



RAE - Revista de Administração de Empresas

ISSN: 0034-7590

rae@fgv.br

Fundação Getulio Vargas

Brasil

Cavusgil, S. Tamer; Kardes, Ilke

New insights into brazilian multinationals: perspectives from the field

RAE - Revista de Administração de Empresas, vol. 52, núm. 1, febrero, 2012, pp. 110-111

Fundação Getulio Vargas

São Paulo, Brasil

Available in: <http://www.redalyc.org/articulo.oa?id=155121441009>

- How to cite
- Complete issue
- More information about this article
- Journal's homepage in redalyc.org

redalyc.org

Scientific Information System

Network of Scientific Journals from Latin America, the Caribbean, Spain and Portugal

Non-profit academic project, developed under the open access initiative

NEW INSIGHTS INTO BRAZILIAN MULTINATIONALS: PERSPECTIVES FROM THE FIELD

S. Tamer Cavusgil stcavusgil@gsu.edu

Executive director at Institute of International Business, Georgia State University – Georgia, United States

Ilke Kardes ilkekardes@gmail.com

Visiting scholar at Institute of International Business, Georgia State University – Georgia, United States



BRAZILIAN MULTINATIONALS: Competences for Internationalization

Afonso Fleury; Maria Tereza Leme Fleury. Cambridge University Press, 2011. 440 pp.

Certainly, the internationalization of emerging market firms has been one of the most remarkable trends of the current decade. No longer content to operate within their own borders or their regional markets, firms from Argentina to Turkey are rapidly extending their footprint abroad. While much has been written about Chinese and Indian multinationals, relatively little information is available about Brazilian firms. Therefore, this new book fills an important gap. *Brazilian Multinationals: Competences for Internationalization* by Afonso Fleury and Maria Tereza Leme Fleury offers valuable insights about the ongoing international ventures of Brazilian firms.

This book is a welcome contribution in many respects. First, it is based on extensive research. The authors have conducted numerous interviews with managers both in Brazil and abroad. Second, both authors are seasoned, senior scholars who are very knowledgeable about the Brazilian economy and its corporate sector. Third, the book's scope is not limited to the Brazilian context but it provides insights about the internationalization of firms from other emerging markets. This offers the reader a comparative perspective. Fourth, the authors actually begin their book with an elaboration of a comprehensive, analytical framework on multinationals. Such a foundation informs the reader and provides a rich description of the role, nature, and impact of the multinational enterprise.

The authors begin with the illustration of the three waves of the internationalization process. Next, Brazil's place in international trade is addressed, leading to the rise of successful Brazilian multinationals over time. In addition to the theoretical explanations, findings from a survey and case studies also provide a deeper understanding of the characteristics of Brazilian multinationals. To analyze strategies and competences of Brazilian Multinational Enterprises (MNEs), the authors share the findings of a survey among 30 Brazilian firms. Comparisons are made to other emerging economies, including Argentina, Chile, Mexico, Russia, China, India, and South Africa.

The authors also offer a historical perspective, assisting the reader grasp a deeper understanding. The revival of the economic activity and modernization of the Brazilian economy were realized by export of unprocessed products such as rubber, sugar, cotton, tobacco, cocoa, mate tea, leather, and hides in the late 19th century in Brazil (pp. 139). The foreign investment in Brazil originates to 1860 with licensing mostly in the financial sector, in the banking and insurance sectors. Foreign firms created the infrastructure and urban public services in the big cities through investment in such areas such as energy, urban transport, rail, and the construction ports (pp. 141).

Two groups of entrepreneurs, the coffee growers and the immigrants, in particular those of European origin, created the Brazilian industry. (pp. 142). At the same time, the Brazilian companies such as Gerdau, Votorantim, Brasma, Antarctica focused on essential goods, such as clothing, footwear, food, beverages, printing, furniture, and on the metal-working industry, the manufacturing of parts for setting up sugar mills, cereal mills, and coffee processing plants in the domestic markets (pp. 143).

Between 1950 and 1960, while the export portfolio was limited to certain traditional commodities (coffee in particular), inward Foreign Direct Investment (FDI) increased rapidly, resulting from rapid industrialization (pp. 147). The three largest FDI in-

vestors were the U.S., Germany, and Japan (pp. 157). During this time, accelerated development projects, rising urban population, and strengthening of the imports substitution model put Brazil into a new level of industrial progress (pp. 147). The durable consumer goods industry especially the automotive and white goods segments was the driver of Brazilian economic development (pp. 148).

Development of local firms gained importance after 1960. First, Brazilian firms had preferential access to infrastructural projects such as roads, airports, ports, and dams. As a result, the existing Brazilian firms transformed into large, diversified conglomerates (e.g. Villares Group, Jaragua and Confab) and the engineering services firms (e.g. Odebrecht, Camargo Correa, Andrade Gutierrez, and Promon). Second, the petrochemical industry was established by local private-sector capital and state capital with the participation of foreign partners. Especially two firms, Braskem of Odebrecht Group and Oxitenio of Ultra Group, profited from this type of the regulation. Third, the Brazilian aerospace industry and Embraer were established in 1969 (pp. 149/150). These developments targeted strengthening of domestic private enterprises and protection of national technology despite outsourcing of the technology from abroad (pp. 151). Technology transfer brought about limited investment by domestic manufacturers in technology and the dependence on foreign technology. On the other hand, the government regulations after 1984 in terms of the restrictions to technology importation and the frail institutional support for industrial enterprises distanced Brazil from the international frontier (pp. 156).

In the mid-1990s, with President Cardoso's reforms, Brazil's competitive systems were redefined and a number of policy initiatives were introduced: the industrial competitive-

ness program, the technological capability program, and trade reforms (pp. 165). From 1994 to 1997, trade liberalization, privatization of infrastructure, and deregulation increased the presence of the foreign private sector. In 1998, Brazil has the lowest ratio of local to foreign capital ownership among the industrialized countries. Out of the 500 largest companies in the world, 405 had operations in Brazil, accounting for about 20 percent of Gross Domestic Product (pp. 167).

The newly established trade policies led to the denationalization process, and an increase in imports. The competitiveness in the domestic market improved. Participation of foreign MNEs' subsidiaries and the possibility of them engaging in international procurement increased as a result of the foreign-oriented policies. Several leading Brazilian firms, especially in the automotive and other technology-intensive industries, were sold to foreign MNEs. Despite these developments, some Brazilian companies started to build and upgrade their competences, aimed at enhancing productivity and quality. The Japanese management model was the major source of inspiration, methods, and techniques (pp. 175).

In addition to adopting the Japanese management model, national quality and productivity program instituted by the federal government contributed to the internationalization process of the Brazilian firms. Brazilian companies were supported in order to facilitate their integration with global production systems after 1994. They began to see multinational enterprises not only as stronger competitors but also as potential partners, and as eventual suppliers. Local companies adopted the proactive integrative strategies and abandoned their defensive and isolated strategies. They sought strategic alliances with foreign companies to transfer technology, and to join international negotiation cir-

cuits (pp. 176). In 2003, outward FDI increased significantly because of the internationalization of Brazilian commodity producers. Some 58.2 percent of the firms used own capital and 27 percent of them received bank loans and debt to finance the internationalization of their activities (pp. 185).

Recently, Brazilian outward FDI is increasingly targeting markets in North America, Asia, and Africa, rather than those in Latin America which had been the focus of the Brazilian firms from 1980 to 2003 (pp. 187). Six Brazilian companies are in *Fortune's Global 500* list. Three are among the 50 largest non-financial MNEs from developing nations in the *World Investment Report* (WIR); and 14 Brazilian firms are among the *100 Global Challengers* identified by the Boston Consulting Group (pp. 191&197). Sales offices dominate by the Brazilian firms' foreign presence. Some 31 percent of the companies have sales offices in foreign markets. While 23 percent of the companies built plants or service units abroad, 19 percent export or have licensing agreements with distributors. Only 11 percent of Brazilian enterprises own companies abroad (pp. 197).

In summary, Professors Afonso Fleury (University of Sao Paulo) and Maria Tereza Leme Fleury (Getulio Vargas Foundation EAESP Dean) have done a major service to any student of internationalization by emerging market firms. Their book should serve as an essential primer on this dynamic economy and its major corporate players. The scholarly community as well as western managers interested in Brazil owes them an appreciation. Their extensive and thoughtful treatment provides an excellent background and leaves the reader thinking about the future prospects for Brazilian multinationals. What does the future hold for them in this increasingly competitive and uncertain global economy?