



## THE COMPANY INTERNATIONALIZATION PROCESS AND LOGISTICS PROBLEMS IN BRAZILIAN EXPORTS IN VIRTUE OF THE COVID-19 PANDEMIC



### *THE INTERNATIONALIZATION PROCESS OF COMPANIES AND LOGISTIC PROBLEMS IN BRAZILIAN EXPORTS IN THE VIRTUE OF THE COVID-19 PANDEMIC*

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#### Summary

Internationalization, in general, has become a relevant business strategy, as with it companies guarantee access to the international market and increase the chances of success, overcoming likely commercial barriers. This topic was chosen to seek knowledge about the impact of the coronavirus pandemic on the Brazilian export market, as it is a little explored topic, lacking scientific content. The general objective of this work is to analyze internationalization strategies used to face logistical difficulties in Brazilian exports during the Covid-19 pandemic. And the specific objectives consist of: verifying whether the internationalization of Brazilian companies follows some type of model; raise the logistical problems faced by international transport logistics in Brazil; identify post-pandemic strategies for Brazilian exports. As a methodology, a bibliographic study was carried out in books, magazines, newspapers, articles and websites related to the subject in order to provide a theoretical basis.

**Key words:**Internationalization. Logistics. Export. Coronavirus Pandemic.

#### Abstract

Internationalization, in general, has become a relevant business strategy, since with it companies guarantee access to the international market and expand the chances of success, overcoming probable trade barriers. This theme was chosen because it sought knowledge about the impact of the coronavirus pandemic on the Brazilian export market, since it is a little explored topic, lacking scientific content. The general objective of this work is to analyze internationalization strategies used to face logistical difficulties existing in Brazilian exports during the Covid-19 pandemic. And the specific objectives are: to check if the internationalization of Brazilian companies follows some type of model; to increase the logistical problems faced by international transport logistics in Brazil; identify post-pandemic strategies for Brazilian exports. As a methodology, a bibliographic study was carried out on books, magazines, newspapers, articles and websites related to the subject in order to make the theoretical basis.

**Keywords:**Internationalization. Logistics. Export. Coronavirus pandemic.

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## 1. Introduction

Internationalization, in general, has become a relevant business strategy, as with it companies guarantee access to the international market and increase the chances of success, overcoming likely commercial barriers. Therefore, internationalization has become a natural way for companies to remain alive and competitive in the international market.



For the Brazilian market to achieve competitiveness, it will have to overcome tariff and non-tariff barriers to exports, through production *in situ*. Adding value to exports, not only exporting, but creating production and service fronts abroad (SILVA, 2011).

This topic was chosen to seek knowledge about the impact of the coronavirus pandemic on the Brazilian export market, as it is a little explored topic, lacking scientific content.

It is important to mention that the export of services has become the center of discussion on competitiveness and innovation. As an example of service export segments that already have a tradition in the Brazilian market, we can mention: cargo and passenger transport; communication; construction; information Technology; tourism; banking and finance, consultancy, architecture, engineering and other technical services. The aforementioned services have become essential for the country's economy, as they have increased the profitability of companies in this type of segment.

However, exports by Brazilian companies have encountered problems when it comes to international transport logistics, with problems ranging from bureaucracy to a lack of infrastructure. In this way, the proposed study is justified because it is a study with social relevance, considering that the export of services moves the country's and academic economy given the scarcity of studies related to the topic addressed.

In view of the above, this study is guided by the following question: What internationalization strategies were used to face logistical difficulties in Brazilian exports during the Covid-19 pandemic?

The general objective of this work is to analyze internationalization strategies used to face logistical difficulties in Brazilian exports during the Covid-19 pandemic. And the specific objectives consist of: verifying whether the internationalization of Brazilian companies follows some type of model; lift the



logistical problems faced by international transport logistics in Brazil; identify post-pandemic strategies for Brazilian exports.

To achieve the objectives outlined, responding to the questions raised, a bibliographic study was carried out in books, magazines, newspapers, articles and websites related to the subject in order to provide a theoretical basis.



## 2 Methodology

For the development of this article, a bibliographical research in books, magazines, newspapers, articles and websites related to the subject was used as a methodology. Method, according to Gil (2007, p. 26) "is the path to reach a certain end and scientific method are intellectual and technical methods, adopted to achieve knowledge".

Research consists of seeking answers through the use of scientific procedures. According to Tartuce (2013, p. 30), it is the "set of actions proposed to find a solution to a problem, which is based on rational and systematic procedures". Thus, based on the author, it is possible to simply say that research is about seeking answers to one or more questions asked about a certain subject.

In this way, research consists of an investigation that is based on scientific procedures to find answers to a given problem. As Gerhardt and Silveira (2009) rightly state, a research can only be started if there is a question whose answer needs to be unraveled, that is, a doubt to which we want to seek answers.

## 3 Theoretical Foundation

### 3.1 Internationalization Theories

Internationalization comprises the company's operations in other nations, through methods and procedures developed internationally, such as the marketing of products and services in other countries, the transfer of capital and the development of projects with foreign partners.

Thus, corroborating the authors mentioned above, it can be said that the internationalization of companies covers all types of advanced intervention in foreign markets, ranging from exports to direct investment abroad. It is worth mentioning that the process of internationalization of companies exposes companies to uncertainties and risks,



contexts that force them to adapt to their new environment through structural changes. Incentives are available for all companies, so each one has the decision-making power to take advantage of or even expand operations in the foreign market (MADEIRA, 2015).



Thus, it can be understood that the internationalization of Brazilian companies focuses on competitiveness, given that there is a large flow of foreign companies in Brazil competing with national companies, when achieving internationalization it starts from the point of view that they are competing with equity.

When companies enter their first foreign market, they are faced with the tasks of creating entirely new routines and adapting some of their existing routines (SCHULTZ, 2013).

It should be noted that it is not mandatory for a company to use just one internationalization theory, it may use a secondary or more than one theory, depending on its specific case, even if one theory stands out over the other.

Known as the eclectic theory or eclectic paradigm according to Hemais and Hilal (2004), developed in the 1970s by John Dunning, where he says that companies start working abroad when they have a combination of three factors: competitive advantages of ownership, location and internalization. The company, when operating in different locations, can acquire additional advantages of *ownership*. Thus, the explanation of FDI and its form through these three factors (OLI - Specific Advantage, Displacement Advantage and Internalization Advantage, respectively), became known as the Eclectic Paradigm.

Menezes (2010) believes that the Eclectic Paradigm points out the main reasons for companies to start operations in foreign countries: market search, search for efficiency, search for strategic assets and search for capabilities outside the headquarters country. This logic is what determines where companies will internationalize, as the location must offer advantages related to the abundance of natural or human resources with quality and low cost, *know how* technological, infrastructure, institutions, market size, political and economic stability, exchange rate regime and economic policy scheme.

When falling within the line of internationalization theories with a greater approach to the behavioral aspect, there are the Uppsala school and the Nordic school, which seek to explain the patterns and ways of establishing market-oriented operations, the main focus of eclectic theory. The eclectic paradigm focuses on using its driving force and competitive advantages in the internationalization process of its firms.



### 3.2 International trade and its influence on local development

Internationalization favors growth consistent with the strategy by opening up larger markets for a strategic focus. Unlike expanding the domestic market, global expansion is likely to leverage and reinforce the company's unique identity and position. It can be understood that exports face limits to the full development of a region, and that the benefits may be limited to certain economic activities (ROMEIRO, 2012). Therefore, the decision to use the regime must be evaluated in an integrated manner by all sectors directly and indirectly involved in the company's supply, production and distribution.

Araújo and Sartori (2004) cited other advantages, such as the exemption from transportation on a Brazilian-flagged ship and the examination of similarity, conditions required when there is an exemption or reduction in the import tax rate.

There are several market entry modes that enable access to products, technology, administration and human resources in the foreign market. These are classified into export, contractual and investment, as shown in table 1:

**Table 1. Classification of Entry Modes**

| By Export   | Contractual             | By investment                       |
|-------------|-------------------------|-------------------------------------|
| Indirect    | Licensing               | Greenfield investment               |
| Cooperative | <i>Franchising</i>      | Acquisition                         |
| Direct      | Technical agreement     | Full Control Subsidiary             |
|             | Service contract        | <i>Joint Venture / Sole Venture</i> |
|             | Administration Contract |                                     |
|             | Production Contract     |                                     |
|             | Contractual Alliance    |                                     |

Source: Adapted from Root, 1987.

Rocha and Almeida (2006) define export entry as one in which products are manufactured outside the destination country and transferred to it, with little chance of expanding abroad. Among the types of export are: i) indirect export where the intermediary that has internationalized can be an exporting company, *atrading company* or an export agent; ii) cooperative export in which the exporting company has control of its operations, sharing resources and risks so that it can enter the international market; and iii) direct export allowing the company to have more control over its international activities through its own offices abroad or branches. As for contractual export, it confers knowledge and skills to a country through licensing, where there is an exchange of assets, *franchising* in which it transfers to third parties the



right to distribute its products and services and production contract in which one company acts as a subcontractor to the other. (ROCHA; ALMEIDA, 2006).

6 The entry method through wholly-owned subsidiaries is one of the most used by Brazilian companies, which basically consists of installing a subsidiary company in the country in which it intends to stabilize. An example of companies that use this entry method are Brazilian banking institutions. (FRANCO, 1998). *OJoin Venture* consists of a business collaboration contract, the entry mode from this occurs through the conclusion of a contract between two or more companies, whereby another company emerges. As an example of *Join Venture*, used for internationalization, we mention Springs Global, which was formed from the conclusion of a contract between the Brazilian company Cteminas and the Americana Springs company.

Amatucci (2009, p.150) highlights that “companies can choose to market their products and services in a standardized or adapted way. These decisions are related to the international marketing mix strategy”. It is understood, therefore, that the decision of which entry mode should be used depends on the company's competitive conditions, its capabilities and essential competencies. In this way, each company can adopt its *modus operandi* for its internationalization, with entry through Fully Controlled Subsidiaries being the most used in Brazil.


### 3.3 Transport logistics in Brazilian foreign trade

Brazilian foreign trade is of great importance for the country's economy, also contributing to social development, as it generates jobs, so finding ways to improve results is a fundamental factor. Transport logistics is one of the factors that most impact the success of a company. Betarelli Júnior (2012) highlights the importance of transport in international logistics, stating that it is the driver of activities, and can reflect on the company's image, as it implies the agility and quality of product delivery.

From the above, we understand the importance of transport logistics in Brazilian foreign trade, highlighting that problems in this sector can affect the entire business of exporting companies. It should be noted that many companies rely on logistics service providers to transport their cargo, given the lack of infrastructure to do so, it turns out that these professionals have run into logistical barriers in Brazil, which has



making their work more difficult, generating a domino effect with the image of the service provider and the exporting company.

7  It is understood that logistics consists of one of the main instruments for carrying out exports, involving everything from the form of storage to delivery to the final consumer, in this case it focuses on the process of leaving the product from the country of origin (exporting company) to the country of destination (importing company / final consumer). According to Novaes (2011), the logistics service provider is one specialized in supply chain management, from adding value to the product to transport management, the latter being the target of this study. Exporting companies sometimes choose to hire them, outsourcing the transportation of their products in foreign trade activities, given the costs required to have their own department for this purpose. Therefore, the outsourcing of logistics services has been a constant, and it must be remembered that it is these service providers who will be responsible for the punctuality and quality of the products delivered, as well as that any problem at this stage will cause problems for the entire supply chain.

However, there are problems external to service providers that have affected the reliability of their activities, such as the aforementioned logistical problems involving bureaucracy, saturated ports, road access infrastructure, port costs, deficiency in storage, delay in releasing products, cost of demurrage, public authorities, ship docking window and rail access. These problems make the work of logistics operators difficult, causing losses in a domino effect, bringing down both the image of the service provider and the exporting company, considering that the end consumer cares little about what led to the delay in delivery. , but if it was attended to within the agreed period.

In view of the above, it is understood that the logistical problems present in Brazil, ranging from the required bureaucracy to the infrastructure of ports, highways and railways, requiring Government investments in this area, as well as reducing bureaucracy in the process, considering that it is a fundamental activity for the growth of Brazilian foreign trade.

### 3.4 The impact of the Covid-19 pandemic on Brazilian exports

In addition to affecting global health, it impacted foreign trade and consequently Brazilian exports, causing problems in the companies' logistics sector. Between the

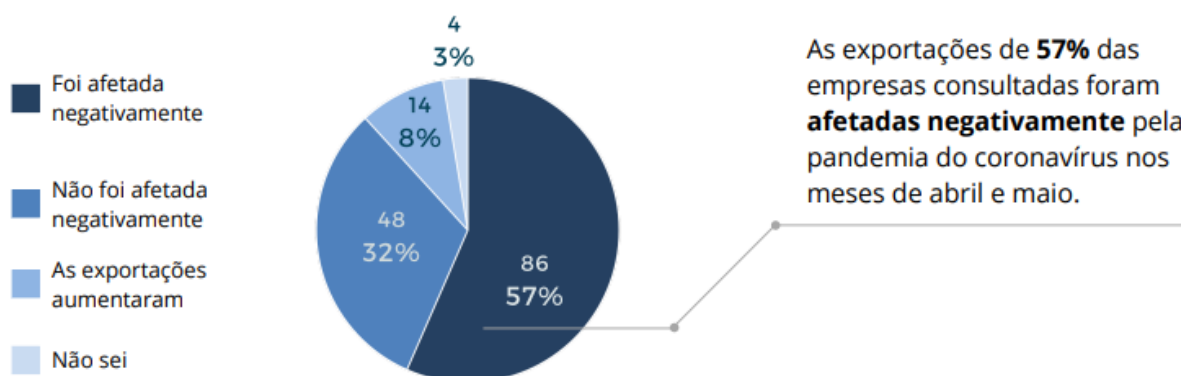


The main changes that have occurred in Brazilian exports have been the adoption of protocols from different countries, making it necessary to adapt to meet all the demands of the global market; apprehension about shortages due to border closures, causing the supply chain to become monitoring, and others (INTERMODAL DIGITAL, 2020).

According to data obtained by the National Confederation of Industry – CNI, around 57% of Brazilian companies had their exports reduced due to the covid-19 pandemic (CNI, 2020).

Graph 1 – Effect of the pandemic on export activity to date

**Efeito da pandemia sobre a atividade de exportação até o momento**  
Percentual (%) do total de empresas exportadoras



Source: CNI, 2020.

Among the concerns of companies operating in this market are reduced exports, exchange rate fluctuations, defaults and increased logistics costs. With regard to impacts on export logistics, there is difficulty in sending and receiving documents in some destinations due to the *lockdown* and suspension on international routes.

#### 4 Final considerations

During this work, it is possible to understand the process of internationalization of companies, starting with knowledge of the theories that try to explain the internationalization of companies. It was seen that business logistics is capable of promoting the strategic development of a company, given that it enables integration between all sectors of the company, facilitating the observation of aspects that need to be improved. By adopting strategic logistics, the company relies on it to





make decisions such as determining the portfolio of products it supplies and the market it serves based on the capacity and limits of the sales and distribution methods adopted.

The aim is to join forces post-pandemic to recover the economy, requiring the promotion of international trade by providing special credit lines, facilitating commercial agreements, taxes and financing.

At the end of the study, it was possible to perceive the importance of international transport logistics for Brazilian exports, with problems ranging from customs bureaucracy to the infrastructure of highways, ports and railways, problems that make the work of logistics operators difficult, causing a damage in a domino effect, bringing down both the image of the service provider and the exporting company, considering that the end consumer cares little about what caused the delay in delivery, but rather whether it was served within the agreed time frame.

It was important to comment on the advantages brought to exporters by special customs regimes, although not everyone uses this privilege due to lack of information. Finally, it is believed that the internationalization of companies is imperative: either the company globalizes or it will become vulnerable to the actions of the domestic market.

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