ABSTRACT
The purpose of this study is to investigate the role of the entrepreneur and the characteristics of the internationalization process for Yaguara Ecológico, a small Brazilian coffee producer, in the light of different theoretical approaches. A literature review was done with special attention given to the theories of International Entrepreneurship and Effectuation. This paper deals with the International New Venture phenomenon (OVIATT; McDOUGALL, 1994), and in order to understand the importance of entrepreneurs in a company's internationalization process, the Effectuation theory was chosen that offers alternatives to describe how they think and behave when starting a new venture (PERRY et.al., 2012). The research method used a single case study and in-depth interviews were conducted with company managers. The results suggest that the theories offer explanations for the company's internationalization activities; however, some characteristics of this trend did not adhere to the theoretical propositions.

Keywords:
International entrepreneurship
Effectuation
Coffee
Brazil

1. Introduction
This paper seeks to investigate the role of the entrepreneur and the characteristics of the internationalization process for a small Brazilian company, using the theoretical propositions of international entrepreneurship and Effectuation theory. That is why the company Yaguara Ecológico, an organic coffee producer located in the city of Taquaritinga do Norte, in the sertão region of Pernambuco state, who exports a large part of their production to Japan.

According to the Ministry of Agriculture, in 2012, the coffee industry was responsible for about 7% of Brazilian agricultural exports, which represented annual revenue of around BRL 6.5 billion (Informe Café, 2013). Since they belong in the coffee sector, the chosen company provides significance to the research, since coffee is the most traded commodity in the world, where Brazil is the industry leader since 1840, producing 48.1 million sacks of 60kgs in 2010, which corresponded to 36% of world production (GONZALEZ-PEREZ; GUTIERREZ-VIANA, 2012).

From a theoretical perspective, according to Martignago and Alperstedt (2011), research in international management in Brazil is still in the formation stage; and therefore, advances can be made in this field of knowledge. Kiss et. al. (2013), highlight that few studies have been done in Brazil in the international entrepreneurship field. These findings are related to the fact that studies about International Entrepreneurship are also recent in the rest of the world, originating in the mid-1990s, and they include a multidisciplinary research approach that seeks to point out the different characteristics of the internationalization process for small businesses that, even when new companies, enter the international market (McDOUGALL et.al., 2003). In addition, according to Mitgwe (2006), studies on International Entrepreneurship are considered state of the art research about enterprise internationalization, and are a rich field for research.

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development with a still undefined scope (OVIATT; McDOUGALL, 2005).

The choice of Effectuation theory also provides theoretical relevance to this study since it questions the logic of new project development by addressing the prerogatives of entrepreneurial behavior and thinking, launching a paradigm shift into the field of entrepreneurship studies that reverses the causal aspects of rationality (READ; SARASVATHY, 2005; PERRY et.al., 2012). Moreover, few studies have used Effectuation theory in analyzing the internationalization process of enterprises (COVIELLO; JONES, 2004; ANDERSON, 2011; GALKINA; CHETTY, 2011; JONES et.al., 2011).

Added to this is the fact that the vast majority of studies on international entrepreneurship and Effectuation examine the explanatory power of these theories, primarily seeking northern hemisphere companies that operate in the information technology sector (GALKINA; CHETTY, 2012; PERRY et.al., 2012; COVIELLO et.al., 1998, RIALP et.al., 2005). Therefore, this paper seeks to contribute to the body of studies about these theories, using a small Brazilian company engaged in the agribusiness sector as reference.

Except for the introduction and the final considerations, this article is divided into four sections. The first section is the theoretical framework, where the theories of International Entrepreneurship and Effectuation are presented. The second section describes the research method used. The third section presents the Yaguara Ecológico case. The fourth section explains the convergences and divergences between the case studies and the theoretical references.

2. Theoretical References

2.1 International Entrepreneurship

According to (Rialp et al. 2005 HILAL; HEMAIS, 2003, KEUPP & GAUSMANN, 2009) the field of international entrepreneurship gained notoriety in the 1990s when some works (McDOUGALL, 1989; OVIATT; McDOUGALL, 1994, McDOUGALL et.al., 1994) began to find results of empiric research that did not fit the traditional internationalization model developed by researchers of the Uppsala School (JOHANSON; WIEDERSHEIM-PAUL, 1975; JOHANSON; VAHLNE, 1977). The results show that some companies internationalize more rapidly and not necessarily in sequential stages (AUTIO, 2005).

In addition, according to Zahra and George (2002), small and medium enterprises have also gained an important role in the world economy, and an understanding of the motivations, patterns, and paths they took in the international realm was reason enough for many researchers (ROCHA et al. 2003; DIB, 2008; CASILLAS; ACEDO, 2013) to seek a deeper understanding of this type of company.

The first model that sought to explain the international entrepreneurship phenomenon was written by Oviatt and McDougall (1994). This model consists of four elements that the authors judged necessary and sufficient for formation of a INV - International New Venture. They can be described as follows: **Element 1 - Internationalization of Some Transactions**: the company chooses to reduce costs when executing the operations instead of resorting to the market. **Element 2 - Alternative Governance Structures**: hybrid structures, such as strategic alliances, which act as plausible alternatives to the internal control and market control over resources. **Element 3 - Advantage of Foreign Location**: organizations are international because they find advantages when transferring or obtaining resources (raw material, knowledge, products) across borders in order to combine them with real estate resources or opportunities. **Element 4 - Single Resources**: The first three elements define the conditions for the existence of INV’s. However, these conditions are not sufficient to achieve a sustainable competitive advantage; therefore, making the provision of unique features -VRIO - value, rare, inimitable and irreplaceable, a necessity (BARNEY, 1991).

![INV Model](source: Adapted from Oviatt and McDougall (1997, p. 54).)

In addition to the model, a trait revealed by International Entrepreneurship theory is regarding the relevance of the entrepreneurial figure to
understand the complexity of the internationalization phenomenon for companies (MELLO, 2009; KEUPP; GAUSSMAN, 2009). The work of McDougall (1989), Oviatt and McDougall (1994) and Oviatt et al. (1994) show the figure of the entrepreneur in the internationalization process and suggest that they have the power to change the circumstances.

Andersson (2000) uses the definition of Schumpeter, 1934 who understands the entrepreneur as a role, i.e., the one who has the ability to see new combinations, convince others to invest in the business, and act from a point of view, rather than get stuck to rational calculations. So Andersson (2000) creates a model where he relates the different levels of combinations - macro (for example, psychic distance), meso (e.g., consumers, competitors and networks) and the company (e.g., organizational structure, products, culture and learning) - with the concept of strategic process and enterprise internationalization.

Through this model, the author suggests that the entrepreneur exercises influence in the organizational culture, may act differently than the traditional practices, and has the capacity to speed up the internationalization of the business. Finally, the author classifies three types of entrepreneurs: the coach (with a capacity to generate new products even though there is no demand); the structural (who acts in mature sectors and acts to form alternative governance structures), and of the market (capable of creating channels to reach customers).

Simões and Dominguinhos (2001), explain that, besides the changes in context, the entrepreneur appears as a decisive factor in explaining the phenomenon of international entrepreneurship by exercising a social function of identifying opportunities, where entrepreneurial practice is a creative act that occurs during risky or uncertain circumstances.

1.2 Effectuation Theory

According to Perry et al. (2012), the Effectuation theory presents a paradigm shift in entrepreneurship studies. If, on the one hand, studies traditionally elected the rational decision model based on neo-classical economics as a theoretical basis, on the other hand, the effectuation theory reverses the rational decision making model by modifying and presenting another direction regarding the fundamental principles of space, solution, and logic of the traditional, so called causal process (READ; SARASVATHY, 2005).

Sarasvathy (2001a), realized that there was a pattern in the way entrepreneurs create markets and companies. This pattern consists of characteristics that were different from causal/predictive logic. When creating the effectuation theory, the author thought critically about the existence of a preconceived universe and existing markets. Thus, she proposed a philosophical alternative where the action of the human being transforms reality into new possibilities (RONDANI et al., 2012).

According to Sarasvathy and Venkataraman (2001) causal reasoning and the logic of prediction have been the basis for answering questions about behavior, differentiation, scope and performance of companies. However, the creative action perspective based on effectual reason and the logic of control can provide explanations for these questions, which means that the entrepreneurial process follows a creative path and not only one of discovery and resource allocation.
So while creativity, from the perspective of causal reasoning, is about generating alternative means to achieving predetermined goals, creativity in effectual logic involves the generation of possible objectives, given the limitations of the means and the difficulties of the dynamic and interactive environment (Sarasvathy; Venkataraman, 2001). Therefore, Sarasvathy (2001a p. 245; 2001b) defines causation as: "A process that takes a particular effect as a given and focuses on selecting the means to create a result." While Effectuation is defined by the author as: "A process that takes a set of means as a given and focuses on selecting among the possible outcomes that can be created with this particular set of means."

According to Wiltbank et al., 2006 after accessing the "means", entrepreneurs observe what are the possible directions and then look for people in order to raise funds to continue the chosen action. These people can be possible stakeholders. Once they find people who want to join the chosen action (such action, however, may be vague or concrete, but open to change), they move in order to get commitments from these partners. Each partner involved is committed to contributing to the construction of the vision of the future and the particular strategies that will be adopted in order to realize this vision.

Effectuation theory suggests that the decision maker is not tied to the predictability of the scenario, but is the transformative agent who will provide the necessary conditions for the context to favor him. To illustrate this thought, the author suggests the example of the urn game, where the objective is to guess the number of red balls, and the prize is worth $50. According to the effectuation view, the decision maker will not be stuck to the estimates. He will just find a way to fill the urn with red balls and will convince his partners to fill the urn with red balls and if, by chance, there are only green balls available to be placed in the urn, he will change the rules of the game.

In this sense, two phrases written by Sarasvathy (2001a, p.251) summarize the thought process of a decision maker using causal logic: "If we can predict the future, we can control it," from those who use Effectuation logic: "If we can control the future, we do not need to foresee it." Wiltbank et al. (2006) considers Effectuation logic, in terms of control and predictability, as transformative, because it has a high level of control without calling it predictability.

Sarasvathy (2003), suggests that the existence of a particular logic control that is distinct from the causation proposition due to three principles:

- **Acceptable losses rather than expected returns**: causal reasoning seeks the highest return using optimal strategies, while with Effectuation reasoning, the loss amount is predetermined and the possible strategies are examined.
- **Partners rather than competition**: the causation theory, uses strategic tools (e.g., Michael Porter) for a competitive analysis. In Effectuation theory, commitment is built with stakeholders to minimize uncertainty, while entry barriers are created;
- **Leverage contingencies rather than avoid them**: if there is prior knowledge about an innovation, the causal theory can be best applied. However, if new possibilities may occur over time, the effectuation theory would be the best option.

![Figure 3: Entrepreneur action cycle](image)

**Source**: Adapted from Wiltbank et al. (2006; pg. 992).
Finally, Sarasvathy (2001a; 2001b) says the Effectuation process involves the design of possible targets, not only choosing them. Therefore, the causal rationale depends on the final result, while the Effectual rationale depends directly on the actor (SARASVATHY; VENKATARAMAN, 2000).

2.3 Relating the Theories

To investigate the internationalization characteristics for the company being studied, the theories of International Entrepreneurship and Effectuation are used.

With regard to the International Entrepreneurship phenomenon the essential subsets proposed by Oviatt and McDougall (1994) are evaluated in order to confirm whether this is indeed an INV that contains the necessary elements listed by the authors, as well as if the commitment level of its value chain is compatible with its internationalization process.

Regarding the role of the entrepreneur and the logic of his decision-making process, the effectuation theory will be used to the extent that several authors such as McDougall (1989) Oviatt and McDougall, (1994); Oviatt et.al. (1994) and Andersson (2000) point out the significance of the entrepreneur’s role for the company’s entry into foreign markets.

In addition, the Effectuation theory is interesting because it offers alternatives to describe how an entrepreneur thinks and behaves when starting a new venture (PERRY et.al., 2012), i.e., it can be a valid theory for describing some aspects of the process in undertaking a new venture, especially those that seek to internationalize from the beginning. In turn, other authors (COVIELLO AND JONES., 2004; JONES et al, 2011) found that Effectuation theory is an important concept in the international business field, especially regarding decision-making in the context of internationalization and entrepreneurship.

3. Research Method

3.1 Case Study

Research on international entrepreneurship, as well as studies investigating the explanatory power of Effectuation theory, are in their early stages (ANDERSSON, 2011 GALKINA; CHETTY, 2011) and set out to look at different phenomena from a new perspective. These phenomena interact with each other through the entrepreneur, who is the agent of the venture creation process and its internationalization (KEUPP; GAUSSMAN, 2009; JONES, et.al. 2011, ANDERSSON, 2011). Thus, according to Eisenhardt (1989), the case study is an appropriate method to be applied in circumstances where the research area is in its early stage of development, or intends to offer a new perspective for investigating the field.

According to Ghauri (2004), case selection is extremely important and should combine theory with pragmatism. In other words, it must address the research questions and be available for research. In this sense, Yaguara Ecológico met the two criteria at once since the managers were available to participate in interviews and the characteristics of their internationalization process suggest particular traits, since this is a small Brazilian company in the agribusiness sector and it exports large part of its production directly to the Japanese market.

Once the case study choice is made, Yin (2005) emphasizes the importance of choosing between a method for multiple or single cases. According to
Ghauri (2004), the selection of a single case is suitable for exploratory studies that form the first stage for future studies. According to Kiss et. al. (2012), few studies on international entrepreneurship were done in Brazil so there is no way to generate insights into a contemporary phenomenon (VARIS et. al., 2005). Moreover, according to Perry et. al. (2012), the choice of a single case study has been the most commonly used option when the Effectuation theory is studied, emphasizing that, according Birkinshaw et. al. (2011), the case study method plays an important role in international business studies because it is an alternative means of analysis regarding the role of the individual in organizations, and can generate profound insights into the context, providing answers to questions of how, when, and why.

To carry out the data collection, in December 2013, in-person interviews were conducted at the company, located in Taquaritinga do Norte, in the inland portion of the state of Pernambuco, where the company’s two managers work, and the company has six shareholders belonging to the same family. During the researcher’s stay, three on-site interviews were conducted with the two residents, lasting, on average, ninety minutes each. Then, there were two more interviews, also about ninety minutes long, via Skype, with two other managers Yaguara Ecológico, who live in the United States. The interviews were done based on the semi-structured interview script, which was planned based in the dimensions and variables that would be investigated, as shown in Table 2.

According to Perren and Ram (2004), this research is classified as an exploratory case study, with the objective perspective of entrepreneurial narrative, where the unit of analysis is company.

In addition to the interviews, a total of 23 documents were collected, including internal company documents, articles in magazines and newspapers, as well as information collected on the Internet. The use of different sources allowed data triangulation, ensuring the validity and reliability thereof (GIBBERT et. al., 2008). The collected material was analyzed by breaking (cutting) them into sections, which were allocated to the analysis categories established using the literature review (DOLAN; AYLAND, 2001).

4. The Yaguara Ecológico Case

4.1 The Internationalization of Coffee Produced in Várzea da Onça

Owned by the Peebles family, Várzea da Onça farm, where Yaguara Coffee is produced, is located in the city of Taquaritinga do Norte, in Pernambuco’s rugged northern region. In this region the vegetation is predominantly Atlantic Forest and was once a production cluster for arabica coffee.

In the region of Taquaritinga (do Norte), the coffee culture has been around since before I was born. There are coffee trees over 100 years old. You can see their age due to the thickness of the branch (...) the thicker, the older the coffee tree. Back then they were planted randomly, not in rows. The cherry grain was harvested by hand. (Informant III)

The arabica species (Coffea arabica L.) is of superior quality (PROCAFÉ, 2013). However, as of the 1990s, the growing supply of manufacturing work in Santa Cruz do Capibaribe, a city next to Northern

<table>
<thead>
<tr>
<th>Table 2</th>
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<tbody>
<tr>
<td>Study Analysis Categories</td>
</tr>
<tr>
<td>Dimension</td>
</tr>
<tr>
<td>▪ International market search process;</td>
</tr>
<tr>
<td>▪ Choice of foreign market;</td>
</tr>
<tr>
<td>▪ Time past between the opening of the company until making the 1st foreign deal;</td>
</tr>
<tr>
<td>▪ Evolution of the internationalization process;</td>
</tr>
<tr>
<td>▪ Alliances and partnerships.</td>
</tr>
<tr>
<td>▪ Company’s business vision;</td>
</tr>
<tr>
<td>▪ Characteristics/rationale of the most important business decisions;</td>
</tr>
<tr>
<td>▪ Search process for national and international partnerships;</td>
</tr>
<tr>
<td>▪ Manager’s view of the future.</td>
</tr>
</tbody>
</table>

Source: Developed by the authors.
Taquaritinga, reduced the interest of regional farmers in the coffee crop.

*The families that inherited the farms from their parents didn’t want to plant coffee any more. Their interest was in working in the factories, because the financial return was faster.* (Informant IV)

During this same period, the national coffee economy was going through a crisis arising from the loss of commodity value in the world market (LEÃO, 2010). With an unregulated sector, new consumption patterns created a scenario that led the coffee producers to consider the quality and sustainability of the coffee production as a differential, enabling the emergence of niche specialty coffees. However, the market was still new and was slow to move forward (LEÃO, 2010).

Despite the unfavorable scenario, the Peebles family knew that the coffee from the Taquaritinga do Norte region was unique and could allow them to stand out from the commodity coffee. In addition to the coffee’s inherent features, the family believed they could add quality to the product by managing it sustainably and within the organic farming criteria.

The idea of cultivating arabica coffee in the shade of the forest was put into practice and early 1990s, despite the customs reduction that paved the way for the import of specialty coffees, even though there was no established domestic market to sustain the production. The family was faced with a dilemma: give up coffee quality and compete in the popular coffee market, or find a consumer market that demanded the product they had at hand.

*At that time there was no market for it in Brazil. Until a few years ago, all the good coffee was exported and the leftovers stayed in Brazil. Everyone believed in the concept that you export the best and keep the bad. The Brazilian consumer is only recently awakening to the issue of product quality.* (Informant I).

To launch their commercial activities, in 2000 Tatiana Peebles and James Mclaughlin attended a coffee fair in the United States seeking to sell coffee abroad, since there was no consistency in the national market for specialty coffees. This fair was organized by the Specialty Coffee Association of America (SCAA), and during the event they had the opportunity to talk to a group of Japanese businesspeople from the Ueshima Coffee Company (UCC), with offices in São Paulo, when they explained about the type of coffee they were cultivating on the farm in the sertão of Pernambuco.

Tatiana and James described the Coffee’s unique characteristics to the Japanese group. First, they said that the type of coffee coming from the farm was arabica, typical of the Atlantic Forest, and that the trees were grown in the shade. Then, they told the Japanese that, together with the uniqueness of the species, the handling of the coffee was done using organic farming principles. In other words, no

<table>
<thead>
<tr>
<th>Atividades agrícolas</th>
<th>Beneficiamento do café</th>
<th>Logística</th>
<th>Marketing &amp; Vendas</th>
<th>Mercado</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colheita manual do café</td>
<td></td>
<td>Empacotamento em sacas específicas</td>
<td>Ueshima Coffee Company</td>
<td>Japão</td>
</tr>
<tr>
<td>Produção de humus</td>
<td>Limpeza, triagem, descasque</td>
<td>Transporte em container fechado</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Produção de adubo orgânico</td>
<td>Secagem à sombra</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Produção de sementes e mudas</td>
<td>Triagem manual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plantio de mudas dentro da floresta</td>
<td>Torrefação*</td>
<td>Embalagem de 250g, 500g e 1kg</td>
<td>Pessoal (PE)</td>
<td>Mercado Nacional</td>
</tr>
</tbody>
</table>

*Figure 4: Yaguara Ecológico Value Chain. *The roasting is done for the beans sent to the domestic market.

*Source: Developed by the authors*
pesticides were used to fight agricultural, local flora and fauna were preserved, which means that there was no deforestation of native forests to plant the coffee trees. Also, the staff of rural workers who worked the land was legalized and received their rights according to the laws of the country.

Regarding the activities developed, one can say that the farm preserved a set of traditional practices allied to technology. If on the one hand the cultivation and harvesting of coffee are made completely manually and faithful to the principles of organic farming, the

Besides the visit to the field, the Japanese group sent a coffee sample to be analyzed by the laboratory, and only after certifying that the coffee was organic did the negotiations begin. In 2004, when the first export was sent to Japan, the load was only 10 sacks of 60kgs of coffee type 17/18, the largest bean sizes, considered superior (Coffee Guide - International Trade Centre, 2013²). The beans sent to Japan are of the green in natura variety, which means they don't undergo roasting. This green coffee is roasted in Japan with the name Café Pernambucano at the UCC coffee boutiques. Also, the in natura green coffee is sold at auctions held by the Japanese.

The export to Japan required several adaptations by the company. For transportation, the coffee had to be packaged in virgin burlap bags and with certain markings. Besides the burlap bag, another plastic package had to be placed inside the burlap bag. The storage chests for the sacks had to be closed, cleaned, and nothing could affect the coffee’s aroma. When sent to the domestic market, the coffee transportation follows other, less strict, rules. In the words of one of the entrepreneurs:

*Generally in Brazil, the coffee is stored in the truck with a tarp covering. The Japanese don’t allow anything that will affect the coffee’s integrity. They want a closed chest, which is very expensive. The chest has to be clean, and we can’t use anything that will affect the coffee’s aroma. The jute burlap has to be virgin. So they follow a strict quality protocol that has become routine for us (Informant I).*

Initially, the grain selection was done manually. Later, the farm purchased a machine that separated the grain by size, in order to speed up and be more precise with the selection process.

With the expansion of the farm and the soil works, every year, the Várzea da Onça can send around 60-150 sacks (depending on the harvest, availability of the grain size, and the demand of the domestic market) to UCC, their only customer for international transactions. The partnership with the Japanese company is significant for the company, because half of its annual revenue is from this transaction. Tatiana explains that the pricing of the export coffee is done annually, just after the harvest. According to Brazilian Specialty Coffee Association (BSCA³) the special green coffee gets to be sold at 6.95 pound, which equals $919.35 for a 60kg sack, whereas traditional coffee is traded on the New York Stock Exchange at $200 per 60kg sack⁴.

In relation to the beans, the selection is also strict. The Japanese will only buy 17/18 sized beans, and refuse to buy the smaller sizes. That is why, when there are enough beans there is business, otherwise there is nothing that can be done.

*They want a perfect bean, like a rosary bead, one just like the other. So, why is not perfect is left over (Informant II).*

In 2001, the Várzea da Onça farm purchased its first coffee processing machine. This machine separated the harvested fruit into ripe, green, and defective, and peels them, separation the seed from the pulp. Coffee processing has an advanced infrastructure.

After the conversation that took place at the fair, the interest of the Japanese was awakened and about two weeks later, a UCC representative visited the farm for two days to monitor the production process and see if the coffee was being produced according to the specific items mentioned by Tatiana and James.

*They wanted to know if we were preserving the fauna and flora, whether we were taking care of the environment, and whether employees were being treated with dignity. It is what they call macro and micro ecology. There is a concern regarding food sources (...) If you think about it, there is a history behind it (Informant III).*


In addition to sales to the Japanese, which continues to the present day, between 2001 and 2007, the farm's coffee was also exported to the United States. Smaller beans, those that were not sold to UCC, were sent to Miami, where they were roasted and sold to local small businesses. At that time, the farm's coffee brand sold in the United States was called “Café Sombra”, and the family rented a warehouse in the Miami area, where they installed coffee roasting machines.

The family exported the remaining beans for various reasons. The first reason was that Tatiana still lived there, and they thought that Brazil didn't have a big enough specialty coffee market: “At that time there was no market for it in Brazil. Until a few years ago, all the good coffee was exported and the leftovers stayed in Brazil. Everyone believed in the concept that you export the best and keep the bad. The Brazilian consumer is only recently awakening to the issue of product quality.” (Informant III)

However, the coffee roasting project in the United States didn't work out. On the one hand, the North American market offered opportunities to sell “Café Sombra”, on the other hand, the manpower needed for the job was inadequate and local retailers demanded high values to sell the product on the shelves, which made the operations unfeasible, so they were closed in 2007: “It didn't work out because the labor force in Miami was very difficult. Nobody wanted to learn how to do it the way we thought was correct. Also, production costs in the United States was very high. Business became difficult and complicated. So we decided not to send the leftover coffee to the United States. We decided to sell the coffee in Brazil” (Informant II).

4.2 Café Yaguara in the domestic market

With consolidated sales to Japan, discontinued operations in the United States, and several size 14, 15 and 16 beans ready to sell, the Peebles family decided to invest in the domestic market.

One of the managers mentioned that the sale to the Japanese provided a positive contribution for the coffee’s image in Brazil:

Table 3

<table>
<thead>
<tr>
<th>Manager</th>
<th>Age</th>
<th>Professional Training</th>
<th>Prior Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>73</td>
<td>Master’s Degree in Public Administration</td>
<td>Odebrecht Executive - new business department</td>
</tr>
<tr>
<td>II</td>
<td>71</td>
<td>Bachelor's degree in Fine Arts</td>
<td>Interior design at Pottery Barn and Williams-Sonoma</td>
</tr>
<tr>
<td>III</td>
<td>48</td>
<td>Bachelor of Liberal Arts, with an emphasis in international business</td>
<td>Executive at Colorado Trading - Agribusiness company</td>
</tr>
<tr>
<td>IV</td>
<td>36</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>V</td>
<td>37</td>
<td>Bachelor's Degree in Languages</td>
<td>N/A</td>
</tr>
<tr>
<td>VI</td>
<td>39</td>
<td>Bachelor's Degree in philosophy and law</td>
<td>COO and Board Member at Intelligentsia Coffee &amp; Tea</td>
</tr>
</tbody>
</table>

Source: Developed by the authors.

Table 4

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Tatiana P. and James M. visit the SCAA fair in the USA and meet the Japanese group Ueshima Coffee Company (UCC)</td>
</tr>
<tr>
<td>2001</td>
<td>A UCC Representative visits the farm in Taquaritinga do Norte along with David Peebles</td>
</tr>
<tr>
<td>2001</td>
<td>Export to the USA and begin to roast the coffee there and sell to local retailers, using the “Café Sombra” brand name.</td>
</tr>
<tr>
<td>2001</td>
<td>Farm purchases the first coffee processing machine</td>
</tr>
<tr>
<td>2004</td>
<td>First year of exports to Japan</td>
</tr>
<tr>
<td>2006</td>
<td>Tatiana Peebles establishes her residency in Taquaritinga do Norte (PE)</td>
</tr>
<tr>
<td>2007</td>
<td>End of coffee exports to USA. Miami roasting unit is closed.</td>
</tr>
<tr>
<td>2009</td>
<td>Beginning of sale in domestic market</td>
</tr>
</tbody>
</table>

Source: Developed by the authors.

Everyone knows that the Japanese are very rigorous. Before exporting, they request samples to certify that the product is organic. They visit and check out the production location. So when you say you export to Japan, Brazilians consider the coffee to be special. (Informant II)

Yaguara’s network of relationships in the Brazilian gourmet circuit was begun through the initiative of one of the entrepreneurs, who personally makes deliveries to restaurants and coffee shops in the city of Recife. He cultivates friendships with some renowned chefs such as André Saburô Matsumoto, chosen as 2013 Chef of the Year by Prazeres da Mesa magazine, and owner of Quina do Futuro restaurant and Tokyo’s cafe. The result of this effort is the presence of Yaguara coffee in Recife (PE), Maceió (AL), João Pessoa (PB), Curitiba (PR) and São Paulo (SP).

5. Discussion and Analysis of the Case

5.1 The Case and International Entrepreneurship Theory

According to the managers’ accounts, since the beginning of the Várzea da Onça farm activities, the international market was a necessary alternative because there was no demand in the Brazilian market for specialty coffees. This coincides with the definition of McDougall, 1989 (p.388) regarding international entrepreneurship which says that "the development of new international ventures or start-ups that, since their origin, are committed to internationalization."

Regarding the model developed by Oviatt and McDougall (1994), that defines the four elements necessary for the formation of an INV, in the case studied, it was possible to verify the existence of four essential elements. The element regarding the internalization of activities can be seen in agricultural activities and coffee processing, however, the goal of the internalization was not cost reduction but the control of production in order to ensure good quality coffee. The internalization of the activities was a dynamic process that evolved with the Ueshima Coffee Company partnership, and resulted in a hybrid governance structure (2nd element of the model): UCC buys green in nature coffee from the farm, roasting it in Japan and selling it under the Café Pernambuco label.

They want a closed chest, which is very expensive. The chest has to be clean, and we can’t use anything that will affect the coffee’s aroma. The jute burlap has to be virgin. (Informant III)

The aspects regarding the sustainability of the business and the existence of unique resources are manifested in the company’s proposal to follow the principles of organic agriculture. This practice is not common in the Brazilian coffee sector, especially in the northeast of the country. According to SEBRAE (2011), nationally, the production of specialty coffee is concentrated in the Southeast region of Brazil, specifically in the states of Minas Gerais and Espírito Santo.

The development of these activities provides benefits to the company that, in addition to being able to sell abroad at higher prices, is conquering the domestic market because of these characteristics.

"Everyone knows that the Japanese are very rigorous. Before exporting, they request samples to certify that the product is organic. They visit and check out the production location. So when you say you export to Japan, Brazilians consider the coffee to be special."

The element regarding the location advantage is an unfolding of the hybrid structure in this case. When the company sells to Ueshima Coffee Company, there is the transmission and absorption of knowledge.

We also learned from them (the Japanese), because it was a two way learning process. We both gave and taught, and we also learned from them. (Informant IV)

According to Mello (2009) and Keupp and Gausman (2009), the figure of the entrepreneur is significant to understanding the complexity of the enterprise internationalization phenomenon. Therefore, the model created by Andersson (2000) may contribute to the evaluation of Yaguara Ecológico case. Andersson (2000), in his model, divides the environment into three dimensions: Company environment, meso environment and macro environment.

At the firm level, Tatiana Peebles’ move to North Taquaritinga (PE) changed the sales route of the green in nature coffee that was exported from Brazil to be roasted and resold in the United States. Her arrival in the northeast changes the company’s sales
strategy. The choice to sell in the domestic market was motivational, and the decision was made by the entrepreneurs.

At the meso level, the Yaguara managers have worked with the professionals in the gourmet coffee circuit (such as chefs and baristas) in order to expand the domestic market and develop new concepts related to the production chain of specialty coffees (Folha de Pernambuco, 2013). At a macro level, the preservation of a sustainable production method was a choice of the owners, and allowed the sale of the coffee to Japan (Prazeres da Mesa, 2013). However, it was not possible to verify if the activities on the farm and the choice of this production method influenced their competitors in the Brazilian coffee industry.

5.2 The Case and Effectuation Theory

The coffee internationalization to Japan converges with the approach proposed by Effectuation theory. Sarasvathy, 2001a, points out that entrepreneurs have an a priori limited set of "means", which along with environmental limits, favor the generation of possible objectives. The managers of Várzea da Onça farm had an initial goal of selling unique coffee, but did not establish along with this goal the method of operating in the international market. The dynamic and unfavorable conditions in Brazil drove managers to seek a feasible solution that would allow the enterprise to work. It was then that Tatiana Peebles and James Mclauglin attended a coffee fair in the United States and established, in an unplanned way, contact the Ueshima Coffee Company (UCC), with whom they have partnered with over the years.

When evaluating the entrepreneur’s action cycle (WILT BANK et. al., 2006) one can infer that, after accepting to negotiate with the Japanese, the commitment to the partner led the company to make some adaptations to establish trade with the UCC group. The demands of the Japanese group provided the company with experience and knowledge which then allowed the entrepreneurs to improve the production process and invest in cultivation and coffee processing activities.

Thus, the establishment of the relationship with the Japanese expanded the company’s resource cycle and allowed a change in the perspective of the entrepreneurs, who started to see the domestic market as an option for investment. It is possible to infer that the development of the Yaguara Ecológico brand, and the goal to reposition the product in the domestic market was the result of this new perspective. This means that, when entrepreneurs have gained knowledge and experience, the notion of "who am I", "what do I know" and "who do I know" changed, and by changing this view, the horizon of action changed and a new cycle began.

The International trajectory of the coffee to the United States can be interpreted as a conversion of the cycle of resources, because the means have remained the same, i.e., the option of sending beans to roast in the United States was because there was smaller beans than required by the Japanese market, and because part of the family resided in Miami at the time. Therefore, there was no influence from their partnership with the Japanese to shape the vision of the future (WILT BANK et. al., 2006).

| Table 5 |
|---|---|
| **Synthesis of the entrepreneur's action cycle applied to the Yaguara case** |
| The 1990's | Turn of the century |
| **Means** | Partners | Relationship emerged | More favorable context Brazil |
| Farm | UCC | Knowledge. | New perspective regarding the domestic market |
| Unique Coffee | | Endorsement of the brand country | |
| Entrepreneurs with experience | | Japan | |
| **What can I do?** | Decision about internationalization | Sale in the Brazilian market |
| Internationalize to begin company operations | Export and sell remaining beans in the USA | Not successful | Option of selling remaining beans in domestic market |
| Visit fairs and seek markets | Managers living in the USA | | |

Source: Developed by the authors.
Regarding the notion of control, Sarasvathy (2001a, p.251) states that “the decision maker is not tied to the predictability of the scenario, but is the transformative agent that will provide the necessary conditions for the context to be favorable to him.” Thus, the verticalization of coffee production at Várzea da Onça farm provides reliability and validity to the final product, and therefore favors the company’s positioning in the market in relation to its customers and partners. This means that, not only do the managers have greater influence on the processes, and thus produce coffee that meets certain standards, the verticalization validates the practices of sustainable management and organic agriculture, making the coffee a gourmet product. It is worth mentioning that, compared to the national market, the verticalization of the production chain is a necessary factor, but it is not enough to validate the security of the specialty coffee. A fundamental aspect of building the image of a quality product that complies with the principles of sustainable management arises from the relationship with the Japanese, since there are culturally established meanings about their fastidiousness.

For the three principles regarding the particular logic of control (SARASVATHY, 2003), in the Yaguara Ecológico case, only the "partners instead of competitors" principle can be confirmed. The company sought to build a network of relationships in the foreign and domestic market. Regarding the principle of "acceptable losses rather than expected returns", the same can be inferred from the attempt to enter the American market. According to their narrative, it is reasonable to assume that the entrepreneurs were willing to learn from their own operations in that market; and we therefore, willing to face the costs of that learning. In relation to the principle of "leveraging contingencies", there is no evidence of its occurrence in the case of Yaguara venture.

Regarding social networks, with UCC, the partnership has continued since 2001, when the representative of the Japanese firm visited the farm in order to get to know about the farm’s production process. Since then, a group of UCC interns visits Várzea da Onça periodically to monitor the production process and learn about the coffee related operations. In return, the company learns from UCC about the specifics of the marketing process with Japan, and acquires knowledge concerning the quality criteria that coffee must have to compete in that market.

In the national arena, partnerships with gastronomic professionals allows the exchange of knowledge related to roasted coffee, and the Yaguara Ecológico brand is gradually being inserted into the gourmet circuit.

6. Final Considerations

The purpose of this study was to investigate the role of the entrepreneur and the characteristics of the internationalization process of a small Brazilian company that produces coffee. To meet these objectives Yaguara Ecológico was chosen, and a literature review was done regarding the topics of International Entrepreneurship and Effectuation.

Yaguara Ecológico is a unique Brazilian case in the specialty coffee market. The unfavorable Brazilian context during the 1990s drove managers to look for a market that was open to the use of specialty coffee. A visit to the fair in the United States favored the unplanned meeting of Yaguara with the Japanese at UCC, resulting in a symbiotic relationship. The sharing of knowledge and the learning process of both parties enabled the production of a differentiated coffee that has a story that is told in both Japanese and Brazilian markets. This story was woven by two hands: Yaguara and UCC.

In the Japanese market, Várzea da Onça coffee is sold in auctions as a delicacy. The Japanese narrate their experience when visiting the farm and describe the particularities of sustainable management. In Brazil, coffee is the result of knowledge acquired by Yaguara managers in their relationship with UCC, and despite being a genuinely Brazilian product, it is imbued with culturally established meanings that are related to Japan.

Permeating these stories are the theories of International Entrepreneurship and Effectuation. The theories chosen for this study contributed to understanding the beginning of the internationalization process for a small Brazilian company in the agribusiness sector, as well as the consequences of the company’s choices, made by entrepreneurs during their operations in foreign markets.

The company can be considered an INV (Oviatt; MCDougall, 1991), and that the entrepreneur has the power to change the circumstances, and where
the decision-making logic of these specific entrepreneurs adheres to the Effectual approach (SARASVATHY, 2001a). In this sense, this study aims to contribute to the theory of international business by studying a particular case of a small agribusiness company where one can see that the partnership was a key element in building the business and in its international trajectory.

This study, of an exploratory and qualitative nature, does not intended to be conclusive regarding internationalization research for small Brazilian companies, or even those who work in the coffee sector. As a suggestion, continued investigation is recommended of small producers of organic coffee in Brazil to find the similarities and differences among those who internationalized versus those who produce only for the domestic market.

Finally, we suggest a quantitative study with small producers of organic coffee, located in different regions of Brazil, that would seek to describe similarities and differences among their social networks, and especially if government agencies are involved in supporting and subsidizing their internationalization.

7. References

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International entrepreneurship and effectuation: The Yaguara Ecológico Coffee case


References regarding the researched sector


Empreendedorismo internacional e effectuation: O caso do Café Yaguara Ecológico

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RESUMO

O objetivo deste estudo é investigar o papel do empreendedor e as características do processo de internacionalização de uma pequena empresa brasileira produtora de café, Yaguara Ecológico, à luz de diferentes abordagens teóricas. Foi realizada uma revisão da literatura com atenção especial às teorias de Empreendedorismo Internacional e Effectuation. O presente trabalho trata do fenômeno da International New Venture (OVIATT; McDOUGALL, 1994) e, com intuito de compreender a relevância dos empreendedores no processo de internacionalização da empresa, foi eleita a teoria Effectuation que oferece alternativas para descrever como estes pensam e se comportam ao iniciar um novo empreendimento (PERRY et.al., 2012). O método para a pesquisa foi o estudo de caso único e entrevistas em profundidade foram realizadas com gestores da empresa. Os resultados sugerem que as teorias ofereceram explicações para os movimentos de internacionalização da empresa, entretanto, algumas características dessa trajetória não aderiram às proposições teóricas.

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