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## **INTERNATIONALIZATION STRATEGIES OF EMERGING COMPANIES: A COMPARATIVE STUDY OF BRAZILIAN CASES**

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### **ABSTRACT**

Over the last decade, interest has picked up as to emerging economies and their companies. This recent movement does not imply that previous theories and models are no longer applicable, however, one must analyze, in a broader comprehensive manner, a series of specific context factors and those concerning the management of this kind of company. Therefore, this paper analyzed the internationalization strategies adopted by six Brazilian companies before a set of internationalization models. A qualitative research approach was employed and in-depth interviews were conducted with corporate management level professionals. Companies were divided into three groups according to internationalization times (Group I – over ten years, Group II - between five and ten years, and Group III – under five years). Observations indicated that for Groups I and III companies the product lifecycle (Vernon, 1966 and 1979) and the eclectic paradigm (Dunning, 1980, 1988 and 2000) economic models support justifying internationalization motivations for companies' internalization whilst the Uppsala model (Johanson and VAHLNE, 1979, 2009), at least in part explains, choice decisions concerning a few countries. As to Group II companies, the product lifecycle model is not the underlying motivation for internationalization, choices being more closely related to sector opportunities and the characteristics of both products and services.

**Key-words:** Emerging Economies. Internationalization Strategies. Brazilian Companies.

## **ESTRATÉGIAS DE INTERNACIONALIZAÇÃO DE EMPRESAS EMERGENTES: UM ESTUDO COMPARATIVO DE CASOS BRASILEIROS**

### **RESUMO**

O interesse sobre as economias emergentes e sobre suas empresas aumentou na última década. Este movimento recente não significa dizer que as teorias e modelos anteriores não sejam úteis, porém, é preciso analisar, de forma mais abrangente, uma série de fatores específicos do contexto e da gestão deste tipo de empresa. Assim, neste artigo foram analisadas as estratégias de internacionalização utilizadas por seis empresas brasileiras comparando-as com alguns dos modelos de internacionalização. A pesquisa é de abordagem qualitativa e foram feitas entrevistas em profundidade com profissionais do nível de gerência das empresas. As empresas foram divididas em três grupos de acordo com o seu tempo de internacionalização (Grupo I - mais de dez anos; Grupo II - entre cinco e dez anos; e Grupo III - menos de cinco anos). Observou-se que para as empresas dos Grupos I e III os modelos econômicos de ciclo de vida do produto (VERNON, 1966 e 1979) e do paradigma eclético (DUNNING, 1980; 1988 e 2000) ajudam a explicar as motivações para a internacionalização e o modelo de Uppsala (JOHANSON e VAHLNE, 1979, 2009) explica, pelo menos em parte, as decisões de escolha de alguns poucos países. Já para as empresas do Grupo II, o modelo de ciclo de vida do produto não é motivo para a internacionalização, as escolhas tiveram mais a ver com as oportunidades do setor e as características dos produtos e serviços.

**Palavras-chave:** Economias emergentes. Estratégias de internacionalização. Empresas brasileiras.

## **1 INTRODUCTION**

Companies are influenced by changes in their socio-economic contexts which impact their external and internal dynamics and, in consequence, their planning and strategies. They also differ as time goes by and for Castells (2006), there is a clear distinction between economies prior and after the Second World War and those of the second half of the XX<sup>th</sup>. Century. The difference resides in the growth and advance of large corporations and in the revolution and dissemination of information technologies, both in the social and economic spheres, contributing with the formation of a global economy.

Transformations have also occurred in corporate competition and operation conditions. Companies are increasingly subject to factors that influence their results in the activity segments and societies in which they operate. The quests for the expansion of business, the exploration of new markets, the need to optimize resources and to consolidate operations, are all drivers of a company's internationalization process (DUNNING, 1988 e 2000; JOHANSON e VAHLNE, 2009 e GAMMELTOFT, 2010).

In Brazil, after the year 2000, local corporate competitiveness and management visions became increasingly focused on the global market. This reality demonstrates to what extent Brazilian companies must plan their strategies contemplating the possibility of internationalizing corporations. Previously considered a site for the set up of subsidiaries of multinationals, Brazil has marked the international scenario with the expansion of local companies which, by means of acquisition processes, merges, partnerships or installation of subsidiaries, have increased activities and operations around the world, surfacing the need to amplify studies concerning strategies adopted by these companies.

## **2 CORPORATE INTERNATIONALIZATION**

Corporate internationalization has been the object of studies in the academic environment devoted to the field of business and international management since the early '60s. Within the International Business approach, from an economic standpoint, Vernon's (1966, 1979) model arises in special, having emerged to complement the then existing internationalization theories, solely based on the comparison of production and commercialization costs. This model approached the consumer market potential to explain the internationalization of companies, given that, once having explored the opportunities and met the demand of the company's country of origin, it would begin to export its operations to other countries and thus restart the entire product lifecycle, with a profit expectation and sound global performance of its activities.

This model placed greater emphasis on the product innovation cycle, on the effects of scale economies and in the roles of uncertainty and lack of knowledge in sales standards. The more markets are distant, the greater is the probability of introducing a product that is experiencing the maturity or decline stage in its country of origin (usually more developed) at another country (less developed or undergoing development). Foreign subsidiaries adopt the same processes and practices as utilized at headquarters, given that the product has already reached a certain level of maturity in its life cycle within the domestic market, which means its processes and practices have already been improved and standardized to scale gains, so as to ensure that, irrespective of location, the product manufactured is the same (VERNON, 1966 e 1979).

Another model, that of the Eclectic Paradigm (DUNNING, 1980, 1988, 2000), utilizes the principles of the transaction costs theory for internationalization decisions concerning which corporate and market characteristics stimulate direct investment abroad, differentiating product and market characteristics. In the transaction costs theory, according to Williamson (1983), a company's decision to operate abroad depends on the comparative analysis concerning: coordination costs of the activity within

the company's structure and to this effect, a subsidiary abroad is set up; and the transaction costs of the market conducting the operation, whether by means of export or brand name licensing, for instance. Thus, the company shall choose the internationalization mode that incurs in less cost. In addition to transaction costs, the Eclectic Paradigm model utilizes Buckley and Casson's (2002) internationalization theory, who state that the company internalizes or integrates inefficient or costly transactions conducted by the market. By operating abroad, the company can conduct activities internally and thus not take on inefficient foreign market transactions, therefore obtaining advantages by maintaining the property of internal knowledge. By uniting these theories, Dunning (1980; 1988) seeks to identify the factors that explain the geographical distribution of corporate activities and the industrial standard employed. To this effect, the Eclectic Paradigm is composed by the analysis of three types of advantages concerning the choice to operate abroad: ownership, location and internationalization.

Ownership advantages lead to maintaining domain over the resource utilized by the company at another country, i.e., a subsidiary abroad maintains corporate control on the brand name, process or technology. Comparative location advantages between countries direct the choice of a given country for investment. Thus the company chooses the market that offers the best set of conditions, such as lower salaries, specialized professionals, access to raw materials, fiscal incentives, less bureaucracy, etc. Internationalization advantages are obtained by the construction of a structure abroad to internalize operations conducted by the market (DUNNING, 1980, 1988 e 2000).

By means of the advantages of this model, one may analyse how the investment is conducted. However, it does not detail or analyse the process and the entry mode, nor the sequence of use of the resources. To take the decision as to how best conduct the internationalization process, the manager needs information and often, he is not fully acquainted with all the options before experiencing the foreign market.

Therefore, the so-called behavioural perspective, developed in the field of International Management, arose with researchers from the Uppsala School (JOHANSON e VAHLNE, 1977, 1990 e 2009) and presumes that there is existing available information concerning the variables involved. The manager is able to access this information and thus chose not only the target market but the entry approach and the major challenges that one shall come across.

In the behavioural perspective, the Uppsala model comprises internationalization as a process composed of several phases that may or not be sequential. At first, companies limit themselves to commercial transactions which involve imports and/or exports. However, should the organization set up a fixed representation such a sales office in another country, it shall already be deemed as an international organization. Furthermore, if it conducts direct investments in productive sites abroad, it shall move on to another phase: that of a multinational company. The evolution of this phase is the set up of subsidiaries in different countries. In these gradual internationalization models, one of the assumptions is that knowledge and commitment with foreign markets is gradual, as per Hörnell, Vahlne and Wiedersheim-Paul (1973), Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977 e 1990).

One of the Uppsala's model concepts is that of "psychic distance". It is directly related to the perception of proximity or not with the culture, values, managerial practices and education of the countries to where one wishes to internationalize to. Vahlne and Wiedersheim-Paul (1973) in their research identify that the psychic distance between Sweden and other countries occurs by the sum of factors (level of development, level of education, business language, cultural differences, day-to-day language, and existing connections between the country of origin and the foreign market) which interfered with the flow of information between these countries. This characteristic generates, in addition to choice predisposition, that of injecting resources so that this process is successful, since it is clear that there shall be less resistance when compared to internationalization to a country of a far distant culture. This situation generates to the company a

learning condition concerning the organization itself, the market and its ability to internationalize at different markets (CYERT; MARCH 1963, JOHANSON; WIEDERSHEIM-PAUL, 1975).

Subsequently, Nordström and Vahlne (1992) linked to the model the importance of the size of the market and economic determinants. However, they observed that when in markets where the level of internationalization is already highly developed, the psychic distance would easily be overcome by competitive forces and other factors. One should also take into account that Uppsala School researchers do not state that the evolutionist theory might bring all the replies to the entry into international markets process.

In 2009, as the internationalization model of the Uppsala School completed three decades, Johanson and Vahlne (2009) published an article on the Journal of International Business Studies, revisiting the model. From an economic and regulatory standpoint, changes were intense and dramatic, as were the changes at organizations. From the research's perspective, new concepts and insights arose to add or challenge the Uppsala model given that, in the opinion of the authors themselves, in the '70s there was little and rudimentary knowledge concerning the difficulties of internationalization. They indicated that currently, the classic business environment shapes into far more of a relationship network than a classic market with its suppliers and independent consumers. This relationship network forms the potential base for learning and for the building of trust and commitment, both being prerequisites for internationalization.

For Johanson and Vahlne (2009), the configuration of the relationship network in which the company plays a role, influences the choice of entry into other countries model. Likewise, furthermore, the entry into a foreign market approach can trigger changes in the company's relationship context. Thus, externality today is, more than physical distance, the root of uncertainty in relation to the network of relationships. This would be one of the most relevant changes in the model, given that the change mechanisms practically remain the same as those of the original version and are applied in the same manner.

Despite being widely adopted and mentioned by several authors engaged in corporate internationalization, the Uppsala model does not explain all the internationalization processes of companies around the world. Some authors criticize the gradual approach of internationalization and demonstrate, by means of empirical research, that many companies can experience situations which are distinct of those demonstrated by the Uppsala model, where the relationship between headquarters and the subsidiary gives rise to sequential incrementations in the corporate *modus operandi*, as described by Rezende (2002).

Another model within the behavioural approach is that of Born Globals where there is no evolution of internationalization by means of phases. They are set up based on international strategies, including the immediate opening of subsidiaries abroad (OVIATT e MCDUGALL, 1994). One of the main modes of entry on the foreign market is the strategic alliance which enables access to foreign resources for production and commercialization.

Thus, in this *continuum* several variations of the above mentioned models can be found and others that privilege distinct processes, such as international merges and acquisitions, the set up of a cooperative network, amongst others.

## 2.1 INTERNATIONALIZATION OF COMPANIES FROM EMERGING ECONOMIES

The concepts of first movers and late movers, explained by Bartlett and Ghoshal (2000), address the issue of timing of the internationalization strategy and its breakdown. Upon becoming the first company in its sector to transform its operation into an international one, the corporation accepts the risk of lack of knowledge, of greater investment to face the unexplored environment and to consolidate its product and brand name. On the other hand, it holds the advantage of being the first to explore the new market and therefore stands greater chances of establishing its competitive differentials and retaining customers to its brand name.



On the other hand, companies that start to internationalize last, as late movers, begin in disadvantage in terms of retention and time to build their brand names abroad. However, they hold the advantage of entering a market that has already been consolidated, where the client already knows the product or service and information is already available so an in-depth analysis may be conducted and choices concerning strategies may be better parameterized.

The local context, in addition to experience and timing of internationalization, from both an economic and political, social standpoints is also relevant to internationalization strategies. Therefore, taking into account the current geopolitical scenario is vital for the analysis of companies from emerging countries – as is the case of Brazil – before internationalization.

The last decade disclosed unprecedented expansion in as much as direct foreign investments in the economies of merging countries is concerned. According to Gammeltoft et al (2010), based on UNCTAD – United Nations Conference on Trade and Development – data, from an insignificant amount of investment in the '90s, the flow of investment of emerging economies abroad jumped to over 350 billion dollars in 2008. Till then considered the “outskirts of global commerce”, currently these experience the redesigning of their international business structures.

Given that they are very diverse, emerging countries cannot be perceived as a single definition and characterization and for this reason, theories on internationalization might not always make sense or manage to explain what takes place at multinationals from these countries given that both the economic theory and that of Uppsala's School were built based on the internationalization experience of developed countries, primarily from North America and Europe (BARTLETT and GHOSHAL, 2000).

With the increase in interest concerning emerging economies and consequently as to their companies, specialists and academics have studied the internationalization of the so-called “emerging multinationals”. This terminology, increasingly adopted by the academic community, does not have a clear definition, is more of a starting point to differentiate the

multinational companies which did not spring from developed countries than a single definition of what they truly are, per say (Gammeltoft et al, 2010).

Institutions and history of emerging countries are as varied as that of developed countries. Many emerging countries come from a colonial background which left behind varied legates. Furthermore, many of the emerging multinationals are not recognized as such despite already holding an extensive historic presence in the developed world (BARTLETT and GHOSHAL, 2000, LUO and TUNG, 2007; CHANG ET AL, 2009, GAMMELTOFT ET AL, 2010; CYRINO ET AL, 2010).

This recent movement does not imply that the previous theories and models are no longer of use, but rather one must analyse in a broader manner, a series of specific context factors and those concerning the management of emerging multinational companies. Gammeltoft et al (2010) mention the role of government as one of the most important factors towards understanding the internationalization process of companies from emerging countries. The more active the government and more interested in internationalizing its economy, the more it will encourage its companies in the internationalization process in an attempt to strengthen its international competitiveness. The support companies from these countries obtain with privileged access to certain resources, preferential credit, subsidies and other means of support, might be greater. On the other hand, without government support, the reason for companies to seek international markets might be precisely a way to evade bureaucratic and tributary restrictions in their countries, in addition to the volatility of its economy.

The institutional environment of emerging multinationals presents characteristics which are distinct of those of developed countries, sometimes represented by market failures and these differences bring implications to strategy and to the management of these companies. For instance, so as to save on management and physical technological resources, many emerging companies organize themselves into diversified business groups which may or not be related. In addition to addressing the concern with efficiency in the use of resources, this practice might generate

additional advantages in the use of resources between business units (KHANNA and YAFEH, 2004; GAMMELTOFT ET AL, 2010).

According to these authors, given the nature of their domestic environment, emerging multinationals tend to focus on the production of competitive cost goods and services and, in the case of specific segments, many are holding an important role as global consolidators of the segment. At the emerging multinationals the intent to acquire and increase competitive advantages abroad is significant.

Given the fact that they present limited experience with international operations and because, most often, they pose as late movers in their segments, emerging multinationals tend to operate in a more aggressive manner, taking on greater risks, forming their work networks in a more closed manner and with more customized control systems (BARTLETT and GHOSHAL, 2000; LUO and TUNG, 2007; GAMMELTOFT ET AL, 2010).

One of the issues is that emerging multinationals hold most of their sources of competitive advantages in the domestic environment, such as low operational cost, distribution systems, brands, relationship with customers and with the government, as opposed to already established multinationals sprung from developed countries. Furthermore, these advantages are not mobile, that is, an emerging multinational company will have few of such advantages abroad. Primarily at developed economies, advantage is based on a competitive price, something that is not easily sustainable as compared to a technological or brand name advantage, for instance. That is why many choose to acquire existing companies abroad or purchase given assets or resources which can rapidly transform themselves into global competitiveness advantages (LUO and TUNG, 2007).

Another important factor to be taken into account in the internationalization process of emerging multinationals is that, in most cases, they place greater trust in the building of work networks because they present more ethical, linguistic or cultural affinities. This is what Dunning and Narula (2004) state, since many of the countries where they operate have a lot in common with the reality of these companies, a matter

that is also discussed in the Uppsala model in as much as psychic distance is concerned.

As compared to already mature multinationals, emerging ones suffer from the lack of experience, for not having consolidated their images abroad and for being present at few countries. All of this places them in disadvantage before mature multinationals and increases their dependency on professionals holding international experience, who become fundamental to consolidate and solidify relations and management, according to Luo and Tung (2007) and Gammeltoft et al (2010). Thus, given environmental forces, dynamics and the complexity that companies are subject to, current debates on this matter call for greater in-depth discussion and contextualizations and is therefore not an exhausted subject matter (HAVILA and SALMI, 2000; REZENDE, 2002). Contextualization must take into account the historical, economic, social and cultural realities, which help build given thoughts concerning business management and the management of international businesses. For instance, the discussion concerning the need to establish essential skills and seek the focus of the business was established, primarily, at western organizations and led to the dismantling of large conglomerates in the 60's and '70s. However, the largest and most diversified business groups remained and dominated their segments in most emerging markets, as stated by Khanna and Palepu (1997).

As emerging markets open to global competition, foreign consultants and investors push companies of these markets to operate in conformity with the mindset of developed country markets and to reduce their business scope. For Khanna and Palepu (1997), there are reasons for concern with this kind of mindset since the focus on skills and on a single or on few businesses might be a great strategy for realities such as those of London and New York, but might not be appropriate or pertinent for other locations. Western companies from developed countries have a set of institutions that support their business activities; however, many of these institutions do not exist or hold whatever presence in other regions. The government's position also varies from country to country. Thus, one must analyse and

adapt corporate strategies according to the institutional context, as stated by Khanna and Palepu (1997), Chang et al (2009) and Gammeltoft et al (2010). That is, within a given country, adapting the product, analysing the structure and flow of capital, the workplace, regulatory system and the mechanisms which ensure the execution of contracts. This difference in institutional context helps explain the success of large and diversified companies in economies undergoing development, such as in Indonesia and India and their failures in markets such as those of North America or Britain.

Some differences in the context of emerging countries are present in product markets since both buyers and sellers suffer from the lack of information for reasons such as: i) poorly developed communication infrastructure; ii) when information concerning a given product circulates; iii) there are no mechanisms that corroborate information supplied by salesmen; iv) independent consumer information organizations are scarce and government agencies often are non existing or poorly effective; v) consumers do not possess return mechanisms if a product does not perform as promised, whilst the application of law is often capricious and takes far too long (KHANNA and PALEPU, 1997).

As a result of the lack of information, companies at emerging markets face higher costs when building the credibility of their brand names. On the other hand, after managing to obtain credibility before their consumers, this arises as an immense force before their competitors, whether these are local or foreign companies wishing to compete on this market.

According to Child et al (2000) and Farley et al (2004), much in the same manner one cannot generalize as to the context that permeates each company, one must also be aware that the relation between headquarters and the subsidiaries differs according to a series of factors such as those associated with each country's economic and social context, the segment of activity, the cultural distance amongst them and the management style. The manner each multinational company implements their control standards, the respective levels and types, at their foreign subsidiaries, differs.

Before the existing internationalization theories and models and the peculiar factors and characteristics of emerging multinationals, Gammeltoft et al (2010) suggest three options to research and analyse this type of organization: the first would be to expand the scope of current theories, in this case, expanding the analysis of the types of peculiar advantages they might obtain, which political and relationship with governmental instances skills they might develop and their capacity to prosper under adverse conditions.

The second option would be not to necessarily expand the existing theories, but rather revise some of their concepts, change them to incorporate real situations of the context of these companies, such as the imperfections of capital markets and institutional factors such as governmental support.

The third option consists in developing new theoretical perspectives. Despite not being a consensus between authors in the field, many of them have proposed some exploratory paths such as Luo and Tung (2007) who state that emerging multinationals perpetrate a distinct internationalization process since they seek to attain two different purposes: obtain foreign strategic resources and reduce restrictions imposed by the environment and domestic markets. What one perceives is that there is plenty more to be explored as to the theme, mostly from the perspective of emerging multinationals, as is the case of Brazil.

## 2.2 INTERNACIONALIZATION OF BRAZILIAN COMPANIES

The thrust towards internationalization of Brazilian companies experienced in the end of the XX<sup>th</sup>. Century derived from the opening of the local economy and currency stabilization processes when the country is exposed to international competition. The opening of the economy was a result of macroeconomic policies associated with the Collor government (1990 – 1992), with the fall of national monopolies enabling the entry of international companies, corner stoned by the information equipment segment. Another policy of this government was the implementation of the

National Destating Program, executed as of 1990. Subsequently, during the Itamar Franco's government (1992 – 1995), the Real Plan and currency stabilization, started. Also, during this term of office, from 1993 to 1997, the National Destating Program was amplified. However, what was observed was not necessarily the internationalization of Brazilian companies.

The first reflex for Brazilian companies, according to Batista Jr (1998), was that they began to experience the impact of the macroeconomic policies adopted related to the distortions of the tributary system. Furthermore, the deficiencies of the economic infrastructure were destructive for many local companies, penalizing more intensely those smaller and more exposed to competition with foreign competitors.

Brazilian companies, even those that at the time were already internationalized, became dependent on a series of changes and economic adjustments – a set of policies in the exchange rate, financial and commercial areas – to finally be in operating conditions on an international basis. These changes began to produce results in and around 2004, during the Lula (2003 – 2006) government's first term of office, with the transformation of the Brazilian economy into an emerging economy. Amongst many actions developed, that which had a fundamental impact was the transformation of Brazil into an attractive country for the entry of productive capital, i.e., new international companies began to establish themselves in the country, by means of their subsidiaries. However, for Brazil's consolidation on the international scenario to occur, the insertion of Brazilian companies in other countries was also required. Thus, Brazilian companies with the best economic conditions began to internationalize themselves (LACERDA, 2004; BATISTA JR, 2005). The authors also note that the internationalization process is not restricted to a group of companies, considered large. Following the example of other countries, small and mid-sized organizations also began to articulate themselves by means of consortiums and productive arrangements to access international markets.

Despite all the changes, increased efforts with views to making the environment more competitive, more dynamic and to be amongst the ten largest world economies, Brazil still occupies a secondary position in terms of competitiveness, as stated by Cyrino et al (2010, p, 93): "Brazil's international insertion is still extremely timid, when compared to developed and undergoing development countries". Fact is that Brazil has attracted more foreign investments in what is known as "outside in internationalization", whilst still presenting poor efforts in the reverse direction. The authors comment that the large Brazilian companies are in the early stages of their internationalization process despite the fact that their foreign operations already bear relevant weight on revenues.

Furthermore, according to these authors, Brazilian companies select a gradual internationalization strategy, in the Uppsala model fashion, because of the size of the domestic market and, mostly, given the absence of financing for operating abroad by means of direct investment and also given the so-called "Brazil cost". This demonstrates that many challenges must be overcome so that a greater number of Brazilian companies may become global players. However, the internationalization process of Brazilian companies has evolved since many have utilized the alliance with foreign companies strategy so as to enter overseas markets, in addition to acquisitions and set up of subsidiaries abroad, for both the purpose of selling and producing the portfolio internationally.

### **3 METHODOLOGY**

This research utilized the qualitative approach given that it emphasizes the specificities of a phenomenon with regards to its reasoning and its origins (HAGUETTE, 2007). It was characterized as descriptive, posing to specify the strategies and the process companies experienced when they internationalized, using an assortment of interconnected interpretative practices with views to understanding researched object. (DENZIN e LINCOLN, 2000 and 2006; GIL, 1999).



The research strategy adopted was that of the study of multiple cases which, according to Stake (2000), is that whereby, given the lack of intrinsic interest in a particular case, the researcher can study a larger number of cases to investigate a phenomenon, a population or a general condition. It is an instrumental case extended to various cases. Cases may or not be similar, redundant or varied amongst each other. They are chosen because the researcher believes that they support comprehension or theorization and also given the fact that it consists in an emerging theme. To this effect, the multiple case study increases the possibility of depicting the studied reality under a broader perspective, evidencing similarities and differences between cases.

As to preliminary selection for the building of this research's body, one of the most relevant issues was the choice of companies that were invited to take part in this study. According to Patton (2002), there are several strategies for the selection of participants in qualitative approach research. Here we used a mixed strategy composed of strategies to: select by predefined criteria and to select the best typical case in terms of the domains of interest.

To address the first strategy, the methodology of the Ranking of Brazilian Transnationals (2010) prepared by professors and researchers of the Dom Cabral Foundation, was analysed. This Ranking is based on an index that seeks to reflect the trans-nationality of companies under a Brazilian context. The databank of Paraná State's Federation of Industries (2010) was also consulted since it offers a specific and annual report on this State's internationalized companies.

From this data, companies were classified according to the time they'd been internationalized and thereof three groups were created: i) over ten years internationalized companies; ii) five to ten years internationalized companies; iii) less than five years internationalized companies. Once grouped, companies were invited through e-mail to take part in the research. Amongst those that replied and met the participation criteria, two for each group were chosen as those that best represented or highlighted their internationalization group. This sample choice criteria, is called by

Patton (2002), as sample per Typical Case, which seeks to illustrate or highlight that which is typical, normal, relative to average.

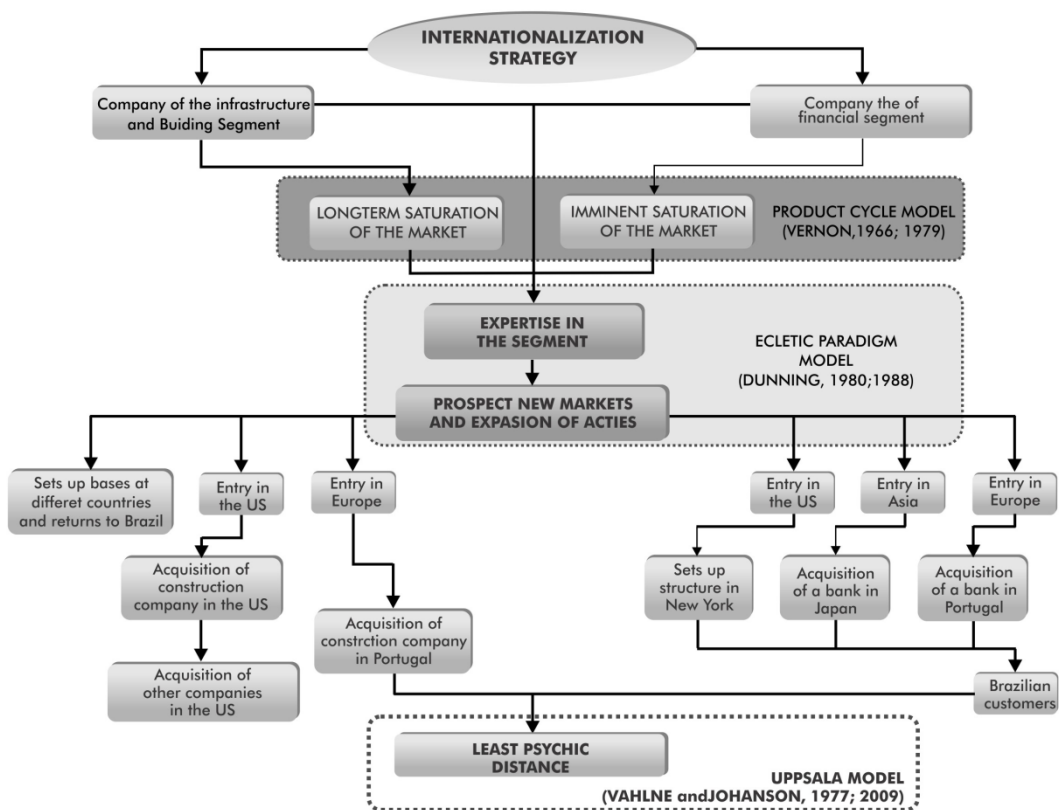
Two instruments were used for the collection of data: semi-structured interviews and mapping in official documents of the companies studied. Data was interpreted utilizing content analysis for texts, official documents supplied by the organizations and for the semi-structured interviews. As of the analysis of data, analysis categories were identified that enabled the comprehension of which were the corporate internationalization strategies and how these were implemented.

#### **4 ANALYSIS AND RESULTS OF THE FIELD RESEARCH**

Group I companies are on the market for over forty years and are considered large sized, in both revenue and number of employees. They operate in distinct segments of the economy and in both cases are highly competitive and technological. They are considered successful companies in their results and serve as reference to other companies in their segments. The internationalization processes they adopted relate to the following models: that of Vernon's (1966; 1979) economic internationalization, whereby the product lifecycle issue and that of the potential of new markets is taken into account; Dunning's (1980 and 1988) Eclectic Paradigm which works with the perception of costs of becoming international considering that, once operating on the foreign market, the company can conduct activities internally and thus, not take on inefficient foreign market transactions and therefore obtain advantages by maintaining the property of internal knowledge and by the analysis of the three types of advantages for the choice to operate abroad, namely: advantages of property; of location; of internationalization. In addition, Johanson e Vahlne's (1977; 1990 e 2009) Uppsala model which is directly related to the perception of proximity or not with culture, values, managerial practices and education of countries where one wishes to internationalize to.

To internationalize, companies of this group acquired skills abroad without a gradual process (export; set up of an office, etc.). Another issue that is inherent to the Uppsala model, adopted by companies of this group, is that, at a given moment, for the acquisition of new units, companies take into account the question of least psychic distance. Figure 1 demonstrates that the internationalization strategies of companies of this group are stimulated by the perspective of market saturation in the long term, as well as with the rising of opportunities abroad.

**Figure 1 – Group I Internationalization Strategy Elements**

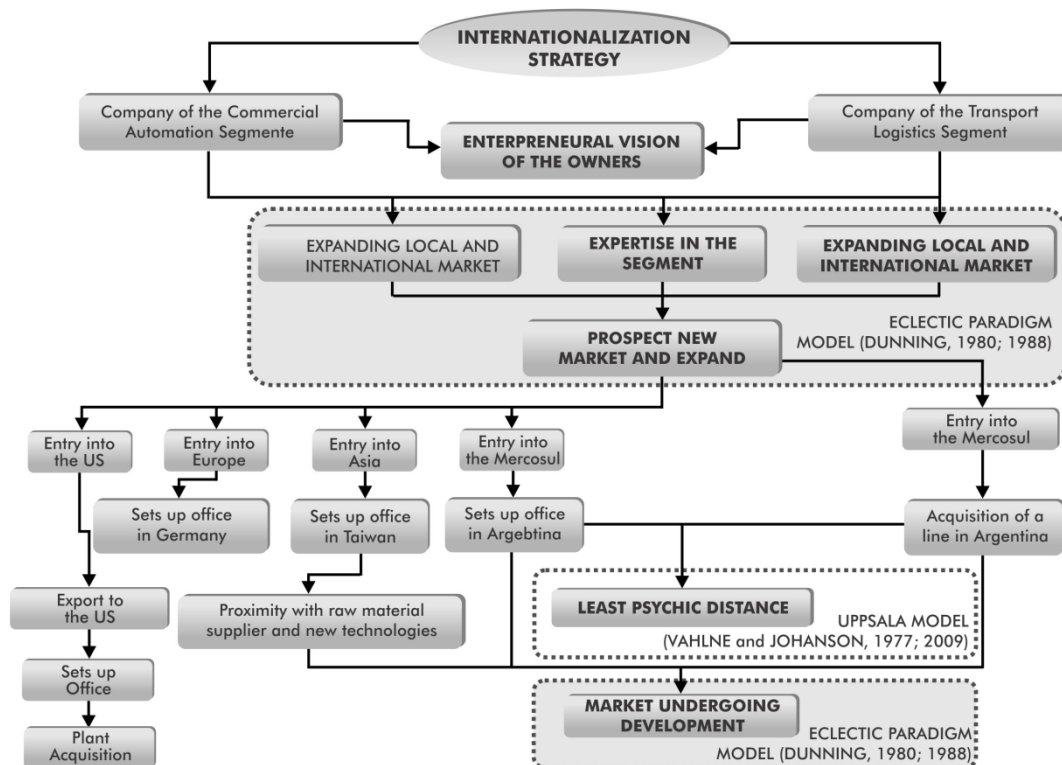


**Source:** Research data

Group II companies, with ten to fifteen years of internationalization, are also considered large sized, both in terms of revenues and the number of employees. They operate in distinct economic segments, but in a similar manner, greatly expanded over the last two decades: in terms of logistics and information technology. They excel in their segments and serve as benchmarks to their competitors.

In Figure 2, what one notices is that companies have adopted identical internationalization strategies, according to the principles of Dunning’s (1980, 1988 and 2008) Eclectic Paradigm economic theory and the search for the least psychic distance, as per the Uppsala model (VAHLNE and JOHANSON, 1977, 2009).

**Figure 2 – Group II Internationalization Strategy Elements**



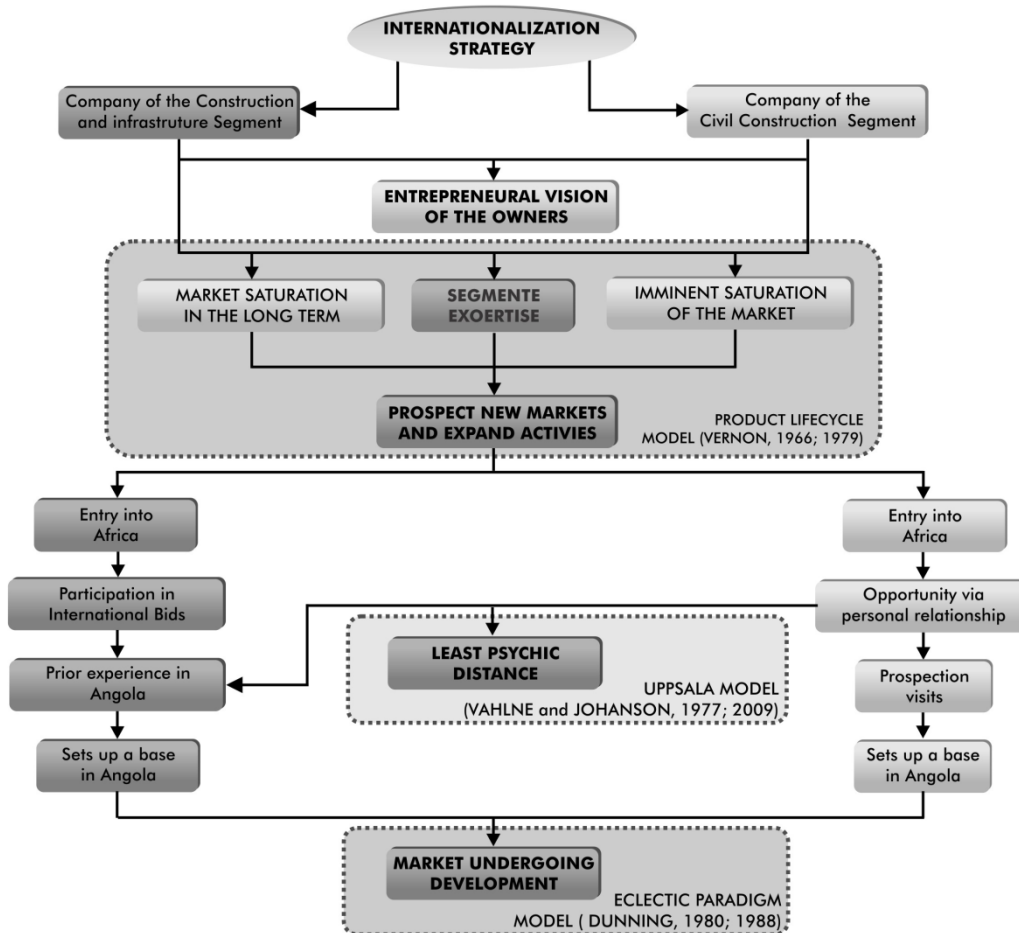
**Source:** Research data

The company of the Commercial Automation segment, whose President's profile is that of an entrepreneur, sought new markets despite the fact that the domestic market did not signal decrease in demand. On the other hand, the company that operates in the Transportation segment relied on the possibility of expanding its operational strategy keeping a potential future market in mind.

At the company of the Commercial Automation segment, the gradual approach principles of the Uppsala model are visible, given the fact that the company internationalized according to the process of first setting up an office and gradually expand its structure, until purchasing a factory. Initially, there is no concern with the least psychic distance issue and the company seeks new markets with two clearly set objectives: increase sales and absorb new technologies for the production and development of software. This kind of situation poses to increase expertise in product development. However, later on, when the company decides to enter the Latin American market, this aspect is taken into consideration and it sets up a base in Argentina. On the other hand, at the company that operates in the Transportation segment, the principle of least physic distance is evidenced when the company purchases a railway in Argentina.

In Group III, one of the companies has been on the market for almost thirty years and the other for over fifteen years. They are both considered large sized, in terms of revenues and number of employees. Operating in segments related to construction, one devotes itself to civil construction whilst the other builds infrastructure for the petroleum industry. Both are characterized by family owned management and are to date controlled by their founding partners. Figure 3 demonstrates that Group III companies internationalized themselves given the rise of an opportunity in the market. In the case of the company that operates in the Civil Construction segment, it was because the construction market involving the building of brick stone homes experienced a market high in prices along with a decline in the domestic market and a certain amount of market saturation.

**Figure 3 – Group III Internationalization Strategy Elements**



**Source:** Research data

For the company that operates in the maintenance and construction segment of petroleum industries (company F), there is still a domestic market demand and it shall remain as such for a long time. What drives it to new markets is closely related to the momentum of searching new markets. The company seeks new markets driven by the entrepreneurial force of the owners. Another element that is present in this group’s internationalization process is that companies seek to approach psychic

proximity, as pictured by the Uppsala (VAHLNE e JOHANSON, 1977, 2009) model and coincidentally, both are establishing themselves in Angola.

## **5 CONCLUSION**

One can notice that for Group I companies, the maturity and economic capability elements rendered greater velocity to internationalization since the costs of this strategy are high and involve adequate process expertises. Both Group I and Group III companies internationalized seeking to meet their demands for new markets with views to expansion and, whenever possible, proximity with the cultures of their new markets. Another driving element was the perception of the trend concerning the reduction of their local markets in the mid and long terms.

The difference between groups was that companies of Group I utilized acquisition as a means of insertion abroad and companies of Group III opened new units abroad. One might consider that the companies of Groups I and III followed a similar path, irrespectively of size or economic condition. Companies of Group II, on the other hand, presented as driving element towards internationalization, the search for new markets with true possibility of reducing their production costs, in addition to insertion into new markets. In as much as introduction abroad is concerned, companies of this group presented distinct behaviours. Whilst the company of the commercial automation segment approached internationalization in a gradual manner, starting off with export processes, moving on to the set up of representation offices and finally acquisition, that of transport logistics started its internationalization process directly by means of an acquisition.

Considering the internationalization models, it became evident that for Group I and III companies, the product lifecycle and eclectic paradigm economic models helped explain the motivations towards internationalization whilst the Uppsala model explains, at least in part, decision choices concerning some few countries. For Group II companies, on the other hand, the product lifecycle model is not the underlying reason

for internationalization since its products and services were experiencing a growth stage within their domestic market. Nevertheless, there is an international demand and the possibility of reduction of costs with scale gains, once both markets are addressed. In this case, the Uppsala model explains less the choice of countries than in the case of the other groups. In Group II, choices were mostly related to the segment's opportunities (in the case of the logistics and transportation company) and to the characteristics of the products and services (at the commercial automation technology company).

Given that this is a comparative study concerning the strategies employed for the internationalization of Brazilian companies, classifying corporations into groups defined according to the time of internationalization collaborated with the analysis of data as well as enabling the comprehension of specific situations resulting from each moment the company and its strategies experienced. However, it is important to emphasize that the time of internationalization highlights differences whilst only in part explains them. Therefore, one must analyse the matter taking into account other parameters such as the activity segment, the management style, the institutional context and the market's maturity.

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