Determinants of International Entry Mode Choice: A Case Study of a Brazilian Multinational

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Abstract

The decision making process of entry mode choice sets difficult because of the diversity factors involved, which may affect the success of the organization. Despite of the many studies about entry mode, most of them are about multinational from developed countries or Asian emerging countries, so little is known about the entry mode of Brazilian multinationals companies into foreign markets. The purpose of the present study is to provide an analysis about the factors that are decisive on the international entry mode choice of a Brazilian multinational company. Thus, this work contributes to the theme proposed by analyzing the case of a Brazilian multinational company, using an eclectic approach, including factors related to resources, industry and institutions, based on the Strategy Tripod (Peng, 2009). The method utilized was the qualitative approach, performing an interview as data collection instrument. As the case analyzed, all determinants of the model have shown to be relevant on the choice of entry modes, highlighting the important role of networking as a determinant factor in the decision making process of the entry modes.

Keywords: Foreign Market Entry, Emerging Market Multi-Nationals, Internationalization.

Resumo

O processo de decisão da escolha do modo de entrada se configura difícil devido à diversidade dos fatores envolvidos, que podem afetar o sucesso da organização. Apesar dos muitos estudos sobre o modo de entrada, a maioria deles é a respeito multinacionais de países desenvolvidos ou países asiáticos emergentes, assim pouco se conhece a respeito a escolha do modo de entrada de empresas multinacionais brasileiras em mercados estrangeiros. O objetivo do presente estudo é fornecer uma análise sobre os fatores que são determinantes para a escolha do modo de entrada de uma empresa multinacional brasileira. Assim, este trabalho contribui para o tema proposto, analisando o caso de uma empresa multinacional brasileira, utilizando uma abordagem eclética, incluindo fatores relacionados aos recursos, indústria e instituições, com base no Modelo Tripod (Peng, 2009). O método utilizado foi a abordagem qualitativa, realizando uma entrevista como instrumento de coleta de dados. No caso analisado, todos os determinantes do modelo se mostram relevantes na escolha do modos de entrada, destacando o importante papel da rede como um fator determinante no processo de decisão dos modos de entrada.

Palavras-chave: Modo de entrada no mercado externo, multinacionais de países emergentes, internacionalização.

1. Introduction

Studies about entry modes through foreign direct investment (FDI) have been shown relevant because, according to Buckley (2006) this is a highly complex process and most often irreversible. Empirical studies have presented that strategies of entry modes directly impact on other strategic decisions and strongly influence in the organization performance (Chen and Hu, 2002; Brouthers and Hennart, 2007). According to Brouthers and Hennart (2007), the entry mode strategies of multinationals into foreign markets can be analyzed considering two perspectives: ownership and establishment mode. Modes of entry that involve ownership are divided between wholly owned subsidiaries (WOS) and joint ventures (JV), while the entry modes by establishment mode are divided between acquisition or greenfield.

The internationalization process of Brazilian firms has been studied by several scholars. Fleury and Fleury (2011) developed an analysis to contextualize the phenomenon and identify the competences skills for internationalization. Stall and Cuervo-Cazurra (2011) studied the impact of the institutional environment of the origin country on the internationalization of Brazilian multinationals. Amal et al (2010) sought to assess the impact of economic and institutional factors of the home country on Brazilian foreign direct investment. Nevertheless a few scholars have focused their researches on the entry modes of Brazilian multinationals, as Adum (2011) that analyzed the impact of the transaction cost theory and institutional theory in the decision making process of entry mode of Brazilian multinational companies in foreign countries. Thus, using the eclectic approach of Peng (2009) this paper seeks to contribute to the literature of international business in two ways: First, identifying the international entry mode choice by WEG, a Brazilian multinational, and second, trying to assess the effects of company resources, industry, and institutional environment factors in the host country, following the "Strategy Tripod" Model of Peng (2009). Thus, this work establishes the following research question: What are the effect of resources, industry and institutional environment in the international entry mode choice of a Brazilian multinational company?

Through a single case study, in order to get in depth information we utilized a qualitative approach by an interview data collection instrument, we will address the decision choice of entry modes into foreign markets and their determinants by the company WEG, a multinational which is among the top 20 most internationalized companies in Brazil (FDC, 2011). In the next section we review the literature about entry modes into foreign markets and their determinants. The third section describes the method procedures. In the fourth section we presents the case study, and then, in the fifth section we discuss the results of the study. In the last section, we present the main conclusions of the study.

2. Theoretical basis

This section presents the multinationals modes of entry through Foreign Direct Investment (FDI) and the factors determining the international entry mode choice according the "Strategy Tripod" (Peng, 2009).

2.1 Entry Modes through Foreign Direct Investment (FDI)

The international market entry mode is “an institutional arrangement that makes possible the entry of a company’s products, technology, human skills, management, or other resources into a foreign country” (Root, 1994, p.5), this process can combine different risks that must be evaluated in advance when making the decision.

According to Root (1994), from a management perspective, entry modes can be classified in three main modes: export entry modes, contractual entry modes, and investment entry modes. In this study, we will focus specifically on the investment entry modes used by a Brazilian multinational enterprise, which involve ownership of manufacturing plants or other production units in the target country. Foreign production affiliates may, be classified into two groups according to the criteria of ownership and establishment: the first group is represented by sole ventures with full ownership and control by the parent company, or by a joint venture with ownership and control shared between the parent company and local company. The second group is represented by the form of establishment, which means that an international company may start sole venture from scratch (Greenfield) or by acquiring a local company (Acquisition).

Thus, according to Brouthers and Hennart (2007) decisions regarding the modes of entry through foreign direct investment (FDI) can be addressed in two ways, ownership and establishment mode. The form of ownership analyzes the wholly owned subsidiary (WOS) and joint venture (JV) which seeks to show the degree of control that the company intends to carry on the enterprise. The form of establishment, which considers acquisition, and greenfield investment, shows how the company seeks to establish and to implement their investment in the host country. Both have important consequences on the performance and competitiveness of multinational firms in markets where they will operate. Furthermore, the advantages of using the two forms of ownership control and form of establishment for setting types of entry modes (Brouthers and Brouthers, 2000) hereby serve the purpose of testing a model that uses institutional, cultural and transaction costs to predict the choice of entry mode organizations abroad. In previous studies such as Hennart and Park (1993), the theory of transaction cost was used to explain how an organization chooses between greenfield investments or acquisition. In more recent studies, such as Brothers and Dikova (2010), variables including the environment, industry, market and business experience were evaluated, showing that the choice of entry mode directly influences the performance of the subsidiary in the host market.

2.2 Determinants of international entry mode choice

There are several approaches to analyze the determinants of international entry modes choice by multinational enterprises from an emerging country. In a recent study, Peng (2009) summarizes these factors in three major dimensions or perspectives, which he calls "strategy tripod" to explain the decision-making: (i) the resources and capabilities of the organization, (ii) competition from industry in which it is inserted, (iii) the variables related to the institutional environment. According to Peng (2009) these three factors influence the entry strategy, which is directly linked to the performance of the subsidiary. In order to deeply assess the elements outlined in the Tripod model, we sought to integrate theoretical perspectives that bring elements with direct influence in entry modes for each factor highlighted by Peng (2009). As the focus of this paper is to analyze the determinants of entry modes choice, we do not discuss how the strategy affects the subsidiary performance in the host market.

Figure 1 illustrates the model suggested to discuss the case of a Brazilian MNC, and how resources, industry and the institutional environment factors of the host country affect the decision choice of the entry mode.

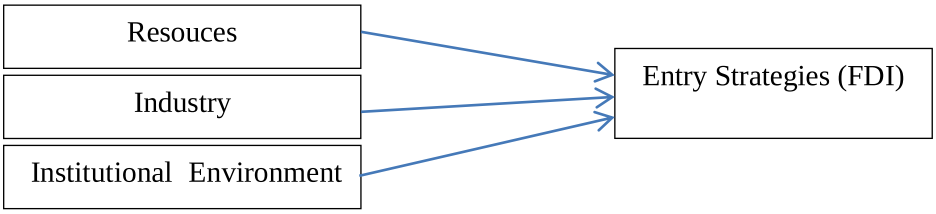

Figure 1 – Strategic Tripod Model
Source: Adapted from Peng (2009).

Resources:

According to Johanson and Wiedersheim-Paul (1975), the main barriers to the internationalization of a company are the lack of knowledge and resources. The lack of market knowledge may increase the investment risk perception, so companies often begin their internationalization process in neighboring countries, where culture and the market are known and where resources don't need to be spent in large volumes. Following the principles of this work, the more resources are committed to a market, the greater is the company's commitment in that country.

According to the theory of Resource-Based View, companies which have specific capabilities and resources will be able to be distinct from other organizations, but to fulfill this role, resources must be valuable, rare, inimitable, and nonsubtitutable (Barney, 1991). The resources can be tangible or intangible. Among the tangible resources are the financial resources, physical, technological and organizational. The intangible assets are as follows: human resources, innovation and reputation (Peng, 2009).

Contributing to the view that resources are important factors in choosing the international entry mode of an organization, Johanson and Vahlne (2009) revisited the Uppsala Model (Johanson and Vahlne, 1977) and added the role of networking within the international business environment. The authors assume that the business networking vision covers not only the company's resources, as well as the partner's needs, capabilities, strategies and even other relationships established that could end up as an enterprise resource.

At the company level, Kogut and Singh (1988) identified different resources that may contribute to the competitiveness of the company. According to the scholars, the diversification of the markets where the company acts enables it to compete with efficient management practices and productions. Generally, the more the company is committed to the diversification of markets, the greater are the chance of making acquisitions in other countries. The experience in foreign markets is highlighted as another important factor within the resources at the enterprise level, as well as the size of the investment that the company intends to spend.

Thus, it seems that tangible resources - financial, physical, technological, organizational - and intangible assets - human, organizational culture, innovation and reputation, as well networks of relationships (networking), are presented as important determinant factors of the choice entry mode adopted by multinationals in foreign countries, and are even more relevant for multinationals from emerging countries which intend to set up subsidiaries in other countries.

Industry:

The strategic line that guides the determinants of the industry discussed by Peng (2009) was presented by Porter (1990) and is composed of factors such as competitiveness among firms, barriers to new entrants, suppliers' bargaining power, buyers' bargaining power, and substitute products or services. However, the industry structure is modified according to the standards of the country. Thus, one of the factors highlighted by Porter (1990) is the technological process of the company, which depends directly on the external environment, consumers, competitors and competitive suppliers. The higher is dynamism of the competitive environment in which the company operates, the greater the possibility of a subsidiary to develop a sustainable strategy of action in that market, and this requires a constant search for innovations and competitive advantages (Birkinshaw, Hood and Johnsson, 1998).

Kogut and Singh (1988) point out for the importance of the spending on R & D, and also with advertisements and media as variables that compose the factor industry in determining modes of entry into foreign markets. This way, according to the type of industry, companies decide to enter foreign markets for several purposes, like the search for technological resources or acquisition of a known brand name in the host market.

Therefore, to capture the effects of the industry factor that determines entry mode of Multinationals, we will consider the five Porter’s force that drives competition in the industry (1990), described in his diamond framework, which are: rivalry among competitors, threat of potential entrants, bargaining power of suppliers, bargaining power of buyers, and threat of substitute products.

Institutional Environment:

According to North (1990, pp. 3) “institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction”. From the standpoint of Scott (2008, pp 48) “institutions are comprised of regulative, normative, and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life”.

The importance of understanding the role of the institutions is because institutions can involve a variety of arguments and then attempt to identify the key analytic elements that give rise to the most important differences observed and debates encountered (Scott, 2008). This way, institutions can reduce uncertainty, and to provide a structure to everyday life, working as a guide for the human interaction (North, 1990).

Beginning in the 1950s scholars began to connect institutional arguments to the behavior and structure of organizations, but just in the 1970s a new approach that was labeled neointitutional theory assumes the impact of the uncertainty of the environment in the structure of the organizations (Scott, 2008). Nevertheless, DiMaggio and Powell (1983) identified the organizations isomorphism as an important consequence of competitive and institutional process, and distinguished three important mechanisms – coercive, mimetic and normative, so through these mechanisms the organizations go toward a social acceptance in a market.

By the way, the institutions can be formal or informal. Formal institutions include laws, regulations, and rules, which use to be supported by a coercive power of the governments. Informal institutions include norms, culture and ethics. The informal institutions are supported by the internalized, taken-for-granted values and beliefs that guide individual and firm behavior (North, 1990).

The social acceptability and credibility of the organizations in a social environment is employed by sociologists as legitimacy, Scott (2008) distinguished the tree pillars of institutions – regulative, normative and cultural-cognitive. The concept of regulative pillar covers rules, laws and sanctions. The indicators of normative pillars are certifications and accreditation, while the cultural-cognitive refers to common beliefs, shared logics of action and isomorphism. Kostova (1997) used the tree pillars of institutions to develop a measure of the institutional distance between two countries.

The establishments of multinational companies in a variety of countries face them to different institutional environment. For this reason MNCs assume to go through a legitimation process in that environment. The organizational legitimation sets in the acceptance of organization in the environment and shows relevant to the success and survival of one organization (Kostova and Zaheer, 1999). Considering the variable institutions on organization strategies for the choice of entry mode in foreign markets, the first feature that can be highlight is the performance of the national government (Doz, 1986). According to Bartlett and Ghosal (1992) the features of the site where one decides to deploy a multinational subsidiary is very important because depending on the location, different strategies must be adopted. For the government it is essential that the company is being installed to contribute to the development of the country (Doz, 1986).

An important variable in the institutional context for the Uppsala approach is the psychic distance. According to Johanson and Vahlne (1977), the process of internationalization of firms is gradual because of the uncertainties and imperfections of information regarding the new market that increase with distance. This difficulty in understanding environmental factors has been called psychic distance. The authors assume that the greater the difference between the home country and foreign market, the greater the level of uncertainty.

In order to identify the elements of the institutional environment, the literature points out the following formal and informal indicators. First the factors related to the restrictions of the destination country, such as rules, trade barriers, physical, financial and technological incentives. Second, the factors related to the level of informal institutions as norms and culture of the host country and the effects on the entry mode choice.

2.3 Empirical studies on modes of entry of multinationals from emerging countries

Several are the studies about modes of entry by MNCs through FDI. Most of them are concentrated on the analysis of multinationals from developed countries (Brouthes and Brouthers, 2000; Cho and Padmanbhan, 1995; Brouthers and Dikova, 2010) or emerging Asian countries (Rajan and Pangarkar, 2000; Chiao, Lo and Yu, 2010; Cui, Jiang and Stening, 2011).

An important contribution about multinationals from emerging countries was conducted by Ramamurti and Singh (2009), which explain how multinationals from emerging economies have used their competitive advantages in their internationalization process. These come mainly in the context of the origin country, whether by natural resources, market size, low cost of labor force, or high levels of market growth.

In Brazil, some few scholars have addressed the internationalization and its motivations by Multinationals. Fleury and Fleury (2011) in the case of Brazilian companies, one of the motivations for internationalization of companies is related to the difficulties and uncertainties in the internal environment and its evolution. Rocha, Silva and Carneiro (2007) pointed out, the reasons that drive internationalization of Brazilian firms as the desire for growth, support for export activities, monitoring of the client, access to resources and strategic assets, branding, access to protected markets of leaders, and the new business opportunities.

Studies in Brazil about the mode of entry show that Brazilian Multinationals have a higher preference for WOS instead of joint ventures, and that the main reason for this is to protect the firm specific advantages (Rocha, Silva and Carneiro, 2007); while to Barretto and Rocha (2001) such behavior is directly linked to the Brazilian culture, where power and control are not easily shared with foreign organizations. In choosing the types of investments through the establishment form, greenfield or acquisition, the differences are found depending on the type of subsidiary or by the reason of the companies' sector performance. Thus, companies in mature industries, like steel, cement, beer and textiles, have opted to purchase smaller units in other countries, and companies such as metal-mechanic sector tend to invest in wholly owned subsidiary (Rocha, Silva and Carneiro, 2007). According to Adum (2011) the directors of Brazilian multinationals are more likely to choose the entry mode adopted by other Brazilian multinationals predominantly in the same market than to choose the way that this multinational has already adopted the same country.

However, in the Brazilian and international business literature, there is still a lack in the studies about mode of entry choice by Multinationals from Brazil, and how the resources factors, industry and the institutional environment of the host country influence the mode of entry choice. In the next sections we describe briefly the method, and then we will present the case and discuss the results according to the objective of the present paper.

3. Research Method

The purpose of the present study is to provide an analysis about the factors that are decisive on the international entry mode choice of a Brazilian multinational company. In order to reach this objective, we used the Strategy Tripod developed by Peng (2009), in which the author sought to demonstrate the effects of three dimensions in determining the strategy of entry mode into foreign markets, which are: resources, institutions and industry. Within the entry modes strategies, we will focus on the entries modes through (FDI), which generally can be classified according two categories: establishment and ownership. In the first case, the distinction is between acquisition and greenfield, and in the second case, joint venture (JV) and wholly owned subsidiary (WOS). Thus, the suggested model attempts to verify the effect of the dimensions: resource, industry and institutions environment on entry mode, according to Figure 2.

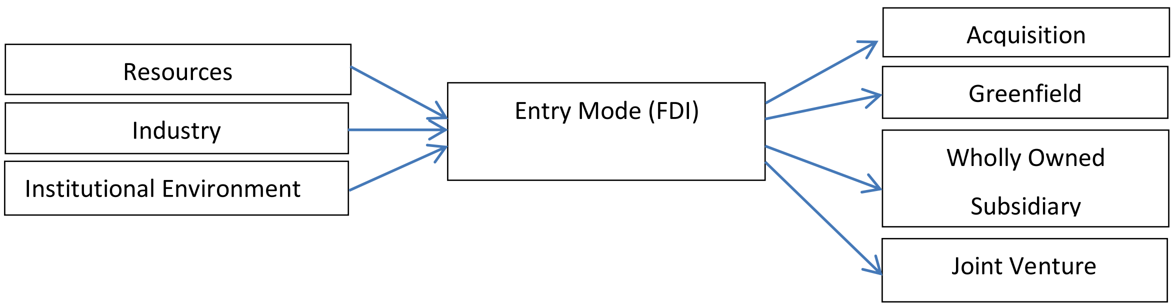

Figure 2 – Determinants of entry mode
Source: Author, figure adapted from Peng (2009) and Brouthers and Hennart (2007)

To achieve these purposes, we utilized a case study of a Brazilian multinational company, named WEG that performed FDI in several countries. According to Yin (2003) the case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly defined. Data collected for the construction of this work were retrieved from the document "Internationalization Process", supplied by the company in November, 2011, and in the website of the organization. In order to discuss the determinant factors of mode of entry, we run two interviews with two executives of the company. Both of them are directly involved in the planning and execution of the internationalization strategies of the company.

Based on a semi-structured questionnaire, we discussed mostly the effects of the categories identified in the literature, and more specifically the variables related to the tripod model.

The first interview was with Mr. Luiz Sérgio Schwartz Silva, Executive Vice President since 2007, who was in charge for the International Division during three years. The interview took place on November 29, 2011 in the town of Jaraguá do Sul at 1:30 pm, at the company's headquarters building. The interview took 97 minutes. The second interview was conducted with Mr. Celso Vili Siebert, currently the Senior Consultant of the company, in charge for examining foreign direct investment. The interview took place on April 11, 2012 in the town of Jaraguá do Sul, in the consultant's office, on the Sales Department of WEG motors. The interview took 95 minutes. The narratives were recorded, transcribed and summarized here, allowing for analysis. The orientation of the questions did follow a particular model described above. The construction of the categories of analysis was based on our own research questions that guided this study, which are: what were the entry modes choice of WEG in foreign markets? And what are the effects of company resources, and industry, and institutional environment in the host country for the choice of entry mode, (acquisition or greenfield), (wholly owned subsidiary or joint venture)?.

4. The internationalization process of WEG

4.1 Description of the company and strategic vision

The multinational WEG is one of the largest manufacturers of electrical equipment in the world. It operates in the areas of electrical motors - control and protection, variable speed control, industrial process automation, power generation and distribution, and industrial paints and varnishes. In 2011 it recorded a total of 24.580 employees and total annual revenues of R $ 6,130 million. According to the Senior Consultant of the company their main goal now is to increase in order to reach a turnover of R $ 10 billion until the year 2020. To achieve this goal, the company decided to make acquisitions and direct investments that have synergies with the company under a global expansion strategy.

In its manufacturing facilities in Brazil, WEG controls all stages of production, from casting, stamping to enameling and packaging. The state location of the company is Santa Catarina, where the company was founded in September 1961, actually it focuses most of the production. Since 2000, through the acquisition of manufacturing plants abroad, the company became definitively a Brazilian multinational. Currently the company sells to more than 110 countries, has distributors and agents in 85 countries and more than 1100 technical assistants covering five continents. Their most recent acquisitions were factories in Austria and the United States. Since founding in 1961 until the year 1969 the company operated exclusively to domestic market. During this phase it faced some difficulties such as the unknowledge of brand name to gain some distributors and acquisition of raw materials and components, due to business location and existing transport problems. To solve these problems the company established its own sales and verticalization production.

4.2 Stages of internationalization

The process of internationalization of the WEG company, according to its Vice-President, began through the internationalization of its human resources, in order to become an effective strategy. The internationalization process can be divided into four main phases. Until the 1970s, it was the period of early insertion into foreign markets through exports; in the 1980s are characterized by the pursuit of new markets. In the third phase, the installation of sales subsidiaries and distributor, and in the fourth stage which began in the

2000s with the acquisition of productive plants. While the first two phases (I and II) were the focus of the WEG into strategic markets through export and construction of internal resources to support the internationalization of the company, the third and fourth phases represent two important stages to guide the company to act strategically as a global player in the sector of electric motors. It has always been aware that to serve new markets, many resources should be spent as well as a long-term vision should guide their actions. Factors related to competition in the industry and electro-mechanical motor in which the company operates, require significant investments, so that internationalization has a relatively irreversible character, which means that once the decision to enter foreign markets is taken, the commitment to the market would be established, and remain on the market would become compulsory no matter conjuncture issues.

The second phase of WEG internationalization process in the 1980s with the conquest of new markets by extending the network of dealers and distributors, dealer network, creating a foreign trade department, certifications products, participation in internationals fairs and encourage the learning of English. The entire structure was from other agents, and its own investments were not used in this period. The third phase was in the late 1990's scored on the process of internationalization strategies settings for the external market - first commercial subsidiary, creation of WEG exports, and Brazilian employees were sent abroad. The first branch was opened in the United States, then in Belgium (1992), Argentina (1994), Germany and Australia (1995), England (1997), Spain, France and Sweden (1998) and Mexico in (1999).

The fourth phase of its internationalization process started in 2000 with the establishment of factories (production subsidiaries) abroad (Argentina, Mexico, Portugal, China, India, Austria and the United States of America), in order to obtain coverage worldwide, the company now has global customers. Despite the main objective being the conquest of markets for each country, there are different motivations that guided these deployments. Figure 3 shows the year of implementation of the factories in their respective countries.

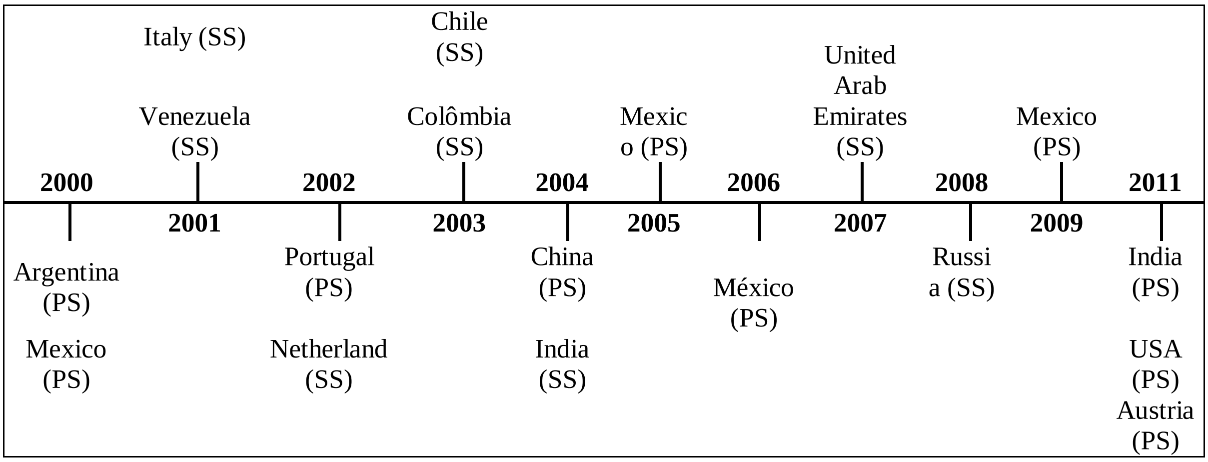

Figure 3 - Implementation of factories and branches abroad

Source: Documents provided by the company.

Notes: (SS) = sales subsidiary, (PS) = production subsidiary.

In Argentina, the acquisition of the factory was motivated by the need to consolidate its position by creating protective barriers against new market entrants in Latin America. The institutional landscape of Argentina at the time was an economic crisis that led many companies to abandon the market. WEG saw the crisis as an opportunity and opened its new manufacturing subsidiary to protect its leadership in Latin America.

Deployment in Portugal sought the inclusion in the European community with the opportunity to join the network of companies in that sector in Europe, as local manufacturer and not as an importer. This strategy allowed the company to have access to financial resources and capacity for expansion of the company, offered by the local government.

The deployment of a plant in Mexico had the main purpose to serve the American market. The American institutional environment had a great influence in this company strategy, because of the sales growth in U.S, as well as the implementation of NAFTA (North American Free Trade Area), WEG decided to choose an entry mode by FDI. The integration of the company in Mexico through a subsidiary production allowed the company to avoid the impacts of trade barriers imposed on products from outside the NAFTA, featuring a typical approach Tariff-Jumping, and allowing the expansion of its market share in Mexico, Canada and United States.

In China, according the main motivation for the entry was established by the market pressure itself, as the world's largest market. Highly competitive industry and the numbers of this market attracted the attention of many companies. However, the institutional setting does not make it possible to establish the same strategies applied in other markets, where the internationalization process happened gradually without the application of significant resources. According to the Vice President Director of the organization, the company's manager intended to start business in China as they had started in other markets. So the first step should be identify some agent or a distributor, and getting some knowledge about the market, but the rule in China didn't allow that strategy. The trade barrier imposed by Chinese government, according to the Vice President Director of the organization was not generalized to all products. The barriers were applied only to foreign products when the market was intended to absorb the technology, such as electric motors. Therefore, to enter the Chinese market, the only alternative to foreign multinationals was through the FDI, and analyzing all possible modes of entry in areas of both ownership and the form of establishment.

In this scenario, it was decided to hire an American consulting firm with expertise in the deployment of foreign investment projects in China. Through an analysis of the market, they identified competitors in this industry and saw a great availability of companies that might be acquired. The issue of company's control at the time had been changed by the government rules, so actually a foreign company could take full control of a subsidiary in China. The experience of other Brazilian companies that have settled in China were very important for the decision making about WEG's entry mode in that country.

In the way to get through the installation of the factory in India some steps have been prepared. First they sought to identify what would be the best location, by hiring an outside consultant whose performed an evaluation of acquisition opportunities. After his analysis, they found out that there was no advantage in buying a local company, and get the option for a greenfield project, which was developed within a project investment. Soon the project was implemented and released.

During the implementation process there was few local government influence, which only contributed becoming the rural area in an industrial area occupied by the company. No structure of government support was available, all instructions were responsibilities of the commercial agent, whose became a partner in this process of internationalization, and assumed the position of Commercial Director of the business. The selected destination for the installation of the company was a major area of foreign investment that had been quickly developed, however they could not identify any specific advantage attributed to this location, beyond the fact of being near the sales subsidiary.

The acquisition of factories in Austria and the United States were motivated by market opportunities. As WEG intended to increase substantially its turnover by 2020 they decided to acquire companies. The factory acquired in Austria produces a product that the company had not been manufacturing so far, and now adds value in its diversity of products. The acquisition in the United States was a casual opportunity and was motivated by the pursuit of new technologies, brand recognition, and a proper installed base. According to the Senior Consultant responsible for the acquisition, the company acquired had a strong local presence, with a strong brand equity recognized by potential customers; on the other hand WEG had a strong investment capability and global presence. Then they decided to keep the brand name, and add it to the WEG Group. The institutional environment appears very favorable for the efficient performance of the company in the United States, its location is an industrial cluster, with a lot of skilled labor, and related agents such as universities.

The WEG company intends to settle in many other countries. According to the Senior Consultant, the fastest way is through acquisitions, as well as there is a chief financial officer responsible for that issue, all directors of the subsidiaries are aware of the opportunities in their countries. It further states that the company plans to install production facilities in Eastern Europe, Russia, Africa and make new acquisitions in the United States.

5. Discussion and Proposals

In the following section, we discuss the importance of each of the dimensions suggested by the model of Strategy Tripod Peng (2009): resources, industry and institutional environment. The WEG's data path of internationalization pointed to a predominant use of the mode of entry into foreign markets through acquisitions and wholly owned subsidiaries, while maintaining a high control over the developments of FDI abroad, as Figure 4 shows.

	Entry Mode Choice	
Country	**Establishment**	**Control**
Argentina	Acquisition	Wholly owned subsidiary
Mexico	Acquisition	Joint Venture
Portugal	Acquisition	Wholly owned subsidiary
China	Acquisition	Wholly owned subsidiary
India	Greenfield	Wholly owned subsidiary
Austria	Acquisition	Wholly owned subsidiary
United States	Acquisition	Wholly owned subsidiary

Figure 4 – WEG entry mode choice through FDI in production unit.
Source: survey data.

The acquisition has always been considered by the company as the first alternative of establishments in a country. The higher frequency of this type of establishment was justified by the company as the fastest way to get a return on investment and also more practical to get some knowledge of the market. Greenfield investment is only considered when there are no alternatives for the acquisition of local companies in the host country of FDI, it was the case in India, where they established as greenfield. Regarding the control of the subsidiary, WEG always tends to choose for total control, according to the consultant responsible for evaluating the FDI. The company has not the organizational culture of joint venture, believing that through wholly owned subsidiaries the company has greater flexibility in decision making. The joint venture held in Mexico was presented as an opportunity, made possible by the commitment between the owners of the Mexican company and WEG.

Resources:

The features and benefits of ownership of the company constituted a framework with essential elements for global expansion. The number of foreign subsidiaries and countries where the company operates highlights the company's international experience, which used different modes of entry in countries where FDI were performed on production units. The experience brought on all FDI was able to provide a learning organization that created a global market knowledge, which can be applied to future actions of the company. Among the main features, the human, technological and financial stand out. The diversity of human resources working in the company overcomes possible barriers during the process of internationalization. The financial resources are very important to give flexibility to the internationalization process, enabling efficient transfer of technology and knowledge in firms established.

A very important feature, highlighted in the research, is the factor of social networks or networking. Several examples point to a role of networks in the internationalization of the company. This applies to the acquisition of the plant in Portugal, and the acquisition of the factory in Mexico. In both cases, the choice of entry mode was directly influenced by the company's networking. Although entry into the markets of China and India represents an advanced stage of internationalization, it points to the search network providers or agents for the installation of the company in those markets. It can be concluded from these experiences that the relationships network makes possible to reduce the effects of psychic distance and cultural, as well enabling a better understanding of the market for the internationalization process is accelerated. From the analysis of company resources that influence the choice of entry mode by means of FDI, we present some propositions:

P1: The availability of huge resources offers better conditions to develop different ways of get into foreign markets; however, acquisition and WOS represent the predominant entry mode through FDI to maintain control over the management of the enterprise.

P2: The greater the company's inclusion in international networks, the greater the company's ability to reduce the effects of psychic distance, and thus choose the entry mode that best suits the conditions of company resources.

Industry:

Considering the industry's factors by competitive forces of Porter (1990) we identify the influence of forces during WEG's choice of entry mode in foreign markets. The intensity of competition in markets such as Argentina and Mexico was determinant in the choice of entry mode, because it created barriers to new entrants. Pressure from competitors was a key factor to stimulate the installation via FDI in China and India. In addition, WEG was able to generate benefits by minimizing the costs of providing products and have access to more competitive suppliers. In India, in particular, in addition to other factors, we highlight the role of the commercial agent in the greenfield investment. The choice of modes of entry to allow the company greater flexibility to act has been properly applied, thus the company usually chooses WOS and acquisiton, in order to start its operations with established customers and a prior knowledge of the market, which allows better understanding of the forces exerted by competitors, suppliers, substitute products, customers and potential new entrants. WEG usually chooses acquisition that has more representation in the market as the case of Argentinan company, or a valuable brand as the company acquired in the United States, which has more than 100 years of experience. Thus, the second proposition can be formulated as follows:

P3: The degree of industry influence on the choice of entry mode. Industries with a high level of competition seek further acquisition and seek full control through a wholly owned subsidiary.

Institutional Environment:

The research considered the role of the institutional environment, and found strong evidence of its influence in the choice of entry mode. In China, WEG found several government barriers; the main one was regarding the level of ownership of a foreign multinational company operating in the Chinese market. Shortly before the acquisition of WEG in China, the Chinese government decided to authorize projects using full foreign capital in the country. On the other hand, it maintained control of the company stock investor, through a local group which also did the advisory role during the acquisition process. The institutional context in Portugal was very beneficial when WEG decided by the acquisition, which provided financial incentives and technology. The location within a European economic block favored high-performance global access to technologies, which made possible the improvement of product quality, making the company more competitive. According to the environment influences the choice of entry mode can be positive or negative. A positive influence was in the United States, where the acquisition of a brand with local recognition brought advantages like improving image's company to the customers, and gained a significant market share (reputation and legitimacy).

The institutional environment in India was the great motivator of greenfield investment, their high growth rates showed the country as a very attractive destination for foreign investments. The partnership with a local representative allowed to get into a network of relationships that can reduce the perceived cultural distance. The cultural distance in China was considered the most difficult barrier to be implemented during the WEG entry in foreign markets. The nuances of language, immaturity and informal market became a real challenge to find solutions to the barriers encountered. These barriers could be mitigated and overcome by choosing an entry mode which allowed WEG to benefit from the knowledge and resources of their own existing network. Given this, we make the following propositions:

P4: The greater the institutional difference between the country of origin and host country of FDI, the more likely the company will choose the entry mode though acquisition, thereby facilitating a greater access to networks of suppliers and customers.

P5: The insertion of the company in networking reduces the uncertainty related to the institutional environment and encourages a choice of a wholly owned subsidiary entry mode.

6. Final considerations

This study aimed to analyze the factors determining the international entry mode choice of a Brazilian multinational was able to contribute in two ways for the international business field. The first contribution was to identify the modes of entry in foreign markets used by a Brazilian multinational named WEG, where the result showed, that the most used entry mode into foreign markets is the acquisition form through a wholly owned subsidiary, suggesting a more control oriented policy of subsidiaries establishment.

The form of establishment through the acquisition in this case is in line with the objective of the company, which is seeking for an accelerated process of growth in the global market, in order to reach total annual global revenue of US$ 10.0 billion until the year

2020. The policy of the company to get into foreign markets using a higher level of control through WOS can be explained by two factors: the first one is related to the own organizational culture, and the second one is related to the availability of the financial resources of the company.

On the other hand, due to the international expansion of the company in all the five continents around the world, and due to the establishment of different production subsidiaries, WEG has acquired many experiences and relatively high knowledge how to manage its international expansion, and how to select the more effective mode of entry in different markets. That is why the company is planning to expand its activities through production subsidiaries in other regions in the world, like South Africa, Russia and other Eastern European countries. The second contribution refers directly to the main objective of the study, which was to analyze the factors determining the choice of Brazilian multinationals entry mode in foreign markets. Based on the "Strategy Tripod" of Peng (2009) to address the case of a Multinational from an emerging market, we suggest some few propositions that establish the links between resources, industry and institutional environments, and how they influence the strategy of modes on entry.

The proposition related to the resource dimension suggest that the availability of resources and generators of higher value added products and services provided better conditions to develop different ways of entering foreign markets, acquisition and wholly owned subsidiaries represent the predominant mode of FDI to maintain control over the management of the enterprise. On the other hand, the proposition suggests that the larger the company's inclusion in international networks, the greater the company's ability to reduce the effects of psychic distance, and thus choose the entry mode that best suits the conditions of company resources. To capture the effect of the industry, it was showed in the case study that the intensity of the competition influences the choice of entry mode, and that industries presenting such features are more likely to select acquisition and control through a wholly owned subsidiary as a entry mode choice. For the institutional environment we concluded that the higher the institutional difference between the country of origin and host country of FDI, the greater the tendency of the company to choose an entry mode though acquisition, thereby facilitating a greater access to networks of suppliers and customers. In countries with a large culture distance like China and India it was really important the role of the agent, highlighting the importance of networking to pass through institutional barriers.

As a limitation of this study, we may mention the limitation related to the one case study that reduces the scope of the propositions, suggesting more in depth studies by other multinationals to confirm the propositions above presented. However, due to the lack of data about Brazilian Multinationals to run quantitative analysis, we still can promote more in depth, and exploratory case studies to compare companies from different industries, different size and different regions. These studies will certainly provide information for managers of multinational corporations at the time of decision-making about the strategy entry mode into a foreign market, thus increasing the chances of satisfactory performance in the markets in which investments are made. The contribution of these studies in the academic world leads to a diversity of studies about the choice of entry mode of multinationals from emerging countries.

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