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Development of non-local competences in foreign subsidiaries of Brazilian multinationals

Felipe Mendes Borini Maria Tereza Leme Fleury

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Felipe Mendes Borini
School of Marketing and Management, ESPM/SP, São Paulo, Brazil, and
Maria Tereza Leme Fleury
FGV/EASP, São Paulo, Brazil

Abstract

Purpose – The purpose of this paper is to discover whether factors responsible for the existence of non-local competences in emerging multinationals are different from those of traditional multinationals.

Design/methodology/approach – Survey of 66 subsidiaries of Brazilian multinationals (BrMNes). This represents 70 percent of the 93 subsidiaries originally sampled.

Findings – The factors responsible for the development of non-local competences in BrMNes are: the relationship between subsidiaries and business networks, the initiatives of subsidiaries and the support of the entrepreneurial orientation of subsidiaries by the headquarters.

Research limitations/implications – Even though emerging multinationals require more resources developed abroad and although some studies revealed that different management models had been adopted during the internationalization process, the factors required to develop non-local competences in BrMNes are very similar to those required by traditional multinationals.

Practical implications – Subsidiary innovation in partnership with the business network in the foreign country is essential to develop non-local competences.

Originality/value – The paper supports the results of studies of traditional multinationals and demonstrates that despite the differences of Brazilian multinationals the factors required to develop non-local competences are very similar. This is an interesting result to consolidate knowledge about global competitive advantages in multinationals: the management model to develop non-local competences seems to be the same, in order of importance, regardless of multinational origin.

Keywords Competences, Multinational companies, Subsidiaries, Brazil

Paper type Research paper

Introduction

According to the strategic notion that a typical multinational corporation is a differentiated network of subsidiaries (Bartlett and Ghoshal, 1998; Nohria and Ghoshal, 1997), the competences of a multinational company can be developed both in the parent company and in its subsidiaries (Foss and Pedersen, 2004). The competitive advantage of a multinational firm is not based exclusively on the parent company, but can also result from the competences developed in the subsidiaries (Cantwell and Mudambi, 2005; Frost *et al.*, 2002; Birkinshaw *et al.*, 1998). This represents an evolution in the strategic models of multinational corporations that presupposes a competitive advantage for multinational firms resulting from competitive advantages arising from competences

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of both the headquarters and its foreign subsidiaries (Rugman and Verbeke, 2001). The multinational's core competence results from a set of corporate competences spread throughout the world, which, when coordinated and used jointly, provide the multinational with a sustainable competitive advantage (Birkinshaw, 2001).

Thus, understanding the factors influencing competence transfer in multinationals is crucial to optimizing the use of competences created in the parent company, and, more importantly, the use of competences created in the subsidiaries (Cantwell and Mudambi, 2005; Foss and Pedersen, 2004). The objective of this paper, therefore, is to understand the development and transference of corporate competences in order to appreciate the factors responsible for the development of non-local competences in subsidiaries of Brazilian multinationals (BrMNes).

The relevance of this paper resides first in the discussion of non-local competences in multinationals. This subject has been the focus of other articles (Rugman and Verbeke, 2001), but the dilemma of the differentiation of non-local competences remains (Anderson and Forsgren, 2006) because, despite studies about transference of knowledge (Bjorkman *et al.*, 2004; Foss and Pedersen, 2002; Gupta and Govindarajan, 2000, 2001), there is a lack of empirical studies about the factors that differentiate competences in subsidiaries (Cantwell and Mudambi, 2005; Foss and Pedersen, 2004) especially in subsidiaries of multinationals from emerging economies like Brazil.

Studies have focused on traditional multinational companies[1], but still have not investigated whether the same factors that influence the development and transference of competences in traditional multinationals are to the same as those that influence emerging multinationals. Although some of the traditional internationalization models (ownership, location, internalization (OLI) paradigm (Dunning, 1993); Uppsala model (Johanson and Valhene, 1997)) are applied to explain the process of internationalization of some emerging multinationals, other authors assert that competitive models of emerging multinationals are differentiated.

The internationalization process of emerging multinationals is faster, more diversified and based on acquisitions (Guillen and Canal-Garcia, 2009). The position of late movers (Bartlett and Ghoshal, 2000), the paradigm of "having been born in the wrong place" (Bonaglia and Goldstein, 2007; Mathews, 2006), the capability to survive in turbulent environments (Sull and Escobari, 2004) and the lack of resources and competences in-house (Guillen and Canal-Garcia, 2009; Bonaglia and Goldstein, 2007; Mathews, 2006; Sull and Escobari, 2004; Bartlett and Ghoshal, 2000) are some arguments that try to explain different management models in emerging multinationals.

Thus, the main question is: do emerging multinationals have different management models than traditional multinationals in order to develop non-local competences? In other words, are the factors responsible for non-local competences in emerging multinationals different from those responsible for non-local competences in traditional multinationals?

The next sections discuss the development and transference of competences in multinationals, specifically those developed by subsidiaries: non-local competences, local competences and specific competences. The methodology describes the survey conducted among BrMNes, while the results provide evidence of the behavior of the management model's variables.

Theoretical background

In multinationals, corporate competences can be classified according to the possibility that they will be transferred to the parent company's subsidiaries. Thus, competences may be categorized as local, non-local and specific (Rugman and Verbeke, 2001; Moore, 2001).

Non-local competences stem from the company's proprietary advantages (Dunning, 1993); in other words, they are created and developed at the corporate headquarters and can be transferred to other subsidiaries around the world. The opposite can also occur: a competence created and developed at a subsidiary can be transferred to the multinational's other subsidiaries, or even to its corporate headquarters. Therefore, a non-local competence can be created not only at the corporate headquarters but also at its subsidiaries and can be easily transferred among the companies owned by the multinational parent company. The issue of transfer is essential to characterize non-local competence, because not all of the multinationals' competences can be transferred (Rugman and Verbeke, 2001).

The corporate headquarters itself might develop a competence that is useless for the other subsidiaries, because it is specific to the place where the given activities are conducted (Dunning, 1993). The diversity of the subsidiaries' strategic interests explains why a given competence is useful only for the subsidiary that developed it. Therefore, a multinational has local competence when its corporate headquarters or subsidiaries develop competences that are of strictly local interest, rather than of global interest (Rugman and Verbeke, 2001).

Finally, a subsidiary or the corporate headquarters may develop competences that could be very useful for all of the corporation's units, but because of the specific characteristics of the given competence, it would be unfeasible to transfer it. In other words, the competences cannot be internalized (Dunning, 1993). These are referred to as subsidiary-specific competences (Birkinshaw and Moore, 1998; Rugman and Verbeke, 2001). The tangible and intangible resources and abilities involved in shaping the competence prevent it from being transferable, because these resources and abilities are only available at a specific place. A specific competence is based on tacit knowledge, and depends on the operation's specific context (Andersson and Forsgren, 2000) and on the company's past history (Hakansson and Waluszewski, 2002), which makes it difficult for such a competence to be imitated and transferred. Specific competences created at subsidiaries or at the corporate headquarters have the potential to be used globally, but they are difficult to transfer. Thus, a subsidiary's specific competence can only be transferred to the network and shared by the multinational corporation's other companies when it is included in the end product or service (Rugman and Verbeke, 2001).

The transfer issue is therefore essential for distinguishing between specific and non-local competences; both have global potential, but only the latter is transferable. Moreover, the scope of the competence distinguishes the local competences from the non-local ones and from the specific competences. Table I shows the three types of competences.

Thus, there are two important aspects to be considered in the discussion of competences in multinationals: the scope of the competence (local or global) and its transfer (easy or difficult). These two aspects explain the different dynamics in the creation of a multinational's competitive advantage as compared to a national company. Multinational corporations have more possibilities of establishing competitive advantages, because they re-apply their corporate competences in different places, if they have non-local competences.

However, maintaining a competitive advantage is not a static skill; it is dynamic and closely related to the development and transfer of competences (Augier and Teece, 2007).

Corporate competences at the corporate headquarters or at the subsidiaries contribute to a competitive advantage for a short time only, as the dynamics of a global market drive a constant re-inventing of competences (Eisenhardt, 2002; Sull and Escobari, 2004; Augier and Teece, 2007). A competence transferred from the corporate headquarters to the subsidiaries, can be very helpful to a company's competitiveness at first, but may later become useless, because competences must follow market swings (Sull and Escobari, 2004).

Competence has to be adapted to the contingencies of intense and diverse competitiveness (Sull and Escobari, 2004). This means that there is a huge risk of asset value deterioration where a multinational depends merely on one or two core competences created at the corporate headquarters and transferred to the subsidiaries. On the other hand, the ability to constantly create and transfer new competences (Teece *et al.*, 1997) from the corporate headquarters or from subsidiaries drives the company's renovation and safeguards its competitive advantage.

Therefore, multinationals need to develop competences at their corporate headquarters and subsidiaries and must be able to make the transfer of these competences operational (Rugman and Verbeke, 2001; Moore, 2001). Otherwise, they will not derive any benefit from being multinational, because they will compete as national companies, even if the bulk of their capital comes from abroad.

Thus, the competitiveness of multinationals depends on developing competences at the various units to sustain local competitiveness; it also depends on transferring the competences among the subsidiaries to maintain global competitiveness, because safeguarding a global competitive advantage depends essentially on the mobility of the competences within the multinational.

When the competences developed at the corporate headquarters or at the subsidiaries have mobility, that is, when they are transferable, they are non-local competences. This closes a virtuous development cycle (Figure 1) of competences and enables the multinational to maintain its global competitive advantage.

	Competences		
Characteristics	Local	Non-local	Specific
Scope of application	Local	Global	Global
Transfer ability	Low	High	Low

Source: Authors, based on Rugman and Verbeke (2001)

Table I. Types of multinationals' competences

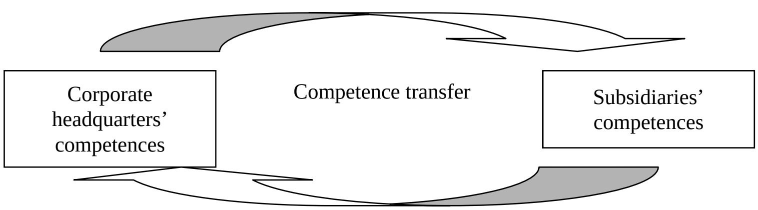

Figure 1. Transfer of competences at multinationals

Developing and transferring competences between the corporate headquarters and the subsidiaries and vice versa is therefore essential for the multinational's competitiveness.

The transnational (Bartlett and Ghoshal, 1998) and meta-national models of multinational strategies (Doz *et al.*, 2001) explore the development of competences in subsidiaries as a source of resources for the corporation. The models consider the multinational as a network of differentiated resources spread around the world inside the company and outside when the resource can be exploited together with partners.

As for the development of competences, the multi-domestic model (Bartlett and Ghoshal, 1998) focuses on creating distinct competences at subsidiaries, without considering their transfer within the multinational's network. The global model (Bartlett and Ghoshal, 1998) focuses on the competences created mainly at the corporate headquarters and on their dissemination, through their transfer from headquarters to subsidiaries. The transnational strategic model (Bartlett and Ghoshal, 1998) emphasizes the creation of competences both at the corporate headquarters and at the subsidiaries, encouraging competence transfers from the headquarters to the subsidiaries, among the subsidiaries, and from the latter to the former, under headquarters coordination. Finally, the meta-national model (Doz *et al.*, 2001) proposes the creation of competences at the corporate headquarters and at the subsidiaries, as well as competence transfers in all directions, but without the central authority of the headquarters as the determining agent of the subsidiary's strategic role. The meta-national model, based on competence development and transfer throughout the network, encourages a circumstantial and temporary view of the role of subsidiaries (Birkinshaw, 2001).

As for the support structure for developing competences, the key aspect to consider is the importance of subsidiaries' autonomy and of their integration in the multi-domestic and global models. The transnational model discusses the subsidiary initiatives that can result from an entrepreneurial attitude disseminated by corporate guidelines, and ultimately encourages the subsidiaries' own initiatives, which are essential for creating competences. The meta-national model, in turn, discusses the location of the subsidiaries' operations, and especially their participation in foreign networks, as well as the paramount importance of subsidiary initiatives. This is coupled with the absence of headquarters sovereignty over the structure of the internal network.

Table II sums up how the structural elements for developing competences are emphasized in strategic models as being important for the creation of differentiated types of competences. The structural elements concerning the relationship between headquarters and subsidiaries are: autonomy, integration and entrepreneurial orientation. Initiative is related to the subsidiary's self-management. Finally, competitive context and business network are about the influence of environment factors on the development of subsidiaries and consequently on competences.

Methodology

In our survey, the research universe consisted of BrMNes that engage in manufacturing or that supply technological services, with operations abroad. In December 2006, 42 Brazilian enterprises with overseas operations were identified, thus qualifying as multinationals. This figure comprised a diverse range of firms, from those in the natural resources sector to others in the services sector, such as engineering and IT.

The research into the subsidiaries of Brazilian multinationals was structured in two parts. Initially, a survey was sent to the CEO of the 42 Brazilian multinationals.

Table II. Multinationals' strategies and the structural elements emphasized in each configuration

	Multidomestic	Global	Transnational	Meta-national
Autonomy	Core emphasis: high autonomy for the subsidiaries operating as independent units	Core emphasis: low autonomy, because subsidiaries are replicas of the corporate headquarters	Differentiated, in line with the strategic role attributed to each subsidiary	High for each company of the corporation, as each company establishes its strategies on its own initiative
Integration	Core emphasis: low with regard to the transfer of competences, but important for the control of operations	Core emphasis: essential for the transfer of competences from corporate headquarters to subsidiaries	Differentiated, in line with the strategic role attributed to each subsidiary	An essential prerequisite for the transfer of competences
Entrepreneurial attitude	Not important, as each subsidiary competes as a separate company	Not too important, as the focus is the creation of competences at corporate headquarters	Core emphasis: to encourage initiatives at subsidiaries chosen by corporate headquarters to be strategically important	Equally important throughout the entire corporation and as driver of initiatives
Initiative	Important only for the subsidiary, but not for the multinational's corporate strategy	Only slightly focused on this; it would be interesting for the purpose of increasing the productive processes at subsidiaries under the competences transferred from corporate headquarters	Core emphasis: for the creation of competences, but encouraged only in those subsidiaries chosen to be strategically important	Core emphasis essential for the competence development strategy and, consequently, of strategic importance for the corporation
Competitive Context	Important for exploring the market	Important as support for global platforms or for exploring the market	Important for exploring the market and creating initiatives	Core emphasis: each site is seen equally as a "pocket of knowledge"
External networks	Few comments; important only for the subsidiary's strategy	Support for global platforms	Focused on the creation of initiatives	Core emphasis: essential for the development of initiatives and the creation of competences

Sources: Adapted from Bartlett and Ghoshal (1998); Doz *et al.* (2001)

Of the 42 firms, 30 responded to the questionnaire. Of the 12 non-respondent firms, two key firms were unable to respond, because they were about to make significant acquisitions and were therefore unable to disclose information. Four firms refused to respond because their international incursions were small and experimental and their future was uncertain. Finally, the remaining six simply did not respond (they had only just established their first international operation).

The second stage consisted of having the firms' corporate headquarters send questionnaires to their subsidiaries in order to understand the development and transference of the subsidiaries competences. The 30 BrMNEs sent this questionnaire to a total of 93 overseas subsidiaries. In other words, each corporate headquarters involved an average of three subsidiaries, though some involved as many as eight, whereas others involved only one. From a total research population of 93 subsidiaries, 66 responses were received (the response rate was therefore 70 percent). The questionnaire was sent to the main manager (CEO, vice president or international director) of each subsidiary. They provided a response by letter or via the electronic questionnaire found in the project's web site.

Variables

All the aforementioned variables are closed questions on a five-point scale, within a variance that will be included with each variable.

The first dependent construct of the analysis model – the transfer of competences from corporate headquarters to subsidiaries – was comprised of the following variables (Frost *et al.*, 2002): transfer of research and development, production, sales, marketing and human resources competences. This variable had a Cronbach's Alpha of 0.812. The second dependent construct of the analysis model – the development of competences (Birkinshaw *et al.*, 1998) – was comprised of the same variables as the transfer of competences. This variable had a Cronbach's Alpha of 0.643. The third dependent construct of the analysis model – recognition of the subsidiary's competences by corporate headquarters – was comprised of the same variables as the transfer of competences (Li *et al.*, 2007). This variable had a Cronbach's Alpha if 0.883.

The independent autonomy construct was comprised of the following variables (Birkinshaw *et al.*, 1998): changes in the design of the products/services offered; outsourcing to third parties of the main production/service; entry into new markets in the country; launching of new products/services; changes in production processes; and corporate changes in the subsidiary. This variable had a Cronbach's Alpha of 0.786.

The independent entrepreneurial attitude construct was comprised of the following variables (Birkinshaw *et al.*, 1998): whether senior management supported entrepreneurial activities; whether senior management had experience in innovation-related activities; whether individual decisions involving risk are supported; whether decision making in relation to calculated risks was encouraged; and whether "undertaking risks" was considered a positive attribute. This variable had a Cronbach's Alpha of 0.879.

The independent integration construct was comprised of the following variables (Birkinshaw *et al.*, 1998): strong work relationship; trust afforded to the subsidiary; exchange of information; understanding, by corporate headquarters, of the subsidiary's competences; and strong credibility of senior management. This variable had a Cronbach's Alpha of 0.893.

The independent initiative construct was comprised of the following variables (Birkinshaw, 1997): new products developed in Brazil and sold overseas; acquisition of national companies conducted by the subsidiary; new international business activities created in the country; increases in internationally adopted production lines; and new investments in R&D or in production processes. This variable had a Cronbach's Alpha of 0.808.

The independent competitive context construct was comprised of the following variables (Birkinshaw *et al.*, 1998): whether the competition in the country was fierce; whether suppliers were highly qualified and capable; whether clients and suppliers had a strong relationship; whether the country has major research centers; whether competitors innovated products rapidly; whether local consumers demanded high standards; whether there were strong institutions to support business; whether market demand was growing fast; and whether labor was skilled and specialized. This variable had a Cronbach's Alpha of 0.859.

The independent business network construct focused on the relationship with strategic partners and comprised the following variables related to relationship levels (Andersson and Forsgren, 2000): with the corporation's other overseas subsidiaries; with the R&D units of other companies; with engineering firms of other companies; with universities or specific research institutes; with preferred corporate suppliers in the country; with specific market suppliers; with corporate clients; with local market clients; and with government institutions. This variable had a Cronbach's Alpha of 0.803.

Results

We attempted to identify a set of companies with similar types of competences through the use of cluster analysis. This analysis sought to identify the types of competences developed by overseas subsidiaries of Brazilian multinationals. Our initial extraction was done by means of hierarchical clustering, which suggested the possible existence of three to four clusters. In light of these results, we conducted further extraction (K-means algorithm) through the farthest neighbor method, which assigned ($p < 0.01$) companies to three clusters as shown in Table III.

Cluster 1 comprised of 25 companies (38 percent of the sample) was the largest cluster, followed by Cluster 3, comprised of 21 companies (32 percent), and lastly Cluster 2, comprised of 19 companies (30 percent).

The results are striking. Levels of competence transfer, development and recognition were middling at best. BrMNes are still largely inactive in the management of competence transfer, development and recognition in their overseas subsidiaries.

Cluster 1 stands out in development and recognition of competences. The subsidiaries in this cluster are those whose competences are most recognized by the corporation and

Cluster	1	2	3
Transfer	1.95	2.47	1.68
Development	3.00	2.43	3.11
Recognition	2.84	1.53	1.76
Number of firms	25	19	21

Table III. Clusters

whose development of distinctive competences, while average, may nonetheless be considered good when compared to that of other subsidiaries. Subsidiaries in Cluster 1 have a low level of competency transfer from headquarters, but not the lowest.

Analysis of the competences found in Cluster 1 subsidiaries is indicative of the presence of subsidiaries that tend to develop some sort of non-local competence – that is, they develop distinctive competences that are recognized by headquarters and other business units.

Cluster 3 comprises subsidiaries that are equivalent to those of Cluster 1 in terms of competence development, but whose competences are far less recognized than those of Cluster 1 subsidiaries (although recognition is, once again, not the lowest in the sample). Cluster 3 subsidiaries feature typical examples of specific competences.

Cluster 3 is the least dependent on headquarters when it comes to competence transfer. In other words, subsidiaries in Cluster 3 develop distinctive (that is, global) competences when compared to the company's other business units, but these competences are not recognized in the same way as that Cluster 1's competences are. Such competences are described in the literature as being subsidiary specific.

Cluster 2 shows the lowest levels of competence development and recognition. When compared to those in the other clusters, subsidiaries in Cluster 2 depend most heavily on competences transferred from headquarters. As a general rule, Brazilian subsidiaries adapt competences transferred from headquarters, but the companies in Cluster 2 do so to a lesser extent than do those in Clusters 1 and 3. Development of distinctive competences and competence recognition are also the lowest of all three clusters. These results provide evidence of the dependence of Cluster 2 subsidiaries on non-local competences transferred from headquarters, and of competence development characterized by mere adaptation of headquarters' competences to the local market; Cluster 2 therefore comprises textbook examples of local competences subsidiaries.

In light of these results, and remembering that non-local competences are the only way of exploiting global advantages created by subsidiaries of multinationals, it would be interesting to understand what the organizational factors responsible for the presence of non-local competences are.

To indentify the organizational factors, a more robust statistical method was used: logistic regression can be applied when conditions satisfying the normality of independent variables are not met (as in the present case) particularly since logistic regression is little affected by the inequality of variance and covariance in the group. Initially, a multinominal logistic regression was used to evaluate the three clusters. However, singularities in the Hessian matrix were encountered indicating that either some of the predictor variables would have to be excluded or some categories would have to be merged. Then, a binominal logistic regression was created: zero was used to identify subsidiaries without non-local competences (40 subsidiaries) and one was used to identify subsidiaries with non-local competences (25 subsidiaries). Independent constructs are those listed above in the variables' section of the article.

The Hosmer and Lemeshow $p > 0.05$ show that it is not a significant difference between the observed and predicted classifications that allows further analysis. Table IV shows the results with the variables significance, measurements of R^2 (R^2 Nagelkerke's) and the Wald statistic.

These results were to be expected in light of the existing theory of emerging multinationals. These multinationals are geared towards searching for resources overseas, which justifies the importance of the business network, subsidiary initiative and entrepreneurial attitude.

Entrepreneurial attitude tends to be high in subsidiaries with non-local competences. These results suggest that the greater the entrepreneurial attitude, the greater the presence of non-local competences, as previously proposed in the literature (Birkinshaw, 1997). The support of headquarters to projects with some risk and innovation allows the development of subsidiary activities of greater importance to the corporation. This freedom allows the development and adaptation of competences that it can be transformed into non-local competences with the innovation capability developed by the subsidiary alone or together with partners and suppliers.

Subsidiaries' initiatives are generally low, but there is a significant difference between subsidiaries with non-local competences and those with specific and local competences. This stresses the importance of initiatives to the development of competences that may be recognized by headquarters or by other business units.

The initiative level of subsidiaries with specific and local competences is lower than that of subsidiaries with non-local competences. This suggests that one of the reasons why the competences of subsidiaries with specific or local competences are seldom recognized is that they are associated with the low degree of innovation of these competences. Subsidiaries' initiatives therefore appear to be essential for the transformation of specific and local competences into non-local competences.

Finally, while the interaction of subsidiaries with business networks was found to be medium to low overall, the relationships with business partners and suppliers of subsidiaries with non-local competences were somewhat stronger than those of subsidiaries without non-local competences. Being part of such networks is essential for the development of distinctive and innovative competences, as the lack of greater connectivity with local partners and simple adaptation of headquarters' competences to the local market cannot lead to competences capable of providing the multinational enterprise with a global competitive advantage.

Discussion

The results prove the existence of several types of competences in multinationals, as shown in the literature (Rugman and Verbeke, 2001). They also place a spotlight on the development of these competences in BrMNes, showing that the phenomenon is not restricted to traditional multinationals; rather, it is applicable to emerging multinationals that depend on subsidiaries' competences for international competitiveness (Mathews, 2006; Bonaglia and Goldstein, 2007).

	B	Wald
Constant	−14.668	10.177
Autonomy	−0.551	1.177
Integration	0.493	0.898
Entrepreneurial	0.993*	2.872
Initiatives	2.199**	8.818
Context	0.329	0.235
Network	1.583**	4.149

Notes: Significance at: * 0.05 and ** 0.01; $R^2N = 0.733$

Table IV.
Logistic regression

These results confirm the importance of the external environment to BrMNes' models for the management of competence development, transfer, and recognition. Integration with the overseas business network is revealed to be the most important factor in distinguishing subsidiaries with different types of competences following the studies about evolution of Uppsala theory.

Subsidiaries that are more integrated into the overseas business network develop distinctive competences more intensely than do others, despite the middling capacity of Brazilian subsidiaries to develop such competences abroad. In turn, the lesser a subsidiary's integration into the international network and the greater its dependence on the internal network – that is, on transfer of competences from headquarters – the greater the likelihood that the company will develop local competences, which may be important to the subsidiary's local market but adds no global value to the multinational as a whole.

BrMNes should encourage the interaction of their subsidiaries within the business networks of the countries in which they operate, in order to exploit local resources and develop initiatives in these subsidiaries, as headquarters only recognize innovative competences. An apathetic, reactive management strongly conditioned to headquarters' decisions will find it difficult to establish initiatives; consequently, the subsidiary's competences will be difficult to recognize, as is already typical of specific competences.

Although initiative is, generally, not high in all subsidiaries, those featuring non-local competences take far more initiatives than do others. The inability of subsidiaries with specific and local competences to innovate is the most striking impediment to the conversion of these competences into non-local ones.

Since it is up to subsidiaries to create initiatives, they must seek out different types of initiatives, whether market initiatives or more prominent global ones. Subsidiaries may, for instance, try to develop new products or carry out incremental process innovation.

Then again, as is reported in the literature, the development of initiatives depends on the subsidiary and on entrepreneurial attitude as well. There is an apparent difference in entrepreneurial attitude between Brazilian subsidiaries with non-local competences and those with specific or local competences. The low development of non-local competences is a headquarter management problem as much as it is a problem of poor competency development capability in the subsidiary. Centralization of innovation activities by headquarters and the low support given to innovation around the world can be a barrier to development of competitive advantages in BrMNes.

Conclusion

Even though emerging multinationals need more resources developed abroad and although some studies revealed that a different management model had been adopted during the internationalization process, the factors to develop non-local competences are very similar to those required by traditional multinationals. Entrepreneurial orientation and initiative was found by Birkinshaw's studies (Birkinshaw, 1997; Birkinshaw *et al.*, 1998) and relationship with business networks was noted by Andersson's studies (Andersson *et al.*, 2002; Anderson and Forsgren, 2006). Despite the importance of autonomy and integration presented on transnational models the studies are not conclusive about the behavior of these variables. Autonomy in the beginning of a subsidiary's history is important but after some time the integration between headquarters and subsidiary is more relevant. Whatever the situation, studies show autonomy and integration as secondary factors when explaining competences.

On the other hand, competitive context is a surprise. Studies about centers of excellence (Frost *et al.*, 2002; Frost, 2001) and traditional studies following the OLI paradigm give a lot of importance to competitive context. However, it is interesting to remember that competitive context has less power of explanation than does the business network.

Finally, the paper supports studies of traditional multinationals and it shows that despite the differences of Brazilian multinationals the factors to develop non-local competences are very similar. This is an important result to consolidate knowledge about the global competitive advantages in multinationals: the management model to develop non-local competences seems to be the same in order of importance regardless of multinational origin.

Turning attention to the practical implications, this study shows that subsidiary innovation in partnership with the business network in the foreign country is essential to develop non-local competences. As BrMNEs are looking for innovation abroad, the establishment of partnerships with companies in the foreign country seems to be an important source of innovation.

Finally, it is important to provide some limitations and directions for future studies. Stratification of subsidiaries in the study shows a static picture that allows some inferences about non-local competences. However, case studies, although less comprehensive than a survey, have the advantage of a longitudinal look at the process of development and transference of competences in BrMNEs.

Another limitation of the study concerns the people surveyed within each company. Information obtained at the corporate management level allows a panoramic look at the behavior of variables in the management model, but may fail to provide accurate data in relation to the reality of the processes.

Another factor to be considered about this study is concerning the choice of variables for the composition of the management model. While the variables chosen have followed the general patterns of corporate strategy and are the most commonly discussed in similar studies, other variables of equal importance were not addressed in the study.

Note

1. In this paper, traditional multinationals are the older multinationals, typically from developed countries in North America and Europe, and from Japan. Emerging multinationals are those that have recently gone global, especially those from Southeast Asia and the BRICs (Brazil, Russia, India and China).

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About the authors

Felipe Mendes Borini is Professor of International Strategies at ESPM/SP (School of Marketing and Advertising) and Doctor in Management by University of São Paulo.

Maria Tereza Leme Fleury is Dean and Professor at EAESP/FGV; Full Professor in Management at USP and Doctor of Social Sciences by University of São Paulo.

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