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Global Players from Brazil: drivers and challenges in the internationalization process of Brazilian firms

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Abstract

This chapter discusses general patterns of internationalization of Brazilian firms. It highlights the main determinants for internationalization, the main destinations, as well as the modes of entry that Brazilian firms employ overseas. The paper also discusses some aspects related to the technological capabilities of Brazilian firms that are related to their internationalization strategies, in terms of both the exploitation of such advantages and the search for technological assets abroad.

KEYWORDS: foreign direct investments, multinationals, emerging markets, internationalization strategies.

JEL CLASSIFICATION: F23, O19, O 54.

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1. INTRODUCTION

This chapter presents the main findings of a survey on the internationalization of Brazilian firms. Fundação Dom Cabral carried out the “Global Players” survey in Brazil in 2007. In the survey, internationalization is understood in a broad sense, where the first level is achieve *via* exports and evolves towards more complex activities, following the patterns proposed by the Uppsala model of internationalization (Johanson and Wahlne, 1977). Along with accumulated knowledge from diverse (mostly secondary) sources on the international operations of Brazilian firms, this survey is the key data source for this and the next empirical chapters.

Many Brazilian firms are intensifying their international presence and investing strongly overseas. Some of them are large and have established global prestige, becoming truly Brazilian multinationals, such as Vale, Gerdau, Petrobras, Embraer, Natura, Marcopolo and Odebrecht (van Agmael, 2007; Bartlett and Goshal, 2000). The first three cited firms are present in the UNCTAD top 100 Multinational Companies from Developing Countries (UNCTAD, 2009) and in other listings of emerging global players (Boston Consulting Group, 2009).

Brazilian firms are reaching overseas markets in a large variety of ways, but acquisitions have been widely broadcasted. In 2007, For instance, JBS- Friboi acquired Swift Armor, becoming the world’s largest meat processor (CEPAL, 2008); Gerdau also carried out important acquisitions in the northern hemisphere and dramatically increased its global presence. But there are several other potentially successful ways in which firms are gaining ground in foreign markets.

The growing internationalization of Brazilian firms gives rise to the need to understand the processes involved. From this many questions emerge, such as: how do firms enter foreign markets? Which activities are carried out abroad? Why do firms decide to internationalize? What are the main obstacles impeding firms to internationalize? Are they obtaining the expected benefits from internationalization? Such questions were seen as the main drivers of a survey on the international activities from Brazilian firms.

The purpose of this chapter is to present the database utilized for the upcoming empirical chapters of this thesis. We highlight the main modes of entry and country of destination of Brazilian multinationals, as a way to profile their patterns of foreign investments.

The chapter is structured as follows: the following section briefly describes the methodological aspects of the survey; section 3 focuses on the modes of entry and destination of Brazilian investments. Section 4 deals with the main obstacles for a stronger internationalization, as perceived by Brazilian firms. Section 5 finalizes with a discussion.

2. THE GLOBAL PLAYERS SURVEY

The “Global Players from Emerging Markets” survey is a comprehensive effort to understand the internationalization of Brazilian firms. Aiming to cover as many firms as possible, the questionnaire was submitted to the one thousand largest domestic firms, without any previous cut point based on foreign activities.

The survey aimed to capture the perceptions of investors through three main categories of analysis: general information of the respondent and the firm (sector of operation, revenues and assets, capital governance); characteristics of the international operations (determinants, locations, mode of entry, main competitive advantages, largest profits market), and reasons for not investing overseas (information on eventual previous activities, reasons for giving up, future plans). Information is self-reported and most questions apply a Likert scale of 1 to 6 in order to rate the levels of agreement of the respondents. Most respondents are the CEOs or presidents of the company in question

The underlying theoretical approach of the Global Players survey is the Uppsala model of internationalization, which posits that firms will internationalize in stages, increasing their foreign market commitment as their knowledge intensify, thereby reducing uncertainty and information imperfection. The idea of stages of internationalization also considers psychic distance as a limiter to foreign expansion; so the expansion to further and less similar markets also occur after some knowledge and experience is accumulated.

Internationalization is, therefore, a gradual movement: from exports, export support operations (sales, post-sales, marketing), to more committed forms of expansion, such as procurement (closer relations to suppliers and/or customers), complete and incomplete manufacturing, and R&D.

The response rate was around 10% for Brazil –93 valid questionnaires were returned. Whereas this might seem too small a return rate, or a too small sample, one must acknowledge that the amount of Brazilian firms that are truly internationalized is rather small – and those who do not comply with the main subject of the questionnaire might have not felt compelled to respond it. A share of 78% of the responding firms have some kind of activity abroad; 13.9% had no activities abroad, and 23% of those with no operations abroad have given up previous attempts to internationalize.

The next section presents the main results from the Global Players Survey.

3. GENERAL CHARACTERISTICS OF THE INTERNATIONAL ACTIVITIES OF BRAZILIAN FIRMS

The actual number of Brazilian multinationals is quite unclear, and some existing statistics can be rather misleading in this regard. The Central Bank database show that around 800 firms report some sort of foreign investments, but this number might be inflated by, mostly, fiscal-driven investments of individuals (however registered as a juridical person) rather than firms. The group of firms with significant amounts of foreign investments is much smaller - some studies believe to be of around 100 while others, less than 30 (De Negri and Salerno, 2005; ECLAC, 2008; Fleury, 2009). Regardless of the actual amount of firms investing abroad, a recent ranking of Brazilian firms by their foreign assets reveals that Brazilian investments abroad are very concentrated in a few firms, and the three largest investors respond for three quarters of all foreign assets from Brazilian firms abroad (FDC & CPII, 2007; FDC 2008). In summary, there are around 50 significant Brazilian players in the international scenario, and an increasing number of firms attempting their first steps towards internationalization.

Having this in mind, the sample of 93 firms that answered the Global Players survey is quite representative, considering the universe of Brazilian firms that in fact have international operations. Foreign assets reported by the respondents represent 25 percent of the total of foreign assets owned by Brazilian firms in 2006 – a total of US$ 22 billions, according to UNCTAD (UNCTAD, 2007).

The responding firms originate predominantly from southern states: 78.5 percent of firms are from the Southeast or South regions. The state with more firms in the survey is Sao Paulo, which responds for 37.6 percent of firms from the sample, followed by Santa Catarina, Minas Gerais, Rio Grande do Sul and Paraná.

Firms from the sample are from a wide range of industrial sectors: food& beverages (9,7%), agricultural products (7,5%) and construction/construction materials (11,8%). Services industry has a significant share in the sample (32%). Regarding firm size, 92 percent of the sample is composed of firms with more than 500 employees. Chemical/petrochemical/oil, gas and energy industries represent together 8,6 percent of the sample (Table 1).

Table 1: Sector distribution of firms from the sample

Sector	Nr. firms
Food & Beverages	9
Wholesale & Retail	8
Construction	6
Automotive & Aeroespace	5
Rubber & Plastic	1

Construction materials	5
Pulp & Paper	3
Textile, apparel & Shoes	6
Eletronic equipment	3
Pharmaceutical, Hygiene & Cosmetics	2
Metalmechanic	1
Chemical & Petrochemical	6
Mineral extraction, Oil & Gas	2
Agroindustry	7
Communication Services	2
Transport Services	7
Financial Services	3
Consulting, Auditing, Advertising & other professiona services	4
Mettalurgy & Siderurgy	6
Technology (IT)	1
Energy	6

Source: Elaborated by the author with data from the Global Players

3.1. Geographic dispersion of Brazilian investments

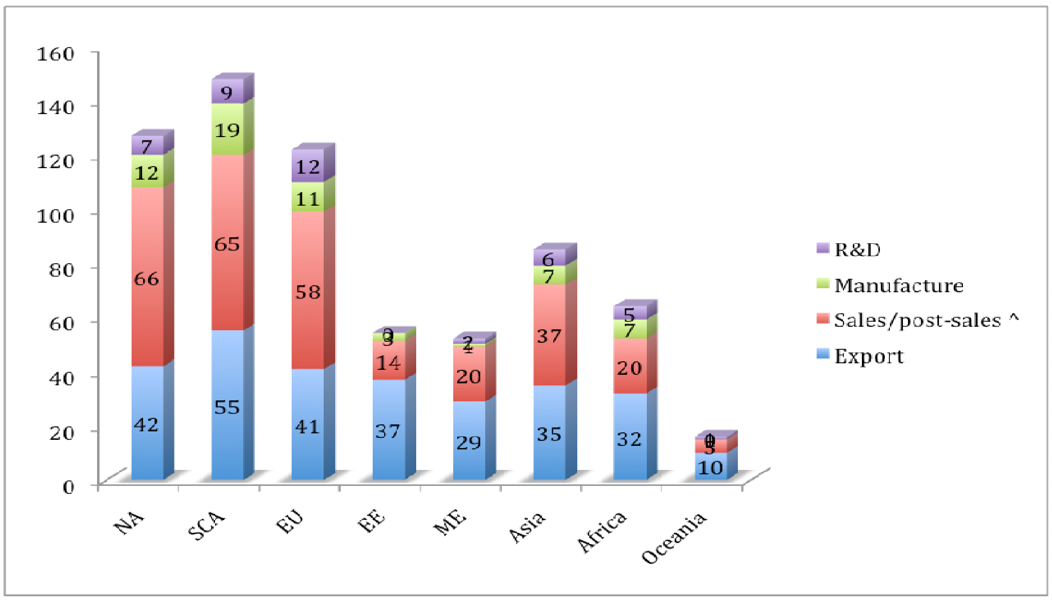
Brazilian firms have a historical preference for geographic and psychic proximity as their main target markets (Rocha, 2002). The earlier overseas investments by Brazilian firms in the 1980s had a strategic preference for Latin America. Metal-mechanics, construction and engineering went preferably to South America; North America was the favorite destination of investments from the oil industry (Lopez, 1999).

The motivations for those choices ranged from the geographical proximity, strategic presence and the cultural similarity observed in those countries. Hence, we can say that physical and cultural proximity were important features when firms had to make their first movements overseas, in line with the assumption of the Uppsala theory of internationalization. The recent information collected from the Global Players on the investments destinations show that this pattern still holds.

South and Central America is the favorite region chosen by Brazilian investors, responding for the largest share of investments: 23.2 percent. The European Union, with 19.2 percent of investments has the second largest share of investments. Portugal has a strong cultural proximity to Brazil and plays an important role as a European destination for Brazilian investments. Asia hosts 13.3 percent of Brazilian investments and is a continent of growing interest, where some strategic partnerships have been made between local and Brazilian firms and production facilities have been set up (such Sadia in Russsia[1], and Marcopolo[2] and Embraer in China) (Graph 1).

This behavior is in line with what has been discussed for multinational corporations in general. The specialized literature has observed that multinationals have, indeed, a tendency to cluster in neighboring regions, particularly in the earlier stages of their internationalization process (Goldstein, 2007). For long, scholars have referred to the movement of developed countries multinationals as a 'triadization' (Chesnais, 1993), or have claimed that the globalization process is more a regionalization (Rugman and Doh, 2008). In this sense, Brazilian investments behave similarly to most multinationals around the globe, being them conventional or emerging multinationals

Graph 1: distribution of foreign operations per region.



Source: Elaborated by the author with data from the Global Players Survey, 2007.

^ Sales and post sales activities include marketing and procurement.

South American countries are important trade partners for Brazil, especially with the establishment of free trade agreements, such as the Mercosul. North America has the advantage over other regions for being relatively closer – therefore implying cheaper transportation costs. Moreover, the Americas as a whole receive most investments also due to the presence of fiscal havens, which

[1] The joint-venture was terminated in 2009 after the company suffered huge losses with the financial crisis.
[2] Production was paralyzed due to the financial crisis in 2009.

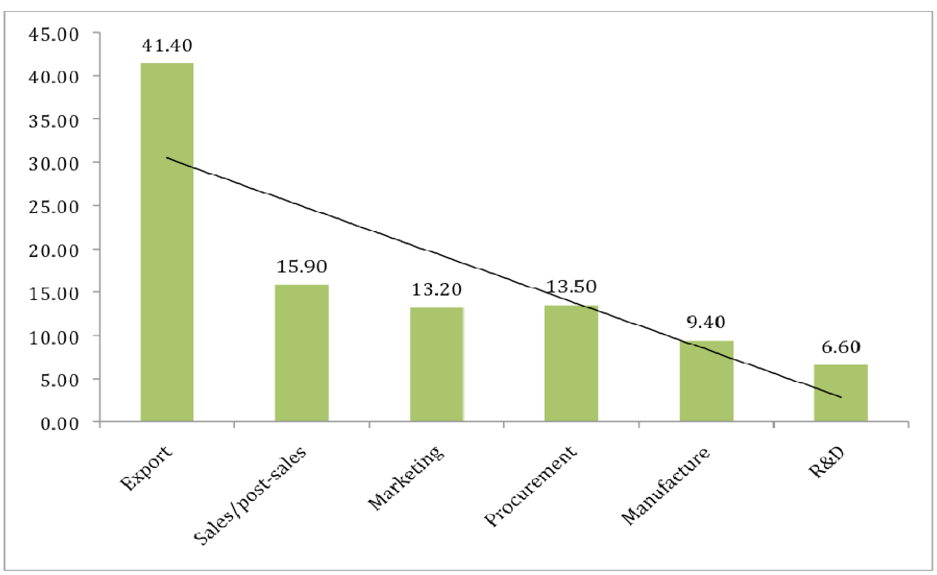
historically have received a significant share of Brazilian foreign direct investment FDI (Lopez, 1999; Villela, 1983).

As one would expect, the American continent also concentrates foreign revenues of Brazilian firms investing abroad. North America responds for 22.7 percent of them and South and Central America (except Brazil), for 32.3 percent. Revenues from the European Union represent 18.3 percent of foreign revenues. 1 It is worth mentioning that the question on revenues does not discriminate between revenues of foreign subsidiaries and exports; therefore these numbers represent the international operations of these firms in a broader sense.

Regarding the types of activities that Brazilian firms carry out overseas, exports is the main one, which means that most firms are still in their first steps towards international insertion. Operations related to export support, such as sales offices, post-sales services, marketing and procurement are also significant in the realm of international activities of Brazilian firms (Graph 2). Productive and R&D, those that refer to a top commitment level, have a smaller share among Brazilian investments. The table showing the distribution of activities abroad have a shape that evokes the gradualism observed by the Swedish school (Johanson and Vahlne, 1977).

Manufacturing activities are gaining importance as more and more firms pursue the internationalization of their productive facilities. More than one third of the respondents have some kind of manufacturing facility, either complete or partial. South American countries are again the main destination for this type of investment (31.7%), followed by North America (20%) and European Union.

Graph 2: Activities carried out abroad (%)



Source: elaborated by the author with data from the Global Players Survey.

It is interesting to notice that most R&D activities carried out by Brazilian firms abroad chose European countries as destination (28.5%), whereas North and South America are the preferred regions to establish manufacturing facilities (20 and 31.7 %, respectively). In Europe, around 22 percent of firms are from the food sector, a sector in which Brazilian firms have intensive R&D expenditures (Carvalho, 2010). In North America, firms concentrate on automotive and aerospace, and on textile and clothing (29.6% altogether). South America has the most diversified set of investments, but agro-industry and construction material lead (22.6 % each).

In resume, the survey indicates that Brazilian firms are internationalizing in various destinations, activities and sectors, intensifying a trend that started already in the 1970s. Next sections will describe the modes of entry of Brazilian investments, deal with some of the determinants of the internationalization and also its obstacles, helping to explain the low commitment of firms.

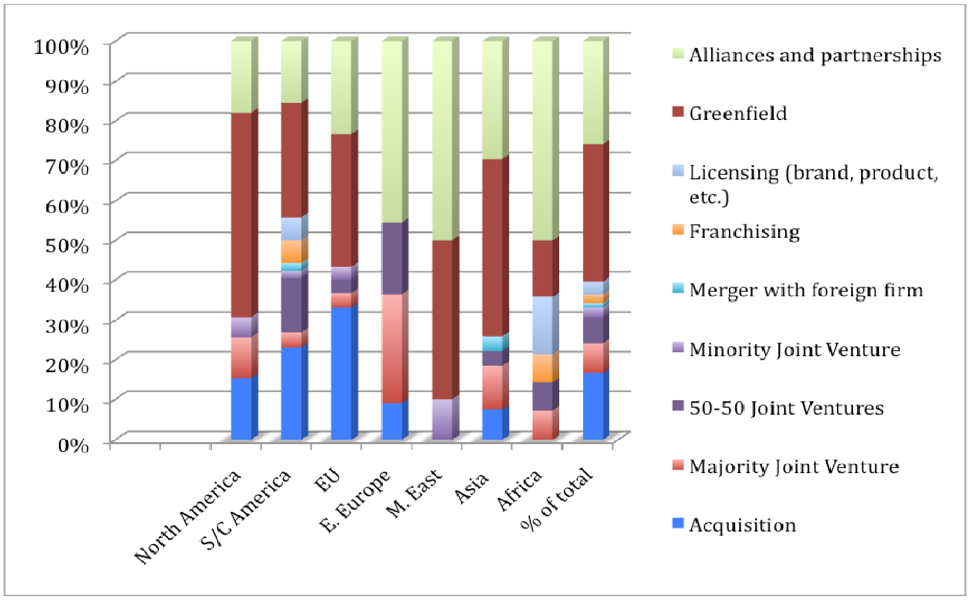
3.2. Modes of foreign entry

The entry mode of a firm in a foreign market is an important strategic decision that determines, among other things, the amount of resources committed to a specific investment and also the depth of such commitment. The entry mode is influenced by the same factors that influence investments *per se*: firm ownership advantages, location advantages of a market and internalization advantages of keeping the business under the firm's realm (Dunning, 1993). In this sense, whether the firm decides for simply exporting to a foreign market, to establish a partnership with a local entrepreneur, or enter the market with a whole new sole business

Multinationals from emerging markets have shown a preference for entering markets (especially the developed ones) *via* acquisitions. They might be looking for markets, takeover established brands, access existing distribution channels, and, the biggest of all motivations, to access the already existing technology and scientific knowledge (Goldstein, 2007).

In the case of Brazilian firms covered by the survey, the preferred mode of entry is Greenfield investments (34.4%), followed by alliances and partnerships (25.8%). Acquisitions and joint ventures come in third, with 16.6 percent and 16.7 percent, respectively. Majority shared and equally shared joint ventures are preferred over minority ones. Most Greenfield investments take place in North America (31%), followed by South America (23%) and European Union (15%) (Table 3).

Graph 3: BraziLian investments - Modes of entry by region of destination



Source: Elaborated by the author with data from the Global Players survey, 2007.

Franchising, mergers and licensing were the modes of entry of less than five percent of respondents. An earlier study on ownership structure of Brazilian investments abroad (Barreto and Rocha, 2002) revealed a cultural preference, for wholly owned subsidiaries overseas. Such preference is characteristic of all multinational enterprises.

Overseas acquisitions have gained strength in the past years, especially due to the stabilization of the Brazilian economy and the appreciation of the Brazilian currency face to the dollar. The latter has made acquisitions much cheaper, especially in the USA (Box 1). Large firms with an international strategy have taken this opportunity to expand market range and access natural resources that were not available in the domestic market – as did Vale with the acquisition of Inco Steel in Canada, Votorantim with the acquisition of US Zinc, Gerdau acquiring Chaparral Steel, and some others (CEPAL, 2008).

Box 1: main acquisitions from Brazilian firms abroad – 2007/2008

	Acquiring	*Acquired*	*Country*	*Value US$ mi*	*Sector*
2007	Gerdau	Chaparral Steel	USA	3.974	Steel
	Gerdau	Qanex Corp	USA	1.458	Metallurgy
	JBS Friboi	Swift Co.	USA	1.400	Food
	GP Investimentos	Drilling Rights and E&P	Argentina, others	1.000	Oil
	Vale	AMCI Australia	Australia	786	Mining
	Votorantim	Acerias Paz del Rio	Colombia	494	Recycling
	JBS Friboi	Inalca	Italy	329	Food
	Votorantim	US Zinc Group	USA	295	Steel
	Gerdau	Grupo Industrial Feld	Mexico	259	Steel
	Gerdau and Kalyiani	SJK	India	170	Steel
2008	Magnesita	LWB Refractories	Germany	952	Manufacturing
	JBS Friboi	Smithfield Beef Group Inc	USA	565	Food
	Gerdau	Sidenor Spain	Spain	287	Metallurgy
	JBS Friboi	Tasman Group	Australia	148	Food
	Votorantim	Cia Minera Atacocha	Mexico	145	Mining

Source: ECLAC, Foreign Direct Investment in Latin America and the Caribbean, 2007,2008.

3.3. Determinants of outward investments

According to the survey, access to new markets was main determinant for international operations of Brazilian firms, with the second top reason being the desire of shareholders and top managers. In third comes the need to reduce risk from operating in a single market through geographic diversification. The risk from operating solely in the domestic market has two natures: the dangers of an economic slowdown, and the increasing competition from abroad.

Some aspects of the Brazilian economy had a crucial importance in pushing the growth in outward FDI in the past years. A strong factor is the fact that, for several years, the growth rates of the

Brazilian economy were not enough to sustain the expansion of markets, and during the strong economic slowdown of the 1980s, in order to survive, firms had to look for alternative sources of growth – by looking at foreign markets, for instance.

Indeed, the intensification of the competition from foreign firms in Brazil since the 1990s was another driver for the internationalization of Brazilian firms. Competition got stronger with economic openness to foreign products and to the massive entry of foreign direct investments (SOBEET, 2007). Such competitive conditions have impacted on the strategic decisions of firms and their expansion towards international markets becomes less of an option and more of a necessity.

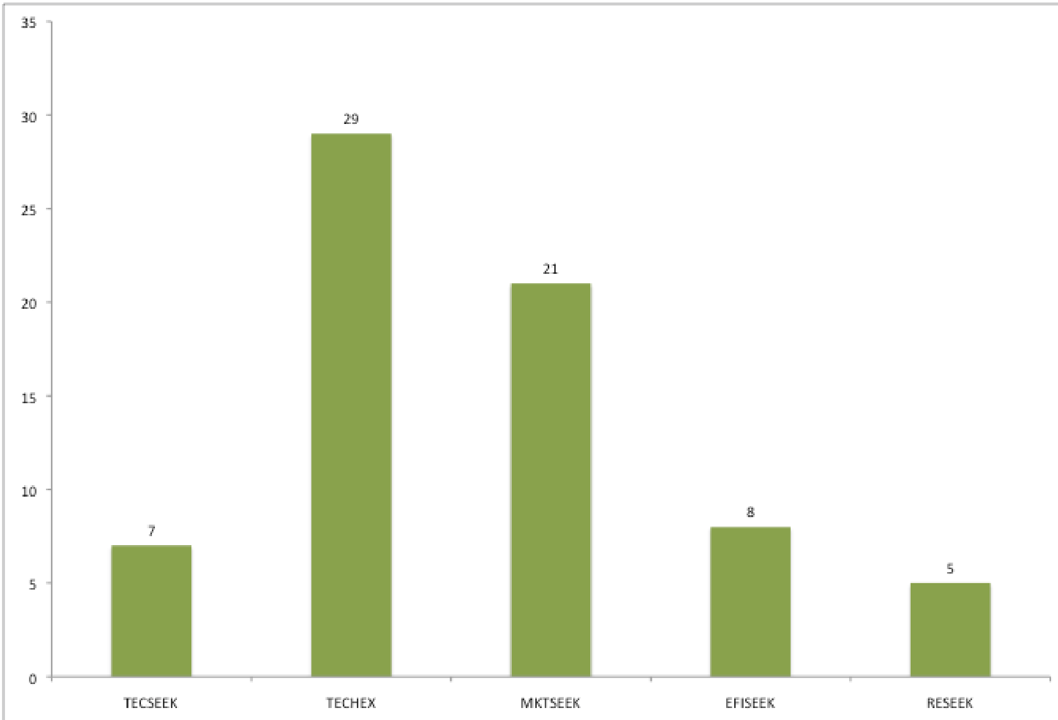
Similarly, regarding the individual decisions of managers and shareholders, internationalization is a desirable strategy because it strengthens the positive reputation of the firm in the local market – a desirable feat, in times of tight competition with major brands in both global and home markets.

The need to overcome trade barriers is not a main driver to the internationalization of Brazilian firms from the sample. The importance attributed to this factor was quite low, an average of 2.7. However, the same factor was the fifth listed by non-investing firms as the main barriers to internationalization.

In order to have a clearer view of the determinants of internationalization, we grouped some of the motivations named in the survey into five categories: technology-seeking (TECSEEK), technology exploiting (TECHEX), resource-seeking (RESEEK), efficiency-seeking (EFISEEK) and market-seeking (MKTSEEK) motivations.

The highest-scored determinant was technology exploiting. The statements concerning this determinant referred to "the opportunity to exploit internationally the technological and managerial capabilities of the firm", "the opportunity to exploit product differentiation capabilities" and "the opportunity to exploit firms' brands and patents internationally". Thirty one percent of firms from the sample reported being drawn by motivations of this nature. Market seeking motivations were the second strongest determinant of Brazilian operations abroad, with 22.6 percent (Graph 2). Resource-seeking investments were the less important motivator for the firms from the sample. This is in line with what the firms have reported as being their strongest competitive advantages overseas – access to natural resources, which hence explains why the low need to search for them abroad.

Graph 2 – determinants of internationalization – number of firms



Source: elaborated by the author with data from the Global Players Survey.

The motivation "learning of new competencies" was the third highest ranked response. This reflects the still shy but growing movement of Brazilian firms to technology-seeking FDI *vis-à-vis* technology-exploiting, which has a strong presence among Brazilian investments. This confirms that knowing how to do business in adverse environments such as emerging markets is still a strong competitive advantage of Brazilian firms – and that more and more Brazilian firms are going overseas in search for such advantage.

3.4. Technology, competitiveness and internationalization

According to Dunning (1993: 287), "*technology (….) determines the way in which natural resources and created assets are managed and utilized to produce valued outputs*". Technological capabilities are undoubtedly a central ingredient in economic development and in the success of firms. Technology is therefore an important component of the ownership advantages (O) of firms.

Technology is analyzed in the internationalization process from two perspectives: as a key competitive asset, and as the object of pursuit by firms willing to augment its portfolio of physical assets and human competences (Dunning and Lundan, 2008). The Global Players survey discusses both dimensions of technology and their relationship with the internationalization of Brazilian firms. They refer to technology as a competitive advantage of firm, and also as an asset to be sought after. This section investigates how firms evaluate those capabilities and their strategic value as a competitive asset in foreign markets.

Firms were asked about their positioning in terms of competitive advantages *vis-à-vis* their main international competitors. Twenty-one aspects of competitive advantages were listed and respondents had to give a value from 1 (internationally very weak) to 6 (internationally very strong). Table 4 below lists the categories of competitive advantages, and the average rate reported by the respondents of the survey.

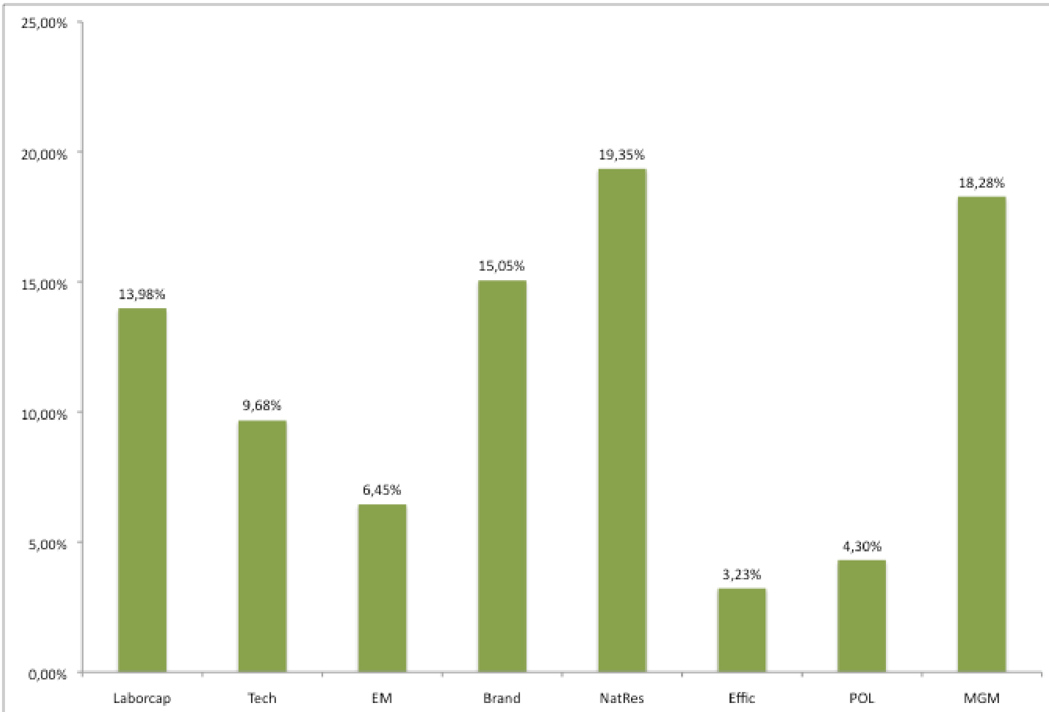
Table 4: Competitive advantages of firms in international activities

Label	Competitive Advantage	Mean
MGM	Capability to respond to the expectations of foreign customers	4,53
TECH	Modern, efficient equipment and plants	4,32
EFFIC	Vertical control of value chain	4,09
MGM	Competence to supply global niche markets	4,02
LABOR	Qualified labor at competitive costs	3,97
MGM	Competence to manage foreign portfolios	3,97
EFFIC	Operational/cost efficiency	3,96
TECH	Innovation capability	3,94
TECH	Competence in international supply chain	3,91
BRAND	Brand/ international reputation	3,88
EM	Advantage to operate in emerging markets conditions	3,84
BRAND	Stronger, diversified international presence	3,73
NAT	Access to natural resources al lower costs or favorable conditions	3,67
EFFIC	Access to lower cost capital	3,55
LABOR	Access managerial , technical or scientific pool of talents	3,55
EFFIC	Sinergy in business activities whithin the group	3,52
TECH	Better support services	3,52
EFFIC	Scale advantages	3,39
EFFIC	Supporting services and resources from the *holding* firm	3,19
POL	Favoured access to international distribution channels	3,08
POL	Good relationship with Governments and regulatory institutions	2,95

Obs: EFFIC means efficiency advantages; LABOR means HR advantages; TECH means technological/innovative advantages; BRAND means brand advantages; EM means advantages in operating in emerging markets; POL means political and institutional advantages; MGM means managerial advantages.

We then grouped the competitive advantages according to common features. These groups are: labor capabilities (LABORCAP), technological capabilities (TECH), capability to operate in conditions of emerging markets (EM), brand advantages (BRAND), natural resources (NatRes), efficiency advantages (EFFIC), political advantages (POL) and managerial capabilities (MGM).Those groups are listed on Graph 3 below.

Graph 3: Competitive advantages of Brazilian firms



Source: elaborated by the author with data from the Global Players Survey, 2007.

(Note: The cutting point was the response of at least 4 to the advantages categories)

The survey respondents identified their access to natural resources as the strongest competitive advantages of Brazilian firms abroad. These are followed by managerial competences, and brand-related advantages. This means that the success of Brazilian firms rely on their '*Brasilidade*', or the Brazilian way to do business. That is especially true when firms operate in similar markets, where they can replicate their capacity to deal with instability and unexpectedness, heritages of the worst economic years of the domestic economy (Villela, 1983). It is also a consequence of South and Central American markets being the most important origin of foreign revenues.

The importance of natural resources as an advantage of firms is also a consequence of the country's dimension and rich natural diversity. It is also derives from the strong share of firms with exporting activities in our sample. Exports accounted for 41 percent of all activities reported by the respondents. It is worth reminding that natural resource-related exports (*commodities*) respond for more than 40% of total Brazilian exports (Almeida, 2009).

Complementarily, firms were asked about the main strategy behind the international insertion of the firm, and had to rank the top two. The leading strategy was to boost comparative advantages through exports; the second most important strategies pursued by firms *via* international operations is the search for new knowledge, followed by brand globalization.

The search for technological assets that are not available to firms in their domestic markets is an important driver of foreign investments in general, and has become a central motivation for firms from emerging markets to internationalize (Matthews, 2002; Dunning *et al.*, 2008; Dunning and Lundan, 2008). In Brazil, technology-seeking investments respond of only 7.2 percent of our sample (Graph 2), but the recent increase in foreign acquisitions might be a signal that more investors are seeking to augment their strategic through such investments.

What we apprehend from the information on the competitive assets is that Brazilian investors do not acknowledge strong, consolidated capabilities, but have anyway intensified the international expansion of activities. On the other hand, firms seem to have acknowledged the importance of learning from foreign experiences and have placed it among their main strategy. Even though few firms from the sample have a technology-seeking determinant for internationalization, Brazilian firms seem to be following the same trend of other emerging markets, accelerating internationalization in order to gain competitive assets, rather than relying on O-advantages, and later internationalize (Matthews, 2002).

4. OBSTACLES TO INTERNATIONALIZATION: WHY SO FEW FIRMS VENTURE ABROAD?

An important aspect of analyzing the internationalization process of an emerging market such as Brazil deals with understanding the reasons why firms do not internationalize more and in more committed levels, with few going beyond the internationalization *via* exports. The reasons why firms are not operating in foreign markets are from distinct natures: it might not be feasible due to the nature of certain businesses, even not profitable, it might not be the desire of its owners/shareholders; in other cases, the domestic environment might fulfill completely the demands of the firms and provide a desirable turnover. Moreover, economic conditions, both locally and internationally, might make difficult for some businesses to expand overseas.

In the survey sample, 17 firms have reported not having any kind of international insertion; three firms reported having given up former international ventures.

Table 5: main barriers to internationalization of firms

	Average response
High tax costs from Brazil	4.4
Domestic market fully satisfies growth expectations of firm	4.3
High financial costs to finance operations	4.3
High logistics costs	4.3
Trade barriers from abroad	3.8

Source: elaborated by the author with data from the Global Players Survey.

For the firms in the sample that reported not having activities overseas, tax burdens and the high cost of funding are identified as its strongest barriers (Table 5). The second most important reason not to internationalize is the fact that firms consider that the domestic market fulfills their growth and profitability expectations.

Among the reasons for giving up foreign investments, two responses obtained the higher scores: "change in the company's internal priority" and "emergence of more interesting business opportunities in the domestic market". Again, the domestic success argument is presented as an obstacle to internationalization.

This raises some interesting aspects of the specific condition of firms in a country like Brazil. First, there seems to be few incentives to invest abroad, and somehow most entrepreneurs wait for a stronger reason to move any further – a heritage of long periods of market protection and government ruling the state of the economy. Second, there seems to be a lack of interest in venture in overseas markets when the domestic one provides the dynamism that the firm needs. The lack of knowledge about foreign markets, their culture, consumer preferences, the competition – is also a barrier to internationalization.

One might say that the shy movement of Brazilian firms towards global markets is a consequence of the long years of closeness and self-centered economic growth, characteristics of an inward looking, import substituting industrialization. However, more and more firms are giving signs that they have overcome the country-centered vision of businesses and adapted their strategies in accordance to an increasingly competitive and globalized world. This is a feat worth to be noticed, especially when it comes to such a rich and large country as Brazil.

5. DISCUSSION

This chapter highlighted the general results from the Global Players survey, which investigated Brazilian firms from diverse sectors and the main characteristics of their pattern of international insertion in the late 2000s, in terms of location, determinants, modes of entry, activities and competitive advantages. The survey indicated that, though incipient, Brazilian firms are making stronger, deeper moves towards international markets. This chapter tried to provide a deeper understanding where, why and how they are moving.

Even though present in a diverse array of sectors, the most significant investments are in natural resources sectors. Consumer products industry leads with 26 percent of the sample, while oil/gas and energy related industries represent 15 percent.

Companies still prefer investing in countries that have a proximity to Brazil, either by geographic, cultural of historical ties – though more developed destinations emerge as recipients of more qualified activities, such as R&D. Exports are the main internationalization strategy, but firms are increasingly making efforts to expand beyond exports – for which greenfield investments are the preferred mode of entry.

In general, Brazilian firms perceive their strategic competitive assets as weak *vis-à-vis* their foreign competitors, but are willing to improve competitiveness by searching for knowledge and capabilities in foreign markets.

Technology seeking investments are rather scarce, but firms acknowledge that the search for new knowledge is among their main internationalization strategies. Whereas this may seem contradictory, it signals that, though not the main reason driving firms to internationalization, the search for new knowledge is clearly in the agenda.

The increasing efforts to internationalize beyond exports have recently become a topic in the Brazilian government agenda, and a change is perceived in the government's belief that the internationalization of Brazilian firms is positive to economic growth and development. For a long time it has been debated that the only way to grow and develop is through increasing exporting efforts of Brazilian firms. A recent study by the Government's think tank IPEA has suggested that innovation and further levels of internationalization improve the export performance of firms (Arbix, G., Salerno, M., De Negri, J., 2004).

An important consequence of this change of perspective is the recent government decision to support national conglomerates with funds from the Brazilian development bank, BNDES (Valor, 2010). The development bank had a direct or indirect role in some of the most important foreign acquisitions by large Brazilian groups, such as JBS Friboi, Bertin and the merger of Sadia/Perdigão, all examples in the foods industry (Almeida, 2009). The initiative is relatively similar to the Chinese "Go Global" strategy (UNCTAD, 2006; Child and Rodrigues, 2005).

There are limitations in an analysis based on a survey. First, we cannot generalize the findings to the whole of Brazilian firms that are pursuing international expansion. The small size of the sample is a limiting factor, especially for further empirical investigations. However, we believe that this sample has its importance more due to its theoretical relevance than to its statistical representativeness (Davidsson, 2005, cited in Arbaugh *et al.*, 2008). In this sense, we believe this chapter added some new insights into the internationalization process of Brazilian firms.

The next chapters will approach the subject of internationalization, competitive assets and technology more in depth. We then will try to understand to what extent firms are using the internationalization strategy to increase knowledge, and how they are attempting to do so.

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