of purpose which inform choices in internationalization, namely: (1) increasing profits; (2) reducing risk; (3) social recognition; and (4) business development. Chapter 8 examines five main categories of means/conditions of internationalization as considered by the decision makers interviewed, which are: (1) quantity; (2) mode of competition; (3) differences between foreign and domestic operations; (4) risk and uncertainty; and (5) legitimacy. Each of these chapters further explores how different understandings regarding the means/conditions of internationalization might inform strategic choices in the establishment of cross-border links.

Chapter 9 discusses the key findings of the empirical investigation. It starts by discussing the international involvement of SMEs in the clothing industry of Paraná, how far firm and managerial characteristics as considered in mainstream theories in the field can explain it, and how far the inconclusive results of the quantitative analysis align to prior research on the topic and highlight the scope and role of managerial choice. It then discusses the findings of the qualitative investigation pointing out the interplay of interpretation and rationality and, more specifically, how decision maker's

understandings may inform strategic choices in internationalization. Finally, the chapter explains how the inclusion of interpretation in theoretical models of organizational action can reconcile concurrent assumptions of theorizing and provide a foundation for advancing scientific knowledge in internationalization.

Chapter 10 concludes the study by highlighting its key implications for theory, managerial practice and policymaking. In addition, it points out the limitations of the research, and suggests avenues for further study.

2. UNDERSTANDING INTERNATIONALIZATION

2.1 INTRODUCTION

The word ‘internationalization’ appeared in the English language during the second half of the nineteenth century referring to ‘the action of internationalizing’ (Oxford, 2009). In 1864, Webster defined it as the action of rendering something international in character or bringing it under international control. In its simplest and primordial sense, it means the action by which something becomes international³. However, since its early appearance, the term ‘internationalization’ has been used to address a number of phenomena, subject matter, circumstances and levels of analysis, so that grasping its meaning is not an easy task.

Firstly, the word ‘internationalization’ is not used in a standard way. Very often its meaning overlaps with those of ‘globalization’, ‘mundialization’ or ‘transnationalization’. Secondly, its uses are not restricted to academic contexts. Though it represents a major research area in the field of international business, it is also often used by software programmers, lawyers, politicians, business persons and general practitioners. Thirdly, internationalization has been commonly used to address phenomena at different levels of analysis, such as nation states, organizations, groups and individuals. At each of these levels, it typically addresses different subject matters and circumstances. For example, at the level of the nation-state, internationalization affects the use of national languages, culture, traditions, customs, religions, public policies, economic issues, education, foreign agreements, and so forth. At the organizational level, it is present in the establishment of foreign subsidiaries, international trade, joint ventures, licensing agreements, international advertising campaigns, exhibitions, expatriation processes, international franchising, and others

³ The word ‘international’ was apparently coined by the English jurist and philosopher Jeremy Bentham, who combined the Latin preposition *inter* + noun *nation* + suffix *al* (Klein, 1966 – Etymology Dictionary; OED, 2008). Bentham used the word to acknowledge a branch of law which he referred to as ‘international jurisprudence’. In his words it was a term that could better express “the branch of law which goes commonly under the name of the law of nations” [Bentham, 1790 quoted in OED, 2008]. Currently the Oxford English Dictionary defines ‘international’ as an adjective mainly denoting something existing, constituted, or carried on between different nations.

(Johanson and Vahlne, 1990). Similarly, internationalization may also be used to address phenomena occurring among individuals, groups, industries, communities, networks, and others.

The interest of this research is on internationalization as a phenomenon occurring at the organizational (firm) level of analysis. This acknowledgement helps to delineate some initial boundaries to the phenomenon under investigation. Nevertheless, it still leaves much room for controversy about what, exactly, is meant when the term internationalization is used in the context of organizations. Despite the extensive research and the generation of a substantial body of knowledge, academic investigation regarding internationalization is still immersed in a plethora of disagreements, and definitive conclusions have not yet been reached (Buckley, 2002; Buckley and Ghauri, 1999; Griffith, Cavusgil and Xu, 2008). It is on the belief that many of these controversies can, at least partly, be related to a relentless misuse of the term, and poor understanding of its key dimensions, that justifies this chapter.

The chapter takes an important step in the attempt to understand strategic choice in internationalization. In particular, it focuses on: (1) how internationalization has been conceptualized and understood in the specialized literature; (2) its key analytical components; and (3) how it can be empirically assessed.

Following this brief introduction, Section 2.2 reviews conventional conceptualizations of internationalization and portrays it as a process of international involvement, characterized by the establishment of cross-border links. The major dimensions implicit in this understanding are then discussed. Section 2.3 discusses the key analytical components of internationalization, and in particular those of location, subject-domain, mode of operation, direction, and time. Section 2.4 reviews how internationalization has been empirically assessed in major studies in the field. The chapter finishes with a brief summary of what was learned.

2.2 CONCEPTUALIZING INTERNATIONAL INVOLVEMENT

There is general agreement that internationalization of firms only emerged as a major field of study in the late 1960s (Parker, 1998; Pugh and Plath, 2003); namely, as a phenomenon of international involvement occurring and investigated at the firm level of

analysis. Since then, there has been growing scientific interest in the topic. Nevertheless, at the end of the 1980s, Welch and Luostarinen (1999 [1988]) observed that internationalization was not a clearly conceptualized phenomenon. In reviewing the evolution of the concept, they observed that researchers were conceptualizing internationalization as an “outward movement towards firms’ engagement in international operations” (Welch and Luostarinen, 1999: 84). They contended that internationalization is not just an outward movement, but a process that could assume both directions: inward and outward. Building on this view, they eventually proposed a definition that became one of the most recognized and accepted within the specialized literature. They argued that internationalization is “the process of increasing involvement in international operations” (Welch and Luostarinen, 1999: 84).

Further other concomitants to the concept were proposed. Beamish *et al.* (2000: 3) defined internationalization as “the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with firms from other countries”. Casson (1992) defined internationalization as the international expansion of the firm. Andersen (1993; 1997) asserted that internationalization is a type of growth process which entails the transference of goods, services or resources across national borders. Calof and Beamish (1995: 116) stated that internationalization is “the process of adapting firms’ operations (strategy, structure, resource, etc.) to international environments”. Jones and Coviello (2005) argued that internationalization is an innovation process that entails entry into new country markets. In a slightly different manner, Hitt, Ireland and Hoskisson addressed internationalization through the lens of international diversification. In their words, international diversification “is a strategy through which a firm expands the sales of its goods or services across the borders of global regions and countries into different geographic locations or markets” (Hitt, Ireland and Hoskisson, 2007: 251). Cuervo-Cazurra, Maloney and Manrakhan (2007: 710) argued that internationalization implies transference of “some resources across national borders, either indirectly through their embodiment in products (Penrose, 1959), or directly as foreign direct investment (Dunning, 1993)”.

Despite these specific distinctions, there is substantial agreement with the view that internationalization is a **process** and, moreover, that it is a process encompassing

international involvement or the establishment of linkages beyond the borders of a firm's national context. These **cross-border links** that characterize the process of internationalization are typically expressed in terms of 'engagement in international operations', 'international transactions', 'transference of resources across borders', 'entry into new country markets', and 'foreign sales'.

2.2.1 Internationalization: process, content and context

As Jones (1999: 18) asserts: "internationalization is undoubtedly a process". That internationalization is a process has been accepted either explicitly or implicitly in most, if not all, understandings of the term.

Through the lens of process, theorists suggest that internationalization is not a single event, but rather an ongoing flow of events over time. This is to recognize that internationalization is bounded to an inherent temporal dimension (Jones and Coviello, 2005). Put differently, it is to acknowledge that internationalization may vary in terms of '**when**' in the flow of time the events, or cross-border links, that characterize internationalization happen. Moreover, it means that any attempt to grasp and understand internationalization empirically requires a longitudinal approach of investigation. From this point of view Melin (1992) observed four different perspectives from which to study internationalization: (1) as a time-series of detached critical *events*, or *states*; (2) as relatively short *episodes*; (3) as lengthy *epochs*; and (4) as a biographic history (Melin, 1992: 101-102, emphasis in the original).

Nevertheless, to say that internationalization is a process is also to recognize that it is a constant flow of changing states (Melin, 1992). This understanding admits that when firms internationalize, something becomes different. It implies that when studying internationalization as a process, "we must also focus on content" (Melin, 1992: 102). Melin argues that the dichotomy between process and content is misleading and should be avoided in international management research⁴.

To wonder about the content domain of internationalization is to question '**what**' changes in the process of internationalization. Ultimately, it refers to its products

⁴ In philosophy, process and content are two distinct and incommensurable accounts for the metaphysical nature of reality (Rescher, 2002; Robinson, 2007).

or outcomes. In Melin's (1992) view the changing content of internationalization involves both changes in the perspectives and positions of organizations. In his words internationalization means change in terms of "scope, business idea, action orientation, organizing principles, nature of managerial work, dominating values and converging norms" (Melin, 1992: 101). A similar understanding is expressed by Bartlett and Ghoshal (1998) who maintain that internationalization brings about changes in at least three major organizational systems: i) anatomy (structure and formal responsibilities); ii) physiology (relationships and inter-personal processes); and iii) psychology (attitudes, values and mentality of individuals). In these terms, internationalization can be seen as a process of radical strategic transformation in organizations. Here, one also has to recognize that the changes and transformations that happen through internationalization can develop in different ways and forms. Therefore, as a process, internationalization also refers to a particular manner of '**how**' these changes come about or are put forward.

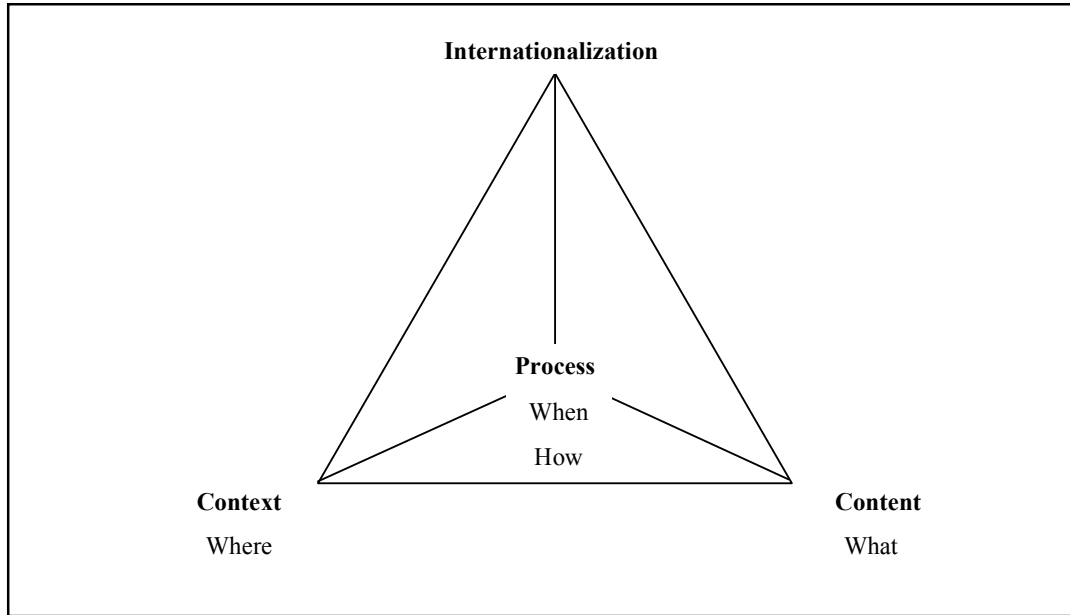
Further, it must be noted that as a process of changing content internationalization does not exist in a vacuum, but rather develops within a context. This refers to the set of circumstances '**where**' internationalization takes place (Wit and Meyer, 2004). In particular, the context of internationalization concerns the situation, the surroundings, the environment, the location and the conditions where internationalization processes and content are observed.

What these observations suggest is that although in the specialized literature internationalization is typically conceptualized as a process, it can also be characterized as content and context. This understanding is illustrated in Figure 2-1.

Although this conceptual distinction is somewhat artificial, it is also orthodox in strategy research (Bourgeois, 1980; Pettigrew, 1985; Whittington, 2006; Wit and Meyer, 2004). Moreover, when studying internationalization it seems particularly useful. First, it highlights three major dimensions implicit in internationalization phenomena and which should not be dissociated when attempting to comprehensively understand one of them. Second, it favours a balanced view among different dimensions. It is noticeable that, key components of process, content and context of internationalization have not been investigated to the same extent in the literature. Third, this distinction encourages questioning about how process, content and context of

internationalization can be theoretically understood and integrated in a holistic understanding of such phenomenon. Fourth, it encourages the creation of a theoretical framework to envision what are the key analytical components of internationalization implicit in each of these dimensions. These are considered in the following section.

Figure 2-1 Dimensions of internationalization: process, content and context



2.3 ANALYTICAL COMPONENTS OF INTERNATIONALIZATION

The previous section showed that in the specialized literature internationalization is typically conceptualized as a process, including content and context, characterized by international involvement or the establishment of cross-border links. Jones (1999; 2001) asserts that cross-border links are the building blocks of internationalization. They encompass the foreign linkages that characterize a firm's international involvement and in the specialized literature are conventionally referred to as the establishment of international operations, foreign transactions, transference of resources across countries, entry into new country markets, sales across borders and so forth.

In general, five key analytical components characterize the establishment of a cross-border link, namely: (1) location, (2) subject-domain, (3) mode of operation, (4) direction, and (5) time. To a large extent these can also be considered as the main components of strategic choice in internationalization, as will be argued later. Each of them refers to a different dimension of internationalization. Location considers the contextual dimension of internationalization and addresses choices regarding where cross-border links are established. Subject-domain refers to the content dimension of internationalization and considers the fact that cross-border links address particular subject-domains within the organizational realm. Mode of operation, direction and time address the process dimension of internationalization. The first considers that cross-border links may take different forms or happen under different methods or modes of operation. The second recognizes that cross-border links may take either outward or inward orientation. The third acknowledges that cross-border links are established within specific points of time.

Each of the analytical components that characterize the establishment of cross-border links in the process of internationalization is now considered in turn.

2.3.1 Location

Location is a major component of choice implicit in the establishment of cross-border links. It addresses the locality or place where cross-border links are established and therefore the spatial scope of a firm's operations beyond its home or national domestic market. At the core of the locational component of cross-border links is the modern concept of 'nation'. This is critical to (1) recognizing whether a cross-border link was established or not, and (2) to locating the scope of a firm's operations beyond its home national context.

However, despite its relevance, what a 'nation' is and means is usually taken for granted but is not always clear (Boddewyn, 1997). Consider, for instance, that one could ask: does the trade between Scottish firms and their English counterparts characterize a cross-border link or internationalization? Similarly, should the investment of US firms in Hawaii be considered a cross-border link? Are Chinese executives to be considered expatriates in Taiwan? Is the service provided by Italian firms to the Vatican

international? Certainly, although these examples are extreme cases, they evidence some of the implicit difficulties when studying internationalization and in particular when attempting to characterize the establishment of cross-border links. Furthermore, they suggest that in order to move beyond the usual taken-for-granted understanding of what is meant by ‘nation’, better understanding of location issues in internationalization is required.

Unfortunately, there is no scientific definition addressing the meanings and boundaries of what is or should be considered in the concept of ‘nation’. Whilst a social construct, its meanings are not fixed and its boundaries not clear. Etymologically, the word ‘nation’ derives from the Latin term *natio*, which was historically used to qualify one’s personifying birth, kinship, kind, tribe, class or race⁵ (Lewis and Short, 1879). In these terms, a nation stands as a socio-cultural unity, or as Seton-Watson (1977: 1) points out: “a community of people, whose members are bound together by a sense of solidarity, a common culture, a *national* consciousness” [emphasis added]. Likewise, Boddewyn (1997) maintains that a nation entails a group of people who share nationalist sentiments, language, ethnicity, religion, ideological elements, and so forth. A major problem within this understanding is that it does not distinguish between a nation and a tribe. Rather, it favours the socio-cultural dimension of what is implicit when one uses the term ‘international’, as in international business or internationalization. By this understanding, the trade between Scottish and English firms should, as earlier asked, be considered international. However, the modern meaning of nation encompasses more than the social-cultural dimension implicit in this concept. Presently, it usually addresses at least three more dimensions, namely: (1) geographic-territorial, (2) political, and (3) economic.

The **geographic-territorial** domain of a nation can be easily recognized in the etymological origin of the word ‘country’. The term comes from the Latin word *cuntrée* or *contrée*, whose English equivalent is ‘encountered’ or ‘met with’. Traditionally, the word ‘country’ is used to address the tracts of land, regions or districts where the nation

⁵ An interesting example of how the word *natio* was used in classic Latin can be found in a discussion between Cicero Philippius and Mark Antony dating from 44 BC (Cicero, 1918), where Cicero declares “*Omnes nationes servitute ferre possunt: nostra civitas non potest...*”. Freely translated this means: “all races are able to be enslaved, but not our citizens”. The statement was made by Cicero as an attempt to contrast the inferiority of other nations in the face of a Roman-born community.

can be encountered⁶. Thus, it encompasses the geographic territory where the nation, while a socio-cultural unity, can be encountered. It is on the basis of this understanding that the assumption emerges that international business also means crossing borders or crossing national borders, i.e. geographic-territorial borders where a nation is encountered (Boddewyn, 1997).

Though there are exceptions, socio-cultural unities living in specific geographical territories tend to organize around political systems of governance. This entails the political dimension implicit in the modern understanding of the term 'nation'. As Seton-Watson argues, through political organization a system of governance emerges "with the power to require obedience and loyalty from its citizens" (Seton-Watson, 1977: 1). With this in mind, Weber (1978) noted early on that the state is the organization with the monopoly on the legitimate use of physical force within a given territory. The state or the government is the dimension of the nation which is politically organized. It is the source of legal institutions and the establishment of a state of justice within the national borders of a nation's country. However, this does not mean that all nations, while cultural unities placed within specific geographic areas or 'countries', have their own state. It is well known that Scottish, Welsh, Kurdish and other nations do not have independent national states. Furthermore, it must be acknowledged that there exist some states which have more than one single nation inside their political borders. That is, for example, the case of Canada, Belgium and Spain. Conversely, there are also states like the Vatican which do not have nations at all. Thus, it must be recognized that the meanings of nations and states do not necessarily depend on each other.

The modern concept of 'nation' further recognizes an **economic dimension** in its conceptualization. It emerges out of the understanding that within its borders, each nation has a bundle of resources, skills and wants that determine its competitiveness in the face of other nations (Boddewyn, 1997). This understanding became particularly relevant after the 17th century. It draws on the assumption that each nation has a set of natural and social resources within its borders that determine its comparative economic advantages (Porter, 1990; Ricardo, 1817; Smith, 1776). Natural resources are seen as a

⁶ An early use of the word 'nation' in conjunction with territory can be found in a report of Liutprand, Bishop of Cremona, to Constantinople in 968 AD. In his report Liutprand confronts the Byzantine emperor Nicephorus II, on behalf of his patron Otto I, Roman Emperor, and argues: "The Land...which you say belongs to your empire belongs, as the *nationality* and language of the people proves, to the kingdom of Italy" (Liutprand, 968).

nation's territory, agriculture, climate, energy, hydro and other physical resources. Social resources are all those assets generated by its citizens, such as its market, knowledge, skills, labour force, monetary system, and so forth.

When taken together, these four dimensions – socio-cultural, geographic-territorial, political and economic – encompass what is usually implicit in the modern concept when one addresses the term 'nation'. More importantly, these dimensions also evidence what is usually implicit when addressing the location of the cross-border links established by a firm. On the one hand it suggests that when a decision maker chooses to establish a cross-border link in a particular national location, s/he does not consider only socio-cultural aspects but also the whole range of dimensions and aspects implicit in this concept. On the other hand, as observed in the specialized literature, it also indicates that since nations vary in terms of their characteristics, location-bound assets, intangible assets, governance conditions, institutions, culture, natural resources, and so forth, the location of the cross-border links established will primarily influence a firm's international and domestic operations (Chen and Chen, 1998; Dunning, 1977; 1980; 1998; Porter and Stern, 2001; Robert and Len, 2005; Stopford and Wells, 1972; Vernon, 1966).

Despite its relevance, the role and importance of location in international business studies has been often neglected (Dunning, 1998). To recognize location as a major component of internationalization is to bring back its role and importance into theorizing in international business (Dunning, 1998; Grant, 1991; Kogut and Singh, 1988).

2.3.2 Subject-Domain

To say that internationalization has a subject seems rather evident. This is clearly implicit in all conceptualizations of the term. To wonder about the subject of internationalization is to ask 'what' is being internationalized. Generally, since the end of the Second World War, when business organizations consolidated as major entities in the social realm, firms have been addressed and recognized as the major and proper subject of internationalization. However, although this is correct, it is also generic and

imprecise since it implies that, within the organizational realm, internationalization may be addressed to particular domains or areas while forgoing others. Rather, it should be acknowledged that business organizations are complex social entities and encompass several systems, subsystems, and domains (Child, 2005; Hatch and Cunliffe, 2006; Scott, 2003).

Considering that organizations are inter-connected systems, it is right to expect that although internationalization can be addressed to a particular subsystem, e.g. research and development, it can also be expected to reflect on others. However, to acknowledge that, within an organization, cross-border links may concern to particular subject-domains is to recognize that: (1) the internationalization of one particular domain does not mean the internationalization of others to a similar degree; and (2) that managerial choice plays a relevant role on the content or what is internationalized within a firm. With regards to this view Walker (1988) observes that although multinational companies are usually considered highly internationalized, in terms of image, management style and other aspects they might be highly domestic. For example, he asserts that “General Motors remains a thoroughly mid-western [American] company... Apple is very Californian... [and]... IKEA is Swedish” (1988:395 quoted in Whittington, 2001: 28). Therefore, when precision required, it is particularly relevant to qualify what, exactly, is the subject-domain of the cross-border links established in the process of internationalization.

Prevailing understanding acknowledges that the major subject of cross-border links is a firm’s products and/or services (Welch and Luostarinen, 1999). This understanding is perhaps one of the most recognized within the specialized literature. The underlying assumption is that when internationalizing, firms expand existing and new products/services to foreign markets, or change the whole concept of their products or services in international markets (Welch and Luostarinen, 1999). Although this is correct, to presume that the product/service domain is the exclusive subject of internationalization is also to take a narrow view. Even narrower is to presume that by choosing to internationalize a firm’s products/services, the decision makers can also be expected to internationalize the firm’s strategy, structure, culture, governance systems, social references, investments, practices, and so forth. One ought to recognize that some decision makers, though selling and/or producing abroad, may choose to maintain

product development and governance systems on an essentially domestic basis, while others, though operating exclusively in the domestic market, may choose to internationalize governance systems, practices and culture.

In view of the possibility of cross-border links addressing different subject-domains within the organizational realm, some researchers have echoed a plea for a more holistic understanding of internationalization (Bell, Crick and Young, 2004; Fletcher, 2001; Jones, 1999; 2001; Jones and Coviello, 2005; Sullivan, 1994). Sullivan (1994), a pioneer in this respect, argued that internationalization could address at least three different organizational domains: performance (what goes on overseas), structural (what resources are overseas), and attitudinal (what is top management's international orientation). His plea for a multidimensional assessment of internationalization was based on the assumption that the degree of internationalization in all three domains is not necessarily the same, and that measuring one would automatically reflect the levels of internationalization of the others. Building on this holistic view of internationalization, Jones (1999) argued that internationalization may be directed towards all aspects of a firm's business activities and not necessarily just towards its sales objects or product/services domain as is usually considered in mainstream theories. She observed that in today's context, it must be acknowledged that internationalization might be less about entering foreign markets or establishing foreign operations than it is about increasing a firm's awareness and response to international business influences, opportunities, threats, and imperatives (Jones, 2001). In a similar vein, Hassel *et al.* (2003) argued that international involvement can, for example, be directed towards a firm's financial or corporate governance domain. They contended that there is no reason why the subject of internationalization should be exclusively taken as the domain of firms' product/services operations. They observed that while cross-border links addressing a firm's product/services are well known and widely recognized, other areas need further empirical investigation. Ultimately, they claim that this distinction is theoretically important not only because it is empirically observable, but also because the internationalization taking place in these different domains have distinct impacts on organizations.

Unfortunately, a survey of the specialized literature indicates that so far no comprehensive conclusion can be found on what are the major subject-domains of

choice of a firm's internationalization. Overall, more research is needed. An interesting attempt in that direction was put forward by Cyrino and Barcellos (2006). They asserted that the product/services-market is only one of the subject-domains of internationalization. Alternatively they proposed six major subject-domains of the organizational realm in which internationalization may occur simultaneously or in isolation, namely: product/markets, assets, value chain, global production chain, governance, and mindset/culture. Table 2-1 summarizes each of these domains, their meanings and possible measures.

Table 2-1 Dimensions of the subject-domain of internationalization

Dimension	Meaning	Measurement
Product/markets	The geographical presence/positioning and degree of participation of products and/or services in international markets.	Diversity of markets attended and intensity of a firm's participation in each country with international operations.
Assets	Quantitative and qualitative distribution of a firm's assets in international markets (FDI, subsidiaries, sales offices, greenfield operations, joint ventures, and others). It can be of two types: tangible and people-based assets.	Tangible assets: value of assets abroad. People-based assets: quantitative and qualitative distribution of people in foreign countries, team diversity, number of expatriates and so forth.
Value chain	The geographical distribution of primary and support activities throughout a firm's value chain outside its domestic market.	Geographical positioning of activities that compose a firm's value chain.
Global production chain	Firm's position within a global production chain.	Firm's degree of leadership in a global production chain.
Governance	The degree of internationalization of a firm's: i) shareholder capital; and ii) council/executive board.	Degree of access to different markets of capital. Cultural and geographic diversity of a firm's shareholders and management board.
Mindset/culture	Level of internationalization of values and beliefs shared in a firm.	Degree to which a firm's mindset is centred in a particular national culture or is permeable by different national cultures.

Source: Adapted from Cyrino and Barcellos (2006: 224-225)

In short, the recognition that cross-border links established in the process of internationalization can be oriented towards different subject-domains in the organizational realm has two important implications for this study. First, it highlights that the specific content or subject-domain of internationalization is open to managerial

choice and should not be confined to the exclusive product/market domain, as has traditionally been the case in the specialized literature. Second, any attempt to empirically assess firms' international involvement should be aware that internationalization may manifest in different ways and may address different subject-domains.

2.3.3 Mode of operation

Modes of foreign operation constitute one of the most recognized aspects of internationalization. It considers the question of 'how' firms internationalize or what sort of cross-border links are established.

In general, modes of foreign operation encompass a substantial number of alternatives. For example, Stonehouse, Campbell and Hamill (2000) list fourteen different options, namely: direct exporting, licensing, patents, franchising, contract manufacturing, management contract, turnkey operations, local assembly, local manufacture, co-production, foreign subsidiaries, joint ventures and strategic alliances, mergers and acquisitions and global business. Each of these alternatives has its own particular characteristics, advantages and disadvantages.

Given the multiplicity of possibilities, it has been common practice to classify modes of foreign operation in accordance with their shared characteristics. Root (1994) suggests three main categories: (1) exports; (2) contracts; and (3) investments. **Exports** entail cross-border operations characterized by the fact that a final or intermediary product is manufactured outside the target country and then transferred to it. This happens in two major ways: direct and indirect export. Direct export takes place when the transfer of the products does not use intermediaries in the country of origin even though intermediaries might be used in the target country. Indirect export uses an intermediary firm located in the same country of the manufacturing firm. Taking into account that internationalization has two directions (as will be discussed in the next section), import operations are a mirror-image of exports when considered from an inward perspective.

Contracts involve agreements and associations between firms and constitute a second category of modes of foreign market operation in Root's (1994) typology. They

include cross-border links, mainly addressing the transference of intangible assets such as technology or knowledge to external markets. Contracts are usually linked to or create opportunities for exporting. The most common forms of contractual agreements in international operations are licensing, franchising, and outsourcing.

Investments entail cross-border operations comprising the ownership of assets in a target country, such as sales offices, warehouses, and production unities. Root (1994) distinguishes two main types of foreign investments: (1) sole venture and (2) joint venture. In a sole venture the ownership of assets in a foreign country is not shared. In a joint venture the ownership and control of foreign assets are shared between two companies, usually a foreign and a local firm. Table 2-2 summarizes Root's (1994) typology of different categories of modes of international operation/service.

Table 2-2 Root's typology of modes of international operation

Modes of international operation
Exports
– direct
– indirect through agent/distributor
– indirect through representative
– other indirect
Contracts
– licensing
– franchising
– technical agreements
– service contracts
– management contracts
– building contracts
– manufacturing contracts
– counter trade
– other
Investment
– sole venture: new establishment
– sole venture: acquisition
– joint venture: new establishment/acquisition
– other

Source: Root (1994: 26)

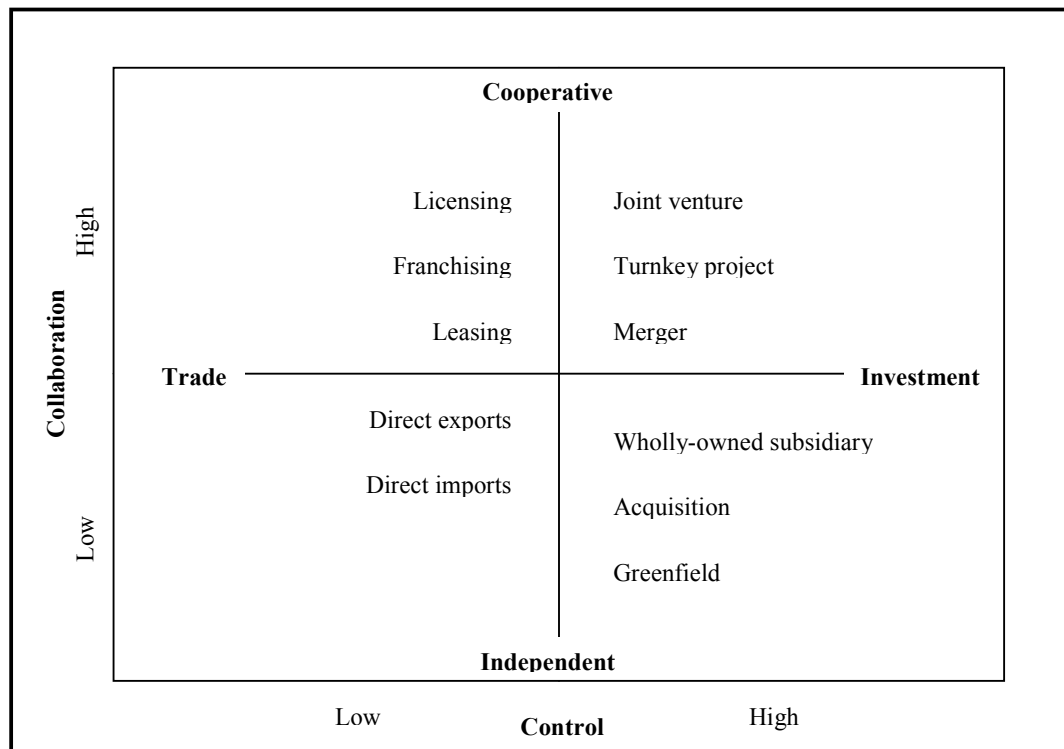
From a slightly different perspective, some authors argue that in fact there are not three, but only two major categories of foreign operations, namely trade and investment. From this viewpoint, Boddewyn (1997: 52) argues that **trade** operations encompass all international transactions or cross-border links where “a good or service

produced in one country is sold or rented to an unrelated (e.g. an independent foreign distributor or customer) or related party abroad (e.g. a foreign subsidiary involved in intra-company trade)". Hence, it includes not only export operations but also contract-based ones. **Investment** operations "refer to situations where the producer of the good or service transfers some or all of the necessary factors of production (raw materials, capital, labour, technology, skills, reputation, etc.) to another country where complete or partial production will take place under the control of these combined factors of production" (Boddewyn, 1997: 52).

It is important to recognize that modes of foreign operation vary along two relevant dimensions, namely the level of control of activities that they offer, and the level of collaboration among partners. In terms of control, trade modes offer the lowest levels of foreign control while investment modes provide the highest. In terms of required collaboration, direct export, full ownership, greenfield projects and acquisitions involve operations with higher levels of independence from partners. By contrast, export consortia, licensing, franchising, contractual agreements, turnkey operations, joint ventures and strategic alliances entail modes that require higher levels of cooperation among partners (Bernardino and Jones, 2003). Figure 2-2 illustrates this distinction.

Distinguishing and classifying modes of foreign operation in terms of control and cooperation is not always a clear-cut activity. Nevertheless, they constitute a major component of internationalization and one of the most recognized and studied aspects of the field (Welch and Luostarinen, 1999; Werner, 2002).

Figure 2-2 Levels of control and collaboration between modes of international operation



2.3.4 Direction

As a process, internationalization is a continuing movement of international involvement. Despite the dominant outward emphasis in the specialized literature, internationalization may take place in two directions: inward and outward. Inward internationalization consists of the flow of cross-border links from foreign markets towards the internal market of the focal firm. Outward internationalization consists of the flow of cross-border links from the domestic market of the focal firm towards foreign markets. Therefore, inward and outward operations are mirror images of each other (Welch and Luostarinen, 1999), and constitute important analytical components of internationalization and strategic choice.

From an inward perspective, trade-based cross-border links mainly consist of importing of machinery, materials, goods and services, and knowledge. Alternatively,

investment modes include operations such as joint venture partnerships, turnkey projects and others. In general, researchers point out that inward internationalization offers opportunities to acquire and learn about technology, aid business development, and overcome eventual competitive disadvantages (Child and Rodrigues, 2005; Karlsen *et al.*, 2003; Luostarinen and Welch, 1990; Welch and Luostarinen, 1993). It has also been argued that it is an important way of reducing costs, diversifying suppliers and overcoming shortages of materials or labour in the domestic market. Luostarinen and Welch (1990) note that in many circumstances inward internationalization may be present at the early stages of a firm's development; especially when domestic sources of technical, managerial, and marketing know-how are insufficient.

Empirically, researchers have observed that inward and outward internationalization are likely to develop in close relationship to each other, and to affect each other in many ways. For example, Korhonen, Luostarinen and Welch (1996) found that the majority of Finnish SME firms began their internationalization by establishing inward cross-border links rather than outward ones. In this study, they concluded that inward cross-border links acted as a springboard to outward activities. Rocha, Blundi and Dias (2002), studying the Brazilian paper and pulp, and footwear industries, observed that different combinations of inward-outward operations are likely to be present, according to the industry to which a firm belongs. Karlsen *et al.* (2003), investigating the creation and utilization of knowledge through inward-outward connections in a Norwegian company, argued that despite positive connections between inward-outward cross-border links, the full potential of such connections may not always be realized. It must be noted that although many questions regarding the relationships between inward-outward connections in internationalization remain to be answered, these connections represent a key component that has to be taken into account when attempting to understand internationalization.

2.3.5 Time

As noted earlier, time is an intrinsic component of internationalization as a process. However, despite of its self-evident nature and relevance, time in internationalization is not easily grasped and understood. Recently, authors have noted that time seldom been

taken into account and positioned as a primary dimension of analysis in internationalization (Hurmerinta-Peltomäki, 2003; Jones, 2001; Jones and Coviello, 2005; Zucchella, Palamara and Denicolai, 2007).

Acknowledging time as key component of internationalization presents theoretical and empirical challenges for any investigation. Overall, there is considerable disagreement regarding the realms of time, especially in terms of its philosophical understandings, conceptualizations, modes of approach and measurement. An important point of disagreement concerns the distinction between time as a (1) chronological or (2) social construct (Harvey, Griffith and Novicevic, 2000; Roe, Waller and Clegg, 2009).

Taken from a chronological perspective, time is understood in relation to a 'clock' and is usually linked with the Newtonian concept of absolute time, i.e. that time exists independently of objects and events, that it is quantitative, measurable, linear and uniform (Gherardi and Strati, 1988; Harvey, Griffith and Novicevic, 2000; Heejin and Liebenau, 1999; Roe, Waller and Clegg, 2009). This is the usual perspective from which time in internationalization has been approached and understood. According to this perspective, it is possible to say that the process of internationalization has: (1) a **beginning** at a specific point of time which, from a specific point of reference such as the inception of a firm, can be regarded as being early or late (Mcnaughton, 2000; Reuber and Fischer, 1997); (2) a **duration** from which internationalization can be studied as series of events, episodes, epochs and/or life cycles (Melin, 1992; Reuber and Fischer, 1997; Westhead, Wright and Ucbasaran, 2001); (3) a **speed** or rate at which internationalization can be argued to develop slower or faster (Coviello and Munro, 1997; Jones, 1999; 2001); and (4) a **pace** or rhythm which informs the dynamic variation of the length and intensity of a firm's international involvement over time (Zucchella, Palamara and Denicolai, 2007).

Alternatively, time could be also understood from a social perspective. Through this lens, time is considered to be socially-experienced and constructed, and thus has a social meaning (Gherardi and Strati, 1988; Harvey, Griffith and Novicevic, 2000; Roe, Waller and Clegg, 2009). This implies that time may vary between contexts, individuals, organizations and societies. Ultimately, it means that time is plural and relative. Recognizing that time in internationalization is bounded to a socially-

constructed dimension moves conventional understanding beyond the mere quantitative assessment of timing (commencement, duration, speed, and pace) to a more complex dimension of investigation and makes it intrinsically-embedded in the meanings given by actors to their social realm. This understanding suggests that strategic choices regarding the temporal component of internationalization may in fact intertwine with other temporal and socially-experienced processes, such as the stages of organic life (birth, growth, decline and death), the process of social and/or organizational growth and development, and the proper historical assessment of timing by decision makers. Ultimately, this understanding suggests that the commencement, duration, speed and pace of internationalization may be given different meanings in different social contexts.

In short, this study recognizes that cross-border links are bounded to a temporal dimension, which can be studied either chronologically or socially in association with other relevant analytical components of internationalization, namely location, subject-domain, mode of operation and direction. The following section reviews how internationalization has been empirically assessed and measured in previous studies.

2.4 MEANS OF ASSESSMENT AND MEASUREMENT

So far the review presented in this chapter has observed that international involvement in organization encompasses three major dimensions – process, content and context – and is characterized by the establishment of cross-border links which encompass five key analytical components: location, subject-domain, mode of operation, direction and timing. In essence, the review has indicated that internationalization is a complex phenomenon that represents significant challenges to empirical assessment. It also explained why there has been considerable debate in the specialized literature regarding how this assessment can be achieved.

Welch and Luostarinen (1999) argue that one of the simplest and most conventional ways of assessing internationalization is by using some sort of measure of foreign sales relative to total sales. However, they argue that although it is simple and attractive, such an approach is partial and provides very little information about

internationalization. In many ways it is ultimately misleading since it ignores many dimensions and components of a firm's international involvement. For instance, the review presented in the previous section suggests that a comprehensive assessment of internationalization should attempt to grasp five basic components/dimensions, namely: (1) location; (2) subject-domain; (3) mode of operation; (4) direction; and (5) time.

Sullivan (1994) argued that the ways internationalization is traditionally assessed tend to be speculative and arbitrary. He notes that studies have seldom accounted for the different dimensions and aspects of this phenomenon. He maintains that on the one hand some researchers have essentially relied on single-item measures. In other words, they assess internationalization on the basis of variables such as "subsidiaries' sales as a percentage of total sales", "foreign assets as a percentage of total assets", or "number of foreign subsidiaries" (Sullivan, 1994: 326). Although such measures tend to be precise and offer the facility of being easily replicated, Sullivan states that they do not enable one to assess error or to determine the reliability of the measure. Hence, they substantially increase the probability of Type I and Type II errors. Furthermore, single-item measures only assess part of the internationalization phenomenon. On the other hand, Sullivan also observes that other researchers have attempted to estimate internationalization using what he calls "poorly structured frameworks". These researchers try to infer internationalization by "examining the evolution, structure, and processes of relationships among its demographic, strategic, market, organizational, product and attitudinal characteristics of international expansion" (Sullivan, 1994: 325). He argues that such measures do not offer a means for assessing their reliability and validity.

In attempting to overcome this gap, Sullivan proposes a multi-item aggregated index to measure a firm's degree of internationalization (DOI_{INTS}). It is based, as was earlier noted, on his assumption that internationalization has three major subject-domains, namely performance (what goes on overseas), structural (what resources are overseas), and attitudinal (what is top management's international orientation). He tested a set of nine variables addressing these attributes. Through factor analysis five items were retained and included in his index. One addresses the performance of internationalization: foreign sales as a percentage of total sales (FSTS). Two addresses the structural element of internationalization: foreign assets as a percentage of total

assets (FATA), and overseas subsidiaries as a percentage of total subsidiaries (OSTS). Three addresses the attitudinal element of internationalization: top management's international experience (TMIE), and the psychic dispersion of international operations (PDIO). By these means Sullivan argued that a firm's degree of internationalization could be empirically captured in a single factor index and computed in terms of the following equation:

$$DOI_{INTS} = FSTS + FATA + OSTS + TMIE + PDIO$$

Commenting on Sullivan's proposition, Ramaswamy *et al.* (1996: 168) claimed that though his attempt to develop an internationalization index is noteworthy, it is "constrained by several theoretical and methodological issues that limit its utility". They argued that internationalization is even more complex than envisioned by Sullivan. First, they contend that since each of the variables used to form the index could have extremely different effects on organizations, combining and reducing the construct to a unidimensional index is debatable and theoretically suspect. Second, they question whether the statistical methodology used to analyze and reduce the construct to a single factor is appropriate. Among the problems identified, they claim that it lacks standardization of variables, reliability, content and convergent validity. They contended that Sullivan's approach reflects "raw and flawed empiricism rather than theoretical reasoning" (Ramaswamy, Kroeck and Renforth, 1996: 169). In addition, they argued that "any attempt to identify, specify and operationalize this construct [degree of internationalization], although laudable, is premature because we currently do not understand the constituent parts of the construct and how they relate to one another" (Ramaswamy, Kroeck and Renforth, 1996: 176).

Sullivan later replied to Ramaswamy, Kroeck and Renforth's comment (Sullivan, 1996). He maintained the practicality, validity, and appropriateness of the methods used and his index. While that the specifics of this debate is beyond the scope of this study, it is important to acknowledge that any attempt to develop and use indexes of internationalization is limited and must be pursued with caution.

Building on Sullivan's (1994) earlier work, Reuber and Fischer (1997) also proposed a multi-item index to assess firms' degree of internationalization. However, in contrast to the one proposed by Sullivan, they argued that their index is better adapted

to the assessment of internationalization among SMEs. Their index is based on three components: (1) foreign sales as a percentage of total sales; (2) the percentage of the firm's employees that spends over 50% of their time on international activities (to capture the structural aspects of internationalization); and (3) the geographic scope of sales by asking the percentage of sales in three different regions (each increasingly more distant from the domestic market). The three items were converted into a ratio measure and standardized. The reason for standardizing the variables was to avoid some problems earlier observed by Ramaswamy *et al.* (1996) when commenting on Sullivan's DOI_{INTS}. Their measure had a Cronbach's alpha of 0.78, indicating acceptable reliability. Reuber and Fischer maintain that their index can be enhanced by including other variables, such as the number of strategic partners firms have outside their home markets, prior international experience, and speed of internationalization. They argue that these variables were not included in their index simply because they were part of their hypothesis or explanatory variables. Although Reuber and Fischer's approach is interesting in the case of SMEs, the theoretical and methodological limits as highlighted by Ramaswamy *et al.* (1996) still apply.

A relevant problem with most measures and indexes of firms' internationalization is that they tend to ignore two relevant components of internationalization, namely direction and time. In regards to the former, Zhou, Wu and Luo (2007) developed a multi-item index for assessing internationalization and accounting for the two directions in which it can develop: inward and outward. They measured inward internationalization using a three-item scale ($\alpha = 0.73$) which consisted of: (1) whether the firm utilized advanced management skills from foreign countries; (2) whether the firm utilized advances and new technology from foreign countries; and (3) whether the firm utilized foreign direct investment. Outward internationalization was measured using a two-item scale ($\alpha = 0.82$) consisting of: (1) whether the firm aggressively seeks foreign markets; and (2) whether the firm develops alliances with foreign partners.

Jones (1999) offered a novel approach to assess the issue of time in internationalization. She investigated the internationalization of 196 small high technology firms in the UK by analyzing their cross-border external links established since foundation. She asked respondents to say whether they had established a set of

functionally distinguished inward and outward cross-border links, and, in the positive case, when (year) they happened for the first time. This approach also allowed Jones to evaluate: (1) the direction of internationalization, i.e. whether inward or outward; (2) the mode of foreign operation used, i.e. whether trade or investment; and (3) the business function in the value chain activity involved in a firm's internationalization, namely R&D, production, marketing and distribution. Despite the fact that Jones's approach is not essentially quantitative, and cannot easily be reduced to a single factor, it offers an interesting way of assessing internationalization from a more holistic perspective.

The next section summarizes what we have reviewed in this chapter, and it highlights some of the relevant understandings, delineating the approach taken in this thesis.

2.5 SUMMARY

This chapter has reviewed key issues for understanding internationalization, specifically its: (1) conceptualization, (2) analytical components, and (3) possibilities of empirical assessment.

The chapter noted that in organizational studies internationalization refers to the action by which firms become international. In the specialized literature it has been regarded normally as a process characterized by the establishment of cross-border links. The review observed that although conventionally recognized as a process, internationalization also has content and context dimensions. By recognizing these dimensions the chapter set the background for the acknowledgment of five of its chief analytical components, namely location, subject-domain, mode of operation, direction and time. Location refers to the nation-states or place where foreign links are established. Subject-domain considers what is addressed within the organizational realm in the establishment of a cross-border link. Mode of operation considers how cross-border links are established. Direction addresses whether they are inward or outward. Finally, time refers to when cross-border links are established.

The chapter concluded with an analysis of the challenges of empirically accessing the multidimensional features implicit in internationalization and argued that an holistic view is preferable when attempting to do so.

The next chapter reviews how internationalization has been theorized in the specialized literature.

3. THEORIES OF INTERNATIONALIZATION

3.1 INTRODUCTION

The previous chapter reviewed the concept, dimensions and key analytical components of internationalization. It posited that internationalization has conventionally been seen as a process characterized by international involvement put forward by the establishment of cross-border links. In addition, it revealed five key analytical components within this process and explained how internationalization as a complex phenomenon has been empirically assessed. In so doing, the chapter set out the first step in our attempt to understand internationalization.

This chapter reviews major theories of internationalization. It aims to identify how internationalization has been understood and explained within prevailing theorizing. Specifically, it attempts to (1) apprehend underlying assumptions orienting theorizing in the field; and (2) critically evaluate the contributions and limitations of mainstream theories in the field.

The review considers two more or less distinctive perspectives of theorizing: (1) economic and (2) behavioural. These perspectives are not meant to be seen as two single unified models of internationalization, but rather as general viewpoints whereby theoretical approaches bearing ‘family’ resemblance can be gathered. In other words, they encompass theoretical perspectives or schools of thought which arguably can be seen as paradigms or coherent traditions of scientific research as described by Kuhn (1970).

Although it would be possible to distinguish theories of internationalization in more precise ways, the option for classifying them into two major perspectives was considered for two main reasons. First, this distinction is orthodox in the specialized literature (Andersson, 2000; Burgel *et al.*, 2004; McDougall, Shane and Oviatt, 1994). Second, it is particularly difficult to make sense of the extensive literature in the field without attempting to identify the central and unifying assumption of theorizing.

It must be noted that distinguishing economic and behavioural perspectives is not without problems. A major difficulty is that it is not a clear-cut endeavour, especially when considering theorizing after the 1990s. Over time, these perspectives have been combined in various ways; to add complexity, in many areas they conflict, overlap and complement each other. Ultimately, this distinction should be understood as an attempt to make sense of prevailing theories in internationalization.

Each perspective is presented in order of its historical emergence. Section 3.2 focuses on economic theorizing and Section 3.3 on behavioural theories. Each section reviews central assumptions of theorizing, major theoretical approaches, and explanatory gaps and limitations. Section 3.4 concludes the chapter with a brief summary of the review.

3.2 THE ECONOMIC PERSPECTIVE ON INTERNATIONALIZATION

The economic perspective has long been the dominant explanatory perspective of internationalization. It has roots in the early works of Adam Smith (1776) and David Ricardo (1817) put forth during the 18th and 19th centuries. Although at that time the focus of attention was on the flow of trade between nation states, after World War II, when the foreign direct investment made by firms emerged as the leading phenomenon in the world economy, its research interest moved from nation states to the organizational firm level of analysis, with particular emphasis on Multinational Enterprises - MNEs.

3.2.1 Central assumptions

Theories developed from an economic perspective of analysis share four major characteristics. They see internationalization as: (1) independent events, (2) taken in order to achieve the specific goal of maximizing profits, (3) put forward on the basis of

a firm's distinctive advantages, and (4) rationally modelled. Each of these unifying assumptions is briefly considered in turn.

1. Event independency. The economic perspective presumes that internationalization is characterized by discrete events, i.e independent and not necessarily connected to those of the past. In these terms economic theorizing is, to a large extent, static (Toyne, 1989). Although some authors acknowledge that developing distinctive advantages for internationalization (assets, resources and capabilities) is path-dependent, or a cumulative process (Harris and Li, 2005; Teece, Pisano and Shuen, 1997), the deployment of such assets when internationalizing is presumed to be independent and not necessarily connected.

2. Goal specificity. The independent and discrete events that characterize internationalization are presumed to be driven by the specific goal of profit maximization. Put differently, in economic theorizing internationalization is seen as a tool for maximizing revenues. This assumption is particularly important *vis-à-vis* the assumption that events that characterize internationalization are also rational. The presumption that internationalization is driven by the purpose of profit maximization is based, for some authors, on the understanding that human beings have an inner selfish nature (Mill, 1874; Ricardo, 1817; Smith, 1776). In the words of Mill (1874: essay 5, paragraphs 38 and 48), people are beings “who desire to possess wealth”. For others, it is an inherent condition of competitive markets (Buckley and Casson, 2009). Those in this group presume that any substantial or modest deviation from the attempt to maximize profits would endanger the firm's survival. Ultimately, whether the attempt to maximize profits emerges out of an inner selfish nature or from external conditions of competitive markets, its effects on economic theorizing about what drives internationalization is similar.

3. Distinctive advantages. Theories developed within the economic perspective assume that internationalization is put forward on the basis of a firm's possession of distinctive advantages. Put differently, they presume that in order to successfully internationalize firms must deploy the advantages they possess. This assumption presumes that firms are bundles of assets which are used to achieve their objectives. This understanding draws particularly on the Penrosian view of the firm (Penrose, 1959), and although it is economic in nature, it has inspired and is also present in many

behavioural approaches to internationalization. In these terms internationalization becomes a matter of developing advantages that can be exploited in foreign markets and/or used to overcome disadvantages or barriers when internationalizing. Overall, the ownership of distinctive advantages is a core element used by economic theorizing to explain internationalization.

4. Rational Modelling. Economic theories further presume that the events that characterize internationalization are rationally processed by decision makers. It considers that, given their specific aim to maximize revenues *vis-à-vis* available distinctive advantages, decision makers can (1) identify a set of alternatives, (2) instrumentally calculate their outcomes or consequences (3) compare options, and (4) select the best one. An important concern within this assumption is the extent to which decision makers can identify all available options and access complete information when rationally evaluating alternatives. Although some classic economic theorists presume the possibility of absolute rationality, modern theorists, drawing on the understandings put forward by Simon (1976), recognize that rational modelling may not be an absolute endeavour, but rather a bounded one. This understanding acknowledges that the number of options and available information considered by decision makers in the process of choice may be restricted. Nevertheless, internationalization is not irrational and ultimately is expected to be processed on the basis of strong rationality. In due course, economic theorizing in internationalization tends to assume that sources of irrationality are minor and do not compromise the rational integrity of the decision process as a whole. Ultimately, decision makers are expected to eliminate or minimize elements (e.g. emotions) that could bias rational decision. Thus, the assumption of bounded rationality in the economic perspective assumes a more rhetoric than practical nature.

3.2.2 Selected Approaches

Although the economic view of internationalization can be characterized by a number of unifying assumptions, this does not mean that it encompasses a unitary theory. On the contrary, it entails a set of distinctive approaches generically related to major

assumptions of theorizing, as addressed in the last section. It must be noted that these theories vary both in terms of their emphasis and how they apply central assumptions of theorizing.

Five economic approaches to internationalization, most usually recognized in the specialized literature, are briefly reviewed here: (1) the monopolistic advantage theory; (2) the product life cycle theory; (3) the internalization theory; (4) the eclectic paradigm; and (5) the resource-based view of internationalization.

3.2.2.1 The monopolistic advantage theory

The doctoral dissertation of Stephen Hymer (1976 [1960]) has been recognized as one of the first systematic efforts to explain internationalization, in particular decisions regarding the control of assets when investing abroad (Buckley, 2002; Dunning and Lundan, 2008; Dunning, 2003a; Shenkar, 2004). In his work, Hymer (1976) offered four specific reasons to explain why firms may decide to control assets in foreign markets; all of which emerge from the unifying purpose of maximizing profits. They are: (1) to ensure the safety of firm investments; (2) to reduce market competitive conflict or rivalry; (3) to exploit the firm's superior advantages, and (4) diversification. The first reason, Hymer argues, aims to ensure the effective use of a firm's assets and investments, or in other words to ensure the safety of a firm's investment rather than license it. In this case Hymer argues that direct investment will substitute portfolio investment when the distrust of foreigners is high or when fear of expropriation and risks of exchange rate changes are high. The second reason arises because "it is profitable to control enterprises in more than one country in order to remove competition between them" (Hymer, 1976: 33). The third derives from the idea that "some firms have advantages in a particular activity, and they may find it profitable to exploit these advantages by establishing foreign operations" (Hymer, 1976: 33). The fourth and final reason, diversification, is, according to Hymer, a reason for investing abroad when a firm has a line of activity which is inversely correlated with profits in another (e.g. aluminium production and energy requirements). He states that when this occurs there is good opportunity for diversification. In this case the firm would then

engage in both activities. Nevertheless, Hymer notes that diversification is a reason for investing abroad that does not necessarily involve control.

Although Hymer offered four specific reasons to explain the decision to invest abroad, exploiting superior or monopolistic advantages became one of the most recognized reasons in his work to explain international investments. The assumption is similar to that of Bain (1956) and Penrose (1959), that firms are not equal in their resources and abilities and therefore may use their distinctive or monopolistic advantages to achieve their specific objective of maximizing profits in foreign markets. This idea was further developed in the works of Caves (1971) and Kindleberger (1969; 1984; 1988). Further, since the 1990s it has to large extent characterized the resource-based view of internationalization. Overall, the possession of distinctive superior advantages has been linked to the possibility of acquiring factors of production at lower costs than other firms, controlling production functions more efficiently, owning distribution facilities, differentiating products, possessing relevant and unique knowledge, and others.

Although for Hymer the ownership of monopolistic advantages entails a sufficient condition for controlling foreign investments, he argues that it is not a necessary condition. He observes that even though a firm might possess a superior advantage, it might also have the option of licensing or exporting the advantage. Hymer argues that firms will engage in foreign direct investment (FDI) when there are no firms to license, or when uncertainties make it difficult for buyers and sellers to achieve a satisfactory licensing contract. On the other side, firms will decide to license their advantages when: (1) FDI is prohibited; (2) it is better to cooperate than compete; (3) the possibility of dividing markets through licensing is available; or (4) when licensing can be the first step to the acquisition of further control. Alternatively, he states that exports will be carried out when the advantage is embodied in the product and it is not produced abroad.

Despite recognizing alternative modes of operation in foreign markets, in his thesis Hymer emphasises the role of foreign direct investment which, in his view, embodies the higher level of advantages for firms in their aim of maximizing profits (Pitelis, 2002).

3.2.2.2 The product life cycle theory

Whilst Hymer (1976) mainly attempted to explain modes of foreign operation, Vernon (1966) proposed an economic theory of internationalization simultaneously focusing on three of its key components, namely: location, mode of operation and time issues. He predicted that internationalization would be linked with the life cycle of a firm's products.

Vernon's product life cycle approach to internationalization departs from the assumption that knowledge is an inseparable and determinant variable of internationalization. He argued that in the early stage of the product life cycle, local producers are more likely to have better knowledge about the possibility of introducing new products into the local market compared to producers located elsewhere. Additionally, in the early stages of a product's life cycle, firms operate under circumstances of: (1) high expenditure on product development; (2) need for effective communication among producers, suppliers, consumers and competitors; (3) limits of freedom in changing inputs; (4) price elasticity if demand is low; (5) lower production flexibility; (6) unstandardized nature of design; and (7) the existence of monopoly in early stages. In these circumstances Vernon (1966) predicts that products will be introduced in the location where the producers are found.

However, as soon as a product reaches its maturity stage, new circumstances for industrial operation emerge. On the one hand firms start to face an expansion of demand in their home market and in other advanced countries. On the other hand, there will be a decreasing demand for flexibility and increasing acceptance of standardization. Likewise, it will increase technical possibilities for economies of scale and long-term commitment which fixed production facilities will enhance. Additionally, Vernon predicts that there will be a reduction of operational uncertainties and an increasing attention to production costs. Under these circumstances Vernon argues that investment in overseas locations will take place in other advanced countries. The investment decision between different advanced countries will be determined by: (1) the analysis of production and transport costs; (2) patent protection issues; (3) threat of new competitors; (4) political situation in possible host country; and (5) the level of tariff protection.

Finally, in the third stage of its life cycle, Vernon argues that products become highly standardized; they will face easy access to international markets and will usually be sold on a price basis. Moreover, knowledge and information about new foreign markets is no longer a problem. Therefore overseas production location will focus on less-developed countries which usually offer lower labour costs.

3.2.2.3 The internalization approach of MNEs

During the 1970s efforts to explain internationalization issues shifted from a focus on modes of foreign operation, and specifically on the determinants of the FDI, towards a more general attention to the existence and determinants of the modern Multinational Enterprise [MNE]. At that time, MNEs were already playing a major role in the world economy. In this context Buckley and Casson (1976) proposed what later became known as the internalization approach to the existence and growth of the MNE.

Considering that MNEs come into existence and grow on the basis of foreign direct investment operations, the internalization approach has important contributions for understanding internationalization phenomena. For instance, this approach has attracted a significant number of scholars in international business studies (Buckley and Casson, 1976; Buckley, 1988; Buckley and Casson, 2003; Casson, 1982; Chen, 2004; Hennart, 1982; Rugman, 1981; Rugman and Verbeke, 2003).

The internalization approach is based on the economic assumption of transaction cost analysis (Coase, 1937; Williamson, 1975). Within this view theorists argue that internalization is a solution for transaction costs in international business. These costs mainly result from market imperfections such as the absence of product specifications, the impossibility of according selling prices, defects in product quality, problems in fulfilling accorded delivery times, government interventions, opportunism, moral hazard, uncertainty and others. Considering this, internalization is seen as the process by which firms decide to use their own structure to conduct business activities instead of investing in more costly market options (Buckley and Casson, 1976; Williamson, 1975). In internationalization studies, this argument is used to explain why firms decide to control operations abroad instead of using market options like exports, joint ventures or licensing.

Drawing on the view that internalization is a solution for transaction costs in international markets, the internalization approach argues that when internalizing decision makers will consider: (1) the lowest-costing location for each activity they perform; and (2) internalizing markets up to the point where the benefits of further internalization are outweighed by the cost (Buckley, 1988).

Ultimately, it is relevant to note that, in this approach, rationality takes central stage. Internationalization is expected to take place on the basis of a rational evaluation of costs that, once reduced, will maximize the firm's profits. Whereas in earlier economic approaches the requirement for strong use of rationality was implicit, in the internalization approach it becomes clearly explicit (Buckley and Casson, 2009).

3.2.2.4 The eclectic approach of international production

Attempting to integrate related economic theories of internationalization, the eclectic approach as proposed by Dunning (1977; 1979; 1988b; 1995; 2001) is one of the most recognized theories used to explain international production. It is based on Dunning's (1958; 1973) early observation that economic theories of internationalization, when taken separately, could not offer a comprehensive explanation for international production⁷. On this view he advocates an 'eclectic' or integrative paradigm to explain it.

Dunning's eclectic approach asserts that the determinants of international production rest on the juxtaposition of three main factors: (1) ownership competitive advantages of the firm (O); (2) location advantages of particular countries (L); and (3) internalization advantages (I). These three subsets of interdependent variables encompass what Dunning calls the OLI advantages of international activity.

Ownership advantages refer to the competitive advantages of the firm seeking to engage in FDI. In the eclectic paradigm they are presumed to encompass the necessary causes of international production. As Dunning asserts, "*ceteris paribus*, the greater the competitive advantages of the investing firms, relative to those of other firms — and

⁷ International production encompasses the investment decision of controlling assets in foreign markets. In so doing it stands as a main alternative to trade modes of international operation, such as export and licensing.

particularly those domiciled in the country in which they are seeking to make their investments — the more they are likely to be able to engage in, or increase, their foreign production” (Dunning, 2000: 164). More specifically, Dunning distinguishes between two kinds of ownership-specific advantages: asset ownership advantages (Oa) and transaction ownership advantages (Ot) (Dunning, 1988b). This distinction is the basic difference between the monopolist advantage proposed by Hymer (1976) and the ownership advantages proposed in the eclectic paradigm (Dunning and Rugman, 1985). Assets ownership “arises from the proprietary ownership of specific assets by MNEs *vis-à-vis* those possessed by other enterprises” (Dunning, 1988b: 2). Transaction ownership advantages entails the “capacity of MNE hierarchies *vis-à-vis* external markets to capture the transactional benefits (or lessen the transaction costs) arising from the common governance of a network of these assets, located in different countries” (Dunning, 1988b: 2). Despite these theoretical distinctions, the underlying idea implicit in Dunning’s view of a firm’s ownership advantage is similar to that of Hymer, i.e. in order to engage in international production firms must possess distinctive advantages, and in their best interest decide to engage in value-adding activities rather than selling the right to do so to other firms (Dunning, 1988b).

Location advantages are presumed to explain where the value-adding activities of international production will be undertaken. Dunning argues that “the more the immobile, natural or created endowments [of countries], which firms need to use jointly with their own competitive advantages, favour a presence in a foreign, rather than a domestic, location, the more firms will choose to augment or exploit their O specific advantages by engaging in FDI.” (Dunning, 2000: 164). In general, location advantages usually comprise factors offered by a country or region, such as labour costs, infrastructure, availability of scarce resources, better tariffs, reduced political risk, and so on.

Internalization advantages offer a framework for evaluating the operation mode or how firms exploit or create ownership advantages. According to Dunning (2000: 164) “the greater the net benefits of internalizing cross-border intermediate product markets, the more likely a firm will prefer to engage in foreign production itself, rather than license the right to do so, e.g. by a technical service or franchise agreement, to a foreign firm”. It entails a similar idea to the one proposed by Buckley and Casson (1976) to

explain the existence and growth of the MNE. The major distinction is that for Dunning, imperfections in foreign markets will not automatically create an MNE. Rather, he presumes that ownership advantages are the core element which generate FDI and create MNEs. Furthermore, Dunning distinguishes between two types of market failure: structural and transactional (Dunning and Rugman, 1985). This also represents a distinction between Dunning's approach and Hymer's (1976) monopolistic advantage. Dunning points out that Hymer focused exclusively on structural market failures, which are those that arise from scale economies, knowledge advantages, distribution networks, product diversification, and some forms of government intervention that are tied to the size, scope, or abilities of multinational firms which cannot be established through market means (Dunning, 1988a; 1988b). Transactional market failures, as observed by Williamson (1975), are market inefficiencies caused by transactional uncertainties that prevent arm's-length pricing from providing sufficient information about the transaction to enable transactors to conclude a bargain (Dunning, 1988a; 1988b).

In short, the eclectic approach predicts that FDI and international production will take place when all three sets of advantages (OLI) can be realized. Where one of the advantages is not present, alternative modes of foreign operations may take place. Table 3-1 illustrates this understanding.

Table 3-1 Expected relationship between advantages and forms of international market operation in the eclectic approach of international production

Form of Market Operation	Advantages		
	Ownership	Location	Internalization
Exporting	Yes	No	No
Licensing	Yes	Yes	No
FDI	Yes	Yes	Yes

Adapted from Dunning (1988b)

3.2.2.5 The resource-based view of internationalization

The resource-based view (Barney, 1991; Wernerfelt, 1984) has become an influential approach in internationalization research (Peng, 2001). In management studies it is a theoretical approach focused on the determinants of sustainable rents and profits (Kogut and Zander, 2003; Newbert, 2007). In international business studies it has been used as

a theoretical framework to search for factor(s) or **resources** to which it is possible to attribute international production, differences between domestic and internationalized firms, fast internationalization, better performance in foreign markets, and so forth.

The underlying assumption emphasizes the role of the firm's distinctive advantages and in so doing is similar to Hymer's (1976) and Dunning's (1988b) arguments. It posits that external stimuli and opportunities are necessary but insufficient conditions when attempting to explain internationalization (Leonidou, 1995; Leonidou, 1998; Westhead, Wright and Ucbasaran, 2004). In addition, it presumes that internationalization is dependent on the availability of resources within the organization (Hitt, Bierman *et al.*, 2006).

Resources, as proposed by Barney (1991: 101), "include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness". In internationalization studies, these resources are assumed to both facilitate and, when lacking, inhibit international involvement.

The resource-based approach presumes that not all resources lead to or enable internationalization. Based on Barney's proposition (1991; 1996), theorists taking this view suggest that only resources that are valuable, rare, inimitable and effectively-managed entail necessary and sufficient conditions to achieve a competitive and sustainable advantage in international markets (Hitt, Bierman *et al.*, 2006). Overall, distinctive resources driving internationalization have usually been characterized as intangible (Delgado-Gomez, Ramirez-Aleson and Espitia-Escuer, 2004; Hitt, Tihanyi *et al.*, 2006). These studies suggest that intangible resources provide the distinctive ownership advantages enabling firms to expand internationally (Delgado-Gomez, Ramirez-Aleson and Espitia-Escuer, 2004; Harris and Li, 2005). Among them, researchers have addressed the role of human and relational capital, intellectual capital, superior technology, innovative capacity, managerial and production skills, organizational and marketing systems, experience, know-how, brand image, and others (Delgado-Gomez, Ramirez-Aleson and Espitia-Escuer, 2004; Dhanaraj and Beamish, 2003; Dunning, 1995; Hitt, Bierman *et al.*, 2006; Knight and Cavusgil, 2004; Reuber and Fischer, 1997; Westhead, Wright and Ucbasaran, 2001).

Despite its dominant economic assumptions, the resource-based approach has also figured as a subset in many behavioural models of internationalization (Bell *et al.*, 2003; Dhanaraj and Beamish, 2003; Love, 1995). This is possibly due to the fact that resources are usually characterized in broad terms. Ultimately, it enables theorists in both perspectives to use the notion of resources in accordance to their own theoretical assumptions. It means that the classification of the resource-based view, while economic or behavioural, is uncertain and dependent on how researchers approach and use it.

3.2.3 Limitations of economic theories of internationalization

Economic theories have made important contributions to understanding internationalization. Their assumptions that internationalization is oriented towards profit maximization, conditioned by distinctive advantages, and rationally processed have been empirically supported and should not be ignored. However, despite the elegance, clarity and simplicity of its assumptions and models, economic theorizing in internationalization is not without limitations. As Sullivan (1997: 391) puts it, economic theories in the international business field are “incomplete, flawed, often *ad hoc*, and occasionally downright wrong”.

The monopolistic advantage theory, despite its argument that a firm’s advantages are a sufficient condition for explaining the control of assets in foreign markets, does not specify what the necessary advantages for doing so are or how they can be identified. As Buckley (1988) asserts, if advantages are to be presented in any theoretical approach of international business, attention must be paid to their generation, dissipation and use. The mere assertion that firms internationalize because of distinctive advantages does not add much to the sum of knowledge. In addition, it does not explain why firms possessing distinctive advantages do not internationalize.

The product life cycle, although drawing attention to the role of knowledge, also has problems. For example, it does not explain why firms engage in FDI rather than licensing (Dunning, 2003a). Furthermore, this approach has little utility to explain international movements of firms which are already operating abroad. This problem was later recognized by Vernon who then adapted his earlier propositions (Vernon, 1971;

1977; 1979). In so doing he brought them closer to Hymer's monopolistic advantage assumptions (Buckley, 1990). Moreover, as Melin (1992) notes, the approach has little utility for firms whose products have relatively short life cycles. Andreff (2000) also notes that the product life cycle approach does not explain why only some companies are innovative in a given domestic market and on this basis internationalize, but not all. In addition, the approach is not applicable to firms in the service sector. Ultimately, several studies have shown that some firms establish international investment operations before their products reach the mature stage, or internationalize before the pressures for decreasing production costs appear (Crick and Spence, 2005; McDougall, Shane and Oviatt, 1994; Oviatt and McDougall, 2005).

The internalization approach, notwithstanding its reliance on assumptions of transaction cost analysis, does not specify which costs must be considered or how they are supposed to be measured (Andreff, 2000). Buckley (1988) recognizes that the measurement of transaction costs is one of the major problems with the approach. In addition, the proposition that firms internalize imperfect markets until the cost of further internalization outweighs the benefits is tautological (Buckley, 1983; Casson, 1982). Kogut and Zander (1993; 2003) state that transaction cost explanations have been greatly exaggerated as an explanatory account of internationalization. They argue that knowledge-based advantages cannot always be packaged and transferred to foreign markets on a cost-based analysis. Additionally, the internalization approach does not explain operations of overseas firms relative to others in their home countries (Dunning, 2003b; Dunning, 2003a). Moreover, as Peng (2001) observes, theories based on transaction cost analysis do not explain why, for example, R&D-focused entries take place in the absence of strong advantages on the part of the investing firm. Similarly, one could ask why some firms choose to internationalize when no direct economic benefit can be envisioned.

The eclectic paradigm, despite its effort to integrate alternative economic approaches, does not do much to advance theoretical problems embedded in the theories that it integrates. For example, like the monopolistic and resource-based view, it does not state what the ownership advantages are that lead to internationalization, how they are developed, or how they can be accessed and measured. In addition, it does not explain how firms that lack ownership advantages internationalize. The argument that

location advantages are relevant in determining where internationalization takes place is interesting, particularly considering that it highlights an external and usually neglected factor in international business (Dunning, 1998). However, the implicit assumption of rational assessment of costs and benefits when internalizing abroad renders it redundant. Moreover, the self-claimed advantage of being eclectic seems doubtful. It remains essentially economic and does not go much further than making explicit what is implicit in the theoretical approaches that it integrates.

The resource-based approach, although emphasizing the fact that resources matter, does not offer a clear indication of what these resources might be (Kogut and Zander, 2003). Therefore, little is known about the specific resources on which international expansion is based (Hitt, Bierman *et al.*, 2006; Tallman, 2001). Furthermore, the approach ignores the fact that many organizations internationalize in order to access scarce and valuable resources rather than exploit their resources and advantages (Child and Rodrigues, 2005). In addition, when internationalizing firms may lose advantages as well as create disadvantages (Cuervo-Cazurra, Maloney and Manrakhan, 2007). Another problematic issue considers the engineering view of strategy and internationalization. The approach presumes that some managers can foresee opportunities in international markets better than others and engineer how resources will be exploited in international markets. It considers that knowledge, while a fundamental intangible resource in international business, can be freely captured, transferred, sold and bought as a simple matter of management programming (Kogut and Zander, 2003). Furthermore, as Kraaijenbrink, Spender and Groen (2010) have asserted, resource based theories take a narrow view of the role of decision makers individual judgements and mental models. In other words, they typically ignore the role of managerial cognition and subjectivity required to recognize and exploit resources in face of opportunities available.

Beyond these specific limitations, more general limitations of the economic perspective on internationalization are also apparent in its core central assumptions. First, the idea that internationalization is characterized by independent events ignores that it is also a dynamic, ongoing and path-dependent process. Therefore, it fails to acknowledge that internationalization is dependent on learning and knowledge acquired in this process (Johanson and Vahlne, 1977; 1990). This means that the events that

characterize internationalization are neither independent nor disconnected from prior experiences and decisions. Second, the implicit assumption that internationalization is driven by the specific goal of maximizing economic revenues overlooks that this general and abstract assumption may not account for the whole range of diverse, nuance-rich and complex purposes characterizing organizational action. Third, the assumption that internationalization is dependent on the possession of distinctive advantages is on the one hand so general as to defeat its purposes, and, on the other, it ignores the fact that some firms, though possessing distinctive advantages, do not internationalize, whilst others with few distinctive advantages move forward in that direction (Andreff, 2000; Child and Rodrigues, 2005). Fourth, the focus of economic theorizing on rationality has obscured its attention to non-rational aspects influencing internationalization, such as the role of interpretation – as will be discussed in the following chapter.

3.3 THE BEHAVIOURAL PERSPECTIVE ON INTERNATIONALIZATION

Behavioural theories of internationalization appeared during the 1970s as an alternative perspective to economic explanations. They have generally been classified as ‘behavioural’ in order to address this distinction. However, this also refers to the fact that such theories draw on assumptions of organizational action presented in the seminal work of Cyert and March (1963). These assumptions will now be considered in turn.

3.3.1 Central assumptions

As in the economic perspective, four major assumptions generally characterize behavioural theories of internationalization. They are: (1) path dependency; (2) goal complexity; (3) contextual contingency; and (4) weak rationality requirements. Each of them is briefly reviewed below.

1. Path dependency. Behavioural theories of internationalization presume that internationalization is the outcome of connected and interdependent events. This is in direct opposition to the idea of event independency inherent in economic theories. Path dependency presumes that internationalization is dependent on events, experiences, and learning from the past. Therefore, internationalization is expected to be historically constrained. At the same time, this assumption encompasses a dynamic view of internationalization; it also adds an incremental or evolutionary characteristic to its models.

2. Goal complexity. Behavioural theories assume that the goals and purposes, to which international involvement is oriented, are much more problematic and complex than economic theorists believe. They contend that profit maximization is never the only goal driving internationalization. Rather, they argue that internationalization may have multiple goals and that these grant it a political character. In addition, they suggest that there is an inherent disparity between the stated and ‘real’ goals pursued through internationalization. On the assumption that the goals driving internationalization are complex, behavioural theorists also relativize their role and importance. They assume that rather than being a means to an end, internationalization can easily become an end in itself. With this in mind, internationalization is expected to continue despite or at the sacrifice of the goals for which it may have originally been established. This assumption goes in line with that of path dependency which, taken together with goal complexity, gives a natural spontaneity to internationalization. This is why the purposes, goals or ends of internationalization are rarely identified or discussed in behavioural models of internationalization.

3. Contextual contingency. Building on the assumptions of path dependency and goal complexity, behavioural theories also presume that internationalization is contingent to a firm’s contextual characteristics, i.e. the internal and external endowments of the firm’s given situation. Put differently, researchers suggest that internationalization is dependent upon the internal and external characteristics of a firm’s situation. From this point of view, different aspects can be emphasized depending on the approach taken. For example, as will be showed in the next section, the original Uppsala approach (Johanson and Vahlne, 1977; 1990) has emphasized the role of experiential knowledge, while the network approach focuses on relationships and social

ties. It argues that “*insidership* in a relevant network(s) is necessary for successful internationalization” (Johanson and Vahlne, 2009: 1411). In general, the theory of contextual contingency can be recognized in most, if not all, behavioural models of internationalization.

4. Weak rationality requirements. Since internationalization is presumed to be path-dependent, spontaneous and contextually contingent, behavioural theorists evidence few requirements for rationality. Although the perspective recognizes the human capacity for rationality, its uses and requirements are secondary and rarely required since internationalization is assumed to follow an internal logic of its own.

3.3.2 Selected approaches

The behavioural perspective of internationalization has provided a fertile ground for research in the field. Although the perspective developed largely from the critical limits of economic assumptions, it should not be seen as merely providing a critique to them. On the contrary, it encompasses a novel and interesting perspective of understanding internationalization.

Major theoretical approaches within this perspective include:

1. The foreign investment decision process (Aharoni, 1966);
2. The classic Uppsala model of internationalization (Johanson and Vahlne, 1977; 1990; Johanson and Wiedersheim-Paul, 1975);
3. The innovation adoption models (Bilkey and Tesar, 1977; Cavusgil, 1980; Lim, Sharkey and Kim, 1991; Reid, 1981);
4. The network approach of internationalization (Blomstermo *et al.*, 2004; Bridgewater, 1999; Chetty and Holm, 2000; Coviello and Munro, 1997; Johanson and Mattsson, 1988; Johanson and Vahlne, 2006; Sharma and Blomstermo, 2003; Zain and Ng, 2006);
5. The evolutionary theory of the MNE (Kogut and Zander 1993).

Each of these main theoretical approaches is briefly reviewed in turn below.

3.3.2.1 The foreign investment decision process

Aharoni (1966) was a pioneer in adopting a behavioural understanding of organizational action to study internationalization phenomena, and in particular the decision process involved in foreign investment. He argued that decisions regarding foreign investments encompass a behavioural process triggered by a stimulus to invest. The origin and nature of such stimuli vary. They may come from the firm (e.g. self-interested proposal) or the environment (e.g. tariff increase). Aharoni argues that the decision to invest abroad is not necessarily an economic decision to maximize profits; for him, it might indeed conflict with such a hypothesis. He argues that the reasons for internationalizing can be many and in his work they are of little relevance.

Aharoni argues that, more important than recognizing the reasons for internationalization is to recognize that, in the foreign investment decision process, managers commit themselves to projects due to the time and effort that they put into these projects. He calls particular attention to commitments made during the information search stage, arguing that the decision to invest abroad will be taken when a manager's evaluation of a foreign investment project overcomes the pessimism it may find among other top management members.

Aharoni's rationale is a classic example of the idea of how internationalization can become an end in itself.

3.3.2.2 The Uppsala model of internationalization

One of the most recognized behavioural approaches in internationalization is the Uppsala model of international involvement. It emerged primarily during the 1970s following a series of case studies in which scholars at Uppsala University observed that the process of internationalization of Swedish firms evolved in stages of progressive commitment (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). They contended that the internationalization of firms studied did not accord with the economic assumptions of independence, profit maximization, and strong use of rationality. As an alternative, they advanced the argument that internationalization develops in a dynamic process of incremental stages in which uncertainty and

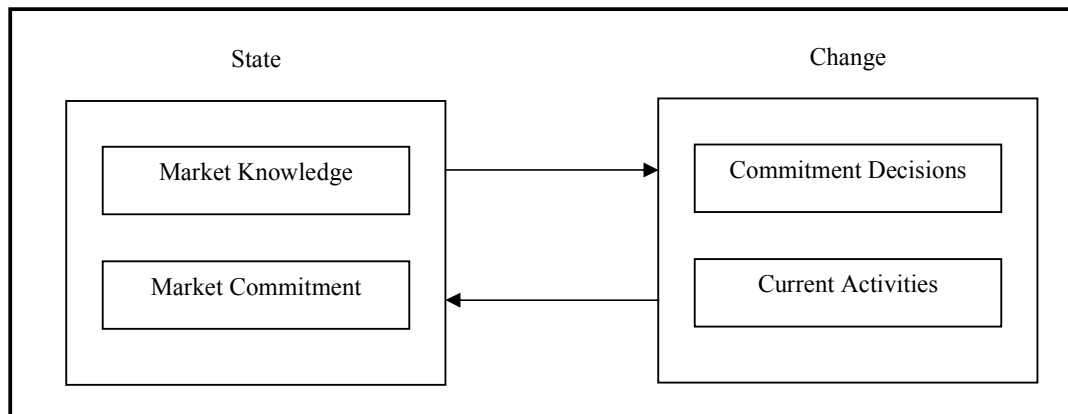
knowledge acquisition play a fundamental role. As systematized by Johanson and Vahlne (1977; 1978; 1990) this rationale has underpinned behavioural theories of internationalization.

In their classic view, Johanson and Vahlne (1977) argued that because internationalization embodies uncertainty, knowledge acquisition and learning is critical. They were supposed to provide a framework for perceiving and developing opportunities in foreign markets, as well as to reduce uncertainty regarding foreign operations. From this perspective they proposed a dynamic model characterized by state and change aspects, whereby knowledge acquisition takes central stage. **State aspects** stand for the actual market knowledge and market commitment of a firm at a given time. Considering the existence of several types of knowledge (Penrose, 1959) Johanson and Vahlne argued that experiential knowledge is the most important kind of knowledge for internationalization. In terms of market commitment they make a distinction between the amount of resources committed and the degree of commitment. **Change aspects** entail the decision to commit resources and current activities. They presume that firms change by (1) learning from their current activities [operations] in foreign markets; and (2) through their decisions to commit resources abroad. While the decision to commit resources is a response to market problems and opportunities, current activities are the main source of experiential knowledge. In these terms, the model develops a mechanism of causal cycles whereby the actual state of knowledge accumulated in the course of current activities determines the next level of resource commitment and activities that subsequently grow out of them. Johanson and Vahlne's (1977) classic model is illustrated in Figure 3-1.

Johanson and Vahlne (1990) maintained that their model could explain at least two major aspects of internationalization. First, they argued that cross-border links will be established in an incremental pattern, starting from operations of low risk and commitment and moving towards operations of higher levels of commitment and risk. This evolutionary view of internationalization was earlier exemplified by Johanson and Wiedersheim-Paul (1975). In their view internationalization would develop as follows: (1) no regular export activities; (2) export via independent representatives (agents); (3) sales subsidiaries; and (4) production/manufacturing. Second, they claimed that their model could also explain the location of foreign operations. They argued that

internationalization evolves on a psychic distance base. Psychic distance was defined as differences in terms of language, culture, political system, etc., among countries (Johanson and Vahlne, 1990). The model predicts that firms internationalize from lesser to greater psychically distant markets. The rationale is based on the view that foreign markets that are psychically close can be easily understood, and consequently encompass lower levels of market uncertainty, hence lower knowledge requirements.

Figure 3-1 The mechanism of internationalization: state and change aspects



Source: Johanson and Vahlne (1977: 26)

3.3.2.3 Innovation adoption models

Many assumptions present in the classic Uppsala model of internationalization influenced what Andersen (1993) referred to as 'innovation adoption models' of internationalization (e.g.: Bilkey and Tesar, 1977; Cavusgil, 1980; Lim, Sharkey and Kim, 1991; Reid, 1981). He notes, though, that there is a major difference in that innovation adoption models develop a more narrow focus on internationalization. In other words, they emphasize the process by which non-exporting firms become committed exporters.

These models suggest that internationalization, and in particular export engagement, follows the tenets of an innovation adoption behaviour. Therefore, like the Uppsala approach, it is expected to develop in a sequence of incremental stages. The number and description of stages varies between studies (Andersen, 1993; Leonidou

and Katsikeas, 1996), however, as Andersen (1993) asserts, the differences tend to be more semantic than real.

Theoretically, the explanatory accounts of these models are to a large extent contingent. They point out the role of variables within a firm's internal and external context, which are generally seen as push and pull factors between different stages of export engagement. In addition, these factors are supposed to be determinants of export performance. The number and multiplicity of variables that are argued to determine export behaviour are huge. For instance, during the beginning of the 1990s, Gemunden (1991) observed that there were over 700 explanatory variables argued to be determinants of export behaviour.

In an attempt to give order to and make sense of the extensive literature that characterizes this approach of investigation, researchers have periodically surveyed the field (see for example Aaby and Slater, 1989; Bilkey, 1978; Leonidou and Katsikeas, 1996; Miesenbock, 1988; Sousa, Martínez-López and Coelho, 2008; Zou and Stan, 1998). In general, explanatory variables are conventionally distinguished in terms of an organization's internal and external aspects.

Variables addressing a firm's internal context have usually received more attention and are typically distinguished in terms of (1) firm and (2) managerial characteristics. Considering firm characteristics, particular emphasis has been given to the role of: firm size, marketing strategy (product, price, promotion and distribution), intensity of market research, innovation, international experience, excess production capacity, firm age, ownership structure, and so forth. Regarding managerial characteristics, studies have considered the role of: export commitment, intention, education, international experience, age, language proficiency, risk tolerance, ethnic origin, perceptions, proactiveness, and so on.

With less emphasis, variables considering a firm's external context have typically addressed the role and influence of: governmental legal regulations, policies and export assistance; market attractiveness, competitiveness, barriers, and hostility; industry technological intensity, turbulence and stability; socio-cultural characteristics, and others. Overall, dimensions and variables are not consistent across studies and vary according to whether emphasis is given to domestic or foreign environments.

Revising the extant number of available studies in this approach is beyond the scope of this thesis; however, understanding their rationale seems to be sufficient. Moreover, one ought to note that despite extensive empirical research within this contingent approach to internationalization, there is little consistency in the results and definitive conclusions have not been reached (Andersen, 1993; Leonidou and Katsikeas, 1996). Ultimately, the inclusion of variables is often arbitrary and there is no uniformity on how they are operationalized and measured.

3.3.2.4 The network approach

During the late 1980s, behavioural theorists, especially those drawing upon the tenets of the classic Uppsala model of internationalization, shifted attention to the role and importance of networks. As Johanson and Mattsson (1987; 1988) argued, a network model to explain internationalization could be superior to market models based on transaction cost economics. Considering that earlier behavioural explanations relied to a great extent on internal organizational aspects influencing internationalization, the focus on networks was an important shift within this perspective. Since then, authors have argued that understanding internationalization can be enhanced when incremental models of internationalization are integrated with a network perspective. In the words of Coviello and Munro (1997: 381) “the network perspective goes beyond the models of incremental internationalization by suggesting that a firm’s strategy emerges as a pattern of behaviour influenced by a variety of network relationships”.

Studies developing a network approach to internationalization have mainly focused on three major aims: (1) to test Johanson and Mattsson’s (1988) early theoretical propositions (Chetty and Holm, 2000; Hadley and Wilson, 2003); (2) to better understand the importance, use, role and impact of networks on different dimensions of internationalization (Athanassiou and Nigh, 2002; Bridgewater, 1999; Coviello and Munro, 1997; Rutashobya and Jaensson, 2004; Wang and Nayir, 2006); or (3) to incorporate networks as a subset of a conceptual model of internationalization (Welch and Welch, 1996).

The general assumption that underpins these studies supposes that in their everyday business activities, firms develop relationships with other organizations. Those relationships create networks which are usually defined as a set of relationships between two or more organizations (Chetty and Holm, 2000; Coviello and Munro, 1997; Johanson and Mattsson, 1988; Zain and Ng, 2006). In practical terms, a network tends to be understood as the relationships among a focal firm and its customers, suppliers, competitors, government, distributors, and any other direct or indirect relationship that a firm might have with different social actors (Axelsson and Johanson, 1992; Johanson and Mattsson, 1988; Sharma and Johanson, 1987; Zain and Ng, 2006). Thus, the approach presumes that firms internationalize using their networks (Johanson and Mattsson, 1988). Furthermore, it presumes that internationalization can be facilitated or inhibited depending on the nature, the characteristics, or the position of a firm in a network (Johanson and Vahlne, 2009).

Zain and Ng (2006) summarized the main findings reported in the literature regarding the impact of network relationships on the internationalization process. In general studies have observed that networks:

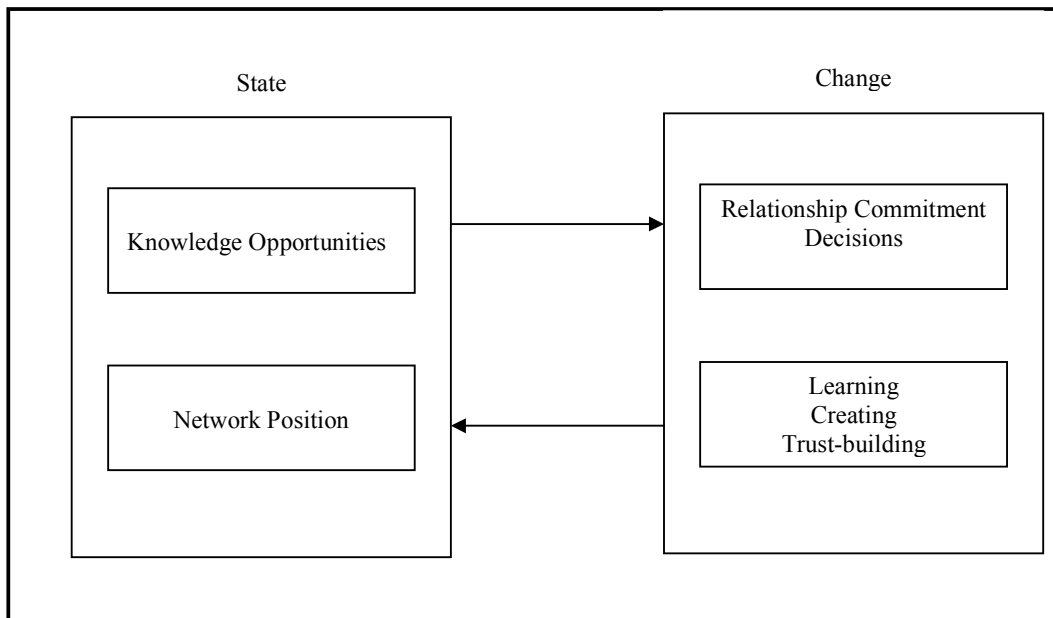
1. Trigger and motivate firms' internationalization (Andersen, 1996; Chetty and Patterson, 2002; Coviello and Munro, 1995; Ellis, 2000; Sharma and Johanson, 1987);
2. Influence firms' market-selection and entry-mode decisions (Bell, 1995; Coviello and Munro, 1997);
3. Provide access to additional relationships and established channels (Bjorkman and Kock, 1995; Chetty and Patterson, 2002; Coviello and Munro, 1995; Welch, 1992);
4. Provide access to local knowledge (Bucklin and Sengupta, 1993; Coviello and Munro, 1995; Fukuyama, 1995; Larson, 1992);
5. Provide initial credibility for internationalization (Chetty and Patterson, 2002; Coviello and Munro, 1995; Nahapiet and Ghoshal, 1998; Osland and Yaprak, 1995; Turnbull, Ford and Cunningham, 1996);
6. Reduce costs and minimize the risks of internationalization (Burgel and Murray, 2000; Chetty and Patterson, 2002; Coviello and Munro, 1995;

Dichtl *et al.*, 1983; Ellis and Pecotich, 2001; Hamilton, 1991; Morgan and Katsikeas, 1997b);

7. Influence firms' internationalization pace and pattern (Coviello and Munro, 1995; Jones, 1999; Lindqvist, 1988);
8. Constrain firms' future scope and market opportunity (Coviello and Munro, 1995);
9. Provide opportunities for internationalization (Dana, 2001).

Considering the role of networks on internationalization, Johanson and Vahlne (2006; 2009) introduced important changes to their original model. First, they changed the emphasis on 'state' aspects from 'market knowledge' and 'commitment' to 'knowledge opportunities' and 'network position' respectively. In addition, on the 'change' side of the model, they specified that relevant 'commitment decisions' are 'relationship commitment decisions', and that 'current activities' is the leading factor in relation to 'learning, knowledge creation and trust-building'. The revised (2009) version of their model is portrayed in Figure 3-2.

Figure 3-2 Johanson and Vahlne's business network internationalization process model (2009 version)



Source: Johanson and Vahlne (2009: 1424)

Johanson and Vahlne's revised model suggests that the actual 'state' of a firm's knowledge of opportunities in internationalization is related to its network position and, moreover, that these factors (network position and knowledge opportunities) are influenced by changing decisions regarding commitment to relationships and daily (current) activities that lead to learning, knowledge creation and trust-building. Ultimately the model suggests that changes in these factors lead towards a subsequent state of network position and knowledge opportunities, which consequently brings about changes in relationship commitments and daily activities.

Overall, the changes introduced by Johanson and Vahlne (2006; 2009) to their original model have some important implications for theorizing, in particular when considering why firms choose to go overseas, how they do so, and where foreign operations are expected to be located. First, the revised model presumes that firms go overseas either because (1) through their network they find or recognize "interesting business opportunities" and internationalize on the expectation of developing and exploiting these opportunities, or (2) because "a relationship partner who is going abroad, or already is abroad, wants the focal firm to follow", which means that internationalization happens given the commitment of the focal firm to a particular relationship (Johanson and Vahlne, 2009: 1425).

Second, the model assumes that internationalization develops in accordance to a "firm's relationships and network". More specifically, it is dependent on the knowledge, learning and trust created through interaction. Therefore, they move beyond the assumption that internationalization will follow an incremental pattern. Johanson and Vahlne's revised model accepts that increased knowledge may lead towards higher levels of internationalization but may also cause a focal firm or its partner to become dissatisfied with the relationship and in so doing to decide to decrease or even end the relationship. Third, the model suggests that foreign operations will take place (1) "where the focal firm and its partners see opportunities", or (2) where "the partner has a strong position" (Johanson and Vahlne, 2009: 1425). Where a firm has no valuable partners, Johanson and Vahlne suggests that "it may go where it might be easy to connect with a new firm that already has a position in the foreign market". In this context, psychic distance enters into play as a "necessary but insufficient condition" for identifying and exploiting foreign opportunities. Finally, it must be noted that the

changes proposed by Johanson and Vahlne (2006; 2009) to their original model moved its original focus from uncertainty reduction to opportunity development. Put differently, within the network approach internationalization is more about exploiting opportunities than reducing uncertainty.

3.3.2.5 The evolutionary approach

The evolutionary view of internationalization has roots in the work of Nelson and Winter (1973) on evolutionary economics. Although it could offer reasons to classify it as an economic approach, in international business its theoretical assumptions are closer to the behavioural perspective than the economic one. A major contribution in the field took shape in the seminal work of Kogut and Zander (1993).

In contrast to theories based on transaction cost economics, the evolutionary approach, as argued by Kogut and Zander (1993), presumes that internationalization, and in particular the foreign direct investment which ultimately creates MNEs, does not arise because of market failures, but rather because some firms have superior efficiency as an organizational vehicle to transfer knowledge across borders. Therefore, the approach presupposes that internationalization is dependent on and contingent to the nature of knowledge. Put differently, the appropriate mode of international operation, i.e. trade (export, licensing) and/or investment (FDI), is determined by the nature or quality of the knowledge that will be transferred across borders, namely whether explicit or tacit. Hence, knowledge which is complex, and difficult to codify and teach, or **tacit**, is expected to be transferred within the firm or through wholly owned operations; in other words making use of investment modes of foreign operation. Alternatively, knowledge which is simple, and easy to codify and teach, or **explicit**, is expected to be transferred through trade modes of operation (export, licensing).

Furthermore, on the assumption that the quality and nature of knowledge developed by an organization and its deployment is dependent on the institutional settings and social communities where the firm is located, the evolutionary approach posits that the national origins of a firm will influence its international trajectory (Kogut and Zander, 1993). Therefore, internationalization is not supposed to be a merely

independent outcome of rational calculation whereby distinctive advantages, particularly knowledge, can be freely engineered, developed, deployed or transferred across borders. Rather, the approach postulates that knowledge is a social construct and a temporally-bounded asset. This means that internationalization events are more limited and dependent than prevailing economic assumptions presume. Ultimately, on this view, individual firms are presumed to have little control over knowledge creation and therefore on internationalization, which is expected to develop within an evolutionary trajectory.

3.3.3 Limitations of behavioural theories of internationalization

Theories based on behavioural assumptions of organizational action play an important role in explaining internationalization. They offer a rationale for understanding that internationalization does not entail a merely independent, profit-oriented, resource-based and optimally calculated process. They remind us that internationalization is path-dependent, complex, contextually dynamic and not as rational as is presumed within economic theories. Among their many contributions, theories within this perspective stress that internationalization is dependent on knowledge (acquisition, nature, quality), networks and social relationships, and a number of contextually relevant variables. Nonetheless, behavioural theories are not without limitations.

Behavioural theories suggesting that internationalization is an incremental process, which develops in stages after a period of exclusive domestic operation given the requirements of learning or knowledge acquisition, have found mixed empirical results and no definitive conclusions have been reached. On the one hand there are studies that empirically confirm the incrementalist assumptions of internationalization (Dichtl *et al.*, 1983; Yoshihara, 1978). On the other, many studies refute them (Bell, 1995; Bell *et al.*, 2003; Millington and Bayliss, 1990; Sharma and Johanson, 1987; Turnbull, 1993; Whitelock and Munday, 1993). In general, much criticism has maintained that the behavioural emphasis on incremental stages is too determinist (Andersen, 1993; Melin, 1992; Reid, 1983a; Turnbull, 1993). For example, Reid (1983a) claims that there is no reason to assume that firms should engage in

internationalization through a systematic set of stages. Alternatively, some authors argue that incremental behavioural models would be more adequate to explain the early stages of internationalization (Björkman and Forsgren, 2000; Johanson and Vahlne, 1990; Millington and Bayliss, 1990; Morgan and Katsikeas, 1997b). Nevertheless, there has also been growing evidence that many firms engage in high levels of internationalization from inception (Mcdougall, Shane and Oviatt, 1994; Oviatt and Mcdougall, 1995; Oviatt and Mcdougall, 2005; Parker, 1998). Recently, Johanson and Vahlne (2006) asserted that although their earlier theory suggested an incremental path to internationalization, they have no opinion about the exact trajectory of internationalization, save that some paths are more likely to happen than others.

Beyond criticism of its incrementalist assumptions, Andersen (1993) suggested that there is a tautological relationship implicit in the classic Uppsala model. He explains that once market commitment is defined as the amount of resources committed and that market knowledge (independent variable) can also be understood as an intangible resource, the assumption that increased market knowledge will lead to increased market commitment is tautological. Additionally, Forsgren (2002) observed that though learning is a central concept in the model, it mainly addresses the role of experiential learning which, according to Forsgren, is just one dimension of learning. He notes, for example, that other types of learning such as learning through imitation, hiring people or acquiring companies, have not been mentioned. Recently, Johanson and Vahlne (2009) acknowledged the role of other types of learning, but reaffirmed that in their understanding experiential learning is the most relevant source for knowledge acquisition in internationalization.

Contingent innovation adoption models of internationalization have investigated a huge number of variables argued to influence internationalization; however, so far no definitive conclusion has been reached. As Bell (1995) argued, a major limitation within this approach is its reliance on linear modelling to explain complex, dynamic, interactive, and non-linear behaviour. In addition, as will be addressed later, contingent theorizing is essentially determinist. If internationalization is to develop in terms of its assumptions, there is no role for choice in organizational action.

The network approach has highlighted an important aspect influencing internationalization, namely that of social relationships. However, it also presents

critical limitations and problems. First, despite its argument that networks are the most adequate unit of analysis for understanding internationalization (Johanson and Vahlne, 2006), it offers no clear indication on how networks are to be empirically accessed, or where their boundaries are expected to be found. Second, although within this approach researchers presume that networks influence internationalization by creating opportunities to internationalize, facilitating or inhibiting internationalization and so forth; when one accepts that firms are social entities, such statements sound redundant and tautological. As social entities, firms do not exist in a vacuum but are by definition embedded in the networks of social relationships. Therefore, to say that firms internationalize through networks is evident since they have no other way of doing so. Advance is expected by identifying different network characteristics and how they influence firm's internationalization. Third, by presuming that firms can use and exploit networks as they wish, many researchers theorize on the basis of a reified view of networks. In other words, they presume that networks are manageable resources that some firms have and others do not. Fourth, researchers tend to assume that once a network is established it will be collaborative and favourable to internationalization (Zain and Ng, 2006). From this point of view, the approach ignores power relations, competition and conflicts within networks. Fifth, the approach ignores the fact that despite being positioned in internationalized networks, some decision makers may either not recognize opportunities for international penetration, extension and integration, or while recognizing them, may not be interested in taking up the opportunities (Chetty and Holm, 2000). Sixth, as Bell (1995) states, the network approach does not explain the internationalization patterns and processes of firms which apparently do not have any connections or contacts with foreign suppliers. Seventh, theoretical models in this approach tend to assume that networks and knowledge are sufficient conditions for internationalization and in so doing ignore that other resources may also be required.

The evolutionary approach, despite its important focus and arguments pointing out the role of knowledge in internationalization, similar to other behavioural theories, develops a deterministic view of international involvement. Internationalization is expected to develop along a natural evolutionary trajectory dependent on historical and

institutional factors. In addition, this approach does not explain why some firms internationalize to acquire and develop knowledge.

Finally, further explanatory limitations implicit in the behavioural perspective of internationalization can be highlighted when considering its central assumptions of theorizing organizational action. First, the assumption that internationalization is path-dependent emphasizes the natural dynamics of this process and overlooks the possibility of choice. Second, by stressing that the goals orienting internationalization are complex and that internationalization easily becomes an end in itself, behavioural theories do not explain why internationalization happens (Andersen, 1993). Theories within this perspective do not go beyond arguing that internationalization starts with the recognition of a given opportunity or as a response to an external or internal stimulus (Aharoni, 1966; Johanson and Vahlne, 2006; 2009). Therefore they presume that internationalization develops regardless of the purposes given to it. Although the approach seems right in presuming that purposes orienting internationalization are likely to be more complex than the sheer assumption of profit maximization, to ignore them, and presume that the aims or goals of action are irrelevant, is to deny the purposeful character of human action (Giddens, 1979; Parsons and Shils, 1962; Weber, 1964). Third, the assumption that internationalization is contextually contingent hinders recognition of the fact that organizational contexts are also interpreted and enacted within organizations (Child, 1997; Daft and Weick, 1984; Weick, 1969). Interpretation, as will be argued in the following chapter, is expected to play a major role on how decision makers process information and orient organizational action. It follows that attempting to decision makers interpretation systems can be very relevant to understanding internationalization.

3.4 SUMMARY

This chapter reviewed how internationalization has been theorized. It showed that while theories taking an economic perspective of analysis presuppose that internationalization is characterized by independent events, goal-specific, dependent on the possession of distinctive advantages, and rationally processed, those taking a behavioural perspective

presuppose that internationalization is path-dependent, goal-complex, contextually contingent, and requires little or no rationality. Therefore, while economic theories consider that internationalization results from discrete, profit-oriented, resource-dependent, and strongly rational decisions, behavioural theories stress that internationalization is historically incremental, spontaneous, knowledge-based and socially embedded.

The chapter emphasized that each perspective has much to contribute to our understanding of internationalization. However, none is capable of offering a comprehensive understanding of a firm's international involvement, and critical limitations remain. These limitations point out the need for a more encompassing and integrative perspective of analysis.

The next chapter goes one step further in the analysis and argues that critical limitations in prevailing theorizing result from the fact that they overlook that internationalization is meaningful and therefore rely on determinist, rationalist and individualist assumptions of organizational action. In so doing, they understate the role of choice, interpretation and collective social relationships in the dynamics of organizational action.

4. INTERNATIONALIZATION AS A MEANINGFUL ACTION

4.1 INTRODUCTION

The previous chapter reviewed economic and behavioural theories of internationalization. It concluded that studies conducted within these perspectives have helped to enhance our knowledge about firm internationalization. However, it also showed that prevailing theorizing is not without limitations and that many questions remain unanswered. This chapter goes one step further in critically evaluating those theories. It maintains that major limitations of available theorizing can be related to fact that it has overlooked that internationalization is meaningful the therefore produced a body of knowledge that emphasizes: determinism, rationalism and individualism. To this end, it contends that although behavioural and economic perspectives diverge in many respects, they also have much in common. In particular, the chapter posits that prevailing theorizing has overlooked the role of choice, interpretation and the collective dynamics of meaningful action.

To contribute to this, the chapter advances the argument that internationalization is meaningful therefore subject to the interplay of choice, interpretation and rationality. Each of these aspects is briefly reviewed in order to sketch out a platform for empirical investigation. The chapter concludes with a summary of relevant arguments.

4.2 DETERMINISM, RATIONALISM AND INDIVIDUALISM IN INTERNATIONALIZATION THEORY

This section assesses prevailing theories of internationalization through a critique that goes beyond the limitations highlighted in the previous chapter. This critique argues that theories regarding internationalization have been biased towards determinist, rationalist and individualist understandings of organizational action and have therefore bypassed the roles of choice, interpretation and the collective dynamics of meaningful

organizational action. The section shows that dominant theories in the field have left little space for the inherent creativity, complexity and social interdependence that characterizes internationalization.

4.2.1 Determinism

Determinism is an intellectual position of social analysis that presumes that action – whether individual or collective – is reactive, determined and ultimately predictable (Barnes, 1995; Burrell and Morgan, 1979; Dawe, 1970; Whittington, 1988). It may take two generic forms, namely ‘environmental’ or ‘action’ determinism (Whittington, 1988). In the former, theorists stress external or structural constraints over action. They see human beings and their activities as “being completely determined by the situation or the environment in which he [the actor] is located” (Burrell and Morgan, 1979: 6). Social actors are expected to follow and adapt to the rules and pressures of the social structure in which they are embedded. Alternatively, action determinism places the emphasis on factors constraining action on internal or inner depictions of human nature (Elster, 1979; Whittington, 1988). Put differently, action is determined on the basis of actors’ internal mechanisms and assumptions, such as in-built preferences or information process systems. Ultimately, as in environmental determinism, actors are left with no room to choose beyond the course of action that their inner attributes determine. Action determinism presumes that “actors’ responses to environmental stimuli will be entirely predictable” (Whittington, 1988: 524). Overall, whether environmental or action determinism is considered, no room is left for actors to “act otherwise” (Giddens, 1979; 1984).

Determinism stands in direct opposition to voluntarism, a position that presumes that social actors (human beings, organizations) are “free-willed” (Burrell and Morgan, 1979: 6) and thus able “to realize his [their] full potential and to create a truly human social order” (Dawe, 1970: 214). Voluntarism assumes that human beings embody the *libero arbitrio voluntatis* as argued by St. Augustine (1964), or even the ability of Machiavelli’s prince to remake the world as one wishes (Machiavelli, 1950). Ultimately

it embodies the view that social actors act in accordance to their wishes, preferences or wants.

The review of available theories of internationalization as demonstrated in the preceding chapter reveals that determinism has traditionally characterized theories in the field (Hutzschenreuter, Pedersen and Volberda, 2007). In the economic tradition, determinism comes primarily from its assumptions that internationalization is (1) profit oriented, and (2) dependent on the ownership of distinctive advantages. Considering the former, the perspective presumes that decision makers have no choice apart from the one option of maximising profits in order to either satisfy their inner selfish and greedy nature, or because profit maximization is an ecological law for survival in competitive markets (Buckley and Casson, 2009). Furthermore, by presuming that internationalization is dependent on the ownership of distinctive advantages, economic theories consider that firms with no recognizable advantages have limited capacity to change or internationalize (Hutzschenreuter, Pedersen and Volberda, 2007). As Teece *et al.* (1997) assert, theories based on distinctive advantages and competencies leave firms, at least in the short run, stuck with what they have and with having to live with what they lack. Similarly, these theories presume that firms which have identified, selected and developed distinctive advantages to do so will internationalize. On this view they take for granted that actors' powers (distinctive advantages, resources) are faithfully reflected in their action-choices and ignore that it is in the nature of action that actors may choose whether or not to use their powers in the first place (Hindess, 1982: 505; Whittington, 1986). On the assumption that internationalization is oriented towards profit maximization and put forward on the basis of distinctive advantages, theories developed within the economic perspective presume that human beings are programmed to behave in the same way, and that therefore the role of choice is left behind and rendered irrelevant.

In behavioural theories of internationalization determinism is also linked with two of the major hypotheses regarding theorizing: path dependency and contextual contingency. The path dependency hypothesis presumes that internationalization is based on a feedback-reaction system in which actors are assumed to respond to external or internal stimuli by passively applying knowledge operating procedures and decision rules that are gradually learned through practical experience. Put differently, it believes

that, through learning and experience, actors develop an internal programme [knowledge system] for stimuli-opportunity response that drives internationalization regardless of the role of choice. For instance, as Johanson and Vahlne (1990: 12) argued, internationalization is expected to proceed “regardless of whether strategic decisions in that direction are made or not”. Determinism in behavioural theorizing also rests on the assumption that internationalization is contextually contingent, i.e. that it is dependent on the internal and external characteristics of a firm’s situation. Internally, internationalization is considered by the classic Uppsala and the evolutionary approach to be dependent on the nature of knowledge available within firms (Johanson and Vahlne, 1990; Kogut and Zander, 1993), and by innovation ‘contingent’ adoption models to depend on an indefinite set of variables such as firm size, age, production capacity, R&D intensity, product diversification, managerial education, intention and so forth (Andreas and Mario, 2007; Bonaccorsi, 1992; Leonidou, Katsikeas and Piercy, 1998). Externally, internationalization is presumed to be determined by psychic distance among markets (Johanson and Vahlne, 1990) and the ‘rich’ social context where firms are embedded (Kogut and Zander, 2003), networks (Coviello and Munro, 1997; Johanson and Mattsson, 1988), as well as a number of other environmental aspects such as governmental legal regulations, policies and export assistance, a market’s attractiveness, levels of market competition, internationalization barriers and hostility, industry technological intensity, environmental turbulence, socio-cultural characteristics, and so on (see Aaby and Slater, 1989; Leonidou and Katsikeas, 1996; Sousa, Martínez-López and Coelho, 2008; Zou and Stan, 1998). Ultimately, the concept of contextual contingency renders choice irrelevant and presumes that internationalization takes shape as a mere outcome of a firm’s internal and external situational conditions.

By assuming that organizational action is determined, available theorizing in internationalization has critically failed to consider the role of choice by those who have the power to direct organizations (Child, 1972; 1997). Although this argument was put forward by Child in the early 1970s, international business theory has to a large extent ignored it. In so doing, it has overlooked the fact that the major components of internationalization such as location, subject-domain, mode of operation, direction and timing are subject to the discretion of managerial choice. It ought to be noted that this is

not to presume that internationalization, as any course of action, is a free-willed project, as those taking a voluntarist perspective would suggest. Rather, it is to recognize that although internationalization is constrained in many ways, to disregard the role of choice seems empirically misleading and to a large extent explains why prevailing theorizing has faced so many limitations.

4.2.2 Rationalism

Rationalism encompasses an intellectual position which sees social action as rational. In general terms, to say that action is rational is to maintain on the one hand that action is purposeful or ‘outcome-oriented’, and on the other hand that it implies some ‘calculative’ association between means-ends relationships (Barnes, 1995; Goldthorpe, 1996; 1998; Parsons, 1968). For Giddens, to acknowledge that action is rational is to presume that social actors are capable enough to “explain why they act as they do by giving reasons for their conduct” (1979: 57). In these terms it could be said that all theories in social sciences draw, to some extent, upon assumptions of rational action (Barnes, 1995; Goldthorpe, 1998; Lichbach, 2003). However, when considering its specific features, it must be noted that rationalism is not a unified position. Goldthorpe (1998) asserts that it is possible to distinguish varieties of rational action when considering three main dimensions: (1) strong or weak rationality requirements; (2) focus on situational rather than procedural rationality; and (3) whether the theory claims to provide a general rather than a special theory of action. For the purposes of the present work, it will suffice to look at the first dimension distinguished by Goldthorpe, i.e. how theoretical approaches of internationalization draw upon different rationality requirements.

Strong rationality requirements take place when rationality is viewed as an inherent essence or *substance* of the actor (Goldthorpe, 1998). The actor is depicted as a centre of calculation between means and ends, absolutely capable of evaluating the outcomes of alternative options, and choosing the course of action that enables the achievement of fixed goals. This ‘strong’ rationality perspective typically presumes that actors have ‘perfect knowledge’ which is used in the best possible way to achieve their

utilitarian goals, e.g. to maximize their utility or profit (Goldthorpe, 1998; Simon, 1982). In sum, as Simon (1983: 13) asserts, this perspective presumes that the actor:

contemplates, in one comprehensive view, everything that lies before him. He understands the range of alternative choices open to him, not only at the moment but over the whole panorama of the future. He understands the consequences of each of the available choice strategies, at least up to the point of being able to assign a joint probability distribution to future states of the world. He has reconciled all his conflicting partial values and synthesized them into a single utility function that orders, by his preference for them, all these future states of the world.

A somewhat intermediary position on rationality posits that although rationality is not an inherent essence of the actor, nevertheless he or she still has good reasons to follow it. Within this view rationality is subjective. Moreover, it suggests that maximization is not feasible since actors never have completely 'perfect' information (Simon, 1982). Hence it becomes rational to 'satisfice', i.e. "to act so as to meet certain criteria which, in the actor's judgement [subjective rationality] indicate that a course of action is 'good enough'" (Goldthorpe, 1998). The satisfactory decision is taken on the basis of the information that is already at hand.

Rationality requirements are at their weakest when embodied in the actors' situation. In this case, the situation rather than the actor has a rationality of its own which therefore drives and explains action. It presumes that the actor, its goals and beliefs are all exempted from rationality requirements and are free even to pursue seemingly 'irrational' purposes, providing that an actor's situation encompasses an underlying 'rational' logic. This is, for example, the theory considered in the psychological position proposed by Freud. He argues that action is led by actors' subconscious emotional needs and internal sensibilities (Alexander, 1988) which, though not necessarily rational, can be rationally understood on the basis of their psychological situational analysis. Taking a similar view, the socio-psychological position followed by Parsons (1938; 1968) and his colleagues (Parsons and Shils, 1962), considers that action is oriented and guided by beliefs, ideas, norms, morals, symbols and concepts that constitute social systems internalized within individuals through socialization. Thus, for Parsons, human beings are assumed to act in "certain ways because to do so is customary, or an obligation, or the 'natural thing to do', or right and

proper, or just and fair” (Brown, 1977: 17 quoted in Granovetter 1985: 485) but not necessarily because they reached the conclusion that acting in such a way is rational.

When reviewing the existing literature on internationalization it is not difficult to observe that theoretical approaches based on the economic perspective are grounded in strong rationality requirements, being similar, for instance to those ascribed to the idea of absolute rationality. Although theorists adopting this approach understand that rationality is bounded (Buckley and Casson, 2009), this understanding tends to be more rhetorical than substantive (Foss, 2003). They assume that even in circumstances of high risk and uncertainty, or limited information, decision makers are still capable of recognizing a firm’s distinctive advantages, accessing costs, and accurately calculating the solution that will maximize the firm’s performance. Moreover, actors are assumed to have a perfect understanding of the range of alternatives open to them. Ultimately, the approach presumes that opportunities to operate abroad can be equally recognized across different actors and in so doing ignores the fact that decision makers enact their social realities and will not necessarily give attention to similar aspects in similar circumstances (Daft and Weick, 1984; Greenwood and Suddaby, 2006; Weick, 1969).

Intermediary and weak rationality requirements (Goldthorpe, 1998) can be observed among behavioural approaches to international action. The Investment Decision Process (Aharoni, 1966), the Upsalla (Johanson and Vahlne, 1977; 1990) and the Network approaches build upon assumptions of bounded or limited rationality as proposed by Simon (1982) and his colleagues (Cyert and March, 1963). They presume that internationalization is never completely rational and that maximization is an unfeasible possibility. By contrast, as reviewed in the previous chapter, internationalization is biased according to the actor’s political interests, knowledge constraints, psychological perceptions and network relationships. Thus, internationalization can, at most, ‘satisfy’ an actor’s subjective judgment as to alternatives that are accepted as ‘good enough’.

The ‘weakest’ rationality requirements are adopted by the innovation ‘contingent’ adoption models and the evolutionary approach. Theories within these approaches exempt actors of any rationality requirements. Alternatively, this is imputed into their circumscribing historical situations. Therefore, the underlying ‘rationality’ of internationalization is given in terms of the qualities and nature of the knowledge

possessed by an organization, the institutions characterizing its current situation, and a number of internal and external variables considered to explain internationalization (e.g. firm size, age, production capacity, industry levels of competition, and so forth). Ultimately, in these theories, internationalization is characterized by a normative rationality inherent to the situation in which actors are embedded.

Although rationality is an important aspect for explaining and understanding social action and, in general terms, implicit in all social theories, in internationalization theorizing it comes at the expense of recognizing the also fundamental role of interpretation (Alexander, 1988; Blumer, 1998; Daft and Weick, 1984; Sandberg and Targama, 2007; Schneider, 1997). Put differently, prevailing theorizing in internationalization has disregarded the fact that international action is not only a matter of rationality, but also dependent upon cognitive elements which produces (and reproduces) the meanings in which action is based, namely: interpretation. This understanding draws on the assumption that since organizations are open social systems, in order to act they must make sense of the situation in which they are embedded (e.g. trends, events, competitors, technology development, opportunities, resource availability) (Daft and Weick, 1984; Gioia and Chittipeddi, 1991; Sandberg and Targama, 2007).

As considered in modern cognitive science, interpretation refers to the process whereby something is given meaning or significance (Blumer, 1998; Daft and Weick, 1984; Schutz, 1972). It refers to the process by which something becomes understandable⁸ and in so doing encompasses the idea that what is known about the world is never a direct representation of reality but instead the result of complex cognitive processes such as selection, sorting, manipulation, conversion, typification and imagination (Sandberg and Targama, 2007; Spender, 1998). As addressed by Bartunek (1984), interpretation encompasses the notion that any given experience can be understood in multiple ways. It implies that internal and external aspects of an organization's situation (e.g.: environment, industry, network, size, structure, technology, resources) do not directly affect its action. Rather those features inform action through the mediation of interpretation. From an interpretative perspective,

⁸ The Cambridge Dictionary of Sociology cross-references 'interpretation' with '*Verstehen*' defining the latter as literally 'meaningful understanding'.

individuals are expected to rationalise and act on the basis of their understandings. (Sandberg and Targama, 2007). In the view of Machado-da-Silva, Fonseca and Fernandes (2000) a cognitive analytical perspective has at least four major implications for the study of organizational change. First, it indicates that decision makers do not move in a reality of objective facts, but instead in an interpreted reality. Second, interpretation conditions which information should receive attention and in so doing may both facilitate as well as limit attention to relevant changes in the situation. Third, interpretation orients how internal and external stimuli will be understood. Fourth, interpretation informs and directs action.

The focus of economic and behavioural theories of internationalization on rationality has been historically underpinned by an objective view of reality and of events as independent of, and separated from, the interpretations of the actors concerned. On this assumption they have produced a body of knowledge that presumes the influence of situational factors upon internationalization without considering how managers understand their situation. In economic theorizing, organization's situation is presumed to be certain, information clear and complete, and firm's resources able to be univocally recognized, measured and deployed. On this basis, interpretation is rendered irrelevant and theorists are able to employ concepts such as utility maximization, resources deployment, and cost reduction without the need to recognize how situations are understood in terms of the potential utility of actions, or how resources and costs are interpreted by those with power to decide in organizations. Similarly, in behavioural theorizing, although characterizing internationalization in terms of uncertainty and the limited use of rationality, theorists presume that actors still have the ability to learn and represent an independent and objective reality in their minds and therefore formulate an satisfactorily representation of their situation through learning. Hence, similar to economic theorizing it neglects the fact that human beings and their world are inextricable related (Berger and Luckmann, 1966; Schutz, 1972; Weick, 1969), and that learning does not preclude interpretation. Put differently, that knowledge learned through practical experience must be interpreted.

The focus on interpretation as considered in the present work presumes that rather than an independent and objective instance, reality is always related to a conscious subject which interprets and gives sense to it. On the one hand such

understanding requires an alternative ontological and epistemological perspective for studying internationalization; for instance, one that considers internationalization as a collective meaningful construction and therefore dependent upon the inter-subjective understandings given by social actors. On the other hand, that internationalization cannot be comprehensively explained in terms of inherent situational characteristics of individuals, firms and environment, whilst overlooking how decision makers understand and attach meaning to their situation. Ultimately, the interpretative approach developed points out the need to consider how rationality and interpretation interplay in forming the basis for human and organizational action regarding international involvement.

4.2.3 Individualism

Historically, individualism emerged as a major position in social analysis during the Enlightenment. It encompasses a process of secularization and rebellion “against the hierarchic institutions of traditional society” (Alexander, 1988: 14). It is a position that sees human beings, as well as any relevant collective actor or social entity, as atoms and their action independent or minimally affected by collective relationships (Alexander, 1988; Barnes, 1995; 2000; Emirbayer, 1997; Granovetter, 1985; Loyal and Barnes, 2001). Furthermore, the perspective presumes that action can be explained with exclusive reference to such individualized entities. From this standpoint Popper (1966: 98) argued that “all social phenomena, and especially the functioning of all social institutions, should always be understood as resulting from the decisions, actions, etc. of human individuals... we should never be satisfied by an explanation in terms of so-called ‘collectives’”.

In many ways the assumptions of individualism interchange with those of rationalism (Barnes, 1995). However, individualism is better understood as standing in opposition to collectivism, a position that assumes that action is never independent and can only be understood on the basis of actors unfolding, inherent, and dynamic relationships. Collectivism sees the actors (individual or collective) as inseparable relationships that are highly interdependent and susceptible (Barnes, 1995; 2000; Emirbayer, 1997; Granovetter, 1985; Loyal and Barnes, 2001). Ultimately, it presumes that actors can never act in isolation of their ideal relational community and their action

never understood from an individualistic perspective. This view opposes the individualist notion that depicts actors as self-acting entities capable of being explained on the basis of self-referenced attributes, whether individual, collective or situational (e.g. age, gender, psychological predispositions, values, beliefs, purposes, size, social status, class membership, ethnicity, social institutions and others) (Dewey and Bentley, 1949; Emirbayer, 1997; Emirbayer and Goodwin, 1994). It ought to be noted that in some cases individualism may develop a form of ‘inter-action’ individualism which sometimes is confused with collectivism (Dewey and Bentley, 1949). This view sees individual actors as being somewhat interconnected and in so doing attempts to explain action by focusing on the attributes of the inter-connections established by individual actors.

When considering theories of internationalization, individualism rather than collectivism has traditionally characterized theorizing. Both economic and behavioural perspectives on internationalization have worked on the assumption that it is put forward by individualized entities. In economic theories, individualism takes a primary form of self-action in which individualized firms are presumed to internationalize under their own powers, and regardless of other firms. The perspective takes for granted that firms can independently deploy their powers – i.e. distinctive advantages, resources – in order to achieve their fixed goals and interests. It assumes that in the establishment of cross-border links, independent players rationally calculate whether they use market alternatives (e.g. export, license), or, in the case of failures, use their powers to autonomously realize their goals by internalizing such failures (e.g. FDI) (Buckley and Casson, 1976; Dunning, 1988b; Hymer, 1976).

In behavioural theories, individualism may assume the alternative forms of self-action and inter-action. In the classic Uppsala approach, individualism develops a form of self-action apparently in opposition to the one that characterizes economic rational models. While in economic theories of internationalization the individualized firm accesses and deploys its powers to internationalize, in the classic Uppsala approach, internationalization is self-propelled within the individual firm. Internationalization emerges as an autonomous, independent, subsistent process developing in accordance to its own knowledge content learned in the course of the firm’s practical experience or ‘current activities’. Ultimately, internationalization is presumed to develop in

conformity with its own knowledge contents, which may not necessarily accord to the purpose of profit maximization as required in economic theories. Nevertheless, both internationalization and the firm remain individualized.

The contingent innovation adoption and the evolutionary approaches develop a more holistic approach of self-action individualism. Here, the driving force of internationalization is not in the exclusive powers of the firm or in its own knowledge content. Alternatively, the individualized firm is positioned within a social context or system of variables which is presumed to have an independence of its own. In other words, the firm with its context are seen as a holistic, individualized and self-subsistent system responsible for the processes and trajectories of internationalization.

Finally, the network approach develops a form of ‘inter-action’ individualism (Dewey and Bentley, 1949) which can sometimes be confused with collectivism. The approach sees individualized firms interconnected within causal networks and presumes that internationalization is driven by the inter-action of firms existing independently of each other. Internationalization is then expected to be explained in terms of the attributes of the interaction, usually trust, commitment, knowledge created, network centrality and others. In this approach it is definitely not the firm that pushes internationalization as in economic individualism; nevertheless the firm remains an individualized empty setting where the causation powers, placed in the interconnection of firms, occur.

In conclusion, as demonstrated here, by drawing on individualist assumptions of action current theories in internationalization have overlooked the fact that social action is also inherently collective-dependent and socially susceptible. By so doing, it has ignored the point that organizational action, including internationalization, cannot be properly accounted for when attempting to attribute it to individualized entities, actors or elements (Dewey and Bentley, 1949; Emirbayer, 1997). This understanding suggests that explaining internationalization needs to move beyond individualism and consider the collective dynamics of meaningful action.

4.3 GIVING MEANING TO INTERNATIONALIZATION

The previous section showed how dominant perspectives of theorizing about internationalization have been biased towards determinist, rationalist and individualist views of internationalization and in so doing have paid little attention to the role of choice, interpretation and collective relationships on meaningful action. This inherent imbalance in theorizing was argued to account for many of the limitations of available theorizing in internationalization. Following Child's (1997) revisiting of the strategic choice perspective, one could argue that where advances in understanding organizational action are required, concurrent assumptions used in theorizing must be reconciled. In attempting to redress this inherent imbalance, this section approaches internationalization as a meaningful course of action characterized by the interplay of choice, interpretation and rationality. It advances what can be seen as a first step in the attempt to bridge concurrent views of organizational action and advance an integrative framework of analysis for empirically studying internationalization⁹. This analytical perspective draws on Weber's (1964) argument that human beings act on the basis of the meanings that they assign to their world.

According to Weber (1964) social action¹⁰ is the proper unit of observation and study within the social sciences. In his words, action entails "all human behaviour when and in so far as the acting individual attaches a subjective meaning to it" (Weber, 1964: 88). A central assumption in Weber's view of social action is that action can be distinguished from mere reactive behaviour due to the point that action is **meaningful**. This is to assume that it does not happen as a merely behavioural response to a stimulus, but emerges out of the meanings that social actors attach to it. This means that by approaching internationalization from this perspective one should consider that, more

⁹ It should be noted that any attempt to offer a comprehensive perspective of analysis is complete without a discussion and explication of its ontological and epistemological assumptions. Nevertheless, to facilitate reading, at this point these assumptions will be left implicit and their explication will be discussed later in this work.

¹⁰ Action is the English term used by Parsons to translate the German word *handeln* used by Weber (Weber, 1964: 89). It should not be read as an event as usually addressed in some philosophical traditions (Donagan, 1987). Rather, in the Weberian tradition, action accounts for a social conduct or course of action. Considering this, action, course and conduct are used interchangeably in this study.

than simply a process or ongoing movement of international involvement, **internationalization is a meaningful social conduct.**

The understanding that human beings in particular and social actors (organizations) in general assign meaning to their action, and ultimately act on the basis of such meanings has, since Weber, informed a long tradition of social action analysis (Berger and Luckmann, 1966; Blumer, 1998; Goffman, 1971; Schutz, 1972; Silverman, 1978). On this view Silverman (1978: 141) asserted that “action derives from meanings that men attach to their own and each others’ acts”. Similarly, Berger and Luckmann (1966) Schutz (1972) and others, despite diverging in many aspects, agree that social reality is meaningful.

In broad terms, to say that action is meaningful is to acknowledge that it has sense, significance, cause, justification and, ultimately, that it can be understood. However, to recognize the specificities of what stands for ‘meaningful’ in a course of action is usually vague and largely debatable. Schutz (1972) claims that in the work of Weber, despite its centrality, this concept is ambiguous. He claims that Weber failed to clearly state the essential characteristics of what he meant by meaningful action¹¹. Osgood (1957) asserted that there might be as many meanings of ‘meaning’ as there are disciplines that deal with language. In his view, definitions of ‘meaning’ “tend to correspond more or less with the purposes and techniques of the individual doing the defining, focusing on that aspect of the phenomenon that his discipline equips him to handle” (Osgood, 1957: 2). Ultimately, although one should be aware of these limitations, it seems important to seek a clearer idea of what is implicit on the claim that organizational action, and in particular internationalization, is meaningful. The specialized literature, though in many ways ambiguous, nevertheless offers enough grounds to consider ‘meaningful’ action as a social conduct that encompasses the interpenetration of: (1) choice, (2) rationality and (3) interpretation. Each of these dimensions are considered here in turn.

¹¹ Schutz develops a thorough assessment of Weber’s concept of ‘meaningful action’ to further propose a phenomenological understanding of it.

4.3.1 Choice

Several social theorists have acknowledged that action implies choice (Child, 1972; 1997; Donagan, 1987; Parsons, 1968; Parsons and Shils, 1962; Silverman, 1978; Weber, 1964; Whittington, 1988). It is an element at the core of the distinction between reactive behaviour and agency or meaningful action. It encompasses what Giddens (1984) sees as the possibility to 'act otherwise'. On this view Silverman asserts that when acting "the actor chooses, from among the means of which he is aware, the action that seems most likely to produce what he would regard as a satisfactory outcome" (Silverman, 1978: 130). Similarly, Parsons (1968) maintains that when acting, actors choose between alternative means to an end. In the work of Weber, the relationship between meaningful action and choice is also implicit. For him, action may vary from deliberate intervention in a situation to deliberately refraining from intervention or passively acquiescing in the situation (Weber, 1964).

In organizational analysis, Child was a pioneer in drawing attention to the role of choice as a major component of organizational action. He argued that choice refers to "the process whereby power-holders within organizations decide upon courses of strategic action" (Child, 1997: 45). In his view, choosing upon courses of action is a process entailing three main stages: (1) the evaluation of the situation; (2) choice of goals; and (3) strategic action (Child, 1972; 1997). The **evaluation of the situation** entails the instance of choice whereby decision makers evaluate the organization's position in terms of the expectation of business stakeholders, the environmental trends, the firm's recent performance, and the congeniality of the organization's internal configuration. Child argued that the evaluation of the situation is underpinned or 'coloured' by decision makers' prior ideological values, experience and training. The **choice of goals** considers the instance where power-holders within organizations set out and decide on the objectives of action. This stage is usually formalized in plans. Finally, **strategic action** is carried on throughout. The whole process is deemed strategic since its outcomes are important for the organization as a whole.

To recognize that meaningful action encompasses choice implies to acknowledge that it is never the mere outcome of situational forces, but rather is subject to the faculty of choice by those within the organization with power to decide.

4.3.2 Rationality

In addition to choice, one of the commonest ways in which meaningful action can be understood is from the viewpoint that it is rational. Although it may encompass different interpretations, the rationalistic nature of meaningful action depicted here considers that, on the one hand, social action is characterized by an implicit purposeful or intentional character. This understanding is somewhat orthodox and is present in a great number of theories of social action – see for example Giddens's (1979) discussion about the reflexive monitoring of action. It presumes that meaningful action is rational since actors act purposefully in the direction of their goals, whatever these goals may be. On the other hand, it also grants meaningful action a practical or calculative nature once it concedes a certain level of calculability or evaluation between the ends (purposes) and the means/conditions of action. Alexander (1988) addresses this as the 'strategization' component of social action. It suggests that social action entails some level of strategic evaluation regarding both the costs and rewards of different alternatives. Implicit in this understanding is the belief that action, as with any transformative *praxis*¹² such as internationalization, requires time, energy, knowledge and other resources; and since one cannot expend limited resources indefinitely, human beings are presumed, usually, to seek the shortest path to their goals (Alexander, 1988).

In these terms, meaningful action can be said to be rational once it is purposeful or outcome-oriented towards specific ends in the face of the circumstances (means and conditions) of a given situation. Weber exemplifies this understanding by arguing that the fact that an actor uses money as a means of exchange is meaningful and can be understood given the realization that the actor "orients his action to the expectation that a large but unknown number of individuals he [she] is personally unacquainted with will be ready to accept it in exchange on some future occasion" (Weber, 1964: 112). Similarly, in the case of internationalization, one may presume that it is meaningful when realizing that decision makers in a given firm attempt to sell or invest abroad on the expectation that other social actors in foreign countries want their firm's products

¹² Here the notion of praxis simply refers to a generalized instance of meaningful action.

and/or services, and by these means that it will be possible to obtain some benefit for the firm.

Parsons (1968) advanced this rationalistic understanding of meaningful action by pointing out that a meaningful action is an action oriented towards specific ends. These “ends” are seen as the purposes of action, or the future state of affairs towards which action is oriented. In accordance to Parsons a meaningful action is initiated in a situation in “which the trends of development differ in one or more important respects from the state of affairs to which the action is oriented, the end” (1968: 44). He claims that the ‘situation’ whereby action is initiated is analyzable in terms of two elements: means and conditions. The means of action are all those elements over which the actor has control, whereas the conditions of action are the elements, aspects and processes over which the actor has no control and thus can neither alter nor prevent from being altered (Parsons, 1968).

Although this encompasses a plausible analytical distinction, it could be argued that many conditions of action are unacknowledged by social actors but nonetheless affect their action (Giddens, 1979). This implies that empirically distinguishing means and conditions may not be as clear as Parsons envisioned. For instance, Schutz (1972) observed that where Parsons’s distinction is possible, it would only be meaningful from the perspective of the actor itself. Put differently, only the agent is supposed to assert what is a means or a condition of action within his/her situation. In the work of Weber (1964) this distinction is also rather ambiguous. Although he recognizes the existence of meaningless processes (uncontrollable conditions) that influence action, in many instances he uses these terms (means and conditions) interchangeably. Ultimately, it should be noted that for the arguments developed here, distinguishing whether a particular situational element is a mean or a condition of action seems of little relevance. More important is to acknowledge that meaningful action is rational to the point that it is a social conduct oriented towards particular ends which are pursued *vis-à-vis* perceived circumstances or means/conditions of a given situation.

Finally, it should be noted that this rationalistic view of meaningful action is consistent with Child’s strategic choice perspective (1972). As he argues, the evaluation of the situation or the assessment of the current means and conditions of a

situation (as considered here), entails the primary stage of the choice process, which in turn is reasoned in relation to the ‘choice of goals’.

4.3.3 Interpretation

Meaningful action cannot be properly accounted for without consideration for the fact that over and above rationality, action encompasses interpretation, or the process whereby meanings in which action is based are produced and reproduced. Though in the work of Weber the relationship between interpretation and meaningful action is somewhat ambiguous, this link has been advanced in the works of Schutz (1972), Berger and Luckmann (1966), Blumer (1998), Alexander (1988) and others. Interpretation takes centre stage in Child’s strategic choice perspective (1972; 1997), and in organizational analysis its role has been highlighted in the works of Silverman (1978), Weick (1969), Daft and Weick (1984), Bartunek (1984), Gioia and Chitipendi (1991), and others.

Interpretation has usually been addressed as the process through which life experiences are given meaning. As Schutz (1972) maintains, meaning is experience interpreted. In accordance with Daft and Weick (1984: 286) interpretation entails ‘the process of translating... events, of developing models for understanding, of bringing out meaning, and of assembling conceptual schemes’. In the context of action, interpretation is the instance whereby the purposes and means/conditions of action are given sense. This understanding considers that action, as with any *praxis* in the *durée* of life, does not have meaning in itself; rather its meanings are produced and reproduced through interpretation.

Although there are different views of what constitutes interpretation in modern cognitive sciences, Alexander (1988) maintains that interpretation consists of two intertwined processes: typification and invention. **Typification** means that all actors take their understanding of the world for granted. They understand or typify the world using pre-existing frameworks provided by others, and learned through socialization. Alexander exemplifies this by arguing that the process of acquiring sociological citizenship implies learning to typify in accordance to the [pre-existing] inclusion

demands of specific social realms. In so doing, he notes, “you are a surgeon when you typify the world surgically, a woman or a man when you can typify in the appropriately gendered way, and so forth” (Alexander, 1988: 313). Typification suggests that interpretation should never be taken as an exclusive domain of individual or subjective consciousness. Rather it is inherently collective, relational and interactional. Alexander notes that when parents interact with their children they are teaching them how to typify. Similarly, the interactional communication between adult persons is “a deeply hermeneutical process of understanding that proceeds through gestures that typify a tiny selection of ongoing experience” (1988: 313). Ultimately, typification highlights the fact that the meanings of action and reality are never subjective, but are always intersubjective. For instance, in the field of strategic management, Spender (1989) empirically demonstrated how managers in particular industries shared a common set of strategic ‘recipes’ or typified meanings regarding appropriate actions and priorities for performing well in their industry.

However, Alexander also makes the point that “interpretation involves more than the reproduction of an internalized classification scheme” (1988: 313). He asserts that “because it [reality] is always new and because each successive representation of reality must, indeed, bring past generalization into contact with new objects there is always something different, something *invented*, in each successive conceptualization of reality” (Alexander, 1988: 313 emphasis added). This is the second process that characterizes interpretation, namely **invention**. Alexander argues that “to make it [reality] typical is a creative act and not merely a reproductive, typifying act, for we are usually (unconsciously) finding ways of understanding in a slightly new key” (1988: 314). Thus, when interpreting the world there are always ‘shifts’ in classification and understanding. These shifts, Alexander argues, “are what invention is all about” (1988: 314). This view suggests that it is the inner human capability of invention or imagination that makes social reality change. However, because invention is hidden within phenomenological conformity, culture is plastic and individual action proceeds in an extraordinarily fluid way (Alexander, 1988: 314)

The recursive account in which interpretation is portrayed here, i.e. whereby meanings are produced and reproduced within the flow of social relationships, is similar to the relationship between structure and agency as advanced by Giddens (1979; 1984)

in his structuration theory. A similar account can also be grasped from the work of Berger and Luckmann (1966) on the social construction of reality, though it is beyond the scope of this study to review all of these theoretical approaches. Here, the acknowledgement of interpretation as an interplay of typification and invention suffices to recognize that interpretation encompasses a recursive practice whereby meanings are collectively produced and reproduced.

The understanding that meaningful action encompasses interpretation offers a platform to bridge two major limitations within prevailing theorizing in internationalization, namely rationalism and individualism. First, it highlights that organizational action, and in particular internationalization, involves understanding over and above purely rational action. Second, it indicates that, by the means of typification, meanings informing and orienting action are collectively activated, sustained and transformed.

4.4 SUMMARY

This chapter has criticised available theories of internationalization for their emphasis on determinist, rationalist and individualist assumptions of organizational action and in so doing overlooking the fact that internationalization is also the product of choice, interpretation and collective social relationships. It advanced the argument that where theoretical and practical advances in the field are desired, these perspectives must be reconciled and integrated.

To this end, it outlined an analytical perspective of analysis which considered the idea that internationalization is an instance of meaningful action and therefore subject to the role of choice, rationality and interpretation. Choice, following Child (1972; 1997), was defined as the process whereby power-holders within organizations decide upon alternative courses of action. Rationality was argued to encompass the purposeful and calculative nature of action. Interpretation was portrayed as the process that produces and reproduces the meanings of action. In these terms the chapter indicated important analytical elements to advance knowledge in internationalization and reconcile concurrent assumptions of theorizing.

The arguments advanced in this chapter have important implications for empirical research. They suggest that any attempt to understand internationalization entails a need to recognize that it is a meaningful course of action. In so doing, first, one must recognize that it is subject to the role of choice. Second, one must concede that internationalization is purposefully oriented towards certain ends, and evaluated in relation to the means/conditions of action in an actor's own situation. Third, it must be understood that, given the role of interpretation, it is imperative to recognize how those with power to make organizational decisions understand the purposes and means/conditions of internationalization. Ultimately, these assumptions offer a platform for empirically investigating internationalization as considered in the following chapter.

5. RESEARCH METHODOLOGY

5.1 INTRODUCTION

This chapter presents the methodological procedures orienting the empirical investigation of the meanings of internationalization as proposed in the introduction of the present work. Section 5.2 specifies the research problem. Section 5.3 gives an overview of the research setting and the rationale for its choice. Section 5.4 presents the research strategy and the reasons for using both quantitative and qualitative methods. Sections 5.5 and 5.6 respectively present the details of the quantitative and qualitative methods used in the investigation. The chapter closes with a brief summary.

5.2 SPECIFICATION OF THE RESEARCH PROBLEM

A research problem encompasses the driving force of all scientific investigation. Here, we specify the aim of the research, the theoretical perspective of investigation, major objectives and how the main constructs under investigation are understood.

5.2.1 Aim and objectives

As stated in the introduction of this work, the empirical research in this thesis sets out to **understand the meanings of internationalization**. The literature review presented in the previous chapters provided some important elements for the accomplishment of such a task and how it will be approached here. It should be noted that some important aspects must be borne in mind.

First, that internationalization is a complex and multidimensional phenomenon of international involvement which encompasses process, content and contextual dimensions. Second, that internationalization occurs by way of the establishment of cross-border linkages which include the exercise of managerial discretion in at least five

key analytical dimensions, namely location, subject-domain, mode of operation, direction and time. Third, that although existing theories have contributed much to our understanding of internationalization, many questions remain unanswered. In this vein, the review has shown that theories of internationalization have to a large extent drawn upon determinist, rationalist and individualist assumptions of organizational action and hence marginalized the role of choice, interpretation and collective relationships in the dynamics of meaningful action. Moreover, it was argued that if theoretical advance is desired, it is imperative to reconcile concurrent perspectives of theorizing.

With these points in mind, Chapter 4 advanced an analytical perspective which considered internationalization as a meaningful action and thus subject to the role of choice, rationality and interpretation. The focus on choice highlighted that internationalization is not merely determined, but also embodies the human condition to act otherwise (Giddens, 1979; 1984). The focus on rationality illuminated the fact that internationalization is oriented towards particular purposes (goals) evaluated in relation to the means/conditions of a situation. The focus on interpretation emphasized that internationalization presupposes understanding over and above pure rationality and that its meanings are collectively activated, sustained and transformed.

On this view, this empirical investigation is oriented towards five main objectives, namely:

1. To investigate the scope of choice in internationalization.
2. To identify how decision makers interpret the purposes and means/conditions of internationalization within their situations.
3. To explore how interpretation informs strategic choice in internationalization.
4. To explore the dynamics of choice, interpretation and rationality in internationalization.
5. To generate relevant insights for the refinement of internationalization theory and practice.

5.2.2 Research constructs

The theoretical perspective of analysis and the objectives implicit in this empirical investigation require the specification of the following key constructs: (1) internationalization, (2) meaningful action, (3) choice, (4) rationality, and (5) interpretation.

- (1) **Internationalization** is defined as the meaningful action of international involvement, and characterized by the firms' establishment of cross-border links. A cross-border link is understood as a social connection that intersects the action of one organization to another in a different nation state. It includes at least five key analytical components: location, subject-domain, mode of operation, direction and time (Cyrino and Barcellos, 2006; Dunning, 1998; Jones, 1999; Root, 1994; Welch and Luostarinen, 1999; Zucchella, Palamara and Denicolai, 2007).
- (2) **Meaningful action** is defined as all human conduct encompassing choice, rationality and interpretation (Alexander, 1988; Schutz, 1972; Weber, 1964).
- (3) **Choice** is defined as the process whereby decision makers within organizations decide upon courses of action (Child, 1972; 1997).
- (4) **Rationality** is understood as the human capacity to orient action towards a future state of affairs (purposes) and assess them *vis-à-vis* the actual circumstances (means/conditions) of a situation (Giddens, 1979; Parsons, 1968). The purposes of internationalization are understood as the goals informing the establishment of cross-border links. The means/conditions of internationalization are accounted for as controllable or uncontrollable elements included in the rational assessment of action-choices in internationalization.
- (5) **Interpretation** is understood as the social practice whereby reality is given meaning or significance (Alexander, 1988; Blumer, 1998; Daft and Weick, 1984; Schutz, 1972). It is characterized by the interplay of typification and invention (Alexander, 1988).

The ways in which each of these constructs was assessed in this study will be presented in Sections 5.5 and 5.6 respectively. The next section specifies the rationale informing choices regarding the research setting and the context in which the empirical investigation was conducted.

5.3 RESEARCH SETTING AND CONTEXT

The chosen setting for conducting this research was Small and Medium Sized Enterprises [SMEs] operating in the clothing industry of Paraná State, Brazil.

The reason for focusing on SMEs is twofold. First, mainstream theories do not adequately deal with the internationalization of SMEs (Bell *et al.*, 2003; Child and Rodrigues, 2005; Hitt, Bierman *et al.*, 2006). Second, in most countries throughout the world, SMEs comprise over 90% of all business and they provide the great majority of jobs (Ratten, 2008; World-Bank, 1991). In Brazil, according to Bedê (2006), 98% of the 5.1 million officially registered firms¹³ are SMEs which together are responsible for 67% of the jobs in the private sector.

Brazil in particular was selected when it was recognized that the lack of knowledge regarding the internationalization of SMEs is even greater for the case of smaller organizations from emerging economies (Child and Rodrigues, 2005; Rutashobya and Jaensson, 2004). In addition, it was considered that the internationalization of SMEs in a major emerging country such as Brazil would not necessarily conform to the assumptions of conventional international business theory, thus providing a relevant context for theory development. Additionally, it is worthy of note that the researcher is a native Brazilian, whose familiarity with the Portuguese language and the Brazilian institutional context was judged to facilitate the proposed research, especially in terms of grasping the nuances required in the analysis and investigation of meanings.

The decision to focus on the clothing industry arose from consideration of the nature of this industry. Historically, the clothing industry has manifested an

¹³ The total number of firms in Brazil, including non officially registered firms, is supposed to be about 15 million (Bedê, 2006).

internationally-driven fashion appeal, and, more importantly, is an industry where small-scale production does not necessarily limit value-adding activities in terms of design and differentiation, eventually facilitating internationalization. In addition, it is an industry where SMEs are abundant. The emphasis on a single industry and a particular region aimed to fulfil the requirements of comparability as will be explained in the next section. Paraná State was chosen as a focus due to the fact that it is the second largest producer of clothes in Brazil and encompasses the second most important industrial activity in the State. In addition, internationalization¹⁴ is not much developed in the State, which makes firms with international involvement critical for investigation. Finally, it is the region where the researcher has lived since 1990, which provided important facilities in terms of access and networking during the process of data collection.

5.4 RESEARCH STRATEGY

The aim, theoretical approach and objectives inherent in this empirical investigation required a research strategy which was capable of: (1) describing the international involvement of firms; (2) grasping the meanings of internationalization; and (3) warranting understanding through systematic comparison. The research strategy described here attempted to, as far as possible, incorporate all these requirements.

5.4.1 Mixed-methods design

Authors tend to agree that there are two major strategies, or general orientations of research, within the social sciences: quantitative and qualitative (Bernard, 2006; Bryman and Bell, 2003). Each includes a particular set of assumptions and methods of social research. **Quantitative research** is typically characterized as a research strategy that emphasizes quantification in empirical investigation (collection and analysis). **Qualitative research**, by contrast, entails a research orientation that emphasizes words

¹⁴ In 2009 firms in the Paraná clothing industry exported R\$ 119 million (£45 million) and imported R\$ 101 million (£38 million).

and meanings in the systematic investigation of social reality. Although most research in social sciences is conducted within one of these parameters (Clark *et al.*, 2008), there has been growing interest in a **mixed-method** or ‘multi-strategy’ research approach (Creswell and Plano Clark, 2007; Ridenour and Newman, 2008; Tashakkori and Teddlie, 1998). Mixed-method research is a research strategy that combines quantitative and qualitative methods in a single or multiphased study (Creswell and Creswell, 2005; Tashakkori and Teddlie, 1998).

Considering the methodological requirements addressed in this study – description of firm’s international involvement, grasp of meanings, and systematic comparison – a mixed-method strategy was deemed appropriate. It considers the argument that the analysis of material conditions (as one undertaken using quantitative methods) is important but not sufficient for a full understanding of action. As Weber emphasizes, the social researcher must understand the meanings of social action within the context of the material conditions in which people live (Snape and Spencer, 2003). On this view a group social researchers have argued that combining quantitative and qualitative methods tends to result in a better understanding of scientific problems (Creswell and Plano Clark, 2007; Tashakkori and Teddlie, 1998). In the first instance, a mixed-methods strategy blends the complementary strengths of quantitative (numbers, trends, generalizability) and qualitative (words, context, meaning) perspectives (Clark *et al.*, 2008). Therefore, it provides more information than either of these perspectives alone can offer (Creswell and Creswell, 2005; Greene and Caracelli, 1997). Second, it facilitates the incremental building of knowledge, increases the methodological rigor of a study by using multiple forms of validation, and ultimately adds value to the study in terms of its overall persuasiveness and emphasis on practical application (Clark *et al.*, 2008; Ridenour and Newman, 2008).

Creswell and Clark (2007) point out four primary designs that have typically characterized mixed-method research strategies in the social sciences. The first is a **sequential explanatory design** that involves a quantitative data collection phase followed by a second phase of qualitative data collection. Quantitative results from surveys or experiments are probed by in-depth investigation through individual interviews, observation or other qualitative methods. The overall emphasis is on explanation. The second is the **sequential exploratory** design in which qualitative data

collection is followed up with a second phase of quantitative data collection. This design is commonly used to develop quantitative instruments when the variables are not known, or to explore preliminary qualitative findings from a small group of people with a randomized sample from a larger population. The **triangulation design** collects both quantitative and qualitative data simultaneously in order to converge the information and to make comparisons between detailed contextualized qualitative and quantitative data. This design is used when researchers seek to compare the particular with the general or to validate quantitative data with qualitative data. The fourth alternative is what is referred to as the **embedded or nested design**. This is a variation on the triangulation design in which the quantitative and qualitative data are both collected at the same time, but less emphasis is given to one, and the quantitative research question/hypothesis addresses different constructs than the qualitative research question.

This study develops a sequential explanatory design. In the first stage it develops a research survey, and in the second a qualitative in-depth investigation. The reasons for this choice are as follows. First, from the viewpoint that the grasp of meanings has been traditionally argued to be the arena of qualitative studies (Ezzy, 2002; Silverman, 2006) one could argue that qualitative interview would suffice. Nevertheless, the development of a quantitative survey was considered to be a suitable way of preparing the ground for the qualitative investigation, especially in terms of enabling the assemblage of a purposeful sampling of cases at that stage (Bryman and Bell, 2003; Burgel *et al.*, 2001; Glaser and Strauss, 1967; Storey *et al.*, 2002). Considering this alternative, Ritchie, Lewis and Elam (2003) assert that when qualitative investigations focus on a small or narrowly-defined subgroup of a population, as is the case with internationalized firms in the Paraná clothing industry, undertaking a prior research survey is particularly useful.

Second, the survey offered the opportunity to assess how relevant variables are distributed within the study population before the qualitative sample composition takes place. In particular, it enabled the collection of necessary information regarding structural characteristics and major trends in the chosen organizational field (Hammersley, 1996; Harrigan, 1983; Whittington, 1986).

Third, the survey facilitated the enhancement of comparability among cases and further highlighted the role and scope of choice by enabling the researcher to identify firm and managerial characteristics influencing internationalization. Fourth, the

application of both methods to the same cases allowed triangulation of the findings of each method and cross-checking of their validity (Bryman and Bell, 2003; Hammersley, 1996; Hinings *et al.*, 1974).

Although, as previously argued, the mixed-methods strategy conducted in this research offered important advantages, it does not escape criticism. Many researchers see quantitative and qualitative strategies as separated paradigms, each carrying irreconcilable ontological and epistemological commitments (Guba, 1990; Hughes, 1990; Smith, 1983; Smith and Heshusius, 1986). Although this rationale has philosophical merits, the present study considers four major arguments for integrating quantitative and qualitative research methods. First, it posits that quantitative and qualitative methodologies should not be interpreted as an incommensurable dichotomy, but rather as an intertwined duality similar to what Giddens (1984) refers to when discussing the duality of structure and agency. From this point of view, quantitative and qualitative research strategies can be seen as two instances of ‘methodological bracketing’ (Giddens, 1979; 1984). Second, as Bryman and Bell (2003: 481) assert, “it is by no means clear that quantitative and qualitative research are in fact paradigms [...] there are areas of overlap and commonality between them”. With this in mind, an alternative view is that quantitative and qualitative methods are linked by an interactive continuum (Ridenour and Newman, 2008). Third, more important than eventual ontological and epistemological differences dividing quantitative and qualitative methods is the technical problem of answering the research problem. This pragmatic argument for combining quantitative and qualitative methodologies suggests that researchers use a range of methods to understand the problem and to derive knowledge about it (Creswell and Plano Clark, 2007; Tashakkori and Teddlie, 1998). Ultimately, in a less obvious way, Spender (2008) observes that although there are differences between qualitative and quantitative methodologies in terms of language, tools, instruments of data collection, and suitability for different research problems, they are more or less the same. Both are rhetorical tools. Therefore they are no more than different means of narrative.

5.4.2 Systematic comparison

The mixed-method (quantitative and qualitative) design developed in this study can be characterized by a common strategic approach of investigation: comparative analysis. Despite the different uses that this term may have, here comparative analysis refers to the use of systematic comparison in the description and explanation of similarities and differences among social units¹⁵ (Smelser, 2003).

Systematic comparison in this study was important for two major reasons. First, it was used to highlight the role of choice in opposition to determinism. To this end, the research strategy suggested that all SMEs in the study should be from a similar environment. This was important in limiting environmental variances that could influence action choices. It was accomplished by defining a single industry and geographical region to conduct the research, namely the Paraná clothing industry, as observed in the previous section. In addition, to further highlight the role of choice against action determinism, systematic comparison should enable control of firm and managerial characteristics representing resources that could clearly influence strategic choice in internationalization in particular directions (Hambrick and Mason, 1984). Hence, in keeping environmental conditions similar, and controlling for relevant firm and managerial characteristics, the methodological problem was to identify firms' action-choices, and through systematic comparison to reveal choice idiosyncrasies (Spender, 1989; Whittington, 1986).

Second, systematic comparison was used as an analytical tool for approaching qualitative data in order to identify the broad range of meanings assigned to purposes and means/conditions of internationalization, its differences and similarities (Miles and Huberman, 1994).

Writers further argue that to bring comparison into a research design aids theory building, enhances the solidity of the research finding, and is a key feature when control is required (Bechhofer and Paterson, 2000; Lewis, 2003).

¹⁵ Smelser suggests that social units in comparative analysis are usually of large-scale entities such as regions, nations, societies and cultures. This distinction is not followed here. Rather, it considers that any recognizable entity within the social realm is considered to be a potential 'social unit' for comparative analysis.

The following two sections present the peculiarities of the quantitative and qualitative research.

5.5 THE RESEARCH SURVEY

Many research processes can be called surveys (Fowler, 2002). In general authors agree that a survey is a flexible type of research that usually encompasses (1) the production of statistics or numerical description of a population on the basis of (2) information collected from a fraction of its members. Groves *et al.* (2004: 3) defined the research survey as “a systematic method for gathering information from (a sample of) entities for the purposes of constructing quantitative descriptors of the attributes of the larger population of which the entities are members”. In accordance to Kerlinger (1980), the survey is a type of research characterized by the collection of data from a population with the aim of evaluating the incidence, distribution and the relationship of variables that naturally happen in the environment.

The survey developed here included the selection of a **sample** of a determined population (SMEs in the Clothing Industry of Paraná), the collection of data through a structured **questionnaire**, and **quantitative analysis** of data (Babbie, 1990; Groves *et al.*, 2004). In terms of time, it can be characterized as **cross-sectional** since it was carried out once and therefore represents a snapshot of a population at a specific point in time. However, it ought to be noted that since internationalization is a process which unfolds over time, it was important that the survey enabled longitudinal verification. The possibility of longitudinal verification in a cross-sectional survey happens, as Babbie (1990) explains, when respondents give information regarding process or change over time. In this study, in order to grasp the longitudinal nature of internationalization, the questionnaire asked respondents to include the year in which their firms established different cross-border links for the first time since the firm's inception. This approach to survey research is similar to the one taken by Jones (1999) and Seifert and Machado-da-Silva (2007).

Finally, with regards to the fact that a research survey may incorporate both inductive and deductive reasoning (Babbie, 1990), this study emphasized the former. This tends to be the case when the aim of the survey is exploration or description, or as

a preliminary process in more complex or multi-method research design, as in this study. Deductive reasoning is applied when the emphasis is on reliability and the statistical control of variables and procedures such as sample selection and size, and methods of analysis and measurement.

5.5.1 Objectives

The rationale for the research survey aimed to facilitate the subsequent qualitative investigation; to describe structural characteristics and major trends regarding SMEs' strategic choices in internationalization; and identify relevant firm and managerial characteristics influencing strategic choices in internationalization. These aims can be translated into three specific objectives:

1. To describe the international involvement of SMEs in the clothing industry of Paraná.
2. To describe major firm and managerial characteristics of SMEs in the clothing industry of Paraná.
3. To investigate the influence of firm and managerial characteristics on internationalization.

Considering that description and cause-and-effect investigation are common objectives achieved through survey research (Babbie, 1990; Kent, 2001; Selltiz, Wrightsman and Cook, 1976), the procedure was deemed appropriate for the objectives pursued here.

5.5.2 Variables and measures

The objectives of the survey focused on the assessment of two major sets of variables, namely: (1) SMEs' strategic choices in internationalization; and (2) SMEs' firm and managerial characteristics.

Variables and measures considered in these two major areas of investigation were defined in the light of prior existing literature. Considering internationalization, the researcher took the view that the survey should provide a comprehensive or holistic view of this phenomenon (Fletcher, 2001; Jones, 1999). Following the review presented in Chapter 2, four different aspects of internationalization were investigated, namely: (1) engagement in modes of foreign operation, (2) speed; (3) pace, and (4) degree of internationalization. The constitutive definition of each of these variables and how they were measured is presented in turn, and summarized in Table 5-1.

1. **Engagement in modes of foreign operation** refers to whether firms had, since inception, established any of the following trade and/or investment operations: (1) direct import; (2) indirect export; (3) direct export; (4) international contract; (5) joint venture; and (6) foreign direct investment. These modes of foreign operation encompass most of the available alternatives as observed in Table 2-2. The engagement in any of these operations was nominally assessed by means of a binary indicator (yes/no) (Jones, 1999; 2001). Firms which established at least one cross-border operation since inception were considered ‘**internationalized**’. Firms that had never established any cross-border operation were considered ‘**domestic**’.
2. **Speed** of internationalization refers to the gap or delay in the number of years between the firm’s inception and the establishment of the trade/investment operations for the first time. Respondents were asked to state, in addition to whether or not their firm established foreign operations, the year that each of these cross-border links were established for the first time (Jones, 1999). Thus, the speed of internationalization is revealed by the difference between the firm’s year of inception and the year of establishment of cross-border links for the first time. Based on this measure, it was possible to understand firms’ internationalization processes in reference to both: (1) the gap of time between a firm’s foundation and the establishment of each foreign cross-border operation; and (2) the sequence in which these operations were established for the first time. In addition, it made it possible to analytically distinguish firms

in terms of ‘**early**’ and ‘**late**’ internationalization. In this regard a cut-off period of five years was used (Bell, Mcnaughton and Young, 2001; Jones, 1999). Firms that established their first cross-border link within less than five years from inception were considered fast internationalizers. The ones that established their first cross-border operation beyond this period, i.e. in five years or more, were considered late internationalizers

3. **Pace** of internationalization refers to the rhythm in which internationalization progresses, i.e. whether as one-off arrangements or actively. Its assessment was based on the discrete evaluation of whether a firm was, at the time of the survey, exporting or importing. The pace of internationalization was considered ‘**active**’ when the firm was presently (with reference to the last financial year) exporting/importing. It was considered ‘**occasional**’ when, though having established sales/procurement cross-border links, the firm was neither importing nor exporting (Seifert and Machado-da-Silva, 2007).
4. **Degree** of internationalization concerns the extent or intensity of a firm’s international involvement. Following the review illustrated in Chapter 2 regarding a firm’s degree of internationalization, five measures were chosen based on suggestions of Sullivan (1994) and Reuber and Fischer (1997): (1) percentage of foreign procurement over total procurement; (2) percentage of foreign sales over total sales; (3) number of countries where the firm has operations abroad; (4) number of strategic partners abroad; and (5) number of employees working more than 50% with international business operations. All components were measured with reference to the firms’ last financial year. Although used to devise a comprehensive view of each firm’s international involvement, contrary to conventional practice these measures were not combined into a single composite index. This was the case because each of these measures incorporated different dimensions of internationalization. As Ramaswamy *et al.* (1996) asserted, there are many problems involved in aggregating different components of internationalization into a single

measure. Moreover, as Burgel *et al.* (2004) note, some of these components can be seen as either causes or effects of internationalization, thus confusing interpretation. Therefore, in order to distinguish firms in terms of degree of internationalization, a more parsimonious option was considered. It focused on the average of each firm's foreign sales and procurement. A cut-off point of 4% of international trade intensity was used to distinguish between '**high**' and '**low**' degree of internationalization. Although prior studies suggest a cut-off point of 5% (Kotabe and Czinkota, 1992; Mcdougall, 1989), these studies have mainly considered export operations, while the criterion followed here considers trade intensity in both inward and outward directions. Moreover, it was judged reasonable for the Brazilian reality. Thus, firms whose trade intensity was 4% or above are classified as having a 'high' degree of internationalization¹⁶. Conversely, firms whose trade intensity was below 4% are classified as having a 'low' degree of internationalization.

¹⁶ It must be recognized that in different contexts, the criterion adopted may be considered substantially lenient (Burgel *et al.*, 2004).

Table 5-1 Variables and measures for strategic choice in internationalization

Variable	Constitutive definition	Measurement Level
Engagement – Internationalized vs. Domestic	Establishment of foreign trade and/or investment operations since firm's inception.	Nominal assessment of whether the firm had engaged in one or more of the following operations since inception: (1) direct import; (2) indirect export; (3) direct export; (4) international contract; (5) joint venture; (6) foreign direct investment.
Speed – Early vs. Late	Gap in years between firm's inception and the establishment of trade/investment cross-border links for the first time.	The difference between firm's year of inception and the year of establishment of cross-border links for the first time.
Pace – Active vs. Occasional	Whether internationalization is active or occasional.	Nominal assessment of whether a firm is presently engaged in foreign sales/procurement after having been engaged in such operations in previous years.
Degree – Committed vs. Casual	The extent/intensity of a firm's involvement with international business operations.	Assessment of five key components of internationalization: (1) volume of foreign procurement over total procurement; (2) volume of foreign sales over total sales; (3) number of countries where the firm has operations abroad; (4) number of partners abroad; and (5) number of employees working more than 50% with international business operations.

Concerning firm and managerial characteristics, eight variables were investigated. Regarding firm characteristics the survey assessed: (1) firm size, (2) age and (3) production capacity. Regarding managerial characteristics, it considered decision makers': (4) prior international experience, (5) knowledge of foreign languages, (6) intention to export, (7) level of education, and (8) age. These variables were chosen on the basis of prior existing literature as usually considered in the contingent innovation adoption approach of internationalization (see Chapter 3). The constitutive definition and measurement of each of these variables is discussed in turn. A summary is given in Table 5-2.

1. **Firm Size** refers to a firm's magnitude or largeness. It was measured as a count of the total number of employees of a firm (Jones, 1999).
2. **Firm Age** addresses the period of existence of a firm. It was measured as the difference between a firm's year of inception and the year of the survey (Jones, 1999; Reuber and Fischer, 1997)

3. **Production capacity** considers the volume of products that can be produced by a firm in a given period. It was measured in terms of the average number of units (of the main product) that a firm can produce in the course of one month (Cavusgil, 1984; Rao and Naidu, 1993).
4. **Prior international experience** refers to the condition of decision makers within a firm having worked outside Brazil or having worked with international business activities (import/export) before funding/joining the firm. It was measured as a nominal binary indicator (yes/no) (Reuber and Fischer, 1997).
5. **Knowledge of foreign languages** regards the acquaintance of foreign idioms among decision makers. It was measured as a composite index consisting of the average knowledge of English, Spanish and 'Other Language'. Each language was assessed in terms of a seven point scale ranging from 1 - 'no knowledge' to 7 - 'total knowledge' (Knowles, Mughan and Lloyd-Reason, 2006; Marschan, Welch and Welch, 1997; Nakos, Brouthers and Brouthers, 1998).
6. **Intention to export** refers to the extension of a decision maker's interest in selling abroad. It was measured on the basis of a seven point index composed by the average of three components, namely: (1) interest in exports, ranging from 1 - 'not at all interested' to 7 - 'extremely interested'; (2) likelihood of exporting to new foreign markets in the following three years, ranging from 1 - 'extremely unlikely' to 7 - 'extremely likely'; and (3) the importance of exports for the firm to achieve its objectives, ranging from 1 - 'not at all important' to 7 - 'extremely important'. (Axinn *et al.*, 1995; Dosoglu-Guner, 2001; Jaffe and Pasternak, 1994; Morgan and Katsikeas, 1997a; Yang, Wang and Su, 2006).
7. **Age** refers to the age of the person responsible for making decisions in the business at the time of the survey (Westhead, Wright and Ucbasaran, 2001).
8. **Education** refers to the extent of formal schooling of those responsible for decisions in the business. It was nominally assessed in terms of

decision maker's highest degree of education: (1) high school; (2) college; (3) undergraduate; (4) postgraduate (Westhead, Wright and Ucbasaran, 2001).

Table 5-2 Variables and measures for SMEs' firm and managerial characteristics

Variable	Constitutive definition	Measurement
Firm specific		
Firm size.	Firm magnitude.	Number of employees.
Firm age.	Firm's period of existence.	The difference between year of firm's inception and the year of the survey (2008).
Production capacity.	Volume of products that can be produced by a firm in a given period.	Number of units of a firm's main product that can be produced within the course of one month.
Management specific		
Prior international experience.	The condition of having worked abroad or with international business activities (import/export) before funding/joining the firm.	Nominal assessment where, before funding/joining the firm, the respondent or any member of the current management team: (1) had experience with international activities (import/export); and/or (2) had experience working outside Brazil.
Knowledge of foreign languages.	Acquaintance with idioms beyond Portuguese.	Composite index of three 7 point scales for the degree of knowledge of English, Spanish and Other Language available among the management team.
Intention to export.	Extent of interest in selling abroad.	Composite index of three 7 point scales considering: (1) interest in exports; (2) likelihood of exporting to new markets in the following three years; and (3) how important exportation is for the firm to achieve its objectives.
Decision maker's age.	Founder's years of life since birth.	Decision maker's age at the time of the survey (2008).
Decision maker's level of education.	Founder's extent of formal schooling.	Nominal assessment of decision maker's highest degree of education: (1) high school; (2) college; (3) undergraduate; (4) postgraduate.

5.5.3 The questionnaire design

The chosen instrument of data collection in the survey consisted of a structured self-completion questionnaire administered through the internet (Bryman and Bell, 2003). The decision to use the internet was made given the efficiencies in terms of speed and costs in relation to conventional postal-administered surveys (Dillman, 2007; Graeml and Csillag, 2006; Ray and Tabor, 2003). Certainly, this is not without disadvantages, among which were the following: respondents with access to the internet may not be representative of the population; they may lack experience with electronic surveys; and they may have concerns regarding security and confidentiality (Dillman, 2007). Despite such limitations, the internet method of delivery was still considered appropriate.

The main forms of administering internet-based questionnaires are via email and the Web. Both of these involve computer-to-computer communication, but differ in the fact that while email questionnaires are simpler to compose and send, they are more limited with regard to their visual stimulation and interaction capabilities (Dillman, 2007). Considering their advantages and disadvantages, the researcher decided that both alternatives could be used, leaving the choice of which version to use up to the respondent. It was also considered that including the questionnaire in the body of the email was appropriate given the fact that some respondents could find it risky to access the survey via an external link, which could therefore have reduced response rates.

The electronic mail questionnaire was developed using Microsoft Word features and later transformed into 'html' format. The Web questionnaire was developed using web tools provided by 'Survey Monkey'¹⁷. Messages sent to respondents included both the link to the Web questionnaire and the electronic mail questionnaire attached. Problems of response duplicity were not a major concern since the questionnaire was identified and the Web survey could account for IP addresses.

The questionnaire was structured in accordance to the variables and measures presented in the last section. It included 27 questions arranged into two major sections. The first included all questions related to the firm's international involvement, in addition to the decision maker's prior international experience and knowledge of foreign languages. The second addressed questions concerning firm and managerial

¹⁷ www.surveymonkey.com

characteristics. Internationalization-related questions, which were considered to be more important, were placed at the beginning of the questionnaire. Overall, content (language compatibility) and format (order, sequence, layout) attempted to follow the best practices as suggested by Dillman (2007).

The questionnaire was critically assessed by four academic experts and one consultant of SEBRAE-PR¹⁸. In addition, it was electronically and verbally pre-tested by four practitioners, who were owners of small firms and part of the targeted population. During this process the questionnaire was scrutinized for ambiguous words and questions, leading questions or phrases, sensitive information, necessity and relevance of questions, length, and level of difficulty.

A hard-copy version of the questionnaire was piloted with a convenience¹⁹ sample of SMEs in the target population in the region of Curitiba²⁰. This procedure took place with the support of SEBRAE-PR who kindly offered to apply the questionnaire to firms of the population that were participating in, or using, its services. 27 questionnaires were filled in during the month of February, 2008. Responses were mainly examined in terms of missing data arising from difficulties in completion, or failure to complete sensitive information requested by the questionnaire. No major problems were identified and the questionnaire was judged to be adequate for the main survey. These questionnaires were later included in the sample of this study. The final questionnaire can be found in Appendix III.

The population under investigation and sampling procedures are considered in turn below.

¹⁸ SEBRAE-PR is the Brazilian Support Agency for Small Business and Entrepreneurs in the State of Paraná.

¹⁹ As Bryman and Bell (2003) assert “a convenience sample is one that is simply available to the researcher by virtue of its accessibility”.

²⁰ Curitiba is the capital of the State of Paraná and contains an important cluster of SMEs in the clothing industry.

5.5.4 Targeted population and sampling procedures

Sampling is a key component of all survey research. It consists of selecting “a small subset of a population” (Fowler, 2002: 5). A population encompasses “the universe of units from which the sample is to be selected” (Bryman and Bell, 2003: 93).

In this study, the population of interest is small and medium sized firms in the clothing industry of Paraná State in Brazil. In terms of the Standard Industrial Classification of Economic Activities – SIC – this includes firms classified under code number 18, i.e. the manufacture of apparel. However, some of the firms included in this population may also be classified in SIC codes 17 and 19 when manufactured materials include woven textiles and leather respectively. In Brazil, SMEs are considered to be firms with no more than 500 employees²¹.

Unfortunately, the exact number of firms (population) included under these criteria is not readily accessible. The Economic Department of the Industry Federation of Paraná – FIEP – suggests that in 2008 there were 5,862 firms in the industry²². However, some studies have considered a much lower number of firms effectively operating in the industry. For example, a study by IEMI, conducted in 2005, suggests 1,200 firms (Iemi, 2005). The inconsistencies surrounding the size of the population posited a major challenge for sampling in this study. As Fowler (2002) asserts, the key for drawing a sample from the population requires finding a way to give all (or nearly all) population members the same chance of being selected. This process relies on accessing or developing a **sampling frame** which consists of an accurate list of a population (Babbie, 1990). The procedure involves the selection of a sample from the list using an appropriate method, e.g. systematic, random or convenience sampling.

In practice, lists of firms are not always available. An initial attempt was made to access a list of firms from the directory of the *Relação Anual de Informações Sociais* – RAIS. This is probably the most accurate directory of firms in Brazil since it records employment information for governmental control. A letter was written to the *Ministerio do Trabalho e Emprego*²³ outlining the study and requesting access to the directory. The letter was followed by telephone calls. However, despite initial

²¹ <http://www.sebrae-sc.com.br/leis/default.asp?vcddtexto=4154&%5E%5E>

²² <http://www.Paranábusinesscollection.com.br/ed04/pt/releases/?cod=77&tit=A+FIEP+>

²³ Brazilian Ministry of Work and Employment

indications of collaboration, progress was too slow and ultimately proved unsuccessful. The alternative was to consider the construction of a sampling frame via direct contact with regional business associations in the industry. The major disadvantage of this alternative was that it was likely to exclude non-associated firms and therefore reduce the possibilities for obtaining a comprehensive sample. However, in the absence of a better alternative, business associations were contacted. The Industry Federation of Paraná identifies eight main associations, i.e. *Sindicatos Patronais*, in the State (Fiep, 2008), namely: (1) *Sindicato das Indústrias do Vestuário de Apucarana* – SIVALE; (2) *Sindicato das Indústrias do Vestuário do Oeste do Paraná* – SINDWEST; (3) *Sindicato das Indústrias do Vestuário de Cianorte* – SINVEST; (4) *Sindicato das Indústrias do Vestuário de Curitiba* – SINDIVEST; (5) *Sindicato das Indústrias do Vestuário do Sudoeste do Paraná* – SINVESPAR; (6) *Sindicato das Indústrias do Vestuário do Estado do Paraná* – SIVEPAR; (7) *Sindicato da Indústria do Vestuário De Maringá* – SINDVEST; and (8) *Associação Industria do Vestuário Imbituva*.

Each of the associations listed above were contacted by telephone. The purposes of the research were explained a list of the associated firms required. Two associations asked for a formal requirement explaining the research and its purposes, which was promptly provided. Seven out of the eight business associations provided a full list of firms in their respective regions. These lists mainly excluded non-associated firms. The only business association that did not provide a list of associated firms was in the region where the pilot study was conducted. However, in order to include firms in the region that did not take part in the pilot study an alternative list of firms located in the region was constructed based on the Industrial Catalogue of FIEP, telephone lists and an internet search. Ultimately, the efforts to generate a list of firms for sampling included 1,656 firms. A major problem faced at this stage was rooted in the realization that, in many cases, contact details were not complete. In addition, the decision to conduct the survey via the internet implied that firms whose contact details did not include an email address had to be excluded from the list. This procedure reduced the sampling frame to a total 783 cases, which were not distinguished by size. The number of firms from each region included in the sampling frame is presented in Table 5-3.

The difficulties in accessing and developing an accurate sampling frame inhibited any possibility of producing a comprehensive probabilistic sample in the

survey. As an alternative, a non-probability sample was taken. As Bryman and Bell (2003) note, a non-probability sample is a type of sampling procedure in which the segment of the population selected for investigation has not been selected using a random selection method. This means that some units in the population are more likely to be selected than others. A major implication of a non-probability sample is that it does not allow statements regarding the probability of statistics, i.e. the inference of data from the sample to the general population.

Table 5-3 Distribution of firms across regions of Paraná in the sampling frame

Business Association	Region	Firms included	%
Sindivest	Curitiba	29	3.70
Sindivest	Maringa	105	13.41
Sindwest	Cascavel	138	17.62
Sinvespar	Francisco Beltrao	25	3.19
Sinveste	Cianorte	220	28.10
Sivale	Apucarana	101	12.90
Sivepar	Londrina	149	19.03
Imbituva	Imbituva	16	2.04
Total		783	100

Amongst the diverse techniques of non-probability sampling methods (e.g. convenience, snowball, purposive, etc.) the researcher decided that it would be reasonable to send the questionnaire to all firms listed in the sampling frame. With this in mind, the sample was obtained on the basis of respondents' self-selection or voluntary participation during the process of data collection.

The next section describes this process and points out the exact number of cases that characterize the sample size of this study.

5.5.5 Data collection

The process of data collection was conducted electronically during July-August 2008. It included three main stages: (1) the delivery of advance information letters; (2) the delivery of the questionnaire; and (3) the delivery of follow-up reminder letters.

On the 8th of July, 2008, advance notification letters were sent electronically to inform potential respondents about the research and its purposes. This communication

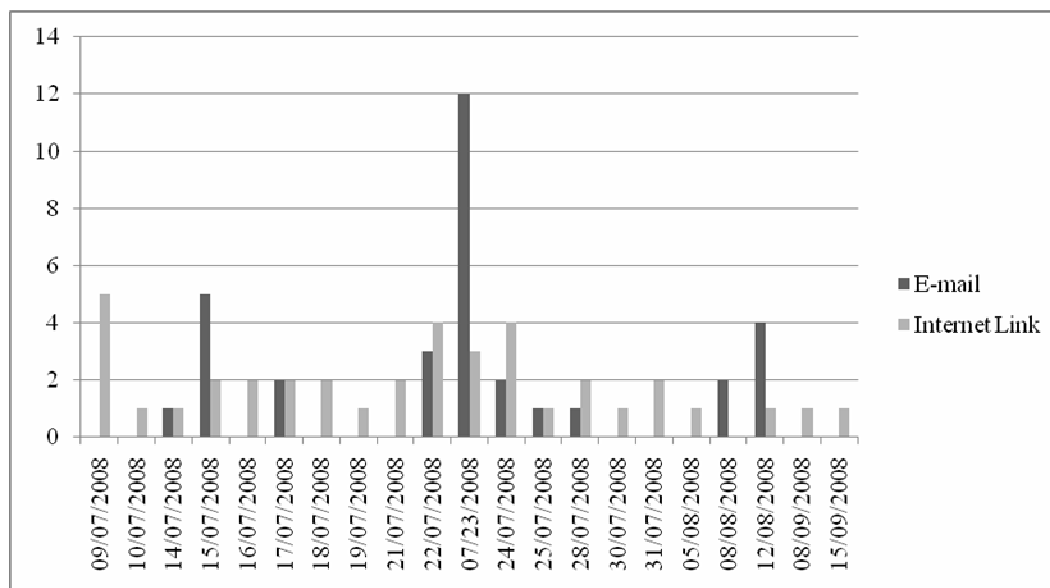
aimed to introduce the researchers, draw attention to the questionnaires to be sent in the following week, and endorse the research. As a means of increasing trustworthiness and endorse the research, this letter was signed by Prof. Clovis L. Machado-da-Silva, head of the Master and Doctoral Programme in Business Administration at the Positivo University, a well-recognized institution in Paraná State and at which the author of this research is a lecturer. A copy of this notification letter can be found in Appendix I. All emails were sent individually to minimize electronic ‘spam’ barriers. In addition, personal salutations were used wherever possible (98% of cases).

The electronic questionnaires were delivered the following week (14th of July, 2008) with a covering letter signed by both the author of this research and its main supervisor. Respondents were given the opportunity to answer the questionnaire in an online form, or alternatively in an ‘html’ form embedded in the body of the email. A copy of the covering letter used is provided in Appendix II of this document.

On the 22nd of July a follow-up reminder letter was delivered (see Appendix IV). It included both the link for online participation and the questionnaire embedded in the body of the email. The web link was kept open until the 15th of September. Figure 5-1 shows the number of questionnaires received each day during the process of data collection. Letters of thanks were sent to all firms which responded positively (see copy in Appendix V). These firms were also recorded to enable the researcher to mail the results of the research in due course.

From the 783 questionnaires sent, 254 were not delivered due to faulty email addresses. This implicit problem with the sampling frame reduced the number of questionnaires effectively delivered to 529. From these, 72 questionnaires were returned, producing a survey response rate of 13.5% (72/529). Four questionnaires were excluded: three due to missing data and one that came from a company with more than 500 employees. The remaining 68 questionnaires were considered usable. To this number was added the 27 questionnaires collected during the pilot study. Arguably the inclusion of the questionnaires collected during the pilot test into the main sample can be seen as a bias in the sample towards SMEs from the region of Curitiba, however, it can also be said that if it is taken into account that the pilot study was not electronically conducted, it gives some representativeness to SMEs that were excluded from the main survey given the absence of electronic contact.

Figure 5-1 Daily questionnaire response during the period of the survey data collection



Ultimately a sample size of **95 cases** was considered for the purposes of data analysis. Table 5-4 indicates the distribution of cases in the sample among the different regions of Paraná where questionnaires were collected.

Table 5-4 Sample distribution across the main Paraná regions

Business Association	Main Region	Firms in the Sample	%
Sindivest	Curitiba	42 (15) ¹	44.2
Sindvest	Maringa	6	6.3
Sindwest	Cascavel	10	10.5
Sinvespar	Francisco Beltrao	8	8.4
Sinveste	Cianorte	12	12.6
Sivale	Apucarana	3	3.2
Sivepar	Londrina	13	13.7
Vest-Imbituva	Imbituva	1	1.1
Total		95	100

Notes: ¹ Number if not including the 27 questionnaires collected during the pilot study

5.5.6 Analytical procedures

Quantitative analytical procedures can be generally divided into parametric and nonparametric statistical analysis (Sheskin, 2003). The use of one or another is guided by the nature of data, measures, and ultimately the extent to which data meets the assumptions implicit in each of the alternatives. Parametric analysis is used when at least four basic assumptions can be met, namely: normally distributed data, homogeneity of variance, interval or ratio data, and independence (Field, 2005). Alternatively, nonparametric analysis is used when parametric assumptions are not met, in particular when data is not normally distributed. In addition, nonparametric tests can be used with nominal and/or ordinal measurements of data (Siegel, 1956). Although researchers tend to regard parametric analyses as being more efficient and powerful than nonparametric alternatives, it must be noted that a parametric test is powerful and efficient as long as it meets the assumptions of parametric analysis. Where these cannot be met, nonparametric tests are preferable. Table 5-5 points out common assumptions and typical tests used in parametric and nonparametric statistical procedures.

Table 5-5 Assumptions of parametric and nonparametric statistics

	Parametric	Nonparametric
Assumptions		
Distribution	Normal	Any
Variance	Homogeneous	Any
Typical data	Ratio or Interval	Ordinal or Nominal
Data set relationships	Independent	Any
Tests		
Correlation	Pearson	Spearman
Independent measures: two groups	T-Test	Mann-Whitney Test
Independent measures: > two groups	One-way, independent ANOVA	Kruskal-Wallis Test
Repeated measures: two conditions	Matched pair T-Test	Wilcoxon Test
Repeated measures: > two conditions	One-way, repeated measures ANOVA	Friedman's Test

Source: Adapted from (Field, 2005; Siegel, 1956)

A further implicit distinction regarding statistical procedures should consider the number of variables included in the analysis, which can be one, two or more. This distinction is usually regarded in terms of univariate, bivariate and multivariate statistics (Field, 2005). Thus, considering the extent to which parametric and nonparametric assumptions could be met, and the number of variables included in the analysis,

statistical tests were used accordingly. Before describing the statistical procedures used in this study, it is worth mentioning that it was deemed beyond the scope of this study to review and explain the particularities and formulae of each statistical procedure used. However, the description will emphasise the reasons for using specific statistic procedures, their major characteristics and criteria for use. The author takes for granted that the reader is acquainted with the basic uses and interpretation of the statistical procedures discussed.

All statistical analyses were conducted with the support of the operational software Statistical Package for the Social Sciences – SPSS, versions 16 and 17.

5.5.6.1 Descriptive univariate statistics

Univariate descriptive procedures encompassed the primary step in the quantitative analysis of the survey data. It focused on summarizing and describing the main characteristics of the data set. Descriptive statistics used in this study addressed measures of central tendencies (mean, median), dispersion of data (standard deviation, range, minimum-maximum), shape distribution (histogram, steam-and-leaf, scatterplot), frequency counts, and contingency tables. These procedures were used in order both to become familiar with the data and to summarize and determine their adequacy for using parametric or nonparametric procedures.

5.5.6.2 Bivariate procedures

Regarding the comparative strategy implicit in this study, it was of particular importance to investigate whether SMEs manifesting different strategic choices in internationalization, once grouped or clustered accordingly, would differ in terms of their major firm and managerial characteristics. To investigate this, bivariate statistical tests²⁴ were used depending on the number of groups compared and the extent to which variables investigated met parametric or nonparametric assumptions.

²⁴ Some authors regard these procedures as ‘univariate’ since there is only one ‘outcome’ variable (Field, 2005).

The T-Test was used to compare the means of two independent groups when parametric assumptions could be met. The test assesses whether the means of two groups are *statistically* different from each other in relation to the variation in the data (Field, 2005). The null hypothesis indicates that the means for the two samples are equal; i.e. that the two samples have been drawn from the same population.

When parametric assumptions could not be met, Mann-Whitney and Chi-Square (χ^2) tests were used instead. The Mann-Whitney test is the nonparametric equivalent of the independent T-Test. Under the null hypothesis it considers that the distributions of both groups are the same. The Chi-Square is a cross-tabulation-based test used to compare two or more independent samples for nominal or ordinal variable measurements (Siegel, 1956). The test measures the extent to which the actual frequency in the cells differs from the expected frequency. Hence, the closer the actual and expected frequencies are, the lower the value of χ^2 . A high χ^2 indicates that there is disproportionality between the samples.

To compare more than two independent groups, a one-way ANOVA test was used when parametric assumptions could be met. This test compares the means of two or more samples based on the F-ratio probability distribution (Field, 2005). It tests the null hypothesis that samples of more than two groups are drawn from the same population. When parametric assumptions could not be met, the analysis was based on the Chi-Square test.

5.5.6.3 Multivariate procedures

Multivariate statistical procedures encompass statistical techniques that simultaneously analyze multiple variables. As Hair *et al.* (2005: 4) assert, “any simultaneous analysis of more than two variables can be loosely considered multivariate analysis”. Two multivariate procedures were used in the analysis of the survey data: factor analysis and logistic regression.

Factor analysis is a statistical procedure commonly used for data reduction or summarization once it enables one to define the underlying structure among variables in the analysis (Hair *et al.*, 2005). In this study, summarization was required in (1) the assessment of decision makers’ knowledge of foreign languages and (2) export

intention. As noted earlier, each of these constructs was measured by a set of three variables. Factor analysis was used to investigate the interrelationship among each set of variables and combine them into single factors. There are two approaches to determine underlying dimensions of a data set: factor analysis and principal component analysis. While there is still considerable debate concerning the most appropriate procedure, empirical research has demonstrated similar results in many instances (Field, 2005). Given this acknowledgement, in addition to the fact that principal component analysis is the default option of SPSS, principal component analysis was used to determine factor solutions.

Binary and multinomial models of logistic regression were used to investigate groups of firms sharing firm and managerial characteristics which could collectively predict different aspects of internationalization. More specifically, logistic regression procedures were used (1) to investigate the influence of firm and managerial characteristics on the probability of particular aspects in internationalization occurring or not occurring, and (2) to further differentiate SMEs with different strategic choices in internationalization. In general, authors tend to characterize logistic regression as a version of multiple regression in which the outcome variable is binary or dichotomous (Field, 2005). Nevertheless, where the outcome variable is nominal with more than two levels, procedures can be modified into 'multinomial' models to handle analysis (Hosmer and Lemeshow, 2000). Overall, binomial and multinomial models make it possible (1) to predict a dependent variable on the basis of continuous and/or categorical independents and to determine the percent of variance in the dependent variable explained by the independents; (2) to rank the relative importance of independents; (3) to assess interaction effects; and (4) to understand the impact of covariate control variables (Garson, 2008). The effect size in logistic regression is typically explained in terms of an odds ratio which consists of the odds of an event occurring in one group to the odds of it occurring in another group. In many ways, logistic regression is similar to discriminant analysis. Major differences arise from the fact that logistic regression accepts the use of both continuous and categorical variables; it is generally more robust, and has much fewer restrictive assumptions (Field, 2005). For instance, unlike multiple regression, it does not assume the linearity of the relationship between the independent

variables and the dependent, it does not require normally distributed variables, and it does not assume homoscedasticity (Garson, 2008).

5.5.7 Evaluation criteria

Reliability and validity entail two of the most prominent evaluation criteria in business and management research (Bryman and Bell, 2003). Each of these aspects, and how they apply to the survey research, are considered in this section.

5.5.7.1 Reliability

Reliability, as Bryman and Bell (2003: 33) put it, “is concerned with the question of whether the results of a study are repeatable”. It is primarily focused on issues regarding the consistency of measures and usually considered in terms of stability, internal reliability, and inter-observer consistency.

Stability is concerned with ensuring a measure does not fluctuate over time, i.e. that a measure is able to produce almost the same results when used in similar conditions a second time (Bryman and Bell, 2003; Mcdaniel and Gates, 1999). The most obvious way of assessing it is through the test-retest method, which consists of administering the instrument of data collection to the same people on two different occasions. However, Bryman and Bell note that there are inherent problems in assessing reliability as a means of stability. First, respondents’ answers in T1 can affect how they answer in T2 and ultimately forge greater consistency than is in fact the case. Second, the approach is liable to events occurring in the time span between the test and retest. The only way of avoiding this, as foreseen by Bryman and Bell (2003: 76) is by ‘introducing a complex research design and so turning the investigation of reliability into a major project in its own right’. Arguably, most of the data gathered in the survey has reasonable stability since it is not based on subjective assessments, but rather direct reference to factual record. That is for instance the case of engagement in different modes of foreign operations, percentage of sales and procurement abroad, number of employees, prior international experience, age, education and production capacity.

Nevertheless, it ought to be acknowledged that respondents could still choose to provide exaggerated or otherwise false data (this limitation is discussed in section 10.4). In addition, concerns about stability could be raised regarding the measure of decision makers' intention to export and knowledge of foreign languages since they are based on respondent's subjective perception. To minimize problems of stability within these variables, measures used were based in previous research.

Internal reliability applies when multiple indicator measures are used and combined into a single scale or index. It can be defined as the degree to which "the indicators that make up a scale or index are consistent" (Bryman and Bell, 2003: 76). In this study it applies to both decision makers' knowledge of foreign languages and export intention. Factor analysis and Cronbach's alpha coefficient were used to evaluate the internal consistency of these indexes. Considering knowledge of foreign languages, the factor analysis indicated that a single underlying dimension comprised all three measures with an eigenvalue of 1.773 and loadings of 0.80 (knowledge of English), 0.77 (knowledge of Spanish), and 0.72 (knowledge of other languages). The composite index has a Cronbach's alpha of 0.65, which, though below the conventional 0.70 cut-off criterion, was deemed acceptable when considering the more lenient criterion of 0.60 common in exploratory research (Garson, 2008). The composite index for intention to export was also characterized by a single unambiguous factor with eigenvalue 2.404 and loadings of 0.93 (export interest), 0.87 (export probability), and 0.87 (importance of exports). The index has a Cronbach's alpha of 0.87 indicating adequate internal reliability²⁵.

Inter-observer reliability or consistency comes into play when "a great deal of subjective judgement is involved in such activities as the recording of observation of the translation of data into categories and where more than one 'observer' is involved in such activities" (Bryman and Bell, 2003: 76). In other words, it considers the degree of agreement among raters. In this regard, it ought to be noted that within the context of SMEs, decisions are normally taken by one or very few key actors, usually the owner of the firm. This substantially reduces problems of rating disagreement. Furthermore, with the exception of 'interest to export' and 'knowledge of foreign languages', measures

²⁵ The SPSS outputs of these analyses are shown in Appendix VIII.

used did not involve perception scales, but rather direct assessment of each firm's actual situation.

In summary, the above discussion indicates that a satisfactory degree of stability, internal and inter-rater reliability was achieved in the present survey research.

5.5.7.2 Validity

Validity goes in line with reliability as a major criterion for evaluating research (Bacharach, 1989; Bernard, 2006). As Bryman and Bell (2003: 33) assert, it "is concerned with the integrity of the conclusions that are generated from a piece of research". In general, researchers tend to distinguish between different types or domains of validity, among which are: measurement or construct validity, internal validity, and external validity.

Construct validity refers to whether the measures devised in the instrument of data collection reflect the concept that it sets out to investigate (Bryman and Bell, 2003). Put differently, it assesses how well this purpose has been accomplished. In this study it determines whether measures used to gauge choices in internationalization and firm and managerial characteristics really reflect these constructs. One way of assessing construct validity is through face or content validity. Bryman and Bell suggest that face validity can be established by asking people with expertise in a field and who can act as judges to assess "whether the measure seems to be getting at the concept that is the focus of attention" (Bryman and Bell, 2003: 77). This study attempted to maximize content validity during the development of the instrument of data collection in the following ways. First, previous research was examined to determine how the constructs of interest had been defined and operationalized. Second, as already noted, the expert opinion and judgement of four academic scholars was sought (Prof. John Child, Prof. Suzana Rodrigues, Prof. Clóvis L. Machado-da-Silva, and Prof. Michael Czinkota); in addition to one consultant of SEBRAE-PR. In these terms, although an essentially intuitive process (Bryman and Bell, 2003), the face validity of the constructs was judged to be adequate.

Another common way of interpreting construct validity is through the lens of reliability. As Bryman and Bell (2003) note, if the measure of a concept is unstable, it

cannot provide a valid measure of the concept. Therefore, considering that (1) the stability is high given the fact that the quantitative data gathered is mostly based on direct observation, (2) internal reliability for relevant variables is adequate, and (3) inter-rater disagreement is a minor concern, in terms of reliability, construct validity in the study is also considered to be satisfactory.

Internal validity focuses on the integrity of causal relationships implicit in the conclusions of an empirical study (Bryman and Bell, 2003). It addresses the question of how confident one can be that an inferred ‘independent’ variable is at least in part responsible for the variation in the ‘dependent’ variable. In this research, an important way of assessing internal validity relates to the power of statistical procedures used, and the extent to which these procedures are used properly, i.e. following assumptions and criteria as a means of avoiding Type I and II errors. In Appendix VIII a checklist of assumptions and criteria used in the statistical analysis is included. It shows that, within its own limitations, conclusions drawn during the statistical analysis of the survey data have satisfactory internal validity.

External validity “is concerned with the question of whether the results of a study can be generalized beyond the specific research context” (Bryman and Bell, 2003: 34). In the research survey, external validity is mainly given in terms of the representativeness of the sample. As was described earlier in this chapter, the absence of an accurate sampling framework hindered the possibility of developing a precise probability sample. Arguably, this raises some concerns regarding the external validity of the survey. Nevertheless, it ought to be noted that in many cases nonprobability sampling can produce samples of the population that are quite representative when executed properly (McDaniel and Gates, 1999). This being the case, the researcher attempted to execute the study sample to the best of his ability in order to meet as closely as possible the requirements of a good sample, ultimately attempting to minimise deviation from the standards required for generalization. As will be shown in the next chapter, in many ways the sample used in this study is consistent with other studies conducted in the clothing industry of Paraná such as the ones conducted by FIEP-SEBRAE (2000) and IEMI (2005).

Furthermore, it ought to be noted that in the view of the fact that the analysis conducted did not aim to test a theory, but rather to describe and inductively explore the

data as a means of providing further information for the qualitative investigation, external validity should not be regarded as a major concern in regard to the survey.

In short, considering what was revealed, satisfactory levels of validity can be imputed to the findings of this survey. The next section describes the qualitative procedures of investigation.

5.6 THE QUALITATIVE INVESTIGATION

A core understanding portrayed in the working hypothesis advanced in this chapter considers the fact that strategic choice in internationalization is rationally based on how decision makers interpret the purposes and means/conditions of international involvement within their situations. This understanding draws on the view that human beings create and maintain a meaningful world and ultimately choose and act on the basis of such meanings²⁶ (Berger and Luckmann, 1966; Blumer, 1998; Schutz, 1972; Weber, 1964; 1978).

Traditionally, qualitative research has been recognized by its suitability to investigate the meanings and understandings of social life. As Denzin and Lincoln (2005: 3) assert, “qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the **meanings** people bring to them” [emphasis added]. In a similar view Ezzy (2002: 5) points out that “qualitative data analysis is typically a statement or a set of statements about relationships between variables or concepts that focus on meanings and interpretations”. Such understanding considers that meanings cannot be easily examined and measured in terms of quantity, amount, intensity, or frequency (Denzin and Lincoln, 2005). Rather they are much more ‘slippery’ than quantitative data (Ezzy, 2002) and thus demand a substantially different perspective of investigation; for instance, one that is sensible to words, senses, interpretations, and ultimately able to interact with people, understand their points of view and on this basis produce knowledge. Ultimately, it requires that the researcher depart from the standpoint of the observer, as is typically taken in quantitative research, to engage in a dialogue with his subject (Ezzy, 2002). Within this

26 In this chapter the term ‘meaning’ is used interchangeably with ‘interpretation’ and ‘understanding’.

perspective the researcher recognizes that knowledge and understanding about the qualities of social life and action presupposes interaction (Bryman and Bell, 2003; Ritchie, 2003). This is the essence of qualitative research. As Ezzy (2002: xii) maintains, qualitative research is about “trying to understand the practices and meanings of research participants from their perspective... qualitative researchers do not separate their lives from their research”.

Qualitative research has been typically characterized as research that is concerned with words rather than numbers (Bryman and Bell, 2003). Strauss and Corbin (1998: 11) assert that in their understanding, qualitative research entails “any type of research that produces findings not arrived at by statistical procedures or other means of quantification”. Bryman and Bell (2003) note that qualitative research can be characterized by three general features. First, an inductive view of the relationship between theory and research in which the former is generated out of the latter. Second, an interpretivist epistemological position which contrasts with the naturalistic scientific model used in quantitative research. Third, a constructionist ontological position which presumes that social reality is an outcome of the interactions between human beings and thus is never separated from those involved in its construction.

It is worth mentioning that, in line with the suitability of qualitative research to investigate meanings, its characteristics render further advantages for the successful accomplishment of the objectives of this study. Specifically, in contrast to quantitative methods which usually engage in incremental expansion of currently accepted knowledge, qualitative methodologies encourage new understandings and creative science grounded in the empirical phenomenon (Glaser and Strauss, 1967; Kuhn, 1970). Spender (1989: 66) points out that the purpose of non-positivistic qualitative-based methods “is to elicit unfamiliar meaning-structures rather than to extend familiar ones”.

The qualitative research in this study set out to investigate the understandings that decision makers assign to purposes and means/conditions of internationalization, and ultimately how these understandings may inform strategic choices in the establishment of cross-border links. The next section addresses the research questions orienting this investigation.

5.6.1 Research questions

Drawing from the core objectives of this study, the qualitative investigation focused on two key research questions:

1. How do decision makers of SMEs in the Paraná clothing industry interpret the purposes and means/conditions of internationalization?
2. How does interpretation inform choices in internationalization?

Answering these questions is imperative in accomplishing the general objective of understanding the dynamics of choice, rationality and interpretation in internationalization, as well as to further generate insights for the refinement of internationalization theory and practice.

5.6.2 Unit of analysis

The qualitative investigation focused on the understanding of internationalization as expressed by the leaders of SMEs in the Paraná clothing industry. Such emphasises was based on the view that organizations, whether large or small, do not have mechanisms separate from human beings to interpret and give meaning to reality (Daft and Weick, 1984). In addition, it assumes that within formal business organizations relevant meanings are typically given by a relatively small group at the top of the organizational hierarchy which holds the power to decide (Child, 1972; 1997; Daft and Weick, 1984; Hambrick and Mason, 1984). Moreover, in the context of SMEs, it will typically refer to one or very few key actors, usually the owners of the entrepreneurial venture, hereby referred to as the **decision makers**.

5.6.3 Sampling

In contrast to quantitative research, qualitative sampling is not intended to be statistically representative and therefore random sampling is largely inappropriate

(Glaser and Strauss, 1967; Ritchie, Lewis and Elam, 2003). Sampling procedures in qualitative research are typically referred to as ‘purposive’ or ‘theoretical’ (Bryman and Bell, 2003; Marvasti, 2003). In short, this means that units or segments of a population are deliberately selected in accordance to a particular criterion or ‘purpose’ (Ritchie, Lewis and Elam, 2003).

Following the tenets of purposive sampling, in this investigation sampling procedures attempted to generate an “heterogeneous or maximum variation sample” (Ritchie, Lewis and Elam, 2003). This means that cases that varied substantially from each other were deliberately included in the sample. On the one hand this strategy aimed to account for the full range of meanings given to internationalization. On the other, it aimed to enable the identification of central themes which cut across the variety of cases in the sample.

To ensure the inclusion of all relevant cases that could illuminate understanding, SMEs in the Paraná clothing industry were chosen on the basis of their strategic choices in internationalization and firm and managerial characteristics. It was largely based on the survey conducted in the first stage of this research. First, it provided a sampling frame from where SMEs could be identified and relevant information accessed. Second, it made it possible to identify which variables, especially regarding firm and managerial characteristics, should be prioritized in the sampling criteria.

The following variables, in order of relevance, were used in the purposive composition of the sample²⁷: (1) strategic choice in internationalization: engagement, speed, pace, and degree of internationalization; (2) firm size; (3) prior international experience; (4) export intention; (5) knowledge of foreign languages, and (6) firm age. Following the suggestion of Ritchie, Lewis and Elam (2003), a sampling matrix was drawn which included potential firms on one side, and the variables included in the purposeful sampling criteria on the other. The matrix was completed with information gathered from the survey. As far as possible, the matrix was organized into meaningful categories, e.g. domestic, active, occasional, early, late, high, and low degree of internationalization.

²⁷ As will be shown in the following chapter, the survey investigation showed that variables 2 to 6 were found to be the most relevant firm and managerial characteristics influencing internationalization.

The attempt to maximize the variance of these variables in the sample implied that a relatively large sample had to be gathered. Despite the fact that this translated into higher levels of research effort, it was judged to be necessary to achieve a sample that was inclusive and sufficiently diverse for comparative analysis to be undertaken. As Lewis (2003) asserts, samples structured around comparison typically become large since it aims to reflect the diversity of its parent population.

With the sample design completed, sampling and data collection, as discussed in the following section, were put into action. Firms were contacted and participation negotiated. Although purposefully sampling cases relied, to a large extent, on the prior survey research, it was not confined to it. Firms that did not participate in the survey were included in the qualitative sample whenever they fulfilled the criteria required and were judged relevant for the purposes of the research. This procedure was particularly important to replace firms that, despite participating in the research survey and being included in the original sampling matrix, were not able to participate in the qualitative stage of the study. These firms were included in the qualitative sample by indication of peer decision makers and experts in the industry. This procedure has been commonly referred to as 'snowballing' or 'chain sampling' and encompasses a nonprobabilistic sampling procedure (Ritchie, Lewis and Elam, 2003).

Sampling was carried out until data saturation, in terms of units fulfilling the criteria established, was attained. In total, 58 SMEs located in different regions of the State of Paraná composed the final sample of this qualitative investigation. Appendix VII provides a profile of the sample and how the SMEs included fulfilled the criteria established. Despite the relatively large final sample, the number of firms fulfilling particular criteria is not necessarily evenly distributed, and in some cases is rather small. In reference to this, it is important to remember that:

...the reason for selecting a purposive sample is to achieve symbolic representation and diversity. It is therefore all about controlling sample composition in these terms. It is not about trying to produce a cell that is sufficiently large to sustain independent commentary, as would be the case in statistical research. Such a requirement needs to be fully removed from any design flunking (Ritchie, Lewis and Elam, 2003: 102).

5.6.4 Data collection

The process of data collection included generated and naturally-occurring data (Lewis, 2003). Generated data consisted of qualitative interviews with the decision makers²⁸ of the 58 SMEs included in the sample of the study. These interviews constitute the core source of data in the qualitative investigation.

The collection of naturally-occurring data included observation and compilation of documentary data. The use of multiple sources of evidence enabled an increase in the richness of data, understanding, and triangulation (Eisenhardt, 1999; Yin, 2003). Each of the methods of data collection is discussed in turn below.

5.6.4.1 Qualitative interviews

The key feature considered for the conduction of the qualitative interview is that it embodies a method of data collection that enables in-depth understanding of and a focus on the individual (Alvesson, 2003; Lewis, 2003). It offers the opportunity for detailed investigation of personal understanding and the necessary flexibility for exploring emergent and relevant issues, as required.

The approach taken in the interviews can be considered as ‘purposeful’ conversations (Legard, Keegan and Ward, 2003), i.e. a conversation around topics of interest and aimed at knowledge construction. This approach attempted to combine structure with flexibility. It was based on an interview guide covering major areas and topics of interest. It included questions about: (1) the firm’s actual international involvement; (2) the decision maker’s view of foreign operations; (3) requirements of internationalization; (4) international aspirations; and (5) firm profile. The complete version of the interview guide is reproduced in Appendix VI.

The interview guide ensured that similar topics were covered with all participants (Burgess, 1984). Following the recommendation of specialized literature, each area was explored through ‘what’, ‘who’, ‘where’, ‘why’, ‘when’ and ‘how’ probe

²⁸ In the context of SMEs, the term ‘decision maker’ refers to the owner of the firm, in most cases single individuals. In two firms, two decision makers were interviewed. In seven firms, two decision makers were present during the interview. Two interviews were not conducted with the owner of the firm, but respondents were responsible for decisions in the firm.

questions (Legard, Keegan and Ward, 2003; Silverman, 2006; Yeung, 1995). This is in line with the exploratory and inductive nature given to the interviews. In addition, it aimed to help participants to reflect upon aspects influencing choices in internationalization, and provide richer data for interpretative analysis (Silverman, 2006). The interview guide should not be seen a slavish script mechanically applied during the interviews, however. Rather it attempted to give focus to the interview and to keep the conversation flowing. Care was taken in order to make interviews sufficiently flexible to permit topics to be covered in the order most suited to the interviewee, to allow areas of interest to be explored in depth, and new issues emerge. More importantly, it allowed participants express their opinions.

A typical interview took about 45 minutes, ranging from 20 to 120 minutes. 45 out of the 58 interviews were digitally recorded. When the interview could not be recorded, notes were taken and relevant topics reconstructed within 24 hours as recommended in the specialized literature (Bourgeois and Eisenhardt, 1988; Gioia and Thomas, 1996). Interviews were conducted between September and October 2008 and required about 4.500km of travelling within the State of Paraná.

5.6.4.2 Observation

Observation was used as a method of collecting naturally-occurring data and was combined with interviews (Silverman, 2006). It was used as a means of assessing the meaning and relevance of interview data (Marvasti, 2003), and for recognizing the manifestation of meanings assigned to internationalization on aspects not easily gathered by other sources of data. For example, during the interviews, on many occasions the researcher was invited to visit production floors, inspect clothes, and see machines and equipment in use, and in so doing observe how internationalization could manifest in signs, labels, products and production processes, equipment, objects of decoration, languages, and so forth.

Observation was also a major method of data collection during two business exhibitions the researcher took part in: the Paraná Business Collection from 28th July to 1st August, 2008; and the Sudoeste Mostra Moda on the 8th October 2008. On these occasions the researcher had the opportunity to observe the interaction between buyers

and sellers, some of which had come from abroad; attend fashion catwalk shows; recognize international influence on clothing design and fabrics; and immerse himself in a major commercialization practice in the industry.

Observation data was collected through field notes adopting the approach recommended by Burgess (1984). Notes were taken in an attempt to record issues, processes and practices without conscious filtering at that stage. These notes formed an historical record of the researcher's observations in the field, which complemented interviews, enriched understanding and further enhanced validation of data.

5.6.4.3 Compilation of documentary data

Document compilation entailed the collection of secondary data about firms included in the sample as well as general characteristics of the industry at regional, national and international level. It played a fundamental role in providing background information about companies, typically consulted before each interview, and as a means of enriching understanding about the nature, practice and trends of the industry. Furthermore, it was crucial in complementing the understanding of categories raised by participants, and recognizing how they manifested in concrete activities (Silverman, 2006).

Given its complementary role to generated data, no systematic approach was taken in the collection or assemblage of secondary data. It mainly consisted of a general search on the internet and specialized services such as Mintel and IEMI²⁹. The main sources of information included firms' websites, newspapers, industry reports, press releases, academic dissertations, and any other high-quality publications available. When any file considered relevant was found, it was gathered, assessed and compiled in meaningful folders.

²⁹ Mintel is an international service of business intelligence. IEMI is a Brazilian agency of industrial marketing research.

5.6.5 Data Analysis

The analysis of qualitative data considered three general procedures following the recommendations of specialized literature, namely: (1) summarizing and becoming familiar with the data; (2) coding, and (3) displaying, counting and drawing conclusions (Ezzy, 2002; Marvasti, 2003; Miles and Huberman, 1994; Spencer, Ritchie and O'Connor, 2003). At each stage, different levels of abstraction departing from the raw data were required. Nevertheless, it must be noted that although these stages and procedures are analytically distinct, in practice they are in many instances intertwined in a continuous reflexive process (Miles and Huberman, 1994: 224; Spencer, Ritchie and O'Connor, 2003).

The whole process of data analysis was aided by the use of the software NVivo 8. Although researchers have different opinions regarding the use of software packages in the analysis of qualitative data, some relevant hallmarks of this tool were particularly relevant in this study, including: (1) enabling the analysis to remain grounded to the data throughout different levels of abstraction; (2) aiding synthesis and management of voluminous data; (3) reducing the need for verbatim transcription; (4) facilitating coding, ordering and displaying; and (5) comparing within and between case searches, including the easy development of matrix queries across cases.

The details of the three major process of data analysis are given in turn below.

5.6.5.1 Summarizing and becoming familiar with the data

The first step in the analysis of data intended to augment familiarity and knowledge of the raw data through summarization (Eisenhardt, 1989; Miles and Huberman, 1994). It was considered essential for generating theoretical insights at later stages of the analysis (Pettigrew, 1988).

Summarizing entailed listening to every recorded interview and writing summaries. On average, for each 45-minute interview a summary of 5-6 pages (single spaced) was produced. This process was facilitated by the transcription tool available on NVivo 8. It enabled the researcher to link each piece of summarized data to its

particular timing on the audio file, which later facilitated data retrieval and, more importantly, enhanced the reliability of the process of abstracting from the raw data.

The process of summarizing data also encompassed the first step for zooming in on some segments of data (Marvasti, 2003; Miles and Huberman, 1994). This selective attention to the data was informed by the research questions orienting the analysis. Similar procedures were taken in relation to field notes and secondary data.

5.6.5.2 Coding

Assigning codes to data is one of the core analytical procedures in the analysis of qualitative data (Corbin and Strauss, 2008; Ezzy, 2002; Glaser and Strauss, 1967; Miles and Huberman, 1994). Though the literature does not offer a clear-cut definition of the term (Richards, 2005), it typically involves the processes of labelling, aggregating, ordering and displaying data into meaningful and ordered topics, themes, or categories. As Ezzy (2002) argues, coding is the process of defining what the data is all about.

Making sense of the data during the coding process was a complex and difficult task which demanded sophisticated procedures of induction and deduction. It started with the uploading of all the data to NVivo 8 and classifying it in accordance with its source: interview audio, summary, field notes, or secondary data. Sources of data were then aggregated into their respective 'cases', i.e. one of the 58 firms included in the sample. From there, a process of open coding (Corbin and Strauss, 1990; Ezzy, 2002) took place. It attempted to generate an emergent set of categories through close examination of data. Data was scrutinized and coded in accordance to decision makers' understandings regarding the purposes and means/conditions of internationalization. This process evolved through different levels of abstraction. Initially, following the recommendation of Spencer, Ritchie and O'Connor (Spencer, Ritchie and O'Connor, 2003: 214), codes remained close to participants' views and were included verbatim. In addition, open codes were assigned to the interview summaries, as well as directly to the raw digital audio files. This facility is available in NVivo 8 and substantially reduced the need to transcribe the whole interview. Progressively, the researcher moved towards more refined categories and abstract analytical codes (Richards, 2005) to finally reach the stage of selective coding (Corbin and Strauss, 1990). Selective coding

involved identification of the core categories of meanings for both purposes and means/conditions of internationalization. This process was complete when codes and categories were sorted, compared and contrasted until saturated.

Axial codes (Strauss and Corbin, 1998) were also generated in this process. This involved specifying emerging categories of meanings in terms of the conditions that gave rise to them, and their consequences or influence upon strategic choices in internationalization.

Although coding procedures sound straightforward, in this instance they were anything but. The coding process involved considerable experimentation, much reflection, and comparison. Differences and similarities regarding meanings of internationalization assigned by decision makers were exhaustively compared and demanded frequent re-categorizations. In total the process of coding data included the analysis of 113 sources of data coded across 331 nodes. This process consumed approximately five months. In due course it made it possible: (1) to identify emerging categories of meanings regarding purposes and means/conditions of internationalization; (2) to explore how similar meanings manifest across cases; and (3) to explore conditions giving rise to different meanings.

5.6.5.3 Displaying, counting and drawing conclusions

Displaying was used for organizing and formatting the data in a way that enabled further interpretation (Marvasti, 2003). As Miles and Huberman (1994) note, this process usually falls into two major families: matrices and networks. Considering the aims of this study and the comparative approach implicit in the methodological strategy, matrices were deemed the appropriate approach. This consisted of ‘crossing’ cases (firms) and meanings assigned to internationalization into rows and columns (Miles and Huberman, 1994). In the first instance, this procedure made it possible to recognize the presence/absence of particular meanings in the accounts of participants. Firms were listed in columns and meanings in rows. A binary coding notation was then used: where a particular meaning was identified in a participant’s account, the number ‘1’ was assigned in the respective cell. It indicated that a particular meaning was present in the account of the participant in question. Meanings not present were noted as ‘0’. This

procedure provided an important means of comparison between firms, especially in terms of the meanings that decision makers assigned to the purposes and means/conditions of internationalization.

When all cases were coded, it was possible to search for patterns and relationships in the matrix. Considering the bulk of data, it was judged adequate to use statistics as a means of aiding the exploration. During this stage, the analytical procedures drew largely on the tenets of content analysis (Krippendorff, 2004). Two simple statistical procedures were used: (1) frequency count, and (2) 'Phi' measure of association between binomial variables (Field, 2005). Counting frequencies made it possible to recognize meanings that occurred more often, and to further give sense of the data as a whole (Silverman, 2006). The Phi test enabled exploration of the strength of association between meanings and choices in internationalization, and to recognize patterns in the data.

However, the quantitative approach taken at this stage of the analysis may not go without epistemological and methodological concerns. As Silverman (2006: 51) notes, many authors have made sound claims that "no good qualitative researcher should dirty their hands with numbers". Nevertheless, he shows that simple counting techniques offer means to further investigate qualitative data. In addition, he argues that qualitative researchers "cannot afford to live like hermits, blinded by global, theoretical critiques to the possible analytical and practical uses of quantification" (Silverman, 2006: 52). It was with this caution in mind that the quantitative approach to qualitative data proceeded. In due course, it made it possible: (1) to recognize the absence or presence of particular meanings in the accounts of different participants; (2) to develop a sense of how different meanings were distributed in the sample; and (3) to explore patterns and associations between meanings and strategic choices in internationalization.

An important recognition in this quantitative approach to qualitative data analysis is to recognize its methodological limitations. First, categories of meanings and their assignment to participants are largely dependent on the researcher's inference. The constructionist inductive approach to the categorization of meanings means that categories counted were ultimately the ones determined by the researcher. Second, despite the fact that much care was taken to accurately assign categories of meaning

across participants and cross-check them with two external auditors (as will be described in the next section), the reliability of this procedure may arguably be of concern. Ultimately, quantitative procedures should be used with care and probed in future investigation.

5.6.6 Evaluation criteria

As in quantitative research, reliability and validity encompass major criteria for the evaluation of qualitative work. However, there is much discussion as to how they should be applied in the assessment of a qualitative investigation (Bryman and Bell, 2003). Considering that these concepts were borrowed from the natural sciences (Lewis and Ritchie, 2003), and that qualitative investigation draws on a significantly different epistemological basis, researchers have responded in two major ways. On the one hand, some researchers deny the naturalistic scientific paradigm and argue that qualitative research must have its own procedures for assessing validity and reliability (Golafshani, 2003; Guba and Lincoln, 1989). On the other hand, some researchers take an intermediate approach by adapting these concepts (Lecompte and Goetz, 1982; Seale and Silverman, 1997). In an attempt to be consistent with the mixed-method approach taken in this study, the concepts of reliability and validity are used consistently and necessary adaptations are made accordingly.

5.6.6.1 Reliability

Reliability in qualitative research has typically been concerned with the replicability of research findings, i.e. whether or not they would be repeated if another study, using the same or similar methods, was undertaken (Lewis and Ritchie, 2003). Following LeCompte and Goetz (1982) reliability can be distinguished in terms of external and internal problems.

External reliability addresses the issue of “whether independent researchers would discover the same phenomena or generate the same constructs in the same or similar settings” (Lecompte and Goetz, 1982: 32). This is a difficult criterion to meet

since social settings cannot be ‘frozen’ and qualitative research is much dependent on the investigator. This means that the study may not be totally replicable. Nevertheless, care was taken to outline the means by which the study can be reconstructed and the maximum levels of external reliability secured. First, the researcher attempted to make clear the criteria used for sampling data. Second, care was taken to describe the range of methods and strategies used to collect data. To this end, the guide used during the interviews must be considered. Third, to facilitate replication of the premises of the research and constructs generated in the analysis, care was taken to outline the aims and theoretical assumptions orienting the investigation, and to provide sufficient verbatim descriptions in which the definition of categories of meanings was based in the presentation of results. On this basis it seems possible to claim that the research achieves satisfactory external reliability.

Internal reliability refers to “the degree to which other researchers, given a set of previously generated constructs, would match them with data in the same way as did the original researcher” (Lecompte and Goetz, 1982: 32). As Bryman and Bell (2003) note, this criterion is similar to inter-observer consistency and considers the extent to which multiple researchers would agree about what they hear or see. On the one hand, a major limitation in this study was the absence of a team of researchers that could facilitate inter-observer reliability. Alternatively, to maximize internal reliability, the following strategies were used.

First, the conduct of the research at multiple sites enabled the researcher to cross-check and corroborate findings across cases. Second, the researcher attempted to mechanically record most interviews and in so doing preserve most of the raw data on which findings are based. On this basis, conclusions emerging from the raw data can be assessed and confirmed by other researchers. Furthermore, the researcher attempted to offer as much verbatim data as possible in the presentation of results. Third, the study used peer reviews and co-analysts for internal reliability checks (Miles and Huberman, 1994). In order to maximize the reliability of the coding procedures, two external auditors were recruited as co-analysts to check the coding reliability of a sample of the data; neither of them had any prior knowledge of or contact with the data. They were trained in the analytic framework and were asked to code interview samples that had not been prepared or groomed. Initial reports showed a coding reliability of between 75%

and 80% across coders. Some discrepancies arising from the understanding and interpretation of the raw data were observed, but these inconsistencies were discussed and a single convergent interpretation agreed upon. On this basis, deviant codes were revised accordingly. In addition, analytical and coding procedures were scrutinized by the two supervisors of this study, and preliminary results were disclosed to peer review in three academic conferences, namely the 3rd Latin American and European Meeting on Organization Studies – LAEMOS; the 26th Colloquium of the European Group of Organization Studies – EGOS; and the Annual Meeting of the Academy of International Business 2010 – AIB.

5.6.6.2 Validity

The validity of findings or data in qualitative studies typically refers to the ‘correctness’, ‘precision’ or ‘accuracy’, of a research (Lewis and Ritchie, 2003). Similar to reliability, it is often considered in terms of its internal and external dimensions.

Internal validity is concerned with the question of whether there is a good match between the researcher’s conclusions and the empirical ‘reality’ assessed or measured. As Hamersley put it, “an account is valid or true if it represents accurately those features of the phenomena that it is intended to describe, explain or theorize” (Hammersley, 1992: 69). Kirk and Miller (1986) relate internal validity to the interpretation of the data collected. With regards to this, a restatement of the question considering the internal validity of this study should be asked as follows: do the meanings of internationalization described in this study accurately reflect the understandings that empirically orient the action-choices of the decision makers of SMEs in the Paraná clothing industry that were included in the sample? Put differently, are the understandings between the participants and researcher shared (LeCompte and Goetz, 2002)?

Two major instances where bias with regards to internal validity can occur are during data collection and data analysis. In the process of data collection, qualitative data may suffer from the researcher’s inferences or biased observations, inaccuracy of documents consulted, misrepresentations, lies or the researcher’s influence in interviewing, and so on. In an effort to minimize these problems, the following points

were considered. First, the researcher attempted to enhance the accuracy and candidness of participants by securing confidentiality in interviews, pointing out practical benefits of the study, and by being a good listener with regards to what was said and meant (Bryman and Bell, 2003; Legard, Keegan and Ward, 2003). Second, the status of the researcher as a lecturer at a major university in the State of Paraná was used to emphasize a more ‘neutral’ perception of the researcher’s position and role within the group investigated³⁰. Accordingly, with the exception of one of the participants, the researcher had no personal relationship or friendship with the members of the firms in the sample. Third, the strategy of using multiple sources of evidence, i.e. interviews, observation and documentary compilation was relevant for enabling triangulation of data (Eisenhardt, 1989; Yin, 2003). Fourth, sampling procedures attempted to avoid selection bias and secured heterogeneity (Seale and Silverman, 1997). Finally, as far as possible, the researcher attempted to guard against his own ethnocentrism and perceptual biases through disciplined subjectivity (Lecompte and Goetz, 1982).

During the process of data analysis, the following procedures were considered and used in order to enhance internal validity: (1) prolonged engagement and familiarity with the data; (2) using computer software to assist qualitative data analysis (Seale and Silverman, 1997); (3) tracking generated categories against raw data; (4) using co-analysts/auditors to increase the accuracy of judgments (Miles and Huberman, 1994); (5) building alternative explanations; and (6) counting events and testing relationships in order to avoid spurious qualitative conclusions (Seale and Silverman, 1997; Selltiz, Wrightsman and Cook, 1976).

External validity refers to the extent to which “constructs or postulates generated, refined or tested” are applicable and can be generalized to the population (Lecompte and Goetz, 1982: 43). In other words, external validity is concerned with whether the findings of the study can be transferred across the social setting where they were generated. LeCompte and Goetz (1982: 51) point out that “threats to the external validity of ethnographic findings are those effects that obstruct or reduce a study’s comparability and translatability”. Although generalization is an intrinsic problem of qualitative research, the minimization of this was attempted in the following ways: (1)

³⁰ This should not be taken to mean that the researcher attempted to take a neutral approach during the interviews. It is well known that this could create equally as significant distortions by destroying rapport, and creating indifference or even hostility (Lecompte and Goetz, 1982).

increasing heterogeneity in the sample and reducing selection effects; (2) maximizing the number of participants in the sample; and (3) grouping specific meanings into higher-order categories or categories of a higher level of abstraction.

Going by what was exposed, the qualitative investigation is expected to render satisfactory levels of validity.

5.7 SUMMARY

This chapter sought to present the methodological issues that guided the empirical investigation attempting to understand the meanings of internationalization in the context of small- and medium-sized enterprises. In particular it aimed to: (1) identify the understandings that decision makers assign to the purposes and means/conditions of internationalization; (2) investigate how interpretation informs choices regarding the establishment of cross-border links; (3) explore the dynamics of choice, interpretation and rationality in internationalization; and (4) generate insights to contribute to the refinement of internationalization theory and practice.

The chapter discussed how a mixed-method strategy, encompassing quantitative and qualitative methods, was used in order to achieve the proposed objectives. It was followed by the rationale implicit in choosing SMEs operating in the Paraná clothing industry. The quantitative investigation consisted of a research survey with a sample of 95 SMEs conducted in order to facilitate the subsequent qualitative investigation; to describe structural characteristics and major trends regarding SMEs' internationalization; and to identify the relevant firm and managerial characteristics influencing this process. The qualitative investigation focused on a sample of 58 SMEs. Data was collected through interviews, observation and compilation of documents. For each of the methods used, the chapter indicated the procedures used for sampling, collecting and analysing data. Moreover, it discussed the validity and reliability of methods in which the findings presented in the following chapters rely.

The next chapter presents the results of the quantitative survey.

6. THE SURVEY FINDINGS

6.1 INTRODUCTION

This chapter presents the findings of the quantitative analysis of the survey data. After this brief introduction Section 6.2 offers an overview of the international involvement of SMEs included in the sample and their actions regarding engagement in foreign trade and investment operations, speed, pace, and degree of internationalization. Section 6.3 focuses on firm and managerial characteristics of the SMEs surveyed. It outlines their characteristics in terms of: firm size, production capacity, firm age, decision makers' prior international experience, knowledge of foreign languages, export intention, education, and age. Section 6.4 presents the results of the statistical analysis that investigated the influence of firm and managerial characteristics on internationalization. The chapter concludes with a summary of relevant findings.

6.2 THE INTERNATIONAL INVOLVEMENT OF SMEs IN THE PARANÁ CLOTHING INDUSTRY

The survey focused on four key aspects of a firm's international involvement, which were: (1) engagement in trade and investment modes of foreign operation (imports, indirect exports, direct exports, international contracts, joint venture and foreign direct investment); (2) the speed of international involvement (early or late); (3) pace (active or occasional); and (4) the degree of internationalization (high or low). This section offers an overview of the international involvement of SMEs in the Paraná clothing industry in these four key analytical areas. The investigation is underlined by the assumption that a decision maker's strategic choices play a relevant role in a firm's actions regarding internationalization.

6.2.1 Engagement in modes of foreign trade and investment

One of the most relevant and recognized aspects of firms' internationalization is engagement in foreign trade and investment. This survey investigated whether, since their foundation, firms had engaged in foreign operations, namely: imports, indirect exports, direct exports, international contracts, joint ventures, and foreign direct investment. Table 6-1 shows the frequency in which each of these modes of foreign operations was present among firms in the sample.

Table 6-1 Frequency of engagement in cross-border operations

Cross-Border Operation	Frequency	Percent
1. Import	16	16.80
2. Indirect Export	21	22.10
3. Direct Export	31	32.60
4. International Contract	5	5.30
5. Joint Venture	0	0.00
6. Foreign Direct Investment	2	2.10

The results indicate that there is a predominance of trade operations with particular emphasis on direct exports. Overall, 32% of the firms in the sample have exported directly at least once since their inception. A further 22% were said to have experienced indirect exports. Inward internationalization, by the means of imports, was experienced by 16% of firms. It is noteworthy that when it comes to engagement in operations of higher control and complexity such as international contracts, joint venture and foreign direct investment, the number of firms that engaged in those activities is substantially lower. For instance, only 5.3% of the firms experienced the establishment of an international contract and just 2.1% (two firms) experienced foreign direct investment. No firms had experienced international joint ventures. These findings suggest that decision makers of SMEs in the Paraná clothing industry have primarily engaged in foreign operations focused on trade and which are outwardly oriented.

Once it was known whether firms had or had not engaged in cross-border operations, it was possible to establish the first analytical distinction in the sample, namely between domestic and internationalized firms (those that at least once engaged in foreign trade or investment operations). All the firms that, since foundation, had never been engaged in any kind of international business operation (import, indirect

export, direct export, international contract, joint venture and foreign direct investment) were classified together as ‘domestic firms’. This constituted the control group in this study. All firms that had engaged at least once in a trade/investment foreign operation were included in the second group and classified as ‘internationalized’. Certainly, this distinction is simplistic and says little about firms with international experience. Nevertheless, it was an important distinction to identify firms with exclusive operations in the domestic market. Moreover, it was an important analytical distinction from where further thresholds and refined categories could be investigated.

Considering the distinction between domestic and internationalized firms, Table 6-2 indicates that 57 firms (60%) had never established any trade or investment activity abroad since inception. In other words, purely domestic firms made up more than half of the sample. In addition, it shows that 38 firms (40%) had engaged in a cross-border operation at least once. This suggests that a considerable number of SMEs in the Paraná clothing industry (40%) are aware of the international context and have experienced some international involvement.

Table 6-2 Domestic and internationalized firms

Cross-Border Operation	Engagement in Foreign Operations	
	No (Domestic, n = 57)	Yes (Internationalized, n = 38)
1. Import (0/1)	-	16 (42%)
2. Indirect Export (0/1)	-	20 (52%)
3. Direct Export (0/1)	-	31 (81%)
4. Intl. Contract (0/1)	-	5 (13%)
5. Foreign Direct Investment (0/1)	-	2 (5%)

6.2.2 Speed of engagement in foreign operations

Equally as important as deciding on whether or not to engage in cross-border operations is to decide on the speed at which these operations should be established from a firm’s foundation. The speed of internationalization was investigated in terms of the difference (in years) between firms’ foundation and the year of the establishment of foreign trade and investment operations for the first time.

Taking only internationalized firms into consideration, Table 6-3 presents the descriptive statistics regarding the average gap between the foundation of these firms and the establishment of a foreign operation for the first time. Some interesting observations can be drawn from this analysis. First, it shows that the first international experience of firms in the sample happened on average about eight years after inception. Second, taking into consideration that most firms were founded in the middle of the 1990s (see Table 6-9), the data suggests that most firms engaged in international business for the first time after the year 2000. This information seems relevant when considered in light of the changes in the Brazilian economic environment in the last decade. Since the mid-1990s, the country has experienced an increasing opening to international business. Third, the findings point out that for most firms, engagement in foreign operations happened after a period of exclusive domestic operations. This observation suggests that, in general, internationalization is not likely to be considered in the early stages of a firm's life cycle. However, a closer look indicates that some firms engaged in cross-border operations after a much shorter period. This is evident when considering the significant variance in the standard deviations of the average gap between firms' inception and the establishment of cross-border links. Put differently, data indicates that some firms sharply deviated from the predominant orientation towards late internationalization observed in the industry. Fourth, Table 6-3 suggests that if considered in terms of the average gap of engagement between foreign operations, outward internationalization by the means of exports seems to happen before inward internationalization, with particular reference to imports. Nevertheless, given the high variance, a clear view regarding the sequence in which foreign operations tend to be established is not possible.

Table 6-3 Average time after inception for engagement in cross-border operations

Cross-Border Operation¹	n	Mean (Years)	SD	Median
1. Import	15	10.33	10.43	6.50
2. Indirect Export	20	9.80	7.85	9.50
3. Direct Export	29	8.65	5.50	8.50
4. Contract	4	8.50	10.63	5.00
5. Foreign Direct Investment	2	8.50	3.53	8.50

Notes: ¹ Joint Venture was not considered since no frequency was observed

Turning to the speed at which foreign operations were established, it was possible to distinguish firms in terms of early and late internationalization. To do so, as explained in the methodology of this study, a cut-off period of five years was used. Firms that established their first cross-border link within five years from inception were considered early internationalizers. The ones that established their first foreign operation beyond this period, i.e. in five years or more, were considered late internationalizers. Table 6-4 shows that under these criteria, 16 firms can be considered early internationalizers and 22 late internationalizers.

Table 6-4 Early and late internationalization

Cross-Border Links	Early Internationalization (N=16)			Late Internationalization (N=22)		
	n	Mean	SD	n	Mean	SD
1. Import	6	3.33	4.71	8	16.62	10.22
2. Indirect Export	8	3.12	3.48	12	14.25	6.70
3. Direct Export	11	3.54	3.04	17	12.17	4.27
4. Contract	2	2.00	2.82	2	15.00	12.72
5. Foreign Direct Investment	2	8.50	3.53	-	-	-

The analysis of the speed of internationalization of firms in each of these groups suggests that firms classified as early internationalizers not only have a smaller gap between foundation and the first engagement in international business activities, but also have a tendency to combine different modes of international operation. In particular, when considering the eventual sequence of engagement in modes of foreign operations, the results indicate that while among early internationalizers the sequence is unclear, for late internationalizers this distinction seems rather evident. Firms that internationalized late started their internationalization focusing on outward operations usually about 12 years after inception, engaging in import operations about 16 years after inception. Additionally, it is worth noting that the engagement in different modes of foreign operations tends to be clearly spaced by a certain period of time. It is also interesting to observe that the two firms that engaged in more complex modes of foreign operations, namely contract and FDI, are early internationalizers.

6.2.3 Pace of internationalization

The pace of internationalization considers the rhythm in which a firm's international involvement progresses, namely whether actively or occasionally. This was investigated in terms of a discrete assessment of whether internationalized firms were actively exporting or importing. In so doing, SMEs that engaged in foreign operations in previous years but in the last financial year did not export or import were considered occasional or one-off internationalizers. Care was taken to make note of whether firms considered active internationalizers were not experiencing foreign operations for the first time in the last financial year. This was not the case for any of the firms considered active internationalizers.

Table 6-5 shows the number of firms classified in each category. It indicates that while 18 firms were considered active internationalizers, 20 adopted an occasional pace to internationalization. It further indicates that less than half of the firms that engaged in cross-border operations were actively importing or exporting. Table 6-5 also offers some idea of the degree of internationalization of active internationalizers. It presents the average volume of international procurement and sales in the last financial year of these firms. In addition, it gives the average number of countries where these firms operated, number of foreign partners, and number of employees working for more than 50% of their time with international business operations.

Table 6-5 Pace of internationalization: occasional and active

International Involvement	Continuity			
	Occasional n = 20		Active n = 18	
	Mean	SD	Mean	SD
Percentage of foreign procurement/total procurement	-	-	1.72	3.30
Percentage of foreign sales/total sales	-	-	8.22	14.01
Number of countries of operation	-	-	2.94	3.24
Number of partners abroad	-	-	3.44	6.10
Number of employees working >50% in IB	-	-	0.28	0.75

The results show that the foreign procurement of active internationalizers is slightly above 1% of their total procurement, that foreign sales is about 8% of their total sales, that they engage on average with about 3 countries, having one partner in each country and rarely having employees working in international business issues. The

relatively large standard deviations of these averages indicate that there is substantial variance in the degree of internationalization among these firms. Attempting to account for these differences, the next section assesses the degree of internationalization of active internationalizers.

6.2.4 Degree of internationalization

In an attempt to capture firms' degrees of international involvement, the survey focused on five variables: (1) percentage of foreign procurement over total procurement; (2) percentage of foreign sales over total sales; (3) number of countries where the firm has operations abroad; (4) number of partners abroad; and (5) number of employees working more than 50% with international business operations. All measures were taken with reference to the firms' latest financial year. As discussed in Chapter 5, instead of combining these measures into a single composite index, a more parsimonious option was taken which considered firms' international trade intensity, i.e. the arithmetic mean between foreign sales and procurement. A cut-off point of 4% was used to distinguish between firms with '**high**' and '**low**' trade intensity.

Table 6-6 presents the average degree of internationalization of firms in each of these groups. It shows that firms characterized by low international trade intensity export on average 2.4% of their total sales, usually to one country and one strategic partner. They neither imported nor had employees working with international business activities. By contrast, firms characterized by high trade intensity export on average 15.5% of their total sales and import about 3.5% of total procurement. Furthermore, the international business operations of these firms tended to encompass about 6 strategic partners and operations in about 4 different countries. Although some firms have employees working more than 50% of their time with international business operations, this was unusual.

Table 6-6 further indicates that despite the attempt to classify firms into somewhat homogeneous groups, there is still substantial variance in terms of their degree of internationalization.

Table 6-6 The scope of high and low degree of internationalization

International Involvement	High Trade Intensity n = 8		Low Trade Intensity n = 10		Mann-Whitney U
	Mean	SD	Mean	SD	
Percentage of imports last year	3.50	4.40	0.30	0.67	24.00*
Percentage of exports last year	15.50	19.06	2.40	1.83	14.50**
No. of countries	4.37	4.53	1.80	0.78	21.00*
No. of strategic partners abroad	6.00	8.62	1.40	1.57	12.50**
No. of employees working >50% with IB	0.50	1.06	0.10	0.31	33.50

Notes: *10% Significance Level; **5% Significance Level; ***1% Significance Level.

6.3 FIRM AND MANAGEMENT CHARACTERISTICS

This section analyzes the core firm and managerial characteristics of SMEs operating in the Paraná clothing industry. In considering a firm's characteristics it describes SMEs in terms of size, production capacity and age. In addressing managerial characteristics it explores decision makers' prior international experience, knowledge of foreign languages, export intention, education and age.

6.3.1 Firm characteristics

The findings presented in Table 6-7 indicate that SMEs in the sample have on average 45 employees, produce about 22.8 thousand units per month and have operated in the clothing industry for about 11 years. However, a closer look demonstrates that there is substantial variance regarding size (SD = 86.57) and production capacity (SD = 41294.51) among the firms.

Table 6-7 SMEs' firm characteristics

	n	Mean	SD	Median
Size (no. of full time employees)	95	45.85	86.57	16.00
Production capacity (no. of units produced/month)	88	22,800.45	41,294.51	5,500.00
Firm age (years)	94	11.71	7.57	11.00

In order to gain a clearer picture of these differences, firms were grouped in accordance with their **size** category³¹. Figure 6-1 shows that the majority of firms have substantially less employees than was suggested by the sample mean. It shows that about 52.6% of the firms are micro and have less than 20 full-time employees; 35.8% are small and have between 20 and 99 employees, and 11.6% are medium and have between 100 and 499 employees. The distribution of size among sampled firms is consistent with other studies conducted in the Clothing Industry of Paraná. For instance, the survey conducted by FIEP-SEBRAE-PR reported that in 2000 the distribution of firms in the clothing industry was: micro = 50.5%; small = 39% and medium = 6% (Fiep-Sebrae, 2000). In 2005 a study by IEMI (2005) reported that firms with less than 20 employees accounted for 62.5%, and between 20 and 99 for 32.5%. This suggests that the sample of the survey is reasonably representative of the population with respect to the size of firms.

Figure 6-1 Firm size grouped by number of employees (n = 95)

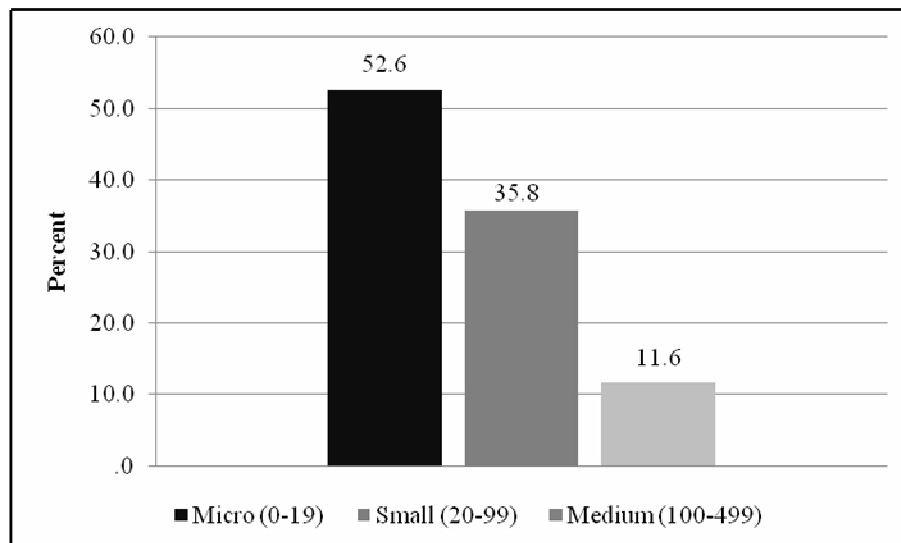


Table 6-8 presents the average **production capacity** in accordance with firms' size. It shows that on average micro firms produce 5.3 thousand pieces/month, small firms produce 31.7 thousand pieces/month, and medium firms produce 68.8 thousand

³¹ Micro firms: 0-19 employees; small firms: 20-99 employees; medium firms 100-499 employees.

pieces/month. Considering that there is still substantial variance of production capacity among firms in each group, the findings indicate that some firms in the clothing industry of Paraná might have strategically chosen to remain small in terms of number of employees and accordingly to have outsourced some production.

Table 6-8 Firm size and production capacity

Firm Size (no. of employees)	n	Mean	Std. Deviation	Median	Min.	Max.
Micro (0-19)	45	5,364.44	7,596.14	2,500	400	30,000
Small (20-99)	32	31,782.50	50,762.39	10,000	40	250,000
Medium (100-499)	11	68,000.00	52,153.61	45,000	8,000	150,000
Total	88	22,800.45	41,294.51	5,500	40	250,000

Firm age addresses the extent of a firm's experience and tradition in the industry. Table 6-7 previously showed that SMEs in the clothing industry have an average age of 11 years and that their age structure is relatively homogeneous (SD = 7.57). Table 6-9 shows the three categories of firm size and the period when firms were founded. It reveals that most firms in the clothing industry of Paraná (82%) were founded after 1990. This information is relevant since it indicates the historical period in which these firms were founded. Two observations can be drawn from Table 6-9. First, as one could expect, most micro firms (0 to 19 employees) were founded after the year 2000, whereas most of the small- and medium-sized firms were founded during the 1990s. Second, that in general the industry is relatively young.

Table 6-9 Firm size and start-up period

Size Group	Start-Up Date (%)			Total
	< 1990	1990-1999	>= 2000	
Micro (0-19)	7.4	13.8	30.9	52.1
Small (20-99)	6.4	22.3	7.4	36.2
Medium (100-499)	4.3	6.4	1.1	11.7
Total	18.1	42.6	39.4	100.0

6.3.2 Management characteristics

In addition to firms' general characteristics, the survey assessed five of their key managerial characteristics, namely decision makers: (1) prior international experience; (2) knowledge of foreign languages; (3) export intention; (4) education, and (5) age.

Prior international experience considered whether managers had any experience of working abroad or working in international business prior to founding or joining the firm. Table 6-10 shows that prior international experience is not a common characteristic among these SMEs. Only 13.7% of the firms in the sample had managers with prior work experience abroad, and only 11.6% in international trade.

Table 6-10 Decision maker's prior international experience

Prior International Experience	Yes	No	Total %
Work experience abroad	13.7	86.3	100
International trade experience	11.6	88.4	100

Knowledge of foreign languages was evaluated for English, Spanish and 'Other' known language. Table 6-11 shows the average knowledge in each of these alternatives. It indicates that English is better known than Spanish. Knowledge of other languages is not common among decision makers. When considering that the average knowledge of foreign languages is below the mid-point of the scale (1 to 7), the findings suggest that, similar to prior international experience, knowledge of foreign languages is in general low, and represents a resource that is not widely available among decision makers of SMEs in the Paraná clothing industry. This is also evident in the median of the measures.

Table 6-11 Decision maker's knowledge of foreign languages

	n	Mean	SD	Median
Knowledge of English (1-7)	94	3.56	1.99	3.00
Knowledge of Spanish (1-7)	94	2.56	1.78	2.00
Knowledge of Other Foreign Languages (1-7)	94	1.96	1.88	1.00

Export intention was measured as a composite of three variables considering decision makers' interest in exports, likelihood of exporting to new foreign markets in the next three years, and perception of the importance of exports for the firm to achieve its objectives. All indicators were measured on a scale ranging from 1 to 7. Table 6-12 reveals that all results tend to be positioned in the middle of the scale, which suggests that, on average, decision makers are not sure about their interest in, or the probability and importance of, exporting.

Table 6-12 Decision maker's export intention

	n	Mean	SD	Median
Export interest (1-7)	94	4.18	1.97	4.00
Export probability (1-7)	94	3.77	1.84	4.00
Export importance (1-7)	94	4.04	2.03	4.00
Export intention: composite index	94	3.99	1.74	4.00

Focusing on **decision makers' age**, Table 6-13 reveals that decision makers are on average 39 years old. When compared with the average age of their firms, i.e. 11 years, the findings suggest that most owners of SMEs started up their firms in the second half of their 20s.

Table 6-13 Decision maker's age

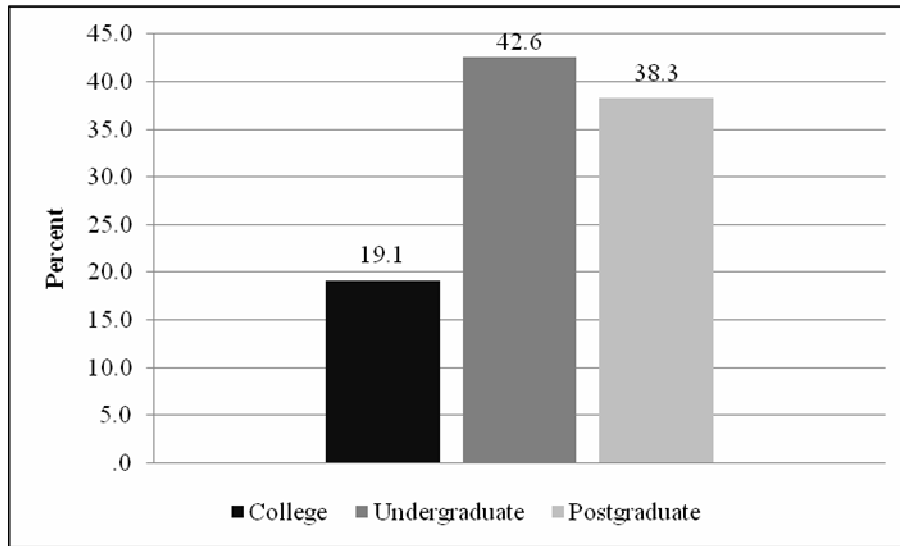
	n	Mean	SD	Median
Decision maker's age	94	39.27	11.19	39.50

Regarding **level of education** the numbers are somewhat surprising. Figure 6-2 shows that about 42.6% of the founders have an undergraduate degree and 38.3% a postgraduate degree. This means that 80.9% of the decision makers in this industry have completed higher education. Only 19.1% of the founders do not have higher education. The 'high school' category was eliminated given lack of frequency.

In summary, the findings presented in this section indicated that with regards to firm-specific characteristics, most SMEs in the Clothing Industry of Paraná are substantially young, have less than 20 employees, and produce on average 5.3 thousand pieces/month. In terms of managerial characteristics, the survey showed that most

decision makers do not have prior international experience, have a low level of knowledge of foreign languages, and are not certain about their intention to export. Finally, it showed that most of firms are owned by mature entrepreneurs of about 39 years of age, and holding a degree from higher education.

Figure 6-2 Decision maker's level of education



The next section presents the results of the investigation considering the relationship and influence of firm and managerial characteristics on a firm's actions with regards to engagement, speed, pace and degree of internationalization.

6.4 THE ROLE OF FIRM AND MANAGEMENT

CHARACTERISTICS IN INTERNATIONALIZATION

Section 6.2 indicated that SMEs in the clothing industry of Paraná have taken different courses of action towards internationalization. This section presents the results of the analysis which explored the relationship and influence of firm and managerial characteristic on internationalization.

6.4.1 Propensity to internationalize

The first attempt to investigate the role of firm and managerial characteristics in internationalization considered whether domestic and internationalized firms – i.e. those that engaged in foreign operations – could be distinguished in terms of the variables investigated.

Table 6-14 presents the general characteristics of firms in each group and the statistical tests regarding the significance of their differences. The results indicate that significant differences at the level of $p < 0.05$ can be found for: firm size, manager's prior international experience, knowledge of foreign languages and export intention. It indicates that firms that engaged in cross-border operations are significantly larger, have decision makers with greater knowledge of foreign languages, and export intention and more often will have prior international experience. Differences were not significant for production capacity, firm age, or founder's education and age.

Table 6-14 Differences between domestic and internationalized firms

Characteristics	Domestic (n=57)		Internationalized (n=38)		Test Statistics	p-value
	Mean	SD	Mean	SD		
Firm Specific						
Size (No. of Employees) ¹	22.84	26.22	80.37	126.33	a) -2.28	0.026
Production Cap. (Pcs/Month) ¹	13,989.23	21836.18	35,527.78	57,113.72	a) -1.40	0.166
Age (Years)	10.71	7.33	13.18	7.77	a) -1.56	0.121
Management Specific						
Prior Int. Experience (0/1)	0.12	-	0.28	-	b) 4.12	0.042
Know. of F. Languages (1-7)	2.35	1.38	3.27	1.36	a) -3.18	0.002
Export Intention (1-7)	3.65	1.84	4.52	1.45	a) -2.53	0.013
Founder's Education						
College (0/1)	0.22	-	0.13	-	b) 1.38	0.240
Undergraduate (0/1)	0.40	-	0.44	-	b) 0.18	0.671
Postgraduate (0/1)	0.35	-	0.42	-	b) 0.47	0.490
Founder's Age	38.42	11.87	40.52	10.13	a) -0.89	0.375

Notes: ⁽¹⁾ Test performed based on the Ln transformation value. Test Statistics: a) t-Test; b) χ^2 .

It is interesting to note that despite the significant difference in size between domestic and internationalized firms, there is no statistically significant difference in terms of production capacity. This is intriguing when considering that firm size and production capacity are expected to be correlated. Indeed, though moderate, there is a correlation between size and production capacity ($r = 0.68$, $p < 0.01$). Furthermore, the

average production capacity of internationalized firms is more than double the production capacity of domestic firms. Nevertheless, the insignificance of production capacity can be understood when considering the substantial variance in this variable. The standard deviation of firms' average production capacity suggests that there are firms with similar production capacity in both groups. The fact that internationally-experienced firms have significantly more employees than domestic firms, but not necessarily higher production capacity, suggests that engaging in international business activities might be related to the increase of the internal structure of the firm, and not necessarily to volumes of production capacity. Alternatively, the possibility of outsourcing production offers a plausible explanation for why in both groups there are firms with similar production capacity but significantly different numbers of employees.

To further investigate the role and extent of the influence of relevant resources on firms' propensity to engage in foreign operations, a multivariate binary logistic regression analysis was conducted. In this analysis, internationalized firms correspond to 1 (y), and domestic firms to 0. The analysis tested the influence of variables (x) on whether or not firms engage in international business. The analysis estimates the odds ratio that reflects the extent of the impact of x on y.

An important question in multivariate logistic regression analysis deals with what variables should be included in the model. Hosmer and Lemeshow (2000) argue that the criteria for including variables in a logistic regression model vary among different problems. The underlying rationale is for seeking the most parsimonious model that still explains the data. They argue that univariate analysis, like the one presented in Table 6-14, is an important starting point. They maintain that alongside all variables of known scientific importance, any variable whose univariate test has a p-value < 0.25 is a candidate for the multivariate model. Under this criterion, seven variables should be included in the regression model, namely: firm size, production capacity, firm age, prior international experience, knowledge of foreign languages, export intention and college education. However, if considering the adequacy of the overall sample size and group numbers, fitting all variables in the model seemed not to be appropriate³². Therefore, a smaller model was deemed more suitable. Instead of

³² For the sake of verification, a multivariate model fitting all seven variables was tested but, as expected, was found numerically unstable and not significant at the level of $p < 0.05$.

selecting variables at the significance level of $p < 0.25$, which would include many variables of questionable importance and would prove to be disadvantageous and not adequate for the sample size; a more restrictive level of significance was used as the criterion for inclusion, namely $p < 0.1$. Under this criterion four variables were chosen to be included in the model: firm size, prior international experience, knowledge of foreign languages and export intention. The results are reported in Table 6-15. It includes the estimated slope coefficients, standard errors, Wald tests, odds ratio of effects, and 95% confidence interval of ExpB.

The model is significant at the level of $p < 0.01$ and correctly classified 70% of the firms. The analysis shows that firm size is the only significant variable at the level of $p < 0.05$ and hence the best predictor of engagement in cross-border operations. The model indicates that an increase in one (Ln) unit of firm size increases the odds ratio of a firm engaging in international business to 63% (ExpB = 1.63).

Table 6-15 Propensity to engage in foreign operations (n=95)

	Coeff.	S.E.	Wald	Sig.	Exp(B)	95% CI
<i>Constant</i>	-4.03	1.06	14.36	0.000	0.01	
Variables Included						
Firm Size (Ln)	0.49	0.19	6.63	0.010	1.63	(1.12, 2.37)
International Experience (0/1)	0.62	0.66	0.89	0.345	1.87	(0.50, 6.91)
Knowledge of F. Languages (1-7)	0.29	0.20	2.13	0.144	1.34	(0.90, 1.98)
Export Intention (1-7)	0.29	0.15	3.77	0.052	1.34	(0.99, 1.82)
- 2 Log Likelihood	105.635					
Chi-Square	19.381***					
Pseudo-R ² (Nagelkerke)	0.254					
Correctly Classified:	69.9%					

Notes: *10% Significance Level. **5% Significance Level. ***1% Significance Level. Reference group is domestic firms.

Export intention was found to be statistically significant at the level of approximately $p = 0.05$ which suggest an interesting result to be interpreted with some caution. If one accepts the influence of export intention, the findings suggest that it positively influences engagement in cross-border operations in conjunction with size. Moreover, the model indicates that an increase of one unit of export intention increases the odds ratio of a firm's engaging in cross-border operations by 34% (ExpB = 1.34). However, the lower significance level suggests that this relationship could have occurred by chance.

The analysis also shows that although theoretically relevant, the influence of prior international experience is not significant for engagement in foreign operations. This seems, to a great extent, to be related to the fact that prior international experience is not a widely available resource in the Paraná clothing industry. As observed earlier, less than 20% of the firms in the sample have managers with prior international experience. Moreover, this result suggests that most firms that engaged in international business in the Clothing Industry of Paraná did so in the absence of prior international experience.

In short, although not saying much about internationalization, the analysis indicates that an **increase in firm size and possibly in export orientation increases the propensity of SMEs to engage in foreign operations**. The next section moves one step further and considers the influence of firm and managerial characteristics on the pace of firms' internationalization.

6.4.2 Propensity to early internationalization

The second attempt to investigate the relationship and influence of firm and managerial characteristics on internationalization considered the speed of a firm's engagement in cross-border operations. In particular, the analysis focused on the rapidity of the first engagement in foreign operations and was based on the distinction between early and late internationalizers. Table 6-16 presents the firm and managerial characteristics of SMEs in each of these groups, and the statistical tests regarding the significance of differences between them. In order to avoid sampling bias, firms that have not engaged in cross-border operations, i.e. domestic firms, were included in the analysis as a control group.

Table 6-16 Differences between domestic, early and late internationalizers

Resources	Domestic (n = 57)		Late Int. (n=22)		Fast Int. (n=16)		Test Statistics	p-value
	Mean	SD	Mean	SD	Mean	SD		
Firm Specific								
Size (No. of Employees) ¹	22.84	26.22	95.14	126.36	60.06	127.49	a) 7.11	0.001
Production Capacity (Pcs/Month) ¹	13989.23	21836.180	26842.86	43245.735	47686.67	72192.104	a) 1.11	0.333
Age (Years)	10.71	7.33	17.36	7.10	7.43	4.27	a) 11.16	0.000
Management Specific								
Prior International Experience (0/1)	0.12	-	0.09	-	0.62	-	b) 21.82	0.000
Knowledge of Foreign Languages (1-7)	2.35	1.38	2.84	0.87	3.85	1.70	a) 7.89	0.001
Founder's Education								
College (0/1)	0.22	-	0.13	-	0.12	-	b) 1.39	0.499
Undergraduate (0/1)	0.40	-	0.45	-	0.43	-	b) 0.19	0.909
Postgraduate (0/1)	0.35	-	0.40	-	0.43	-	b) 0.50	0.775
Founder's Age	38.42	11.87489	41.95	10.12	38.56	10.13	a) 0.82	0.444
Export Intention (1-7)	3.65	1.84731	4.01	1.50	5.18	1.09	a) 5.24	0.007

Notes: ⁽¹⁾Test performed based on the Ln transformation value. Test Statistics: a) ANOVA; b) Pearson χ^2 .

The results demonstrate that significant differences between groups can be found for: firm size, firm age, decision makers' prior international experience, knowledge of foreign languages and export intention. Differences regarding production capacity and founder's education were not significant. In order to clearly identify differences between groups and test the extent of the influence of relevant firm and managerial characteristics on early internationalization, univariate³³ multinomial logistic regression models were developed. All variables found significant at the level of $p < 0.1$ were selected to be fitted in the analysis, namely: firm size, age, prior international experience, knowledge of foreign languages and export intention. In order to visualize differences and clearly discriminate difference between groups, the same model was run twice using alternating groups as a reference category. Table 6-17 presents the results of this analysis.

The analysis indicates that there are significant differences between early internationalizers and domestic firms in terms of decision makers' prior international experience, knowledge of foreign languages and export intention. The analysis suggests that prior international experience is particularly relevant in speeding up internationalization. Namely, it increases the odds ratio of a firm taking an early approach to international business engagement by 11 times ($\text{ExpB} = 11.90$). The role of knowledge of foreign languages and export intention is more modest. The analysis shows that the increase of each unit of decision makers' knowledge of foreign languages increases the odds ratio of early engagement in foreign operations by 2 times ($\text{Exp B} = 2.06$) and that the increase of each unit in the scale of export intention increases the odds ratio of early internationalization by 1.8 times ($\text{Exp B} = 1.80$). These results lead to the conclusion that prior international experience, knowledge of foreign languages and export intention are particularly relevant in speeding up engagement in foreign operations.

³³ The sample size was not adequate for fitting the five variables in a multivariate model. Hosmer and Lemeshow (2000) recommend a minimum of 10 cases per independent variable in the smallest group of a logistic regression analysis. Therefore, the analysis was conducted including one variable at a time. It implies that the magnitude of the effect of each variable should be taken with care since they do not control other variables simultaneously, and therefore should be probed in future research.

The analysis also shows that differences regarding size and age are not significant between domestic and fast internationalizers. This is particularly interesting when considering that in the previous section the findings suggested that firm size positively influences engagement in foreign operation. Here they indicate that firm size may not be a necessary requirement or barrier to international business engagement. Put differently, the results suggest that the size of firms that were fast internationalizers is not significantly different from the size of domestic ones.

The analysis also demonstrates that early internationalizers are distinguished from late internationalizers in terms of size, age, prior experience, and export intention. Specifically, late internationalizers are likely to be older, larger, have lower incidence of decision makers with prior international experience, and lower intention to export.

Overall these results corroborate the conclusion that older and larger firms, whose decision makers have no prior international experience, lower knowledge of foreign languages and export intention, are likely to internationalize later. The role of age is interesting when considering differences between early and late internationalizers. Considering the significance of this difference in the light of the analysis presented in section 6.2.2, it should be noted that most firms that engaged in cross-border operations within less than five years from inception were founded at the end of the 1990s and beginning of the 2000s, whilst most firms that engaged in international business late were founded at the end of the 1980s and beginning of the 1990s. This indicates that there is about one decade of difference in the inception of these firms. This recognition suggests that perhaps more important than the actual age of the firm is the period when firms were founded, and particularly the characteristics of the environment in those epochs, and how they might influence the speed of internationalization³⁴.

In short, the findings exposed here support the conclusion that prior international experience, knowledge of foreign languages, export intention, firm age or the epoch when firms were founded, and firm size have a significant role in the speed by which SMEs engage in foreign operations.

³⁴ It must be noted that there are significant institutional differences in Brazil before and after the mid 1990s (Seifert and Machado-Da-Silva, 2007).

Table 6-17 Propensity to early internationalization (n = 95)

Variable/Group	Coeff.	S.E.	Wald	Sig.	Exp(B)	95% CI	-2 Log Likelihood	Chi-Square	Pseudo-R ² (Nagelkerke)
Reference Category: Domestic									
Firm size (Ln)									
Late internationalizer	0.72	0.22	10.33	0.001	2.05	(1.32, 3.19)	123.68	13.36***	0.15
Fast internationalizer	0.00	0.22	0.00	0.984	1.00	(0.64, 1.56)			
Firm age									
Late internationalizer	0.12	0.03	10.16	0.001	1.13	(1.050, 1.22)	89.27	19.64***	0.22
Fast internationalizer	-0.08	0.05	3.00	0.083	0.91	(0.82, 1.01)			
Prior int. experience									
Late internationalizer	-0.33	0.84	0.15	0.690	0.71	(0.13 3.73)	13.86	18.01***	0.20
Fast internationalizer	2.47	0.65	14.28	0.000	11.90	(3.29 43.01)			
Know. of F. Languages (1-7)									
Late internationalizer	0.29	0.19	2.34	0.126	1.34	(0.92 1.96)	76.78	13.42***	0.15
Fast internationalizer	0.72	0.21	11.37	0.001	2.06	(1.35 3.14)			
Export Intention (1-7)									
Late internationalizer	0.12	0.15	0.69	0.405	1.13	(0.84 1.52)	76.02	10.50***	0.12
Fast internationalizer	0.59	0.20	8.49	0.004	1.80	(1.21 2.69)			
Reference Category: Fast. Int.									
Firm size (Ln)									
Domestic	-0.00	0.22	0.00	0.984	0.99	(0.63 1.55)	†	†	†
Late internationalizer	0.71	0.28	6.50	0.011	2.04	(1.18 3.55)			
Firm age									
Domestic	0.08	0.05	3.00	0.083	1.09	(0.98 1.20)	†	†	†
Late internationalizer	0.21	0.06	12.62	0.000	1.23	(1.10 1.39)			
Prior int. experience									
Domestic	-2.47	0.65	14.28	0.000	0.08	(0.02 0.30)	†	†	†
Late internationalizer	-2.81	0.90	9.69	0.002	0.06	(0.01 0.35)			
Know. of F. Languages (1-7)									
Domestic	-0.72	0.21	11.37	0.001	0.48	(0.31 0.73)	†	†	†
Late internationalizer	-0.42	0.22	3.61	0.057	0.65	(0.41 1.01)			
Export Intention (1-7)									
Domestic	-0.59	0.20	8.49	0.004	0.55	(0.37 0.82)	†	†	†
Late internationalizer	-0.46	0.22	4.31	0.038	0.62	(0.40 0.97)			

Notes: *10% Significance Level. **5% Significance Level. ***1% Significance Level. † Idem. Domestic firms n = 57. Late internationalizer n = 22. Fast internationalizers n = 16.

6.4.3 Propensity to active internationalization

An important aspect of internationalization is whether it progresses at an occasional or active pace. Table 6-18 presents the firm and managerial characteristics of the firms classified in each of these groups. Domestic firms are included in the analysis as a control group. The table further presents the statistical tests where differences between groups are significant.

The statistical tests indicate that at the level of $p < 0.05$ significant differences can be found for decision makers' prior international experience and knowledge of foreign languages. Firm size is significant only at the level of $p < 0.1$, together with decision makers' intention to export. In order to clearly identify differences and evaluate the extent to which these variables influence the pace of internationalization, these variables were investigated through univariate multinomial logistic regression models³⁵. Each model, which included only one variable, was run twice with different reference categories (domestic and active). This was done in order to clearly recognize differences between groups. The results are presented in Table 6-19.

The findings indicate that, in relation to domestic firms, knowledge of foreign languages, prior international experience and firm size have significant influence on active internationalization. The results suggest that in relation to domestic firms, active internationalizers are likely to have decision makers with a higher knowledge of foreign languages, more often have managers with prior international experience and have firms that are larger in size. The influence of export intention was found to be insignificant in the analysis of pace of internationalization.

³⁵ Multivariate regression was not suitable given the low ratio adequacy between sample size and variables to be used to test the model.

Table 6-18 Firm and managerial characteristics and the pace of internationalization

Firm characteristics	Domestic (n=57)		Occasional (n=20)		Active (n=18)		Test Statistics	p value
	Mean	SD	Mean	SD	Mean	SD		
Firm Specific								
Size (No. of Employees) ¹	22.84	26.22	48.05	66.238	116.28	165.04	a) 3.08	0.051
Production Capacity (Pcs/Month) ^{1,2}	13989.23	21836.18	29215.79	62915.13	42582.35	50816.17	a) 1.25	0.289
Age (Years)	10.71	7.33	13.45	7.20	12.88	8.56	a) 1.23	0.295
Management Specific								
Prior International Experience (0/1)	0.12	-	0.20	-	0.44	-	b) 8.84	0.012
Knowledge of For. Languages (1-7)	2.35	1.38	2.96	1.34	3.61	1.34	a) 6.18	0.003
Intention to Export (1-7)	3.65	1.84	4.50	1.31	4.53	1.62	a) 2.87	0.061
Founder's Education								
College (0/1)	0.22	-	0.10	-	0.16	-	b) 1.66	0.437
Undergraduate (0/1)	0.40	-	0.40	-	0.50	-	b) 0.56	0.753
Postgraduate (0/1)	0.35	-	0.50	-	0.33	-	b) 1.59	0.450
Founder's Age (Years)	38.42	11.87	41.40	8.29	39.55	12.02	a) 0.52	0.596

Notes: ⁽¹⁾ Test performed based on the Ln transformation value. Test Statistics: a) ANOVA; b) Pearson χ^2 .

Table 6-19 Propensity to active internationalization (n = 95)

Variable/Group	Coeff.	S.E.	Wald	Sig.	Exp(B)	95% CI	-2 Log Likelihood	Chi-Square	Pseudo-R ² (Nagelkerke)
Reference group: Domestic firms									
Firm Size (Ln)									
Occasional	0.34	0.20	2.97	0.085	1.41	(0.95, 2.10)	130.39	6.11**	0.07
Active	0.44	0.21	4.34	0.037	1.55	(1.02 2.36)			
International Experience (1/0)									
Occasional	0.58	0.68	0.70	0.400	1.78	(0.46 6.89)	14.58	7.86**	0.09
Active	1.74	0.62	7.83	0.005	5.71	(1.68 19.36)			
Knowledge of F. Languages (1-7)									
Occasional	0.34	0.19	3.17	0.075	1.41	(0.96 2.07)	78.30	11.15***	0.13
Active	0.61	0.20	9.41	0.002	1.85	(1.25 2.75)			
Export Intention (1-7)									
Occasional	0.29	0.16	3.341	0.068	1.345	(0.97 1.84)	82.25	5.73*	0.07
Active	0.30	0.16	3.414	0.065	1.359	(0.98 1.88)			
Reference category: Active int.									
Firm Size (Ln)									
Domestic	-0.44	0.21	4.34	0.037	0.64	(0.42 0.97)	†	†	†
Occasional	-0.09	0.24	0.15	0.698	0.91	(0.56 1.46)			
International Experience (1/0)									
Domestic	-1.74	0.62	7.83	0.005	0.17	(0.05 0.59)	†	†	†
Occasional	-1.16	0.73	2.51	0.113	0.31	(0.07 1.31)			
Knowledge of F. Languages (1-7)									
Domestic	-0.61	0.20	9.41	0.002	0.53	(0.36 0.80)	†	†	†
Occasional	-0.27	0.21	1.57	0.210	0.76	(0.50 1.16)			
Export Intention (1-7)									
Domestic	-0.30	0.16	3.41	0.065	0.73	(0.53 1.01)	†	†	†
Occasional	-.010	0.19	0.00	0.958	0.99	(0.67 1.46)			

Notes: †Reference group is Domestic firms. *10% Significance Level. **5% Significance Level. ***1% Significance Level. † Idem

The findings also indicate that none of the predictor variables could distinguish active from occasional internationalizers. They suggest that the firm and managerial characteristics investigated are unable to predict active internationalization once firms have, at least once, established a foreign operation. When account is taken that there are also non-significant differences ($p < 0.05$) between domestic and occasional internationalizers, the analysis suggests that active internationalization may not necessarily be a function of firm and managerial characteristics, though some trends in that direction exist. Put differently, the results suggest that there is much space for idiosyncrasy, and no definitive conclusion can be made. Ultimately, these inconclusive findings indicate that whether firms take an active or occasional pace of internationalization can be indeed a matter of choice.

6.4.4 Propensity to high degree of internationalization

A final step in the analysis considered firms' degree of internationalization. In order to explore whether firm and managerial characteristics were related to the propensity of SMEs taking a high or low degree of internationalization, they were classified into two groups and systematically compared with domestic and occasional internationalizers. It should be noted that the distinction between high and low degree of internationalization applies only to active internationalizers.

Table 6-20 presents the characteristics of active internationalizers distinguished in terms of their degree of internationalization and compared with domestic and occasional internationalizers. The statistical tests considering whether these differences are significant show that at the level of $p < 0.05$ there is significant difference among groups for: prior international experience, knowledge of foreign languages, and export intention.

Table 6-20 Resource characteristics and differences among firms with different courses of action towards internationalization

Resources	Domestic (n=57)		Occasional (n=20)		Low DOI (n=10)		High DOI (N=8)		Test Stat	p
	M	SD	M	SD	M	SD	M	SD		
Firm Specific										
Size (No. of Employees) ¹	22.84	26.22	48.05	66.23	96.70	117.72	140.75	217.36	a) 2.06	0.110
Production Capacity (Pcs/Month) ^{1, 2}	13.98	21.83	29.21	62.91	34.82	49.72	51.31	53.95	a) 0.91	0.437
Age (Years)	10.71	7.33	13.45	7.20	15.40	8.05	8.61	3.04	a) 1.68	0.177
Management Specific										
Prior International Experience (0/1) ³	0.12	-	0.20	-	0.50	-	0.37	-	b) 8.15	0.043
Knowledge of For. Languages (1-7)	2.35	1.38	2.96	1.34	3.03	0.74	4.33	1.62	a) 5.65	0.001
Export intention (1-7)	3.65	1.84	4.50	1.31	3.86	1.70	5.37	1.11	a) 3.15	0.029
Founder's Education										
College (0/1)	0.22	-	0.10	-	0.20	-	0.12	-	b) 1.987	0.575
Undergraduate (0/1)	0.40	-	0.40	-	0.40	-	0.62	-	b) 1.47	0.689
Postgraduate (0/1)	0.35	-	0.50	-	0.40	-	0.25	-	b) 2.02	0.568
Founder's Age (Years)	38.42	11.87	41.40	8.29	43.80	12.55	34.25	9.51	a) 1.45	0.234

Notes: ⁽¹⁾Test performed based on the Ln transformation value. ⁽²⁾Thousand. ⁽³⁾Proportion of occurrence/Total. Test Statistics: a) ANOVA; b) Likelihood Ratio χ^2

To further investigate differences between groups, as well as the impact of these variables, several multinomial logistic regression models were analysed. Again, considering the small sample size, it was not appropriate to include all variables in each model. Alternatively, univariate models were used, i.e. one for each significant variable identified. It is worth noting that firm size, although not meeting the criteria for being included in the regression analysis, was also included in the analysis given the fact that its role has been acknowledged in the specialized literature and also observed in previous sections in this study. In order to clearly visualize and discriminate differences between groups, each model was run twice alternating 'domestic' and 'high degree of internationalization' as reference groups. In so doing, it was possible to systematically compare the four groups and investigate their differences. Table 6-21 and Table 6-22 present the results of these analyses.

The results indicate that two variables have significant influence at the level of $p < 0.05$ in predicting high degree of internationalization in relation to domestic firms, namely: knowledge of foreign languages and export intention. The results suggest that an increase of one unit in the scale of decision makers' knowledge of foreign languages increases the odds ratio of a firm having high degree of internationalization by 2.48 times. In addition, an increase of one unit of decision makers' intention to export increases the odds ratio of a firm having high degree of internationalization by 1.98 times ($\text{ExpB} = 1.98$)³⁶. These findings corroborate the conclusion that, in relation to domestic firms, degree of internationalization is positively influenced by knowledge of foreign languages and export intention

Firm size and prior international experience were found not to be significant predictors of high degree of internationalization. The fact that firm size is not associated with higher degree of internationalization is somewhat surprising: although it significantly predicted engagement in cross-border operations and active internationalization in relation to domestic firms, it does not predict a high degree of internationalization. In other words, these results suggest that firms with a high degree of internationalization are of a similar size to that of domestic firms. These findings support the conclusion that firm size should not be seen as a requirement for

³⁶ It must be noted that the extent of the variables' influences refer to univariate regression models and therefore are not controlled for other variables given the small sample size.

internationalization. Moreover, they highlight SMEs' idiosyncrasies in internationalization and the fact that it cannot be comprehensively explained in terms of firm and managerial characteristics. Ultimately, they highlight that strategic choice also plays a relevant role in a firm's degree of internationalization.

The fact that prior international experience does not have significant influence over a firm's degree of internationalization can be understood on the basis that, as noted earlier, it is not a common resource in the industry. In other words, the analysis indicates that firms with higher degree of internationalization have taken this course of action regardless of their decision maker's lack of prior international experience.

Table 6-22 also shows that none of the variables investigated could clearly distinguish firms with a high and low degree of internationalization. This means that none of the firm and managerial characteristics investigated could predict the degree of internationalization once firms have, at least once, engaged in foreign operation. These findings suggest that SMEs sharing similar firm and managerial characteristics can be found in both groups. Moreover, they indicate that beyond firm and managerial characteristics, degree of internationalization is likely to be influenced by the decision maker's strategic choice.

The next section summarizes the main findings of the survey research.

Table 6-21 Propensity to high degree of internationalization: reference group domestic firms (n = 95)

Variable/Group	Coeff.	S.E.	Wald	Sig.	Exp(B)	95% CI	-2 Log Likelihood	Chi-Square	Pseudo-R ² (Nagelkerke)
Reference group: Domestic									
Firm Size (Ln)							159.84	6.20	0.07
Occasional	0.35	0.20	2.97	0.085	1.41	(0.95, 2.11)			
Low DOI	0.49	0.26	3.41	0.064	1.63	(0.97, 2.75)			
High DOI	0.38	0.28	1.76	0.184	1.46	(0.83, 2.58)			
International Experience (1/0)							28.06	8.15**	0.09
Occasional	0.58	0.68	0.70	0.400	1.78	(0.46, 6.89)			
Low DOI	1.96	0.75	6.86	0.009	7.14	(1.64, 31.08)			
High DOI	1.45	0.83	3.04	0.081	4.28	(0.83, 21.99)			
Knowledge of F. Languages (1-7)							107.02	14.09***	0.15
Occasional	0.35	0.19	3.23	0.072	1.42	(0.96, 2.10)			
Low DOI	0.38	0.25	2.40	0.121	1.47	(0.90, 2.40)			
High DOI	0.91	0.27	10.83	0.001	2.48	(1.44, 4.27)			
Export Intention (1-7)							109.95	9.64**	0.11
Occasional	0.30	0.16	3.40	0.065	1.35	(0.98, 1.87)			
Low DOI	0.07	0.20	0.13	0.715	1.07	(0.72, 1.60)			
High DOI	0.68	0.28	5.85	0.015	1.98	(1.13, 3.45)			

Notes: *10% Significance Level. **5% Significance Level. ***1% Significance Level.

Table 6-22 Propensity to high degree of internationalization: reference group high degree of internationalization (n = 95)

Variable/Group	Coeff.	S.E.	Wald	Sig.	Exp(B)	95% CI	-2 Log Likelihood	Chi-Square	Pseudo-R ² (Nagelkerke)
Reference group: high DOI									
Firm Size (Ln)							159.84	6.20	0.07
Domestic	-0.38	0.28	1.76	0.184	0.68	(0.38, 1.20)			
Occasional	-0.03	0.31	0.01	0.912	0.96	(0.52, 1.78)			
Low DOI	0.10	0.35	0.09	0.761	1.11	(0.55, 2.23)			
International Experience (1/0)							28.06	8.15**	0.09
Domestic	-1.45	0.83	3.04	0.081	0.23	(0.04, 1.19)			
Occasional	-0.87	0.92	0.90	0.341	0.41	(0.06, 2.52)			
Low DOI	0.51	0.96	0.28	0.597	1.66	(0.25, 11.07)			
Knowledge of F. Languages (1-7)							107.02	14.09***	0.15
Domestic	-0.91	0.27	10.83	0.001	0.40	(0.23, 0.69)			
Occasional	-0.55	0.28	3.88	0.049	0.57	(0.33, 0.99)			
Low DOI	-0.52	0.31	2.70	0.100	0.59	(0.31, 1.10)			
Export Intention (1-7)							109.95	9.64**	0.11
Domestic	-0.68	0.28	5.85	0.015	0.50	(0.29, 0.87)			
Occasional	-0.38	0.29	1.61	0.203	0.68	(0.38, 1.22)			
Low DOI	-0.61	0.32	3.46	0.063	0.54	(0.28, 1.03)			

Notes: *10% Significance Level. **5% Significance Level. ***1% Significance Level.

6.5 SUMMARY

This chapter presented the results of the quantitative analysis of the survey data including: (1) the international involvement of SMEs in the clothing industry of Paraná with particular emphasis on engagement in different modes of foreign operation, speed, pace, and degree of internationalization; (2) their firm and managerial characteristics; and (3) the influence of firm and managerial characteristic on internationalization.

The chapter demonstrated that there is a dominant orientation towards domestic operations among SMEs in the Paraná clothing industry. Overall, 60% of the firms have never engaged in foreign trade and investment operations. Alternatively, about 40% of the firms have. The international experience of these firms is mainly focused on outward trade operations, with particular emphasis on export activities. Only two firms in the sample had experience of foreign direct investment operations. When considering SMEs that engaged in foreign operations, the findings indicated that most of them did so for the first time after the year 2000. It demonstrated that in the Paraná clothing industry, overall internationalization is a recent occurrence.

The analysis also indicated that most firms engaged in cross-border operations only after a period of purely domestic operations. Nevertheless, it also showed that some of them, though in lower numbers, engaged in cross-border operations in a much faster way; in some cases in the first year of operation. Regarding the pace of internationalization, the results showed that only 18% of the firms in the sample were active internationalizers. This number is less than half of those that engaged in cross-border operations. These firms were distinguished in terms of high and low degree of internationalization. Firms with a low degree of internationalization were noted to export on average 2.4% of their total sales, usually to one country and one strategic partner. They neither imported nor had employees working with international business activities. SMEs with a high degree of internationalization export on average 15.5% of their total sales and import about 3.5% of their total procurement. International business operations encompassed about six strategic partners and activities in about 4 different countries. Most of them do not have employees working more than 50% of their time in foreign operations.

Regarding firm and managerial characteristics the findings show that firms are relatively young and have on average 11 years of operation in the Paraná clothing industry. Most of them were founded during the 1990s. In terms of size (by number of employees), most firms were found to be micro and small (88%), i.e. have less than 99 employees. Though the average production capacity of firms in the sample is 22.8 thousand pieces per month, it varies substantially both across and within different group sizes. Micro firms were found to produce on average 5.3 thousand pieces/month; small firms 31.7 thousand/month, and medium firms 68 thousand pieces/month. The variance in terms of production capacity suggests that firms may rely on different structures of production by outsourcing all or part of their production.

Concerning managerial characteristics the results indicated that most founders are mature and well-educated. On average they are 39 years old and most of them (82%) hold either an undergraduate or postgraduate degree. Knowledge of foreign languages and prior international experience are relatively scarce resources in the industry. The findings confirmed that English is the language that managers tend to know better, though this knowledge rarely goes beyond the intermediate level. Only 20% of the firms were found to have managers with some sort of prior international experience, either of trading or working abroad. The findings showed that on average decision makers are not certain about their intention to internationalize through export operations.

The chapter further presented the findings considering the relationship and influence of firm and managerial characteristics on internationalization. Specifically, the analysis investigated whether firms manifesting different courses of action regarding internationalization could be differentiated in terms of size, production capacity, firm age, managers' prior international experience, knowledge of foreign languages, education, age and export intention. It also explored the extent that these variables influenced internationalization and the scope of strategic choice in this process.

The results showed that firm size has a relevant role in predicting engagement in foreign operations and taking an active pace of action in this direction. The findings supported the conclusion that SMEs in the Paraná clothing industry are likely to internationalize and take an active course of international action as they grow. Active internationalization was also found to be influenced by prior international experience and knowledge of foreign languages. When considering time issues in

internationalization, the findings indicated that prior international experience, younger age, knowledge of foreign languages, intention to export and smaller size have a significant role in speeding up international involvement. Furthermore, the results showed that in relation to domestic firms, degree of internationalization is positively influenced by knowledge of foreign languages and export intention. Table 6-23 summarises these findings.

Table 6-23 Firm and managerial influences on internationalization

	Propensity to engage in f. operations	Propensity to fast int.	Propensity to active int.	Propensity high degree of int.
Firm size	+	-	+	
Production capacity				
Firm age		-		
Prior int. experience		+	+	
K. of foreign languages		+	+	+
Export intention		+		+
D-M's education				
D-M's age				

However, the findings also indicated that once firms have engaged in a foreign trade or investment operation, none of the variables investigated could significantly predict whether firms would take an occasional or active course of internationalization, or whether they would manifest a low or high degree of internationalization. In other words, the results showed that SMEs manifesting a different pace and degree of internationalization were similar and could not be differentiated in terms of their firm and managerial characteristics. The findings support the conclusion that strategic choice played a relevant role on the course of international action manifested by SMEs in the Paraná clothing industry. In particular, they indicated that SMEs operating in a single industry have taken different courses of action regarding internationalization and that these could not be comprehensively explained by their firm and managerial characteristics. Ultimately, they indicated that much idiosyncrasy among firms sharing similar characteristics (firm, managerial and environmental) exists and that their idiosyncrasy regarding internationalization suggest that strategic choice plays a relevant role in this process.

The next chapters presents the results of the qualitative investigation which was informed by the findings presented here, and, in particular, attempted to understand how decision makers make strategic choices in internationalization.

7. QUALITATIVE FINDINGS I: THE PURPOSES OF INTERNATIONALIZATION

7.1 INTRODUCTION

The findings presented in the last chapter offered an overview of the international involvement of SMEs in the clothing industry of Paraná and their major firm and managerial characteristics. Further, it reported a set of multivariate statistical tests conducted in order to investigate the influence of firm and managerial characteristics on internationalization. Although the analyses indicated that some firm and managerial characteristics can be associated with internationalization, a comprehensive understanding could not be attained by an exclusive focus on such characteristics. Considering that much idiosyncrasy persisted, the results pointed out the scope and the possibility of choice.

In attempting to go beyond the generalities and statistics of the questionnaire analysis, and in particular move forward in understanding the meanings of internationalization – which is the ultimately aim of this thesis – and the interplay of choice, interpretation and rationality, the study focused on a qualitative approach of investigation. The research investigated the understandings that decision makers assign to the purposes and means/conditions of internationalization, and how these understandings might influence rational strategic choices when considering alternative courses of action towards internationalization. This chapter reports part of the findings of this investigation. Specifically, it focuses on the purposes of internationalization as expressed by the decision makers interviewed. The next chapter addresses their understandings regarding the means/conditions of internationalization.

Four main categories of purpose linked to internationalization were identified among decision makers in the clothing industry of Paraná: (1) increasing profits; (2) reducing risk; (3) social recognition; and (4) business development. Each of these categories encompasses different sets of specific purposes. When seen through the lens of increasing of profits, internationalization was interpreted as a means of increasing

sales, the profitability of sales, and reducing costs. In terms of reducing risk, decision makers addressed international involvement as a means of diversifying markets and minimizing a firm's dependency on a single national market for sales and/or inputs. An orientation towards social recognition was evident when internationalization was mentioned as a means of granting social acknowledgement to a firm by providing either differentiation in the domestic market or international acceptance and recognition. Through the lens of business development international involvement was considered as a means for a firm to realize its full potential given the possibility of learning, innovation and technological advance.

The set of purposes informing internationalization presented in this chapter was not recognized to the same degree by all decision makers. Table 7-1 shows the incidence of purposes identified.

Table 7-1 Decision makers' understandings about the purposes of internationalization: frequencies of observation (n = 58)

Purpose	Frequency
1. Increasing sales	49
2. Increasing the profitability of sales	22
3. Reducing production costs	16
4. Reducing risk (diversification)	23
5. Achieving differentiation in the domestic market	30
6. International recognition	18
7. Business development	28

The findings suggest that there are important nuances and differences in the frequency and the scope of the purposes that different respondents attached to internationalization, as well as how they interpreted them when giving meaning to their choices. For instance, the findings show that similar purposes could be used to deny as well as justify positive action towards internationalization and in different ways inform rational strategic choices in that direction. In addition, they show that purposes informing internationalization go beyond profit orientation, and that, for some decision makers, internationalization has meaning beyond conventional engagement in foreign trade and investment operations. The ways decision makers understand the purposes of internationalization and how they might influence strategic choice in this process is

presented and discussed in turn below. In addition, in order to further explore the relationship between understanding regarding purposes and action choices in internationalization, the chapter also reports the results of the quantitative exploration of this relationship. The chapter ends with a summary of the findings.

7.2 INCREASING PROFITS

As reviewed in Chapter 3, increasing profits has been widely recognized in economic literature as a major purpose towards which internationalization is oriented. In many ways the perspective assumes that the pursuit of profits is the central reason driving business activities and sees internationalization as an extension of this. The relationship between internationalization and profit-oriented purposes was found to be widely recognized among decision makers in the Paraná clothing industry.

Here ‘maximizing profits’ refers to a generic category embracing those purposes of internationalization focusing on the growth of a firm’s economic gains or earnings. Three main purposes were included in this category, namely: increasing sales, increasing the profitability of sales, and reducing costs. Each of them is presented in turn.

7.2.1 Increasing sales

Increasing sales was the most frequent understanding given to the purpose of internationalization by SME decision makers in the clothing industry of Paraná (see Table 7-1). This understanding considers internationalization as an outward movement oriented towards the growth of sales beyond the borders of the domestic market. Although it may include foreign trade and investment operations, most decision makers translated it in terms of exports, which is consistent with their experience. As noted in the previous chapter, few of the SMEs have ever engaged in any foreign operations beyond trading activities.

As a means of increasing sales abroad, the usual attraction of internationalization relates to the possibility of overcoming the limits of the domestic market *vis-à-vis* a

firm's pursuit of profits and growth. It might happen, for example, when a firm's production capacity becomes bigger than levels of demand in the domestic market. However, Brazil is not a small or slow-growing domestic market. When recognizing internationalization as a course of action oriented towards increasing sales, several decision makers argued that given the size of the domestic market and the available space to grow, there is neither reason nor immediate need for internationalization. In other words, by interpreting internationalization as a means of increasing sales they justified their choice of focusing on the domestic market. The following statements illustrate this understanding:

Brazil is more than a country, it is a continent. It is more than enough for small firms. You know, most small firms in this industry don't sell beyond the borders of their own state. So why sell abroad? If they want to grow, why not going to Sao Paulo first? That's my case, I haven't put a sales representative in Sao Paulo because if I put one there, I would get so many orders that I wouldn't be able to serve them. (Case 15)

The domestic market is huge and there's lots of room to grow. We are attempting to serve the domestic market and there is still a great deal of profit in it. (Case 19)

For me, Brazil and even my own city is big enough. I don't see any reason to go abroad if I want to increase sales. (Case 45)

Because the national market is big and we cannot serve it, we see no reason to export. (Case 43)

Because the internal market has grown, we haven't had much time to look after foreign operations. (Case 39)

Since 2006 there has been a boom in sales in the domestic market [...] my production capacity is mostly committed to sales in the domestic market [...] I haven't looked after my contacts abroad. (Case 6)

There much space to grow in the domestic market. There are several regions in Brazil that we are not serving. (Case 58)

Questioning of the necessity of selling abroad was, as expected, most common among decision makers with no experience of foreign sales and those whose foreign sales had been only occasional. In addition, on this view, some of the decision makers argued that given the recent growth of sales in the domestic market, they have in fact been forced to put limits on sales in order not to overcome their firm's production capacity. For example:

If you realize that all my production is being sold internally, and that if I decided to increase production I still would sell everything, you can understand that there is no reason to invest in foreign sales... Today if I hadn't put a limit on my sales and orders, I would be selling double what I'm actually selling... I don't see any reason to think about exporting. (Case 12)

Another understanding given to forgo internationalization when interpreting it in terms of increasing sales abroad was that they neither wanted nor expected their firms to grow. Several reasons were given for this view. One was that their business had fulfilled its purpose or was near to doing so. Another was that increasing sales to the point of becoming a large business would demand too much effort and not necessarily provide for a better standard of life. A third reason was that growth would reduce their discretionary time and increase the problems they had to face. As one person said, "big business equals big problems". Some also argued that they had no interest in growing simply for the sake of the greater recognition it might give them. For example:

I don't see any reason for being a big firm. In order to have a good life you have to do what you like and gain what is enough for that. You don't need loads of money or to have a recognized brand. For us, we don't intend to pass from micro to big firm. For us being small is enough. I understand that some people want to be the best and that this is their objective in life. But we have different objectives, we want to live well, do what we like and don't have too many preoccupations. Big firms mean too many preoccupations. Firstly because they need to be well managed since there will be many employees and employees create a lot of work. Secondly, though you can make more profits, you'll also have more costs. For us being small is fine. (Case 51)

I don't have the ambition to own a big firm and have thousands of employees. For me having a firm of about 100 employees is fine. Nowadays we have about 30 employees and I would like to grow a bit more, but not much beyond that. You know, I want to live well and have a good quality of life, have control of my business, and not worry too much about the problems that a big business will bring. (Case 45)

By contrast, some SME decision makers who associated internationalization with increased foreign sales did attach a positive value to this. This is interesting considering the large size of their domestic market. One strand of this interpretation was that their firm was committed to serving customers wherever they are; whether in Brazil or abroad. One said that:

Our mission is to make new clients. It doesn't matter where they are, they can be here or abroad, our mission is to sell to new clients. (Case 42)

A second strand of meaning was expressed by a decision maker in a domestic firm who intended to start exporting in the near future. Despite recognizing the size of the Brazilian market and its capacity to absorb the firm's production, the domestic market was seen to be scattered and fragmented. Therefore, increasing sales in the domestic market was not regarded as an easy task. Moreover, several respondents mentioned that the purchasing power of most clients in the domestic market, such as small stores and boutiques, is small. This means an increase in domestic sales is only possible through increasing the number of clients, which involves greater cost and effort. Going abroad was understood to be a way of increasing sales through accessing clients with greater purchasing power who would order bigger quantities:

Certainly the national market is large enough for the company's production. But it is very scattered and fragmented. Because I sell to small boutiques the orders I get are small. And in Brazil you cannot say that you will only accept orders above R\$ 500.00 [about £170.00]. If I do that, I will not sell. The average order is below that. So, to increase sales you've got to have lots of clients... The idea of selling abroad is to increase production and sales by having clients with higher purchasing power and who could order somewhat bigger quantities. (Case 27)

A third interpretation of internationalization, in which selling abroad was seen as being necessary despite the size of the market, took the view that the firm's product was not suited to the whole country. A consequence of being a large country is that Brazil has regions with different climates and sub-cultures. Clothes produced and sold in the south of Brazil may not be suited to warmer areas in the north or northeast. So, when a company has focused on a specific niche market, selling abroad can be seen as a way of increasing the firm's potential market. Foreign markets in this respect may share more characteristics with the firm's existing markets than is the case with some other parts of the domestic market.

The clothes I make are adapted to the south of Brazil. There is no sense in trying to sell them in the northeast or north of Brazil... My clothes are not adequate for the whole country, if I wanted to do that I would have to adapt the product. (Case 5)

These findings show that increasing sales is an important meaning informing decision makers' action choices in internationalization. In addition, they indicate that

interpretations assigned to such a purpose can be negative or positive in terms of avoiding internationalization as well as acting positively towards it. Characteristics of the domestic environment such as size, saturation, fragmentation, client's purchase power, climate and expectations regarding growth were found to be the most relevant factors that decision makers considered when evaluating the alternative of increasing sales abroad in the pursuit of profits and growth. Overall, the findings suggest that as a means of increasing sales, decision makers see many more reasons for avoiding going abroad than for doing so.

7.2.2 Increasing profitability

Closely related to the understanding that internationalization is about increasing sales, is that it is a course of action that enables an increase in the profitability of sales. This understanding addressed the possibility of selling products abroad at higher prices than those obtainable in the domestic market and/or benefiting from differences in exchange rates. For example:

One of the advantages of selling abroad is that there are some markets where you can make more money than selling in Brazil. You know, you can sell your products at a better price than in Brazil. (Case 7)

I think that if you sell abroad you can make more profit. You can have a better return for your products; especially if the value of the euro or the dollar is higher than the real. If that's the case you can have that difference as a profit for your business. You can get more money for the same product than if you sold it in Brazil. (Case 13)

Decision makers who considered the possibility of increasing profitability by selling abroad often linked it to the favourability of the exchange rate. As illustrated below, some stated that the possibility of increasing profits through a favourable exchange rate had been a significant motivation for them to export at given periods of time:

Our main push to sell abroad was in 2003 and 2004... At that time the exchange rate was very favourable and it was not only my firm that was interested in exporting, there was a group of firms with similar interests... Exporting was fashionable, and there were lots of firms

looking to Brazil in order to buy here, mostly because the exchange rate was advantageous. (Case 53)

We tried to start exporting around 2003 by taking part in a business fair in Las Vegas. We went to that fair for two years running. At that time SEBRAE had a scheme to reduce the cost of participation in such events. They offered to pay part of the flight and registration cost... We thought that because we were producing for ALPHA [disguised name], which is a top brand in Brazil, and because our product was very well accepted here, we could also find customers abroad who would be interested in our products... At that time, the dollar had a high value and exporting seemed a profitable business. Our intention was to produce for a private label abroad, like we used to do in Brazil. (Case 48)

The first time that we exported there was huge exchange rate favourability. International trade was strong and growing. We were participating in a business fair in SP and in that fair we met a firm from Italy to whom we exported for the first time... (Case 16)

However, when exchange rates became less favourable, this could equally offer reasons for withdrawing from exporting or avoiding it:

After these first experiences with exports there was a change in the exchange rate and exporting became unfavourable... (Case 53)

If the exchange rate was more favourable, I would put more time and invest more into exports (Case 16)

We do have interest in exporting again, but it depends on the exchange rate being favourable once more... (Case 29)

These observations suggest that when increasing the profitability of sales is associated with a favourable exchange rate, it is likely to favour an opportunistic action for the firm. In so doing, although on the one hand it could stimulate engagement in foreign sales, on the other, given the swings that usually characterize exchange rates, it also encourages domestic action when not favourable. In due course it offers a plausible explanation for occasional or sporadic international involvement. Permanent or active commitment would otherwise require adding value to sales beyond differences of exchange rate, for example by differentiating products abroad in order to obtain premium prices.

7.2.3 Reducing production costs

The association in decision makers' understandings between internationalization and the purpose of reducing production costs was typically informed by the benefits that this might have for domestic operations through inward internationalization. From this viewpoint, decision makers considered the possibility of importing fabrics, components, and other production materials at lower cost than that of domestic sourcing. For example:

All firms have some basic products that can be produced in China at a lower price... (Case 42)

We have thought about importing in order to get access to raw materials for a better price. (Case 44)

This understanding could extend to the possibility of investing and outsourcing production to countries where production costs are cheaper. On this view, decision makers argued:

There are economic advantages in importing and producing abroad. For instance we have imported materials and components from China, and even outsourced the production of some products we could have outsourced in Brazil... In most cases, producing in China is cheaper than in Brazil but you always have to calculate the costs, fees and taxes of importing. Sometimes, it is not worth it. (Case 24)

Because production costs have increased in Brazil, especially labour costs, we are looking for other countries where the costs of production are lower. At this moment we are studying the possibility of starting up a production facility in Paraguay. (Case 57)

If you consider that costs of production are rising in Brazil and that Chinese products are coming into the market, it is becoming necessary for our firm to look for a cheaper place to produce. (Case 5)

Nevertheless, despite the emphasis on inward internationalization, a further association of internationalization with cost reduction arose from the possibility of benefiting from tax exemptions given by the Brazilian government for exporting firms. For example:

My motivation to engage in foreign sales also comes from the benefits of tax exemptions that you can have when exporting. You pay very little taxes when selling abroad. (Case 34)

Interestingly, although reducing costs has been widely recognized in the international business literature as a major factor influencing internationalization, it was amongst the least frequent categories of meaning informing international involvement (see Table 7-1). Nevertheless, its relevance should not be disregarded, especially when considering how it might influence the choice of location of foreign operations towards countries where production costs are typically cheaper than Brazil.

7.3 REDUCING RISKS

It was not surprising that decision makers recognized internationalization as a means of reducing the risks of being dependent on a single national market for sales and/or inputs. Similarly to internationalization as a means of maximizing profits, reducing risk through market diversification has also been widely recognized in the specialized literature (Hymer, 1976).

Although risk reduction through international diversification can refer to sourcing as well as to foreign sales, every mention of diversification by the SME decision makers referred to outward internationalization in the form of sales abroad. The understandings attached to this varied considerably. Some respondents mentioned the importance of avoiding the risk of operating exclusively in what could be an unstable domestic market. For example:

When we think about selling abroad we think about getting some tranquillity, some stability for the firm... in so doing our intention is to direct about 20% to 30% of our production to external markets... we want to guarantee a certain amount of sales that will pay our fixed costs. (Case 26)

Nowadays you've got to be everywhere because you never know what tomorrow may bring. (Case 42)

Seasonality in clothing sales was another element of instability that exports were understood to help smooth out:

The reason why we attempted to export was in order to reduce problems with seasonality. Our products sell more during winter [which in Brazil is relatively short], and we were looking to reduce our dependence on seasonality. (Case 15)

Selling abroad is particularly important to solve problems related with the seasonality of sales in the domestic market. This is a big issue when you're dependent on only one market. (Case 14)

Exporting was also understood to be a way of diversifying the type of clients on which a company depends:

One of the benefits of selling abroad is that it enables you to diversify your clients. Though the Brazilian market is big, you're restricted in terms of clients. When you enter foreign markets you have more business options. (Case 57)

In addition, it was seen as a way to reduce vulnerability in face of increasing domestic competition:

I realized that competition in adult beachwear was increasing in Brazil. It was then that I decided to adapt our products to international markets. (Case 2)

Although decision makers could identify several reasons for internationalizing as a means of reducing risk, it is interesting to note that inward internationalization was not mentioned as a possible solution to what many respondents said was their biggest problem: a shortage of skilled labour. Many mentioned that this was the biggest constraint on meeting demand, as exemplified below:

A major difficulty we have today is production; we don't have enough labour force to serve our demand in the domestic market. Today demand is bigger than our production capacity... In order to supply this demand we've tried to train people but the difficulty is huge. We cannot find enough seamstresses/tailors. Today, if 10 seamstresses/tailors would come to my firm I would hire them all immediately. They could start working tomorrow. But we haven't, there are not enough people to work in production... (Case 13)

A major constraint for small firms exporting in the clothing industry is the lack of skilled people in the industry... (Case 53)

While inward internationalization is widely mentioned in the literature as a means of overcoming shortages of resources in the domestic market, it was not stressed by decision makers in the clothing Industry of Paraná. None of the respondents stated the possibility of internationalizing as a means of reducing the risks of, for example, labour shortages. There appear to be three possible reasons for this disassociation. The first is that difficulties in the domestic arena are simply taken for granted, so that internationalization as a potential remedy is not considered. Secondly, many decision

makers may regard engaging in foreign supply, or outsourcing production abroad, as beyond their capacity to handle or even outside the norm for their industry (more on this view will be discussed in the following chapter). Thirdly, it is likely that many SME leaders conceived of their businesses primarily from a production point of view, rather than that of brand development. This is likely to encourage them to consider internationalization only in terms of reducing the costs of supply through purchasing abroad or outsourcing, rather than considering in terms of actually employing foreign labour in plants outside Brazil. By contrast, an emphasis on developing a brand would take priority over the location of manufacturing and render the off-shoring of production a sensible alternative.

In conclusion, these findings indicate how under certain understandings strategic choices in internationalization can be biased towards certain directions and modes of foreign operation, while ignoring others.

7.4 SOCIAL RECOGNITION

Social recognition refers to a category of purposes of internationalization encompassing the understanding that international involvement may grant to a firm some sort of public acknowledgement and acceptance of its qualities, status or merits. Put differently, it bounds those purposes that assume that internationalization may award social acceptance and distinction to a firm. Decision makers in the clothing industry of Paraná recognized two major purposes related to social recognition in internationalization, namely achieving differentiation in the domestic market and international recognition or acceptance.

7.4.1 Differentiation in the domestic market

SME decision makers understood internationalization to be a means of providing for differentiation in the domestic market in two ways. One considered the achievement of differentiation through actively undertaking foreign trade and investment. The other consisted in developing an ‘international frame of reference’ informing operations in the

domestic environment. These two ways of internationalization as a means of achieving differentiation in the domestic market are considered in turn.

7.4.1.1 Through engagement in foreign trade and investment

Decision makers argued that selling abroad could differentiate their firms domestically through providing “the status of being an exporter”, or “the glamour of being in Europe”. In these cases, selling abroad was recognized as a way of telling customers in Brazil that the firm’s products had an attraction beyond the domestic market. In general, those interviewed expressed the view that selling abroad calls attention through the credibility of having products that are of recognized international standard, helps to sell to ‘difficult’ clients, and even permits domestic prices to be increased. Moreover, it was recognized as a course of action enabling a firm to rise above its domestic competitors. For example:

Going abroad is a dream... when you say that a firm is exporting you are saying that its products dress well, that they fit well, that the firm has credibility because people abroad want your products... Selling abroad adds so much value to a brand that it can be considered the ultimate happiness for a brand... I would love to put on my website that I’m exporting to the USA, to England or wherever. It doesn’t matter how many pieces I would sell, it could be just 100. If I could get a store [abroad] that would buy 100 pieces I would advertise and profit from that. (Case 19)

Being an exporter generates attention in the internal market. I think it helps you to sell to some difficult customers in Brazil. You know, that’s because if you are a small firm and do not have a big name in the market, exporting can be a plus factor with customers. Exporting gives visibility to the firm and the recognition of not simply being an amateur in the industry. (Case 4)

Everybody that has a firm in Brazil knows that exporting and selling its products abroad is the graduation of their business... it is a certification that it is accepted internationally. (Case 16)

For some decision makers this benefit from internationalization came over and above those of increasing sales, profitability or cost reduction. In fact, some respondents regarded the domestic market differentiation that internationalization provided as a viable basis for action even when foreign sales do not generate profits abroad. As one decision maker said:

In our case, the financial return of exports was not the biggest gain for the firm; rather it helped us to open our minds to other markets and changed the way we see our products. (Case 52)

Commonly, decision makers linked differentiation in the domestic market to a general perception that international buyers have higher requirements for quality than those required in the national market. Selling abroad is therefore interpreted as a way of testifying that a firm's products have reached a higher standard of quality than normal in the domestic market. As one decision maker said:

To sell abroad you have to meet several standards of quality and organization. If you are operating abroad that's because you are better than firms that are not; at least in terms of the quality of your products. So, if one of your customers in Brazil says that your product is too expensive you can say that it is because it is of international quality. That's the value that you add to the firm when you are exporting. When I think about exporting, I think about that. (Case 14)

Some respondents also made the point that internationalization creates differentiation in the domestic market because it requires the development of resources and competences that are usually found among larger firms. The underlying assumption is that firms that are selling abroad have moved beyond the early stages of entrepreneurship and have reached the more mature stage of business development necessary to sell abroad.

The view that there are differentiation benefits from selling abroad was expressed by decision makers in firms which varied in their level of international experience. However, some claimed to have deliberately pursued internationalization since early on in their company's life through a regular and effective commercialization of their products abroad. For example, the following was said by the head of a company that had started to sell abroad during the first year of its operation:

Our last catalogue was completely produced in Europe. The model we used was English, and the place where we made the pictures was a beach in England. Because we have got this European look, everybody in Brazil said 'wow'. Everybody was asking about that... you know, there is glamour in being in Europe... it adds value to your products in Brazil... This was a deliberate strategy and it worked well in Brazil and abroad. (Case 9)

Internationalization as a means of differentiation in the domestic market was found to have a particularly relevant role in the choice of location of foreign sales.

Here, the criteria for choosing or considering alternative locations do not necessarily equate to the economic or psychic distance assumptions contained in conventional theories of internationalization. They can, for instance, involve selling to distant, costly or highly competitive environments because these would offer a distinctive *caché* in the domestic market. Evidence available from the study suggests that choices on the location of foreign sales are likely to be biased towards European countries and/or North America. The SME decision makers tended to take these regions as referents for what they understood by 'abroad', when talking about 'selling abroad'. In so doing, many of them manifested surprise at their own ignorance with regards to the possibility of selling in psychically closer Latin American countries. The following statement illustrates this understanding:

For me, abroad means North America and Europe... (Case 51)

Yes, we talk about Europe and forget about MERCOSUL... I was talking about selling in Europe and almost forgetting that [for example] Paraguay is easier, the market is available by roads, you can dispatch and even get there with your own car if needed, and it's not that far. (Case 12)

My intention is to consolidate our brand in the world of fashion having a store in a big centre of the fashion world such as Paris or Madrid. We are working in that direction and hope to be there in the next three years... This is because in order to create the desire for our products in Brazil, we must be recognized and therefore we must be in one of those places that I've just mentioned. If not, your brand will not grow, it will always be the same... Having a store abroad will enhance our sales domestically because this is how the world of fashion works; Brazilian people recognize that the good Brazilian brands are those that are operating abroad... (Case 8)

Although the link between differentiation in the domestic market and internationalization was mostly understood from an outward perspective, some decision makers also recognized the possibility of attaining differentiation through the procurement of components and/or finished goods abroad. However, unlike the form of differentiation generated by foreign sales, this differentiation was more specific. It was mostly acknowledged in terms of differentiating products in the domestic market. This can be grasped in the statement made by some respondents who had experience with foreign procurement:

We started importing fabrics from Korea that were not available in the domestic market. Since the beginning we have focused on innovation, and developing products that could be differentiated from those of our competitors. (Case 31)

A couple of years ago we imported special fibres from Italy. We imported because we liked the quality and differentials of those fabrics. It was going to give differentiation to our products... (Case 1)

For us, the importance of foreign procurement is because we are always looking for the best material and product available... It enables us to further add value to our products. (Case 24)

7.4.1.2 Through internationalizing the firm's action frame of reference

Some decision makers understood internationalization as a means of achieving differentiation in terms that go beyond conventional ways of understanding this phenomenon. They took the concept beyond the assumption that it involves engagement in foreign trade and investment. In their understanding, differentiation in the domestic market could also be achieved by internationalizing the firm's action frame of reference.

In this instance, decision makers pointed out the possibility of choosing an international context of reference for the actions taken by their firms in the domestic market and regardless of the fact that they may not engage in conventional foreign trade or investment operations. In that direction they pointed out the significance of activities such as travelling abroad, conducting international research, establishing and maintaining an international network, participating in foreign business fairs and exhibitions, recognizing international size and quality standards in production, keeping abreast of international tendencies, and being exposed to international diversity. These activities were seen to be particularly relevant for generating differentiation in the domestic market through enhancement of product development, quality, sizes, design, innovation, communication, and strategic planning. The following are examples of statements by decision makers whose companies mostly sold to the domestic market:

This kind of internationalization is particularly relevant in this industry... Firms that are doing that are those that are getting recognition and differentiation in the market... In my firm we started doing international research about three years ago and the results have been very good. The last time we went abroad I took with me the production manager and the

designer... We stayed ten days in Europe... Of course this is expensive, but this is a cost that can be diluted. What happens is that when you do this research you start believing in the product you're going to develop. You are able to buy the fabrics that you'll need with more anticipation, you buy the right products, and you add value to your product. For example, the average price I used to sell about five years ago was R\$ 30.00. Today, if you add five years of inflation it would be about R\$ 40.00 or R\$ 45.00, but my average price nowadays is R\$ 90.00, which is double. Today my product is not cheap... (Case 12)

This is not only a competitive differential; it is also a strategic differential. When you travel abroad and get in contact with other cultures, other ways of behaviour, you open up your mind... This is very important. You go there and you see different colours, models, what sells and what doesn't, what people use, why they use, how they use... In our firm, I feel that we have changed every year that I've gone abroad... we sell more, our products become more distinctive, people praise our products more and we get new customers... This is a way of getting out of your small world. When you go abroad, you realize that the world is not your firm, it is not Curitiba, and it is not Paraná. My world is the world. (Case 6)

The role of internationalization as a firm-level context of reference can be further illustrated by the two cases reported below. Though at the present moment only operating in the domestic market, by deliberately adopting an international perspective on action in that market, decision makers point out the importance of such choice in terms of differentiating products from domestic competitors, of adopting international standards, and of constructive adaptation:

Right at the beginning of the business we started having problems with the sizes of our models. I realized that I had to change them. Instead of simply looking at what other firms in Brazil were doing I started looking for products of firms operating abroad. I asked friends who were going abroad to bring models that we could use as reference. With the help of SENAI, soon we were able to adapt the sizes and models of our whole line of products to international standards... We started working with centimetres in addition to the categories of Small, Medium and Large when determining the size of clothes. Though simple, this was a big innovation and created a differential in the domestic market. Very few firms work with centimetres and follow international standards of sizes in Brazil, even the big companies don't do that... Though we are not actually exporting, the internationalization of our products brought immense benefits to the firm. (Case 27)

We have partnerships with three fashion services focused in the international market. These firms have offices in Brazil, but also in

Europe... Every day we receive information and pictures of stores, streets, things that people are using, tendencies, and seminars... These partners send us information every day. So today, I know virtually in real time what is happening in London... This has a huge influence on our business. It's been three years since we started working with these partners... We are ahead of competitors. We are already working on the collection for next season. I already know what I'm going to produce next year... Without this information... you could not work which such anticipation. Today our brand is ahead of competitors... This has been a differential in our firm... It changed the strategy of our firm... (Case 18)

These observations suggest that internationalization may have meaning beyond the level of conventional engagement in foreign trade and investment. They corroborate the understanding that internationalization is, in the first place, a meaningful social activity and thus may also encompass a firm's action frame of reference. At this level data suggests that the degree of internationalization of a firm's action frame of reference varies and does not necessarily covariate with engagement in foreign trade or investment. On the one hand, some domestic firms adopted an international context of reference for action; on the other, some exporting firms manifested a much more local or domestic one. This finding suggests that being an exporter does not necessarily mean the adoption of a comprehensive international context of reference.

Moreover, data suggests that internationalization of a firm's action frame of reference may intermingle with decision makers' personal or individual internationalization. Two forms of international involvement appeared particularly significant for developing such international awareness of action. These are decision makers' international business experience and foreign travel. The former has been widely recognized within the available literature as an influence on internationalization and its success (Reuber and Fischer, 1997). Evidence from this study suggests that international business experience has a relevant role in internationalization exactly because it enables decision makers to increase the scope of their firm's social reference for action. This relationship can be clearly noticed in the account of a respondent commenting on her prior experience of living and working in the United States:

[after the experience of being in the US for six months] I realized that the world does not have borders. You know, it is globalized... This experience made me see that the world is open... Nowadays when I think about competitors, I know that my competitors are in the world. It's not only China. Today there is Pakistan, Turkey, India, Colombia... they are

all producing clothes in my sector. Nowadays, I'm more concerned about those competitors abroad than those in the domestic market... (Case 6)

Travelling abroad may also play a relevant role in the development of an international context of reference. Arguably, in the context of Brazilian SMEs such experience may be of particular relevance. This is because foreign travel, especially outside Latin America, has not been such a frequent experience for most Brazilians. As one said:

I travel abroad in order to carry out research every year. I started doing that about five years ago. This is very important for the firm, both to know whether your products can be sold abroad, to see new products that can bring you inspiration, to adapt products to the local market, as well as to help you in differentiating your firm. I would never give up this travel. I go every year; it is part of the costs of our firm... I consider it our investment in research... I know that most entrepreneurs are afraid to invest money in that. But even if you go abroad and come back with your pockets empty, you will come with your hands full. (Case 52)

7.4.2 International acceptance and recognition

Internationalization as a means of international acceptance and recognition emerges out of decision makers' ambitions to have their products sold abroad, and by these means, having their business accepted and recognized beyond the borders of the domestic market, as argued below:

I don't want my brand to remain only in the national market. I believe it can do much more... I want other people in the world to see it. I believe in the potential of my product... (Case 35)

I always wanted to be international; my intention is to operate at the same level as other international firms... I want to be recognized as a firm that produces international fashion... (Case 9)

Exporting was to realize a business dream. Selling in another country, especially in Europe, which is a very demanding market, is an honour for a small firm. This was my primary motivation for exporting. (Case 16)

Interestingly, although one might expect an emphasis on international recognition to appear during the later stages of a firm's development, after consolidation

and recognition in the domestic market, some decision makers said that they held this view at an early stage of their business. For example:

As soon as I started up my firm I expected to export. I didn't want to operate only in the domestic market. That's why when I thought about a name for the firm, I didn't think of a name in Portuguese, exactly to make exporting easier... When I started the business, I said to myself that I didn't want to be known only in Brazil, I wanted to be recognized in the world as producing the most comfortable and creative clothes... Since then, we started to develop a style and a business that is much more focused abroad than on the domestic market. (Case 6)

While the expectation of international recognition may orient strategic choices towards internationalization, it must be noted that a lack of interest in international recognition could equally inform avoidance of internationalization. For instance:

I understand that some Brazilian companies in our industry have attempted to become internationally recognized brands and because of that have invested abroad... These companies have this intention and this aim. For me, at this moment, this is not the case. (Case 12)

We don't have interest in selling abroad... we are not aiming to have a recognized brand. Our customers don't buy our products because of the brand. (Case 43)

As in other categories, international recognition was found to be a more relevant purpose for those decision makers who configured their business to consolidate brand images rather than manufacturing facilities in the domestic market. It offers evidence that business expectations play a relevant role on how decision makers consider different purposes of internationalization.

These findings indicate that, in regards to international recognition, strategic choices in internationalization encompass purposes beyond the mere pursuit of profit and growth.

7.5 BUSINESS DEVELOPMENT

Decision makers' discourses suggested that internationalization may also be understood as a course of action oriented towards the purpose of business development. Though a wide range of factors could come within this category, the one that is most common is that internationalization is interpreted in terms of enhancing or realizing a firm's full

potential, typically through learning, innovation and technological advancement. This interpretation was mostly attached to engagement in foreign trade and investment. Nevertheless, in some cases business development was linked to the internationalization of a firm's context of reference in a similar way to the purpose of generating differentiation in the domestic market. Each of these understandings is considered in turn below.

One of the most evident links between internationalization and business development encompassed the innumerable possibilities of **learning** within this process. Expressions such as “you learn a lot when you go abroad” were particularly common. A typical understanding addressed the possibility of acquiring knowledge on how the process of exporting works and develops. As one said:

The first thing that international buyers ask you when you meet them is if you have experience with exports. When I say ‘yes’, this makes a big difference... They know you have knowledge; that you know how it works... Of the last four business fairs that we’ve participated in, having this knowledge was particularly relevant to maintaining a conversation and helping to negotiate eventual sales abroad... (Case 6)

Another way in which learning when selling abroad enables business development was through presenting a firm with new challenges. Decision makers recognize that when selling abroad they expose their firms to new environments, competitors, customers, demands, procedures, and institutions. This is interpreted as a way of taking firms out of their comfort zone:

When attempting to sell abroad you learn a lot because you have to get out of your comfort zone. You’ve got to adapt, you’ve got to learn how to produce for a specific foreign market... I think that exporting is very good, going to a different country, knowing a different culture, understanding it... you get to learn a lot. (Case 2)

Going abroad pushes your company to become more professional, to improve the quality of its products, to get feedback, to learn about international buyers and their demands... (Case 52)

...when selling abroad you compete with foreign firms, and in so doing it pushes the company to improve itself, your firm develops. (Case 7)

By these means, selling abroad is seen as a way of pushing firms towards higher levels of business development. It is interpreted as a way of deliberately exposing the firm to new opportunities, which ultimately enables it to learn, develop and realize its

full potential. As in the case of internationalization oriented to differentiation, this understanding was normally couched in terms of the benefits that selling abroad may generate for operations in the domestic market. Business development was expected to derive from selling to more demanding customers in countries where quality requirements are perceived to be higher than those in the domestic market. In such circumstances, there will be preference for strategic partners in locations where learning will enable development that can be incorporated into domestic operations:

If you produce for a firm or group abroad that is demanding, you'll get knowledge and knowhow that will benefit production in the domestic market. (Case 53)

Our experience in selling to Italy enabled us to understand that business abroad is a serious thing. If it has been agreed that a piece will be 10 cm, then it is neither 11cm nor 9cm. This is the kind of culture that is not common in Brazil. Usually people here are not so strict in terms of sizes and measurements... This experience with exports brought important benefits for our firm, especially in terms of learning how to work with quality standards that we incorporated in our work for the domestic market. (Case 16)

In more specific terms, selling abroad was reported to act as a way of pushing decision makers to learn a second language.

In our company, exporting pushed us to learn a second language. Because we were attempting to enter in Argentina, we decided to learn Spanish. (Case 26)

The link between business development and engagement in foreign sales was also recognized in terms of **innovation**, particularly in the development of ideas for product innovation. As one decision maker said:

The contact with costumers abroad enhances product innovation... (Case 29)

This link can be further grasped in the experience addressed by one of the respondents:

Our experience with exports helped us discover a new segment to target in Brazil. The sizes of models ordered from this client in the US were generally bigger than the ones we produced for the Brazilian market, though using similar labels of Small, Medium, Large and Extra Large. You know, that's because in the US women have bigger breasts and use silicone. I wondered whether this could be a strategy to be used in the Brazilian market as well. In so doing, we increased the size of our

products following the American standard. What changed was that our Medium size became bigger than that of our competitors. Hence we focused on the sector of obese people. Though people are getting obese, especially women, they don't want to change their size from Medium to Large. There is a psychological trade off involved in that. However, because we have a larger size for Medium, they don't have to change sizes. This has been very successful... (Case 53)

Although most links between business development and internationalization were made in regards to foreign sales or outward internationalization, respondents also recognized the possibility of business development through inward internationalization. This recognized the possibility of **technology advance**, mainly by acquiring and importing machinery and equipment to be used in manufacturing facilities in Brazil, as argued below:

Going abroad is primarily to import equipment and machinery that could be used to serve the domestic market. (Case 48)

Having machines of international standard is particularly relevant in our business. Our clients, who are mainly multinational companies operating in Brazil, demand products that follow international standards of quality... It is important that the quality of our products is the same as those produced in Argentina, Italy, Germany and so forth. (Case 57)

Like the case of differentiation, there was also some recognition that business development could occur by virtue of internationalizing a firm's context of reference, without engagement in trade and investment cross-border operations. More specifically, it was seen to occur through the incorporation of international standards of quality, social and environmental responsibility, accountancy practices, knowledge, technology and other internationally valued practices into a firm's everyday activities well before such practices were enforced or institutionalized in the domestic environment. For example:

Though at this moment I'm not exporting actively, I have participated in international business fairs and travelled abroad in order to search for information, knowledge and new technologies that can be used in the domestic market. (Case 29)

I don't have any interest in selling abroad, but I am much interested in the dimension of internationalization related to product development... (Case 22)

We have attempted to follow international standards of quality and we recently got the ISO 9000 certification... (Case 39)

...our products and business practices follow international standards for quality, management, accountability, corporate social responsibility and others... (Case 24)

When considering the factors that foster the internationalization of a firm's action frame of reference, it was already noted that decision makers' international exposure by either travelling abroad or international experiences may have a relevant role in this respect. In the case of business development, the findings suggest that these factors may not be confined to this. They suggest that being embedded in social networks characterized by internationalized actors (clients, suppliers, or even personal contacts), or operating in a context where institutions are internationally referenced, may similarly encourage the adoption of an international context of reference for action.

7.6 THE ROLE OF PURPOSES ON ACTION-CHOICES IN INTERNATIONALIZATION

The previous sections indicated that decision makers' understandings of the purposes of internationalization have an important role on how strategic choices in internationalization are made. For example, the findings suggested that when interpreting internationalization as a course of action oriented towards increasing sales and considering the size of the Brazilian internal market, many decision makers are likely to see little or no reason for international involvement. In addition, it has been demonstrated that when interpreting internationalization as a means of social recognition, strategic choices regarding location are likely to be oriented towards European or North American countries.

In attempting to further explore the relationship between understandings given to purposes of internationalization and action-choices in this process, a quantitative investigation of data was taken. It consisted of a binary Phi correlation analysis between purposes and action choices in internationalization. The analysis investigated the relationship between purposes and action-choices regarding engagement and pace of internationalization. Choices accounting for speed and degree of internationalization

were not considered given the small sample size, which prevented the use of statistical procedures in the analysis.

Table 7-2 shows the statistics obtained in this investigation. It presents the correlation coefficient between variables, the direction of the relationship and their significance.

Table 7-2 Phi correlation between action-choices and purposes of internationalization (n = 58)

	Domestic	Occasional	Active
1. Increasing Sales	-0.027	0.167	-0.183
2. Increasing Profitability of Sales	-0.296*	0.065	0.302*
3. Reducing Production Costs	0.030	-0.284*	0.331*
4. Reducing Risks (Diversification)	-0.252	0.249	0.003
5. Differentiation in the Domestic Market	0.041	-0.169	0.167
6. International Acceptance and Recognition	0.042	-0.034	-0.010
7. Business Development	-0.321*	0.309*	-0.016

*Correlation is significant at the 0.05 level. **Correlation is significant at the 0.01 level.

The analysis suggests that particular strategic choices in internationalization can be associated with different purposes. It shows that active internationalization is positively associated with the understanding that international involvement enables the reduction of production costs ($r_{\text{Phi}} 0.33$, $p < 0.05$) and the increase in profitability of sales ($r_{\text{Phi}} 0.30$, $p < 0.05$). Interestingly, both purposes are related to increasing business profits, which corroborates the expectation of economic theories. It must be noted that although earlier in this chapter it was argued that increasing the profitability of sales could lead towards occasional internationalization when associated with differences in the exchange rate of foreign currencies, here the findings suggest that active internationalizers have gone beyond that, i.e. have developed differentials in foreign markets that enable them to receive a better price than those in the domestic market.

The findings reported in Table 7-2 indicate that the association between occasional internationalization and business development is positive and significant ($r_{\text{Phi}} 0.30$, $p < 0.05$) and negative when interpreted as a means of reducing costs ($r_{\text{Phi}} 0.28$, $p < 0.05$). Moreover, it shows that the association between domestic action and increasing the profitability of sales and business development is negative. Overall, these findings suggest that understanding internationalization as a means of increasing profits, and specifically reducing production costs and increasing the profitability of sales, leads to

active international involvement, while interpreting it as a means of business development leads towards sporadic establishment of cross-border links.

It is interesting to note that although internationalization is usually associated with the purpose of increasing sales, no correlation was found between such an understanding and strategic choices in internationalization. This supports the conclusion that in a context like Brazil, with a large internal market, SMEs are unlikely to internationalize in order just to increase sales.

Finally, it must be recognized that the quantitative association between purposes and strategic choices in internationalization does not necessarily prove the existence of a pattern. Although in many ways these findings corroborate the qualitative-based observations made in previous sections, it should not be taken as a matter of fact that if decision makers interpret the purposes of internationalization in the 'right' way, they will internationalize. On the contrary, the quantitative approach to qualitative data developed here should be considered as a preliminary exploration of the association between strategic choice and the purposes of internationalization. Moreover, as the following chapter will show, there is much to consider about how decision makers understand the means/conditions of internationalization.

7.7 SUMMARY

This chapter showed that decision makers may assign different meanings to the purposes of internationalization. In the case of SMEs in the clothing industry of Paraná, four general categories of purpose were identified: (1) increasing profits, (2) reducing risks; (3) social recognition; and (4) business development. Each of them encompassed different subsets of more specific purposes.

Increasing profits addressed internationalization as a means of increasing sales and the profitability of sales, and reducing costs. As a means of reducing risk, internationalization was argued to enable the diversification of markets and minimize a firm's dependency on a single national market for sales and/or inputs. In terms of social recognition internationalization was considered as a means of granting social acknowledgement by enabling either differentiation in the domestic market or

international acceptance and recognition. Business development encompassed the view that international involvement entails an alternative for a firm in realizing its full potential, mainly given the possibility of learning, product innovation and technological advancement.

The findings also showed that these purposes provide different rationales informing strategic choices in internationalization. On this point some relevant observations can be highlighted. First, in considering profit-related purposes, the findings indicated that SMEs in the clothing industry of Paraná are unlikely to internationalize as a means of increasing sales. On the one hand, decision makers argued that in a country like Brazil, which is characterized by a large domestic market, there is much space to grow internally. On the other, some decision makers argued that they had little or no intention to grow, deeming the potential increase in sales irrelevant. However, although for most decision makers internationalization as a means of increasing sales encouraged domestic action, some decision makers could still apply a positive interpretation to it. Likewise, the findings suggested that other profit-related purposes such as reducing costs and increasing the profitability of sales are positively associated with active internationalization.

Second, the analysis demonstrated that internationalization can be thought of as a means of reducing the risks of depending on a single market. On this view, it indicated that choices in internationalization to a great extent bypass the possibility of inward internationalization as an alternative for reducing dependence on a major problem in the industry: scarce labour. This observation suggested that certain understandings assigned to the purposes of internationalization can bias choices towards certain directions and modes of foreign operation while ignoring others.

Third, the findings showed that with regard to social recognition, internationalization has meaning beyond the conventional engagement in foreign trade and investment operations. They indicated that some decision makers enact internationalization at the level of a firm's action frame of reference. In so doing, while adopting internationalized practices and action for differentiation and social recognition in the domestic market, they may choose not to engage in foreign trade and investment operations. In addition, when aiming towards social recognition, choices concerning the location of cross-border links are likely to be oriented towards European and North

American countries and thus may not accord with conventional economic or psychic distance assumptions. Further, data suggests that as a means of generating social recognition, quantities and regularity of foreign operations may not be the most relevant criteria taken into consideration. Where occasional foreign sales of small quantities suffice, decision makers may see little or no reason for committing more resources in that direction. Data also indicated that with regards to differentiation in the domestic market or international recognition, international operations may be justified even when not profitable.

Fourth, the findings indicated that as a means of business development internationalization is positively associated with occasional or sporadic cross-border links aimed at enabling learning, innovation or technological advance. Here, data suggests that parallels with the asset-seeking argument of the 'latecomer' thesis in the internationalization of some SMEs in the clothing industry of Paraná could be drawn.

Finally, the findings indicated that the purpose of internationalization plays an important role in orienting strategic choices in internationalization. The range of purposes identified indicate that profit-oriented purposes, though relevant, may not account for the whole set of values and aims informing choices in internationalization. Likewise, through interpretation decision makers may have different understandings regarding the purposes towards which rational strategic choices are made. This supports the working hypothesis that interpretation and rationality interplay in the process of making choices in internationalization. By changing their views and understandings of the purpose of internationalization, decision makers may rationally avoid it or positively act in its direction.

The next chapter reports how decision makers in the clothing industry of Paraná understand the means and conditions of internationalization.

8. THE MEANS/CONDITIONS OF INTERNATIONALIZATION

8.1 INTRODUCTION

The findings in the last chapter showed that decision makers have different understandings regarding the purposes of internationalization. In addition, they indicated that strategic choices can be rationalized in different ways depending on how purposes of internationalization are interpreted. This chapter goes one step further in the analysis of the meanings of internationalization and reports how decision makers understand the means/conditions of international involvement within their situations. The means/conditions of internationalization refer to all controllable and uncontrollable elements included by decision makers in the rational assessment of action-choices regarding international involvement.

Specifically, the chapter examines five main categories of means/conditions of internationalization as considered by the decision makers interviewed, namely: (1) quantity; (2) mode of competition; (3) differences between foreign and domestic operations; (4) risk and uncertainty; and (5) legitimacy. It shows how decision makers can interpret these categories in rather different ways when rationalizing strategic choices in internationalization. Precisely, the findings indicate that at least two alternative understandings can be identified in each of these categories. Table 8-1 indicates the alternative modes of interpretation in each category and their frequency of incidence.

The dualistic approach in which decision makers' interpretations are portrayed in this chapter is not meant to correspond exactly to the characteristics of any one particular case. Although in many cases they do, and attempts to illustrate and refer back to interviewers verbatim are made throughout the chapter, a more appropriate understanding would be that of Weber's ideal type. In other words, it encompasses an idea-construct aimed to enable understanding. Therefore, it should neither be read as evidence for the assumption that interpretation is a clear-cut dual undertaking, nor that these are the only ways of interpreting the means/conditions of internationalization. It

must be borne in mind that when considering interpretation, there is always space for inventiveness.

Table 8-1 Decision maker's understanding of the means/conditions of internationalization – Frequencies of observation (n = 58)

Meaning category	Interpretative Mode	Frequency	
Quantity	Large	30	39
	Small	9	
Mode of Competition	Low price	32	42
	Differentiation	10	
Difference between foreign and domestic operations	High	37	49
	Low	12	
Risk and Uncertainty	High	27	35
	Low	8	
Legitimacy	Economic	5	11
	Social	6	

This chapter also indicates the circumstances in which alternative modes of interpretation are likely to emerge, and explains how they inform strategic choices on internationalization. As in the previous chapter, the latter is quantitatively explored using the Phi correlation coefficient. The chapter closes with a summary of the main findings.

8.2 QUANTITY

Quantity was a recurrent category in decision makers' discourses about the means/conditions of internationalization. This considers internationalization as an engagement in foreign trade and investment operations and refers to decision makers' perceptions of the number of pieces or the magnitude that typically characterizes foreign trade operations.

The findings indicate that quantity in internationalization can be interpreted in at least two different ways. On the one hand, some decision makers argued that international operations are characterized by large quantities. On the other hand, others

argued that quantities involved in foreign operations are small or not substantially larger than those that characterize operations in the domestic market. The means/conditions informing strategic choices in internationalization within each of these perspectives vary substantially and are described in turn.

8.2.1 The rationale of large quantities

The rationale of large quantities encompassed the understanding that foreign operations are characterized by bulky batches. As one decision maker said:

I understand that if I'm going to export, I will not be selling small quantities... (Case 45)

Although in most cases the rationale of large quantities emerged in the context of outward internationalization, usually exports, a similar understanding could be found in the context of inward operations such as imports and international outsourcing. For example:

If you want to import anything from abroad, you've got to be able to buy in big quantities. (Case 53)

This rationale was typically contextualized and supported by decision makers' prior experiences in attempting to sell or buy abroad. Those manifesting this rationale commonly argued that despite having opportunities to internationalize, most of them have been frustrated given the fact that the quantities involved were far too large for their firms. Interestingly, most of these frustrated experiences were reported to have happened in the context of business fairs and exhibitions. Only one decision maker described a frustrated experience in exporting that arose from quantity issues in a different context. This suggests that particular contexts, in this case business fairs and exhibitions, might favour the development of particular experiences and understandings. The statement below illustrates how prior experiences might shape decision makers' understandings that internationalization is characterized by large quantities:

In one of the business fairs that we participated in, someone from Canada got interested in our products. But this person was a representative of a chain of stores with more than 300 outlets... Can you imagine how exporting could be feasible for us in these conditions? It is impossible!

Exporting is not only about having a product that calls attention abroad... (Case 48)

The primary means/condition emerging out of the understanding that internationalization is about the commercialization of large quantities was that it is mainly feasible for **large firms**. Typically, it followed decision makers' assessments that the actual size of their firms was too small for internationalization, as stated below:

When I think about going abroad I think about big firms with big production capacities... They are the ones that are exporting on a continuous basis... For small firms exporting this is only about one-off operations... (Case 46)

Companies who are exporting are those that are medium and big. They are the ones that have production capacity for that... (Case 12)

Within this view, foreign sales were also conditioned to a firm's **production capacity**:

We do have interest in exports. However, a major challenge is developing the capacity to produce big quantities... (Case 29)

In order to export you must have high levels of production capacity because it is about selling big quantities. (Case 44)

Within this line of reasoning, some decision makers in purely domestic firms pointed out minimum levels of production capacity that in their view should be achieved before internationalization. For example:

In order to sell abroad I think that I would have to be producing at least 8,000 pieces a month. Nowadays I'm only producing about 1,500. I still have this space to grow before going abroad... (Case 14)

We've got to increase our production capacity to go abroad... Today we produce about 20,000 pieces a month... my aim is to increase production to 100,000... Until we get there, we will work domestically and then we will look abroad. (Case 8)

It is interesting to note in this rationale how the numbers vary substantially. It indicates how decision makers' understandings might influence their action-choices regarding internationalization.

The understanding that internationalization entails increasing production capacity offered the basis for decision makers to link it to **business growth**. It ought to be noted that in the clothing industry, production capacity is to a great extent dependent

on the number of employees available in a firm, mostly seamstresses/tailors. On the one hand, as noted in the last chapter, for some decision makers this would already offer enough reason to forgo internationalization given their low ambition to grow. On the other, for those expecting growth, a further condition to internationalization was noted: the **availability of labour force** in the industry. Decision makers who took this view argued that given the actual shortage of skilled people (seamstresses/tailors) in the industry, increasing production capacity in the clothing industry, and ultimately growing, was a difficult endeavour. Acknowledging this, one said:

A limit in this industry is that there are not enough skilled people to employ. How can you increase production in this condition? (Case 12)

A recognized alternative to overcoming the shortage of seamstresses/tailors and the difficulty of growing in the clothing industry is addressed in the possibility of **cooperation and joint production** for internationalization. It followed the assumption that because it entails large quantities, internationalization and, more specifically, selling abroad, was not feasible for small firms acting individually. However, decision makers who made this point also argued that the culture and characteristics of the industry did not favour arrangements for cooperative production. They contended that there was not enough collaboration in the industry and this made the alternative of joint production for exporting very difficult to achieve:

Exporting could be feasible for small firms through joint operation, but this is very difficult in this industry. (Case 46)

There is little cooperation among firms in this industry... There is a lack of trust among firms and the industry is fragmented... Higher levels of cooperation would enable smaller firms to collectively serve big orders and export... (Case 29)

In short, through the lens of large quantities, internationalization was found to encompass a set of means/conditions which rendered it particularly difficult for smaller firms. On this view, small production capacity, inappropriate size, difficulty to grow given a shortage of skilled labour force, and lack of cooperation in the industry, were all seen as barriers for positive action towards internationalization. Under these circumstances decision makers deemed domestic action to be the rational alternative for smaller firms. In addition, it implied that internationalization would become feasible only after the required means/conditions could be developed or found favourable.

Moreover, the rationale of large quantities offers a plausible explanation for why some decision makers, although keen and prone to internationalization, would choose an occasional approach to it. By presuming that foreign operations are characterized by large quantities, these decision makers may respond to unsolicited orders from abroad and that eventually fill their firm's production capacity. Nevertheless, the belief that selling smaller quantities is favourable may by the same token prevent them from choosing to commit resources in the direction of higher levels of international involvement.

8.2.2 The rationale of small quantities

The alternative interpretation of quantities involved in internationalization considered the rationale of small quantities. Decision makers displaying this understanding suggested that foreign operations are not necessarily characterized by large quantities, but rather that batches sold abroad are similar to those sold in the domestic market. This understanding was likely to be given by respondents in active internationalized firms and the statements below illustrate this view:

Most of our customers [abroad] are small entrepreneurs and because of that, they can't buy more than 20 pieces of each type. Several times I have heard these customers saying that they go to China in order to buy products but that there they have to order 500 pieces of the same trouser for example. This is too much for them! But we can do this. We can produce and sell a batch as small as 20 pieces of the same trouser for them. We do this in Brazil. So, for us, selling abroad is not much different from producing and selling to customers in Brazil... (Case 31)

One of the characteristics of our exports is that like in Brazil it does not entail big volumes... (Case 42)

Within this rationale, production capacity, firm size, growth, availability of labour force, and joint production did not enter into decision makers' understandings of necessary means/conditions of internationalization as argued by those adopting the perspective of large quantities. Here, decision makers asserted that selling small quantities abroad implied: (1) direct access to small customers abroad, (2) emphasis on

the use of the internet and web-based communication services, and (3) personal contacts and networking.

Direct access to small customers abroad was considered a key condition enabling small firms to internationalize by selling small quantities. It entails a strategic approach whereby large wholesalers, distributors, and store chains are deliberately avoided and firms focus on those that tend to be alike in terms of size:

We focus on specialized stores and serve them directly. We don't serve big chain stores. This is a major characteristic of our firm in the internal market and also abroad. (Case 42)

We don't sell to big wholesalers or distributors; we sell to small retailers that access our website and want our products. For example, in Angola there was a hotel that wanted bathrobes for their inauguration. In Portugal it was a small boutique, in Nigeria it was an oil company that was organizing an event for their employees' kids... (Case 52)

...I've focused on a target market that I know won't order 5,000 units of the same model. I know that I would not have the production capacity to produce that. Small businesses can export as long as they know to whom they are exporting... (Case 5)

In addition, decision makers pointed out the **use of the internet and web-based communication services** as a means of accessing small customers directly. As they argued:

Most of our customers come through our website. Recently we have established customers in Switzerland, Canada and some other countries that contacted us via our website. (Case 42)

I've found some means of advertising my products on the internet that, though not 100% effective, work well... For example, there is a web service where you can make a mini website for your firm and offer your products. This service has a mechanism that then directs firms that might be interested in products that you produce to your own website. Because you've got to pay to use this service, the risk of fraud is small... Of course, for every twenty accounts that I start abroad, only three or four continue. But this is something that I do without much effort and it works well... (Case 9)

Since we started to put our new collection on the web, I have received lots of e-mails from abroad... There are times that I receive three or four emails per day from stores abroad. (Case 23)

Here the indication of the internet as the relevant context where opportunities to sell abroad happen seems to stand in opposition to conventional opportunities in

business fairs and exhibitions that characterize the experiences of those showing a rationale of large quantities. As one said:

You've got to know your customers and go after them. If my customers like alternative fashion [considered a segment separate from mainstream commercial fashion], I've got to go where they are. This is not just about going to an international business fair, because you know, in a fair you will find international buyers but not necessarily those that are suitable for your firm. You've got to go beyond the fairs... (Case 5)

The role of the internet as a means of enabling small firms to sell abroad in conditions that are similar to those that characterize sales in the domestic market was further elaborated by a decision maker in the following way:

The internet has had an important role in enabling small firms to operate abroad in a way that is very similar to how they do in Brazil... It overcomes the need of having a sales representative abroad. The internet enables people in foreign countries to see your products... It particularly attracts those small boutiques and that usually don't buy much more than 100 pieces at each time. (Case 50)

Decision makers further addressed the **use of personal contacts and networking**. Similar to the case of internet, it was considered a relevant means for finding and enabling small business operations abroad. For example:

Most of our opportunities to sell abroad happened through contacts that I have made in Brazil. These contacts are mostly Brazilian people that are living or moved abroad; some of them are former customers of my competitors in Brazil... (Case 23)

A major aspect that helped us find opportunities to export smaller quantities was our contacts and network. This was fundamental you know... contacts that you can make through chambers of commerce, SEBRAE, SENAI, FIEP... your customers in Brazil... everything counts, even your friends, friends of your friends... people that you know that moved abroad... (Case 31)

By seeing internationalization through the lens of small quantity, decision makers offered evidence that internationalization may be seen as feasible and rational despite a firm small size, low production capacity, the industry's shortage of labour force, or lack of adequate cooperative culture. This understanding suggests that through direct access to small customers, use of the internet and web-based communication services, personal contacts and networking, foreign operations may be characterized by small quantities and largely resemble domestic operations. In addition, the findings

indicate that opportunities to sell or buy small quantities abroad is to a great extent linked to the context where these opportunities are prospected. The data suggests that international business opportunities prospected through the internet and personal contacts are likely to be better-suited for smaller firms than those prospected through business fairs and exhibitions. Ultimately, the nature and outcomes of these experiences are likely to influence how the means/conditions of internationalization are interpreted. This is not to say that attempting to prospect international business opportunities in fairs and exhibitions will have a negative effect on decision makers' understandings of internationalization, while those who attempted to do so through the internet or personal contacts will have a positive effect. Rather, what the findings suggest is that certain contexts are likely to favour experiences and encounters with particular types of foreign buyers, and that the nature and outcomes of these experiences have a relevant influence on how decision makers' understandings regarding the means/conditions of internationalization are shaped.

8.3 MODE OF COMPETITION

Another set of means/conditions in internationalization often mentioned by decision makers addressed the mode of competition in foreign markets. It was typically considered when understanding internationalization in terms of selling abroad. Two alternative modes of understanding could also be recognized here: (1) low price and (2) differentiation. Each of them was characterized by different means/conditions informing choices in internationalization.

8.3.1 Price-based competition

The common interpretation considered that competition in foreign markets is characterized by competition based on low prices. It was typically addressed in the following terms:

In order to sell abroad you've got to have a competitive price for your products. (Case 32)

This understanding was widely based on decision makers' views that firms from Asia, and mostly from China, are able to produce products at similar qualities to those produced in Brazil, but with much lower cost. They argued that when foreign buyers come to Brazil they always compare the price of Brazilian products with those offered by Chinese firms. Hence, once the quality of products is similar, firms from Asia have a real competitive advantage over Brazilian ones. The following statements demonstrate this association:

To export one needs to have good price because international buyers always compare your products with those produced in China... It is very difficult to compete with Chinese firms in foreign sales. Their products are always half the price... (Case 1)

It is very difficult to compete with Chinese firms in foreign markets. They have a much better price... and international markets are supplied and dominated by Chinese firms. (Case 26)

Since 2005 producing in Brazil has become much more expensive and China much cheaper... The product I used to sell for seven or eight euros, firms in China are selling for two dollars. (Case 2)

To further support the argument that foreign sales are based on price competition, respondents also referred to their prior experiences, mainly encounters with foreign buyers in the context of business fairs and exhibitions. They argued that export opportunities are repeatedly frustrated given their inability to sell at the low price requested by foreign buyers. With regard to this they said:

Most of our opportunities to export failed either because they were orders beyond our capacity or because it was impossible to agree on price. (Case 7)

I have tried to open up some opportunities abroad but they all got stuck on the issue of price. People always say that they that can produce cheaper in China. (Case 16)

These examples indicate that the negative outcome of decision makers' interaction with foreign buyers when attempting to export seems to have had a major impact in shaping their view that selling abroad is about low price competition. The fact that most of these frustrated experiences happened in the context of business fairs and exhibitions suggest how participating in those events may shape a negative view about internationalization. In support of this, one said:

Of the last three or four business fairs that I participated in, any foreign sale ultimately stalled on price issues. I wrote a report about that to APEX and ABIT. You know, they are responsible for bringing international buyers to these events. I told them that the international buyers they were bringing to Brazil were only looking for price. They come here determined to pay three to six dollars for a piece. They were not looking for a long-term business relationship. Usually they want summer clothes at a very low price. (Case 6)

Further evidence of how interaction with foreign buyers may shape decision makers' understanding that foreign sales is about low price competition was observed in a regional business fair in which the researcher took part. At the event the researcher observed the interaction between foreign buyers and the owners of small businesses. When approaching one of the firms who never exported and had just been visited by an international buyer interested in his products, and asked about the possibility of selling abroad, this decision maker argued:

How can one export if foreign buyers are only interested in low price? I just received one from Portugal on my stand. He looked at my products and said that he liked them. Then he asked the price. When I said the price, he got his calculator, did some sums and said: 'it's too expensive'. Then he said that I had to discount taxes from my price. He offered to pay about half of the price that I gave to him. That's why small firms cannot export. They don't have the price for that... (Case 37)

These observations indicate how the interaction with foreign buyers may shape decision makers' understandings about the means/conditions of internationalization. Moreover, they suggest that experiences favouring the understanding that in order to export one needs to have low price are likely to happen in the context of business fairs and exhibitions.

Based on the understanding that selling abroad is about low price competition, decision makers commonly identified five main conditions of internationalization, namely: (1) favourability of the exchange rate; (2) taxation system; (3) production costs in the domestic market; (4) firm's bargain power (size); and (5) product features.

The **exchange rate** was recurrently mentioned to be a major condition for achieving price competitiveness abroad. Decision makers argued that in periods when it was favourable foreign buyers were interested in Brazilian products. However, they also asserted that since the end of 2004 the exchange rate has been mostly unfavourable and

competing abroad became very difficult. Therefore, investing in foreign sales was deemed to be worthless. As they said:

Nowadays is very difficult to sell abroad, it's almost impossible because the exchange rate is not favourable... (Case 1)

If the exchange rate was favourable, I would put in more time and invest in foreign sales, but because it is not favourable, you always have the problem of price... (Case 16)

This is the sort of understanding leading towards occasional engagement in foreign operations, i.e. when the differences in the exchange rate may favour the achievement of a competitive price in foreign markets.

Price competitiveness was also conditioned in relation to the available **taxation system** in the domestic market, in particular the nature of the SIMPLES [Simplified Taxation System for Micro and Small firms], which is a simplified taxation system that encompasses most micro and small firms in Brazil. They said that though on the one hand the system is good because it reduces and simplifies taxes over sales in the domestic market, on the other it does not allow any deduction of taxes when exporting. In doing so, the usual fiscal stimulus for exports was argued to be available only for firms that do not subscribe to the SIMPLES programme, typically bigger firms. For example:

Although firms usually get tax exemption when they export, this is not the case for small firms that subscribe to the SIMPLES program. We don't have this benefit. The problem, however, is that international buyers think that we are entitled to a tax exemption when we export, thus they ask for a discount on our price. They don't understand that firms participating in the SIMPLES are not entitled to tax benefit when exporting... (Case 29)

Another factor mentioned as affecting price competitiveness abroad was the level of **production costs in the domestic market**. Decision makers argued that in addition to unfavourable exchange rate and inadequate taxation systems, in recent years the rising production costs in the domestic market was a major reason for reducing the competitiveness of Brazilian products abroad. Among them, they pointed to the costs of labour force, raw materials, energy, and others as illustrated below:

To complicate the matter, in addition to the fact that the exchange rate went down, the price of the raw material went up... (Case 53)

Labour costs in Brazil are too expensive. It's impossible for small firms to export... You've got to see the reality, you cannot say that you're going to export at any cost... (Case 16)

I don't think that exchange rate was the major issue affecting our exports after 2005, but rather the increase of the 'Brazilian Cost', you know: taxes, materials, energy, water, telephone...(Case 2)

What exchange rate, taxation system and production costs have in common is that they all address environmental or external conditions affecting price competitiveness. They entail conditions over which, it could be said, decision makers have little or no control. In these terms, rather than being a choice, selling abroad was seen as no more than a reactive behaviour in relation to the favourability of these factors. This explains the occasional approach to internationalization manifested by most of the decision makers who made this argument.

Nevertheless, beyond external factors, decision makers also considered two internal aspects influencing price competitiveness abroad and commonly encompassing higher level of control, namely: using bargaining power and changing product features.

Bargaining power was considered to be a firm's ability to buy bigger quantities and in so doing to negotiate a better price for its materials. Although recognized as a relevant factor influencing price competitiveness, decision makers who recognized the role of bargaining power as a means of reducing price also thought that their firm's small size would render its uses mostly unfeasible. As they said:

Because we are limited to buying big quantities of raw material, it is difficult to negotiate a good price with suppliers. And this is another thing that makes exporting difficult... (Case 53)

...small firms like us do not have the bargaining power that going abroad would require... (Case 15)

Alternatively, a more feasible way of meeting foreign buyers' interest in low price acknowledged the possibility of changing or **standardizing a product's features**. It considered the possibility of reducing the cost and price of products by producing less differentiated product or products of lower quality. Some decision makers mentioned that this alternative was in fact suggested by some foreign buyers. Nevertheless, although recognizing the feasibility of changing a product's features in order to reduce its cost/price, decision makers who considered it also argued that such an alternative

was mostly contrary to their strategic positioning and interests. The ones addressing this possibility contended that their expectation was to be recognized as a business that offers fashionable, well-designed and differentiated products, and in so doing reasserted their commitment to the distinguished features implicit in their products. For example:

Price is a major problem that we have with exporting. Foreign buyers usually say that our product is too elaborate, that it has too many details, and therefore it's too expensive. They are right, you know. This has been our biggest problem with selling in foreign markets such as the US and England. Although we had opportunities to export to these countries and we could produce something cheaper, less elaborate, and with fewer details to meet buyers' interests, we don't want to do that... Of course we want to export, but we want to sell the products abroad as we sold them here... Recently I rejected a request to produce for an international buyer who asked for private label production. The problem is that they send their models, the patterns and details on how they want the pieces... but they are ugly and my employees don't like doing those clothes... The problem about exporting is that most international buyers don't want Brazilian fashion... they want clothes produced in Brazil. But I cannot offer them only Brazilian production... (Case 39)

International buyers, when they come here, find firms such as ours to be much more focused on developing fashion and differentiated products [than what they are looking for]. Our products are not for them. Our quality, price and production capacity are not adequate for what they want... (Case 50)

Following this rationale, decision makers argued that exports were expected to happen only when the strategic approach to sales in the domestic market (differentiation) could be enacted abroad. For them, this implied that before selling abroad they should consolidate a strong and differentiated brand in the national market. This was seen as the only way of avoiding price-based competition. For example:

For me the only one way of selling abroad and avoiding price competition is if you go with a brand, not with a product... Branding is the only way of getting a better price for products, and there are some Brazilian firms that are doing that. But these, you know, are large firms. They are the ones who have resources for that... (Case 1)

I do want to export, but with my own brand... I know that I'm walking in that direction, but I understand that to go abroad as a brand and not as a producer competing on price, I must grow stronger and consolidate my brand in Brazil first. This will enable us to develop the differentials that we need to go abroad... (Case 7)

These examples show that decision makers who see internationalization through the lens of price competition may also recognize the possibility of competing abroad on the basis of differentiation. However, for them, differentiation in foreign markets requires the consolidation of their brand in the domestic market first. Put differently, for these decision makers, differentiation is a function of branding; and in these terms difficult for smaller firms given their lack of resources.

These findings suggest that understanding the means/conditions of internationalization through the lens of price competition may influence strategic choices in at least two different ways. First, it offers a rationale for domestic action or, at most, occasional internationalization. On the one hand this can be linked to the fact that because the necessary means/conditions for price competition in foreign markets are external and uncontrollable (e.g. exchange rate, taxation systems, production costs), there is little that decision makers in smaller firms can do in order to compete on such a basis. In these terms, cross-border links will tend to happen when these factors are favourable, and discontinued when unfavourable. On the other hand, the lack of internal and controllable means/conditions for price competition abroad also encompasses real difficulties for smaller firms. They lack the capacity for mass production, and at the same time they lack the resources to avoid price competition on the basis of prior brand consolidation in the domestic market. On these assumptions, occasional sales abroad are supposed to happen when products can be sold without significant changes and when price agreement is achieved. Nevertheless, on the view that such opportunities are rare, decision makers would be rationally prevented from committing resources towards active internationalization. Second, through the lens of price-based competition, the timing of internationalization is likely to be enacted at later stages of a firm's life cycle. This is because after growing in the domestic market the resources considered to be necessary to avoid price competition abroad – i.e. recognized brand in the domestic market – are expected to be available.

8.3.2 Differentiation

The alternative interpretation to price-based competition as a means/condition of internationalization addressed the possibility differentiation. It encompassed the understanding that foreign sales are not necessarily dependent on low price, and that achieving differentiation abroad is not exclusively dependent on the prior consolidation of a brand in the domestic market. Rather, through the lens of differentiation, decision makers enacted alternative means/conditions for adding value to products or services in foreign markets and in so doing gaining competitive advantage and avoiding price-based competition. Most, though not all, decision makers indicating subscription to this understanding were found to be active internationalizers.

Through the lens of differentiation, decision makers argued that although many foreign buyers are interested in low price, it was not a necessary condition for internationalization and differentiation was a rather feasible strategy. Illustrating this view, one said:

Our strategy abroad is to emphasise the differentials of our products, and the characteristics of our brand. This strategy is not different from the one that we use in the domestic market... For us, there is no point in competing on price. Price is something imposed by big store chains. They are the ones who push prices down in order to add their 150% mark up... (Case 42)

In addition, by reflecting on their own experiences, decision makers considering this view asserted that price was not a major concern when selling abroad. For instance, two of them said:

I don't have problems with foreign customers saying that my products are expensive. They recognize the value of our products because they are completely different from what they have there... (Case 5)

I never had the experience of a foreign buyer saying that our products are expensive or attempted to reduce or negotiate pricing. In our case, price has not been a major issue when negotiating foreign sales. (Case 52)

The discourses of decision makers manifesting this understanding pointed towards a broad range of alternative means/conditions enabling differentiation in foreign markets. Among them they mentioned: (1) serving small orders, (2) distinguishing a product's features, (3) adding services/support to sales, (4) benefitting

from the Brazilian image, (5) focusing on specific niche markets, and (6) emphasizing non-traditional markets (countries).

Acknowledging that mainstream international sales in the clothing industry have been characterized by large quantities, decision makers observed that their simple disposition to **produce and serve small orders** is a relevant way of differentiating and avoiding price competition in foreign markets. This builds on the assumption that foreign competitors, especially those in Asia, are likely to be more interested in serving bigger customers and in so doing leave space to produce and serve those wanting smaller orders. On this view, one argued:

A good way of selling abroad and differentiating is by doing what Chinese producers don't do, or are not willing to do, which is serving small orders. We can do that. We can export as little as 20 pieces. (Case 31)

In more traditional terms **distinguishing product features** such as cuts, fabrics, modelling, design, and others was also seen as a means of generating differentiation abroad. For example:

Our product is different from what they have there... what they like are our fabrics, modelling, and the design of our products. (Case 5)

Differentiation was also said to be attained by **adding services and support to sales**, which could be valuable for foreign buyers, especially smaller ones. On this view, decision makers maintained that providing a more personalized and closer approach to sales, investing in a long-term commercial relationship, providing fast feedback, and giving support and information, were all means of achieving differentiation and avoiding price-based negotiations. The following statements illustrate this understanding:

I believe that one thing that differentiates our firm is the service that we provide to foreign customers. When we are talking about the domestic market you have a sales representative that goes and visits your customer everyday. Through these means you establish a relationship with your customer, but when you are exporting, you don't have that. However, I perceived that I could do that [create a relationship] using the internet. You know, MSN, Skype... that kind of thing. These are very effective means of communication. For example, I'm sure that my advantage in relation to this customer in England is the service that I provided. Not because it is exceptional, but because I'm someone that gives fast feedback to people. I'm always online, so if I get an email with an order,

five minutes later I'm answering... I think this is an advantage of small firms in relation to big firms... when I was living abroad I used to write to big companies in Brazil saying that I was interested in buying their products, but they didn't reply. Sometimes they took three to five days to reply, simply informing me of their telephone number. What I do is to put myself in the place of those foreign buyers that surely are not talking only with me. You know, unless they love my brand, they will be contacting five different suppliers. Then, if I give a good answer before other competitors, I'm sure this will call attention and this is how I've made sales abroad. It is how I answer that calls their attention. But, if neither I nor any of the companies that they contacted answer properly, certainly they will decide on the basis of price. However, if I give a good and fast answer, if I give them options, then we can start a relationship and in so doing I get them as customers. (Case 9)

Another thing that helped us operating abroad was developing a closer involvement and more personal approach with foreign firms; you know, something that they are not usually used to. For example, for some of our customers we sent a Brazilian flag. We did it as a way of helping them sell our products. And, although simple, it worked very well... (Case 31)

The image of **'Made in Brazil'** was another factor argued to generate differentiation in foreign markets. On the one hand, it was said to differentiate Brazilian products from those produced in countries where labour conditions are perceived as being unfair:

The fact that our products are from Brazil catches the attention of people abroad... Being produced in Brazil helps selling abroad, especially now that the name of Brazil is strong. This is not only in terms of fashion design, but also because most products in Europe are from China. Even big brand names, everything they produce is from China, India, Turkey or Romania... But when you can say that your products are produced in Brazil, it sounds good. It is a differential. I have had customers that, when they order, they want to make sure that everything will be produced in Brazil and there won't be any label saying it is produced in China. Thus, when I say that everything will be produced in Brazil, they say: 'oh, perfect!'. (Case 9)

On the other hand, it was said to add value and differentiate products in those countries where the Brazilian culture is valued and admired. For example:

... there is something about Brazil, some happiness, something about our lifestyle and culture that is embedded in our products and that catches the attention of people abroad. When people buy our products, they are not simply interested in a piece of clothing; they are interested in the whole Brazilian lifestyle, in the country, in the happiness of the people...

Certainly, if you say that your products are from Brazil it helps to sell them... (Case 31)

... they like Brazilian products, they value them. Everything that is from Brazil they like... (Case 5)

The classic strategy of **focusing on a specific market segment** was also considered as a means for attaining differentiation and avoiding price competition abroad. On this view, some decision makers pointed out the possibility of focusing on segments where uniqueness is valued. That is, for example, the case of small specialist boutiques. This alternative is closely related to that of producing small batches for customers abroad. Similarly, the alternative of directing foreign sales towards **non-traditional markets**, i.e. beyond Europe and North America, was also recognized as a means of avoiding price competition.

In short, these findings indicate that in addition to price competition, decision makers may enact foreign sales through the lens of differentiation. Although, as noted in the last section, this includes the alternative of building a recognized brand in the domestic market in order to avoid price competition abroad, here decision makers considered simpler and smaller action alternatives that were not restricted to large firms, but effective in providing differentiation abroad even before consolidating in the domestic market. Interestingly, on this view some decision makers thought that achieving differentiation in foreign markets could be easier than in the domestic market. As one said, achieving differentiation in the national market requires high levels of investment in branding and advertising, while in foreign markets the means/conditions enabling differentiation are broader and can be more easily accessed by smaller firms, as argued below:

... the problem in the national market is that there are too many firms, you know. There are firms popping up everywhere. You've got to have a big differential to sell in this context. To say that you have a beautiful product with excellent quality is useless if you are not advertising... Customers here [paying a premium price] want to buy products of brands that celebrities are using, that they see in magazines. Of course you can sell [domestically], but it is too little for the effort you've got to put in... In the international market... customers buy because they like what they see... Abroad, I can get differentiation and recognition without advertising in a magazine... but in Brazil, this does not happen... and I don't want to stay among those that are not recognized. I want to be among those that are noticed. (Case 9)

The most evident implication of such understanding on strategic choices in internationalization is that it offers a rationale for early international involvement supported by the understanding that internationalization may also produce differentiation in the domestic market.

8.4 DIFFERENCES BETWEEN FOREIGN AND DOMESTIC OPERATIONS

In addition to quantity and mode of competition, the means/conditions informing strategic choices in internationalization were also frequently associated with differences between operations in Brazil and abroad. This category largely resembles the notion of psychic distance as usually considered in the specialized literature of internationalization (Child, Rodrigues and Frynas, 2009). This was in fact the most recurrent category considered by the decision makers interviewed. Partly, this is because it entails a generic category that can be applied to a broad range of aspects in internationalization. Here it encompasses four major aspects, namely: procedures, customers, culture and costs of operations. Two typical interpretative views could be depicted; one which considered these aspects through the lens of high difference, and the other which saw them through the lens of similarity or low difference. Each of these views is addressed in turn below.

8.4.1 The perspective of high difference

The common understanding among decision makers considered that procedures, products, culture and costs that characterize foreign operations are substantially different from those that characterize domestic operations. Through the lens of difference, decision makers stated that **procedures** involved in international operations such as logistics, bureaucracies, payment methodologies, control systems, and others, are all substantially distinct from those that characterize domestic operations. Those adopting this view typically argued:

...when you talk about exports, you talk about ports, airports... and it all seems very bureaucratic. You know, you're going to put your product here, then it may get stuck there, it may not be cleared in customs, it may not arrive on the other side; this is all too scary... (Case 12)

Regarding **customers**, decision makers considered that substantial differences could be found in terms of their characteristics, tastes and preferences. For example, decision makers contended that customers abroad have different body characteristics, higher expectations for the quality of products, and peculiar fashion preferences. Some of these concerns are illustrated in the following statements:

Exporting requires a very different methodology and approach regarding type, range and nature of products... (Case 19)

The modelling of products in foreign markets is different: sizes, styles and design, everything is different... (Case 51)

In order to export the firm must have a standard of quality for products that is higher than the one required in the Brazilian market. (Case 35)

Underlying this understanding was the perception that diversity between foreign and domestic operations also emerges from **cultural differences**. This may include a broad range of factors. In particular, decision makers pointed to issues such as the alternative of using '*jeitinho*'³⁷ to solve problems and which may not be accepted abroad, different ways of approaching customers and establishing contacts, use of different languages, contrasting modes of negotiation, divergent time perception and tolerance to delays, and others. Some of these are illustrated bellow:

Selling abroad is much different than selling here... You know, in the national market it seems that if I sell in Minas Gerais, in Sao Paulo, in Belo Horizonte or in Fortaleza it is like selling in my hometown. People talk the same language, you get the telephone and call your customer, you know who they are... It seems easier. The problem of selling abroad, you know, to a Japanese, to a Spanish or an Italian buyer, is that you need to change and you start to worry about that. The structures are different, the culture is different, and this is frightening... (Case 12)

³⁷ The *jeitinho* is a peculiar characteristic of the Brazilian culture (Barbosa, 1992). Although it constitutes a rather ambiguous and multifaceted term, it typically refers to a social practice by which someone attempts to reach something desired in spite of contrary determinations such as laws, orders, norms or rules (Motta, 1999; Holanda, 1995). It is conventionally used to deceive difficulties that otherwise would make impossible for the person to reach his/her aim without breaking norms and laws (Vieira, Costa and Barbosa, 1982).

Doing business in Brazil is much easier; if you have a problem you go there and solve it. However if you sent your products abroad and there is a problem you are lost. The international market is different from Brazil. Here in the case of a problem you always have a '*jeitinho*', but in foreign markets, people don't accept that. (Case 15)

In foreign markets, international buyers are very demanding in terms of delivery times. (Case 14)

Decision makers further considered that the **costs** of operating abroad are different than those in domestic business – specifically, that they are higher. This view was underlined by the understanding that foreign sales presuppose travelling abroad, participating in international business fairs, sending sales representatives or agents abroad, establishing distribution facilities, translating catalogues and web pages, advertising, hiring specialized personnel, and so forth. Beyond that, some decision makers further considered the costs of internationalization in terms of having to spend time and turning attention away from other managerial activities. The following statements illustrate some of the concerns implicit in this understanding:

At this moment my decision to not invest in foreign sales is because it is costly... If you are really committed to selling abroad, you've got to send representatives abroad, have a showroom in a foreign country, and things like that... it's a huge investment... (Case 58)

After our initial attempts to export, and participating in international fairs, travelling abroad and so forth, we found that the investments required to export could be higher than the profits and return from these operations... Moreover, you've got to consider that even in terms of time that you spend attending to an order from abroad is costly. (Case 48)

These examples show that through the lens of difference, decision makers presume that procedures, customers, culture and costs involved in foreign operations are substantially distinct from those experienced in the domestic market. It is a view that encompasses a high level of psychic distance when thinking about foreign operations. Those taking this view were prone to regard internationalization as a complex, difficult, diverse and expensive course of action.

What is important to recognize within this understanding is how decision makers further enacted the means/conditions for internationalization. These can be analytically distinguished in terms of internal and external aspects. Five main aspects were seen as internal requirements for internationalization, namely: (1) knowledge; (2) product

adaptation; (3) appropriate organizational structure; (4) qualified personnel, and (5) adequate firm size. Two external conditions were similarly deemed necessary: (1) the availability of institutional support; and (2) the reliability of the domestic supply chain.

Given the view that foreign operations are substantially different from domestic ones, **having specific knowledge** was recurrently mentioned as a necessary means for internationalization. In particular, decision makers argued that internationalization requires specific knowledge about processes and bureaucracies involved in foreign sales, how customers can be found abroad, what sort of adaptations are necessary when one decides to enter in a particular country, how payments are processed and received, where necessary information can be found, how to solve eventual problems, and so forth. Typically, decision makers argued that their lack of knowledge in those areas justified their choice for operating exclusively in the domestic market or restricting their international involvement. For example:

... we don't have knowledge about how to sell abroad and we don't intend to work with things that we don't have knowledge of. (Case 46)

... it is difficult to work with something that you don't have knowledge of. This is a major problem with selling abroad. We have no idea how it works... we know, for example, that to export you have to make some adaptations to your products, but we have no idea of what kind of adaptations we should make... (Case 51)

I must be honest to you and recognize that I don't have knowledge about it [exports]. If I wanted to export, I would have to study and investigate more about this possibility. (Case 13)

I have some concerns about the feasibility of foreign sales for my firm. For example, I don't know anything about the logistics of this process. How am I going to send my products abroad? Should I go abroad and try to find a customer? Or will there be a business fair where I can make a contact and see what happens?... How the payment will be made? How am I going to receive it? What if a customer returns a product?... (Case 45)

The need for **adapting products** mainly focused on differences between customers' preferences, tastes and characteristics in Brazil and abroad. It presumed that before internationalizing, products would have to be adapted to foreign markets. On this view, a common argument acknowledged that quality standards in foreign markets are higher than those in the domestic market, and thus, in order to sell abroad, the quality of

a firm's products would have to be improved before attempting to engage in foreign operations. On this view decision makers typically argued:

The way I'm operating today [outsourcing part of the production] does not enable me to produce to the quality standard required by foreign markets... (Case 35)

Furthermore, others argued that going abroad would require changes in terms of fabrics, design, sizes, cuts and added value in products:

Before going abroad I need to improve my product, I need to add value, I need new fabrics ... I need to look at my product and say 'wow'... I'm working on that but haven't got there yet. (Case 27)

Nowadays I'm working mainly with acrylic fabrics. There is demand for these products in Brazil but in foreign markets, this kind of product is not in demand. They prefer clothes made of 100% cotton, especially in Europe. If we want to sell abroad, this is something we'll have to change... (Case 34)

I understand that if I was going to sell abroad I would have to adapt the modelling of my products. But because we're thinking locally, I have no idea how to make these adaptations... (Case 51)

The need for changes in the **organizational structure** most frequently considered decision makers' views that their flat, simple and mainly centralized structure required much of their personal engagement in all sorts of business functions, and therefore left them little time to acquire relevant knowledge or make any serious consideration about the possibility of internationalization. Some of them made the point that even simple things like updating their firm's website or answering emails received from abroad were difficult given the lack of an appropriate structure. These concerns are illustrated in the following statements:

In a small firm you're responsible for creating and developing the collections and at the same time you have to take care of production. Before going abroad you've got to have a better structure and organization in the firm... (Case 15)

My emphasis in the domestic market is also because I must be careful not to do too many things at the same time. [If I remain in the domestic market] I'll be able to better organize the firm, create departments, and keep improving the business... (Case 52)

If I had more time... I would certainly invest more in foreign operations... But there has been so much work that I haven't been able to do basic things such as updating our web site. (Case 16)

The assumption that internationalization requires changes in the organizational structure was usually manifested in terms of the need for creating an area, department, or specialized function dedicated to foreign operations when internationalizing:

One of the reasons I haven't attempted to export so far is because we are still a small firm, and small firms don't have the structure to operate abroad... they need a specialized department for that... I think that I will have to hire a firm or someone to do that for me... (Case 8)

A barrier to exporting our products is commercial organization. You know, I'm not an agent, I don't have contacts, I don't travel for commercial reasons... so if I wanted to do so, I'd have to organize this area of the firm... (Case 58)

This requirement of changes in the organizational structure was closely linked with the need of hiring **qualified personnel**. This considered both the need for hiring people with experience and knowledge in international business, as well as providing training for existing employees. A particular aspect considered the issue of having employees able to speak in foreign languages. Overall this was translated in terms of costs and addressed as a further barrier to internationalization. For example:

If I was going to export in a more proactive way, and not just serving orders that happen by chance, I would need someone that speaks two languages... (Case 26)

It is not enough for me and my wife to have knowledge of foreign languages, which we do. If I wanted to export I would have to qualify people in the creative department and in the commercial department in foreign languages. Let's suppose there is a problem arising from modelling and someone from England calls my firm. The person in my firm that would have to talk with this customer is someone responsible for the production. I don't have the knowledge about modelling to talk to this person... (Case 13)

I don't have the means of having someone in the firm to deal exclusively with the bureaucracies of the export process. (Case 35)

Financial capital and, more specifically, the lack of it, was further considered to be a major reason for a firm being unable to move towards higher levels of international involvement or take an active course of internationalization. The findings indicate that the need for financial capital in internationalization is directly proportional to how

decisions makers enacted foreign action in their minds. Where one presupposes that in order to sell abroad is necessary to invest in branding, participate in international business fairs, or own a store in a foreign country, it follows that the requirements for financial capital will be higher. For example:

I believe that if you work with a product that has a fashion design, that has a differential in terms of quality, you've got to work on your brand to go abroad... For example, if you look in my segment, Lilica Ripilica opened a store in Milan, and is developing its brand throughout Europe... They are building their differential. They went to an international fair, showed their products, and about two years ago got an award for the best stand in a business fair abroad... But only big firms can do that. Havaianas did the same in France... You know, these are big firms. It would be very difficult for a small firm to do that. It is difficult for us to make our presence known there. There is some financial support from APEX; for example, if you want to participate in a business fair abroad, they finance 50% of your stand. But this is just for the space. Then you've got to set up the stand, hire people – you'll need at least three people on your stand with knowledge of five or six different languages... It's a whole structure that you need and this is very difficult for a small firm... (Case 6)

Beyond internal requirements understood as being necessary to cope with perceived differences between foreign and domestic operations, decision makers also recognized some external conditions influencing this process, in particular the availability of institutional support, and the reliability of suppliers in the industry. The underlying understanding was that overcoming differences between foreign and domestic operations was not exclusively dependent on the internal means available to a firm, or yet the initiative and interest of a decision maker to do so. It was also dependent of external circumstances. Adopting this view, one said:

Exporting depends on the whole structure of the industry. The initiative of the entrepreneur is fundamental but one must also count on the support of other firms and agents in the industry. (Case 12)

The requirement of **institutional support** was mainly linked with the assumption that to operate abroad one needs to develop knowledge about this process, and to do so, support and help is required from external agents such as the government, business associations, service providers, suppliers and partners, and others. Decision makers considering this point mainly argued that the necessary institutional support for

internationalization was either absent, difficult to find, or lacking trustworthiness. As they said:

Although there is some support to go abroad, I find it difficult to get access to agencies and necessary information... (Case 34)

Unfortunately people and firms that are supposed to help you export and intermediate this process [export], are not always aware of how to proceed when selling abroad (Case 14)

There is a lack of trustworthy information and support when you export... (Case 29)

...there are few firms in the industry that are already exporting in our region and from whom we could get some information and learn about it... (Case 4)

To go abroad and give continuity to foreign operations, small firms need someone to help. They need assistance. But this is not always easy to find. (Case 15)

Finally the requirement of **suppliers' reliability** in the value chain was considered in relation to the fact that because smaller firms have low purchasing and bargaining power, they are highly dependent on suppliers. This understanding supposed that being able to deliver international orders on time, or alternatively negotiate future deliveries, is dependent on the reliability of suppliers in the industry. However, the lack of reliability among suppliers was argued to be a major problem constraining internationalization. Decision makers argued that suppliers in the clothing industry were not reliable, and pointed out problems with recurrent delays on deliveries and lack of guarantees about availability of materials in the future. They noted that, given cultural differences, foreign buyers are likely to plan their procurements with long time spans which ultimately make for difficult negotiations in Brazil. In addition, foreign buyers were perceived as less tolerant to delivery delays. Thus, once the continuity of operations, payments and fines may be bounded to meeting agreements, the dependence of suppliers and their lack of reliability were given as enough reason to avoid internationalization, as demonstrated below:

...in our industry, suppliers do not give you any guarantee that they will deliver orders as agreed in the beginning of a collection... For example, say there is fabric that I ordered and its delivery is delayed for more than 40 days. If that fabric was committed to be used with an order from

abroad, I'm sure I would have lost the order and the money... But because it is in Brazil you always can use '*jeitinho*'. (Case 14)

There are some characteristics of the clothing industry in Brazil that make it very difficult to export... You never get guarantees that suppliers will deliver fabrics on time. How can you export in such conditions? It is very difficult. There is a culture of delay in the whole clothing industry and everything takes more time than expected or promised... (Case 19)

If you place an order with your supplier and say that your order is for an export to be delivered in one year's time, you can't get guarantees that the fabrics will be available when you need them... The only guarantee that you can have is for those fabrics that you could use to produce basic fashion commodities; that is, those kinds of products that everybody can make. But in these kinds of products we are not competitive abroad... You know, this is part of the business and you've got to consider it when you think about exports... (Case 50)

When considering the implications in regards to differences that operations in Brazil and abroad may have on strategic choices in internationalization, the most evident implication suggests that it offers a rationale for domestic action and late internationalization as typically portrayed in conventional theories in the field. This rationale is underlined by the assumption that in order to overcome difficulties and barriers created by differences between foreign and domestic markets, a firm should first attempt to develop the necessary resources in the domestic market. Moreover, it supposes that necessary means for internationalization, particularly internal ones, are more likely to be available when a firm grows and achieves a **larger size**. This rationale can be clearly perceived in the statement made by a decision maker who argued that his firm had in fact internationalized because it had the necessary requirements for internationalization:

[in order to go abroad], a firm must first have an export department, it has to have someone prospecting customers abroad... Second, the characteristics of the firm's operations must be in accordance with the requirements of operations in foreign markets. What foreign markets demand, which Brazilian firms have difficulty to fulfil, is delivering products without delay and shipping the exact quantity ordered. In Brazil there are very few firms that can do this. Because our firm has ISO 9001, all our processes are organized to take these commitments. Another thing is that the firm must have a standard of quality that is recognized abroad. To do so, the firm will need machinery and technology that is differentiated, and this is another thing that few firms in Brazil have... Before going abroad, the firm must be able to take care of its own

‘kitchen’, it should be at least a medium-sized firm, have organized all internal process, have sufficient cash flow... it is useless saying that you’re going to deliver a product on a specific date if you don’t have enough cash flow... You’re dependent; if I’m going to commit myself to a delivery with a foreign customer I must have all the raw materials available in the firm, and in order to have raw materials available I need cash. (Case 42)

From this point of view, the findings suggest that the higher the level of differentiation considered between foreign and domestic operations, the higher the requirements for internationalization will be. Overall, the means/conditions of internationalization enacted through the lens of high difference were widely used to justify domestic action and point out the unfeasibility of internationalization for smaller firms given their lack of resources.

8.4.2 The perspective of low difference

The data in this study indicated that an alternative view regarding differences between foreign and domestic operations is possible. In this case, rather than interpreting operations in Brazil and abroad through the lens of high difference, decision makers considered the perspective of similarity. Within this view, differences about procedures, customers, culture and costs of operations in Brazil and abroad were deemed minor, not relevant, and were usually bypassed. As expected, decision makers manifesting this view pointed out alternative means/conditions orienting their strategic choices regarding internationalization.

In regards to low difference, procedures involved in foreign operations were not seen as more difficult, bureaucratic, or complex than those that characterize domestic operations. Although differences were acknowledged, they were deemed minor and able to be easily **incorporated into a firm’s everyday business activities**. As one decision maker said:

... the methodologies and procedures of selling in Brazil and abroad are a bit different, but once you learn them you see that these differences are really small. You see that the bureaucracy of selling abroad or domestically is not much different... (Case 53)

From a similar perspective, another decision maker said that exporting became so ordinary that it was not considered 'export' anymore. Export procedures were incorporated into the firm's ordinary activities, as illustrated below:

I don't consider these operations exports anymore. They became so common. I sent one last week.... It's very easy. I prepare all the documentation myself. Though I have a company that could do this service for me, I prefer doing it myself; it is simple and easy and I don't have to pay for their services... Exporting became ordinary... I have everything prepared: invoice, documentation... In one day I prepare everything... on the following I send the export... (Case 23)

Considering that these statements were made by decision makers with prior and positive experiences when selling abroad, the data suggests that the nature and outcomes of their prior international experience, here related particularly to differences between foreign and domestic operations, had a major role in conditioning how they interpreted the means/conditions of internationalization. As one of them added:

What I learned from this experience [selling abroad], was that the procedures of selling to firms located 100km or 10,000km abroad are basically the same... (Case 53)

This is even clearer when considering the statement made by a decision maker in a similar situation who experienced several problems with procedures involved in foreign sales. In this case, a negative assessment of the means/conditions of internationalization emerged:

Our biggest problem with exports is documentation. I don't know what happens... every time it is a different thing. We exported to Peru, but when the products got there, they got stuck in customs and our customer couldn't clear them. Then we had the same problem in Portugal and Mexico. Eventually I found that a certificate of origin was missing... When we exported to the US, it was a headache. Same problem... something was missing. For me these procedures and documents are too complicated... I don't have problems in finding customers abroad. I receive lots of emails every day... But when I think about the problems that I'll have, I have no motivation to answer them... I must find someone to help me with that... (Case 11)

Although it has already been noted how international experiences may foster positive or negative assessments of internationalization, these examples provide further evidence that decision makers' prior experiences when internationalizing, and especially

the quality and outcomes of these experiences, have a fundamental role in shaping their interpretations.

A particularly important aspect enabling decision makers to interpret foreign and domestic operations through the lens of similarity considered the **use of courier and door-to-door mail services for international sales**. This possibility was argued to make exports easy, less costly, and further to enable the commercialization of smaller quantities. Hence, it stands in opposition to the view that foreign operations entail complicated logistics and bureaucratic customs clearance procedures. It could be noted that by these means decision makers enacted foreign sales in a way that largely resembled domestic sales. For example, as one said:

Since we started using Exporta Facil [courier-based export service], selling abroad became even easier than before. I call the courier company, they come here, get the box and it's done... It has made exporting very easy. Certainly this is not for big sales, but for sales similar to the ones I sell to stores here [in Brazil]... which buy on average between 50 and 100 pieces, it is perfect! It enabled me to do abroad what I used to do here... (Case 9)

Through the lens of similarity, decision makers also considered that selling abroad was possible with little or no product adaptation. Their view was that products sold in Brazil could equally meet customers' preferences, characteristics and tastes in foreign markets without significant alterations. This interpretation acknowledged two possibilities. On the one hand, it posited the existence of **Brazilian niche markets** abroad and to whom products can be sold as they are in the domestic market. One alternative considered, for example, the case of Brazilian beachwear, a product strongly identified with the image of the country. Another considered the possibility of selling to Brazilians living abroad, or to segments where Brazilian products are in demand. Some of these possibilities were illustrated in the following ways:

...I lived in the US for two years and saw that there were stores there with sections dedicated to Brazilian jeans. I thought it was a good business opportunity. There is a big Brazilian market in California... (Case 10)

When I think about selling abroad I think about serving Brazilian people who are living abroad... This is the way I understand it will be possible to sell the same thing abroad that I'm selling in the domestic market. I don't think about producing different products for each market... (Case 14)

Another way in which internationalization was interpreted in regards to similarity and the need for minor product adaptation was what has previously been referred to as **internationalizing a firm's action frame of reference**. By its means, decision makers argued that product adaptation for sales in foreign markets would be minimal. They observed that products sold domestically were already following international standards of modelling, size, cut, and design. This alternative can be seen in the following statements:

I started the business having my products ready and adapted for international markets, even though my expectation was to sell in Brazil in the beginning. Our labels were printed in three languages. We applied them using transfer technology, which is a standard procedure for the American and European markets... we developed packing, sizes and designs that were internationally referenced... Everything was made with reference to international markets. Our catalogues, website, everything was in three languages from the beginning... (Case 9)

When the firm began and we decided on the important characteristics of our products, the first was the issue of modelling and sizes. The modelling and size of our products follow international standards. In Brazil baby clothes have only three or four grades you know: Just Born, Small, Medium and Large. My products do not follow this standard. I have Premature, Just Born, 0 to 3 Months, 3 to 6 Months, 6 to 9 Months and 9 to 12 Months. This follows the American and European standard... In our first experience of selling abroad, I couldn't have been more surprised when my customer from New York sent samples of the products that he wanted and I realized that they fit perfectly in our modelling. Practically I wouldn't have to change anything. Because I already had an international standard, the only things I had to adapt were small details that he wanted such as openings or the placement of buttons. However, the size and models used were exactly the same... (Case 6)

It was further noted that decision makers who considered the possibility of developing an international action frame of reference were likely to perceive lower problems when considering cultural differences in foreign operations. Moreover, by reducing perceived differences between foreign and domestic operations, the costs involved in internationalization were likely to be perceived as not being substantially higher than those demanded in domestic operations. For instance, by attempting to develop products of international standard for the domestic market, firms would have already incorporated the costs of regular travels abroad or international research as part of their ordinary costs.

In short, the findings reported here lead to the conclusion that although most decision makers were likely to understand the means/conditions of internationalization through the lens of high difference, the alternative interpretation taken from the perspective of similarity is also possible. From this perspective, differences regarding procedures, customers, culture, and costs between foreign and domestic operations tend to be deemed low or easily incorporated into a firm's daily activities. The obvious implication suggests that from this perspective internationalization becomes a course of action that is much more feasible for smaller firms than when seen through the lens of high difference. These evidences are to a great extent in line with the assumptions implicit in the argument of psychic distance. By acknowledging that procedures involved in foreign sales are not more difficult than those in the domestic market, and that ultimately they can easily be incorporated into a firm's everyday activities, the requirements of specialized knowledge, or the organization of a department specializing in international business issues, is likely to be regarded as unnecessary. Moreover it could justify the rationality of strategic choices in favour of early internationalization. Finally, the findings indicated that decision makers' interpretations regarding differences between foreign and domestic operations can be positively or negatively influenced by the nature and outcomes of their prior international experiences.

8.5 RISK AND UNCERTAINTY

Decision makers' interpretations concerning the level of risk and uncertainty involved in foreign operations emerged as another relevant category of perceived means/conditions of internationalization. Similarly to other categories, the findings point to at least two alternative interpretations: on the one hand, that international involvement entails high levels of risk and uncertainty; on the other, that this is rather low and in some cases lower than those of operating in Brazil. To a great extent these modes of interpretation can be linked to decision makers' views about differences and similarities between foreign and domestic operations. The ones who adopted the lens of

high difference were also likely to interpret internationalization through the lens of high risk and uncertainty; while those seeing it through the lens of similarity were likely to envisage international involvement in terms of low risk and uncertainty. Each of these views is described in turn.

8.5.1 The perspective of high risk and uncertainty

Interpreting internationalization as a course of action that encompasses high levels of risk and uncertainty was the most frequent view among decision makers. It encompassed two major issues: opportunism and economic instability.

Opportunism refers to the understanding that foreign counterparts are likely to act in a misleading, distorting, disguising or confusing way. On this view respondents argued that when operating abroad it is difficult to gauge whether the external party will act in an opportunistic or trustful way. Therefore, the prudent behaviour should presume that external agents act opportunistically. Four major aspects were considered here: (1) the possibility of not receiving payment for products exported; (2) having products rejected and returned by foreign buyers; (3) uncertainty about continuity of operations; and (4) concerns about the quality of products/services when sourcing abroad.

The possibility of not receiving payment for exports was usually addressed in the following terms:

I worry that when you export people may not pay for products... (Case 13)

One way of justifying this concern was by pointing out cases where firms experienced this problem when selling abroad. For example:

I have a friend from Minas Gerais who was exporting to Bolivia and for some reason there was a problem and he never received the payment for his products... (Case 15)

More emphatically, three decision makers interviewed stated that they sent products abroad and never received payment. About such experience one said:

At the beginning we were very excited by the possibility of exporting. We invested in it. We provided samples, bought material and initial orders were sent to the US. However it all became a great frustration... We never got any payment for what we sent and the cost of our

investment was never returned... After this experience we decided that our business is more suited to the domestic market... (Case 1)

These examples indicated that negative prior experiences, both personal and from the testimony of others, may shape the understanding that internationalization is a course of action of high risk and uncertainty. In both circumstances these narratives were given as evidence of opportunistic behaviour from foreign buyers and enough reason for being concerned about or avoiding internationalization.

Somewhat related to this was the fact that decision makers also considered the possibility of having products rejected and payment refused based on the deceitful argument that products did not arrive with the expected quality. As one mentioned:

When you think that products may arrive and then your customer may open the box and if the sewing is not 100% right, or a bit different from what he/she expected, you may have everything returned or not get any payment, you get frightened... (Case 12)

Furthermore, drawing on the assumption that foreign sales are usually characterized by large quantities and thus financially significant, and that products are expected to have higher levels of quality than those in the domestic market; having exports refused was considered a real risk and to a great extent higher risk than could be coped with by a small firm. As one decision maker argued:

I cannot cope with the risk of sending something abroad and having it rejected. (Case 35)

The possibility of foreign operations being one-off arrangements and not having continuity was also considered a risk in relation to the investment required when internationalizing. For example:

Can you imagine [what would happen] if I increase production capacity in order to export and for some reason there is a problem in the negotiations? What do I do with all the employees that I hired for increasing production? This could be the end of the firm. (Case 13)

Yet, in the case of imports and foreign outsourcing, decision makers were concerned about the uncertainty regarding the quality of sourced products. As argued by one respondent, importing “is a lottery”. The view considered the possibility of foreign partners being deceitful about the products they send. This was based on personal observations and articulated in the following way:

I know some firms that import goods and material from abroad. But it's like a lottery. There are containers with excellent products and others that are just rubbish. I think the risk [of importing] is too big for someone who works in wholesale like me... if you import products and they are of poor quality, what will you do? I think this is too risky... (Case 6)

Similar to opportunism, **economic instability** was also acknowledged as a major source of risk and uncertainty in foreign operations. Here decision makers mainly addressed: (1) the levels of variance in the exchange rate; (2) the possibility of strikes in relevant services in the domestic market; and (3) the possibility of economic crises and downturns.

The variance of the exchange rate in the domestic environment was said to be a major cause of risk and uncertainty in internationalization. Decision makers argued that in Brazil the swings of the exchange rate were high and entailed a major barrier to international involvement. This was linked with operations in both directions of internationalization: outward (e.g. export) and inward (e.g. imports). For example:

There is much uncertainty [in foreign operations], especially if you consider the instability of the exchange rate. You know, ten days ago the Dollar was valued at 1.50 Reals; today it is about 2.20. The worst is that you never know what's going to happen next week... (Case 15)

When you are exporting you always have the risk of exchange rate variance, and we are not willing to take this risk. (Case 43)

The possibility of strikes happening in relevant services in the domestic environment such as banks, customs services, transport systems and others were also considered an issue increasing risk and uncertainty in foreign operations:

When selling abroad you've got to consider that strikes are always a problem... you know they can happen everywhere: ports, airports, customs, banks... This is an aspect of the export process that is not tackled by government policies... I have already had problems of having exported and not being able to get the payment because there was a strike in the *Banco do Brazil*... So if you go abroad, you've to think about that. You've got to be prepared... (Case 2)

Further, the risk of an economic crisis in Brazil as well as abroad was also said to be a concern regarding the continuity of the foreign operations given its impacts on production costs and so forth. For one of the decision makers interviewed, economic uncertainty was given as a major reason to forgo international involvement.

As in the case of high difference, the data suggests that the overall orientation when interpreting the means/conditions of internationalization from the viewpoint of high difference and uncertainty offers a rationale for emphasis on domestic operations.

8.5.2 The perspective of low risk and uncertainty

The findings indicated that although less frequent, an alternative interpretation to the perception of high risk and uncertainty is possible. It encompassed the view that levels of risk and uncertainty in foreign operations could be lower than those that characterize domestic operations. Within this perspective, contrary to the view of opportunism, the means/conditions of internationalization were mainly interpreted on the basis of trust and could be particularly grasped when decision makers assessed the risk of not receiving payment when selling abroad.

Within the lens of opportunism, the risk and uncertainty of not receiving payment for products exported was considered a major concern among decision makers. It was justified by acknowledging experiences where the payment for exports was not received. Hence, for them, the choice for emphasizing domestic action was taken in attempts to avoid the high risk and uncertainty that characterizes foreign sales. However, on this issue a group of decision makers offered an alternative interpretation. They argued that foreign sales are characterized by much lower risk than operations in the domestic market, especially in relation to receiving payment for sales. Therefore, selling abroad becomes particularly favourable for smaller firms. They contended that foreign counterparts act on the basis of trust and typically make payment for sales in advance or against delivery. On this view one argued:

Our exports usually happen like that: people access our website and make an order. Then I prepare everything. I contact them and they make the deposit in my bank account. It's amazing how they trust you! Once the money is in my account I send the products. (Case 23)

This was usually considered in contrast to how payment for sales in the domestic market are made, namely in two or three instalments after the delivery of products. Ultimately, it offered a basis for arguing that sales abroad entail less risk than similar operations in Brazil:

When selling abroad you say that you want 50% of the payment in advance and 50% with the delivery of products.... Of course there are customers.... that ask for a letter of credit ... which is a bit more boring, because you have more documents and you can not make mistakes. But once this is done, your money is 100% guaranteed... When foreign buyers don't ask for a letter of credit, we usually get 100% of the payment in advance. Thus, I'll have all the money that I need to produce before I in fact start producing... or at least I'll have 50% of it. Or, the payment is 100% guaranteed before the delivery... But have you seen how the national market works? If I get an order today, the payment can be made at sight but usually it will be in instalments, as many as you can do. If it's in three amounts, it will be 30, 60 and 90 days after the delivery... Because you are going to receive the first instalment of your payment 30 days after the delivery the products, you've got to verify your customer's CNPJ [National Registration of Firms], see if it's valid, if the firm does not have debts and if it is not going to trick you with the payment. The risk is huge! Beyond that they can always lose the bill or ten thousand other problems can happen. (Case 9)

On the same view others stated:

... we prefer selling abroad because we receive payment in advance or at sight. (Case 11)

... the payment for all exports we've made have been received in advance. (Case 52)

What seems immediately relevant in these statements is that they are based on positive international experiences. Once more the findings indicate the relevance of the quality and outcomes of prior international experiences and how they may shape interpretation. In addition they suggest that similar understandings could arise on the basis of social interaction with foreign buyers. This was the case among decision makers who, despite having no prior international experience, had the opportunity to interact with foreign buyers who offered to pay for orders in advance. A similar understanding could also emerge among decision makers whose network included firms exporting in these conditions. This can, for instance, be noticed in the following statements:

Some time ago I met a potential customer abroad at an event organized by SEBRAE. That firm would be able to pay in advance for orders made. This would be great because you have no risk and it would solve our problem of not having enough cash flow to buy necessary materials before producing... Unfortunately I couldn't get the order because there was a bigger firm at the same event that had access to tax benefits when exporting and could offer a lower price... (Case 14)

I have a friend that exports fitness products and she told me that she receives all payment for exports at sight. I think this is a great advantage... (Case 27)

... Some time ago I met a friend who is exporting suits to Argentina. He told me that this is the best kind of business because you sell and they pay 50% in advance and 50% on delivery. (Case 4)

These findings offer further indication that alternative interpretations of internationalization may arise depending on the quality, nature or outcomes of decision makers' experiences and social interactions in everyday business practice. More importantly, they suggest that interpretation is not an individualistic endeavour but rather a collective social construct.

Ultimately, interpreting internationalization from the point of view of low risk and uncertainty, together with the view of low difference between foreign and domestic operations, offers a positive framework for internationalization.

8.6 LEGITIMACY

Here legitimacy was used to refer to a category of means/conditions considering how strategic choices in internationalization are expected by decision makers to conform to accepted norms of organizational action. Though not easily grasped, legitimacy was found to encompass an important condition informing strategic choices in internationalization. Similarly to other categories, the findings suggest that it could be interpreted in at least two different ways: economic and social legitimacy.

8.6.1 Social

Social legitimacy entails the interpretative perspective in which choices in internationalization are conditioned in relation to its effect and outcomes beyond the domains and interests of the focal organization. Put differently, it conditions choices in internationalization in relation to their wider social impacts, and whether these were acceptable *vis-à-vis* norms and values orienting accepted behaviour, particularly within decision makers' social groups of reference.

The data suggests that within the context of the clothing industry of Paraná, social legitimacy was particularly relevant when decision makers considered the alternative of importing raw materials, outsourcing and investing abroad. Although as noted in the last chapter the economic benefits embedded in these alternatives seems evident, especially in terms of reducing production cost and increasing profits, some decision makers disregarded this alternative on the grounds that it lacked social legitimacy. For example, one of the respondents whose firm exported more than 30% of its total sales during 2003 and 2004, but, given the rise of production costs in Brazil after 2005, saw its foreign operations reduce to almost nothing, indicated that although economically interesting and feasible the choice of outsourcing production to China would not conform to the norms and values shared in his social group of reference. He argued that as one of the leaders and role models in the local business context, his actions are expected to evidence commitment to the **development of the local economy**. The understanding presumed that outsourcing production to a foreign country would not conform to that. He acknowledged that his choices were not free from social judgement and that lack of conformity could result in social exclusion and isolation. Reflecting on this he stated:

... [when facing the reduction of exports] my first thought was about going China and outsourcing production there. This could keep us exporting. However, my family did not like the idea. They thought it was 'madness'... Then I realized that while it could solve the problems regarding the costs of production, it would create others. If you outsource production there, you will be creating jobs and benefits for the Chinese economy, not for Brazil. You know that I'm part of the *Sindicato* [Business Association] and there we are committed to the development of the local economy and especially to creating jobs locally. I know that if I go to China, people will comment on that because I'm a kind of role model in the industry. They will say, 'look, he is going to China'... (Case 2)

Although this example suggests that major pressures for considering the social legitimacy of choices in internationalization would come from decision makers' social group of reference for action, the data further suggests that these could equally emerge out of a decision maker's altruistic morals. For example:

The problem of producing abroad is that I'm committed to my community. I want to produce in Brazil and help people. I know that at some point I'll bring something from abroad, especially those products

that are more difficult to produce here. However, I want to produce here. I want to know that I'm contributing to the community, helping people improve their life. (Case 27)

I thought about producing in China; it is not difficult and can be done... [But] one thing that I consider about producing in China is that it is it is a communist country and they use slave labour... I consider producing in China, but because of this point I haven't made a final decision. (Case 35).

Although less frequent, social legitimacy was also found to influence strategic choices regarding the possibility of exports. Similar to examples given earlier, the conditions here were also found to encourage domestic action. It was mainly based on the understanding that selling abroad demands a strategy of low cost and price and in so doing is based on the exploitation of local human labour. Decision makers adopting this view questioned the social legitimacy of exports and even the efforts of government and agencies attempting to increase the number of exporting SMEs. For example, one decision maker said:

I don't understand why people from the government and agencies want small firms to export. I even don't understand why they bring foreign buyers to our business fairs. They should use this money to bring more domestic buyers... Also, why do they give prizes for small firms that export? What is the aim? Why should a small firm that exports get an award?... Maybe they think that if a firm exports it will make lots of money... but that's not true... Certainly there is a market abroad, of course there is, but should we subject ourselves to its requirements? Should we exploit our employees just to achieve the price they want to pay? Do you think this is right? (Case 22)

8.6.2 Economic

The alternative understanding characterized an economic view of legitimacy. It presumed that strategic choices in internationalization should be assessed in terms of profit-making benefits for the firm. It is distinguished from social legitimacy on the basis that it takes the individualized firm as its point of reference, and considers that pursuing profits is the legitimate aim of internationalization.

The findings show that while some decision makers found it imperative to consider the social effects of internationalization, either due to the pressure of reference

groups or from personal altruistic values, others stated that choices in internationalization should be primarily considered in terms of its economic profitability for the firm. The following statements illustrate this rationale by economically justifying foreign outsource and investment:

It is getting difficult to produce in Brazil. It is getting more expensive and China is dominating everywhere. Producing abroad is a necessity. Thus you've got to find a cheaper place to produce. You know, the cheaper you can produce the higher your profit will be... Of course, I don't think that in order to have a low production cost people should be exploited like they are in China, but you also have to consider that production is getting expensive...I'm not producing in China yet... but yes, this is a possibility that I will consider... (Case 5)

Today it is economically advantageous to bring things over from abroad... and even produce what we are producing in Brazil abroad. We are already importing from China and thinking about producing there. (Case 24)

The cost of producing in Brazil is getting higher, especially the cost of labour. We know that there are some other countries where labour costs are lower than Brazil. For instance, we are researching the possibility of starting up a production facility in Paraguay. (Case 57)

These examples show that in the case of economic legitimacy, the alternative of outsourcing production is, on the one hand, taken in terms of its economic benefits, namely reducing cost and increasing profits, and on the other hand that the point of reference against the benefits of internationalization is the individual firm. The rationale presumes that where internationalization is imperative for the economic survival of the firm, it entails a legitimate and expected course of action, despite eventual social consequences such as reducing the number of jobs in the local context.

Contrary to the tenets of social legitimacy, which offers ground to disregard and avoid internationalization, the data suggests that on the basis of economic legitimacy internationalization is legitimate as long as it offers economic benefits for the firm.

8.7 MEANS/CONDITIONS AND ACTION-CHOICES IN INTERNATIONALIZATION

In order to further explore the influence of different modes of interpretation on strategic choices in internationalization, the final stage of the analysis applied a quantitative analysis. The analysis questioned whether different modes of interpretation considering the means/conditions of international involvement could be statistically associated with action-choices in internationalization. As noted in the previous chapter, this approach is essentially exploratory and is not intended to model relationships but rather to clarify findings, enhance their validity, and point out areas for further investigation.

The analysis is based on the binary coding of the interview responses and considers whether a particular view about the means/conditions of internationalization ‘occurred’ (1) or ‘did not occur’ (0). The binary scores were correlated with the action-choice manifested by firms interviewed with particular emphasis on the pace of internationalization. The analysis tested the linear correlation between action-choices in internationalization and the means/conditions assigned to it. The analysis presumes that the occurrence of a particular understanding in decision makers’ descriptions is relevant in orienting their strategic choices in internationalization. Table 8-2 shows the magnitude of correlation between variables and whether these are statistically significant.

Table 8-2 Phi correlation between action-choices and the means/conditions of internationalization (n = 58)

	Domestic	Occasional	Active
1. Quantity: large	0.111	0.181	-0.381**
2. Quantity: small	-0.263*	-0.167	0.561**
3. Competition: price-based	-0.299*	0.405**	-0.139
4. Competition: differentiation-based	-0.198	-0.105	0.396**
5. Differences: high	0.050	0.196	-0.321*
6. Differences: low	-0.256	-0.083	0.443**
7. Risk and uncertainty: high	-0.012	0.198	-0.243
8. Risk and uncertainty: low	0.070	-0.133	0.082
9. Legitimacy: economic	-0.258	-0.133	0.510**
10. Legitimacy: social	0.174	-0.055	-0.155

*Correlation is significant at the 0.05 level (2-tailed). **Correlation is significant at the 0.01 level (2-tailed).

The analysis shows that active international involvement is positively correlated (in order of strength) with the following understandings about the means/conditions of internationalization: (1) that it entails operations involving small quantities ($r = 0.56$ $p < 0.01$); (2) that the legitimacy of action-choices in internationalization are supposed to be considered from an economic perspective ($r = 0.51$ $p < 0.01$); (3) that differences between foreign and domestic operations are low ($r = 0.44$ $p < 0.01$); and (4) that competition in foreign markets is based on differentiation ($r = 0.39$ $p < 0.01$). These findings are in line with the qualitative observations made earlier.

Occasional internationalization was found to be positively correlated with the understanding that competition in foreign markets is based on price ($r = 0.40$ $p < 0.01$). This is in line with the observation that price competition in foreign markets is typically understood as depending on the favourability of the exchange rate, the benevolence of the taxation system, production costs and so on. Ultimately the variations in these factors explain why these firms would take an occasional approach to internationalization.

The action-choice to remain purely domestic was found to be negatively correlated with the understanding that international involvement entails price competition and small quantities. On the one hand, this indicates that a belief that internationalization cannot be achieved by selling small quantities encourages the choice to remain purely domestic. This is in line with the view that such an understanding is positively correlated with active internationalization. On the other hand it indicates that the number of decision makers understanding that internationalization is characterized by price-based competition increases when the number of domestic firms decreases. This association is in line with the view that price-based competition is likely to foster internationalization, but of a rather occasional nature.

These findings support the conclusion that different understandings given to the means/conditions of internationalization are associated with different action-choices in that direction. Similar to the findings considered in the last chapter, it offers further support to the argument that internationalization is a meaningful course of action and that strategic choices in internationalization are considered on the basis of decision maker's interpretations regarding the purposes and means/conditions of international involvement. Beyond this, a further investigation considered the eventual correlation

between decision makers' understandings regarding the purposes and means/conditions of internationalization. Table 8-3 summarizes the results of this analysis.

The results indicate that internationalization oriented towards the purpose of increasing the profitability of sales is positively correlated with the understanding that the means/conditions of international involvement are characterized by (in order of strength): low differences with domestic operations, small quantities, and competition based on differentiation. It shows how these decision makers are likely to give meaning to internationalization as a means of increasing profits. In addition, the analysis suggests that the purpose of increasing profits by reducing costs is positively associated with the rationale of economic legitimacy. Finally, when oriented towards social recognition (achieving differentiation in the domestic market and international recognition), internationalization is positively associated with the view that foreign competition is based on differentiation. Ultimately these findings offer further evidence on how decision makers are likely to associate understandings concerning the purposes and means/conditions of internationalization in their minds. Similarly, they point out the purposes and means/conditions included in the process of making strategic choices in internationalization.

Table 8-3 Phi correlation between understandings given to the purposes and means/conditions of internationalization (n = 58)

Means/Conditions of Internationalization	Purposes of internationalization						
	Increasing sales	Increasing sales' profitability	Reducing costs	Diversification	Achieving differentiation	Int. recognition	Bus. development
1. Quantity: large	0.158	-0.027	-0.098	0.219	-0.036	-0.023	0.105
2. Quantity: small	0.052	0.352**	0.162	-0.055	0.223	0.124	-0.033
3. Competition: price-based	0.092	-0.081	-0.219	0.235	-0.177	-0.070	0.246
4. Competition: differentiation	-0.183	0.302*	0.229	0.190	0.258*	0.384**	-0.076
5. Differences: high	0.173	0.071	0.064	0.171	0.205	-0.037	0.225
6. Differences: low	-0.016	0.390**	0.161	0.021	0.068	0.117	0.103
7. Risk and uncertainty: high	0.209	0.054	-0.112	0.091	0.210	0.121	0.205
8. Risk and uncertainty: low	-0.105	0.203	-0.023	-0.222	0.086	0.164	0.014
9. Legitimacy: economic	-0.038	0.140	0.498**	0.128	0.174	0.060	0.072
10. Legitimacy: social	-0.011	-0.149	0.170	0.188	-0.125	0.017	0.238

*Correlation is significant at the 0.05 level (2-tailed). **Correlation is significant at the 0.01 level (2-tailed).

8.8 SUMMARY

The findings presented in this chapter showed how decision makers of SMEs in the clothing industry of Paraná understand the means/conditions of internationalization within their situations. They showed that five categories of meaning were found to be most relevant, namely: (1) quantity; (2) mode of competition; (3) difference between foreign and domestic operations; (4) risk and uncertainty; and (5) legitimacy. Each of these was argued to include at least two different modes of interpretation and encompass distinct sets of means/conditions informing strategic choices in internationalization. Table 8-4 summarizes each of these categories and the means/conditions in each of the alternative modes of interpretation.

Overall the findings indicated that interpretation plays a critical role in the process of internationalization. They indicate that through interpretation decision makers can enact different means and conditions for international involvement. The data showed that while on the one hand internationalization could be interpreted in terms of large quantities, low price competition, substantial difference from domestic operations, and encompassing high levels of risk and uncertainty; on the other it can also be interpreted as encompassing the commercialization of small quantities based on price differentiation, low difference with domestic operations, and low levels of risk and uncertainty. In addition, while some judged it legitimate to assess internationalization in terms of its exclusive advantages and benefits for the firm, others considered that its effects and impacts should be appraised beyond the borders of the firm.

Table 8-4 Decision makers' understandings regarding the means/conditions of internationalization

Meaning category	Interpretative Mode	Means/conditions informing strategic choice in internationalization
Quantity	Large	Firm size. Production capacity. Feasibility of business growth. Labour force availability. Culture of cooperation and joint production in the industry.
	Small	Directly serving small customers abroad. Use of internet and web-based services. Personal contacts and networking.
Mode of Competition	Low price	Exchange rate favourability. Taxation system benevolence. Production costs. Bargaining power. Standardization of product features. Brand consolidation in the domestic market (as a way to avoid).
	Differentiation	Serving small orders. Differentiating product features. Adding services/support to foreign customers. Building up Brazilian image. Market segmentation (niche focus). Focusing on non-traditional markets (countries).
Difference between foreign and domestic operations	High	Availability of specific knowledge. Requirements of product change/adaptation. Adequacy of organizational structure. Personnel qualification. Availability of institutional support. Reliability of suppliers in the supply chain.
	Low	Incorporating foreign operations into firm's ordinary activities. Using mail and courier (door-to-door) logistic services. Accessing 'Brazilian' niche markets abroad. Internationalizing firm's action frame of reference.
Risk and Uncertainty	High	Avoiding international opportunism: possibility of not receiving payment for products exported, reliability of foreign suppliers, interest in the continuity of operations, having products rejected or returned for minor reasons. Evaluating countries' economic stability: swings in the exchange rate, possibility of strikes, economic recession.
	Low	Trust development.
Legitimacy	Economic	Utilitarian benefits to the firm.
	Social	Effects of internationalization beyond the borders of the firm, e.g. job creation, local development.

The findings also indicated that decision makers' social experiences, including interaction with foreign buyers, play a relevant role on how different modes of interpretation are formed. Here the findings offered further evidence about how modes of understanding are correlated with the nature and outcome of decision makers' experiences. Specifically they showed that international experiences can vary from negative interaction with foreign buyers in business fairs, frustrated opportunities to export given low production capacity or price competitiveness, loss of money when exporting, and difficulty with export procedures, to positive experiences of sustained exports, receiving anticipated payments, accessing small orders, and others. While negative experiences are likely to lead towards unfavourable views of internationalization, positive experiences are likely to encourage it. The data also suggested that experiences more favourable to internationalization are likely to happen in the context of the internet, personal contacts and networks. From here, it indicates that rather than an individualistic undertaking, interpretation is socially-constructed within the course of everyday practice.

Finally, the findings indicated that different means/conditions of internationalization offer different rationales informing strategic choices. Put differently, they showed that depending on how decision makers interpret the means/conditions of internationalization, different courses of action can be rationally enacted. This explains why SMEs with similar firm and managerial characteristics, and recognizing similar purposes for international involvement (e.g. increasing the profitability of sales), can manifest different courses of action regarding international involvement. For example, the data showed that while interpreting internationalization through the lens of price competition offers a rationale for occasional internationalization, the perspective of differentiation offers similar rationale for active international involvement. More specifically, the analysis indicated that decision makers in active internationalizers are likely to interpret internationalization through the lens of small quantities, price differentiation, low difference with domestic operations and economic legitimacy. Additionally, it suggests that under certain modes of interpretation positive action towards internationalization can be enacted in the absence of high levels of production capacity, availability of financial capital, knowledge, institutional support, favourable exchange rate and others. Thus, the findings indicate that interpretation and

rationality play a part in the process of making choices in internationalization, and in so doing corroborate the theoretical assumptions addressed in Chapter 4.

9. THE MEANINGS OF INTERNATIONALIZATION

9.1 INTRODUCTION

This study set out to understand the meanings of internationalization. To this end, Chapter 2 reviewed how internationalization is conceptualized and the major analytic dimensions of this phenomenon. Chapter 3 considered how prevailing theorizing has attempted to explain internationalization and concluded that although important contributions have been made in this direction, available theories are unable to comprehensively account for the complexity, diversity and idiosyncrasy of firms' actions regarding internationalization. Chapter 4 argued that the major limits of mainstream theories of internationalization can be related to determinist, rationalist and individualist assumptions of organizational action which overlook that internationalization is meaningful and thus subject to the interplay of choice, interpretation and collective social relationships. . The chapter suggested that where theoretical advance is required, it is imperative to reconcile these perspectives into more balanced view of internationalization phenomena. In attempting to contribute in that direction, it advanced an analytical perspective of analysis informed by Weber's (1964; 1978) argument that social action is meaningful. By approaching internationalization as a meaningful action and the perspective considered that international action is characterized by the dynamic interpenetration of choice, rationality and interpretation.

The empirical research investigated how decision makers attach meaning to internationalization and, informed by theoretical approach outlined in chapter 4, it: (1) investigated the scope of choice in internationalization; (2) identified how decision makers interpret the purposes and means/conditions of internationalization; (3) explored how interpretation informs strategic choice in internationalization; and ultimately (4) explored the dynamics of choice, interpretation and rationality in internationalization in order to (5) generate relevant insights for the refinement of internationalization theory and practice.

This chapter discusses the key findings of the empirical investigation presented in Chapters 6, 7 and 8 in the light of the preceding theoretical debate. After this introduction, Section 9.2 discusses the international involvement of SMEs in the Paraná clothing industry and how far mainstream theories can explain it. Ultimately, it highlights the scope of choice in the internationalizations of SMEs. Building on this, Section 9.3 discusses the role of firm and managerial characteristics on internationalization and how far the results reported in this study are consistent with prior research on the topic. In addition, as in 9.2, it reinforces the need to recognize the role and scope of choice in internationalization as a major instance of meaningful action. In Section 9.4, the focus is on the findings of the main qualitative investigation conducted in order to understand how leaders of smaller firms make choices when considering internationalization. It discusses the interplay of interpretation and rationality and, more specifically, how institutionalized understandings may influence action-choices in internationalization. This section further discusses how interpretation may elucidate our understanding of strategic choices in internationalization and helps to fill some important gaps within available theorizing. Section 9.5 takes this point a step further and discusses how the inclusion of interpretation in theoretical models of organizational action can reconcile concurrent assumptions of theorizing and provide a foundation for integrating prevailing theoretical perspectives and advancing scientific knowledge on internationalization. The chapter closes with a summary of the discussion.

9.2 THE SCOPE OF CHOICE IN INTERNATIONALIZATION

The survey research showed that purely domestic operation was found to be the ‘default’ choice of the majority of SMEs in the sample: over half of the sample (60%) had never established any kind of foreign trade or investment operation. By contrast, about 40% of the firms did have some kind of international involvement. When assessed in terms of speed of international involvement the results showed that among the 40%, while the majority internationalized only after five years of purely domestic operations

(22 cases); others engaged in cross-border operations in a much faster way (16 cases), in some cases in the first year of operation.

When considering pace of international involvement, about 20% of the firms were found to have taken an occasional approach to international involvement and a further 18% an active one. The degree of international involvement among internationally-active firms varied considerably. Firms manifesting a low degree of internationalization exported on average 2.4% of their total sales, usually to one country and one strategic partner. Firms with a higher degree of international involvement exported on average 15% of their total sales and also sourced about 3% of their total procurement from abroad. Their operations involved about five foreign strategic partners and activities in about four different countries.

The variety of actions regarding engagement, speed, pace and degree of internationalization challenges deterministic predictions of mainstream theories, particularly when considering that the firms surveyed were operating in a single industry and under similar environmental circumstances. For instance, as has been shown in Chapter 6 and will be discussed in the following section, SMEs with similar firm and managerial characteristics were found to have taken different courses of action regarding internationalization.

Considering the findings of the survey in the light of economic theories, one could ask: if there were economic advantages of internationalization and firms were operating in similar circumstances, why didn't all of them internationalize? Or, if there were no economic advantages in internationalization, why did some do so? When considering a behavioural perspective on theorizing a similar challenge applies – why did some firms not engage in cross-border operations when sharing similar characteristics of those that did so? Or, why did some firms internationalize actively while similar counterparts did not move beyond occasional internationalization? Although the theoretical assumptions of both economic and behavioural perspectives on internationalization could be used to explain general trends regarding the lack of international involvement among firms surveyed, none of them offer a comprehensive explanation for the variety of action and idiosyncrasy observed in the sample.

This conclusion could be also drawn when considering a firm's action regarding speed of internationalization. The findings showed that about 22% of the firms

experienced their first cross-border operations only after five years of operating exclusively in the domestic market. The action of these firms support conventional theory in internationalization, namely that international involvement happens only after a period of purely domestic operation. From a behavioural perspective this is attributed to risk and uncertainty in international involvement, which requires time for learning, entering relevant networks, acquiring knowledge and so forth. In these terms internationalization is expected to start only after a period of purely domestic operations (Johanson and Vahlne, 1990; Johanson and Wiedersheim-Paul, 1975). Scholars adopting an economic perspective follow a similar rationale. They argue that internationalization is dependent on the possession of distinct advantages, and therefore that a period of exclusive domestic operations is expected (Dunning, 1980; Hymer, 1976; Vernon, 1979). Although the survey partly supported this rationale, it also showed that about 16% of the firms established cross-border links much faster, i.e. within less than five years from inception.

When considering firms' action regarding pace and degree of internationalization, a similar conclusion is reached. Overall, the discussion suggests that at the same time as the actions of some SMEs in the Paraná clothing industry support theoretical assumptions found in mainstream theory in internationalization, the actions of others also challenges these assumptions and point out the need to acknowledge the role of strategic choice in internationalization. In short, although the international involvement of SMEs in the Paraná clothing industry can partly be explained by available theorizing in the field, much diversity and idiosyncrasy is also left unaccounted for and unexplained. The following section takes this argument further by discussing the role of firm and managerial characteristics on internationalization and how the results of the quantitative investigation corroborate much of the inconclusiveness of prevailing theories of internationalization. Ultimately, it highlights the need to recognize the scope of strategic choice in this process.

9.3 THE ROLE OF FIRM AND MANAGERIAL ATTRIBUTES ON INTERNATIONALIZATION

Data collected during the survey offered the possibility of investigating the influence of firm and managerial characteristics on internationalization. On the one hand, this analysis served as a relevant background for purposefully sampling firms in the qualitative stage of this study. On the other hand, it permitted an exploration of the existence of particular trends regarding the relationship between internationalization and firm and managerial characteristics. Specifically, the analysis investigated the role of firm size, firm age, production capacity, decision makers' prior international experience, knowledge of foreign languages, export intention, education, and age on a firm's international involvement. The findings concerning the influence of each of these variables on internationalization and how they highlight the role of strategic choice in the light of prevailing theorizing are discussed in turn below.

9.3.1 Firm size

Prior studies investigating the influence of firm size on internationalization have in general produced mixed results. Though some studies found a positive association (Cavusgil and Naor, 1987; Daniels and Goyburo, 1976; Ganier, 1982; Kaynak, 1985; Keng and Jiuan, 1989; Reid, 1982; Reid, 1983b), others reported no significant relationship (Bilkey and Tesar, 1977; Bonaccorsi, 1992; Moon and Lee, 1990). The findings reported in this study to a great extent resemble this inconclusiveness.

When considered in relation to domestic firms, firm size was found to significantly ($p < 0.5$) predict engagement in, and speed and pace of, international involvement. Firms that engaged in foreign operations and took an active pace in internationalization were found to be significantly larger than domestic ones. This supports the conclusion that internationalization is likely to play a part in the growth process of the firm since many firms perceive a size threshold for viable internationalization. This conclusion also offers support to the general wisdom implicit

in conventional theorizing in international business studies, namely that smaller firms are less likely to internationalize because of the resource constraints seen as handicaps of smaller firms such as limited management time, managerial skills and capacity, political naivety, and lack of experience (Buckley, 1989; Johanson and Vahlne, 1977). Thus, prior growth in the domestic market is expected to happen before internationalization.

However, although on the one hand the results give support to the conclusion that firm size influences engagement and pace of internationalization, and therefore that some growth can be expected before international involvement, on the other hand they also suggest that the extent of the influence of size is small and should not be taken as a necessary requirement for internationalization. This conclusion is in line with the results found by Calof (1994), that although size is positively related to internationalization, its importance is limited, the variance explained modest, and in many cases that it may conceal idiosyncrasy. In this study this conclusion is supported by three relevant observations. First, firm size did not distinguish between active and occasional internationalization once firms engaged in a foreign operation. Second, although the average size of firms with a high degree of internationalization was substantially higher than those of domestic firms, the differences were found not to be significant. This indicates that some of the firms with a high degree of internationalization can be as small as most domestic firms. Third, no significant difference was found in terms of size between domestic firms and those that internationalized fast, i.e. within five years of inception. On the contrary, larger size was found to be associated with late internationalization.

Ultimately, as the qualitative analysis later illuminated, the relationship between firm size/growth and internationalization seems to be much more an institutionalized understanding in the industry rather than a real driver or determinant of internationalization.

9.3.2 Firm age

Firm age was found to have a significant influence on the speed of a firm's engagement in foreign operations. The results showed that late internationalizers are likely to be older than domestic firms and fast internationalizers. It suggests that being young favours international business engagement. This finding supports the results reported by Autio, Sapienza and Almeida, (2000), and Brush (1992). At the same time it challenges conventional behavioural theorizing, which presumes that early internationalization is difficult because firms need time to learn before internationalizing (Eriksson *et al.*, 1997; Johanson and Vahlne, 1977; 1990). Similar challenges apply to economic theories that argue that before internationalizing, smaller firms must grow and/or develop necessary resources for international involvement (Buckley, 1989; Dunning, 1973; Vernon, 1966).

Two possible interpretations can be given to understand the early international involvement of young firms in this study. On the one hand it could be related to the learning advantages of younger firms in relation to older ones. It considers that young firms are more flexible and open to the newness of non-domestic markets than older ones (Autio, Sapienza and Almeida, 2000). The problem with this explanation is that older firms were young once. This raises the question of why they did not internationalize then.

A more likely explanation is that firm age also addresses the historical period when firms were founded. This interpretation recognizes that firms founded in different historical periods are likely to find different institutional settings regarding internationalization. In the case of Brazil, firms founded before the mid 1990s found a much more difficult context for internationalization than those founded from the second half of the 1990s onwards. It is noteworthy that it was only after 1995 that the country experienced a growing deregulation and reduction of the bureaucracy involved in foreign operations (Seifert and Machado-da-Silva, 2007). Therefore, the institutional differences seen before and after 1995 may explain the ability of younger firms to internationalize more rapidly in a new and dynamic environment than was generally the case with older firms. If this interpretation is correct, the results of this study indicate that advances in internationalization theory may be made by explicitly taking into

account the historic-institutional context in which firms are founded, as argued by Kogut and Zander (2003). Moreover, it suggests that the relationship between internationalization and firm age must be investigated beyond the mere acknowledgement of the maturity or experience of firms *per se*.

9.3.3 Production capacity

Although production capacity is usually considered a catalyst for outward internationalization (Cavusgil, 1984; Chetty and Holm, 2000; Kalantaridis, 2004; Rao and Naidu, 1993), and, as noted in the qualitative investigation, many decision makers see production capacity as a means/condition for internationalization, this relationship was not supported in the findings of the survey. No significant differences in terms of production capacity were found between firms following different courses of action regarding internationalization. The lack of significance of production capacity for internationalization is similar to that reported by Cavusgil and Naor (1987), and Daniels and Guyburo (1976).

Although this finding suggests that in the case of SMEs, internationalization is not associated with production capacity, this is not to deny that in smaller countries, unlike Brazil, production capacity may indeed influence internationalization. This understanding posits that production capacity as a stimulus for internationalization via exports has to be considered in relation to the size of the domestic market, i.e. the capacity of the domestic market to take up a firm's production capacity.

9.3.4 Prior international experience

Prior international experience was found to be a scarce resource in the clothing industry of Paraná. Only 20% of the firms had managers with some sort of international experience prior to a firm's inception. However, the results also indicated that although relatively rare, when present, prior international experience has a significant influence on accelerating a firm's first engagement in foreign operations, and on encouraging

active internationalization. These results are in line with the findings of Reuber and Fischer (1997).

Nevertheless, the findings also indicated that prior international experience was not associated with engagement per se, or degree of internationalization. On the contrary, they showed that most internationalized SMEs did not have decision makers with prior international experience. These findings qualify prior empirical research, reporting a positive relationship between international experience and internationalization (Sambharya, 1996; Tihanyi *et al.*, 2000; Wally and Becerra, 2001) by suggesting that prior experience may be relevant for some aspects of internationalization rather than others. Also, it should be noted that most studies in this area addressed large firms, and that the incidence of decision makers with international experience is likely to be higher than in SMEs.

In short, the results suggest that although prior international experience is a relevant resource for internationalization, especially in terms of accelerating international involvement and stimulating active internationalization, it is also a scarce asset when considering SMEs in countries like Brazil.

9.3.5 Knowledge of foreign languages

Prior empirical studies have in general found a positive influence of knowledge of foreign languages on internationalization (Knowles, Mughan and Lloyd-Reason, 2006; Leonidou, 1998; Leonidou, Katsikeas and Piercy, 1998). Lack of language knowledge has often been cited as a barrier to internationalization (Dichtl, Koglmayr and Muller, 1990; Yaprak, 1985). The empirical findings in the present study indicate that knowledge of foreign languages, like prior international experience, is not a widely-available resource among SMEs, but that when present it significantly affects the speed, pace and degree of international involvement. Firms which internationalized fast, and demonstrated an active pace and higher degree of internationalization, were also likely to have decision makers with significantly more knowledge of foreign languages than those in domestic firms. However, it ought to be noted that, given the cross-sectional design of the present study, it is difficult to assess whether knowledge of foreign

languages is, in fact, a consequence of international involvement. Arguably, knowledge of foreign languages can be seen as a valid dimension of a firm's degree of internationalization. Further investigation should make this relationship clearer.

9.3.6 Export intention

Decision makers' intention to internationalize has typically received only limited attention in the specialized literature (Hutzschenreuter, Pedersen and Volberda, 2007). This was a major reason for including it in this investigation. Overall, one expects that export intention will have a positive influence on internationalization. The results of the present study partly corroborated this expectation. They indicated that export intention significantly ($p < 0.05$) predicts the speed of engagement in cross-border operations and degree of internationalization in relation to domestic firms. Firms that internationalized fast and also manifested a higher degree of internationalization were likely to have decision makers with higher intention to export. However, when considering engagement in internationalization, it was found to be significant only at the level of ($p < 0.1$). Moreover, export intention was not associated with a firm's pace of internationalization. These findings indicate that although intention is positively associated with some aspects of internationalization, it is less relevant for others. In particular, the results suggest that some firms may engage in foreign operations, or even have taken an active pace of internationalization despite expressing a low level of intention to internationalize. A similar result was found by Kundu and Katz (2003) when studying the role of intention in internationally-born SMEs in India. Nevertheless, the reasons behind this are not very well understood and suggest areas for further investigation. In addition, similarly to the case of knowledge of foreign languages, there is a need to better understand the temporal sequence between decision makers' intention and internationalization. In other words, to what extent is export intention reinforced by the experience of internationalization. It could be argued to be part of the learning process that characterizes a firm's international involvement.

9.3.7 Education

Prior research also suggests that formal education positively influences internationalization (Herrmann and Datta, 2005; Kundu and Katz, 2003; Seifert and Machado-da-Silva, 2007; Tihanyi *et al.*, 2000; Wally and Becerra, 2001). It assumes that a higher level of education translates into greater tolerance for ambiguity, more receptivity to change, a broader knowledge base, and competencies required for systematically evaluating business opportunities in foreign markets. However, the findings in this study did not support this relationship. The results indicated that in the case of the clothing industry of Paraná, this relationship is not significant. This can be explained by the fact that most decision makers in the industry have a high level of formal education, and this factor shows relatively little variance in the sample. In such circumstances, future studies should consider the possibility that the nature or the quality of the education received may be more influential for internationalization in certain industries than the level of education achieved.

9.3.8 Decision maker's age

Owner age, or more specifically managerial youth, has been associated in prior literature with increased propensity to risk-taking (Hambrick and Mason, 1984; Wiersema and Bantel, 1992). Child (1974) argued that older decision makers typically possess less physical and mental stamina. On the assumption that internationalization entails higher levels of risk and uncertainty (Johanson and Vahlne, 1977; Jones and Coviello, 2005), requiring greater market knowledge, more extensive project analysis and higher levels of information processing, one would expect that decision makers' age would be negatively associated with international involvement. Although this relationship has found support in some studies (Dichtl, Koglmayr and Muller, 1990; Herrmann and Datta, 2005), most empirical studies report no, or a very weak, association between these variables (Leonidou, Katsikeas and Piercy, 1998).

This study demonstrated that the influence of decision makers' age was not significant in any of the strategic choices considered. Decision makers in active, occasional and domestic firms, as well as in fast and conventional internationalizers,

have a similar average age. Nevertheless, one must bear in mind that older founders are more likely to be leading older firms, which, as earlier observed, experienced less favourable institutional conditions for internationalization in Brazil. Ultimately, this suggests that further investigation regarding the role of decision maker's age and internationalization may be required.

9.3.9 Firm and managerial characteristics and the role of choice

The results of the quantitative analysis of the survey data showed that five out of the eight attributes investigated are associated with internationalization. They indicated that, in relation to domestic firms, firm size influences SMEs' action regarding engagement and pace (active) of internationalization. Furthermore, they supported the conclusion that firms are likely to internationalize as they grow. Active internationalization was also found to be influenced by prior international experience and knowledge of foreign languages. In addition, prior international experience, firm age, knowledge of foreign languages, export intention and firm size were found to influence speed of internationalization. Moreover, in relation to domestic firms, knowledge of foreign languages and export intention were found to have a positive influence on a firm's degree of internationalization.

However, the findings showed that although firm and managerial characteristics can partially explain internationalization, and therefore corroborate prevailing theoretical tenets, there is also much idiosyncrasy which is left unexplained. Among them, the survey indicated that once firms engaged in foreign operations, none of the variables investigated could explain whether firms would take an occasional or active course of internationalization, or alternatively whether they would have a low or high degree of internationalization. Overall, the results demonstrated that SMEs sharing similar firm and managerial characteristics and operating under similar environmental circumstances pursued different courses of action regarding internationalization.

On the one hand, the analysis indicated that the relationship between firm and managerial characteristics and internationalization is far from simple (Wally and Becerra, 2001). On the other hand, it suggested that, to a large extent, the explanatory

power of these variables is limited. In this vein, it ought to be noted that the results of the quantitative investigation, to a large extent, mirrored the inconclusiveness of the prevailing theorizing in the field. Moreover, the analysis conveyed that the conventional attempt to quantitatively associate internationalization with firm and managerial characteristics can easily conceal a firm's action idiosyncrasy (Whittington, 1986). For instance, regarding internationalization, it suggested that some SMEs with a high degree of internationalization are not different in terms of firm and managerial characteristics from those exclusively operating in the domestic market; and, in addition, that some SMEs possessing the characteristics for internationalization exclusively operate in the domestic market. In other words, the analysis demonstrated that statistical aggregation can easily conceal that firms operating in a similar environment and sharing similar characteristics can adopt completely different courses of action regarding internationalization.

Ultimately, the inconclusiveness of the attempt to explain internationalization on the basis of SMEs' firm and managerial characteristics points to the role of strategic choice in internationalization. In these terms the findings of the survey corroborate the validity of the strategic choice perspective as addressed by Child (1972; 1997). This is to acknowledge that attempting to explain internationalization on the basis of a firm's contextual or situational features, without a proper account of the role of strategic choice, may seriously restrict theoretical advance in the field.

It is within this perspective that the following sections discuss the results of the qualitative investigation. They highlight how strategic choices in internationalization are made as an interplay of rationality and interpretation, and how acknowledging this may help to extend prevailing theories of internationalization and organizational action.

9.4 MEANINGFUL INTERNATIONALIZATION: CHOICE,

RATIONALITY AND INTERPRETATION

The primary attempt to understand how leaders of SMEs attach meaning to internationalization was undertaken by the means of a qualitative investigation which

considered how decision makers interpreted the purposes and means/conditions of international involvement. The analytic perspective developed the argument that internationalization is a meaningful social action and therefore subject to the role of choice, interpretation and rationality (Alexander, 1988; Blumer, 1998; Daft and Weick, 1984; Silverman, 1978; Weber, 1964). The findings presented in Chapters 7 and 8 supported this argument. On the one hand they showed that, through interpretation, decision makers in SMEs may have different understandings of the purposes and means/conditions of internationalization. On the other hand, they showed that different interpretations served as the basis for rationally considering and taking different action-choices in internationalization.

By demonstrating that decision makers' understandings about the purposes and means/conditions of internationalization vary, and in so doing offer different rationales for strategic choice, the findings in the present study highlighted the critical role of **interpretation**. This is in line with Child's (1997) assertion that in strategic choice analysis, centrality must be given to the organizational agent's interpretations. Interpretation was defined as the process through which life phenomena are given meaning (Schutz, 1972). In particular, it was argued to function as a social practice by which decision makers give meanings to the purposes, means and conditions of internationalization.

To say that interpretation plays a major role on strategic choices in internationalization once it produces the necessary understandings informing strategic choice may not sound new from a cognitive perspective of social analysis. However, available theory in internationalization, both from the economic and behavioural perspectives of analysis, has to a large extent ignored how interpretation may lend alternative understandings to internationalization, and how different interpretations influence action-choices in a firm's international involvement. From an economic perspective interpretation is irrelevant since theorists presume that decision makers interpret internationalization in a largely similar or single way, namely in terms of its being oriented towards profit maximization and taken on the basis of necessary resources or advantages assumed to be instinctively recognized by decision makers (Buckley and Casson, 1976; Dunning, 1988b; Hymer, 1976). Similarly, for behavioural theorists interpretation is also irrelevant since internationalization is presumed to

develop as reactions to opportunities or stimuli given by decision makers' in-built knowledge systems or contingency determinants inherent in their specific situations (e.g. environment, networks, firm and managerial characteristics) (Coviello and Munro, 1997; Johanson and Vahlne, 1977; 2009).

The findings of the qualitative investigation carried out in this research challenge these assumptions and indicate that interpretation plays a critical role on how decision makers choose regarding internationalization. Hence, its importance cannot be disregarded. The following two sub-sections discuss how decision makers' understandings regarding the purposes and means/conditions of internationalization inform strategic choices in organizations, and how recognizing this can extend and illuminate our understanding in the field.

9.4.1 Strategic choice and the purposes of internationalization

This study observed that decision makers of SMEs in the clothing industry of Paraná could interpret internationalization as a course of action oriented towards four major purposes, namely: (1) increasing profits; (2) reducing risk; (3) social recognition; and (4) business development.

As noted in the literature review, the economic theory of internationalization assumes that internationalization is an action-tool oriented towards the ultimate goal of maximizing a firm's economic returns, or profits (Buckley and Casson, 1976; Dunning, 1988b; Hymer, 1976; Rugman and Verbeke, 2003; Vernon, 1966). Based on this premise, the internalization approach (Buckley and Casson, 1976), for example, predicts that in order to maximise profits in a world of imperfect markets, firms will attempt to bypass or reduce imperfections (costs) by internalizing transactions in foreign markets and bringing them under organizational control. On the one hand, the findings of this study corroborate this understanding. Increasing profits was one of the most recurrent categories by which the purposes of internationalization were interpreted. However, the findings also indicate that such a simple assumption may obscure various nuances and capture only a few of the several meanings that may be given through interpretation to the purposes of internationalization. To presume that internationalization is singularly

driven by profit maximization is at the same time deterministic and insufficiently precise.

First, there is no plausible reason why any social action such as internationalization should be exclusively considered in terms of a single purpose such as profit maximization, or to presume that rational actors will pursue this instinctively. It became clear that when interpreting internationalization as a means of increasing sales abroad to enhance profits many leaders of SMEs found enough reasons to forgo it on the basis of their low interest in economic growth. Second, although in many firms the purposes given to internationalization may approximate to profit maximization, it does not comprehensively account for the reasons why firms internationalize. As demonstrated in Chapter 7, while many of the purposes mentioned by the SME decision makers were consistent with a desire to maximize economic return, some of them go beyond that. This applies to achieving international recognition, differentiation in the domestic market, and business development.

Although behavioural theories (Aharoni, 1966; Cavusgil, 1980; Johanson and Mattsson, 1988; Johanson and Vahlne, 1977; 1990; 2006; Reid, 1981) acknowledge that international involvement is not necessarily driven by profit-maximization, they do not explain why it happens. Researchers adopting this perspective tend to assume that the meanings given to the purposes of internationalization are irrelevant since rather than being a means to an end, internationalization can easily become an end in itself or, alternatively, develop irrespective of the goals for which it was originally established (Johanson and Vahlne, 1990). Whereas this argument is indeed plausible, the findings in this study indicate that the meanings attached to the purposes of internationalization should be neither abstractly reduced to a single understanding as in the economic perspective, nor ignored as is often the case in behavioural theorizing. On the contrary, they offer a basis for echoing Weber's (1964; 1978) argument that a precise understanding of meaningful social action requires the understanding of its purposes. This understanding is consistent with the findings of Marinova and Marinov (2003) who investigated the motives for foreign direct investment in Central and Eastern Europe and their relationship with the strategic approaches of firms investing in the region.

The results of the present study suggest that some purposes are likely to encourage internationalization in a particular direction while others are ignored. For

example, they showed that while inward internationalization [imports] was linked to the aim of reducing production costs, this alternative was widely ignored in the case of differentiation, even under conditions of a serious labour shortage in the industry.

In addition, when considering how decision makers interpret the subject-domains of internationalization, the findings showed that internationalization could be enacted within a firm's broader social context of reference without necessarily entailing any involvement in foreign trade or investment. An example is when the purpose of internationalization was interpreted as a means of achieving differentiation in the domestic market or as a means of business development. Consistent with Weber's (1964) view of social action, the findings indicate that internationalization starts when decision makers take into account the existence of foreign actors and re-orient their actions on the basis of such awareness. Also, they suggest that an holistic understanding of internationalization (Bell *et al.*, 2003; Fletcher, 2001) needs to recognise the multi-dimensional aspects of this phenomenon and to be aware that, considering its particular purposes, internationalization may address different subjects and areas of organized activity; these are not necessarily accompanied by involvement in foreign trade and investment. In due course, such awareness recognizes that internationalization should not be regarded as an exclusive subject of the product/market activities of organizations but can also address different domains, areas or functions of organized activity (Cyrino and Barcellos, 2006).

Considering the strategic choice of whether to engage in foreign operations, the study shows that different meanings given to the purposes of internationalization can lead towards positive or negative action-choices. For example, though for some SME decision makers increasing sales abroad is closely related to their personal aspirations for growth and therefore justifies internationalization when interpreting it through this lens, others lack such ambition and advance a comparable interpretation of internationalization as a justification for remaining domestic. Some among the latter look to internationalization to provide economic benefits such as lower costs, generating differentiation or being recognized abroad, and under this interpretation would positively engage in foreign operations. These observations corroborate Child's (1997) argument that strategic choices should be considered in relation to how decision makers evaluate or make sense of their business position.

Choices regarding the pace and the degree of international involvement were also found to be influenced by the purposes by which internationalization is interpreted. For instance, the analysis suggested that if the purpose of internationalization is to enable business development, the actual volume and regularity of foreign operations may not be the most relevant aspects taken into account; rather, as shown, it tends to lead towards occasional international involvement. A similar rationale could be applied in the case of attempting to become recognized as an exporter in the domestic market. In both cases, decision makers may see little or no reason to commit resources beyond those that occasional internationalization would require. Furthermore, the findings indicated that when considered as a means of reducing costs, or increasing the profitability of sales, decision makers are likely to enact active internationalization.

In addition, there was evidence of the relationship between the purposes of internationalization and the choice of when to undertake it. If the purpose of internationalization is merely to increase sales, it is likely to be enacted only after the firm has consolidated its position in the domestic market, or when that market becomes saturated. However, if the purpose is international recognition or differentiation in the domestic market, internationalization may enter into the decision maker's cognition and potential action portfolios a long time before the firm is consolidated or faces saturation in its domestic market. Indeed, action choices at early stages in the firm's development may primarily reflect personal ambition or conviction. The relationship between purpose and choice seems particularly relevant to understanding the phenomenon of international entrepreneurship (Oviatt and McDougall, 2005), since it implies that it is the meanings entrepreneurs in new ventures give to internationalization that will inform how they react to specific triggers and stimuli when deciding on early internationalization.

Finally, although not a main factor considered in the study, the findings indicated that the choice of location where foreign operations take place should be further considered in the light of the purposes associated with internationalization. On the subject of profit maximization, economic theories argue that decision makers will choose the least costly location for each activity they perform (Buckley, 1988). Behavioural theories assume that because of risk and uncertainty, decisions on foreign locations will evolve through levels of increasing psychic distance so that firms first

enter less psychically-distant markets, usually neighbouring countries, and then progressively enter markets perceived as more distant (Johanson and Vahlne, 1990). By contrast, the present study suggests that the logic of internationalization does not always accord with either theoretical perspective. Some firms that are strategically oriented towards differentiation in the domestic market, or international recognition, may choose to enter higher-costing and more distant markets, even if this is not, at least in the short-term, justifiable economically.

9.4.2 Strategic choice and the means/conditions of internationalization

When considering the meanings that decision makers attach to the means/conditions of internationalization, the findings showed that five categories were particularly relevant for leaders of SMEs in the clothing industry of Paraná: (1) quantity; (2) mode of competition; (3) differences between foreign and domestic operations; (4) risk and uncertainty; and (5) legitimacy. Moreover, they showed that each of these categories could include different modes of interpretation, typically distinct and in opposition to each other. These findings led to the conclusion that, like purposes, decision makers may interpret the means/conditions of internationalization in rather different ways and in these terms rationalize different strategic choices regarding their international involvement. This conclusion raises at least three relevant considerations for discussion.

First, it acknowledges that, although they may be in comparable circumstances, decision makers can interpret similar means/conditions in different ways when making choices in internationalization. The findings showed that while decision makers may focus their attention on different means/conditions of internationalization, they could at the same time decision assign different understandings to similar ones. This implies that even if it is assumed that strategic choices in internationalization are oriented towards a single goal as required by economic theories (Buckley and Casson, 2009), decision makers may not recognize the means/conditions of international involvement in a unique or single way. Therefore, this explains why they can rationally choose different courses of international action even though they share similar situational circumstances. For example, the results indicated that although sharing similar environmental and firm

and managerial characteristics, decision makers who interpreted internationalization through the lens of price competition were likely to choose an occasional course of international action, whereas those who interpreted it through the lens of differentiation were likely to choose an active course of international action. These findings demonstrate that interpretation relativizes the means/conditions considered by decision makers when rationally making choices in internationalization. This is an important recognition for theorizing in the field. It suggests that even when decision makers share similar situational circumstances and interpret the purposes of international involvement in a similar way, there is still much space for action-choice variance depending on how decision makers interpret the means/conditions of internationalization. Here, it seems important not to confuse interpretation with 'bounded rationality' or allow bias in the decision making process (Simon, 1982). Interpretation embodies the capacity of decision makers to assign different understandings to criteria and parameters informing the rational process in which choices are made. Alternatively, bounded rationality addresses the limits to which decision makers' rational capacities can be used.

Second, the assumption that the means/conditions of internationalization can be interpreted in different ways offers a plausible explanation for why firm and managerial characteristics, as usually investigated within mainstream theorizing, can only explain internationalization in a limited way. The findings of the survey investigation demonstrated some of these limitations; for instance, they showed that firm and managerial characteristics could only partially explain internationalization, and in so doing bypassed considerably variation and action idiosyncrasy. It was noted, for example, that while larger firms were likely to internationalize, not all did so. Similarly, although variables such as prior international experience, knowledge of foreign languages, export intention and firm age were positively associated with internationalization, significant levels of variance could not be explained.

The qualitative findings indicated that decision makers in firms which did not accord to mainstream trends in internationalization were likely to interpret the means/conditions of international involvement in alternative ways. In so doing they could rationally enact different choices regarding their firms' international involvement. In this respect the findings demonstrated that decision makers who interpreted internationalization through the lens of high difference with domestic operations were

likely to choose not to internationalize on the assumption that it would require changes in the product or resources such as specialized knowledge that were not readily available in the firm. Conversely, decision makers who interpreted internationalization through the lens of low difference between foreign and domestic operations were likely to choose an active course of internationalization. In addition, although for some decision makers differentiation was only possible through branding and high levels of investment in marketing, and thus would be difficult for smaller firms, for others this possibility was enacted in a much simpler and feasible way by considering the possibility of differentiating products, selling small quantities, personalizing services, building up in the image of 'Made in Brazil', or focusing on secondary countries/markets.

By highlighting the role of interpretation, the results of the present study corroborate the understanding that the means/conditions of internationalization can be understood in multiple ways. Therefore, the results corroborate core arguments made within a cognitive perspective of strategy and organizational action (Barr, Sitimbert and Huff, 1992; Bartunek, 1984; Daft and Weick, 1984; Kabanoff and Brown, 2008; Machado-da-Silva, Fonseca and Crubellate, 2005; Sandberg and Tragama, 2007; Spender and Eden, 1998). This acknowledgement allows for the recognition that not all decision makers, though operating in similar situations, will enact the international action of their firms on the basis of similar means-conditions of internationalization. Moreover, it helps one to understand why the attempts in both economic and behavioural perspectives to explain internationalization on the basis of situational (internal and external) characteristics such as knowledge, networks, environmental conditions, firm size, age, prior international experience and other features, have proved to be flawed and unable to achieve any definitive conclusion regarding the internationalization of firms.

When considering how these findings may contribute to prevailing theories of internationalization, two aspects seem more evident. On the one hand they indicate that, though using rationality when making choices in internationalization, not all decision makers will interpret its criteria and parameters in a similar way. Therefore, what for some decision makers may be recognized as an advantage to be exploited abroad (Hymer, 1976), may for others be simply not taken into account. In addition, the

conclusions indicate that before arguing that a firm's situational characteristics influence internationalization, for instance that "insidership in relevant network(s) is necessary for successful internationalization" (Johanson and Vahlne, 2009: 1411), it is imperative to recognize that decision makers have to interpret their situation in the first place. Therefore, not all decision makers will realize that they are part of an internationalized network. Moreover, some of them may not recognize that "insidership in relevant networks" is necessary for internationalization and thus internationalize despite their unfavourable network position. To say that such recognition is irrelevant is to fall into a deterministic position of theorizing. Alternatively, to say that firms that internationalized did so because they were insiders within relevant networks does not seem to add much to our knowledge since such a claim can only be verified on a *post hoc* basis. Ultimately, insistence in ignoring that decision makers interpret the parameters and criteria of internationalization differently will lead to a reproduction of the already inherent inconclusiveness regarding the distinctive attributes and characteristics that influence a firms' international involvement. Progress in that direction requires qualification of the meanings assigned to the means/conditions of internationalization within decision makers' situations.

Third, the acknowledgement that decision makers rationalize choices for their firms on the basis of the understandings assigned to means/conditions of internationalization should also highlight the fact that particular modes of interpretation may influence strategic choices in particular directions while ignoring others. The findings of this study showed that, on the one hand, active internationalization is likely to be enacted when the means/conditions of international involvement are interpreted in terms of small quantities, economic legitimacy, low differences between foreign and domestic operations, and differentiation-based competition. On the other hand, they indicated that interpreting foreign sales from the viewpoint of price competition is likely to lead towards occasional internationalization.

This recognition offers a plausible explanation for why certain attributes are likely to be correlated with particular strategic choices in internationalization. For example, the fact that the survey questionnaire found a positive association between internationalization and firm size is understandable when considering that, as the findings presented in Chapter 8 demonstrated, most decision makers tend to understand

internationalization as entailing large quantities, hence requiring prior domestic growth and the increase of production capacity. These decision makers specified the timing for international business engagement as being right only during the later stages of the firm's development, namely when growth and perceived minimum levels of production capacity have been achieved.

Likewise, this also explains why the association between size and internationalization is weak and limited. As noted previously, some decision makers interpret quantities involved in foreign operations through the lens of small quantities that are not necessarily bigger than those that characterize domestic operations. These firms are likely to enact internationalization at earlier stages of their life cycle and despite their smaller size. This is not to say that if a particular mode of interpretation is present, domestic, occasional, or active internationalization will be enacted. Rather it is to point out that the understandings produced by decision makers' interpretations influence action-choices in a particular direction, and should receive more attention in future research.

To sum up, the preceding discussion highlighted that strategic choices in internationalization are rationalized on the basis of the understandings given to its means-conditions, and that the results of the present study contribute to the advancement of prevailing theorizing by demonstrating that: (1) interpretation changes the criteria and parameters by which rational choices in internationalization are made; (2) a comprehensive explanation of internationalization on the basis of firm, managerial, environmental and other situational characteristics is likely to be inconclusive without the qualification of decision makers' interpretations; and (3) that particular meanings given to means-conditions of internationalization are likely to orient choice in different ways. Overall, these conclusions indicate that in addition to rationality, interpretation must be incorporated into theorizing in order to advance understanding in internationalization.

The following section discusses how the arguments corroborated by empirical investigation may help to bridge the gap between concurrent assumptions of theorizing internationalization.

9.5 BEYOND PARADIGM WARS: BRIDGING THE GAP BETWEEN CONCURRENT ASSUMPTIONS OF INTERNATIONALIZATION THEORIZING

In Chapter 4, this study advanced the argument that problems and limitations of prevailing theories on internationalization can be related to the major assumptions regarding organizational action implicit in theory-building. It observed that available theorizing has been unable to synthesize what, in the philosophical arena, has usually been regarded as irreconcilable and concurrent assumptions of organizational action, namely: the extent to which action is determined or voluntary, rational or non-rational and individual or collective. In so doing the chapter echoed Child's (1997) argument that although concurrent assumptions of action may be irreconcilable in the philosophical arena, when applied to the study of organization they are not necessarily incommensurable. Moreover, that if advance is to be achieved, attempts must be made to synthesize a balanced view of action by reconciling insights offered by different perspectives of analysis. Building on this, the study advanced the view of internationalization as a meaningful action in order to account for the role choice, interpretation and rationality. As discussed in the previous section the results of this study offered support sufficient to corroborate this assumption. On the basis of these results, here we discuss the claim that interpretation, as suggested in the strategic choice perspective proposed by Child (1997), has the potential to reconcile concurrent assumptions in the study of organizational action and, in particular, bridge the gap between determinism-voluntarism, individualism-collectivism, and rational and non-rational views of action. The following subsections discuss this argument and outline how the findings of the present study corroborate it.

9.5.1 Bridging determinism and voluntarism

A major limitation within available theorizing on internationalization comes from a deterministic assumption of organizational action which denies the role of choice. From

an economic perspective, determinism arises primarily from the assumption that action is oriented towards profit maximization as either the outcome of the intrinsically greedy and selfish human nature, or as an external condition for survival in competitive environments. From the behavioural perspective, determinism emerges out of its assumption that decision makers are characterized by in-built knowledge mechanisms or programmes that prompt them to react to external or internal stimuli passively by applying internal operating procedures and decision rules. The perspective also presumes that behaviour is determined by the external features or contingencies to which action adapts. In both cases, action is determined by situational (internal and external) factors and choice is bypassed. This is not to deny that voluntarist approaches exist: for instance, some theoretical approaches based on the resource-based view of the firm presume a more voluntarist account of action. However, although presuming that managers can create and deploy resources, theories taking this view neither explain how the presumed 'free' action happens, nor recognize the limits and boundaries of action. By contrast, the quantitative investigation in this study provides evidence that choice rather than determinism characterizes the actions of SMEs in the Paraná clothing industry. Moreover, the qualitative investigation highlighted that choice and idiosyncrasy in internationalization arose from the interpretative process by which decision makers may assign different understandings to purposes and means/conditions of internationalization, and ultimately strategically choose on the basis of these understandings.

As has been addressed here, interpretation offers the possibility of overcoming determinism by providing a basis by which social actors can choose and act otherwise (Giddens, 1984). If understood as the interplay of typification and invention (Alexander, 1988), interpretation incorporates the creative, imaginative and transformative condition that lends choice unpredictability. In addition, it encompasses the possibility of singular phenomenon being understood in different ways (Bartunek, 1984; Hinings and Greenwood, 1989). As demonstrated in Chapter 7, it further explains how internationalization can be understood as a course of action that does not necessarily translate into engagement in foreign trade or investment.

It ought to be noted that although this study claims that interpretation produces the meanings informing choice and ultimately explains its variance, it also

acknowledges that interpretation is a social practice that presupposes typification and whose outcomes (understandings) are subject to institutionalization (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). It considers the fact that particular understandings typified in the interpretative process are socially constructed, shared and legitimated, and thus that they may assume the status of objective reality (Berger and Luckmann, 1966). In the field of strategy, Spender (1989) addressed these socially-constructed and -shared [typified] understandings as 'industry recipes'. In this study, the fact that particular meanings of internationalization were associated with the action-choices in internationalization corroborates Spender's argument. Moreover, they extend his rationale by showing that, even in single industries, different recipes can be formed through the inventive capacity of interpretation. This rationale is also in line with the findings of Hodgkinson and Johnson (1994). More importantly, when recognizing that meanings created through interpretation can be institutionalized, and that institutionalized modes of interpretation [understandings] orient choice in different directions, one realizes that interpretation can also limit the range of choices recognized, favouring some and inhibiting others. This understanding is consistent with prior studies in strategy research (Huff and Jenkins, 2002; Johnson, 1987). Moreover it shares a similar understanding to that portrayed by Withington in his transformative approach to strategy (1986; 1988).

It must be noted that in the rationale developed here, interpretation simultaneously incorporates the conditions for alternative, creative and 'otherwise' action, but also for constraining and narrowing choices. This can be understood in the light of Giddens's (1984) 'structuration theory', which assumes that at the same time that choice is bounded by structures of meanings typified and institutionalized into modes of interpretation, interpretation and action also modify and redefine structures of meaning in a continuous and dynamic process. Put differently, the rationale acknowledges that when interpreting the world, human beings rely on frameworks learned through interaction with others, but also interactively maintain and transform the meanings created (Alexander, 1988; Scott, 2008). This leads to another important realization, namely: how interpretation may bridge the gap between individualism and collectivism in internationalization theories.

9.5.2 Bridging individualism and collectivism

By bringing interpretation into play, this study offers a rationale to further reconcile the inconsistencies of individualism and collectivism into a balanced view of organizational action. The rationale recognizes that although interpretation is dependent and put forward on the basis of the cognitive capacities of individuals, it is also collectively activated, sustained, and transformed. Interpretation, as Alexander (1988) asserts, should not be conceived as an exclusive domain of subjective consciousness, or a process where meanings are individually and autonomously produced. Rather, interpretation is better understood as a dynamic social practice. Three major reasons could be given for this. First, in terms of its origin, interpretation has to be learned through social interaction. As Alexander (1988) argues, human beings have to learn how to interpret the world. Second, although alternative interpretations can emerge out of individual reflection and imagination, they do not exist in the absence of a social reality; meanings must be socially sustained. Third, it means that interpretation is not immune from social judgement and therefore requires legitimation and social approval.

In these ways, it must be noted that interpretation requires both individuals and collectives. It cuts across these levels and in so doing bridges what has in many cases been a source of division and confusion among theorists. As observed within the results of this study, while interpretation is put forward by individuals and therefore partly manifests particularistic or subjective understandings, it also represents the outcomes of prior experience and social interaction. The findings offered enough evidence about how particular modes of interpretation were generated through social interaction with foreign counterparts or prior international experiences. The nature, quality and outcomes of social practice were found to have significant impact on how specific modes of interpretation are shaped.

To acknowledge that interpretation is a dynamic social practice implies that it is not a system of subjective beliefs without any relation to social reality, or even that it is subjectively enacted according to an actor's will. Rather, it is to acknowledge that interpretation is socially constructed and susceptible (Berger and Luckmann, 1966). This implies that interpretation may not be a wholly controllable endeavour. Rather, to a

large extent it is susceptible to the serendipity of social encounters, the quality and outcomes of everyday social practice, and social legitimation.

9.5.3 Overcoming rationalism

A major contribution that this thesis makes to internationalization studies is to demonstrate that strategic choices in internationalization are not exclusively based on rationality as has usually been presumed in mainstream theorizing in the field. Rather, the findings showed that internationalization entails interpretation, over and above purely rational calculation. Put differently, they add the consideration that rationality, either if assumed to be strong in the economic theories of internationalization, or weak and limited as in the behavioural perspective, must be considered in the light of decision makers' interpretations of the purposes and means/conditions of internationalization. It claims that there is no reason why one should assume that only rationality informs action. Through interpretation, decision makers were found to produce and attach different understandings both to the purposes and to the means/conditions of internationalization, and on this basis to rationalize their choices.

For example, the findings reported in Chapter 8 demonstrated that some decision makers, by interpreting internationalization as entailing large quantities and thus requiring increased production capacity and growth, argued that international involvement would be a rational option only after growing in the domestic market and increasing production capacity. Alternatively, others who interpreted internationalization as entailing small quantities, which were not necessarily larger than those characterizing production for the domestic market, considered it rational to pursue internationalization without necessarily having to increase production or prior growth in the domestic market. Ultimately, this is to recognize that what qualifies as 'rational' action varies according to the interpretation given to the situation.

This acknowledgement does not presuppose that interpretation rules over rationality. It must be noted that rationality also influences interpretation. For example, given certain purposes rationality may condition what categories are relevant for interpretation, or alternatively what to include or exclude in this process. This

understanding suggests that interpretation and rationalization are intermingled processes. It presumes that choices and action must be understood at the same time as rational and understanding (Alexander, 1988).

Finally, the rationale indicates that interpretation must not be confused with bounded rationality. While rationality addresses the ability of decision makers to calculate means-ends relationships that are capable of being strong or weak (Goldthorpe, 1998), interpretation addresses the capacity of decision makers to understand and give meaning to reality, and in so doing to consider different criteria and parameters when rationally making choices.

9.6 SUMMARY

This chapter discussed the result of the empirical findings with reference to available theories in internationalization. On the one hand, it concluded that when attempting to explain internationalization among SMEs of the Paraná clothing industry, there was not a lack of total credibility of the available theoretical perspectives, both economic and behavioural. The assumption that internationalization is likely to occur with the growth of the firm, as predicted by both economic and behavioural theories, received support. Also supported was the assumption that internationalization tends to occur after a period of exclusive operations in the domestic market. Furthermore, the conventional assumption that there are distinctive attributes that influence internationalization was also generally supported. Overall, the findings posited the role of firm size, firm age, prior international experience, knowledge of foreign languages, and export intention as relevant attributes influencing internationalization. It was also discussed that many of these associations were institutionalized in the mindset of most leaders, as shown by the findings of the qualitative investigation.

On the other hand, the chapter also observed that the action-choices of many firms challenged the theoretical assumptions implicit in prevailing theories. It discussed the fact that some firms, despite their smaller size, internationalized early in their life cycle and without possessing the distinctive characteristics associated with internationalization. In addition, it considered the fact that firms sharing similar

situational circumstances have taken different courses of action regarding internationalization. In this respect, the discussion observed that none of the available theoretical perspectives could comprehensively provide a confident and consistent explanation for the whole range of action idiosyncrasy regarding internationalization in the sample. The chapter then argued that choice has a role to play in internationalization and that explaining international involvement should go beyond attention merely to a firm's situational features such as their environment, firm and managerial characteristics.

The chapter further discussed how the findings of the qualitative investigation, which investigated the meanings of internationalization as given by decision makers, indicate the interplay of choice, interpretation and rationality. By recognizing that decision makers had different understandings about the purposes and means/conditions of internationalization and in so doing could rationally make different choices on the basis of these understandings, the discussion observed that interpretation plays a critical role in internationalization. Through interpretation decision makers were found to consider different parameters and criteria for internationalizing.

In addition, the discussion noted that mainstream theories in internationalization have widely ignored the role of interpretation. Economic theories assume that decision makers' interpretations are unique across firms and therefore that internationalization is essentially a matter of a firm's possession of distinctive advantages and its decision maker's use of rationality. Similarly, for behavioural theories, interpretation is also irrelevant since internationalization is presumed to be determined by either the in-built knowledge system of decision makers, or by external features. Whether decision makers have different understandings about the purposes and means/conditions of internationalization is typically not taken into account. By contrast, the chapter positioned the findings regarding the role of interpretation as a significant contribution to available theorizing.

In due course, interpretation was argued to incorporate the potential to reconcile concurrent assumptions of organizational action implicit in prevailing theorizing into a balanced analytical perspective. First, interpretation was argued to bridge determinism and voluntarism by indicating that while interpretation introduces reflection, creativity, imagination and invention in the study of internationalization, it also recognizes that

understandings produced through interpretation are open to institutionalization and that once typical modes of interpretation become legitimated they could equally constrain and narrow strategic choice in this process. Second, interpretation was argued to bridge individualism and collectivism, since at the same time as it is individually processed, it is also collectively activated, learned and sustained. Third, interpretation was argued to introduce an element beyond rationality in the analysis of internationalization by acknowledging that strategic choices entail interpretation over and above purely rational calculation.

The next and final chapter summarizes the study and points out the implications of the present thesis for theory, managerial practice and government policy. It also addresses the limitations of the study and suggests directions for future research.

10. CONCLUSION

10.1 INTRODUCTION

This chapter concludes this thesis. It offers a summary of what was done and achieved and highlights the key implications of its arguments and findings for theory, managerial practice and policy making. In addition, it points out the limitations of the research and suggests avenues for further research.

10.2 SUMMARY OF THE STUDY

This study set out to understand how decision makers attach meaning to internationalization, with particular emphasis on small- and medium-sized enterprises. This investigation was underpinned by a realization that firms vary their action regarding international involvement. In so doing the investigation puzzled about questions such as why some decision makers in smaller firms internationalize while others not; why some firms establish cross-border operations in psychically close markets while others establish them in distant ones; why some orient their international operations outwardly while others look inward and still others internationalize in both directions; why some emphasize trade modes of operation while others highlight investment ones; why some internationalize fast and others after years of exclusive operation in the domestic market; why some take an active and committed course of action towards internationalization while others do not go beyond occasional or one-off international arrangements.

The review of the available theories in the field, presented in Chapter 3, acknowledged that answers to these and similar questions have been given from two major theoretical perspectives: economic and behavioural. It noted that theories developed from an economic perspective maintain that internationalization is the outcome of discrete events, rationally calculated in order to enable a firm to achieve the specific goal of maximizing profits *vis-à-vis* the exploitation of its distinctive

advantages. Although it has been demonstrated that in many cases this simple and straightforward assumption can explain internationalization, much idiosyncrasy and variance is left without answer. For example, economic theories have found it difficult to explain why some firms do not internationalize when they would have economic advantages in doing so (Andreff, 2000). Similarly, they do not explain why some firms internationalize without possessing the full set of necessary advantages for efficient international performance (Child and Rodrigues, 2005). For instance, the resource-based view of internationalization has so far been unable to reach a definitive conclusion on the resources that explain internationalization. Overall, the review showed that economic-driven theories of internationalization have difficulty in explaining why firms take different courses of international action when operating under similar circumstances, and, furthermore, that to a large extent they ignore the role of learning in internationalization, and presume that personal cross-nation relationships and interaction are not important since international transactions can be based on contracts. In due course, it was noted that they also fail to incorporate the historical, cultural and institutional aspects that influence international action (Kogut and Zander, 2003b; Sullivan, 1997).

In addition, the review indicated that theories developed from a behavioural perspective presume that internationalization is path-dependent, rationally limited and oriented towards complex and diverse goals which for theorizing have little or no relevance since international involvement is likely to be an autonomous and independent process. The perspective presumes that internationalization is determined by the situational (internal and external) characteristics of a firm, e.g. knowledge, prior experience, resources, capabilities, access and position in relevant networks, environmental characteristics, and so forth. Like theories of an economic nature, behavioural theories have also found some empirical evidence. However, they similarly fail to comprehensively explain the diversity and idiosyncrasy of firms' international involvement. In particular, we noted that representatives of the behavioural perspective, such as those taking the Uppsala approach, fail to explain why the course of international action of several companies does not follow the incremental, path-dependent stages predicted, or why some organizations, without possessing the necessary knowledge, start their internationalization directly in distant markets in terms

of psychic distance (Freeman, Edwards and Schroder, 2006; Oviatt and McDougall, 1995; Rialp, Rialp and Knight, 2005; Sharma and Blomstermo, 2003; Turnbull, 1993). Similarly, those taking a network perspective have difficulty in explaining why some firms internationalize despite the fact that they apparently lack any relevant connections or contacts with foreign suppliers (Bell, 1995), or why some firms positioned within internationalized networks operate exclusively in their domestic market (Chetty and Holm, 2000).

Chapter 4 claimed that major problems of available theories in internationalization could be related to assumptions implicit in theorizing which ultimately ignore that internationalization is meaningful. Therefore, drawing upon determinist, rationalist and individualist assumptions of organizational behaviour, prevailing theorizing has neglected the role of voluntary choice, interpretation and the social dynamics of action in internationalization. Attempting to contribute in this regard, the study advanced the argument that internationalization entails a meaningful social conduct and therefore is subject to the interplay of choice, rationality and interpretation.

The empirical research investigated this argument. To this end, a two-step mixed-method research design was developed and applied within the context of SMEs operating in the Paraná clothing industry. The first step developed a quantitative survey which focused on four specific purposes: (1) investigating the scope of choice regarding the international involvement among SMEs in the industry; (2) describing firm and managerial characteristics of SMEs in the industry; (3) investigating the influence of relevant characteristics on strategic choices in internationalization; and (4) serving as a framework for purposefully sampling firms for the subsequent qualitative stage investigation. The second stage of the empirical investigation developed a series of qualitative interviews with the leaders of SMEs in the clothing industry of Paraná. These interviews aimed to identify (1) how decision makers understand internationalization and (2) how these understanding inform their choices regarding international involvement.

The results of the survey both supported and challenged prevailing theorizing. They showed that although the internationalization of many firms accorded to the tenets of prevailing theorizing, there was still much variance and idiosyncrasy left unexplained. In particular, the findings showed that SMEs varied in terms of

engagement, speed, pace, and degree of internationalization and that such variance could not be comprehensively explained when focusing on SMEs' situational firm and managerial characteristics, namely: firm size, firm age, production capacity, decision makers' prior international experience, knowledge of foreign languages, education, age and intention to export. These findings highlighted the scope of strategic choice. They indicated that variance and idiosyncrasy in internationalization can to a large extent be the outcome of a decision maker's faculty of choice rather than a simple manifestation of their situational dispositions and operational regulations as has usually been considered the case in conventional theorizing.

Building on the assumption that internationalization is meaningful, the qualitative analysis investigated how decision makers understand the purposes and means/conditions of international involvement. The findings highlighted the critical role of interpretation and its interplay with rationality. On the one hand they indicated that different modes of interpretation regarding the purposes and means/conditions of internationalization offer different rationalities for action-choice. For example, they indicated that active internationalization is likely to be enacted when (1) the purposes of internationalization are interpreted in terms of reducing costs and increasing the profitability of sales; and (2) its means/conditions are understood through the lens of small quantities, economic legitimacy, low difference between foreign and domestic operations, and differentiation-based foreign competition, and further, that occasional internationalization is likely to be enacted when the purposes of internationalization is interpreted in terms of business development and its means/conditions through the lens of price-based foreign competition. In addition, they suggested that domestic action is likely to be enacted when interpreting internationalization as a means of increasing sales abroad and presumed to be characterized by the sales of large quantities.

Additionally, the results showed that some decision makers interpret internationalization as part of the strategic orientation of the firm without actually attaching it to engagement in foreign trade and investment. Put differently, that internationalization can be interpreted as a meaningful referent for a firm's action in the domestic market, suggesting that its trade and investment operations are kept essentially domestic. From this point of view, the empirical findings provided evidence sufficient to corroborate the understanding that internationalization implies interpretation over and

above pure rationality. Moreover, that interpretation is built on the basis of social interaction in the course of everyday practice and therefore is essentially collective and socially susceptible.

Important implications for theory, managerial practice and policymaking can be recognized from the findings and arguments of the present study. These are addressed in turn.

10.3 CONTRIBUTIONS AND IMPLICATIONS

This section points out the key contributions and implications of this thesis for theory, managerial practice and policymaking.

10.3.1 For theory

Key contributions to theory can be drawn from the findings and arguments of this thesis. Here we address major contributions for theory in the specific field of internationalization studies as well as for the broader area of organization studies.

By approaching internationalization as a meaningful action and, from this perspective, highlighting the role of choice, the present study contributes to filling a major gap in internationalization theory as recently addressed by Hutzschenreuter, Pedersen and Volberda (2007), namely that more attention must be given to decision makers' intentionality and the faculty of choice. The present study shows that choice has a role to play on internationalization. It indicates that action and internationalization is not the mere product of situational factors and constraints (internal or external) as typically considered in prevailing theorizing, but is also subject of an element of managerial discretion, namely: choice. This is not to suggest that actors freely act in accordance to their subjective will and internationalization is the exclusive outcome of choice. To suppose this would be misleading and gives choice powers and capacities that it does not have. Nevertheless, to deny the role of choice would be similarly misleading. Here, in line with Child's (1972; 1997) strategic choice perspective, the present study assumes that when considering the role of choice, it is imperative to

recognize that variables conventionally considered to determine internationalization (e.g. possession of distinctive advantages, knowledge, psychic distance, network position, environmental characteristics, prior experience and others as reviewed in Chapter 3) are better understood as interpretative inputs or referents included in the process of choice. In addition, it suggests that, in recognizing the role of choice, further theorizing should concede that internationalization will not be completely predictable once it is susceptible to the creative and inventive nature inherent to the process of interpretation.

In addition, a major contribution of the present study to theory is by evidencing that, as an instance of meaningful action, internationalization implies interpretation. This is particular relevant since as discussed in chapter 4, prevailing theorizing, while emphasizing human rationality, has paid little attention to how decision makers understand and make sense of their world and situation when considering internationalization. On this issue, the findings of the present investigation offer enough evidence that interpretation must not be disregarded. They show that decision makers interpret both the purposes as well as the means/conditions of international involvement in rather different ways and ultimately, that their understanding influence how they choose towards internationalization. On the one hand, this suggests that the meanings of internationalization are not unambiguous or irrelevant as typically portrayed in the specialized literature. On the other, it suggests that internationalization is much more complex than conventional theorizing has considered. Ultimately, interpretation introduces the possibility agency into internationalization studies by the means of its creativity, inventiveness and meaning diversity. As Alexander (1988) asserts, although interpretation is about reproducing or typifying new information into pre-existent meaningful categories, when interpreting the world, actors can always make it in a slightly different, imaginative and inventive way.

Recognizing the role of interpretation upon action has fundamental implications for theorizing about internationalization. Among these, it underlines the need to move theorizing beyond its realist and positivist epistemological position which consider reality and person as objective and independent domains. Here, the study joins the plea for the ontological and epistemological renewal of the field (Sullivan, 1998; Sullivan and Daniels, 2008; Toyne and Nigh, 1998;). For instance, towards one that recognizes

the inextricably inter-dependence of human beings and their world. Whether this does not occur, it is likely, as Sullivan (1998: 880) warns, that the field will “continue to produce methodologically airtight studies that inform less and less, interest fewer and fewer, and gradually institutionalize irrelevance”.

The epistemological position envisioned here should consider that the meanings of internationalization are, before all, inter-subjective social constructions encapsulated into particular time and space of the life-world. On the one hand this concedes that human beings always live and act within their lived and practical experiences in the world. Therefore, despite the realist-positivist rhetoric dominant in international business studies, meanings created through interpretation are never expected to be found outside the life-world of its sustainers. However, this is not to suppose that reality is wholly constituted within the subjective mind of an individual as one could consider from an extreme subjectivist perspective. What is considered here is that at the same time reality is dependent upon subjective interpretation, it is also ‘objective’ in the sense that it is inter-subjectively negotiated, shared and sustained (Sandberg and Targama, 2007). This understanding considers that social reality transcends and exceeds the individual subject. Such ontological position thus occupies a middle ground between realism, which assumes reality as objective and independent, and subjectivism, which assumes that knowledge about reality is a nothing more than an arbitrary subjective construction. Philosophically, this position has been advanced in some constructivist approaches such as the one proposed by Glasersfeld (2002), Riegler, 2001 and Steffe and Thompson, 2003. Moreover, it is similar to the one advocated in Child’s (1997) strategic choice perspective.

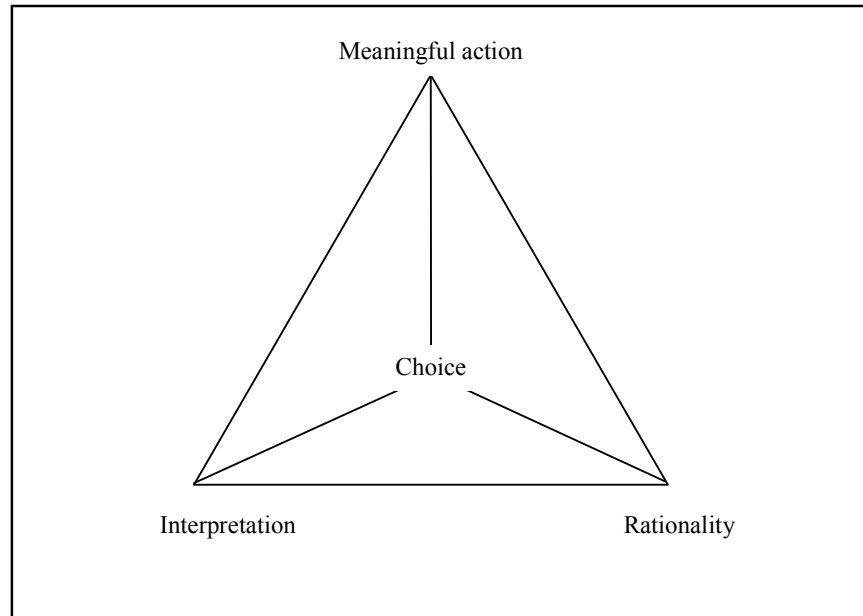
Certainly, this is not an easy position, and at times it can be confused with either realism or subjectivism. It must be noted that discussing all the nuances and assumptions of this philosophical perspective goes beyond the purposes and scope this work. Nevertheless, it is worth mentioning the insight given by Spender and Scherer (2007: 20-21) who argue that beyond an epistemology of mind, a ‘radical’ view of constructivism slides towards an epistemology of practice which “on the one hand dealing with the agentic practice of constructing all that is knowable and on the other experiencing the unknowable as constraining what can be imagined”. Practice, they argue, present researchers with an epistemological puzzle: at the same time one “can

observe practice and have a mental model of it, but whatever this is, it is not practice itself” (Spender and Scherer, 2007: 21). Considering this, they conclude that defining knowledge from an epistemology of practice “must be focused on living or in-dwelling, on our competence as human agents to negotiate our experiencing” (Spender and Scherer, 2007: 21).

The analytical framework to the study of internationalization which considers it as a meaningful course of action and therefore characterized by the dynamic interpenetration of choice, interpretation and rationality draws on these grounds. In practice, as illustrated in Figure 10-1, the approach presumes that internationalization cannot be comprehensively explained on the exclusive basis of rationality. Ultimately, explanation must be also taken on the light of decision maker’s interpretation. Reason and interpretation are seen as co-dependent explanatory elements. While rationality considers the human capacity for purposefully orienting action towards particular ends and *vis-à-vis* situated parameters or criteria, interpretation encompasses the human capacity of making sense of the world. The dynamic interaction between interpretation and rationality presumes that at the same time as interpretation produces the understandings regarding purposes and means/conditions rationally included in the process of making choices in internationalization, rationality also influences interpretation. It informs about what to interpret, and the amount of time to spend on creativity, innovation, or searching for different and alternative meanings.

This analytical perspective further contributes with theory by sketching out the lines for bridging the gap between concurrent assumptions of theorizing internationalization. On this vein, the approach extends prior integrative attempts such as Child’s (1972; 1997) strategic choice perspective and Whittington’s (1986; 1988) transformative approach beyond the classic divide of voluntarism and determinism. In particular, it also outlines how to bridge individualism and collectivism, and rational and interpretative accounts of action.

Figure 10-1 Internationalization as a meaningful action and the dynamic interpenetration of choice, rationality and interpretation



Finally, it should be noted that the focus of this research on SMEs in Brazil contributes to filling an important gap in the international business literature, namely the internationalization of small- and medium-sized enterprises from major newly-emerging economies (Bell *et al.*, 2003; Child and Rodrigues, 2005).

The following section points out the contributions to and implications of the study for managerial practice.

10.3.2 For managerial practice

Beyond implications for theory, the results of this study enable a series of propositions with direct implications for managerial practice in smaller organizations. Certainly, these are not exhaustive. The propositions addressed here are considered by the author of this research to be those with more utility for managerial practice. It is possible that, for some leaders of smaller firms, these propositions may not appear particularly exciting or novel. Nevertheless, they are supported by the empirical findings.

Contributions to and recommendations for managerial practice emerging from this study are numbered one to seven.

1. Internationalization should not be reduced as an exclusive tool for maximizing profits by the means of increasing sales and profitability, or reducing costs. Although it tends to be widely recognized in these terms, internationalization also plays an important role as a means of risk diversification, social recognition, and business development.
2. Internationalization should not be equated to engagement in foreign trade and investment operations. The study shows that it can also be seen as a referent for domestic action by the means of developing an international action frame of reference. In these terms, an holistic understanding of internationalization would encompass: the development of international awareness to tendencies and trends in the industry, the incorporation of international standards of quality, travelling abroad, participating in international business fairs and exhibitions, establishing contacts in foreign markets, conducting international research, being exposed to cultural diversity, being aware of the action of foreign counterparts and competitors, as well as any many other international linkages that do not necessarily imply foreign trade or investment. The findings suggest that within this domain, internationalization is an excellent way for enhancing innovation, business development and differentiation in the domestic market.
3. Although this study showed a positive association between some firm and managerial characteristics and internationalization (firm size, age, prior international experience, knowledge of foreign languages and export intention), it also demonstrated that their role and relevance vary depending on how internationalization is understood. Therefore, these variables should not be taken as necessary conditions for internationalization. The results indicated that generalized associations are likely to be outcomes of institutionalized understandings informing international action. For example, the findings showed that while internationalization can be characterized by selling large quantities, price competition, risk and uncertainty, and being substantially different from operations in the domestic market, it can also be alternatively characterized by selling small quantities, being based on differentiation, and being largely similar

to domestic operations. Depending on how internationalization is interpreted, different firm and managerial attributes may be understood as requirements for positively acting in that direction.

4. Enacting foreign sales in a way that resembles operations in the domestic market (sales of small quantities to smaller customers) facilitates internationalization. Data suggests that adopting a standardized approach to domestic and foreign operations enhances the possibility of internationalization for those SMEs in the clothing industry willing to do so. With some caution, this approach could also apply to a firm's products, whereby international standards are internalized into the domestic market. In this regard, developing an international frame of reference for action seems particularly relevant.
5. Investing in internet-based communication systems (websites, electronic mail, international trade service providers, etc.) and personal networks are more effective ways for smaller firms accessing and developing opportunities to sell abroad than participating in business fairs, exhibitions and commercial arenas. The present study suggests that the likelihood of having a frustrated experience of exporting through opportunities created in the context of business fairs and exhibitions are higher than those emerging from the internet and personal networks.
6. Avoiding price-based competition through differentiation in foreign markets is not necessarily restricted to branding and does not necessarily require resources exclusively available to firms of larger size. Smaller firms can achieve differentiation in foreign markets on the basis of simpler and effective actions such as: serving small quantities/orders, differentiating specific product characteristics, personalizing and adding services to sales, providing fast feedback and supply, building up their perceived image in the country abroad, emphasizing the 'Made in Brazil' aspect, and focusing on non-traditional markets.
7. The findings suggest that the meanings of internationalization are produced in the course of everyday practice and experiences. Some of these experiences might be more or less favourable to international involvement. Therefore, it seems prudent to evaluate critically how one understands internationalization

and how such understanding may be hindering and narrowing eventual benefits of internationalization.

The following section highlights the implications and recommendations for policymaking.

10.3.3 For policymaking

The arguments and findings of this thesis also encompass contributions and recommendations for policymaking. These recommendations build mainly on the view that strategic choices in internationalization are based on the meanings assigned to it. Moreover, on the understanding that meanings are dynamically and collectively produced within everyday practice, and assuming that governmental action is particularly relevant within this process, the following recommendation can be made:

1. The study suggests that promoting internationalization must go beyond advising that smaller firms should engage in foreign operations. It should also point out relevant and adequate reasons for doing so. Moreover, it should emphasize knowledge about how it can be done.
2. The findings in this study indicate that meanings given to internationalization influence action choices made in this regard. Some of them, though widely recognized, were found to have a negative impact on internationalization. Export-related policymaking in a country like Brazil, with a large domestic market, should recognize that promoting internationalization as a means of increasing sales abroad is likely to be ineffective and may indeed produce negative outcomes. Decision makers argued that smaller firms can increase sales in the domestic market without the need for selling abroad. Moreover, the findings showed that many decision makers in smaller firms are not willing to increase sales and growth. Ultimately, although some decision makers can be motivated to internationalize in order to increase sales abroad and grow, this rationale is likely to give more reasons to forgo internationalization than to motivate positive action in that direction.

3. In the Brazilian context emphasising internationalization as a means of (1) business development by learning, innovating, accessing technology, being exposed to cultural diversity, incorporating new practices, improving quality; and (2) achieving differentiation in the domestic market, is likely to be more appealing to decision makers in smaller firms than increasing sales and growing. However, these understandings are also likely to orient occasional rather than active internationalization.
4. Although the orthodox export promotion mechanism of providing tax benefits is likely to positively influence internationalization as a means of increasing the profitability of sales, decision makers argued that in the Brazilian context, smaller firms opting for the simplified taxation system SIMPLES excludes them from accessing these benefits. In their view, tax benefits favour only large firms. This suggests that a reassessment of governmental tax incentives for small firms' internationalization might be required.
5. The survey indicated that SMEs are likely to engage in foreign operations as they grow. Although growth and size were highlighted as not being necessary requirements for engagement in foreign operations, the qualitative investigation illuminated that growth is indeed a widely recognized means/condition of internationalization among smaller firms. It suggested that more than a necessary requirement the link between internationalization and growth is an institutionalized understanding among the leaders of smaller firms. Thus, it seems reasonable to argue that where governmental policy is aimed at increasing internationalization among SMEs, an effective way of doing so would be by helping smaller firms to grow. This recommendation considers that in many cases helping smaller firms to grow might produce better results than trying to change decision makers' understanding that internationalization is feasible for small firms. This rationale also suggests that governmental stimuli for internationalization is likely to be more effective among medium-sized firms rather than among those that are micro and small. Alternatively, whether the emphasis is indeed on micro and small firms, there is scope for associations like SEBRAE-PR and *Sindicatos* to help these smaller firms to recognize the

feasibility of internationalization and to develop distinctive strengths that could make their products very attractive to foreign markets.

6. The findings also showed that beyond firm size, prior international experience, knowledge of foreign languages and export intention have a positive influence on internationalization. In particular, policies attempting to enhance the exposure of leaders of smaller business to foreign markets, and facilitating the learning of foreign languages, is likely to increase the internationalization of SMEs in the country.
7. Further, presuming that government policy aims to increase internationalization among SMEs, the findings suggest that actions favouring the enactment of foreign operations as similar and close to domestic operations is likely to produce positive effects in that direction. The possibility of internationalization being directed towards firms' action frame of reference seems particularly relevant to this end. Actions in this regard should consider: helping decision makers to access relevant information and expertise about foreign markets, promoting foreign travels and contact with foreign cultures, facilitating learning of foreign languages (in particular English), and promoting knowledge interchange between industry associations in Brazil and abroad.
8. Paradoxically, the findings suggest that bringing foreign buyers to business fairs and exhibitions in Brazil may cause difficulties for SMEs' internationalization, in particular when international buyers come to the country attempting to buy large quantities at low price. The observations of decision makers interviewed suggest that this is often the case. By contrast, international business opportunities realized outside the context of business fairs and exhibitions is likely to be more effective for SMEs' internationalization, in particular those opportunities created through the internet and personal networking.
9. Finally, the data suggests that although internationalization as a means of increasing profits legitimated by economic rationality favours active internationalization, it is also likely to produce drawbacks in the local market by increasing pressures for wage reduction as well as by transferring local investment to foreign markets.

10.4 RESEARCH LIMITATIONS

No study is without limitations. In this section this one will be put into perspective and its methodological and theoretical constraints assessed.

10.4.1 Methodological limitations

The present study took the difficult path of using both quantitative and qualitative methods for investigating internationalization phenomena. For some this could be considered an attempt to be praised for advancing knowledge in the field. Overall, in internationalization research, mixed-method investigation is rare and the field has to a large extent been dominated by single methodology studies, typically of quantitative nature (Shenkar, 2004). Nevertheless, such decision also opens space for the fierce criticism of those presuming the incommensurability of quantitative and qualitative methods. Those taking this view are likely to regard such attempt as the outcome of confusion and poor understanding of fundamental problematics in social research. Here I consider the argument that conducting mixed-methods characterizes a major methodological limitation of the present research, and reflect on the experience of using a variety of methods for producing knowledge and learning.

Almost every book on research methods present their students with the choice of two general methods of research, namely: qualitative and quantitative. In the present work this was recognized in section 5.4. Beyond the more generic distinction that quantitative methods emphasize numbers and quantification while qualitative research is oriented towards meanings and words, these methodological approaches are typically distinguished in terms of a set of assumption argued to define each of them. Among such underlying characteristics, three are most likely to be made. First, authors argue that the process of theorizing in quantitative research is essentially deductive, whereas in qualitative research, it is inductive. Second, whereas in quantitative research social reality is presumed to be external and objective, in qualitative research it is assumed to be subjective. Third, while quantitative research argues that inferences from data can be generalized, in qualitative research these are argued to be contextually dependent. Here a major watershed can be recognized. On the one hand, some authors consider the metaphysical ontological and epistemological implications of such assumptions to argue

that quantitative and qualitative methods are essentially incommensurable. Therefore, attempting to reconcile contrasting methodologies is a fundamental contradiction, only possible on the basis of methodological shallowness or misunderstandings of social science's fundamental problematics (Guba, 1990; Hughes, 1990; Smith, 1983; Smith and Heshusius, 1986). On the other hand, other authors argue that despite their differences, quantitative and qualitative methods are not necessarily incommensurable and therefore can be used in the same piece of research in order to produce and enhance knowledge (Bryman and Bell, 2003; Creswel and Plano-Clark, 2007; Johnson, Onwuegbuzie and Turner, 2007; Morgan, 2007; Tashakkori and Teddlie, 1998).

Whereas those claiming paradigm incommensurability emphasize metaphysical distinctions whereby incompatibilities at the ontological level imply the further impossibility of communicating about epistemological and methodological methods, those presuming methodological commensurability emphasize a pragmatic approach which questions the whole emphasis of the incommensurability paradigm on the top-down privilege of ontological assumptions. In general, pragmatists develop either an agnostic view toward metaphysics, or a perspective of metaphysics that focuses on the experience of actions or practice in the world.

Resolving this debate is not simple and efforts to solve it can be found among the early Greek philosophers such as Plato and Aristotle. Nevertheless, perhaps given inherent human limitations, a final word has not been reached. Hence, students in the social sciences eventually engage within the rhetoric of one of these perspectives and end up using their own work to legitimate their choices and dispositions. It is evident in the present work that by pursuing a mixed-method approach, it accepts the rhetoric of pragmatism. However, one should recognize that in its current position such a perspective does not fit easily into a system that is organized around the metaphysical assumptions of the incommensurability paradigm. Thus, for those taking this position, there is not much to be done beyond recognizing that conducting a mixed-method research in social investigation can be characterized as a major methodological limitation of the present work. However, when considering the imperative of making social research work in practice, and the possibility of an epistemology of practice as briefly sketched in section 10.3.1, the chosen path for producing knowledge and learning by using both quantitative and qualitative methods, enable some personal

reflections that may be worth of note. This brief account will focus on the three major aspects by which quantitative and qualitative methods have been typically distinguished.

First, accepting the assumption that quantitative investigation is characterized by a deductive approach to connect theory and data whereby theory is somewhat anticipated and tested, and qualitative investigation characterized by an inductive approach in which the researcher remains open to data, the use of mixed-methods in social research offers a unique opportunity to experience the fruitful interplay between the possibility of testing what one already knows from established theories and learning from others. However, at a deeper level, the experience of following a mixed-method approach has also made me aware that moving between theory and data via quantitative and qualitative methods never operates in only one direction. Put differently, the practice of conducting quantitative and qualitative empirical research has taught me that, outside textbooks and classrooms, social research is not purely deductive or inductive. In the present study, I could experience that both quantitative and qualitative research involve a complex relationship between deduction and induction in the design, collection and analysis of data. Hence, to say what was already anticipated and framed in my mind as a researcher, and what was new, may not be a clear cut matter. In practice, what seems to happen is that both quantitative and qualitative methods are dependent on a researcher's abductive reasoning characterized by a constant movement between induction and deduction in which new data is converted into theories, at the same time that prior theories and frameworks are tested against observation and experience. This suggests that the process of connecting theory and data in quantitative and qualitative research is not as simple as suggested in textbooks. This experience suggests that, rather than dismissing others' work as based on wholly incompatible assumptions, qualitative researchers can learn by paying more attention to the range of hypothesis and theoretical frames that quantitative researchers have sought to define and test, at the same time that quantitative researchers can learn by paying more attention to the whole range of hypotheses and insights that qualitative researchers generate. Ultimately, the practice of using mixed-methods in the investigation of social phenomena suggests that there is much to be learned from the interplay of these perspectives. Perhaps, more than keeping them separated.

Second, specialized literature suggests that while quantitative investigation presumes an objective and independent reality, qualitative research assumes that it is essentially subjective. Although these ontological assumptions have provided the necessary elements for a philosophical conflict, the experience of conducting quantitative and qualitative research suggests that such dichotomy is actually an artificial summary of what social reality is. It is perhaps neither completely objective nor subjective. Empirically, the qualitative investigation in the present work showed that several 'subjective' meanings given to internationalization were widely recognized and shared by decision makers in the field (e.g. that internationalization is about increasing sales, or feasible only after the growth of the firm). These meanings were to a large extent in line with the findings of the previous quantitative investigation. Nevertheless, the qualitative study also showed that there was still much space for idiosyncrasy and meaning diversity despite the dominance of particular understandings. Whereas in the quantitative research, a diversity of meanings is likely to be accounted as mere error, means deviance or outliers, and therefore ignored; in qualitative research they gain relevance as offering critical insight for learning. Considering the assumption of subjectivity by which qualitative methods are typically depicted, it was interesting to note during the interviews that none of the respondents showed an understanding of internationalization that was completely different or unique from their counterparts. Though there were areas of divergence, there were also many areas of congruence. Therefore, while qualitative researchers are likely to argue about the impossibility of 'complete objectivity', in practice it is just as hard to imagine what 'complete subjectivity' would be. This suggests that though useful within the academic debate, in practice one experiences that objectivity and subjectivity are not incommensurate absolutes. The interplay between objectivity and subjectivity is usually captured in the idea of 'intersubjective' reality, as recognized by some modern cognitive approaches and typically argued within pragmatic methodologies. In the present work this understanding was argued in section 10.3.1 to be an important contribution implicit in the theoretical approach developed for advancing knowledge regarding internationalization. It considers that because human beings are essentially collective beings, social life depends on reaching out a sufficient degree of mutual understanding

which is likely to be institutionalized. Nevertheless social reality remains sufficiently complex and fluid to enable the emergence of unique interpretations of the world.

Third, although quantitative and qualitative assumptions suggest that while the findings of the former can be generalized and those of the latter are typically context-dependent, experience with both methods of research suggest that neither qualitative findings are so unique that they can not be transferred for actors in others settings, nor quantitative findings are so universal that they can be generalized to any possible setting. An important lesson gained from our mixed-methods investigation emerges out of the possibility of contrasting and comparing ‘generalizable’ findings of quantitative methods with those ‘context-dependent’ findings of qualitative investigation. This was for instance, a major reason for using mixed-methods as discussed in section 5.4.2. Systematic comparison in mixed-method research teaches its students that findings of quantitative and qualitative investigation can be transferred across the circumstances they emphasize, and therefore more research ought to be done in order to increase knowledge about how this can be done.

The previous paragraphs should not be interpreted as a claim that practice in mixed-methods research suggest that there is no value in discussing metaphysical issues regarding the methodology of the social sciences. On the contrary, concepts such as deduction and induction, objectivity and subjectivity, generalization and context-dependence, have their value. What this brief reflection suggests is that rather than treating these concepts as absolute extremes preventing the combined used of quantitative and qualitative methods in social investigation, there is much to be learned by working back and forth between these approaches; perhaps, more than keeping them apart given difficulties of being reconciled within the rhetoric of the metaphysical paradigm.

In addition to the acknowledgment of such generalized limitation, i.e. that quantitative and qualitative methods can not be reconciled within the rethoric of the metaphysical paradigm, each of these methods have their own inherent limitations. These are considered and acknowledged in the following two sections.

10.4.1.1 Survey

In the quantitative survey one presumes that respondents were able to understand and give accurate and faithful answers to questions. Nevertheless, it must be recognized that despite attempts to reduce misinterpretation, it is always possible that some respondents may have interpreted questions in ways beyond those intended by the researcher. In addition, some of them might have been motivated to present themselves and their firms in ways that would look favourable given particular interests, and therefore provide inaccurate information.

The research also assumes that respondents were aware of and could remember relevant events for the research, in particular, to recall the year when cross-border operations happened for the first time since the firm's inception. This information was crucial for assessing firms' speed of internationalization. It must be considered that when data collection involves data retrieval, decision makers' memories can introduce distorted information (Mintzberg, Raisinghani and Théorêt, 1976). Although distortion in data retrieval is a likely limitation of the study, it is worth noting that 78% of the respondents said that they were the owners of the firms; therefore they can be expected to be aware of the historical events in their firm's development. In addition, for most firms, internationalization is a relatively recent issue; as noted, most of them had their first international experience after the year 2000, which helps to reduce problems regarding data retrieval. In addition, almost all of the firms with international involvement were interviewed during the qualitative stage of the study, and on these occasions the researcher attempted to once more historically reconstruct the international involvement of firms and validate answers given in the questionnaire.

Arguably the reliance of the survey on a single individual informant per firm is another relevant limitation. It opens space for what Robinson (1950) points out as hasty generalization or ecological fallacy, which happens when inferences about group or organizational behaviour draw on a single informant. However, the reliance on single individuals seems to be a common limitation in management and organizational research (Brouthers and Brouthers, 2001; Elbanna and Child, 2007). Although not solving this problem completely, it is important to remember that in SMEs, the focus of

this study, relevant decisions are normally taken by one or very few key actors rather than boards of decision makers as in larger firms.

Sample size is also a fundamental limitation of the study. The relatively small sample and the introduction of thresholds to subgroup firms in accordance to their action choices in internationalization increases the possibility of Type II error and renders the definitive interpretations of the quantitative results problematic. For instance, sample size is a major concern regarding the statistical power of the analysis. As Combs (2010) states, with small samples it is difficult to know whether an effect is 'real' or the result of random sampling error. However, taking into account that the statistical analyses conducted were mainly given an exploratory and informative nature in relation to the qualitative investigation, the sample size and statistical procedures can be judged acceptable. Furthermore, it is important to note that some important studies in international business have been published with much smaller samples. For instance the highly referenced quantitative study of Reuber and Fischer (1997) was based on a sample of 49 cases.

A further limitation in the study, as addressed in the methodology chapter, is that the survey research is based on a convenience sample and therefore generalizing the findings to the population must be careful. In addition, considering the cross-sectional nature of the investigation, it represents the state of affairs of firms and respondents in a particular point of time.

10.4.1.2 Qualitative research

The reliance of the present thesis on findings emerging from qualitative data and analysis must be considered from the perspective of the inherent challenges faced by this type of study. First, like information gathered through survey methods, it is imperative not to idealize the interviewee as a competent and moral truth teller, or that giving voice to interviewees make them automatically act in the service of science and keen to reveal their experiences, opinions, views and values. Certainly, the interviewer expects that respondents were willing to give accurate and complete answers; nevertheless, the possibility of bias is present and, as Alvesson (2003) notes, the social and linguistic complexities involved in an interview aggravate the possibility of bias,

both from the part of the interviewee as well as from the interviewer. This limitation, implicit in any piece of qualitative research, has direct implications for the internal validity of the findings. The methodology chapter already presented actions taken to minimize this. Among them: engaging respondents in the study, triangulating data, increasing the number of respondents in the sample, and ensuring confidentiality and anonymity of data. Although such actions were aimed at minimizing bias, it is important to recognize that interviews should not be considered as giving data a specific external reality. Here they are appreciated as an integrated source of meaning and knowledge in addition to the researcher's own reflection, analysis and interpretation.

Second, in addition to bias from respondents, it must be recognized that the findings emerging out of the qualitative analysis are not free from the researcher's own interpretations when collecting data, making questions, and attempting to summarize, analyze and reconstruct the data. Again, this is a limitation implicit in all qualitative analysis. It must be recognized that qualitative analysis is, at least in part, the result of researchers' reflection and sense-making. To argue against that is to assume a positivist epistemology which seems not to be coherent with the assumptions on which this study stands. Nevertheless, this must not be seen as an excuse for lack of methodological rigor. To minimize bias and enhance reliability of the analysis, as expressed in the methodology chapter, the process of qualitative data analysis was carefully conducted. Emerging categories were repeatedly cross-checked with raw data, and alternative explanations were built which were in turn critically evaluated. Furthermore, codes were cross-checked by two external auditors and preliminary findings and rationality were open to peer review in three academic conferences.

Third, the categories of meanings related to the purposes and means/conditions of internationalization are not meant to be exhaustive and exclusive. Rather, they are bounded to space and time. They represent the views of the leaders of SMEs in the Paraná clothing industry as sampled in this study at the time of data collection. Additional research might illuminate other meanings attached to internationalization both in a different context and time.

Finally, the study does not aim to generalize the meanings informing action-choices in internationalization. Although this is usually seen as a major limitation of qualitative methods (Bryman and Bell, 2003; Eisenhardt, 1989; Yin, 2003), here it is

deemed coherent with the arguments developed. In particular, this interpretation is a central element of action and choice and therefore purposes and means/conditions of internationalization are expected to vary in different organizational fields. Nevertheless, this does not mean that theoretical argumentation is not generalizable beyond the boundaries of this study. On the contrary, the core argument corroborated by the findings of this study, namely that strategic choice is made on the basis of the meanings given by the interplay of interpretation and rationality, is expected to be theoretically generalizable.

10.4.2 Theoretical limitations

The present thesis advanced a theoretical approach for investigating internationalization beyond the tenets of prevailing economic and behavioural perspectives. It considered internationalization as a meaningful course of action and therefore subject to the interplay of choice, interpretation and rationality. This perspective was corroborated by the empirical investigation and, as discussed in section 9.5, offers important contributions to advance theorizing in the field. Nevertheless, it is not without limitations.

First, similar to issues raised regarding the use of mixed-methods, one could always argue that the claim that the theoretical approach developed helps to reconcile concurrent perspectives of theorizing internationalization is based on theoretical shallowness which fails to acknowledge the particularities of analytical assumptions and their fundamental dissonances (Alvesson, 2000). Put differently, that theoretical perspectives that presume paradigm commensurability lack scientific rigour (Jackson and Carter, 1991). This argument, presumes that ‘reconciling’ investigators subject data and analysis to particularistic interests without exposing such interests to critical assessment. Certainly, it seems inevitable that the analytical approach taken in this research has an influence on how its underlying problem was approached and analysed. On the one hand, it is extremely difficult for the holder of a particular view of reality to realize and objectively assess that view in order to expose its weaknesses and limitations. On the other hand, to presume that such neutrality and distance is possible is already to take a position in favour of a particular paradigm. The researcher recognizes

that such limitation is inherent to the human condition. The envisioned way to overcome it is by welcoming future research to test the validity and usefulness of the arguments developed. It is important to note that this research has at least provided a platform for doing so. In addition, considering this criticism, it is possible to echo Child's (1997) argument that although the analytical perspectives considered may entail concurrent paradigms in the philosophical arena, they are not necessarily incommensurable in the study of organizations. It is not within the scope of this study to probe the nature of reality and human condition, but rather, given the empirical artefact of social action, to develop an analytical approach to understanding it.

Second, one could argue that although claiming that internationalization as a meaningful course of action that implies choice, interpretation and rationality, the thesis fails to discuss these concepts in depth and to critically review the relevant literature. Certainly, there is an extensive literature covering these concepts and much could be said about each of them and their relationships. Nevertheless, it should be noted that the present study is not an attempt to investigate these concepts and processes *per se*. Put differently, the present thesis is not an investigation on the processes of choosing, interpreting, or rationalizing. Such attempts fall beyond the scope of this study. Rather, the present study was directed to the argument that internationalization implies choice, interpretation and rationality and that such recognition has to a large extent been overlooked by prevailing theorizing in the field. The theoretical review on the concepts raised, though brief, was judged sufficient to make clear the approach taken and to enable the empirical investigation. Ultimately, the latter indicated that, with plausible confidence, the issues the present work raises are relevant, merit attention and offer a platform for future research.

In summary, when considering the methodological and theoretical limitations implicit in this research, one ought to recognize with humility that the present work should not be thought of as a final account about internationalization, but rather as an attempt to make a relevant contribution in the ongoing academic debate on the issue. Considering this, the next section presents directions and avenues for further investigation.

10.5 DIRECTIONS FOR FUTURE RESEARCH

This study approached internationalization as a meaningful action and therefore subject to the role of choice, interpretation and rationality. This acquaintance suggests that internationalization is more complex than the specialized literature suggests and many questions regarding the relationship between these analytical elements remain unanswered. Ultimately these point out directions and avenues for further investigation.

Instead of enumerating a long list of directions for future research, a more parsimonious approach was taken following the suggestion of Rudestam and Newton (2001). Therefore this thesis concludes by pointing out four main areas for further research.

A first relevant avenue for future investigation considers the need for better understanding the role and scope of interpretation upon internationalization. Recognizing, identifying and describing how decision makers interpret their situation and experiences seems particularly relevant to advancing scientific knowledge in the field. As already noted, in the internationalization literature, situational factors are typically presumed to influence international involvement without any appreciation on how decision makers interpret their situation. For example, international experience, normally assessed in terms of number of years working abroad, or number of foreign markets where the firms is already engaged in, is often assumed to be a predictor of further internationalization. However, this assumption completely bypasses the question of how decision makers make sense of their international experience. The present work highlighted that interpretation matters and constitutes a key missing factor in internationalization theorizing. In particular, this study has shown that decision makers' interpretations regarding the purposes and means/conditions of internationalization have a bearing on how action-choices regarding international involvement take place. Mapping out decision maker's interpretations will further enable better understanding of how decision makers choose when considering internationalization and fine-tune policymaking.

Considering this, a fruitful direction for research should attempt to investigate how different understandings given to the purposes and means/conditions of internationalization inform relevant strategic choices, in particular regarding

engagement, location, direction, mode of operation, time, and degree of international involvement. Certainly, this study offers many indications of this relationship. For example, that when internationalization is oriented towards social recognition, decision makers can enact operations in psychically distant markets and not necessarily where economic returns will be maximized. In a similar vein one could ask how does internationalization as a means of business development inform the speed, direction and degree of a firm's international involvement? Another aspect highlighted in this study indicated that internationalization has significance as a referent for action and thus does not necessarily imply engagement in foreign trade and investment. Although there has been some recognition that this is part of the internationalization phenomenon in the specialized literature (see: Hadjikhani, 1997; Jones, 2001), there is still need for better understanding it, and specifically how these meanings of internationalization impact on organizational performance.

Second, beyond the consideration of interpretation and the investigation of how decision maker's understandings inform action choices in internationalization, a further strand of research could consider how meanings of internationalization are socially constructed over time. In this regard, this study pointed out that social interaction and practical experiences play an important role on how understandings and meanings of internationalization emerge. In so doing it corroborated behavioural arguments of knowledge development and learning in the process of internationalization. On the other, the study also noted that beyond acknowledging that practical experience and social interaction are important, more attention should be given to the nature and outcomes of these experiences. One ought to acknowledge that prior experience will not always have a positive impact on internationalization as has usually been presumed in prevailing theorizing. Therefore one can ask: what kinds of experiences positively influence internationalization? Where are they likely to happen? Do decision makers from companies that have different international experiences think differently about international involvement?

Another relevant relationship to be considered in attempting to further understand how meanings informing action are constructed should focus on pre-existing institutionalized meanings. These are expected to provide the context for meaning creation and in so doing enable it, but also constraint it. As showed in this study, firms

founded in different periods of time characterized by remarkably distinct institutional settings were likely to have different understandings regarding time issues in internationalization. This is not to suppose that prior institutions determine interpretation, but to recognize that they influence it and may be internalized in the process of socialization. Nevertheless, it ought to be noted that interpretation also encompasses the instance where institutionalized meanings are challenged and changed. It thus gives a co-evolutionary tone between institutionalized meanings and interpretation which enables the posing of two specific questions for future investigation, namely: how do pre-existing institutions shape the interpretative modes informing choices in internationalization? and how does interpretation change institutions?

An alternative way of thinking about this relationship could consider how particular meanings forge action, at the same time that action also produces meaning, which (in the light of feedback) will inform further action, and so on. This understanding suggests a recursive dynamic relationship between meanings and action. It is important to note that such a research focus is likely to require a particular methodology allowing for both an intensive capture of meaning and a close monitoring of actions over a period of time.

Finally, a third relevant area for future investigation should consider the impact of different meanings given to internationalization beyond the boundaries of organizations, in particular upon local communities and the environment. With this in mind one could ask to what extent is the dominant understanding that internationalization is a tool for maximizing profits ecologically sustainable? Alternatively, how do the meanings that currently inform internationalization impact the life of people and community? Especially in those industries, such as the clothing industry, characterized by smaller firms that are often located in relatively small urban communities. What are the ethical implications implicit in different meanings informing internationalization?

It is my belief that investigating internationalization within these remits will bring important contributions to the ongoing attempt of better understanding internationalization.

APPENDICES

APPENDIX I – SURVEY PRIOR NOTICE

Curitiba, Date

Dear <Name>,

The Positivo University, Brazil and the University of Birmingham, England, would like to ask the support of the <Name of the firm> to the study designed by researchers Rene E. Seifert and Prof. John Child. They have studied the development of Small and Medium size Enterprises [SME]. In this study they focus on strategic choice in internationalization among SMEs in the Parana clothing industry.

We would greatly appreciate some of your time to answer the questionnaire that will be sent to you in a couple of days. It will not take more than 10 minutes to complete. In doing so, you will contribute for the advance of knowledge about smaller firms in Brazil and Paraná. We are committed to sending you the results of this study which we believe will be relevant for the strategic development of your firm.

If you have any question about this study, please feel free to contact our researcher Rene Seifert at Positivo University via telephone XX.XXXX.XXXX or e-mail xxxx@xx.xxx.xx.

Thank you very much.

Kind regards,

Prof. Dr. Clóvis Luiz Machado-da-Silva
Coordenador do Programa de Mestrado e Doutorado em Administração
Universidade Positivo

How has your firm been identified and sampled to participate in this study?

Firms contacted to participate in this study were sampled from a specific sampling framework constructed with information provided by the Sindicatos da Indústria do Vestuário no Paraná, Associação Comercial do Paraná, Federação das Indústrias do Estado do Paraná and the specialized consultants in the industry.

Curitiba, Data

Prezad* <Nome do Proprietário>,

A Universidade Positivo, Brasil e a Universidade de Birmingham, Inglaterra, gostariam de solicitar o apoio da <Nome da Empresa> para o estudo conduzido pelos professores Rene E. Seifert, Jr e John Child. Estes professores vêm estudando o desenvolvimento de Pequenas e Médias Empresas [PMEs]. Nesta etapa, os professores focalizam as PMEs da Indústria de Vestuário Paranaense e têm como objetivo estudar escolhas estratégicas relativas à internacionalização.

Gostaríamos de solicitar a sua colaboração respondendo o questionário que lhe será enviado dentro de alguns dias. Não consumirá mais do que 10 minutos do seu tempo. Ao fazê-lo, você estará contribuindo para a geração de conhecimentos com foco em empresas brasileiras e Paranaenses. Além disso, comprometemo-nos em enviar-lhe o relatório executivo com os resultados do estudo. Acreditamos que este relatório será uma importante ferramenta para a desenvolvimento estratégico da sua empresa.

Caso possua dúvidas, por favor, sinta-se a vontade para entrar em contato com o Prof. Rene Seifert na Universidade Positivo por meio do telefone XX.XXXX.XXXX ou pelo e-mail xxxx@xx.xxx.xx.

Desde já agradecemos sua atenção a este singelo pedido.

Cordialmente,

Prof. Dr. Clóvis Luiz Machado-da-Silva
Coordenador do Programa de Mestrado e Doutorado em Administração
Universidade Positivo

Nota sobre a identificação e seleção das empresas participantes deste estudo?

As empresas contatadas para participar deste estudo foram amostradas a partir da base de empresas cadastradas junto aos Sindicatos da Indústria do Vestuário no Paraná, Associação Comercial do Paraná, Federação das Indústrias do Estado do Paraná e indicações de consultores na área. Caso não tenha interesse em participar do estudo, por favor escreva para xxxx@xx.xxx.xx.

APPENDIX II – COVER LETTER SURVEY QUESTIONNAIRE

Curitiba, Date

Dear <Name>

Thank you for agreeing to participate in this study. It aims to learn about strategic choices in internationalization among small and medium size enterprises. We have selected firms in the Parana clothing industry with different strategic approaches to foreign markets. We believe that the participation of the <Name of the firm> will be particularly relevant

As we mentioned in our previous letter, we are sending a small questionnaire which will let us know about the international involvement of your firm and will help you to think about some strategic aspects of your business. There are two ways by which you can answer it: via our web based electronic questionnaire or in the form attached to this e-mail.

1. To answer via **electronic questionnaire (recommended)**, please click the following web address, or copy and paste it in your web browser: <*****>. This is a secure web link and exclusive for academic use. 2. If you prefer to answer the questionnaire in the **form attached to this e-mail**, please click “reply to sender” in your computer, answer the questions and then click “send”.

We would greatly appreciate if you could send us your answers as soon as possible. The questionnaire will take less than 10 minutes to complete. There are no right or wrong answers. All data collected will be treated confidentially and individual companies will not be identified. We are committed to sending you the results of this study as soon as they become available. Therefore, we ask you to indicate your name and company. We believe our report will be an important tool for the strategic development of your firm.

Once again, we greatly appreciate your participation in this study. If you have any question or need more information about this study, please do not hesitate to contact us via telephone XX-XXXX-XXXX or by e-mail xxxx@xx.xxx.xx.

Kind regards,

Rene E. Seifert, Jr.
Assistant Professor
Add.

John Child
Professor of Commerce
Add.

How has your firm been identified and sampled to participate in this study?

Firms contacted to participate in this study were sampled from a specific sampling framework constructed with information provided by the Sindicatos da Indústria do Vestuário no Paraná, Associação Comercial do Paraná, Federação das Indústrias do Estado do Paraná and the specialized consultants in the industry.

Curitiba, Date

Prezad* <*****>,

Desde já agradecemos seu apoio ao nosso estudo sobre escolhas estratégicas relativas à internacionalização. Privilegiamos empresas do vestuário Paranaense com diferentes posicionamentos em relação ao mercado externo. Por esta razão acreditamos que participação da <Nome da Empresa> será muito importante.

Conforme comunicação anterior, estamos lhe enviando um pequeno questionário que além de deixar-nos conhecer suas opiniões, lhe ajudará a pensar sobre aspectos estratégicos no desenvolvimento do seu negócio. Existem duas formas de respondê-lo: questionário eletrônico ou corpo deste e-mail.

1. Para responder no **questionário eletrônico (recomendado)**, por favor, clique no endereço Web abaixo, ou copie e cole no seu navegador de internet: <*****> . Este é um link seguro e de uso exclusivamente acadêmico. 2. Para responder **no corpo deste e-mail**, clique no botão “Responder” no seu computador, responda as perguntas (vide questionário abaixo), e clique “Enviar”.

Gostaríamos de solicitar sua gentileza em enviar-nos suas respostas com a maior brevidade possível. Não tomará mais de 10 minutos. Não há respostas certas ou erradas. Todos os dados serão tratados de forma confidencial e nenhuma empresa será identificada. O relatório executivo com as conclusões e sugestões do estudo será retornado à sua empresa. Por esta razão, solicitamos informar seu **nome e empresa** no final do questionário. Temos certeza que este será uma importante ferramenta para o aprimoramento estratégico e competitivo da sua empresa.

Mais uma vez agradecemos sua participação e gentileza. Caso possua dúvidas ou queira mais esclarecimentos, por favor, não hesite em contatar-nos no telefone XX-XXXX-XXXX, ou pelo e-mail xxxx@xx.xxx.xx.

Cordialmente,

Prof. Rene E. Seifert, Jr.
Professor Administração e Comércio Exterior
Universidade Positivo

Prof. John Child
Professor of Commerce
University of Birmingham

Nota sobre como sua empresa foi identificada e selecionada para participar deste estudo?

As empresas contatadas para participar deste estudo foram amostradas a partir da base de empresas cadastradas junto aos Sindicatos da Indústria do Vestuário no Paraná, Associação Comercial do Paraná, Federação das Indústrias do Estado do Paraná e indicações de consultores na área.

APPENDIX III – SURVEY QUESTIONNAIRE



Strategic choice in the internationalisation of SMEs in the Paraná clothing industry

Thank you for answering this questionnaire. Your time is much appreciated. The questionnaire comprises three sections which will take less than 10 minutes to complete. Please make sure that you go through and answer all questions. All information will be treated confidentially.

Part I

1. Before founding or joining this firm did you or any member of the current management team have experience selling or buying outside Brazil? [] yes [] no
2. Before founding or joining this firm did you or any member of the current management team ever work outside Brazil? [] yes [] no

Please inform in the scale bellow, from 1 (not knowledge) to 7 (complete knowledge), the degree of knowledge of following foreign languages among those who make decisions in the firm:

	1	2	3	4	5	6	7
3. English	[]	[]	[]	[]	[]	[]	[]
4. Spanish	[]	[]	[]	[]	[]	[]	[]
5. Other. Which? []	[]	[]	[]	[]	[]	[]	[]

The next questions aim to historically identify a range of cross border links established by your firm even though it may not be currently importing or exporting. Please, read each of the following questions and in the case of any of them have been realized, **please write down the year when they happened for the first time.**

Cross border link	When for the 1 st time?
6. The firm imported directly from overseas supplier?	[] []
7. The firm exported through a Brazilian intermediary (trading company/sales representative, etc)?	[] []
8. The firm exported directly to foreign client?	[] []
9. The firm signed a contract with an overseas based firm (e.g. production contract, license contract, franchise contract, other...)?	[] []
10. The firm established a join-venture with an overseas based firm?	[] []
11. The firm made a direct investment in a foreign country (e.g. subsidiary, sales office, shopping facility, other...)?	[] []

12. Today, how many of the full-time employees spend over 50% of their time on international activities? []
13. Today, how many of your regular business partners are headquartered outside Brazil? [] []

If your firm had any foreign operation since the end of the previous financial year, please answer questions 14 to 16. If not, please continue from Part II.

14. Approximately what percentage of last year total sales happened outside Brazil? [] %
15. Approximately what percentage of last year total procurement came from outside Brazil? [] %
16. Please write down the name(s) of the country(ies) from where your firm had foreign operations from last year? []

Part II

About exporting...

17. To what extent is your firm interested in exporting?

1 2 3 4 5 6 7
Not At All Interested [] [] [] [] [] [] [] **Extremely Interested**

18. To what extent is your firm likely to start exporting to new foreign markets in the next three years?

1 2 3 4 5 6 7
Extremely Unlikely [] [] [] [] [] [] [] **Extremely Likely**

19. To what extent exporting is important for your firm to accomplish its business objectives?

1 2 3 4 5 6 7
Not At All Important [] [] [] [] [] [] [] **Extremely Important**

Part III

20. When was your firm founded? []
21. How many full-time employees does your firm have now? []
22. How many outsourced employees does your firm have now? []
23. How many people are responsible for strategic decisions in the firm? []
24. Approximately what is the production capacity for the firm's main product in units/pieces per month? []
25. Is the respondent the founder/owner of the firm? [] sim [] não
26. Respondent's year of birth: []
27. What is your highest degree of education?
[] High school [] College [] Undergraduate [] Postgraduate
- Firm name: []
- Location (Town/City): []
- Respondent name: [] E-mail: []

Please use the space below for any comments and suggestion about this research.

[]

Thank you!

Escolhas Estratégicas na Internacionalização de PMEs na Indústria de Vestuário Paranaense

Obrigado por responder este questionário. Seu tempo é muito apreciado. O questionário é composto por três seções e tomará menos de 10 minutos para ser respondido. Por gentileza, certifique-se em respondê-lo até o final. Todas as informações são confidenciais

Parte I

1. Antes de fundar ou juntar-se a esta empresa, você ou algum dos membros do grupo de dirigentes da empresa possuía experiência em importação e/ou exportação? ☐ sim ☐ não
2. Antes de fundar ou juntar-se a esta empresa, você ou algum dos membros do grupo de dirigentes da empresa trabalhou fora do Brasil? ☐ sim ☐ não

Utilizando a escala que vai de 1 (não conhecimento) a 7 (total conhecimento) indique o grau de conhecimento dos seguintes idiomas entre os dirigentes da empresa:

	1	2	3	4	5	6	7
3. Inglês	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Espanhol	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Outro. Qual? []	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

As próximas questões procuram identificar ligações externas estabelecidas pela sua empresa desde sua fundação. Esta verificação é independente do fato da sua empresa estar ou não atuando no exterior atualmente. Por favor, verifique cada uma das ligações listadas abaixo e **no caso de alguma delas ter sido realizada, registre o ano em que estas aconteceram pela primeira vez.** Em caso negativo, deixe em branco.

Ligação Internacional	Ano 1ª vez ?
6. A empresa importou diretamente de um fornecedor no exterior?	<input type="checkbox"/>
7. A empresa exportou através de um intermediário Brasileiro (ex.: <i>trading company</i> , representante de vendas, etc.)?	<input type="checkbox"/>
8. A empresa exportou diretamente para cliente/empresa em outro país?	<input type="checkbox"/>
9. A empresa firmou contrato (ex.: contrato de produção, representação, licenciamento, franquia, outro...) com firma localizada no exterior?	<input type="checkbox"/>
10. A empresa estabeleceu <i>joint venture</i> com firma localizada no exterior?	<input type="checkbox"/>
11. A empresa investiu direto no exterior (ex.: abriu filial, escritório de vendas, loja no exterior, unidade de produção...)?	<input type="checkbox"/>

12. Atualmente, quantos funcionários da empresa dedicam mais de 50% do seu tempo em atividades relacionadas a negócios internacionais (importação, exportação, entre outros)? []

13. Atualmente quantos de seus parceiros de negócio estão localizados fora do Brasil? []

Se a sua firma realizou operações comerciais no exterior no último ano, por favor responda as questões 14 a 16. Se **não**, continue a partir da **Parte II**.

14. No último ano as vendas externas (fora do Brasil) representaram aproximadamente qual percentual das vendas totais da empresa? [] %

15. No último ano as importações representaram aproximadamente qual percentual das compras totais da empresa? [] %
16. Em quais países estrangeiros sua empresa realizou negócios no último ano (importação, exportação, outros)? Por favor escreva o nome dos países. []

Parte II

Sobre exportações...

17. Quão interessada sua firma está em exportação?

1 2 3 4 5 6 7

**Definitivamente não
interessada**

[] [] [] [] [] [] []

**Extremamente
Interessada**

18. Qual a probabilidade da sua empresa exportar para novos mercados nos próximos três anos?

1 2 3 4 5 6 7

**Extremamente
Improvável**

[] [] [] [] [] [] []

**Extremamente
Provável**

19. Quão importante é para sua empresa envolver-se com exportações no intuito de atingir seus objetivos de negócio?

1 2 3 4 5 6 7

**Definitivamente não
importante**

[] [] [] [] [] [] []

**Extremamente
Importante**

Parte IV

20. Em que ano sua empresa foi fundada? []
21. Quantos funcionários próprios a empresa possui atualmente? []
22. Quantos funcionários terceirizados (facção) trabalham para a empresa? []
23. Quantas pessoas são responsáveis pelas decisões estratégicas na empresa? []
24. Qual é a capacidade média de produção instalada para o principal produto da empresa em **unidades/peças por mês**? []
25. O respondente é fundador/proprietário da empresa? [] sim [] não
26. Ano de nascimento do respondente: []
27. Por favor indique seu maior grau de escolaridade?
- [] Ensino fundamental [] Ensino médio [] Graduação
- [] Pós-graduação
- Nome da Empresa: []
- Localização (Cidade): []
- Nome do Respondente: []
- E-mail: []

Por favor utilize o espaço abaixo caso queira emitir opiniões, comentários e sugestões sobre esta pesquisa. []

Por favor retorne suas respostas para xxx@xx.xxx.xx

Muito Obrigado!

APPENDIX IV – REMINDER LETTER

Dear <Name>

About one week ago we contacted you requesting your support for the study that we are conducting about the role of strategic choice on internationalization. The participation of the <firm name> is very important for us. We believe that your opinion and information will contribute enormously to our study. However so far we have not received a reply from your firm. We reiterate that all information provided will be treated confidentially and we commit to return an executive summary with the results and recommendations of the study.

In case the questionnaire sent is not available anymore, we are taking the opportunity to send it again. You can answer it through our web site or in the form attached to this e-mail. To answer via **our web site** please click the following web address, or copy and paste it in your web browser: <*****>. This link is safe and for exclusive academic use. However, if you prefer, you can also answer the questionnaire in the **form attached to this e-mail**. To do so, please click “reply to sender” in your computer, answer the questions and then click “send”.

If you have any question or need further information about this study, please do not hesitate to contact us by telephone XX-XXXX-XXXX or e-mail xxxx@xx.xxx.xx.

Once again, we are very grateful that you are participating in this study. We appreciate your kindness in helping us to produce knowledge that we believe will be relevant and useful for the development of SMEs in the Paraná clothing industry.

Kind regards,

Rene E. Seifert, Jr.
Researcher in Business Administration
Positivo University

John Child
Professor of Commerce
The University of Birmingham

How has your firm been identified and sampled to participate in this study?

Firms contacted to participate in this study were sampled from a specific sampling framework constructed with information provided by the Sindicatos da Indústria do Vestuário no Paraná, Associação Comercial do Paraná, Federação das Indústrias do Estado do Paraná and the specialized consultants in the industry.

Prezad* <Nome do proprietário>

Há cerca de uma semana entramos em contato solicitando seu apoio para estudo que estamos conduzindo sobre escolhas estratégicas relativas à internacionalização na indústria do vestuário Paranaense. Gostaríamos muito de contar com a participação da <Nome da Empresa>. Acreditamos que suas opiniões irão contribuir muito com nosso estudo. Até o presente momento, não pudemos registrar retorno da sua empresa. Reiteramos que suas respostas são confidenciais e que retornaremos o relatório executivo com os resultados e sugestões do estudo.

Caso o questionário anterior não esteja mais disponível em sua conta de e-mail, estamos enviando novamente. Você pode optar por respondê-lo por meio do **questionário eletrônico** ou **no corpo deste e-mail**. Para responder através do questionário eletrônico, clique no endereço Web abaixo, ou copie e cole no seu navegador de internet: *****. O link é de uso acadêmico e seguro. Se preferir, responda no corpo deste e-mail. Para tanto, clique no botão “Responder” no seu computador, responda as perguntas no questionário que segue abaixo, e clique “Enviar”.

Caso você possua dúvidas ou queira mais esclarecimentos sobre este estudo, por favor não hesite em me contactar (Rene Seifert) no telefone XX-XXXX-XXXX, ou através do e-mail xxxx@xx.xxx.xx.

Mais uma vez, agradecemos cordialmente sua participação e gentileza em ajudar-nos produzir conhecimento que esperamos seja relevante e útil ao desenvolvimento das PMEs da indústria do vestuário no Paraná.

Cordialmente,

Prof. Rene E. Seifert, Jr.
Professor de Administração e Comércio Exterior
Universidade Positivo

Prof. John Child
Professor of Commerce
University of Birmingham

Nota sobre como sua empresa foi identificada e selecionada para participar deste estudo?

As empresas contatadas para participar deste estudo foram amostradas a partir da base de empresas cadastradas junto aos Sindicatos da Indústria do Vestuário no Paraná, Associação Comercial do Paraná, Federação das Indústrias do Estado do Paraná e indicações de consultores na área.

APPENDIX V – LETTER OF ACKNOWLEDGEMENT AND THANK YOU

Dear <Name>,

I want to let you know that we received your completed questionnaire. Thank you very much for supporting our study by providing information about your firm. All data will be kept confidential and safe. As soon as possible we will report the results of this study to you.

If you have any question, please do not hesitate to contact me. Once more thank you very much for your participation.

Best wishes,

Rene E. Seifert, Jr.

Rene E. Seifert, Jr.
Professor de Administração e Comércio Exterior
Universidade Positivo

Prezad* <Prenome>,

Muito obrigado por responder nossa solicitação de ajuda com informações sobre a indústria do Vestuário. Gostaria de confirmar que recebemos o questionário respondido. Todos os dados serão mantidos confidenciais e em segurança. Reitero que retornaremos os resultados deste estudo à sua empresa tão logo estejam disponíveis.

Continuo a sua disposição para esclarecer eventuais dúvidas. Mais uma vez agradeço sua participação.

Cordiais Saudações,

Rene E. Seifert, Jr.

Rene E. Seifert, Jr.
Professor de Administração e Comércio Exterior
Universidade Positivo

APPENDIX VI – INTERVIEW GUIDE

INTERVIEW GUIDE

Strategic Choice in internationalization

INTERVIEW RECORD

Firm: _____
Name of Interviewee: _____
Position of interviewee: _____
Date of interview: _____

INTRODUCTION

A. STARTING-UP

- Chat about getting on to the interview (how are things/ the weather, traffic ...)

B. PRESENT RESEARCH OBJECTIVES

“I’d like to thank you for your time and kindness in accepting to participate in this research”

- This research aims to understand strategic choices in the process of internationalization of Brazilian SMEs. The study focuses in the Clothing Industry of the State of Paraná.

C. EXPLAIN THE INTERVIEW

- The interview will be a conversation that will cover different aspects regarding international involvement of smaller firms, and the choices one makes about it. We aim to learn about your understandings, thoughts and experience about this issue.

D. EXPLAIN CONFIDENTIALITY

- Data will be used only for academic purposes. Firms will not be identified individually.

E. EXPLAIN VOICE RECORDER

- Ask permission to record the interview. Remember that s/he can switch recorder off at any time if not comfortable.

1. INTERNATIONAL INVOLVEMENT

I’d like to start by asking you some questions about the international involvement of your firm:

- Does your firm have ever performed any activity/operation that involved someone or something from abroad?

Check (if available) firm's international involvement in accordance with the survey questionnaire. In case of negative involvement, move to section **section 2**. In case of positive involvement, continue with this section.

- **What was the purpose** of establishing the international link you've just mentioned? (ex. Exporting, Importing, ...)
- **How** it happened? **Why this way? Other options were considered?**
- **When** it happened? **Why** do you think it happened at that particular time?

2. VIEW OF FOREIGN OPERATIONS

- Do you think foreign operations are important for your firm? **Why?**
- In your opinion are there benefits in going abroad? **What?**
- Why, in your opinion, firms internationalize (go abroad?)
- In your opinion, going abroad is a choice or a necessity?

3. REQUIREMENTS OF INTERNATIONALIZATION

- **What** do you think are the requirements for a firm to operate abroad? **Why?**
- Do you think your company have the necessary resources for operating abroad?
- Is the environment (industry) favourable to go abroad?

4. INTERNATIONAL ASPIRATIONS

- Do you intend expanding your firm's operations outside Brazil? **Why? Where? How? When?**

5. FIRM CONTEXTUALIZATION

To be used if firm did not participate in the survey research:

Firm's year of foundation	_____
Number of employees	_____
Prior international experience	_____
Knowledge of foreign languages	_____

CLOSE

Is there anything else that you think it is important to mention on the subject of this research?

Thank you for this interview. Switch off voice recording. Make sure respondent is comfortable, reassure about confidentiality and interest, chat.

APPENDIX VII – PROFILE OF FIRMS INCLUDED IN THE QUALITATIVE SAMPLE

Firm Code	Year Inception	Size ¹	Cross Border Links ²					Int. Involvement ³	Prior Int. Experience	Export Intention Index	K. Foreign Lang. Index
			IMP	I-EX	D-EX	I-CO	FDI				
Case 1	1995	Micro	5		8			Occasional	No	4.33	3.00
Case2	1998	Micro		2	5		6	Active - Low DOI	Yes	3.67	3.67
Case 3	2000	Small						Domestic	No	NA	NA
Case 4	2005	Micro						Domestic	No	5.67	2.00
Case 5	2005	Micro			2			Active - High DOI	No	6.00	3.67
Case 6	2001	Small			4	4		Occasional	Yes	7.00	5.00
Case 7	2005	Micro	2		2			Occasional	Yes	5.33	6.00
Case 8	1999	Medium						Domestic	No	2.67	1.67
Case 9	2006	Micro	0		0			Active - High DOI	Yes	6.67	6.00
Case 10	2005	Micro		3				Active - Low DOI	Yes	6.00	3.33
Case 11	1994	Small			NA			Occasional	No	NA	NA
Case 12	1989	Medium						Domestic	No	3.00	1.00
Case 13	2005	Small						Domestic	No	4.67	4.00
Case 14	2004	Micro						Domestic	No	3.00	1.33
Case 15	1993	Small	5		11			Occasional	No	3.00	2.33
Case 16	1997	Micro			8			Active - Low DOI	No	7.00	3.00
Case 17	1998	Micro						Domestic	No	NA	NA
Case 18	2001	Medium						Domestic	No	NA	NA
Case 19	1986	Small		20	20			Occasional	No	5.00	2.33

Firm Code	Year Inception	Size ¹	Cross Border Links ²					Int. Involvement ³	Prior Int. Experience	Export Intention Index	K. Foreign Lang. Index
			IMP	I-EX	D-EX	I-CO	FDI				
Case 20	2004	Small			1		1	Active - High DOI	Yes	NA	NA
Case 21	1994	Medium						Domestic	No	NA	NA
Case 22	1990	Micro						Domestic	No	1.00	3.00
Case 23	2002	Small			4			Active - High DOI	No	5.33	2.33
Case 24	1999	Small	0	0		0		Active - High DOI	Yes	3.00	6.33
Case 25	2000	Micro						Domestic	No	3.00	2.00
Case 26	1994	Medium	12		1			Active - Low DOI	Yes	4.67	4.00
Case 27	2006	Micro						Domestic	Yes	7.00	3.67
Case 28	1976	Small	29					Occasional	No	2.00	3.00
Case 29	1992	Small			13			Occasional	No	6.00	5.00
Case 30	1995	Small			8			Occasional	No	5.00	3.67
Case 31	1994	Medium	3		8		11	Active - High DOI	No	6.33	6.33
Case 32	2002	Small						Domestic	No	NA	NA
Case 33	1979	Medium			NA			Occasional	No	NA	NA
Case 34	1981	Micro						Domestic	No	7.00	1.00
Case 35	2008	Micro						Domestic	Yes	6.33	5.00
Case 36	1985	Micro			21			Occasional	No	NA	4.33
Case 37	1993	Small						Domestic	No	4.00	1.00
Case 38	1998	Medium			9			Occasional	No	6.00	2.33
Case 39	1992	Medium	16	14	13			Active - Low DOI	No	3.67	2.67
Case 40	1978	Small			25			Occasional	No	NA	NA

Firm Code	Year Inception	Size ¹	Cross Border Links ²					Int. Involvement ³	Prior Int. Experience	Export Intention Index	K. Foreign Lang. Index
			IMP	I-EX	D-EX	I-CO	FDI				
Case 41	1977	Medium	24		30			Active	No	NA	NA
Case 42	1979	Medium	21	22	16	24		Active - High DOI	No	5.33	3.67
Case 43	2001	Micro						Domestic	No	1.33	1.33
Case 44	2001	Medium						Domestic	No	4.00	2.67
Case 45	1997	Small						Domestic	No	1.00	3.00
Case 46	1983	Micro						Domestic	No	1.00	1.67
Case 47	1986	Micro	2	1				Occasional	No	NA	NA
Case 48	1990	Small	8	13	13			Occasional	No	2.00	2.67
Case 49	1997	Small						Domestic	No	3.33	1.00
Case 50	1992	Small		12	11			Active - Low DOI	No	1.33	3.00
Case 51	1995	Small						Domestic	No	1.67	2.67
Case 52	1994	Micro			12			Active - Low DOI	Yes	3.00	4.00
Case 53	1996	Micro			9			Occasional	No	3.67	2.00
Case 54	NA	Micro						Domestic	No	NA	NA
Case 55	1987	Medium			17			Active - Low DOI	No	4.00	2.33
Case 56	2005	Micro						Domestic	No	5.67	5.00
Case 57	2000	Small	5		3			Active - High DOI	No	5.00	3.33
Case 58	2004	Micro			2			Occasional	No	5.67	4.33

APPENDIX VIII - ASSUMPTIONS AND CRITERIA USED IN THE STATISTICAL PROCEDURES

The validity and reliability of conclusion based on statistical analysis is dependent on whether data meets a number of assumptions and criteria. In this appendix, I outline how variables met the assumption and criteria of (1) normality, required for parametric analysis, (2) factor analysis and (3) logistic regression.

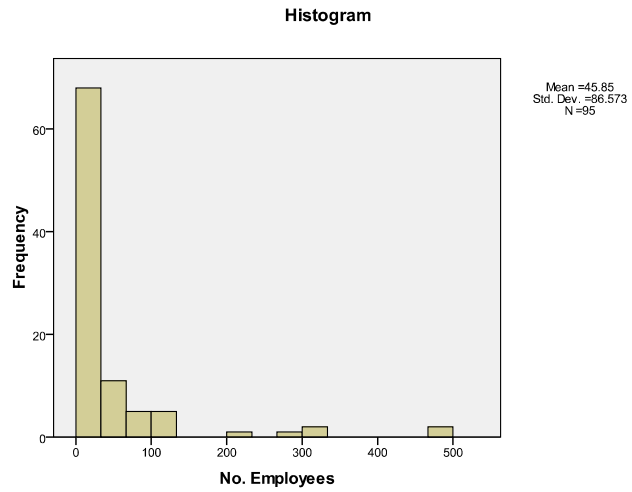
The normality of scale measures

To assess the normality of scale measures I conducted a visual assessment of histogram plots followed by Kolmogorov-Smirnov test of normality (Field, 2005). Through the histogram analyses data was evaluated in terms of whether it resembles a normal distribution (bell shape). The Kolmogorov-Smirnov statistically tested whether the scores in the sample deviate from a normally distributed set of scores. A non-significant value ($p > 0.05$) in the test means that the distribution of the sample is not significantly different from a normal distribution.

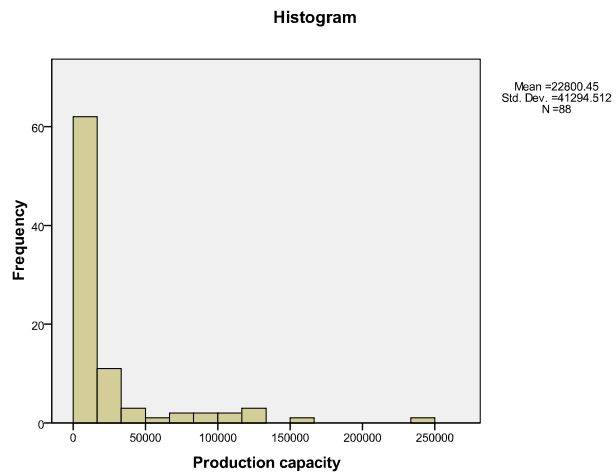
Six metric measures were evaluated in terms of normality, namely: firm size (number of employees), production capacity, firm age, decision makers' knowledge of foreign languages, export intention and age. Meeting the assumption of normality was particularly relevant to use parametric test such as T-Test and ANOVA.

A visual assessment of the normality of the variables listed above was made by the means of histogram plot analysis. These histograms observed in this analysis are presented in turn.

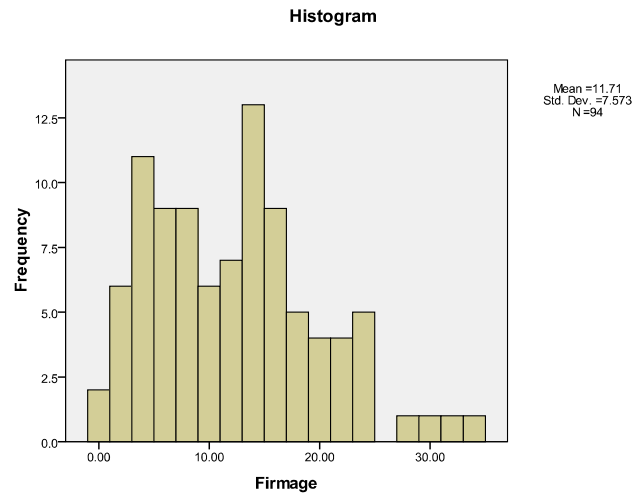
Firm size (by number of employees)



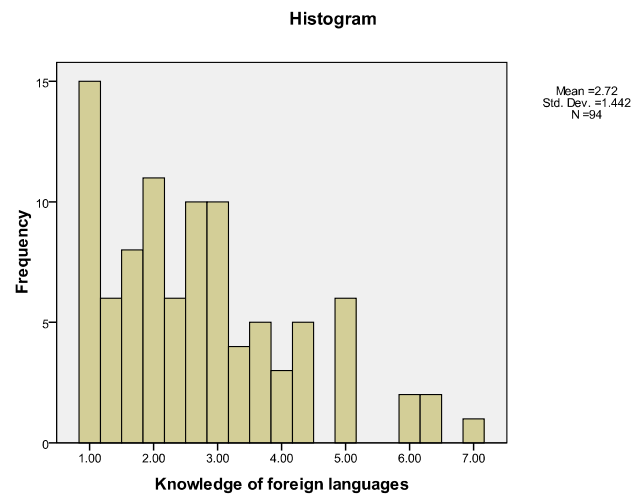
Production capacity



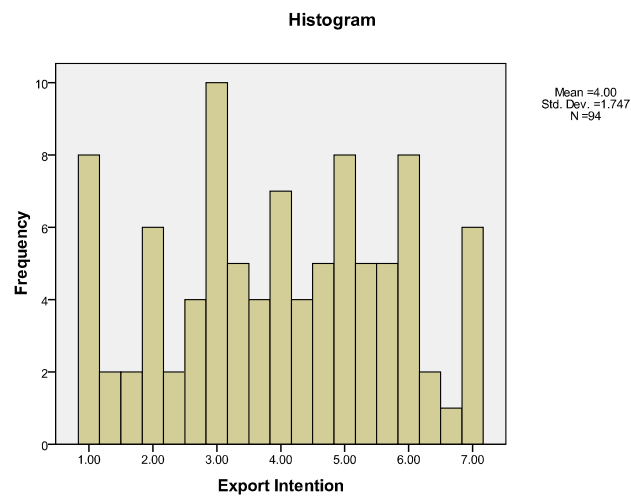
Firm age



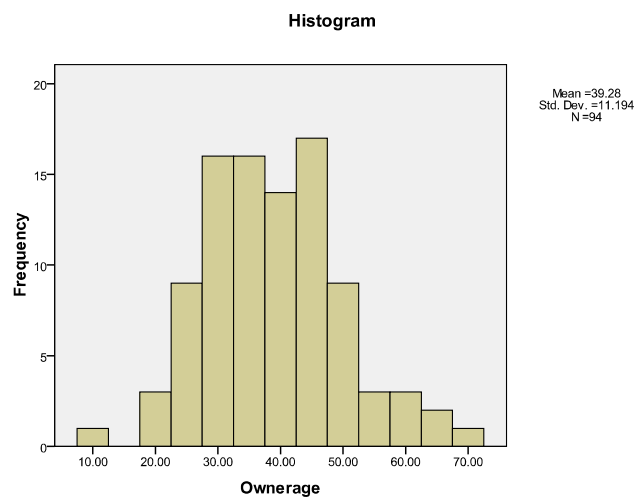
Decision makers' knowledge of foreign languages



Export intention



Decision makers' age



The histogram plots demonstrate relevant deviations from the general shape of the normal distribution for firm size and production capacity. This problem was corrected by taking the logarithm of these variables. This procedure was deemed appropriate since it squashes the right tail of the distribution and is common practice for fixing problems of non normally distributed data (Field, 2005).

The Kolmogorov-Smirnov was used to further test the normality of variables. The results are given below.

Test of normality

Variables	Kolmogorov-Smirnov ^a		
	Statistic	df	Sig.
Firm size (Log)	.041	95	.200*
Production capacity (Log)	.099	88	.034
Firm age	.095	94	.036
Knowledge of foreign languages	.126	94	.001
Export Intention	.089	94	.061
Ownerage	.060	94	.200*

a. Lilliefors Significance Correction

*. This is a lower bound of the true significance.

Although the Kolmogorov-Smirnov test indicates some deviation from the general shape of normal distribution, in particular for production capacity, firm age and knowledge of foreign language, these violations were deemed minor. Overall, minor deviations from the normal distribution is a common problem in social science research. On this view one acknowledges that although data is not perfectly distributed, no serious violations of this assumption are made; and therefore the distribution of these variables is considered appropriated for parametric test. Nevertheless, to enhance the reliability of the analysis for dubious variables, non parametric test were also conducted. No significant differences were found between parametric and non parametric tests for variables used.

Factor analysis

Specialists observe that in conducting a factor analysis the following criteria should be met:

- (1) The subjects-to-variables ratio should be no lower than 5 (Bryant and Yarnold, 1995) and sample size above 50 (Garson, 2008). The sample in this study included 95 cases which fulfils the criteria of minimum sample size. Considering that each index created through factor analysis

(knowledge of foreign languages index and export intention) included three items. The subjects-to-variables ratio is 31 for both scales, therefore adequate.

- (2) Correlations amongst variables included in the analysis should be above 0.30 (Hair, 1998). The following Tables present the correlation matrix among variables included in the knowledge of foreign languages index and export intention respectively. The inspection of these correlation matrices reveals that all variables have coefficients above 0.30 and fulfill the expected criteria.

Correlation matrix for variables included in the knowledge of foreign language index

Variable	1	2	3
1. English knowledge	1.00		
2. Spanish knowledge	0.44**	1.00	
3. Other language knowledge	0.38**	0.32**	1.00

** . Correlation is significant at the 0.01 level (2-tailed).

Correlation matrix for variables included in export intention index

Variables	1	2	3
1. Export interest	1.00		
2. Export probability	0.74**	1.00	
3. Export importance	0.75**	0.60**	1.00

** Correlation is significant at the 0.01 level (2-tailed).

- (3) The adequacy of Bartlett's test of sphericity should be significant (Field, 2005). This test examines the entire correlation matrix and provides the statistical probability that the correlation matrix has significant correlations amongst at least some of the variables. The two boxes bellow show that

Bartlett's test of sphericity is significant ($p < 0.001$) for both indexes created, and therefore supportive of the factorability of variables.

Bartlett's Test of Sphericity for knowledge of foreign languages matrix

Approx. Chi-Square	38.034
df	3.000
Sig.	0.000

Bartlett's Test of Sphericity for export intention matrix

Approx. Chi-Square	150.820
df	3.000
Sig.	.000

- (4) The overall Kaiser-Meyer-Olkin (KMO) statistics of sampling adequacy should be 0.60 or higher (Garson, 2008). The boxes bellow show that KMO values of both indexes created are above 0.60 and adequate for factor analysis.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy for knowledge of foreign language index

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.645
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Kaiser-Meyer-Olkin Measure of Sampling Adequacy for export intention index

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.701
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The observation of these results suggests that factor analysis was appropriate for the data set. The boxes bellows indicate the total variance explained and the component matrix for knowledge of foreign languages and export intention.

Variance explained and component matrix for knowledge of foreign languages index

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.773	59.098	59.098	1.773	59.098	59.098
2	.683	22.755	81.853			
3	.544	18.147	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix ^a	
	Component
	1
English knowledge	0.806
Spanish knowledge	0.772
Other language knowledge	0.726

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Variance explained and component matrix for export intention index

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.404	80.140	80.140	2.404	80.140	80.140
2	.394	13.129	93.269			
3	.202	6.731	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix ^a	
	Component
Export interest	0.933
Export probability (three years)	0.875
Export importance	0.876

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Logistic regression

Although logistic regression has substantially less assumptions than multiple regression, some important assumptions and principles apply to ensure the validity and reliability of the analysis.

- (1) Hosmer & Lemeshow (2000) recommend a minimum of 10 cases per independent variable in the smallest group of a logistic regression analysis. The analyses conducted in this study attempted to follow this guideline as close as possible. It implied that given the small sample size and the inclusion of thresholds for distinguishing firms who took different courses of action in internationalization, some models could not include more than one variable. That is for instance the analyses of speed, pace and degree of internationalization. For all these models univariate (one variable) logistic regression models were conducted. The table below indicates the ratio variable/cases in the smallest group for all models conducted. Although some violations to Hosmer & Lemeshow's guideline incurred in the analyses of propensity and degree of internationalization, they were deemed minor and overall the analysis sufficiently stable. Nevertheless, arguably, as discussed in chapter 10, sample size is a major limitation in the quantitative analysis conducted in this study. Therefore, they should be probed in future research.

Sample size adequacy

Model	Ratio Cases/Variable in the smallest group
Propensity to internationalization in Table 6-15	9.5
Propensity to early internationalization in Table 6-17	16
Propensity to active internationalization in Table 6-19	18
Propensity to high degree of internationalization in Table 6-21 and Table 6-22	8

- (2) The researcher should data for outliers or influential cases. Outliers are the cases which vary largely from the main trend of the data (e. g. very high or very low scores). Because outliers influence the values of the estimated

regression coefficients, logistic regression is sensitive and can be biased by outliers. One way of recognizing outliers encompasses the analysis of standardized residuals. Tabachnick & Fidell (2001) define outliers as those with standardised residual values above +3.3 (or less than -3.3). Another way is by assessing Cook's distance. It assesses the effect of single cases on the regression model in order to find out whether it is stable across the sample, or whether it has been affected by outliers. Cook & Weisberg (1982) suggest that values greater than one may be a cause for concern. Both standardised residuals and Cook's distance were used as a double check for influential cases.

The Table bellow shows that there is no cause for concern when considering the influence of eventual outliers in the data. None of the models has standardised residuals above 3.3 and Cook's distance > 1 .

Influential cases diagnostics

Model	Standardized residuals		Cook's distance	
	Min.	Max.	Min.	Max
Propensity to internationalization in Table 6.15	-1.86	2.02	0.00	0.11
Propensity to early internationalization in Table 6.17	-2.26	2.54	0.00	0.15
Propensity to active internationalization in Table 6.19 and 6.20	-1.91	2.59	.00	.11
Propensity to high degree of internationalization in Table 6.22 and Table 6.23	-2.00	2.78	.00	.14

- (3) Independent variables should be absent of perfect or high multicollinearity. It occurs when independent variables are correlated with one another. Multicollinearity affects the reliability of the coefficients (Garson, 2008). Menard (2005) suggests that levels of collinearity equivalent to an R^2 of 0.8 or more could seriously affect the results. He suggests that an analysis of 'tolerance' and variance inflation factors (VIF) for collinearity should be conducted. Tolerance ≤ 0.20 is of concern while a tolerance ≤ 0.10 indicates serious colinearity. $VIF > 5$ also indicates problems of multicollinearity in the analysis.

The Table bellow indicates the smallest tolerance and the highest VIF for each regression model. Although SPSS produces the tolerance and VIF for

each predictor in the regression model, it was deemed sufficient to present the smallest value of tolerance and the highest VIF in each model since they are the values which may give cause for concern. All values of tolerance were examined, and as reported in the table below, there are multicollinearity concerns in the analysis. The smallest tolerance in all models is 0.66 and the highest VIF 1.50.

Multicollinearity Statistics

Model	The smallest tolerance	The largest VIF
Propensity to internationalization in Table 6.15	0.66	1.50
Propensity to early internationalization in Table 6.17	0.66	1.50
Propensity to active internationalization in Table 6.19 and 6.20	0.66	1.50
Propensity to high degree of internationalization in Table 6.22 and Table 6.23	0.66	1.50

Level of significance

On the use of inferential statistics procedures, as those described in earlier sections, it is imperative for researchers to decide on levels of statistical significance. A significance levels set out the cut-off points for accepting and/or rejecting the null hypothesis of a given statistical test/procedure. Typical levels of statistical significance are 0.10, 0.05, 0.01, and 0.001. These values refer to different levels of the probability (p) of an outcome to have occurred by chance. Traditionally, in social sciences a ‘genuine effect’ is accounted to be those whereby the probability of it to have occurred by chance is lower than 5% or $p < 0.05$ (Field, 2005).

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