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FRONTIS - Multidisciplinary Scientific Journal The Knowledge.
ISSN: 2675-9128. São Paulo-SP.

Year VII, v.2 2026 | Submission: 05/15/2026 | Accepted: 05/20/2026 | Publication: 05/25/2026

Corporate structure and governance in the internationalization of Brazilian companies.

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SUMMARY

Establishing a company abroad does not resolve the legal issues of internationalization.
This article examines how the choice of entry mode and corporate structure is linked to the exercise of control, the organization of decisions, and the distribution of responsibilities in cross-border operations. A qualitative, bibliographic, and documentary research approach of an exploratory nature is adopted, based on studies on internationalization and economic organization, Brazilian corporate law, and international governance guidelines, with data from the Central Bank of Brazil used only for descriptive contextualization. The analysis distinguishes between export through a distributor, licensing, joint ventures, and wholly-owned subsidiaries, without attributing universal superiority to any modality. A qualitative decision matrix and a procedure for reviewing the structure based on operational changes are proposed. The central argument is that corporate adequacy depends on the correspondence between formal powers, available resources, and monitoring capacity. Asset separation must be accompanied by documentation of intra-group relationships and compliance with applicable rules in each jurisdiction. The contribution consists of integrating entry choice and subsequent governance into a single organizational design problem. The propositions have not been empirically tested and do not constitute estimates of risk reduction or financial performance.

ABSTRACT

Incorporating a company abroad does not resolve the legal challenges of internationalization. This article examines how the choice of entry mode and corporate arrangements interacts with control, decision-making and the allocation of responsibilities in cross-border operations. It adopts qualitative, exploratory bibliographic and documentary research based on internationalization and economic organization studies, Brazilian corporate legislation and international governance guidelines, with Central Bank of Brazil data used for descriptive context only. The analysis distinguishes exports through distributors, licensing, joint ventures and wholly owned subsidiaries without assuming the universal superiority of any entry mode. It proposes a qualitative decision matrix and a procedure for reviewing corporate arrangements as operations change. The central argument is that structural suitability depends on alignment between formal authority, available resources and monitoring capacity. Asset separation requires documentation of intragroup relationships and compliance with the rules applicable in each jurisdiction. The contribution integrates entry-mode selection and subsequent governance into a single organizational design problem. The propositions have not been empirically tested and do not estimate risk reduction or financial performance.

1 INTRODUCTION

The decision to operate in another country links the business strategy to a legal organization that

This will continue to be required after the foreign entity is registered. Who can commit resources,

Entering into contracts, granting guarantees, or halting a project are matters that require...

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Compatible solutions between the Brazilian company and its foreign operation. A structure may be regularly constituted and yet leave undefined the means by which the matrix follows obligations and intervenes in relevant decisions. The problem investigated is how to select and to follow an arrangement that preserves decision-making capacity without producing an informal concentration of power or coordination costs incompatible with the business.

Literature allows us to examine this problem from complementary perspectives. Dunning (1988) relates international production to advantages of ownership, location, and internalization. Johanson Vahlne (2009) emphasizes learning, commitment, and integration into business networks. Williamson (1991), in turn, differentiates market, hybrid forms and hierarchy as alternatives to Organization of transactions. None of these contributions, in isolation, provides a model. Legal framework ready; they help formulate criteria for evaluating the entry method and its governance.

The study focuses on the relationship between shareholding, decision-making powers, and mechanisms of monitoring. Its objective is to propose criteria for the design and revision of the organization. cross-border, without presenting the establishment of a subsidiary or holding company as a necessary response to any project. The focus is on the operation's management and the changes that require re-examination. its structure. The intended contribution lies in the articulation between the entry mode and governance. later, the suitability of which needs to be evaluated together.

The proposition guiding this article is that the concentration of shareholding does not guarantee, therefore Yes, operational control. Ownership grants rights; exercising them also depends on information. accessible, with defined competencies and supporting material conditions. To develop this In this proposition, the analysis distinguishes the choice of entry mode, the distribution of powers, and the review of... structure during operation.

2. METHODOLOGICAL PROCEDURES

The research is qualitative, exploratory, and of a bibliographic and documentary nature. The corpus was... selected intentionally for their relevance to the problem: studies by Dunning (1988), Johanson and Vahlne (2009) and Williamson (1991); the Brazilian Corporations Law and Civil Code; and OECD documents on governance and responsible business conduct. For context. Descriptive, the Direct Investment Report of the Central Bank of Brazil (Bank) is also used. Central do Brasil, 2025). This is not a systematic review, exhaustive survey of databases or A comparative study of all foreign corporate regimes.

The reading was organized into four axes: intensity of control, commitment of resources, Partner dependency and monitoring mechanisms. Theoretical categories were used.

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to formulate the decision questions; Brazilian legislation, to define duties and limits.
relevant to the society of origin; and international documents, as governance benchmarks.
and conduct. This articulation results in the matrix of section 4 and the review procedure of section 6.
No interviews were conducted, questionnaires administered, or internal documents examined.
companies.
The recommendations formulated result from the articulated interpretation of these sources and are identified
as proposed in the study. There is no intention to demonstrate causality between a corporate vehicle
and increased revenue, reduced litigation, or tax savings. An analysis of Brazilian legislation.
It defines the position of the society of origin and serves as a conceptual reference; it is not transposed.
automatically to the entity incorporated abroad.

3. Corporate Control and Coordination Capacity

Equity participation, decision-making power, and access to information are distinct dimensions. A company
It may own the entirety of a subsidiary and rely on the local manager for inventory information.
obligations assumed and relationships with clients. Conversely, a distribution contract can...
to provide commercial information without granting powers over the distributor's management. A
A legal analysis needs to clarify what rights the arrangement offers and what conditions allow them to be exercised.
The investor's formal position, in isolation, does not reveal their ability to monitor the...
business.
Dunning's paradigm (1988) offers a language for relating owned assets, conditions
of destination and internalization. The use of this language requires translating economic categories into
Verifiable questions: which assets need to remain under control, which activities require
Local presence and which transactions can be coordinated with third parties? The answer is specific to...
operation. The mere existence of a commercial advantage does not determine that all functions
should be internalized.

Johanson and Vahlne (2009) allow the incorporation of position in business networks into the examination of
Expansion. A partner can offer channels and knowledge that the company does not yet possess. This
The article proposes treating informational dependency as a governance variable: it is necessary to identify
what knowledge remains concentrated in the partner and how will the relevant information be
Recorded and shared. Trust remains integral to the relationship, but monitoring is not.
It should depend exclusively on the personal availability of those who possess local knowledge.
Williamson (1991) distinguishes between market, hybrid, and hierarchical arrangements in his analysis of
organizational alternatives. This distinction clarifies that hiring a third party, sharing a

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Operating and taking over its management produce different adaptation problems. In the plan
In legal terms, the choice must consider how changes will be decided. A structure suitable for the phase
Testing capacity may become insufficient when there is staff hiring, permanent inventory, or
Significant dependence on a single channel.

4. Qualitative Comparison of Input Modes

The input modes are treated here as coordination arrangements, and not as mandatory steps.
of a linear trajectory. Exporting through a distributor can be long-lasting; licensing can be
The main activity; a subsidiary may be closed after a commercial trial. A joint venture,
In turn, this requires distinguishing cooperation between parties from the eventual partnership that instrumentalizes it.
Table 1 organizes the questions that precede the decision and the events that justify its revision.
The comparison brings together contracts and forms of corporate organization because both can coordinate the
Entry into a market; this does not make them equivalent legal entities. Their fields do not
They constitute a universal risk classification. The purpose is to make explicit what needs to be negotiated.
or verified in each arrangement, avoiding equating lower equity participation with lower exposure.
global.

Table 1 – Criteria for analyzing input modes

Arrangement	Decision to be negotiated	Information to be verified	Review point
Distribution	Territory and commercial autonomy	Sales, inventory and customer service	Channel dependency
Licensing	Scope of authorized use	Use of the asset and quality	Product or territory expansion
Joint venture	Powers and reserved matters	Shared contributions and decisions	Stalemate or change of objectives
Wholly owned subsidiary	Delegation and supervision	Obligations and local performance	Change of scale or exposure

Source: author's elaboration based on Dunning (1988), Johanson and Vahlne (2009) and Williamson (1991).

Reading each line relates negotiated power to the information necessary to exercise it and to
This event could render the arrangement insufficient. The matrix should guide the investigation, without replacing the...
Analysis of contracts, applicable legislation, or the company's financial capacity. A restriction.
The use of a trademark, for example, also requires defining the means to verify its compliance.

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and the measures available in the event of a deviation. The final choice depends on the obligations and the concrete resources of the operation.

5. Governance between parent company and foreign operation

The organizational chart needs to reflect a clear distribution of responsibilities. It is proposed... distinguish between routine acts, commitments that exceed defined limits, and decisions capable of... alter the group's exposure. These limits can be monetary or qualitative: exclusivity, Guarantees and assignment of rights may require higher-level approval even without immediate disbursement. A jurisdictional assessment based solely on the contract value fails to capture obligations whose effect extends beyond the present. or it restricts future choices.

Table 2 – Decision categories and levels of authority between parent company and foreign operation

Category	Criterion	Illustrative examples. Proposed treatment.	
Routine actions	Within the limits delegated to local management.	Orders and contracts under the usual operating conditions.	Clear delegation, with regular records and information sent to headquarters.
Commitments exceeding defined limits	Value or term exceeding the established limit.	A contract whose value exceeds the monetary limit; a long-term contract.	Approval by the designated body, with a record of who approved it and the information considered.
Decisions that alter the group's exposure	A qualitative effect, even without immediate outlay.	Exclusivity, guarantees, and assignment of rights.	Superior approval and traceability of the decision, even when the contract value is low.

Source: author's own work.

The G20/OECD Principles of Corporate Governance 2023 highlight the responsibilities of the board, Disclosure of information and handling of conflicts of interest. Its use in companies. Closed structures require adaptation in scale and context (OECD, 2023a). For the problem examined here, It is important to preserve the traceability of the decision: who approved it, what information was considered. and within what powers. A smaller operation can serve this purpose with procedures proportionate to its structure, without replicating the complexity of a listed company.

Within the context of Brazilian corporations, articles 116 and 117 of Law No. 6,404/1976 regulate... The power of control, the duties of the controller, and their responsibility for its abusive exercise. The article

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Article 245 imposes on administrators the duty to avoid favoring related companies.
to the detriment of the company and to ensure strictly commutative conditions or adequate compensation.
in operations between them (Brazil, 1976). These provisions must be examined within their scope.
of application, without automatic extension to any type of company or foreign entity.
Identifying the contracting party, the expected benefit, and the consideration allows for an evaluation of the justification.
of the intragroup operation.
Article 49-A of the Civil Code recognizes the patrimonial autonomy of the legal entity; Article 50
The discipline allows for disregard in cases of abuse, characterized by misuse of purpose or confusion.
patrimonial, in legal terms (Brazil, 2002). According to paragraph 4 of article 50, the mere existence of
An economic group that does not meet the requirements of the main clause does not authorize the measure. This regime does not eliminate the
Examination of guarantees, obligations assumed directly, or special regimes. Segregation must be
analyzed in light of the facts, regulations, and relevant documents.
Based on these principles, it is proposed to maintain separate records of income, expenses, and...
commitments of each entity, accompanied by the instruments that justify the relationships
Intragroup. Loans, licenses, and shared services have distinct functions and need...
They should be described according to their substance. The documentation should allow one to understand why the
The funds were transferred; what obligation corresponds to it, and who is responsible for fulfilling them?
Tax and accounting qualification requires specific examination within each legal system; its adequacy does not
It stems solely from the existence of a contractual instrument.

6. Agreements between partners and review of the structure.

In joint ventures, the negotiation should clarify which decisions...
The decisions are up to management, which ones depend on a majority vote, and which ones require the agreement of the partners. The veto
It can protect the investment, but it can also prevent necessary adaptations. Therefore, it is proposed...
to link it to specific matters and to provide a procedure for resolving the impasse. The requirement
The indiscriminate pursuit of unanimity can transform a commercial disagreement into an obstacle to...
continuation of the operation.
Addressing the impasse begins with identifying its nature. Lack of information may require...
Access to records; a disagreement over metrics may warrant verification by an expert; the rupture.
Building trust requires evaluating the continuity of the relationship. These answers are not interchangeable.
Negotiation, reorganization, and exit need to be examined according to their financial viability and
Okay. A mandatory purchase clause, for example, offers little utility if
its execution depends on unavailable resources or conditions that the parties cannot meet.

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to fulfill.

Governance boundaries also extend to business conduct. (Guidelines for Multinational Companies)
Enterprises on Responsible Business Conduct contains risk-based due diligence recommendations.
to identify and address adverse impacts related to business activities and relationships
(OECD, 2023b). For this study, this framework justifies including the quality of information about
Partners in the decision-making process. Its use as guidance does not equate to stating
Automatic liability for all conduct of a third party.

The proposed review starts with three questions: what has changed in the operation, what decision or obligation was...
Which document is affected and needs to be adjusted? A channel change can affect exclusives and...
Access to clients; hiring staff may require new delegations; a source of funding.
You can add guarantees or restrictions. The procedure involves identifying the change,
examine its effects on competencies and obligations, adjust the relevant instruments, and verify.
Its implementation. The creation of new corporate layers is only justified when there is a function.
Identifiable. Maintaining the existing structure requires the same examination.

The Central Bank's Direct Investment Report contextualizes the size and distribution of
Brazilian investments abroad. For the 2024 position, the report records approximately
US$504 billion in foreign direct investment, pointing to the Caribbean and Europe as destinations.
immediate figures of 44.0% and 39.8% of the total, respectively (Central Bank of Brazil, 2025, p. 20). The
The data covers investments by residents of Brazil and is used here exclusively as...
descriptive context.

The immediate destination identifies the first jurisdiction to receive the investment, which does not coincide
necessarily linked to the one in which the final economic activity takes place. Distribution
The observed data is compatible with the use of intermediate structures, but does not allow for identification.
by itself, its frequency, function, or regularity in each operation. Therefore, corporate analysis must
to investigate the effective chain of participation, the functions of the entities and the obligations assumed in
each jurisdiction.

7. DISCUSSION AND LIMITS OF THE PROPOSITIONS

The analytical result consists of relating the choice of entry point to the subsequent ability to...
coordination. Each arrangement shifts the center of negotiation: in distribution, the obligations and the
information obtained from a third party; in licensing, the limits of use of the asset and the means of
monitoring; in a shared society, the division of power; in a wholly owned subsidiary, the relationship
between managerial autonomy and supervision. The matrix's contribution lies in organizing these differences.

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in questions that can be compared with the company's documents and resources.

Consider a Brazilian manufacturer that tests a market through a distributor and, after expanding its
Regarding sales, consider establishing a subsidiary. Commercial growth alone does not solve the problems.
Transitional conditions. It will be necessary to examine the obligations of the existing contract, the possibility
to assume the relationship with clients, the costs of direct service and the availability of
managers. If commercial information remains concentrated in the distributor, the constitution of
Society will not eliminate this dependency. The example is hypothetical, developed to explain the matrix;
This does not represent a case handled by the author nor evidence of a business outcome.

The proposal also highlights a tension between oversight and speed. Additional approvals
They can expand the documentation and, simultaneously, delay responses. Focusing the
The solution is to provide guidance on high-profile decisions and clearly delegate routine tasks.
The design suggested in this study. The delegation needs to be accompanied by information that allows...
verify its implementation; the approval requirement needs to indicate who decides and when.
It must be activated. The balance between these elements has not been measured. Future research may
Observe approval times, record quality, and review frequency in different modes.
entrance.

There are important limitations. The document selection does not cover sector-specific requirements or tax legislation.
Foreign exchange, investment restrictions, or insolvency rules of each destination. The theoretical sources.
They operate at distinct levels of analysis. Their articulation supports an interpretative proposal, not the...
Validation of a predictive model. The application should begin by identifying the actual operation and
based on the relevant standards, and not by mechanically filling out Table 1.

8. FINAL CONSIDERATIONS

Corporate structuring is an integral part of the ongoing organization of internationalization. The incorporation of
A foreign entity offers formal support, the suitability of which depends on the objectives.
commercial aspects, available resources, and the skills assigned to those conducting the operation. Their
The evaluation should explain how decisions will be made and how the company will monitor them.
obligations that result from them.

The distinction between equity participation, decision-making power, and access to information guides this.
evaluation. Full ownership can coexist with dependence on local management, while contracts
with third parties they can secure information without granting administrative powers. Each mode of
Entry therefore requires identifying the rights obtained and the effective means of exercising them.
The comparison developed does not establish a universal hierarchy of safety or profitability.

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including distribution, licensing, joint ventures, and wholly owned subsidiaries.

Governance should make the exercise of powers traceable and reserve the right to more intensive oversight.

to decisions that could increase the company's exposure. This examination covers obligations without

Immediate disbursement, guarantees, and commitments that restrict future choices. The delegation of

Routine remains necessary, as does the availability of information to monitor your progress.

exercise. The balance between supervision and speed depends on the operating conditions and was not

measured in this study.

Asset separation requires attention to the obligations of each entity and the documentation of relationships.

intragroup. Analysis of Brazilian legislation reveals limitations to the exercise of control and to

Favoring related companies, within the scope of each standard. A

The regularity of the originating company does not replace the investigation of corporate, tax and other rules.

relevant sectoral aspects of the foreign operation.

The article's contribution lies in bringing together the initial choice and subsequent revision of the structure into a...

same analytical approach. The matrix relates decisions to be negotiated, information to be verified, and events.

Review. The supplementary procedure links business changes to competencies and obligations.

and affected documents. Its application requires comparing the proposed categories with the conditions.

concrete details of the operation

.

Future research could investigate the correspondence between formal powers and effective decisions in

Brazilian companies that have gone international, observing access to information, approval times and

structural changes. The decision criterion supported by the study is to demonstrate which function the

The arrangement plays a role, who has the capacity to lead it, and what changes will be required of it.

revision.

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