THE ROLE OF INTERPRETATION IN THE INTERNATIONALIZATION OF SMALLER BRAZILIAN FIRMS

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ABSTRACT

This study considers how decision makers in smaller firms interpret the means and conditions of internationalization, and how different modes of interpretation are likely to inform action choices in this process. Thus it questions whether internationalization can be understood as a strategic action that is objective and independent from actors or whether it should be viewed as a phenomenon that is oriented by their interpretation and understanding. It draws on 58 interviews with the leaders of Brazilian clothing small and medium-sized enterprises [SMEs] located in the state of Paraná. The results support the contention that different understandings given to the means and conditions of internationalization are associated with different action choices. They highlight that internationalization is not an objective phenomenon as typically portrayed in mainstream theorizing. Rather, they indicate that strategic choices and actions on internationalization are rationalized on the basis of the interpretation given to its means and conditions. For the SME leaders studied, five categories are of most relevance, namely: quantities involved; mode of competition; differences between foreign and domestic operations; risk and uncertainty; and legitimacy. Each of these categories may encompass different modes of interpretation. The analysis further indicated that depending on the interpretative mode used, different strategic choices regarding international involvement are likely to be rationalized. It is concluded that: (1) interpretation changes the criteria and parameters by which rational choices on 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 taking into account decision makers' interpretative modes; (3) particular meanings given to the means and conditions of internationalization are likely to orient choice in different ways, (4) managers act on the basis of their inter-subjectively negotiated, shared and sustained reality; and (5) investigative proximity with practitioners is essential in order to account comprehensively for their interpretations. Having drawn these conclusions, the specificities of this study suggest a need and opportunity for further investigation. The categories of meaning identified are not likely to be exhaustive, and their application to other populations of SMEs deserves investigation. The present study focused on a particular industry in a single country. There is scope for further research to map out interpretative modes that may be institutionalized in different organizational fields, sectors or industries, and how they inform choices on internationalization. This approach is likely to be of particular interest and relevance for policy making in the field. Moreover, the study raises, but does not resolve, the question of causality. Further research should consider both how different interpretative modes inform action choices on internationalization *and* whether action choices in turn cause interpretations to be modified in the light of experience with those chosen actions.

Keywords: Internationalization, interpretation, organizational choice and action, theory development.

INTRODUCTION

Research on internationalization has primarily regarded it as an objective phenomenon that is independent from actors' interpretation and cognition. It has generally neglected the possibility that managerial interpretation informs organizational choice and action (Bartunek, 1984, Child, 1997, Daft & Weick, 1984). In view of this lacuna, we investigated (1) how decision makers in smaller firms interpret the means and conditions of internationalization, and (2) how different modes of interpretation are likely to inform action choices in this process. This enabled us to question whether internationalization can be understood as a strategic action that is objective and independent from actors or whether it should be viewed as a phenomenon that is informed by their interpretation or understandings.

The results of the study show that the meanings decision makers attribute to internationalization as an activity, and as a strategy to enter and operate in foreign markets, have a fundamental role in their action choices and therefore should not be ignored in theorizing on the subject. The study contributes to the development of an interpretative perspective on internationalization and to the theoretical renewal and advance of the field.

The following section reviews how internationalization has been typically theorized, and considers the role of managerial interpretation in this process. We next describe the scope and method of the empirical investigation followed by the presentation of the major findings. We then discuss how our findings inform prevailing theorizing in the field and conclude with lines for further research.

THEORETICAL CONSIDERATIONS

Internationalization is typically characterized by some form of international involvement or engagement in cross border activity, such as foreign trade and/or investment (Boddewyn, 1997). Prevailing theories attempting to explain such phenomenon have been conventionally classified into two broad perspectives, namely economic and behavioural (Andersson, 2000, Burgel, Fier, Licht, & Murray, 2004, Johanson & Vahlne, 1990, McDougall, Shane, & Oviatt, 1994).

Economic theories presume that events that typically characterize internationalization such as exports, imports, and foreign direct investment are outcomes of rational calculation put forward by those with power to decide in order to maximize a firm's revenues or profits. Decision makers are depicted as utilitarian centres of calculation capable of identifying opportunities and evaluating advantages within their business situation and, on this basis, adopting the course of action that would maximize the utility of fixed goals. Hence, there is not necessarily a link between the events that characterize internationalization. Such assumptions can be easily identified in theoretical approaches such as: (1) the monopolistic advantage theory (Hymer, 1976); (2) the internalization theory (Buckley & Casson, 1976); (3) the eclectic paradigm (Dunning, 1980); and in the (4) the resource-based view of international business (Peng, 2001)

By contrast, behavioural theories presume that rather than the result of independent and rational decisions to maximise profit, internationalization is a path-dependent learning process, rationally limited, and whose goals are much more complex than the mere pursuit of profit maximization. Scholars within this perspective presume that internationalization is typically determined by knowledge-learning mechanisms, network relationships, and a number of contextual variables within a firm's situation. Among these are firm size, age, risk-taking behaviour, uncertainty levels, psychic distance, prior experience, and so forth. Examples of theories which represent this view of internationalization are those which focus on the foreign investment decision process (Aharoni, 1966), the classic Uppsala model of internationalization (Johanson & Vahlne, 1977, Johanson & Vahlne, 1990), the innovation adoption models (Bilkey & Tesar, 1977, Cavusgil, 1980, Lim, Sharkey, & Kim, 1991, Reid, 1981), the network approach of internationalization (Coviello & Munro, 1997, Johanson & Mattsson, 1988, Johanson & Vahlne, 2006) and the evolutionary theory of the MNE (Kogut & Zander 1993).

In economic theorizing those with power to decide are presumed to be capable of rationally assessing, measuring and evaluating an objective and independent reality. It is assumed that as rational people, decision makers respond to information about the environment in a similar manner, by calculating the risks and utilities associated with a set of alternatives. Ultimately, interpretation is bypassed and theorizing proceeds without the need to recognize how decision makers give sense to their situation. In particular, how decision makers understand the means and conditions of internationalization practice, how they interpret the potential utility of their actions, or make sense of their firm's resources is deemed irrelevant. Similarly, in behavioural theorizing, although internationalization is characterized in terms of uncertainty and the limited use of rationality, theorists presume that actors have the ability to perceive and learn about an independent and objective reality in their minds. Hence, similar to economic theorizing, it neglects the fact that human beings and their world are not independent, but inextricably related (Berger & Luckmann, 1966, Schutz, 1972, Weick, 1969). Most theories within this perspective overlook the possibility that both the knowledge learned through practical experience and the situational forces influencing internationalization are interpretative constructions.

There are many studies that have considered managerial perception when investigating internationalization phenomena. For example, Calof and Beamish (1995) considered managerial perception when explaining why firms change modes of foreign operations. Manolova et al (2002) considered environmental perception when explaining the internationalization of small firms and Oviatt & McDougall (2005) investigated the mediating role of entrepreneurs' perceptions when modelling the speed of internationalization. Although these studies have importantly contributed to our knowledge of internationalization, our focus on interpretation is an ontological one. We contend that interpretation and perception are not exactly the same. Not all studies that take managerial perception into account automatically presume that reality is inter-subjectively constructed. Perception does not preclude an objective view of reality which could always be perceived in different ways. Perception, as Aristotle said, is a matter of the five senses. Interpretation, by contrast, when considered within an interpretative perspective of organizational action, is an inherent element of social action (Alexander, 1988, Daft & Weick, 1984, Gioia & Chittipeddi, 1991, Sandberg & Targama, 2007). It encompasses an inter-subjective process whereby reality is given meaning or significance (Alexander, 1988, Blumer, 1998, Daft & Weick, 1984, Schutz, 1972). It is underlined by the idea that what is known about the world is never a mere subjective representation or perception of reality, but instead the result of complex cognitive processes such as selection, sorting, manipulation, conversion, typification and imagination which are collectively activated, sustained and transformed (Sandberg and Targama, 2007; Spender, 1998). On the one hand this suggests that any given experience can be understood in multiple ways, as studies considering the role of perception would argue. Nevertheless, on the other hand, it also considers that forces and characteristics of an organization's situation are neither external to decision makers nor directly can be accessed and affected by their action choices. Rather, interpretation encompasses the process which produces and reproduces the meaningful framework for action and choice.

This understanding has at least four major implications for theorizing. First, that decision makers do not proceed in a reality of objective facts, but rather in a reality of inter-subjective, collectively activated, sustained and transformed interpretation (Berger & Luckmann, 1966). Second, that 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 (Daft & Weick, 1984). Third, that interpretation orients how internal and external data and stimuli will be understood (Bartunek, 1984). Fourth, that interpretative processes are responsible for creating the meaningful framework that inform and direct organizational choice and action (Child, 1997, Silverman, 1978).

In this study we take these arguments into account when investigating how decision makers interpret the means and conditions of internationalization within their situation. Drawing on Parsons (1968), we consider the means and conditions of internationalization to comprise respectively the controllable and uncontrollable elements which are included in the assessment of action choices, and which are distinguished from its purposes or ends. In the following section we describe the scope and methodology of our investigation.

SCOPE AND METHOD

We decided to study internationalization among the leaders of SMEs operating in the clothing industry of the State of Paraná, Brazil. The reasons for choosing this setting were that first, several authors have identified a need to better understand the internationalization of smaller organizations and particularly those from emerging economies (Bell, McNaughton, Young, & Crick, 2003, Child & Rodrigues, 2005, Hitt, Bierman, Uhlenbruck, & Shimizu, 2006). Second, investigating internationalization among SMEs located in countries like Brazil, which enjoy a large domestic market and a history of economic protectionism, suggested a fruitful ground for theory development. The choice of the clothing industry was based on the fact that the industry has been characterized by internationally-driven fashion. It is an industry where small firms are abundant, and more important, one in which where small scale production does not necessarily limit value-adding activities in terms of design and differentiation. The focus on Paraná State addresses the theoretical importance of investigating firms operating in similar geographical conditions and as well as meeting practical considerations of access, time and funding. It is worth mentioning that Paraná is the second largest producer of clothes in Brazil, and that SMEs in Brazil are considered to be firms with no more than 500 employees.

Sampling procedures were theoretically driven (Eisenhardt, 1989, Glaser & Strauss, 1967, Ritchie, Lewis, & Elam, 2003). They attempted to enable comparison about how different decision makers understand the means/conditions of internationalization. The sample included SMEs actively engaged in foreign operations, occasional exporters or importers, and those with no international involvement. In addition, it included SMEs with different firm and managerial characteristics. A sampling matrix was constructed based on information gathered through a prior survey of all SMEs in the sector. This offered a comprehensive view of the firms' international involvement and served as a basis for theoretically sampling among them. The following variables were included in the sampling frame: (1) engagement, speed, pace, and degree of internationalization; (2) firm size; (3) firm age; (4) decision maker's prior international experience; (5) export intention; and (6) knowledge of foreign languages. With this approach we aimed to maximize sampling variance in order to account for the maximum range of interpretations attached to internationalization. Sampling was carried until data saturation in terms of units fulfilling the criteria established was attained. In total we interviewed the owners, hereafter referred as decision makers, of 58 SMEs in all major regions of the State of Parana. Within this sample, 34 firms had some experience of international trade: most of these were exporting though some were importing. The other 24 firms had never engaged in any international trade or foreign investment.

Forty-five out of 58 interviews were digitally recorded. When it was not possible or permission was not granted for digital recording, notes were taken and relevant topics reconstructed within 24 hours as recommended in the specialized literature (Bourgeois &

Eisenhardt, 1988, Gioia & Thomas, 1996). After briefly establishing the history and profile of the firm, the interview developed as a conversation on the topic of internationalization. It was informed by an interview guide including general and open-ended questions about (1) firm's international involvement or lack of it, (2) decision maker's view of foreign operations; (3) requirements of internationalization; and (4) international aspirations for the firm. The interview guide facilitated the recognition of meanings informing internationalization and ensured that similar topics were covered with all participants (Burgess, 1984). Nevertheless, the guide was not a script applied mechanically during the interviews. 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. In addition, each area was explored through "what, who, where, why, when and how" probes (Legard, Keegan, & Ward, 2003, Yeung, 1995). This is in line with the exploratory and inductive nature given to the interviews. A typical interview took about 45 minutes.

The first step in analysis was intended to augment our familiarity and knowledge of the data. It entailed listening to every interview and writing summaries (Eisenhardt, 1989). This was essential for generating theoretical insights at later stages of the analysis (Pettigrew, 1988). The second step was to assign codes to the data (Corbin & Strauss, 2008, Miles & Huberman, 1994). This process involved inductive and deductive procedures at different levels of abstraction aimed to identify major categories or themes regarding decision makers' understandings of the means/conditions of internationalization. Open and axial codes (Glaser & Strauss, 1967) were assigned in the interview summaries, notes and audio files with the assistance of the software package NVivo 8. They focused on the properties, conditions and consequences of each category coded. This process involved considerable experimentation, much reflection, and comparison. It finished when codes and categories were sorted, compared and contrasted until saturated, i.e. when codes generated could comprehensively account for the core grounded categories representing decision makers understanding about the means and conditions of internationalization. The content assigned to each category was then reviewed and discussed by the authors. 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 (about 10%); 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. There was a coding reliability of between 75% and 80% across coders. Some discrepancies arising from the understanding and interpretation of the raw data were observed. Inconsistencies were discussed and a single convergent interpretation agreed upon. On this basis, deviant codes were revised accordingly.

The final analytical step involved displaying and drawing conclusions. It focused on how meanings assigned to the purposes of internationalization could have informed organizational action. This consisted of drawing a matrix where core categories of meanings regarding the purposes of internationalization as expressed by decision makers were 'crossed' with cases (firms) into rows and columns as suggested by Miles and Huberman (1994). 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. Meanings not present were noted as '0'. 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 modes of interpretation occurring 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 international action, and to recognize patterns in the data. Certainly, this quantitative approach to qualitative data analysis is not without methodological limitations. Overall, 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 researchers.

FINDINGS

Our investigation suggests that the means/conditions of internationalization as interpreted by the decision makers interviewed, can be classified into five main categories, namely: (1) quantities involved; (2) mode of competition; (3) differences between foreign and domestic operations; (4) risk and uncertainty of operations; and (5) legitimacy of international activities. In addition, it indicates that decision makers may interpret internationalization in rather different ways. Precisely, their rationales offered a basis for the analytical distinction of at least two alternative modes of interpretation in each category. Table 1 indicates the means/conditions characterizing alternative modes of interpretation, the frequency of their incidence, and presents illustrative quotations for each category.

Table 1 about here

The findings suggest that while internationalization could be interpreted in terms of large quantities, low price competition, substantial difference from domestic operations, and characterized by high levels of risk and uncertainty, it could 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 judge it legitimate to assess internationalization in terms of its exclusive advantages and benefits for the firm, others consider that its effects and impacts should be appraised beyond the borders of the firm. The alternative modes of interpretation and respective means/conditions informing internationalization presented in Table 1 are now briefly summarized.

Quantities involved

When considering the quantity or the number of pieces that typically characterizes foreign operations, decision makers who took the view of large quantities argued that internationalization, in particular exporting, is only feasible for **large firms**, which have the necessary **production capacity.** This offered the basis for further conditioning internationalization to **business growth** and ultimately the **availability of labour** in the industry. However, those taking this view, argued that given the actual shortage of skilled people (seamstresses/tailors) in the industry, increasing production, and ultimately growing, was a difficult endeavour. Ultimately, from this perspective, internationalization was typically argued to be a difficult, if not an impossible mission to achieve. Moreover, this interpretative mode offers a plausible explanation for why some decision makers, although favourably disposed toward internationalization, choose only to engage in it occasionally. Because they viewed internationalization through the lens of large quantities, such decision makers may only respond to unsolicited orders from abroad if these can be accommodated within their firm's limited production capacity.

By contrast, decision makers who adopted the rationale of small quantities argued that batches sold abroad may be as small as those sold in the domestic market. Within this interpretation, production capacity, firm size, growth, availability of labour force, and joint production did not count as necessary means/conditions of internationalization. Alternatively, it considered that selling small quantities abroad implied: (1) direct access to small customers, (2) emphasis on the use of the internet and web-based communication services, and (3) personal contacts and networking. By these means internationalization was considered to be feasible and rational despite SME's smaller size, low production capacity, the industry's shortage of labour force, or lack of adequate cooperative culture.

Mode of competition

When considering competition in foreign markets the common interpretation presumed that it is typically characterized by low prices. This understanding was 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. Hence, given similar product quality, firms from Asia have a real competitive advantage over Brazilian ones. The argument of low price was typically supported by references to prior experiences, mainly encounters with foreign buyers in the context of business fairs and exhibitions, and where export opportunities were repeatedly frustrated given their inability to sell at the low price requested by foreign buyers. In this perspective, five factors set the conditions for a successful internationalization, namely: (1) favourability of the exchange rate; (2) taxation system; (3) production costs in the domestic market; (4) bargaining power; and (5) product features.

These findings suggest that decision makers' views of internationalization through a perspective that gives primacy to price competition may influence their strategic choices in at least two different ways. First, it offers a rationale for a purely domestic concentration or, at most, occasional internationalization. A possible explanation of this interpretation lies in the characteristics of the Brazilian market. Because the necessary means/conditions for price competition in foreign markets are taken to be 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, price competition also presents real difficulties for smaller firms that lack the capacity for mass production and, at the same time, are not able to avoid price competition through brand strength in the domestic market. This presumes that occasional sales abroad are feasible when products can be sold without significant changes and when their price is acceptable. Nevertheless, on the view that such opportunities are rare, it would be rational for decision makers not to commit resources to 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, i.e. when a firm has grown in the domestic market and developed the means for achieving differentiation through brand recognition, ultimately considered to be necessary to avoid price competition abroad.

The alternative interpretation addressed the possibility of competing abroad by the means of differentiation. It considered that foreign sales are not necessarily dependent on low price or that achieving differentiation abroad is dependent on the prior consolidation of a brand in the domestic market. Rather, through the lens of differentiation, decision makers enacted means/conditions for internationalization characterized by alternative ways of adding value to products or services in foreign markets. Their discourses, pointed towards a broad range of alternative means/conditions enabling differentiation in foreign markets. *Inter alia,* 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). By these means decision makers indicated simpler and smaller action alternatives that as well as not being restricted to large firms, could be effective in providing differentiation abroad, for instance even before consolidation in the domestic market. The most evident implication of this interpretative mode is that it offers a rationale for early international involvement supported by an understanding that internationalization may also produce differentiation in the domestic market.

Differences between foreign and domestic operations

Through the lens of difference, decision makers stated that procedures involved in international operations (e.g. logistics, bureaucracies, payment methodologies, control systems), are substantially distinct from those that characterize domestic operations. Equally different were argued to be customers' characteristics, tastes and preferences, such as: body characteristics, expectations for the quality of products, and fashion preferences. The perception of high cultural differences was found to include a broad range of factors. Among them, decision makers pointed to issues such as the alternative of using 'jeitinho' to solve problems in the domestic market 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. They further considered that the costs of operating abroad are different than those in domestic business – specifically, that they are higher once it implies 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, time for learning, and so forth.

Perception of difference between foreign and domestic operations offered the basis for decision makers to enact internal and external means/conditions for internationalization. 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. Overall, the means/conditions of internationalization were understood in terms of the means and conditions that justified domestic action and point out the unfeasibility of internationalization for smaller firms given their lack of resources.

The alternative view regarding differences between foreign and domestic operations was that they are not substantial. Here, differences about procedures, customers, culture and costs of operations in Brazil and abroad were deemed minor, not relevant, or usually bypassed. In perceiving low differences between foreign and domestic operations, decision makers argued that procedures involved in foreign operations are not necessarily more difficult, bureaucratic, or complex than those that characterize domestic operations. Although differences were acknowledged, they were considered to be minor and therefore able to be easily **incorporated into a firm's everyday business activities**. Another important aspect found to enable decision makers to interpret foreign and domestic operations through the lens of similarity, focused on 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. 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 which products can be sold as they are in the domestic market. One example mentioned was 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.

Another way in which internationalization was interpreted in regard to similarity was linked with the possibility of adopting an **international frame of reference for action**. By this means, they observed that products sold domestically were already following international standards of modelling, size, cut, and design, and therefore product adaptation for sales in foreign markets would be minimal. Decision makers who considered the possibility of adopting an international frame of reference for action were further likely to perceive lower problems when considering cultural differences in foreign operations. Moreover, the costs involved in internationalization were 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.

These findings lead to the conclusion that although most decision makers were likely to interpret the means/conditions of internationalization through the lens of high difference, an alternative interpretation through the lens of similarity is also possible.

Risk and uncertainty

The interpretation of risk and uncertainty in foreign operations was to a great extent linked to decision makers' views about differences and similarities between foreign and domestic operations. 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 means/conditions characterizing foreign operations: opportunism and economic instability. **Opportunism** refers to decision maker's understanding that foreign counterparts are likely to act in a misleading, distorting, disguising or confusing way. On this view they 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. **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.

Although less frequent, the alternative interpretation encompassed the view that levels of risk and uncertainty in foreign operations can 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 grasped when decision makers assessed the risk of not receiving payment when selling abroad. Here, some decision makers 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. This was typically contrasted to how payment for sales in the domestic market are made, namely in two or three instalments after the delivery of products.

Legitimacy

Through this lens decision makers interpreted internationalization in relation to its wider social impacts, and whether these were acceptable *vis-à-vis* norms and values orienting accepted behaviour, particularly within their social groups of reference. This was most prominent when decision makers considered the alternative of importing raw materials, outsourcing and investing abroad. The understanding presumed that importing materials, or outsourcing production to a foreign country would not manifest commitment to the **development of the local economy**. Nevertheless, social legitimacy was equally found to influence strategic choices regarding the possibility of exports. This understanding was mainly based on the view 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.

The alternative interpretation consisted of an economic view of legitimacy. It presumed that strategic choices in internationalization should be chiefly assessed in terms of profit-making benefits for the firm. Hence, this view distinguishes 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 rationale takes the firm as its point of reference and 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. This contrasts with the tenets of social legitimacy that offer grounds for disregarding and avoiding internationalization.

Interpretative modes and action choices in internationalization

The final stage of the analysis applied a quantitative analysis to the qualitative data. This questioned whether different modes of interpretation concerning the means and conditions of international involvement were associated with action choices in internationalization. This approach is essentially exploratory and is not intended to test relationships hypothesized *a priori*, 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). It tested the linear correlation between action choices regarding domestic, occasional and active internationalization and the means/conditions assigned to it. 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 dependent on the favourability of the exchange rate, the benevolence of the taxation system, production costs and so on. 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. This suggests that a belief that internationalization requires more than price competitiveness and that it cannot be achieved by selling small quantities encourages the choice to remain purely domestic.

In short, although there is also the question of precedence in correlation analysis, i.e. whether interpretation precedes action or vice versa, these findings support the conclusion that different understandings given to the means/conditions of internationalization are associated with different action choices in that direction.

DISCUSSION

Our findings support the contention that **situational factors (internal and external) do not directly affect organizational action** (Barr, Sitimpert, & Huff, 1992, Daft & Weick, 1984, Kabanoff & Brown, 2008). With reference to the action of internationalizing, the study demonstrated that decision makers might interpret the means/conditions considered in this process in substantially different ways. Thus it highlights the fundamental role of managerial interpretation. This has important implications for understanding and theorizing internationalization phenomena.

First it indicates that **internationalization is much more complex than conventional theorizing has considered**. Our findings show that the criteria and parameters considered when decision makers choose about internationalization are not as unambiguous as typically portrayed in the specialized literature. Hence, what for some decision makers may be considered an opportunity to internationalize (Johanson & Vahlne, 2009, Johanson & Vahlne, 1977), an advantage enabling foreign operations (Dunning, 1988, Hymer, 1976), or a transaction cost driving internalization(Buckley & Casson, 1976); others may simply not take it into account. Put differently, our findings suggest that before presuming that firm's situational characteristics determine internationalization, it is imperative to recognize that decision makers have to interpret their situation. On the premise that interpretation reflects the capacity of decision makers to create and assign meanings to criteria and parameters included in the choice process, our findings corroborate Child's (1997) argument that external and internal factors should be taken as interpretative referents in the organizational choice process.

Second, our findings suggest that the failure within prevailing theorizing to recognize that **situational forces are filtered by managerial interpretation**, accounts for the limited explanatory power of variables that are conventionally investigated. They indicate that on the basis of different interpretative modes, decision makers could rationally enact different choices regarding their firms' international involvement. The findings further indicated that decision makers could give attention to different situational means and conditions when considering internationalization, and they can equally interpret similar ones in different ways. This implies that even if one assumes that internationalization is oriented towards a single goal such as profit maximization (Buckley & Casson, 2009), decision makers may not recognize the means/conditions of international involvement in a unique or single way. In these terms our findings indicate that interpretation relativizes criteria and parameters considered by decision makers when making choices in internationalization. We believe this is an important recognition to be considered in future theorizing in the field. It implies to consider that even in circumstances where decision makers share similar situational characteristics, there is still much space for action-choice variance on the basis of how they make sense of the means/conditions of internationalization.

Third, by these means interpretation enables us to **introduce the possibility of agency** and choice within determinist tendencies of mainstream theorizing on internationalization (Hutzschenreuter, Pedersen, & Volberda, 2007). 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 do this in somewhat different and imaginative ways. This is not to assume an extreme individualist perspective which presumes that managers can freely enact the world in their minds as they wish. Rather this contention requires an epistemological position capable of recognizing and accounting for the inextricably inter-dependence of human beings and their world. Put differently, we assert the need to move internationalization theorizing beyond the positivist position that considers reality and person as objective and independent domains. Here we join the plea for an ontological and epistemological renewal in the field (Sullivan, 1998; Sullivan and Daniels, 2008; Toyne & Nigh, 1998;). What is envisioned 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 (Berger & Luckmann, 1966, Sandberg & Targama, 2007). This understanding considers that social reality transcends and exceeds the individual subject. Such an 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) and is similar to the one advocated in Child's (1997) development of the strategic choice perspective.

Fourth, our findings indicate that **different modes of interpretation are likely to influence strategic choices in particular directions while ignoring others**. We observed that in the case of SMEs in the Paraná clothing industry, 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. Alternatively, when decision makers interpret foreign sales from the viewpoint of price competition, they are likely to adopt an occasional approach to internationalization.

Finally, by highlighting and pointing out the role of interpretation, our study suggests that **when attempting to understand internationalization comprehensively, proximity to practitioners is essential**. On the basis of our findings we contend that internationalization should be defined, measured, and studied in a way that is meaningful and relevant to those who make decisions in organizations. We believe that theorizing about internationalization must be based and reflect how practitioners understand this phenomenon and make sense of their business situation and practice.

CONCLUSIONS

The results of the present study contribute to the advance 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' interpretative mode; (3) that particular meanings given to the means-conditions of internationalization are likely to orient choice in different ways, (4) managers act on the basis of their inter-subjectively negotiated, shared and sustained reality; and (5) investigative proximity with practitioners is pivotal in order to comprehensively account for their interpretation. Ultimately, these conclusions are underlined by the recognition that in addition to rationality, interpretation must be incorporated into internationalization theorizing.

This study is not without its limitations. First, it is important to recognize that interview based research involves social and linguistic complexities that in many ways aggravate the possibility of bias, both on the part of the interviewee as well as that of the interviewer (Alvesson, 2003). In particular, we recognize that findings emerging out of the qualitative analysis are not completely free from the researchers' own interpretations when attempting to summarize, reduce, and reconstruct the data. To deny that is to assume a positivist epistemology which is not consistent with the assumptions on which this study stands. Nevertheless, this must not be taken as excuse for lack of methodological rigour. To minimize bias and enhance reliability of the analysis, the process of qualitative data analysis was carefully conducted, emerging categories were repeatedly cross checked with raw data, alternative explanations were built and critically evaluated, themes and codes were cross-checked and audited by external coders. Second, categories of meaning are not expected to be exhaustive, and their generalization to other fields should be made with caution. Third, our study raises, but does not resolve, the question of causality. Further research should consider both how different interpretative modes inform action choices on internationalization *and* whether action choices in turn cause interpretations to be modified in the light of experience with those chosen actions. This will require a complex longitudinal design that was beyond the scope of the present study. Finally, our study was focused on a particular industry in a single country. There is clearly scope for further research to map out interpretative modes that may be institutionalized in different organizational fields, sectors or industries, and how they inform choices on internationalization. This approach is likely to be of particular interest and relevance for policy making in the field.

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Table 1 Variants of interpretation regarding means/conditions of internationalization

Means/Conditions Category	Variants of Interpretation	Means/Conditions of Internationalization	Illustrative quotations	Frequency	
Quantity	Large	Firm larger size. Production capacity. Business growth. Labour force availability. Presence of a Culture of cooperation and joint production in the industry.	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… (Case 46)	30	39
	Small	Direct service to small customers abroad. Use of internet and web-based services. Development of opportunities through personal contacts and networking.	One of the characteristics of our exports is that like in Brazil it does not entail big volumes… 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)	9	
Mode of Competition	Low price	Exchange rate favourability. Taxation system benevolence. Low production costs. Bargaining power. Standardization of product features. Brand consolidation in the domestic market (as a way to avoid low price).	To export one needs to have good price because international buyers always compare your products with those produced in China… (Case 1)	32	42
	Differentiation	Accepting small orders. Differentiating product features. Adding services/support to foreign customers. Building up in the country's image. Targeting small market segments. Focusing on secondary (non-traditional) market/countries.	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… what they like are our fabrics, modelling, and the design of our products. (Case 5)	10	
Difference between foreign and domestic operations	High	Specialized knowledge. Product change/adaptation. Adequate organizational structure (international division). Qualified personnel. Institutional support (government, agencies). Supply chain reliability.	Exporting requires a very different methodology and approach regarding type, range and nature of products… (Case 19) …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)	37	49
	Low	Incorporation of foreign operations into firm's ordinary activities. Use of mail and courier (door-to-door) services for	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	12	

		international delivery and logistics. Identification and access to market *niche* segments. Adoption of an international frame of reference for action.	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)		
Risk and Uncertainty	High	Opportunism: possibility of not receiving payment for products exported, low reliability of foreign suppliers, products are likely to be rejected or returned for minor reasons, interest in the continuity of operations. Economic (in)stability: swings in the exchange rate, possibility of strikes, economic recession *vs*. growth.	I worry that when you export people may not pay for products… (Case 13) I cannot cope with the risk of sending something abroad and having it rejected. (Case 35)	27	35
	Low	Trust based relationship.	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) … we prefer selling abroad because we receive payment in advance or at sight. (Case 11)	8	
Legitimacy	Economic	Utilitarian benefits to the firm.	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…(Case 5)	5	11
	Social	Effects of internationalization beyond the borders of the firm, e.g. job creation, local development.	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)	6	