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Title of the Master's Thesis:

External and Internal Influence Factors of European SME's
Choice of Entry Strategy to Brazil

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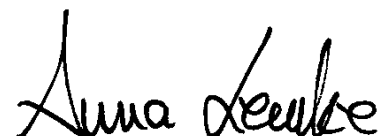
D e c l a r a t i o n o f A u t h e n t i c i t y

I hereby declare that the Master's Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Place, Time

Prague, August 20. 2014

Signature

A handwritten signature in black ink, appearing to read 'Anna Leube', written in a cursive style.

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External and Internal Influence Factors of European SME's Choice of Entry Strategy to Brazil.

Abstract:

Brazil, as one of the BRIC countries, has been on the map of international expansion for years. A broad number of multinational companies have been present in these market for decades but also the number of SMEs expanding to Brazil has been growing constantly. This study intends to take a closer look at prominent external and internal influence factors of the choice of entry strategy to a foreign market and evaluates their relevance to the entry strategies of Medium Size Businesses from the DACH region and the Netherlands who have previously expanded to Brazil.

Keywords:

International Strategy, Mode of Entry, SME, Brazil

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III List of Abbreviations

BCDB	Banco Central Do Brasil (Central Bank of Brazil)
BOT	Build – operate – transfer
DACH	Germany – Austria – Switzerland
ECSIP	The European Competitiveness and Sustainable Industrial Policy Consortium
EIM	European Investment Monitor
FDI	Foreign Direct Investment
JV	Joint Venture
SME	Small and Medium Sized Enterprise
WOS	Wholly Owned Subsidiary

1 Introduction

International trade: a word as old as civilization itself and closely linked to the evolution of modern society. Trade between nations and across continents goes as far back as the Roman Empire or the Arabian nomads, trading silk and spices in the Far East. From the middle ages, to industrialization to modern society, the word has evolved into a concept that has been researched and studied in a variety of angles and has become a vocal part of today's global economy. As a result, a variety of academic literature has been written on the topic and many theories and frameworks exist that supposedly guide companies in their decision to expand to a foreign market.

Especially the strategies of large corporations have been vastly discussed, but also the international expansion of SMEs is gaining continuous importance in academic circles. Foremost in Europe, SMEs have long been regarded as the backbone of economy. However, according to a recent report by ECSIP, relatively few SMEs are doing business beyond Europe, though the number is growing (ECSIP 2013).

One of the countries that has gotten numerous attention in the media as well as from the side of business and academics is Brazil. With its steadily growing economy, young population and vast natural resources combined with important sporting events taking place, it is on the top list of international investors (Handelsblatt 2014).

This paper takes a closer look at the link between those three mentioned aspects: the choice of international entry strategy, European SMEs and the country of Brazil. In detail, the goal of this study is to evaluate the relevance of prominent frameworks and the defined external and internal influence factors to the choice of entry strategy for SMEs from the DACH Region and the Netherlands, when expanding to Brazil.

In order to achieve this goal, a general overview of the internationalization activities of SMEs in Europe is given, followed by a detailed literary review of existing theories in regard to influence factors in the choice of entry strategy. Out of this review, a general framework is created which serves as the basis of the analytical part. Here, 14 company representatives as well as two industry experts were interviewed in order to evaluate the relevance of the external and internal influence factors determined in the literary review. Finally, the paper provides an

overview of the current influence factors relevant for SMEs expanding to Brazil and comments on the relevance of the previously discussed theoretical frameworks.

2 Research Objectives

This thesis unites several research objectives to present a holistic overview of the influence factors in the choice of market entry strategies used by European SMEs who are expanding to Brazil.

First, because this paper is focused on an expansion to Brazil, this fast growing economy will be examined in detail, using a PESTL analysis approach.

Second, existing research on the topic of internationalization strategy and namely influence factors that take weight in the decision in regard to the entry mode decision will be discussed. Here, the aim is to provide a snapshot of the status-quo of academic literature on this topic.

Thirdly, the analytical part of the thesis is focused on a qualitative analysis of European SMEs in the DACH Region and the Netherlands who have expanded to Brazil and aims to evaluate the theoretical influence factors defined in the literature review and their relevance to the decision making process of the SMEs.

3 Methodology

In order to provide a detailed overview of current academic literature on the topic, an extensive desk research was carried out, using current publications in the form of books, journal articles as well as a variety of reports of national and international institutions such as the EU, WTO, and IMF as well as analytical report by consultancy companies. Through this secondary research, a list of external and internal influence factors was identified, which was then tested against the actual expansion strategy of SMEs.

The external and internal factors most relevant for SMEs in regard to their expansion strategy were analysed in the form of qualitative interviews. Each interview was based on a previously compiled interview guide and was conducted with a representative of the company being involved in strategic expansion strategies. Each interview lasted for about 30 minutes and took place either in person, via phone or online.

In the final part of this paper, the theoretical and practical findings are compared and a general analysis along with recommendations is presented.

4 Limitations

Certain limitations have to be pointed out in order to clearly define the scope of this paper. The analysis is drawn from primary and secondary data and concluded in an objective manner. It focuses solely on medium SMEs. The European Union defines SMEs as following:

- < 250 Employees
- < 50 million € annual turnover
- < 43 million € annual balance sheet total (European Commission 2005)

Since this study focuses on the DACH Region and the Netherlands and the term “Mittelstand”, which is of crucial importance for the German economy is set broader than the European standards, the scope of this study was widened: In order to qualify as a medium SME and to be able to take part in the analytical study underlying this thesis, a company had to fulfil the following criteria, according to the definition of “Mittelstand”:

- No separation of management and ownership
- Annual turnover of less than 80 million € (BDI 2008)

All companies included in the qualitative part are currently operating in Brazil. No distinction was made as to when the SMEs were started.

Additionally, though the title indicates the research on “European SMEs”, it has to be mentioned that in order to obtain a clearer picture and not have too many factors dilute the

results, this study solely focuses on SMEs in the DACH region as well as the Netherlands. As for the industry, the focus lies on industrial companies and consumer goods.

5 Internationalization of European SMEs

Looking at recent market data on SMEs in the European Union, it is no surprise that export and import are the two most common modes for SMEs to step into international business (compare Figure1): 25% of SMEs within the EU27 export, of which about 50% also go beyond the internal market. In addition, 7% of SMEs within the EU27 are involved in technological co-operation with a foreign partner, 14% are subcontractors to a foreign party or have a subcontract with a partner outside the EU at 2% are active in FDI (EIM 2010).

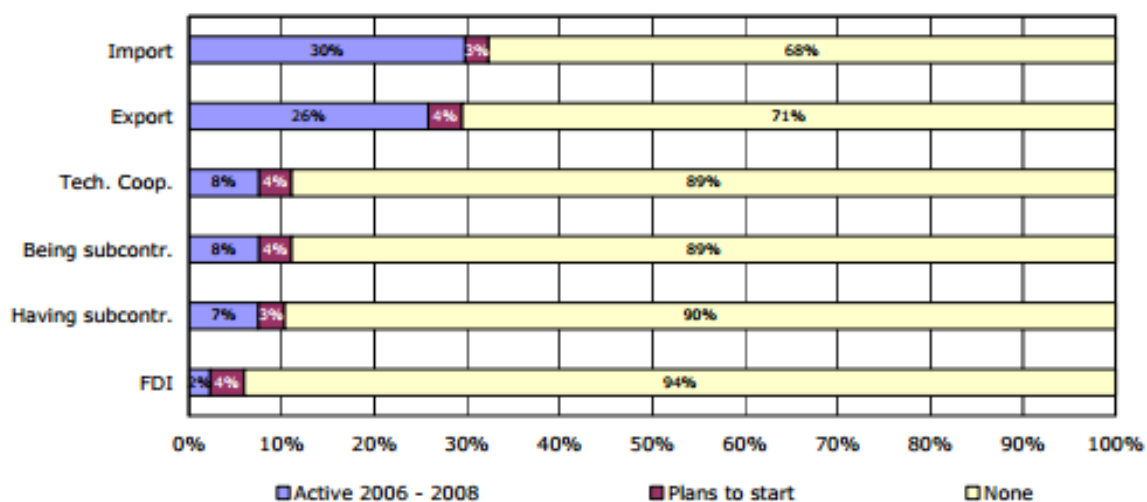


Figure 1: Percentage of European SMEs involved in international business activities, having concrete plans to start such activities or non at all. For various modes of internationalization; 9480 SMEs from 33 European countries surveyed (EIM 2010)

It is equally comprehensible that the size of the company is directly linked to its level of activity in international business¹. Take the entry strategy of exporting as an example: 24% of micro, 38% of small and 53% of medium-sized SMEs are actively pursuing this strategy. Looking at the studies in regard to specific countries however, the data gets more intriguing (EIM 2010). There is a negative correlation between the size of the SME's home country population and the

¹ According to the study by EIM, this applies to every mode of internationalisation (EIM 2010, p. 5)

amount of international activity. Countries such as Malta, Cyprus, Czech Republic, Estonia, Sweden or Slovenia have much higher percentages of international activity than the EU-average of 44%, whereas large countries like France, Germany or the UK lie below average (EIM 2010).

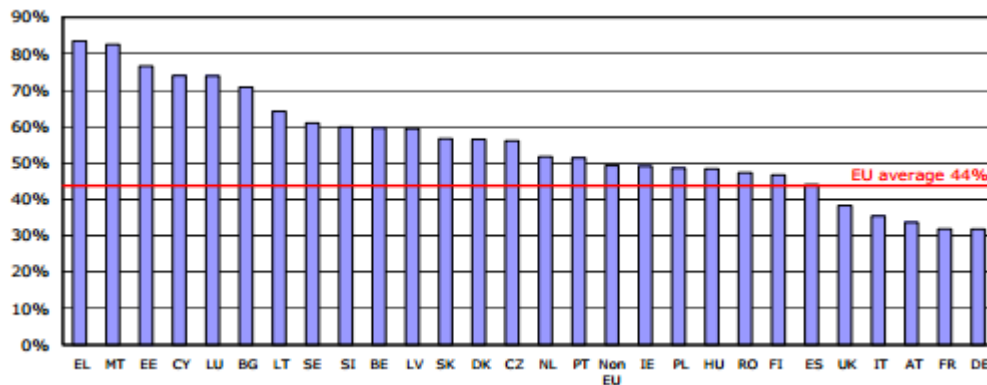


Figure 2: Percentage of internationalised SMEs 2006-2008 by country (EIM 2010, p. 25)

Taking a look at the sectors with the highest degree of international activity, mining (58%) and manufacturing (56%) come out on top, closely followed by wholesale trading (54%) and sales of motor vehicles (53%) (EIM 2010).

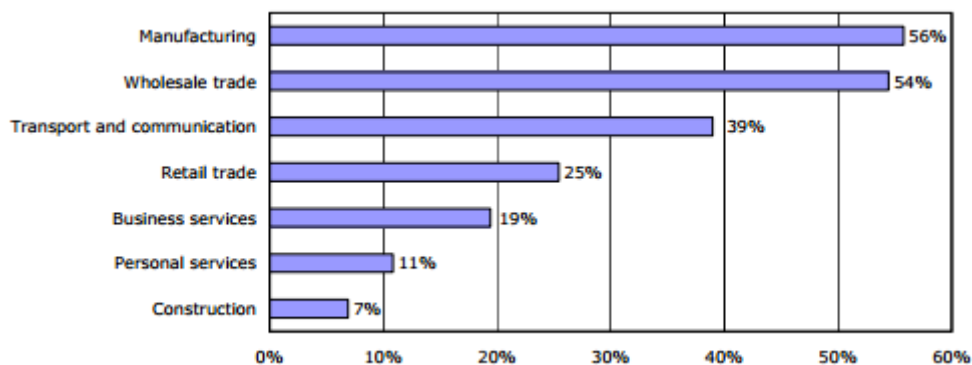


Figure 3: Percentage of SMES with international activity in 2006-2008 per sector (EIM 2010, p. 19)

Roughly three quarters of surveyed SMEs international activities are aimed at another partner within the EU member states, where as emerging market such as the BRICs are only involved in 7 – 10% of all cases² (EIM 2010).

² In the sectors of transportation and communication, the number is much higher and reaches up to 25% (EIM 2010, p. 6)

<i>Mode of internationalisation</i>	<i>EU</i>	<i>Non-EU</i>	<i>Total</i>
Percentage of all SMEs			
SME with direct exports	25%	28%	26%
SME with direct imports	29%	33%	29%
SME invested abroad	2%	3%	2%
SME with technological cooperation with enterprises abroad	7%	9%	7%
SME has been a subcontractor to a foreign main contractor	7%	13%	8%
SME had foreign subcontractors	7%	7%	7%
SMEs with at least one of these 6 international activities	44%	49%	44%
Total N, unweighted	8332	1148	9480

Figure 4: Percentage of SMEs with international business activities in 2006-2008, by country group (EIM 2010, p. 20)

Taking a closer look at FDI by European SMEs, the total number of SMEs who take this step still seems to be rather limited (roughly 5%). Figure 5 shows the legal form of these foreign entities. The largest amount are subsidiaries (43%) whereas a considerable about (20%) are simply branch offices and joint ventures (22%).

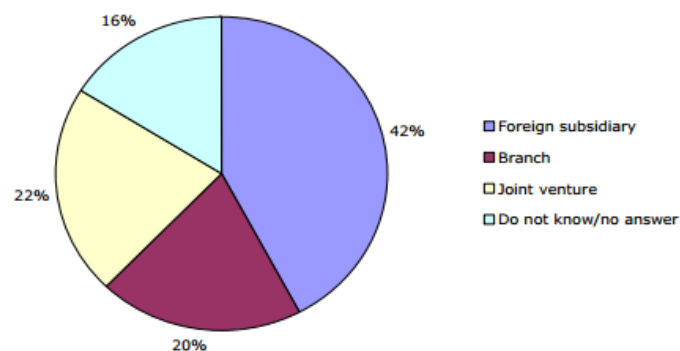


Figure 5: Legal form of foreign establishment (EIM 2010, p. 22)

As for the types of activities being carried out by the foreign establishments, the largest number (28%) is represented by Sales Offices as well as local production, closely followed by other activities (EIM 2010).

Having a look at the expansion to developing markets and Brazil in particular, it shows that even though business opportunities are generally rated favourably, Brazil is currently at the end of desirable countries to expand to.

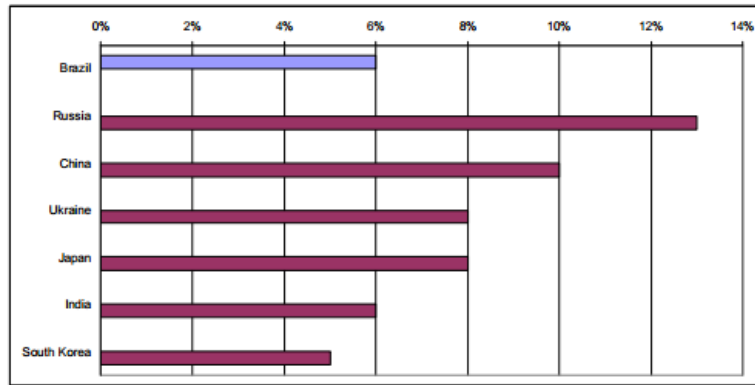


Figure 6: Percentage of internationalized EU SMEs that have business activities in growing economies (EIM 2011)

When looking at the “Mittelstand” in the DACH Region and the Netherlands, the picture looks somewhat similar. According to a research done by BMI in 2013 among larger German “Mittelstand” companies (larger meaning an annual turnover >50 million € but < 80 million €), the majority of their international activities remains exporting with 87,4%, followed by sales and service subsidiaries (64,5%) and co-operation agreements with foreign enterprises (51,5%) (BMI 2013).

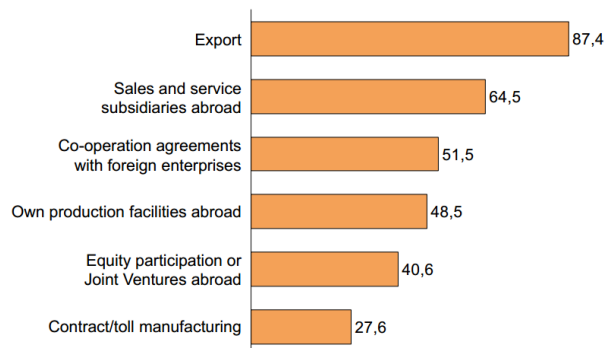


Figure 7: Distribution of international activities of the German „Mittelstand“ (BMI 2013)

However, FDI in Brazil has been growing over the last years, as can be seen in Figure 8. At the same time, with 12% of the German Mittelstand being active in Brazil, Germany is the leading European country with business activities in the largest South American country.

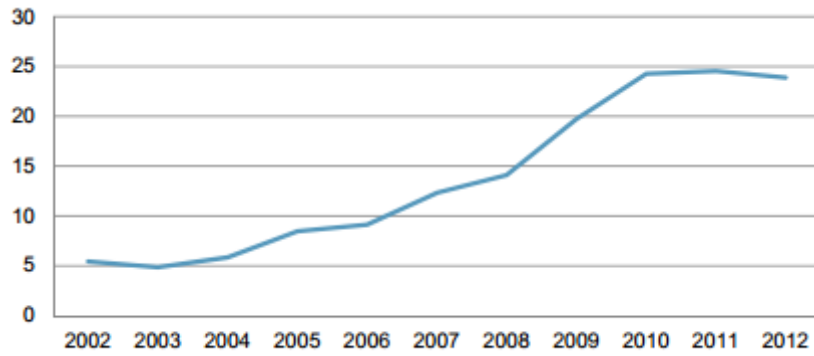


Figure 8: FDI of Germany „Mittelstand“ in Brazil in Billions € (KfW 2014)

To sum up, the analysis shows that export does remain the most prominent internationalization strategy for European SMEs. When actually deciding on an FDI strategy, companies mainly decide on a subsidiary or a branch. Generally, the picture between SMEs along the EU definition and the “Mittelstand” does not differ much. Furthermore, the analysis shows that though there has been a relative “hype” around Brazil in recent years in regards to international investment, European SMEs are still slow to follow this trend, though numbers are growing.

6 Market Analysis of Brazil

The following chapter aims to briefly contextualize and analyse Brazil and provide a short overview of the most relevant macro-economic factors.

6.1 PESTL Analysis

The Federative Republic of Brazil (*República Federativa do Brasil*) is the largest country in Latin America with a population of roughly 200 million, of which about 80% live in urban areas. Brazil is the world's 5th largest country by size, boasting vast natural resources. Omnipresent problems include a high level of violence and crime, social inequality, a lack in general education, weak institutions, and a complex tax system (Euromonitor 2011).

Political Analysis: Brazil is comprised of 26 States and one Federal District, which retain certain autonomous rights. Therefore, laws and regulations regarding international expansion can differ between states. The structure of the government is divided into an executive, legislative and judicative branch, specified in the Brazilian constitution which was proclaimed in 1988 and since then has been amended several times. Brazil has been a member of the WTO since 1995; international trade and FDI are generally favoured by the public administration. In recent years however, the country has taken several measures to protect the local economy by introducing higher tariffs with an applied customs averaging tariff of 12% (The Economist 2011). In October 2012, the government temporarily increased the Common External Tariff applicable to 100 imported articles. As a result, duty rates more than doubled on these products, affecting approximately \$9 billion USD in imports. In a second round of tariff measures, the Brazilian Chamber of Foreign Trade (CAMEX) has now announced its intention to raise

duties on an additional 100 products (Lexology 2013). Corporate Tax in Brazil is relatively low at only 2,9%, whereas the total tax rate on profits reaches 67,1% (CGR 2012). The country is currently ranked 53rd out of 142 countries globally on the Global Competitiveness Index, issued by the World Economic Forum. Corruption continues to be a problem for Brazil, which ranked 69th out of 183 economies in the Corruption Perception Index 2012 (CPI 2012). This issue is also manifested in the “mensalao” trial, in which 25 defendants, who were accused of having used public funds to buy political support for the government of the former President Luiz Inacio Lula da Silva. The trial received immense media attention as it highlighted weaknesses in the country's public system (BBC 2012).

Economic Analysis: Looking at data provided by Forbes, the most important industries in Brazil include agriculture, manufacturing, mining and service (Forbes 2013). Brazil's GDP growth has slowed down in recent years, from 7,5% GDP growth in 2010 to 2,7% in 2011 and 1,3% in 2012 (CIA Worldfactbook). Next to a deteriorating growth level of the world economy, one domestic reason of this decline in GDP growth lies in newly implemented inflation controlling measures. Since the “Plano Real”, implemented in 1994, Brazilian inflation was reduced from hyperinflation (+50% p.a.) to less than 20% p.a. and was 6,6% in 2012 (EIU 2013). The Real has been growing stronger over recent years, currently being traded at 3,07 R\$ per 1 €. Forecasts of the Economist continue to assume that policymakers will seek to weaken the Real in nominal terms to prevent higher relative inflation rates from disrupting the exchange rate in real term (EIU 2013).

Despite the slight economic downturn in the last couple of years, Brazil's economy is expected to grow at an average of 5%³ per year and gain additional drive through the World Cup and the Olympic Games, being hosted in the country in 2014 and 2016.

³ Several analysis remain sceptic as to whether this can be achieved.

Social Analysis: Brazil is a relative young society with an average age of 29,6 years with a life expectancy of 72,79 years and a population growth rate of 0,86% per year (World Bank 2012). From 2003 to 2009, the middle class has grown by 50% in Latin America, where Brazil alone contributed more than 40% of the overall increase in this region. Currently, middle class comprises nearly a third of Brazil's inhabitants and also features a growing purchasing power (OECD 2012). A low level of education remains one of the most pressing problems in terms of further economic development. Even though the literacy rate is above 90%, 63% of 25-64 year-olds have not completed an upper secondary education (OECD 2012). In addition, income distribution is still unequal, which is indicated by a Gini Index of 51,9 (CIA Worldfactbook).

Legal Analysis: In regard to its legal system, Brazil follows the Civil Law system, meaning that legal decisions are based on written law in the form of codes and statutes. This also implies that previous higher court decisions do not necessarily apply in succeeding cases (Costa 2012). Intellectual Property is guarded by the National Institute of Industrial Property (INIP), which examines patent applications and, if granted, files the patents under Patent Cooperation Treaty rules. Furthermore, an appeal court especially for IP cases has been set up in Rio de Janeiro to give foreign investors reassurance (The Economist 2013). Assessed by the Global Competitiveness Report, Brazil is awarded a value of 3,5 in terms of Intellectual Property Protection, ranking it 75th out of 144 countries assessed. Foreign Investment is regulated by law Nr. 4131, which was established in 1962 and since then has only been amended four times (Costa 2012). This gives the legal framework a great amount of stability. According to the Brazilian Constitution, all forms of FDI are welcomed in the country (except for some exceptions in specific industries which are not relevant to this report). No prior government authorization or minimum investment is required in order to set up a business in Brazil, which in general makes FDI in Brazil, solely from a legal perspective, more attractive

compared to the other three BRIC countries. However, the number of days it takes to start a business is comparatively high. The World Competitive Reports indicates that it takes an average duration of 119 days in order to set up a business in Brazil with a total of 13 procedures involved (GCR 2012). Additionally, on average, it takes approximately 17 days to import goods with 8 documents having to be processed in order to facilitate the import. Regarding property rights, Brazil ranks 51st out of 144 countries assessed (CGR 2012).

6.2 Major Obstructions to doing Business in Brazil

In a broad research done by the EIM in 2011, four major bottlenecks of doing successful business in Brazil were identified:

- **Bureaucracy**

Generally, Brazil is a very bureaucratic country and getting things done requires a lot of time and money which can be a major obstacle to setting up business operations. Bureaucracy is present on all governmental levels as well as in public agencies. As an example, in order to set up a company, more than 50 different certificates are needed and in many cases, specific regulatory agencies, e.g. IBAMA (the Environmental Protection Agency of Brazil) or ANVISA (Agency for Health Protection in Brazil) need to be contacted and give their approval (BCDB 2014). Generally, a vast number of regulatory agencies and governmental offices are in existence that are overlapping jurisdiction. The Global Competitiveness Report (GCI) ranked “inefficient government bureaucracy” as the 5th most troublesome factor of doing business in Brazil (GCI 2013).

- **Complexity of Regulation**

This factor contributes, and is partly derived from, the issue of bureaucracy. All important transaction, no matter of the nature, are interlinked. This applies also to the law – most importantly for companies expanding to Brazil: labour law company law as well as tax regulations or industrial licencing for instance (EIM 2011). Especially the taxation system

is very non-transparent and many suspect that there is no intention from the government to streamline the process because the existing inefficiency “is capable of generating high levels of revenue”, which leads directly to the next point: (Pereira et al. 2011)

- **High Taxes**

Tax burdens ranked second in the Global Competitiveness Report (GCI) on the most troublesome factors of doing business in Brazil (GCI 2013). VAT tax (ICMS) differs from state to state but averages at 25% (KPMG 2011).

Main corporate taxes in Brazil			
Income Tax	25%	Import Tax	Variable
Social Contribution	9% or 15%	WHT	15% or 25%
PIS and COFINS	9.25% or 3.65%	CIDE	10%
IPI (Federal VAT)	Variable	IOF tax	Variable
ICMS (State Vat)	Variable	ISS (Municipal Tax)	2% to 5%

Figure 9: Main Corporate Taxes in Brazil (KPMG 2011)

- **High interest rates and difficult access to debt financing**

Depending on the collateral, Brazilian banks charge on average 3% interest per month on a commercial loan. Specific financial aid programs do exist but are not accessible to SMEs in the start-up phase; usually, a financial track record of at least 3 years has to be provided (BCDB 2014).

Other bottleneck issues include limited infrastructure, insufficient protection of intellectual property, lack of skilled labour as well as cultural differences (EIM 2013).

Overall, companies are faced with a vast variety of challenges when deciding to enter the Brazilian market. Therefore, a detailed analysis of the different options in regard to the entry strategy has to be carried out. The following chapter provides a brief overview of existing market entry modes.

7 Modes of Market Entry

As discussed previously, the mode of entry is dependent on a variety of factors. In order to proceed further with the analysis, it is important to gain a brief understanding of the different modes of entry. Generally, the academic literature distinguishes between two main groups: non-equity and equity (FDI) modes, where non-equity modes is comprised of Exports as well as Contractual Agreements. Equity (FDI) modes include Joint Ventures (JVs) and Wholly Owned Subsidiaries (WOS) (see Figure 10)⁴.

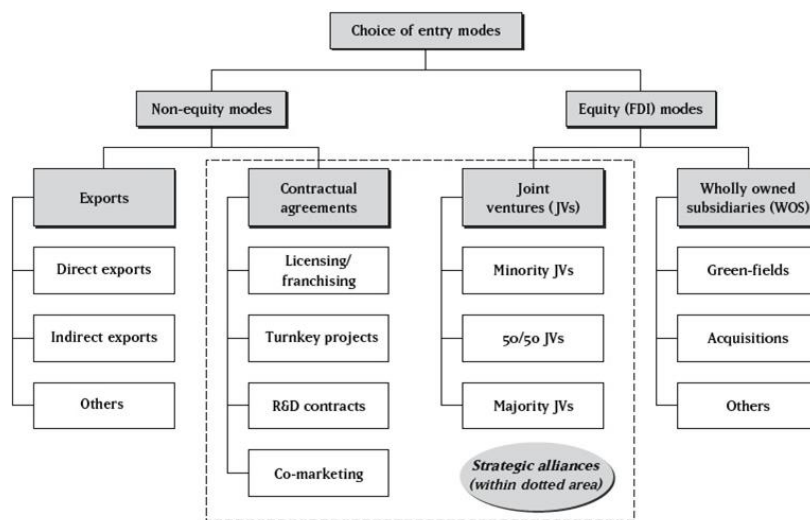


Figure 10: The Hierarchical Model of Market Entry Modes (Pan, et al. 2000, p. 538)

NON-EQUITY MODES

This group is split into the two subgroups of Exports and Contractual agreements:

Exports

- **Direct exports:** this form of entry strategy ensures direct contact with the end customer and therefore offers a lot of control but is also the most engaging.

⁴ This is one of the most common models in regards to the differentiation of entry strategies. Naturally, there are many other models and classifications in existence. For the scope of this thesis however, only Pan et al.'s definition is taken into consideration. One other classification for example by Machková (2010) distinguishes between three main groups of entry modes: importing and exporting, non-equity based cooperation and foreign capital investment.

- **Indirect exports:** here the exporting is done through intermediaries such as wholesalers or retailers. These intermediaries resell the product in the foreign market. It is far less engaging than direct exporting and therefore often more convenient.
- **Other:** this includes exporting through an agency where the agent proposes a sale to the end customer but the actual deal is done between the exporting company and the end customer. The agent receives a commission for his services. Other forms could include Piggybacking or an export alliance.

Contractual Agreements

- **Licensing/ Franchising:** with licensing, a company gives permission to a partner to use their intellectual property (e.g. trademarks, patents, know-how) in exchange for a licensing fee. Franchising is very similar to licensing but grants the use of a whole business model and offers various forms of support including sales support and technical assistance. The franchisee pays the franchisor an initial fee and agrees to follow guidelines and regulations.
- **Turnkey project:** these are typically BOT (built-operate transfer) projects
- **R&D contracts:** a contract between at least two parties that agree to share know-how and resources in regards to further develop new products and/ or services.
- **Co-marketing:** two or more companies join efforts in marketing through a shared agreement or an alliance. A common example of this are airline alliances such as One World.

EQUITY (FDI) MODES

Joint Ventures (JVs)

In a Joint Venture, a company owns part of a business entity that is comprised of two or more partners. JVs have the advantage of shared knowledge and skills and are often done with a local firm in the foreign market. Three different types of JVs in regards to their structure of ownership can be distinguished: Minority JV, in which the expanding company is the minority shareholder, 50/50 JV, in which the shares are equally distributed between the two partners, and Majority JV, in which the expanding company is the majority owner.

Wholly Owned Subsidiary (WOS)

Greenfield investment: this describes the creation of a new business venture. It is by far one the most long-term and capital intensive entry strategies.

Acquisition: an existing firm is bought in order to gain access to a market.

Other: this includes primarily the strategic alliance, which functions similar to a Joint Venture. Where the JV is traditionally between a strong company and a smaller one with limited resources (usually form the target market), the strategic alliance is between equal partners who aim to achieve market leadership. It is very common in the automotive industry as well as telecommunications.

8 Literature Review

This section provides an overview of previous studies and academic literature on related research questions. Each framework addresses various external and internal influence factors on the choice of market entry strategy. Out of these frameworks, the interview guide for the analytical part of the study is created – meaning the conceptual frameworks of academic literature will be tested against actual companies.

Though a vast amount of literature on this topic was reviewed in preparation for this paper, only the following will be explained in further detail and form the basis of the hypothesis based framework:

- The Hidden Champions phenomenon by Simon (1992)
- Entry Strategy for International Markets by Root (1994)
- The MEMs model by Koch (2001)
- Entrepreneurship and Strategy in the international SME by Knight (2001)
- Global Marketing: A decision oriented approach by Hollensen (2004)
- The Importance of Networks (Musteen, et al., 2010, Zhou, et al., 2007)

8.1 The Hidden Champion Paradigm

Herrmann Simon, one of the most prominent management thinkers of our time, introduced the Hidden Champion Concept in his famous book *Hidden Champions. Lessons from 500 of the Worlds most Unknown Companies* (Simon 1996) and has since then published a vast series of articles and books on this topic, the latest and most prominent one being *Hidden Champions of the 21st Century: The Success Strategies of Unknown World Market Leaders* (Simon 2009), in which he refined the original concept.

In his research, Simon poses the question why a relatively small country such as Germany belongs to the world leaders in export. His answer: the “hidden champions”

According to Simon, a hidden champion:

- “Belongs to the top three in the global market or is number one on its continent
- has less than \$ 5 billion in annual revenue
- is little or not known to the general public.” (Simon 2009)

Though Simon did not specifically divide external and internal influence factors, his research nevertheless is highly relevant to the discussion of this paper. Through his extensive research and investigation into SMEs, prominently in Germany, Simon constructed the framework of the Hidden Champions: Three Circles which he uses to explain the outstanding success of these companies.

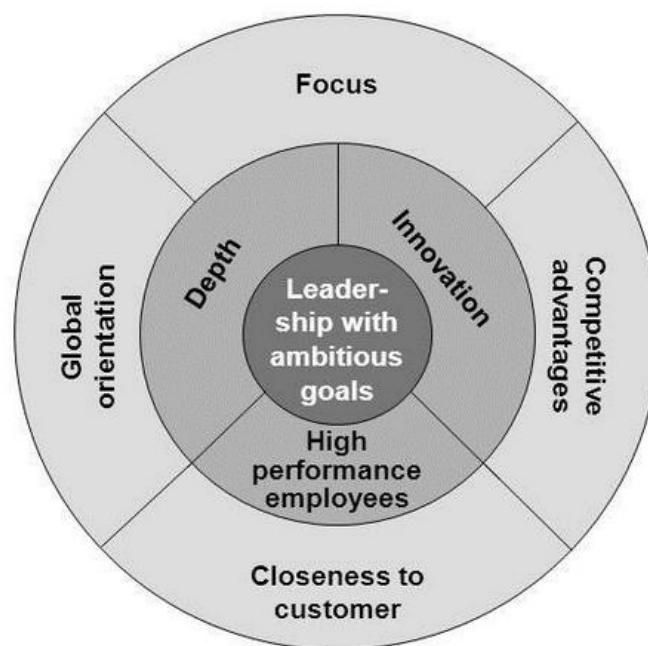


Figure 11: The Three Circles of the Hidden Champions (Simon 2009)

The framework of three circles of the hidden champion summarizes the specific success factors that, according to Simon, can be drawn from those companies⁵:

⁵ In his first book on the topic, published in 1996, Simon originally included nine lessons to be learned from Hidden Champions. In later publications as well as his most recent book, published in 2009, those lessons were condensed to a number of seven. Due to the fact that this paper is based on his most recent publication, only seven lessons are included in the literature review.

- **Extremely ambitious targets**

The focus is to become the market leader or one of the top three firms in the market. According to Simon's research, Hidden Champions achieved an average growth rate of 10% annually in recent years

- **Focus on depth**

"Hidden Champions define the market narrowly and work deep into the value chain" (Simon 2009, p. 17). Generally, Hidden Champions have a very strong anti-outsourcing policy in regard to their core competencies but outsource more than the average company in all areas except their core competencies which allows them their extreme focus.

- **Globalization**

Through Focus and depth the definition of the market becomes relatively small, which is counteracted through globalization. Hidden Champions combine their specialization and product know-how with global marketing and selling through which they manage to enlarge their core market.

- **Innovation**

"The effectiveness of the Hidden Champions' R&D activities beats that of large corporations by a factor of 5" (Simon 2009, p. 47). The cost per patent are also a lot lower than for large corporations. The reason, Simon believes, lies in the fact that Hidden Champions devote very few dedicated people to solve a problem, whereas corporations throw a large budget at solving it.

- **Closeness to customer and competitive advantages**

The biggest overall strength of Hidden Champions is not technology but the very close relationship with their customers. On average, 25%-50% of their employees have regular contact with customers. Their competitive advantage, according to Simon, is closely related to advice, system integration and ease of use, next to the obvious factor of superior product quality.

- **Loyalty and high-qualified employees**

“The Hidden Champions have more work than heads, highly qualified employees and low turnover” (Simon 2009, p. 59). Turnover-rates are extremely low compared to large corporations.

- **Strong Leadership**

Characterized by identity of purpose and person, the CEOs of Hidden Champions have an average tenure of 20 years, compared to 6.1 years in large corporations. Authoritarian in principles and values of the leadership aspect, there is strong flexibility and participation in daily work life (Simon, 2009).

8.2 Designing Entry Strategies for International Markets

One of the most popular and vastly referenced to theoretical framework on international market entry was introduced by Root in 1994 in his book *Entry Strategies for International Markets* (Root 1994). Here, Root describes a set of external and internal factors that are crucial guideposts to a company’s choice of market entry strategy. These forces, Root describes, are often contradictory and therefore need to be evaluated first on an individual basis and then put into context to one another. Without question, some factors will be more important than others and also have different characteristics: generally, external factors including market, production and environmental factors of any potential target market cannot be influenced by management. The response to those external factors is generally influenced by the company’s distinct internal factors, including production as well as resource commitment (see Figure 12) (Root 1994).

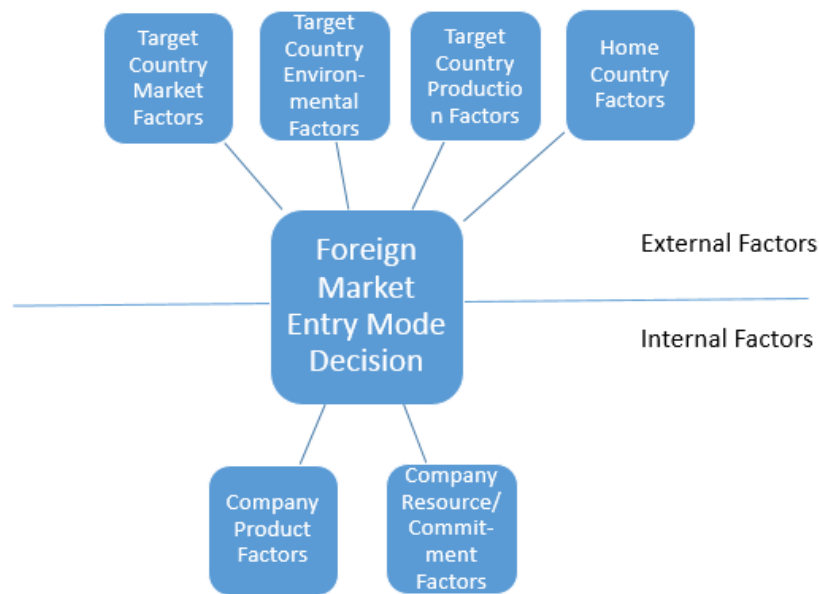


Figure 12: Factors affecting the entry mode decision (adapted from Root 1994)

External Factors:

- **Target Country Market Factors:**

- *Size of the potential target market*

For small markets, Roots suggests an entry mode that has a low break even sales volume which can be reached through indirect exporting, licensing or in some cases contractual agreements. For large markets, an entry strategy along the lines of a branch, subsidiary or equity investment is generally suggested.

- *Competitive Structure*

Here, it has to be evaluated how the market is structured in terms of competition: anything from non-descript competitors to an oligopolistic or even monopolistic structure could be in existence and influence the entry strategy decision.

- *Level of local marketing infrastructure*

In case it is not feasible to cooperate with local agents/firms, the company has to reach the market through a branch or subsidiary entity.

- **Target Country Environmental Factors:**

These factors, according to Root, include *economic, political and socio cultural aspects* of the potential target market. In this category, special attention has to be paid to *regulation and governmental policies and laws*. Often, barriers of entry such as high tariffs and quotas are put in place to regulate import. Furthermore, *geographical distance* has to be taken into account as this factor which directly influences transportation cost and a potential more difficult overall management. In general however, Root's category of Target Country Environmental Factors is synonymous with the PEST analysis and therefore will not be described in more details here.

- **Home Country Factors:**

Here, crucial aspects of the company's home country is included into the equation of deciding on a foreign market entry strategy. This category can include environmental factors as well as market production, competition as well as specific market characteristics. In some cases for example, foreign activity is incentivised by local governments through tax reductions or a company might be more prone to international expansion due to market saturation on its home market.

Internal Factors

- **Company Product Factors**

In this category, everything that concerns the product directly is taken into account. For instance, the level of differentiation of the product itself is an important factor when talking about internationalization: highly differentiated products have a clear advantage in terms of price setting against competitors. Pre and post purchase services also need to be taken into account since they are harder to put in place from a distance and it might be difficult to uphold quality standards by outsourcing/licensing these services.

Licensing in general is a popular opportunity for technology intensive products (often seen with industrial products). In general, the more adaptation is necessary for a product

to be sold in a foreign market, the closer the distance to the foreign market: subsidiaries or branches are often favoured.

- **Resource Commitment Factors:**

Not surprisingly, the more resources a company has available (including (human) capital, technology, business skills, etc.), the more market entry alternatives it can choose from. On the opposite, a company with very limited resources might not have a broad choice of entry strategies to select from. In general, company size and resources can limit the choice of strategy but not actually choose a strategy itself. Root also explains the phenomenon of “putting all your eggs in one basket”: thereafter, small companies often show a higher level of commitment during their internationalization strategy. If their venture fails, the company will take a serious hit and survival might be seriously threatened, whereas a large corporation might not feel the impact quite as forceful (Root 1994).

8.3 Market Entry Mode Selection Process (MEMs) by Koch (2001)

In 2001, Koch introduced his MEMs – Market Entry Mode Selection Process Model, which he based on the findings of Root but refined and extended his colleague’s findings. Whereas Root defined his influence factors simply into internal and external, Koch splits this findings into three categories: internal, external and mixed.

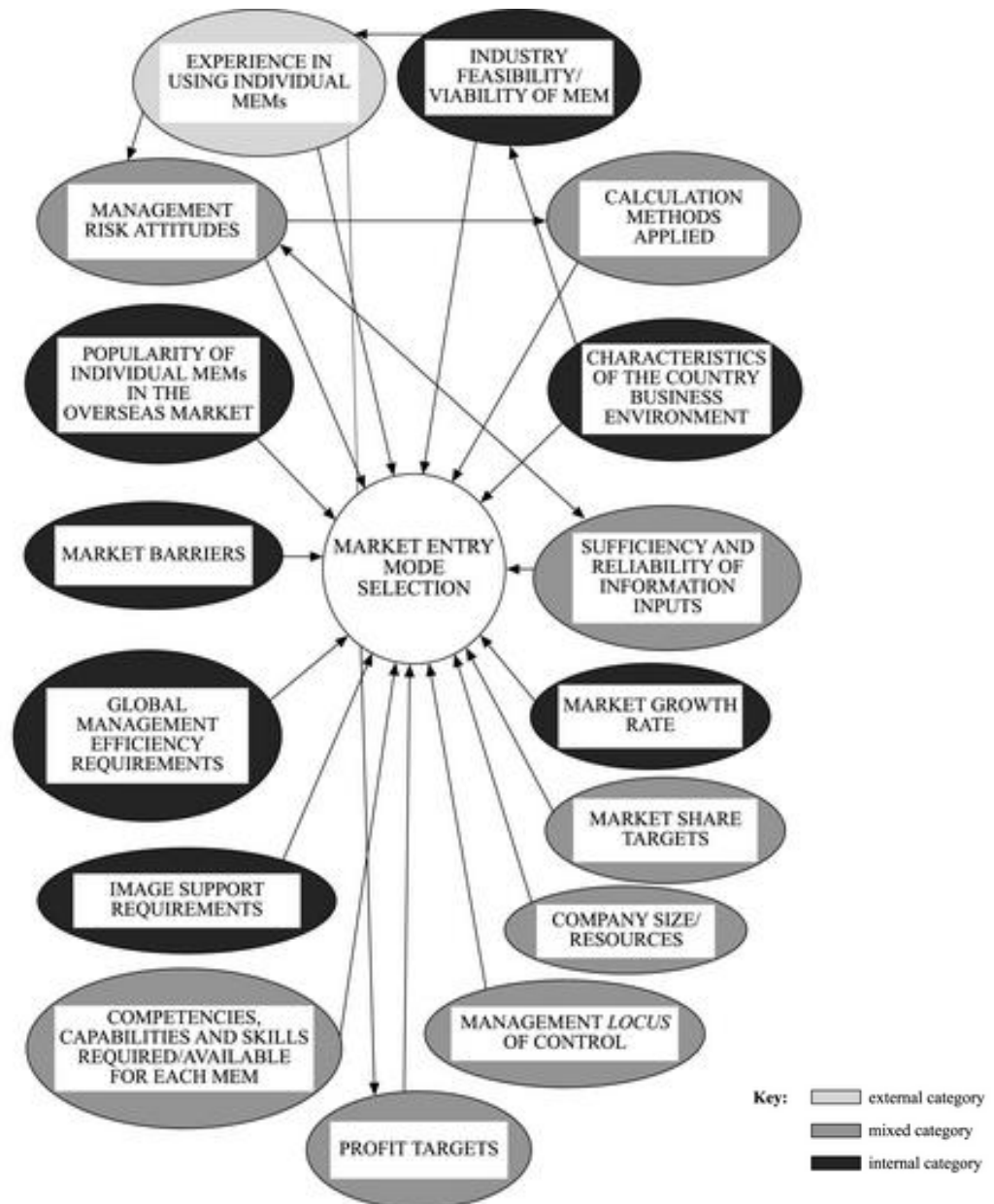


Figure 13: MEMs Model by Koch. Source: (Koch 2001)

Because Koch based his model on Root's framework, we see a lot of similarities. The literary analysis below will focus mainly on the differences and additions.

External Factors

Contrary to Root, Koch splits his external influence factors into five different categories:

Characteristics of Overseas Country Business Environment is the most general of the five and covers what is generally done in a PEST analysis. However, Koch highlights the importance of gaining information about particular industries and companies that are of interest in terms of the internationalization strategy.

Whereas Root only referred to **Market Barriers** under Target Country Environmental Factors, Koch makes it a separate category where he includes and describes all possible barriers of entry from tariffs and governmental regulations to natural barriers to different levels of distribution access to exit barriers.

Industry **Feasibility/ Viability of Entry Modes** can be defined as a very specific barrier of entry and therefore has its own category among the external influence factors. Some countries only allow foreign business to enter through a specific entry mode, whereas others favour certain modes by introducing tax reductions or substitution and/or governmental support funds.

Koch also pays attention to the **Popularity of Individual Entry Modes in Oversea Markets**. In some countries, one specific entry mode might be very common and it makes sense to investigate why this is the case. Research might indicate that in this specific country, it is sensible to follow this popular route and decide for this most common entry strategy. However, it can also be an advantage to differentiate oneself by choosing a different route. In either case, this factor is an important component in the overall strategy consideration

The **Market Growth Rate**, described by Root simply among Target Country's Environmental Factors, has again been singled out by Koch as an individual category. Here, the focus lies on the stability and the size of market growth which can indicate a different set of useful strategies: for instance, for a high but inconsistent growth rate, a quick and flexible strategy has to be put in place which would indicate direct or indirect exporting. However, in case it is expected to steadily grow over the upcoming years, a subsidiary might be the way to go.

Koch also evaluates **Image Support** as another factors in the decision making process. The quintessence of this category being the fact that wanting to continuously be perceived as a leading company in a specific field, it is necessary to branch out to developing markets in order to maintain this image.

Global Management Efficiency is the final external factor in Koch's MEMs model. It is in some ways similar to Root's Resource Commitment Factors but focuses more on the intangible side of things. Koch talks about a company's most efficient organizational structure and strategy. A company has to decide how (de-)centralized it would like to set up its operations and by how much it would like to diversity itself. Economies of scale and/or economies of scope have to be taken into consideration and together with all the other influence factors, the different strategies have to be evaluated.

Internal/Mixed Factors

In his MEMs model, Koch specified seven internal factors, three of which are included in Root's Resource Commitment Factors and therefore will not be further described in details. These factors are:

- **Company Size/Resources**
- **Management Locus of Control**
- **Management Risk Attitudes**

Other factors include the **Market Share Targets** and **Profit Targets** which simply refer to the company's overall goal concerning the internationalization. **Experience in using MEMs** take into a count a company's previous experience of internationalization, particularly the experience of utilizing specific modes of entry. For this category, Koch generally states that a company who has previous experience with a specific region and entry model will revisit those continuously and often expand along the same line of strategy. Finally, Calculation Methods Applied takes into account in which way risk and benefits are calculated. Outcomes of these calculations can show large discrepancies (Koch 2001).

8.4 Entrepreneurship and Strategy in the International SME by Knight (2001)

In a prominent study done in 2001, Knight compared the business strategies of international SMEs and deviated four success factors that, according to him, led to their success and are all co-dependent upon another:

As an initial factor, Knight named **Internationalization preparation**. This step includes preliminary market research as well as possible adaptations to the product or service to be sold. In different forms, it also is included in the previous frameworks of Root and Koch. The second success factor defined by Knight are **Strategic Competences**, which can also be found in previously discussed frameworks and focus on resources in terms of human capital and management competences. Through **Technology Acquisition**, Knight refers to a company's ability to develop and acquire technological know-how in order to sustain or advance their market position. The final of Knight's success factors proves, in context of this research, to be the most intriguing one: **International Entrepreneurial Orientation** mirrors the overall entrepreneurial spirit. Knight argues that for a small company to successfully expand operations abroad, it is crucial to have a strong entrepreneurial skillset comprised of a proactive approach, innovative ideas and managerial vision together with an attitude of "getting things done" (Knight 2001).

8.5 Factors on the Choice of Entry Mode by Hollensen (2004)

Though Hollensen's approach is derived from the field of International Marketing, his views on influence factors on a company's internationalization strategy add value to the topic discussion. Hollensen emphasizes the influence of "conflicting forces" that all have different trade-offs in regards to their individual strengths and weaknesses.

In terms of external Factors, Hollensen includes **Market Size and Growth, Direct and Indirect Trade Barriers, Competition** as well as **Country Risk/Demand Uncertainty** which have already been discussed previously and therefore will not further be elaborated.

However, Hollensen also includes **Socio Cultural Distance Between Home Country and Host Country** into his framework, which has not been mentioned in previous examined studies. Hollensen argues that when there is a large socio/economical gap between home and host country, a company might avoid capital intensive investment modes such as joint ventures or direct investment due to the fact that exist is made a lot more difficult and favour modes that allow for a higher flexibility.

In terms of external Factors, Hollensen includes **Company Size, International Experience** as well as the **Product/Service** itself which have already been mentioned during the discussion of previous frameworks and therefore will not be elaborated in more detail at this stage (Hollensen 2004).

8.6 The Importance of Networks

(Musteen, et al., 2010, Zhou, et al., 2007)

Though neither Musteen, et al. nor Zhou, et al. are focusing on general frameworks in terms of influence factor for internationalization in their work, their findings add another dimension which previously discussed frameworks have missed to include. Both authors focus on the influence of networks in regards to their importance on the internationalization strategy of a company. Musteen, et al. focus on networks in general, whereas Zhou et al. concentrate solely on social networks as such.

The most important findings of those studies that are relevant to the underlying research question of this paper are:

- Top management with **geographically diverse networks** have a **competitive advantage** due to privileged access to (confidential) information (Musteen, et al.; 2010)
- **Social network** can provide unique opportunities from gaining knowledge of foreign market opportunities to building a **trusted referral base** (Zhou, et al., 2007).

This research was included in the literature review because it applies to a very current trend and interesting research field (McKinsey 2014). The importance of networks is constantly highlighted by journalists, academics and economists and therefore should not be missed in this study.

9 The conceptual Framework: Basis for the Analytical Research

In order to answer the research question of this thesis, the most important points previously discussed in the literature review is now combined into a framework which serves as a basis for the construction of the questionnaire and therefore the analytical section of this study. In terms of the framework, the most prominent and repeating factors out of each of the theories discussed in the literature review were chosen and integrated:

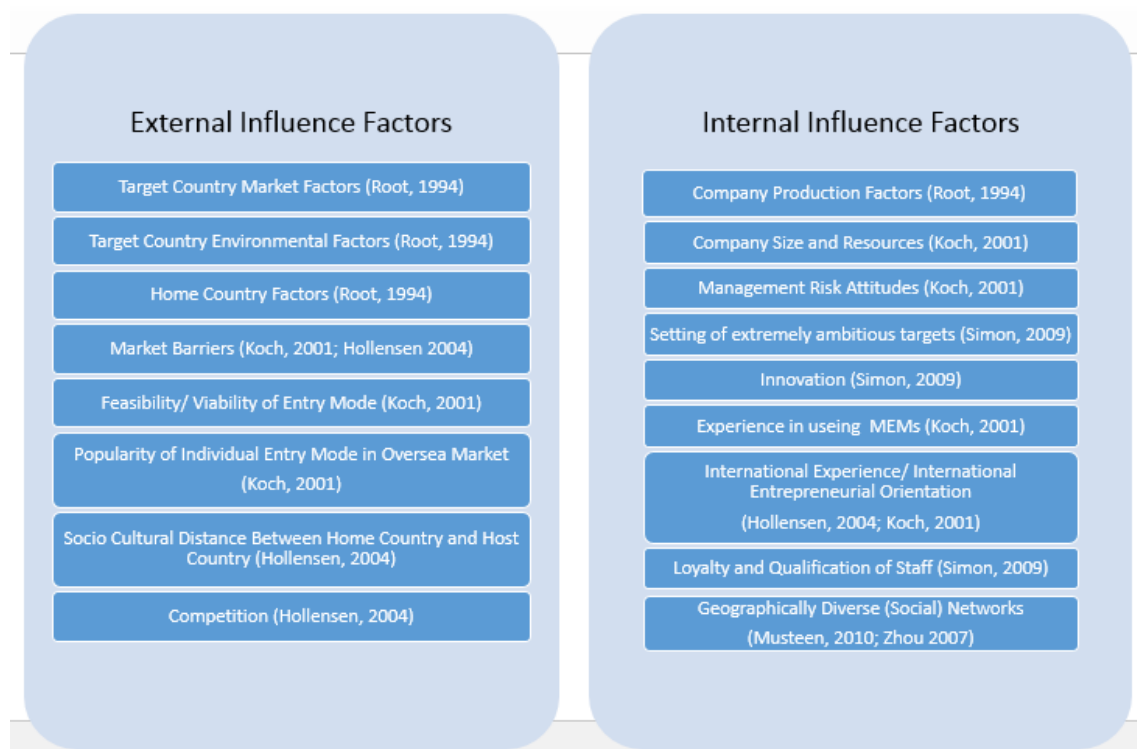


Figure 14: Framework of External and Internal Influence Factors used for the analytical part of this study (Source: Literature Review; illustration by the author)

The interview guide used to collect analytical data from the company was constructed to evaluate the above mentioned external and internal factors of influence in regards to the entry strategy.

Interview guide:

- 1. General understanding of the company history and business sector**
- 2. General understanding of the entry strategy to Brazil**

In the following section, the external and internal factors of influence had to be evaluated by each company. The question structure is mixed between open and closed questions, where the closed questions have to be answered on a scale form (1) “completely disagree” to (5) “completely agree”.

3. Evaluation of External Factors in regard to the chosen Entry Mode

a. Target Country Market Factors:

Which macroeconomic factors regarding the Brazilian economy, such as the size of the market and the market potential, the competitive structure and the level of infrastructure had an influence on your decision and to what extend?

b. Target Country Environmental Factors:

Which were the three most positive influence factors in regards to Brazil's economic and political reality?

Which were the three most negative influence factors in regards to Brazil's economic and political reality?

How did they influence your decision?

c. Home Country Factors:

How important was the influence of your home country in the decision regarding your market entry strategy? If it was a factor, in what way?

d. Market barriers:

Which market barriers were you confronted with?

In what way did they play a role in the choice of entry strategy?

e. Feasibility/ Viability of Entry Mode:

Was your decision on entry mode limited by Brazilian regulations in any way?

f. Popularity of Individual Entry mode in Brazil?

According to information of the Brazilian ministry of economy, joint venture and partnerships are the most popular mode of entry to Brazil. Did you take the popularity of specific entry modes into consideration? (scale)

If yes, how?

g. Socio Cultural Distance between Brazil and Home Country

How high would you rate the Socio Cultural Difference between Brazil and Europe?

How high would you rate the importance of the Socio Cultural Distance between Brazil and Europe as a factor in regards to the decision on the entry mode? (scale) Why?

h. Competition

What influence did your competitors in Brazil have on your market entry strategy?

4. Evaluation of Internal Factors in regard to the chosen Entry Mode

a. Company Product Factors

How diverse is your product/service palate? (scale)

In what way did you take this into consideration when choosing the entry strategy?

b. Company Size and Resources

Would a larger size of the company have led to a different entry strategy? (scale)

c. Management Risk Attitude

The risk attitude of our management is very high (scale)

Complete control of the operation in Brazil was our focus (scale)

d. Setting of extremely ambitious targets

The goals our company sets are clear and ambitious (scale)

How does ambition contribute to the choice of entry strategy?

e. Innovation

For us, internationalization is an important influence factor of innovation (scale)

In what way does innovation influence the entry strategy decision?

f. Experience in using MEMs

Before entering Brazil, we had already used this specific entry mode to successfully expand to other markets (scale)

When internationalizing, we usually utilize the same entry mode for each country (scale)

g. International Experience / International Entrepreneurial Orientation

Our management has a high degree of international experience (scale)

Our management travels to international business location on a regular basis (scale)

How did the international experience of management influence the choice of entry strategy?

h. Loyalty and Qualification of Staff

We have a low turnover rate of our staff (scale)

Before expanding internationally, we make sure our staff has all the relevant knowledge of the target country (scale)

i. Geographically Diverse (Social) Networks

We have an extensive international network that we used to gain information prior and during the expansion to Brazil (scale)

In order to gain information, these networks are of vital importance (scale)

10 Analysis

Data was collected in the form of personal or telephone/ online interviews of about 30 minutes, with a company representative of the relevant field. In total, 14 companies from the DACH region and the Netherlands took part in the study. In order to classify for the study, the companies had to fulfil the following criteria:

- SME⁶ incorporate in one of the DACH countries or the Netherlands
- Consumer goods or industrial company
- Current business activities in Brazil

The complete answers from each of the companies be found in Appendix 1.

In addition, representatives from the Chamber of Commerce of Germany and Austria participated in the analytical part, the complete answers of which can also be found in Appendix 1.

In the following analysis of interviews, each external and internal factor is examined in terms of the given answers. Upon this basis, the relevance of the theoretical framework is determined.

Before continuing with the evaluation and examination of each of the factors, it has to be mentioned that there never is a single factor determining the decision, but it is rather a large number of factors interlinked that determine the choice of the specific market entry strategy. In the following analysis, the best was done to separate the factors from one another in order to determine their individual relevance. While reading this analysis however, it is important to keep the interlinking aspect in mind. It is also the factor that was emphasized the most during the interviews – that it is generally difficult to view the factors separate from each other – which again shows how much more complex the real world is in contrast to a textbook.

⁶ For the definition of SME used for this study, refer to section 4.

10.1 Theoretical Framework of External Factors – “The Reality Check”

10.1.1 Target Country Market Factors

According to Root’s theory, the category of Target Country Market Factors includes three individual components (size of target market, competitive structure and level of local market infrastructure), the questions to evaluate this factor were posed as open questions to gain a deeper understanding of the internationalization strategy of each of the companies. It was also one of the reasons why the more “broader” factors were based on the beginning of the questionnaire.

In terms of the **size of the target market**, all of the 14 evaluated companies emphasized the importance of Brazil as one of the biggest growing economies. Especially for the industrial companies, the World Cup 2014 as well as the Olympics in 2016 were important indicators for future business growth (8 out of 9 interviewed industrial companies mentioned that they had additional business due to those two major sporting events). The industrial companies highlighted the strategy of a long term investment, with a steady growth over time. All of the 9 interviewees from this sector are represented in Brazil in the form of an FDI mode (either through a Joint Venture or a Wholly Owned Subsidiary). They answered that because of the size of the target market, it does make sense to enter the market through a more capital intensive way. This seems to confirm Root’s theory that companies opt for a more capital intensive entry strategy if the market size is substantial. With consumer products, the situation looks somewhat similar: the interviewees from this sector also evaluated the size of the market as crucial but put special emphasize on the growing purchasing power and the growing middle class⁷ in Brazil as well as in the rest of South America.

In general, the situation is summarized well in the following statement from one of the interviewees: “Of course, the market size is always one of the first indicators you turn to

⁷ All five of the consumer companies mentioned the growing middle class as a substantial factor as to why Brazil was an attractive market for them.

Interviewed consumer companies mentioned the growing middle class of Brazil as one of the crucial factor that first of all got them interested in the market in the first place but then also to heavily invest, rather than simply start exporting goods.

when evaluation the potential of new markets. I would say however that it is important in that stage to attract initial attention. When the process gets more real and you think more about how you will enter the market, there are many factors that determine the initial entry strategy than the market size” (Interview Industrial Company 2).

Competitive Structure – In the industrial sector of Brazil, a lot of large companies that are still partly state owned are dominating the market. One of the interviewees therefore commented: “You need to look out for your competition and evaluate them as best as you can. But I believe that German companies bring a level of technology to the table, that Brazilian companies actively look for and in specific areas cannot (yet) match in the same way” (Interview Industrial Company 5). For industrial companies, the interviews revealed that these companies are generally interested in cooperating with a local partner (JV) rather than only seeing them as fierce competition, since the quality and technology of their products speak for themselves and give them a unique competitive advantage over local Brazilian companies. Due to this advantage in terms of the product, it is also not necessary to distinguish oneself on the grounds of the entry strategy (e.g. distinctively choosing a different entry strategy than one’s competitors) (compare Industrial Company Interviews 2, 3, 5, 7, 9).

The consumer companies also generally see the level of competition as an indicator how much market potential exists and how saturated the market already is (compare Consumer Company Interviews 1,2,3) – hence, more of an initial evaluation of the market potential. In terms of the influence of the actual choice of entry strategy, the factor of competition seems to be less relevant.

Level of local marketing infrastructure - All interviewees agreed that it brings infinite value to have a strong local partner at ones side to support in terms of market exposure and marketing. The answer from one interviewee from a consumer company gives interesting insight however. According to this company, the goal was to really differentiate oneself from other existing offers out there and to aim for a clear positioning as a high-end, luxury, European solution, that caters to a limited and exclusive clientele. Therefore, a local partner was initially disregarded (compare Interview Consumer Company 2). The general tone of the consumer companies echoed this statement: A

general goals is to differentiate oneself on the grounds of offering high-end, high-quality European products. This however did not necessarily mean that local partners were disregarded. Three out of the five consumer companies reported to have initially entered the market with a local partner – one of the reasons being to profit from the existing marketing infrastructure in place (compare Consumer Company Interviews 3, 4, 5).

The industrial companies also value their relationships with local partners a lot and reported it was an important decision factor for them because it would not only gain access to marketing but also an instant access to a large network in the industry.

To conclude, the Target Country Market with its separate factors of *Size of Target Market*, *Competitive Structure* and *Level of Local Marketing Infrastructure* does play an important role to initially attract interest to expand to Brazil. Mainly the Local Marketing Infrastructure served as an influence factor when deciding whether to take on a local partner.

10.1.2 Target Country Environmental Factors

In order to evaluate the influence of Brazil's Environmental Factors (political – economic – social factors), the interviewees were asked to each name their top three positive and negative influence factors. Without surprise, the list was generally very cohesive: in terms of positive environmental factors, the top three were a growing purchasing power and a growing demand, followed by a large market potential for high-tech product and a stable, growing economy (see Figure 13). On the side of the negative environmental factors, the most prominent included non-transparent and complicated laws and regulations, a complicated tax system as well as strong protective measures (barriers to entry) for specific industries.

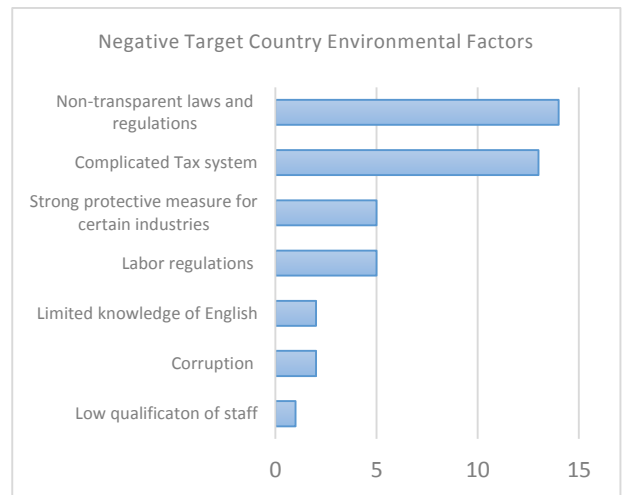
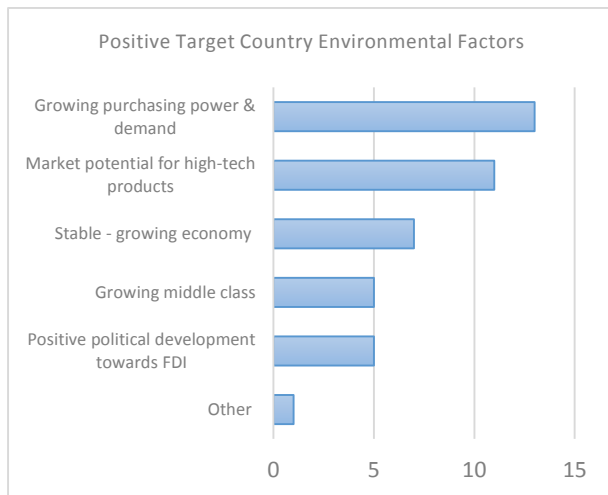


Figure 15: Positive Target Country Environmental Factors Figure 16: Negative Target Country Environmental Factors (Source: interviews)

When asking, in which way and to what extend these factors influenced the choice of market entry strategy, the answer were a lot more diverse. On the line of the industrial companies, four have already been present with JVs / subsidiaries for decade. In the 1980s, when a lot state owned companies were privatized and Brazils' economy slowly started to take off, many industrial companies saw the chance to expand into this growing market – this was long before Jim O'Neill published his famous paper on the growing BRIC economics in 2001 (O'Neill; 2001). Because even back in the 1980s, they already saw the potential of the future growth of the Brazilian economy, it made sense to them to be present through an equity mode. According to the answers, the potential growth and the long-term outlook was one thing, but it was also a very important factor to counteract the very rigid market barriers such as import taxes etc. (compare Interviews Industrial Companies 1, 2, 3, 4,).

One industrial company from Austria mentioned, that especially with major sporting events currently taking place in Brazil, a major demand in the building industry was expected and was a reason for the company to expand to Brazil in 2010 (compare Interview Industrial Company 5).

Where the industrial companies generally mention the growing economy and therefore growing demands in investments in infrastructure, buildings and machinery, the consumer industry does pay more attention to the growing middle class. “In South America, Brazil is the country with the fastest growing middle class. People are able to afford more and are seeking out high-quality products from Europe. Especially consumer products from Germany and Switzerland have a very high reputation and convey a sort of prestige that is sought after by the emerging upper middle class” (Interview Consumer Company 3).

Many of the interviewers also stated that especially the negative factors had an influence on the decision which way to enter. Importing is generally very expensive and complicated due to several market barriers put in place by the government. Therefore, long-term decisions often either did not consider this strategy.

To conclude, the factor of Target Country Environmental Factors do play a role in the decision making process.

10.1.3 Home Country Factors

Next to the factors that are related to the target market, it is also important to evaluate the companies’ home country as an influence factor to the internationalization strategy. To categorize this factor, interviewees were asked whether their home country influenced their market entry strategy in any way and if yes, in what way exactly.

This factor proved, for almost all of the evaluated companies, to be of no big importance: 11 of the 14 interviewees evaluated the influence of home country factors on their decision making process as “low” and “neutral” whereas only two interviewees responded with “high” (compare Figure 17).

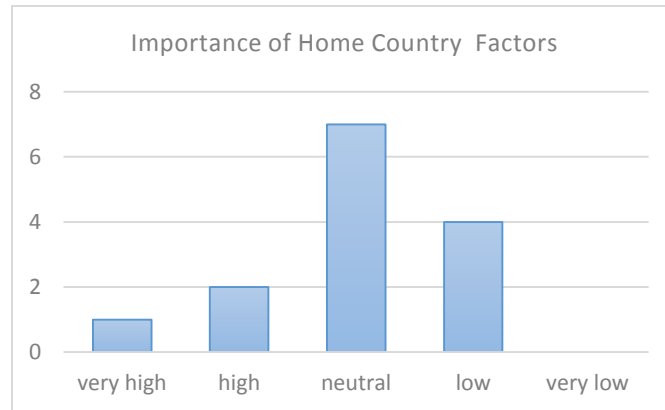


Figure 17: Importance of Home Country Factors in regard to the Choice of Entry Strategy (Source: Interviews)

When asking more detailed about the nature of these home country factors and their respective influence, the following attributes were mentioned:

- *Quality and Perception* - which means that European products, namely the ones from the DACH region, are very well perceived in Brazil and are associated with quality and prestige. It is therefore not necessary to differentiate oneself in terms of the entry strategy because the product “speaks for itself”.
- *Support* – Three of the interviewees mentioned the support by the Chamber of Commerce (Compare Interviews Industrial Companies 2, 3, 5). Germany, as well as Austria, Switzerland and the Netherlands have representation offices of their respective Chamber of Commerce in Brazil. One of the consumer goods companies too, mentioned in the interview that the support through the Chamber of Commerce, especially regarding the help of providing relevant contacts before the expansion through participating in a visit to Brazil, organized and guided by the Chamber of Commerce was a very important factor in the support of the relevant entry strategy (Compare Interview Consumer Company 5).

To conclude, the relevance of Home Country Factors in regard to the choice of Entry Strategy was not confirmed.

10.1.4 Market Barriers

This section is very closely related to the Target Market Environmental Factors. However, since it is deemed a very important factor, it is listed as a separate entity in the framework and therefore examined separately from the Target Market Environmental Factors, described on page 36.

Rather than ranking the negative influence factors of the target market which equal the barriers of entry (see Figure 16, p. 37), this section looks at the market barriers in a more qualitative approach: Though all companies name the complicated law and tax system as the major barrier, they were now asked to describe the role these barriers had on their decision making:

The general tone of the interviews revealed that once you have decided to enter Brazil, the existence of high market barriers are no secret, which generally leaves a high level of uncertainty. All of the 14 companies interviewed agreed that market barriers were one of the most important influence factors when choosing (or later changing) their entry strategy because, like one of the interviewees stated “it can make or break your business. Only a small rule or regulation that you previously overlooked in terms of governmental regulations can become very expensive for you and ruin your business” (Interview Consumer Company 1).

This result was also confirmed by the interviews from both of the Chamber of Commerce. According to them, most of the companies expanding to Brazil fail due to mistakes or wrong decision in terms of governmental rules and regulations. As an example, it was mentioned that it is not uncommon for importing companies to have long waiting times bringing their goods through customs which results in very high costs and unreliability.

To conclude, the importance of market barriers as an influence factors in the choice of entry strategy is confirmed.

10.1.5 Feasibility/ Viability of Entry Mode

The following question was posed in the interview to evaluate this factor: “*Was your decision on entry mode limited by Brazilian regulations in any way?*”

Five out of the 14 companies answered this with a clear “no”, the rest rather explained the situation in more detail. Generally, all of the companies explained that in general, all entry modes would be doable in Brazil, which means there is no general restriction by the government that prohibits certain modes⁸.

However, it is interesting to evaluate a peculiarity that was discovered through the interviews in regards to the consumer industry: three of the interviewed consumer companies reported they were initially planning to enter Brazil through and Agency / Distributor agreement but were then advised by their Chamber of Commerce to select an alternative route, due to numerous problems that had occurred through this type of entry strategy in Brazil before (Interview Consumer Company 1, 3, 4). At the same time, the representative of the Chamber of Commerce of Germany and Austria reported the same problem. Apparently, consumer companies who entered Brazil through an agent have had numerous problems in the past where an agency agreement unintentionally triggered an employment contract with the agent (Interview German Chamber of Commerce). These issues then had to be solved in court and burden the company with substantial costs as nearly all of the reported cases are ruled in favour of the agent. This knowledge therefore had a large effect upon the choice of entry strategy because reportedly, an agency agreement would have been favourably considered by the consumer companies (Interview Consumer Company 1, 3, 4).

One of the industrial companies reported, that even though a joint venture with a local company would have had the advantage of the know-how of a local partner, the complicated process of due-diligence led the company to open a wholly owned subsidiary. Even though this was a larger capital investment at the start, it was the best

⁸ Restrictions put in place by the Brazilian government include certain sectors such as energy or telecommunications, which is not relevant for this study.

decision on a long-term basis in order to keep full control of the operations, know-how and processes (Interview Industrial Company 3).

The representative of the Chamber of Commerce of Austria adds: There are several industries that are restricted in terms of FDI in Brazil. Prominently, this includes the telecommunication and airline industry where foreign companies are not allowed to enter. Therefore, yes – the feasibility of an entry strategy is an important factors companies need to consider.” (Interview Austrian Chamber of Commerce).

To sum up, yes this factor does play an important role in the decision making process:

- certain industries are prohibited from entering the Brazilian market
- due to legislation, certain entry strategies (e.g. agency agreement) are not recommendable

10.1.6 Popularity of Individual Entry mode in Brazil?

This section evaluates, whether entry modes that are overall very popular in Brazil influence the decision making in any way. In this category, the interviewees agreed overall that the popularity of a specific entry mode did not influence their decision. Eleven out of the fourteen interviewees answered that they either did not take this factor into account (“neutral”) or that it was merely a side factor (“not really”) – (compare Figure 18).



Figure 18: The Popularity of Specific Entry Modes in Brazil as a Decision Factor (Source: Interviews)

During the interviews, it became clear that the companies do evaluate country and target market specific factors. However, they do not pay much attention as to the overall popularity of specific entry strategies. Several reported that they used information available through networks to find out about previous successful strategies as well as seeking suggestions and advice, though this is regarded as a separate (internal) influence factor and will be evaluated later on.

To conclude, the importance of the popularity of existing entry strategies in Brazil as an influence factor was not confirmed.

10.1.7 Socio Cultural Distance between Brazil and Home Country

The following factor is less of a “hard economic factor” but more on the side of cultural differences. It comes as no surprise that all participating companies see a difference in the socio-cultural environment of Brazil and Europe, though ten companies evaluate the difference as very high (“very different”), whereas four companies only see a slight or even neutral difference (see Figure 19).

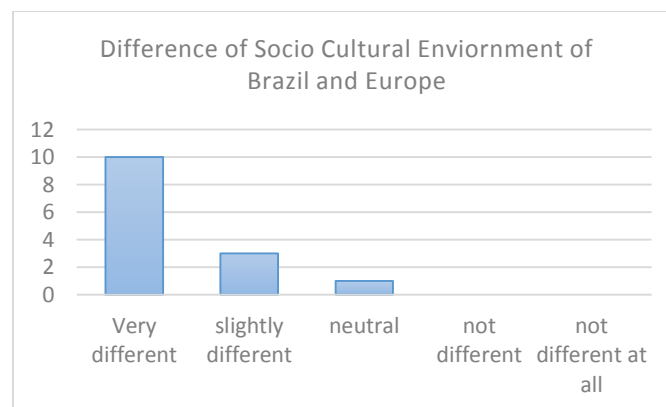


Figure 19: Socio-Cultural Difference Between Brazil and Europe (Source: Interviews)

In the follow-up question, the companies were asked to describe, in what way they included this factor into the decision making process. The majority expressed concern that they did not want to give up too much control to a foreign party because of a lack of previous experience in dealing with Brazil. Of course, this would mean a higher

commitment right from the start which makes an exit strategy much more difficult. A German consumer company that opened a manufacturing plant in Brazil put it this way: “When we started operations in Brazil, we were generally aware of the cultural differences and the difficulties this might encounter in a business environment but did not consider them too closely – in the end, hard facts (numbers) were more important to us. It is one of the big lessons learned that for future operation, we should take these “soft” factors more into consideration” (Interview Consumer Company 2).

In general, the responses can be summarized in the following points:

- The socio-cultural distance is important and does play a role when expanding to Brazil
- A direct influence in the decision making process cannot be determined as this “soft” factor cannot be put into numbers
- It is rather wishful thinking that it would be great to keep as much control as possible of the business operations but this is not always possible depending on the entry strategy and other (more important) factors, weighing into the decision
- Because of the socio-cultural distance, it can be very helpful to get support of a local partner in order to help navigate and thrive in the Brazilian business environment
(compare Interviews)

To conclude, the influence of socio-cultural factors in the decision making process can be confirmed.

10.1.8 Competition

The final of the external influence factors of the framework is the influence of competitors that are already existing in the target market. The question to the companies was, whether the competitors already operating in Brazil (no matter if local companies or foreign competitors) influence the market entry choice and if yes, in what way. Interestingly, many of the researched companies took especially international competitors as an example of good or bad practice in order to verify their entry strategy. For example, one

of the industrial companies replied they were looking to European competitors that were already operating in South America to see how they entered the market (compare Interview Industrial Company 5). This however was not the general tonus of this interview question.

The main point turned out to be that it is not so much an influence factor in regards to which strategy to choose when you have already decided to enter the market, but rather it is an important decision factor when deciding if and which international market to expand to.

At the same time, it was discovered in the interviews that it very much matters how much (international) competition is already present in Brazil. In the cases where there were already some strong competitors operating, the companies responded that they did take them more into consideration when deciding on the entry strategy because it offered a point of differentiation. For example, one consumer company replied that they decided to actually open a store in Brazil as opposed to many competitors who enter through a distribution agreement in order to have direct contact to the end customer and have a differentiated business strategy from their two main European competitors, also operating in Brazil (compare Interview Consumer Company 4).

For companies who did (not yet) have many (international) competitors in Brazil, this factor was of low relevance and they reported not (or on a very low level) have taken it into account when deciding on the market entry choice.

To conclude, the factor of competitors, though not a major influence factor, can be confirmed.

10.2 Theoretical Framework of Internal Factors – “The Reality Check”

The following section evaluates the internal factors that were defined through the literature review (see p. 29, Figure 14 for an overview).

10.2.1 Company Product Factors

The first of the internal factors to be evaluated is the company product factors – basically including everything in regards to the product/service. Theory suggests that the more diversified the product palate of a company, the closer the distance to the target market will be – meaning the company would choose an entry strategy that offers more control and direct contact with the customer.

When asking the interviewees, how divers their palate of product/services they expanded to Brazil are, the response was the following:

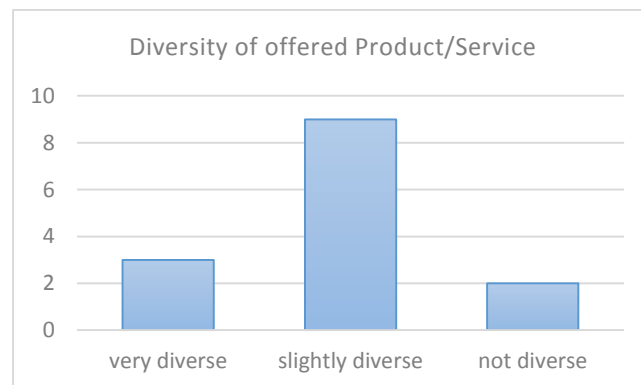


Figure 20: Diversity of offered Products or Services (Source: Interviews)

When correlating these answers with the actual chosen entry strategy of the respective companies, the theory that the more diverse the product palate, the more direct the entry strategy cannot be confirmed (this however might also be due to the small sample size and therefore cannot be disregarded completely).

The more interesting fact is discovered when the companies were asked what role the diversity of their product/service played when choosing the entry strategy. The majority of the companies (both consumer goods companies and industrial companies) mentioned

the importance of quality. Therefore, a lot of them opted for an equity (FDI) mode of entry which would allow to control the quality and the contact to the customer.

In general, regarding the influence of the product/service itself on the entry strategy, it can be said that it does in fact play a major role though the correlation between the diversification and equity mode of entry could not be confirmed in this sample.

10.2.2 Company Size and Resources

Theory suggests that the larger a company and the more resources it has, the more in will to look for a more long-term, capital intensive entry strategy to allow for more control. When looking at the answers of the interviewees in Figure 21, the analysis does not seem to confirm the theory. However, it is interesting to note that all six companies that answered they would “most probably” not have chosen a different strategy are already present either through a Joint Venture or a Wholly Owned Subsidiary in Brazil. They already chose one of the options that offers high control over the international expansion and did not have much else to consider in regards to alternatives. Without question, one could argue that a Wholly Owned Subsidiary offers more control than a Joint Venture and that the companies who entered through a JV could, in case they would have had more resources / an overall larger firm, have chosen the strategy of a WOS. However, this was not the case as those present through a JV saw many advantages of having, a mostly Brazilian, partner on their side to share resources but most important contacts and knowledge.

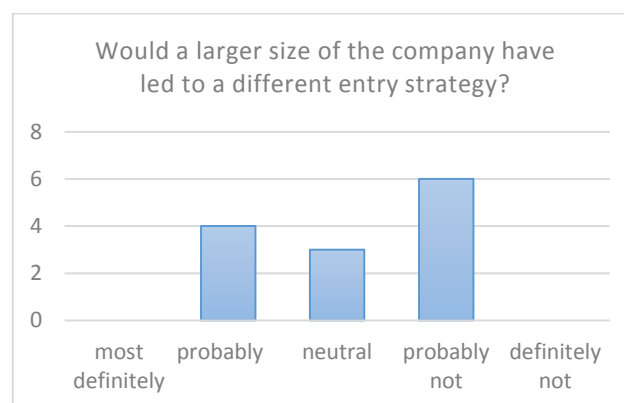


Figure 21: Would a larger size of the company have led to a different entry strategy? (Source: Interviews)

When looking at the rest of the answers from the interviewees, four answered that yes, probably they would have chosen a different entry strategy whereas three companies remained neutral to this question. Generally, it suggests that there is truth behind the Roots' theoretical argument that size ultimately does determine the entry strategy towards a more capital intensive strategy and can generally be confirmed for the sample investigated in the context of this thesis.

10.2.3 Management Risk Attitude

“One certainly needed a visionary mind, courage, ambition and determination to achieve a successful international expansion in these early days” (Interview Consumer Company 1). With the “early days”, the interviewee is referring to the 1920s when, before the 2. World War, the company's president decided on an internationalization to Brazil. Because there were not a lot of examples of internationalization in Brazil to be examined, this traditional, family owned company relied on its leader and his decision making. The venture ended up to be a great success story.

All interviewees were asked to rate the general risk attitude of their management, the results in this study were inconclusive because nine out of fourteen companies reported the risk attitude to be “neutral” (see Figure 20).

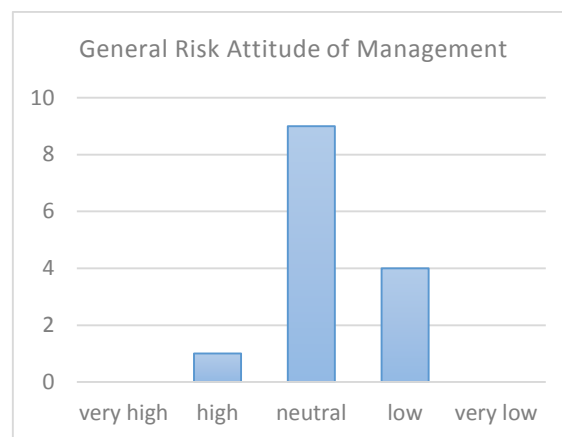


Figure 22: General Risk Attitude of Management (Source: Interviews)

The qualitative analysis however suggests the statement to be valid: six of the companies revealed in open questions a traditional company culture that is very much engraved by the founder or the founding family. They were described as visionaries by the interviewees who guided the company successfully through time and into new and unknown business ventures. This at least was true for the more traditional industrial (and two of the consumer companies) interviewed (compare Interviews Industrial Companies 1, 2, 4 and Consumer Company 1, 4). One of the consumer companies that opted for a franchise model interestingly did describe its founder to have a high risk attitude in general management style but did not link this immediately with the venture in Brazil (compare Interview Consumer Company 2).

The conclusion for the risk attitude as an influence factor therefore remains inconclusive. Qualitative answers by the interviewees suggest a partial connection which however is not strong enough to validate this point of the study.

10.2.4 Setting of extremely ambitious targets

Although this factor is not an influential determinant in the classic sense (i.e. it is only referred to in one of the reviewed literary content), it nevertheless proved to be important and interesting to evaluate. First, all companies were asked to rate the setting of ambitious targets within the company.

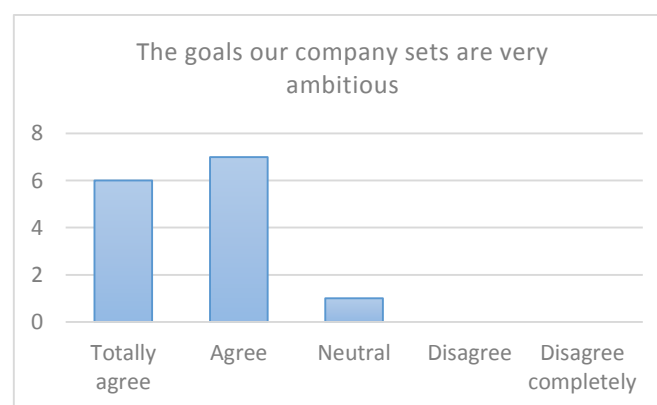


Figure 23: Degree of ambitious goals within the companies (Source: Interviews)

It is not surprising that almost all of the interviewees (13 out of 14) rated the goals of their company as ambitious (see Figure 23). It is more interesting to evaluate the open question

in regard to how this influence the entry strategy because here, the answers are of a more diverse nature and can be divided into the two main categories:

- Ambitious goals are omnipresent within the company and therefore also influence the internationalization strategy. High targets are set from the beginning and all efforts possible are being made in order to achieve these goals.

Interestingly, two companies reported that the ambitious targets they had also led to a lot of frustration at the beginning of the venture. The reason being the slow and complicated bureaucracy in Brazil. One industrial company that exported machinery to Brazil ran into huge problems when the goods were not processed at customs in time which led to the project being delayed for several months and a huge loss for the company (compare Interview Industrial Company 3). Their lessons learned: Ambitious goals are an important determinant for a successful venture but the more ambitious, the more risk is associated with it. In unknown markets, this can be a major setback for companies.

- Realistic, not ambitious goals should be set for international ventures. Especially in small companies, a lot is determined by the success of these ventures. Extremely ambitious goals rather harm than support the overall process.

Five of the 14 interviewees answered along the line of the above statement (compare Interviews Industrial Companies 1, 3, 4; Consumer Companies 2, 4). Especially for small companies, a successful expansion can be crucial to their survival. This was also confirmed through the interviews with representatives from the Chamber of Commerce. According to them, one of the major reasons for company failing in Brazil are wrong expectations, which also includes the setting of unrealistic goals. “Wanting too much too fast does not work in Brazil. You always need to multiply your expected complications by two in order to gain a realistic evaluation of the scenario” (Chamber of Commerce Austria).

The overall opinion on this matter showed that the setting of ambitious goals is in fact an important factor to determine overall success of the international venture. However, in terms of the influence factor which entry strategy to choose, it is less relevant.

10.2.5 Innovation

Again, similar to the factor of ambitious targets, it is not surprising that most of the companies see internationalization and innovation directly linked (see Figure 24).

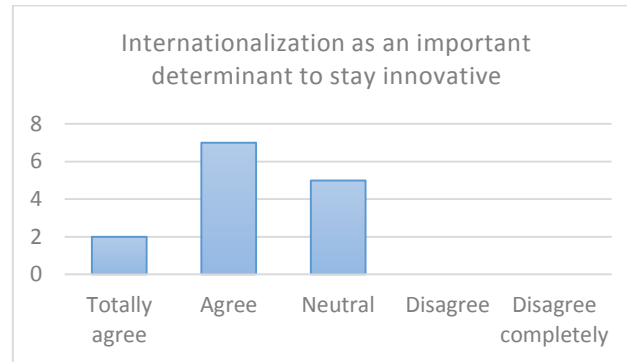


Figure 24: Internationalization as an important influence factor of innovation (Source: Interviews)

They all emphasized the importance of getting international influences, seeing what is needed in other markets in order to keep “on their toes” and keep improving, reinventing and developing their products and services.

As with the previous analysis, the more interesting part of the analysis lies in the qualitative answers given by the interviewees. Again, a lot of similarities can be drawn from the previous examined factor of ambitious targets. Generally, all companies agreed that innovativeness is an important factor that determines to go abroad initially. However, the general conclusion was that it does not have much (if any) influence in what way exactly that internationalization strategy should be carried out.

Therefore, in terms of the analysis of the theoretical framework on which the analysis of this thesis is based on, this point proves to be not valid.

10.2.6 Experience in using MEMs

To evaluate this specific influence factor, the interviewees were first asked whether their company had already use the entry mode they used in Brazil in another market. This was the case for eleven out of the fourteen companies, meaning more than two thirds were

already familiar with the particular entry strategy they used, even though it was in a different international setting (for all of the companies interviewed, Brazil was the first country they expanded to in South America).

The following question determined, whether the companies use the same entry mode for all their internationalization. Again, the picture looked quite homogenous with eleven of the fourteen companies using the same, or a variety of two entry modes in all their international ventures. Solely three companies reported a diversified entry strategy portfolio.

When asked how this track record of utilizing similar entry strategies influence the decision in Brazil, the main points that were mentioned included:

- It is easier to control international ventures when all are operated in a similar way
- What has worked well in the past in other countries is more probably to work again in a new country, though country specific aspects always have to be taken into account
- Utilizing the same entry strategy as in other countries reduces costs within the company because certain existing processes can be adopted rather than creating completely new ones

These statements are also congruent with the responses from the representatives of the Chamber of Commerces. All representative offices give out specific advice in terms of strategies how best to enter the Brazilian market – including definite strategies that have proven to be successful in certain sectors and others that have generally led to problems. However, all of the representatives clearly stated in the interviews that they recommend companies to “go with what they already have experience with”, as long as it fits to the overall reality of that particular market. “Even though the bureaucracy in Brazil is very difficult, there are generally a lot less restrictions in regards to the choice of entry strategy than in the other BRIC countries – especially China and Russia. For the most part, companies have a free choice which strategy to choose. Often, it makes sense for companies to go with what they already know and adapt it to the reality of the Brazilian market” (Interview German Chamber of Commerce).

To conclude, the factor of previous experience with a certain internationalization strategy does play a vital role in choosing the entry strategy to Brazil.

10.2.7 International Experience / International Entrepreneurial Orientation

Management in small companies is the driving force of the decision to grow international business. Therefore, it comes as no surprise to find the previous international experience of management on the list of influence factors in regards to the entry strategy. Theory suggests that the higher the degree of international experience by management, the more likely a commitment to an equity mode of entry is.

When asking the interviewees, all of them placed their company's management in the section of "high" or "very high" international experience (see Figure 23), which generally comes as no surprise in today's global world.

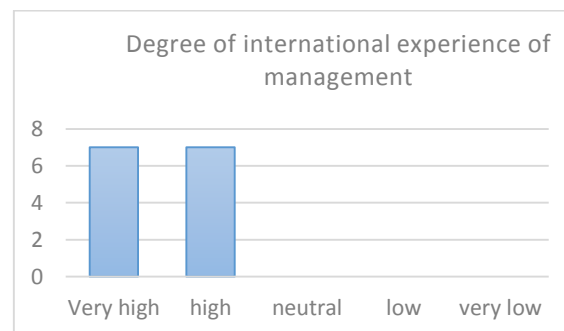


Figure 25: Degree of international experience of management (Source: Interviews)

11 out of the 14 interviewees further acclaimed that their management travelled abroad on a regular basis for business trips, which serves as another indicator for the high degree of internationalization in terms of management in these companies.

After having established the high degree of international experience, the question remains in what way this factor influenced the chosen entry strategy to Brazil. Again, similar to previous examined influence factors, the answers provided more variety:

- With Brazil being a very different economy and business environment from European or even North American markets, the international experience of Senior

Management helped to put research into perspective and provide a more realistic outlook and strategy plan

- Though a vast international experience was present, management did not have specific experience in Brazil previous to the international venture. Therefore, it can be said that it might have helped in general but there still were a lot of surprises and unexpected turns when it came to putting together the strategy for Brazil
- Because of having this international experience, especially combined with previously having expanded internationally to other countries, it supported the venture in Brazil and gave more liberty in regards to the entry strategy

To sum up, the international experience of management does play a role in the choice of internationalization strategy. Generally, managers look at a larger variety of options the more experience they have. At the same time, previous international experience helps to better evaluate research and gives a higher likelihood of success.

10.2.8 Loyalty and Qualification of Staff

Not only in international business, but in successful ventures in general, a highly qualified and loyal staff always is mentioned as a key component of success. In order to evaluate the loyalty factor, companies were asked to rate their turnover rate. 11 out of the 14 companies rated their turnover rate as “very low” or “low”, whereas the other three rated it as “neutral”. In regards to the qualification of the staff, the interviewees were asked whether, during an international expansion, the staff is given all relevant knowledge of the country beforehand. The answers in this case reflected, that only staff that is directly dealing with the international expansion is receiving special training in advance. Obviously, not all of the staff is generally concerned with the details of an expansion to Brazil. 13 out of the 14 companies rates this question with “agree” (4 on a scale of 5) but generally agreed that this matter needed to be looked at in the differentiated way explained above.

When looking at the qualitative part, all interviewees overall agreed that qualification and loyalty of staff is an important determinant of a successful international business venture. However, the influence on the exact choice of entry strategy remains questionable. The most prominent answers can be broken down to the following points:

- Quality of staff is an important concern when expanding through and equity mode. In this case, local staff is hired but also staff from the home country usually is taken on, on the basis of expatriate contracts. The quality of these key personnel is of crucial importance in regards to a successful venture.
- Quality of staff is a determinant of an overall successful and growing business. Without a successful business there would be no expansion. It is therefore an influence factor not so much of the actual choice of entry strategy but rather on whether or not to expand at all

The results of the expert interviews confirm those of the company representatives: according to them, since quality of staff unfortunately still is a major drawback in Brazil, it complicated the market entry strategy and has to be factored into the decision making process when choosing the right strategy. Having more control through an equity choice of entry strategy does seem more appealing in this case.

It can be concluded that this factor generally does play a partial role when choosing the specific entry strategy even though it seems more important in the initial decision making process when deciding whether to expand internationally or not.

10.2.9. Geographically Diverse (Social) Networks

“Networking” is currently one of the most prominent buzz words in business. By asking the interviewees, whether they had an extensive international network in place which they used to get information about Brazil previous to or during the expansion, the general relevance of this factor was established. It turns out that the existence and use of networks among the sample companies is quite diverse, as can be seen in Figure 26:

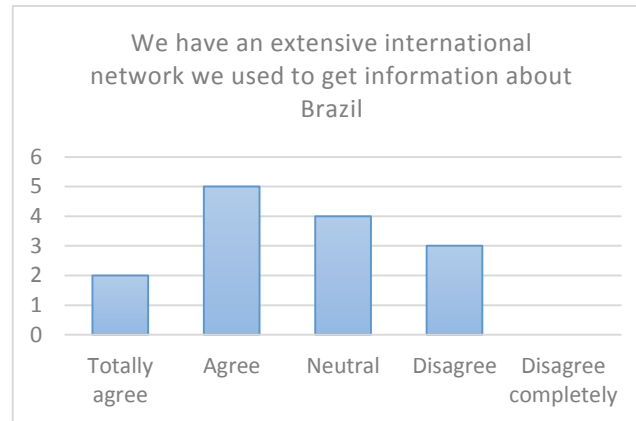


Figure 26: Existence and usage of international networks to gain information about Brazil (Source: Interviews)

Seven out of the 14 companies “totally agree” or “agree” that they do in fact have strong international networks in place, whereas the other seven reported to either be impartial about this question or to actually not have a strong network in place. In regard to the qualitative analysis, which had the aim to determine the influence of these (not) existent networks on the entry strategy, the results were less diverse. The most prominent answers are summarized in the following points:

- Without a proper network in place, it is extremely difficult to gain access to the Brazilian market at all or the even begin to evaluate business opportunities.
- Finding a partner for a business venture (may it be a Joint Venture or simply a distribution agreement) is impossible to do without a network. Successful business gets done through connections in Brazil, without those, the business is unlikely going to be successful
- Networks can provide vital information before the actual expansion strategy. This includes for example the previous internationalization ventures to Brazil by companies from one’s homeland and their respective success or failure in regard to a certain entry strategy.⁹

Generally, it was interesting to note that so many of the interviewed companies reported not to have a strong network in place. Upon further questioning, it was revealed that they

⁹ This statement is very closely linked to the factor of „competition“ previously discussed in the analysis.

only built these networks over time and did not have a very strong network at the time of the market entry.

This suggests that the factor of the existence and use of networks is more relevant during the actual decision to expand internationally, rather than the choice of entry strategy. However, the points in the qualitative analysis beg to differ. It becomes clear that through additional (often proprietary) information from ones' network, specific entry strategies can be evaluated on a better level. Therefore, the relevance of this factor is proven.

10.3 Summary of the Assessment

After having evaluated each of the external and internal influence factors defined in the literary review, the overview presents itself as following:

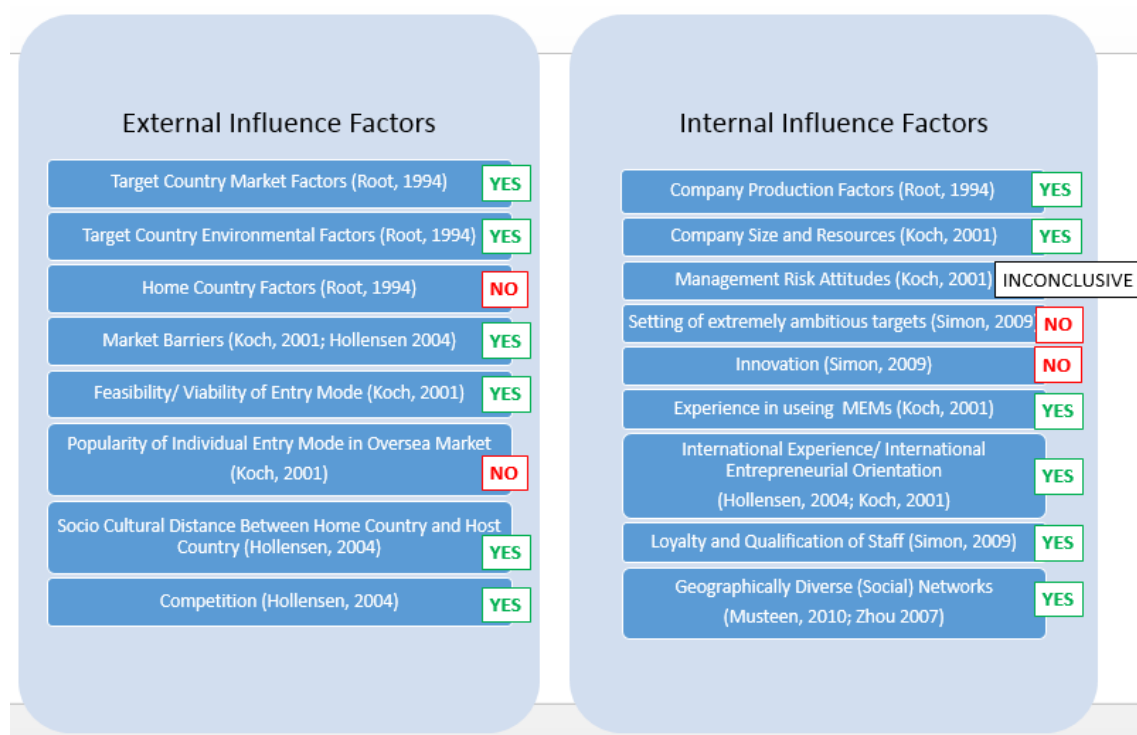


Figure 27: Overview of assessed external and internal influence factors (Source: Author)

In total, 17 factors (eight external and nine internal factors) were assessed during the interviews. Of these, the relevance of two external factors, namely *Home Country Factors* and *Popularity of Individual Entry Mode in Oversea Market* were not confirmed. On the side of the internal influence factors, the analysis of *Management Risk Attitudes* remained inconclusive and the influence factors of *Setting ambitious targets* and *Innovation* were not confirmed for large SMEs in the DACH region and the Netherlands with international activities in Brazil.

With the majority of the evaluated factors confirmed in the analysis (12 out of 17 factors proved to be relevant), the research confirms the close link between the current academic literature in the field of influence factors to international expansion and the actual reality.

10.4 Implications

The thesis affirms the relevance of existing academic literature on the topic of external and internal influence factors for large SMEs in the DACH Region and the Netherlands who are expanding to Brazil. In order to achieve a thorough evaluation of entry strategies, the following factors should be taken into consideration:

EXTERNAL

- Target Country Market Factors
- Target Country Environmental Factors
- Market Barriers
- Feasibility/ Viability of Entry Modes
- Socio-Cultural Difference Between Brazil and Home Country
- Competition

INTERNAL

- Company Product Factors
- Company Size and Resources
- Experience in using MEMs

- International Experience / International Entrepreneurial Orientation
- Loyalty and Qualification of Staff
- Geographically Diverse (Social) Networks

Overall, the most emphasized influenced factors for an expansion to Brazil according to the interview conducted were Market Barriers. Brazil is an attractive market for many medium sizes European companies, due to the growing purchasing power, the growing middle class and overall positive outlook of the economy.

Nonetheless, the interviews have proven that often, small obstacles such as the cultural difference or the complicated Brazilian administrative system can prove to be a major barrier to entry. Therefore, it is crucial to properly evaluate all available entry strategies, using a versatile and broad framework – one of which was presented in this study.

11 Conclusion

The goal of this thesis was to evaluate the relevance of external and internal influence factor that are currently prominently featured in academic literature, when choosing the international entry mode for Brazil, relevant for SMEs in the DACH Region and the Netherlands.

First, an overview of the current status of SMEs in Europe was presented, along with a short introduction to Brazil as well as the most prominent entry modes.

Secondly, a literature review was conducted, which identified several prominent theories and summarized them in a framework that which was used as the basis of the interview guide for the analytical part of the study.

Thirdly, the analytical part of the study followed. Here, the answers of 14 companies from the DACH region and the Netherlands as well as two interviews with representatives from the Chamber of Commerce in Brazil (Germany and Austria) were used to analyse the relevance of each of the influence factors presented in the framework.

Overall, the research found the theoretical framework to be valid: 12 out of the 17 factors were confirmed to have an influence on the choice of international entry strategy to Brazil. The research also showed a strong link between the relevant factors, which led to difficulty in the analytical part when attempting to separate the influence factors completely. The top three links and most emphasized factors during the interviews were:

- Speed and size of the market growth is a strong factor in the evaluation process, together with the actual resources and current position of the company
- Market Barriers are not to be underestimated in Brazil. The taxation system in particular has proven to be one of the most complicated ones worldwide and it is important to get detailed information before the international venture
- Preparation is everything – the decision making is a complex undertaking with a lot of individual but interlinked factors, some of which are complementary, others that are competing with each other. It is vital to gain as much information as

possible but also not to wait too long with the decision in order not to miss an opportunity.

A logical extension of the topic discussed in this thesis would include to further research individual factors of the companies, not represented in the theoretical framework. Similar to the study done by Simon, who looked at individual success factors of Germany's "hidden champions", a research on the hidden influence factors on the choice of entry strategy would be possible.

Generally, the thesis proves the relevance of academic literature for the actual decision making of SMEs when expanding to Brazil but also clearly shows that picture that reality provides is more complex and variable than existing literature.

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13 Appendix

On the following pages, the conducted interviews are included.

First, all answers by the company representatives are listed in table format. Some of the interviews were conducted in German, due to the fact that the language of most of the company representatives was German.

The companies are numbered from IC 1-9 to CC1-5 where IC stands for “Industrial Company” and CC stands for “Consumer Goods Company”.

The questions are numbered according to the interview guide which can be found on the pages 31-33 in the main part of the thesis.

Second, the interviews of the Chamber of Commerce of Germany and Austria are transcribed.

External Factors								
Interview	3a	3b	3c	3d	3e	3f	3g	3h
IC 1	die Größe des Marktes hatte einen großen Einfluss. Gerade in Kombination mit der Fußballweltmeisterschaft war ein erhöhtes Geschäftsvolumen zu erwarten	<p>Wachsende Kaufkraft & Nachfrage Hohes Marktpotential für Technologieprodukte Stabile Wirtschaft</p> <p>Komplizierte Gesetze und Regelungen Hohe Steuern Hohe Korruption</p>	low	<p>Hindernisse gibt es in Brasilien viele und auch bezogen auf alle Markteintrittsstrategien. Es gilt abzuweichen, welche mit der eigenen Geschäftsstrategie am wenigsten Risiken birgt - ganz sicher kann man sich aber nie sein</p>	<p>Agency Agreements sind immer wieder ein Problem, wesswegen grundsätzlich davor gewarnt wird</p>	neutral	<p>very different : es ist schwer zu quantifizieren, aber der kulturelle Unterschied ist zu spüren</p>	Neutral
IC 2	Of course, the market size is always one of the first indicators you turn to when evaluating the potential of new markets. I would say however that it is important in that stage to attract initial attention. When the process gets more real and you think more about how you will enter the market, there are many factors that determine the initial entry strategy than the market size. We do see competitors in the market which is always a good indicator of the attractiveness of the overall market. We even partnered with a Brazilian company which has turned out very beneficial for us.	<p>growing demand large market potential for industrial products positive development in terms of FDI</p> <p>Complicated laws and regulations strong protective measurements of some industries by the government low qualification of staff</p>	high the support programs by the Chamber of Commerce were a factor that helped us get started in Brazil and gave us relevant information about suitable entry strategies	<p>A number of market barriers exist without question - Brazil in general is still very protective of the home economy. Therefore, tariffs and quotas are high and this has to be considered when wanting to remain competitive</p>	<p>Our entry strategy was feasible so far. I do not know all the details about all existing strategies</p>	not really	very different	<p>No relevant during the general research but not when choosing the entry strategy</p>
IC 3	Brazil is growing exponentially in certain states. Other states are still relatively underdeveloped. For us, it was a chance to start business in the better developed areas and then have a competitive advantage in other states later. Especially with the major sporting events taking place and the arenas being built even in underdeveloped areas, this was a big opportunity for us to expand. Also, certain governmental regulations are being changed and slowly made more favorable for us as international investors. At the same time, the perception of European products is high and the purchasing power is growing - all favorable aspects for us. Finally, local companies are generally interested in partnering with us because we bring a lot of technical know-how to the table.	<p>Growing purchasing power and demand Market potential Stable economy</p> <p>complicated laws and regulations tax system protective governmental measures</p>	neutral generally, Germany did not have a lot of influence on our entry decision. However, the provided support from the government (namely the chamber of commerce) was helpful	<p>The taxation system was the barrier we had the most trouble dealing with: it is very complicated and without an external consultant, it was impossible for us to navigate. Because of this, we initially incurred higher costs than expected</p>	<p>Vertriebspartner sind laut Außenhandelskammer aufgrund der brasilianischen Gesetzgebung bei Disputen bevorteiligt - daher ist hier mit Vorsicht zu handeln</p>	neutral	slightly different	No
IC 4	Marktwachstum, Investition in Infrastruktur für WM und Olympia, verstärkte Kaufkraft im Land	<p>potentielles Marktwachstum wachsende Kaufkraft wachsende Mittelschicht</p> <p>undurchsichtige Gesetze kompliziertes Steuersystem geringes Level an Englischkenntnissen in der Bevölkerung</p>	low	<p>Alle Strategien bringen ein gewisses Maß an Markteintrittsbarrieren mit. Es ist wichtig, alle Barrieren in Bezug auf die möglichen Eintrittsstrategien zu evaluieren und dann das "kleinste Übel" herauszusuchen</p>	<p>Gesetzgebung vorteilhaft für einheimische Partner - gerade bei Partnerschaften im Vertrieb</p>	neutral	slightly different	No

Interview	3a	3b	3c	3d	3e	3f	3g	3h
IC5	Es ist immer wichtig, die Konkurrenz nicht aus den Augen zu verlieren. Aber ich glaube, dass gerade Deutsche Firmen mit ihren hochwertigen Produkten heimatische Firmen in . Brasilien (noch) nicht fürchten müssen, da unsere Produkte aktuell weit überlegen sind. Langfristig sind sie jedoch nicht zu unterschätzen. Aktuell sehen wir allerdings viele dieser Konkurrenten eher als wertvolle Partner. Mit einem sind wir eine Partnerschaft für ein Joint Venture eingegangen, da grade der Vorsprung an Kontakten und lokalem Know-How sehr wertvoll für uns ist.	potentielles Marktwachstum wachsende Kaufkraft positive Entwicklung der Regierung zu FDI Gesetzten kompliziertes Steuersystem Korruption Ausschluss bestimmter Industrien von internationalen Investitionen	high	existieren und sind wichtig	no	slightly es war ein Nebenfaktor, jedoch nichts was von Anfang an einen großen Einfluss hat	neutral	Yes Konkurrierende Unternehmen sind immer ein wichtiger Indikator wie der Markt generell aufgestellt ist. Sicher haben wir uns vor der Expansion angesehen, welche Unternehmen in welcher Form bereits in Brasilien präsent sind
IC6	We see Brazil as a gateway to other South American countries. Brazil has a promising market growth and at the same time the most complicated regulations. If we can be successful here, we can be successful anywhere.	Growing purchasing power and demand Market potential positive development in the area of FDI complicated laws and regulations tax system protective governmental measures	low	When you decide to enter Brazil, chances are you have already heard of high market barriers. Especially the high import tariffs are a problem	no	not really	very different: It is wishful thinking to wanting to keep as much control of the business venture as possible because you do not trust the international partner since doing business is just so different. This is not always possible and after a lot of crunching numbers, sometimes you just have to take a leap of fate	No Not so much in choosing the entry strategy. It makes sense to see if the market is interesting at all
IC7	Großes Wachstumspotential, daher hohe Investition und Commitment, positive Zukunft, z.B. Weltmeisterschaft. Sehr differenziertes und einmaliges Produktangebot; keine Differenzierung im Bereich der Eintrittsstrategie	potentielles Marktwachstum wachsende Kaufkraft wachsende Mittelschicht kompliziertes Steuersystem Korruption Ausschluss bestimmter Industrien von internationalen Investitionen	neutral	Die aberwitzigen Zinsen sehen wir als eine hohe Marktbarriere die es schwierig macht erfolgreich zu agieren. Es ist abzuwägen, mit welcher Eintrittsstrategie man die Hindernisse umschiffet - es ist unmöglich sie komplett zu umgehen	wichtiges Entscheidungskriterium, bisher in Brasilien allerdings weniger relevant	neutral	very different: es macht Sinn sich vor der Expansion stark mit der brasilianischen Kultur und den Gepflogenheiten in der Wirtschaftswelt auseinanderzusetzen. Das kann lokale Verhandlungen einfacher machen	No Wir hatten in unserem Bereich kaum Konkurrenten im Brasilianischen Markt.
IC8	Investition in Infrastruktur durch den Staat, daher viele Großaufträge, wenig Konkurrenz auf dem gleichen technischen Niveau, FDI lohnenswert	Gute Beziehung zu Partnern Wachsende Nachfrage und Wohlstand Regulierung des Arbeitsmarktes Kompliziertes Steuersystem Gesetzgebung	neutral	Für uns einer der wichtigsten Entscheidungsfaktoren, da wir die Regulieren nur durch eine entsprechende Wahl einer klugen Strategie beeinflussen können	no	neutral	very different	No
IC9	Brasilien ist ein aufstrebender Markt der gerade für Technologiefirmen wie uns attraktiv ist. Es gibt zwar komplizierte Gesetze aber der Aufwand lohnt sich aufgrund des wachsenden Marktes. Auch wenn die Aussichten durch die WM größer erwartet wurden ziehen wir doch eine positive Bilanz. Ein großes Plus sind auch unsere langfristigen lokalen Vertriebspartner. Hier konnten wir eine stabile und wertbringende Beziehung aufbauen.	potentielles Marktwachstum wachsende Kaufkraft wachsende Mittelschicht kompliziertes Steuersystem Korruption Ausschluss bestimmter Industrien von internationalen Investitionen	neutral	Importzölle, Zinsniveau und komplizierte Steuerlage - ich kann nur die Antworten der vorherigen Frage wiederholen. Letztendlich gilt es, alle Faktoren zu evaluieren und eine bestmögliche Entscheidung zu treffen	no	not really	very different: wenn Sie Hofstede kennen wissen Sie, dass die DACH Region und Brasilien auf sehr unterschiedlichen Enden der Achse liegen. Gute Beziehungen zu lokalen Partnern können Helfen die Unterschiede zu überbrücken.	Neutral

Interview	3a	3b	3c	3d	3e	3f	3g	3h
CC 1	Für uns war schon lange klar, dass Brasilien ein sehr wichtiger, wenn nicht der wichtigste, ausländische Markt sein wird. Gerade im Bezug auf Rohstoffe ist es sehr günstig vor Ort zu sein. Wir haben eine eigene Produktionsstätte vor Ort, die schon seit knapp 50 Jahren existiert. Weitere Faktoren ist das große Wachstum der Brasilianischen Mittelschicht.	wachsende Kaufkraft stabile Marktwirtschaft Positive Entwicklung der Gesetzgebung Undurchsichtiges Steuersystem und Gesetzgebung, insbesondere das Arbeitsrecht	neutral	Gesetzte und Richtlinien sind äußerst kompliziert und es ist Möglich, durch einen kleinen Fehler gleich sein gesamtes Geschäft zu verlieren. Daher ist es notwendig sich vorab gezielt zu informieren	Machbar sind grundsätzlich alle Strategien in Brasilien, jedoch gibt es laut der Außenhandelskammer schlechte Erfahrungen mit Agents, wesswegen wir uns damals beim Markteintritt dagegen entschieden haben	slightly hat man sich für eine Strategie entschieden, macht es selbstverständlich Sinn zu prüfen, wie erfolgreich diese grundsätzlich in Brasilien ist. Es war jedoch kein Haupteinflussfaktor.	very different	No
CC 2	The Brazilian middle class is constantly growing and the demand for high-end European products is growing with it. Combined with a stable economy and the further potential in the rest of Sout America, it was the right choice. This was also the reason why we did not simply want to export our product but offer a rounded experience in stores together with the whole concept of our brand in order to really stand out from growing competition.	growing purchasing power growing middle class stable economy complicated taxation low knowledge of english labour regulations	low	There are no specific rules when talking about the choice of entry, not like for example in China where you could only enter a JV with a local partner. Nonetheless, regulations and especially taxes are very complicated and some strategies make financially more sense than others	To my knowledge, all strategies would be fesible but it is always about what is best for the company. It our case, it was to be directly present in the market, therefore we already disregarded all indirect options from the start	very much so far, we did not have much experience outside of Europe with our model. We initially took the same model we used for all our internationalization strategies and then researched, how well similar strategies had done in Brazil in the past and what we might have to chance in order to ensure success	Very different: When we started operations in Brazil, we were generally aware of the cultural differences and the difficulties this might encounter in a business environment but did not consider them too closely – in the end, hard facts (numbers) were more important to us. It is one of the big lessons learned that for future operation, we should take these "soft" factors more into consideration	Yes we wanted to differentiate ourselves from other European luxury products already present in the market. We did evaluate potential competitors and had took their business strategy into consideration to differentiate our product
CC 3	gute Wachstumsaussichten und wachsender Mittelstand. Für uns ist Brasilien der erste Eintrittsmarkt in Südamerika wegen seiner Größe und seinem Potential. Von hier aus ist eine weitere Expansion nach Chile evtl. Columbien geplant . Lokale Partner sind wichtig, da der Markt für uns zu unbekannt war und kein Netzwerk existierte um selbständig erfolgreich zu sein.	positive Entwicklung in Richtung FDI Gesetzgebung stabiler Markt sowie Marktwachstum wachsende Nachfrage Undurchsichtiges Steuersystem Arbeitsrechtliche Einschränkungen Gesetze und Einkchränkungen	neutral	Wir sehen Brasilien nach wie vor als rießen Chance, überlegen aber aktuell aufgrund der hohen Importzölle unsere Strategie zu ändern um diese zu umgehen. Es macht es schwierig, gegen lokale Konkurrenten wettbewerbsfähig zu bleiben	Uns ist nicht bekannt, dass eine bestimme Strategie in Brasilien nicht machbar ist	not really	very different	No kein Entscheidungsfaktor
CC 4	Brasilien ist eine der führenden Industrienationen mit einer grossen Bevölkerung und aufstrebenden Mittelschicht. Deshalb haben wir das Land immer als zukünftigen Kernmarkt angesehen. Als Produzent von Messern für die Fleischverarbeitungsindustrie (ein Standbein neben der Produktion von Taschenmessern, Uhren, Reisegepäck, Parfüm und Bekleidung) ist natürlich Brasilien mit seiner grossen Produktion zusätzlich interessant für uns.	Wirtschaftswachstum Grosse Bevölkerung mit wachsendem Einkommen Politisch stabil Hohe Importzölle Hohe Steuern und Abgaben im Land Negative Entwicklung des Wechselkurses	very high der Markt für hochwertige Luxusgüter in Brasilien wächst. Europäisch und gerade Schweitzer produkte werden als sehr hochwertig angesehen. Diesen Qualitätsaspekt wollten wir nicht aus der Hand geben.	Vor allem die Importzölle und hohen Steuern im Land machen es für uns schwierig, gegenüber der einheimischen Konkurrenz bestehen zu können	Laut Berichten der Außenhandelskammer gibt es immer wieder Probleme mit Vertriebspartnern. Dies war einer der Gründe warum wir einen anderen Weg gegangen sind. Grundsätzlich würde ich daher durchaus sagen, dass dies ein wichtiger Entscheidungsfaktor ist	neutral	slightly different Die Unterschiede sind definitiv da, ich würde jedoch sagen dass sie geringer sind als beispielsweise in Asien und sie daher als nicht ganz so extrem bewerten. Grundsätzlich ist Recherche vorab immer hilfreich aber nichts kann den Besuch im Land ersetzen.	Neutral

Interview	3a	3b	3c	3d	3e	3f	3g	3h
CC 5	<p>Es ist schwierig das ein paar Sätzen zu beantworten. Generell ist zu sagen, dass der wachsende Konsum in der Bevölkerung und der steigende Wohlstand ein Kriterium sind. Eine langfristige Orientierung macht durchaus Sinn, gerade weil es einige Zeit dauert das komplizierte System in Brasilien zu verstehen. Das komplizierte System war gerade bei der Strategieentscheidung wichtig: wir haben uns für eine Kooperation mit einem lokalen Partner entschieden um vom know-how über den Brasilianischen Markt zu profitieren.</p>	<p>Marktwachstum wachsende Mittelschicht junge Bevölkerung geringe Englischkenntnisse negative Wechselkursentwicklung Gesetzgebung (Steuern, Arbeitsmarkt)</p>	neutral	<p>hoher Schutz im Bezug auf Importe machen es schwierig Wettbewerbsfähig zu bleiben. Eine produzierendes Gewerbe bringt allerdings auch viele steuerliche Hindernisse mit sich - die Entscheidung ist daher nicht leicht, ich würde jedoch sagen dass "market barriers" mit der schwerste Stein in der Wagschaale der Entscheidung um die Einstrittsstrategie ist</p>	no	neutral	very different	Neutral

Interview	4a	4b	4c	4d	4e	4f
IC 1	slightly diverse: the complexity, rather than the diversity contributed to wanting to keep as much control as possible throughout the international venture	probably	neutral: international expansion always comes with risk. But it is the role of management to assess it and act accordingly. We have a responsibility after all.	Agree : Without ambition, we would not have expanded to Brazil in the first place. It is also reflected in the entry strategy: we did not merely want to export some goods to Brazil, but be actively present in the market.	agree internationalization is important to get new inspiration on the one hand and to keep growing the business by expanding to other markets. Regarding the specific entry strategy however, innovation was not a factor we considered	yes, our company used the same entry mode successfully before yes, we use the same entry mode (or same 2 entry modes) for all our international ventures what has worked well in the pasts we believe will probably work well in the future. We already have experience in the specific entry mode which makes it easier to duplicate it to other countries
IC 2	slightly diverse	neutral	neutral: wir sind verantwortlich für unsere Mitarbeiter und für die Geschichte der Firma. Risiko ist immer ein Teil des Geschäfts aber darf nicht überhand nehmen	Agree	agree: Ja, allerdings weniger relevant für die Markteintrittsstrategie	yes, our company used the same entry mode successfully before yes, we use the same entry mode (or same 2 entry modes) for all our international ventures
IC 3	slightly diverse	probably not	neutral	Agree: Nur ambitionierte Ziele bringen das Unternehmen voran - davon sind wir überzeugt. In Brasilien hatten wir damals anfangs erst andere Erfahrungen gemacht. Wir hatten große Probleme mit den Importzeiten unserer Güter und hatten daher Schwierigkeiten die ersten Aufträge pünktlich zu erfüllen, was zu erheblichen Schwierigkeiten mit unseren Kunden geführt hat.	totally agree without innovation, we would not be one of the leading companies in our industry.	yes, our company used the same entry mode successfully before yes, we use the same entry mode (or same 2 entry modes) for all our international ventures Es minimiert Kosten, da wir mit der Strategie bereits vertraut sind und wertvolle Erfahrungen gemacht haben.

Interview	4g	4h	4i
IC 1	<p>very high: often, we tend to neglect this as a factor than cannot be put in numbers. Our general experience however has shown us not to underestime the differences in culture and business customs</p>	<p>turnover rate: low</p> <p>staff receives international training: agree</p> <p>difficult to find high qualified staff, complicated labour law, difficult to be granted expat visas</p>	<p>agree</p> <p>especiall through the help of local hubs and the Chamber of Commerce, we are able to constantly enlarge our Brazilian network. Without it, business in Brazil is very difficult. Often, much more than in Europe, it is about being with at the right time with the right people</p>
IC 2	<p>very high: unabdingbar in der heutige Welt. Jedoch kaum ein direkter Einflussfaktor auf die Markteintrittsstrategie</p>	<p>turnover rate: low</p> <p>staff receives international training: agree</p> <p>ein nicht zu verachtender Einflussfaktor, leicht unterschätzt; große Unterschiede zwischen den Bundesstaaten</p>	<p>agree</p> <p>Netzwerke sind essentiell um an schwer zugängliche Informationen zu kommen. Dies kann bei der Entscheidung der Markteintrittsstrategie entscheidend von Vorteil sein</p>
IC 3	<p>high: einer von vielen Faktoren die eine Rolle spielen, gerade wenn es um die Auswahl eines brasilianischen Partnerunternehmens geht</p>	<p>turnover rate: low</p> <p>staff receives international training: agree</p> <p>wichtiger, oft unterschätzter Faktor</p>	<p>totally agree</p> <p>ein großer Wettbewerbsfaktor; kein Entscheidungskriterium per se, aber eines das hilft eine besser informierte Entscheidung zu treffen</p>

Interview	4a	4b	4c	4d	4e	4f
IC 4	<p>very diverse: die vielfalt unterer Produkte und Dienstleistungen war ein Faktor der mit eine Rolle spielte. Je vielfältiger die Produkte, desto schwieriger die Koordination. Letzendlic haben wir uns für eine Partnerschaft mit einem lokalen Unternehmen entschlossen. Dabei die Kontrolle über unsere Produkte zu behalten war sicherlich ein wichtiger Faktor</p>	probably not	<p>low: wir versuchen das Risikoniveau so gering wie möglich zu halten und uns auf unsere Werte zu konzentrieren. Es ist wichtig in die Zukunft zu schauen um keine neuen Trends zu verpassen aber es ist auch nicht notwenig auf jeden Trend aufzuspringen.</p>	Agree	neutral	<p>yes, our comany used the same entry mode successfully before</p> <p>yes, we use the same entry mode (or same 2 entry modes) for all our international ventures</p>
IC 5	<p>not diverse: verglichen mit anderen Unternehmen in unserer Branche sind wir wenig diversifiziert da wir uns auf eine Nische spezialisiert haben. Da wir sehr von know-how abhängig und es ständig das Ziel ist unsere hohen Qualitätsstandarts zu erhalten war eine Fremdvergebung weniger interessant für uns.</p>	probably	low	<p>Totally Agree; Ohne eine ambitionierte Wachstumsstrategie und Vision wären wir wahrscheinlich nie nach Brasilien expandiert</p>	<p>neutral</p> <p>Ohne Innovation wäre unsere Existenz nicht denkbar. Relevant für die Fragestellung ist Innovation allerdings weniger</p>	<p>yes, our comany used the same entry mode successfully before</p> <p>yes, we use the same entry mode (or same 2 entry modes) for all our international ventures</p> <p>Einsparung von Kosten, Erfahrung, bewährtes Konzept</p>
IC 6	slightly diverse	neutral	neutral	Totally Agree	agree	<p>no, we did not use this particular entry mode before entering Brazil</p>

Interview	4g	4h	4i
IC 4	high: relevant und aktuell	turnover rate: low staff receives international training: agree	disagree wir hatten bei Markteintritt kein intensives Netzwerk, abgesehen von Kontakten zur Außenhandelskammer. Die übrigen Kontakte und Beziehungen kamen erst nach und nach. Insgesamt kann Netzwerken kein genügen wichtiger Wert zugewiesen werden
IC 5	high: leicht unterschätzt aber wichtig wir nutzen das Wissen von Experten die unsere Mitarbeiter mit Schulungen gezielt auf den Einsatz in bestimmten Ländern vorbereiten	turnover rate: low langfristig europäisches Personal in Brasilien zu halten ist kompliziert aufgrund von Visa Regulariern; erheblicher Aufwand notwendig um lokales Personal entsprechend zu qualifizieren und weiterzubilden	neutral Sicherlich eine große Hilfe eine bestmöglich informierte Entscheidung zu treffen
IC 6	very high: unsere Geschäftsführung hat Internationalität als eines ihrer Leitbilder gewählt, was die hohe Bedeutung in unserem Unternehmen zeigt und daher auch die Bedeutung bei der Entscheidung für eine Expansionsstrategie nach Brasilien	turnover rate: low staff receives international training: agree	disagree wir haben die Bedeutung von Netzwerken in Brasilien bei Markteintritt unterschätzt

Interview	4a	4b	4c	4d	4e	4f	4g
IC 7	very diverse: ein wichtiger Einflussfaktor, denn je kleiner das Produktportfolio, je einfacher ist es im Ausland zu managen und je mehr Kontrolle kann man möglicherweise aus der Hand geben. Das ist selbstverständlich eine sehr separierte Betrachtung nur auf diesen Faktor. Letztendlich spielen viele Variablen eine Rolle.	probably not	neutral	Neutral	agree	yes, our comany used the same entry mode successfully before yes, we use the same entry mode (or same 2 entry modes) for all our international ventures	very high: internationaler Weitblick hilft, Aspekte aus verschiedenen Sichtweisen zu beleuchten und ist daher ein wichtiger Faktor der Entscheidung einer erfolgreichen internationalen Expandierung.
IC 8	not diverse	neutral	low	Agree	agree	yes, our comany used the same entry mode successfully before yes, we use the same entry mode (or same 2 entry modes) for all our international ventures	very high: oft unterschätzt aber nicht weniger wichtig als andere Faktoren. Bei uns wird Internationalität groß geschrieben, und das nicht nur auf der Management Ebene. Daher sind wir generell gut vorbereitet für internationale Einsätze, auch wenn jedes Land seine Besonderheiten hat
IC 9	slightly diverse: spielte weniger eine Rolle	probably not	neutral	Totally Agree: um in der heutigen globalen Wirtschaft erfolgreich zu sein gehört eine gute Portion Risiko dazu. Das gilt auch für Markteintrittsstrategien. Man kann vorba noch so viel Informationen sammeln und analysieren. Es kommen immer unvorhergesehene Probleme auf, die man entsprechend bewältigen muss.	neutral Ja wichtig, aber weniger in diesem Kontext	yes, our comany used the same entry mode successfully before yes, we use the same entry mode (or same 2 entry modes) for all our international ventures es hat sich bewährt, daher fahren wir aktuell mit dieser Strategie	high: generell ein wichtiger Faktor, der sich leider nicht in einer Projektkalkulation quantifizieren lässt

Interview	4h	4i
IC 7	<p>turnover rate: low</p> <p>staff receives international training: agree</p> <p>Arbeitsrechtliche Gesetzgebung als großer Nachteil für europäische Firmen</p>	<p>agree</p> <p>sehr hilfreicher Vorteil bei Verhandlungen und Auftragsvergabe; Verschafft einen nicht unerheblichen Startvorteil</p>
IC 8	<p>turnover rate: neutral</p> <p>staff receives international training: agree</p> <p>wichtig um langfristig das Qualitätssiegel hochzuhalten</p>	<p>agree</p> <p>Außenhandelskammern sind grundsätzlich eine große Hilfe beim Aufbau von Netzwerken. Informationen aus den Netzwerken helfen, eine bessere und informiertere Entscheidung zu treffen</p>
IC 9	<p>turnover rate: low</p> <p>staff receives international training: agree</p>	<p>neutral</p> <p>Wetbewerbsvorteil</p>

Interview	4a	4b	4c	4d	4e	4f	4g	4h	4i
CC 1	slightly diverse	neutral	neutral Als wir damals vor langer Zeit nach Brasilien expandierten war sicher eine große Portion Riskio dabei. Doch dank unserer starken Unternehmenskultur vertrauen wir dem Inhaber damals wie auch heute die richtigen Entscheidungen für das gesamte Unternehmen zu fällen - bisher haben wir das nicht bereut.	agree	agree	yes, our company used the same entry mode successfully before yes, we use the same entry mode (or same 2 entry modes) for all our international ventures Die langjährige Erfahrung mit dieser Strategie ist bisher erfolgreich. Daher nutzen wir weiter ähnliche Modelle soweit die lokalen Märkte das zulassen.	very high: es ist wichtig für unsere Geschäftsführer ein breites Maß an internationaler Erfahrung zu besitzen, um internationale Geschäftsabläufe erfolgreich abwickeln zu können	turnover rate: low staff receives international training: agree Nur fähige Mitarbeiter können ein Unternehmen zum Erfolg verhelfen. Umso wichtiger ist eine angemessene Vorbereitung auf Auslandsaufenthalte	agree Wichtige Unterstützung bei der Entscheidungsfindung zur richtigen Strategie
CC 2	very diverse: our product line is very diverse and ranges from various types of products to services. Therefore, many expansion strategies such as simply exporting was not an option for us since we wanted to keep a higher level of control.	neutral	high: we are a young company that has come far since our founding years. Risk always was and always will be part of business and our strategy has worked out well so far. Especially when trying to be the first to market in Brazil like we were, a lot of risk always is involved and is also reflected in your business strategy.	totally agree: Ambition is important but it is always more important to stay realistic. We have learned that in Brazil, already small things that we take in Europe for granted can be constituted as an ambitious goal	totally agree: without innovation, we would not be where we are today. It is important in all our daily doings and also filters down into our international business strategy.	yes, our company used the same entry mode successfully before yes, we use the same entry mode (or same 2 entry modes) for all our international ventures	very high: Brazil is culturally very different from Europe. Though we did not have previous experience in South America, I believe that previous international experience, namely in Asia, helped to judge situations accordingly and evaluate the potential entry strategies from different angles	turnover rate: neutral staff receives international training: agree Finding qualified staff in Brazil remains a huge problem. It is important to take this factor into consideration when planning the entry strategy. In our case, intensive training of the local staff was necessary.	totally agree Without an extensive network, our company would not be where it is today. I believe that a large amount of success is accredited to knowing the right people and being able to use and trade information.
CC 3	slightly diverse	neutral	neutral	totally agree	neutral	no, we did not use this particular entry mode before entering Brazil	very high: letztendlich kann jede Strategie auf dem Papier gut aussehen. Es geht jedoch darum, ob sie in der Realität auch umsetzbar ist. Kulturelle Feinheiten sind ein großer Faktor, darin ist es wichtig dass die Geschäftsführung und das die Führungsebene Erfahrung im internationalen Kontext besitzt	turnover rate: low staff receives international training: agree Wir haben viele Mitarbeiter als Expats in Brasilien angestellt, da es aktuell nicht möglich ist den kompletten Bedarf an Mitarbeitern lokal zu decken	neutral Zugang zu wichtigen Informationen sind oft nur über ein persönliches Netzwerk möglich.

Interview	4a	4b	4c	4d	4e	4f	4g	4h	4i
CC 4	slightly diverse: der Faktor ist relevant im Bezug auf die Qualität der Produkte - naturgemäß ein wichtiger Einflussfaktor bei der Markteintrittsstrategie	probably	low	agree: ambitionierte Ziele setzten ja - aber immer die Erreichbarkeit sicherstellen, sonst verliert man schnell an Glaubwürdigkeit . Das gilt gerade auch für ausländische Partner.	neutral hier nicht relevant	yes, our comany used the same entry mode successfully before yes, we use the same entry mode (or same 2 entry modes) for all our international ventures	high: wichtiges Erfolgskriterium in der globalen Welt von heute	turnover rate: low staff receives international training: agree	disagree Wir besprechen uns vor allem mit den Botschaften und den verschiedenen business hubs um an Informationen zu kommen. In Brasilien haben wir wie gesagt klein mit einem Vertreter angefangen, er hat uns dann beim Aufbau der Niederlassung beraten und begleitet und wurde auch gleich der erste Geschäftsführer
CC 5	slightly diverse	probably	neutral: wir versuchen zu riskante Vorhaben zu umsteuern	totally agree	agree	yes, our comany used the same entry mode successfully before yes, we use the same entry mode (or same 2 entry modes) for all our international ventures da es sich bewährt hat werden wir an der Strategie festhalten	high: auch wenn der Faktor nicht quantifizierbar ist, ist er für eine erfolgreiche Strategie nicht zu unterschätzen	turnover rate: neutral staff receives international training: not answered Rekrutierung passender Mitarbeiter war ein großer Stolperstein für uns. Englischkenntnisse sind generell sehr gering und die Vergabe von Expat Visas ist kompliziert was HR erschwert	neutral es ist schwierig ganz ohne Netzwerk in Brasilien Fuß zu fassen. Der Aufbau einer vertrauensvollen Geschäftsbeziehung geht einfacher über Kontakte

Interview Industry Expert I:
Representative of the Austrian Chamber of Commerce in Brazil:
Mr. Lochschmidt, 11.08.2014

- 1. Which market entry mode is most popular among SMEs to enter the Brazilian market? Why?**

Generalimporteur und dann meist bald eine eigene Vertriebstochter. Grund: Kostenminimierung beim Import, oft hohe Margen beim Vertrieb innerhalb Brasiliens

- 2. Which are the three most positive influence factors in regard to Brazils' economic and political reality influencing an expansion of a European SME to Brazil?**

Großer, relative geschützter Heimmarkt (z.B. BNDES-Finanzierung für lokal gefertigte Anlagegüter) – der einzige wirklich wichtige Grund.

- 3. Which are the three most negative influence factors in regards to Brazils' economic and political reality influencing an expansion of a European SME to Brazil**

Zunehmender staatlicher Einfluss

Zu hohe Regulierungs- und insbesondere Steuerkomplexität

Irrwitziges Zinsniveau

- 4. Which market barriers are the most problematic for SMEs expanding to Brazil?**

Import- und Einfuhrumsatzsteuern

BNDES-Finanzierung für lokale Anlagegüter

- 5. How high would you rate the Socio Cultural Difference between Brazil and Europe? (1= very low; 5 = very high)**

How does this affect the decision in regards of the entry mode to Brazil?

Im Fall von Österreich: 3

Brasilianer und Österreicher finden meist recht rasch auf die gemeinsame Wellenlänge. Gutes Geschäft ist in Brasilien zwischen zwei Unternehmen meist nur möglich, wenn auch die Chemie zwischen den beteiligten Personen stimmt.

- 6. According to you, how important are networks when entering the Brazilian market?**

(1= very low; 5 = very high)

4- im Sinne von Nr. 5 oben. Ein sympathischer gegenseitiger Eindruck der Entscheidungsträger ist wichtiger Teil im Geschäftsleben

7. According to you, which are the main factors, determining a successful market entry to Brazil?

Eingehen auf den Markt, also Brasilien ernst nehmen. Nebenbei funktioniert die Marktbearbeitung nicht. Und dann gute Beratung in Steuer- und Rechtsangelegenheiten...

8. What three main recommendation would you give a SME that was planning on expanding to Brazil?

Brasiliens kontinentale Größe im Auge behalten – was in einem Bundesstaat gilt, kann in einem anderen falsch sein

Genau rechnen, ob lokale Wertschöpfung notwendig/sinnvoll ist – der erste Anschein trügt oft!

Steuerkomplexität nicht unterschätzen – eine „Kleinigkeit“ kann über finanziellen Erfolg oder Misserfolg entscheiden!

Interview Industry Expert II:
Representative of the German Chamber of Commerce in Brazil:
Mrs. Sternberg, 08.08.2014

1. Which market entry mode is most popular among SMEs to enter the Brazilian market? Why?

Trotz der hohen Einfuhrzölle ist Export grundsätzlich noch immer die beliebteste Strategie. Viele Firmen wechseln aber nach einiger Zeit und eröffnen eine eigene Tochter, um diese hohen Zölle zu umgehen und andere langfristige Vorteile zu genießen.

2. Which are the three most positive influence factors in regard to Brazils' economic and political reality influencing an expansion of a European SME to Brazil?

Stabiler und wachsender Markt, junge Bevölkerung

3. Which are the three most negative influence factors in regards to Brazils' economic and political reality influencing an expansion of a European SME to Brazil?

Definitiv das brasilianische Steuersystem. Es gibt viele verschiedene Steuern die überlappen und ineinandergreifen, was für Außenstehende, gerade mit geringen oder keinen Kenntnissen in Portugiesisch schwer nachzuvollziehen ist. Das gilt auch für Gesetze und Regelungen generell. Gerade auf Bundesstaatsebene wird es sehr schnell sehr kompliziert. Jeder Staat hat eigene Regelungen.

4. Which market barriers are the most problematic for SMEs expanding to Brazil?

Wie bereits angesprochen, das komplizierte Steuersystem sowie hohe Einfuhrzölle und generell eine sehr beschützte einheimische Wirtschaft.

5. How high would you rate the Socio Cultural Difference between Brazil and Europe? (1= very low; 5 = very high)

How does this affect the decision in regards of the entry mode to Brazil?

Für Deutschland würde ich eine 4 geben. Viele Unternehmen unterschätzen diesen Faktor.

6. According to you, how important are networks when entering the Brazilian market?

(1= very low; 5 = very high)

Hier verzeihe ich eine 5. In Brasilien funktioniert viel mehr in Europa "unter der Hand", das heißt nur wenn man die richtigen Personen kennt hat man eine Chance bestimmte Verträge abzuschließen.

7. According to you, which are the main factors, determining a successful market entry to Brazil?

Eine gute und umfassende Information vorab mit einer durchdachten Strategie die auf Erfahrungen der Außenhandelskammern und Botschaften beruht. Außerdem macht es Sinn, sich Strategien anderen Unternehmen anzusehen, die bereits in Brasilien aktiv sind. Insgesamt gilt es das Unterfangen nicht zu unterschätzen und seine volle Energie auf einen erfolgreichen Markteintritt zu wenden.

8. What three main recommendation would you give a SME that was planning on expanding to Brazil?

Umfassende Information vorab, genaue Kostenanalyse, gerade im Bezug auf das Steuersystem. Rat bei Experten holen!