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International Strategy, Cultural Distance and Management Policies in Brazilian Multinational Companies

ÁREA: 2
TIPO: Cases

Estrategia internacional, distancia cultural y políticas de gestión en las empresas multinacionales brasileñas
Estratégia internacional, distância cultural e políticas de gestão nas companhias internacionais brasileiras

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Cultural distance is a dimension of psychic distance, a term used to explain the multinational's preferences in terms of location to expand their operations. This study explores how cultural distance is taken into consideration when multinational companies choose their markets and its influence on their organizational policies. We present six cases of Brazilian multinational companies. Results show these companies do not always choose their markets taking the cultural distance as the most important factor. Also, companies from emerging economies tend to adapt easily to other cultures because of their history of the country having being colonized in the past.

La distancia cultural es una dimensión de la distancia física, término que se utiliza para explicar las preferencias de las multinacionales en términos de ubicación para ampliar sus operaciones. Este estudio analiza el modo en que se tiene en cuenta la distancia cultural cuando las empresas multinacionales seleccionan sus mercados y su influencia en las políticas de las firmas. Presentamos seis casos de empresas multinacionales brasileñas. Los resultados muestran que estas compañías no siempre eligen sus mercados teniendo en cuenta la distancia cultural como factor importante. Asimismo, las empresas de economías emergentes tienden a adaptarse rápidamente a otras culturas, ya que se trata de países colonizados en el pasado.

A distância cultural é uma dimensão da distância psíquica, um termo usado para explicar as preferências multinacionais em termos de localização para expandirem as suas operações. Este estudo explora o modo como a distância cultural é levado em conta quando as companhias multinacionais escolhem os seus mercados e a sua influência nas respectivas políticas organizativas. Apresentamos seis casos de companhias multinacionais brasileiras. Os resultados mostram que estas companhias nem sempre escolhem os seus mercados considerando a distância cultural como o factor mais importante. Por outro lado, as companhias de economias emergentes tendem a adaptar-se facilmente a outras culturas devido à sua história de país que foi colonizado no passado.

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1. Introduction

Globalization has impacted the individual's life and work intensely in the past years. It has been more than ever enriching and challenging to work with different cultures, nations and systems. Companies that have units outside of their home country are not limited to a few huge enterprises anymore; the world has watched the proliferation of multinational companies from many countries, and later from the developing economies (Barcellos *et al.*, 2010).

Those companies have to deal with several differences between their home country and the countries where they have subsidiaries. For example, North-American multinationals working in Asia found a very different work environment, with several differences in language, culture, politics system, educational level and industrial developmental level (Benson and Zhu 2002). In international business, those differences are called psychic distance (Beckerman, 1956, Johanson and Wiedersheim-Paul, 1975). In theory, companies tend to expand their operations to countries with less psychic distance.

It is very complex to comprehend the dimensions of psychic distance; some authors, such as Ghemawat (2001), propose that it is represented by a sum of the geographic, administrative, cultural and economic distances among countries. Cultural distance is one of the most complex dimensions, as the analysis of a culture is subjective and mostly intangible (Schein, 1984). Ghemawat's (2001) model proposes the analysis of the cultural distance from the differences in religion, language and culture.

Therefore, we can imagine that a company's international strategy, in terms of market choice and entry mode implies certain cultural distance - that is a dimension of the psychic distance. The cultural distance implies certain changes in the company's policies, in order to better adapt to the new environment. That is the focus of this research. It has the objective to understand the relation between international strategy, cultural distance and the organizational policies and practices in multinational companies from developing countries.

This study is designed to answer to the questions: How cultural distance is taken into consideration when multinational companies choose their markets? How does it influence the organizational policies and practices once the company has made this choice? Several studies have aimed to answer these questions before, but mostly considering multinationals from developed countries (Collings, 2008). Very few have explored what happens when the multinational company comes from a developing economy, with its very own culture and history. This research focuses on Brazilian multinational companies with subsidiaries in Latin America, North America, Europe and Asia.

Since this study's objective is to understand deeply the relations between the constructs, we opted for the case study method. Six cases were individually analyzed and then compared using a grounded theory approach.

KEY WORDS
Internationalization, cultural distance, multinational firms, Latin America

PALABRAS CLAVE
Internacionalización, distancia cultural, firmas multinacionales, Latinoamérica

PALAVRAS-CHAVE
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2. Theoretical Background

The term psychic distance was coined by Beckerman (1956) on the basis of his analysis of studies on intra-European trade flows. Psychic distance has been gaining ground in the international business management literature, and some authors have begun seriously developing it as a construct.

In 1977, Johanson and Vahlne proposed the Uppsala Model for internationalization, based on company development as supported by the acquisition, integration, and gradual use of knowledge on foreign markets and operations. This model emphasizes two key aspects of the decision on where to and how the company should go about its internationalization, namely: the psychic distance between the company's home country and its target country for internationalization; and the concept that internationalization is a stagewise process (Hemais, 2004). Johanson and Wiedersheim-Paul (1975) devised a concept that took into account certain factors, such as differences in language, culture, political system, educational background, level of industrial development, etc. According to the Uppsala model, companies tend to expand their operations into countries that are less psychically distant.

Other international business scholars later added other factors to the model, such as dominant religion, business language, system of government, economic development, and level of immigration, in addition to industrial infrastructure.

Understanding psychic distance is therefore related to the possibility of determining the extent of the differences a company stumbles upon when expanding its operations abroad. One of the concepts of psychic distance most widely used in international business studies is that of O'Grady & Lane (1996), who define it as: *"...a firm's degree of uncertainty about a foreign market resulting from cultural differences and other business difficulties that present barriers to learning about the market and operating there"*.

A frequent debate in academia is whether the terms "cultural distance" and "psychic distance" are synonymous. According to empirical theories and studies, cultural distance is one of the components of psychic distance. In a later study, Dow (2000) found that Hofstede's indicators, when used by themselves or in an isolated manner, are less valid than when used in measuring psychic distance, as the result of a set of factors.

"Psychic distance" is therefore a broader term than "cultural distance", because it includes not only cultural differences, but also structural elements, such as those arising from administrative, economic, and legal system-related differences, as well as language differences (Tanure *et al.*, 2009).

Many of the risks and costs of international business are the result of distance barriers. According to Ghemawat (2001), distance is not merely synonymous with geographic separation, although it is important. Distance may also be cultural, administrative, political, and economic, making certain markets more or less appealing than others. Different types of distance influence business in different ways. Geographic distance, for instance, affects transportation and communication costs, whereas cultural difference affects consumer preference for certain products.

Ghemawat (2001) proposes an analysis model known as the CAGE, which stands for cultural, administrative, geographic and economic dimensions. According to this author, culture

is the most important component of psychic distance. The culture of a country influences not only its beliefs, but also the way in which it communicates with others and interprets communication. Differences in religious beliefs, ethnicity, social norms, and language are capable of creating a gap between countries.

As for language, the greater the linguistic difference between two distinct markets, the higher transaction risks and costs tend to be (Dow and Karunaratna, 2006).

2.1. The psychic distance between Brazil and other countries

In order to allow reflection on the internationalization process of Brazilian companies and the psychic distance construct, which is the main objective of the present study, we sought out a way of measuring it. We used Ghemawat's model, which sets forth that psychic distance is composed of four main dimensions: cultural distance, administrative distance, economic distance, and geographic distance (Table 1). It bears noting that some adjustments were necessary. In light of the importance of Hofstede's study, our analysis also took its results into account. Very few studies were found within this specific approach. Tanure *et. al.*, (2009) investigated the psychic distance among Brazilian and other countries' expatriates, finding no predominance of countries that are psychically close to Brazil. This result is intriguing, considering Brazil's history of having its population formed by the combination of multiple ethnics.

Table 1. Dimensions of distance

Distances	Dimension	Description
Cultural distance	Language	Considers the distance between the Portuguese language and the language of the other country, as well as the percentage of the Brazilian population that is able to speak the latter.
	Religion	Considers the distance between Catholicism and the dominant religion of the other country, as well as the percentage of the Brazilian population that follows the latter.
	Culture	Composed of four discrete indicators: power distance, individuality, masculinity, and aversion to uncertainty
Administrative distance	Political system	Difference between Brazil and the other country in terms of degree of democracy and political ideology of the currently ruling group.
	Educational background	Difference between Brazil and the other country in terms of adult literacy rate, rate of students who graduate high school, and rate of students who complete undergraduate studies.
Economic distance	Industrial development	Calculated from the distance between Brazil and the other country in terms of several indicators, such as GDP, power consumption, average car ownership rate, urban population, non-rural workers, number of daily newspapers, average radio and TV set ownership.

Source: Adapted from Ghemawat (2001)

3. Research Design

The growing number of multinational companies in emerging markets is a recent fact and therefore, it is still silent on how those enterprises deal with different national cultures. The relationship between international strategy and psychic distance has been largely studied, being relatively new studies that cover the emerging markets. The impacts of the psychic distance on the management policies are still quite silent in the literature. This paper aims to fill those gaps.

Because of the lack of previous tested hypothesis, we applied an exploratory study, aiming the construction of theory. The grounded theory approach explicitly builds in its process changes of social phenomena (Strauss and Corbin, 1990) aiming to construct theory that can be tested in other studies in the future (Eisenhardt and Graebner, 2007). We thus follow a grounded theory approach based on interviews and document analysis. Interviews have been a valued method in cultural studies (Carr and Harris, 2004, Gibson and Zellmer-Bruhn, 2001)

The research was conducted in six Brazilian multinational companies, i.e., companies with majority of national capital and which also have foreign direct investments (FDI). Cases were chosen among a list of less than 100 Brazilian multinational companies found to have subsidiaries abroad in 2009. The chosen cases are some of the biggest and most relevant companies in Brazilian industry. Therefore, they are qualified as good cases to understand how cultural distance relates to the companies' strategies and management policies.

Data was collected through interviews and document analysis. In total, we conducted 12 interviews and analyzed 48 company documents. We also searched and analyzed media discoursed on those companies, summing 108 pieces of news.

In the twelve cases, we interviewed the director responsible for dealing with cultural issues internationally. In four of the cases an international HR director was indicated as the best source for information on this subject; in the two other cases, we interviewed members of the board.

The semi-structured interviews followed a script of open-ended questions based on Ghemawat's framework (Ghemawat, 2001). The cultural dimension was operationalized with Hofstede's model (Hofstede *et al.*, 1990).

Instead of using open coding technique, we coded the sentences according to their potential to explain each of the dimensions of Ghemawat's and Hofstede's models, using the software NVivo. Three researchers coded the information and the inter-rater reliability was calculated as 95%. Discrepant coding was discussed and reviewed by the researchers. As proof for the conclusions, data will be presented below in the form of sentences said by the interviewees or document outlines. Since this was a qualitative approach, we opted not to measure the coding frequency within the documents.

The primary objective of a qualitative study is not exactly the validity and reliability of data (Scandura and Williams, 2000) but providing honest interpretations and authentic information (Creswell, 2008). Therefore, this study has the limitation of being exploratory. The insights it brings into the theory of psychic distance must be further investigated.

3.1. Description of the cases

Six companies were chosen as case studies for the present work. They are among the biggest and most profitable Brazilian MNCs, and therefore, have a longer history of being multinationals. The cases are:

(1) Alpargatas is one of the largest manufacturers of sporting goods, footwear and textiles in Brazil. It is currently controlled by Grupo Camargo Correa, also a Brazilian company. Alpargatas is internationally renowned for its main product, the Havaianas brand of flip-flops. It has subsidiaries in the U.S., Spain (headquartered in Europe with people working in France, England and Italy), Chile and Argentina.

(2) A manufacturer of mini point-of-sale printers, Bematech was founded 16 years ago and now has subsidiaries in the United States, Germany, Argentina and Taiwan.

(3) Metalfrio is one of the world's largest manufacturers of plug-in commercial refrigeration equipment. Its portfolio of products is composed of hundreds of models of vertical and horizontal refrigerators and freezers, including dedicated models for cooling beer, soft drinks, ice cream and frozen foods as well as general refrigeration. Metalfrio currently operates plants in Brazil, Mexico, Turkey, and Russia, and a distribution center in the US.

(4) Politec is one of the largest IT service companies in Brazil, with 15 technology centers located strategically in areas of expertise. It has offices and subsidiaries in Germany, Belgium, China, the US, France, India, England, and Japan.

(5) Sabo is one of the largest manufacturers of auto parts, which it provides for assembly in various countries. It has 6 plants abroad (in Germany, Austria, Hungary, China, the US, and Argentina), in addition to research and development centers in Germany and Japan.

(6) Weg specializes in the manufacturing and sale of electric motors. It has 7 plants outside Brazil, in China, Portugal, Argentina (3 plants), and Mexico (2 plants), as well as 160 employees in representation offices in the US.

Table 2 compares these companies in terms of their number of employees in Brazil and at the foreign subsidiaries, as well as their number of years of internationalization.

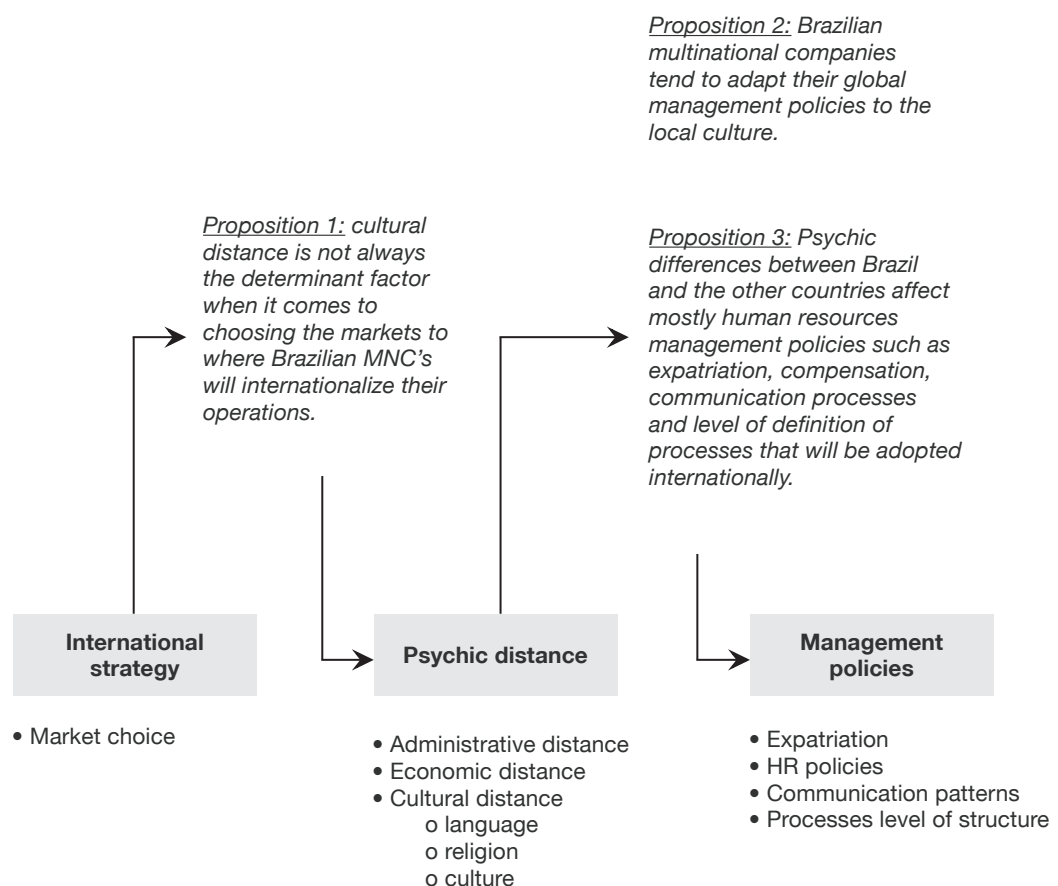
Table 2. Company profile

	Alpargatas	Bematech	Metalfrio	Politec	Sabó	Weg
Total number of employees	17,696	1,300	1,500	5,240	5,400	22,200
Employees in Brazil	13,013	1,000	1,100	5,200	3,500	20,000
Employees in their foreign subsidiaries	4,683	300	400	40	1,900	2,200
Time of internationalization in years	2	8	6	2	16	17

4. Results

The analysis of the case studies led to the development of a conceptual model. To build it, the software NVivo was used to search for words that mean any kind of relationship between the variables “international strategy”, “psychic distance” and “management policies”. [Figure 1](#) shows the conceptual model derived from our qualitative study.

Figure 1. Conceptual model derived from the qualitative study



The model starts with international strategy influencing the level of psychic distance companies will face in their international operations in Brazilian companies. This opposes to the relationship that could be derived from the theory – where the psychic distance would instead influence the international strategy while being one of the reasons for preferring some countries over others. Then psychic distance is shown as an influence to the management policies of the multinational companies. Though theory shows that multinational companies tend to bring their policies to their foreign business units, in the cases, Brazilian MNCs showed the tendency to adapt their policies to the local units instead. We now describe how we created this model.

4.1. International Strategy

We found that these cases of Brazilian MNCs did not choose their markets according to the countries with the least psychic distance. Instead, economic and market reasons were the main rationale for market choice. In all six of the cases analyzed, the choice of countries in which to operate was based more on market opportunities than on cultural proximity, as seen in Table 3, which shows the interview and document outlines. One of the clearest examples of this approach was Sabó. As an auto parts manufacturer, Sabó depends on automakers for its activities. Its choice of markets in which to operate was based on countries in which automakers are headquartered. Weg was the only case that first established plants in less psychic distant countries, such as Portugal, Argentina and Mexico.

Table 3. Overview of market choice rationale

Case	Interview and document outlines
Alpargatas	Alpargatas was an Argentinean company with a subsidiary in Brazil. Years later, the Brazilian unit acquired the Argentinean plant. Therefore, internationalization to Argentina was part of the company's history and not an international business move. The next move was to Europe, where the market was more inclined to acquire their products.
Bematech	Bematech chose United States, Asia and Europe because of the technology learning and market opportunities.
Metalfrio	Metalfrio bought companies that were economic valuables in other countries.
Politec	Politec chose markets based on their technological advances.
Sabo	"The major automaker development spots are precisely Japan, Germany, and the US, which concentrate practically 80% of automakers".
Weg	Weg looked for countries where the plants could cost less and still acquire technology, such as China. Prior to China, it advanced to countries where it had more knowledge of the market: Portugal, Argentina and Mexico.

How far did these companies take psychic distance into account when setting up their foreign plants? The results were that psychic distance was taken into account, but did not limit activities abroad. Interviews showed that managers were concerned, because they were aware that they were expanding company activities into countries with staunch cultural differences. Nevertheless, companies preferred to tackle these differences later, rather than let any differences restrict international activities before these were even underway.

The most striking statement made during our interviews stressed the importance of prior preparedness for dealing with cultural differences. Prior knowledge of the country can help in preparing to deal with this aspect:

"From the Human Resources standpoint, we need solid planning, solid preparedness. We also need to prepare those people who will be working abroad. Our company was really hit hard on this front when setting up the China plant – they realized they had no one who spoke Mandarin, even though many employees spoke English. Now, they're at no risk of running into the same problem in the other plants." (Weg)

“The nature of the business may also facilitate international operations. When Politec expanded into Japan, it was able to keep software production activities in Brazil and, in its Japanese subsidiaries, take advantage of the local workforce for activities requiring greater familiarity with the country.” (Politec)

“Our company is a provider of offshore services, so countries that host subsidiaries have a very commercial type of activity, a real ‘relationship with the client’ sort of activity. They generate demand and work is carried out remotely in Brazil. Basically, they are business-generating cores” (Politec)

These interview outlines, as long as the analysis of the other documents showed that the Brazilian international process was somehow compelled by the economic situation of the country after the 1990s and some companies felt the need to internationalize without having been prepared for that for long enough to analyzed psychic distance and prepare themselves to the cultural differences.

These finds lead to proposing:

Proposition 1: Cultural distance is not always the determinant factor when it comes to choosing the markets to where Brazilian MNC's will internationalize their operations.

4.2. Psychic distance and management policies

In the present study, the interview was structured according to the parts of the psychic distance in the work of Ghemawat (2001), which were: administrative distance (educational level and politics system); cultural distance (culture, language and religion); and economic distance.

Though we aimed at the cultural distance between Brazil and the countries where the cases have units, some information on the other dimensions of the cultural distance were cited by the interviewees as well. As they were always related to the culture of the company, we opted for including these interview outlines in the results section.

We aimed to understand how cultural distance influences the organizational policies and practices once the company has internationalized.

Results showed, first, that cultural distance does change the organizational policies of the companies once they change from national enterprises to multinationals with operations in psychic distant countries. The following interview outlines, extracted from some of the interviews, were chosen to illustrate this result:

“What’s good for Brazil isn’t good for other countries.” (Alpargatas)

“(…) there is an attempt to standardize processes, even though local culture requires modifications.” (Bematech)

“(…) globalization history in Brazil is very recent (…) and our company has grown too fast (...). It is challenging for us to deal with different cultures, and there is a growing need to become better at adapting the policies in the company to those cultures (...) in order to control financial issues, deal with different customers (...) and retain better employees worldwide.” (Alpargatas)

As seen in the outlines above, the cultural distance has increasingly changing the policies of the companies in other countries. Research on developed countries show that they tended to adopt globalized policies in their foreign business units. The same thing seems to occur in Brazil, but the intensity is different. Some interviewees manifested the opinion that Brazil tends to adapt to the local culture instead of transferring the Brazilian policies.

“(...) our company sticks much closer to subsidiaries than do US multinationals that set up shop in Brazil. One of the features that makes this easier is the fact that managers have extensive international experience – some even have relatives in Spain – and this makes things much easier in terms of synergy and communication.” (Metalfrio)

Second, the results showed that the most important cross-country factors affecting the MNCs policies, according to NVivo index of coverage, were: language differences; political and economic issues; differences in educational background and religion issues.

Language differences were among those most often mentioned by interviewees as a barrier to Brazilian business abroad. Political and economic issues came second in terms of relevance to the company's business dealings. Among these issues, a new aspect found in the course of our study was the amount of times differences in legislation were mentioned. Interviews showed that, although legal frameworks have no impact on strategic aspects of the business, they may complicate ability to operationalize strategy in the company's day-to-day operations.

“Another difficult aspect in terms of legislation is the fact that salaries are very high in Europe. In Denmark, for instance, all salaries are set in stone. A factory employee makes 15000, the employee's boss makes 20000, and the other boss makes 25000.

There isn't much difference in terms of pay up and down the hierarchy, and salaries are very high. Here, a factory worker makes 1200 and the manager makes 20000.” (Metalfrio)

Differences in educational background were also mentioned as guiding which strategies will be adopted by the company in each country, as coming to rely on the local workforce is inevitable:

“There are several differences among our subsidiaries when it comes to the shift between high creative workers versus high disciplined workers. In Hungary, for example, there is a high level of technical education, but very low creativity for our business. Comparing Brazil, USA and Argentina, Americans have a much stronger tendency towards innovation and entrepreneurship than Brazilians and Argentineans do.” (Sabó)

Religious issues were represented more as a factor that affects minor daily workings of the company, such as feasts and holidays, or something that must be considered in terms of diversity by the organization's employees.

“One example is Mexico, which has a party at the end of the year, which is a feast for the patron saint of Mexico. They thought about doing it at the Christmas party, Santa Claus and all that, and you just can't do that over there.” (Metalfrio)

Third, results suggested that cultural differences are not only perceived when expanding into distant countries, such as India and China, but also in Brazil's Latin American neighbors, which are often thought of as being culturally close. Not all of the cases had subsidiaries in Latin America or Portugal; but in those which did, the perception of cultural distance as a challenge for adapting the local policies was quite the same as in the other cases. Some probable explanation given by the interviewees is that even the closest country in terms of

psychic distance can still have some cultural issues that will influence the day by day operations and the strategy, as seen in the outline below.

“Argentina and Brazil are very close, there is a very strong, intrinsic dispute (the soccer issue certainly comes first, but there is a series of other factors behind it), a very strong cultural change must be effected.” (Alpargatas)

In the interviews, we perceived that Brazilians were described as being creative and flexible, which was denoted as both strength and weakness of the country’s national culture. The outlines presented below explain better this perception of the interviewees.

“Brazilians are really creative, they have this way of saying “I’m gonna do this”, but will not always do it with proper timing and accuracy... and Americans expect them to.” (Alpargatas)

“In Brazil, you hire someone for a certain position and they know it will involve multitasking – at any time, you may require them to engage in some other activity, and you can count of them to do it without any issues; people actually feel motivated when asked to do something other than the job they were hired to do. In the US, it’s different; if someone’s contract says they will carry out certain functions, that’s all they’ll be doing, and you simply can’t ask them to do anything else. In Asia, for instance, people will not leave the office if their bosses are still there. The head of the department over there is Brazilian, and he often works late, even because of time zone issues, so he has to work very long hours at the office to stay in touch with Brazil. While he is at the office, people just won’t leave, so he has to push really hard for the other employees to go home. [The] cultural aspect is a critical factor for success – knowing how things work to avoid any attitudes that would be incorrect.” (Bematech)

Those findings show that cases tended to show cultural differences among Brazil and other countries, which did not stop the multinationals from having subsidiaries in these countries, but influenced their adaptation of global management policies to the local culture, which was also suggested by other studies (Martinez-Lucio and Ruiz, 2010). That leads to the following proposition:

Proposition 2: Brazilian multinational companies tend to adapt their global management policies to the local culture.

4.3. Impacts of psychic distance on management policies

After analyzing how psychic distance influences management policies, we then analyzed which management policies are most influenced. To make this assumption, we calculated the percentage of coverage of each of the coded topics using NVivo. Results showed that psychic distance affected, mostly: expatriation and human resources processes; HR policies such as compensation, selection, trainee and training programs; communication patterns; and processes level of structure pattern.

First of all, cultural distance will naturally complicate the expatriation process, as seen in the outlines below.

“Expats have this mission of taking the corporate culture from headquarters and taking it overseas, and you just can’t learn that in a year or two.” (Weg)

“Why expatriate? Because you want to carry the culture of one place into another place –

you want to take knowledge from one place to another. In this case, knowledge in Europe, in the US... there's still very little. It is indeed worthwhile to send people from Brazil over there, taking our knowledge of Brazil with them." (Metalfrio)

Nonetheless, in the cases we studied, there was a concern with reducing the number of expatriate employees, so that companies could rely on a local workforce which understands the culture of their countries of origin.

"Regarding people management policies, the culture of each country mostly affects compensation. And it also affects workaday policies, such as employee selection." (Weg)

"For instance, benefit packages may differ between countries, because in one country, insurance will be valued more highly; in another country, it will be health benefits; in another country it will be a company car. This will be dictated by legislation and by the local market." (Bematech)

"In the US, during a job interview, you can't ask about marital status, or whether someone has children, because this is viewed as bigotry. Conversely, in Argentina, if you don't ask about the candidate's family, they'll think the company is cold-hearted." (Alpargatas)

"Selection takes on a strategic meaning when the company begins internationalization, because you have to look for people in the market in a very fast and very accurate manner. Selection stops being a very basic process, like it usually is in most companies, and starts requiring a proactive stance. And it's still a bottleneck, every time." (Sabó)

Finally, in the companies studied, trainee programs were viewed as useful opportunities for fostering intercultural interchange.

"In order to do this exchange, there have been some experiences with youth, using the AIESEC program, bringing newly minted graduates from countries of interest to the company, such as the US, Canada, India, Japan.

It's an initiative that has students spend some time at the company, to exchange culture, language, technical knowledge." (Politec)

"Therefore, as the main benefits of this project, we have a cultural exchange, a trade in terms of each country's style; the technology part as well, although nothing is new to the company on this front; and also a major gain in Business English (not general English for conversation purposes, but technical jargon), including English as spoken in India, in Canada." (Politec)

These cases also showed the need for establishing a more effective communication system to allow the exchange of information between business units.

"An effective communication system, in which everyone who works with you knows where you are, what are the opportunities for your employees to come and go... it's very interesting, because it helps reduce employee turnover." (Bematech)

Interviewees mentioned the need to define and structure business processes as a necessity in order to deal with cultural differences between countries.

"Organizational policies need to be very well proceduralized [sic], that is, they must be set into very clear processes in order to expand into another country..." (Metalfrio)

“Processes are very well defined in our company, which really reduces cultural issues we would face in other countries.” (Sabó)

Findings showed that all those differences in the cultural distance have led the companies to adapt their policies, mostly their human resources practices. That leads us the following proposition:

Proposition 3: Psychic differences between Brazil and the other countries affect mostly human resources management policies such as expatriation, compensation, communication processes and level of definition of processes that will be adopted internationally.

5. CONCLUSIONS

Our study aimed to understand the relation between international strategy, cultural distance and the organizational policies and practices in multinational companies from developing countries.

Our findings first suggest that cultural distance is not always the determinant factor when it comes to choosing the markets to where Brazilian MNC's will internationalize their operations (proposition 1).

One could expect to see Brazilian MNCs establishing subsidiaries mostly in Latin America. On the contrary, they chose mostly countries with more market advantages and later dealt with the cultural differences.

Secondly, our results indicate that Brazilian multinational companies tend to adapt their global management policies to the local culture (proposition 2). In some cases, the cultural dimension was pointed as one of the most difficult challenges to the establishment of the subsidiary, since it was not part of the planning before the market expansion.

Third, findings showed that in regards to operational policies and practices, Psychic differences between Brazil and the other countries affect mostly human resources management policies such as expatriation, compensation, communication processes and level of definition of processes that will be adopted internationally (proposition 3). They had to be modified to reflect cultural characteristics of the employees of the foreign markets.

These results imply that multinational companies from emerging markets should consider cultural distance when planning their international strategies, mostly when revising their human resources policies. As a secondary contribution, the results also suggested that companies from emerging economies tend to adapt easily to other cultures because of their history of being colonized in the past. This is an issue that deserves deeper studies in the future.

As with every study, ours has limitations. Companies studied reflect the reality of Brazil and may have characteristics common to their country of origin (Shen, 2006). Thus, our study and model has to be replicated in other companies, either in Brazil or other emerging markets as a comparison.

For future studies, we suggest that these results are replicated in other countries and that the theoretical model is validated, continuing the development of this theory.

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