

UNIVERSIDADE FEDERAL DO PARANÁ

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Distance: Perception and importance

**A psychic distance construct and its
relationship with the internationalization
process of South-South-East Brazil and
Quebec's SME**

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Quebec's SME**

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**"DISTANCE: PERCEPTION AND IMPORTANCE, A PSYCHIC DISTANCE
CONSTRUCT AND ITS RELATIONSHIP WITH THE
INTERNATIONALIZATION PROCESS OF SOUTH-SOUTH-EAST BRAZIL
AND QUEBEC'S SME"**

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I dedicate this dissertation to my son, Christian, who gave to me reasons to think about other matters than my academic work; time to breathe and think. I also want to thank my unborn girl, Carolina, for giving me a strong reason to finish the dissertation before the end of the year; now I am waiting for you to start a new year. I dedicate this dissertation especially to my beloved wife Zandra who (not so) silently guided me in my academic journey; wife, mother of my children, silent academic counselor and above all the love of my life, she has been there to help and question me in my writing...

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ABSTRACT

The objective of this work is to analyze the effect of Brazilian and French Canadian SME decision maker's perception of Psychic Distance (PD) in their internationalization process. Based on the behaviour theory of internationalization, a framework has been built in order to look at the relationship between the decision makers, the PD, their network and the context where they operate, in order to reach the objective. Empirically, a qualitative questionnaire based on previous research by Child et al. (2009) was applied to 23 respondents coming from Quebec and the Southern and Southeastern regions of Brazil. The results of the interviews were treated qualitatively with the Atlas TI software while non-parametric statistics were analyzed with SPSS. A triangulation has been made possible using those two sources added to macro-economic databases and the theoretical framework. Using data of partners coming from both countries, this work proposes significantly different results from the ones proposed in the dominant PD theories. First, it seems that more than the PD itself and its perception, the importance given by the decision maker to the PD affects the internationalization of the firm. Second, the results suggest that PD can be either positive or negative, and the perception of a distance can change over time. The effects of the distance were not found during the entry mode or the market selection, but later, as commitment increased, in the pace of development and/or the mode of actuation. Analysis of the sample's perception of the distance also suggests that the real effect of the distance between two partners should be calculated as the addition of the perceived importance of distance by both partners. In this research, culture, which was the main distance for the Brazilians, turned out to truly be the most impactful distance for the Quebecers. The context, such as the international conjuncture and the industry, was an important moderator of the effect of the PD. The PD was not a moderator of the country selection as most Quebec firms came to Brazil because of the attractiveness of the market and most of the Brazilian firms were almost passively responding to foreign orders. Finally, if PD was conceived theoretically as being far, Macro-economic factors and (Latin) cultural attractiveness diminished this PD between Quebecers and Southern and Southeastern Brazilians that mutually considered themselves the best possible partners.

KEY WORDS: Psychic distance, Internationalization, Perception, Decision maker, Behavioural theory.

RESUMO

O objetivo do presente trabalho foi analisar o efeito da percepção da distância psíquica (DP) dos tomadores de decisão brasileiros e canadenses franceses em seu processo de internacionalização. Com base na teoria processual de internacionalização, um modelo teórico foi construído com o intuito de observar a relação entre quatro categorias de análise: os tomadores de decisão, a DP, a rede e o contexto no qual os tomadores de decisão atuam. Empiricamente, um questionário contendo, sobretudo, questões semi-estruturadas, baseado na pesquisa de Child et al. (2009), foi aplicado a 23 participantes oriundos da província de Quebec (região canadense essencialmente de língua francesa) e das regiões Sul e Sudeste do Brasil. Os resultados das entrevistas foram tratados qualitativamente com o software AtlasTI e quantitativamente correlacionados, por meio de estatísticas não paramétricas, com o software SPSS. O uso dessas duas fontes de dados acrescido àquelas encontradas nas bases de dados macroeconômicos e ao referencial teórico permitiu fazer a triangulação dos dados. Igualmente, a triangulação foi fortalecida nesse trabalho pela utilização de entrevistas diádicas, utilizando entrevistas de parceiros provenientes de ambos os países, ou seja, Canadá e Brasil. A metodologia utilizada e os dados coletados proporcionaram resultados sensivelmente diferentes aos propostos pelas teorias dominantes de DP. Primeiramente, mais do que a DP propriamente dita ou sua percepção, a importância dada pelo tomador de decisão à DP é o fator que afeta a internacionalização da firma. Em segundo lugar, os resultados sugerem que a DP não é apenas negativa, mas pode também ser positiva, e a percepção de uma distância muda ao longo do tempo. Em um primeiro momento, ou seja, durante a seleção de mercado e do modo de entrada, os efeitos da DP não influenciaram na tomada de decisão de internacionalização da firma. Contudo, a partir do aumento do comprometimento com o mercado, a DP passa a influenciar no ritmo do desenvolvimento dos negócios e no modo de atuação. A análise da percepção da DP dos tomadores de decisão entrevistados sugere que os efeitos reais da DP entre os dois parceiros devem ser calculados como a soma da importância percebida da DP por ambos. Nessa pesquisa, a cultura foi considerada pelos entrevistados brasileiros a principal distância e, apesar de não ser considerada da mesma forma pelos canadenses, ela se mostrou como sendo a distância que mais afetou o negócio dos parceiros. O contexto, assim como as conjunturas internacionais e da indústria, foram um importante moderador do efeito da DP. A DP não foi relevante para ambas as empresas, canadenses e brasileiras. Para as primeiras a decisão de entrada foi motivada pela atração pelo mercado brasileiro. Para as empresas brasileiras, a internacionalização foi quase passiva, sendo o resultado das demandas realizadas pelas canadenses. Finalmente, contrariamente ao discutido nas teorias estabelecidas sobre DP, que mostram uma grande distância entre os dois países analisados, observou-se que tal distância é reduzida graças a dois fatores: a atratividade cultural ligada à raiz latina da parte francesa do Canadá e os fatores macroeconômicos.

PALAVRAS-CHAVE: *Distância Psíquica, Internacionalização, Percepção, Tomador de Decisão, Teoria Processual.*

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INTRODUCTION

Firms that went out of their country either in order to grow or to survive went through a managerial process where risk, opportunities and commitment were studied before making the big step. The resources available to the firm and the commitment of its decision makers dictate the time, funds and interest that will be put into developing foreign markets. The final decision usually comes after a conscious and well prepared decision process; but as literature shows (AHARONI, 1999), this is not always the case. Using mostly economic or behavioural lenses, scholars have tried to map out the decision process in the internationalization of the firm for the last fifty years. This dynamic process resulted in many explanations that are relevant depending on firm's size, age, experience, location and industry. In an attempt to catch the essence of the internationalization of the firm, we have to consider not only the result or the process of internationalization, but the phenomena of decision making in the firm's context.

Various reasons have been mentioned in the literature in order to explain the interest in internationalization; such as survival, search for comparative advantage (DUNNING, 1980), the quest for valuable resources (WERNERFELT, 1984; BARNEY, 1991), the internalization of the firm (BUCKLEY, 1993), market attractiveness (AHARONI, 1999; BERRY et al., 2010) or simply from an entrepreneur's personal interest (AHARONI, 1999). Many scholars have explained the benefits and the risks of such operations, especially in the case of Multinational enterprises (MNE). On the one hand, the economic perspective supports a rational vision of internationalization mostly linked to the transaction costs or strategic location; while, on the other hand, a behavioural perspective treats internationalization as an incrementalist process. Those two perspectives hold unequal assumptions about the concepts of risk, trust and uncertainty in the internationalization process. They also differ in their understanding of the decision process. In fact, economic theories give little importance to the decision process, as it links mostly strategy to results. The behavioural lens is more appropriate for answering questions such as: Who makes the final decision to internationalize or

not? What logic makes the decision maker enter into the internationalization process? And, at what point does personal perception affect that decision?

The behaviour lens assumes that knowledge and perceptions change over time during the internationalization process. Perception is now an important aspect of the behavioural theory (EVANS; MAVONDO, 2002; ELLIS, 2008; DOW; KARUNARATNA, 2006) especially coupled with the psychic distance (PD) construct. In this work, it has been considered that the perception of the decision maker will be influenced by his perception of the PD. The goal of the research is to find how a decision maker's perception of distance influences the internationalization of his/her firm. As both classical theories based on economic and behaviour widely studied the questions of large multinational firm's internationalization and the incremental entry mode in markets considered close, this research studies the less observed phenomenon of small and medium sized firms that enter a fairly distant country. With the opening of national borders to commerce and cheaper, faster and broader access to information, internationalization for small and medium firms (SME) is more accessible and attractive than ever. Despite this new conjuncture, resources for these SMEs are still scarce, including human resources. The decision maker often has to deal with various tasks besides the internationalization process of his firm. This limited time (and generally other resources, such as financial) for internationalization creates a lack of time for the search for information and knowledge. This lack of knowledge creates uncertainty, where the distances between the decision maker and his/her possible foreign partner are improperly gauged. As to this matter, the use of the behavioural lens, and more specifically the Nordic school perspective, was considered an efficient anchor for such internationalization studies, in order to better understand how SMEs go international.

In international business studies, this theory concentrates on the relationship between the lack of knowledge about a foreign country and the internationalization of the firm. It is based on behaviour matters (attitudes, perceptions and behaviour of the actors involved). Driven by knowledge-based decisions, this approach is linked to the incremental internationalization process of the firm as proposed by The Uppsala School (JOHANSON; WEIDERSHEIM-PAUL, 1975; JOHANSON; VAHLNE, 1977); where a firm goes from exportation to implementation and from local market to

neighbouring countries before developing in psychically distant countries. Ghemawat (2001) applied the CAGE framework, where culture, administration, geography and economy distance influence managers' decisions in the internationalization process. Ghemawat's (2001, 2007) assumption is that the importance of each research into distance has a different level of relevance depending on the industry. Beside the industry, factors such as size and age of the firm (CAVUSGIL et al., 1979; ALDRICH; AUSTER, 1986; CHILD et al., 2009; HUTZSCHENREUTER et al., 2010) seem to be catalysts for the validity of the model. Recent efforts to measure not the PD, but rather the perception that managers have of them (EVANS; MAVONDO, 2002; DOW; KARUNARATNA, 2006; ELLIS, 2008), has opened the door for a more dynamic theory based on the process of decision taking.

This research proposed a construct of psychic distance that draws on paradigms of the behavioural theory, such as entrepreneurship theory (SCHUMPETER, 1994; MCDOUGALL; OVIATT, 2000) and the network theory (JOHANSON; VAHLNE, 1990; 2009; ELLIS, 2011). This construct explores the decision maker's formation, his international orientation, his understanding of the concept of distances and the importance he believes they have on his business, the ties he shares with foreign contacts, and the context where his firm operates. As we are talking about a process, specifically a decision process, the construct had to be studied over time.

The effect or influence that psychic distance at the individual level has was measured at the same pace as the behavioural theory was built up; incrementally. For that matter, qualitative research based on case studies brought not only information on the PD's effect on internationalization, but also on PD as a time moderator in the internationalization process of the SME.

1.1 RESEARCH QUESTION

How does the decision maker's psychic distance (distance and its perception) influence the internationalization of SMEs from Southern and Southeastern Brazil and Quebec?

1.2 OBJECTIVES

1.2.1 General Objective

To explore the influence of decision maker's psychic distances (the distance and its perception) in the internationalization of SMEs from Southern and Southeastern Brazil and Quebec.

1.2.2 Specific Objectives

- 1- Identify the role and profile of international relationship decision makers in SMEs from Southern and Southeastern Brazil and Quebec.
- 2- Describe the context (firm, industry, Country) where the decision maker operates.
- 3- Describe the decision makers' perception of distance in the SME internationalization process.
- 4- Describe the personal ties that the decision maker has with his foreign contacts.
- 5- Explore the effects of the decision maker's psychic distance on the internationalization process of SMEs from Southern and Southeastern Brazil and Quebec?

1.3 RELEVANCE OF THE RESEARCH

Until today, most studies on psychic distance have concentrated on the cultural distance (DOW; KARUNARATNA, 2006). Some authors reject the validity of this distance and many others find conflicting influence from cultural distance on international business decision. Dow and Karunaratna (2006) found an answer to the problem created by the cultural distance, stating that it should not be considered alone. Berry et al. (2010) went further with the idea that we should select what to measure. They proposed that some distances don't have the same importance for every firm and industry. The proposal of this research was to make a selection of psychic distance from the distances proposed by Ghemawat (2001), that includes not only the cultural distance, but also the administrative, geographic and economic ones, and to compare them with the more subjective decision maker's personal psychic distance.

Internationalization of the firm, either through the lenses of the economic or behavioural theories, has concentrated its literature on large MNEs. As Aldrich and Auster (1986) recalled, most firms are small. Even if that reference is aging, numbers still support that statement. Canadian SMEs represent 98% of the total private firms (Earl, 2006); in the case of Brazil, numbers from the IBGE (Brazilian Geographical and Statistical Institute) stated that, in 2006, 92% of private firms employed less than 10 people, and if you consider all SMEs, they represent 99,8% of firms (IBGE, 2006). This research looked at decision making in those firms because their notion of risk and uncertainty is more important (BROUTHERS; BROUTHERS, 2001), especially because of their limited resources (Buckley, 1999).

Psychic distance is traditionally studied at three levels: the country, the organization and the individual (NORDSTROM; VAHLNE, 1994). The most recognized studies looked at the country level (JOHANSON; VAHLNE, 1977; HOFSTEDE 1983; HOUSE et al., 2001) or at the firm level (larger ones as previously mentioned). Child et al. (2009) affirmed that at the firm level we should study psychic distance starting at the management level. Evans and Mavondo (2002, p. 517)

mentioned that “the true explanatory power of psychic distance can only be revealed when the individual elements are fully measured”. Manolova et al. (2002, p. 9), in their research on the internationalization of the small firm stated: “the owner/founder's human capital strongly influences the choice and degree of internationalization in small firm”. As a precursor, Aharoni (1999) suggested that the feelings, assumptions, and commitments of a decision maker were important moderators of the internationalization decision process. For all these reasons, it has been concluded that small and medium firm internationalization could be better explained from the starting point of the process, and of the decision maker as an individual.

As this work looks at psychic distance at the decision maker's level, the importance of the decision maker's background and interest in internationalization is also studied. Although this has already been studied (DICHTL et al., 1990; MANOLOVA et al., 2002; ZANGER et al., 2008), little has been said about South American decision makers. As Tung and Verbeke (2010) recalled, most of the studies on psychic distance have concentrated their field work in Western Europe and Asia.

The theoretical research showed little dyadic studies on psychic distance, where firms from two countries were invited to talk about their experiences with the other country's partner. This comparative work between Brazilian and Canadian SMEs offers new empirical data that could be used in order to analyze the relationship between psychic distance and internationalization of the firm.

First and foremost, this research has been written in order to respond to a personal professional question. I accepted my academic supervisor's invitation to apply to the Federal University of Parana's master degree program after I exposed to him my concerns about the commercial relationships between Canadian and Brazilian firms. After almost twenty years doing business internationally, I was still wondering why North American dominant business models were not in use in well “internationalized” foreign firms and more so, why North American firms were not that interested in knowing more about how and why other countries do business. My long love story with Brazil, its important differences in doing business with Canada,

and my business experience in the two countries brought me to delve into the questions I had, taking advantage of a propitious environment.

This research looked for a better understanding of the effects of psychic distance on small and medium firm's internationalization decision making, especially the ones that have effects on relationships between Brazilian and Canadian SME's. As Brewer (2007) wrote, the more information a manager has about a country the less important the psychic distance is; he used the term "familiarity". The relationship between decision maker's foreign orientation, psychic distance and internationalization allowed us to understand at what point this familiarity has an impact. Obviously this work was not made in order to propose a listing of psychic distances to observe in Brazil and in Canada once a foreign SME wants to invest in either country, but rather a reference as to what questions managers should ask themselves before investing in one of these two territories or deciding to not invest.

This study also tried to give some practical information on the current psychic distances (as Berry et al. (2010) mentioned, psychic distance can change over time) between the two Countries, and give examples of how and why some firms have decided or declined to enter in the other country, and how they coped with these distances .

This research proposed also to find and define a PD measure instrument in order to guide decision makers in their internationalization process.

1.4 STRUCTURE OF THE PROJECT

Literature insisted on the importance of decision maker's action in the internationalization of SME's (WELCH; WEIDERSHEIM-PAUL, 1980; MCGAUGHEY et al., 1997). This study is an overview of the decision making in the internationalization process of the SME.

The behavioural lens has been, in this research, considered as the more appropriate in order to study the decision making process in the internationalization of a SME. Therefore, before getting into the specifications of the decision process, a little overview of what internationalization literature has already said about the importance of the decision maker in this process is an appropriate place to start.

The construct of psychic distance (PD), an important aspect of the behaviour lens, is developed in a subsequent theoretical section. PD is the core construct of this research. The initial part of the dissertation deepened the theoretical framework on the construct. The empirical section of the study looked not only at the effect that PD has on the result of the internationalization, but also on the process of internationalization. Based on the distances presented by Ghemawat (2001) in his CAGE framework, theorization on cultural, administrative, geographical and economic distances is overviewed. Child et al. (2009) made a study of the behaviour of British SMEs in Brazil. They used twelve distances that were based on Ghemawat's CAGE framework. This research used those distances (plus one coming from Dow & Karunaratna's (2006) PD instrumentation), in order to describe the thirteen actual macro-economic PD between Southern and Southeastern Brazil and Quebec.

As PD in this research is considered as an individual construct, the key actor of the study - the decision maker - was studied in a third theoretical section. Not only the definition, but also the different attributes of his profile have been explained in this part.

As the behavioural Nordic school's lens suggests a key role for the network in internationalization, a fourth part of my theoretical framework is dedicated to the ties of the decision maker and their relationship with the internationalization of the SME.

Research into a process must consider factors such as time and context, as internationalization is made step by step (JOHANSON; VAHLNE, 1977). A fifth part of the theoretical framework presents the internationalization process of the SME as a phenomenon that happens in a context (firm, industry and national) and over time.

Finally, a presentation of the research model was explained in order to guide the reader to the next chapter.

The third chapter presents the methodology that was used in order to collect information on the processes and the results of internationalization of SMEs as narrated by key decision makers. Explanation on the information collection technique, the instruments used for data analysis, the validity of the research and the limitations of its methodology was also included in this chapter.

The fourth chapter presents the data collection results and analysis. The triangulation proposed in the methodology has been applied in order to confirm results that have been then analyzed in order to answer the research questions.

The conclusion includes summarized results and some research suggestions.

2. THEORETICAL FRAMEWORK

For a long time, the economic lens has been used in order to understand internationalization of the firm. In 1963, Cyert and March proposed a new way of looking at administration with their proposal of behavioural theory. The uncertainty and the knowledge that was necessary in order to react to it became core aspects of internationalization studies. Various theories based on an economic lens have risen from this rationale, often using transaction cost economics as a basic tool. The behaviour lens is at the root of the incremental theory proposed by the Uppsala school, looking at internationalization as a process where knowledge gradually increases and risk is better accepted. The evolution of the theory brought the importance of the decision making and the network as part of the internationalization side to side with economic prerogatives. In order to understand the relationship between decision making and internationalization of the firm as a process, it is important to explore the foundations of the behavioural theory.

2.1 FROM THE ECONOMIC TO THE BEHAVIOURAL LENS: THE INTERNATIONALIZATION THEORIES

The origin of the modern theory of internationalization came arguably from Coase's (1937) introduction of the transaction costs construct. The transaction costs are "the costs of negotiating and concluding a separate contract for each exchange transaction which takes place on a market" (COASE, 1937, p. 390). He suggested, then, that under certain conditions, developing a domestic market is more efficient than going into a foreign market. More than 40 years later, Williamson (1981) popularized transaction costs economics. His basic concept followed Coase's argumentation; where applied transaction costs bring choices of governance between the hierarchy (inside the organization), and the market, or a hybrid of both governances. His theory was based on two behavioural assumptions: limited rationality (SIMON, 1961) and the potential threat of opportunism coming from the

human agent. He mentioned three critical dimensions of the transaction: “the uncertainty, the frequency with which the transaction recur and the degree to which durable, transaction specific investments are required to realize least cost supply” (WILLIAMSON, 1979 as cited in WILLIAMSON, 1981, p. 555). For that matter, firms in a situation of uncertainty will prefer to keep operations internally rather than outsource them. Williamson considered human behaviour as a static attribute of the transaction: a calculable element of decision making.

Chiles and McMakin (1996) proposed a subjective view of TCE. They believe that the concept of risk has been misused by the TCE theories stating that managers can have risk adverse, risk neutral or risk seeking mind sets. They also remind that trust can reduce the transaction costs. Anderson and Gatignon (1986) applied the TCE concept to the entry mode of a foreign firm. Even if their theory was based on an economic lens, they noted the importance of culture as a possible transaction cost.

Dunning’s eclectic paradigm (1980) was the first important international entry mode theory. He proposed a tripod of necessary advantages in order to successfully internationalize a firm: the OLI Model. First the (O) ownership-specific advantage, in agreement with the former authors, calls for foreign market research. The firm can glide along the (L) location advantage by placing assets in specific countries in order to reach a greater competitive advantage. The (I) internalization advantage gives the possibility of exploiting the imperfection of the two main external mechanism of resource allocation: the market/price system and the public authority fiat. These market imperfections happen when transaction costs are high. Internalizing assets permits avoidance of these higher costs. The OLI model proposes a licensing-export-FDI (foreign direct investment) decision scheme, where the last indicates either acquisition or Greenfield plants. Later, Dunning aggregated his model with the cultural aspects of specific countries (DUNNING; BANSAL, 1997). He argued that depending on what kind of resource a MNE was looking for and whether it was supplying a service or goods, the cultural aspect was to be included in the OLI model.

Buckley and Casson (1999) went deeper into the concept of market imperfections initially introduced by Hymer (1960, as cited in CARNEIRO *et al.*, 2005). In an imperfect market, local firms are placed in a disadvantageous competition with MNEs. The MNE can seek advantages from industry specific factors, region specific factors, nation specific factors and firm specific-factors. These last factors incorporate a different perspective about managers than the one proposed by Dunning (1980) or Williamson (1981). In accordance with Andersen (1993), these two authors considered the manager as strategically “conscious” while Buckley (1988; 1993) gives a more important role to the management. In his 1988 paper, Buckley stated that management in terms of internationalization can be experimentally involved (responding to unsolicited order), actively involved (putting internationalization as a priority) or committed to internationalization (with foreign current activities and assets). The important roles that he gave to the manager are, sequentially: identification, exploitation and creation of profitable market imperfections as opportunities for growth. As Hennart in 2009, Buckley (1993) is looking at a dynamism that lacked in the Williamson or Dunning theories. In the process of internalization (BUCKLEY, 1993), a manager has to consider that market imperfections open doors to the internationalization of the firm.

The main economic works about internationalization concentrate themselves on entry mode processes (generally of large MNEs). Beside Buckley’s work, only recently have authors (HENNART, 2009; BENITO *et al.*, 2009) looked for a more dynamic process in the economic theory. By assuming that managers are conscious humans that are exploiting market imperfections in order to increase rent with a lower risk (as in Williamson’ TCE), new perspectives have emerged into a more subjective form, with the same aim of studying the economic behaviour of the firm in the international market.

In common with the behavioural lens, economic theories based their assumption that a lack of knowledge increases risk; but differently from the other lens, it proposes a way of calculating its influence over the long run. It uses long term strategy.

The human factor is considered in economic theories, but its space is allocated, almost “mathematically”, as one of many assets (CYERT; MARCH, 1961). Many authors (HENNART, 2009; BROUTHERS; BROUTHERS, 2001; HENNART; LARIMO, 1998; ANDERSON; GATIGNON, 1986) have found that country specific behaviours have a certain influence on the mode of entry. Their works are focusing on the cultural aspect of the behaviour and the power of explanation is not properly isolated. The human factor has been the focus of another trend of internationalization theories: the behaviour lens.

The widely accepted origin of behaviour theories came from 1961 Cyert and March's *Theory of the Firm*. In this seminal work, the authors assumed that decision making was a dynamic short-term process where a consensus was to be made between rationally limited managers. Not only does this theory differ from the economic lens by looking at the decision process as a more dynamic and continuous process, but it also gave a greater importance to the human factor.

One of the principal theories that grew up from the behavioural lens is the incrementalist theory. The original model presented by Johanson and Weidersheim-Paul (1975) proposed two basic assumptions that were going to be the core of the Uppsala model. First, internationalization of the firm comes from an incremental process made after an initial domestic development. They based their assumption on Cyert and March (1963) but also on Simon's (1961) concept of limited rationality. The lack of information and knowledge brought by limited rationality increases uncertainty in internationalization processes. As a result, firms might internationalize incrementally, starting from markets they know better. Second, the incrementalism of the international development of the firm has been divided into four stages: no regular export activities, export via independent representative, sales subsidiaries and finally production/manufacturing. The incrementalist model or the *establishment chain* proposed by Johanson and Weidersheim-Paul (1975) assumed that firms get the information and knowledge about foreign markets gradually, and therefore start their internationalization in a country with a closer PD in order to minimize the unknown. As they get more experience, firms develop their commercial relationships in markets with more distant PD.

Getting deeper into the behaviour model, Johanson and Vahlne (1977) proposed the Uppsala U-Model or Mechanism of internationalization. This model merges the problems of knowledge and resources that firms, usually smaller ones (JOHANSON; VAHLNE, 1990). encounter in their internationalization process. Once a firm deploys resources in order to get more market knowledge, it tends to commit itself to this market (AHARONI, 1999). Johanson and Vahlne (1977) model presented a relationship between market knowledge and commitment decisions which both affect current activities and market commitment.

Since its creation, the Uppsala model has been amended several times. The model was first said to better explain small firm behaviour (JOHANSON; VAHLNE, 1990), firms in little internationalized industries (NORDSTROM, 1991 as cited in HILAL;HEMAIS, 2003) and then had to eventually look at the importance of the network as a key factor that opens internationalization (JOHANSON; VAHLNE, 2009).

This evolution of the behavioural theories contributed, in this work, that a decision maker's decision process cannot be evaluated without considering his/her PD perception, ties and profile (namely his/her entrepreneur's profile). As such, all of these aspects have been included in the model.

2.2 THE PSYCHIC DISTANCE CONSTRUCT

In research on foreign trade between European countries, Beckerman (1956) noticed that physical distance had an important impact on international trade. He also noticed that this distance was different between two partners; one partner could consider the other as being close and the other could consider a third country as being closer. In his conclusion, Beckerman proposed a PD factor as he questioned the trading habit between cultures.

Although Linnemann (1966, as cited in FIGUEIREDO et al. 2008) worked on issues such as risk perception, informational imperfections, language and cultural

barriers, the PD construct was more fully developed by the Nordic school of Uppsala (JOHANSON;WEIDERSHEIM-PAUL, 1975; JOHANSON; VAHLNE, 1977; 1990; 2009). Another seminal work on PD was prepared by Geert Hofstede (1983), when he collected data from two surveys applied to IBM employees in over 50 countries. This ecologic analysis permitted Hofstede to discover four dimensions (that would eventually be expanded to five) that distinguish national cultures. The four initial dimensions were: power distance (the relationship between members of a hierarchy); uncertainty avoidance (avoidance of attitudes behaviours that could create anxiety); individualism or collectivism; and masculinity (challenge, recognition, advancement) or femininity (relation with manager, cooperation, security). This would be the beginning of the most controversial PD of all: the culture.

Many other works have been undertaken on culture differences, such as the ones on culture domains, like Schwartz & Bilsk's (1990) and House's Globe Model (HOUSE *et al*, 2006). Kogut and Singh (1988) made a measure of PD out of a multi-nominal logic model based on the Hofstede dimensions of uncertainty avoidance and cultural distance. Being cited as having little explanation for internationalization (EVANS; MAVONDO, 2002) the cultural distance has been often coupled with economic factors such as market factors (ERRAMILLI, 1996) or business differences (EVANS *et al*. 2000).

When Evans *et al*. (2000) referred to business differences; they included language, business practices, political and legal systems, education, etc. In fact, even if Johanson and Vahlne (1977) roughly mentioned these various types of PD, Evans *et al*. (2000) and Evans and Mavondo (2002) were among the first ones to operationalize the construct.

In his notable 2001 article, Pankaj Ghemawat mentioned four distances (note that he did not mentioned PD) in his CAGE framework, a model that has been considered as "the most comprehensive attempt to broaden the study of cross-national distance" (BERRY *et al*.; 2010, p. 4). This four dimensional approach includes: cultural distance, administrative distance, geographic distance, and economic distance.

The question is: in 2001, what was the PD construct composed of and how was it defined? Consequently, before going further in defining Ghemawat's dimensions, PD has to be defined.

The first and most accepted definition of PD is the one proposed by Johanson and Weidersheim-Paul: "the factors preventing or disturbing the flows of information between firm and Market" (1975, p. 307-308). Kogut and Singh mentioned that "it is meant the degree to which a firm is uncertain of the characteristics of a foreign market" (1988, p. 413). In a critical article on the survival of the construct in a globalized market, Nordstrom and Vahlne proposed as a PD definition: "the sum of the distance-creating factors minus the sum of the distance bridging factors" (1994: 7). Even if O'Grady and Lane (1996) are not convinced about the negative concept of the PD, their definition is in accordance with the original one. They used the PD construct as: "a firm's degree of uncertainty about a foreign market resulting from cultural differences and other business difficulties that present barriers to learning about the market and operation there" (O'GRADY; LANE, 1996, p. 330).

An important addition to PD literature comes from Evans and Mavondo work on the "perception" of PD. They used the Swift (1999 as cited in EVANS; MAVONDO, 2002, p. 516) definition that stated: "PD is a consequence of a number of inter-related factors, of which, perception is the major determinant". Evans and Mavondo added their own definition: "PD can be defined as the distance between the home market and a foreign market, resulting from the perception of both cultural and business differences" (2002, p. 517). Finally, Zanger et al. (2008, p.46) define the PD construct "as individually perceived foreignness of a country resulting from the subjective interpretation of the perceived differences between the home and a foreign market".

Based on Dow and Karunaratna (2006), the distances have to be measured not only at the decision maker level (for a specific firm) or at the firm level (for national measures), but also at the industry level (Ghemawat, 2001, 2007). Dow and Karunaratna (2006) mentioned that the perception of PD is a different construct than PD, but since a key problem of the PD is the components of the construct

(STOTTINGER; SCHLEGELMILCH, 1998) and therefore how to measure it, it is believed in this work that it should be an integral part of the PD definition. As Bakema et al. (1996) mentioned, firms are usually engaged in a double layered acculturation, meaning that the PD exists from both ends and is not symmetric (O'GRADY; LANE, 1996). Regarding this, in this work it is believed that a PD definition should include both distance and perceived distance, as well as its impact on internationalization. For us, PD and distance are not alike; the former has to be understood as a perception of the latter.

2.2.1 Critics of Psychic Distance

Since the release of Johanson and Vahlne (1977) article on PD, many critics brought doubts as to the validity of the construct and its power of explanation of the internationalization process.

Johanson and Vahlne (1990) have themselves brought some change to their initial construct when they found out that:

First, firms that have large resources experience small consequences of their commitments and can take larger internationalization steps. Second, when market conditions are stable and homogeneous, relevant market knowledge can be gained in ways other than experience. Third, when the firm has considerable experience from markets with similar conditions, it may be able to generalize this experience to any specific market. (JOHANSON; VAHLNE, 1990, p. 12)

Johanson and Vahlne noticed then that the model was a better fit for smaller firms. The second point suggests that firms working in a stable and homogenous market, such as commodities exchange, are not subject to DP. In these cases, the market is usually dictated by external entities, such as associations or stock market. The third consideration of Johanson and Vahlne suggests that some markets can be regrouped. Basing themselves on regional development, Cyrino, et al. (2010) found that Brazilian firms were following the incrementalist theory; starting their internationalization in South America, Europe then North America. In the same vein, Nordstrom and Vahlne (1994) questioned the validity of the Uppsala model in a

world that is always getting smaller, where information is available more easily than before, and where the business world speaks mostly English.

In his critical analysis of the U-Model, Andersen (1993) mentioned that the model doesn't give information about the initiation of the process. The model also seems to move independently of the different variables that could affect it. Not being restricted as to the unit of analysis, the model has a generalization quality but lacks of precision. He also argued that the PD model lacks proper definitions of its constructs. Finally, he argues that empirically, SME in the early stages of internationalization do not approach the international market selection systematically (PAPADOPOULOS; DENIS 1988, as cited in ANDERSEN, 1993). Korhonen et al. (1996) brought the inward internationalization as a first possible step. They noticed that many Finish SMEs were initiating their internationalization process by learning from importation. The leapfrogging, where firms jump over one step to a third one, has been studied by Petersen and Pedersen (1997). They noticed that firms acting in a global competition or looking for resources are more inclined in leapfrogging.

Also, different from Johanson and Vahlne's argumentation, O'Grady and Lane (1996) argued that PD might have a positive effect on the internationalization process of the firm. Evan and Mavondo (2002) tend to agree with O'Grady and Lane as they suggested: 1) that a reduced PD between two countries could lead to an overlooking and underestimation of this distance; 2) a psychically distant market will bring more uncertainty to a firm and will force them to undertake more extensive research and planning; and 3) the perceived distance can encourage expansion into a distant market because of a unique opportunity. However, Evans and Mavondo (2002) findings show that PD only explains a significant proportion of the variance in firms' performance and effectiveness in distant markets.

Petersen and Pedersen (1997) also believe that PD is not necessarily an element that impedes or negatively affects the internationalization of the firm. They mentioned (PETERSEN; PEDERSEN, 1997, p.124) that "the accumulation of market knowledge does have a bearing on the level of foreign market commitment, but in both positive and negative ways depending on the decision maker's level of

informational sophistication in the first place". This statement brought the neglected importance of decision maker's paper into the Uppsala model.

Dow (2000) advised that few empirical efforts have been made in order to measure the validity of the Uppsala model. Axinn and Matthyssens (2002) cautioned that the Uppsala model is not dynamic enough to follow the pace of the new Internet-based economy. Bell (1995 as cited in Brewer 2007) mentioned that modern technology was making a difference to small firms' internationalization patterns, which made PD irrelevant. Arenius (2005) also agrees on the fact that the PD has not proven to be relevant to software companies. He found that PD is less significant in foreign market selection by technology based firms, but still has a significant negative effect on speed of market penetration. He also mentioned that PD theory should concentrate not only on the firm level but also on the individual level.

Johanson and Vahlne (2009) themselves, revisited their model and mentioned other legitimate criticisms or additions that should be made to the U-Model. First, they concluded that internationalization specific knowledge is more important than they initially thought. Knowledge of foreign market entry, mode specific, core business, alliance and acquisition and other specific kinds of internationalization experience have to now be considered. They included relationship-specific knowledge based on the business network view. This modification goes in accordance with Borgatti and Foster (2003), who presented the network as a means by which organizations reduce uncertainties and share information.

Andersen (1997 as cited in AXINN; MATTHYSSENS, 2002) criticized the model for being too deterministic and, thereby, for neglecting managerial action. Johanson and Vahlne (2009) defended themselves by arguing that the model wasn't looking at a causal relationship. Even if they have agreed that manager discretion is important, their work is in fact partly based on the assumption of a firm's path dependency.

Johanson and Vahlne (2009) also returned to the fact that the original model did not include affective or emotional dimensions (at least explicitly). In their 2009

article, they stated that social capital, and especially the concept of trust, should be included in their model. As they mentioned, authors like Madhok (as cited in JOHANSON; VAHLNE, 2006) had legitimately doubted about continued trust and commitment. According to Arenius (2005), firms can use their international social capital in order to access networks for foreign market knowledge. Johanson and Vahlne (2009) agreed with this statement, incorporating the new concept of liability of outsidership. They removed Zaheer's (1995) concept of liability of foreignness, which suited their original model, to replace it with one where the cost of being remote, being unfamiliar and not being known in the foreign market reduced the attractiveness for potential partners or customers. Johanson and Vahlne (2009) argued that more important than the liability of foreignness is the liability of outsidership. Being an insider of an international network allows you to accelerate entry in new markets by getting easier access to the information available in the network.

Defending themselves, the authors came back on a critic that their model has been perceived as a risk reduction model and that it was not truly considering the concept of opportunities. Johanson and Vahlne (2009) stated that the Uppsala model considered market development opportunities; development which includes elements of both discovery and creation (Ardichvili *et al.*, 2003 as cited in Johanson & Vahlne, 2009).

Finally, Johanson and Vahlne (2009) commented on the criticism of the validity of the establishment of an internationalization trajectory, especially with the arrival of the popular concept of born global firms. First, they argued that born global firms aren't truly born global, they usually are created by experienced individuals. Also their new business network internationalization process model is, in their point of view, the only way to get quick access to information accelerating the internationalization process.

Many critics of the Uppsala model bring aspects that Johanson and Vahlne have not properly answered. The importance of the entry mode (KOGUT; SINGH, 1988) has been neglected as they consider only exports. The role of the manager (BREWER, 2007; DICHTL *et al.*, 1990; MANOLOVA *et al.*, 2002) and the relevance

of his/her perception of the PD (DOW; KARUNARATNA., 2006; ELLIS, 2008; EVANS; MAVONDO, 2002) are not truly analyzed. Looking at Ghemawat (2001, 2007) Cyrino et al. (2010) and Hutzschenreuter et al. (2010) research, we can also wonder about the validity of their models depending on the industry. Not contesting the importance of the PD construct, Malhorta et al. (2009) affirmed that if PD increases the risk, market potential represents a moderator to the PD effect. In their study of cross border acquisition happening in emergent countries, the opportunity brought by the market potential diminished the PD.

The size and the age of the firm (ALDRICH; AUSTER, 1986; CAVUSGIL, et al., 1979; CHILD *et al*, 2009, HUTZSCHENREUTER et al., 2010) also are aspects that have been neglected by the Uppsala model and its followers. The model neither considers that distance is not symmetric (TUNG; VERBEEKE, 2010, BREWER, 2007) between two countries. Dow and Karunaratna (2006) showed that PD is different between two countries as both are sharing different distances with closer or more distant partners. A last aspect that had to be added was the fact that PD can change internally (TUNG; VERBEEKE, 2010), from one region to another in the same country, which is the case between the French province of Quebec and the rest of Canada.

2.2.2 The CAGE Framework

Although Ghemawat (2001, 2007) did not mention them as “psychic”, the distances he presented include most of the concepts seen in the PD literature (BERRY et al., 2010; CHILD *et al*, 2009; MALHORTA et al. 2009; BREWER, 2007) that was used for this dissertation. For that matter, our overview on distances is based on his CAGE framework.

Obviously, this model does not include all distances and distance constructs proposed throughout time that haven't followed Ghemawat rationale. Still his model is a good option to organize the PD construct as it encompassed distances that have been used in most of the research on PD. As CAGE has been used by many PD authors, it permits building a theoretical framework and finding a recurrent source of secondary data, such as yearly world reports. Ghemawat's (2001) reflection on the importance of each distance for specific industries is also of interest to the framework.

TABLE 1: THE CAGE FRAMEWORK AT THE COUNTRY LEVEL

| The CAGE framework at the country level | | | | |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Cultural distance | Administrative distance | Geographic distance | Economic distance |
| Country-pairs (bilateral) | <ul style="list-style-type: none"> • Different languages • Different ethnicities; lack of connective ethnic or social networks • Different religions • Lack of trust • Different values, norms, and dispositions | <ul style="list-style-type: none"> • Lack of colonial ties • Lack of shared regional trading bloc • Lack of common currency • Political hostility | <ul style="list-style-type: none"> • Physical distance • Lack of land border • Differences in time zones • Differences in climates and disease environments | <ul style="list-style-type: none"> • Rich-poor differences • Other differences in cost or quality of <ul style="list-style-type: none"> ◦ Natural resources ◦ Financial resources ◦ Human resources ◦ Infrastructure ◦ Information or knowledge |
| Countries (unilateral or multilateral) | <ul style="list-style-type: none"> • Insularity • Traditionalism | <ul style="list-style-type: none"> • Nonmarket or closed economy • Extent of home bias • Lack of membership in international organizations • Weak institutions; corruption | <ul style="list-style-type: none"> • Landlocked geography • Lack of internal navigability • Geographic size • Geographic remoteness • Weak transportation or communication links | <ul style="list-style-type: none"> • Economic size • Low per-capita income |

Source: Ghemawat (2001)

2.2.2.1 Cultural Distance

For Ghemawat, culture “refers to the attributes of a society that are sustained mainly by interactions among people, rather than by the state” (2007; p. 40). The principal cultural distance is the language, but Ghemawat (2007) also mentioned differences in ethnicity, religions, trust, variations in egalitarianism, idiosyncratic (such a colors' significance), and others.

Many authors have worked with the cultural distance construct. Hofstede (1983), being the most influent author in that matter (DOW; KARUNARATNA, 2006), found five dimensions to cultural distance: power distance, individualism-collectivism,

uncertainty avoidance, masculinity-femininity and short versus long term orientation. House et al. (2001) enumerated nine dimensions: uncertainty avoidance, power distance, societal collectivism, in-group collectivism, gender egalitarianism, assertiveness, future orientation, performance orientation and humane orientation. Schwartz and Belsky (1990) made a third major empirical research on culture distance and argued that they were seven domains of culture: pro-social, restrictive conformity, enjoyment, achievement, maturity, self-direction and security.

Kogut and Singh (1988) made an index out of Hofstede's dimension of culture, working especially with uncertainty avoidance. This index became a reference in order to study the influence of the culture of the home country on the mode of entry in an international market (being either: joint venture, acquisition or Greenfield). This work has been used by many, such as Bakema et al. (1996), and transaction cost theorists as Hennart and Larimo (1998). These last made an interesting work by joining the transaction cost economics with Hofstede's cultural distance in order to explain foreign entry preferences of the USA, Norway and Japan.

Dow and Karunaratna (2006) also accepted Hofstede's dimensions although they asserted that he did not include such factors as religion and language (although Nordstrom & Vahlne (1994) consider language as being different from culture) and that the dimensions had poor explanatory power. It is worth mentioning some dimensions proposed by O'Grady and Lane (1996) in their comparison between Canadian and American firms' leaders such as: achievement orientation, level of aggressiveness, action orientation, belief in hard work and attitude toward risk. Finally, Brewer (2007) created a sports index for sport activities shared or not between two countries. These various dimensions not only show how authors have different conceptions regarding important cultural factors, but also show their conception of their own culture.

Either factual or perceived, the cultural distance keeps being the most attractive distance even if its explanatory power is seen by some as fairly low (DOW, 2000; STOTTINGER; SCHLEGELMILCH, 1988) or cannot be used on its own (EVANS; MAVONDO, 2002). Trompenaars and Woolliams (2003) warned that

cultural differences enhance stereotypes. These stereotypes are often praised by the members of a culture. For instance, Americans can be loud and individualist, French can be emotive. It might create an accepted role for the members of a culture. Zanger et al. (2008) mentioned these stereotypes between Czechs and Germans SME business relationships. This relationship between neighbours shows a cultural distance that is linked with particular events, such as the Second World War, where Germany invaded Czechoslovakia. That gives to their research a peculiarity hard to reproduce. The literature makes us think that cultural distance is not useless, but might need to be contextualized.

Further researches on cultural distance proposed a review of the two key studies; Hofstede's values survey and the GLOBE practice and values survey. Brewer and Sunaik (2010, 2011) showed some contradiction between the two models. In their articles based on uncertainty avoidance and on individualism-collectivism, two dimensions measured in different ways by the two studies, they noticed that the finding brought some anomalies. They argued that the models measured different components. They suggested adding to uncertainty avoidance components a stress factor, for Hofstede's model, and a rule orientation practice or aspiration factor for the GLOBE model. In their criticism of individualism-collectivism, Brewer and Sunaik (2011) argued that the questions proposed in the survey of both studies were not measuring the component but self-orientation and work-orientation, in the case of Hofstede, and family collectivism instead of in-group family for GLOBE. Shenkar (2001) believed that uncertainty avoidance was the most important cultural distance proposed by Hofstede, and was in fact, the one that had the most relevance in the study of PD effects on FDI.

In fact, for being the most studied distance, for having a wide range of presumed relationship with internationalization of the firm and for being relevant to PD, cultural distance deserves a little overview as the criticism it has suffered.

The positioning of cultural distance has a controversial status in the PD literature. Cultural distance has been considered by some as a synonym of PD (LEE 1998; SWIFT, 1999 both as cited in EVANS; MAVONDO, 2002). Nordstrom and Vahlne (1994) found that cultural and psychic distances were capturing different but

overlapping phenomena. In fact, most of the authors assume that cultural distance is part of PD (BREWER, 2007; DOW; KARUTNARATNA, 2006; O'GRADY; LANE, 1996).

Ghemawat (2001) criticized the seminal cultural distance work of Hofstede for failing to capture the other distances that are present among countries. Even if it is widely accepted for being the most important work on cultural distance, Hofstede's national dimensions model has been hardly criticized by other authors (BERRY et al., 2010; DOW; FERENCIKOVA, 2010). Berry et al. (2010) affirmed that the model has not changed over time; it can bring an erroneous generalization about individuals by assuming that managers of a single corporation are representative of the overall population of a country (Lu, 2006). Dow and Ferencikova (2010) argued that the model was too narrow, old and subject to a possible bias to bring a valid measure of a PD. Interestingly, all these authors are currently using Hofstede dimensions in their measurement of culture.

Empirical findings on cultural distance have proven Dow and Ferencikova's (2010) and Berry et al.'s (2010) argumentation. If Alexander et al. (2007) or Li and Guisiner (1991 as cited in EVANS et al., 2000) believed that cultural distance has a strong negative effect, other authors found that cultural distance has little negative effect (DOW 2000; STOTTINGER; SCHLEGLEMILCH, 1998), no effect (ALI, 1995 as cited in EVANS et al., 2000) or even a positive effect (EVANS; MAVONDO, 2002; O'GRADY; LANE, 1996) on international firms' performance.

2.2.2.2 Administrative Distance

For Ghemawat, "administrative attributes encompass laws, policies, and institutions that typically emerge from a political process and are mandated or enforced by governments" (2007; p. 42). They could be considered as the national official business culture, including: colonial ties, shared regional trading block,

political relationship, and also internal administration (corruption, internal lack of security, for instance).

Brewer (2007), in his work on PD between Australia and 26 other countries, made an index based on many distances, but concentrated his work on the administrative one. Out of fifteen distances, he measured the trade flows, trade agreement, trade office (in foreign countries), colonial ties, shared war, corruption and foreign development indexes. Nordstrom and Vahlne (1994) mentioned the importance of the legal system as well. Dow and Karunaratna (2006) used five variables of the political systems divided in two dimensions. The first, the degree of democracy or political freedom between countries included: a) the degree of political constraint within a country; b) the POLITY IV instrument (GLEDITSCH, 2003 as cited in DOW; KARUNARATNA, 2006) which measures democracy and autocracy; c) political rights; and d) civil liberty across nations. In the second, the policy preferences have been measured through the ideological learning of leader of the government and the one from the largest party of the country.

The administrative distance is the one, alongside with the geographic one, which gets closer to explaining Johanson and Vahlne's (1977) concept of firms starting internationalization in closer markets and as time and experience go on, moving on toward more distant markets. Lower transportation costs and better knowledge of administrative entry barriers diminish the risks linked with the lack of knowledge of a market.

2.2.2.3 Geographic Distance

For Ghemawat (2007), geographic distance is primarily the distance between two countries. Besides this, he enumerated many other aspects to be considered in a wider sense: common borders, time zone, climate, access to an ocean, topography and within-country distances to borders.

Geographic distance was initially mentioned in 1956 by Beckerman, and it was the first distance studied in his work on exportation between European countries. Although for Beckerman, geographic distance had a strong explanatory power on internationalization, he opened the door to the PD analyzing potentially cultural and administrative distances (mentioning that Canada doing business with England could need another explanation than the one furnished by the geographic distance). The Uppsala school also considers geographic distance as important (JOHANSON; VAHLNE; 1977; 2009; JOHANSON; WEIDERSHEIM-PAUL, 1975). As Bakerma et al. (1996) reminded us, PD is usually related to geographic distance. Dow and Karunaratna (2006) noticed that geographic distance is still the most influential trade inhibitor.

2.2.2.4 Economic Distance

This fourth distance of Ghemawat (2007, p. 45) refers to “differences that affect cross-border economic activity through mechanisms distinct from cultural, administrative and geographic ones already considered”. This distance includes the rich-poor differences as well as all others related to cost or quality of natural, financial, and human resources, infrastructure, information or knowledge.

O’Grady and Lane (1996) suggested business factors, among them industry structure and environment competitiveness, can be qualified as economic distances. Dow and Karunaratna (2006) used education and industrial development as variables in their new proposal of PD measurement. Klein and Roth (1990) made their survey of PD using five aspects, among them the economic environment and the communication infrastructure (the other being language, accepted business practice and legal system).

TABLE 2: DISTANCES FROM KEY LITERATURE

| DISTANCE | GHEMAWAT (2001) | CHILD <i>et al.</i> (2009) | DOW & KARUNARATNA (2006) | HOFSTEDE (1998) |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CULTURE | <ul style="list-style-type: none"> -Language -Ethnicities -Lack of connective ethnic or social networks -Different religions -Different social norms | <ul style="list-style-type: none"> -Culture -Language | <ul style="list-style-type: none"> - languages - religion -Hofstede PD -Hofstede uncertainty avoidance -Hofstede individualism-collectivism -Hofstede masculinity-femininity -Hofstede Long term orientation | <ul style="list-style-type: none"> -Power distance -Uncertainty avoidance -Individualism -masculinity -Long term orientation |
| ADMINISTRATIVE | <ul style="list-style-type: none"> -Absence of colonial ties -Absence of shared monetary or political association -Political hostility -Government policies -Institutional weakness | <ul style="list-style-type: none"> -Political System -Legal System -Regulation -Accepted business practice -Business ethic | <ul style="list-style-type: none"> -Free trade Zone -Colonial ties -Difference in POLCON -Difference in ModifPOLITYIV -Difference in Freedom house political rightsD4ij -Difference in Freedom House Civil Liberties -Difference in 'degree of democracy' factor - Absolute value of difference in 'democracy' factor -Difference in Beck's political ideology scale - Absolute value of difference in Beck's ideology scale | |
| GEOGRAPHIC | <ul style="list-style-type: none"> -Physical remoteness -Lack of a common border -Lack of sea or river access -Size of country -Weak transportation or communication links -Differences in climate | <ul style="list-style-type: none"> -Geography | <ul style="list-style-type: none"> -Distance between countries (capitals) -Time zone differential -Common borders | |
| ECONOMICS | <ul style="list-style-type: none"> -Differences in consumer incomes -Differences in costs and quality of: <ul style="list-style-type: none"> • natural resources • financial resources • human resources • infrastructure • intermediate inputs • information or knowledge | <ul style="list-style-type: none"> -Level of education -Level of technical development -Level of economic development -Logistic infrastructure | <ul style="list-style-type: none"> -GDP -level of education Difference in energy consumption (equiv kg coal per capitaI3i - Difference in cars per 1000 people -Difference in % non-agricultural labour -Difference in % of GDP in manufacturing -Difference in % urban -Difference in newspapers per 1000 people -Difference in radios per 1000 people - Difference in phones per 1000 people Difference in TV per 1000 people -Difference in 'industrial development' factor -Absolute value of difference in 'industrial development' factor | |

Source: BREWER, P. (2007); CHILD *et al.* (2009); GHEMAWAT, P. (2001); HOFSTEDE, G.(1998)

2.3 THE DECISION MAKER

For many scholars cited in this research (CHILD et al., 2009; BREWER, 2007; DOW; KARUNARATNA, 2006), the manager or key decision maker has an important role in the perception of the PD. Petersen and Pedersen (1997) critiqued the PD concept by highlighting the fact that it is the managers, not the countries, who perceive PD. Shenkar (2001) believed that factors such as language skills, ethnic background, religion or education were not homogenous across a nation. For Tung and Veerbeke (2010), only if many individuals in a country share a particular level of PD vis-à-vis a foreign nation, it can become a managerial choice or economic performance predictor. In fact, in many empirical researches, the perception of the PD was found to have a better explanation power than the PD itself.

In a research on the initial export conditions in German firms, Dichtl et al. (1990) related both firms and their managers' willingness to export. They found that, in order to be more than an occasional exporter, both firms and managers have to be foreign oriented. In their methodology, they decided to concentrate on managers' perceptions of internationalization. In doing that they opened up the concept of distance perception. McGaughey et al. (1997) showed that the experience and personal characteristic of the owners of small and medium firms have an important impact on firm performance at the international level, as they often act as both owner and manager.

In 1996, O'Grady and Lane tried to find any explanation for the fact that Canada and United States, two countries with apparently close distances, were suffering from an inverse reaction to PD. They found that the perception of Canadian managers regarding the United States PD brought them to misevaluate the real distance between the two countries. Stottinger and Schlegelmilch (1998) calculated the geographic distance between Austria and other countries not from geographic or climatic databases, but through an index they built about the perception of Austrian managers about those distances. Evans et al. (2000) brought another perspective to PD by stating that both distances and the perception of those

distances should be considered in order to operationalize the construct. As a result, both studies showed the relevance of the human factor in the PD measurement.

Rather than using typically quantitative methods (and often based on secondary data), PD research would have to move to more qualitative methods. As the main problem of the PD research resides in its measuring, quantitative works have been maintained, but with the support of a qualitative analysis (CHILD et al., 2007; ELLIS, 2008; HUTZCHENREUTER et al., 2010). This invites, in accordance with Dow and Karunaratna (2006), the move to consider that national or industry distance can be measured through quantitative indexes, as in the ones used by Kogut and Singh (1988) or Brewer (2007), but a single firm's behaviour should be measured through its decision maker's perception of distances, and ideally at the time that the decision is made. Decision maker's perception is an important factor of PD influence, but its measurement needs the depth of a qualitative method. Anyhow, methodologically speaking, decision makers' perceptions of distances is hard to properly analyzed since it should be measured at the time decision is made (DOW; KARUNARATNA, 2006).

The methodology proposed in this dissertation looked for a proper way of measuring, *ex post facto*, the decision maker's perception of distances. In order to reach this goal, a better understanding of the decision making role and process has to be explored. For that matter, another theory of internationalization has to be explored, the entrepreneurship theory. This theory introduced the idea of innovative risk taking in order to create new venture.

Schumpeter wrote that the function of entrepreneurs was:

[...] to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on. (SCHUMPETER, 1994, p. 132)

For Schumpeter, the manager can be, on the one hand, an effective and faithful collaborator of a firm's owner; while on the other hand, act as an entrepreneur that makes innovative decisions in a firm. He classified the

entrepreneurial act in five combinations: the introduction of a new good; introduction of a new method of production; the conquest of new sources of material supplies; the enactment of new organization in any industry; and the opening of new markets. Schumpeter (1994) believed that internationalization is a strategic change that can be seen as an entrepreneurial behaviour. Mintzberg et al. (1998) remarked upon the malleable vision of the entrepreneur. The new French vision brought by Le Boterf (2010) and Morin (2000) insists on this aspect of creativity of the competent professional, their having a capacity to improvise. Le Boterf (2010) makes a difference between the “requested” and the “real” competence. If the former evokes the Taylorian mechanical way of leading with the tasks, the latter represents the capacity of people to adapt to the circumstances. Le Boterf (2010) linked this necessity for being flexible with his concept of professional practice. He described the Professional practice as (2010; p.81): “[...], *c’est le déroulement d’un choix, de décisions et d’actions réellement mis en œuvre par une personne pour faire face aux exigences prescrites d’une situation professionnelle*”¹. Not referring specifically to entrepreneurs, Le Boterf’s (2010) vision of the new professional comes in accordance with Buckley (1999) description of SME entrepreneurs’ reality.

It has to be understood that entrepreneur does not mean necessarily small or new, but rather innovative and pro-active. Penrose (1960) asserted, in her Hercules case, that we should look at the entrepreneurship of the firm. The entrepreneurial firm is imaginative, versatile and venturesome.

McDougall and Oviatt (2000, p. 903) wrote that “International entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations”. Zahra (2005) assumed that internationalization goes through entrepreneurship. He saw the manager as an expert that helps in internationalization, but he also stated that younger firms with a limited number of managers will internationalize more quickly. Because of a lack of time and resources, entrepreneurs are more inclined to take risks. This goes in accordance

¹ It is the development of a choice, decisions and real actions implanted by a person in order to face the requirement brought by a professional situation.

with Aldrich and Auster (1986) concept of liability of smallness, where small firms do not have resources of the large ones, but benefit from greater flexibility.

The entrepreneurship theory gave more answers for explaining small firms' internationalization, but through Oviatt and McDougall's (1994) work, it was even more accurate in the explanation of international new venture (INV) studies. In this study, Oviatt and McDougall noticed that INV (including born global firms) were usually created by internationally experienced entrepreneurs. Manolova et al. (2002) found that entrepreneurs of new ventures needed to fill up the four dimension of a firm's human capital: international business skill, international orientation, environmental perception (risk perception), and demographic characteristics. As Auw (2009) noticed, good international human capital will usually increase a competitive advantage at a faster rate than competitors. In the entrepreneurship theory, big does not replace efficiency; a firm with a good "entrepreneur" possesses a great advantage. Barney (1991) argued that manager or manager team is a firm resource potentially capable of generating sustained competitive advantage.

Zahra (2005) believed that decision making is a fundamentally individual process. He claimed that even if economic and behavioural theories mentioned the importance of international entrepreneurship, a cognitive approach can allow us to consider the rational and non-rational elements in their decision making. Hutzschenreuter et al. (2007) argued that international paths and process studies should be made of a joint outcome of management intentionality and experience-based learning.

The human factor, specially the decision-makers' behaviour has been a basic source of research in Entrepreneurship. Aharoni (1999) noticed that decision makers have an important role in internationalization. The decision to investigate internationalization brings the decision maker to either drop the project or commit himself and the firm to it. Reid (1981) suggested that a "foreign market oriented" decision maker will be more inclined to explore the path of internationalization. This decision maker's orientation will be joined with the firm's orientation in market selection. Holzmuller and Kasper (1990) noticed that the decision maker's orientation concerning foreign markets and the environmental conditions for export facilitated

the identification of a firm's potential to export. They later argued (HOLZMULLER; KASPER, 1991, p. 51), that three components should be considered in the decision maker's role: "the executives' predetermined set of values regarding their ideas of the desired organization, the components of managers' foreign orientation and the objective personal data on managers (age, years spent in the profession, etc.)". Jones and Coviello (2005) combined the interaction between the entrepreneur, the firm and the external environment with the dimensions of time and entrepreneurial behaviour as a dynamic process of innovation.

As mentioned by Buckley (1999), a lack of managers in a lot of smaller firms will require that executives assume various roles. One of them is often the role of the international negotiator. In a study made in China with many international negotiators, Shi and Wright (2001) offered a framework of seven potential characteristics that describe what they call the international business negotiator profile: (1) inter-personal competency; (2) cognitive capability; (3) team commitment; (4) individual motivation in negotiations; (5) open-mindedness; (6) adaptive orientation; and (7) ideological consciousness and perceptions of environmental influence. The negotiator needs flexibility and commitment.

Thomas and Mueller (2000) noticed that there might be a similar "entrepreneur culture" around the World. Studying traits between entrepreneurs in psychic distant countries, they noticed that the more distant the countries were, the more similar three entrepreneurial traits (namely internal locus of control, moderate risk-taking propensity, and high energy level) were. Zahra and Georges (2002) also noted that the recognition of incongruous sets of information and its combination as a new schema represents a capacity for transformation, which is another quality of entrepreneurship; the recognition of opportunity.

The Entrepreneurship theory implies the development of an innovative, risk seeking firm or manager/owner. It explains why some firms are not following the Uppsala stage model and skip the exportation phase (OVIATT; MCDOUGALL, 1994). The entrepreneurship theory can also explain some of larger MNEs behaviour in internalization, such as scouting for new opportunities (LASSERE, 1996 as cited in RUGMAN; VERBEKE, 2003), although it has been used more often in order to study

mostly new, small and almost “helpless” firms. Chetty and Campbell-Hunt (2003) mentioned that small and medium firms were overcoming their lack of resources by building networks. Style and Seymour (2006, p.114 as cited in ELLIS, 2011) suggested the following definition of international entrepreneurship “behavioural processes associated with the creation and exchange of value through the identification and exploitation of opportunities that cross national borders”.

The entrepreneurship theory brought a totally different perspective on risk than the one proposed by the economic theories. If the latter propose a calculation in order to limit the risk, the former sees the risk seeking as a *sine qua non* condition for success.

This point of view has been largely explained in the EPG model (PERLMUTTER, 1969). Perlmutter classified the international attitudes of the home country into three groups: the ethnocentric, the polycentric and the geocentric. Without naming it, Perlmutter linked the risk to the agency, the human factor, above all. On the one hand, the ethnocentric, which is centralized in the home country, risks a resistance coming from foreign societies and a poor flexibility in response to the local changes. On the other hand, the geocentric, tries to link its home and foreign subsidiaries through their best employees, wherever they are, but risks a wide distribution of power and personnel problems. Although Perlmutter (1969) noticed that all the three options brought costs and payoffs, he suggested that the geocentric, especially with an adequate supply of geocentric managers, will globalize more successfully. The geocentric mind-set is associated with having a broad geographic scope, but it does not ensure an internationalization strategy (KOBIN, 1994). Firms can be also be ethnocentric and reach a great geographic scope. He argued that firm’s ability to compete globally depends largely on how managers see the world. Dichtl et al. (1990) described the foreign market oriented manager. They discarded the manager that is experiencing a superior PD, haven’t traveled, is less proficient in foreign languages, is unwilling to change, is rigid and is risk averse.

The behavioural school also regarded risk as a major indicator of internationalization. Aharoni (1999; p.5) describe the risk as “the proportion of cases in a subjective joint probability distribution that fall below a subjectively defined

expected minimum". Aharoni (1999) argued that risk comes from a lack of information and interest from the investors. For him, the risk is often considered even before the decision of investing in a possible internationalization is made. Evans and Mavondo (2002), in agreement with Aharoni, wrote that in order to avoid uncertainty, firms will seek to improve their knowledge about foreign markets. Ghemawat (2001, p.2) stated that "most of those costs and risks result from barriers created by distance". The basic construct of PD is based on knowledge of the foreign markets. Firms do not risk entering in a distant market before having both knowledge and experience. Interestingly, Ellis (2008) noticed that PD influences low risk export entries but not in high risk ones. This assumption could open a debate on the existence of the limits of PD's explanatory power given risk.

Risk tolerance is one of the "qualities" of the entrepreneur. In entrepreneurship theory, internationalization is looked at in a risk taking perspective (MANOLOVA et al., 2002). As the risk increases, the perspective of higher rent does also. The term risk acceptance (HOLZMULLER; KASPER, 1991) has been used empirically in order to understand Austrian firms' exportation performance, but has been mostly eliminated for its lack of explanatory power.

For the purpose of this research, it was considered that entrepreneurship theory is a mandatory condition for internationalization. The decision maker's behaviour, especially his/her tendency to be foreign market oriented or not, is more of use in the current study.

2.4 SOCIAL TIES AND NETWORKS

Mattsson and Johanson (2006) remembered that early 80's Swedish academics were concerned with the international competitiveness of their country. This preoccupation opened the door to a new trend in the behavioural Nordic School: the study of networks. The network started to have a better explanatory power about the internationalization of the firm than the original Uppsala stage model.

Axinn and Matthyssens (2002) warned that the Uppsala model seems worn out in light of the environmental changes. Faster and cheaper communication, transportation and production advances brought a necessity for an “up-graded” and “dynamized” theory, as we are now in the network economy. Chetty and Campbell-Hunt (2003) explained the internationalization of the small firm through two theories: the stage model and network theories. In revisiting their 1977 stage model, Johansson and Vahlne (2009) transformed the liability of foreignness (ZAHEER, 1995) to a liability of outsidership. The original cost that occurred by being remote, being unfamiliar and not being known by the foreign market are now replaced by the cost of being unknown and of being outside of the network. For Oviatt and McDougall (1994) the network structure is a “powerful resource-conserving alternative” to internationalization by giving easier access to markets, distribution and financing.

Borgatti and Foster (2003) described the network as a set of actors (which can be persons, teams, organizations...) connected by a set of ties. In order to enhance this definition, we shall now concentrate on the “tie” concept. Ties connect people directly or indirectly in dichotomous or valued (bilateral) ways. In his 1983 work, Granovetter concentrated on the strength, either strong or weak, of the ties. He noticed that the weak ties give wider possibilities for reaching persons than the strong ties, in essence a way to enlarge the social network. Krackhardt (1992) presented a study on relationships based on Granovetter’s theoretical bases. He noticed that the strength of an interpersonal relationship is better linked through a partner’s friendship (philos) than the official hierarchical links. Just like Blau (1964), Krackhardt realized that informal, friendly, external (to the enterprise core) relationships are usually more efficient than the official communication network. This human behaviour point of view doesn’t calculate the impact of the links created through social networks in an economic way, but, instead, brings a better definition of the strength and the possible length of a relationship.

Burt (1995) added to Granovetter’s weak ties concept the idea that they also create competitive advantage. Through structural holes, which are the non-redundant contacts of a network, entrepreneurs can take advantage of other members of a network and create what are called “Tertius Gaudens” (BURT; 1995,

p. 30). In this position, the entrepreneur can build on the competition between two other members of the network. The number of non-redundant ties an entrepreneur has, the more opportunities that entrepreneur has available. Although *Tertius Gaudens* was not part of the research, the importance that Burt gave to the weak ties corroborates Granovetter's point of view.

In a less competitive vision of the network, the quality and the strength of the ties form the social capital of a firm or an individual. Nahapiet and Ghoshal (1998, p. 243) wrote: "The central proposition of social capital theory is that networks of relationships constitute a valuable resource for the conduct of social affairs". Arenius (2005) sustained that firms use their social capital to access and interpret network information about a topic in order to directly substitute for indirect experiential learning in internationalization. Besides learning, Arenius (2005) believes that social capital also helps to locate foreign partners. In a study on social ties in a central Chinese firm, Ellis (2011) showed that networks can limit opportunities. McGaughey et al. (1997) found that networks act to constrain and support internationalization over time. Ties can open to some opportunities while they can "blind" a company to others that aren't part of the network. This goes in accordance with the redundant ties proposed by Burt (1995), where opportunities are limited by the network.

Another important part of Ellis' work (2011) is the differences he proposed between the network and the business networks. The most important one is the fact that a social network permits a wider recognition of opportunities, while the business network will generally restrict the opportunities to the market where the firm already has business relationships. The quality social network advantage is constrained by PD (namely geographic, cultural, psychic² and linguistic). Ellis (2011) suggested then that remote markets can more easily be reached through non-tie market development (such as trade fairs). Anyhow, Coviello (2006) suggested that social and business networks overlap with time and experience.

² Psychic distance describes differences in managers' subjective perceptions regarding the dissimilarities of foreign markets (Ellis, 2011, p.106)

Johansson and Vahlne (2009) now believe that internationalization of a firm relies on its relationships and its network location position. In a flow of knowledge, trust and commitment that goes through a network, firms are rewarded by their location in the web. Johansson and Vahlne (2009) also responded to the critics of their prior stage model regarding its lack of dynamism and the fact that it was useful to explain only the behaviour of large firms.

In fact, as the network is in constant movement (addition and deletion of ties) it turned out to be a more dynamic unit of analysis than originally thought. The network theory is also more acclimatized to the new economy. It has to be mentioned though, that the network has little explanatory power without the help of other theories. For example, the International New Ventures (INV) literature based itself in entrepreneurship theory (COVIELLO, 2006), while PD and the stage model explain parts of the failure of the network in remote markets (ELLIS, 2011). Ellis found that Chinese firms, having a poor social network, were developing their international operations through fairs. Social ties or business ties both seem to be interesting in order to develop the international market, but it depends on the actors and the context. As Ellis mentioned: “Anyone can recognize an opportunity, but only entrepreneurs exploit them” (2011, p. 109).

2.5 CONTEXT AND TIME

As this theoretical framework is based on the perception of the individual- the decision maker- the level of analysis will focus on the individual. This person’s perception of the distances is divided into several categories that have been mentioned before. But as Bamberger (2008; p.844) mentioned, we have “to create new theories explaining structures, environments, and time frames on one hand, and attitudes, cognition, and behaviour on the other”. We cannot study the behaviour of the decision maker without looking at the context and time. This is in accordance with Ghemawat (2001, 2007) who pondered on the importance of industry sensitivity and country politics (Ghemawat, 2007).

One of the principal points to be considered while discussing the context is the macro-context: the relationship between countries. Ghemawat (2007) abbreviated most of the international macro-economic theories in Triple-A (Adaptation, Aggregation and Arbitration). Those three strategies are directly link with the situation MNEs face when they decide to enter a new territory. They will either adapt to the market, use the market to increase their portfolio, or enjoy advantages offered to them in certain territories. A favourable tax system or exemption for importing or low cost labour can be a reason to enter a country. The global situation, such as a crisis or scarcity of resources, can also affect internationalization strategies.

Ghemawat (2007) noticed that firms are more sensitive to different distances depending on their industry (table 3, p. 50). For example, consumer products with ethnic, religious or language specification can be more sensitive to the cultural distance. Products that are usually highly protected by local governments, such as energy or communication can suffer from the administrative distance. Commodities are often regulated by international associations and thus don't suffer cultural, administrative, or economic distances, only geographic distance. Axinn and Matthyssens (2002) mentioned that the new economy (including services, global, high tech economies) diminishes PD. The four Ghemawat's distances seem to be present at a certain level for each international new venture and some are more critical depending on the firm's industry.

Ghemawat's four dimensions of distance CAGE framework is still a key model for PD studies. Besides Berry et al.'s (2010) praises of the CAGE model, Child et al. (2009) used it in order to select twelve dimensions to be studied in relationships between British firms and Brazilian firms. Brewer (2007) also used the CAGE framework to develop his PD index between Australian firms and foreign partners.

TABLE 3: INDUSTRY SENSIBILITY TO CAGE

The CAGE framework at the industry level: correlates of sensitivity (with examples in parentheses)

| Cultural distance | Administrative distance | Geographic distance | Economic distance |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Cultural differences matter the most when</p> <ul style="list-style-type: none"> • Products have high linguistic content (TV programs) • Products matter to cultural or national identity (foods) • Product features vary in terms of <ul style="list-style-type: none"> ◦ Size (cars) ◦ Standards (electrical equipment) • Products carry country-specific quality associations (wines) | <p>Government involvement is high in industries that are</p> <ul style="list-style-type: none"> • Producers of staple goods (electricity) • Producers of other “entitlements” (drugs) • Large employers (farming) • Large suppliers to government (mass transportation) • National champions (aerospace) • Vital to national security (telecommunications) • Exploiters of natural resources (oil, mining) • Subject to high sunk costs (infrastructure) | <p>Geography plays a more important role when</p> <ul style="list-style-type: none"> • Products have a low value-to-weight or value-to-bulk ratio (cement) • Products are fragile or perishable (glass, fruit) • Local supervision and operational requirements are high (many services) | <p>Economic differences have the biggest impact when</p> <ul style="list-style-type: none"> • The nature of demand varies with income level (cars) • The economics of standardization or scale are limited (cement) • Labor and other factor cost differences are salient (garments) • Distribution or business systems are different (insurance) • Companies need to be responsive and agile (home appliances) |

Source: Ghemawat (2007)

Besides the industry level, some researches highlighted their interest in the firm itself. Dichtl et al. (1990) noticed that going international was not only the responsibility of the manager, but also of the proper firm conduction and countries' politics. They noticed that occasional exporters had a lack of experience and often foreign language problems.

| FIRMS' CON- DITIONS FOR EXPORTING DECISION-MAKERS | CONDUCTIVE | NON-CONDUCTIVE |
|------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------|
| | FOREIGN ORIENTED | DOMESTICALLY ORIENTED |
| | (SMALL FIRMS) ① EXPORTERS ② (LARGE FIRMS) | OCCASIONAL EXPORTERS (WEAKNESS IN FIRM CONDITIONS) ③ |
| | OCCASIONAL EXPORTERS (WEAKNESS IN MANAGEMENT) ④ | DOMESTICALLY ORIENTED FIRMS ⑤ |

Figure 1: Classification of Exporters and Non-Exporters
Based on Personality Factors and Firm's conditions
Source: Dichtl et al. (1990)

If cases 1 and 2 are showing truly internationalized firms, box 5 shows a domestic oriented firm. Boxes 3 and 4 show a conflict situation between firm and management. Box 3 would include firms that do not have structure for exportation and a manager that wants to export. The result usually results in low levels of exports due to a lack of capacity for exporting and poor service. On the other hand, box 4 suggests a company that has a structure for exportation but with a manager that does not believe in exportation (for the reason mentioned in the last paragraph). This often results in firms that are quickly satisfied with little exportation. In order to understand the context, the age and the size of the firm (ALDRICH; AUSTER, 1986) also have to be considered.

Decision making of a firm can also be directed to a specific internationalization strategy, resource seeking or country specific advantage: all factors that should change the importance of the PD (TUNG; VERBEKE, 2010). The country where the firm operates also has a weight in the PD (NORDSTROM; VAHLNE, 1994); as technology is supposed to reduce PD, less technologically developed countries should be more inclined to be victim of higher PD. Other factors are more linked with opportunism (AHARONI, 1999), where the size of the market or a particular economic position can affect the importance of PD. Malhorta et al. (2008)

also noticed the moderating role of the market attractiveness. Finally, Zanger et al. (2008) mentioned that little research has stressed political relationships in PD.

As behaviour theory understands the internationalization of the firm as a process, time has to be considered. Uppsala school premises are based on the generation of knowledge over time, since firms are eventually going from exportation to SBUs after accessing information about others' countries (JOHANSON; VAHLNE, 1977). Child et al. (2009) were concerned about how British firms were coping with their Brazilian reality.

Worried about both time and context, McGaughey et al. (1997) found in their case of an Australian asparagus exporter that the context was made of internal drivers, such as company resources (finance, staffing, technology, etc.), international networks, knowledge about foreign markets, skills in foreign operations, and external drivers, such as government politics. Another important factor of the McGaughey et al. (1997) findings is the importance of the decision maker in both initiating and driving internationalization over time. This research was at the source of the model proposed in this dissertation.

2.6 SME PSYCHIC DISTANCE MODELS

The case by McGaughey et al. (1997) exposed the story of two partners that found an opportunity exporting Australian asparagus to Japan between the months of September to December (Japanese's fall). The case showed that the entrepreneurship and experience of the two owners helped to quickly open the Japanese market to the company while the government transportation subventions gave a boost to sales. As the firm matured, the decision makers' strategy no longer focused on the company's main market: Japan. The company did not respond quickly to its main customers' new needs and thus gained a bad reputation in Japan. Over time, different factors such as one of the founders' unpopularity and erroneous strategies, government subsidy cuts and changes in market requests resulted in the company closing down. As mentioned in McGaughey et al.(1997), the company's

factors which have to be taken into account that, in spite of high interest, may impede internationalization behaviour. In their model, the “entrepreneur” (or internationally oriented decision maker) will have to overcome negative perception created by PD or experience in order to be willing to cooperate. An important addition that this study offered was the distance based on product or company; reputation about the quality of product of a certain country can harm the marketing of certain products from this same country.

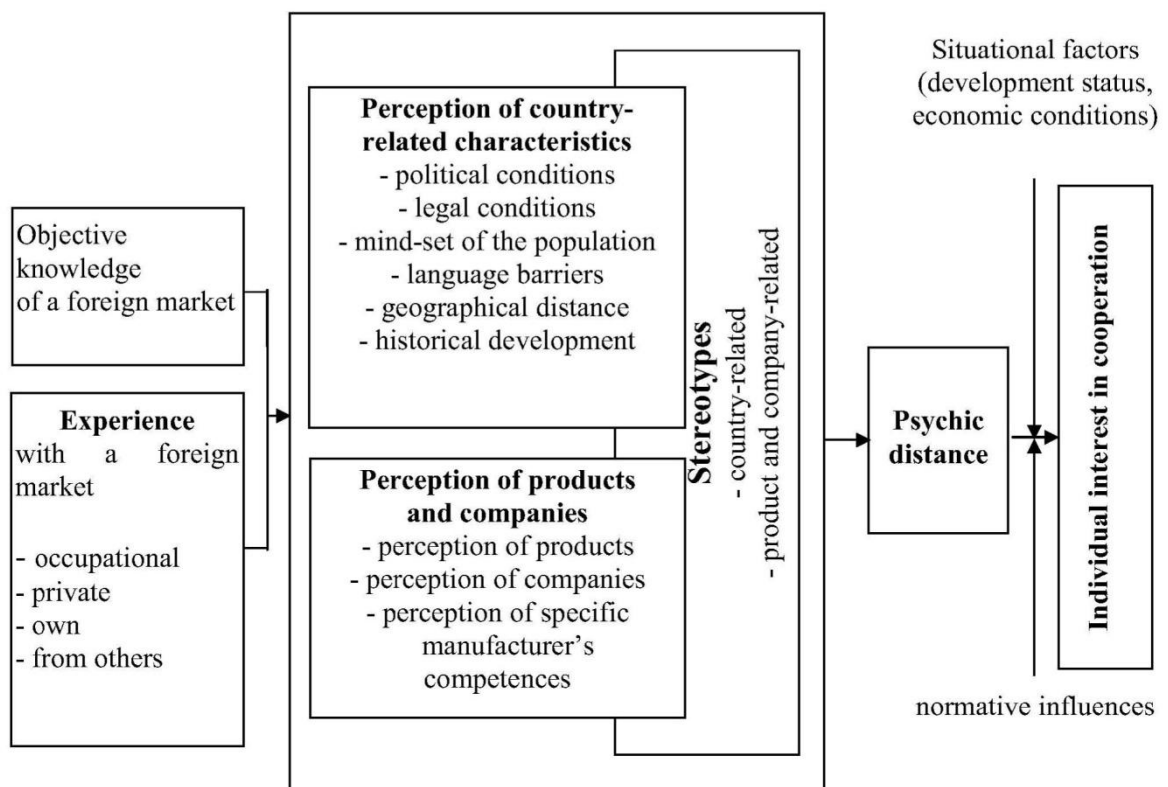


Figure 3: the construct of psychic distance with regard to the interest in cross-border cooperation
Source: Zanger et al. (2008)

The Zanger et al. (2008) research did have some limits. Using only geographic, cultural and economic distances put a limit on the comparison between the macro-economic accepted PD construct and their new definition. Also, using as a research field two countries that have a long history in common marked by animosity left over from war opened the door to stereotypes. Using countries that are more distant would probably create other dynamics where stereotypes would be transformed into the unknown. The model and the methodology contributed some

interesting new elements, where data were collected through interviews, which is a good way to understand the perceptions of the decision makers in a case study.

The model proposed in this dissertation tried to join the importance of the decision maker perception of the distance with the actual distance. The reason of this union is that some actual micro-economic distances might affect the internationalization of the firm without being perceived by a decision maker. The model also includes the description of the decision maker through four types of profiles based on Manalova et al. (2002) and Dichtl et al. (1990), the possible presence of ties between partners and their importance, and the mediation of the context. As all processes lead to a result (a full process that gives legitimacy to a work in the eyes of the corporate world), this dissertation also explored the result of the SME's decision maker behaviour in light of the PD construct.

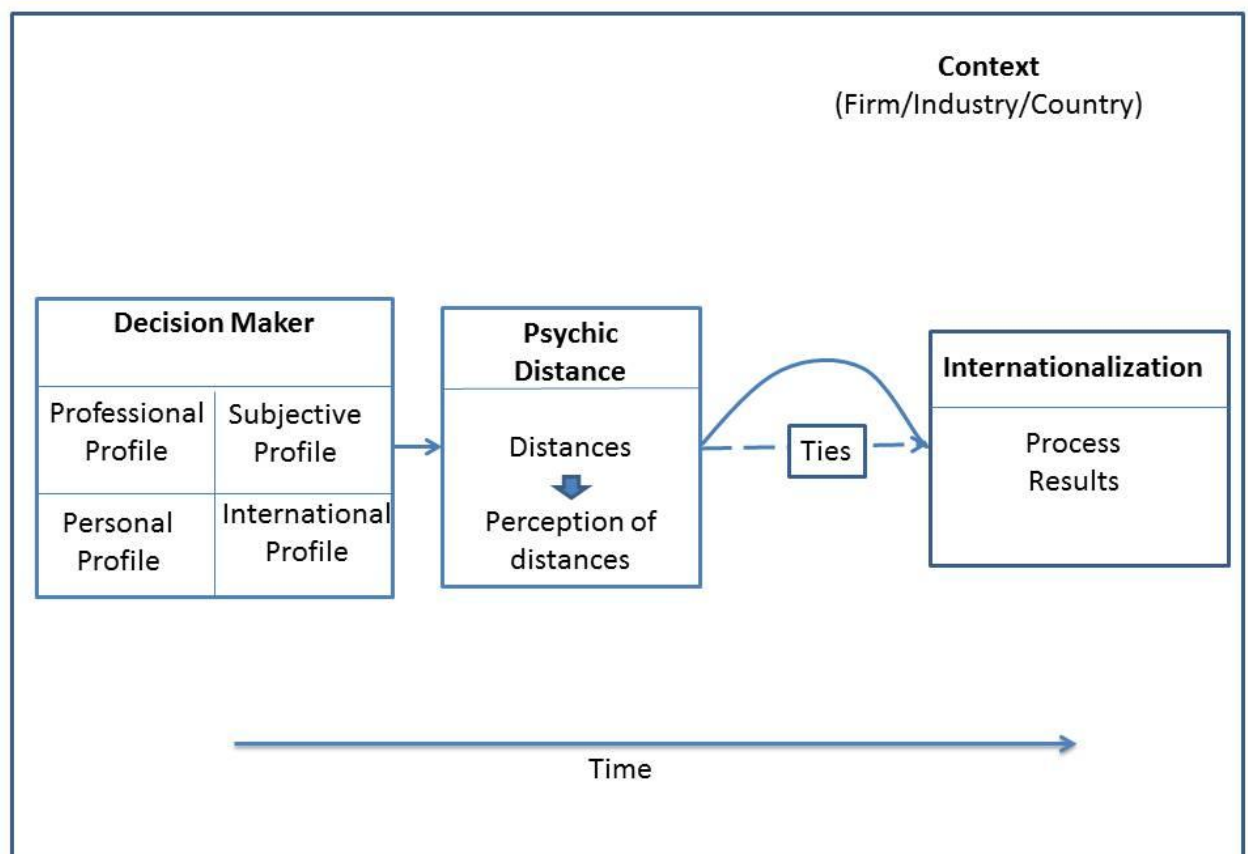


Figure 4: The Psychic distance construct of SME decision maker
Source: The author (2011)

The model does not deny the validity of the two previous ones but rather invites the reader to consider that factors such as the industry (GHEMAWAT, 2001), the relationships between countries (NORDSTROM; VAHLNES, 1994), the true interests of firms and decision makers in the internationalization process (DICHTL et al., 1990), the distances and the perceptions they create (EVANS; MAVONDO, 2002; ZANGER et al., 2008), and the importance of the ties (JOHANSON; VAHLNE, 2009; ELLIS, 2011), comprise a set of variables that have to be considered in order to understand the internationalization process of a firm. This model added to Zanger et al.'s (2008) proposition and both the drivers (internal and external) and the network brought by McGaughey et al.'s (1997) model. This permitted validation of the importance of the network in two countries that are fairly far from each other. Also the model helps to show how the industry becomes important in PD studies.

2.7 KEY AUTHORS OF THE THEORETICAL FRAMEWORK

TABLE 4: KEY AUTHORS OF THE THEORETICAL FRAMEWORK

| DECISION MAKER | CONTEXT | TIES | PSYCHIC DISTANCE | INTERNATION -ALIZATION |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Zanger et al. (2008), Manolova et al. (2002) McGaughey et al. (1997) Dichtl et al.(1990), | Zanger et al. (2008), Ghemawat (2007), Dichtl et. al. (1990) Aldrich & Auster, (1989 | Ellis (2011), Johanson & Vahlne (2009), Granovetter (1983) | Child et al. (2009), Brewer (2007), Dow & Karunaratna (2006), Evans & Mavondo (2002) Ghemawat (2001), Hofstede (1980) Johanson & Vahlne (1977), Johanson & Weidersheim-Paul (1975) | Manolova et al.(2002), Sullivan (1994) Johanson & Wiedersheim-Paul (1975) |

Source: The author (2011)

3. METHODOLOGY

The importance of methodology has been widely stressed in the literature. Yin (1994) urges the necessity of proposing a methodology in order to allow the reproduction of a research. This becomes even more important once we talk about the qualitative research. Martins and Teofilo (2009) mentioned that scientific knowledge results from a methodical and systematic investigation of reality. They also mentioned that methodology is treated as an instrumental preoccupation: science attempts to capture reality; the methodology deals with the way to reach this goal (free translation from MARTINS; TEOFILO, 2009; p. 37).

The objective initially proposed led us to select a research strategy. For its complexity and small population, a qualitative method was chosen for this research as it was believed to be more efficient in order to propose valid findings. Creswell (2009) gave some reasons in order to prioritize a qualitative method over a quantitative one, among them, the fact that the nature of the phenomenon is too complex in order to be studied quantitatively. Denzin and Lincoln (1994; p.4) distinguished qualitative from quantitative methods stating that the latter places “emphasis on processes and meanings that are not rigorously examined, or measured (if measured at all), in terms of quantity, amount, intensity, or frequency”. Miles and Huberman (1994) mentioned that qualitative research allows us to better understand the perception of local actors. As the key objective of this research is to see how perception of distances by the decision maker influences the internationalization of his/her firm, the qualitative method seems to be the more accurate.

This section presents the research question and its sub-questions, the definition of the terms that have been studied and the methodology used in order to relate those terms.

3.1 RESEARCH QUESTION

How the decision maker's PD (distance and its perception) influences the internationalization of SMEs from Southern and Southeastern Brazil and Quebec?

3.2 RESEARCH SUB-QUESTIONS

- 1- What are the roles and profiles of decision makers in international relationships between SMEs from Southern and Southeastern Brazil and Quebec?
- 2- What is the context (firm, industry) in which the decision maker operates?
- 3- How is the decision makers' perception of distance in the SME internationalization process composed?
- 4- How can personal ties with decision makers' foreign contacts be described?
- 5-What are the effects of the decision maker's PD on the internationalization process of SMEs from Southern and Southeastern Brazil and Quebec?

3.3 DEFINITION OF TERMS

Decision maker:

The definition of decision maker has been divided in two parts. The first one will permit the contextualization of the decision maker construct. Then the profile of the decision maker is been studied through four characteristics: personal, subjective, professional and international.

Decision Maker:

Constitutive definition: The entrepreneur, executive, manager or negotiator that makes decisions in order to create, follow or stimulate organizational strategies in the internationalization process.

In the context of the internationalization process, a decision maker has to be defined not only through an explanation of their role in a firm but also through their background, attitudes and knowledge towards internationalization (MCGAUGHEY et al., 1997). A decision maker's personal information, professional experience and orientation towards foreign markets also become important.

Reid (1981; p. 107) believed that foreign orientation implies "both the existence of an ability which is capable of discriminating between specific markets and one which tends to reduce the distinctions made between the home market and foreign markets". Dichtl et al. (1990) saw the foreign orientation of the manager as the sum of their PD, objective characteristics, subjective characteristics and attitude toward exporting in general.

Operational definition: The decision maker was evaluated through the importance of decisions contributing to the firm's international strategy. The decision maker selected from each SME was not necessarily the most important in the firm's hierarchy, but the one that had the biggest influence on decisions made about the Canada/Brazil relationship. As the population consisted of SMEs, interviews were made with decision makers of firm with less than 500 employees that, in the case of Brazilian firms, have a commercial relationship with Canada and in the case of Canadian firms, have a relationship with Brazil.

The 4 profile characteristics were measured as followed:

Personal characteristics

Personal characteristics have been understood here as all objective characteristics linked to the family background such as: race, religion, origin, native language. Literature has suggested that age (DICHTL et al., 1990), language, religion (DOW; KARUNARATNA, 2006) and gender (MANOLOVA et al., 2002), have proven to offer some explanation on either the PD or the foreign orientation of the decision maker.

Age has been collected as a covariate, and religion and language have both been adapted to the Dow and Karunaratna (2006) scales. Gender and age have been treated as categorical variables.

| Personal characteristics |
|--------------------------|
| Age |
| Sex |
| Native language |
| Religion |

Professional characteristics:

The professional characteristics include all the factors linked with specialization of the decision maker such as: education and professional experience. Dichtl et al. (1990) measured the level of education and the number of previous employers as some of what they called the “objective” characteristics of the decision maker. Manolova et al. (2002) also measured the tenure and the time spent in the firm. Factors such as the specialization and the number of years have been added in order to complete the professional description of the decision maker.

The professional characteristics were measured as covariates.

| Professional characteristics |
|-------------------------------------|
| Level of education |
| Specialization (diplomas) |
| Tenure |
| Years at this position |
| Experience in years in the industry |
| Number of prior employers |

International characteristics:

The international characteristics include all factors that are linked with decision maker's level of internationalization, such as: stays in other countries or command of foreign languages. Based on research into decision making and internationalization, various indicators were used. In order to measure the international characteristics of the decision maker's profile, indicators used in studies made by Dichtl et al. (1990) such as "command of foreign languages" , "vacation spent abroad" and "longer stay abroad", and by Manolova et al. (2002), such as total time of "study abroad", "working abroad" and "lived abroad" were adopted.

| |
|-------------------------------|
| International characteristics |
| Command of foreign languages |
| Vacation spent abroad |
| Longer stay abroad |
| Time of study abroad |
| Time of working abroad |
| Time lived abroad |

After two interviews, two other variables were added; "the number of international trips per year" and "the total number of visits in the other partner's country (Canada or Brazil)". These were added essentially because they were mentioned by the participants, but also because they give more information about current traveling habits and relationships with the other partner's country.

Subjective characteristics:

Dichtl et al. (1990) described the subjective characteristics as the ones centered on the decision maker's personality. In this research, beside the four subjective characteristics that they proposed, a last independent characteristic that they suggested was added: the general attitude toward exporting. For the matter of this research this element has been transformed to "general attitude toward internationalization". Finally, an important aspect brought by Ellis (2011) that has to do with the decision maker's personality, the facility of "creating ties", was also measured.

These characteristics were measured on a 5 points scale where 1 means “low” and 5 means “high”. Respondents were subsequently invited to comment on their answers.

| Subjective characteristics |
|------------------------------------------------------------------------------------------------------------------------------------------|
| Attitude toward risk Rigidity Willingness to change Attitude toward internationalization in general Easiness to create ties. |

Context:

Constitutive definition: Many authors (ROUSSEAU; FRIED, 2001; YIN, 1994) believe that behavioural studies cannot be studied without contextualization. For the purpose of this research the following definition of contextualization has been used in order to better understand the concept of context: “contextualisation is a way of approaching research where knowledge of the settings to be studied is brought to bear in design and implementation decisions” (ROUSSEAU; FREID, 2001; p.6). For Rousseau and Fried (2001; p.7) the rich description of contextualization “provides detailed description and informed reflection on the role that context plays in influencing the meaning, variation, and relationship among variables under study”. The context is understood here as the environment where the decision maker operates, including the national, industry and firm contexts.

Operational Definition: Many factors have linked the individual, the PD and its context. Size and age of the firm (ALDRICH; AUSTER, 1986) as well as the industry of actuation (GHEMAWAT, 2001; ZANGER et al., 2008) are factors that can be important in the internationalization process. Therefore, data on the firms were collected. In accordance with Dichtl et al. (1990), data on a firm’s international experience were measured as a firm orientation, which can also be an important moderator of exportation. These measures were collected through objectively formatted questions, but the respondent was then invited to speak freely about past

processes and the context of the firm in order to maximize the possibility of achieving a rich description of the context.

Questions were also asked regarding how the arbitration (Ghemawat, 2007) of the firm, its position in its industry's global market, either facilitates or inhibits its internationalization.

| FIRM'S ATTRIBUTE |
|----------------------------------------------------|
| Age |
| Number of employees |
| Industry |
| Total sales |
| Beginning of internationalization |
| Beginning of internationalization in Canada/Brazil |
| Number of countries with partners-customers |
| First region of actuation |
| Second region of actuation |
| Third region of actuation |

Beside the objective questions on the context, the following three subjective questions were asked.

Are there any natural facilitating or inhibiting factors coming from your industry?

Would you consider that the firm has a natural inclination for internationalization?

Would you consider that the industry has a natural inclination for internationalization?

Ties:

Constitutive definition: Behaviour theory has looked for ties in three different ways, the network (JOHANSON; VAHLNE, 1990), social ties (ELLIS, 2011) and intra-national diversity (TUNG; VERBEKE, 2010). Those three concepts have in common the fact that they can facilitate internationalization through higher trust and lower uncertainty. For this research, a simple definition of ties has been proposed:

the relationships between two actors, which include social and business networks as well as professional and personal ties.

Operational Definition: In order to avoid outliers based on intra-national cultural distance (TUNG; VERBEEKE, 2010; ZANGER et al., 2008), information on foreign partners has been asked regarding ethnicity, language, formation, religion or membership in a common network with the decision maker. This explains discrepancy linked with firm specific advantage (FSA) due to cultural proximities.

The questions of network and social ties were also explored in order to better understand the relationship they have with the PD construct. Finally, indirect and weak ties (Granovetter, 1983) were studied.

The respondent was invited to openly talk about their relationship with foreign partner(s). If answers to the following questions were not given, the questions were then directly asked to the respondent.

Do you have cultural (language, religion, etc.) or educational ties with your foreign partner? _____ if yes, explain

Before starting a business relationship were you and your partner members of the same business network? _____ if yes, explain

Do you share a common history, past job or interest with your partner? _____ if yes, explain

How and when did you meet your partner?

Do you have a former partner in the same territory?

Is your current partner associated with or related to your former partner?

Ties were thus used in a qualitative way. Some terms were used in a non-parametric quantitative content analysis.

Psychic Distance:

Constitutive definition: In this work, distance, which is a macro (country) and meso (industry) economic construct has been distinguished from PD, which is considered in this study as a micro (individual) construct. In accordance with

Ghemawat (2001), the distance could then be defined as the cultural, administrative, geographic and economic differences between two countries.

The PD construct is related to the perception of a distance in the decision maker's commitment to internationalization. For that matter the PD differs from distance as it has, for the decision maker, a direct relationship with their commitment. The PD is then considered as an existing distance that has an influence on decisions. The PD here is considered as the decision maker's degree of uncertainty about a foreign market resulting from actual or perceived cultural, administrative, geographical or economic differences that present barriers to learning about the market and operation there.

Operational definition: Respondents initially confirmed how important these distances were between the two countries. In the interview, respondents had to respond to questions based on the Ghemawat CAGE framework, giving a range of importance for each of the four distances. The distance categories selected were the ones proposed by Child et al. (2009) because they are based on Ghemawat's framework, have already been used in similar work (between England and Brazil's SME's) and leave room for the definition of perception. Dow and Karunaratna's (2006) measures, also strongly related to Ghemawat's framework, allowed a comparison of results with the macro concepts of distance.

Retooling the questions regarding the 12 distances proposed by Child et al.(2009), plus religion, proposed by Dow and Karunaratna (2006), the perception of decision maker was then measured by asking them until what point each distance affects their business with their foreign partner (from either Canada or Brazil). This measure was collected using a five point scale. Respondents were then invited to explain both of their answers: on the perception of distance between the two countries and the importance it has in their business.

| 13 perceived distances | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| 1 Geography 2 Culture 3 Language 4 Religion 5 Level of education 6 Level of technical development 7 Level of economic development | 8 Logistics infrastructure 9 Political system 10 Legal system 11 Regulations 12 Business practices 13 Business ethics |

Internationalization:

Constitutive definition: Many definitions of internationalization have been used in management. For Johanson and Wiedersheim-Paul (1975; p. 306), “the term international referred to either an attitude of the firm towards foreign activities or to the actual carrying out of activities abroad”. Welsh and Luostarinen (1988, p. 36) proposed the following definition of internationalization: “the process of increasing involvement in international operations”. This broader definition allows considering both inward and outward international operation. Due to this fact, Welsh and Luostarinen (1988) was used in this research.

Operational definition: As internationalization is a process that includes knowledge and commitment (JOHANSON; VAHLNE, 1977; 2009), we have to measure this process over time. For this matter questions about internationalization were asked post-hoc for two periods: the initiation of the commitment to internationalization to the foreign market and the date of the application of the questionnaire.

In this research, the firm was considered internationalized once it committed financially or contractually in a relationship with a foreign market. In accordance with Korhonen & al. (1996), this commitment can be either inward (importation or internationalization of a service) or outward. Single orders were not considered as a source of internationalization as they are not considered recurrent.

Respondents had to discuss initial entry mode (JOHANSON; WEIDERSHEIM-PAUL, 1975) from the time of the initial commitment until today. The following degrees were proposed from the initial commitment to today: 1)

absence of internationalization; 2) import; 3) export; 4) export through an agent (distribution); 5) joint venture; 6) strategic business unit; 7) fully owned production/manufacturing.

As mentioned before, many criticisms have been made concerning the incrementalist stage model (ANDERSEN, 1993) and that firms can go directly from one stage to a higher one without passing through intermediate stages (OVIATT; MCDOUGALL, 1994). For this matter, other measures had to be taken. Sullivan's (1994) instrument will be partly used. Sullivan proposed five measures out of which two were selected for use: the percentage of foreign sales compared to total sales, and the percentage of foreign assets compared to total assets. As this research has SMEs as a sample, it was considered that the number of foreign subsidiaries (third measure) is not as relevant. The two last Sullivan measures, "top manager international experience" and "PD of international dispersion" were understood in this work as independent variables that affect internationalization. In order to respect the time factor, the questions referred to a three-year period, from three years prior to the interview up until the day of the interview.

A final set of questions looked at the decision maker's commitment through what he/she considers as major factors that brought the firm to go international: such as foreign proposals, fear of losing market share, band wagon effect, a tough local market, market attractiveness (AHARONI, 1999), presence of a network (JOHANSON; VAHLNE, 2009), participation in trade fairs (DITCH et al., 1990); as well as what he/she considers as major factors that impeded or slowed down that process, such as high transaction costs (HENNART, 2009), restructuring of the firm, cultural differences, logistic, administrative or economic differences, or the loss of foreign partner. The respondent was invited to talk about their internationalization experience in the country. If answers to the following questions were not given, the questions were then directly asked to the respondent.

What was your initial entry mode to Canada (Brazil)?

1) No internationalization; 2) import; 3) export; 4) export through an agent (distribution); 5) joint venture; 6) strategic business unit; 7) fully owned production/manufacturing.

What would you consider as your main activity in this territory now? (Explain)

1) No internationalization; 2) import; 3) export; 4) export through an agent (distribution); 5) joint venture; 6) strategic business unit; 7) fully owned production/manufacturing.

What are the reasons that brought you to consider Canada (Brazil) as an expansion territory?

Do you/did you have any cultural (language, religion), educational or network links with your foreign partner? _____ explain

How did you initially plan to enter this market? Who opened the doors to this market to you?

What are the factors that explain your current position in this market?

What was the effect of your perception of that market on the entry mode? On the current status of your firm in this market? On the speed of entry?

3.4 EMPIRICAL RESEARCH

The main concern of PD studies lies in measures, the exercise consisted in finding ways to understand the importance of PD in decision making by measuring it. This research had to deal with the difficulty of measuring process indicators. As mentioned earlier, Ghemawat's (2001, 2007) work is considered as the most complete regarding distance (BERRY et al., 2010). His model (table 1, p. 34) has been used as a basic framework in order to measure PD factors. National distances are well accepted and designed, but are usually based on distance between North America or Western Europe in relation to several partners around the world. The data encountered in other research (DOW; KARUNARATNA, 2006; HOFSTEDE, 1998) gave a fairly good spectrum of what, theoretically, should be found. As this

research is based partly on Brazil, a country that has been studied mostly as a distant partner of a specific country, little has been said about how its people see the world. Canadians, although naturally closer to US and Western cultures (and other parts of the CAGE framework) have been differentiated in some research; namely the one by O'Grady and Lane (1996).

Various authors have found that the measure of PD should start with the decision maker at the individual level (EVANS; MAVONDO; 2002; MANOLOVA *et al.*, 2002) and that it becomes especially true at the level of the SME (ZANGER *et al.*, 2008). Hence, a multi-case study is appropriate where various decision makers of Brazilian and Canadian firms that committed at some point to internationalization to the other's territory. Yin (1994) that decisions are a major focus of case studies. For Schramm:

The essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or a set of decisions: why they were taken, how they were implemented, and with what result. (SCHRAMM, 1971 as cited in YIN, 2006, p. 12)

Yin (1994, p.13) added that case studies “investigate a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”.

The case study is one of the qualitative responses to the limitation that quantitative researches have in reaching the complexity of a phenomenon or a process. As many authors mentioned (WELCH *et al.*, 2011; GODOI *et al.* 2006, YIN, 1994), the case study method can use different ontology, epistemology and natures depending on the object of the study. In a recent study, Welch *et al.* (2011) noticed that most of the case studies used in international business research could be divided into four dimensions: inductive theory building, natural experiment, interpretive sense making and contextualized explanation. These four dimensions are led by different ontologies and lead to different ways of doing research (see table 5).

Following a general positivist trend of research on behaviourism (YIN, 1994) and respecting the proper ontological positioning of the author, the multi-case study will be directed into a relational or causal link between the variables. Yin (1994) mentioned that the multi-case study should be considered a multiple experiment. In that sense, we are no longer talking about a statistical generalization, as in quantitative studies, but instead in analytic generalization.

As the theoretical framework is based on the perception of the individual, the decision maker, the level of analysis should focus on the individual. The individual perception of distance is divided into several categories that have been mentioned before. But as Bamberger (2008, p.844) mentioned, we have “to create new theories explaining structures, environments, and time frames on one hand, and attitudes, cognition, and behaviour on the other”. The behaviour of the decision maker cannot be studied without looking at the context and time. This goes in accordance with Ghemawat’s (2001; 2007) preoccupation about industry sensitivity.

TABLE 5: COMPARING FOUR METHODS OF THEORIZING FROM CASE STUDIES

| <i>Dimension</i> | <i>Inductive theory building</i> | <i>Natural experiment</i> | <i>Interpretive sensemaking</i> | <i>Contextualised explanation</i> |
|----------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Philosophical orientation | Positivist (empiricist) | Positivist (falsificationist) | Interpretive/ constructionist | Critical realist |
| Nature of research process | Objective search for generalities | Objective search for causes | Subjective search for meaning | Subjective search for causes |
| Case study outcome | Explanation in the form of testable propositions | Explanation in the form of cause–effect linkages | Understanding of actors’ subjective experiences | Explanation in the form of causal mechanisms |
| Strength of case study | Induction | Internal validity | Thick description | Causes-of-effects explanations |
| Attitude to generalisation | Generalisation to population | Generalisation to theory (analytic generalisation) | “Particularisation” not generalisation | Contingent and limited generalisations |
| Nature of causality | Regularity model: proposing associations between events (weak form of causality) | Specifying cause–effect relationships (strong form of causality) | Too simplistic and deterministic a concept | Specifying causal mechanisms and the contextual conditions under which they work (strong form of causality) |
| Role of context | Contextual description a first step only | Causal relationships are isolated from the context of the case | Contextual description necessary for understanding | Context integrated into explanation |
| Main advocate | Eisenhardt | Yin | Stake | Ragin/Bhaskar |

Source: Welch et al. 2011

Rousseau and Fried (2001) noticed the importance of contextualization in order to make the research result more robust. Yin (1994), invited researchers to make a triangulation of data in order to prevent construct validity problems. To do the same, beside interviews, direct observation and document analysis were used in this present research. Contextualization has also been observed through organizational results: the internationalization of the firm.

In the case of this research, the case studies were instrumental. Stake (1994) mentioned that instrumental cases are used in order to facilitate the understanding of another phenomenon. In this research, the cases were used in order to study a specific aspect of firm internationalization: the influence of PD on the decision maker. The cases were compared to each other and triangulated with theory and effects proposed by the distances found in secondary data to better understand the importance of the construct.

3.5 DATA COLLECTION

In the research design, interviews were constructed out of semi-structured questions with the main decision maker about their profile, orientation to foreign markets, understanding of the distance between the two studied territories and perception of the importance of this distance in their relationship with partner(s) from the other territory. This research categorized the decision makers as sole leaders in the firms' internationalization process, but for a matter of spatial and time contextualization (BAMBERGER, 2008; ROUSSEAU; FRIED, 2001), for the possible change of perception or memory fade (MCGAUGHEY et al., 1997) and for the necessity of triangulation (YIN, 1994), interviews were also made with partners or managers of the firms. The length of the interviews and the fact the main and most often only decision maker gave satisfying information permitted this technique to be altered to just using a single respondent per firm: a technique successfully used in Zanger et al. (2008).

The research field work was performed between June and September 2011. The potential participants were found via the internet, through the Brazilian Ministry

of Foreign Relations (Itamaraty) website, and with the help of the bureau du Québec in Sao Paulo. This last organization invited 12 companies to participate in the research, with a positive response coming from eleven firms. Two other firms from Québec were found through personal contacts. The internet and the Itaramaty website helped find four Brazilian firms, while the six other Brazilian firms were either partners or customers of one of the Québec firms. This resulted in a total of 23 firms responding to the 45-75 minute interview: 13 from Québec and 10 from Brazil. Most of those interviews were made over the internet (using Skype) while six were conducted personally. As the potential population was fairly small, two large multinational firms, one firm coming from the state of Goiás and two firms with people that were not the initial decision maker (but rather current negotiators) were included in the study. These firms were been discarded as the results coming from them were in accordance with the theory developed in this dissertation. The two large firms' internationalization was managed by a single person at each who had a similar behaviour to corresponding individuals at smaller firms. Empirical data showed similar results, although, as it will be explained later, some subtlety in PD effects can be seen between firms of different sizes. The decision maker from the Goiás firm was actually from São Paulo and he was working in both states.

Two firms from Quebec had an office in Brazil which also responded to the questionnaire. Eight firms were exporting (some with a small representation), one was doing a project with a Brazilian firm, one was a firm with a SBU and one was importing from Brazil. Four Brazilian firms were exporters, two were importers, two were a Québec firm's SBU, one was a partner of the Quebec' firm in the project mentioned above and one was a consultant for commercial relationships between both countries.

TABLE 6: SUMMARIZING DATA COLLECTION

| Firm | Tenure | Int. Time (Min) |
|-------------|---------------|------------------------|
| CAN1 | V-P | 49:05 |
| CAN2 | Manager | 63:29 |
| CAN3 | V-P | 39:35 |

| | | |
|--------------|-----------|-------|
| CAN4 | Manager | 70:49 |
| CAN5 | President | 49:34 |
| CAN6 | Manager | 60:07 |
| CAN7 | Owner | 73:31 |
| CAN8 | Owner | 48:46 |
| CAN9 | Manager | 75:06 |
| CAN10 | V-P | 57:30 |
| CAN11 | V-P | 65:55 |
| CAN12 | Owner | 50:54 |
| CAN13 | President | 59:06 |
| BRA1 | Analyst | 54:22 |
| BRA2 | Manager | 49:54 |
| BRA3 | Analyst | 46:58 |
| BRA4 | Manager | 43:10 |
| BRA5 | V-P | 59:09 |
| BRA6 | Manager | 50:12 |
| BRA7 | Owner | 61:12 |
| BRA8 | Owner | 59:09 |
| BRA9 | Manager | 72:18 |
| BRA10 | Manager | 85:24 |

Total interviews time: 22:25:15

Average interviews time: 58:48

Source: The author

Triangulation of some data was made possible by directly following some negotiations. In one case, an exporter of cachaça from Brazil started negotiations with a partner in Quebec with a deadline of product entry in September of 2011. This gave the possibility of studying an entire entry process within a short period of time. A second case was more participative. A Quebec wood importer asked to be helped in the research and purchase of a fairly large amount of wood from Brazil. This “participative” research, in which the author of this dissertation was personally involved, allowed following up a different process; the non-solicited order. Although this was a single commercial act, which was not to be considered in this study, the fact that both buyer and supplier were considering themselves as actively internationalized firms permitted its inclusion. It also provided corroboration of other data.

The semi-structured interview sought to answer the theorized components of the construct: decision maker, distance, PD, context and internationalization. Decision maker’s profiles were made in order to permit clustering of the answers.

Contextualization of the firm allowed for better validity to the research. The contextualization is seen here as described by Rousseau and Fried (2001). For them, “contextualizing entails linking observations to a set of relevant facts, events, or points of view that make possible research and theory that form part of a larger whole” (ROUSSEAU & FRIED, 2001; p.1). In this work this contextualization between the decision maker’s perception of distance and the internationalization of the firm was made through a description of the decision maker’s profile and orientation towards internationalization, and the description of the firm, its industry, and its internationalization over time. Other macro-economic factors such as economic crisis, new politics or programs needed to be observed as well in order to contextualize some perception of distance. For example, a new national importation tax can be determinant in a decision’s maker perception of distance (such as administrative), if it creates a barrier to business. Respondents were invited to elaborate on the context of these barriers in order to verify the context. As theory suggests (ROUSSEAU; FRIED, 2001; BAMBERGER, 2008; WELCH et al., 2011), this give a generalization power to the research, but permits reproduction and limits the divergence in a comparative context or a contingent generalization (WELCH et al., 2011).

Time is an important aspect of contextualization, as the individual (the decision maker) and firm can be transformed differently over time (ROUSSEAU; FRIED, 2001). In order to find some possible significant difference in the process of internationalization, a fairly long time period must be considered, as the period between commitment and effective entry can be long. On the other hand, as Dow and Karunaratna (2006) mentioned, a decision maker’s perception of distance should be measured while it is in the process. For this matter firms that have initially committed to internationalization in Canada (Brazil) for a minimum of three years period were selected in order to permit the completion of a long process; a process that resulted in a decision to internationalize or not. Few firms did not qualify for the three conditions, but were included for two reasons: they succeeded in entering the market and they were qualified as born-global.

3.5.1 Validity and Reliability.

Yin (1994) mentioned the importance of the validity and the reliability of the qualitative research. If the method allows a better understanding of a process or phenomena, it lacks in generalization power. For that matter, Yin (1994) proposed alternative ways in order to validate the qualitative research and reach an analytic generalization.

The *construct validity* is related with the necessity of finding the proper operational measures for the concepts being studied (YIN, 1994). Beside the triangulation of data, the use of questions made for other seminal studies (DICHTL et al., 1990; CHILD et al., 2009) allowed maximization of the quality of the data used for the analysis.

Yin (1994, p. 33) mentioned that causal studies (only) needed the use of *internal validity*, in order to “establish a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships”. He suggested that internal validity is gained by comparing the case with rival propositions. In this work, it is expected that by using the different aspects of the decision made from the decision maker’s end, his/her background (personal, professional, international), the context coming from the firm and the industry, and the result explained either through behavioural or economic theories, the study will achieve this internal validity.

The third type of validity proposed by Yin (1994) is *external validity*, the possibility of generalizing the study. This validity was reached in two different ways: first, use questions from prior studies; allowing for comparison between current findings and those from previous studies. For this same reason, content analysis allows for categorization of answers. Second, the theoretical framework helps gain this validity

Finally, the *reliability* of the study, which should, for Yin (1994), given the same context and using the same procedure, allow for replication of results. The

reliability can be found in the methodology proposed, in the interview protocol (annex 1), and in the good conduct of the research.

Yin's standards for reliability and validity were achieved in this work through the triangulation of qualitative and non-parametric quantitative data collected during the interviews, the macro-economic indicators found through international organization websites or reports, and then compared with theory. In order to extract as much information as possible from the respondents, it has to be mentioned that at any time during the interviews, respondents were allowed (and invited) to speak freely, off script.

In a multi-cultural research, some precautions have to be taken regarding the language used. Problems misunderstanding, of contacting respondents or in selecting the language can be an important factor in the success of a qualitative research (WELCH; PIEKKARI, 2006). For this matter, respondents were contacted and interviewed in one of the official languages of the two countries: English, Portuguese or French. As the sole interviewer speaks the three languages fluently (having French as mother tongue), little interference coming from the language was expected. This also allowed the respondent to fully explain his/her responses. As mentioned by Welch and Peikkari (2006), the interviewer, for a possible lack of common culture or "intimacy" brought by a common mother tongue, took a neo-positivist stand. Based on the positivist epistemology, the neo-positivist position "conceives the interview as a search-and-discovery mission", the objective of which is to "extract" accurate information from respondents" (HOLSTEIN; GUBRIUM, 1995 as cited in WELCH; PIEKKARI, 2006). The language was seen as a neutral instrument in order to collect data.

3.5.2 The Protocol of Interview

The questionnaire was divided into five parts. The questions regarding the decision makers' roles, profiles and experiences as well as the information on the firm were closed-ended and asked for a direct answer. The questions related to the constructs of distance and PD were open-ended and semi-structured in order to

reach a better analysis of perception. As suggested in Child *et al.* (2009), respondents were then invited to put the importance of every distance for their own business on a five-point scale, in order to look at any tendencies.

The questionnaire also included an interview guide in order to give more latitude in answering the questions on ties and internationalization. The respondents were invited to openly explain the origin of their ties with their foreign partner, its development and strength. Internationalization was looked at through a last semi-structured part of interview where respondents had to talk about the process and the key reasons that brought their company to the current situation. The three year timeframe allowed for measuring the speed of internationalization, although, as previously mentioned, that was not always possible. Respondents were finally invited to comment on the incrementalist theory of internationalization by explaining how their internationalization happened.

The questionnaire applied to the respondents is available as addendum 1 (in French) and addendum 2 (Portuguese) at the end of this dissertation.

3.5.3 Data Treatment

In order to analyze the results, responses have been clustered by category of analysis and divided into non-parametric statistics and qualitative data. The qualitative data have been treated with the help of the Atlas TI software. This software allows users to create codes with words, phrases, content or significance. 75 codes were created using the terms as defined into categories and sub-categories: these included the 13 distances, the four decision maker profile characteristics, the three levels of context, the ties and some keywords found in the literature, such as commitment or risk and some set of words that presented a specific significance. Codes were also created in order to separate significance of the categories; codes were made for positive or negative distances, sub-divisions of distance (such as communication, time zone and physical distance for geography), types of ties, etc. The information was formatted in a particular way in order to do the analysis and find some correlations.

Non-parametric statistics were treated with the help of SPSS. As a statistical tool for social sciences, SPSS permitted the triangulation of the data collected in the qualitative part of the research. Each of studied categories was compared to the elements quantitatively collected in Spearman-rho non-parametric correlations analysis. Certain redundant worlds found in the qualitative analysis have been then added in this analysis. SPSS was also used in order to calculate and visualize graphically some relevant means.

3.6 OVERVIEW OF THE METHODOLOGY

Design: qualitative multi-instrumental cases study

Technique: content analysis, non-parametric statistics

Level of analysis: individual perception of the decision maker

Categories of Analysis: decision maker, PD, ties, context and internationalization

Sample: decision makers of SME's from Southern and Southeastern Brazil and Québec that are currently the principal actor in the international business relation with the other country.

Triangulation: contextualisation, documents, direct observation, and interviews.

Interview Protocol format

| CATEGORIES | OPEN QUESTIONS | CLOSE QUESTIONS |
|----------------------|----------------|-----------------|
| PROFILE & ROLE | X | X |
| FOREIGN ORIENTATION | X | X |
| DISTANCE | X | X (scale) |
| PSYCHIC DISTANCE | X | X (scale) |
| INDUSTRY | X | X |
| INTERNATIONALIZATION | X | |

3.7 LIMITATIONS OF THE RESEARCH

As PD is often treated through national indices (BREWER, 2007; KOGUT; SINGH, 1988) or through research on individual perception (DOW; KARUNARATNA, 2006; CHILD et al., 2009) it has a little generalization power. This research aimed at explaining decision making in the Canada-Brazil business relationships of SMEs. The size of the sample and the decision of using a single interview per firm limit a generalization capacity.

However, the goal of a qualitative study is to serve as a basis for further research on partners from different countries as a result of the analysis of new data. In this sense, this research has helped bring to light new issues related to PD and suggest a model for internationalization decision processes.

As Welch and Piekkari (2006) mentioned, the choice of working with several languages in a research can interfere with results: meanings can be lost in translations and respondents can become uncomfortable in using a foreign language or to fully explain his/her thoughts to someone from a different culture. This trade-off between mother and foreign tongues introduces some interference in the research: during the data collection and/or during the data transformation. However, the interviewer speaks the three languages, which should have reduced any overall negative impact. It has to be considered though that this dissertation was written in English by a French-Canadian, with citations coming from Portuguese speaking respondents.

The decision to make the research about three years of the SMEs' internationalizations has two limitations. On one hand, as Dow and Karunaratna (2006) mentioned, decision maker perception of PD should be measured while it is in the process. On the other hand, decision making can build up and change over time (AHARONI, 1999). The choice of a three year period was made in order to permit the completion of a long process, a process that resulted in a decision to commit or not. Also a short period implies better accuracy for the facts dictated by the respondents (MCGAUGHEY et al., 1997).

Although it might be considered as a limitation for diminishing the power for generalization, the fact that firms came from several industries also offered insight into answers about the importance of the industry in PD studies. The size of the sample was a moderator of industry selection.

The size of the sample and the fact that 11 of the 13 firms that came from Québec were found through the Quebec Office in São Paulo might skew the results. The size of the sample also limited the validity of the statistics

The biggest limitations came from the lack of time given in order to write this dissertation, which at a PhD level could include a bigger sample. The lack of resources, especially financial ones, also constrained the author in the selection of respondents. The lack of subsidies impeded access to paid databases of active firms doing business in the other's country and limited possible trips in order to meet the respondents and find others.

4. DATA ANALYSIS

As few relationships exist between businesses from Canada (Québec) and Brazil (Southern and South-Eastern regions), the respondents were initially researched on the internet. Some Brazilian firms were found through business to business (B2B) websites. With the help of the Quebec Bureau in Sao Paulo, 11 firms from Quebec were found. Five of those firms supplied a direct contact with their Brazilian partner. One Quebec firm was found through personal contact, and in turn facilitated contact with its Brazilian partner. Through this personal contact, the help of the Quebec bureau in Sao Paulo and the B2B website, 23 respondents were found to participate to this research.

4.1 THE RESPONDENTS

4.1.1 The Brazilians

The Itamaraty Palace 2010 Canempex report showed that slightly more than 1700 Brazilian firms are doing business with Canada. After subtracting large firms and international firm SBUs, less than 10% of these firms were qualified for this study. Out of this 10%, some respondents were either exporting sporadically or stated that they ended their operations in Canada. Thus, all respondents that accepted to answer the questionnaire were considered, even those who were operational international commerce analysts. One firm from Goiais, as a partner of a Quebec firm, was also included in the research. The respondent was actually from Sao Paulo and traveled often between the two states.

Brazilian respondents included two women and eight men, the average age was 45 years old, four had an owner-president or vice-president position, four were a principal manager linked to international trade and two were analysts of international

commerce (*agente comex*). This last position involves all the operational relationships with foreign partners, such as orders, logistics, tax treatment, etc. In the case of the two analysts, they were the actual main contact of the Quebec's counterpart. Respondents showed little interest in religion as none of them affirm to be a church-goer. One was Jewish, one was Protestant, three were Catholic, two were Atheist and two did not respond. All respondents had, as a native language, Portuguese, except one, who was a French immigrant.

All respondents held at least a bachelor's degree; two added a specialization (post-graduate certification) and one had a MBA. Four have a degree in management, three have an engineering degree (including the one with the MBA), the two comex analysts held international business degrees, and one has a bachelor's in journalism, which was not related to his actual job title.

One of the respondents, a comex analyst, has worked for the last 15 months in his first internationalized function. The most experienced respondent has been working as an international buyer during the last 15 years in the same firm and for the last 25 years in the same industry. The average respondent has held their position for the last six and a half years, with almost 14 years of experience in the industry and has worked in a bit more than three different firms.

4.1.2 The Canadians

At an early stage of the research, the Itamaraty Palace, the Consulate of Canada in Sao Paulo and the Bureau du Québec in Sao Paulo were contacted in order to get the contacts of firms qualified for this research. Only the last decided to invite 12 firms to participate, all of which showed interest, resulting in 11 executives were finally interviewed. Out of these 11, two were considered large firms, but were also included as the access to the Quebec firms' pool was difficult and costly. They were also seen as a source of comparative data in order to see the differences between SMEs and large firms in a PD study. Besides one Brazilian and one Salvadorian, all 11 other respondents had French as a mother tongue.

All 13 Canadian respondents, all from Quebec, were men and their average age was a bit higher than Brazilian respondents (46 years old). Nine respondents were owners, presidents or vice-presidents (including the respondents coming from the large firms) and six were the principal managers involved with business in Brazil. None of the respondents were active church-goers, eight stated that they were Catholics, and five did not respond. One respondent actually showed aversive behaviour at the moment of the religion related questioning.

Out of the 13 respondents, five have a MBA, two have a Master Degree in administration, one has a specialization and the other six have at least one bachelor's degree. For six respondents, the principal degree is in administration; for four others, in engineering, two studied international business and two graduated from areas not related to their current jobs (architecture and chemistry).

The respondents held their tenure for an average time of eight years and have been working in the industry for an average time of 14 years. The least experienced executive was in place for the last three years and in the industry for the last 10 years, while the more experienced, who called himself a "lifer", has been in the same job for 25 years.

TABLE 7: CHARACTERISTICS OF THE RESPONDENTS

| Firm | Age | Sex | Mother Tongue | Degree | Diploma | Tenure | Years of Tenure | Years In Industry |
|-------|-----|-----|---------------|--------|----------------|-----------|-----------------|-------------------|
| CAN1 | 62 | M | French | GRAD | Architect. | V-P | 12 | 30 |
| CAN2 | 41 | M | French | MBA | Engineering | Manager | 5 | 16 |
| CAN3 | 52 | M | French | MBA | Engineering | V-P | 2.5 | 1.5 |
| CAN4 | 40 | M | Spanish | MBA | Engineering | Manager | 6 | 15 |
| CAN5 | 58 | M | French | MASTER | Administration | President | 7 | 15 |
| CAN6 | 49 | M | French | SPEC | Administration | Manager | 5 | 20 |
| CAN7 | 37 | M | French | MASTER | Administration | Owner | 4 | 8 |
| CAN8 | 48 | M | French | GRAD | Engineering | Owner | 25 | 25 |
| CAN9 | 34 | M | Portuguese | MBA | Administration | Manager | 4 | 4 |
| CAN10 | 35 | M | French | MBA | Administration | V-P | 3 | 10 |
| CAN11 | 55 | M | French | GRAD | Chemistry | V-P | 1 | 8 |
| CAN12 | 50 | M | French | GRAD | Commerce | Owner | 14 | 14 |
| CAN13 | 42 | M | French | GRAD | Administration | President | 13 | 20 |

| | | | | | | | | |
|----------------|----|---|------------|------|----------------|---------|-----|-----|
| BRA1 | 32 | M | Portuguese | GRAD | Int. Commerce | Analyst | 1.3 | 1.3 |
| BRA2 | 45 | M | French | GRAD | Administration | Manager | 2 | 20 |
| BRA3 | 37 | F | Portuguese | GRAD | Int. Commerce | Analyst | 2 | 17 |
| 177BRA4 | 65 | M | Portuguese | SPEC | Engineering | Manager | 8 | 8 |
| BRA5 | 34 | M | Portuguese | GRAD | Journalism | V-P | 10 | 10 |
| BRA6 | 34 | F | Portuguese | GRAD | Administration | Manager | 2 | 2 |
| BRA7 | 53 | M | Portuguese | SPEC | Engineering | Owner | 10 | 10 |
| BRA8 | 57 | M | Portuguese | GRAD | Administration | Owner | 5 | 25 |
| BRA9 | 52 | M | Portuguese | GRAD | Administration | Manager | 15 | 25 |
| BRA10 | 38 | M | PORT | GRAD | Engineering | Manager | 3 | 14 |

Source: The author

4.1.3 The firms

Due to the small sample, it was decided to accept any kind of businesses in the study. Even if this decision brought a lack of statistical validity, it permitted verification of the importance of the industry in the decision maker perception of distances.

Firms from Brazil were from 2 to 97 years old and employed between 2 and 200 employees. Non-parametric Spearman's rho test showed a strong positive correlation between firm's age and size (0,012 with a sig. at 0,05). Firms were acting in sectors that are almost exclusive to Brazil, such as Brazilian musical instruments, Brazilian music recording distribution, or Cachaça (Brazilian spirit) fabrication, in medium technological goods, such as plastic and transformed textiles, in IT, services or TV production. Two firms were internationalized through import activities. One firm has been internationalized for the last 30 years, two are strategic business units (SBU), and seven have been internationalized for less than 10 years.

Canadian firms were from 4 to 84 years old and employed 7 to 2200 people. Considering only the 11 SMEs, those numbers go from an age of 4 to 24 years. It has to be noted that one firm, with 510 employees, was considered as an SME as the respondent affirmed that this number was the maximum number they have reached and that it included staff from foreign offices. Firms were working mostly

with medium to high technology. The sample included firms acting in software, industrial machinery, pharmaceuticals, services, aeronautic, services, and TV production. One firm was importing music instruments from Asia, Africa and Brazil. Firms were internationalized from 4 to 22 years, with an average of 14 years.

TABLE 8: CHARACTERISTICS OF THE FIRMS

| Firm | State | Age | # Employees | Industry | Sales (Millions Cdn\$) | Intern. (Years) | Intern With Can/Bra (Years) | # Countries With Sbu | # Partner Countries |
|-------|--------|-----|-------------|------------------|------------------------|-----------------|-----------------------------|----------------------|---------------------|
| CAN1 | QC | 20 | 20 | Movie prod | 15 | | 3 | 5 | 60 |
| CAN2 | QC | 24 | 510 | Software | 70 | 22 | 16 | 18 | 40 |
| CAN3 | QC | 22 | 60 | Ind. Machinery | 12 | 22 | 2 | 0 | 50 |
| CAN4 | QC | 8 | 50 | Software | 10 | 8 | 8 | 0 | 75 |
| CAN5 | QC | 7 | 15 | Agro-technology | 0.75 | 3 | 3 | 1 | 1 |
| CAN6 | QC | 7 | 10 | Pharmaceuticals | 2 | 7 | 1 | 0 | 20 |
| CAN7 | QC | 4 | 7 | Services | 1 | 4 | 4 | 2 | 4 |
| CAN8 | QC | 82 | 2200 | Ind. Machinery | 408 | 25 | 1 | 11 | 50 |
| CAN9 | QC | 20 | 65 | Ind. Machinery | 11 | 20 | 6 | 0 | 40 |
| CAN10 | QC | 35 | 2100 | Ind. Machinery | 500 | 15 | 11 | 12 | 70 |
| CAN11 | QC | 6 | 65 | Ind. Machinery | 10 | 5 | 4 | 0 | 7 |
| CAN12 | QC | 14 | 7 | Importer | - | 14 | 3 | 0 | 20 |
| CAN13 | QC | 24 | 54 | Aeronautics | 7.5 | 19 | 5 | 0 | 40 |
| BRA1 | SP | 97 | 200 | Music instrument | - | 7 | 1 | 0 | 42 |
| BRA2 | SP | 30 | 60 | Textile | - | 8 | 6 | 0 | 11 |
| BRA3 | SP | 30 | 150 | Plastic | 17 | 9 | 8 | 0 | 20 |
| BRA4 | SP | 10 | 12 | SBU (CAN2) | non applicable | non applicable | non applicable | non applicable | non applicable |
| BRA5 | SP | 7 | 160 | Movie prod | 40 | 4 | 4 | 2 | 30 |
| BRA6 | SP | 2 | 11 | SBU (CAN7) | non applicable | non applicable | non applicable | non applicable | non applicable |
| BRA7 | PR | 10 | 12 | Agro-business | 0.35 | 4 | 2 | 0 | 2 |
| BRA8 | PR | 5 | 2 | Services | 0.2 | 5 | 5 | 1 | 2 |
| BRA9 | Goiais | 30 | 68 | Pharmaceuticals | 17 | 30 | 30 | 0 | 15 |
| BRA10 | SP | 3 | 4 | Software | 0.23 | 3 | 1 | 0 | 2 |

Source: The author

4.2 THE DECISION MAKER

According to many scholars (TUNG; VERBEEKE, 2010; MCGAUGLEY et al., 1994; DICHTL et al., 1990) internationalization of a firm is directly linked with the personality of the decision maker. While talking about PD, this internationalization level of the decision maker becomes more relevant as, as Pedersen and Petersen (1997) mentioned, it is a person and not a country that perceives PD. In this section, the profile of the decision maker is described.

As shown in the theoretical framework, four aspects of the profile have been considered: the personal profile, the professional profile, the subjective profile and the international profile. The two former profiles are described in the last section. Their analysis showed that 15 decision makers (eight Quebecers and seven Brazilians) were occupying their current tenure at the time their firms entered into either Brazil or Canada, respectively.

Also, in accordance with the theory, the level of education of the Canadians is higher than that of the Brazilians, as 53% of the Quebecers (7) have a MBA or a master degree while only 10% (1) of Brazilians had reached the MBA level. In almost the same proportion in the two countries, a majority of respondents are graduates of a management school, closely followed in numbers by the ones coming from an engineering school.

If statically no significance was found between the education and the experience of the decision maker and internationalization, the qualitative part of the research opened the door to some inquiry.

First of all, it was noticed that entrepreneurship is a key attribute of the SME decision makers presented in the sample. Most of them have made their strategic move into the other country in a proactive and risky way. In many interviews some hints showed the nature proposed by Penrose (1960). The expression “*on fait notre petit baluchon ...*” (we are making our little bundle) mentioned by three Quebecers expressed a pull into the unknown that is made with some excitement. This sentence corroborates the Schumpeterian way (1994) of creating innovation, through the seeking out of new markets. This entrepreneurship comes from the fact that many respondents were owners of the firm or at the top of the firm’s hierarchy. Some

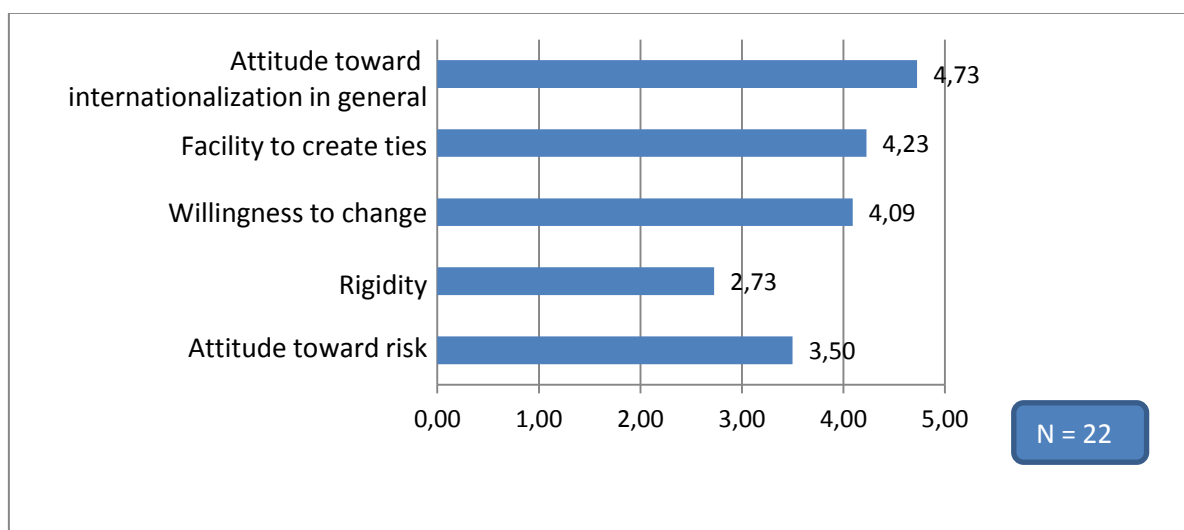
created the firm and others have been there from a long time. Either in Brazil or in Canada, those key chess pieces of the firm are often the most important reason for the success of the internationalization of their firm.

Their commitment was partly observable through the importance that they give in travelling in the other's country. Owner and President have travelled on average 9 times to the others country, while VP and managers have travelled to the other country 6 times on average. Their decision making is mostly done on their own and they made it as a result of the attractiveness of the market, a strategic move (either in order to open the entire South American market or as Brazil was the next step in their internationalization) or for resources. Some of them share their decision power with other managers or with other VPs. As Buckley (1999) mentioned, the executive were assuming various roles. The purpose of such behaviour was not only linked to the fact that firms were small. Often, it was also because the executives (president, vice-president or owner) were close the foreign. For the smaller firms, the operation was considered their "baby"; for the bigger firms, a desire for control and a lack of confidence in subordinates were the main reasons for this proximity to the process. It was noticed that the respondents coming from Quebec were usually following the entire process of internationalization, while some of the Brazilian ones were opening the negotiation, then were leaving it to the "comex" analyst.

The respondents had, in both countries, a fairly good amount of decision power, especially for negotiation with smaller customers. The size of the firm was a key aspect of the respondent's decision power. The respondents had control over most of the business aspects, including sales condition and marketing. They were the highest ranked executives in the internationalization process of the firm or, at least, in the case of some Quebecers, for one part of the world (namely South America and Spain/Portugal). For the most important decisions, they were meeting with superiors that generally were not as involved in the internationalization process as the respondent. The interviewed respondents declared that they enjoyed important support from higher up, but budgets were always an important catalyser of the operation.

The two comex analysts were more into the operationalization of the international business. Their decision power was limited to negotiating low scale marketing, product adaptation and price politics. Brazilian companies seem to need an internal logistic agent in order to facilitate sales, and this is the main function of the comex analyst. This, as it will be presented later on, brings some misunderstanding in business relationships between the two regions.

As all respondents were actively working in the internationalization of the firms, Dichtl et al. (1990) internationalization profile attributes were, without surprise, confirmed. All respondents showed a great interest in internationalization, a great facility to create ties, fairly important willingness to change, an expressive attitude to risk and a low level of rigidity.



Graphic 1: Subjective Profile of the sample
From 1 (low) to 5 (high)

Doing a non-parametric Spearman's rho test, it was noticed that respondents with higher tenures had higher attitudes toward risk (sig. 0.033) and internationalization in general (sig 0.026). This corroborates with the Dichtl et al. (1990) finding on the importance of both firm and decision makers' levels of internationalization. Owners, presidents and vice-presidents with a higher interest in internationalization have the power to bring about politics favourable to internationalization.

Although its mean was fairly high with a mean of 2.73, rigidity was, in the interviews, often confronted with the concept of flexibility. If Brazilians used that word almost like a *sine qua non* condition in their national culture, Quebecers showed the necessity of being creative and flexible in their international business, which is, coming from partners of both countries, an entrepreneur trait (Schumpeter, 1994). Although Brazilians found that the Quebecers were not as flexible as themselves, a majority of them noticed that they were more flexible than most of their foreign partners. If the Brazilian is flexible in order to respond to domestic market prerequisites through *jeitinho*, the Quebecers, being less flexible (at least from a Brazilian point of view) are trying to respond to the needs of the Brazilian market; not only for the product, but also in some practices. For example, many of the Quebec companies believed that their contracts in Brazil were only a letter of agreement that was constantly re-negotiable, which is not a current practice in Canada. One software firm explained that when a Brazilian client desisted from using their program (usually because of a lack of technical capacity), it also desisted on payments. The solution found by the Quebec firm was to train the personnel of the Brazilian firm, instead of taking legal actions.

Obviously, the entrepreneurial flexibility was observed in different forms depending on the tenure and the mode of internationalization. If higher executives had the power to change a firm's strategy in order to make things happen, as in the case of the Quebec software firm, managers and especially comex analysts had less ability to use their flexibility. In the case of managers, they often had to be creative in order to find a fit between their firm's objectives and the partner's capacities and interests. Depending of their level of decision power and the level of internationalization of the firm, they had more possibilities of innovating in their relationships. Comex analysts had poor possibilities of using flexibility as they could merely transmit information and requests, and only had a suggestion power. This suggests that flexibility in internationalization, at least in lower tenure, passed through a firm's strategic flexibility.

Agreeing with the fact that flexibility of the decision maker also passed through the strategic flexibility of the firm is the effect of mode of internationalization. In the first interviews, which were applied in Brazil, respondents found Quebecers

not as flexible as themselves, especially in terms of payment. In succeeding interviews, applied in Quebec, respondents were complained about the lack of flexibility of Brazilians in the negotiation of payments. It has been found that the general tendency is either coming from one side or the other, exporters find importers less flexible in terms of payment, which is a normal economic position and therefore has little to do with entrepreneurship flexibility or PD construct.

Out of the personal profile, little could be found. The sample did not permit a relationship to be visualized between the age, religion, or sex with aspects related to the level of internationalisation or to the perception of PD. Regarding the international profile, it was noticed that every respondent was speaking English and that it was, in most cases, the business language. The quality of the language varied from case to case, but respondents were aware of their proficiency of the language. No correlation was found in the number of foreign languages that a respondent knew and his/her level of internalization. The number of yearly trips and especially the trips to the other country seem to have an impact on the quality of the contact which, in turn, seems to have an impact on the importance the decision maker gives to distance. The decision maker that travels and meets with a partner better understand the needs of that partner. This was noticed especially on the Brazilian side, where respondents were complaining about the lack of visits from their Canadian counterpart, who they said were “missing occasions of understanding Brazil”.

Interestingly, the two comex analysts were the only ones that had never travelled to Canada. Their vision of the country was theoretical. In one case, no one from the firm ever traveled to Canada, rather their partner met them once in a trade fair in the United States and the partner visited Brazil once, but not on a business trip. The comex analyst was not the person who initially negotiated the deal with the Canadian partner, but was the current sole negotiator. His vision of the Canadian market was tainted by Brazilian prerequisites which were not aligned with Canadian reality. For example, besides the fact that he has not studied nor seen the reality of the market, he was surprised that the Canadian distributor was not putting more resources into the marketing of his product (samba instruments). The other comex analyst did not know if someone from her firm was currently going to Canada; she

was also the main negotiator with the Canadian partner. As her mandate did not include prospection, she considered that their Canadian operation was fulfilled. The current customer was a laboratory who was using the Brazilian firm's product in internal operations. The Canadian firm was neither a distributor nor asked for exclusivity. As the customer sought out the Brazilian firm, it was understood that internationalization of the company is passing through passive development.

The decision makers interviewed in this research confirmed the findings found in the literature. The respondents' profiles matched with the characteristics proposed in Schumpeter's (1994) entrepreneurship definition. Most of the respondents showed a clear interest for risk taking and openness to internationalization (REID, 1981). This was more obvious for higher tenured respondents who enjoyed more decision power. Decision makers were wearing many hats, especially those coming from Canada. This inclination for diversification was not only explained by a shortage of human resource (BUCKLEY, 1999) but also by a need for control. The international entrepreneur definition³ presented by McDougall and Oviatt (2000) fit with the way the decision makers described themselves. As mentioned *a priori* decision makers found the internationalization exciting, even if risky. The international entrepreneurial "culture" proposed by Thomas and Mueller (2000) was not confirmed, but decision makers were looking for partners that shared their values.

Few companies, especially the smaller innovative ones, were born global. All the decision makers of those firms were, as Oviatt and McDougall (1994) mentioned, experienced managers or owners. Zahra's (2005) presumption on the speed of internationalization of the small companies through the fact that they had fewer managers was not confirmed, as even the biggest firms were working with a reduced internationalization team. This statement shows that internationalization of a SME truly goes through the interest, experience and decision power of an internationalized decision maker; findings similar to Holzmuller and Kasper (1991) ones.

³ "International entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations" McDougall & Oviatt (2000, p. 903)

4.3 THE CONTEXT

As mentioned in the theoretical framework, the context has to be observed at three levels: the countries, the industries and the firms.

4.3.1 The Countries: 13 Distances Between Brazil and French Canada

The internationalization model presented in the theoretical framework suggests that context is a moderator of the perception of distance and the importance given to it. In order to measure the effect of the PD, the macro-economic distances have to be described. In this section of the dissertation, macroeconomic distances between Brazil and French Canada (the closest data available in order to represent Southern and Southeastern Brazil and Quebec) coming from either previous researches, national statistical agencies or world indices are presented. These distances are all represented in the Ghemawat work at a country level and in other empirical PD based researches

4.3.1.1 *Geographic Distance*

In accordance with Ghemawat's CAGE framework (2007), geographic distance should include common land borders, distances between capitals, access to oceans or rivers, time zones and weather, and communication systems. In this study, this distance was compared between the ten larger partners of both Canada and Brazil.

Brazil and Canada do not share common borders, but they have easy access to each other by sea. The distance between the national capitals, Brasilia and Ottawa, is 7357 km. This places Ottawa as the fifth closest capital to Brasília among the fifteen principal partners of Brazil, only more distant than Argentina and

Chile (while the US and Mexican capitals are about 500 km closer than Ottawa). In reality, Brasília stands as the eleventh most remote of the fifteen principal Canadian partners' capitals, closer than only four East Asian states.

Canada is the world's second largest country, and more than 84% of the population are users of the internet (ITU, 2008), with 34% on broadband. According to Internet World Stats (IWS, 2011) half of Canadian users have a wireless connection and Canada has one of the highest rates of internet users. The entire country is linked through fiber optic telephone lines and TV analog signals were deleted to give space for cellular waves in September of 2011. Brazil has seen its internet user pool growing fast in the last decade. Now over 37% of Brazilians have access to internet (IWS, 2011) and this percentage grows to 87% when considering only people from A or B classes⁴ (Wagner, 2010). Cellular phones are being used by almost 100% of the population. At the end of his second mandate, President Lula has pushed the government to give better access to high speed internet. Although Canada is a leader in developing new information technology, Brazil has proven to be an active assimilator of such technologies.

If weather is quite different between the two countries (as Canada enjoys a long and cold winter with a short but warm summer), cold weather in Southern Brazil and traditional partnerships between Brazil and colder countries such as Germany, United States and China should diminish the possible effect of weather as an effective distance. On the other hand, the time zone, going from one up to three hours (depending on the time standardization of the year) between the French part of Canada and Brazil, should be seen as an advantage as compared to a partner coming from Europe and an important difference when talking to the East-Asian partners.

Dow and Karunartna (2006) used the time zone as an important distance, but they did not include it with the geographic ones. They measured the geographic distance by looking at the distance between borders. Berry et al. (2010) used the

⁴ Brazil, through different source such as FGV or DIEESE, classifies family wealth with letter going from A to F. Class A or B would be North America's higher or mid-class.

measure between the center of the countries, while Brewer (2007) used the distance between the principal port of the countries.

TABLE 9: GEOGRAPHIC DISTANCE BETWEEN CANADA AND ITS PRINCIPAL PARTNERS

| CANADA* | DISTANCE BETWEEN CAPITALS (km) | DIFF. TIME ZONE BETWEEN CAPITALS (hours) | FIXED BROADBAND SUBSCRIPTION PER 100 INHABITANTS** | AVERAGE DOWNLOAD SPEED RANKING*** | AVERAGE UPLOAD SPEED RANKING*** |
|-----------|-----------------------------------------|------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------|------------------------------------------|
| 1-USA | 733 | 0 | 26.34 | 5 | 12 |
| 2-UK | 5,359 | 5 | 31.38 | 17 | 35 |
| 3-CHINA | 11,019 | 12 | 9.42 | 76 | 37 |
| 4-JAPAN | 10,312 | 13 | 26.91 | 25 | 9 |
| 5-MEXICO | 3,655 | 1 | 9.98 | 54 | 54 |
| 6-GERMANY | 6,124 | 6 | 31.59 | 4 | 27 |
| BRAZIL | 7,537 | 1 | 7.23 | 60 | 76 |

Source: * Foreign Affairs and International Trade Canada, 2011

**<http://www.itu.int/ITU-D/ict/statistics/>, 2011

***<http://www.speedtests.net/world/>, 2011

TABLE 10: GEOGRAPHIC DISTANCE BETWEEN CANADA AND ITS PRINCIPAL PARTNERS

| BRAZIL* | DISTANCE BETWEEN CAPITALS (km) | DIFF. TIME ZONE BETWEEN CAPITALS (hours) | FIXED BROADBAND SUBSCRIPTION PER 100 INHABITANTS** | AVERAGE DOWNLOAD SPEED RANKING*** | AVERAGE UPLOAD SPEED RANKING*** |
|---------------|-----------------------------------------|------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------|------------------------------------------|
| 1-CHINA | 16,757 | 11 | 9.42 | 76 | 37 |
| 2-USA | 6,998 | 1 | 26.34 | 5 | 12 |
| 3-ARGENTINA | 2,486 | 0 | 9.56 | 77 | 74 |
| 4-NETHERLANDS | 8,970 | 5 | 37.97 | 1 | 7 |
| 5-GERMANY | 9,429 | 5 | 31.59 | 4 | 27 |
| 6-JAPAN | 17,798 | 12 | 26.91 | 25 | 9 |
| CANADA | 7,537 | 1 | 29.81 | 8 | 36 |

Source: * <http://cessao.com/negocio/economica-mundial/557/brasil-maiores-parceiros-comerciais-em-2010.html>, 2011

**<http://www.itu.int/ITU-D/ict/statistics/>, 2011

***<http://www.speedtests.net/world/>, 2011

As both countries share a similar time zone, easy transport between countries through the Atlantic Ocean and modern telecommunication systems, the geographic distance was expected to have little effect on business between the two countries. However, the physical distance and especially the poor air service between the two countries (there is only one daily direct flight between Toronto and Sao Paulo) might contribute to a negative effect of the geographic distance.

4.3.1.2 Culture

The cultural traits of Brazilian have been widely studied over the years. In order to see if Hofstede characteristics, even being qualified as old, are still applicable in a well detailed cultural frame, it is important for the reader to understand where those typical traits come from.

An incurable need for personal relationships in business comes from a Brazil originally founded more than five hundred years ago. In his “Raízes do Brasil”, Sergio Buarque de Holanda (1995) showed the different historical characteristics of what is the Brazilian. Even if his book has been written seventy-five years ago, its incredible timelessness makes us understand that the Brazilian have had, still has, and most likely will keep the attributes that the author gives to him.

Like Gilberto Freyre (1988), Buarque de Holanda considered the Brazilian as a mixture of an anarchist and impure Portuguese, a submitted and resourceful Native and an easy adapting and convivial Negro. All these qualifiers are encountered in the sugar cane and coffee plantations where the Portuguese lord had an inclusive relationship with his slaves and the local natives. From this mixture, Buarque (1995) denoted that there was a division between the lords and the others, where the others were basically seeking guidance and protection from the lords. Also, he mentioned that the lord brought from the Iberian Peninsula an exploitative attitude where the expectation is to benefit from the land at the lowest cost and effort. In the pre-abolition era this relationship between the three founding cultures created a unique national mentality, divided only by social classes. The Brazilian agrees on, accepts and even seems to enjoy his qualities as a scrounger, as resourceful, and as enjoying living day to day.

One of the most important qualities that were mentioned by Buarque de Holanda (1995) is the absorption capacity of Brazilian culture. The Portuguese, in Europe, were already a mixture of races and lived in an anarchist culture where lords were “created”. In that reality, the Portuguese arrived with an inclusive mentality where the leading culture absorbs, assimilates and takes benefits of the others in

order to create a national identity. That was the great difference between the survival success of the Portuguese and the failure of the Dutch in Brazil. Buarque de Holanda gave evidence further while explaining the tendency of more organized or systematic immigrants, such as the German, to embrace the flexibility offered by the Brazilian way.

Based on the regulations of a relatively unstructured European country, Brazil were first led by owners of wealthy farms or *casa-grandes*, while the lack of long term consideration of development from Portugal impeded the creation of a strong state and guidance from the church (both being relatively weak, even in Portugal). As Freyre (1988) mentioned, life and organization was based on the *casa-grande*, where, often, all the services were supplied.

This facility of response to the basic needs of the mass offered by the lord in exchange for an “easy” thralldom was the source of what is known as patriarchy: a long lasting model that is still widely accepted in the country.

Until the abolition of slavery, the *casa-grande* was the most important organization in Brazil. The state did not have interest in building a colony with important cities, and instead concentrated itself on building coastline facilities in order to export goods from the interior. The landlord of the *casa-grande* granted laws, structures and social advantages. The “subject” was basically trying to find ways to get closer to the lord in order to receive some of those advantages. This created a relationship of the scrounger that Buarque de Holanda (1995) presented in his definition of the friendly man (*homem cordial*). He is not actually friendly, but will please in order to get what he wants. This traditionally close contact between the powerful and the dominated created an individualist culture where everyone works towards their own benefit. The friendly man will also stay away from conflict and will find ways to avoid it.

Souza (1999) compared the Iberian model found in Brazil to the American model, in part through that individualism. For him, the “success” of the USA comes from the fact that it is the original ethical protestant state where there is precedence of the long term over the short term, the importance of a rational control of affection,

and social cooperation advantages over personal relationships. Brazil doesn't present any of these aspects; in fact, it is built on opposite values. While the American democratization inhibited the aristocracy and formed common structures, laws and goals, the aristocracy has used the Brazilian democracy in order to secure the patriarchal system. The state is not separated from the individual, where the individual is still trying to take advantage of the first. Souza (1999), whatsoever, warned the reader about the dangers of comparing the two models.

The relationship between the mass and the leader hasn't changed much since the abolition. The lordship has been weakened, but has since been replaced by the baccalaureate. This form of domination kept the pyramidal structure (FAORO, 2001) of the Brazilian administration in a perfect shape. The rising importance of the urban life brought a new type of aristocracy built on knowledge, where the university degree was the new anchor of power. The necessity of a patriarchal system required by the masses gave to the elite the legitimacy to take the place left by the lords. Sometimes unrealistic dreamers, sometimes traditional scroungers, this elite kept the exact same relationship with the masses. They are looking out for their own good or for what they think it is good for an uninterested mass that is looking only for the patriarchalism of its leader, and always in a perspective of receiving some personal benefits.

In this absorbent culture, even democracy is used to serve personal advantages. As Faoro (2001) explains, the system tends to formalize the classes; the elite and the mass. The elite used it in order to reach its goal while the mass is not interested in the democracy itself, but in the relationship it can get with the elite.

One of the key traits of the Brazilian is the *jeitinho* (Brazilian way). The multiracial origin of the country, its slave-lord particular relationships, its long held formalism, its Catholic roots, and the anarchic way the Portuguese colonized Brazil made the national culture highly original and strong. From the beginning of the country's history, the Brazilian had to find ways to survive in a state where social differences always have been considerable and laws have been, at least until this century, made in order to protect these differences. Livia Barbosa (1992), considered that *jeitinho* is not only a way to survive this inequality, but also to slightly level the

classes. Even if it is now often considered as negative, *jeitinho* not only has this quality, but also gives people a way to bypass problems in a creative way.

When we are looking at the presence of the Brazilian cultural traces in an organization, we have to look at its culture and way of working. In two studies made in Parana (OLIVEIRA; MACHADO DA SILVA 2001; SHIMONISHI; MACHADO DA SILVA, 1992), we can truly understand a path that the Brazilian traits are following in the organizations' development. Going from what Oliveira and Machado da Silva (2001) mentioned as the entrepreneurship to the formalist/flexible stage, we can see that as an organization matures the Brazilian traits weaken. A more efficient bureaucracy, where regulations aren't too restrictive and leave less space for the *jeitinho*, brings this maturity.

The increasing contact with the foreign markets and organizations also put a brake to the Brazilian traits. Like Shimonishi and Machado da Silva's research (2003) seems to indicate, an organization that has a significant relationship with international laws or partners will still use the Brazilian traits, but in a subtle way. In this research based on Curitiba's banking societies, it has been noticed that all these organizations were legislated, not only through Brazilian regulations, but also through the world market. Also, the interviewed persons were highly qualified, an aspect that is not in agreement with the traditional culture. The state agencies, where there is a bigger link with the internal market and government, showed a more important presence of the "Brazilian traits".

Borges de Freitas mentioned that:

[...] organization has a complex "material-immaterial" that for the "organizational culture", that implies establishing an interdependence between this "enterprise's culture", in management terms, and the social structure, the history, its people's formation, the unconsciousness of its human community, the laws, the moral and, finally, all the factors that build the people's traits. (BORGES DE FREITAS as cited in PRESTES; MOTTA, 1997)

This sentence in Borges de Freitas' text that explains the traits of the Brazilian also explains why traits might change. The fact is that with education, globalization and specialization, the Brazilian traits might at some point be diminished by an efficient enterprise's culture. Shimonishi and Machado da Silva (1992) noticed that even in a highly structured organization, traits like the short term organization were extremely present: not only coming from customers, but also by the fact that the market would not let it exist any other way.

This last example clearly shows Borges de Freitas' point of view. Even if North America's bureaucracies have proven to be successful, the Brazilian attempt to reach the same level of efficiency might be complicated. Innovative organizations are definitely penalized by the traditional Brazilian government, expectancy of hiring uninterested and poorly qualified employees, dealing with problems linked to agency theory (having executive working for themselves) and other old cultural traits that are the opposite of the modern bureaucracy concept (WEBER, 1999).

In his Master's dissertation, Minghini (2011), also noticed that along with increased contact with international business, the Brazilian traits of Parana's state entrepreneurs were diminishing. In order to summarize, the Brazilian traits attributed by Minghini and Balbinot (2011) are presented the following table.

TABLE 11: BRAZILIAN CULTURAL TRAITS

| | |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inequality of Power and Hierarchy | The hierarchical relationships of colonial Brazil were so deeply imbedded that they continue to affect current relationships. Many Brazilians who are in socially superior positions within the hierarchy believe that they possess special rights that exempt them from common laws. This cultural characteristic is a concept very similar to the Power Distance dimension proposed by international academy. |
| 'Jeitinho' (i.e. a way) | Jeitinho refers to having smart, creative, flexible, or even unofficial ways of accomplishing difficult tasks, most often outside of official procedures, channels, and especially through the use of favours and relationships. It is a behavioural characteristic deeply and historically related to authoritarian and paternalistic relationships and social, political and economic repression. In action it seeks to balance the daily needs of individuals with the demands and restrictions imparted by laws and rules. <i>Jeitinho</i> consists of actions, decisions, behaviour and/or creative angles adopted in social interactions that aim to accomplish objectives in spite of opposing legal circumstances (Barbosa, 1992; Chu & Wood, 2008; Hilal, 2006; Machado-da-Silva & Oliveira, 2001 all as cited in Minghini et al. 2011). These cultural characteristics emanate from power-based relationships. |
| Personal Relationships | Brazilians emphasize relationships and acquaintances, giving light to the importance attributed to individuals and personal interests to the detriment of group or community interests. There is a high degree of trust placed on family and friend networks when solving problems or obtaining privileges, which leads to favouritism, nepotism, and paternalism in relationships (Chu & Wood, 2008; Machado da Silva & Oliveira, 2001 all as cited in Minghini et al. 2011). |
| Formalism | This is the degree of discrepancy between formal rules and norms and what |

| | |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | really happens, or in essence, how effectively rules and norms condition behaviour. This can result in behaviours that seek to reduce risk and increase the level of control over human actions and behaviours. It results in the creation of a large number of rules, norms and procedures that provoke discrepancies between what is written and what actually occurs (Chu & Wood, 2008; Machado da Silva & Oliveira, 2001 all as cited in Minghini et al. 2011). |
| Protectionism | This is a cultural characteristic resulting from affective and intense interpersonal relationships, with traces of paternalism and authoritarianism. These relationships surface from an individual external locus of control, where decisions are made by external actors who are often a superior, the government or a foreigner (Machado da Silva & Oliveira, 2001 as cited in Minghini et al, 2011). |
| Uncertainty Avoidance | This is a term coined by Hofstede (1991), and also describes the historical desire Brazilians have for avoiding social and interpersonal conflict caused by the intense emotional and affective nature of relationships. These intense relationships are also the origin of other three previous Brazilian dimensions: Personal relationships, Protectionism, and Power Distance. Brazilians constantly seek peace and order in order to avoid conflict in these relationships (Machado da Silva & Oliveira, 2001). |
| Short-term Orientation | This characteristic is also a consequence of the strategy adopted by the first Portuguese managers in Brazil and passed on to the large landowners, bourgeois merchants and industrialists. |
| Flexibility | The capacity for people to be adaptive and creative in adjusting to adverse situations and innovative under challenging circumstances. The economic and market history stimulated this flexibility in management practices and techniques (Chu & Wood, 2008 as cited by Minghini et al. 2011). |
| Receptiveness to what is Foreign | Brazilians have a way of accepting racial and social mixtures and an easy assimilation of foreign practices and customs, as well as a hospitality for and, admiration, valorization and imitation of what is foreign, sometimes to the detriment of what is local (Chu & Wood, 2008; Machado da Silva & Oliveira, 2001 all as cited in Minghini et al. 2011) |

Source Minghini and Balbinot, 2011

French Canada's culture can also be explained through a historical lens:

The roots of Canadian history were built on the bases of the war between France and England during the XVIII century. The 1763 Royal proclamation limited the rights of the French Canadians with the expectancy of quickly eliminating their language and religion. With the threat of the invasion from the revolutionaries coming from New England (part of the future USA), the English government decided to give some liberties back to the French Canadians in 1774. The Quebec Act gave the right to practice their religion and guaranteed the right to speak French. Ownership of industry was prohibited, but the Catholic Church kept the right to build churches and schools. This new role of the Catholic Church placed it as the protector of the lower class French Canadians but at the same time placed it as partner of the English power and the new bourgeoisie (Lemieux, 2001).

The Catholic Church assumed a risky position in French Canadian life when it became a religious and political power. Trading this power for containing a potential revolutionary French Canada gave little options to the Church. The French

Canadians had to stay mostly in the countrysides, as cities' richness was exclusive for bourgeoisie (mostly English), big families were encouraged in order to impede the assimilation of the French, education was limited to the one offered by the Church. As Lemieux mentioned (2001), the Church was responsible for most of the cultural and religious institutions. This omnipresence of the Church in French Canada is at the source of what was considered as its traits. Lévesque (1961) wrote in his Anglo and French-Canadian comparative study that French-Canadians were socialized by the Church. In the same article, he noticed that because of that deep relationship with their religion, French-Canadians missed major sources of modernity: the protestant reform and the rise of science.

Gerard Bouchard (2005) made a list of the « *Grande Noiceur* » (Great Darkness) cultural traits of what was, up until mid-twentieth century, Quebec's reality: country life, excessive clericalism, hegemony of the religious, illiteracy, xenophobia, aversion to change, a quasi feudal state, natural fecundity, a handicraft and family based economy, and a pre-industrial mentality. The *Grande noiceur*, maybe an illusion to a medieval type of life that French Canada lived up until the XX century, is not denied by the author, but he believe that it was a stage of early democracy that many states experienced. The French Canadian traits were defined mostly by "triumphant" English writers, who were the literate gentlemen coming from the city. In fact, for them, English Canadian country workers shared more or less the same values as the French Canadians.

The concept of *Grande noiceur* was popularized by the same intellectuals that created the "*Révolution tranquille*" or Quiet revolution (BOUCHARD, 2005). He criticizes these two concepts by stating that it is extremely hard to accept the fact that within 10-15 years, the Quebecers succeeded in espousing the protestant reform and redirected themselves into a mass rejection of the Catholic Church. The evolution of French Canada has been linked with the urbanization of the province. From there began a spreading of wealth, creation of bureaucratic structure and many other aspects that are part of a capitalist democracy.

For Letourneau (1988) all the episodes that have been historically reported on the *Grande noirceur* and the *Revolution tranquille* are verifiable, but they also carry a historical symbolism that strongly overpasses the factual dimension.

Since the end of the XX century, Canada's history⁵ affected Quebec's development. Obviously in the position of the conquered, the Quebecers were juggling between colonial peasant and strongly Catholic traditionalist cultures. This position was slowly transformed into a more capitalist society that was influenced by the Anglican reform, with the beginning of industrialization, the emigration to the cities and a better sharing of the wealth, as proposed by Weber (1999).

Today Quebec's still remains with some traits from its Latin ancestors and its long Catholic Church influence, but the quick changes pushed by the Quiet revolution rushed the Quebecers into the modernity and economic model experienced by the neighbouring English Canadians and Americans.

This short introduction to the historic cultural traits helps for a better evaluation of the empirical findings of academics about the distance between both countries. Hofstede included 50 countries in his 1980 research on IBM's employees of and found some differences between Canada and Brazil. This research has been re-evaluated using different scales, such as the ones made in Brazil during the years 2000-2001. These studies registered slight differences between national border's regions, which corroborates with Tung and Verbeeke (2010) "intra-national diversity". Being populated by Northern Europeans and Italians, and more industrialized, the two regions studied showed a different index than the rest of their respective country

TABLE 12: FIVE CULTURAL DIMENSIONS IN BRAZIL AND CANADA

| Country | Power Distance Index (PDI) | Uncertainty Avoidance Index (UAI) | Individualism Index (IDV) | Masculinity Index (MAS) | Long-Term* Orientation Index (LTO) |
|---------|----------------------------|-----------------------------------|---------------------------|-------------------------|------------------------------------|

⁵ Until then historical literature in English and French Canada gave different interpretation of the facts. Heroes of one were the traitors for the others. Even if Canadian history's interpretation is still deeply political, some common efforts have been made recently to eliminate some contentious issues.

| | | | | | |
|-----------------------------|----|----|----|----|-----|
| Brazil | 69 | 76 | 38 | 49 | 44 |
| Brazil S-E (urban)** | 73 | 73 | 44 | 52 | 46 |
| Brazil South** | 67 | 77 | 40 | 44 | 41 |
| Canada | 39 | 48 | 80 | 52 | 36 |
| French Canada* | 54 | 60 | 73 | 45 | N/A |

Source: Hofstede, 1983, *www.gerthofstede.nl, 2011 **Hofstede et al.,2010

Understanding the definition of the distances proposed by Hofstede (2011), it is interesting to see that according to his dimensions, French Canada is closer to Brazil than the rest of Canada. This can be explained by the Latin factors coming from Quebec. According to Hofstede's data, urban Southeastern Brazil, namely Sao Paulo, would share the Canadian dimension of masculinity. This could be understood by the fact that the region is the economic motor of the country, where competition is higher and contact with more international firms brings a higher focus on performance. Southern Brazil is closer to French Canada in this dimension, which could probably explain the important presence of family businesses in both territories.

TABLE 13 : HOFSTEDE FIVE CULTURAL DIMENSIONS

Power Distance

Power distance is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.

Uncertainty Avoidance

Uncertainty avoidance deals with a society's tolerance for uncertainty and ambiguity. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, or different from usual. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute Truth: "there can only be one Truth and we have it".

Individualism

Individualism on the one side versus its opposite, collectivism, is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after her/himself and her/his immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty.

Masculinity

Masculinity versus its opposite, femininity, refers to the distribution of emotional roles between the genders which is another fundamental issue for any society to which a range of solutions are found. The IBM studies revealed that (a) women's values differ less among societies than men's values; (b) men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and

caring and similar to women's values on the other.

Long-Term Orientation

Long-term oriented societies foster pragmatic virtues oriented towards future rewards, in particular saving, persistence, and adapting to changing circumstances. Short-term oriented societies foster virtues related to the past and present such as national pride, respect for tradition, preservation of "face", and fulfilling social obligations.

Source: www.geertshofstede.nl, 2011

As has been previously mentioned, even though highly criticized, the Hofstede dimensions are still the most commonly used: from Kogut and Singh (1988) up until Berry et al. (2010) the dimensions have been widely used. House et al. (2001) combined Hofstede's dimension with practices while the third famous authors on cultural distance, Schwartz & Bilsky (1990), worked on cultural values. In accordance with Tung and Verbeeke (201), Brewer (2007), Dow and Karunaratna (2006), and O'Grady and Lane (1996), cultural distance should be considered as one of the psychic distances rather than a synonym of it, so the popular Hofstede dimensions were the only cultural distances considered in this study.

4.3.1.3 Language

Dow and Karunaratna (2006) developed a measurement instrument based on the difference of languages between countries, the percentage of people from one country to speak another country's language and the homogeneity of languages in each country. They found, without reaching an absolute statistical support, that language could be negatively associated with the intensity of trade between countries.

Their instrument proposed four levels of linguistic roots divided into families, branches, first levels of sub-branches and second levels of sub-branches. Using this instrument, French and Portuguese ended up together in the fourth level as English differs from the two at the family level. That should confer an advantage for the French Canadian doing business in Brazil. According to Dow & Karunaratna instrument, the fact that almost 14% of Brazilians mentioned that they were speaking

English against less than 3% for French in Catho's *Pesquisa for executivos* (2009) would most likely put English as an advantageous language in order to do business between the two Countries. In the same research, members of our sample, the SME, stated that only 5.5% of them were properly speaking English. According to Dow and Karunaratna's instrument, language should have a negative effect on the intensity of trade between the two Countries.

TABLE 14: ROOTS OF LANGUAGES FROM BRAZIL AND CANADA

| Families | Branches | First level sub-branches | Second level sub-branches | Selected languages within sub-branches |
|----------------------|----------|-------------------------------------|---------------------------|----------------------------------------|
| Indo-European | Italic | Latino-Faliscan Romance | Italo-Western | Portuguese |
| Indo-European | Italic | Latino-Faliscan Latin Romance | Italo-Western | French |
| Altaic | Germanic | West | North Sea | English |

Source: Dow & Karunaratna (2006)

In their research on British firms doing business in Brazil, Child et al. (2007) noticed that language was the principal barrier in the business relationship between partners of both countries. Not sharing common cultural heritage increased the power of this barrier.

Berry et al. (2010) put language as a part of what they called the administrative distance, which also included religion, colonizer-colonized links and legal systems. In this work, the colonizer-colonized link was not included, while religion and legal system were studied as different distances. Using the CIA fact book, Berry et al. (2010) found that the distance between Brazil and Canada was fairly close. That can be explain by the inclusion of religion and legal systems that are, for the most part, alike.

Brewer (2007) did not include Brazil as part of his research on PD, but interestingly made a link between native languages, knowledge of English as a second language, and the use of Roman alphabet. Using this measure, Brazil and Canada would have a fairly closely language related PD.

Looking at the empirical studies that included language and at the differences between English, French and Portuguese, it is possible to assume that language can

be one of the major negative distances in business relationships between French Canadian and Southern and Southeastern Brazilian SMEs.

4.3.1.4 Religion

In their proposal of instrumentation of PD measure, Dow and Karunaratna (2006) criticized Hofstede's omission of factors such as language and religion. They suggested a division of religion into three levels: families, religions and divisions. Both countries share the same religion, but in different proportions. Dow and Karunaratna (2006) argued that religion is at the base of what people believe to be acceptable behaviour. Religion also has a lot to do with language and culture through its metaphors. Besides the possible political problems linked to religion, misunderstandings due to religion roots might increase the transaction costs between two partners. Their empirical research confirmed that distances between religions have a negative effect on relationships between partners of two countries.

TABLE 15: RELIGIONS IN CANADA AND BRAZIL

| Region | Families | | Religions | | Divisions | |
|--------------------------|----------------------------------------------------------|------|--------------|------|----------------|------|
| Canada* | Monotheistic religions of a common Middle-Eastern origin | 81.6 | Christianity | 81.6 | Roman Catholic | 43.2 |
| | | | | | Protestant | 38.6 |
| | Others | 2.0 | Others | 2.0 | Others | 2.0 |
| | Without | 16.2 | Without | 16.2 | Without | 16.2 |
| French Canada* | Monotheistic religions of a common Middle-Eastern origin | 90.6 | Christianity | 90.6 | Roman Catholic | 83.2 |
| | | | | | Protestant | 7.4 |
| | Others | 3.8 | Others | 3.8 | Others | 3.8 |
| | Without | 5.6 | Without | 5.6 | Without | 5.6 |
| Brazil** | Monotheistic religions of a common Middle-Eastern origin | 88.7 | Christianity | 88.7 | Roman Catholic | 68.5 |
| | | | | | Protestant | 20.2 |
| | Others | 4.6 | Others | 4.6 | Others | 4.6 |
| | Without | 6.7 | Without | 6.7 | Without | 6.7 |
| Southern Brazil** | Monotheistic religions of a common Middle-Eastern origin | 91.9 | Christianity | 91.9 | Roman Catholic | 71.8 |
| | | | | | Protestant | 20.1 |
| | Others | 3.8 | Others | 3.8 | Others | 3.8 |

| | | | | | | |
|--------------------------------|----------------------------------------------------------------|------|--------------|------|----------------|------|
| South East Brazil** | Without | 4.3 | Without | 4.3 | Without | 4.3 |
| | Monotheistic religions of a common Middle-Eastern origin | 86.2 | Christianity | 86.2 | Roman Catholic | 64.3 |
| | Others | 6.3 | Others | 6.3 | Protestant | 21.9 |
| | Without | 7.5 | Without | 7.5 | Others | 6.3 |
| | | | | | Without | 7.5 |

Source: *Les religions au Canada, Statistiques Canada, cat# : 96F0030XIE2001015, census 2001

**Novo mapa das religiões, FGV, census 2009

The considerations about religion brought by Dow and Karunaratna (2006) suggest that we should not only look at the division of the religion in a country, but at its importance for the people of the country. According to the FGV's *Novo mapa das religiões* (2009), Brazil has about 50% of its population regularly attending religious services, while 89% of Brazilians affirm that religion is important. In the last ten years there has been an opposite trend among Catholics, who have seen their popularity falling, and Evangelicals, the main protestant religion, who have exploded in popularity. Evangelism is especially popular in the lower-middle class, as the Catholics, usually with a higher education level, have stayed at the top of the economic scale.

Canadian statistics do not make parallels between education, income and religion. What has been found in the *Les religions aux Canada* (2011) show that Catholicism is still the leading religion and gaining popularity over Protestantism, especially in Quebec. Protestantism in its traditional form (Anglicanism) is in constant decline. Both phenomena can be explained by the increasing immigration and the change in its origins. New immigrants coming from Latin America are either Catholics or Evangelicals, while Hindus, Muslims and other religions coming from Asia and Africa are slowly growing in numbers. Canada has a high level of people that state that they do not practice any religion.

The principal differences between Canada and Brazil are that if 50% of Brazilians practice religion, less than 20% of Canadians actually attend services. Also, the penetration of pro-active religions, such as the Evangelical ones (many evangelist churches from Brazil own TV stations), is not so strong in Canada.

Brazil and Canada share the same religious roots, so many factors linked to different religions should not affect businesses between SME's of both countries. Having the same religious calendar, the same working days of the week and sharing Christian values should inhibit problems linked to religion. The only aspect that should be considered is the place given to religion in Brazilian businesses in comparison with the one given in Canadian's.

4.3.1.5 Level of Education

Dow and Karunartana (2006) mentioned that the level of education should be considered as the difficulty to transmit information caused by a lack of education for people receiving the information, which could increase the transaction costs. They measured the level of education at three levels: percentage of illiterate people (E_{1ij}), percentage of people with a 2nd level of education (E_{2ij}), and percentage with a 3rd level of education (E_{3ij}), where each level was the difference between the percentage of one country and the percentage of the other.

TABLE 16: DIFFERENCE IN THE EDUCATION LEVEL BETWEEN CANADA AND ITS 10 MOST IMPORTANT BUSINESS PARTNERS IN 1994

| Rank | Country | E_{1ij} | E_{2ij} | E_{3ij} | Absolute value of E_{ij} |
|------|----------------|---------------|---------------|---------------|----------------------------|
| 1 | Italy | 0.91% | -13.64% | 14.00% | 0.317 |
| 2 | France | 0.00% | -10.29% | 14.86% | 0.388 |
| 3 | Germany | 0.00% | -18.00% | 19.33% | 0.433 |
| 4 | USA | 0.00% | 6.85% | 9.37% | 0.451 |
| 5 | Japan | 0.00% | -9.47% | 19.17% | 0.559 |
| 6 | United Kingdom | 0.00% | 0.26% | 18.99% | 0.703 |
| 7 | Colombia | 7.70% | 17.99% | 28.92% | 1.445 |
| 8 | Mexico | 9.42% | 19.27% | 29.62% | 1.513 |
| 9 | China | 17.45% | 24.64% | 32.20% | 1.798 |
| 10 | Brazil | 15.75% | 32.07% | 30.20% | 1.816 |

ij: distance between the two countries

Source: Dow and Karunartna, <http://www.mbs.edu/home/dow/research/>, 2011

According to the Global Education Digest (2009), in 2004, almost 10% of the Brazilian population was illiterate, more than 30% have, at best, finished a first level of education, and less than 9% have attended a third level of education. In Canada, less than 1% is qualified as illiterate, 10% have at best a first level of education and almost 40% have attended post-secondary school⁶. Current statistics on education between the two countries show that Dow and Karunartna's absolute value is still fairly accurate.

This brings to consider, in accordance with the authors, that the gap of education between the two countries should represent a barrier to business between partners from both countries, especially from Canada into Brazil. Child et al. (2009) found that the difference in education between the United Kingdom (that shares similar statistics with Canada) and Brazil did not affect business between SMEs from those two countries. They explained their finding by stating that most of the people they interviewed found that the Brazilian partner with whom they were talking was at the same educational level, but agreed that employees at a lower level were less educated.

This finding suggests that interlocutors with the same level of education would not suffer from this distance. Child et al. (2009) research suggests that Brazil offers quality university degrees, but that lower education does not reach British standards. Decision makers that have to cope with lower level Brazilian employees might truly suffer from the gap in education between both countries.

4.3.1.6 Technical Development

Little has been said about the dangers brought by a technical gap between two countries. Child et al. (2009) concluded that this possible distance followed the same path as education. In their research, it was partly irrelevant, as British were dealing with partners that had the same education levels. A study of five electronics

⁶ This number went up to 56%, the world's second highest rate after Korea, in 2011 (source OCDE education report 2011)

firms from Southern Brazil (BALBINOT; MARQUES, 2000), showed that in order to absorb a foreign technology, successful firms needed to invest in their capacity for absorption. Firms with that kind of development were better prepared to start a technological alliance with a foreign partner.

The worry regarding technical development is in fact linked with the country's education system and R&D national politics. As we can see in table 17, the smaller investment in R&D in Brazil could represent a lack of commitment from governments and industries. Even if Brazil has almost as many researchers as Canada, the other discrepancies that advantage Canada might suggest weaker access to proper research structure or funding in Brazil. The small number of publications could also show a weaker university structure, although the fact that most Brazilian articles are written in Portuguese also limits publication channels.

TABLE 17: NUMBERS ON RESEARCH AND DEVELOPMENT IN CANADA AND BRAZIL

| Factors | Canada | Brazil |
|-------------------------------------------|------------------------|------------------|
| Gross Expenditure on R&D-GERD | 29 US\$ billions | 23 US\$ billions |
| Ratio GERD/GDP | 1.84% (2,7% in Quebec) | 1.09 |
| Number of patents (triadic) (2007) | 3,806 | 124 |
| Researchers per 1000 labours force (2010) | 19.04 | 1.33 |
| Number of researchers | 139,011 | 133,266 |
| Researcher per millions hab. | 4,260 | 657 |
| GERD per researchers* | 170,700 | 162,100 |
| Total Publications | 43,539 | 26,482 |

*this number has increased in Canada and decreased in Brazil between 2002 and 2007

Source: Unesco Science report, 2010

Following the rationale of Ghemawat (2001, 2007), the importance of this distance should be directly linked with the industry where the firm operates. Factors such as a firm's technological development and interlocutors' education can moderate the effect of technical development as a PD.

4.3.1.7 Economic Development

Economic development, contrary to technical development, has been widely measured in empirical research. Dow and Karunaratna (2006) surely used the most

developed statistic instrument in order to measure what they call the industrial development. In their research they looked at ten of the UN's economic indicators: GDP per capita, Energy consumption, Passenger cars per 1000 people, % Non-agricultural labour, % Of GDP in manufacturing, % Urban, Newspapers per 1000 people, Radios per 1000 people, Phones per 1000 people and TVs per 1000 people. They argued in their theoretical framework that a difference in the industrial development would be comparable with the one found in language; an industrial discrepancy between two actors would raise the transaction costs and uncertainty in a business relationship. They finally observed that this was, with little statistical support, true. Dow and Karunartana (2006) calculations put Canada as one of the countries most distant to Brazil (114th of 119 countries) while Brazil would be a country of average distance to Canada (65th of 119 countries). This discrepancy is due to the fact that indicators do not differentiate between positive and negative relations; as Canada is said to be highly developed, it is much further from Haiti or Uganda than Brazil. On the other hand, Brazil will have a closer distance to average countries and similar distances with both extremes (higher and lower economies).

TABLE 18: CANADA AND BRAZIL'S MOST AND LEAST ECONOMICALLY DISTANT PARTNERS

| | Brazil | | Canada | |
|----------|--------------------------|--------------|--------------------------|-------|
| Top 1 | Mexico | 0.010 | Norway | 0.019 |
| Top 2 | Libyan Arab Jamahiriya | 0.034 | Sweden | 0.020 |
| Top 3 | Suriname | 0.034 | Denmark | 0.059 |
| Top 4 | Serbia | 0.050 | Australia | 0.071 |
| Top 5 | French Polynesia | 0.051 | Japan | 0.095 |
| Top 6 | Malaysia | 0.053 | Switzerland | 0.098 |
| Bottom 6 | Canada | 1.395 | Lao People's Dem. Rep. | 2.119 |
| Bottom 5 | Sweden | 1.415 | Papua New Guinea | 2.134 |
| Bottom 4 | Japan | 1.490 | Ethiopia | 2.136 |
| Bottom 3 | Luxembourg | 1.531 | Tanzania, United Rep. of | 2.155 |
| Bottom 2 | Guam | 1.595 | Uganda | 2.179 |
| Bottom 1 | United States of America | 1.863 | Nepal | 2.243 |

Source: Dow and Karunartna, <http://www.mbs.edu/home/dow/research/>, 2011

On an even more macro-economic scale, Berry et al. (2010) measured the economic distance with four factors found in the World Development Indicator (WDI) yearly report: the imports per capita, the inflation rate, the total yearly exports and the

total yearly imports. They argued that these economic indicators give information on consumer buying capacity and preferences, macroeconomic stability, and the openness of the economy to foreigners. They also added another distance, the financial distance, that includes the availability of private credit, the stock market activity and the number of listed companies per million persons. These indicators were placed in their research in order to measure corporate governance and foreign investment behaviour. Their results showed that depending upon a firm's foreign experience, the product (or service), the location and marketing strategies, the explanatory power of these distances was changing.

Brewer (2007) used two micro-economic factors, namely the normalized trade and stock market exchange between two countries (in his research it was Australia and its partners), in order to measure the economic distance, or what he called the "commercial ties". He suggested that larger commercial ties between two countries would increase the flow of information between firms of these countries. Child et al. (2009) considered economic development as including incomes levels, infrastructure, human and other factors.

As can be seen in the literature, economic distance is studied, above all, as a micro indicator. Scholars have used it in order to measure consumer habits and purchasing capacity, bilateral countries' business experiences or national businesses internationalization capacity. In accordance with Dow and Karunaratna's (2006) results, it should be expected to see economic development as an important PD. Using a qualitative method; this research opened the door to a more subjective definition of the distance, where decision makers could explain their reality in light of the macro-economic factors.

4.3.1.8 Logistics Infrastructure

Child et al. (2009) are among the sole scholars that have included logistics infrastructure as a possible PD. While Brazil is considered the world's 8th economy it ranks only 39th in the *Infrastructure-Logistic Performance Index* (2010); an index that considers the quality of trade and transport related infrastructure (e.g. ports, railroads, roads, information technology). Canada is, along with Sweden, at the 10th

place in the index that includes 166 countries. Infrastructure problems in Brazil are important and are rapidly being disclosed since the World Cup 2014 and Olympic Games 2016 will be presented in the country. Brazil has a fairly poor ground transportation system, as most of the roads are not paved. Projects like the “Growth Acceleration Program” (PAC-Projeto de aceleração do crescimento) were launched in order to modernize and increase the infrastructure of the country. R\$58 billion (reais) were designated for infrastructure; among the projects were more roads, railroads, ports and airports. According to Sao Paulo’s Estadão⁷, one year before the end of the program, only R\$10.2 billion (reais) had been applied on infrastructure. In 2011, the second phase of the PAC started (called PAC2), where R\$102 billion (reais) were reserved for infrastructure. The increase in the country’s economy might go faster than its logistic capacity. An example comes from the increasing demand for soybeans and sugar and a low capacity from ports for supplying with a good dispatching service.

Child et al. (2009) noticed that the main problem in logistics infrastructure came from the ports, as some boats had to wait for months before unloading and often needed the help of “a brown envelope” (bribe) in order to get things done. They proposed two ways to diminish the importance of that distance: by contracting local agents or simply use the airways.

Child et al. (2009) explained that logistics was not a typical distance identified in the literature, but one of the most important found in their research. The lack of research made between countries coming from outside Western Europe and Asia (TUNG; VERBEEKE, 2010) can explain this deficiency. As Canadians have most of their international business relations with the USA, a country that has joined its infrastructure system with Canada, the logistic infrastructure should be an important factor in the PD for their business with Brazil. Brazilians should also suffer from the infrastructure, as transportation of foreign goods, especially the ones coming by sea, will give them a disadvantage compared to a local product. This factor should be diminished for Brazilians as they have a better knowledge of the problem. Firms that supply services should not suffer from that distance as, even in a smaller proportion

⁷ Estado de São Paulo, June 9th, 2009

than in Canada, communication services reach the same number of people in both Countries.

TABLE 19: SOME LOGISTICAL DATA FROM BRAZIL AND CANADA IN 2009

| Indicators | Canada | Brazil |
|---------------------------------------|-----------|-----------|
| ILPI world Ranking* | 10 | 39 |
| Rail lines (total route-km) | 58,345 | 29,817 |
| % of rail lines extension 2006-2009 | 1.48% | 1.69% |
| Annual container flow (20 foot units) | 4,175,067 | 6,246,096 |
| Motor vehicles/1000 persons (2007) | 597 | 198 |
| Paved highways (km) | 49,7000 | 94,871 |
| Total highways (km) | 1,408,800 | 1,724,929 |
| % of paved highways | 35.28 | 5.50% |
| % Internet users* | 77.7% | 39.2% |
| % Broadband subscribers | 29.6% | 7.5% |

Source : <http://www.nationmaster.com/compare/Brazil/Canada/Transportation>, 2011

* <http://www.nationsencyclopedia.com/WorldStats/LPI-Infrastructure.html>, 2011

**<http://www.internetworldstats.com/stats.htm>

4.3.1.9 Political Systems

Political systems have been of interest for some PD researchers. Berry et al. (2010) found that the distance depended upon the operation (or what Johanson and Vahlne called stage) the firm has in a country. The example they gave was the possible importance of the political system for a firm that wanted to implant either a distribution unit or a full plant. The latter might enjoy political incentives while the former might be penalized by other policies. This supports the importance of considering not only macro data between countries in the study of PD, but also data on firms and industries.

Berry et al. (2010) used as indexes for measurement: Policy-making uncertainty (POLCONV), Democratic character (Freedom house), Size of the state (WDI), World Trade Agreement (WTO), and Regional trade agreement (WTO). They found that “political system” was a distance that was erroneously looked at as

dichotomous between two countries. Opening this perspective on the political system to specific regions of the world allows explaining choice of markets and entry modes (or FDI).

Brewer (2007) argued that close political ties are expected to shorten the PD between two countries. He did not only observe that diplomatic and economic cooperation would diminish the PD, but it would also increase awareness between firms of two countries and give better access to information. He used, in his index, factors such as the number of regional and bilateral trade agreements between two countries, the value of aid programs (from Australia to the other country) and the number of trade offices of each country in the other countries.

Looking at Brewer's index, it is reasonable to believe that Canada and Brazil suffer from a quite important PD. Canada has five trade offices (São Paulo, Rio de Janeiro, Belo Horizonte, Porto Alegre and Recife) while Quebec has one trade office in São Paulo. As for Brazil, it only has one trade office in Toronto. Canada's premier, Stephen Harper, made his first visit in Brazil in August 2011 (almost five years after his first election) promising an opening between the two markets, starting with an "open airways agreement". The fact is that Canada and Brazil have a greater history of commercial conflicts than of agreement, starting with the Embraer-Bombardier (1996) case and the mad cow ban (2001). Canada and Brazil share a small number of trade agreements. Up until the 90's, Canada had little interest in Latin America while Brazil only opened its borders to foreign trade in 1986. Still today, Brazil is one of the most protectionist countries, losing only to Russia, Argentina and China⁸. At this time, Brewer's index alludes to the importance effect of PD caused by political systems between the two countries.

Dow and Karunaratna (2006) expected the political system to be a possible important PD in two ways. First, as most firms have to deal with governments, a distant political system could impede the flow of information and uncertainty and increase the costs of the operation. In the same vein, unexpected behaviour from a foreign government against foreign firms in contact with its market could be fairly

⁸ Global Trade Alert, 2011

costly; this goes in accordance with the BERRY et al. (2010) point of view. Their index included six factors: Difference in POLCON⁹ between two countries; Difference in Modify POLITY IV; ¹⁰Difference in Freedom House¹¹ political rights; Difference in Freedom House Civil Liberties; Difference in 'degree of democracy' factor; and Absolute value of difference in 'democracy' factor. They finally found that political system was in fact one of the most statistically supported PD in distant countries. Dow and Karunaratna (2006) measured another aspect linked to politics, which is the social dimension based on major parties and a country leader's (e.g., president or premier) ideologies.

TABLE 20: DOW AND KARUNARATNA POLITICAL INDEX RANKING WITH MEAN SCORE FROM 1993-1998

| | Brazil | | Rank | Canada | |
|----|------------------|--------------|-----------|--------------------------|--------------|
| 1 | India | 0.001 | 1 | Australia | 0.004 |
| 2 | Papua New Guinea | 0.029 | 2 | Guam | 0.004 |
| 3 | Panama | 0.039 | 3 | Puerto Rico | 0.004 |
| 4 | Philippines | 0.047 | 4 | United States of America | 0.004 |
| 5 | El Salvador | 0.053 | 5 | Switzerland | 0.011 |
| 6 | Thailand | 0.053 | 6 | Belgium | 0.031 |
| 7 | Romania | 0.058 | 7 | Finland | 0.047 |
| 8 | Madagascar | 0.065 | 8 | Denmark | 0.049 |
| 9 | Fiji | 0.088 | 9 | Luxembourg | 0.051 |
| 10 | Jamaica | 0.091 | 10 | Norway | 0.051 |
| 78 | Canada | 0.568 | 58 | Brazil | 0.568 |

Source: <http://www.mbs.edu/home/dow/research/>, 2011

Looking at the ranking index they created, we should have expected that fairly distant political systems between Canada and Brazil would create an important PD between the two countries. In 2000, Brazil was ranked the 50th closest partner of Canada for Difference in POLCON, 51th Difference in Modify POLITY IV (2003), 57th in political rights, and 67th in Civil Liberties. From 2002 up until 2010 both Brazil's political rights and Civil liberty Freedom House rating went from 3 to 2 (on a 7 points scale) while Canada stayed at 1. The Brazilian POLCON IV index, which is fairly

⁹ The Political Constraint index (POLCON) was produced by Witold J. Henisz in 2000, of University of Pennsylvania, and is an endeavour to measure political constraint, that is, to identify underlying political structures and measure their ability to support credible policy commitments. The latest version was made in 2007

¹⁰ The Polity IV project evaluates the political characteristics and stability over the last 200 years (with data update in 2009)

¹¹ Freedom House is a non-governmental that calls itself an "independent watchdog organization that supports the expansion of freedom around the world".

close to Canada's (0.86), did drop from 0.78 to 0.74 between 2000 and 2007. The Polity IV for both countries stayed at the same level in the last years (10 for Canada and 9 for Brazil). It has to be mentioned that the Polity IV project gave a fragility index of 6 for Brazil (that would be average on a 12 points scale) and 0 for Canada (in 2011). Out of the six points for Brazil, four were allocated to legitimacy and two for efficiency of the state, which would confer a low state of fragility to the state. The corruption and some difficulties in enforcing some of the numerous laws could explain this result. These two problems could explain difficulties in business relationships between Canada and Brazil.

Child et al. (2009) results suggested that British firms were finding Brazil fairly stable and that information on political systems, contrary to most distances, was easily accessible through newspapers and other media. The explanation power of this DP was increased once clustered with other distances, namely legal systems, business practices, business ethics, and logistics.

Based on prior research using political systems as a PD, we believe that it would have a small to medium impact on business between Canadian and Brazilian SME's. This could be explained by an easier access to information, increasing cooperation between the governments of both countries and stability of the Brazilian political system.

The 2010 International Finance Corporation' (IFC) noted that Brazil's ranking for "trading across borders" has dramatically fallen from 98 to 114 (among 183 countries) while Canada's rank moved from 42 to 41 since the last yearly report. It should be expected that the Brazilian high protectionism is the principal factor that has a negative impact on international exchanges (including possible retaliation from the Canadian government against any protectionism actions by Brazil).

4.3.1.10 Legal Systems

Little has been written on the legal system differences between countries. Berry et al. (2010) looked at the similarity of the legal system between two countries

based on La Porta *et al.*'s (1998) findings about legal systems. La Porta *et al.* (1998) found that common law based countries enjoy a better legal protection for investors than French civil law ones. Ghemawat (2001) mentioned that countries with well-functioning legal systems were more attractive to outsiders. The *Doing Business Report* is one of the few available tools for understanding the power of the legal system in a country. Menard and Marais (2006) invited readers of the World Bank Group's *Doing Business Report* to be cautious with the measure of the legal system. They found that what the report was truly identifying is market power of countries in fixing legal tools in transactions rather than the actual role of the legal system as a determinant aspect for foreign direct investors.

Looking at the *Doing Business 2010* report we can expect the distance between Canada and Brazil to be immense, as Canada stands at the 7th rank of the 183 countries listed in the "Ease of Doing Business Index", while Brazil is at a lamentable 127 rank. The index regarding protection of investors placed Canada at 5th rank while Brazil is at 78th. According to the Uppsala school, this should not disturb international development of foreign firms in Brazil, as they should begin with exportation. A bigger problem coming from Brazil is its famous number of laws, a number that was evaluated to be 4.2 million in 2011¹². This uncontrollable number of laws opens the door to one of most important Brazilian cultural traits: *jeitinho*. It is impossible to follow the guidelines recommended by the legal system, so the Brazilians have to find "a way" to make things happen. Many laws, especially where physical contact has to be made between an officer and the people, are forgotten before they have even been applied: "*A lei não pegou!*" (the law didn't get it!). Another problem coming from the Brazilian legal system is its recurrent problem of passing unconstitutional laws; from 1998 to 2007, more than 200¹³ laws were cancelled for defying the Brazilian constitution.

Brazil has its heavy legal system based on the Portuguese civil code, while Canada employs a dyadic system where both common law and civil law are applied (at a provincial scale, only Québec uses civil code for private law, as public law is legislated by common law). Although La Porta *et al.* (1998) would have suggested

¹² Revista Veja, September 26, 2011

¹³ Tribunal de Justiça do Estado de Maranhão, 2008

that both S/SE Brazil and Quebec would suffer from the lack of protection offered by civil code; PD literature proposes that sharing a similar legal system would help. Literature suggests that the legal system could become an important PD once a firm wants to reach a higher level of commitment in its Brazilian development by implanting a local subsidiary. Brazilian firms going to Canada should not suffer important negative effects caused by the legal system, as it is lighter and clearer.

4.3.1.11 Regulations

In their methodology, Child et al. (2009) named the distance to the interviewed person without giving any description of its component. The results showed that regulations, along with language and legal system, were the most important PD for British exporters that perceived it as the thickness of the stack of paperwork. Regulations are, in many ways, linked to the legal system. As this research wanted to compare the micro PD with the micro perception of decision makers, a macro tool had to be found, a tool that would consider the problems created by regulations: the *Doing Business Report*. If, as we have seen, the instrument does not properly gauge the legal system, its statistical strength does have better results for the regulations.

The measure of the *Doing Business Report* are: Starting a Business, Dealing with Construction Permits, Registering Property, Getting Credit, Protecting Investors, Paying Taxes, Trading Across Borders, Enforcing Contracts and Closing a Business.

TABLE 21: 2010 IFC EASE OF DOING BUSINESS
WORLD RANKING

| Indices | Brazil | Canada |
|-----------------------------------|--------|--------|
| Ease of Doing Business Rank | 127 | 7 |
| Starting a Business | 128 | 3 |
| Dealing with Construction Permits | 112 | 29 |
| Registering Property | 122 | 37 |
| Getting Credit | 89 | 32 |
| Protecting Investors | 74 | 5 |
| Paying Taxes | 152 | 10 |
| Trading Across Borders | 114 | 41 |
| Enforcing Contracts | 98 | 58 |
| Closing a Business | 132 | 5 |
| Days to start a business* | 120 | 5 |

Source: <http://www.doingbusiness.org/rankings>, 2011,
 * <http://www.doingbusiness.org/rankings>, 2011

Looking at IFC's indicators, an important negative effect of the regulations was expected to be perceived especially due to the importance of the tax level and the time and regulations in order to start or close a business in Brazil. This important discrepancy in internal regulations between countries should not affect Brazilian firms, as Canada was found to be more effective and business friendly in all measures.

4.3.1.12 Business Practices

Child et al. (2009) noticed that Brazilian business practices had a positive correlation with legal system and culture. This could be understood by the fact that Brazilian cultural traits have been found to exist in local organizations (OLIVEIRA; MACHADO DA SILVA, 2001). In their research on agro-food businesses in the state of Parana, Oliveira and Machado da Silva (2001) found that traits like personal relationship, protectionism, formalism, positive receptivity and short-term orientation were more often present in younger firms. Minghini. (2011) agreed with Oliveira and Machado da Silva when he found that Parana state's managing practices were, in fact, partly based on such Brazilian colonial heritage. He noticed that formalism, "jeitinho" and personal relationships were characteristics of local practices. As we have already seen, Brazilian traits tend to be less dominant in experienced internationalized firms (OLIVEIRA; MACHADO DA SILVA, 2001; SHIMONISHI; MACHADO DA SILVA, 2003).

By the popularity of the use of local agents, British firms that participated in Child et al. (2009) research partly agreed with the problems created by Brazilian business practices.

Canada's bilingual reality is certainly the most relevant example of practice as a PD. In Canada, every product or service has to be offered with its information available in

both French and English, which could be a problem for businesses that are used to exporting only in Portuguese and English.

The important presence of Brazilian traits in local businesses brings a possible negative effect to the international business relationships between partners of the two countries. Anyhow, depending upon the international experience of the firms, theory shows that the power of this distance could be weaker.

4.3.1.13 Business Ethics

As Child et al. (2009) opened the door to interpretation, what has been discovered regarding business ethics was its relationship with logistics, in terms of corruption (especially in the ports). The British found it difficult to deal with corruption; which for some was a factor that could even create problems in a commercial relationship. Few tools have been proposed to measure corruption in the world. Every year Transparency International releases the *Corruption Perception Index*¹⁴. This index, as it states in its title, is based on surveys about perceived corruption in the world, and not actual facts. Also, it measures corruption in the public sector. The organization uses a minimum of three sources coming from different countries in order to make comparison possible. The questions of the surveys are related to bribery of public officials, kickbacks in public procurement, embezzlement of public funds, among others.

TABLE 22: CORRUPTION PERCEPTION INDEX (2003-2010)

| | Canada | | Brazil | | UK | |
|------|---------------|------|---------------|------|---------------|------|
| Year | Average Score | Rank | Average Score | Rank | Average Score | Rank |
| 2010 | 8.9 | 6 | 3.7 | 69 | 7.6 | 20 |
| 2009 | 8.7 | 8 | 3.7 | 75 | 7.7 | 17 |
| 2008 | 8.7 | 9 | 3.5 | 80 | 7.7 | 16 |
| 2007 | 8.7 | 9 | 3.5 | 72 | 8.4 | 12 |
| 2006 | 8.5 | 14 | 3.3 | 70 | 8.6 | 11 |

¹⁴ www.transparency.org, 2011

| | | | | | | |
|-------------|-----|----|-----|----|-----|----|
| 2005 | 8.4 | 14 | 3.7 | 62 | 8.6 | 11 |
| 2004 | 8.5 | 12 | 3.9 | 59 | 8.6 | 11 |
| 2003 | 8.7 | 11 | 3.9 | 54 | 8.7 | 11 |

Source Transparency.org, 2011

Comparing 2010 data with 2003 data (Child et al. research was done in 2004 and 2005); it should be expected to see Canadians having the same perception about corruption as the British had during Child's research. Beside corruption, Child et al. (2009) mentioned the way that *jeitinho* has sway over the legality of some actions. Once again, as Canadians and British are, more or less, at the same level of corruption, this should bring some difficulties in commercial relationships.

Interestingly, Child et al. (2009) found that distances linked with corruption and other factors linked to the government or other institutions were different than the ones linked directly to the business. These *institutional* distances, as Child et al. (2009) called them, have been cited as social distance; a distance that also increased transaction costs.

4.3.1.14 The 13 distances and their context

Macro-economic data found in the different reports showed important factors that could impede commercial relationships between SMEs of both countries. Current politics of both countries are not helping to reduce these distances, as Brazil ranked 114th and Canada 41th for the "trading across borders" index of the 2011 IFC Doing Business Report. Factors such as geography, language, culture and religion are, using the PD construct based on distance itself, advantageous to the relationship between Canadian and Brazilian firms. Factors like education levels, economic levels, logistics, regulations, and ethics should diminish the interest of doing business from one country to the other; especially from Canada to Brazil. Looking at the context also implies the need for looking at the macro-economic conjuncture not only between the two countries, but with the rest of the world.

If the direct distance between the two countries suggests little proximity, factors such as the size of the market, especially in the case of Brazil, became an

important factor in attractiveness. An important temporal factor that has been emphasized is the actual position of the two countries' economies. Canada has shared most of their international business over the last decade with the USA, but is seeing this comfortable position getting weaker as time goes by. The two crises in the USA (2008 and 2010), forced Canada to look for other partners. In 2011¹⁵, Brazil finally entered Canada's Top 10 trading partners. Brazil also needed to look for other partners, since the USA (second partner), Germany, the Netherlands and France suffered from the crises and have seen their economies slow down. Canada, the most stable economy of the G8, became an interesting target. Politically, the relationship between the two countries warmed up. Stephen Harper, Canada premier, made his first visit to Brazil in August 2011 and promises to create incentives in order to build stronger business relationships between Canada and Brazil. From 1998 to 2009, a period stained by the Bombardier/Embraer and foot and mouth disease crisis, Canada and Brazil signed only three bilateral agreements. Today, the war between the two airplane manufacturers has transformed itself into a partnership and the global economy has forced the two countries to amplify their commercial relationship.

This new reality was clearly noted in the interviews. Two Brazilian respondents talked about the "sophistication" of the Canadian market as a justification of their business in the country. One of them mentioned that his traditional markets, especially in Europe, became more interested in cheaper products in order to respond to their internal market; a market which was historically concerned with quality but now more by lower cost. The second respondent explained that Canada was the only market where he could enter with a quality product, as Europeans were more inclined to buy cheaper products. None of the Brazilian respondents mentioned the political aspect of the relationship between the two countries, but the Quebecers did. One respondent, who agreed that Brazil's market size was of importance, recalled the fact that the first Canadian trade mission to Brazil in 2011, in which he was supposed to participate, was blocked at the Guarulhos airport (Sao Paulo) by the federal police.

¹⁵ Canada's State of Trade: Trade and Investment Update 2011, Foreign affairs and International Trade Canada.

Either because of its resources, its economy or its population, Brazil has become an attractive market for most of the Quebec firms. For the Brazilian, the sophistication of the market, its stability and its technical capacity make Canada an important partner. In both cases, this interest comes not only because of the appeal of the internal market, but also because of the global context.

TABLE 23: THE INCENTIVES FOR INTERNATIONALIZATION IN BRAZIL/CANADA

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-----------------------|-----------|---------|---------------|--------------------|
| Valid | Market attractiveness | 7 | 30.4 | 33.3 | 33.3 |
| | Solicitation | 6 | 26.1 | 28.6 | 61.9 |
| | Strategy | 4 | 17.4 | 19.0 | 81.0 |
| | Government incentives | 2 | 8.7 | 9.5 | 90.5 |
| | Resources | 2 | 8.7 | 9.5 | 100.0 |
| | Total | 21 | 91.3 | 100.0 | |
| Missing | System | 2* | 8.7 | | |
| Total | | 23 | 100.0 | | |

*For being SBU of Quebec's firms, 2 answers were marked as missing.

Source: the Author

Looking at the respondents' answers as to the principal incentive for entering in the other country, the first reason is market attractiveness, with 7 out of 21. Adding resources, this comes to 9 out of 21. Two have been doing business together because of a program between the two countries, while four stated their partner country is a strategic priority. Besides the six firms that entered the other's territory through solicitation, all firms benefited from a macro-economic and temporally favourable context.

4.3.2 The Industry

For Ghemawat (2001), the industry is part of the importance that should be given to distance. This was strongly confirmed in this study. Firms that were sending products from Canada to Brazil found that logistics was the second (even with regulations) most problematic distance due to the poor quality of maritime infrastructure and possible problems with bribery. Firms that were working with

services also complained about logistics, as they were consultants for exporting firms, which have goods to sell to Brazil. Decision makers of firms dealing with software, IT or high technologies (transported by plane) were aware of the logistics problems, but not troubled by their possible effects. These firms were more preoccupied with language or technical capacity, than logistics.

Another factor that was observed concerned the level of internationalization of the industries. A majority of the decision makers mentioned that their firms were competing with other internationalized firms with the exception of some intra-national competitors. Some mentioned the importance of the band-wagon effect: Quebecers stated that everyone was in Brazil, so they had to go too. This was true for innovating firms; firms working with specific resources mentioned that they were competing mostly with local firms and some foreign firms that had a substitute product. This tough factor did not reveal any correlation with the PD construct nor the internationalization of the firms. It only indicates that firms were, at least in the case of our sample, competing in the same range of internationalization. Most of the firms were looking at the same opportunities and sharing the market. Few firms, led by international entrepreneur, were seeking a market by just in order to be the first in the market.

For this matter, looking at the industry permits emphasis to be placed on the relevant distance and also gives more information about the internationalization focus of the firms and the decision makers; if a firm, for a strategic reason, is the sole local player or the only international one in a competitive pool, it will show a real inclination for internationalization.

4.3.3 The Firm

Most of the Quebec firms were working with technologies that were not available in Brazil or at least not without their help. These technologies were used in different industries. The reasons why the Quebec SME's entered Brazil were either because they proposed a new technology, a different option to existing technologies,

or an innovation not related to technology (service) but still unavailable in Brazil. This goes in accordance with Nordstrom and Vahlne's (1993) statement on the fact that innovation reduces PD. Their current operational mode varied from SBU to exporting (one being an importer). They all explained that internationalization was a necessity or a priority to the firm. They also stated that Quebec occupied a small share of their market or not at all. The size of the local market was the most important reason to seek internationalization, which should have diminished the importance of PD (MALHORTA et al., 2008). Brazilians, on the contrary, enjoy a large market and therefore did not feel such pressure to internationalize. The firms found in the sample were either importers of technology or exporters of exotic goods or low level technology.

The incentives for internationalization mentioned by the respondents showed that that all nine respondents with an interest in the market or its resources came from Quebec, while 5 out of 8 Brazilian firms (two others being SBU) stated that their motivation came from solicitations. While statistical validation is not possible, this gives good indications of the commitment of the firms. Quebec's decision makers mentioned that firms were taking their internationalization seriously and that this was a vital point. But one, which actively travels to Brazil, invested in their Brazilian operation and travels to trade fairs and with government missions in order to develop the market. Three of Quebec firms already had a SBU, and the rest of them were currently preparing a raise in their commitment through partnership, acquisition or even Greenfield investment. Although factors such as regulations on importation could have influenced the increasing commitment, it seems that the interest in working with Brazil pushed Quebec's firms into a pro-active internationalization process. For the two internationalization consultants, one from Brazil and one from Quebec, the Quebec firms that succeeded in doing business were well prepared. This could explain the high number of trips to Brazil by the Quebec decision makers.

The Brazilian respondents, with the exception of a cachaça exporter, were using their internationalization operation as a complement to their national ones. The size of the national market was competing with the firm's interest in exportation. Although all firms stated that importation was a priority for them, the main commitment was to visit trade fairs. In the case of the two comex analysts, the firm

was developing its international market first through visits to trade fairs by the owner or the sales manager, then information was passed on to the comex analyst, who was then involved with business development. One respondent, an international sales manager, mentioned that the firm did not need to be internationalized as the Brazilian market was sufficient, but the owners of the firm, a couple of old immigrants, loved to travel and were using the firm's internationalization in order to visit Europe. He mentioned that the owners gave him the possibility of visiting the customers just because "numbers were stable" (despite the global crisis) and because it would guarantee their opportunities for traveling. In the case of that firm, internationalization of the firm was passing through an international business manager who had a lot more power than the two comex analysts, especially in terms of market development. The TV producer internationalized his firm because of a bilateral agreement between the two countries. Even if he had an important internationalized culture, he also put the most important part of his international commitment into trade fairs. Obviously, his partnership with a Quebec firm brought him, a vice-president, to increase the firm's commitment into a four-fold partnership; his firm, a Quebec firm and the two national governments. In most cases, the internationalization was reactive, where their customers were, in fact, seeking the Brazilian companies, often after a short meeting at a trade fair.

One case of internationalization came about through a strategic decision related to market sophistication. A cachaça producer selected Canada as a target market for the sophistication of its consumers. The producer was the owner of the firm and traveled during many years while working in a multinational firm. Based on his various trips around the world and his interest in the two Canadian cultures (he noted a great difference between the French and English ones), he decided that Canada, and eventually the USA, were the key markets for an upper quality organic cachaça. Traveling many times to Canada in order to promote the product, he decided to fully commit to the sales process through promotion and tasting sessions. During the interview, he mentioned that Brazilians did not know how to do business and preferred to work with North Americans.

Both samples, from Quebec and Brazil, pointed out the importance of the firm's interest in internationalization as proposed by Dichtl et al. (1990). While

Quebec's firms were putting internationalization as the principal activity of their strategy, most of the Brazilian firms were using internationalization to support their domestic sales. The firms' commitment to internationalization was much more important with the pro-active Quebec respondents. Although all respondents were defining themselves as highly interested in internationalization, the tools proposed by their firms marked the limit of their commitment.

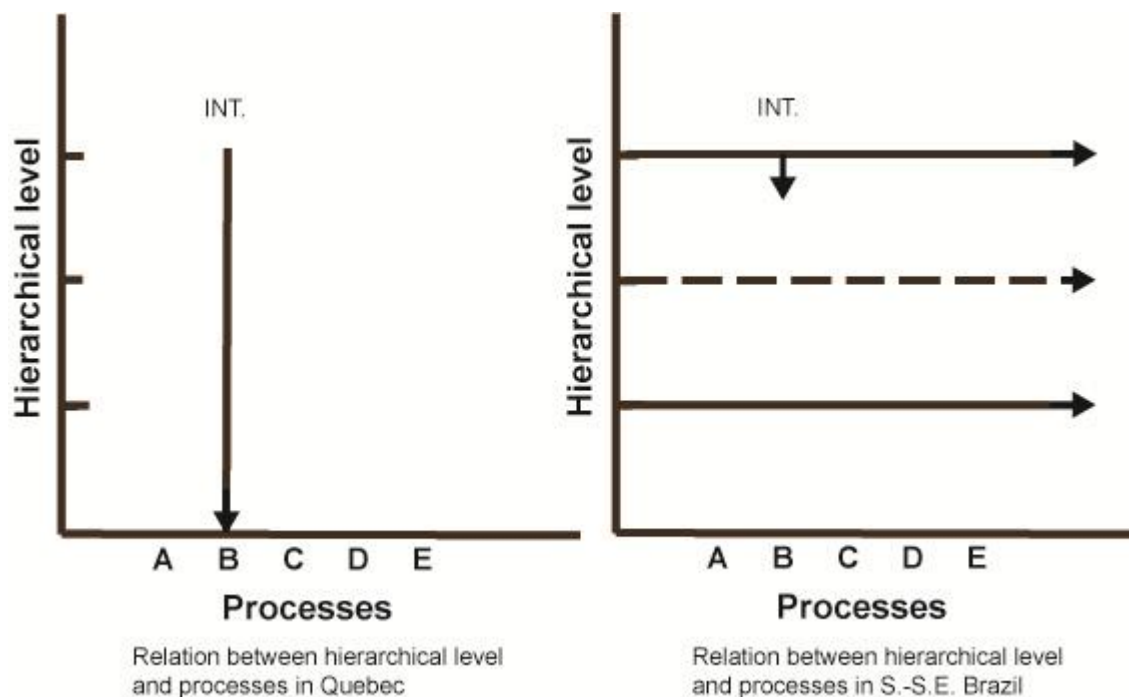
It has been noticed that Aharoni's (1999) explanation on internationalization was observed in many cases. Quebecers mentioned that going to Brazil was marvellous not only because of the market size, but also because of the culture and the beauty of its women. One respondent said that he was fan of bossa nova while another said that as soon as he was going to open a plant, he would send his kids to work there as a summer job. Many of Quebec's respondents currently spend vacations in Brazil, while others are thinking about it. The more internationalized Brazilian decision makers also found special reasons to go to Canada. The main reasons were the efficiency, the directness of the interlocutors and the fact that "everything works well there", but attractiveness to market came also through the Latin proximity and, reciprocally, the beauty of its women.

It has to be mentioned that Quebec's firm were developing their business in Brazil as it was an important market, not only for its actual dynamism, but also for its size and geo-political location. This interest in a major market is not shared by Brazilian firms, which see in Canada a small but solid market. This goes in accordance with Malhorta *et al.*'s (2008) opinion on the reduction of risk created by PD through market attractiveness.

The relationship between decision makers, firms and internationalization mostly agrees with the literature proposed earlier. Innovative firms are more inclined to overcome PD (NORDSTROM; VAHLNE, 1994). A specific internationalization strategy, resource seeking or country specific advantage might reduce PD (VERBEEKE; TUNG, 2010) as firms involved with such operations tended, in the sample, to be more committed to internationalization. Firms that were acting in a context that required a higher level of internationalization were more inclined to support their decision makers, usually giving them a higher rank in the firm's

hierarchy (DITCH et al., 1990). A unique point that literature has not analyzed is the non-sought relationship. The sample studied confirmed that most of the Brazilian firms become internationalized in a passive way (KRAUSS, 2006). The capacity of Brazilian firms for absorbing technology and creating higher quality goods allows them to extend their market outside of the country without changing their business practices, mostly through some exportation paperwork. The result of such internationalization brings a lower possibility of foreign development and commitment.

One of the problems found in the relationship between Quebec's and Brazil's respondents was in fact the relationship they had with both the process and the commitment. When Le Boterf (2010) described professional practices, he suggested they are a capacity for adaptation to a new context. In the case of the Brazilians, a manager was often reproducing a process used for local sales in an international market; where he/she was doing all the work related to his/her hierarchical tasks and leaving the rest to an operational employee. The Quebecers had a bigger tendency for having a specialized manager who was taking care of (or at least in close contact with) the whole process.



Graphic 2: The relationship between the hierarchical level and the internationalization level in Quebec and Southern and Southeastern Brazil SMEs.

Our sample suggests that the executives in Quebec are closer to the entire process of internationalization; this was noticed even in the two larger firms. Brazilian SME decision makers were more inclined to include the internationalization process among the other tasks related to their hierarchical level; a general manager or an owner was taking care of making contacts and responding to higher level executives from foreign firms. All tasks that were not usually accomplished by them were sent to an operational employee. This practice opened a gap for problems related to internal communication, business development and speed of the international process. The model presented in Graphic 2 shows that internationalization (INT) in most Brazilian firms encountered in the sample was part of routine operations. The Brazilian executive, either due to a lack of interest created by the importance of the local market, Brazilian traits such as the short term orientation or the Inequality of Power and Hierarchy (MINGHINI; BALBINOT, 2011) or because of a lack of professionalism/experience, was not committed to development, while the operational employee did not have power to work on such development.

4.4 DISTANCE PERCEPTION AND IMPORTANCE

The theoretical framework of this dissertation suggests that both distance and perception of the distances should be considered in measuring PD (EVANS; 2008; DOW; KARUNARATNA, 2006; EVANS; MAVONDO, 2002). The idea of asking respondents how the distances affected their business with their foreign partners brought by Child et al. (2009) gave a better empirical tool for measuring PD. In this section, 13 distances that are both statistical measures, on a five point scale, and qualitative ones, made by asking the respondents to explain their choices, are exposed. Generally, the average distances demonstrate that respondents believe that distances were actually larger than the effect they have on their business. Also, means of both perception and importance of distances were smaller for Brazilians (1.73 & 1.63) than for Quebecers (2.00 & 1.85). This could be explained by the fact that theoretically, for most distances, Canada is in favourable position, which means Brazilians find their negotiations with Canadians often easier than the ones they

have in Brazil. This was confirmed by the more internationalized Brazilian decision makers of the sample.

As noticed, by Child et al. (2009) and Dow and Karunaratna (2006) some distances can be clustered and some factors can overlap. As in previous research found in the literature, factors such as telecommunications, culture or logistics have were mentioned by respondents in the description of different distances.

4.4.1 Geography

Ghemawat (2001) proposed many factors as being part of the geography. Respondents had to give their perception of the geographic distance on a five point scale, but in the qualitative part, it was noticed that some factors increased the distance and others diminished it.

Quebecers ranked geographic distance as the fifth most important distance (mean=2.62) and as the fourth most relevant to their business (mean=2.23). The importance of the distance and its effects on business were justified by the shortage of direct flights between the two countries (especially for the firms that offered a personal technical service), the poor quality of communication systems and, for some, the length of the trip. This last point was tempered by the fact that trips to Asia were much more exhausting.

Other factors were said to give Brazil a geographic advantage. First, the time zone was said to be particularly helpful in business relationships. Also the information technologies (IT) became the principal instrument in Quebecer business practices. Even if the Brazilian communication infrastructure was considered by all respondents as being of poor quality, the respondents mentioned that they have easy access to the Brazilian market with the help of Skype. This facility with using IT diminished the importance of another problem mentioned while talking about geography: logistics. The flow of information, particularly of documents, is increasing the capacity of these firms to compete on Brazilian soil. Response time has been

substantially improved with the development of such technologies. Shipping of images, in the case of the TV producer, or transmission of a plane's blueprints made by an aeronautical company are examples of the new flexibility brought by IT. Some respondents said that the geographic distance between Canada and Brazil made it more difficult to justify their operations to their boss as their firm was more interested in the US market.

Brazilians, regarding the other distances, saw a smaller comparative distance between the two countries. For them, geographic distance was the 10th most important distance (mean=2.00) and as the fifth most relevant for their business (mean=1.70), tying technology and regulations. Being used to distant partners, Brazilians did not find Canada physically remote. The fact that Quebecers traveled on average three times more per year to Brazil than Brazilians to Canada (an average of 11.7 to 4.6) helped smooth down the side effects of long trips. Two negative effects of distance were noted. First, the Brazilians complained about the lack of technical services coming from Canada; stating that for some it created a weakness as compared to domestic competitors. Also, the distance was felt by most of the respondents as a personal relationship problem. They complained that they would like to have the Quebecers in Brazil more often to socialize and work on ideas.

Even though Brazilians agreed about the weakness of IT in their territory, they also found that the internet, and especially Skype, was a good tool in order to diminish distances. They had the same point of view regarding the insignificance of the time zone in their relationship with Canadian partners.

In summary, the geographic distance was not an important trade inhibitor in any of the cases (as predicted by Dow & Karunaratna, 2006). This can be explained by the fact that most firms were dealing with new technology, which should lower the effect of this distance (Arenius, 2005). New IT also diminished the power of the distance (NORDSTROM; VAHLNE, 1994). Time zone was irrelevant and actually considered as a facilitating distance in comparison with Asian partners. Traveling between the two countries is not as difficult as with Asia. A tiny difference was found in the fact that Quebecers found that traveling to Brazil was more tiring than visiting

their traditional partners, the USA (which receives 70% of Canada's trade) and Europe. For Brazilians, going to Canada was as "simple" as going to Europe.

A key factor of the geographic distance was found in the way both partners were using IT. If Quebecers found IT a good substitute to "live" contacts, Brazilians had a limited use of the technology. They used it for daily issues, but were not capable of negotiating contracts for major issues through Skype: they needed to meet their partner. One Quebecer explained that he travelled to Brazil in order to close a deal then negotiated during 6 months through emails and telephone calls. Only after these six months, he went back to Brazil in order to seal the deal. He explained that he should have stayed two more weeks in Brazil in order to reach his goal and that he lost six months of business working online. Brazilian respondents confirmed that they had a limit in virtually dealing with contracts. One Brazilian respondent, which made all his deals with his Quebec supplier online, noted in the middle of the interview that in fact, it was not his personality to do business that way, and mentioned that he will buy a plane ticket to Canada in order to strengthen his relationship.

4.4.2 Culture

While explaining the cultural differences, respondents showed a wide understanding of the concept of culture. The most experienced directly assumed that they should relate it to business practices which are different, while the other lingered more on the social culture. The Brazilians that gave priority to the business culture were the ones that were more attracted to a commitment to internationalization. Also, culture as an assimilating distance, such as religion, politics, language, ethics or practices could explain the temptation to confuse it with a general PD construct (LEE, 1998; SWIFT, 1999 both as cited in EVANS; MAVONDO, 2002).

Quebecers showed a mixed culture involving some traits found in the pre-Quiet Revolution period, such as their link to the Catholic religion and a certain pre-

industrial mentality, as well as post Quiet Revolution traits, more related to the dominant models of business (HOUSE et al., 2001) where efficiency and transparency are key factors. Quebecers enjoyed Brazilians for their proximity and their facility in making contact. Many of them found that the two cultures were alike because people were “simple”. Many respondents talked about the Latin link between the two “nations”, stating that culture between Brazil and Quebec was closer than between Brazil and English Canada. Quebecers enjoyed the warmth of the Brazilian culture and their necessity for making friendship before doing business. The business consultants mentioned that it was the key factor of a good business relationship between partners from the two countries. This point of view has been confirmed by the observation of three less developed cases: one from the Quebec importer and the one from the two comex analysts. In all these cases, the respondents complained about the coldness of the partner. They found the relationship either distant or “polite”. These three respondents found the culture as a medium to high distance.

Quebecers also noticed that the warmth of the Brazilians and the other traits changed with the regions; Sao Paulo was doing business more as the way it is done in North America, while other regions, namely in Northeast of Brazil, do business in a more “exotic” way. Some Quebecers had problems in understanding the familiarities requested by Brazilians partners and feared the necessity of bribing them (although none have yet reached that step).

Brazilians were more than aware of some of their traditional traits, maybe without being capable of naming them; receptiveness to what is foreign, flexibility, short-term orientation, uncertainty avoidance, personal relationships and especially the *jeitinho* were all present in the interviews. This last have been said to be transformed from “*malandragem*” (trickery) to “good *jeitinho*”, a way to legally facilitate the business in a complicated system. All but one of the Brazilian firms did not have a strategic plan for internationalization. Some were passive exporters, importers or were improvising their internationalization process. One respondent mentioned that his firm did not have long-term plan, but was internationalizing as the market accepted its products, as long as the owners kept an interest.

Brazilians also enjoyed easy access to Quebecers. They found Quebecers more open and more flexible than most of their foreign partners. Berry et al.'s (2010) warnings about the dissuasion power of cultural distance were not supported, but the uncertainty avoidance of the Brazilian still created some cultural difficulties. Brazilians at some point found their Quebec partners a bit cold and too direct. Some expressed the difficulty they, and specially their staff, had in receiving a negative answer. One said that he had to debrief his staff after they had a negative discussion with a Quebec partner. The Brazilian business consultants confirmed that Brazilian had difficulties with the Quebecers direct way of presenting dissatisfaction. They even mentioned that it has, on some occasions, been a deal breaker. The TV producers explained that the way Quebecers talked to his staff resulted in them slowing down their productivity.

It has to be noted that the intra-national cultural PD observed by Tung and Verbeeke (2010) has been clearly identified in Brazil. Some Brazilians from Sao Paulo, who claim to give priority to professional contacts, found that even if culture between Quebec had a closer culture to the Brazilian one, they rather prefer doing the business part of their relationship with English Canadians; as they are faster, clearer and more direct in their negotiations. Looking at the Hofstede's indices presented in the table 7 (p.50), it is possible to confirm the business proximity between Brazilians from city of Sao Paulo and the English Canadians, as both scored 52 in masculinity, while the south of Brazil and Quebec scored respectively 44 and 45 (Brazil scored 49 overall).

Generally speaking, Hofstede distances between Quebecers and their Brazilian partners have been proven, at least qualitatively. Quebecers are, according to respondents from both countries, culturally closer than the rest of Canadians to Brazil except for the point mentioned in the last paragraph. Another interesting point is that some cultural traits tend to disappear with increased experience or professionalism, while some other are transformed. One stated that the negative part of *jeitinho* was diminished by internationalization, as the foreign partner would not accept it, but on the other hand, the good *jeitinho* was a Brazilian flexibility in order to facilitate business in a context that foreigners barely understand.

Personal relationships also survived the international experience. Maybe as an anchor to their business practices or because of a curiosity about what is foreign, Brazilians tend to put this characteristic up front in their commercial relationships. Both Quebecers and Brazilians agreed that in order to do business in Brazil, one needs to work on personal relationships before getting into business. Three respondents, two from Brazil and the other from Quebec, mentioned that 60% of business with Brazilians is related to personal contacts and 40% to the product or service offered.

Since Quebecers, in general, look at Brazilian culture as friendly and similar to theirs, they put cultural distance in fifth place for both perception (mean=2.62) and importance for their business (mean=2.08). The only problems concerned worries about possible bribing proposals and some misunderstanding regarding schedules or time perception. Brazilian, by putting the personal relationship in front of their business and having problem to cope with the directness of Quebec partners culture as the second most influential distance for their business (mean=2.00) and they put it as the third most important perceived distance between both countries (mean=3.10). This distance, for many, was seen as a positive one.

TABLE 24: CORRELATION BETWEEN CULTURE AND INTERNATIONALIZATION OF THE FIRM

| COUNTRY | | | | ACTMODE | FIRMINTP | CUL | ICUL |
|---------|----------------|---------|-------------------------|---------|----------|-------|----------------|
| CANADA | Spearman's rho | ACTMODE | Correlation Coefficient | 1.000 | .314 | .214 | .565(*) |
| | | | Sig. (2-tailed) | . | .296 | .483 | .044 |
| | | | N | 13 | 13 | 13 | 13 |
| BRAZIL | Spearman's rho | ACTMODE | Correlation Coefficient | 1.000 | -.117 | -.026 | .408 |
| | | | Sig. (2-tailed) | . | .782 | .951 | .315 |
| | | | N | 8 | 8 | 8 | 8 |

* Correlation is significant at the 0.05 level (2-tailed).

ACTMODE: Actual mode of operation FIRMINTP: Time of internationalization in others country

CUL: perception of the cultural distance ICUL: Importance given to the cultural distance

Source: Research data

Statistically, an interesting aspect of the Quebecers' perception can be seen. Respondents of firms that have a longer relationship with Brazil and have a bigger commitment in the country found that cultural distance was more important to their business with Brazilians; a fact that has also been suggested by Child et al. (2009). With a Spearman-rho non-parametric correlation between the importance of the

cultural distance and length of the operation in Brazil of 0.044 (with sig. at 0.05), it is possible to see a certain disenchantment on the Quebecers' part. This would lead one to believe that a certain replacement of their first feelings regarding a "party-going" culture was replaced by the consequent business counterpart of such culture, but this is not exactly the case. Long relationships with Brazil brought the Quebecers to understand that once they penetrate the interior of the country (outside the city of Sao Paulo), cultural distance becomes greater and practices are less familiar. The operational parts of the relationships become more affected by the culture, but as the market becomes greater (Sao Paulo together with other regions) the market attractiveness also increases. Also, they noticed that culture, even though not too important for them, must be considered as it directly affects their Brazilian partners' commitment and interest.

4.4.3 Language

Child et al. (2009) came to the conclusion that language, especially when added to the cultural distance, was the principal barrier to business between the UK and Brazil. This was partly confirmed in this research. Quebecers agreed with Child et al. (2009), placing language as the second most distant perceived factor (mean=3.46) and as the first most influential factor in their business with Brazil (mean=2.38).

Nine Quebecers conversed with their counterpart in English, two in Portuguese and two in Spanish (including one that mixed Spanish and English). In general, the top levels of the Brazilian firms' hierarchy had fairly good to excellent English. The best English was found with higher level technical executives, such as engineers and laboratory researchers, who had a good grasp of technical English. The more internationalized Brazilian firms also had key interlocutors that had a good understanding of English. One of the Quebec respondents mentioned that he was talking to engineers or executive at Embraer, his main customer in Brazil, without any problems. Only one executive, the oldest, did not know sufficient English. He complained more about the interlocutors of other firms based in Brazil, most of them distributors, who usually had a weak command of English. This feeling was shared

by most of the Quebecers. The quality of English falls dramatically once you leave a fully internationalized environment. Many of them needed a translator or stated that their interlocutor had fairly bad English. If they had to get in touch with operational personnel, communication was very complicated and slowed down the business process. Three Quebecers felt that Brazilians, probably because of anti-American feelings, were reluctant to speak English. As the culture of Quebec has a closer culture to Brazil than the UK, the addition of culture to language did not increase the power of the distance as Child et al. (2009) suggested. Indeed, for many, culture was a “crutch” that diminished the problem; Brazilians were using *jeitinho* in order to bypass their language problems.

The advantage of a dyadic research allowed confirmation of Child et al. (2009) findings on language when looking at the Brazilian point of view. If it was as the fifth most important perceived distance (mean=2.80), it was the eighth ranked as the most important for their business. The first reason for this ranking is that most Brazilian respondents stated that they spoke good English (a feeling that was not always shared by their Quebec counterpart). After Spanish, English was their main language of internationalization. They agreed with the fact that few Brazilians have a good command of English. This is especially true when talking about their Brazilian customers. This fact obligated them to make a linguistic bridge between the Quebec firm’s service or product, usually delivered with English instructions, and their customers. Also, some of them claimed that some Quebecers had, in fact, fairly bad English themselves (which was not denied by the Canadians). Finally, two Brazilians mentioned that they could not express their full feelings in English as they would in Portuguese, which created a small barrier in their personal relationships with their partners. It has to be noted that six Brazilians spoke in English with their Quebec partners, two Spanish (including one that mixed Spanish and English) and one, both French and English.

In a comparative distribution between the two countries, 10 respondents considered themselves bilingual, 10 trilingual and, 3 spoke a minimum of four languages. All respondents spoke English, but none had it as a native language.

In the case of this research, language has been a proof that distances are different between two countries. The theoretical macro concept of distance is alike, but the perceptions change from one country to the other and the importance it has on business is even more different.

4.4.4 Religion

If language brought some concern for the respondents from at least one of the two countries, religion was not an important factor for either. It ranked last for both Quebecers and Brazilians for perception of distance (mean=1.27 and 1.57) and for the importance it has in the business relationships (mean=1.08 and 1.27).

Even if this distance is the least relevant distance, some interesting comments made by respondents confirmed what has been found in literature. First of all, the small number of answers regarding the religion of respondents can be explained by the aversion to the Catholic institution by Quebecers. After the application of four questionnaires to Brazilian respondents, the next 10 questionnaires were applied to Quebecers. Two of the first Quebec's respondents were worried when the interviewer asked their religion: one almost wanted to end the interview. This episode confirmed their aversion to religion, but also obligated a strategic change in the questioning about religion. From then on, the respondent was not asked to mention his religion but only if it has any importance in his business with his partner.

Some respondents, those more inclined to talk about the issue, confirmed that both countries share more or less the same religion. They also confirmed that they perceived Brazil as a more religious country than Canada. In general, Quebecers were more aware of the status of religion in Brazil, mentioning the strength of the faith, the importance of the Catholic Church and the rise of the Protestant ones. Brazilians did not have much to say about the fact that they believe that Quebecers were not church-goers and that both Catholic and Protestant churches were present.

As most Brazilians and Quebecers are Christians (either Catholics or Protestants), conflicts due to religion are not common. Some respondents stipulated that being from the same religious roots helped a lot in their cultural exchanges; which matches the importance given by Dow and Karunaratna (2006) to the religious roots of the partners. One Quebecer said that the proximity of religions between both countries helped very much to create more intimacy with his “very religious” Brazilian partners. For him, Quebec was non-religious and Brazil religious, and that his firm respected that religion is an important part of Brazilian culture. It seems that in the case of our sample, religion was more a source of cultural proximity than a negative distance.

All the respondents that answered the question regarding their religion affirmed that they were either atheist or not church-goers, including a Jew, who was the only non-Christian.

4.4.5 Education Level

One of the key findings regarding education is the consciousness Brazilians had regarding the weakness of their educational system. They ranked the education gap between both countries as the greatest distance of all (mean=3.60). It was difficult to discern if that perception of distance was more related to the knowledge about the good Education system found in Canada or from disappointment in the Brazilian one. The fact that the importance they gave to education ranked at the ninth place (mean=1.50) as an influent factor in their business confirmed the findings of Child et al. (2009): even being important, the educational gap between Canada and Brazil does not affect the quality of business relationships. As related by Child et al. (2009), the unimportance of the education in the business in comparison with the perceived distance is caused by the similarity of education level between respondents and their international partners. For example, one Brazilian said that he was aware of the danger of having an educational gap and because of this he was the only person of the firm, beside the owners, to talk to foreigners.

Child et al. (2009), noticed that the gap between lower levels of education between the two countries (UK and Brazil) was more important than the gap between higher education. Quebecers explained that the few problems related to education appeared when they had to deal with less educated interlocutors. The sample showed that in general, they find that the gap between Brazil and Canada is much smaller than suggested by the Brazilians (ranked 11th, with a mean= 2.15), but on the other hand, they find the importance of the distance as important as the Brazilians (ranked 9th, with a mean=1.62). Quebecers, in general, did not see big problems coming from the educational gap, but the most committed ones had some reservations. One said that he refused to deal with sellers or buyers but wanted only to speak to higher executives, as the former did not know anything and had no decisional power, not even related to their tenure. Another one stated that when he wanted to speak to someone with an undergraduate degree, he actually was looking for a master's level; when he was looking for a master's, he was looking for a PhD. He believed that education in Brazil was one level under Canada's.

Non-parametric statistics invite a link between education and commitment. The more Quebec respondents are committed to their Brazilian operations, the more education becomes a problem in business. Spearman's rho non-parametric correlation was 0.033 (with sig. at 0.05). This can be explained that with the increasing commitment, Quebec decision makers had to directly deal with other contacts than their initial one, who usually shared a similar level of education. They felt that the education gap with the newer contacts was more obvious.

As they are dealing with people of their level that share the same quality of education or with lower education people that possess a higher level of education than their Brazilian equivalent, Brazilian decision makers did not statistically find education as an important factor in their business.

TABLE 25: CORRELATION BETWEEN THE EDUCATION AND THE MODE OF OPERATION

| COUNTRY | | | | EDU | IEDU | ACTMODE |
|---------|----------------|---------|-------------------------|------|----------------|---------|
| CANADA | Spearman's rho | ACTMODE | Correlation Coefficient | .116 | .591(*) | 1.000 |
| | | | Sig. (2-tailed) | .706 | .033 | . |
| | | | N | 13 | 13 | 13 |

| | | | | | | |
|--------|----------------|---------|-------------------------|-------|------|-------|
| BRAZIL | Spearman's rho | ACTMODE | Correlation Coefficient | -.450 | .650 | 1.000 |
| | | | Sig. (2-tailed) | .263 | .081 | . |
| | | | N | 8 | 8 | 8 |

* Correlation is significant at the 0.05 level (2-tailed)

ACTMODE: actual mode of operation EDU: perception of distance in the level of education

IEDU: Importance given to the distance in education level

Source: Research data

As the sample included mostly small firms dealing with fairly high technology, education was not an important issue. The research suggests that bigger firms, with more commitment and necessities of exchanging information at different levels could see education becoming an important distance, as noted by Dow and Karunaratna (2006).

4.4.6 Technical Development

Brazilians were in general extremely optimistic regarding their technical development. All but one considered that their technical level was only a little bit less than Canada's, and they believed that Brazil's dynamism was going to lessen the gap. They ranked the distance as the eighth most important (mean=2.36) and found it was the fourth most influential distance (mean=1.70), similar to regulations and geography.

Quebecers ranked technical development as the second least important (mean=2.15) and the distance was the only one that was at the same importance for both sides (mean=1.69, 6th). For most of them, Brazil was in fact gaining innovation and technical capacity. They found that the distance was advantageous because Brazilians were not yet innovative (which give Quebecers a competitive advantage), but were easily absorbing innovation and technical requests made by their partners.

As in the case of education, firms where contacts were made between various levels of hierarchy saw the technical distance being more problematic. Also a Brazilian TV producer mentioned his incapacity at finding employees with the same technical level as Quebecers, because it is an industry where no formal courses are

offered in Brazil. This created tension between the two partners. The link found between education and technical level was also noticed in Child et al. (2009). Respondents with higher education, especially the engineers, found that their counterparts had a comparable technical capacity. The problem presented by the TV producer also showed that some industries are more sensitive to this distance.

Two other interesting points were presented regarding the technical development. First, an experienced Quebec respondent explained that his Brazilian partners, when working with high technology, tend to hire only young engineers and replace them when their salary becomes too high. For him, this could explain the difficulty of creating innovation. Second, the poor communications system in Brazil has been mentioned as a negative technical distance level.

The same as for education, technical development was not an important distance, except in one case. This case explained that the problem came from the maturity of his industry in Brazil, including in education. Also, as for education, technical level seems comparable between the higher members of a firm's hierarchy but unequal at the lower levels.

4.4.7 Economic development

Using Dow and Karunaratna's (2006) ranking it should have been expected to see Quebecers finding Brazil economically far, but in fact, our sample reacted in the opposite way. Brazilian found that this distance was in fact the third (mean=3.20) most important in a macro-economic sense, but the first mean= (2.30) in terms of its importance in their business. In the qualitative part of the interview, it was noticed that even though perception of that distance between the two countries is seen as advantageous for the Quebecers, it wasn't seen as important for the business. Respondents claimed that the disparity between rich and poor as well as between Brazilian regions (especially the ones that made part of the sample in comparison with Northeast of the country) created a difference between Brazil and Canada, a country which has a more equal distribution of national wealth. Confusing national regulations and a failing logistical system were also factors that Brazilians considered when explaining the gap between the two countries. Although these last

factors hindered their business, they found that the economic growth in Brazil was helping them to diminish the distance they had with a stagnant Canadian economy.

Quebecers were not that concerned with the difference between the two countries' economic development. The distance between the two countries was considered the 10th most important with an average of 2.17. Quebecers agreed that wealth was not divided as fairly as it is in Canada but they still believed in the attractiveness of the market. Even if some still called Brazil an "emergent market", they all agreed with Brazil's market power and the dynamism of its economic development. This market attractiveness (MALHORTA et al., 2008) overwhelmed some problems related mostly to logistics. The lack of commercial agreements was also seen as a problem for some respondents, which, in accordance with Brewer (2007) could impede the flow of information. Quebecers found that economic development was third least problematic distance for their business (mean=1.57).

Economic development, even if fairly different once you look at the wealth distribution, is greatly diminished by the exploding context of Brazil in the global economic. The distance is greater for Brazilians as their national trade politics and legislations appeared, at least to some, unfair and too heavy. These problems explained the importance of this distance for the Brazilian as being a source of competitive disadvantage.

4.4.8 Logistics

As Child et al. (2009) also found, logistical matters were among the principal preoccupation of Brazilian partners. Logistics were perceived as the third most distant factor (mean=3.00) between the two countries and the second most important in their business relationship, even with the regulations, with a mean of 2.31 by Quebecers. All Quebecers were aware of Brazilian logistical and infrastructure problems, but their awareness was proportional to the importance logistics have to their operation. Respondents working with IT did not see logistics as different in both countries, as compared to firms that had to ship products. Also it was noticed that

the importance of logistics for the business of the respondent could initially be divided by industry, where those working with goods and services (in the sample, services were internationalization consultants) would suffer more than people working with software or TV. The latter usually considered logistics and infrastructure not a problem at all. When only at the former, another division can be made between those who actually are involved with logistics and those that leave the work to a Brazilian partner. In fact, the ones that were in contact with the Brazilian logistics were the ones complaining the most. The more experienced respondents were talking about the poor quality of roads, the lack of airport runways or undefined paperwork, and especially of port congestion and length of brokering. Besides leaving the paperwork to the Brazilian partner, using airways was the best solutions found by Quebecers in order to cope with the logistical problems; results that were comparable with the ones from Child et al. (2009).

For the Brazilians, at the contrary, logistical problems seem to be much less important. The sample perceived the distance between the two countries as the fourth closest (mean=2.10) and found that it has little to do with their business (11th, mean=1.30). Looking at these means, it seems logical to believe that Brazilians found it easier to deal with the functional logistics and infrastructures of Canada once they know what they would have to deal with in Brazil, but this is not exactly the case. The qualitative part of the research showed that, in fact, while some Brazilians believed that nothing can be worse than Brazilian logistics and infrastructure, others do not even know about the problem. It seems, by looking at the sample, that passive exporters selling their product in a Freight on Board (FOB) system are barely aware of the logistics problems. They are used to the Brazilian logistics and know very little about foreign logistics. Internationalized Brazilian respondents were more aware of the problems, but once again, their industry was a mediator of both perception and importance given to the distance. Finally, the key solution for those that had to work with logistics was using airways. By being faster and not having the port brokerage culture (where corruption was highlighted), airways seemed to be the best way to deliver products between the two countries; especially from Canada into Brazil.

Non-parametric Spearman rho correlations showed that in fact the technical level (services, high tech., low tech.) and industry are highly correlated with the perception of distance (0.008 and 0.001 with a sig. at 0.001). Statistically, it seems that even knowledge of complicated logistics does not diminish the importance that respondents gave to it (0.025 with a sig. at 0.05). This appears to be particularly true for the Quebecers, who statistically gave more importance to the effects of logistics than their Brazilian counterparts (0.022 with a sig. at 0.05).

TABLE 26: CORRELATIONS BETWEEN THE INDUSTRY, THE FIRM'S TECHNICAL LEVEL AND LOGISTICS

| | | | TECHLEVEL | FIRMIND | LOG | ILOG | STATE |
|----------------|------|-------------------|-----------------|-----------------|----------------|---------|-----------------|
| Spearman's rho | LOG | Correlation Coef. | .549(**) | .672(**) | 1.000 | .476(*) | -.377 |
| | | Sig. (2-tailed) | .008 | .001 | . | .025 | .084 |
| | | N | 22 | 22 | 22 | 22 | 22 |
| | ILOG | Correlation Coef. | .357 | .360 | .476(*) | 1.000 | -.474(*) |
| | | Sig. (2-tailed) | .094 | .091 | .025 | . | .022 |
| | | | | | | | |

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

TECHLEVEL: Technical level

FIRMIND: Industry

LOG: Perception of logistic distance

ILOG: Importance given to logistic distance

Source: Research data

Because of the evident lack of infrastructure in Brazil, logistics was a larger problem for the Quebecers. The sample also suggested that two factors influence the importance that respondents give to this distance. First, the industry where the firm operates: dealing with goods, especially low value goods (that are shipped by boat) increases the importance of the distance. Second, it depends on the party that is taking care of the transport: the importer or the exporter. The size of the distance between the two countries depends not only on the last two factors, but also on general knowledge of the world logistical systems by the respondent.

4.4.9 Political system

Quebecers were, in general, badly informed or little interested in Brazilian politics. Answer ranged from it is like Quebec's, for better or worse. Corruption was also mentioned, but since stories of corruption are also present in their province, its importance was diminished and one respondent even mentioned that Brazil was less corrupt. Some, that were either more experienced or were more committed to their operation in Brazil, mentioned the problems of Brazilian barriers to exportation, the

lack of common exchange programs and the poor quality of incentives to internationalization that Canadian and Quebec government offered. Politics ranked seventh for both perception and importance of the distance (means of 2.60 and 1.69).

Politics were seen as a source of greater problems for the Brazilians. They perceived it as the second (mean=3.60) most important distance and as the third most influential in their relationship between them and their foreign partner (1.80). If the less committed respondents did not see a lot of differences, the others made a clear division between democracy and politics. For them the actual stability of Brazilian democracy was helping to diminish the gap between the two countries. They mentioned that the Brazilian political system was still crawling and that it was stained with monarchical history. This brought up some discrepancies that were hurting business with their Quebec's partner. Among those, the fact that politicians take personal advantage of their positions was often cited. One respondent, a Brazilian that was working for a Quebec firm, espoused this belief by stating that the Quebecers who get into politics lose money, while Brazilians enter politics in order to become rich. The constant changes in commercial policy, the lack of respect for these policies (including an important impunity) and the weight and cost of the political system made the Brazilian feel more affected by politics in their international relationships.

Child et al. (2009) mentioned that the power of politics as a distance was reinforced by clustering it with other distances. Out of the one they suggested, only two had a significant Spearman's rho non-parametric correlation: ethics and practices (which are also highly correlated with each other). This relationship, as will be explained later, is related to corruption. The personal advantage that Brazilian politicians are seeking seems to affect business between the two countries.

TABLE 27: CORRELATIONS BETWEEN ETHICS, PRACTICES AND THE POLITICAL SYSTEM.

| | | | IPOL | POL | ETH | PRA |
|----------------|-----|-------------------------|-----------------|------|-------|-----------------|
| Spearman's rho | ETH | Correlation Coefficient | .619(**) | .243 | 1.000 | .748(**) |
| | | Sig. (2-tailed) | .004 | .365 | . | .000 |
| | | N | 20 | 16 | 20 | 20 |

| | | | | | | |
|--|-----|-------------------------|-----------------|------|-----------------|-------|
| | PRA | Correlation Coefficient | .619(**) | .315 | .748(**) | 1.000 |
| | | Sig. (2-tailed) | .004 | .235 | .000 | . |
| | | N | 20 | 16 | 20 | 20 |

** Correlation is significant at the 0.01 level (2-tailed).

ETH: Ethic PRA: Practices

POL: Perception of the politic system distance IPOL: Importance give to the politic system distance

Source: Research data

Looking at the level of democracy, our sample believed that there was neither an important distance nor an important influence from the political system. Looking at the internal reality of the countries, namely the politics and degree of corruption, seemed to be a better indicator of the distance and its importance. Quebecers were aware of the corruption and the complex politics but not about the importance it had for their Brazilian partners. Once again, this suggests that the party that has to cope with the disadvantageous side of the distance sees it as larger.

4.4.10 Legal system

Child et al. (2009) found that if the perception of the distance between the UK's and Brazil's legal systems was quite high, its impact on business was low. The sample of this research responded mostly the same way. Brazilians place it at the sixth rank for the perception of the distance (mean=2.75) and 12th (mean=1.20) for its importance, while Quebecers put the distance at the seventh for both perception and importance (mean=2.44 and 1.62).

Even if little importance is given to this distance, the means between countries regarding both the perceived distance and its importance go different ways, which could indicate tendencies. Brazilians found the distance greater than the Quebecers and its importance less relevant. They found their legal system heavy and unfair, but as the legal system was not interfering with their business, they did not see it as an important distance. Few, who had to deal with legal aspects of their relationships, explained the little importance of the distance by citing good

jeitinho. Brazilians were aware of the weight of their legal system and its faults (especially impunity), but mentioned they needed to be flexible and creative in order to make things flow easily.

Quebecers, for most, did not have to deal with Brazil's legal system. Many did not have contracts with their partners, some had contracts made in a third country (through a foreign SBU or Matrix) and others passed the legal aspects of their venture to specialists. They mostly perceived the distance through the comments of their Brazilian partners. In concordance with Ghemawat (2001), Quebecers found that the complex and archaic legal system of Brazil did not help them implement a local facility. Not used to such a complicated legal system, Quebecers saw the importance of the distance increase in an important way once they decided to invest in Brazil.

La Porta et al. (1998) warned their readers about the problem of respecting contracts written in a civil law system. This was not confirmed with respect to actual contracts, but more by the fact that the most experienced Quebec respondents gave little importance to the contractual status they had with their partner (if they had one). For them, a contract was represented either a letter of agreement or a marketing tool for their Brazilian partner; a way to show that they were truly the Quebec firm's representative.

As most of the respondents did not deal with the legal aspects and few actually had a contract, the legal system was not an important distance for the firms of the sample. Two things have to be suggested. First, Quebec few firms that dealt directly with the legal system during the implantation of their Brazilian SBU did notice the importance of the distance. Second, this does not confirm a closer legal system between the two countries, but rather that Brazilians are used to their complicated legal system and that Quebecers were not. For that matter, the Menard and Marais (2006) criticism of the limited value of the Doing Business Report (regarding legal system) seems, as the sample would suggest, to be confirmed.

4.4.11 Regulations

Regulations seemed to be important for the Quebecers. They have ranked it at the most distant factor of all with a mean of 3.69. The tax system, the various barriers to entry as importers or the amount of regulations and the time it takes to open a firm in Brazil were unfavourably compared to Canada. As in the Child et al. (2009) research, regulations were loosely linked with the legal system, but if the latter was not too relevant for the respondent the former was. This distance, contrary to many others, was not only diminishing or increasing with commitment or industry, but was also with the mode of business. The discrepancy between the two systems is so high that new problems were possibly impeding any new stage of business. A manager said that his IT firm was not interested in opening an office in Brazil as the employment regulations and fees were too heavy. They decided to stick with an independent local agent. Another, head of a SBU, explained that he always had to justify his actions regarding changing regulations to the head office in Montreal, even if he had been doing the same job for the last 10 years. Regulations ranked second of the distances that have the biggest effect on business, with a mean of 2.31 (alongside logistics). Qualitatively though, this distance seems to be more important, as it is the one that most affects their strategy in Brazil. Firms are aware of the necessity of a local tax number in order to facilitate transactions and lower taxes, but are also aware of the difficulties created by the time it takes to open a firm and the high costs related to local operations (such as employment regulations).

As the sample is small, it is impossible to generalize. Our sample included two respondents that were exporting tax free goods; goods used in order to benefit an exportable Brazilian good. Two others were leaving all their firms' relationships with regulations to a specialist in Brazil. These companies were well aware of Brazil's regulatory problems but found ways, either technical or legislative, to cope with the distance.

For being well aware of the difficulties created by their national regulations, even for internal business, Brazilians pointed out the same problems, but were not as worried with the distance. An independent representative of a Quebec firm

mentioned that it would be more costly for the firm, at this point, to invest directly in Brazil because of the different regulations. Importers noted that, besides tax free goods suppliers, foreign partners truly need a local tax number, the CNPJ, in order to be competitive; this tax number is part of opening a firm in Brazil. One internationalization consultant said that he was making a profit off this situation in offering to Quebecers the minimum cost service of implanting and managing a CNPJ in Brazil. He took care of financial and legal aspect for the Canadian firms in Brazil. The less internationalized respondents, all passive exporters, did see a distance but did not give any importance to it. The importers were a bit preoccupied with barriers to importation, especially certifications, but as they mentioned for most of the products, this problem was recurrent even with traditional and closer international partners. More experienced respondents saw a large difference but considered it as a normal and something that they always had to explain and re-explain to their Quebec partners.

Qualitatively, regulations seem to be the most important distance for Quebec's respondents; not as much for their decision of entering the country or initial mode of entry, but as to their operational strategy in Brazil. As regulations deeply affect operations, Quebecers are more inclined to gauge their commitment according to the limits dictated by regulations. Brazilians, used to the enormous problems created by regulations, were more inclined to cope with it. They also found the Canadian way simpler, even if some mentioned the fact that they had the "luck" of not dealing with the Canadian certification system.

4.4.12 Practices

In his dissertation, Minghini (2011) found that Brazilian managers were using a mix of domestic or "indigenous" and global dominant model (HOUSE et al., 2001) management practices. His findings showed less internationalized respondents were closer to domestic practices than the ones of the dominant global models. Formalism, *jeitinho* and personal relationships were characteristics of local practices of even the most internationalized executive. The last aspect, personal

relationships, was even increasing with internationalization. The importance of the personal relationship was observed in this research. All respondents talked about the importance of the relationship with people before products. One Brazilian talked about the importance of partners “*namorar*” (dating) before doing business. Another said that 60% of his business was linked with his personal relationships and 40% with the product (a proportion that was mentioned by two other respondents; one Brazilian international business consultant and one experienced and committed Quebecer). *Jeitinho* was mentioned as an unavoidable tool in order to diminish problems facing international business in a newly internationalized country. *Malandragem*, the bad *jeitinho*, was said to be a recessive gene. Two respondents mentioned that *malandragem* was a trait found in politics but not in the internationalized private firms of Southern Brazil, as they would not last long; offering some proof of long-term orientation. Finally, formalism was not found in the relationships.

A local trait that was affecting Brazilian management practices was uncertainty avoidance. This trait was seen in two manners. First, firms were giving priority to their domestic operations. Taxes and paperwork were the main reason for explaining the lack of commitment to internationalization. Although the market size of Brazil and the low level of experience of the firms could explain also this interest in the local market. Second, respondents had an enormous problem in dealing with the direct way Quebecers explain their requests. Direct answers, especially negative ones, were demoralizing and misunderstood by less experienced Brazilians, and were a source of discomfort for the others.

If some less internationalized firms used more domestic practices linked to formalism, *jeitinho* and personal relationships, the less professional firms, which were usually smaller, were using no or only a short-term internationalization strategy, a practice related to short-term orientation. This lack of capacity for preparing an internationalization strategy seemed to be caused by a current incapacity for supplying the domestic market. Many firms are selling outside Brazil bounds mostly in order to say they are internationalized. Respondents of some firms said that they focused on exportation but had a general sale manager as an export manager that had to take care of all sales, or a foreign oriented owner plus a comex analyst who

was more into the operational aspects of the business. This shortage of international strategy made a big difference in the relationships between the firms participating in the sample.

Brazilians ranked the distance as the ninth most important (with a mean of 2.67), but placed as second (mean=2.00), even with culture, for its effects on their business. The effect is not too important, but looking at the frequency of the answer it was noticed that many respondents gave 2 for the importance of the distance and 1 for its relevance, while two gave 5 for the distance and 1 for the effect on business. Once again, industry was a catalyst for the answer. Respondents from firms working in IT or engineering usually noticed less distance between the countries and found it less relevant in their business. Sao Paulo based firms in general, for being more exposed naturally to international business, were embracing more global practices and saw little difference. The two 5's came from the cachaça producer, who was tired of illegal practices coming from his industry and also regarding loose legislation of liquors. These local practices were one of the main reasons for him to go to Canada, for him it was a positive distance. The other one, the only international manager of the sample, said that his firm was using most of the traditional Brazilian traits in its practices. He mentioned that his job was to filter the local practices in order to show international practices to the partner. He was actually using the good *jeitinho* in order to turn around unacceptable (at least for foreigners) practices.

It seems that firms, which wanted to internationalize themselves, used international practices as a key tool, either as part of the firm's culture or through the sweetening of Brazilian practices into more global practices.

Quebecers seemed to be more inclined to accept Brazilian practices than were the British of Child et al's (2009) sample. Ranking the perception as fourth (with a mean of 282), the importance they give to it in their business was sixth (mean=1.85). Quebecers complained about the meaning of time, depending on the region. Sometimes they have to wait hours before marked scheduled meeting starts. Also some complained about the lack of professionalism of Brazilians in general; factors linked with education, technical level and the absence of internationalization specialists in Brazil firms. Finally one said that he did not like this "friendly thing"

where he felt that he was “strongly” invited to bring a gift to its partner and related it to bribing.

Quebecers were in general more careful about Brazilian practices; they were generally well informed about the personal relationships and the priority it is given in business. As successful decision makers, they noticed that relationship were a priority for the Brazilians. Most of them enjoyed the situation. Some of them mentioned that they actually used the personal relationship in order to secure the respect for deals. As a contract seems to be impossible to protect in Brazil, at least two of Quebecers thought that they could find a kind of guarantee through their close relationships with their Brazilian partners. For this matter, the sample confirmed the Child et al. (2009) suggestion regarding the importance of personal ties in international business between at least one SME and another firm. Child et al. affirmed that:

The case of internationalizing SME requires a modified theoretical approach in which high risk and vulnerability combine with limited internal resources to make the finding of trusted partners abroad a very significant requirement for success in foreign markets. (Child et al., 2009, p.219)

The appeal of Quebecers for the personal relationships suggests that they believe that personal contact can diminish the transaction costs. One respondent recalled the fact that he once made a deal with the advice of the Canadian Embassy in the UK without even meeting the seller. Seeing that he was never to receive the goods even after paying for the product of front, he noticed that he had no real recourse in order to make sure the deal was respected: how can you get \$20,000 back dealing with international lawyers that would charge the same amount? The personal contact coming from the Brazilian was for him a better way to secure a deal. Another said that for him, a contract in Brazil had no real value, but he was keeping a close contact with his partner to make sure they were satisfied. A third one said that Brazilian way of doing business was nice and easy, but that Quebecers had to adapt themselves to it.

Some Quebecers complained of the lack of interest Brazilians have in their international business. This statement has been verified by the author in following

operations made by two participants, one from Quebec, one from Brazil. The one from Quebec, an importer, complained about the fact that Brazilians were not the kind to help or to sell. He affirmed that they were cold and indolent. Observing his purchasing of engineered wood flooring, it was noticed that the response from the exporters was long to come and that many suppliers had to be contacted many times. In this case two factors emerged: first, the importer only dealt with firms coming from the city of Sao Paulo, where people seem to follow practices more related to the global model than a "Latin" one; also, for all firms, the channel to reach the right person was not obvious. The export manager was either in a remote office, non-existent or outsourced. This last point slows down a process that is already slow in Brazil; factors that can make the buyer desist.

One of the practices that actually disturbed the Quebecers the most was the notion of time. They felt helpless every time Brazilians took a long time to confirm an order and the speed of shipping once the order was made. For many, this lack of understanding of logistics was a proof of a lack of professionalism. For the Brazilians, the answer to this kind of situation came more from their uncertainty avoidance: all decisions were taken not in group, but in accordance with all people involved. This behaviour might be explained by the absence of a real internationalization manager that has a real decision power. This long process seemed normal to Brazilians, except the ones from Sao Paulo. Three respondents from Sao Paulo actually complained about the slowness of Quebecers in their decision making. They mentioned that they love doing business with Quebecers for their business, but often prefer the directness of the English Canadians.

Passive exporters basically saw little difference between countries and literally no importance of the distance in their business. Their main concern, which they shared with more internationalized firm's respondents, was the lack of flexibility in payments. As the Quebecers complain about the same problem about flexibility in payments, it seems logical that this problem is linked with commercial matters and not with distance: wherever they are, either in the same country or in two different countries, the buyer and the seller will always try to maximize their payment advantage.

The practices seem truly different as both countries, and especially both regions, use their particular mix of domestic and dominant model management practices. Partners from both countries are, in general, slightly disturbed by some practices of the other. Some Quebecers felt that a fair dose of personal relationship, through the creation of friendship with their partners, can diminish the risk of their transaction in Brazil. Others found that the need for creation of a strong personal relationship was hiding a lack of professionalism or a medium quality of the product.

4.4.13 Ethics

In both countries ethics were mostly understood as the level of corruption. Quebecers found ethics comparable between the two countries. The presence of some corruption in French Canada and a lack of knowledge about the importance of Brazilian corruption explained the perception of a little difference (ranked 9th with a mean of 2.27) and an importance ranked at 12th (mean=1.47). Quebecers were aware of the corruption problem coming from Brazil, but none had to cope with it. Three mentioned that they were told about the necessity of giving away a “brown envelope” to port attendants in order to make things happen, but none had actually experienced it.

Ethics were mentioned as being part of the practices. Quebecers found little problems with Brazil’s calendar, especially the long break between Christmas and carnaval, also, they found interesting the confusion created by that the fact that the titles of “doctor” and “professor” are giving away almost randomly. On the other hand, they believed that Brazilians were almost more ethical than their other partners in Quebec: especially concerning payments.

This last preoccupation were confirmed by a Brazilian international business consultant that mentioned that Brazilians, those playing by the rules, pay on time, as fines for payment delays are high in Brazil. Brazilians found that their country had an important problem, but that this problem was more related to politicians and government. Brazilian found that ethics difference between the two countries was

fairly low with a mean of 1.87 (12th place) and its importance was even lower with 1.40 (9th place). They mentioned that today's firms that are internationalized are extremely ethical; or else they would not survive. The cachaça producer affirmed that Brazilian entrepreneurs are the biggest enemy of Brazilian institutionalized corruption. This proposal has been corroborated by Quebecers who mentioned that in their industry (IT, aeronautic and TV), people are ethical. The aeronautic respondent said that it was not the case with Petrobras, a traditional commodity firm strongly link to the government (although this information came to him via another company executive).

Looking at Child *et al.* (2009) findings on ethics, it can be seen that this was one of the most worrisome distances for the British. The field research of this study was done five years after the one by Child *et al.* (2009) and the importance of ethics for Quebecers was strongly diminished in comparison with the British study. Taking for granted that distances between Brazil and the UK then, and between Brazil and Canada now, are alike, two reasons can explain such proximity. The first one is the cultural proximity between the two regions; the Latin history of Quebec has been mentioned as a factor of approximation between both regions. The second reason comes from the new international experience acquired by Brazilian industries.

Even if most Brazilian agreed about a natural proximity with Quebecers, their concern with ethics was well documented. One respondent said that his firm was full of ethical problems, but they were cleaned up before leaving the building. Another said that the firm installed policies in order to make sure that international ethics were respected. The music distributor said that his firm did not have any choice but to reach the international standards of ethics. Another said that in order to make sure that ethics were going to be respected; he did not even do business with unethical Brazilian firms. The cachaça producer stated that without ethics, he would not last long in the international market. If Quebecers did see the importance of the lack of ethics in Brazilian it is most likely from the efforts made by Brazilians to inhibit it.

In accordance with the Brazilian international business consultant and experienced Quebecers, Brazilians have learned in the last five years how to internationalize their firms. This includes more flexibility to sweeten the entry of a

partner's product. Even if they do not have a real long-term strategy, the firms that were more committed to internationalization were more aware of the importance of building a solid and long-lasting relationship.

TABLE 28: CORRELATIONS BETWEEN ETHICS AND PRACTICES

| COUNTRY | | | | IPRA | PRA | ETH | IETH |
|---------|----------------|------|-------------------------|----------------|-----------------|-------|-------|
| CANADA | Spearman's rho | ETH | Correlation Coefficient | .304 | .622(*) | 1.000 | .321 |
| | | | Sig. (2-tailed) | .364 | .041 | . | .335 |
| | | | N | 11 | 11 | 11 | 11 |
| | | IETH | Correlation Coefficient | .432 | -.133 | .321 | 1.000 |
| | | | Sig. (2-tailed) | .141 | .697 | .335 | . |
| | | | N | 13 | 11 | 11 | 13 |
| BRAZIL | Spearman's rho | ETH | Correlation Coefficient | .741(*) | .798(**) | 1.000 | .661 |
| | | | Sig. (2-tailed) | .022 | .010 | . | .052 |
| | | | N | 9 | 9 | 9 | 9 |
| | | IETH | Correlation Coefficient | .561 | .528 | .661 | 1.000 |
| | | | Sig. (2-tailed) | .092 | .144 | .052 | . |
| | | | N | 10 | 9 | 9 | 10 |

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

ETH: Perception of distance in ethics

PRA: Perception of distance in practices

Source: Research data

IETH: Importance given to the distance in ethics

IPRA: Importance given to the distance in practices

Spearman's rho non-parametric showed that the closer the practices between both partners were the closer ethics were. In the case of Brazilians, the closer the importance of the effect on management practices, the closer the perception of ethics were. These statistic can suggest that practices in Brazil are getting closer to international practices (or at least are perceived so) and are followed up by a level of ethics that this level of internationalization requires.

4.5 TIES

Eleven of the Quebec respondents were contacted through the Quebec bureau in São Paulo. All of them have, at some point, either participated in a trade mission or contacted the bureau in order to do market research. According to its business officer, the Quebec bureau, for being fairly new and generalist, does not

have a lot of ties with Brazilian contacts, but rather gives more political weight to Quebec firms that want to enter Brazil.

The Johanson and Vahlne (2009) finding was not observed in the relationship between Brazilians and Quebecers. Out of the 23 respondents, only six (three from each region) stated that a network linked them to their current partner. Two of those respondents from Brazil were actually employees from a Quebec firm's SBU and the other was found among a bulk of contacts offered by the Quebec bureau business officer. Two Quebec respondents favoured the weak ties found through their customers or competitors, with one talking about the way he met his SBU manager.

TABLE 29: INITIAL CONTACT BETWEEN PARTNERS

| STATE | | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------|-------|--------------|-----------|---------|---------------|--------------------|
| CANADA | Valid | SOUGHT | 6 | 46.2 | 46.2 | 46.2 |
| | | FAIR | 1 | 7.7 | 7.7 | 53.8 |
| | | MISSION | 3 | 23.1 | 23.1 | 76.9 |
| | | REFERRED | 3 | 23.1 | 23.1 | 100.0 |
| | | Total | 13 | 100.0 | 100.0 | |
| BRAZIL | Valid | SOLICITATION | 4 | 40.0 | 40.0 | 40.0 |
| | | SOUGHT | 1 | 10.0 | 10.0 | 50.0 |
| | | FAIR | 1 | 10.0 | 10.0 | 60.0 |
| | | MISSION | 1 | 10.0 | 10.0 | 70.0 |
| | | REFERRED | 3 | 30.0 | 30.0 | 100.0 |
| | | Total | 10 | 100.0 | 100.0 | |

Source : Research data

The favourite initial mode for most of them was through trade fairs, which was the case for the respondents that answered either "sought", "fair" or "solicitation". The respondents who answered "mission" or "referred", besides the fact that their current contact was not made through a fair, were actively attending those events. The sample suggests, in accordance with Ellis (2011), that Brazil might be a market too distant from Quebec to make possible contacts through business or personal ties. As for the example of China cited by Ellis (2011) the distance and the language might explain the difficulty building such ties. A Quebec respondent said that for chief executives of his firm Brazil did not exist; the world ended in Mexico. Another one complained about the little interest from both Quebec and Canada governments in developing commercial relationships outside the USA

and Europe. These comments suggest that networks, in fact, diminish PD but are not as efficient in countries that share little bilateral commercial tradition. Brazil, being a fairly new player in international business, does not allow for the creation of network as yet.

This lack of existing networks in Brazil can also be explained by the relationships solicited/sought between the two countries. The commitment to internationalization of Quebecers, at least in the sample, seems much more important than the one of Brazilian. Six Quebecers actively sought partners, more often using internet, while most of the Brazilian were solicited. These Brazilians were sought by customers at trade fairs. Investing on a booth at these events was basically their principal source of investment in internationalization. This lack of dynamism in the internationalization of firms is not favourable to creation of ties.

In the case of the relationships between Quebecers and Brazilians, ties were more related to the possibilities and successes brought by the business. Brazilians found in general that the stronger the ties between them and their partner were, business was better. Ties that were less than a friendship relationship were for some a synonym for an absence of business. Quebecers tended to agree with their Brazilian partners, not that they necessarily agreed with the situation, but they had no problem to conform themselves to it.

Qualitative research permitted proposal of a typology in order to define the type of ties between the partners. Some respondents qualified their partners as rather a customer/supplier, partner, friend, or good friend (with some variance of adjective); it has been noted that the way they called their partner had a relation to the type of commitment that they had with them.

TABLE 30: CORRELATION BETWEEN TIES AND OPERATION MODE

| STATE | | | | ACTMOD |
|--------|-------------------|------|----------------------------|----------------|
| CANADA | Spearman's rho | TIES | Correlation Coefficient | .656(*) |
| | | | Sig. (2-tailed) | .015 |
| | | | N | 13 |
| BRAZIL | Spearman's rho | TIES | Correlation Coefficient | .570 |
| | | | Sig. (2-tailed) | .141 |

| | | | | |
|--|--|--|---|---|
| | | | N | 8 |
|--|--|--|---|---|

* Correlation is significant at the 0.05 level (2-tailed).
 ACTMODE: mode of operation
 Source: Research data

A Spearman rho non-parametric correlation showed that Quebecers, with increasing commitment in Brazil, had greater proximity with their partners. Some did this in order to respect a cultural trait of their partner, or because they find they enjoyed the practice, others because they found it was the safest way to secure a contract (or a deal). The fact that it was not the case with the Brazilians is explainable by the fact that most of them were at a lower level of internationalization and that, coming predominantly from Sao Paulo, were trying to replicate a dominant international management model. One of the Brazilian respondents, who stated that he had a partnership relation with a Quebec respondent, said at first the relationship didn't have a personal aspect, but that everything was going well because the Quebec firm had a good product and its service was efficient. During the interview, he noticed that he was missing the closer contact, and believed that this contact would help to move other products from the Quebec firm, which would encourage both partners to create a more dynamic business. At the end of the interview, he thanked the interviewer and stated that he was going to buy a plane ticket in order to visit his partner.

The relationships observed in this work suggest that liability of foreignness (ZAHEER, 1995) has not been replaced by the liability of outsidership (JOHANSON; VAHLNE, 2009). The sample showed little existence of possible networks and these networks did not inhibit the presence of PD; it only helped to enter the market. Both liabilities can then co-exist. The ties, in order to lessen the PD, were not found during the entry mode, but their strength was determinant during the business development.

4.6 THE EFFECTS OF PD ON THE INTERNATIONALIZATION PROCESS

In this last part of the analysis, the general objective of the dissertation is presented in two segments. First, the existence and effects of PD observed in the research are presented. Second, these results are compared to the theoretical framework in order to give some legitimacy to the findings. It has to be remembered

that this study, being qualitative, does not pretend to create new theory but to rather confirm or find gaps in existing theories.

4.6.1 The effects of PD on the sample

Johanson and Weidersheim-Paul (1975, p. 307-208) presented PD as “the factors preventing or disturbing the flows of information between firm and Market”. The factors to be measured have been, as the theoretical framework supports, presented in many ways in their attempts to catch the essence of what could disturb the relationship between two firms. Until the work presented by O’Grady and Lane (1996), it was seen by most that PD was an inhibitor of business development. In this work, PD has been studied both quantitatively, in order to find non-parametric statistics to be compared with the theoretical ones, and qualitatively, as a way to understand the real importance of PD and the tendency of its effects.

Barely knowing Brazil, most of the Quebecers did not have a point of view on Brazil. Two had a positive initial perception, as they liked the cultural part that is known in Canada such as bossa nova, football and nice beaches. Three mentioned problems they had initially with the protectionism and the high level of taxation. The ones that gave a neutral (no) answer did not necessarily lack an initial perception, but rather stated that the market attractiveness was more important than what they actually thought about Brazil.

Brazilians had a positive perception of the Canadians at first. Most of them knew little about Canada but were advantageously comparing a first-world country to Brazil. They saw in Canada a well-organized country, with good infrastructure, easy paperwork, little corruption and a long winter. Two of the respondents that mentioned that they had no initial perception had basically the same story; they first received an unsolicited order from a Canadian firm, and then moved on. A third one mentioned the importance of the perception, but did not comment on her initial perception.

TABLE 31: INITIAL PERCEPTION ON THE PARTNER'S COUNTRY

| COUNTRY | | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-------|-------|-----------|---------|---------------|--------------------|
| CANADA | Valid | GOOD | 2 | 15.4 | 15.4 | 15.4 |
| | | NONE | 8 | 61.5 | 61.5 | 76.9 |
| | | BAD | 3 | 23.1 | 23.1 | 100.0 |
| | | Total | 13 | 100.0 | 100.0 | |
| BRAZIL | Valid | GOOD | 7 | 70.0 | 70.0 | 70.0 |
| | | NONE | 3 | 30.0 | 30.0 | 100.0 |
| | | Total | 10 | 100.0 | 100.0 | |

Source: Research data

In general, respondents from both regions had little to say about the other's region: for good or for bad. Zanger et al. (2008) concern about stereotypes cannot be used in this research; as no response suggested the existence of such attribute. Also the fact that both cultures barely knew each other confirms what Ellis (2011) believes as to the weakness of the networks between distant countries can be valid here.

Asking the respondents if the PD had an effect on their business development, most of them (19 out of 23), mentioned that it was not a relevant factor. One Quebecer found the PD has been a facilitator of his business. Being an international business consultant, he found that some Brazilian cultural traits were helping his client enter Brazil. Two found it problematic. One, a Quebecer head of a SBU, said that he had to constantly explain the PD to the head office and had problems in making decisions be favourable. The other one, an importer, found his partners cold and not interested in developing business relations. In this last case, he mentioned that all his partners were from Sao Paulo and the he was soliciting them.

TABLE 32: RESPONDENT'S PERCEIVED EFFECT ON BUSINESS

| STATE | | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------|-------|----------|-----------|---------|---------------|--------------------|
| CANADA | Valid | POSITIVE | 1 | 7.7 | 7.7 | 7.7 |
| | | NONE | 10 | 76.9 | 76.9 | 84.6 |
| | | NEGATIVE | 2 | 15.4 | 15.4 | 100.0 |
| | | Total | 13 | 100.0 | 100.0 | |
| BRAZIL | Valid | POSITIVE | 1 | 10.0 | 10.0 | 10.0 |
| | | NONE | 9 | 90.0 | 90.0 | 100.0 |
| | | Total | 10 | 100.0 | 100.0 | |

Source : Research data

All Brazilians but one found that PD did not affect their business. One found a positive effect of PD. An international business consultant, he believed that Quebecers and Brazilian from the Southern and Southeastern regions were the best partners possible because of a mutual adaptation capacity. Obviously, as for the Quebec's international business consultant, the PD was an important part of their business. International business consultants of both countries believed that PD was the main reason for the existence of their firms. This does not confirm that PD had a possible positive effect, but most likely that it has an effect.

Looking at the importance respondents from both countries gave to distances' perceptions and importance; it seems realistic to believe that PD interferes negatively or positively in business relationship. As most of the respondents mentioned that they either internationalized because of the market attraction or because they were solicited, PD distance was not an important factor in the market selection or the entry mode selection. According to the interviews, PD was a factor that was increasing with commitment and then at some point was weakening. Most respondents coming from Quebec mentioned that they were going to "enter" Brazil anyways, either because of market size, resources or strategic positioning. They all believed that the operation was going to reach an acceptable level of success, and expected their operations to increase substantially. Most of them knew little about the country, but for the reasons a priori, were not expecting factors, such as those from PD theories, to be harmful. What was found though is that most of them were surprised by the slow pace of their business development. Their PD perception was a barrier to the development of their firm in the country. The best example is the little attention to personal contacts that some gave to their Brazilian partners; a situation that lowered the commitment of the Brazilian partner to the operation. Another example is the lack of flexibility in Quebecer discourse that, at some point demoralizes the Brazilian partners. Finally, a misunderstanding of Brazilian hierarchy resulted in some Quebec respondents having their operations slowed down due to talking to the wrong person; or having distorted communication with the relevant person.

The Brazilians, on their hand, had an important problem with culture. The coldness, the direct way of speaking, and the language of their partner were all sources of problems. For Brazilians, the other distances were not as relevant, as Canada showed higher indices in all of them; logistics, education, laws seemed more attractive to Brazilians than their own. The Brazilian respondents of passive exporters firms did not see any importance of PD, as the operation was like a sale in Brazil, with just a little extra paperwork. They seemed satisfied with their current operations, but were not actively committed to development; it was almost like a local sale. Respondents from Sao Paulo gave less importance to culture as a PD, but their answers showed that they hide a natural necessity for human contacts. For example, in the same interview the Brazilian TV producer stated that he preferred the English Canadian way of doing business, but complained about the lack of personal links with Quebec partners, that would facilitate the relationship.

For the Quebecers, all distances seemed more important than for the Brazilians. Logistics, regulations, education and others were sources of problems, but they found ways to cope with it; usually by finding someone from Brazil to take care of it. These PD were determinant for the mode of actuation. Some regulations or taxes were dictating Quebec firms' operation modes and impeding them from investing in other types of operations.

Culture, though, was another story. As Quebecers found their culture was a little bit different than the Brazilian one, they mostly had to lead with their point of view (the understanding of the Brazilian pace, the necessity of being friend, etc.) but did not have ideas of the importance of culture's impact between both partners. The reaction of the Brazilians to the Quebecers cultural traits often resulted in a diminishing of business development. Culture seemed to be more important for business because of the importance it had to the Brazilians. The distance between both is not the same, but, in the sample, the importance given by both partners became, in fact, a reliable indicator of the possible PD effects in the relationship. In two cases, the same PD factor was for the Brazilian partners either a problem that was hard to fix or a normal bureaucratic problem, for the Quebec's partners it was almost a deal breaker.

The sample showed little importance for PD in their market selection, but the PD became an important factor once commitment increased. Depending on the level of commitment, PD affected the speed of development. Depending on the industry, the size of the firm and also the commitment, PD affected the mode of operation. Generally, the most accurate effect of the PD on business was found in observing the sum, negative and/or positive, of both partners perceptions of PD.

4.6.2 The findings and the theories

Even having a small sample, this work has shown important gaps in the general incremental theory of internationalization proposed by Johanson and Vahlne (1977). The first criticism is that firms were not going from a neighbour market and then later moving into a more distant one.

TABLE 33: INITIAL REGION OF INTERNATIONALIZATION

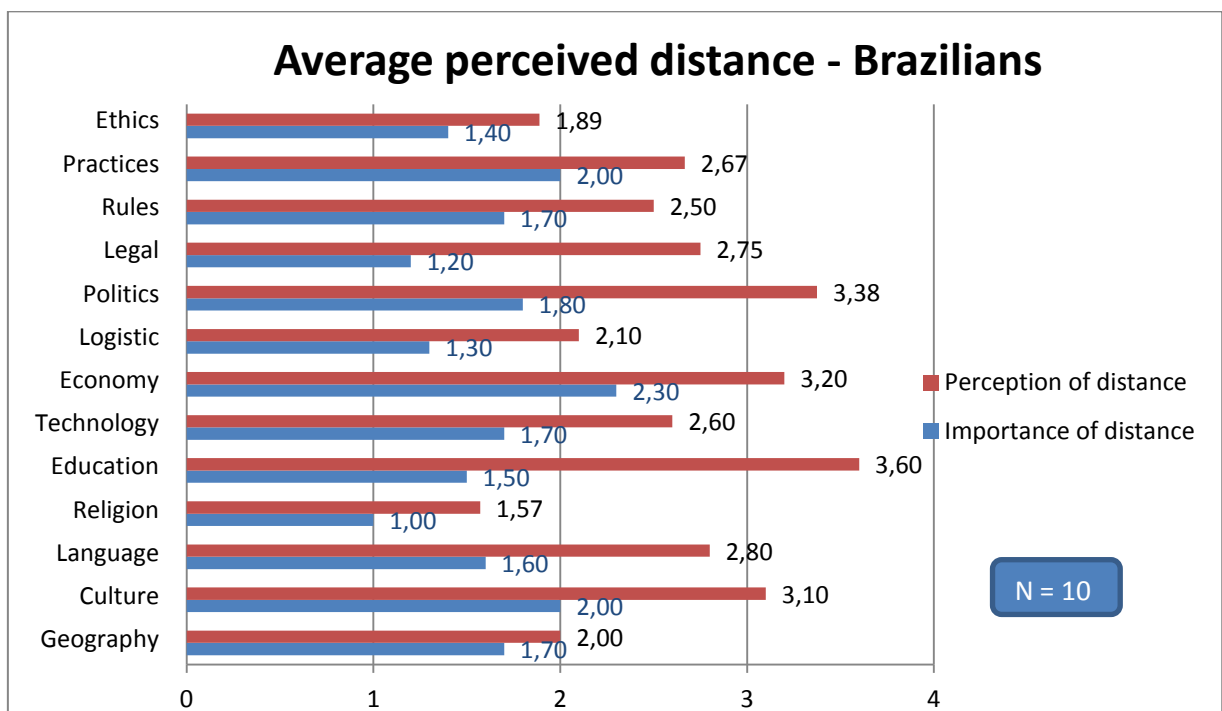
| COUNTRY | | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|---------|-----------------|-----------|---------|---------------|--------------------|
| CANADA | Valid | BORDER | 7 | 53.8 | 53.8 | 53.8 |
| | | DIRECT SEA LINK | 6 | 46.2 | 46.2 | 100.0 |
| | | Total | 13 | 100.0 | 100.0 | |
| BRAZIL | Valid | BORDER | 3 | 30.0 | 37.5 | 37.5 |
| | | DIRECT SEA LINK | 3 | 30.0 | 37.5 | 75.0 |
| | | OTHER | 2 | 20.0 | 25.0 | 100.0 |
| | | Total | 8 | 80.0 | 100.0 | |
| | Missing | System | 2 | 20.0 | | |
| | | Total | 10 | 100.0 | | |

Source: Research data

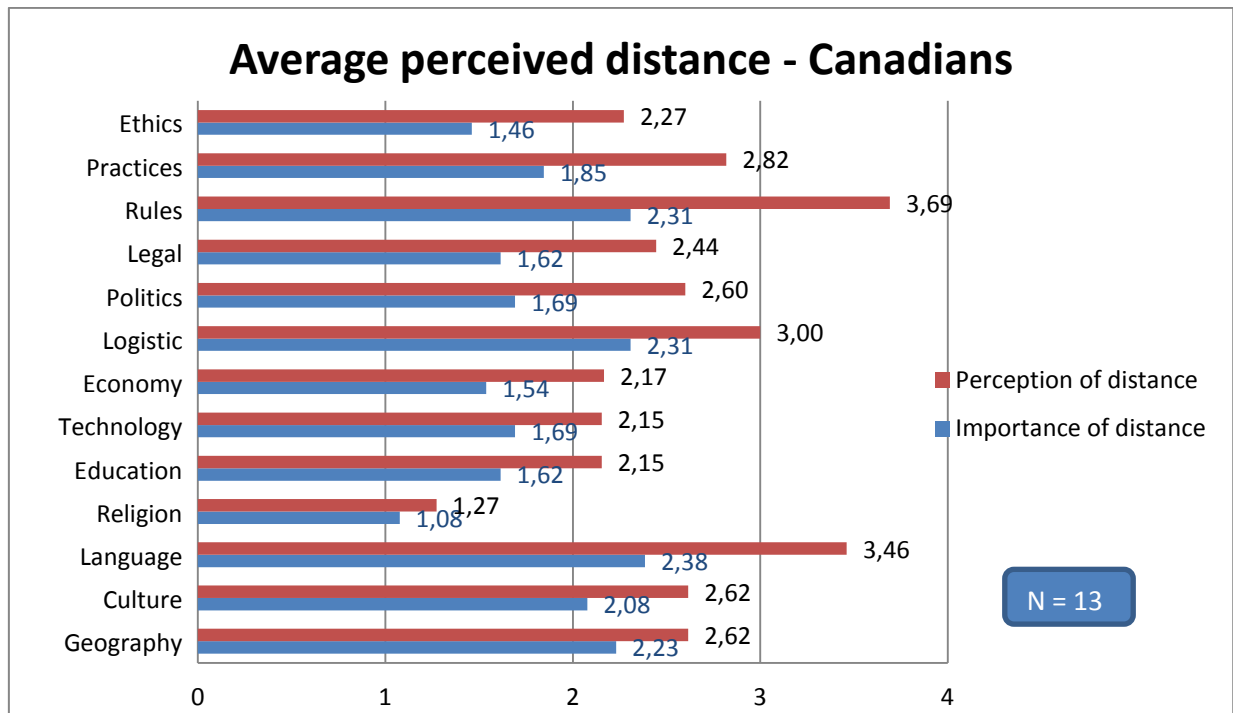
Even having 75% of its business happening with the neighbouring USA, half of the Quebecers of the samples initiated their internationalization in a more distant country; two being in Brazil. Only 3 of the 8 Brazilian respondents actually started their internationalization with a bordering country. This can be explained more efficiently by Axinn and Matthyssens (2002) who believed the new Internet-based economy changes the pace of internationalization. Most of the Quebecers went to Brazil because of the economic information they could access, even being located in

Canada. Brazilian received solicitations from customers they barely met, coming from all parts of the world. This type of leapfrogging suggested by Pedersen and Petersen (1997) has been found several times to result from market attractiveness. The allusion by Johanson and Vahlne (2009) that born global firms were not really born global has been negated by the fact that many respondents used trade fairs and the internet as internationalization tools. Bell's (1995 as cited in Brewer 2007) assumption about the disappearance of PD because of the rising new technology has also been negated.

The sample clearly demonstrated that PD was not symmetric between the two countries (TUNG; VERBEEKE, 2010; BREWER, 2007; BAKERMA et al., 1998). The means of both perception and importance of distance show that they are quite different. The qualitative part shows that distances, especially the cultural ones, are also different within a single country (Tung & Verbeeke, 2010, O'Grady & Lane, 1996).



Graphic 3: Average perceived distance – Brazilians
Source: the Author



Graphic 4: Average perceived distance – Canadians
Source: the Author

Looking at the means of perception and importance of the distance from both countries increases the importance given to the manager's perception of the PD (DOW; KARUNARATNA., 2006; ELLIS, 2008; EVANS; MAVONDO, 2002). In both countries, respondents found all distances greater than the importance the distances had to their business. Factors that were considered to be very distant were not, talking about relevance in business, that important.

Even if Brazilians stated that they generally were less affected by PD, their cultural traits seemed to be an important factor in the development of their international business. This opens the discussion about the importance of culture. For Quebecers, culture was not of importance, but for the Brazilians, it was the most important, which comes in conflict with many research that doubt the importance of culture as a distance (DOW; KARUNARATNA, 2006; ALI, 1995 as cited in EVANS et al., 2000). Child et al. wrote:

the use of cultural distance as a proxy for psychic distance entails making heroic assumptions that (1) culture is the most significant distance factor for decision makers dealing with trade and investment decisions in firms, and that (2) culture is closely associated with other distance factors so justifying the concept's terms of a single dimension. (Child et al., 2009, p. 202)

Listening to some of the Brazilian respondents it is possible to understand that these two conditions are fulfilled. As the Brazilians saw their relationships as more important than the business itself, cultural traits became important. The way a partner was acting was often not a deal breaker, but usually defined the pace of development of his/her business with the Brazilians. Child et al. (2009) noticed the Southeastern urban region of Sao Paulo had a closer culture to UK than with the rest of Brazil. As can be seen in this work, “*Paulistas*” seems to be the only product-guided Brazilians, a fact that explains their preference for doing business with English Canadians (even if they finally stated that besides some business practices, they preferred working with Quebecers). Looking at Hofstede’s cultural dimensions (2010, 2011), it could be possible to use them, at least in this sample, as a basic indicator of which society might give a real importance to culture. Much of the studies have been made in countries that have relations based on the dominant model (House, 2006); nations such as USA, UK, Canada, Australia or the Nordic countries. Little has been done with countries like Brazil, where culture is a dominant aspect of business.

Brazilians and Quebecers did not agree on the importance of every distance, but in the sample, they share the same average perception of distance (2.6550 versus 2.6485). Although this does not have an important statistical weight, the Brazilians see a smaller importance for distance in general than the Quebecers (means of 1.6320 versus 1.8469).

TABLE 34: AVERAGE PERCEIVED DISTANCES AND AVERAGE IMPORTANCE GIVEN TO DISTANCES

| COUNTRY | | N | Minimum | Maximum | Mean | Std. Deviation |
|---------|---------------------|----|---------|---------|--------|----------------|
| CANADA | AVEDIST | 13 | 1.67 | 3.46 | 2.6485 | .52724 |
| | AVEIDIST | 13 | 1.31 | 2.62 | 1.8469 | .43010 |
| | Valid N (list wise) | 13 | | | | |
| BRAZIL | AVEDIST | 10 | 1.92 | 3.55 | 2.6550 | .55294 |
| | AVEIDIST | 10 | 1.00 | 2.62 | 1.6320 | .53942 |
| | Valid N (list wise) | 10 | | | | |

AVEDIST : Average perceived distance AVEIDIST: Average perceived importance of distance
Source: Research data

Qualitatively it can be explain by the lack of commitment of some respondents and also by the fact that advantageous distances were perceived as

closer; as most macro distances gave an advantage to Quebec, Brazilians found their importance less determinant. Most experienced Brazilians also learned to diminish the importance of the Quebecers' perception by eliminating problems before it comes to their partners' eyes.

Brazilians and Quebecers, in general, found that they were good business partners because of a certain simplicity, a flexibility in doing business (not in payment conditions) and in an easiness of having transparent relationship. The sample, for market attraction coming from both sides and a certain Latin influence of the cultures, was in fact really inclined towards working together. In the context of the study, it was complicated to define if distance, as defined in the original theory (JOHANSON; VAHLNE, 1977), had a negative effect on business. Distances, important or not, were perceived as positive or negative depending on many factors; mostly linked to the macro context or the firm. If the less experienced, passive and barely committed respondents saw no importance to the distances, it increased with commitment. Once interested in entering a large or an attractive market, problems connected to PD started to affect business. Interestingly, the most experienced and committed respondents actually benefited from the distance. Besides the international business consultants, some respondents found advantages in dealing with distant partners; advantages not linked with economic prerogatives. The Quebec TV producers found that working with partners having a distant language was easier than with French speaking ones. The subtleties brought by the different regional French became a problem in international diffusion, which is not the case when the product is totally translated. The cachaça producer affirmed that the PD was a protection for him, as other producers were too concern to try exportation to Canada.

The sample suggests that PD as a macro factor isn't positive or negative; the distance can in fact be symmetric but not its perception and especially not its importance. The perceptions that respondents presented showed reliable information about the asymmetry of PD (TUNG; VERBEEKE, 2010; BREWER, 2007; O'GRADY; LANE, 1996). It reinforced the importance given to the PD, and showed the real weight of distance on business and rather it was positive or negative. The responses of the respondents about the importance of perceived PD showed a preoccupying tendency of finding some PD as being positive and others negative, making a

possible quantitative measure more complex. Analyzing the importance that respondents gave to PD showed that the development of its effects was better related with their commitment than with their experience.

The response of the sample suggests that the real effect of PD can develop in four stages, depending on commitment. In the first one, the firm is not committed to export in any other way than passively, where the operation is a normal procedure coming from native country or the firm lets the foreign partner take care of all the activities connected to their market. In this phase, the firm can be financially but not operationally committed. The firm is active in a partner's country because of unsolicited orders or because of market attractiveness. In the second phase, the firm increases its financial commitment and its need for control; it is now making contact with problems related to PD. At the third stage, the firm, through experience or because of an increasing commitment, learns to diminish the effect of PD. In accordance with O'Grady and Lane (1996), being distant becomes at some point positive.

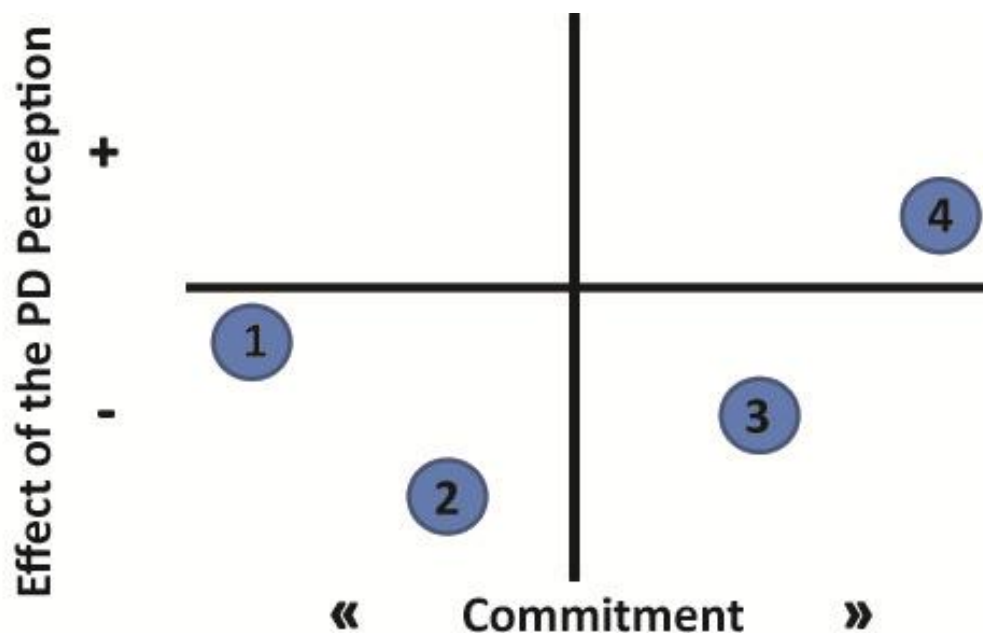


Figure 5 : The Relationship Between Commitment and the Effect of Perceived PD
Source : the author

Some respondents showed that the effect of the perception of PD can, with an increased commitment, be positive for competitive advantage (PORTER, 1980),

comparative advantage (DUNNINGS, 1980) or by making the distances clear (O'GRADY; LANE, 1996). This variation on the effect of the PD during the development of internationalization goes in accordance with Alexander et al.:

[...] to better understanding of the relative importance of market development factors and cultural factors would facilitate a better understanding of firms' market selection decision making processes at different stages in the firm's international development.(Alexander et al., 2007, p.432)

The strength of the passive internationalization mode of Brazilians (KRAUSS, 2006) is supports Anderson's (1993) and Kogut and Singh's (1988) criticism about the vague description of entry mode concepts proposed by the original Uppsala Model. As the respondents often suggested, easier access to information about markets increases the possibility of internationalization. It has to be noted, that at that given point (deciding to internationalize), respondents were not talking about problems linked with PD that emerged later during the development of the business relationship.

The relationship that Nordstrom and Vahlne (1994) gave about diminishing PD has been partially confirmed, as the world is technically getting smaller, which diminishes PD, but a lack of English language fluency was considered a major problem.

The importance Johanson and Vahlne (2009) gave to networks was not confirmed. The importance they gave to social capital and trust was, on the other hand, strongly supported by the sample, especially from the Brazilian side. As Auw (2009) suggested, the social capital of decision makers was a source of competitive advantage. The development of a trustee relationship was a strong PD inhibitor. Not only did the Brazilian way of doing business help to diminish PD but it was also analyzed by experienced Quebec respondents as an alternative to a contract: a way to diminish transaction costs.

The context has been, in the research, an important moderator of the effect of the perception of PD. The countries' politics (BERRY et al., 2010; ZANGER *et al*, 2008) put some barriers and incentives that influenced decision makers' perceptions.

The major impact was encountered in the operation mode. As for the industry, Ghemawat's (2001, 2007) sensitivity was fully proven. In the case of the sample, factors such as being service or goods providers made an important difference and cultural aspects were also seen as being important in some industries where professionalization was not similar between partners. Culture was not as important for high technology industries where both partners were either engineers or laboratory researchers.

As noted by Dichtl et al. (2009), a firm's inclination for internationalization is an important catalyst of commitment. In the case of Brazilian firms, a lack of international experience or of real interest in internationalization created a strategic gap between prospection (mostly in trade fairs), follow-up and operationalization of internationalization. Firms call themselves internationalized but do not have a structure or a strategy to develop their internationalization. Some of the Quebec firms, especially those big enough to have someone taking care of regional internationalization, complained about the lack of their company's commitment; a lack that, as they mentioned, is related to a misunderstanding of Brazilian culture and laws.

Aldrich and Auster, (1986), Cavusgil et al. (1979), Child et al.(2009), Hutzschenreuter et al. (2009), all warned researchers about the problems created by the size of the firm; stating that because of a lack of resources, PD was going to affect them more. Johanson and Vahlne, in the 1990 addendum, noticed that their model was especially applicable to SMEs. The decision makers of the two larger firms from Quebec, which had 2100 and 2200 employees, actually showed a fairly higher average perception of PD than the average of other Quebecers (3.33 versus 2.65) and gave on average the same importance to PD as the total of the other Quebec firms (1.84 versus 1.85). Qualitatively, the perception of distance was explained by the higher level of specialization of the decision maker in larger firm; they were more involved in the development of Brazilian or the Latin American markets and were more informed about the problems linked to PD. The similitude of importance for both SMEs and large firms can be explain by the fact that SMEs have better access to macro information and opportunities while the large ones, with the problems created by two global economic crises, have seen their margin of error

diminish. They had to spend more time explaining their strategic moves to the CEOs, especially in regards to the operation modes. In this work, the size of firm was a moderator of the effect of the PD, not for its existence but rather regarding the sector where it was encountered: for smaller firms, the perception of PD affected the pace of internationalization more, and for the larger ones, the mode of operation.

The finding of this work showed the relevance of the human factor in PD research (EVANS; MAVONDO, 2000). As Child et al. (2009) found, a decision maker's capacity for coping is decisive in the success of internationalization, which was the case with the sample (all successful cases). The Dichtl et al. (1990) theorization was fortunate in explaining the behaviour of the respondents found in the sample; some internationalized decision makers were restricted by firms uncommitted to internationalization, and in at least one case, an internationalized firms was seeing its strategy slowed down by an unconvinced decision maker. As noticed in McGaughey et al. (1997) and Zanger et al. (2008), the way a decision maker deals with PD combined with internal and external drivers is also a moderator on the effect of the PD. The sample was composed of firms that successfully internationalized; decision makers were affected by different matters, but personal decision power and commitment seemed to be, at some point, more relevant than experience.

In this research, decision makers with more international experience and/or interest showed more facility coping with PD, but only as a part of a model that includes other moderators such as industry, a firm's internationalization commitment, country differences and ties.

The research showed, in accordance with Child et al. (2009), that PD is still a relevant construct. Actual convergence between Canada and Brazil facilitates a natural attraction between the two countries, which in the actual context brings the importance of the market attraction due to PD during the market selection. In the sample, firms were not influenced by PD during their entry in the foreign country. The PD was perceived as an important factor at the time that commitment to internationalization was increasing. Also, especially for Quebec firms going to Brazil, the PD was a moderator of the operation mode. PD was seen as either positive or

negative, but above all PD was seen as the sum of distances, some positive and some negative, which agrees with the Bakema et al. (1996) concept of double layered acculturation.

5. CONCLUSION

Analyzing the effect of PD as perceived by 13 respondents coming from Quebec and 10 coming from Southern and Southeastern Brazil (including five coming from both regions that were currently partners) this research confirmed the importance of the construct in the study of SME internationalization.

The research included both qualitative and non-parametric quantitative data in order to catch the real power of PD as has been done in other recent research (CHILD et al., 2009; ELLIS, 2008; HUTZCHENREUTER et al., 2010). In this dissertation, the Child et al. (2009) questionnaire was used as a basis for the creation of new research, also including other factors that seemed to be relevant for PD research: decision maker's attributes (ZANGER et al., 2008; ELLIS, 2008; MCGAUGHEY et al., 1997 Dichtl et al., 1990), firm's attributes (DICHTL et al. 1990), industry and country contexts (ZANGER et al., 2008; GHEMAWAT, 2001; ALDRICH; AUSTER, 1989), possible ties (ELLIS, 2011; AUW, 2009; JOHANSON; VAHLNE, 2009) and strategic incentives to internationalize (AHARONI, 1999).

The field research was performed between June and August of 2011 through live or online (through Skype) interviews that lasted around an hour each. Qualitative results analyzed with Atlas TI were triangulated with non-parametric quantitative data treated with SPSS, macro-economic indicators found in various international association reports and behaviour based theories. The results did not reach statistical validity but brought a certain analytic generalization (YIN, 1994).

The model presented for this work proposed a dynamic way to understand the effect of PD during the process of internationalization of Quebec firms in Brazil and of Brazilian firms from Southern and Southeastern Brazil, from the states of Parana and Sao Paulo. It was understood that various factors are moderators of the PD effects, such as decision makers' foreign orientation (DICHTL et al., 1990) and more specifically the context (GHEMAWAT, 2001; ZANGER, 2008). Ties (AUW, 2005) were not seen as relevant during the entry mode, but rather as strong moderators of PD in the market development.

Analyzing the data allowed verification of some theoretical founding of previous research. Our sample showed that:

- a) The sample supports Dichtl et al. (1990) that international firms need international decision makers in order to successfully export their operation. The level of experience, the decision power and most of all the level of commitment were noticed to be moderators of the effects caused by the PD.
- b) Absence of strategy, lack of experience and decision power, and strength of local market were all factors that diminish commitment to internationalization by Brazilian decision makers;
- c) All respondents stated that they speak English, which for Nordstrom and Vahlne (1994) was an inhibitor of PD effect. The qualitative data showed that discrepancy between the levels of English fluency and the difficulty some Brazilian have in expressing their “deeper feelings” were in fact diminishing the proximity created by language;
- d) The commitment of Quebec decision makers was more developed as they were investing more resources in Brazil and travelled more often to the country;
- e) All of Dichtl et al.’s (1990) subjective characteristics were found in the respondents. Although rigidity was found at a medium level, Brazilians found that Quebecers lacked flexibility, while the Canadians enjoyed the Brazilians’ flexibility. It has to be mentioned that both equally complained about the other’s lack of flexibility in payment conditions; which suggests that some factors are more related to commercial conditions than to distance itself.
- f) The importance of the tenure of the respondents was highly related to the dynamic of internationalization of the firm. Chief executives that were directly related to all phases of internationalization facilitated the external development of the firm. This partly agrees with the idea that PD is more important for the SME (JOHANSON; VAHLNE, 1990; RING; VAN DE VEN, 1994) than for large firms. Empirical studies show that PD also matters for larger firms, but in a different way.
- g) On the other hand, the lack of decision power of the comex analyst and distance from the actual decision maker creates difficulties for Brazilian

firms in boosting their international development. As most of the firms have an owner or a general manager passing the information to an operational person, there seemed to be a gap between prospection and operation; namely in the development stage.

The context, including macro-economic aspects, the internationalization conditions of the industry, and the firms' inclinations to internationalize was seen as a major moderator of PD effects. More specifically it was noticed that:

- h) Market attraction on the Quebec side and unsolicited orders on the Brazilian side outstripped the PD effect in the market selection. This was caused, according to the respondents, by the fact that both countries are survivors of the two world economic crises. No respondents said that PD was existent at any point during their market entry. Market attraction and low risk taking confirmed the Malhorta et al. (2008) finding about these aspects' PD moderator capacities
- i) Ghemawat's (2001, 2007) comments on the importance of the industry was strongly supported by most of the respondents. Some distances were more relevant depending upon the industry; notably concerning the poor maritime logistics infrastructure of Brazil for Quebec exporters dealing in heavy goods.
- j) A firm's internationalization level and commitment were also important in determining the importance of PD effect. Generally uncommitted firms' decision makers perceived some PD but not its effects, while the negative effects had a dynamic development in increasing business, which then diminished with commitment.

Johanson and Vahlne's (2009) assumption as to the elimination of PD by the creation of networks was not supported. The long distance between the two countries has, as Ellis (2011) suggested, not favoured the creation of networks and most of the contacts have been done through traditional ways (trade fairs and missions) or the internet. It was observed that:

- k) Only 6 out of 23 mentioned they used a network of customers or partners in order to get in touch with their current partners. Out of those six, four were part of a matrix-SBU relationship and one stated contact

was made by a Quebec bureau in Sao Paulo only upon looking in a database. Only one stated that network was its favourite way of making contacts, but it has to be mentioned that he was in Brazil for the last 10 years and was the general manager of a Brazilian SBU of a large Quebec firm. The concept of networking cannot be thrown away as it can be expected to be more of use once the two countries increase their commercial bilateral exchange. This work suggests that the Liability of foreignness (ZAHEER, 1995) and the Liability of outsidership are two complementary constructs.

l) Ties had a lot to do with the development of the relationships. Especially caused by the business practice of Brazilians that put interpersonal relationships in front of commercial ones, the strength of ties and social capital (Auw, 2009) was a factor that diminished PD effects. A Brazilian decision maker that had a stronger relationship with his/her partner was more inclined to commit to the relationship and take charge of operational aspects of the commercial relationship that would, otherwise, be source of negative effects from the PD.

As noticed by Child et al. (2009) the PD distance construct is still a valid and robust one. Looking at the 13 distances studied, it was perceived that PD did not affect the initial entry of a firm in the partner's country, but appeared during the process of implantation. Some distances were perceived as positive or as negative depending of the industry, the country and the decision maker's and firm's foreign orientations. During the process, the negatively perceived distances created barriers to the speed of implementation and the actuation mode. With increased commitment and experience, decision makers found that they could benefit from a positive PD; a PD that, for even if not understood, became an advantage. Regarding the distances themselves, it has to be noted that:

m) The most influential distances for the Quebecers were: language, logistics, and regulations. The poor quality of the English fluency of the Brazilians (not necessarily the direct partners) created a difficulty, above all operational, to Quebec decision makers and their team. High levels of taxation and poor logistical quality affected those involved with it, but not all respondents.

n) Brazilians found that the most important distances to their business were economic, culture and practices. The first, economic, was considered a domestic problem: they found that Brazilian taxes and economic laws were restrictive and unfair. The culture and practices were related to the difficulty the Brazilians had in coping with the Quebecers direct way of doing business. As Shimonishi and Machado da Silva (2003) and Minghini (2011) noted, some Brazilian cultural traits are disappearing with international experience, others linger (*jeitinho* and personal relationships, which tend to increase). Brazilians needed closer contacts with Quebecers in order to reach a strong friendship before doing business. Child et al. (2009) mentioned that people from Sao Paulo had a culture closer to the UK than other Brazilians; this research partly agrees as “*paulistas*” claimed that they preferred working with more efficient English Canadians, but in other parts of the interview, they stated that Quebecers were the best partners due to their proximity and simplicity and that personal contact was really important for them.

o) The O’Grady and Lane (1996) and Tung and Verbeeke (2010) assertions that intra-national distance can exist has been supported for Quebecers (in comparison with English Canada) and South and Southeastern Brazilians (comparing them with the three other regions of the country and between urban Sao Paulo and the rest of the country).

p) Many times Child et al. (2009) mentioned corruption as an important factor of PD. Even if macro-economic data suggest that Quebecers would have the same problem, the sample reacted differently. First, Quebecers mentioned that their country was also corrupt, so they were more willing to accept it. More interestingly, Brazilians explained that they tried to keep the domestic problem in-house in order to make their firm appear like it had been internationalized a long time. This shows that Brazilian firms have learned about the perceived PD and are trying to restrain its effects before it reaches the foreign partners. This was alluded to by two experienced respondents.

q) Some distances between two partners were evaluated similarly, but their importance was not seen with the same relevancy. For one, it was a little problem, for the other, it can be a deal breaker. This finding invites

examination of the real effect of PD as the sum of the importance that both decision makers give to their perception of the PD.

r) Child et al. (2009) also mentioned that education and culture could be more important for a more committed entrant. The findings show that education became a problem for Quebecers only after they started to have relationships with operational personnel. It seems that the Canada-Brazil educational discrepancy rises up only when the foreign partner has to deal with less educated interlocutors.

s) Some distances were understood as being part of one or many other distances. IT has been seen as part of geographic distance (as suggested by Ghemawat, 2001), technical development, logistics and for the Brazilians, culture. Brazilians relate IT with culture as they did not understand the capacity Quebecers have for doing business through Skype without ever meeting the partners. Brazilians showed a great capacity to work with IT on a day to day base, but were more than reticent to close a deal or talk officially online.

t) PD's effect on market selection was not confirmed, nor was the incremental entry mode proposed by the Uppsala school (JOHANSON; VALHNE, 1977). The PD effect appeared more as commitment increased; for some it slowed down the internationalization process, for others, especially the bigger firms, it limited their actuation mode.

Two original factors of this work permit further discussion about the PD construct. The first one is that the methodology proposed a measure of distance, its perception and its importance for the international business of the firms. Also this research is one of the few that proposes a comparative study between firms acting in the others country; with some examples of direct partners. Even if the main objective of analyzing the importance of the decision maker's PD perception was fulfilled, some other question have risen from the data analysis.

1-Analysis of the sample suggests that PD has to be measured using both distance and the importance that this distance truly has for the decision maker. This suggests that using macro-economic measures gives an incomplete definition of the problem. On the other hand, the qualitative

analysis of the managers and other decision makers' perception reaches a better understanding of the construct but lacks generalization power. This work invites, through an important qualitative research, the creation of a typology of qualitative terms in order to format a more dynamic instrument of measurement. This work also identified the quality of ties between partners by looking at the way respondents named their partners: customer/supplier, partner, friend or good friend. This typology and others can be verified in order to allow qualitative data related to perception to be put into a quantitative format.

2-The model proposed in this work was based more on commitment than on experience. Using the commitment of both decision makers and firms in their context showed that PD effects, in the case of the sample, appeared during the process of business development. As market attractiveness and flows of open information (which permits foreign buyers to reach Brazilian passive exporters) were in fact inhibitors of PD effects during the initial stages of internationalization, this work suggests that PD studies should move their interest into a continuing and dynamic research on negative and positive effects of PD during the entire development of internationalization.

3-Dow and Karunaratna (2006) did not find that culture was an important distance on its own, which was the case for the Quebecers. For the Brazilians, culture was the most important distance. The perceived distance was in fact the one that most affected the commitment of the Brazilians to their partners; meaning that it became at the same time one of the most important distances for the Quebecers. This suggests that PD studies should decentralize their field of study and move into countries that are less masculine (HOFSTEDE, 1983) in order to verify if other Latin, Arabic, or other cultures are in fact truly affected by the cultural distance.

4- The study proposed 13 distances that were at some point linked with each other. Axis and Matthijsens (2002) urged the importance of studying what they called the "innovation theory". A fifth distance, the technological distance, should be considered in further works on absorption capacity (ZAHRA; GEORGES, 2002), where the technological language between partners should be considered. Another distance

should be added in 2011, sustainability or environment concerns (DOZ, 2011).

5- The importance of the passive exporter mode encountered in Brazil (KRAUSS, 2006) gives credence to Anderson's (1993) remarks about the lack of precision the incrementalist model proposed by the Uppsala school offers. Built on the sufficiency of being in a big domestic market, combined with a lack of experience and maybe education, this mode of internationalization dominates the Brazilian reality. PD studies should consider not only the different phases of development of an international venture, but also the newer ways brought by IT (AXINN; MATTHYSSENS, 2002) to enter a market.

6- Regarding the passivity of Brazilian internationalization, this dissertation suggests a discussion, especially for the Brazilian academy, in order to better understand the causes of such behaviour. In this work, three paths were proposed: a) the sufficiency of the local market b) Brazilian cultural traits c) a lack of experience/professionalism. These three paths should be explored in future research.

7- As a functionalist trend research, this dissertation invites academics to concentrate research not only on distance, but also on the perception that decision makers have of it, and most of all on the importance they give to it, in order to understand the real impact of the construct in SMEs' internationalization processes.

8-For the purpose of this study, it was decided to work with the decision maker; the person that makes the final decisions in the internationalization process. For that matter, firms that have many people working on this process were discarded. Also the internal decision process was not studied, as the research was based on the PD construct that affects internationalization and how such internationalization did or did not happen, but not the internal process that brought it about. The decision making process was considered as a black box. Only the result of this process was considered. Other methodologies, based on constructivism or other decision making theories could better explain the social construction of the decision.

Finally, in this work, practices were seen to be a relevant factor in PD studies as, even if not noted by respondents, they had a fairly important effect on business. Brazilians liked the ethics of Quebecers but were frustrated by their direct way of doing business. Quebecers, on their hand, found Brazilians sometimes too emotive but liked their closeness. Some more experienced and committed Quebec respondents suggested that the Brazilian personal relationship is more efficient than commercial law in coping with contractual conflicts (even if this need for personal relationship was sometimes hiding a lack of professionalism or product quality). This necessity SMEs have for dealing with Brazil by trying to solidify personal contacts was also noticed by Child et al. (2009). This dissertation, besides the contribution the author hoped to bring to PD literature, suggests that an important discussion should be opened in order to propose a new model of international business for the SME; a model where high cost and hard to uphold contracts have their transaction costs reduced by the trust created in strong personal relationships.

The objective of this dissertation was to explore the influence of decision makers' psychic distances (the distance and its perception) in the internationalization of SMEs from Southern and Southeastern Brazil and Quebec. In order to respond to this objective, a theoretical model including the decision maker's profile, the context, the ties, the distance and a renewed construct of the PD in an internationalization process has been created. The model responded to many criticisms made of PD and especially the ones concerning the construct's lack of dynamism. It was concluded that, in the case of the sample presented, the PD construct is still an important factor for the decision maker in the process of internationalization of a firm. The PD does not influence the decision of market selection nor the entry mode, but does have an impact on the speed of the internationalization process and on the mode of operation.

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ADDENDUM 1

QUESTIONNAIRE

Merci pour avoir accepté de répondre à ce questionnaire sur vos relations internationales et spécialement celles avec le Brésil. Je vais tout d'abord faire des questions sur votre profil en temps que preneur de décision, sur votre entreprise et votre industrie, sur votre relation avec vos partenaires brésiliens ainsi que sur les résultats de vos opérations au Brésil, finalement, je vous demanderais des questions sur le processus d'internationalisation de votre entreprise au Brésil. Certaines questions seront fermées, c'est à dire demanderont une réponse directe et d'autres ouvertes où vous serez invités à élaborer votre réponse. Avant de commencer, afin de m'assurer que vous faites partie de la population étudiée, je voudrais confirmer avec vous si vous êtes le preneur de décision principal de l'entreprise et que cette dernière emploie moins de 250 personnes. Avez-vous des questions?

| | |
|------------------------------------------|-----------------|
| NOM _____ | |
| ENTREPRISE _____ | |
| VILLE _____ | PROVINCE: _____ |
| ADRESSE: _____ | |
| TEL _____ | CEL _____ |
| EMAIL _____ | |
| Âge _____ | |
| Sexe M F | |
| Langue maternel: Fran. Angl. Port. _____ | |
| Religion : _____ | |

Il est à noter que votre nom et celui de votre entreprise ne seront dévoilés que selon votre accord.

PROFIL DU PRENEUR DE DÉCISION

Questions faites sur le profil du preneur de décision de la PME. Les questions sur le profil objectif (professionnel et international) sont proposées avec une direction vers des réponses sous formes catégoriques. Pour les questions sur le profil subjectif, une évaluation de chaque réponse est proposée sur une échelle de 1 à 5, où:

1 = Haut

5 = bas

Les interviewés sont invités, par la suite, à expliquer leurs réponses.

| PROFIL SUBJECTIF | PROFIL PROFESSIONNEL | PROFIL INTERNATIONAL |
|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Attitude envers le risque 1 2 3 4 5 | Niveau de scolarité: Prim. Sec. Tech. BAC. Spe. MBA Maîtrise PHD _____ | Compétence en langues étrangères Ang Fran Port _____ _____ |
| Rigidité 1 2 3 4 5 | Diplôme(s): _____ ADM _____ | Vacances passées hors du pays _____ fois |
| Disposition au changement 1 2 3 4 5 | Role dans l'entreprise: _____ | Plus longues permanences hors du pays _____ semaine/mois/ans |
| Perspective sur le futur personnel 1 2 3 4 5 | Période de fonction à ce titre: _____ | Expériences de travail à l'étranger _____ mois/ans |
| Facilité à créer des liens 1 2 3 4 5 | Année d'expérience dans le domaine d'actuation _____ | Temps vécu à l'étranger _____ mois/ans |
| Attitude générale face au concept d'internationalisation 1 2 3 4 5 | Nombre et type d'emplois antérieurs _____ | Temps d'étude à l'étranger _____ mois/ans |

ATTRIBUTS DE L'ENTREPRISE

Questions sur les attributs de l'entreprise. Les interviewés sont invités à élaborer leurs réponses sur les régions et les modes d'entrée dans les différents territoires étrangers.

| ATTRIBUTS DE L'ENTREPRISE | |
|------------------------------------------------------------|--------------------------------------|
| Âge _____ | |
| Nombre d'employés _____ | |
| Industrie _____ | |
| Volume de vente (\$) _____ | |
| Date du début de l'internationalisation _____ | |
| Date du début de l'internationalisation au Brésil _____ | |
| Nombre de pays avec des partenaires ou clients _____ | |
| Première région d'actuation internationale _____ | Depuis _____mode d'entrée_____ |
| Première région d'actuation internationale _____ | Depuis _____mode d'entrée_____ |
| Première région d'actuation internationale _____ | Depuis _____mode d'entrée_____ |

4- a-t-il des facteurs naturels qui facilitent ou inhibent l'internationalisation (ressources exclusive, impôts, protectionnisme, législations) dans votre industrie?

5- Pensez-vous que votre entreprise possède une culture ou une inclination naturelle vers l'internationalisation?

6- Pensez-vous que votre industrie possède une inclination naturelle vers l'internationalisation?

LIENS AVEC VOTRE CONTACT OU PARTENAIRE PRINCIPAL AU BRÉSIL

7- Avez-vous des liens culturels (langue, religion, etc.) ou autres qui n'a pas de rapport direct avec votre industrie (éducation, club, etc) avec votre contact brésilien?

_____ Si oui, expliquez

8- Quelle est la langue de communication entre vous et votre contact brésilien principal? _____ les communications sont claires? ____

9- Avant de commencer une relation commerciale, vous et votre contact brésilien étiez membres d'un même réseau commercial? _____ Si oui, expliquez

10- Partagez-vous une histoire en commun, un travail passé en commun ou un intérêt particulier en commun avec votre partenaire brésilien

11- Comment et quand avez-vous connu votre contact brésilien?

12- Faites-vous des visites d'affaire au Brésil, à quelle fréquence?

13- Avez-vous eut d'autres partenaires au Brésil précédemment?

14- Est-ce que votre contact actuel à des relations avec vos partenaires précédents?

DISTANCE PSYCHIQUE

15- Questions faites aux interviewés sur la distance psychique entre le Brésil et le Canada et son impact dans ses relations avec le Brésil. Les caractéristiques sont évaluée de 1 à 5, où:

1 = "aucune différence réelle" / "n'a pas d'impact sur mes affaires (avec mon partenaire brésilien)"

5 = "différence très grande" / "a pas d'impact sur mes affaires (avec mon partenaire brésilien)"

Les interviewés sont invités à élaborer sur chacune de leurs réponses.

| DISTANCES | Degré de différence entre le Canada et le Brésil | L'impact sur les affaires de mon entreprise avec le Brésil. |
|------------------------------------|--------------------------------------------------|-------------------------------------------------------------|
| Distance géographique | 1 2 3 4 5 | 1 2 3 4 5 |
| Culture | 1 2 3 4 5 | 1 2 3 4 5 |
| Langue | 1 2 3 4 5 | 1 2 3 4 5 |
| Religion | 1 2 3 4 5 | 1 2 3 4 5 |
| Niveau d'éducation | 1 2 3 4 5 | 1 2 3 4 5 |
| Niveau de développement technique | 1 2 3 4 5 | 1 2 3 4 5 |
| Niveau de développement économique | 1 2 3 4 5 | 1 2 3 4 5 |
| Infrastructures logistiques | 1 2 3 4 5 | 1 2 3 4 5 |
| Système politique | 1 2 3 4 5 | 1 2 3 4 5 |
| Système légal | 1 2 3 4 5 | 1 2 3 4 5 |
| Règlements | 1 2 3 4 5 | 1 2 3 4 5 |
| Pratiques commerciales | 1 2 3 4 5 | 1 2 3 4 5 |

| | | | | | | | | | | |
|-----------------------|---|---|---|---|---|---|---|---|---|---|
| Étiquette commerciale | 1 | 2 | 3 | 4 | 5 | 1 | 2 | 3 | 4 | 5 |
|-----------------------|---|---|---|---|---|---|---|---|---|---|

Quels sont les sources de malentendus entre votre partenaire et vous?

INTERNATIONALISATION

16- Quel a été le mode d'entrée initial de votre entreprise au Brésil? (Expliquez)
1) aucune activité 2) importation 3) exportation 4) agent d'importation (distribution) 5) joint venture 6) unité stratégique d'affaire (bureau) 7) production (usine ou autre), autre

17- Que considérez-vous être votre principale activité au Brésil actuellement? (Expliquez)
1) aucune activité 2) importation 3) exportation 4) agent d'importation (distribution) 5) joint venture 6) unité stratégique d'affaire (bureau) 7) production (usine ou autre), autre

18- Quel était votre pourcentage de ventes externes par rapport à vos ventes il y a trois ans?

Quel est ce pourcentage aujourd'hui? _____

19- Quel était le pourcentage d'actifs que vous possédiez à l'étranger par rapport aux actifs totaux, il y a trois ans? _____ Quel est ce pourcentage aujourd'hui? _____

20- Quels sont les raisons qui vous ont amené à considérer le Brésil comme territoire ou chercher un partenaire?

21- Comment s'est prise la décision d'investir sur des activités au Brésil? Qui a participé, vous a influencé, à cette décision?

22- Quels ont été vos sources d'information lors du moment où vous avez décidé d'avoir des relations d'affaires avec le Brésil? Et aujourd'hui, quelles sont les sources d'information utilisées pour guider vos activités brésiliennes?

23- Comment s'est développé votre investissement, financier ou autre, sur le marché brésilien depuis le moment où vous avez planifié y entrer?

24- Comment avez-vous initialement planifié l'entrée dans ce marché? Qui vous a ouvert les portes?

25- Que pouvez-vous dire du travail de votre gouvernement sur l'aide qu'il a apporté à ce développement d'affaire?

26- Selon vous, quels sont les facteurs qui expliquent votre position actuelle dans ce marché? Quel est le futur de votre relation?

27- Quels ont été, selon vous, les effets de la perception que vous aviez sur le Brésil lors de votre entrée dans ce marché? Dans l'état actuel de votre opération au Brésil? Sur le développement de cette opération?

28- Comment voyez-vous le futur de votre entreprise au Brésil?

FIN DE L'ENTREVUE

Existe-t-il une autre personne dans l'entreprise qui a participé ou a été activement impliqué dans le processus de décision dans le développement de la relation avec le Brésil que je pourrais interviewer? La présente recherche étudie les relations entre entreprises canadiennes et brésiliennes, à fin d'obtenir des résultats plus précis, la comparaison doit être idéalement faite entre deux partenaires directs. Serait-il possible de me donner le nom et les coordonnées de votre actuel partenaire brésilien? Une étude qualitative basé sur des études de cas doit, afin atteindre une validité académique, utiliser un procédé de triangulation. Ce procédé invite le chercheur à étudier non seulement les personnes, mais aussi des données dites secondaires venant de rapports annuels, site web, matériel promotion, etc. En tenant compte qu'aucun chiffre officiel ne sera utilisé, les données seront présentées sous forme de pourcentage ou ratio, pouvez-vous rendre ces documents disponibles à ma recherche?

Merci beaucoup.

ADDENDUM 2

ROTEIRO DE ENTREVISTA

Obrigado por aceitar responder a perguntas sobre seu relacionamentos internacionais com foco em sua operação com o Canadá. Vou coletar informações sobre o senhor/a senhora e sua empresa, mas ambas as identidades podem ser escondida sob seu pedido. Pergunta será ou categóricas, ou seja, com uma resposta simples e direta, propôs em uma escala ou aberta, onde você será capaz de responder livremente. Em qualquer momento da entrevista, você é convidado a aprofundar as suas respostas. A entrevista será dividida em seis partes: seu perfil, sua orientação internacional, o contexto onde sua empresa atua, seus laços com o parceiro/contato canadense, sua compreensão do construto da distância e da sua importância para o seu negócio, e o processo de internacionalização da sua empresa. Antes de começar gostaria de confirmar com o senhor/a senhora que esta o tomador de decisão principal da firma e que sua firma tem menos de 250 funcionários? Alguma pergunta antes de começar?

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| NOME _____ Ralf _____ FIRMA _____ Spectrum _____ CIDADE _____ Sao Paulo _____ UR: SP ENDEREÇO _____ TEL _____ _____ EMAIL _____ | CEL |
| Idade _____ Sexo M F Língua nativa: Port. Ingl. Fran. _____ Religião : _____ | |

Quero avisar que os nomes do senhor/da senhor como da firma estudada vão ser divulgados somente com a sua permissão.

PERFIL DO TOMADOR DE DECISÕES

Perguntas feitas aos entrevistados das PME a respeito de su perfil. Questão sobre as características objetivas devem ser feitas sem opção de agrupamento (categorias). Para as características subjetivas, avalie as seguintes características, utilizando uma escala de 1 a 5, onde:

1 = alto

5 = baixo

Os entrevistados são convidados a elaborar sobre cada resposta, e as suas respostas foram gravadas.

| PERFIL SUBJETIVO | PERFIL PROFISIONAL | PERFIL INTERNACIONAL |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------|
| Atitude de risco 1 2 3 4 5 | Nível de escolaridade: Fund. Ens.Med Tec. Grad. Spe. MBA Mest. PHD _____ | Competência em línguas estrangeiras Ing Fren Port _____ _____ |
| Rigiditez 1 2 3 4 5 | Diploma(s): ADM _____ | Férias no exterior _____ vezes |
| Disposição para mudar 1 2 3 4 5 | Função na empresa: _____ _____ | Estadia mais longa no exterior _____ semana/meses/anos |
| Perspectiva sobre o future pessoal 1 2 3 4 5 | Tempo de atuação na empresa: _____ | Experiência internacional de trabalho _____mes/anos |
| Facilidade para criar laços 1 2 3 4 5 | Número de empregadores anteriores _____ | Tempo de moradia no extérior _____meses/anos |
| Atitude geral em favor da internacionalização 1 2 3 4 5 | Anos de experiência no ramo _____ | Tempo de estudo no extérior _____meses/anos |

ATRIBUTO DA FIRMA

Perguntas feitas aos entrevistados sobre os atributos da firma.

Os entrevistados são convidados a elaborar sobre as respostas ligadas as regiões e modos de entrada.

| ATRIBUTO DA FIRMA |
|--------------------------------------------------------------------------|
| Idade _____ |
| Número de funcionários _____ |
| Indústria _____ |
| Volumen de negócios (r\$) _____ |
| Início da internacionalização _____ |
| Início da internacionalização no Canadá (Brasil) _____ |
| Número de países com parceiros-clientes _____ |
| Primeira região de atuação _____ Desde _____ modo de entrada _____ |
| Segunda região de atuação _____ Desde _____ modo de entrada _____ |
| Terceira região de atuação _____ Desde _____ modo de entrada _____ |

Tem alguns factores naturais que são facilitadores ou inibidores (recursos exclusivos, vantagem no nível dos impostos) provenientes da sua indústria?

Que pode comentar sobre o apoio de seu governo no desenvolvimento de suas atividades com o Canada?

Quais são os fatores que explicam a sua posição atual neste mercado?

Qual foi o efeito de sua percepção do mercado no modo de entrada? No estado actual da sua empresa neste mercado? Na velocidade de execução de sua entrada no Canadá?

FIM DA INTREVISTA

Existe alguém na empresa, além do senhor/da senhora, que tem sido relacionado ao processo de internacionalização da empresa com o Canadá que eu poderia entrevistar? Estou estudando as relações entre empresas brasileiras e canadenses, a fim de obter resultados mais precisos, a comparação deve ser feita entre dois parceiros. É possível que você me dê o nome e contacto do seu parceiro/contacto canadense? Uma pesquisa qualitativa com base em estudo de casos pede, a fim de alcançar uma validação acadêmica, um processo de triangulação. Este procedimento convida a investigar não somente pessoas, mas também dados como relatórios anuais, website, material promocional, etc. Entendendo que os números oficiais não serão mencionados, mas apenas as alterações nos dados apresentados como porcentagens ou tendências serão utilizadas, você poderia disponibilizar esses documentos para mim.

Muito Obrigado