

# THE CHALLENGES OF THE INTERNATIONALIZATION PROCESS OF COMPANIES: NEW BUSINESS DIRECTIONS FOR COMPANIES BRAZILIANS

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## Summary

Globalization and technological advances have changed the world, and the business world has been forced to keep up with this. The internationalization of a company is a new, complex and modern process of cultural, commercial and economic integration. Understanding it requires a broad study of strategies, culture, customs and obstacles that may arise during internationalization. In a survey conducted in June 2017 with 229 Brazilian companies by the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), it was concluded that the United States is the preferred country for 68% of Brazilian businesspeople and entrepreneurs, followed by Colombia with 23.4%, Mexico with 21.3% and Argentina with 17.7%. On the other hand, the country's participation in international trade has not kept up with this number: less than 20 thousand Brazilian companies exported. This means that, in addition to countless opportunities, Brazil also faces enormous challenges. Internationalization refers to integration with the market beyond borders. From the import and export of products and services to production in the foreign market, this is a phenomenon. The main advantages in pursuing this process are gaining new markets, reducing costs, creating a global brand, among others. When starting international operations, it is essential that the company has already developed all the marketing action plans so as not to harm profitability in the market.

**Keywords:** Internationalization, globalization, process, challenge.

## Abstract

Globalization and technological advances have caused the world to change and the business world has forced itself to monitor such an event. The internationalization of a company is a new, complex and modern process of cultural, commercial and economic integration, understanding it requires a wide study of strategies, culture, customs and obstacles that may come to be during internationalization. In a survey conducted in June 2017 with 229 Brazilian companies, by the Brazilian Trade and Investment Promotion Agency - Apex-Brasil, it was concluded that the United States is the country that is preferred by 68% of national entrepreneurs and entrepreneurs, followed by Colombia with 23.4%, Mexico with 21.3%, Argentina with 17.7%. On the other hand, the country's participation in international trade did not follow this figure: less than 20 thousand Brazilian companies exported. This means that, in addition to numerous opportunities, Brazil also faces enormous challenges. Internationalization refers to integration with the market across borders. From the import and export of products and services to production on the foreign market, this is a phenomenon. The main advantages in the search for the process are gains from new markets, lower costs, creation of a global brand, among others. At the beginning of international operations, it is essential that the company has already developed all the marketing action plans so as not to harm profitability in the market. **Keywords:** Internationalization, globalization, process, challenge.

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## **1 INTRODUCTION**

This paper was prepared based on research and bibliographical survey, and data and information were also collected from the website based on the proposed theme. All research considers exploratory concepts related to market practice and adapts it to education.

The era of globalization has drastically changed the relationship between countries, and these changes have created a network of interdependence and interconnection, that is, countries are increasingly interconnected both domestically and internationally. The diversity of this relationship has also brought about the emergence of new transnational forces, that is, forces that encompass several countries around the world. In this connected world, more and more companies are encouraged to internationalize, especially considering the advantages of this new reality. Internationalization is understood as any connection between a company and the foreign market. In addition to import and export, partnerships with international companies and establishing businesses outside the host country also fall under this concept. The entire methodology needs to be well thought out and have parameters to guide the execution of projects, but in general, business opportunities can guarantee a great advantage in an increasingly competitive market. Some of the main advantages of internationalization will be presented throughout the work.

## **2 GLOBALIZATION**

The term globalization was coined in 1980 to describe a process characterized by economic interaction and integration and the intensification of international politics and culture. The strong progress in the media and transportation system marks this point. Some authors still prefer the term globalization. Although globalization is not a recent phenomenon, it assumed unprecedented proportions at the end of the last century. The era of globalization has profoundly changed the relationship between countries, and these changes have created a network of interdependence and interconnection, that is, countries are increasingly interconnected and interdependent both domestically and internationally. The diversity of this relationship has also brought about the emergence of new transnational forces, that is, forces that span several countries around the world. In this connected world, more and more companies are

encouraged to internationalize, especially considering the advantages of this new reality.

Although the term may seem recent to many, the phenomenon has been occurring for many centuries. Social scientists state that globalization has been occurring since the European colonial expansion, at the end of the 15th century and the beginning of the 16th century.

### 2.1.1 Obstacles and difficulties in internationalizing

Some scholars and scientists have already studied the reasons why companies succeed or fail when internationalizing their activities. According to Cortiñas (2010), there are different types of obstacles to the consolidation of the internationalization process, such as commercial, tariff, non-tariff and logistics, but all of them, in one way or another, influence the development of business practices. The lack of knowledge of companies is a major barrier, but trust can also replace knowledge. It is not ideal, but when a company does not have the necessary knowledge, it can allow a reliable intermediary to carry out international business. According to Costa (1998), internal and marketing factors are more important and have a better ability to adapt to external factors and cultural differences and local customs, even though these are important for the implementation of the business in certain regions.

#### 2.1.1.1 Diversity in the global world

According to official information from the United Nations (UN), there are currently 193 countries in the world, but according to the body responsible for the count, the numbers for some countries may be different. This is because the characteristics of the constituent country may be overlooked or ignored during registration. To be considered a country, this place must have a certain territory, its own government, a place of permanent residence and independence recognized by other countries, which makes diplomatic contacts possible.

Think of a simple sneaker. Thailand uses machines made in Belgium, Indian cotton, Brazilian collars and African fabrics, and then sells them in Paris, Barcelona or many cities in developing countries (at least those open to foreign trade). Today's typical sneakers, shirts and accessories are the product of the joint efforts of many people around the world. Furthermore, it is important to note that the cost of these products

common amounts to just a few hours of working income for ordinary citizens in industrialized countries.

## 2.2 INTERNATIONALIZATION PROCESS OF A COMPANY IN BRAZIL

Rowden (2001) states that small companies present a pattern when they begin to internationalize, defining that it begins with exporting, followed by the implementation of the production process abroad and, finally, fully consummating internationalization, becoming a transnational company.

City University has developed a model called the "Uppsala Model" which is a theory that explains the basic tools and steps of the internationalization process and has been widely recognized in companies and universities that research or study international business. The model mentioned above is from Uppsala, Sweden, and its name comes from this city.

For Weisfelder (2001), the greatest concern of Uppsala scholars and theorists was to explain the internationalization processes and the power that acts throughout the development of the process, without focusing on the reasons that lead companies to attempt to internationalize. Internationalization is understood as any connection between a company and the foreign market. In addition to importing and exporting, partnerships with international companies and establishing businesses outside Brazil also align with this concept.

According to Riesenberger (2010), this idea is reinforced by saying that with the opening of borders, the perception of time and space, the growth in the quantity and type of transactions with the rapid absorption of technology, made it much easier for companies to begin negotiations abroad.

In times of economic instability, such as the one we are currently experiencing in our country, the internationalization of companies is a real alternative for companies to obtain and ensure a competitive advantage over competitors, thus having to continue seeking survival in the market.

In Brazil, internationalization has been slow. Even so, companies continue to develop in the international market and hope to make the country globally competitive, not only by supplying raw materials, but also qualified labor and finished products from the production line. In a survey conducted in 229 Brazilian companies by the Brazilian Trade and Investment Promotion Agency – Apex-Brasil in June 2017, it was concluded that the United States is the country preferred by 68

% of national businesspeople and entrepreneurs, followed by Colombia with 23.4%, Mexico with 21.3%, Argentina with 17.7% and the United Arab Emirates with 15.6%. According to the survey, among the reasons that make Brazilian companies choose to internationalize are the increase in revenue, with 72.7%, risk diversification, with 65.3% and protection, with regard to the volatility of the domestic market, with 61.3%.

Internationalization is a slow and continuous process between companies and countries other than their home country. The entire process is carried out gradually, as companies that choose to internationalize must research information about new markets and outline strategic objectives in order to adapt to the new reality and have the capacity to start and continue their own production. In terms of laws and regulations, government support is also crucial. It is also important to know that internationalization can occur in several ways, from the company's contact with the foreign market, through the import of products and raw materials, to the actual establishment of the business in the foreign country. Good strategic planning, large investments, leadership and alliances in all areas of the company are essential for success in the internationalization process.

The entire methodology needs to be well thought out and have parameters to guide the execution of projects, but in general, business opportunities can guarantee a great advantage in an increasingly competitive market. Some of the main advantages of the internationalization of the company are:

**Gaining new markets:** One of the incentives to start exploring other geographic regions is the opportunity to gain untapped consumer markets. This operation may include acquiring consumers with the same personal data as those in your country/region, or even vertical industries that have not been tested. Another important factor related to conquering new markets is the ability to adjust for seasonality between the markets in which the company operates.

**Cost reduction:** For exporters, a major advantage is the reduction in the tax burden in several countries where exports are destined. Most of the time, according to different government agencies, the Brazilian government itself promotes exports by reducing or even exempting some production and sales taxes. Depending on the company's classification and the sector, ICMS (Tax on Circulation of Goods and Services) and COFINS (Contribution for the Financing of Social Security) may not be charged.

**Accumulation of market experiences:** Starting a business in new markets in other countries/regions is not always easy. After all, your company is likely to have a lot of experience in this process, making the strategic meaning of the organization completely different.

**Creating a global brand:** In order to compete on the international market, institutions in the countries of origin and destination, as well as customers in new markets, have to present a series of requirements. When the company becomes international, the level of quality and added value for customers inevitably improves. Thus, the company has the opportunity to create a global reference brand with the quality of an “export company”. This guarantees greater purchasing security and, therefore, an advantage over the main competitors in the market.

**Risk dilution:** By doing business in other countries/regions, the risk will be diluted compared to the risk of doing business in just one country/region. The risks associated with the local environment of each country affect local operations and if global operations are done properly, the company can reduce the impact on demand for its products. Of course, the trade-off caused by spreading risk is the price of operational complexity, as the company will need to allocate operations and know how to operate in each country in terms of culture, regulations and economics.

Companies must also maintain the same standards abroad. Even so, companies that decide to continue the internationalization process may still encounter some obstacles, such as cultural conflicts, legal and administrative issues, import and export issues, taxation and personnel preparation.

The first step in starting the process of internationalizing a company is to focus on researching the markets where it intends to do business in other countries. Only after getting to know the market can the next step be taken, which is to understand the existing demand for the products or services that the company will provide, in order to know its production capacities. This is also a very important step in this process, because from then on the company will show its customers trust, security and credibility, as it will have the opportunity to become a company that can truly sell and deliver the products that the customer needs. As for the operation of foreign companies in their own country, each country has its own rules, standards, technical requirements and legislation. In this sense, the entrepreneur needs to understand all of these points in order to achieve each of them and make their business performance completely normal. For example, analyzing the rules and legal requirements of the country/region where the goods will be shipped and the country/region to which it wants to ship.

products or services. This way, the chances of success for regular activities will be greatly increased.

When starting international operations, it is essential that the company has already developed all the marketing action plans so as not to harm profitability in the market. It is important that the internationalization plan corresponds to the detailed plan of the strategy that will be used in the new market.

Companies encounter some difficulties in the internationalization process, many of which occur due to poor planning and planning but not fulfilling what was agreed upon. Therefore, these difficulties must be overcome in order to obtain the expected good performance. As stated by Porter (1986), one must learn to create strategies and adapt them to the reality, requirements and particularities that best meet the needs of the organization. However, Lamb and Liesch (2002) tell us that there is a lack of further research in the area, that the subject has an absence of studies focused on the activities of companies, and obtaining a basis makes it difficult for potential new companies to start or continue their journey at the beginning. With this lack of primary information or examples, more doubts and uncertainties arise. For Wiedersheim-Paul, Welch and Olson (1975), internationalization becomes a critical moment if it does not have an adequate foundation in the pre-internationalization phase, so it becomes essential to be based on previously outlined strategies. Brazilian companies today already have a considerable presence in the international market, distributed across all continents, with 78% of them in South America.

## **FINAL CONSIDERATIONS**

This article aims to review the concept and strategy of internationalization of Brazilian companies. It was found that, although it is still a timid process in Brazil, companies are seeking strategies that allow them to somehow keep up with global globalization. The barriers are great and so are the challenges; the internalization process is complex and requires planning and, once planned, seeking to be faithful to the plan outlined for the business. The internationalization of a company goes beyond the simple marketing of products and services that go beyond national borders. For a company that wants to expand internationally, the biggest challenge is to find the resources, solutions and technical knowledge necessary for its international operations. Globalization has brought a universe of possibilities to the business world; the key is for companies to adapt to this not-so-new innovation. Every process needs to be well thought out and have parameters to guide it.

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