

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/280294019>

Brazilian MNCs: New mindsets for a promising new world.

ARTICLE · JANUARY 2012

READS

11

1 AUTHOR:



[Maria Tereza Fleury](#)

Escola de Administração de Empresas de S...

162 PUBLICATIONS 524 CITATIONS

SEE PROFILE

Brazilian MNCs: New mindsets for a promising new world

Germano Glufke Reis and Maria Tereza Fleury



Germano Glufke Reis is Professor of Business Administration at the School of Business Administration of Fundacao Getulio Vargas (FGV/EAESP) – a triple-crown accredited (AACSB, AMBA and EQUIS) Business School in Sao Paulo, Brazil. He has a PhD in Business Administration from the University of Sao Paulo, a Master's from FGV/EAESP and a Bachelor's in Psychology from the University of Brasilia.

Germano Glufke Reis was a Visiting Doctoral Fellow at the University of Cambridge's Judge Business School. He teaches in the areas of Human Resources Management and Organizational Behavior. His research areas include global mindsets, internationalization of firms in emerging economies and international Human Resources Management.



Maria Tereza Leme Fleury teaches International Strategy. She is Dean of FGV/EAESP and the former Dean of the School of Economics, Business Administration and Accountancy of the University of Sao Paulo.

Maria Tereza Leme Fleury has published several books and papers on strategy and competence management, internationalization of firms in emerging economies, organizational culture and labor relations. Her latest book is 'Brazilian Multinationals: Competences for Internationalization.'

It has been argued that companies should improve their global mindset in order to operate and compete in the complexity of global business. This has been an important issue for developed countries' multinationals (early movers) which quickly realized that global alignment is not

enough for competing abroad. In fact, the capability to respond locally, even in culturally distant cultures, has increased in importance. Emerging economies' firms, in turn, are newcomers to global competition. For them, global mindset may also be an issue; it should be

developed so that new opportunities can be explored in a scenario of global interconnectedness.

The increasing presence of organizations from emerging economies, such as the BRICS (Brazil, Russia, India, China and South Africa, among others), in global competition, configures a 'third wave' of internationalization (Fleury and Fleury, 2011). In the first two waves, early mover multinationals were predominantly North American and European companies in the first wave and Japanese in the second. Now, we observe the increase of 'new movers', emerging firms capable of challenging the dominance of companies from more developed countries.

Regarding Brazilian multinationals (BrMNs), seven of them are included in the ranking of Fortune 500, 2011 (there were only three in 2005 and six in 2009). Thirteen of them are currently among the 100 new global challengers (Boston Consulting Group Report 2011). Furthermore, the economic sectors in which Brazilian firms compete internationally are diverse; some examples are:

- Based on natural resources: Vale (mining), Petrobras (oil and gas)
- Basic inputs suppliers: Companhia Siderúrgica Nacional and Gerdau (steel), Votorantim (cement) and Braskem (petrochemical)
- Agribusiness: JBS-Friboi, Brazil Foods
- Complex products assemblers: Embraer (aircraft), Marcopolo (buses).
- Consumer products: Ambev (beverages), Coteminas (textile-apparel).
- Components and systems suppliers: Sabo (autoparts), Weg (electric equipment).
- Construction materials suppliers: Tigre, Duratex
- Information Technology: CI&T (business intelligence), Stefanini (software), Bematech (hardware)

- Engineering services: Odebrecht, Camargo Correa
- Other services: IBOPE, Fogo-de-chao, Spoleto, among others

Historically, Brazilian companies were slow to internationalize. It took them decades after their creation, in most cases. Their internationalization usually begins in Latin America (though there are exceptions), where they have a better understanding of the markets and cultural dynamics. In a second phase, they head towards more geographically and culturally distant regions; recently North America, Asia and Africa are becoming more important in regard to Brazilian outward FDI .

Those companies are, however, still taking their first steps towards their internationalization; constituting a recent process, intensified at the end of the 1990s. A few decades ago, they grew in a closed and protected economy and their business strategies prioritized exploring a huge domestic market. Could global mindset still be an issue for them? How does this dimension influence their internationalization processes? How has HRM helped to support the global mindset development of BrMNs? These three questions guided the sections that follow. The answers are grounded in our research and in our experiences as professors and practitioners.

In order to shape a frame for the reader who is less familiar with the Brazilian firms' internationalization context, we start with an overview in which its main milestones are presented.

Brazilian firms and the road to internationalization

Until the 1930s, Brazil was essentially an agricultural country. After the 1929 financial crisis and until post World War II, the country began to build its infrastructure and basic inputs industry. Between 1941 and 1953, large state-owned enterprises were created, like Companhia Siderúrgica Nacional (steel), Companhia Vale do Rio

Doce (mining) and Petrobras (oil). These companies, privatized during the 1990s, are currently important BrMNs. Between 1950 and 1970, Brazil became a major recipient of FDI, especially from the United States and Europe.

In the 1960s, Brazil went through a period of turbulence that ended with the 1964 military coup. It was a period marked by domestic investment and import substitution. Some Brazilian companies grew significantly in this context, especially in the capital goods sector and in the engineering services industry (some of these companies became BrMNs later; eg. Odebrecht). Nationalism and defense policies triggered the creation of companies related to the aerospace industry (eg, Embraer). Still in the 1960s, the petrochemical industry was developed through alliances between state capital, local private equity and foreign partners (tripartite model). Some of the business groups that were created in that period also originated companies that are, currently, BrMNs; that is the case of Oxiteno and Braskem.

The expansion in the late 1960s and early 1970s gave rise to the so-called "Brazilian Miracle" period, during which the country grew at annual rates of approximately 7%. The 1980s, in turn, is considered the 'lost decade'. It was the period of trade imbalance, low growth, and high inflation. In the late 1980s, greater political openness and the strengthening of democracy led to direct elections and to the end of the military dictatorship that had started in 1964.

Consequently, the environment in which companies operated until the late 1980s was characterized by a closed economy, and a large and protected internal market. In the case of the Brazilian firms, that stimulated a 'parochial' mindset among entrepreneurs and managers. Their strategic orientations were overly

focused on domestic markets, totally avoiding international competition. An inward-oriented managerial style took place.

The exhaustion of the imports substitution model, however, created the environment for market opening, in the early 1990s. Since then, the most significant changes were conducted in the term of Fernando Henrique Cardoso and continued under Luiz Inácio da Silva and, currently, under President Dilma Rouseff. They include the stabilization of the economy and the opening of internal markets, increasing the level of competition in Brazil. As in other Latin American countries, this period was strongly influenced by the prospect of trade liberalization advocated by the Washington consensus in the early 1990s. During that decade many state-owned enterprises were privatized; eg., Embraer and Vale. Also a number of important M&As took place (eg., Ambev).

The continuous exposure to new management models and the increasing competition for the domestic market led to changes in local management models and furthered the development of a more global view of the world among managers and entrepreneurs. The Mercosur experience (1990s) stimulated a global mindset among business people and prepared firms for new patterns of competition. Since the 1990s, foreign direct investments of Brazilian firms have dramatically increased.

How "globally minded" are BrMNs?

In order to answer this question, we carried out a survey with 64 of the largest BrMNs, companies holding assets and operations abroad. We invited their senior managers in charge of international operations to fill out a questionnaire that contained nine global mindset-related items. This global mindset scale was based on the work of Yin et al (2008) and encompassed dimensions that we will now discuss.

Figure 1: Dimensions of global mindset

GLOBAL ORIENTATION	To make efforts to understand foreign markets (customers, competitors and market conditions); to make a large investment commitment internationally; to create a worldwide web of relationships (suppliers, distributors, peer firms and customers).
GLOBAL KNOWLEDGE	To have knowledge of foreign cultures; to have knowledge of the industry and markets on a global scale; to have the capability to recognize new global opportunities.
GLOBAL SKILLS	To have cultural sensitivity and to be able to work with people from different cultures; to have staff members who are proficient in English and in the languages spoken in key foreign markets; to have managers that can easily adapt to the foreign subsidiaries' environments.

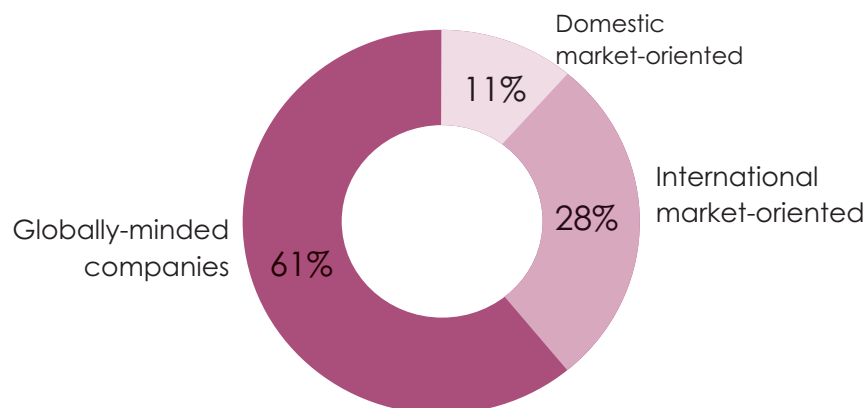
The outcome revealed three clusters of firms: the domestic market-oriented, the international market-oriented, and the globally-minded companies.

Figure 2: Levels of global mindset of BrMNs

	Domestic market-oriented	International market-oriented	Globally-minded companies
GLOBAL ORIENTATION	Low	High	High
GLOBAL KNOWLEDGE	Low	Moderate	High
GLOBAL SKILLS	Low	Low	High

The first cluster ('domestic market-oriented firms') is the smallest and comprises mainly organizations that have just begun their internationalization and operate mostly in Latin American countries; their commitment to internationalization is less strong and they are still developing knowledge and skills required to operate in other countries and cultures.

Figure 3: Frequency of BrMNs types, regarding global mindset



The second cluster encompasses firms that have a strong commitment to internationalization – in fact, they already operate in a broad range of countries – and have knowledge of foreign environments and industries. Those companies ('international market-oriented firms') lack, however, cross-cultural skills to operate abroad. This may be a tricky condition: although they are highly engaged in their internationalization strategies, they still have to develop skills that are very helpful with regard to understanding foreign markets and cultures. Furthermore, the lack of those global skills may interfere with their capacity to build partnerships and external networks, to adapt products/services and operations locally, and to manage cross-cultural teams and foreign employees.

The highest global mindset scores emerged among companies that are already very internationalized and have a presence in multiple continents (this is the case of well-known Brazilian companies such as Embraer, WEG, and Vale).


In general, the broad picture may seem positive: most of the surveyed companies are globally-minded, suggesting that Brazilian firms may have

undergone changes in this dimension. However, this result should be considered with caution. First, 39% of them are among the international market-oriented and domestic market-oriented firms; taken together, those clusters comprise a larger group of companies that still lack global skills. Second, and more importantly, these results apply only to some of the most internationalized and largest Brazilian companies (that composed the sample). Hence, they should not be generalized to smaller firms and to the ones that still intend to enter global markets.

Why does global mindset matter?

First of all, it may have an intimate connection with a firm's international strategy as it reflects the (global) strategic views and knowledge of its executives. In fact, through an exploratory research that involved 30 major Brazilian companies, we identified that the level of global mindset may be linked to different 'strategic orientations', following the typology proposed by Miles and Snow (Miles & Snow, 1978; Thomas & Ramaswamy, 2005), which comprises: prospective, analytic, defensive, and reactive strategies.

Figure 4: Strategic orientations and global mindset levels

 <p>HIGHER GLOBAL MINDSET</p> <p>LOWER GLOBAL MINDSET</p>	<p>PROSPECTORS: These firms operate in broader markets and tend to offer a large array of products/services. They seek to be among the ones that launch new products, respond fast to emerging opportunities and to changes in the business environment.</p>
	<p>ANALYZERS: Maintain a relatively stable and limited line of products. Are rarely the pioneers in innovations or new markets. They carefully scan the actions of competitors to define their strategies often following their steps.</p>
	<p>REACTORS: They do not have a very clear strategy, preferring a stance of 'wait and see.' Tend to venture into new products/services when threatened by competitors or to maintain profitability.</p>

The outcomes revealed that, among BrMNs, prospectors (50%) have the highest global mindset scores, followed by analyzers (36.7%). Reactors (10%), in turn, present the lowest scores. In practical terms, an increase of global mindset may be related to the adoption of more active and competitive strategic approaches in the international arena.

Although reactive strategies have been less prioritized by the firms of this sample, the opposite has often been observed in real life. In fact, many Brazilian companies learned to operate in turbulent and unpredictable economic scenarios. Although these conditions stimulated adaptability and flexibility, they also improved a tendency towards reactive management approaches and planning avoidance. In fact, Sull and Escobar (2004) described Brazilian managers as "pilots racing on unknown tracks in the midst of a fog: as they can only see what lies ahead very vaguely, they must learn to react quickly to the changes that are typical of an environment that is in constant transformation". The results of this exploratory research indicate that through the accelerated exposition to global competition – and the learning processes associated with it – the managerial style in BrMNs may have undergone changes.

Another interesting effect of global mindset relates to its influences on the management of foreign subsidiaries. Our previous research (Reis and Fleury, 2011; Reis et al, 2012) indicates that the level of global mindset may influence the performance and competence development of subsidiaries. In both cases, global skills and cross-cultural capacities play a central role; these factors had the most important impacts on them. For performance, the following aspects were considered in a composite index: return on investments,

profitability, sales growth and market share. When those dimensions were tested separately, a specific effect on the market share of subsidiaries was also identified. Therefore, weaknesses regarding global mindset may lead to mistakes in product adaptation, development of distribution channels, brand positioning, and even the understanding of consumer markets abroad.

Influences on the Foreign Subsidiaries of BrMNs

The competences of subsidiaries, in turn, comprised: development of products and services, production/operations, marketing and sales, human resources and management competences, amongst others. The development of competences (or the adding of value to the existing ones) may have an important role for the international competitiveness of BrMNs, as some of them can rely less on pre-existing competences than their 'early mover' competitors. In fact, firms from emerging economies should develop new competences throughout their internationalization in order to achieve stronger competitiveness.

In some cases, the competences of subsidiaries may be transferred to other units or to headquarters benefiting the multinational network as a whole. Globally-minded companies tend to stimulate competences development activity, through the recognition of potential global contributors. Furthermore, they tend to decentralize knowledge creation and competences sharing.

Summing up, some pieces of evidence reinforce the importance of the global mindset claimed by business literature. In the specific case of BrMNs, it is apparently interwoven with business strategy, competence development

(and transfer), and the performance of subsidiaries.

The interplay between global mindset and HRM

We have also observed – among the 64 firms we surveyed – that the level of global mindset of BrMNs is associated with their international human resource management patterns. The figure below shows the extent (low, high, moderate) to which each BrMN type has well defined HRM strategies and policies for their international endeavors (Global HRM strategies). This emphasizes a global alignment of HRM among subsidiaries as well as the possibility of recruiting, retaining, developing and rewarding people globally, in accordance with the company’s internationalization strategy. As it can be observed, globally-minded companies were the ones that exhibited the highest levels with regard to global strategies.

practices and policies based on emerging projects and recent acquisitions; sometimes HRM practices are not changed at the acquired firm. Finally, international market-oriented companies form a heterogeneous group, still learning how to implement HRM abroad. In some cases (eg. in culturally distant markets), HRM is delegated to local partners.

Although the survey outcome does not allow to identify the causality direction – which comes first: HRM or global mindset? – we have observed that HRM strategies may intensely contribute to enhance global mindset. In fact, the most globally-minded BrMNs have adopted some of the following practices:

- International HR management long-term planning (attraction, development, compensation, etc).
- Implementation of policies for attraction and retention of global talent. Selection of professionals abroad, transferring them to other units.

Figure 5: Degrees of global HRM strategies and HRM local adaptation

	Domestic market-oriented	International market-oriented	Globally-minded companies
Global HRM strategies	Low	Moderate	High
HRM adaptation abroad	Moderate	Moderate	High
Frequency	11%	28%	61%

The figure also shows to what extent each type has been able to adapt and adjust HRM policies to local realities (cultural, labor profile, legislation, etc) in which subsidiaries operate. Again, globally-minded companies achieved the highest scores, indicating that they are the most committed with both global strategies and local adaptation; they coordinate simultaneously, global alignment and local response. Domestic market-oriented firms, in turn, prioritize local adaptation; they tend to adopt a reactive posture, defining

- Selection of Brazilian executives and technicians having an international background or having careers previously in foreign multinationals. Professionals experienced in highly culturally distant regions have been particularly treasured, especially those equipped with knowledge of Asian operations.
- Intensification of international assignments, still in initial phases of careers. Assignments to strategically relevant

units and markets have been prioritized.

- Selection of expatriates based on multiple attributes, not only technical (eg cross-cultural competence and learning capacities). Preparation of expatriates to work in other cultural environments.
- Expatriation and international mobility have been managed as a mechanism for sharing competences (rather than a mechanism for control).
- Wages linked to company global performance.
- Inclusion of international business courses in corporate education. Investments in international MBA programs and international training programs.

These initiatives are more common, however, among highly globally-minded companies, which rely on mature HR management strategies, usually influenced by foreign multinationals' best practices. A number of firms rely, instead, on less structured HR initiatives, prompted by immediate needs (eg, new international operations or acquisitions). Besides, we notice that the presence of foreigners on BrMNs' boards and in strategic positions is rather uncommon. On the other hand, the preparation of expatriates is essentially informative (on other cultures), with less importance given to behavioral aspects and self-awareness.

Concluding thoughts

Brazilian firms were shaped in a very specific cultural, historical and institutional context, which influenced the formation of their competences and management models. Past legacies are, however, 'dynamic' (Berger, 2005): while they are

strongly rooted in the past, they may be reframed by choices and opportunities of the present and by international competition. In order to capture emerging opportunities in a 'brave new world', BrMNs have redefined the way they see the world.

Consequently, it has been observed that globally-minded firms co-exist with companies that still focus on local markets and prioritize reactive strategies. Although the general scenario looks positive – most companies having developed their global mindsets – we do have some concerns that lead to further questioning. We wonder if companies which have still not pursued an international path are doing their homework, developing the required competences and world view to be able to face global competition. On the other hand, how can policy makers, business organizations and business schools contribute to the development of these aspects in an articulated and sustainable manner?

Regarding HR management, we notice that it may have a relevant and proactive role in the process of reframing the legacies of the past and in the development of a global mindset. However, further questions arise: to what extent do the solutions learnt from 'early mover' multinationals apply to BrMNs? Wouldn't it be advisable for BrMNs to learn how to develop tailored HR practices that are more suitable to their unique features and internationalization patterns? Finally, to what extent are HR professionals ready (and fully prepared) to engage in that role and to develop innovative approaches? Have they already developed the required competences and mindsets to activate changes that are necessary in a promising new world?

References

- S. Berger, *How We Compete: What Companies Around the World are Doing to Make it in Today's Global Economy*, Currency Doubleday, New York, 2006.
- A. C. Fleury and M. T. L. Fleury, *Brazilian Multinationals: Competences for Internationalization*, Cambridge University Press, 2011.
- R. E. Miles and C. Snow, *Organizational Strategy, Structure, and Process*, McGraw-Hill, New York, 1978.
- G. Reis and M. T. L. Fleury, *Global Mindset, Psychic Distance and the Achievements of Brazilian Multinationals' Subsidiaries. A multilevel analysis*, presented at the Academy of International Business Annual Conference 2011, Nagoya, Japan.
- G. Reis, M. T. L. Fleury and A. C. Fleury, *EMs' Subsidiaries Competences as a Result of the Interplay between Culture and Global Mindedness*, Academy of International Business Annual Conference 2012 (forthcoming), Washington DC., USA.
- A. Thomas and K. Ramaswamy, *Matching Managers to Strategy: Further Tests of the Miles and Snow Typology*, *British Journal of Management*, Vol 7, Issue 3, 2005 (online), pp 247-261.
- E. Yin, J. Johnson and Y. Bao, *Global Mindedness and the Performance of Chinese Multinationals*, presented at the China Goes Global Conference 2008, Harvard University, Boston.
-