



Internationalization of Portuguese SMEs to Brazil: Main barriers and motivations

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Dissertation written under the supervision of Professor Rute Xavier

Dissertation submitted in partial fulfilment of requirements for the MSc in Management with Specialization in Strategy & Entrepreneurship, at the Católica Lisbon School of Business and Economics, September 2022.

Abstract

Title: Internationalization of Portuguese SMEs to Brazil: Main barriers and motivations

Due to the growing presence and development of small and medium enterprises (SMEs) in foreign markets over the past years, the internationalization process especially its main drivers and barriers, have been extensively studied and discussed among scholars.

This dissertation explores the process of Portuguese SMEs entering the Brazilian market, with a focus on the motivations and barriers that these companies experienced. The methodological approach used for this study was a qualitative analysis of a questionnaire that was developed, distributed, and shared with Portuguese companies that have internationalize to Brazil.

The framework of this study is the Brazilian market, one of the most populated in the world and a developing economy that represents a big market with great untapped potential. Doing business in Brazil is difficult due to numerous trade restrictions, unclear and dispersed legislation among states, and bureaucratic red tape. However, because of the close cultural links, common language, and shared history between the two nations, Portuguese businesses benefit from a shorter psychological barrier.

The findings of this study allow us to draw the conclusion that the key factors leading Portuguese SMEs to internationalize to Brazil were increasing sales, international management/administration, and reducing dependency on the domestic market. The complexity of the bureaucratic processes, the market's regulations and legislation, the political and economic climate in Brazil, and the fluctuating currency rates were the most significant obstacles to entering the Brazilian market. The goal is to provide context and guidance for other companies to consider when undergoing the same experience.

Keywords: Internationalization, Portuguese SMEs, Brazil, barriers of internationalization, drivers of internationalization.

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Resumo

Título: Internacionalização de Pequenas e Médias Empresas (PMEs) para o Brasil.

Devido à crescente presença e desenvolvimento de pequenas e médias empresas (PMEs) nos mercados estrangeiros nos últimos anos, o processo de internacionalização, especialmente os seus principais impulsionadores e barreiras, tem sido progressivamente estudado e discutido.

Esta dissertação explora o processo de entrada das PME portuguesas no mercado brasileiro, com foco nas motivações e barreiras que estas empresas experienciaram. A abordagem metodológica utilizada para este estudo foi uma análise qualitativa de um questionário desenvolvido e partilhado com empresas portuguesas que se internacionalizaram para o Brasil.

O contexto deste estudo é o mercado brasileiro, um dos mais populosos do mundo e uma economia em desenvolvimento que representa um grande mercado com grande potencial inexplorado. Fazer negócio no Brasil é difícil devido a numerosas restrições comerciais, legislação pouco clara e dispersa entre estados, e procedimentos burocráticos. Contudo, devido aos estreitos laços culturais, língua comum e história partilhada entre as duas nações, as empresas portuguesas beneficiam de uma barreira psicológica mais curta.

Os resultados deste estudo permitem-nos concluir que os fatores-chave que levaram as PME portuguesas a internacionalizarem-se para o Brasil foram o aumento das vendas, a gestão/administração internacional, e a redução da dependência do mercado doméstico. A complexidade dos processos burocráticos, os regulamentos e legislação do mercado, o clima político e económico no Brasil, e as flutuações das taxas de câmbio foram os obstáculos mais significativos à entrada no mercado brasileiro. O objetivo é fornecer contexto e orientação para outras empresas a considerar passar pela mesma experiência.

Palavras-chave: Internacionalização, PMEs Portuguesas, Brasil, barreira do processo de internacionalização, impulsionadores do processo de internacionalização.

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Table of Contents

1. Introduction.....	14
2. Literature Review	17
2.1. Globalization and International Business	17
2.1.1. Globalization pros and cons	17
2.2. Motives and risks of International Business	19
2.2.1. Motives.....	19
2.2.2. Risks.....	20
2.3. Internationalization Process.....	22
2.3.1. Uppsala Internationalization Model (U-M)	23
2.3.2. The Innovation-Related Internationalization Models (I-M)	25
2.3.3. Born Global Approach	27
2.4. SME internationalization	28
2.4.1. Drivers for SMEs internationalization	28
2.4.2. Barriers for SMEs internationalization	29
3. Data Collection & Methodology	34
3.1. Methodology	34
3.2. Data Collection	35
3.2.1. Development of the questionnaire	35
3.2.2. Distribution of the questionnaire.....	36
4. Results and Discussion	38
4.1. Context.....	38
4.1.1. Brazil.....	38
4.2. Economic relations between Brazil and the European Union.....	40
4.2.1. EU-Brazil trade	40
4.2.2. Agreements	44
4.3. Brazil – Portugal relations.....	45
4.3.1. Shared history, language, and cultural proximity	45
4.3.2. Imports and Exports	47
4.4. Questionnaire results	47
Part I – Framework of the company	47
Part II – Motives for internationalization	50
Part III – Barriers in the internationalization process.....	51
Part IV – Conclusion	57
4.3. Limitations of the study	59
5. Conclusion.....	61
6. Bibliography	64
Appendix A	70
Appendix B	76
Appendix C	76
Appendix D.....	77

Table of Figures

FIGURE 1 – RISKS IN INTERNATIONAL BUSIN.....	21
FIGURE 2 - THE BASIC MECHANISM OF INTERNATIONALIZATION: STATE AND CHANGE ASPECTS – UPPSALA MODEL 1977	25
FIGURE 3 - THE BASIC MECHANISM OF INTERNATIONALIZATION: STATE AND CHANGE ASPECTS - THE BUSINESS NETWORK MODEL 2009.....	25
FIGURE 4 - BARRIERS OF INTERNATIONALIZATION PROCESS.....	32
FIGURE 5 - IMPORTS, EXPORTS AND TRADE BALANCE BETWEEN BRAZIL AND EU (2011-2021)	41
FIGURE 6 - EU TRADE WITH BRAZIL BY PRODUCT GROUP (2021)	42
FIGURE 7 - EU TRADE WITH BRAZIL: SHARE BY PRODUCT GROUP (2021)	42
FIGURE 8 - EU IMPORT OF GOOD FROM BRAZIL BY COUNTRY (2021)	43
FIGURE 9 - EU EXPORT OF GOODS TO BRAZIL (2021)	43
FIGURE 10 - PORTUGAL IN COMPARISON WTH BRAZIL - HOFSTED E DIMENSIONS.....	46
FIGURE 11 - INDUSTRY SECTOR OF THE COMPANIES (%).....	49
FIGURE 12 - COMPANY'S ACTIVITY IN YEARS.....	49
FIGURE 13 - MOTIVES FOR INTERNATIONALIZATION	51
FIGURE 14 - COMPLEXITY OF BUREAUCRATIC PROCEDURES IN BRAZIL.....	53
FIGURE 15 - BRAZILIAN MARKET REGULATION AND LEGISLATION	54
FIGURE 16 - POLITICAL AND ECONOMIC SITUATION OF THE BRAZILIAN MARKET	55
FIGURE 17 - FLOATING EXCHANGE RATES	56
FIGURE 18 - RESOURCES USED IN THE INTERNATIONALIZATION PROCESS	58
FIGURE 19 - QUESTIONNAIRE PART I.....	70
FIGURE 20 - QUESTIONNAIRE PART II.....	71
FIGURE 21 - QUESTIONNAIRE PART II.....	72
FIGURE 22 - QUESTIONNAIRE PART III.....	73
FIGURE 23 - QUESTIONNAIRE PART III.....	74
FIGURE 24 - QUESTIONNAIRE PART IV	75
FIGURE 25 - EMAIL SENT TO ASSOCIATIONS AND INSTITUTIONS REQUESTING A DATABASE OF PORTUGUESE SMÉS WITH BUSINESS ACTIVITY IN BRAZIL	76
FIGURE 26 - EMAIL SENT TO POTENTIAL RESPONDENTS.....	76
FIGURE 27 - LACK OF INCENTIVES AND GOVERNMENTAL/ INSTITUTIONAL SUPPORT	77
FIGURE 28 - LACK OF INCENTIVES AND GOVERNMENTAL/ INSTITUTIONAL SUPPORT (%).....	77
FIGURE 29 - DIFFICULTY IN CONTACTING POTENTIAL PARTNERS AND FORMING NEW BUSINESS RELATIONSHIPS.....	77
FIGURE 30 - DIFFICULTY IN CONTACTING POTENTIAL PARTNERS AND FORMING NEW BUSINESS RELATIONSHIPS (%).....	78

FIGURE 31 - LACK OF TIME AND/OR EXPERIENCE OF MANAGEMENT/ADMINISTRATION	78
FIGURE 32 - LACK OF TIME AND/OR EXPERIENCE OF MANAGEMENT/ADMINISTRATION (%)	78
FIGURE 33 - DIFFICULTY IN MATCHING THE COMPETITORS' PRICES.....	79
FIGURE 34 - DIFFICULTY IN MATCHING THE COMPETITORS' PRICES (%).....	79
FIGURE 35 – DIFFICULTY IN REPATRIATING CAPITAL	79
FIGURE 36 - DIFFICULTY IN REPATRIATING CAPITAL (%).....	80
FIGURE 37 - HIGH TRANSPORTATION COSTS	80
FIGURE 38 - HIGH TRANSPORTATION COSTS (%).....	80
FIGURE 39 - LIMITED CONTACT NETWORK.....	81
FIGURE 40 - LIMITED CONTACT NETWORK (%).....	81
FIGURE 41 - LIMITED ACCESS TO FINANCIAL CAPITAL	81
FIGURE 42 - LIMITED ACCESS TO FINANCIAL CAPITAL (%)	82
FIGURE 43 - OBTAINING ADEQUATE REPRESENTATION IN THE BRAZILIAN MARKET	82
FIGURE 44 - OBTAINING ADEQUATE REPRESENTATION IN THE BRAZILIAN MARKET (%)	82
FIGURE 45 - CULTURAL DIFFERENCES	83
FIGURE 46 - CULTURAL DIFFERENCES (%)	83
FIGURE 47 - LIMITED INTERNATIONAL EXPERIENCE	83
FIGURE 48 - LIMITED INTERNATIONAL EXPERIENCE (%)	84
FIGURE 49 - LIMITED KNOWLEDGE OF THE MARKET AND COMPETITORS	84
FIGURE 50 - LIMITED KNOWLEDGE OF THE MARKET AND COMPETITORS (%).....	84
FIGURE 51 - DIFFICULTY IN CONTACTING CUSTOMERS IN BRAZIL	85
FIGURE 52 - DIFFICULTY IN CONTACTING CUSTOMERS IN BRAZIL (%)	85
FIGURE 53 - DIFFICULTIES IN PROMOTION AND CHOICE OF DISTRIBUTION CHANNELS.....	85
FIGURE 54 - DIFFICULTIES IN PROMOTION AND CHOICE OF DISTRIBUTION CHANNELS (%).....	86
FIGURE 55 - HIGH COMPETITION IN THE BRAZILIAN MARKET	86
FIGURE 56 - HIGH COMPETITION IN THE BRAZILIAN MARKET (%)	86
FIGURE 57 - LIMITED RESOURCES (FINANCIAL AND/OR HUMAN CAPITAL)	87
FIGURE 58 - LIMITED RESOURCES (FINANCIAL AND/OR HUMAN CAPITAL) (%).....	87

Table Index

TABLE 1 - FRAMEWORK OF THE COMPANIES	48
TABLE 2 - INDUSTRY SECTORS OF THE COMPANIES	48
TABLE 3 - COMPANIES PRESENCE OUTSIDE OF THE BRAZILIAN MARKET	50
TABLE 4 - MOTIVES FOR INTERNATIONALIZATION (%)	51
TABLE 5 - BARRIERS IN THE INTERNATIONALIZATION PROCESS (SCORE AND RELEVANCE)	52
TABLE 6 - COMPLEXITY OF BUREAUCRATIC PROCEDURES IN BRAZIL (%).....	53
TABLE 7 - BRAZILIAN MARKET REGULATION AND LEGISLATION (%).....	54
TABLE 8 - POLITICAL AND ECONOMIC SITUATION OF THE BRAZILIAN MARKET (%)	55
TABLE 9 - FLOATING EXCHANGE RATES (%)	56
TABLE 10 - RESOURCES USED IN THE INTERNATIONALIZATION PROCESS (%).....	58
TABLE 11 – CLASSIFICATION OF THE RESOURCES USED IN THE INTERNATIONALIZATION PROCESS	59
TABLE 12 - CLASSIFICATION OF THE INTERNATIONALIZATION PROCESS TO BRAZIL	59

1. Introduction

Globalization is the process of economic, socio-cultural, and political interaction and integration between nations. The increasing international trade and technological advances have made the world increasingly interconnected and interdependent which facilitates companies' internationalization. Internationalization is the increasing degree of business activities outside of the firm's domestic market and it is how companies grow and stay competitive in the competitive global markets of today. Moreover, it is often correlated with innovation and employment growth and companies who are internationally active report higher turnover growth.

There is an extensive range of research, theories, and models regarding the topic of internationalization. Small and medium-sized enterprises (SMEs) internationalization have been drawing a lot of attention over the past few years due to their increasing presence and expansion in international markets.

SMEs make up most businesses globally and are critical contributors to employment creation and global economic development. According to the World Bank, SMEs account for 90% of businesses and over 50% of employment worldwide.

Both small and large companies face barriers when entering foreign markets, however smaller companies lack resources compared to larger ones, therefore the impact is greater. SMEs have a more limited capacity to absorb environmental and operational risks due their size and limited resources (Wright, Etemad, & Dana, 1999).

Barriers to firm internationalization can be internal or external. Main internal barriers mentioned across literature, are the lack of capital, managerial time and expertise, the limited access to information which makes it difficult to identify foreign business opportunities, and marketing related barriers like the inability to obtain foreign reliable presentation and to match competitors' prices. Most mentioned external barriers are difficulty in contacting potential overseas customers, lack of government assistance and support, cultural differences, tariffs and other trade barriers, laws, and regulations of the host country market.

Given this context, the focus of this dissertation is on the topic of internationalization, specifically Portuguese SMEs expanding to Brazil. Throughout this paper, drivers and barriers of international business and internationalization, as well as theories and models will be discussed.

The problem statement concerns the characterization of the internationalization process of Portuguese SMEs to Brazil. To elaborate this problem statement, the research questions are threefold: (i) What were the main drivers for companies to internationalize to Brazil?; (ii) What are the main barriers experienced by Portuguese companies when entering the Brazilian Market?; (iii) What resources were helpful during the process?.

To answer this, it was found relevant to divide this work in 5 chapters. Following this introduction, on chapter 2 is the literature review which will set the foundation for the development of this dissertation by exploring existing information about the research topic. Important articles and books concerning the topics of globalization, international business and internationalization drivers and barrier are outlined along this chapter.

Chapter 3 concerns the Methodology and Data Collection where the method used to collect data is explained and justified. The following and 4th concerns the context of the study, that is the Brazilian market and the findings presentation and discussion derived from the questionnaire. Lastly, the 5th chapter will be a conclusion of the analysis conducted, where the main research question is answered and any limitations to the study are pointed out.

The fundamental contribution of this dissertation is to add to the present academic discussion concerning SMEs internationalization, and the barriers that company face during this process, with a more focused view on those who plan to enter the Brazilian market. Hopefully, it provides important information regarding the topic for Portuguese SMEs, institutions, and policy makers.

2. Literature Review

2.1. Globalization and International Business

Globalization is a multidimensional concept that only refers to the economy but also social and political aspects. Economic “globalization” is a historical process that was defined in an Issue Brief of the International Monetary Fund as “the increasing integration of economies around the world, particularly through the movement of goods, services, and capital across borders” (IMF, 2008).

“In the beginning of the late 20th century, nation-states began opening their borders in efforts to be more globally competitive in international markets.” (Storti & Hassi, 2012). Globalization has pushed companies to establish operations abroad to access broader markets and boost sales, or to outsource to foreign suppliers to reduce costs to keep up with the increasingly competitive environment. International Business (IB) can be defined as all commercial transactions, including sales, investments, and transportation, that take place between two or more countries (Daniels, Radebaugh, & Sullivan, 2015). Given that most businesses are either international or compete with other international businesses, IB makes up a large component of global business.

2.1.1. Globalization pros and cons

Deregulation, reduction of restrictions on international trade and financial transactions and the rise of both bilateral and regional trade agreements boosted international trade and deeper integration. International trade has increased over the years due to globalization, which increases interdependence between countries and homogenization of many markets (Kvernland & Hedlund, 1985). Moreover, it has brought nations together to work on issues that concern society such as technology and the environment.

Economies, societies, and cultures are becoming increasingly integrated, and people are more connected than ever. Globalization has allowed the share of knowledge and technology and increased access to more goods for consumers in many countries not only between developed economies but also between developed and developing economies thereby decreasing the sense of isolation of poorer less developed countries. Furthermore, globalization allows poor countries to thrive economically by bringing in foreign capital and technology.

Proponents of globalization frequently argue that free trade promotes global economic growth, creates jobs, boosts productivity, and makes companies more competitive. To keep up with

competition and deliver more value for money to customers, firms must constantly chase inefficiencies which can result in products and services cost less and are of better quality.

However, globalization is a controversial topic that has many positive and negative effects. One of the debates on the effects of globalization on governments is whether it threatens national sovereignty. Ku & Yoo (2013) argue that the rise on international trade and capital markets which has interfered with the ability of nation-states to control their domestic economies. Osland (2003) argues that the power of MNEs increased at the expense of governments power, sovereignty, and ability to regulate business. On the other hand, greater economic development, greater interdependence between trading and investment partners and proliferation of NGOs counterbalances the decreased governmental power. On the other hand, international institutions such as IMF and the World Bank have played an important part in the globalization process as they have given international economic policies more cohesiveness and consistency (WTO, 2008).

Furthermore, arguments against globalization are often anchored on the gains of the rich at cost of the poor and the uneven distribution of benefits. Income increased globally decreasing poverty, however “there is more inequality among and within countries today than in the past”. (Osland, 2003). The fact that globalization is often associated with rising inequality leads to a lack of public support for further trade agreements.

Many corporations transfer manufacturing or operations to less developed countries with lower costs, and while this can be good to create job opportunities, some of the negative effects commonly argued are the exploitation of cheaper labor markets and the provision of unfair labor conditions by MNEs¹. Still on the topic of the impact of globalization on labor conditions, Osland (2003) argues that the internet and increased communications as well as publicity contributed to call out big firms on these actions and enforce better labor practices – what is commonly referred as the *CNN effect* (Gilboa, 2005).

Sharing knowledge and seeking knowledge are two consequences of increased globalization. That holds for countries, companies, organizations, and individuals. Companies now more than ever, hire from multicultural diverse backgrounds therefore they access a wider pool of knowledge and experience. Additionally, increasing ease in collaboration and communication between companies creates a cross-border networking of companies where knowledge and resources sharing is possible.

¹ Multinational enterprise is a company that operates in more than one country.

2.2. Motives and risks of International Business

Globalization has driven increasing competition which is reflected in companies' efforts to expand to foreign markets. Foreign competition is increasing makes it more difficult SMEs, to stay competitive in the domestic market while also succeeding in the international market, comparing with MNEs. The internationalization process differs for small and large companies, and while SMEs benefit from the speed and flexibility in their response to market changes, a drawback can be the lack of capital, external resources and international experience when compared to larger enterprises. (Kubičková & Toullová, 2013)

2.2.1. Motives

Increasing global competition, the rapid development and expansion of technology, liberalization of cross-border movements and development of supporting services (e.g. banking institutions assisting IB transactions) have facilitated companies' international business activities and eased the internationalization process. Countries have now lower barriers concerning movements of goods, services and resources and regional economic blocks "throughout the world provide fewer restrictions on cross-border movements than they did a decade or two ago." (Katsioloudes & Hadjidakis, 2007). The aforementioned factors are reasons why IB has been growing worldwide whereas the following are company drivers to engage in IB.

Companies engage in IB for several reasons. Expanding the business abroad can increase/expand sales. Expanding abroad may offer opportunities for market growth and diversification, it allows companies to access new markets and new customer pools which can lead to increased sales. Moreover, it allows companies to extend the marketable life of products/services (Rose, Rammal, Riesenberger, Knight, & Cavusgil, 2015). On the other hand, increasing sales may lower company's product costs by spreading fixed costs. Naturally, this increase in sales only adds value to the company if the costs of making the additional sales don't increase disproportionately.

International expansion allows companies to gain and access new pools of knowledge (Zahra, Ireland, & Hitt, 2000). A company seeks in foreign resources (technology, information, foreign capital), products or services that can create a competitive advantage by lowering costs,

improving product quality and/or differentiating their products from competitors and lastly, to gaining additional operating knowledge. Many companies establish foreign R&D facilities to tap additional resources - The knowledge that companies gain operating abroad can be used to enter new markets and overcome obstacles/constraints in the domestic environment later (Schmiele, 2011).

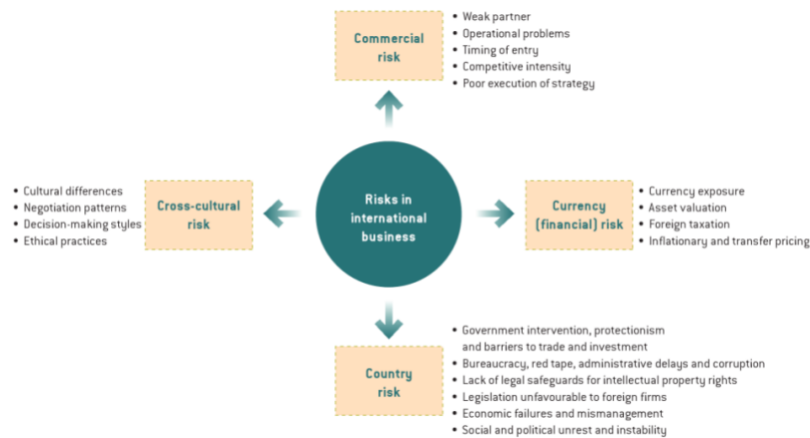
Additionally, operating across nations with various business cycles helps reduce fluctuations in sales and earnings (Daniels, Radebaugh, & Sullivan, 2015), it reduces dependence on domestic sales therefore stabilizing revenue. Sales can be decreasing or growing slowly in one country but growing somewhere else. Furthermore, by sourcing domestically and internationally we can soften the impact of price changes and shortages – thereby smoothing sales and profits. Lastly, international operations may reduce operating risk by preventing competitors from gaining competitive advantage “in foreign markets that might hurt them elsewhere.”.

For some firms it can be economically profitable to internationalize to access low-cost labor, raw material, lower production costs and have a closer location to supply sources which can reduce production costs and operating expenses in long-term, thus creating larger contribution margins. Additionally, companies with multinational operations can also benefit from lucrative investment opportunities that may not exist in their home country. For instance, several nations around the world provide incentives to businesses wishing to invest in their area.

2.2.2. Risks

The internationalization process, like other business processes, is fraught with risks. If a company decides to participate in the internationalization process, it must be aware that entering a foreign market carries several risks due to the geographic location of the target market, socio-cultural differences, the different economic climate, and legislation. Individual company risks should be considered in the context of the whole, as they may interact. Every significant decision about the internationalization process should include a full analysis of the risks involved with the process. These will also differ depending on how you enter the international market and can be a barrier to the internationalization process.

Figure 1 – Risks in International Busin



Source: Adapted from Cavusgil, Knight, Riesenberger, Rammal & Rose
(2015)

A famous model of risks in IB, presented by (Cavusgil, Riesenberger, & Knight, 2020) in the book “International Business: The new realities”, comprises four categories: commercial risks, cross-cultural risks, country risks and currency (financial) risks – (see figure 1).

Cross-cultural risks arise from miscommunications and misunderstandings due to different language, customs, lifestyles, and religious beliefs, etc. This can lead to ineffective strategies and relations with foreign partners. “Businesses cannot be successful unless they understand how culture influences their business and organization.” (Universal Consensus, 2016). Values are unique to cultures and transmitted over generations, these values influence employees working style and consumer buying habits. Companies that fail to recognize the cultural diversity of their markets risk missing important consumer segments.

Country risks (also known as political risks) are the possible negative impacts on a company's operations and profitability that can arise from unfavorable changes in a foreign country's political, legal, and economic environment. It includes the possibility of foreign government interference in firms’ business activities, which differs by nation. Country risk also encompasses rules and regulations that might stifle a company's ability to operate and perform (Berry, 2013).

According to the U.S International Trade Administration, some country factors to research are political and economic stability, legal system and intellectual Property Protection Laws, banking structure and tax implications. Governments may, for example, establish market access restrictions, impose bureaucratic procedures on business transactions, and limit the amount of

earned revenue that companies may bring home from overseas activities. Property rights, intellectual property protection, product responsibility, and taxation policies are all important legal elements. Moreover, high inflation, national debt, and imbalanced foreign commerce are all factors that can negatively impact a country's economy.

Currency risk (also known as financial risk) is caused by unfavorable fluctuations in exchange rates. An exchange rate is the value of a country's currency versus that of another country or economic zone. This is a very important risk in IB since many business transactions are made in different currencies. Several factors can affect currency exchange rates such as political stability, public deficit, balance of trade, government intervention (policies hinder normal equilibration of exchange rates), inflation and interests' rates that are also tied with the latter and the exchange rates (Bouchet, Clark, & Gros Lambert, 2003).

Lastly, **commercial risks** emerge from poorly developed business strategies that may lead to profit loss or failed attempt to internationalize. It can be a badly chosen time of a foreign market entry, selection of business partners, inconvenient pricing among many other company decisions.

These four types of risks are present everywhere, can't be avoided and are closely related to each other. Risk management is about enhancing positive risks (opportunities) while avoiding or mitigating negative risks (threats) (Project Management Institute, 2017). It is the company's job to conduct research to foresee these risks, comprehend their possible implications and take the necessary steps to mitigate their impact.

2.3. Internationalization Process

Extensive research on the internationalization process of firms has originated different perspectives and theories regarding this process. As for the incremental, two streams of research regarding the internationalization process stand out. The cited and renowned U-model - Uppsala International Model (Johanson & Vahlne, 1997; 2009) and the I-M models - Innovation-Related Internationalization Models (Bilkey and Tesar 1977; Cavusgil 1980; Reid 1981; Czinkota 1982).

Both models see internationalization as a gradual process. Nonetheless, the U-M model sees internationalization as a dynamic and lengthy organizational learning process while the latter (I-M models) sees the internationalization decision as an innovation decision for the firm, and more of step-by-step stages model. Both models are based on a behavioral assumption as regards to the internationalization process (Andersen, 1993) and credit the sluggish, incremental essence

of internationalization on two factors: the firm's lack of market knowledge (especially experiential knowledge) and the uncertainty of the successive decisions to internationalize.

As opposed to a gradual internationalization, Born Globals (BG) must devise an internationalization strategy upon founding and aim at international, or even global, markets from their inception. (Madsen & Servais, 1997). Like the previously mentioned streams of research, Born Global Approach is also on a behavior assumption that is entrepreneurial and proactive risk taking (de Perea, Ramírez-García, & del Cubo-Molina, 2019).

2.3.1. Uppsala Internationalization Model (U-M)

2.3.1.1. Uppsala Model 1977

Johanson and Vahlne (1977) characterize the process of a company's internationalization as a sequential process of expanding market commitment. According to the authors, there was a pattern of increasing foreign business activities that lead firms to higher market commitment - such as moving from exporting to establishing a manufacturing in foreign market – called the *establishment chain*. Another feature of this pattern is that firms usually started in foreign markets that were closer to the domestic market in terms of *psychic distance* and only after would they move further away. “The larger the psychic distance the larger is the liability of foreignness” (Vahlne & Johanson, 2009). Liability of foreignness can be defined as the additional costs that multinational firms incur in comparison to local competitors when operating in foreign markets.

The model has two change mechanisms (*see figure 2 and 3*): Firstly, firms change by learning from their operations, current activities, and international market experience – market knowledge – which guides their level of commitment. Secondly, firms change as a result of their commitment decisions that guide how the firms' activities will grow and subsequently lead to the next level of market commitment, strengthening their position in the foreign market.

2.3.1.2. Business Network Model of the Internationalization Process - Uppsala Model Revisited (2009)

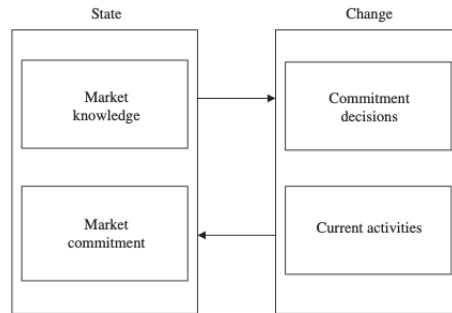
Over the years that followed the development of this model, studies and research have identified the importance and influence of networks in the internationalization of firms (Coviello & Munro, 1995); (Welch & Welch, 1996) therefore, the authors decided to update their model in

contemplation of this evidence. The revised Business Network Model (Vahlne & Johanson, 2009) considers that the firm is part of a business network with actors engaged in wide range of interdependent relationships, that is both enabling and restricting. According to the authors, existing business relationships have a significant impact on which geographical market a company will decide to enter and which mode it will use, because they allow the identification and exploitation of opportunities. According to the network perspective, opportunity identification and development is built on interactions between partners who build knowledge and trust as they commit further to the relationship. In this model it is emphasized the additional importance of identifying and developing opportunities when compared to overcoming market uncertainties.

The Business Network Model consists of two set of variables: state and change variables (*see figure 2*). The variables affect each other, therefore the model a is “dynamic cumulative process of learning, as well as trust and commitment building” (Vahlne & Johanson, 2009, p. 13). Increasing level of knowledge has an impact on building relationship trust and commitment (this impact can either negative or positive). Opportunity recognition is also on the knowledge “box” for the aforementioned explanation, this is considered to be what drives the process. As relationships are the result of learning, trust building and commitment, “Current activities” changed to “Learning, Creating, Trust-building” that are the outcome of the firms’ current activities and operations.

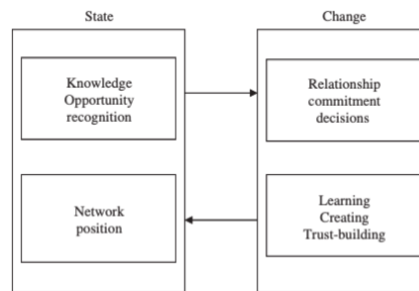
Previous state variable “Market commitment” is now “Network Position” due to the assumption that the internationalization process of the firm is pursued with a network. Companies construct the network, and if the outcome of knowledge creation and exchange and trust and commitment building is beneficial the firm “enjoys a partnership and a network position” (Vahlne & Johanson, 2009). In other words, *insidership* in relevant network(s) is necessary for successful internationalization therefore there is a *liability of outsidership* if one does not enjoy this network position.

Figure 2 - The basic mechanism of Internationalization: state and change aspects – Uppsala Model 1977



Source: Johanson & Vahlne (1977)

Figure 3 - The basic mechanism of internationalization: state and change aspects - The Business Network Model 2009



Source: Johanson & Vahlne (2009)

2.3.2. The Innovation-Related Internationalization Models (I-M)

The Innovation-Related Internationalization Model considers internationalization as an innovation for the firm and is supported by the several research, among the most mentioned are the work of Bilkey and Tesar (1977), Cavusgil (1980) and Reid (1981). This model similarly to the previous, also describes internationalization as a succession of incremental stages but differs in terms of what is considered the internationalization's initiating mechanism (Knight & Cavusgil, 1996). According to this approach, internationalization is the consequence of a series of management innovations that occur within the firm. These sequential and gradual process is attributed to lack of information, experiential and market knowledge, uncertainty, and higher costs in foreign activities.

Bilkey and Tesar (1977) conceptualizations presume that the firm is not interested in exporting in the first stage, but willing to satisfy unsolicited orders in the second stage which lurs

to the conclusion that there must be some kind of “push” mechanism or external change agent that triggers the export decision. For Bilkey and Tesar (1977) only after the first stages of receiving exporting orders and fulfilling them, the management starts considering the feasibility of exporting considering first psychologically close countries². Upon these initial stages, as an “experienced exporter” the company can later consider the possibility of some psychological further away location. The study found that the most relevant factor for companies to export was receiving the unsolicited order, the second most important being management’s view and expectations of growth and expansion and the perception on exporting and foreign locations.

In the Cavusgil (1980) and Reid (1981) conceptualization, the company is defined as more interested and active throughout the early phases. A "pull" mechanism or internal agent of change is likely a more appropriate explanation for these models as to why the company advances to the next level. (Cavugil, 1980) argues that external and internal stimuli arouse the company to start searching for relevant information and to consider the exporting decision.

Reid (1981) views the export decision as an innovation process that starts with the firm’s awareness and problem/opportunity recognition. Unsolicited order and visits to foreign markets can also be a stimulus that brings this awareness but this model places emphasis in the way decision maker(s) antecedents such as past experiences, exposure to foreign information affects knowledge, attitude, and preferences regarding foreign markets. A decision-maker that has experience in other firms that was involved in international operations, has developed knowledge and contacts that gives him the awareness to “identify relevant export market opportunities”. Therefore, decision maker characteristics is considered an internal stimulus that influences the company’s decision to internationalize (Welch, Olson, & Wiedersheim-Paul, 1978; Reid, 1981)

According to Cavusgil (1980), firms receive more external than internal stimuli. External stimuli can come in the form of unsolicited orders from different types of agents (buyers, distributors, banks, trade associations, etc...) and internal stimuli can be the firm’s motivation to leverage its competitive advantage (products, resources, production processes) or to overcome unfavorable circumstances such as saturated markets or growing competitive pressure. When a company is aware of a unique asset that it possesses, it more inclined to look for new ways to explore its advantages, which can reflect in interest in testing new markets (Welch, Olson, & Wiedersheim-Paul, 1978).

² Country with similar culture and similar stage of economic development

(Reid, 1981) points out a limitation in researcher's internationalization theories. Internationalization is different for large and smaller firms. Larger firms' foreign expansion behavior "is likely to be more structurally determined", and for the smaller firms is more likely to "be more affected by individual decision-maker(s)".

2.3.3. Born Global Approach

Born Global "are companies that engage in international expansion soon after starting in a domestic market" (Morris & Oldroyd, 2020, p. 21) as opposed to the usual path of succeeding first domestically and then moving abroad. The phenomenon of BGs challenges traditional internationalization theories.

A wide range of factors gave rise to the emergence and proliferation of BG firms. With market globalization, rising consumer demand for specialized or customized items in developed economies and increased global rivalry from large multinationals have created niche markets that can be valuable source of opportunities for small businesses (Knight & Cavusgil, 1996).

Knowledge, technology, enabling institutions, and other facilitators of internationalization have become increasingly available to all enterprises in today's global market. With the integration of financial markets, entrepreneurs in any country and smaller firms can seek and get funding (Madsen & Servais 1997).

The globalization of technology is another important trend. Increasing efficiency in information and communication technologies, production methods, transportation, and international logistics have reduced the costs of doing business internationally and removed barriers that previously prevented small businesses from participating in international markets. Due to these advances in process technology, small businesses can now compete on cost, quality, and flexibility with larger corporations (Thai & Chong, 2008).

BG are defined by certain characteristics; they view the world as their domestic market unlike traditional companies that see foreign markets as a step after the domestic market. The internationalization pattern of BG is quick expansion from foundation as they begin exporting within few years of establishment. Unlike the Uppsala Model, BG approach to internationalization is opportunity creation and proactive risk-taking. Moreover, vast majority BG are founded by entrepreneurs and arise as a consequence of a substantial breakthrough in a process or technology.

These types of firms tend to compete on value added, they may use cutting-edge technology to generate a novel product concept or a new business model therefore, these products tend to represent narrow market niches (Knight & Cavusgil, 1996; de Perea, Ramírez-García, & del Cubo-Molina, 2019).

2.4. SME internationalization

Micro, small, and medium enterprises (SMEs) are “enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.” (European Commission, 2003).

Advances in technology, market deregulation, lower trade barriers and eased financial transactions have reduced internationalization costs and provided opportunities for SMEs to enter foreign markets. In a globalized world of increasing competition, SMEs must be able to overcome this increased competition from developed and emerging economies, as well as tap into the market opportunities that these countries offer.

The European Economy relies heavily on SMEs, they account for 99% of EU business (European Commission, 2014). A study published in 2010, by the European Commission (EC), concluded that active internationalization efforts are linked with increased competitiveness, and higher turnover and employment growth, and strongly linked with innovation. SMEs internationalization is a major instrument in sustaining innovation and boosting economic growth, both nationally and internationally.

2.4.1. Drivers for SMEs internationalization

Drivers for internationalization can be classified as proactive (internal decisions based on firm competencies) or reactive (arising out of responses to threats and pressures from domestic foreign markets) (Vijaygopal, Wasdani, & Manimala, 2019).

According to the European Competitiveness report (2014), internal factors include firms’ characteristics and firm-specific advantages. The former entails ownership and management characteristics (knowledge, experience, motivation), firm industry, size, and age. Firm-specific

advantages include technological innovations, know-how and experience, organizational flexibility, and close client relationships (Svetličič, Jaklič, & Burger, 2007).

External factors include home and host country characteristics. Domestic market conditions (size, competition) and foreign market potential according to host country characteristics such as tariffs, regulations, political risk factors, and geographical and cultural distance (Brochado, Lobo, Pacheco, & Maldonado, 2020).

(Ferreira & Morais, 2020) also acknowledge how certain human capital characteristics positively influence SMEs internationalization namely international experience and orientation, as well as growth and risk-taking orientation. Moreover, the authors emphasize the role of technology and innovation as the two are closely linked with firm's foreign operations.

Rutihinda (2008) also mentions as prominent drivers of SMEs internationalization, managerial international orientation, domestic market conditions, the level of industry globalization as global industries face higher competition from foreign firms, and established networks. The lack of public support can be a barrier to internationalization however, the role it plays as a driver in promoting greater internationalization is more relevant. Successful support must focus on developing internal capabilities, with access to training and consulting services playing a key role. Even though there are many programs to support SME internationalization exist, they are largely unknown.

2.4.2. Barriers for SMEs internationalization

SMEs have smaller market shares, weaker reputations, smaller economies of scale, fewer resources (Benito & Welch, 1997); (Knight & Liesch, 2002) less knowledge about international markets and less extensive integration into international networks compared with bigger firms (Brochado, Lobo, Pacheco, & Maldonado, 2020). However, the flexibility and agility of decision-making of smaller firms is perceived as an advantage.

Barriers that influence SMEs internationalization are usually divided in internal (related to company's resources and capabilities) and external barriers (related to the host and home country environment). Korsakienė and Tvaronavičienė (2012) concluded that the barriers faced by SMEs vary depending on their country of origin. A review of 32 empirical studies by Leonidou (2004) categorized and ranked several exporting barriers. The impact of barriers differs according to firm specific situation and characteristics.

2.4.2.1. Internal barriers

Informational

Internal barriers include information constraints in locating, selecting, and analyzing export market (Vijaygopal, Wasdani, & Manimala, 2019). Lack of information regarding the market and its players makes it difficult for companies to identify business opportunities and contact potential customers (European Commission, 2014), and to identify foreign business practices (Bilkey & Tesar, 1977).

Firms engaging in business outside their domestic market face uncertainty and lack of information regarding the host country environment, therefore suffering from a Liability of Foreignness and Outsidership. Liability of foreignness has to do with psychic distance and country-specific factors (laws, rules, culture, and language). The higher the psychic distance, the harder it is to understand foreign business environments which affects firms' ability and easiness to form relationships. Outsidership is related with relationships and networks with other actors in the market, a firm that does not have a relevant network position in the foreign market is an "outsider" (Johanson & Vahlne, 2009).

Functional

Functional barriers are related with human resources, production, and finance. Especially smaller companies have limited managerial time and expertise to explore (European Commission, 2014), plan and handle business exports and international operations. Lack of excess production capacity (mostly due to the inefficient use of resources) and working capital are also included in this category.

Marketing

Marketing barriers include 16 barriers that relate to the product, price, promotion, distributions, and logistics and are concentrated on adjusting the marketing plan due to pressure exuded by external forces. The ones with higher impact are the difficulty in matching competitors' prices and offering satisfactory prices to costumers. The excessive transportation/insurance costs followed by, granting credit facilities to foreign customers, and accessing export distribution channels. Lastly, one difficulty that is mentioned in several papers is obtaining reliable foreign representation (Bilkey & Tesar, 1977; Leonidou, 2004; European Commission 2014).

2.4.2.2.External barriers

Procedural

Unfamiliar export procedures/documentation, difficulty contacting international clients, and slow money collection from abroad are three hurdles in this category, all of which are connected to the operational elements of dealing with foreign consumers.

Task

Tasks barriers are focused on the firm's customers and competitors abroad. Consumer habits and attitudes vary according to socio-cultural and economic environments which leads to difference product preferences and usage. Companies incur in higher costs to adjust their strategy according to these differences. Eager competition overseas is also a task barrier for smaller companies with less resources.

Governmental

The lack of government assistance and support is considered across literature a major exporting barrier, especially if companies are not aware or if insufficient for smaller companies (Korsakienė & Tvaronavicienė, 2012). However, the presence of institutional support is a driver for SME internationalization (Brochado, Lobo, Pacheco, & Maldonado, 2020). Included in this category is also unfavorable home government rules and regulations which may restrict companies.

Environmental

The political, economic, legal, and socio-cultural environment where the company operates defines the barriers that it will face in both home and host countries. If the foreign location where the firm plans to operate has poor economic conditions and political instability, this affects negatively consumer behavior and purchasing power, and firm's operations. Economic barriers also include foreign currency exchange risks which is a problem that concerns IB transactions.

Different sociocultural traits and language differences (verbal and nonverbal) can be a barrier for firms since it hinders the understanding of the desired location's cultural context, the communication with the target consumers and awareness of their needs and therefore the marketing strategy.

Figure 4 - Barriers of internationalization process

Classification (Leonidou, 2004)	Barrier
Internal	
Informational	Limited contact network
	Difficulty in contacting customers in Brazil
	Difficulty in contacting potential partners and forming new business relationships
	Limited knowledge of the market and competitors
Functional	Lack of time and/or experience of management/administration
	Limited access to financial capital
	Limited international experience
	Limited resources (financial and/or human capital)
Marketing	Difficulty in matching the competition's prices
	Difficulties in promotion and choice of distribution channels
	Obtaining adequate representation in the Brazilian market
	High transportation costs
External	
Procedural	Complexity of bureaucratic procedures
Governmental	Lack of incentives and governmental/institutional support
	Brazilian market regulation and legislation
Task	High competition in the Brazilian market
Environmental	Cultural differences
	Floating exchange rates
	Political and economic situation of the Brazilian market
	Difficulty in repatriating capital

Source: Adapted from Leonidou (2004)

3. Data Collection & Methodology

In this chapter, the methodological approach chosen and the process of data collection to answer the research question will be further explained.

3.1. Methodology

In research, the two methods of reasoning are inductive and deductive approaches. Deductive reasoning “works from the more general to the more specific” (Trochim, 2006). The idea is that it starts with a theory and/or existing knowledge (literature review) on a topic of choice from which we build hypothesis with the goal of using observations to confirm/deny it.

Inductive reasoning works the opposite way, “moving from specific observations to broader generalizations and theories” (Trochim, 2006). The idea is that from these observations patterns and regularities are identified from which we draw some tentative hypothesis to test and afterwards a conclusion or theory can be developed.

In this dissertation, both reasonings were used. The literature review lays the theoretical foundation for the conception of the questionnaire and the information and data gathered from the companies will serve as knowledge for other Portuguese SME’s internationalizing to Brazil.

Regarding the sources of the information used throughout this master dissertation, both primary and secondary data were used. Primary data is original data that is collected for a specific goal or research problem, using the procedures that best fit the problem statement. Secondary data can be defined as “data originally collected for a different purpose and reused for another research questions” (Hox & Boeije, 2005).

As for the primary data, as previously mentioned a questionnaire was developed and further shared via email to several companies that according to the AICEP have business in Brazil. The goal of this questionnaire was to collect first-hand information regarding to the companies’ experienced drivers and barriers when internationalizing to Brazil. The advantage of collecting primary data is that the research design and data collection can be tailored to the research questions, this way the information collected can better answer the problem.

Creswell (2005) argued that a quantitative approach is preferred when the research problem concerns trends or explanations and that a qualitative approach is best fitted for problems that need to be explored to get a deeper understanding. Qualitative data is less controlled and leaves room

for a more biased interpretation (Creswell, 2005). However, it is data that brings a higher level of complexity, detail, and context to the research topic (Hox & Boeije, 2005). On the other hand, quantitative data is measured values and expressed numerically it can be understood by everyone with less ambiguity on interpretation.

The questionnaire designed together with some of the respondents provided some insights regarding the companies' internationalization process which allowed to collect important data for this study. Given the low response rate to the questionnaire, a qualitative analysis was done to explore the respondent's internationalization experience.

Regarding secondary data that was used to develop the theoretical foundation for this dissertation, the sources of information entail articles, academic papers, reports, books, and some websites. To develop the context of the study, which is the Brazilian market, we resorted to various sources of public secondary data. The advantage of secondary data is that we can get faster and easier access to a wider pool of information with less cost. The disadvantage is that since this data was collected for a different purpose (by definition) therefore it may not be optimal to help answer the problem or research question at hand.

3.2. Data Collection

3.2.1. Development of the questionnaire

The questionnaire was created using Google Forms and it is divided in 4 sections ([Appendix A](#)):

- Part I: Framework of the company

This part aims to collect information about the categorization of the company with PMEs, its industry and age. This information allows us to get an overview of the respondents.

- Part II: Motives for internationalization

The goal of this section is to identify the main motivation behind the firm's internationalization process to the Brazilian market. The list of motives in the questionnaire was developed based on the literature review (sections [2.2.1](#) & [2.3.1](#)).

- Part III: Barriers in the internationalization process

This is the most extensive part of the survey that contains a list of all the main barriers mentioned during literature review (sections [2.2.2](#) & [2.3.2](#)) that companies, especially SMEs, face during the internationalization process. The goal of this part is to understand to what degree companies experienced these barriers.

- Part IV: Conclusion

The final part of the survey collects information about the difficulty and complexity of entering the Brazilian market and how they classify the support they received.

3.2.2. Distribution of the questionnaire

Several associations and institutions were contacted by email ([Appendix B](#)) in the effort to get a consistent list of companies.

It was found relevant to contact AICEP (Agência para o Investimento e Comércio Externo de Portugal) which provided a list of 100 Portuguese companies that export to Brazil. IAPMEI (Instituto de Apoio às Pequenas e Médias Empresas e à Inovação) redirected the email to AICEP.

Anpme (Associação Nacional Pequenas Médias Empresas) did not answer, and the Portuguese Chamber of commerce and Industry answered that they did not possess the information requested and suggested contacting the Luso-Brazilian Chamber of Commerce which was contacted via email and telephone without success.

AICEP has a Portuguese Supplier directory³ where it is possible to search Portuguese companies and the markets they supply. If searched Brazil, the results are a list of Portuguese companies that have activity within the Brazilian Market. Together with the list that AICEP provided and the directory page list, a total of 440 companies were contacted via email ([Appendix C](#)). In total, 39 answers were received which gives an 8.86% response rate but one of the answers was eliminated because the respondent answered that it did not have any activity in Brazil when asked what the company's motivation behind the internationalization to Brazil are (in the survey part II – motivations for the internationalization).

³ Can be assessed at: <http://export.portugalglobal.pt/export/>

4. Results and Discussion

4.1. Context

The purpose of this section is to provide some background information regarding Brazil and its relationship with the EU and Portugal, to contextualize the activity of the companies. The findings will be discussed in the next section considering this information.

4.1.1. Brazil

The Brazil is the 5th largest country in the world and the largest country and economy in Latin America. According to The World Bank, Brazil population was over 212 million in 2020 (being the 6th most populated country in the world) which makes it one of the largest consumer markets in the world. Moreover, Brazil is a country with very young population, being that 62% of the population is 29 or under (Santander, 2022).

Brazil is part of BRICS that is an association of the 5 largest emerging economies in the world: Brazil, Russia, India, China, and South Africa. BRICS countries occupy about 30% of the world's territory and house about 45% of the world's population.

According to the IMF, Brazil is one of the largest economies in the world, being in 12th place regarding GDP ranking. Brazil has suffered many economic crises (the global financial crisis 2007-2008; the 2014 Recession crisis that arose from the impeachment of Dilma Roussef and the recent COVID19 pandemic crisis) and the country has high and volatile inflations rates. As reported in the Brazil Government page⁴, GDP grew 4.6% in 2021 (adding up to R\$8.7 trillion) recuperating the 2020 COVID-19 shrinkage of the economy however, this growth is projected to slow down in the next couple of years. Inflation has risen and stronger monetary policy has been enforced which will affect domestic demand (IMF, 2022), debt has risen, and the salaries did not accompany the inflation. Furthermore, the unemployment has risen and expected to stay on double digits for the next years (Rosati, 2022).

Brazil is a developing nation and emerging economy which means that although this is often seen as a sign of high levels of growth, it also indicates that some sectors of the economy are

⁴ <https://www.gov.br/pt-br/noticias/financas-impostos-e-gestao-publica/2022/03/pib-cresce-4-6-em-2021-e-supera-perda-provocada-em-2020-pelos-efeitos-da-covid-19>

still in need of development. As such, emerging economies are attractive due this rapid growth and good return on investments that can provide but still they pose some risks and difficulties.

The Brazilian economy is increasingly dependent on micro and small businesses. According to a report released by the World Bank in 2021, they make up 90% of the nation's firms and 20% of the GDP. In 2020, during the pandemic crisis there was a peak in entrepreneurial activities and there was a 15% year-on-year increase in new microenterprises.

Brazil has a decentralized government structure. It is a federal republic with 26 states and one federal district, where each has its own legislature and administration. Entrepreneurs must therefore deal with diverse local practices and regulations. On average, Brazil underperforms most Latin American and Caribbean, as well as OECD high income countries in processes such as starting a business, registering a property, construction permits and paying taxes.

Despite being one of the top investment destinations in the world and having a prosperous business climate, corruption and bribery remain significant roadblocks. Due to the political system's federal framework, there are many different regulatory authorities, which may result in requests for bribes. Brazil was ranked 96 in the corruption perception index by Transparency International in 2021 with a score of 38/100 (below the global average score), and organized crime is still a major issue in several regions of the nation.

Brazil's regulatory environment is one of the biggest challenges for entrepreneurs. Besides the variation of regulations between locations, the processes faced in doing business are long and complex. Moreover, many times these regulations are also not transparent and accessible for firm. There is even a term coined by the Brazilian Confederation of Industry – “Custo Brasil” – that refers to the high cost of doing business in Brazil. This costs not only refers to the difficulty to comply with local legislations but also, to barriers to entry and operational costs associated (World Bank, 2021).

Paying taxes is also one of the most arduous and lengthy processes that business owners face. Brazil has one of the most complex tax systems and high tax rates. Companies across the 27 federative units in the country spend “(...)between 1483 and 1501 hours a year to prepare, file and pay taxes (...)” which is more than in any other country in the world.

Locals face these challenges, and these can be even more challenging for outsiders from whom is even more difficult to keep up with these barriers due to the lack of information and know-how. To ensure that these new business owners can establish and grow their businesses,

generate employment, and diversify the economy, creating a prosperous environment and level playing field is essential. Good business practices can be found in every region of the country, and this report highlights the opportunity that policy makers must learn from each other and apply more cohesive regulations and increase coordination between federal, state and municipal agencies which is one of the origins of the problem.

According to a report published in 2020 by the World Bank Group business regulation across countries, Brazil ranks 124 out of 190 countries in terms of easiness of doing business and the processes that entail it. These processes are qualified as indicators that together make up the ease of doing business classification. These processes range from starting a business (procedures, time, cost and paid-in minimum capital to start a limited liability company), to dealing with construction permits and getting electricity, to paying taxes, trading across borders, solving insolvency and more.

Due to underdeveloped infrastructure, ineffective customs procedures, high custom duties and a complex and not transparent tax system, businesses should be ready to deal with significant expenses and delays in the trading process. However, over the past years, Brazil has made a commitment to upgrading its infrastructure and administrative inefficiencies and as a result, clearance overhead time and costs are decreasing. It is not only not easy to keep up with what rules to comply but there are also high customs duties and tax burdens involved with trading with Brazil, especially without a bilateral trade agreement. That is why the EU-Mercosur agreement represents a great opportunity to boost trade and increase market competitiveness.

Brazil is also part of MERCOSUR (Southern common market) which is a trade bloc that comprises Brazil, Argentina, Paraguay, and Uruguay but has other associate countries. The main goal is to promote free trade and the movement of goods, people and currency.

4.2. Economic relations between Brazil and the European Union

4.2.1. EU-Brazil trade

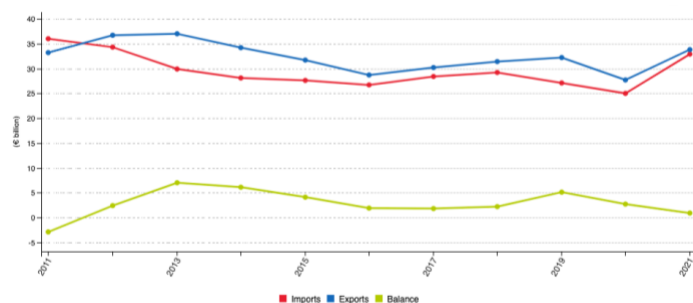
According to Eurostat⁵, in 2021, Brazil was the 13th largest partner for both EU exports and imports of goods. The figure below shows the evolution of imports, exports and trade balance

⁵ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Brazil-EU_%E2%80%93international_trade_in_goods_statistics

between EU and Brazil, and according to this source EU exports to Brazil were the highest in 2013 (€37 billion) and the lowest in 2020 (€28 billion). As for EU imports from Brazil, they were the highest in 2011 (€36 billion) and the lowest in 2020 (€25 billion) as well. In 2021, EU imports (€32.9B) were lower than its exports (€33.8B).

The data for 2020 is explained by the international trade collapse that year due to the COVID-19 pandemic scenario, which was quickly recovered in 2021, when both the volume and (year-on-year) growth rates of world trade reached record levels (OECD, 2022).

Figure 5 - Imports, exports and trade balance between Brazil and EU (2011-2021)

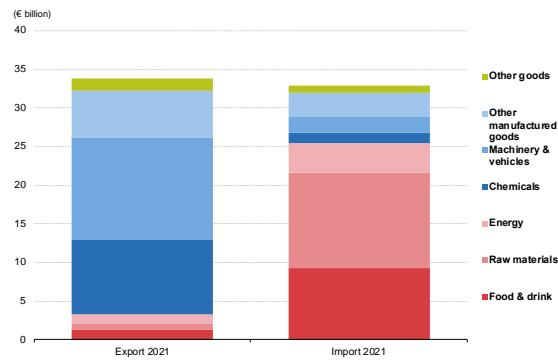


Source: Eurostat (2022)

In the figure below we can see further detail, in terms of type of goods traded. According to the EEAS (External Action Service of the EU), as of 2020 Brazil is the second-biggest exporter of agricultural products to the EU.

EU imported mostly primary goods (raw materials, food & drinks, and energy) from Brazil, which account for about 77% of the imports and are also the groups where it had trade deficits. The most exported goods were manufactured goods (machinery & vehicles, followed by chemicals and other manufactured goods), which account for 85% of EU exports to Brazil and it is where the EU had a trade surplus.

Figure 6 - EU trade with Brazil by Product Group (2021)



Source: Eurostat (2022)

Figure 7 - EU trade with Brazil: Share by product group (2021)

Share by products group		
	Export 2021	Import 2021
Food & drink	3.8%	28.1%
Raw materials	2.4%	37.6%
Energy	3.5%	11.4%
Chemicals	28.8%	4.1%
Machinery & vehicles	38.5%	6.4%
Other manufactured goods	18.1%	9.4%
Other goods	4.9%	2.9%
Total	100.0%	100.0%

Source: Adapted from Eurostat (2022)

In the EU, the biggest importers from Brazil were The Netherlands (€7.3B) and Germany (€5.3B). However, it is relevant to note that Portugal (out of all the other Member States) had the highest percentage of Brazil in its extra-EU imports. The biggest EU exporters to Brazil are Germany (€10.5B) and Italy (€4.6B), and Portugal was also the country with the highest share of Brazil in its extra-EU exports.

For context, Extra-EU imports are “goods recorded by Member States when they enter the territory of the EU (transit is not included)” and Extra-EU exports are “goods recorded by Member States when they leave the territory of the EU” (EUMOFA, 2022).

Figure 8 - EU import of good from Brazil by country (2021)

	€ million	% of Brazil in extra EU imports
Netherlands	7,293	1.9
Germany	5,321	1.2
Spain	4,565	2.8
Italy	4,278	2.2
Portugal	2,547	11.7
France	2,544	1.2
Belgium	2,347	1.4
Poland	1,006	1.0
Sweden	631	1.2
Romania	343	1.3
Slovenia	338	1.6
Finland	333	1.5
Ireland	332	0.5
Denmark	266	0.8
Greece	192	0.6
Bulgaria	180	1.2
Austria	114	0.3
Czechia	86	0.2
Hungary	82	0.2
Estonia	25	0.5
Lithuania	25	0.2
Slovakia	18	0.1
Croatia	17	0.2
Latvia	15	0.3
Malta	8	0.3
Cyprus	8	0.3
Luxembourg	6	0.3

Source: Eurostat (2022)

Figure 9 - EU export of goods to Brazil (2021)

	€ million	% of Brazil in extra EU exports
Germany	10,510	1.7
Italy	4,580	1.9
Belgium	3,735	2.4
France	3,480	1.6
Netherlands	3,069	1.4
Spain	2,593	2.1
Sweden	1,014	1.4
Denmark	788	1.6
Austria	785	1.5
Portugal	709	3.9
Poland	549	0.8
Finland	510	1.7
Ireland	357	0.4
Czechia	335	0.9
Hungary	214	0.8
Romania	141	0.7
Slovakia	125	0.7
Greece	70	0.4
Slovenia	64	0.4
Lithuania	64	0.4
Luxembourg	40	1.5
Estonia	35	0.6
Bulgaria	32	0.3
Latvia	24	0.4
Croatia	15	0.3
Malta	4	0.3
Cyprus	1	0.1

Source: Eurostat (2022)

4.2.2. Agreements

The EU, as one of the world's most open markets, puts a lot of effort on trade policies and agreements to eliminate trade and investment barriers to benefit businesses and society. As part of the EU's Market Access Strategy, the EC publishes a Trade and Investment Barriers Report where in the 2018 edition⁶, Brazil was considered the 4th country (tied with India) with the most trade and investment barriers.

EU-Mercosur trade agreement

Negotiations for an EU-Mercosur started in 1999 and on 28 June 2019, an agreement was reached between the two. Mercosur accounts for a major portion of EU exports, and these economies are heavily protected, with high import tariffs, onerous bureaucracy, and regulations and standards that differ from most international standards. Therefore, this agreement is relevant to facilitate and increase bilateral trade and investment, as well as, to decrease tariff and non-tariff barriers. It represents a strategic political and economic partnership that boosts sustainable growth on both sides and preserves the interests of consumers and businesses, while also promoting high standards and good practices on the environment and social concerns.

EU firms export around €70B in goods and services to Mercosur. According to the EC, “more than 855,000 jobs in the EU relate to exports to Brazil alone”⁷ and “more than 60 000 EU companies export to Mercosur”. This agreement covers around 780 million people and saves EU companies €4B in custom duties. One of the key elements of this agreement is Mercosur elimination of customs duties in industrial sectors (cars, machinery, chemicals, etc...) and the agri-food sectors which are two of the most traded goods between the two groups.

Moreover, it presents as a great opportunity for European companies, but most importantly for SMEs. Because small businesses may lack the time and money to address trade obstacles, they suffer disproportionately more than larger enterprises. As a result, the EU has asked for a separate chapter in trade agreements for SMEs to tackle the unique obstacles they face in international trade and investment. According to the EC, the great majority of companies in both the EU and Mercosur are (SMEs) and this agreement will cater to their specific needs as it specifically requires both

⁶ https://trade.ec.europa.eu/doclib/docs/2018/june/tradoc_156978.pdf

⁷ https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement/agreement-explained_en

parties to provide market access information on a specific SME website and creates a 'SME Coordinator' on each side to collaborate in creating methods for small businesses to benefit from the agreement's potential.

4.3. Brazil – Portugal relations

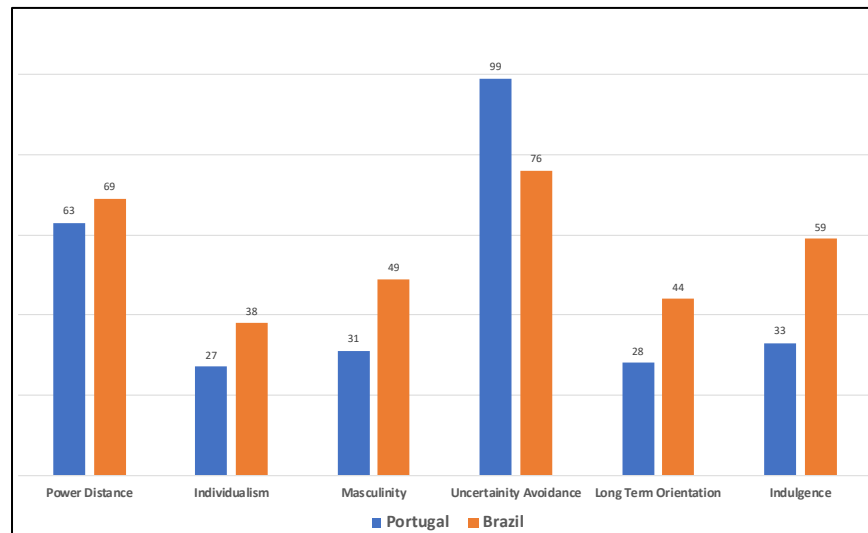
4.3.1. Shared history, language, and cultural proximity

Brazil and Portugal have a longstanding relationship. The two countries have a shared history since Brazil was colonized by the Portuguese in 1500 and are connected by shared language, religion and ancestral lines. Moreover, the two countries have good political and diplomatic ties and have a good record of cooperating in many fields (scientific, technological, social, etc...) and advocate for each other.

Portugal and Brazil are also founding members of an intergovernmental organization formed by former Portuguese colonies named Community of Portuguese Language Countries that has the goal of political and economic cooperation, collaboration across various areas and the promotion of the Portuguese language.

Moreover, the two countries signed a Friendship, Cooperation and Consultation treaty in Porto Seguro on April 22, 2000. This treaty was signed on day of the 500th year celebration of the discovery of Brazil and its goal is to consolidate the cooperation and friendship bond and to encourage the consultation and collaboration between the two countries in all areas. Another important aspect of this treaty is the Equality Statute between Portuguese and Brazilian. According to the Ministry of Foreign relations the Brazilian community in Portugal is one of the largest in the world.

Figure 10 - Portugal in comparison with Brazil - Hofstede Dimensions



Source: Adapted from www.hofstede-insights.com

Cultural distance is an important aspect of the process of internationalization, and one that can strategically influence entry modes and ways of doing business. According to the Uppsala Model, when establishing in foreign markets companies usually consider markets there are closer in psychic distance. Psychic distance can be defined the perception of the cultural and business differences between the home market and the foreign market (Evans, 2010). Which includes culture, language, politics and economics, and business practices as well.

Language barriers can complicate understanding between possible business partners, and it can hinder and delay business processes, while it can also be an advantage for similar language speaking countries because communication is facilitated and transactions are simpler and more transparent which facilitates trade (Fidrmuc & Fidrmuc, 2016).

A commonly studied and mentioned model to evaluate this is the Hofstede Model, that considers 6 dimensions on national culture: Power distance, Individualism, Masculinity, Uncertainty Avoidance, Long Term Orientation, and Indulgence. Each dimensions gets a score from 0-100 where 0 means one side of the dimension and 100 is the opposite.

The most similar aspect between the two countries is the power distance, which is the degree to which society accepts inequality. Societies with high power distance accept that power is distributed unevenly, both countries score high power distance. The most different dimension between the two is Indulgence which is the degree to which society values freedom and enjoying

good things in life, while when its low is a more restraint culture that values more duty and less freedom and fun. Brazil is an indulgent society while Portugal is a restraint one.

Individualism vs collectivism reflects how individuals in society take care of themselves and others. In a more individualist society, people are more independent, and “I” is more important than “we”. A high score means individualism, whilst in a collectivism, “we” is more valued, and people expect and are expected to take care of themselves and others. Both countries score more towards individualism however, Brazil is more collectivist than Portugal.

Masculinity represents a more “though” society where achievement, material success and assertiveness is more respected while Femininity represents a “tender”, more consensus-focused society where cooperation and modesty is more esteemed. Brazil scores in between both, and Portugal tends more to Femininity.

The next dimension on the chart, uncertainty avoidance index represents the degree to which society is uncomfortable with uncertainty and ambiguity, and afraid of the unknown. Portugal is more uncertainty avoidant than Brazil, however both countries have a high score. Lastly, short term orientation is when society honors more traditions well established norms (low score on the dimension) while long term orientation (high score) is when a society is more flexible to change and adaptable for the future. In this dimension, Brazil is more flexible than Portugal but both countries are more traditional and short term oriented.

4.3.2. Imports and Exports

According to the World Bank, raw materials, fuels, intermediate goods, vegetables, and metals are the most imported goods from Brazil to Portugal. On the other hand, intermediate goods, vegetables, consumers goods, transportation and raw materials are the most exported goods from Portugal to Brazil (World Bank, 2019).

4.4. Questionnaire results

Part I – Framework of the company

The first question was regarding what SME category companies belonged to. The option to include companies that did not fit the SME category was considered because past similar studies

held a low response rate so to collect relevant amount of data it was thought fit to also consider the experience of other categories of companies.

As mentioned before, this study did not held a good response rate, so the data presented cannot be generalized to all Portuguese SMEs in Brazil however all the 38 respondents did held business in Brazil and therefore fit to share their first-hand experience.

The majority 71% of total respondents fit the SME category. Almost half of total respondents (45%) are micro enterprises, while small and medium enterprise have equal parts (13%). The remaining 29% are companies that did not fit within the SME category.

Table 1 - Framework of the companies

Categories	Nº answers	% of answers
Micro enterprise	17	45%
Small Enterprise	5	13%
Medium Enterprise	5	13%
Does not fit in the SME category	11	29%
Total	38	100%

Source: Questionnaire data

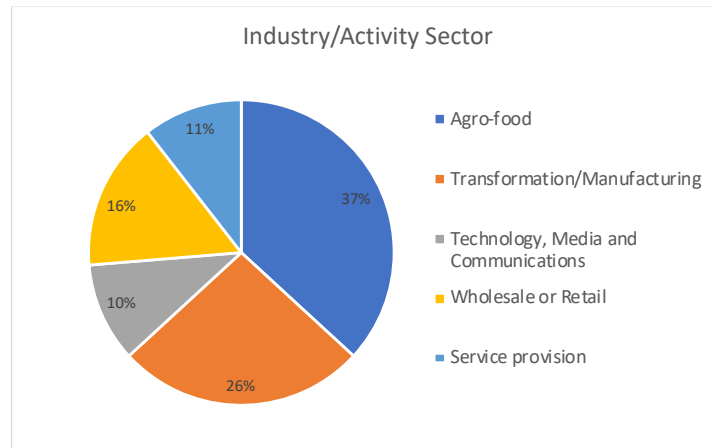
The second question of the questionnaire was regarding what industry/sector the company belonged to. As we can see in the table below, we have 5 sectors/industries represented in our data. The most prominent sector is Agro-food and the second is transforming and manufacturing – which also correspond to industries of the most traded goods between the two countries mentioned in section 4.

Table 2 - Industry sectors of the companies

Industry Sector	Nº answers
Agro-food	14
Transformation/Manufacturing	10
Health	0
Transportation	0
Public utility services (water, gas, electricity)	0
Construction and Real Estate	0
Accommodation and Catering	0
Apparel and Textiles	0
Technology, Media and Communications	4
Wholesale or Retail	6
Services	4
Total	38

Source: Questionnaire data

Figure 11 - Industry Sector of the companies (%)



Source: Questionnaire data

The third question of the first part of the questionnaire was regarding company's age, and as observed in table 3, the youngest company has only 2 years of activity while the oldest has 188 years of activity.

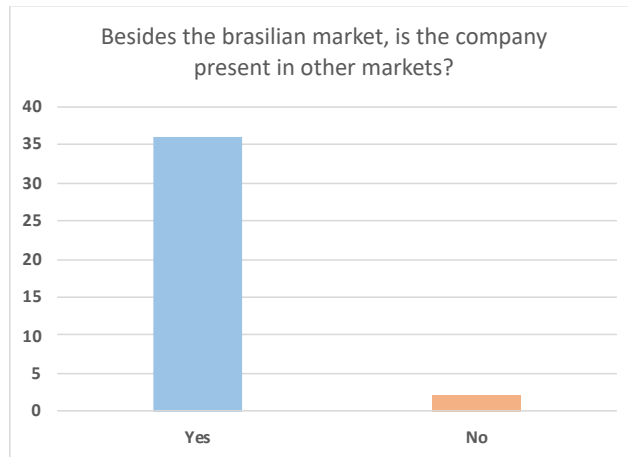
Figure 12 - Company's activity in years

Company's activity years	
Average	38.5
Minimum	2
Maximum	188

Source: Questionnaire data

Finally, the last question was if the company was present in other markets besides Brazil and only 2 (5%) of the respondents are developing foreign business activity exclusively in Brazil. Most of the companies that answered the survey are in capital- and labor-intensive industries (eg. Agro-food and manufacturing industries) therefore the main internationalization mode is exports. This can explain enterprises being present in more than one country. Moreover, younger companies can start international (Knight & Cavusgil, 1996), but given the average age and the experience of a 40 year old company it is expected that the company started with geographic and psychic closer markets, and with knowledge and experience developed for further ones (Vahlne & Johanson, The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, 2009).

Table 3 - Companies presence outside of the Brazilian Market



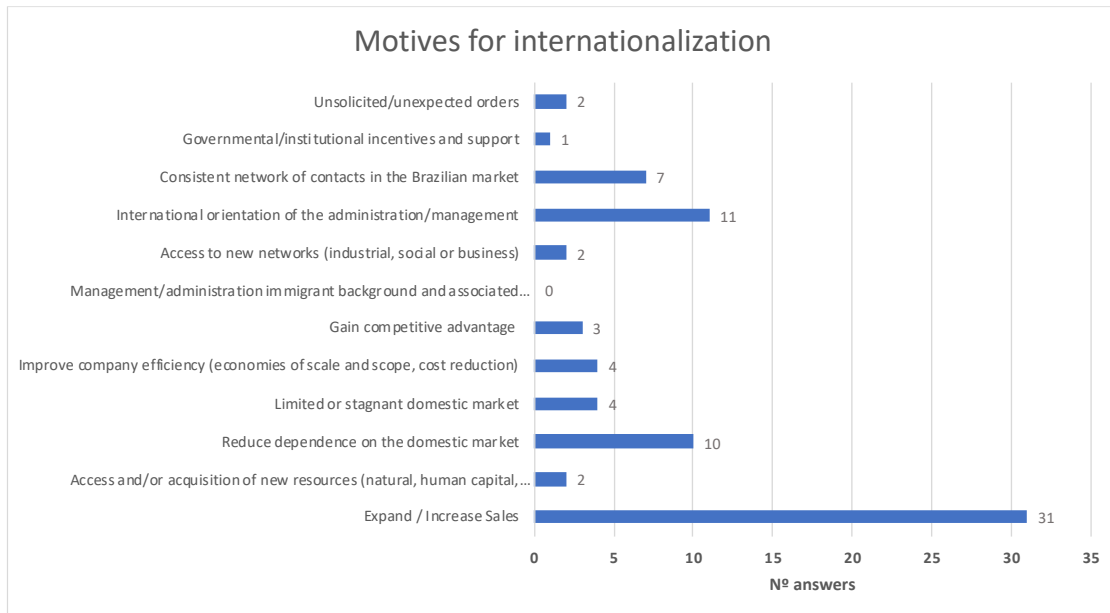
Source: Questionnaire data

Part II – Motives for internationalization

This part of the questionnaire concerns motivations/drivers for companies to internationalize, companies were allowed to select as many motives as they found fit. From this pool of motives for internationalization that result as a selection from the literature review companies could selected how many applied to their situation.

Table 5 shows how many times each motive was selected, and the percentage of companies that selected it. The main motivation for companies to move to the Brazilian market was to expand/increase sales (82% of the companies selected this motive). Followed by international orientation of the administration/management (29%) and reducing dependence on the domestic market (26%). Lastly, consistent network of contacts in Brazil (18%) showing slightly less importance but relevant nonetheless compared with the other motives.

Figure 13 - Motives for internationalization



Source: Questionnaire data

Table 4 - Motives for internationalization (%)

Motives	Nº answers	% of answers
Expand / Increase Sales	31	82%
Access and/or acquisition of new resources (natural, human capital, technology, R&D, etc...)	2	5%
Reduce dependence on the domestic market	10	26%
Limited or stagnant domestic market	4	11%
Improve company efficiency (economies of scale and scope, cost reduction)	4	11%
Gain competitive advantage	3	8%
Management/administration immigrant background and associated connections	0	0%
Access to new networks (industrial, social or business)	2	5%
International orientation of the administration/management	11	29%
Consistent network of contacts in the Brazilian market	7	18%
Governmental/institutional incentives and support	1	3%
Unsolicited/unexpected orders	2	5%

Source: Questionnaire data

Part III – Barriers in the internationalization process

In this section, companies were inquired about a list of 20 barriers (table 5) that companies experience during the internationalization process. For each barrier, the respondents had to

answers how relevant that specific barrier was with an even number ranging from 1 (little relevant) to 5 (very relevant), being that 1 means that that barrier was not a big obstacle during companies' internationalization to the Brazilian market and 5 meaning it was a big obstacle in the process.

Considering the scale, where 3 (in the middle) is a barrier that is neither irrelevant or very significant/impactful, it was considered a high relevance barrier one whose companies' average response was close to 4 (highlighted in red). Nevertheless, it was considered those above 3 (above the middle of the scale) also impactful.

Table 5 - Barriers in the internationalization process (score and relevance)

Barriers	Average response	Relevance/Impact
Lack of incentives and governmental/institutional support	2.9	Medium relevance
Difficulty in contacting potential partners and forming new business relationships	2.6	Medium relevance
Lack of time and/or experience of management/administration	2.6	Medium relevance
Difficulty in matching the competition's prices	2.6	Medium relevance
Brazilian market regulation and legislation	3.5	High relevance
Difficulty in repatriating capital	2.4	Little relevance
Political and economic situation of the Brazilian market	3.4	Medium relevance
High transportation costs	2.9	Medium relevance
Limited contact network	2.6	Medium relevance
Limited access to financial capital	2.7	Medium relevance
Floating exchange rates	3.3	Medium relevance
Obtaining adequate representation in the Brazilian market	2.9	Medium relevance
Cultural differences	2.5	Medium relevance
Limited international experience	2.6	Medium relevance
Limited knowledge of the market and competitors	2.9	Medium relevance
Complexity of bureaucratic procedures	3.6	High relevance
Difficulty in contacting customers in Brazil	2.2	Little relevance
Difficulties in promotion and choice of distribution channels	2.8	Medium relevance
High competition in the Brazilian market	2.8	Medium relevance
Limited resources (financial and/or human capital)	2.8	Medium relevance

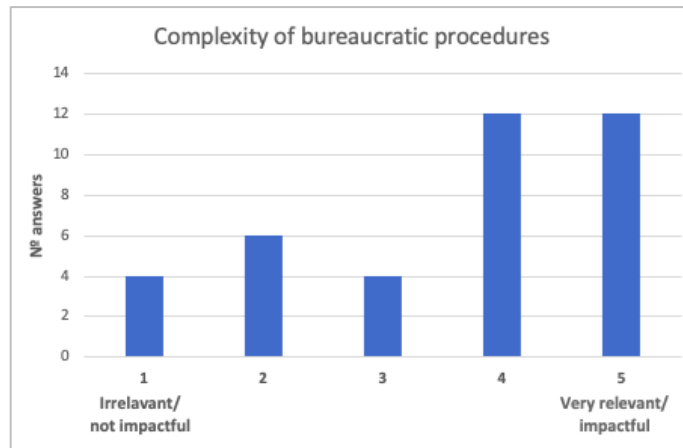
Source: Questionnaire data

The most impactful barriers are (by order of importance) are the complexity of bureaucratic procedures and the Brazilian market regulation and legislation followed by the political and economic situation of the Brazilian market and floating exchange rates.

Graphs and tables for all barriers were developed but in the following pages there will be only showed the four aforementioned barriers⁸ because they were found to be the most influential ones for companies when it comes to the internationalization process to Brazil.

1. Complexity of bureaucratic procedures

Figure 14 - Complexity of bureaucratic procedures in Brazil



Source: Questionnaire data

Table 6 - Complexity of bureaucratic procedures in Brazil (%)

Score	Nº answers	% of answers
1	4	11%
2	6	16%
3	4	11%
4	12	32%
5	12	32%
Average	3.6	

Source: Questionnaire data

Complexity of the bureaucratic procedures was the barrier with the highest score, scoring 3.6/5. 64% of the companies classified this barrier as 4 or higher therefore it was very influent in the internationalization process.

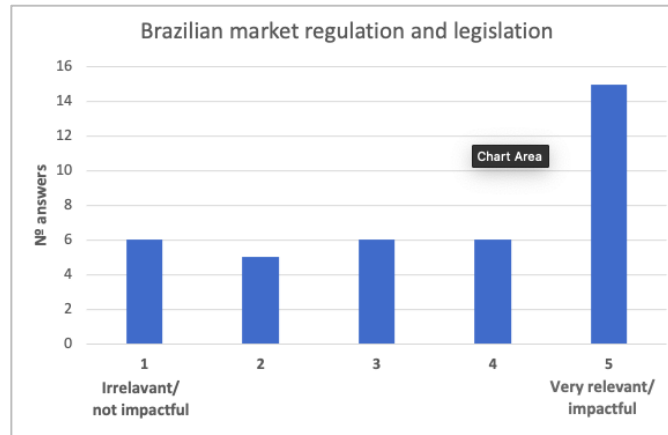
⁸ The graphs and tables for the remaining barriers can be found in Appendix D.

Furthermore, one of the respondents shared by email their experience, which confirms what has been said before:

“Permita-me como principais dificuldades a complexidade legislativa e regulamentar existente, não só no Brasil como um todo, como também as suas especificidades em cada Estado e, dentro destes, em cada Prefeitura. Neste contexto, a implementação de operacionais internacionais neste território pressupõem um domínio processual e burocrático significativo e que é específico e de acordo com a região de implementação.”

2. Brazilian market regulation and legislation

Figure 15 - Brazilian market regulation and legislation



Source: Questionnaire data

Table 7 - Brazilian market regulation and legislation (%)

Score	Nº answers	% of answers
1	6	16%
2	5	13%
3	6	16%
4	6	16%
5	15	39%
Average	3.5	

Source: Questionnaire data

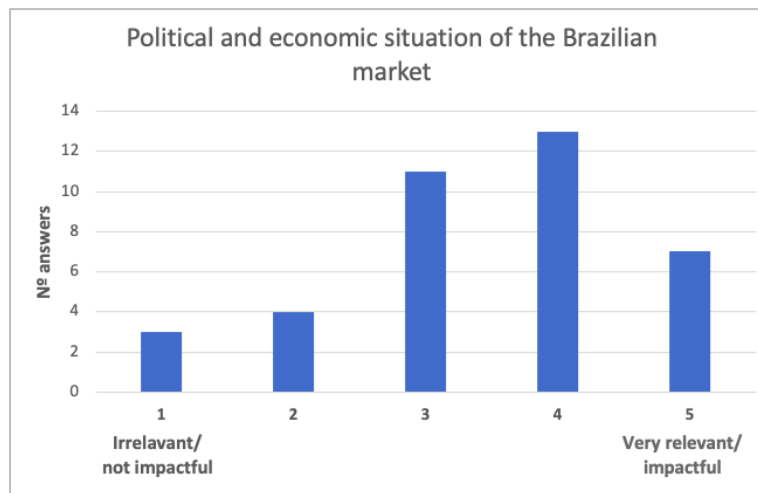
Although this barrier scored slightly below the previous one, a higher percentage of companies (39%) answered the higher score and 55% of companies responded 4 or higher. This barrier is tied with the previous one. Given Brazil’s decentralized government structure, each state has different regulations, and some are not transparent.

One of the inquired companies shared via e-mail the following:

“...exporting to Brazil is not good for business because of the import taxes that the Brazilian government puts on products that are made outside of Brazil (this is the main reason they do not trade).”

3. Political and economic situation of the Brazilian Market

Figure 16 - Political and economic situation of the Brazilian Market



Source: Questionnaire data

Table 8 - Political and economic situation of the Brazilian Market (%)

Score	Nº answers	% of answers
1	3	8%
2	4	11%
3	11	29%
4	13	34%
5	7	18%
Average	3.4	

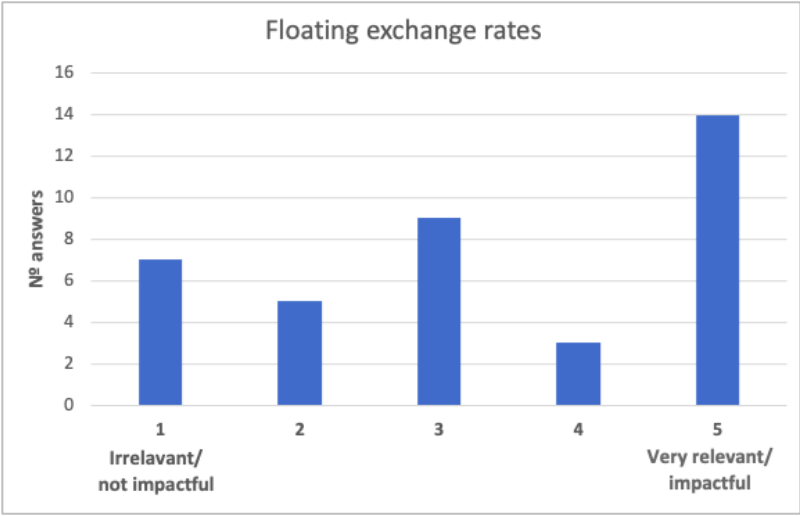
Source: Questionnaire data

The third most impactful barrier is the political and economic situation of Brazil. More than half of the respondents (52%) answered 4 or higher. Brazil has suffered many economic crises, from which the country is still recovering which in turn causes political instability and becomes a

market that is difficult to navigate, especially as an outsider. Companies are subject to the host country environment, especially to the economic situation.

4. Floating exchange rates

Figure 17 - Floating exchange rates



Source: Questionnaire data

Table 9 - Floating exchange rates (%)

Score	Nº answers	% of answers
1	7	18%
2	5	13%
3	9	24%
4	3	8%
5	14	37%
Average	3.3	

Source: Questionnaire data

Lastly, the last barrier with a score higher than 3 and with 45% of the company’s voting 4 or higher, is the floating exchange rates. Floating exchange rates are caused by many factors, but especially from the economic situation of the country, therefore these barriers are closely linked.

Fluctuating exchange rates affects the costs of goods produced and the prices practiced by the companies which in turn affects the attractiveness of the business. Moreover, as international companies, changes in the exchanges rates affects all international business transactions thus companies look for companies with less currency risks.

Part IV – Conclusion

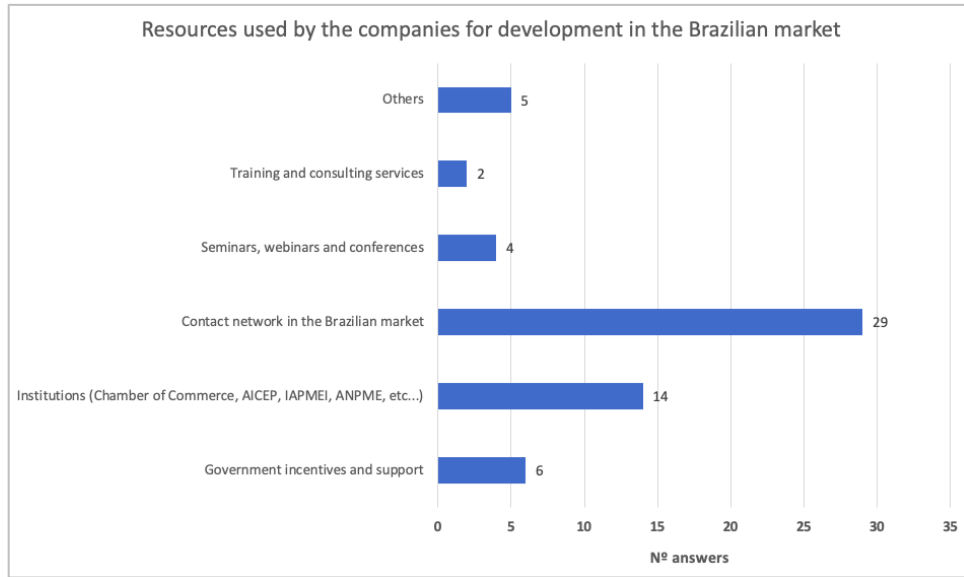
In this last part, companies were inquired about what resources they resorted during the internationalization process. The respondents could select as many as it applied to their situation.

The process of internationalization is many times lengthy and arduous, especially for companies with fewer resources such as SMEs. As such companies should leverage all the help accessible for them. The goal of this section was to understand what resources companies have resorted, and if they were helpful during the process.

According to the respondents, the most useful resource for the development of the company in the Brazilian market is having a contact network in this said market (selected by 76% of the respondents), followed by institutions/ organizations (37%) such as the Chamber of commerce or AICEP Portugal (trade and investment agency) that also disposes of a global network and other services consultancy and aids companies during the process.

In this sense, the options to choose from overlap a bit in terms of resources provided but we can still conclude that the most important resource for any company undergoing a internationalization process is a good network in the host market.

Figure 18 - Resources used in the internationalization process



Source: Questionnaire data

Table 10 - Resources used in the internationalization process (%)

Resources	Nº answers	% answers
Government incentives and support	6	16%
Institutions (Chamber of Commerce, AICEP, IAPMEI, ANPME, etc...)	14	37%
Contact network in the Brazilian market	29	76%
Seminars, webinars and conferences	4	11%
Training and consulting services	2	5%
Others	5	13%

Source: Questionnaire data

When asked about how satisfied the companies were with the support given by the resources chosen in the previous question, 55% of the companies responded 4 or higher. No respondent was extremely dissatisfied, and the average answer was close to 4. We can thus conclude that the resources that companies resorted during the internationalization, that were mostly networks and institutions, were helpful and valuable.

Table 11 – Classification of the resources used in the internationalization process

Level of satisfaction	Nº answers	% answers
1 (extremely dissatisfied)	0	0%
2	4	11%
3	13	34%
4	16	42%
5 (extremely satisfied)	5	13%
Average	3.6	

Source: Questionnaire data

The last question of the survey, inquired companies about the overall experience as entering the Brazilian market, where they had to rate the experience from 1 (complex/lengthy) to 5 (simple/rapid). The majority of the respondents (84%) answered 3 or lower, and the average response was below 3, leaning the classification of the experience of internationalizing to Brazil towards a more complex and lengthy process.

Table 12 - Classification of the internationalization process to Brazil

Rating of the experience	Nº answers	% answers
1 (complex/lengthy)	9	24%
2	10	26%
3	13	34%
4	3	8%
5 (simple/rapid)	3	8%
Average	2.5	

Source: Questionnaire data

4.3. Limitations of the study

The sample was retrieved from AISEC plus some individual research and the number of answers is small for these conclusions to be generalized to a large population. The questionnaire conducted did not inquire companies about what mode of internationalization they used to enter the Brazilian market, and it could be interest to explore which is the most common method and why since they present different risks.

5. Conclusion

Internationalization is a way for companies to outgrow competition and survive market changes. Although smaller companies possess more flexibility and agility in decision-making, they possess less resources to deal with the barriers of the internationalization process. The main goal of this study was to understand which were the main drivers and the most impact barriers for Portuguese SMEs when entering the Brazilian market, thereby answering the three research questions: “What were the main drivers for companies to internationalize to Brazil?” and “What were the most impactful barriers when entering the Brazilian Market?”, and “What resources were helpful during the process?”.

To answer these questions, a questionnaire was developed and distributed (via online) and the data was collected was analyzed. The questionnaire was divided in four parts, being that the first and last are to give context about the respondents and the second and third parts of the questionnaire were to collect data to answers our research questions.

In our sample, and complying with the literature in Chapter 2, the main reason why companies internationalized was to increase sales. The second main driver was the international view of the management/administration which also corroborates the importance of decision makers in the process that weighs even more in smaller companies (Reid, 1981). The third driver, with a very similar but lower percentage of votes, was reducing dependence on the domestic market. It is critical to gain a better understanding of the reasons behind firm's internationalization activities, such information may be utilized to help policymakers build plans that best support SME internationalization. Having a reliable network of connections in Brazil was the fourth most important driver for Portuguese SMEs, however not as important as the previous three. Networks are essential for improving management and market knowledge as they play a crucial role in determining how successfully companies enter new markets by offering solutions to issues related to "liabilities of foreignness" and "outsidership".

The barriers that hinder companies' internationalization can be either internal and related to the companies' resources and capabilities, or external factors that the host and home country. The companies surveyed identified as the main barriers when entering the Brazilian market, the complexity of the bureaucratic procedures and the Brazilian market regulations and legislation,

which are closely connected. Also linked, the other two most impactful barriers were floating exchange rates and the political and economic situation of the Brazilian market.

Brazil is a country with a great market potential however, it poses many barriers to newcomers. The country has high tariffs and regulatory barriers to trade, besides having nontransparent and disperse regulations and laws across different states. Processes are bureaucratic, lengthy and unclear and the economic situation over the last few years has not been ideal although the country is recuperating its pace. Moreover, The EU-Mercosur agreement will reduce some of the trading barriers and tariffs which is one of the main blocks to trade that Brazil has, which particularly important for our object of study - Portuguese SMEs.

As for the last research questions, what resources were helpful during the internationalization process, the most relevant was having a contact network in the Brazilian Market. In accordance with the literature review, networks are important assets for firms because they allow knowledge and resource sharing and are also important for the identification of business opportunities. Having a network in the host country also allows companies to reduce the liability of outsidership (Vahlne & Johanson, 2009).

Brazil and Portugal are countries with similar culture, that share the same language and have close ties given their history. Therefore, there is an advantage that comes with this lower psychic distance between the countries, that together with the efforts that Brazil has been making over the years to improve trade, and with the help of institutions that have been proven valuable, can enhance business opportunities between the two countries.

The main limitation in this study concerns the low number of responses collected. As such, the results cannot be generalized for all Portuguese companies entering the Brazilian Market. However, this information can be relevant for companies planning to undergo the same process and institutions that provide assistance in the process of internationalization.

As a suggestion for future studies, it could be interesting replicate this study with a larger population to be able to retrieve more statically significant data. It could be also interesting to add entry modes as another variant of study since they present different risks and involvement.

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Figure 19 - Questionnaire part I

Pequenas e Médias Empresas portuguesas presentes no Brasil.

O presente questionário foi desenvolvido no âmbito da dissertação do Mestrado em Gestão com especialização em Estratégia e Empreendedorismo da Universidade Católica Portuguesa. O principal objetivo é identificar as principais motivações e barreiras das PMEs Portuguesas no processo de internacionalização para o Brasil.

O questionário é anónimo e confidencial.

Muito obrigada pela sua colaboração,
Sofia Bicho

Duração estimada: 6 minutos

***Obrigatório**

**Parte I -
Enquadramento
da Empresa**

Esta secção tem como objectivo recolher dados gerais sobre a empresa de forma a contextualizar o processo de internacionalização.

Categorização das PMEs

- Uma microempresa emprega menos de 10 pessoas e o volume de negócios ou balanço total anual não excede os 2 milhões de euros.
- Uma pequena empresa é definida como uma empresa que emprega menos de 50 pessoas e o volume de negócios ou balanço total anual não excede 10 milhões de euros.
- Uma média empresa emprega menos de 250 pessoas e o volume de negócios anual não excede 50 milhões de euros ou balanço total anual não excede 43 milhões de euros

1. Segundo a anterior definição, em que categoria se encontra a sua empresa? *

Marcar apenas uma oval.

Microempresa

Pequena empresa

Média empresa

Não se enquadra na categoria de PME

Source: Google Forms

Figure 20 - Questionnaire part II

2. Qual o setor de atividade da empresa? *

Marcar apenas uma oval.

- Agro-alimentar
- Transformação/Fabrico
- Saúde
- Transportes
- Serviços de utilidade pública (água, gás, eletricidade)
- Construção e Imobiliária
- Alojamento e Restauração
- Vestuário e Têxtil
- Tecnologia, Media e Comunicações
- Grossista ou Retalhista
- Prestação de Serviços
- Outro: _____

3. Quantos anos de atividade tem a empresa? *

4. Para além do mercado brasileiro, a sua empresa está presente noutro(s) mercado(s) estrangeiro(s)? *

Marcar apenas uma oval.

- Sim
- Não

Source: Google Forms

Figure 21 - Questionnaire part II

Parte II - Motivos para Internacionalização	Esta parte visa compreender quais as principais motivações da empresa para iniciar o processo de internacionalização para o Brasil.
5. Quais os motivos que levaram a empresa a expandir a sua atividade comercial para o Brasil? *	
<i>Marque todas que se aplicam.</i>	
<input type="checkbox"/> Expandir/Aumentar vendas <input type="checkbox"/> Acesso e/ou aquisição de novos recursos (naturais, capital humano, tecnologia, R&D, etc...) <input type="checkbox"/> Reduzir a dependência do mercado doméstico <input type="checkbox"/> Mercado doméstico limitado ou estagnado <input type="checkbox"/> Melhorar a eficiência da empresa (economias de escala e escopo, redução de custos) <input type="checkbox"/> Ganhar vantagem competitiva <input type="checkbox"/> Contexto imigrante da gerência/administração e conexões associadas <input type="checkbox"/> Acesso a novas networks (industriais, sociais ou de negócio) <input type="checkbox"/> Orientação Internacional da administração/gerência <input type="checkbox"/> Rede de contactos consistente no mercado brasileiro <input type="checkbox"/> Incentivos e apoio governamental/institucional <input type="checkbox"/> Pedidos inesperados	
Outro: <input type="checkbox"/> _____	

Source: Google Forms

Figure 22 - Questionnaire part III

Parte III - Barreiras no
Processo de
Internacionalização

Esta parte visa compreender a importância das principais barreiras que a empresa experienciou no processo de internacionalização para o Brasil.

6. Como classifica as seguintes barreiras no processo de internacionalização no mercado brasileiro, em termos de relevância? *

Marcar apenas uma oval por linha.

	1 (pouco relevante)	2	3	4	5 (muito relevante)
Diferenças culturais	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Falta de incentivos e apoio governamental/institucional	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Falta de tempo e/ou experiência da gestão/administração	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Conhecimento limitado do mercado e competidores	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pouca experiência internacional	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Taxas de câmbio flutuantes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Source: Google Forms

Figure 23 - Questionnaire part III

Concorrência elevada no mercado brasileiro	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Situação político-económica do mercado brasileiro	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recursos limitados (financeiros e/ou capital humano)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulamentação e legislação do mercado brasileiro	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Acesso limitado a capital financeiro	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dificuldade em contactar os clientes no Brasil	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Obter representação adequada no mercado brasileiro	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dificuldade em igualar os preços da competição	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Complexidade dos procedimentos burocráticos	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Custos de transporte elevados	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dificuldades na promoção e escolha de canais de distribuição	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rede de contactos (network) limitada	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dificuldade em contactar potenciais parceiros e formar novas relações comerciais	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dificuldade de repatriamento de capitais	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Source: Google Forms

Figure 24 - Questionnaire part IV

Parte IV - Conclusão	Esta parte pretende recolher informação sobre como as empresas percecionam o apoio recebido durante o processo de internacionalização.
<p>7. Ao longo do processo de internacionalização que recursos foram úteis para a empresa e o seu desenvolvimento no mercado brasileiro? *</p>	
<p><i>Marque todas que se aplicam.</i></p>	
<p><input type="checkbox"/> Serviços de formação e consultoria <input type="checkbox"/> Seminários, webinars e conferências <input type="checkbox"/> Instituições (Câmara do comércio, AICEP, IAPMEI, ANPME, etc...) <input type="checkbox"/> Incentivos e apoios governamentais <input type="checkbox"/> Rede de contactos no mercado brasileiro</p>	
<p>Outro: <input type="checkbox"/> _____</p>	
<p>8. Quão satisfeito ficou com o apoio e recursos a que recorreu identificados na pergunta anterior?</p>	
<p><i>Marcar apenas uma oval.</i></p>	
<p style="text-align: center;">1 2 3 4 5</p> <hr/> <p>(Extremamente insatisfeito) <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> (Extremamente satisfeito)</p>	
<p>9. Como classifica o processo de entrada no mercado brasileiro?</p>	
<p><i>Marcar apenas uma oval.</i></p>	
<p style="text-align: center;">1 2 3 4 5</p> <hr/> <p>(Complexo/demorado) <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> (Simples/rápido)</p>	
<p>Fim do questionário Obrigada pelo seu tempo e disponibilidade. Alguma questão relativamente ao estudo não hesite em contactar: sofiambicho@gmail.com</p>	

Source: Google Forms

Appendix B

Figure 25 - Email sent to Associations and Institutions requesting a database of Portuguese SMEs with business activity in Brazil

Exmos. Senhores,

O meu nome é Sofia Bicho e sou aluna de Mestrado em Gestão da Universidade Católica Portuguesa. Escrevo este email para solicitar a colaboração da vossa instituição.

Estou a escrever a minha dissertação sobre a Internacionalização de Pequenas e Médias Empresas no mercado brasileiro, mais concretamente sobre as motivações e barreiras ao longo deste processo. No âmbito da recolha de dados para a dissertação, desenvolvi um questionário para partilhar com PME's portuguesas presentes no mercado brasileiro.

Escrevo este email para requisitar, se possível, a partilha de uma lista de PME's portuguesas que têm atividade no Brasil de forma a que eu possa reunir uma base de dados consistente que me permita resultados mais precisos.

Obrigada desde já pela atenção,
Aguardo resposta.

Atenciosamente,
Sofia Bicho

Source: Personal Email

Appendix C

Figure 26 - Email sent to potential respondents

Exmos. Senhores,

O meu nome é Sofia Bicho e sou aluna de Mestrado em Gestão da Universidade Católica Portuguesa.

Estou a escrever a minha dissertação sobre a Internacionalização de Pequenas e Médias Empresas no mercado brasileiro, mais concretamente sobre as motivações e barreiras ao longo deste processo.

No âmbito da tese acima descrita solicito a vossa colaboração através do preenchimento de um questionário (anónimo e confidencial), que poderá aceder através da ligação: <https://forms.gle/19dmscbfdPKikjGaA>

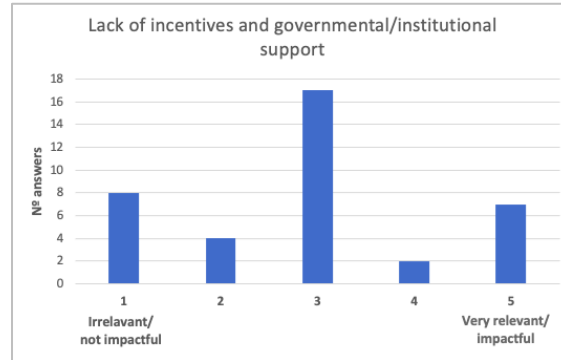
Obrigada desde já pela atenção,
Com os melhores cumprimentos,
Sofia Bicho

Source: Personal Email

Appendix D

7. Lack of incentives and governmental/ institutional support

Figure 27 - Lack of incentives and governmental/ institutional support



Source: Questionnaire data

Figure 28 - Lack of incentives and governmental/ institutional support (%)

Score	Nº answers	% of answers
1	8	21%
2	4	11%
3	17	45%
4	2	5%
5	7	18%
Average		2.9

Source: Questionnaire data

8. Difficulty in contacting potential partners and forming new business relationships

Figure 29 - Difficulty in contacting potential partners and forming new business relationships



Source: Questionnaire data

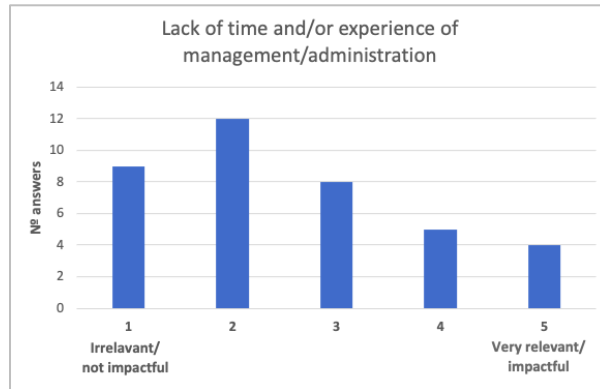
Figure 30 - Difficulty in contacting potential partners and forming new business relationships (%)

Score	Nº answers	% of answers
1	9	24%
2	10	26%
3	11	29%
4	5	13%
5	3	8%
Average	2.6	

Source: Questionnaire data

9. Lack of time and/or experience of management/administration

Figure 31 - Lack of time and/or experience of management/administration



Source: Questionnaire data

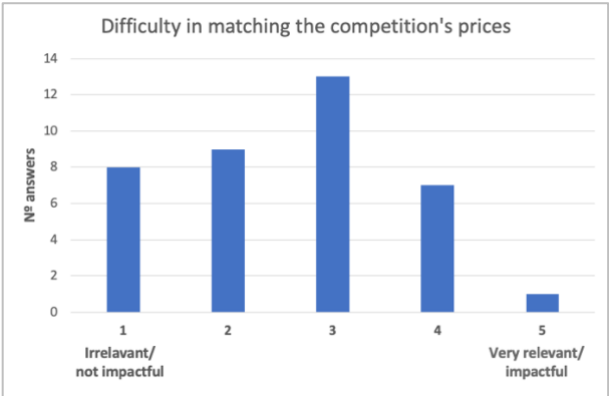
Figure 32 - Lack of time and/or experience of management/administration (%)

Score	Nº answers	% of answers
1	9	24%
2	12	32%
3	8	21%
4	5	13%
5	4	11%
Average	2.6	

Source: Questionnaire data

10. Difficulty in matching the competitors' prices

Figure 33 - Difficulty in matching the competitors' prices



Source: Questionnaire data

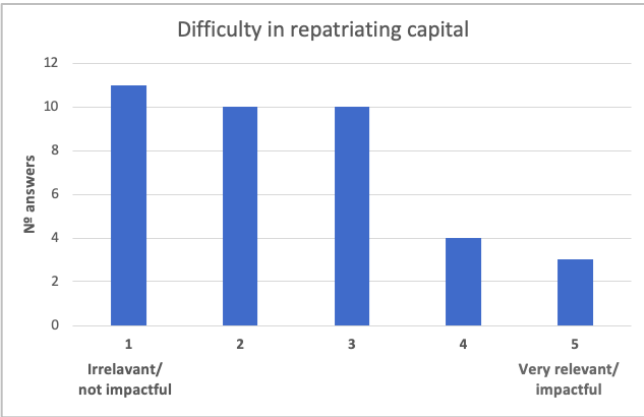
Figure 34 - Difficulty in matching the competitors' prices (%)

Score	Nº answers	% of answers
1	8	21%
2	9	24%
3	13	34%
4	7	18%
5	1	3%
Average	2.6	

Source: Questionnaire data

11. Difficulty in repatriating capital

Figure 35 – Difficulty in repatriating capital



Source: Questionnaire data

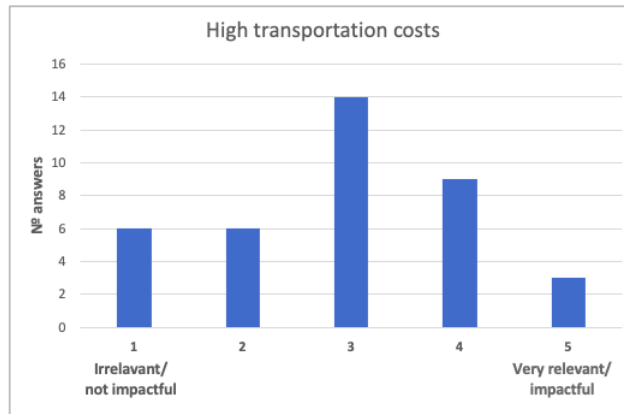
Figure 36 - Difficulty in repatriating capital (%)

Score	Nº answers	% of answers
1	11	29%
2	10	26%
3	10	26%
4	4	11%
5	3	8%
Average	2.4	

Source: Questionnaire data

12. High transportation costs

Figure 37 - High transportation costs



Source: Questionnaire data

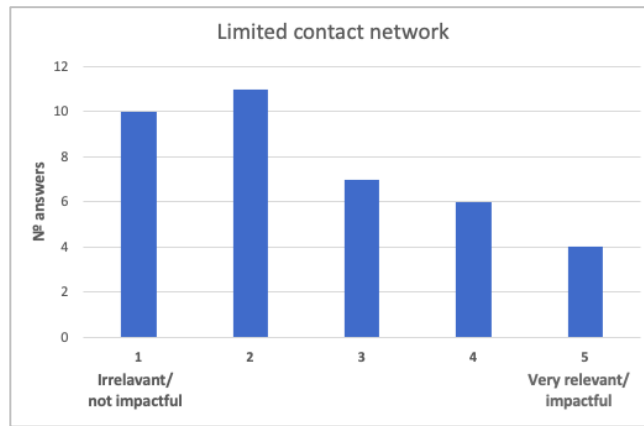
Figure 38 - High transportation costs (%)

Score	Nº answers	% of answers
1	6	16%
2	6	16%
3	14	37%
4	9	24%
5	3	8%
Average	2.9	

Source: Questionnaire data

13. Limited contact network

Figure 39 - Limited contact network



Source: Questionnaire data

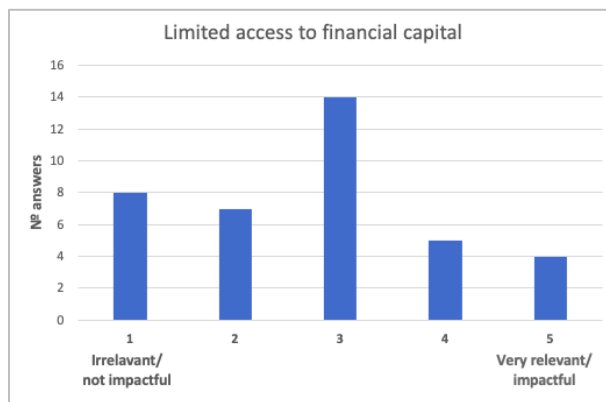
Figure 40 - Limited contact network (%)

Score	Nº answers	% of answers
1	10	26%
2	11	29%
3	7	18%
4	6	16%
5	4	11%
Average	2.6	

Source: Questionnaire data

14. Limited access to financial capital

Figure 41 - Limited access to financial capital



Source: Questionnaire data

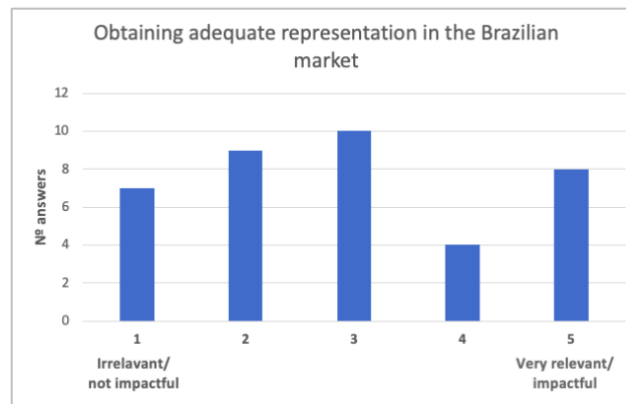
Figure 42 - Limited access to financial capital (%)

Score	Nº answers	% of answers
1	8	21%
2	7	18%
3	14	37%
4	5	13%
5	4	11%
Average	2.7	

Source: Questionnaire data

15. Obtaining adequate representation in the Brazilian market

Figure 43 - Obtaining adequate representation in the Brazilian market



Source: Questionnaire data

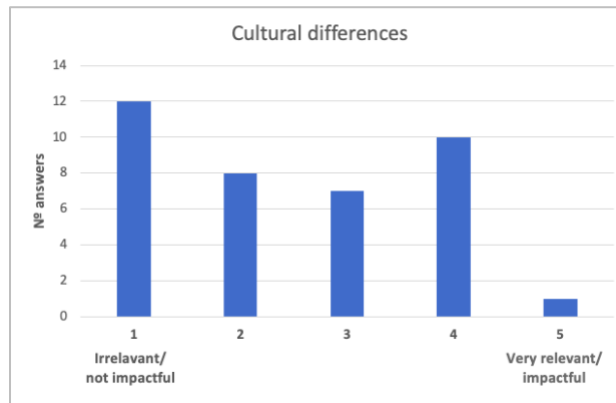
Figure 44 - Obtaining adequate representation in the Brazilian market (%)

Score	Nº answers	% of answers
1	7	18%
2	9	24%
3	10	26%
4	4	11%
5	8	21%
Average	2.9	

Source: Questionnaire data

16. Cultural differences

Figure 45 - Cultural differences



Source: Questionnaire data

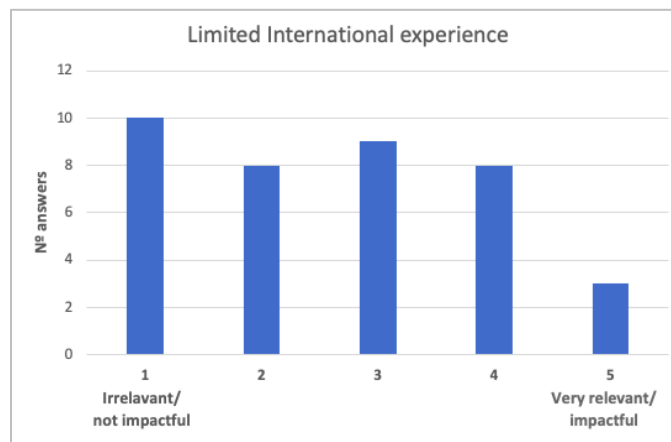
Figure 46 - Cultural differences (%)

Score	Nº answers	% of answers
1	12	32%
2	8	21%
3	7	18%
4	10	26%
5	1	3%
Average	2.5	

Source: Questionnaire data

17. Limited international experience

Figure 47 - Limited international experience



Source: Questionnaire data

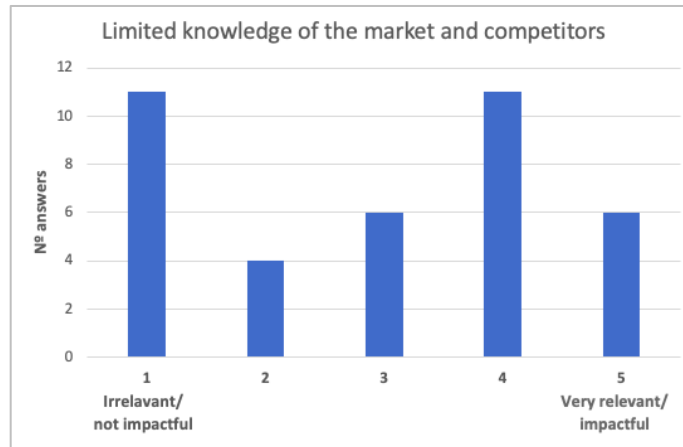
Figure 48 - Limited international experience (%)

Score	Nº answers	% of answers
1	10	26%
2	8	21%
3	9	24%
4	8	21%
5	3	8%
Average	2.6	

Source: Questionnaire data

18. Limited knowledge of the market and competitors

Figure 49 - Limited knowledge of the market and competitors



Source: Questionnaire data

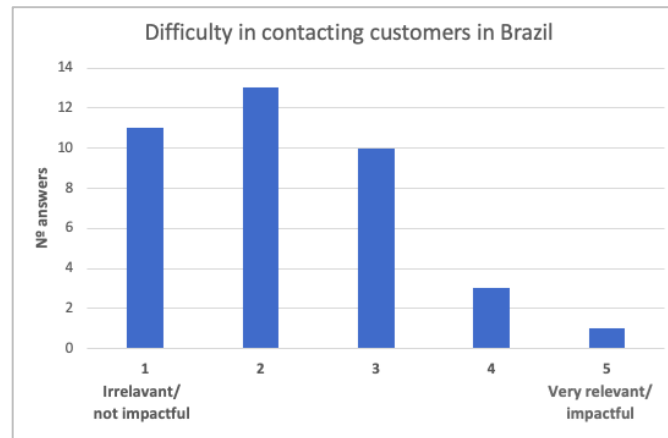
Figure 50 - Limited knowledge of the market and competitors (%)

Score	Nº answers	% of answers
1	11	29%
2	4	11%
3	6	16%
4	11	29%
5	6	16%
Average	2.9	

Source: Questionnaire data

19. Difficulty in contacting customers in Brazil

Figure 51 - Difficulty in contacting customers in Brazil



Source: Questionnaire data

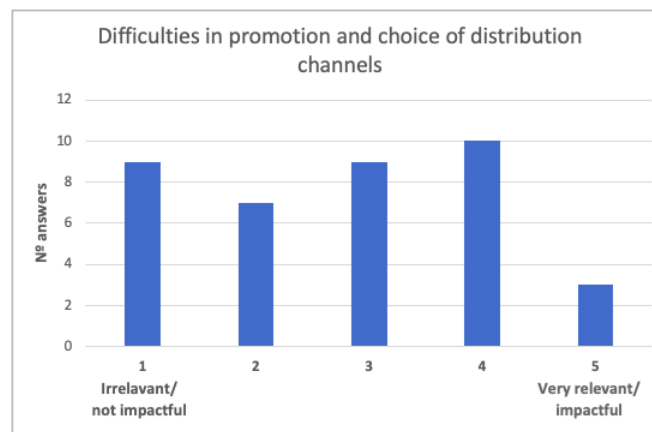
Figure 52 - Difficulty in contacting customers in Brazil (%)

Score	Nº answers	% of answers
1	11	29%
2	13	34%
3	10	26%
4	3	8%
5	1	3%
Average	2.2	

Source: Questionnaire data

20. Difficulties in promotion and choice of distribution channels

Figure 53 - Difficulties in promotion and choice of distribution channels



Source: Questionnaire data

Figure 54 - Difficulties in promotion and choice of distribution channels (%)

Score	Nº answers	% of answers
1	9	24%
2	7	18%
3	9	24%
4	10	26%
5	3	8%
Average	2.8	

Source: Questionnaire data

21. High competition in the Brazilian market

Figure 55 - High competition in the Brazilian market



Source: Questionnaire data

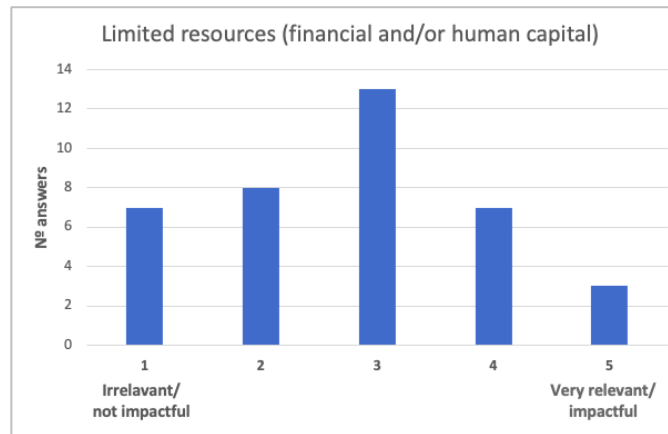
Figure 56 - High competition in the Brazilian market (%)

Score	Nº answers	% of answers
1	8	21%
2	5	13%
3	15	39%
4	5	13%
5	5	13%
Average	2.8	

Source: Questionnaire data

22. Limited resources (financial and/or human capital)

Figure 57 - Limited resources (financial and/or human capital)



Source: Questionnaire data

Figure 58 - Limited resources (financial and/or human capital) (%)

Score	N° answers	% of answers
1	7	18%
2	8	21%
3	13	34%
4	7	18%
5	3	8%
Average		2.8

Source: Questionnaire data