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FROM LOCAL TO GLOBAL: INSTITUTIONAL AND RESOURCE DYNAMICS IN THE INTERNATIONAL STRATEGIES OF BRAZILIAN SMALL- AND MEDIUM-SIZED ENTERPRISES

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ABSTRACT

Objective: To examine the influence of organizational resources and institutions on the internationalization strategies of a group of Brazilian small- and medium-sized enterprises (SMEs). **Method:** An exploratory study, involving interviews with managers of 20 exporting SMEs, focusing on managerial characteristics, product quality, knowledge and learning, innovation, institutions, and internationalization. A content analysis was further conducted. **Main Results:** Internationalization strategies, specifically exports, are primarily driven by survival needs. These strategies are a response to a challenging domestic business environment and the need to achieve economies of scale, despite the size of the domestic market. Thus, organizations strategically allocate their resources to overcome institutional barriers both in domestic and European markets, ensuring the continuity and strengthening of business relationships. **Relevance / Originality:** Internationalization literature focuses on growth of SMEs from Western economies toward emerging economies (EEs) due to market saturation in developed economies. This study contributes to the emerging topic of internationalization as a survival strategy, exploring how SMEs from EEs mobilize resources to address institutional challenges in both domestic and target foreign markets. **Theoretical / Methodological / Social / Managerial Contributions:** Valued managerial traits associated with international success are: opportunity recognition, environmental risk perception, risk mitigation, negotiation, and partnership building. This is facilitated by cultural ties and knowledge-sharing management as they translate client/market demands into tangible products/services, especially amidst mixed perceptions regarding the reputation of the country of origin and biases. Internationalization of Brazilian SMEs is therefore driven by both market opportunities and poor institutional quality.

Keywords: Internationalization strategies, Organizational resources, Institutions, Small and medium-sized enterprises.

DO LOCAL AO GLOBAL: DINÂMICAS INSTITUCIONAIS E DE RECURSOS NAS ESTRATÉGIAS DE INTERNACIONALIZAÇÃO DE PEQUENAS E MÉDIAS EMPRESAS BRASILEIRAS

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RESUMO

Objetivo: Examinar a influência dos recursos organizacionais e das instituições nas estratégias de internacionalização de um grupo de pequenas e médias empresas (PMEs) brasileiras. **Método:** Estudo exploratório, envolvendo entrevistas com gestores de 20 PMEs exportadoras, focando nas características gerenciais, qualidade dos produtos, conhecimento e aprendizado, inovação, instituições e internacionalização. Uma análise de conteúdo foi conduzida posteriormente. **Principais Resultados:** As estratégias de internacionalização, especificamente exportações, são principalmente impulsionadas pela necessidade de sobrevivência como resposta a um ambiente empresarial doméstico desafiador e à necessidade de alcançar economias de escala, apesar do tamanho do mercado doméstico. Assim, as organizações alocam estrategicamente seus recursos para superar barreiras institucionais, nos mercados doméstico e europeu, garantindo a continuidade e o fortalecimento das relações comerciais. **Relevância / Originalidade:** A literatura sobre internacionalização foca no crescimento de PMEs de economias ocidentais rumo a economias emergentes por causa da saturação de mercado em economias desenvolvidas. Este estudo contribui para o tema emergente da internacionalização como estratégia de sobrevivência, explorando como PMEs de economias emergentes mobilizam recursos para lidar com desafios institucionais em seus mercados domésticos nos mercados-alvo estrangeiros. **Contribuições Teóricas / Metodológicas / Sociais / Gerenciais:** Traços gerenciais valorizados e associados ao sucesso internacional incluem: reconhecimento de oportunidades, percepção de riscos ambientais, mitigação de riscos, negociação e construção de parcerias. Esses fatores são facilitados por laços culturais e práticas de gestão voltados ao compartilhamento de conhecimento, traduzindo demandas de clientes/mercados em produtos/serviços concretos, especialmente diante de percepções mistas sobre a reputação do país de origem e preconceitos. A internacionalização das PMEs brasileiras é, portanto, impulsionada tanto por oportunidades de mercado quanto pela baixa qualidade institucional.

Palavras-chave: Estratégias de internacionalização, Recursos organizacionais, Instituições, Pequenas e médias empresas.

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INTRODUCTION

As global forces increasingly shape competitive arenas, internationalization has emerged as a critical driver of profitability and competitive advantage for small- and medium-sized enterprises (SMEs) (Jaffe & Pasternak, 1994; Loué, 2018). This trend has garnered substantial scholarly attention over the past decades, reflecting the pivotal role of SMEs in regional economic development and their growing participation in global markets (European Commission, 2021; International Trade Center, 2015; OECD, 2021; Ruzzier et al., 2006).

Prior research highlights that SMEs from Western economies have increasingly intensified their internationalization efforts toward emerging markets (EMs) in response to slow economic growth and saturation in traditional foreign markets (Kalinic & Forza, 2012). More recently, these firms have achieved success in global markets by leveraging the rapid distribution of new products and utilizing marketing intelligence to strategically position products and brands across diverse contexts (Ribau et al., 2018).

Nevertheless, as SMEs continue to expand their presence in the global marketplace, critical issues remain underexplored and warrant further scholarly attention, such as the need to examine the distinctive competitive strategies employed by international SMEs, particularly through classifications and comparative frameworks (Cerrato et al., 2016; Hagen et al., 2012); further exploration of how organizational resources, such as product quality, influence SME internationalization (Murphy, 2016); and the evolving importance of business and political relationships in driving the domestic and international growth of SMEs in emerging economies (EEs) (Fornes et al., 2021). Building on these research calls, this paper focuses on the internationalization challenges faced by SMEs from a leading EEs (Brazil) expanding into developed economies. Specifically, we address the following question: How do organizational resources and institutions influence the internationalization of SMEs from emerging Latin American (LATAM) economies?

The purpose of this paper was to discuss the influences of organizational resources and institutions on international sales among a group of Brazilian SMEs. We employed the resource-based view (RBV) as theoretical background, providing further insight into how resources and capabilities are developed and employed, as well as the resulting configuration of contemporary SMEs (Cerrato et al., 2016). Additionally, we also explore the intersection of RBV and institutions, a still abundant range of investigation, within the context of a leading emerging economy undergoing institutional transition (Luo & Peng, 1999; Peng, 2003).

By combining a unique set of elements — managerial/entrepreneurial traits, product quality, knowledge, and innovation — this research contributes to the literature by clarifying how SMEs in LATAM navigate local market constraints while achieving success in competitive international markets. This advances our understanding of the resilience and strategic adaptability of SMEs from EEs vis-à-vis SMEs from developed economies. Practical implications may also arise from this study, providing valuable insights for both multinational enterprises (MNEs) and SMEs targeting Brazilian market or Brazilian partners in global value chains (GVCs). Moreover, as SMEs are key participants in economic development, the results illustrate specific needs to be addressed by both public and private policies, offering suggestions aimed at enhancing competitiveness, particularly in terms of international presence.

1. THEORETICAL BACKGROUND

1.1. Managerial/entrepreneurial traits and small- and medium-sized enterprises internationalization

An entrepreneur-focused perspective on internationalization has increasingly complemented traditional frameworks such as transaction cost economics, incremental internationalization, and the product life cycle (Wright et al., 2007). The growing recognition of entrepreneurial dynamics has highlighted the critical role of entrepreneurs in driving internationalization efforts for SMEs and new ventures. Entrepreneurs, as key decision-makers, are central in evaluating and pursuing international opportunities. At the same time, there is a pressing need for public policies that adequately support the diverse profiles of SMEs and entrepreneurs capable of engaging in international markets. Current policy frameworks often fail to systematically account for the entrepreneurial and managerial dynamics underpinning international strategies (Ruzzier et al., 2007; Westhead et al., 2002).

The internationalization of SMEs, especially international new ventures (INVs), is closely tied to the acquisition of foreign market knowledge — a critical resource derived from proactive and innovative efforts to explore international business opportunities, rather than the incremental accumulation of experience in foreign markets (Zhou, 2007). Accordingly, understanding these dynamics is essential for advancing the contemporary discourse on SME internationalization.

For instance, Ruzzier et al. (2007) investigated the relationship between human capital dimensions of entrepreneurs and SME internationalization. Their findings suggest that international orientation, encompassing management's philosophies, attitudes, and actions toward global markets, along with environmental risk perception, are more predictive of internationalization success than traditional metrics such as international business skills or management know-how. This challenges the assumption that formal education or training is indispensable for achieving internationalization success, a notion corroborated by prior research.

Similarly, Denicolai et al. (2015) explored the influence of entrepreneurial demographics, background, and experience on strategic choices regarding innovation and internationalization. Their study of 88 Italian SMEs revealed that team-founded firms are more likely to combine intensive internationalization with innovative marketing and management practices. This underscores the critical role of entrepreneurial teams in accelerating internationalization, both in scope and intensity, through mechanisms such as networking and knowledge sharing.

Conversely, Bruneel et al. (2018) found that prior domestic experience among founding teams can negatively impact a firm's international sales performance. Excessive reliance on domestic experience may impair the ability to recognize and respond to international opportunities. However, shared prior experience within teams proved advantageous in uncertain or risky international markets.

Additional evidence from a survey of 283 French chief executives by Loué (2018) highlighted that exporting entrepreneurs possess greater international experience, particularly in training, career, and business development, compared to their non-exporting counterparts. Key skills, such as opportunity recognition and commercial-marketing capabilities, were found to play a pivotal role, aligning with findings by Ruzzier et al. (2007) and Zhou (2007).

Amorós et al. (2016) extended these insights through a study of Chilean entrepreneurs, demonstrating that international orientation during early-stage firm development is significantly linked to capability-related factors such as product innovation, technology adoption, and opportunity recognition. These findings echo earlier work by Ibeh and Wheeler (2005) and underscore the importance of productivity and innovation for the international competitiveness of LATAM firms.

Further contributions from Omri and Becuwe (2014) in Tunisia and Nguyen and Le (2018) in Vietnam emphasize the role of entrepreneurial traits and social networks in shaping internationalization. While social networks positively influence export propensity, Nguyen and Le (2018) found that an extensive network size could negatively affect exporting likelihood. Their study also revealed that institutional factors, such as banking and political networks, were not significant determinants of export behavior.

Cuervo-Cazurra et al. (2018) demonstrate that exposure to high political risk and corruption in domestic markets equips EEs firms with essential uncertainty management capabilities, which are critical for addressing the complexities of internationalization. Their study further reveals that these firms tend to achieve higher performance while expanding to closer international markets. However, the impact of uncertainty management capabilities is more significant when firms venture beyond their home region, where the challenges of navigating diverse institutional and cultural environments are heightened.

Finally, Hsieh et al. (2019) examined the interplay of entrepreneurial experience, innovation strategies, and internationalization speed in a multicultural sample of 180 SMEs. Their findings affirm the importance of ambidextrous innovation strategies, international business experience, and opportunity recognition in expediting internationalization.

These insights are further complemented by Sommer's (2010) application of the Theory of Planned Behavior (TPB) to SMEs in Austria, Switzerland, Liechtenstein, and Germany. Sommer (2010) identified the interplay of cognitive and institutional factors, such as policy and regulation, as critical antecedents of international business operations.

1.2. Product quality and small- and medium-sized enterprises internationalization

Quality, encompassing both product quality and quality certification, has emerged as a critical determinant of SME internationalization. Westhead et al. (2004) identify a significant association between SMEs pursuing aggressive differentiation strategies — particularly those emphasizing product or service protection — and both the propensity and intensity of exporting activities. Their findings further reveal that exporting SMEs are often younger manufacturing firms that leverage superior product or service quality and advanced technological resources as part of their competitive positioning. These insights underscore the strategic role of quality in facilitating SME engagement in international market.

The relationship between product quality and the international success of SMEs is exemplified by the phenomenon of "hidden champions," SMEs that are world market leaders with a significant export share (Audretsch et al., 2018). Through a quantitative analysis, Audretsch et al. (2018) show that these firms leverage high-value quality characteristics to effectively implement niche strategies centered on differentiated, knowledge-intensive, and premium offerings. Superior product quality serves as a cornerstone for their international market leadership and long-term success.

Neupert et al. (2006), in their analysis of exporting obstacles faced by SMEs in transitional and developed economies, highlight distinct challenges in each context. SMEs in transitional economies primarily struggled with issues of product quality acceptance and logistics management. Conversely, SMEs in developed economies faced challenges related to cross-country differences, general business risks, and logistics.

Gerschewski et al. (2015), in a survey of 310 Australian and New Zealand SMEs and INVs, identified product and service quality as critical drivers of international performance, alongside international entrepreneurial orientation and competitor orientation. Their findings underscore the multifaceted nature of quality as a strategic asset in global markets.

Yan et al. (2018) highlight the pivotal role of quality in SME internationalization, showing how rigid overseas quality standards act as key external drivers alongside internal managerial perceptions, such as the negative country-of-origin effect. Through a multiple case study of Chinese SMEs, they identify these factors as "change agents" that shape export performance, providing critical insights for encouraging non-exporting firms to pursue international markets.

Deng and Zhang (2018) emphasize the critical role of internationally recognized certifications in shaping Chinese SMEs' internationalization trajectories. Their study highlights how certifications, alongside managerial experience, moderate the impact of institutional and organizational quality. While institutional quality negatively influences the propensity to internationalize, it positively affects international sales growth, with certifications serving as a key enabler for navigating complex international markets.

From Deng and Zhang (2018) regarding the role of internationally recognized certifications and institutional quality in SME internationalization, Murphy (2016) highlights barriers that can undermine commitment to quality management (QM). Factors such as quality costs, resource constraints, and organizational fatigue — shaped by leadership skills, national culture, and institutional influences — emerge as significant challenges. These barriers can reduce QM commitment, ultimately limiting SMEs' ability to leverage quality as a driver for internationalization, reinforcing the need for robust organizational strategies to overcome these constraints.

QM and product quality strategies reflect SMEs' capability to integrate into international value chains, particularly in weak institutional environments. However, their impact on internationalization cannot be fully understood without accounting for organizational factors like managerial/entrepreneurial traits.

1.3. Knowledge, learning, and small- and medium-sized enterprises internationalization

Knowledge has emerged as a central organizational factor in internationalization, particularly within knowledge-based models (Hilmersson & Johanson, 2016; Johanson & Vahlne, 2009). Mejri and Umemoto (2010) contribute to this understanding by distinguishing between market and experiential knowledge, emphasizing that their acquisition and application differ across various phases of the internationalization process.

Lejpras (2015) demonstrates that while research and development (R&D) intensity has limited influence on export propensity, SMEs engaged in R&D exhibit greater integration and are less likely to relocate operations abroad. The study further reveals that proximity to research institutions enhances SMEs' export activities, whereas support from regional authorities and favorable locational conditions significantly reduce the likelihood of relocating operations.

Knowledge and learning also contribute to the speed of internationalization. Hilmersson and Johanson (2016) highlight knowledge as a critical factor linking internationalization speed — both in terms of market breadth and foreign resource commitment — to firm performance. Similarly, Schwens et al. (2018), analyzing 15,648 internationalizing entrepreneurial firms across multiple samples, find that knowledge intensity positively moderates the relationship between internationalization speed and performance, while negatively moderating the link between internationalization scope and performance. These findings suggest that knowledge intensity fosters productivity and supports focused innovation in SMEs, thereby enhancing their international competitiveness.

Pellegrino and McNaughton (2017) delve into the nuanced dynamics of knowledge and learning in internationalization, examining learning processes, content, sources, and their evolution over time. Their findings reveal that while experiential learning is pivotal for both incremental and rapid internationalizers, firms employ diverse learning modes at various stages, reflecting differences in learning content and sources. These insights suggest that the interplay between internationalization and learning processes is more complex than previously understood, underscoring the need for further investigation into the multiple learning pathways SMEs utilize and the contingent factors shaping these processes.

Stoian et al. (2018), through a qualitative, interpretive study, explore the types of knowledge essential for SMEs expanding into international markets beyond exports. Their findings indicate that such expansion is primarily driven by tacit knowledge held by internal actors concerning products, industries, and markets. This process is further supported by functional knowledge contributed by external actors, highlighting the interplay between internal expertise and external facilitation in enabling international growth.

Knowledge is a critical driver of internationalization, with tacit and formal sources playing distinct roles across phases. It accelerates internationalization, shapes the internationalization-performance relationship, and influences activity allocation across borders. Closely tied to managerial traits, quality, and innovation, knowledge intensity provides key insights into internationalization dynamics.

1.4. Innovation and small- and medium-sized enterprises internationalization

Extending the discussion on knowledge and learning, innovation also plays a significant role in SME internationalization, with various forms — organizational, product, and service innovation — contributing differently to performance (O'Cass & Weerawardena, 2009). Innovative firms are better positioned to leverage international market opportunities, achieving superior outcomes.

Innovation is generally linked to a firm's ability to utilize its existing knowledge system or base and attain knowledge from outer sources through imitation, licensing, and partnerships of acquisitions (Prashantham et al., 2019). Although SMEs often lack the financial resources and infrastructure of larger firms, they can employ innovative management practices, such as application of project management concepts, advancements in products and processes, ideation methods, and practices related to human talent management for innovation (Pertuz & Pérez, 2021; Sheehan, 2014).

Do et al. (2023) find that among Vietnamese SMEs, high levels of interorganizational social networks, as opposed to interpersonal social networks, positively moderate the relationship between innovation and firm internationalization.

However, Pinho et al. (2018) highlight the moderating role of institutional contexts in this relationship. Their study of SMEs across Asian countries finds that internationalization in smaller firms is less influenced by product innovation and opportunity perception compared to other regions. These findings suggest that while innovation and opportunity perception are critical, their impact on SME internationalization must be understood within the broader institutional framework.

From these theoretical contributions, a framework was conceived to guide the research analysis (Figure 1):

The framework considers organizational resources (quality, knowledge and training, and innovation) and capabilities (managerial/entrepreneurial traits), and their influence on international sales across the SMEs under investigation. These relationships are embedded within two institutional environments: domestic (Brazil) and European. The research does not focus on these institutional environments, but on how resources and capabilities are emphasized or molded by them. Hence, no detailed account of them is shown here. The following section presents company characteristics and research procedures.

2. METHODOLOGY

For this investigation, field research was conducted among 20 randomly selected SMEs located in Southern Brazil (Table 1). This region was chosen for two reasons: it hosts a large number of SMEs actively engaged in international business (Bedê et al., 2013), and it provides convenient access to a large pool of firms. The importance of internationalization in Santa Catarina is underscored by its imports, which totaled US$ 28,140,774,303 from January 2024 to October 2024, ranking second among Brazilian states. Meanwhile, exports amounted to US$ 9,617,070,442, placing the state in 11th position (Brasil, 2024).

The field research was conducted over one month in 2016, employing structured interviews with an average duration of 1.5 hours each. Participants included individuals directly involved in international operations or with extensive business knowledge: 2 CEOs, 4 directors, 7 managers, 4 supervisors, and 3 technicians. Data analysis was facilitated by NVivo9 software and followed a systematic approach: (1) transcripts were coded into nodes corresponding to key themes (managerial/entrepreneurial traits, quality, knowledge and training, innovation, and internationalization); (2) word frequency queries and text mining provided an initial synthesis of each theme; and (3) a detailed contextual analysis identified specific relationships between subnodes and content classifications, yielding deeper insights.

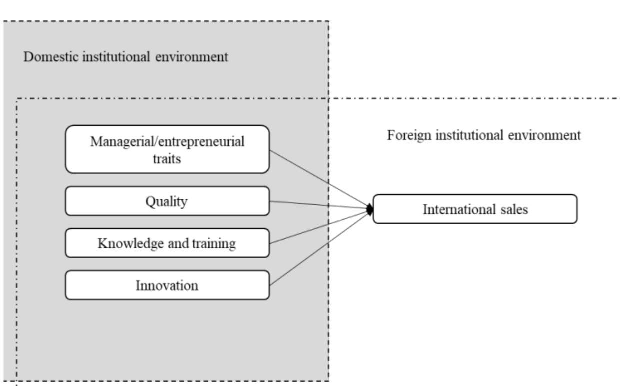

Figure 1. Research framework.

3. DATA ANALYSIS

All firms included in this study are active importers, with nine exhibiting advanced levels of internationalization, including strategic partnerships, technological cooperation, contractual relationships with foreign firms, and foreign direct investment (FDI). The subsequent sections examine the selected themes — managerial and entrepreneurial traits, quality, knowledge and training, and innovation — and their impact on international sales. Additionally, key institutional influences from both domestic and international markets are analyzed to provide a comprehensive understanding of the factors shaping the international performance of these firms.

3.1. Managerial/entrepreneurial traits

Key managerial/entrepreneurial traits, including experience, knowledge, decision-making skills (particularly risk perception and opportunity recognition), international orientation, networks, and capability-related attributes, have been consistently linked to SME success in international sales, further internationalization, and speed (Amorós et al., 2016; Bruneel et al., 2018; Omri & Becuwe, 2014; Ruzzier et al., 2007). For most firms in this study, the most valued traits were business opportunity recognition, risk perception, negotiation, and partnership-building.

Opportunity recognition emerged as a core capability, associated with active client searches and incremental market knowledge acquisition. This approach, often part of a strategy to integrate into international value chains, typifies a choice for lower levels of

Table 1. Profile of firms.

Firm	Industry	Revenues (thousands US$)	Permanent workers	Temporary workers	Location (State)	International markets
1	Yellow machines and tractors	2,000–10,000	120	-	Santa Catarina	China, Germany, Italy, United States
2	Auto and auto repair	2,000–10,000	45	3	Santa Catarina	Australia, China, United States
3	Metal-mechanics	< 500	35	-	Santa Catarina	Undisclosed
4	Agriculture equipment	500–1,000	85	50	Santa Catarina	Paraguay, Uruguay
5	Wood paneling	2,000–10,000	50	30	Santa Catarina	Argentina, France, Italy, Germany, other European countries, United States
6	Metal-mechanics	1,000–2,000	20	-	Santa Catarina	Argentina, China, United States
7	Small motors and parts (distrib.)	2,000–10,000	33	10	Santa Catarina	China, European Union, United States
8	Parts for food processing industry	< 500	35	-	Santa Catarina	Argentina, Chile, Honduras
9	Truck body manufacturing	10,000–50,000	400	-	Rio Grande do Sul	Argentina, Russia, United States
10	Apparel	10,000–50,000	700	-	Rio Grande do Sul	Costa Rica, Germany, Jamaica, United Arab Emirates
11	Metal-mechanics, auto assembly	> 50.000	2.000	150	Rio Grande do Sul	Argentina, Chile, Mexico, Peru, Paraguay, Uruguay
12	White goods	10,000–50,000	260	-	Santa Catarina	Angola, Caribean, Germany, Italy, South Africa, Spain
13	Furniture manufacturing	10,000–50,000	300	-	Santa Catarina	England, Ireland, Paraguay
14	Furniture manufacturing	500–1,000	150	-	Santa Catarina	Undisclosed
15	Furniture manufacturing	10,000–50,000	250	45	Santa Catarina	Germany, France, Portugal, Spain, Switzerland, Netherlands, Panama United Arab Emirates, Trinidad & Tobago, United States, Mercosur
16	Biomass	2,000–10,000	38	-	Santa Catarina	Belgium, England, France, Germany, Netherlands
17	Forestry	10,000–50,000	200	-	Santa Catarina	China, France, United States
18	Appliances	10,000–50,000	270	-	Santa Catarina	Argentina, Bolivia, Panama, Paraguay, Uruguay
19	Appliances	10,000–50,000	Undisclosed	-	Santa Catarina	China
20	Fruit processing	< 500	12	50	Santa Catarina	Netherlands, South Korea, United States

internationalization commitment. Opportunity recognition also relates to product adaptation requests from international clients and the pursuit of business stability in foreign markets, particularly in contrast to unstable domestic conditions.

Risk perception and assessment were intrinsic traits shaped by unfavorable domestic business environments, enabling managers to allocate scarce resources effectively while balancing local and international commitments. Knowledge regarding negotiation, negotiation terms, and knowledge business partners were further highlighted as critical for establishing and sustaining operations within international value chains.

While all interviewees possessed at least an undergraduate degree, formal education was deemed less significant than international orientation and risk perception/assessment, consistent with Ruzzier et al. (2007). International orientation, influenced by cultural affinity (notably the European heritage of southern Brazil), facilitated connections with European business counterparts, including knowledge-sharing and mitigating negative country-of-origin perceptions and addressing trust-related biases. However, with few exceptions, internationalization through direct investment remained limited.

The data also revealed a minimal emphasis on networks and network size, with limited references to personal connections as a critical trait. Relationships as a key managerial/entrepreneurial trait were seen as stable and enduring partnerships rather than the dynamic, growth-oriented networks typically associated with newer SMEs and active internationalization. This focus on stability reflects a managerial preference for risk avoidance and mitigation, leading to incremental exporting rather than bold international commitments.

The findings demonstrate that international orientation and capability-related traits significantly influence international sales while interacting with institutional forces. Traits such as risk perception/assessment, opportunity recognition, negotiation, and partnerships enabled firms to navigate local institutional barriers and pursue international markets. Managers in this context appear to view internationalization as a hedging strategy against turbulent local environments, shaping a cautious approach focused on stability rather than aggressive global expansion. These dynamics suggest that bold international initiatives are unlikely in such settings, as managerial traits align with risk-averse internationalization strategies.

3.2. Product quality

The assessment of quality encompassed its influence on international market success, the role of quality certification, and variations in quality recognition between local and international clients. The influence of quality on international market success, particularly in the European market, was reflected in two key dimensions: adherence to quality standards and the integration of business environment and international market knowledge.

3.2.1. Quality standards and business environment

Quality standards, particularly those achieved through certifications, emerged as a critical factor influencing internationalization. Among the firms studied, nine lacked any form of certification, while the remaining firms held a variety of certifications. ISO standards were the most prevalent, with six firms certified under ISO 9001 and one under ISO 14001. Other certifications included National Institute of Metrology Standardization and Industrial Quality (Instituto Nacional de Metrologia, Qualidade e Tecnologia – INMETRO), Forest Stewardship Council (FSC), British Retail Consortium (BRC), and ENplus® certification scheme for wood pellet quality (ENPLUS A1).

Certification served as a signal of reliability, commitment, and long-term focus to potential clients and was predominantly observed in SMEs with higher revenue levels, suggesting a relationship between economies of scale, product acceptance in foreign markets, and the operational costs associated with certification (Audretsch et al., 2018; Murphy, 2016). Notably, firms typically entered international markets by adhering to the less stringent quality and regulatory standards of Mercosur and North America. Expansion into the more demanding European market often occurred only after establishing a foothold in these regions.

Interviewees highlighted the influence of the business environment on quality standards, emphasizing institutional pressures. In the European context, these pressures encompassed norms, regulations, relationships, and cultural factors. In contrast, the domestic environment was characterized by macroeconomic instability, legislation, and work ethics, including employee attitudes and work culture. Institutional pressures, comprising both formal rules and informal constraints such as customs, norms, and culture, were seen as critical determinants. These pressures either facilitated or hindered resource-based capabilities, particularly those related to products. Failures in international business were predominantly attributed to institutional barriers, underscoring their pivotal role in shaping internationalization outcomes.

Institutional pressures within the European context were identified as critical to international business operations, with interviewees emphasizing the challenges Brazilian firms face in achieving compliance. Specific examples included difficulties in meeting standards for natural (non-GMO) products and restricted market access. Quality was highlighted as a central concern in adhering to international norms, with exports described as an ongoing challenge: “The European market has great innovative power; our products need to be reinvented with much celerity” (Firm 18).

In the domestic context, institutional pressures were characterized by instability and regulatory challenges. Infrastructure and logistics issues, such as delays at Brazilian ports and inefficiencies in freight documentation processing, were commonly cited. Macroeconomic instability further compounded these challenges, leading to price fluctuations and frequent renegotiations. Additionally, complex legislation was reported to increase managerial costs and shift focus toward bureaucratic routines, detracting from strategic management priorities. These domestic barriers were perceived as significant impediments to internationalization efforts.

3.2.2. Market knowledge

Market knowledge was emphasized as critical for engaging with the European market, alongside concerns regarding reputation and prejudice linked to the firm’s home country, reflecting findings by Yan et al. (2018). These results align with Deng and Zhang’s (2018) observation that institutional quality positively influences international sales growth but is negatively associated with higher levels of internationalization commitment. In this context, cultural dimensions play a pivotal role in facilitating international business. Specifically, the European heritage of Brazil’s southern states, coupled with managerial international orientation, was found to mitigate perceived cultural differences.

However, interviewees underscored the importance of recognizing and adapting to cultural differences, norms, and rules, as well as leveraging individuals with language skills, to navigate negotiations effectively between firms and clients. This highlights the nuanced interplay of cultural proximity and knowledge in fostering successful international business relationships.

Among the 17 firms studied, both certified and non-certified, significant differences were noted between international and domestic clients. While variations in tastes, product requirements, cultural preferences regarding materials, and openness to innovation were anticipated, six firms highlighted opportunistic behavior as a defining feature of the domestic market. In contrast to the opportunistic approach observed domestically — where quality is not prioritized as a differentiation factor — European clients were perceived as fostering “win-win relationships” centered on stable business transactions. This distinction is reflected in the following excerpts:

“About the difference between clients from Brazil and from abroad, punctuality in payments is key. There’s no default. We ship a quality product, we get paid.” (Firm 5).

“When working with foreign clients, we know we can count on getting paid.” (Firm 7).

“We foreign clients more when it comes to honoring their obligations.” (Firm 14).

“Foreign clients are more reliable and honest; they honor their debts.” (Firm 15).

These dynamics lead to a preference for international markets, despite their higher demands and the challenges posed by local institutional environments and bureaucratic hurdles. The findings suggest that internationalization, in these cases, may function as a survival strategy, even if not explicitly deliberate. Firms relied on cultural liaisons to reduce perceived cultural differences or utilized relational assets — rather than broader networks — to engage specific contacts for exporting or exploring international markets. This approach enabled them to achieve economies of scale and enhance competitiveness.

Innovation, predominantly viewed as product adaptation or diversification through economies of scope, was not identified as a significant barrier. Firms demonstrated the ability to meet international requirements, supported by the relatively stable nature of international business contexts. These findings highlight the role of strategic adaptations and relational assets in overcoming domestic challenges and leveraging international opportunities for long-term viability.

3.3. Knowledge and training

In the domain of knowledge and training, only two firms reported an absence of formal training or knowledge management practices. Training practices were categorized along two dimensions: (1) the level of training (technical, managerial, or both) and (2) the internalization of training (conducted internally, externally, or both). The majority of firms utilized both technical and managerial training, which facilitated knowledge sharing within the organization and improved management, operations, and routine practices. Two firms noted that certification processes, while narrowly focused, provided essential knowledge and training, involving multiple organizational levels. These findings underscore the role of integrated training practices in enhancing organizational capabilities and aligning operational standards with international requirements.

Managerial-level training primarily focused on areas such as management and sales software, database utilization, marketing and strategy, and organizational relationship management. In contrast, operational training addressed specialized topics, including metrology, technical drawing, machine setup, organizational climate and leadership, people management, workplace safety, and other areas tailored to the specific needs of management and operational roles.

Most firms implemented continuous training programs for both technical and managerial levels, reflecting a focus on knowledge generation and sharing related to product-specific issues, business practices, and marketing. This approach aligns with prior findings by Gerschewski et al. (2015) and Kumar et al. (2013), which underscore the critical role of product and service quality in driving international performance.

Among the firms studied, six reported exclusively technical training, two focused solely on managerial training, and nine implemented both. Regarding the internalization of training practices, one firm relied solely on internal training, while seven conducted external training, and ten utilized a combination of both. The prevalence of firms engaging in multiple skill areas and employing both internal and external training methods suggests a robust flow of knowledge throughout these organizations. This was evidenced by references to concepts such as "information exchange," "harmony," "learning," "incorporating client requirements," and "translating (foreign) market needs into products."

Although no formal knowledge management practices were identified, internal training was particularly significant in fostering knowledge sharing across areas such as leadership, performance management, teamwork, and operational safety. Most firms viewed internal and external training as complementary, enabling better alignment with foreign client requirements and facilitating market entry. This knowledge flow, even in the absence of formal knowledge management systems, supported more responsive operations to meet foreign market demands.

Managerial training was highlighted as critical for international business, addressing key areas such as understanding client demands and consumer preferences, adapting to trading procedures and processes, managing bureaucracy and taxes, and enhancing negotiation capabilities.

3.4. Innovation

Innovation activities were reported by most firms (18), with content analysis revealing that innovation is predominantly market-driven. Through word query and mining procedures, recurring terms such as "market demands," "new product targets," "market acceptance," "market screening," "market opportunity," "market research," and "market share" highlighted the centrality of market dynamics in driving innovation. Ideas were generated primarily by top management and international clients, leading firms to be categorized as market-driven (5), production-driven (6), or both (6). Most firms engaged in product development activities aimed at client-driven product improvement or adaptation based on market opportunities.

Notably, innovation efforts were conducted entirely within the firms, with minimal emphasis on external networks. Only one firm reported a partnership with a foreign university, and two firms formalized new product development processes. Consequently, innovation in these firms was largely incremental, as illustrated by the following excerpts:

"In each engineering area, there's a specific person focused solely on new products [...] it usually arises from a customer need or ideas from the engineering team. They can also come from our partners, like when we decided to enter the tank truck market to gain market share" (Firm 9).

"Most of the ideas come from the owner and are developed by the R&D team. We have flexibility in our processes and when it comes to developing products" (Firm 10).

An exploratory analysis comparing ISO certification with innovation types revealed that certification was less critical than responsiveness to client needs in these SMEs' international business strategies. While international certifications may serve as signaling mechanisms during early negotiations, market responsiveness emerged as a more decisive factor in maintaining continuous international business. This aligns with prior findings emphasizing client-oriented approaches over formalized innovation frameworks.

For most firms, innovation was interpreted primarily as product adaptation to meet market demands, rather than as a strategic driver of competitiveness in foreign markets. Only a few firms viewed substantial innovation as a viable strategy for pursuing international opportunities, particularly in the European market. More ambitious innovation efforts would require deeper market immersion, enhanced financial resources, and stronger network-based approaches — none of which were prominently emphasized.

The limited commitment to deeper investments in European markets reflected a strategic focus on the domestic market, heavily influenced by institutional constraints. As previously discussed, this "passive" approach to internationalization was not part of an explicit strategy for most firms, but rather a hedging strategy in response to domestic market challenges. Within this context, innovation functioned more as a reliability signal for European business partners than as a deliberate competitive differentiation strategy.

Overall, innovation in these Brazilian SMEs was driven by client and market responsiveness, serving as a mechanism to ensure continuity in international business relationships rather than as a transformative strategy for market expansion.

In the following section, a detailed comparison of these results to previous works are evidenced.

4. DISCUSSION

How do organizational resources and institutions influence the internationalization of SMEs from emerging LATAM economies? Key findings derived from this research question are discussed alongside relevant contributions from the literature, offering deeper insights into the internationalization of SMEs based in LATAM.

4.1. Managerial/entrepreneurial traits

This study identifies key managerial and entrepreneurial traits influencing international sales among Brazilian SMEs, including business opportunity recognition, risk perception and assessment, partnership-building, and negotiation. These traits align with, but offer a more detailed account of, uncertainty management capabilities described by Cuervo-Cazurra et al. (2018). These traits support the primary internationalization goal of most firms: integrating into international value chains and achieving sustainable business growth through international sales. For these SMEs, internationalization often serves as a survival strategy, driven by the need to escape institutional instability in their home country, characterized by macroeconomic volatility, complex legislation, and inefficiencies in infrastructure and logistics.

In addition, the study highlights the significant role of international orientation and cultural heritage in facilitating the integration of Brazilian SMEs into international value chains. Firms leveraged cultural ties between southern Brazil and European countries to mitigate international partners' risk perceptions and biases toward the country of origin. These cultural connections functioned as partial trust mechanisms, reducing barriers to international collaboration.

Our findings are consistent with Ruzzier et al. (2007), who identified international orientation and environmental risk perception as strong predictors of SME internationalization. However, in our context, these traits are primarily leveraged to maintain international operations rather than to pursue greater internationalization commitments. Our findings also support Amorós et al. (2016) and Hsieh et al. (2019), who relate business opportunity recognition to speed of internationalization. In the case of Brazilian SMEs, we extend their findings by demonstrating how cultural heritage or liaisons between Brazilian southern states and European countries may reduce cultural biases, thereby contributing to faster internationalization.

While Bruneel et al. (2018) argue that an emphasis on domestic experience can impede managers' ability to assess international risks and opportunities, especially in younger SMEs, our findings reveal a nuanced perspective. Among this diverse group of firms, domestic experience was critical in cultivating international orientation, business opportunity recognition, and risk perception. These capabilities arose from the necessity to internationalize as a survival mechanism amidst domestic institutional challenges.

Unlike the findings of Nguyen and Le (2018), which emphasize the role of social networks in SME internationalization, the firms in this study did not prioritize networks. Instead, internationalization was pursued independently, with a focus on building long-term relationships/partnerships with key international clients and organizations. Partnership-building and negotiation emerged as essential traits, allowing firms to reconcile domestic institutional instability with the demands of international markets. These traits were deemed more critical than network development for achieving internationalization objectives.

The managerial and entrepreneurial traits identified in Brazilian SMEs support increased international sales; however, these traits are not perceived by managers as a means to deeper internationalization commitments. More advanced capabilities would be necessary to pursue broader global expansion. This finding underscores the predominant internationalization strategy of these firms, which is focused on mitigating domestic institutional risks rather than pursuing extensive global expansion.

4.2. Quality

Our findings suggest that quality alone does not ensure sales or long-term relationships in the domestic market, as market opportunism often undermines its potential benefits. This aligns with the broader inference that weak institutional quality can negate the advantages of quality initiatives. The long-term signaling benefits of quality, such as enhanced reputation, reliability, and differentiation, are rendered ineffective when institutional constraints compel firms to prioritize short-term survival and immediate gains over strategic, sustained efforts. These dynamics underscore the critical interplay between institutional environments and the efficacy of quality-driven strategies.

In an international setting, existing research highlights the pivotal role of product quality and quality certification in fostering successful international performance and shaping the internationalization trajectories of SMEs (Deng & Zhang, 2018; Gerschewski et al., 2015; Neupert et al., 2006; Yan et al., 2018). Furthermore, achieving excellence in quality can enable SMEs to secure significant positions in international markets (Audretsch et al., 2018). However, the incorporation of institutional quality into this relationship introduces dual effects. On one hand, poor institutional quality may shift organizational focus away from active internationalization, though positively influence international sales growth and shape QM practices (Deng & Zhang, 2018; Murphy, 2016). Similarly, our study depicts the importance of product quality attributes, but institutional factors emerged as equally critical, emphasizing their influence on quality outcomes as content analysis revealed themes such as "product," "price," "market knowledge," "punctuality and reliability," and "brand." This multidimensional perspective highlights the need to account for both organizational and institutional dynamics in understanding quality's role in global market success.

Consistent with Deng and Zhang (2018), our findings highlight the critical role of certification in accessing and navigating complex international markets. However, our study offers additional insights specific to Brazilian SMEs. Operating within a context of poor domestic institutional quality, these firms often adopt a gradual internationalization process. Initially, they target less demanding markets, such as other LATAM countries, before progressively moving toward more developed markets. This progression is supported by the incorporation of enhanced quality practices and certifications, enabling firms to overcome significant quality barriers in markets like

Europe. Moreover, their ability to adapt products to meet client demands further facilitates successful market entry and expansion.

Expanding on prior research by Deng and Zhang (2018) and Murphy (2016), our findings underscore the influence of institutional factors on quality commitment and the absence of a strong "quality culture" among Brazilian SMEs. Notably, the study reveals that management actively implements strategies to address these challenges, suggesting that institutional barriers are often more acute outside the organizational context. Additionally, while quality and quality certification remain critical for international market entry, particularly in regions like Europe with stringent regulatory standards, our findings emphasize that these are insufficient without market responsiveness or speed-to-market. Responsiveness emerged as a decisive factor in sustaining business relationships, ensuring ongoing sales, and fostering long-term success. These insights broaden the understanding of the relationship between quality and internationalization, by highlighting the interconnected roles of product quality and adaptability in shaping the global growth trajectories of Brazilian SMEs.

When it comes to culture, the search for relationships and cultural heritage (relational assets), in addition to negotiation skills, are explored to overcome what Yan et al. (2018) call negative country-of-origin effect which, by its turn, is associated to market responsiveness. In this research, the term "prejudice" was referred as negative country-of-origin effect, thus, results support previous findings from Yan et al (2018) regarding the influence of negative country-of-origin effect and rigid overseas quality standards on international performance.

Though this reality seems to be present in most firms, especially macroeconomic instability and work ethic, it was also evidenced that teams and training and knowledge management/sharing initiatives may provide support in assuring quality demands from international clients and markets — explored in the next section.

4.3. Knowledge and training

Knowledge and training were closely tied to quality, with quality certification identified as a critical driver for the knowledge and training necessary for organizational operations. This raises questions about the depth and complexity of knowledge, as well as the participation of various organizational areas and levels, and their potential influence on internationalization processes.

Building on Hilmersson and Johanson's (2016) and Schwens et al.'s (2018) findings that knowledge intensity is pivotal in linking internationalization speed to performance, this research demonstrates that knowledge facilitates the translation of international client and market demands into product development or adaptation. This capability was identified as a crucial factor for successful business with European firms and partners. Furthermore, the study extends this relationship by showing that knowledge management and sharing practices — though often informal — are most effective when they actively involve multiple organizational levels and departments. This active participation enhances market responsiveness, aligning with Denicolai et al.'s (2015) discussion of how stable teams, such as cross functional structures, contribute to internationalization speed. As participation and engagement are intrinsic to stable teams, they also seem critical for client and market responsiveness.

Therefore, integrated training, alongside robust knowledge management and sharing practices, is essential for fostering market responsiveness. Incremental responsiveness, in turn, is a key determinant of sustaining long-term business relationships with European counterparts. These findings emphasize the interplay between organizational learning processes and the strategic demands of internationalization.

4.4. Innovation

The SMEs in this study predominantly engage in product development activities, including product improvement and adaptation, driven by client demands or market opportunities. Consequently, their approach to innovation is largely incremental, aligning with client or partner requirements as a strategic pathway to integrate into international value chains and foster long-term relationships. Despite acquiring knowledge and demonstrating organizational readiness — such as human resource capabilities and entrepreneurial/managerial traits — only a few firms expressed intentions to deepen their commitment to European markets. These findings highlight that continuous incremental innovation enables firms to capitalize on opportunities and sustain long-term relationships in the European market, ultimately contributing to performance through international sales, as also noted by O'Cass and Weerawardena (2009).

The emphasis on incremental innovation observed in this study is heavily influenced by a risk mitigation strategy, contrasting with the more aggressive market exploration and deeper commitment strategies in international markets. These findings highlight the significant role institutional variables play in shaping the nature of innovation activities within the internationalization process. Extending the work of Pinho et al. (2018) on Asian SMEs, our findings suggest that while innovation may not be universally critical for internationalization, incremental innovation provides a strong foundation for SME internationalization in this context. However, innovation alone cannot fully explain the internationalization of SMEs without accounting for the broader institutional environment. These insights underscore the need to examine the dynamic interplay between innovation strategies and institutional factors in influencing SMEs' pathways to internationalization.

4.5. Theoretical and practical implications

This study examines the influence of organizational resources and institutional environments on the internationalization strategies of Brazilian SMEs. Consistent with the findings of Omri and Becuwe (2014), our analysis highlights the critical role of both resources and capabilities, alongside institutional factors, in shaping a conducive context for understanding SME internationalization strategies. These findings are particularly relevant in the LATAM context, where the interplay between organizational and institutional dimensions provides a more comprehensive and grounded perspective on the internationalization process.

Much of the internationalization literature emphasizes the growth of SMEs from Western economies entering EEs as a response to market saturation in developed markets. This study contributes to the international business literature by addressing the evolving topic of internationalization as a survival strategy. Specifically, it explores how SMEs from EEs mobilize resources to navigate institutional challenges in both their domestic and target foreign markets, offering novel insights into the resource strategies and institutional dynamics shaping internationalization in EEs contexts.

Our findings identify key managerial traits associated with international success, including opportunity recognition, environmental risk perception, risk mitigation, negotiation, and partnership building. These traits are supported by cultural ties and knowledge-sharing practices, which enable the translation of client and market demands into tangible products and services. This process is particularly critical in contexts where perceptions of the country of origin and institutional biases present challenges. Such biases often stem from institutional costs, including macroeconomic instability, complex legislation, and bureaucratic inefficiencies, which hinder market responsiveness and speed-to-market. In this context, negotiation emerges as a critical capability for Brazilian SME managers. While product quality remains a necessary condition for international business success, we found that effectively navigating poor institutional quality is equally crucial for fostering long-term partnerships.

Our study reveald that the managerial traits most highly valued for international success among Brazilian SMEs are those that enable managers to overcome domestic institutional barriers and ensure the continuity of international operations.

For most firms, innovation tends to occur at modest levels, with product improvements and new product development primarily driven by economies of scope and tailored to meet client and market demands. This reactive approach to innovation is closely linked to a risk-mitigating or survival-oriented internationalization strategy — a modest contribution to the study of Cuervo-Cazurra et al. (2018) on uncertainty management capabilities. Specifically, it reflects efforts to navigate and overcome local institutional barriers, emphasizing the interplay between institutional contexts and the adaptive strategies required for internationalization success.

The findings of this study suggest several practical implications for SMEs pursuing internationalization as a risk management strategy in response to challenges in the domestic market. Managers should prioritize the development of key capabilities, particularly those necessary to navigate institutional barriers effectively. While product quality remains essential, it is insufficient on its own; speed-to-market emerges as a critical factor for competitiveness within international value chains.

While innovation projects among SMEs often begin incrementally, it is critical for these firms to explore the potential for transitioning to more ambitious innovation initiatives over time. Such a shift enables greater commitment to international markets, moving beyond reliance on enduring business partnerships and predefined roles within international value chains. As a result, the internationalization strategies of SMEs should be conceptualized as an evolutionary process. This perspective recognizes the dynamic development and acquisition of resources and capabilities, as well as the need to adapt to institutional changes — whether these changes present opportunities or pose challenges. This adaptive and resource-driven approach underscores the strategic flexibility required for sustained international success, especially in dealing with multiple institutional settings.

4.6. Study limitations and future research

The limitations of this study are primarily those inherent to in-depth qualitative research, including the inability to generalize findings to the broader population of Brazilian SMEs engaged in international business. Additionally, data collection methods did not incorporate supplemental strategies that could have enriched the analysis. To address concerns of validity and reliability, the content analysis underwent review by a co-author to mitigate researcher bias. However, as is characteristic of qualitative research, the complete elimination of bias cannot be guaranteed.

Future research could explore several avenues to extend these findings. One promising direction is to examine the mediating role of knowledge management and sharing practices in the relationship between the institutional environment and internationalization performance, particularly in terms of international sales. Another area of inquiry involves investigating internationalization as a survival strategy, focusing on how the domestic institutional environment influences initial internationalization and the evolution of international commitment as institutional quality improves. Such studies could offer deeper insights into the internationalization processes of SMEs in emerging markets, particularly those in Latin America, and how these firms navigate global competition.

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