Internationalization strategies of Brazilian companies in the textile industry

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ABSTRACT

The internationalization started to be seen as an opportunity for many companies, a strategic way to grow; therefore they assume different levels of commitment in the international market. This dissertation analyzes which internationalization strategies are being used by Brazilian companies in the textile industry and why these companies have chosen these strategies along the time line. The chosen method is a qualitative approach with semi-structured interviews. The companies chosen are Cia. Hering, Dudalina and Karsten; all three have long history in the textile industry and started to export at least more than 30 years ago.

Analyzing the companies within the frame of Kraus theory (2000, 2006), it was possible to found that the main strategies along the time were: exporting via private label manufacturing, FDI, exporting the own brand and franchising. The internationalization strategies of the companies in the beginning were related to the significant production capacity that boosted their exports, mainly exporting private label. Another remarkable fact was the positive moment of the Brazilian economy that facilitated their exports. Enjoying the positive moment, Cia. Hering and Karsten reached the most committed level of involvement in international operations. With no consolidate brand abroad therefore the Asian competition and not favorable currency exchange rates, they had to return and operate mainly to the domestic market. The companies had no consolidate strategy in the beginning; nevertheless now, all the them are concerned in building stronger brands than in past, since they are leaving or at least decreasing the private label exports. The companies have changed focus from production to the market.

Key-words: internationalization, textile industry, exports, private label, own brand
1. INTRODUCTION
The introduction chapter consists of a background of the subject that will be researched along, providing an overview of the topic of study, followed by the purpose of the research, definitions and delimitation.

1.1 Background of the problem
There are several factors that contribute to different internationalization strategies of the companies. Thereby, they lead them many times to opt for alternative methods according to their own needs and limitations. The result of these processes will generate different explanations to the internationalization processes, such as what country will be chosen or why some companies internationalize much earlier than others or even why certain companies choose to enter in new markets through different modes.

The internationalization process started to be seen as an opportunity for the companies, a strategic way to grow, assuming different levels of commitment in the international market. Firms’ attitudes towards internationalization can be presented since a low involvement started with export operations until a high involvement, where the company takes high responsibilities, adopting a continuum and careful behavior (Hilal & Hemais, 2001). Such a concept is assumed in the model of knowledge development and increasing foreign market commitment, so called Uppsala Model, from the Nordic Research School. In this model, company’s internationalization increases gradually in terms of involvement. It is also said that the characteristics of this process can influence the pattern of internationalization process of the companies (Johanson & Vahlne, 1977). Since the development of the Uppsala Model, several researches were made in the area of internationalization following this behavioral approach. They also showed that this sequential process has been followed by several companies, not only in the Sweden, where the model was applied. Some authors such as Cavusgil (1984) and Hook and Czinkota (1988) confirmed this assumption.

In spite of all these variables, there are also some concerns in which refers to the country internationalization pattern. In the beginning of the XX Century, Brazilian industrialization was much more focused on economically protected sectors by the governments, looking for substantial revenues and the domestic market was growing supported by the coffee exports (Amatucci, 2008). Actually, even after the country has begun with the liberalization in the 90’s, Brazil kept being one of the closest nations in the world. Barros and Pereira (2008) mention that the trade openness was favorable for the improvement of the exchange of commodities, fiscal progresses, efficiency in the conduction of the national economy and a bigger accumulation of capital. These factors highly contributed so that the Brazilian companies could improve their activities through imports and the development of the domestic market, at the same time they turn the exports in crescent operations, aggregating managerial, logistic and productive efficiencies (Barros & Pereira, 2008).

As stated above, the internationalization strategies will depend on several factors. The influence geographic localization, economic and social aspects of the origin country, as well as other factors will impact in different attitudes of the companies towards growth through international expansion. Despite of the later industrialization process and trade openness comparing with developed economies, Brazilian companies have gained more space in the international arena. For this reason, this study will be focused in one specific sector of Brazilian industry, the textile, in order to check if the internationalization process followed by
companies in this sector is the same followed by other industries, according to previous researches realized in the field of internationalization in Brazilian companies.

This will help to understand whether textile industry in Brazil has some specific characteristics when talking about internationalization process. Some researches in the internationalization field have showed that there are twenty-five big exporters in Brazil and from the top ten, seven belong to the textile industry, demonstrating its importance for the Brazilian economy (Gorini & Siqueira, 2002).

1.2 Research purpose
This dissertation purposes are to gain more knowledge and a better understanding of the different internationalization strategies of Brazilian companies, especially in the textile industry along the time line, as well as the influence of the Brazilian economic context towards internationalization processes. Assumptions will be supported by some evidences from recent empirical studies and reliable data.

We will analyze the characteristics of internationalization strategies of Brazilian companies from textile industry in order to discuss the differences and similarities with the internationalization theories. For this reason, we attempt also to study the context where these companies are located because it is an emerging country and the origin of the internationalization theories are from the western economies.

1.3 Research question
Which internationalization strategies are being used by Brazilian companies in the textile industry? And why these companies chose for these strategies?

1.4 Definitions
“An international business is any firm that engages in international trade or investment. A firm does not have to become a multinational enterprise, investing directly in operations in other countries, to engage in international business, although multinational enterprises are international businesses. All what a firm has to do is to export or import products from other countries (Katsioloudes & Hadjidakis, 2007, p.10)”. According this view, we adopt the concept that an internationalized firm is the one that export and/or engages in FDI abroad.

Foreign Direct Investment (FDI). The FDI is the investment modality through which MNCs produce its goods and services abroad. It entails in a long-term commitment in a foreign market that gives control or a significant influence level of a company located in another country (IMF, 2007).

1.5 Delimitation
This research is limited to study Brazilian companies from one specific sector, the textile industry. More specifically, the companies are located in Blumenau, a city in the South of Brazil. The sample is not large thereby the results may not be generalized to other sectors or countries.

The chosen literature focus of this study is based an incremental stages what meet the Brazilian reality of most companies during their internationalization processes.

It is not an attempt of this study to measure or compare the companies of this study by size of turnover. This information is added in order to provide a better figure of their exports versus total turnover of each one.
2. THEORETICAL FRAMEWORK

This chapter will be organized in the following way: first, it will be presented some of the most recognized theories of internationalization in the world, by two different approaches: one economical and one behavioral. Both approaches are not exclusionary, but complementary depending on the analyzed perspective and are important to give a clear picture on what is meant by internationalization of companies in the literature. Then, it will be given a topic about the Uppsala Model, the behavioral approach, for being the most suitable in terms of characteristics that fulfill the environment focus of this study: an emerging economy such as Brazil. The next topic treats about economic aspects of Brazil and shows how the economic development of the country has been influencing the way the country develops its internationalization processes. Finally, the last two sections are about previous studies in the field of internationalization of Brazilian companies and a developed model in the basis of the behavioral approach that explains the phenomena according to Brazilian context.

2.1 Internationalization theories

There is not an only distinct theory that tries to explain the dynamic of the internationalization, but several studies are concerned to clarify the different motivations that companies have to go abroad, thereby exporting or doing FDI (Foreign Direct Investment).

Welch and Luostarinen cited by Melin (1992) say that internationalization is the process of increasing involvement in international operations across borders. Thus, internationalization is a major dimension of the ongoing strategy process of most business firms. The strategy process determines the ongoing development and change in the international firm in terms of scope, business idea, action orientation, organizing principles, nature of managerial work, dominating values and converging norms. The internationalization dimension is related to all these aspects of the strategy process (Melin, 1992, p.101). Barrett cited by Fletcher (2001) says that internationalization is a complex and multidimensional process. Johansson and Vahlne (1990) say that internationalization processes are the result of a mixture of strategic thinking, strategic action, emergent developments, chance and necessity (Johansson & Vahlne, 1990, p.22).

Lemos, Johanson and Vahlne (2010) say that internationalization must be comprehended as the process outcome of adjustment to changes within a firm and the firm’s environment thereby it cannot be seen as the result of an optimization exercise between resource allocation and foreign market exploration. Aulakh (2007) proposes a complementary internationalization approach in which companies have to strengthen their technical and scientific knowledge to then be able to adapt to the excellence of products and services in international markets. Dunning (1989) states that the decision to go abroad could be based on exploration for resources or key markets, such as methods of promotion, improved operational capabilities and development of entrepreneurial skills. In the case of companies from emerging countries, the internationalization can allow access to favorable financial markets, with more stable currencies than in local institutions and lower interest rates (Ricupero & Barreto, 2007).

On the other hand, Drouvot and Magalhães (2007) study the competitive advantages of companies in emerging countries thereby they say that there are some strategic advantages of these operations in their countries of origin. This view is interesting since some
characteristics of the country have greater influence when companies decided investing. In the specific case of Brazil, they point out some advantages such as low costs of production, capacity for adaptation and flexibility when dealing with turbulent times like extended periods of inflation and rapid changes in the demand therefore the Brazilian collaborative synergy. Yet, the authors also state some competitive disadvantages such as high labor costs, few incentive to intellectual production, large infrastructural problems and high taxes. These are positive and negative aspects that companies face when investing in Brazil.

According to Ghymn (1980) when companies from emerging countries are looking towards internationalization they have a greater concern about ethnic ties, reduction of risks associated with political instability and solidification on business with trading partners.

Dunning (1980, 1988) approached the internationalization theory by setting three groups of advantages that configure the internationalization decision of a firm: ownership, location and internalization. His theory is also known as the Eclectic Paradigm or OLI Paradigm. The ownership advantages are inherent to the company and when compared to its competitors, higher amount of it will show better propensity to do business abroad. The location advantages are country-specific factors which promote or not the trade or the production of a company within the market, such as transportation, access to labor force and cultural barriers. And the last, the internalization advantages relate to the benefits of the firm to use its own assets to produce abroad instead of allowing others to produce or distribute it. The internationalization advantages can be reducing exchange costs, information property, uncertainty diminish, and more control over supply, markets, contracts and business. According to Johansson and Vahlne (1990) this theory contrasts with the Uppsala model because its origin is in the economic theories, while the Nordic School is based on behavioral approaches. Yet, the authors confront the both frameworks and state some differences, the Uppsala model has high explanatory value in the early stages of the internationalization processes while the OLI Paradigm has high explanatory value with “global” (the ones that are present worldwide) firms.

The internationalization theories have gained notoriety in the last years by adopting different approaches. Next we will discuss in a specific topic about the research view that have gained importance in the field of International Business due to their ability to explain the internationalization of the firms in a behavioral view, which is the Uppsala model. Such a model will be showed in more detail, because it considers the majority of the important aspects stated above as being the ones sought by emerging economies as it is Brazil.

2.1.1 Uppsala Model
Johansson and Vahlne (1977) point out that internationalization was not an exclusive process from large MNEs, but also it was an important process from smaller and medium sized companies from small home markets as well. Analyzing business in Sweden, the authors realize that was a very restrict domestic market with an intense industrial activity, which made the country very export-oriented. In order to comprehend the success from Swedish firms, they made some case studies with internationalized companies.

The Uppsala model captures the process of internationalization based on the behavioral theory of firms and it distinguishes state and change aspects of internationalization. Change aspects concern about internationalization behaviors in the form of commitment decisions and current activities that are assumed to be dependent on state aspects. The state aspects are in turn affected by the behavior of the firm. In this sense, decisions to commit resources to
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foreign operations are based from the firm’s experiential knowledge and so it depends on the alternatives that are raised and the way they are chosen by the firm (Johansson & Vahlne, 1990).

When studying the Uppsala model, it is possible to see that it establishes a gradual relationship among the foreign commitment of a firm and its international experience, defining internationalization stages: irregular exports, exports through agents, sales subsidiary, and local production. In the model, each stage represents a different commitment level to the foreign market. Thereby the more the firm acts in those markets and increase resources for it, the commitment level grow with the knowledge that is acquired. In all the way through, the firm benefits from its learning by growing commitment to the international market.

By explain that the growth of the firm is seen as a process which the company gradually increases their internationalization, the Uppsala model also discuss the psychic distance which is defined in factors as differences in language, education, business practices, culture, and industrial development. A company tends to choose to enter a market where the psychic distance is low because they understand those markets better. It is easier to see opportunities in markets that are similar to the home market and the uncertainty is reduced (Johansson & Vahlne, 1977). The authors say: “Firms start internationalization by going to those markets they can most easily understand” (Johansson & Vahlne, 1990, p 13).

There is some criticism to the Uppsala model, such as:

- [...] stage models downplay the possibility for managers to make voluntary strategic choices. According to Stubbart cited by Melin (1992), another problem related to stage models is their disregard of individual differences. Variations and differences are not made a part of the pattern of sequential stages (Melin, 1992, p.104).
- Some studies have shown that the internationalization process of the Uppsala model cannot be applied in services industries such as banks in reason of foreign establishments that are not governed by cultural distance (Engwall & Wallenstal, cited by Johansson & Vahlne, 1990, p.15)

The Networks Theory is an evolution of the Uppsala Model since the theory predicts that the relationship between the firm and other agents in the market may cause some change in the internationalization pattern proposed by the Uppsala Model. The reason for this is because the Uppsala Model does not consider the interaction of the firm with other institutions and deal with the firms’ capabilities alone. This view argues that the internationalizing firm is initially engaged in a network which is primarily domestic. In terms of networks, internationalization means that the firm develops business relationships in networks in other countries (Johanson & Mattsson, cited by Johansson & Vahlne, 1990, p.20).

2.2 Economic context in Brazil

A country pattern can only be truly understood when analyzed under its context and the internationalization pattern of a country, for instance, is intrinsically linked to its economic development.

According to Markwald (2001), the process that definitely marked the economic development in Brazil was a particular event, the recent economic liberalization, a process which started in end of the 80’s and lasted till the 90’s. The highlight of the breakage between a closed and
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A protectionist regime as it was the industrialization based on the imports substitution and the open economy, which has being happening with Brazil in the last two decades, was the extinction of the non-tariffs barriers (Markwald, 2001).

Technological and organizational changes, as well as the strict global economy integration affected Brazil and other Latin American countries in several unfavorable ways (Coutinho, 1997). When a country enters in a globalized environment, it is expected that it enhances the competitiveness, but it did not happen with Brazil and the country became even more vulnerable face to external conditions (Coelho & Carvalho, 2008).

Sarti and Laplane (2002) stated that even though the foreign investment promotes the expressive increasing of efficiency and competitiveness, the main instrument used was the massive import of components and technology, without the equivalent counterpart in the export increasing. The main target-market of the foreign investors was the domestic market, thereby, the increasing of efficiency in one side had as counterpart an undesirable worsening of the trade deficit, causing the unbalance in the balance of payments in the first years of the economic openness in Brazil, in the beginning of the 90’s.

A second step of these structural changes was the increase number of foreign companies being present in practically all the sectors of the economy. In 2000, 46% of the 500 (five hundred) biggest companies in Brazil were foreign companies, which show that incoming FDI deepened very much the level of productive internationalization of the Brazilian economy (Sarti & Laplane, 2002).

Markwald (2001) says that the export evolution in Brazil was, undeniably, much more modest than import expansion, but the rhythm of expansion has increasing year after year. The number of export companies (industrials and non-industrials) was 8.5 thousand in 1990 and more than 16 thousand in 2000.

In which concerns to more committed levels of involvement with other countries, Brazil has been showing that the situation is now changing. According to KPMG Report (2007), the multinationalization process of companies has lasted more than one century to happen when compared with European and American companies, but this process has increasing in the last years as a consequence of the favorable national and international scenarios and with the valorization of the Real (Brazilian currency). The pioneers, such as the biggest Brazilian companies Vale, Petrobrás, Embraer, started this process still in the 70’s, but in 2006 was the first time the Brazilian Direct Investments overcome the incoming Foreign Direct Investments, which put Brazil in the ranking of 12º biggest investors of the world. However, it is important to mention that from the 12 (twelve) main receptors, representing almost 90% of all the investments, 5 (five) were tax heaven countries.

Some interest information about Brazilian multinationals provided by KPMG Report (2007) are that they are still regional companies. From the 20 (twenty) largest multinationals, 10 (ten) concentrate their activities in Latin America. Another point is that 70% of the total foreign investment from Brazil is led by Vale, Petrobrás and other companies of natural resources, showing that, excluding those companies, Brazil still has a low level of involvement in operations of high commitment with other countries.
2.3 Internationalization process in Brazil - Previous studies

In the international arena, studies concerning internationalization of companies have started still in the 70’s. In Brazil, such studies started to be developed mainly from the 80’s on. Moreover, it was since 1992, with the economic openness and consequent increasing presence of Brazilian companies in international activities, that studies under this topic, in the country, became more usual (Kraus, 2000). Fleury and Fleury (2007) posit that the increase in the number and in the importance of multinationals in developing countries such as Brazil is leading to several studies about these companies, also known as “late movers”, but these studies are yet relatively recent. Moreover, Dawar and Frost (1999) warn for the lack of studies that allow the companies from emerging companies to make strategic decisions, while multinational companies from developed countries have a large collection of information to advise them on how to enter emerging markets. Hilal and Hemais (2003) say that researches about internationalization processes in Brazilian companies are still few due to the fact this is a relative new phenomena in the Brazilian scenario, especially when it comes to the establishment of production subsidiaries overseas. An exception though is what happens with export operations, where the country shows a moderate tradition. Recent studies have been showed that from all activities Brazil carries out overseas export still plays the most relevant role (Carvalho, Costa & Duysters, 2010). Starting from this premise Kraus (2006) underlines that the export development is however, only the first step for a company to become international.

Hilal and Hemais (2003) comment in their study about two researches developed by PRONEX-CNpq/COPPEAD-UFRJ Project, so called Internationalization Process of Brazilian Companies, which followed the internationalization process of four Brazilian companies from the Uppsala model perspective in order to find empiric evidences to illustrate this assumption. They mention finally, that the studied companies corroborate with the main points sustained by the Nordic School in which refers to: psychic distance, gradual and sequential process being followed and the influence of networks in the internationalization process.

Another important study developed in this area was the Global Players Survey carried out in 2007 by the Fundação Dom Cabral and discussed by Carvalho et al. (2010) in their research. The primary approach of this survey is also the Uppsala Model, which considers internationalization of companies in stages, increasing their commitment as they increase their knowledge. The survey was run with 93 (ninety-three) Brazilian companies from 21 different sectors and the main results will be reported through general characteristics of the international activities of Brazilian companies. The Central Bank database showed around 800 (eight hundred) companies with some foreign investments, but as stated earlier, fiscal-driven investments are considerable and may thus, inflate this number. A recent ranking of Brazilian companies by their foreign assets shows that Brazilian investments abroad are very concentrated and there should be around 50 (fifty) Brazilian players in the international scenario and an increasing number willing to go through the first steps of internationalization. According to Rocha (cited by Carvalho et al. 2010), Brazilian companies have a historical pattern of preference for geographic and psychic proximity as their main target markets and the next finding highlights that. The study also showed that physical and cultural proximity were important at the moment companies had to make the decision for going abroad and the recent information provided by the Global Players about the receptors of investments ratifies that such a pattern still remains. From the most common operations developed by Brazilian companies overseas, the number one is export, which suggests that most companies are still in the first stages of internationalization processes. Another aspect found in the survey is that
the companies consider the access to natural resources as their strongest advantage, followed by managerial competences. In this sense, they also mention the “Brazilian way” to do business, where they are able to lead with unexpected situations and instability, consequences of the years of high economic instability, but it is especially true when operating in similar markets such as South and Central America.

From these two recent studies encompassing a large number of different companies, it is already possible to say that Brazil is indeed a particular case in which the country pattern in terms of internationalization processes has been influenced by its economic context. In the next section, however, it will be presented another perspective proposed by Kraus (2006) whose study put more focus on export operations and criticizes some aspects of the Uppsala model.

2.4 Internationalization process of Brazilian companies by Kraus

Kraus’ (2006) proposal emphasizes that Brazilian companies, mostly focused in the domestic market, did not develop the necessary skills to act in the international market. Additionally, due to a lack of trustable information for the decision making and the handicap structure of logistics and transports their reality is different from other countries. Toyne and Nigh (cited by Kraus, 2006) state that there is a big gap of knowledge in the area of international business, since the particularities of the economic history, entrepreneurial development and State support, what have been occurred in different ways around the world. Thus, it is difficult to generalize results or studies that have been developed in certain country or economic bloc and apply it to other totally different reality. Brazilian companies, especially those are manufacturers and exporters had a reduced time of learning since the country truly became opened to the international market in the 90’s (Kraus, 2006).

Kraus’ (2006) studies revealed that initially there were basically two assumptions on how companies could choose to internationalize: with or without foreign direct investment. This is also proposed in the previous studies in terms of internationalization in stages, such as Uppsala model. According to his experience in several manufacturer and exporter companies, it was showed that in Brazil there is actually an incremental process in export activities. The approach proposed by Kraus is then built on Uppsala’s basis (behavioral and sequential), however, applied to Brazilian internationalization reality (Kraus, 2000). The model includes basically four main sequential steps: pre-involvement, experimental involvement, active involvement and committed involvement. In each step, there are different stages. In the pre-involvement step there are the non-exporter company and the pre-exporter company. In the experimental involvement there are the stages of irregular exporter, passive exporter and passive subsidiary trade. In the active involvement there are only the pre-active exporter and the active exporter stages. Finally, the last step, committed involvement, is the internationalization with or without investments. According to the model, it is still possible to have a regression within the stages, in which companies can reduce the commitment with international activities, mostly found in companies present in the three initial steps (Kraus, 2000). Moreover, the author also states some reasons why companies can pass from one stage to another, such as strong leadership, the succession process in a family business by someone with international orientation, the staff recruitment with international experiences, the company being discovered by international agents or direct international buyers.

Next, it will be presented the model as well as the description of each one of the steps of Kraus’ model of internationalization, focused in export operations.
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2.4.1 Pre-involvement
Kraus (2000) divided this step, when the company is focused in the domestic market, in two stages, as showed in the figure. In the first stage, non-exporter, the company chooses to focus only in the domestic market, developing strategies exclusively in the Brazilian market, being possible when and if discovered by external agents, go to the stage of pre-exporter. Sometimes this is a difficult point to overcome, since the uncertainty face to an unknown environment, most of times, constrains the continuity of the process.
In the following stage, when the company is a pre-exporter, there is still a tendency to focus in the domestic market, however, it believes in the potential to work with the international market, increasing the knowledge about external activities, looking for new contacts and exploiting opportunities.
2.4.2 Passive involvement
In this stage, also divided by the author in two stages: irregular exporter and passive exporter, the company develops export activities with some structure for that, even though it is casual and with no plan. The irregular exporter carries out a few international sales, without any program and in most cases the exported products are the same as the sold in the domestic market. Three main factors can influence, together or individually, a company in this stage to become an active exporter: a strong organizational leadership, qualified human resources in foreign trade operations and mainly, international agents or international buyers interested to increase its business.

When it is about a passive exporter, even with considerable revenues coming from international sales, the company mostly acts with a focus oriented to production management aspects. In these cases, the company is normally an outsourcing of its international customers and does not have the capacity to export with its own brands. The company is more concerned with producing than commercializing.

2.4.3 Active involvement
In this step, also divided in two stages, the company becomes conscious of its passiveness and try to be more active, migrating from the production to the market and becoming no longer dependent on intermediaries. As this is a difficult barrier to overcome, some companies opt for doing such a transition in stages, first to a pre-active exporter and then to become an active exporter.

In the pre-active stage, the more the company starts to focus on the market, the more it needs to strongly invest in export promotion, skilled human resources and, in a more strategic direction, look for new opportunities. In this stage, there is a breakage of the business positioning, when the pre-active company realize its weaknesses in acting as an outsourcing for international companies. The company is then supposed to break with old distribution channels and establish new ones, taking more control over its process and decision power. Sometimes the level of dependence on international agents is so high (i.e. strict contracts) that it is very difficult for the exporter companies to succeed in a new strategy and being the risks equally high, it can lead to setbacks, instead of advances.

In the stage of active exporter, the company has succeeded in the transition from a passive condition, with a focus merely on production, to a stage with focus in the market needs. It does not imply that agents’ or intermediaries’ participation will disappear in this stage, only that company is able to avoid their control on market information and export operations. What is crucial in this phase is the attention to the human resources in all the levels, establishment of organizational strategies, giving special care to the details in operations, avoiding mistakes made in the past.

2.4.4 Committed involvement
A committed involvement in international operations is considered to be when a company’s action is present in several markets. Due to its high level of commitment, the company is concerned with the habits and preferences of its customers, as well as develops specific products for these markets and provides post-sales services within the required levels of demand. Another aspect of the commitment involvement is the exploitation of new opportunities, such as the possibility to establish a new sales office or even a production subsidiary abroad. The sales office would be a natural consequence of the need to be closer of the international customers, looking forward their specific needs and increasing its participation in the new markets. What most companies analyze when they establish a new sales office abroad is the relationship cost-benefits, being the highest point of development of
an internationalization process via exports. It was not found any cases of companies that have been gone beyond the sales office establishment in the analyzed reality.

Going to the model, Kraus (2000) also mentions about the big arrow pointing to the right and above, which means commitment increasing. It is assumed that the commitment increases when companies’ involvement in international operations increases. About the regression process also mentioned in the model and its arrow pointing to the left and below, it is supposed that it can happen in different sequential stages, but the most frequent stage observed was when the company is in the active involvement.

Lastly, Kraus’ conclusions about the empiric studies applied in the Brazilian reality showed that the internationalization process happens gradually and it is explained because the economic openness of the country and the activities of preparation for leading with foreign trade are still recent. For the future, however, with the accumulation of experiences and the increasing number of studies in the area, it is possible that Brazilian companies can develop internationalization processes not necessarily driven by incremental stages of development.
3. METHODOLOGY

The choice of field to study will affect the choice of methodology we will use. In this part of the study the methodology will be presented. A qualitative multiple case studies with semi-structured interviews as data collection technique have been chosen in order to answer the research question and to meet the purpose of the study.

3.1 Choice of methodology

There are two research strategies that can be employed: quantitative and qualitative. The main difference between these research strategies is about the theory. The quantitative strategy is used to test the theory while the qualitative strategy is employed to generate the theory (Bryman & Bell, 2007, p. 28). The authors also say: “Qualitative research emphasizes words rather than quantification in the collection and analysis of data. As a research strategy it is inductivist, constructionist, and interpretivist, but qualitative researchers do not always subscribe to all three of these methods (p.402).” The present research uses the qualitative research since it will answer questions with “how” and “why”. We will not create a new theory; however we will study the earlier researches about the subject to be able to analysis the cases to thereafter verify which strategies have been used by the companies and the reasons for it. The qualitative method is selected to our study since it may help us to interpret the data in a broader perspective and give us a potential of more understanding to the research case.

Thereby are characteristics of this research the interpretivism because it is based upon the view that a strategy is required that respects the differences between people and the objects of the natural sciences and therefore requires the social scientist to grasp the subjective meaning of social action (Bryman & Bell, 200, p. 19). Another characteristic is the constructivism because it implies that social phenomena and categories are not only produced through social interaction, but that they are in a constant state of revision (Bryman & Bell, 2007, p. 23).

The choice of subject is motivate in order to gain a better understanding about the internationalization strategies that have been used by companies in the textile industry in comparison with the most common internationalization theories. We also intend to analyze these strategies over time to capture better the internationalization stages in the selected companies.

3.2 Choice of research framing

The research design chosen in the present paper is a case study, specifically the longitudinal case, which is the type of case concerned with how a situation changes over time. In this section, it will be developed the connections between the chosen theory and cases analyzed in the Brazilian textile industry. In this way we will find which internationalization strategies have been used thereafter the linkage between them and the theories studied.

In the present dissertation we will use a multiple-case study. This method has become increasingly common in business and management research because the researchers can compare and contrast the findings deriving from each of the cases (Bryman & Bell, 2007, p. 64). We intend to point out some similarities and differences between the cases therefore we will draw general conclusions. Our major concern in the analysis is verify the similarities and differences with the cases and the Kraus’ model since as before explained, this model was
developed to explain the internationalization process of the companies considering the Brazilian context.

3.3 Choice of companies
The companies were chosen according to the following criteria:

- They are from the South of Brazil, specifically in Blumenau city, and they are in the textile industry;
- They have been involved in international activities for a long time, at least more than 30 years;
- They allowed access to data collection;

The textile industry was chosen because of the economic presence in the region where the authors live and also because of the growing presence in the international arena. For this reason, we had easiness to contact the companies with help of the professor David Bilsland from the University of Blumenau (FURB), who has a long work experience in the textile industry and provided us the information of the contact people in the companies.

The population is that one that has the desirable characteristics for the study and the sample is the chosen part of this population (Silveira, 2004). The companies are leading exporters of the textile industry in Blumenau. All the four companies began their operation as family business as it will be more detailed in the empirical data.

3.4 Data collection
According to Eisenhardt (1989) it is recommended conflicting literature in case studies. He also says that case studies are mainly built on personal interviews and complemented with secondary data, such as business magazines, annual reports and internal documents.

3.4.1 Primary data
According to Bryman and Bell (2007) the semi-structured is a type of interview that is less structured, and for this reason the interviewee can give the researcher his own point of view, so the researcher can obtain rich and detailed answers. The authors also suggest using the interview guide which can cover the face sheet and specific topics. We used a semi-structured interview guide with the necessary questions in order to find which internationalization theories the companies are using and why. The interview guide is in the Appendix 1.

Individuals who have taken part in some important decisions and implementation of the companies' internationalization decisions were the chosen interviewees. They were key persons in the companies with large knowledge about the subject. The interviews were made by telephone contact, in reason of the distance since the interviewees and the companies are located in Brazil and the interviewers are in Sweden. We asked permission to record it in order to carefully examine and code the data when doing the analysis. We added in the Appendix a table “Contact persons interviewed in the companies”, in which we specify some information about the interview and interviewees.

3.4.2 Secondary data
Secondary analysis offers great research opportunities because of the tendency for qualitative researchers to generate large, but under-explored, sets of material which can be a source of analysis data thereby secondary analysis of qualitative data has become a growing focus for discussion and interest in recent years (Bryman & Bell, 2007). We used other empirical studies to obtain secondary data, such as literatures, course books, articles, journals and
existing researches. All information found can be used as our sources to broaden our knowledge for the analysis part. We also collected secondary data through websites and annual reports of the companies.

In order to search the useful secondary data related to our paper, we searched for articles from databases such as ABI, Science Direct and Emerald. Furthermore, we used internet search engines, such as Google Scholar to find relevant scientific articles, academic studies and other useful data.

3.5 Research criteria
In order to obtain great research criteria, we attempted during all the research process to the following aspects:

- **Internal validity** which means whether or not there is a good match between researchers’ observations and the theoretical ideas they develop;
- **External validity** refers to the degree to which findings can be generalized across social settings;
- **External reliability** which means the degree to which a study can be replicated;
- **Internal reliability** refers to whether or not, when there is more than one observer, members of the research team agree about what they see and hear (Bryman & Bell, 2007).
4. EMPIRICAL DATA

In this section the empirical findings from the research will be presented. First, a brief overview about textile industry in Brazil will be provided. Next, it is introduced the three companies with a table that contains some basic information about them. The companies will be presented one by one and the layout will follow a brief history, the internationalization process, private label vs. own brand, market selection criteria and plans for the future. The information of each company was collected from its homepage, websites and phone interviews. The three companies authorized the publication of their names and information in the present study.

4.1 The textile industry in Brazil

The Brazilian textile and apparel industry comprises more than 30,000 companies in the sector, generating around 14 million to 15 million jobs, both direct and indirect. Brazil is among the top 10 textile industry markets worldwide and among the top five as an apparel producer. The domestic Brazilian market comprises 190 million consumers (ITMF Annual Conference: Brazil and its Textile Industry, 2010).

An important player in the textile and apparel industry in Brazil is the ABIT (The Brazilian Textile and Apparel Industry Association) which is an organization that represents the Brazilian textile industry at domestic and international market by supporting their development and also is the voice in governmental issues for the textile industry. ABIT is also cooperating with APEX-Brazil (Export Promotion Agency) and they have created the trademark TEXBRASIL that is intended to promote Brazilian textile products abroad and gives assistance to the textile companies in order to increase their exports by coming up with strategic programs for exportation, activities and courses (ABIT, 2011).

4.2 The companies

The three companies focus of this study are located in Santa Catarina, a Brazilian state in the south of the country, which had a strong European colonization. Blumenau has approximately 300,000 inhabitants and the textile industry always played an important role in the economy of the city, as well as in the economy of the State. Despite of recent crises, due the entry of imported products that are cheaper, the textile sector still represents a significant piece of the economy (Guia de Santa Catarina, Blumenau, 2011).

Next, in order to introduce the companies, we will present a comparison table with some basic information about them.

<table>
<thead>
<tr>
<th></th>
<th>Cia. Hering</th>
<th>Dudalina</th>
<th>Karsten</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of Foundation</td>
<td>1880</td>
<td>1957</td>
<td>1882</td>
</tr>
<tr>
<td>Products</td>
<td>Mainly T-shirts, but also clothing for men, women and children</td>
<td>Mainly dress shirts, but also clothing for men and women</td>
<td>Table linen, bed, and bath products</td>
</tr>
<tr>
<td>Brands</td>
<td>Hering, Dzarm and PUC</td>
<td>Dudalina, Individual Base and Individual</td>
<td>Karsten, Trussardi and Casaln</td>
</tr>
<tr>
<td>Started exporting</td>
<td>End of 60’s</td>
<td>80’s</td>
<td>Beginning of 70’s</td>
</tr>
<tr>
<td>Total Turnover (2010)</td>
<td>R$ 1,2 billion</td>
<td>R$ 240 million</td>
<td>R$ 92,65 million</td>
</tr>
</tbody>
</table>
### Table 1. Basic information about the companies (Constructed by authors)

<table>
<thead>
<tr>
<th>Exports % of total sales</th>
<th>1.5% to 2%</th>
<th>3%</th>
<th>7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees</td>
<td>8000 (direct) and around 7000 indirect (outsourced labor)</td>
<td>1450</td>
<td>3500</td>
</tr>
<tr>
<td>International Department Structure</td>
<td>11 employees responsible for administrative support; employees structured by country/region, mainly focused in Latin America, 7 sales people</td>
<td>Nowadays it is decreasing the number of employees, and the company has only one trader.</td>
<td>6 employees (1 manager)</td>
</tr>
<tr>
<td>Hierarchy of decision</td>
<td>The decision is made by the board (President, Administrative Council) and the operationalization is driven by the Commercial Director; brand is the same and the actions are executed by the manager of the area (international)</td>
<td>They have a strategic plan that specifies the investments and costs for the year therefore it is approved by the board.</td>
<td>Investments are approved by the board. Brand and marketing investments are decided by the Commercial Director. If some strategic decision in terms of partnership has to be made, it is decided in the level of the board.</td>
</tr>
<tr>
<td>International operations</td>
<td>Franchising and Exporting. (Already had production subsidiary and sales subsidiary abroad)</td>
<td>Exports</td>
<td>Exports (Already had production subsidiary and sales subsidiary abroad)</td>
</tr>
<tr>
<td>International activities with countries</td>
<td>Franchising – Paraguay, Uruguay, Bolivia, Netherlands Antilles, Venezuela</td>
<td>Paraguay, Argentina, Bolivia, Australia and South Africa</td>
<td>USA, England, Spain, France, Argentina, Colombia, Venezuela, Central America and Caribe</td>
</tr>
<tr>
<td></td>
<td>Exports – Mainly to Latin American countries, but also to Europe</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4.3 Cia. Hering

#### 4.3.1 Brief history

Cia. Hering was founded in Blumenau by a German immigrant named Hermann Hering in the year of 1880. Cia. Hering is a retail apparel designer and manufacturer, which sells...
clothes for men, women and children. Its main product is T-shirts and the company has three different brands: Hering (target market: everyone), Dzarm (target market: mostly teens) and PUC (target market: children). The company was the first apparel exporter of Brazil and has been on the world market since the 60’s, establishing long-lasting partnerships overseas.

According to Bilsland (1999) since its establishment, Cia. Hering has experienced several significant changes caused by economic and political situations that have occurred in Brazilian and the international scenario. Another reason is the company's own growth, Cia. Hering adjusted successfully its strategies what allow it to continue in an environment that has changed along the time.

Cia. Hering’s mission is developing brands, creating and marketing apparel products and services with perceived value and focus on the customer.

Cia. Hering has a franchising system that started to be implemented in 1993 when the company decided to invest massively in retail. The goal of the franchising system was to meet the needs of customers who evolve, update themselves and become increasingly demanding. The company has international franchises in Bolivia, Paraguay, Uruguay and Venezuela.

Cia. Hering has a distribution network formed by three sales channels, which give it a wider reach and assure the distribution of the brands throughout the country: i) Hering Store and PUC store chains; ii) multibrand retail stores; and iii) webstores. The Company sells products of all its brands to franchises and multibrand retail stores abroad (Cia. Hering Annual Report, 2010).

4.3.2 Internationalization process

Cia. Hering is one of the oldest exporters of the South of Brazil, having started its operations in the end of 60’s. The company started to export exclusively to maximize its productivity, with no strategic decision taking place at that moment. According to Mr. Ulrich Kuhn, consultant of the company, “it was also a characteristic of the textile manufacturing industries of the South of Brazil: exporting since an early stage”. He also added that “selling domestically and internationally was not a strategic vision, but part of the DNA of the big companies, mostly to optimize production”. From the 60’s to the 80’s the company only exported, and its biggest markets were Europe and USA with a low percentage driven to South America. A positive aspect that helped Cia. Hering to lever the businesses at that time was that this region had a strong reference of quality and seriousness in the market. It was especially important for the company during these years because it somehow contributed to the next stage of the internationalization process.

In the 80’s, the company started to think in internationalization as a strategy and the first movements towards brand promotion started to be developed. Mr. Kuhn highlighted that “the presence abroad became then part of the general strategy of the company, differently from the beginning of the exports in the 60’s”.

Since the 80’s, a lot of attempts were done in terms of internationalization processes. The biggest operation the company ever had in number of stores was one of them. It originally began in Argentina and gradually grew in other countries of Latin America. Mr. Kuhn also mentioned that “the company had a large presence in Argentina in the past, with 62 stores, but with the country’s collapse, the operations were closed and nowadays Cia. Hering does
not have stores in Argentina. We have stores in Paraguay and Uruguay, but not in Argentina”.

Later on, in the beginning of the 90’s, Cia. Hering also had a big operation in USA, when they sent semi-finished products that were going to be transformed (value adding) in USA and sold by Hering North America with the company’s brand as a distributor to the retailer marked, which ended due to competitiveness’ problems. Yet in the 90’s, the company also created a warehouse in Germany and Holland to supply basic markets and built a factory in Spain to sell licensed Disney products due to the presence of Disney Park in Paris. Mr. Kuhn stated that, at that time, “Cia. Hering was the biggest and oldest licensee of Disney clothing, as a consequence of an agreement with Disney, in order to be able to supply the new demand for Disney products”. Additionally, he said that “the activity in Europe for Disney products did not succeed commercially due to differences in consumer behavior compared with USA. Besides that, due to problems with government and labor costs, the mill was sold out”. The company assigns the failure of these operations to Brazil cost (Appendix 2, p. 42) and the entrance of Asian competitors in the textile industry, the main responsible for taking Brazil out of the position of a global player in the textile market in the 90’s.

Cia. Hering also had stores in Middle East, United States and a lot of other areas were prospected.

The barriers faced over time were several and reached the company in different ways. What Mr. Kuhn considers one of the most relevant issues is the Brazil cost and the competitiveness, which, according to him “made with what the company had to go back in the process”. He pointed out that in the past it was very common that Brazilian companies from manufacturing sector, especially in the textile industry, had their largest volume of exports realized through the private label, which, he says, means that “companies did not sell, they were bought”. Besides the Brazil cost and competitiveness he also sees the trade agreements as a reason for that, since Brazil was never too aggressive or objective in this sense, and rational neither. For instance, Mr. Kuhn warns that “one of the partners of Mercosur (Appendix 2, p.42) is Argentina and it is an adversarial relationship; with some kinds of products, Argentina does not look at Mercosur as a partner. Instead, the country pretends that the agreement does not exist. Mercosur is still far away from a genuine integration as it is in European Union”.

In the domestic market, networking is part of a marketing day-by-day. Mr. Kuhn said “it is not a crucial element, but it is used, even though it is not a key tool. In the international market, however, it is not relevant at all. It is also because 98% of the operations of the company are within the country and not abroad”.

Cia. Hering is an open company in terms of relationships and has good relations intercompany and inter-government. Company’s relationship with sector entities (textile industry) is very strong because its consultant, Mr. Kuhn, is President of SINTEX (Textile Industries Union) and member of ABIT (Textile Industries Brazilian Association), what makes this interaction more active.

Government plays almost no role in terms of incentives or development of new markets abroad. Although the existence of APEX (Brazilian Trade and Investment Promotion Agency), linked to the Brazilian Development, Industry and Foreign Trade Ministry, which exerts some kind of activities such as spreading, participation in exhibitions, what is interesting, it does not play a decisive role in the internationalization process of the
companies. Mr. Kuhn said they “are trying with this agency a different approach, so that it can help and work more actively with the companies and promoting them abroad”.

The relationship of the company with agents and distributors is not so relevant as well. Mr. Kuhn informed that “… in the past, the company used to have some agents in operations with less expressivity, such as Portugal, Spain, Central America, but in big operations with worldwide players in larger markets, such as Abercrombie, Zara, the company always operated directly. Either in the past or today, the level of dependency of these agents was very low. Besides the distribution contracts, the operations were closed via own office”.

4.3.3 Private label x Own brand
For the reasons already stated, in the past the largest volumes of exports were realized through the private label system, when company’s production is settled under customer’s demand and specifications. Mr. Kuhn said that “Brazilian companies used to run orders from large companies, customers, abroad. And at a certain time, the strategy of selling private label products was useful to Cia. Hering to optimize the production and to be present in the global markets under strict requirements of quality. The level of standardization helped the company to improve its production processes, but overcome these needs, the focus now is on the market and in the brand”.

With the gradual change of cycle in the last few years, Brazilian companies tended to focus on exporting their own brands, even scarifying their image, but starting to build a worldwide brand, which is the case of Cia. Hering that today exports only its own brands (Hering, Dzarm and PUC) and try to expand its stores, mainly to Latin America. Mr. Kuhn thinks “this is also what most of the companies from the textile industry tend to do now, to export its own brands, even though this number is still low”. He also mentioned that “now, the main focus of the company is in the market, no more in the production. For that reason, sales volume for international markets is not a concern anymore, but brand image, no matter how much the company sells, but what, how and to whom company sells”.

4.3.4 Markets selection criteria
When the company worked mainly with private label and a small participation of the own brand, the idea was to be present in as many countries as possible, but at that moment the reality of the country (Brazil) was another too. As the idea was to maximize productivity, it was important to be in big markets, with great consumer potential. Besides, with the high rates of inflation at that time, the dollar exchange rate was favorable for exporting, what is not the situation today.

Nowadays, Cia. Hering is totally focused in increasing its physic presence through stores (franchising) in Latin America, as a strategic priority to short and medium term, even because in this region the brand has much more notoriety than in other ones and the idea is not linked to volumes, but to brand image.

4.3.5 Plans for the future
For the future, Cia. Hering intends to expand the number of stores (franchising) and to increase its physic presence through these stores, but not to other countries outside of Latin America. The company believes that there is a long way to go in these countries before expanding to other regions. There are some isolated ideas about Portugal and Spain, but the focus is actually Latin America. According to Mr. Kuhn, “the company prefers to explore more its geographic frontiers than to go to other ways. The reason for Portugal and Spain is
assigned to the several components such as cultural proximity, language, efforts done in the past and Brazilians living there.”

When it comes to a more active performance in international markets, the company does not show much interest in very committed ways of internationalization. Mr. Kuhn said that “there is no perspective for installation of factories abroad, but the company is attempt to changes in the market. For instance, if Brazil come back with the cooperation with Argentina, Cia. Hering understands that part of this production will have to be made in Argentina; not in own factories, but licensed, authorized and so on”.

4.4 Karsten SA

4.4.1 Brief history
Karsten was founded in the year of 1882 by Johann Karsten and became a public company in 1971. Company’s products include table linen, bed, and bath products. It also provides fabrics for bedspreads and curtains. In addition, it offers beach and bath products in Disney prints and gym towels, as well as beach towels with embroidery.

Karsten has two factories, one in Blumenau and another Maracanaú (North of Brazil), the one in Blumenau is where the headquarter of the company is located.

The company has three brands, Karsten that is oriented to the public in the classes A to C, Trussardi that is oriented to class A, and the CasaIn that is sold in supermarkets and not in specialized channels. According to Mr. Alvin Rauh Neto, Chief Executive Officer of Karsten, the development of CasaIn is connected to the concern about the positioning of the brand hence they do not want to disturb the good position of the brand “Karsten” in not specialized channels.

The brand Trussardi was bought last year for R$ 28 million and it is a strategic portfolio for Karsten. According to Mr. Alvin Rauh Neto the company needed a strong brand focused on the public with greater purchasing power that represents 20% of consumption of bed and bath in the country (Karsten com sobrenome Trussardi, 2010).

Karsten’s mission is to offer attractive fashion ambiances aiming the well-being of people and their vision is to be a world reference in quality and beauty, offering differentiated products with a motivated team committed to excellence (Karsten, 2011).

4.4.2 Internationalization process
There were some reasons why the company started to export in the past. Some of them were in order to expand, develop trade relations with mature markets and also to have good prices for their products. Mr. Alvin Rauh Neto emphasized: “[...] the export process was very important for the company not only in terms of its development but also to be updated in terms of technology, product, fashion...We started to participate in the 70's, in the leading fair for textile industry of home segment in Frankfurt and we attended it during 30 years.”

The CEO of the company pointed out another important reason for the company has achieved success by exporting in the past. During the 70’s and 80’s the country was very competitive in the international arena, until the point to carry the company's exports up to 50% of total company sales. He highlighted: “This process was very significant, provided such a growth for the company, that we built during late 80's and early 90's three subsidiaries abroad.” From the early 70’s to the early 90’s the company was basically operating with exports and
the company changed. The company went out in an internationalization process with these subsidiaries abroad but they had to go back. Karsten closed them and returned to be small when it comes to internationalization. From the 90’s to the beginning of the XXI century, the company began its regression in the internationalization process. According to Mr. Alvin Rauh Neto "we went abroad on a process of internationalization and we had to return to be small in terms of exports therefore now we have to re-export in another format, not as being only a manufacturer but as a company that wants to be close to the final consumer of bedding products and bath.” The CEO believes that the main reasons that explain why Karsten decreased the exports were due loss of competitiveness of Brazilian products and the high Brazil cost compared to the Asian products in the USA market and Europe.

About the subsidiaries built abroad, one was in Germany, Karsten Europe, where Karsten had a sales office and a distribution center to distribute products throughout Europe. Another subsidiary was in the USA, where Karsten had a sales office and product development center in New York and also a distribution center in North Carolina that was responsible to distribute products to the USA and Canada. And there was a small sized subsidiary in Argentina which was the first one to be closed. Next was Karsten Europe and finally, Karsten in USA was closed in 2007. In the USA was the biggest operation, with around 45 people in the office and distribution center.

With a perspective that considers the changes over time, some barriers were noticed in the beginning of the 70’s, such as quality issues, technical specification and development of some products, difficulties to find professionals who speak a foreign language, etc. However these points have been totally overcome nowadays. But when it comes about the main barriers to export, the CEO of Karsten pointed out that 15 to 10 years ago, Brazil was already losing competitiveness to Asian products in reason of their currency exchange rates, which makes their price much cheaper than Brazilian ones. “We were losing ground every year, until around six years ago we could also export our products a lot because although they were more expensive, we still had a differential perceived quality against the Asian products. However, today the quality of their product has improved a lot and as the price level of their product is much lower than ours, we lose much of that market.”

When it comes to Government and institutions’ influence as natural networks for companies, Karsten does not see a great contribution from the Brazilian Government in the company’s business. Mr. Alvin Rauh Neto said “There is a lack of focus in order to encourage companies to export, but I would not say that the Government disturbs in the process. The main point is about loss of competitiveness, which occurs due to some factors: Brazil is expensive due to high taxes; the cost of labor vs. high qualification of workers; logistics problems, etc. There is a structural problem in the whole country that is very complex to solve, there is a lack of industrial policy, and lack of incentives for exporting companies ... I see that there is no easy way to reverse this situation, however we see little support from the Government.”

About Karsten involvement with textile entities, the company is very engaged. Mr. Alvin Rauh Neto is the vice-president of Sintex and Mr. John Karsten, the president of the
administrative board has a sit in ABIT. Therefore, Karsten has relationships with many companies in Brazil and participates in several trade shows. Regarding the relationship with the Government is basically through textile entities, such as meetings with the Ministry of Development, Industry and Commerce in Federal level and the Department of State Development in the State level.

Due the long history of the company, both exporting and with the subsidiaries, Karsten has a large network of contacts abroad. Mr Alvin Rauh Neto says “…as we have a very long history, we have contact with many manufacturers, distributors, traders and customers. We have a very wide network of contacts out there, so we do a better job alone to identify opportunities for export markets than via government entities or sector entities.” Because of this, the company has rarely participated in some international mission with Government through associations.

Distributors and agents are part of the exporting process. Karsten works with both in different countries, depending on the strategy. However, the degree of dependence of both is very little, since in the major countries the company does not work with them. Karsten prefers to work with distributors when the market is new and they do not have knowledge about the market. This was the case when the company decided to export to some Eastern European countries, so they found a distributor in Poland.

4.4.3 Private label x Own brand
When exports represented a big number in total sales of the company, the exports were basically private label. Mr Alvin Rauh Neto said “…we were a factory; we did very little with the brand Karsten”. Nowadays, the company still makes private label, but very few comparing with the past, and it is around 10 to 20% of total exports. The private label is mainly to USA and Europe, such as the towels for the Disney parks in Florida, while in Latin America Karsten exports primarily its own products.

The way the company found to compete with the Asian products was to export the Karsten brand. The CEO emphasized “The difference today is that we export only 7% but it is almost entirely of the Karsten brand. If we are simply manufacturer of a product specified by the customer (private label) is very hard to compete with the Asians. We have to sell our product development, design, which means, try to sell a little of what is Karsten, in order to put our products abroad.”

4.4.4 Markets selection criteria
The markets selection criteria for the company are to choose markets where Karsten can put their product in a sustainable way in terms of price and brand. The company found that exporting under private labels for major retail chains in the USA and Europe is not sustainable. The company prefers to seek independent shops that are specialized in bed and bath, in countries where there is a developing market where Karsten can put its products therefore achieving profit margin in a sustainable way. The company does not want to sell once with the country; instead, Karsten wants to develop a sustainable negotiation.

Nowadays the company exports mainly to Argentina, in Latin America, but Karsten also sells to Colombia and Venezuela. When it comes about more mature markets, Karsten still export a little to USA and Europe (England, Spain, France). The company says that Central America and Caribbean are also important markets.
4.4.5 Plans for the future
About the plans for the future, the CEO of Karsten said “We are always seeking to sell more and expand our export volume, but we are also concerned about 1) to export in a healthy way, in a way that we have a profit margin that is worth continuing; 2) to seek sustainable businesses, not to export only once; 3) we prefer to export the Karsten brand, so we are selling our product... because we do not think it is sustainable being simply a manufacturer of any product. These are the main reasons why we want to export. We also need a natural balance with imports (machinery, raw materials).”

Karsten has a partner in Venezuela that operates an exclusive Karsten store there. Mr. Alvin Rauh Neto evaluates “The store is not ours but it goes very well... We are studying the possibility to expand this through partners in Latin America, Caribbean and Central America. It is an approach to we go a little closer to the final consumer with our brand, which is the way that we have done here in Brazil too. We believe the future is to build a channel to reach the consumer directly. We understand that this is also applied to the export path, because relying on large retail platforms is not sustainable.” Subsidiaries abroad are not in the plans of Karsten, at least for now.

Currently the focus of Karsten is in the domestic market, since it has greater potential to be explored and has grown considerably during recent years. The entire volume that Karsten exported some years ago came to the domestic market, therefore the company continues to grow around 20% per year.

4.5 Dudalina
4.5.1 Brief history
From the countryside of Santa Catarina, a family formed by Mr. Duda Souza and Mrs. Adelina Souza and their 16 children founded the family business named Dudalina.

The mission of the company is awaken in the consumer the desire for its brands. The company has consolidated its 3 brands: Base, Individual and Dudalina. The brands were created to different segments. Dudalina is focused on Class A and B and the public are business men over 40 years. Individual is the best-selling product and has more casual products to young consumers. Base is focused on a public even younger than the ones that buy Individual (Dudalina: do pequeno comércio à grande indústria, 2010). Now Dudalina is working to consolidate the new brand: Dudalina Feminina, which is focused to woman therefore the main product is dress shirt.

The company produces 2 million pieces a year and has presence in 1,800 retailers in Brazil with its 3 brands. Dudalina’s products go to 50 countries, making of Dudalina responsible for 70% of shirts export in Brazil, with an income around USD 10 million in this activity in 2009. However now exports are no longer the focus of Dudalina and the income were around USD 3 million in 2010. The company believes that Brazil has not very favorable trade deals, what make complicate their work. In recent past, the company exported by private label and it was responsible for part of the production of brands such as Daslu, Brooksfiled and Zara (Dudalina: do pequeno comércio à grande indústria, 2010).

4.5.2 Internationalization process
Dudalina has started its international operations, which means exporting, in the beginning of the 80’s and over time the company has been motivated by different factors. According to Mr. Rui Leopoldo Hess de Souza, Export and Retail Director, “in the early phase, it was an
opportunity to eliminate the high levels of inventory, due to the economic crisis that the country was facing in the beginning of the 80’s”. At that time, the Director said, the opportunity for eliminating inventory was in Caribbean countries and Central America. The next strategy was to capitalize the company with financial operations such as Advance Against Exchange (AAE) and then the company could have cheaper financial costs and recover the company’s capitalization. In a second moment, Mr. Souza said the exports were responsible for attending the seasonality of the company: “we have an activity extremely seasonal with summer and winter, in what the months of January, February, May and June our factories almost stop.” At that time, company exhausted all its capacity with exporting goods. Mr. Souza added: “With that, we could spread the costs and keep the business operating at a constant average”.

Dudalina has never had other kind of international involvement besides exporting. They tried a franchising in Uruguay, but it is not considered by the company, as it did not succeed. Mr. Souza stated that (the franchise in Uruguay) “is not considered, since it was an adventure. It is not a trade condition and by now, it is not in the plans to expand franchises”.

The barriers are as well an important player in this scenario and the strong competition is pointed as the worst of them, mainly with Asian products. Mr. Souza mentioned: “Asian competition is mortal for us. There is no way to compete against them; our only choice is to attend customers in small quantities and higher qualified products”. Dudalina used to export to Spain, Italy, USA, Canada, France, Hong Kong and Portugal due to the favorable exchange rates, but along the time, each country changed and their level of competitiveness changed too. Besides competition, another big barrier faced by the company is related to the lack of incentives from the Government towards the international development of the companies. Complains about Government performance are many and for Dudalina it has also been a big issue. Mr. Souza said that: “Brazil is the country which less acts in favor of our external relations; our Government seems to play against Brazilian exporters. The last trade agreement signed was Mercosur, 25 years ago, which is a mess. Argentina does whatever they want and Brazil does nothing. Uruguay imposes illegal restrictive trade barriers and Brazilian Government simply does not act, while we, the exporters, are left to fall behind”.

Dudalina has always been worked with some agents, either for buying or selling, but not with distributors. According to Mr. Souza, the level of dependency on them is very low.

The relationship with sector’s entities is very strong and the company advances itself in the process. Mr. Souza pointed: “Our President is member of the Republic Council, where we are able to present our needs and difficulties, as well as strategic vision to the Government. We are present in the board of directors of ABIT, FIESC, ACIB. This is our way to be active”. Dudalina is also signatory of the Global Compact, Ethos Institute and other initiatives linked to the society, organizational responsibility and other issues involving Brazilian informality, for instance. Moreover, Dudalina also looks for suppliers, customers and other stakeholders with the same values and principles the company has and helps to build, through transparency and social, fiscal and tributary responsibility.

4.5.3 Private label x Own brand

Nowadays, Dudalina is no longer focused on private label operations. It was an opportunity at the time company started exporting, but not anymore. Mr. Souza said: “Actually, (private label) it is not interesting for us anymore; we do not want to sell our products in the way we use to do in the past. It is not profitable; the dollar exchange rate does not allow us to
compete in market like this”. For this reason the company is closing the operation with private label this month. The last agreement which is still being performed is with Zara.

On the other hand, the process for exporting the own brand is becoming more and more consistent. Mr. Souza informed: “we now want to export only our own brand. Our strategy is to strengthen our brand through the sales of our three brands, our own collections”. The company sells the same products either for the domestic market or for exporting. In the past, when Dudalina used to work with private label, the customer gave the models, sizes, everything according to their specification. Now it is everything about Dudalina’s own brands.

4.5.4 Markets selection criteria
Nowadays, the countries where Dudalina exports to are: Paraguay, Argentina, Bolivia, Australia and South Africa. Of them, Australia came as an opportunity, not as a strategy. Due to the dollar exchange rates, the company already exported to countries such as Spain, Italy, USA, Canada, France, Hong Kong and Portugal, but as the difficulties with competitiveness came, the focus was changing too. The main reasons for exporting to these countries in the past were the favorable exchange rates and the competitive prices, so these were the most relevant criteria to make choices.

Since the situation changed, both the company’s strategy to sell its own brands and the increasing and strong competition, the options in terms of countries to export became narrow. Mr. Souza wanted to illustrate what happened with the company in the last years: “There is a condition which is essential if you look at the countries we used to export and the ones we export to today: their trade’s maturity profile. Companies that do not improve technology and do not go ahead to be competitive either through technology and innovation or through the favorable exchange competitiveness become stuck and what remain are the marginal countries, not mature”. He said that to explain why the company today is not able to export to a market like USA, for instance. And he assigned the reason to their lack of competitiveness. As a consequence, what remain are countries such as Argentina, Paraguay, etc. Dudalina recognizes that this is a very dangerous process, since it changes the profile of the business. Mr. Souza pointed out that since the company moves away from the mature countries, the exporting process represents less and less in the company’s portfolio and the company tends to do not evolve. In the opposite way, the more the company acts in the market with mature countries, the more is the level of demand, quality, innovation, design, etc. Mr. Souza ends saying that: “When you agree to work with countries of low level of demand, you will not aggregate anything to your business and will get stuck in the time; and time, some times, is mortal for some companies”.

4.5.5 Plans for the future
For the future, the plans of Dudalina are concentrated in consolidating the franchising chains in Brazil. Mr. Souza complemented: “In the future, we first need to learn how to work with this to then expanding to other countries. If we were not able to make business with other countries in terms of products; with services is a level of difficult even bigger.”

In terms of new strategies, the idea is to consolidate the women brand. The company is also facing a process of big changes, going to the retailing market. Mr. Souza thinks that it will lead naturally to the internationalization and the company will then sell the own brand, but with women shirts. Dudalina will start the sales to USA in the second semester of 2011. This will open a new opportunity for the company, as he said: “it will be a new world, new business and then we will be able to enlarge the participation of exports in our business”.

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5. ANALYSIS
In this part, the empirical findings will be analyzed through the analytical model of Kraus presented in the theoretical framework. The companies will be analyzed throughout with the theory. After this, a summary of the analysis will be made to create a clear picture and discover similarities and differences between the companies’ internationalization processes. The analysis is structured with the same topics used in the literature review.

5.1 Internationalization theories
Lemos, Johanson and Vahlne (2010) said that internationalization must be comprehended as the process outcome of adjustment to changes within a firm and the firm’s environment; it was in accordance with what occurred in these companies. In reason of several factors the companies changed thus their internationalization has different outcomes. For instance, Dudalina, in the beginning, started to export because it was a need to eliminate high inventory that the company could not sell in the domestic market. Nowadays, the company perceives the domestic market as the target market and export is not a substantial need.

Looking to the technical and scientific knowledge of the companies (Aulakh, 2007) in the textile industry, it is perceived a level of excellence of the three companies, since they are market leaders, having often participated in trade fairs and exported to mature markets. In this sense, all the three companies are more than able to adapt to excellence of products in international markets, since they exported a lot manufacturing private label according the requirements of the importers. Some still export private label, but the volume is decreasing.

An interesting argument is pointed out by Ricupero and Barreto (2007) that the internationalization for companies from emerging markets can allow them to access more favorable financial markets. It does not seem to be a problem to Cia. Hering, Dudalina or Karsten, to get funds or finance in Brazil, since it was not pointed out by the interviewees. It may be in reason that all the three companies have long history and are consolidated in the market.

Analyzing the Government role in the internationalization process was noticed lack of support to the companies since all complained or at least they were not completely satisfied with the actual situation. Some factors cited by the companies such as a lack of an effective policy to incentive the exporters, the unfavorable exchange rates, the role of the Government in relation with Mercosur, etc. All these could be improved by the Government. However, all the companies participate in the SINTEX, ABIT, entities of the textile industry, some more influent than others, but all are concerned with mutual problems.

The distributors and agents do not play an important role in the internationalization of the companies, as stated by them the level of dependence is low. However, Karsten mentioned that when the company is entering new markets and has no knowledge about the market, suchas Poland, the role of the distributor is interesting.

5.1.1 Uppsala Model
While Sweden has a very strict domestic market with an intense industrial activity, which made the country very export-oriented (Johansson & Vahlne, 1977) in Brazil, the studied companies start to export because several reasons, in the case of Cia. Hering it was a way to
optimize the production; to Dudalina was a way to eliminate inventory and to Karsten was an opportunity to grow during a good moment of the Brazilian economy.

When it comes to decisions related to commit resources to foreign operations (Johansson & Vahlne, 1990) this was noticed only in Cia. Hering and Karsten, since Dudalina did not advance to the later stages mentioned in the Uppsala Model, which are sales subsidiary and local production. The commitment level of Cia. Hering and Karsten grew, the companies acquired great knowledge with these previous experiences abroad, but unfortunately they were not prepared and the economic performance of the country did not help them to succeed in these operations.

The psychic distance defined by Johansson and Vahlne (1977) is very present in the companies when looking toward opportunities, since they tend to choose markets that are similar to the home market therefore the uncertainty is reduced. Cia. Hering prefers to open first the franchises in Latin America, thus in the future the options may be Portugal and Spain, since the language is similar and there are Brazilians living in these countries. Looking at the main markets of the companies, Latin America countries, it is possible to see that localization is a big attractive and also similarities such as language and economic profile. Although Cia. Hering did not start its initial investments in countries culturally similar to Brazil, it has changed and now they do prefer markets of cultural and geographic proximity.

5.2 Economic context in Brazil
The conducted interviews with the three companies showed that the economic context in Brazil in the last decades was a strong factor which played an important role in the internationalization pattern of the country or, at least, of the textile sector. Even though the collected data may not be generalized due to the small sample selected, the inputs gathered very much rely on the consequences of the recent economic liberalization, during the 80’s and 90’s.

According to the data found in the three interviews carried out with Cia. Hering, Dudalina and Karsten, these two decades were definitive to the loss of competitiveness and vulnerability face to external conditions. All the three companies lost market with the entrance of Asian competitors, but also due to the instability of the exchange rates of dollar in comparison to the Brazilian currency (Real). This is totally in accordance with what say Coelho & Carvalho (2008) that when a country enters in a globalized environment, it is expected that it enhances the competitiveness, but it was not what happened to Brazil. It was actually what helped these companies in the 80’s to enlarge their participation in external markets with the favorable dollar exchange rates due to the high inflation rates to, years later, have to go back due to country’s economic instability.

Another aspect that could be noticed about the three companies was that, despite they have made some attempts to enlarge their participation abroad, with different strategies of internationalization, today they are characterized by a low level of involvement in operations with other countries, as KPMG Report (2007) has stated in its publication.

5.2.1 Internationalization process in Brazil
The path followed by the three companies in terms of internationalization processes presents a lot of similarities. The first of them is about when and why they started with international operations, especially exporting. Hilal and Hemais (2003) mentioned in their research that internationalization processes in Brazilian companies are still few due to the fact this is a relative new phenomena in the Brazilian scenario, especially when it comes to the
establishment of production subsidiaries overseas. This is the case of Cia. Hering, Dudalina and Karsten as well. Despite of Cia. Hering and Karsten have made attempts in building subsidiaries abroad, these operations were closed and the companies agreed they were either not prepared or not competitive to maintain this kind of relationship with the international market. Dudalina did not even start a subsidiary yet and is working first towards consolidation of franchising chains in Brazil before operating internationally. This is also aligned with what Dawar and Frost (1999) warned in their studies, as there is a lack of studies that allow the companies from emerging companies to make strategic decisions.

But when it comes export operations, where the country shows a moderate tradition, once more it is confirmed in the three cases, with Cia. Hering having exported since the 60’s, Dudalina since the 80’s and Karsten since the 70’s. One may say Dudalina could be what is called a “late mover” according to Fleury and Fleury (2007), but this company is also the youngest from the three cases, which can explain why they did not start before.

The three interviews also allowed us to verify that indeed exporting is from all activities the companies carry out overseas, the one which plays the most relevant role (Carvalho, Costa & Duysters, 2010). Moreover, all the interviewees mentioned this is not a true internationalization, but only the first step for a company to become international, which Kraus (2006) also underlines in his studies.

Other previous studies also showed to be in line to the results found in this research. For instance, the Global Players Survey carried out in 2007 by the Fundação Dom Cabral and discussed by Carvalho et al. (2010) in their research. The primary approach of this survey is the Uppsala Model, which considers internationalization of companies in stages, increasing their commitment as they increase their knowledge. In all the three cases, the companies started exporting to then make more strategic decisions towards level of commitment, despite they have had to go back, which will be further discussed in detail.

About the choice of markets, the beginning was marked by a need to optimize their production capacity, not exactly a strategy in the case of Cia. Hering. Dudalina also wanted to eliminate inventory and chose mature countries to enter first and Karsten was the only one which treated it as a strategy to grow. This is why the option in all the cases was to be present in as many markets as possible and with high purchase power, as is the case of Europe at the first moment and next USA. These were the main markets of the three companies in the beginning of their export operations. At that time the companies were merely manufacturers in large scales, not players in a global market. Cia. Hering already exported 30% of its production, Dudalina 25% and Karsten more than 50% and all of them manufacturing private label. Nevertheless, when the companies started to look to their international involvement in a strategic way, their logic was to follow what the Global Players Survey (2007) showed in its conclusion, that there is a pattern of preference for geographic and psychic proximity as their main target markets. In the same way, physical and cultural proximity are important at the moment companies had to make the decision for consolidating its position abroad. Now that it is a strategic choice, companies are more and more worried about sustainable business and in selling their own brands as it will be further explained. In the case of Cia. Hering, the company wants to be known first in Latin America before expanding to other regions and besides that, company sees a long way to follow with the franchising strategy before choosing other ways. Dudalina, which is also in the way to explore its own brands, refers the choice for Latin American countries in reason of the high level of competitiveness in more mature countries, but from the three companies, Dudalina had less external experiences and is
still working to consolidating the franchises in Brazil. Karsten believes in being present in markets where the company and the brand can remain sustainable in prices and long lasting relationships and besides the geographic proximity, it has also to do with countries are still growing and have big consuming potential, what is a strategic vision of several globalized companies worldwide.

5.3 Internationalization process of Brazilian companies by Kraus
The proposed theory by Kraus (2006) brings a lot of components that can be noticed in the cases are being focused in this research. The first of them is regarding to what Kraus’ (2006) says about Brazilian companies being mostly focused in the domestic market, and not developing the necessary skills to act in the international market. The interviews with the Cia. Hering, Dudalina and Karsten showed that in the three cases they are totally focused in the domestic market, with more than 98%, 97% and 93% of representativeness, respectively. This is due to either a change in strategy, as they all left, or are leaving the private label manufacturing and now the export has to be settled in another format, or because they still see a great potential in exploring the Brazilian market. Two of the companies, Cia. Hering and Karsten have also tried other levels of involvement with external marketing through subsidiaries, but somehow it failed, both by competitiveness or currency exchange rates problems, which demonstrate a certain need for preparation to be able to develop more committed ways of internationalization.

Additionally, Kraus also mentions the lack of logistics structure and transports, making the Brazilian reality different from other countries. This can be linked to Government’s low action in terms of incentives, what was equally highlighted by the three interviewees and the barriers the companies mentioned. The named Brazil cost mentioned by Cia. Hering and Karsten clearly show this concern the companies have about the low support that they receive from the Government.

All these factors are linked to the set of particularities that makes Brazil different in terms of economic history, entrepreneurial development and State support to other countries in the world (Toyne & Nigh by Kraus, 2006) and it helps to understand why the international development of Brazilian companies is as they are and why the studied companies from the textile sector in the South of Brazil had a similar path in terms of internationalization pattern over time.

Following Kraus approach, which relies to Uppsala’s basis (behavioral and sequential), but applying to Brazilian internationalization reality, we have different stages inside the export activity, what appeared in the analyzed cases and will be discussed separately next.

The model suggests that is possible to have a regression within the stages, in which companies can reduce the commitment with international activities. All the companies had a certain level of commitment in their operations and had higher exporting volumes than today, but due to change in the focus from production to market, according to the model, they reached a regression point.

5.3.1 Pre-involvement
As all the companies started to export a long time ago, we can say that the pre-involvement step occurred at Cia. Hering in the 60’s, at Dudalina in the 80’s and at Karsten in the 70’s. At that time, all the companies worked only with the domestic market and were non-exporter companies. The opportunities exploration, as defined by Kraus (2000) as a pre-exporter stage,
came when the three companies saw in the private label manufacturing the chance to optimize its production, eliminate inventory or grow in the market and started to export.

5.3.2 Passive involvement
Being companies of significant production capacity, we could not see that they have faced the two stages mentioned by Kraus (2000) in this step: irregular exporter and passive exporter. Perhaps it happened during a short time or the interviewed people did not mention it because they were not in the companies yet when the operations started. But they all became active exporters very quickly, and what is regarded to this stage is that companies developed their export activities with little structure and almost no strategic plan. Cia. Hering clearly mentioned that it has been almost like a DNA of the manufacturing textile companies of Santa Catarina and confirmed that they did it exclusively to optimize production capacity. Karsten mentioned the good moment of being a “factory”, also manufacturing private label for the export market, because the company was competitive due to the favorable currency exchange rates and grew a lot, what enabled them to enlarge the level of commitment in a later stage. Dudalina started international operations only in the 80’s, a moment in which exporting was a survival question and it helped the company to overcome country’s internal economic problems that were favorable for exporting, but mortal for the domestic market, caused by the inflation.

What was crucial for the companies to become big exporters was that there were important international buyers interested in increase the business, such as Zara, Abercrombie and Disney, to mention some examples. Despite it is not exactly what Kraus (2000) says about the products being the same as the sold in the domestic market, it is clear that the focus was only in the production. The only difference is that, since operating with private label, the company must follow the customer’s specifications.

On the other hand, everything which is mentioned by Kraus (2000) about the passive exporter can be applicable to the three companies. Cia. Hering, Dudalina and Karsten, even with considerable revenues coming from international sales, mostly acted with a focus oriented to production management aspects, as an outsourcer of its international customers.

5.3.3 Active involvement
This is the step the three companies are now passing through. According to Kraus (2000) this step can also be divided in two stages and the company becomes conscious of its passiveness and tries to be more active, migrating from the production to the market and becoming no longer dependent on intermediaries. Cia. Hering, Dudalina and Karsten admitted to be now more concerned with brand image and sustainable businesses, reason because they are all making a transition in stages, first to a pre-active exporter to then become an active exporter again, exactly as suggested by Kraus. Cia. Hering is now exploring Latin America using franchising strategy and believes there is a long way to follow before going to other regions; Dudalina wants to strengthen its position in the domestic market, while some exports are also focused in Latin America, but now with the own brands and in lower levels than in the past; and Karsten realized it is not sustainable to be a big outsourcer and nowadays only exports the Karsten brand, but as a small exporter if compared to the more than 50% they used to export in the past.

In the pre-active stage, the more the company starts to focus on the market, the more it needs to strongly invest in export promotion, skilled human resources and, in a more strategic direction and look for new opportunities (Kraus, 2000). Companies have now departments better structured, as it is the case of Cia. Hering and Karsten, which have in the international
department staff with background in foreign trade, who speak foreign languages and are very oriented to customer relationships. With Dudalina is a bit different because the company had a late entrance and is only now reviewing the strategies, changing the focus and breaking with the old pattern.

5.3.4 Committed involvement
A committed involvement in international operations is considered to be when a company’s action is present in several market level (Kraus, 2000). It happened with two of the companies, Cia. Hering and Karsten, since they have experienced besides exporting, also operations such as sales and production subsidiaries abroad. As Dudalina is now changing the focus, they consider that with the strengthening of the women brand therefore the increasing participation in the market, it will also be a natural consequence. Furthermore, Kraus points out that what most companies analyze when they establish a new sales office abroad is the relationship cost-benefits, being the highest point of development of an internationalization process via exports. For Cia. Hering and Karsten it happened in a moment which the country was starting with economic liberalization, in the 90’s, but at that time they had not started these operations to sell the own brands, but mainly to be closer to the customers they served in the private label system. For this reason both finished the existing business due to competitiveness problems and went back to early stages, but with focus in the market and in the own brands.

About the regression process mentioned in the model and its arrow pointing to the left and below, it is supposed that it can happens in different sequential stages, and in the case of the three companies it happened after a long lasting period of exports of private label manufacturing. In the case of Cia. Hering and Karsten, both companies went even further, reaching the highest level of commitment, after building subsidiaries abroad, which means FDI, to then go back to initial stages, but with a strategic vision focused on brand image and sustainability, helped by the past experiences and accumulation of knowledge.

5.3.5 Over view of Kraus’ theory in the case of Cia. Hering, Dudalina and Karsten
Along the time, it was noticed that the three companies fit in the model proposed by Kraus (2000). Looking at the current position of the companies, there are some strong similarities among them such as all the three are focused in strengthening their brands instead of exporting private label. This means they are much more mature now than when they entered in the market. When it comes to international markets, Cia. Hering is nowadays the most inclined to invest abroad, since the company working in the expansion of its franchise strategy. Dudalina and Karsten, however, are more cautious about doing foreign investments as future plans.

In order to summarize the main characteristics of each company during the phases that we have just discussed above, it is presented the following table:
Internationalization strategies of Brazilian companies in the textile industry

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Cia. Hering</th>
<th>Karsten</th>
<th>Dudalina</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-involvement</td>
<td>- Until the 60’s</td>
<td>- Until the 70’s</td>
<td>- Until the 80’s</td>
</tr>
<tr>
<td></td>
<td>- Domestic market</td>
<td>- Domestic market</td>
<td>- Domestic market</td>
</tr>
<tr>
<td></td>
<td>- Non-exporter to Pre-exporter</td>
<td>- Non-exporter to Pre-exporter</td>
<td>- Non-exporter to Pre-exporter</td>
</tr>
<tr>
<td></td>
<td>- Private label</td>
<td>- Private label</td>
<td>- Private label</td>
</tr>
<tr>
<td>Passive involvement</td>
<td>- Irregular exporter</td>
<td>- Irregular exporter</td>
<td>- Irregular exporter</td>
</tr>
<tr>
<td></td>
<td>- Passive exporter</td>
<td>- Passive exporter</td>
<td>- Passive exporter</td>
</tr>
<tr>
<td></td>
<td>- To optimize production capacity</td>
<td>- Private label exporting</td>
<td>- Exporting as a survival question</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Favorable currency exchange rates</td>
<td>- Inflation</td>
</tr>
<tr>
<td>Active involvement</td>
<td>- More active</td>
<td>- More active</td>
<td>- More active</td>
</tr>
<tr>
<td></td>
<td>- Not dependent on intermediaries</td>
<td>- Not dependent on intermediaries</td>
<td>- Not dependent on intermediaries</td>
</tr>
<tr>
<td></td>
<td>- Franchising chains in Latin America</td>
<td>- Focus on exporting the own brand only</td>
<td>- Focus on the domestic market</td>
</tr>
<tr>
<td></td>
<td>- Own brand only</td>
<td>- Small exporter</td>
<td>- Latin America</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Own brand only</td>
</tr>
<tr>
<td>Committed involvement</td>
<td>- Competitiveness problems</td>
<td>- Competitiveness problems</td>
<td>- Inexistent</td>
</tr>
</tbody>
</table>

Table 2. Kraus’ theory vs. Cia. Hering, Dudalina and Karsten (Constructed by authors)

Last, but not least, it is also possible to link Kraus’ model to the aim of this research in terms of which internationalization strategies are being used by the companies in a way it facilitates the comprehension of the process along the time line. Different moments in the country’s economy were responsible for different motivations for the companies at the same time the companies themselves also ventured in new activities in the international markets as previously explained. Below it is presented a table which shows the chosen strategies and some particularities of the studied companies:

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Cia. Hering</th>
<th>Dudalina</th>
<th>Karsten</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting via private label</td>
<td>From the 60’s to…</td>
<td>From the 80’s to 2011</td>
<td>From the 70’s to nowadays</td>
</tr>
<tr>
<td>manufacturing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FDI</td>
<td>From the 80’s to the 90’s</td>
<td>-</td>
<td>From the late 80’s to the 2000’s</td>
</tr>
<tr>
<td>Exporting the own brand</td>
<td>From the 2000’s, with focus in Latin American</td>
<td>Nowadays, starting with Latin America countries</td>
<td>Nowadays, with focus in Latin American countries</td>
</tr>
<tr>
<td>countries</td>
<td>countries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchising</td>
<td>Nowadays, with focus in Latin American countries</td>
<td>Nowadays, with focus in the domestic market and plans (long-term) to go internationally with this strategy</td>
<td>Still studying some partnerships with Latin American countries</td>
</tr>
</tbody>
</table>

Table 3. Internationalization strategies chosen by Brazilian textile industries based on Cia. Hering, Dudalina and Karsten (Constructed by authors)
6. CONCLUSION

In this part of the paper the conclusion of the research will be drawn. There will be a discussion about the conclusion followed by theoretical implications. This in turn will be followed by research limitations and suggestions for further research in the subject.

6.1 Conclusions

The purpose of this research was to investigate different internationalization strategies of Brazilian companies from the textile industry along the time line, as well as the influence of Brazilian context towards internationalization processes.

Based upon the background and problem discussion previously provided, one can obtain a better understanding about internationalization process of Brazilian companies in the textile sector. By researching three case-companies, the conclusion drawn is that companies were indeed very much influenced by the economic context, especially when we talk about the economic liberalization occurred in the 90’s in Brazil. Moreover, is possible to see that this event helped to draw a pattern that has been followed by the companies, mainly when it comes to the opportunity in terms of currency exchange rates advantages, when the companies wanted to go abroad because the moment was favorable.

Looking at the model, it was possible to identify and relate the companies’ activities in each one of the stages, what confirms the strength of exporting activities in the internationalization of the companies. What is interesting to see is that the model suggests a regression point when the companies become conscious of their passiveness and tend to rupture with old patterns. It is also related with the differences in focus from production to market. All the three companies started their exporting operations totally focused in their production and had their good moments, reaching large volumes of sales, which in some cases, allowed them to go steps further with more committed ways of involvement with international markets. The consequences, however, came years later with loss of competitiveness and natural failure.

Now, companies seek operational sustainability and look at the market no longer as an outsourcer, but with the focus in their own brands. Even though the companies Cia. Hering and Karsten followed the steps towards more committed ways of involvement by gaining knowledge and experience along the time line, there were some problems. The reasons that caused the failure are linked to lack of preparation or weak strategies to make them remain sustainable. In the case of Dudalina, the company did not venture in another kind of operation and it only broke with the old pattern of being a big producer, how it is supposed to be according to the model.

Some insights we had that could explain this phenomena is according to what companies mentioned, the weak relationship with Government or the lack of support from Brazilian authorities towards international business expansion, as well as the infrastructural problems of the country. Besides that, the low participation of Mercosur in the scenario, what was supposed to help them to make business within the borders of the agreement. Lastly, they mentioned to have low influence of networks in the exploration of opportunities, which could be a way to build partnerships and to overcome uncertainties, rather than to start everything by themselves.
Finally, going back to the research question, about which internationalization strategies are being used by Brazilian companies in the textile industry and why these companies choose these strategies, it should be divided along the time line, as already mentioned in the Table 3 and explained in more detail below.

Firstly, it is possible to say that the main and first strategy is always through exports and the reason is linked to the moment they started and the economic moment that Brazil was passing by. Moreover, it is the case of companies with significant production capacity, that were able to attend markets in large scale more than looking at this as a strategic vision (except in the case of Karsten). Thereby, they were not concerned to the market, but to the production, this is why private label manufacturing took place and not the own brand started to be sold at that time.

Secondly, Cia. Hering and Karsten reached the most committed level of involvement in international operations, with FDI. The decision came as a consequence of the high volumes originated from exporting and the need to be closer to the customer. It turns out that the companies did not consolidate their brand abroad, they were mere manufacturers.

Thirdly, once learnt with mistakes from the past, companies are building the brand and looking for opportunities were they can be who they are in the domestic market, referential and market leaders. Therefore, they are not worried with volumes, but with presence and operational sustainability. The first steps are once more being given through exports, then franchising or licensing, it is not well defined yet, but what is important is they want to build the brand abroad.

6.2 Practical Implications

As there is a lack in the literature that allow the companies from emerging companies to make strategic decisions, while multinational companies from developed countries have a large collection of information to advise them on how to enter emerging markets, the results of this research reveal some practical implications for Brazilian industries that are looking for what have been done by other companies, especially in the textile sector.

This study brings some elucidation on how companies have followed their internationalization process along the time, combined with the Brazilian economic context, mainly in the 80’s and 90’s and shows a pattern followed by the companies faced this period in the history.

It may be also helpful for those companies seek for information about which different strategies have been carried out, as well as whether companies succeeded or not in doing so. Furthermore, as the results show a weak or almost inexistent influence of the role that Government plays in the process of internationalization of the companies, the research can encourage the authorities to pay more attention on this field, as it is also a way to promote and develop the country with specific programs of incentive and support.

6.3 Theoretical implications

One of the research purposes of this study was to address the internationalization strategies of Brazilian companies from textile industry in order to discuss the differences and similarities with the internationalization theories. In this sense, the well-known theories of internationalization were based in western countries therefore there is a gap of knowledge
Internationalization strategies of Brazilian companies in the textile industry

about how the internationalization of companies has occurred in countries from developing economies. By examining the strategies that have been used by the studied companies and the motives why they have chosen them it was possible to provide a perspective from their point of view.

Thereafter, with the primary data from the interviews were identified the relevant concepts. Consequently, in order to test Kraus’s theory (2000, 2006) with a time line perspective it was conceivable to draw the internationalization strategies of these companies. As previous researches did not indicate the motives why companies started to export within this line time perspective, this research can help companies from this or other sectors to review the pattern followed by the studied companies. Therefore this study may give useful information to companies improve or choose other strategies when internationalizing.

6.4 Limitations
There are some limitations that may affect or influence the analysis and conclusions of the present study. Firstly, the interviews were made in Portuguese, mother-language of the interviewers and interviewees. Thereby the language may affect how the answers were translated to English.

Secondly, all the companies were family business while they decided to start the internationalization process thereby it may influence their strategic decisions. Therefore one limitation was the short time and it was not possible to study about influence of the entrepreneur in the cases.

Thirdly, because of the nature of the research design, it is not easy to draw general conclusions based upon the results provided by the present study, as it is based on only three case companies. Therefore, the limited sample size could affect the conclusion of this study.

Lastly, the cases selected are confined to the Brazilian companies in the textile industry. Therefore may exist some inherent limitations in the specific industry of field that were not considered in this study.

6.5 Future research
An alternative study could be to add more companies of the textile industry or apply the model in other industries to check if the results will go in the same direction. Another interesting future research may be to study younger companies in Brazil, from the same sector or others. However, to choose those companies that have not gone through this economic context during the 80’s and 90’s thereafter compare the main differences with the older companies.

There are several studies about the internationalization strategies that companies have being used; however, different theories make it a broad field to be studied. In this sense, to replicate this study, alternative theories could be used to explain the internationalization theories used by the companies.

Nevertheless, another alternative for future studies could be choose different methodological approaches, for instance to use a quantitative design with questionnaires survey and include several companies. By doing so, it could possible to better generalize the results.
7. REFERENCES

7.1 Published sources


Internationalization strategies of Brazilian companies in the textile industry


7.2 Electronic sources


APPENDIX 1. INTERVIEW GUIDE

Name: 
Occupation: 
How long have you been working for this company? 
What is your academic background? 
Do you have any previous international experience (studying/working)?

Company information
- How many employees the company has? 
- What percentage of the total sales turnover comes from export/international business income? Please specify. 
- How the international department is structured in the company? 
  - Nr. Of employees / Academic background of the employees in the international department 
  - Who does take decision in the company in terms of investments and strategy towards international activities or operations?

Internationalization processes (general)
- When the internationalization of the company started? 
- What were the major motivations for the internationalization of the company? 
- Which international operations have been carried out by the company since the beginning of the internationalization process until today? 
- Why these ones and not others? (motivations/strategies over time) 
- What were/have been the barriers/challenges to internationalize? 
- How these barriers have been overcome/controlled? 
- What are the driving forces that influence the firms’ decision in terms of involvement in international markets? 
- Does the Government provide any incentives that contribute for company’s internationalization or engagement in international activities? 
- What do you think the Government could do to facilitate or enhance the participation of companies that operate internationally?

Exports
- How long has the company been exporting? 
- In which countries do you have export activities? 
- Why have you selected these countries? 
- How is the selection of new markets made? 
- Do you work with external agents or distributors? 
- Does the company export its own brand or do you work with private label? 
- Is your exported product adapted to your consumer needs or do you export the same products you have in the domestic market? 
  
  Follow-up question: Have this been different in the past?

Future
What are the company’s next steps for future regarding international involvement?

Follow-up-question: Are there plans to install a commercial office or manufacturing facility abroad? Why?

Networks

- How do the networks work with the company?
- Identify the type of relationship existing network with others, customers/ suppliers, government and others.
- How partnerships/networks affect the selection of new international markets?
APPENDIX 2 – Definitions

Definitions of terms used in the Empirical Data, pg. 18:

Brazil cost:
1) “The named Brazil cost is the set of existing distortions in the Brazilian economy, responsible for inefficiency and low competitiveness of enterprises. It is related to the lack of infrastructure, difficulties in manpower, the countless bottlenecks that affect the productivity of industry and services. These are problems that do not depend on the companies. The average funding cost recorded among the 500 largest corporations in Brazil is 14% per annum, against less than half assessed in the international market. The tax burden imposed on the economy is around 40% of GDP, it is one of the world’s highest (http://www.revistacustobrasil.com.br/conceito.htm).”

2) Some examples of the Brazil Cost: high tax burden that stifles small and medium enterprises; high tax law that burdens the cost of products; high labor costs and paltry wages; high costs of the pension system and poor attendance; maintenance of high real interest rates, which render the investments; banking spread exaggerated due to the concentration of banking; high administrative corruption, which raises more tax revenue; high public deficit and difficult to be restrained; Excessive bureaucracy to: starting a business; exports and imports, making difficult to trade (http://www.artigonal.com/direito-tributario-artigos/custo-brasil-1071713.html)

Mercosur (Southern Common Market) “It is a process of integration involving Brazil, Argentina, Paraguay, and Uruguay. Mercosur initially targeted free-trade zones, but it is now a Customs Union and its ultimate objective is to evolve into a Common Market. It has become a legal entity under international law. Mercosur objectives are: free transit of production goods, services and factors between the member states with inter-alia; the elimination of customs rights and lifting of non-tariff restrictions on the transit of goods or any other measures with similar effects; fixing of a common external tariff (TEC) and adopting of a common trade policy with regard to nonmember states or groups of states, and the coordination of positions in regional and international commercial and economic meetings; coordination of macroeconomic and sectorial policies of member states relating to foreign trade, agriculture, industry, taxes, monetary system, exchange and capital, services, customs, transport and communications, and any others they may agree on, in order to ensure free competition between member states; and the commitment by the member states to make the necessary adjustments to their laws in pertinent areas to allow for the strengthening of the integration process.” (http://www.mercosul.gov.br).
<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Cia. Hering</th>
<th>Karsten SA</th>
<th>Dudalina SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview date</td>
<td>2011/04/13</td>
<td>2011/05/02</td>
<td>2011/04/20</td>
</tr>
<tr>
<td>Time of interviewing</td>
<td>51 min</td>
<td>33 min</td>
<td>28 min</td>
</tr>
<tr>
<td>Occupation</td>
<td>Consultant</td>
<td>CEO</td>
<td>Export Director</td>
</tr>
<tr>
<td>Time in the company</td>
<td>23 years</td>
<td>12 years</td>
<td>15 years</td>
</tr>
<tr>
<td>Background</td>
<td>Textile Engineer – part of the professional life dedicated to the production area and part to the market</td>
<td>Textile Engineer with Marketing specialization</td>
<td>Mechanical Engineer with three MBAs: Business management, International business and Retail</td>
</tr>
<tr>
<td>International experience</td>
<td>Installation of operations abroad, Greenfield establishments, sales subsidiaries and all kind of activities related to internationalization processes</td>
<td>Studied at Northwestern University in Kellogg (USA) and he was responsible for Karsten subsidiary in USA.</td>
<td>Fair trades and business trips in reason of working 10 years as Export director</td>
</tr>
</tbody>
</table>

Table 4. Contact persons interviewed in the companies