

Preface by AHK

German companies have strong roots in Brazil. Nearly 1,200 companies with German capital operate in this country and employ more than 250,000 people. In many industrial sectors, for example automotive, chemicals and mechanical engineering, German companies have a strong market position. The stock of German direct investments in Brazil amounts to nearly 20 billion USD. German companies account for 5% of the Brazilian GDP and they contribute 15% of the industrial GDP.

The BASF Group has been active in Brazil since 1911. It is the largest private chemical company in Brazil with sales of 1.4 billion EUR and nearly 3.700 employees. It operates 11 production facilities. In the last 20 years BASF has invested nearly 0.8 billion EUR in Brazil.

The opportunities and challenges of an investment in Brazil have to be seen within a global framework. The Brazilian economy has undergone profound liberalization and opening of markets since the beginning of the 1990's. But to remain an attractive location in the global competition for foreign investment, the efforts to reduce country specific barriers for international investors have to be continued with unreduced strength.

How can German companies in Brazil surmount Brazil's trade and investment barriers and exploit the opportunities of international expansion?

Finding answers to this question was the ambitious goal of a research team led by Lutz Kaufmann, the Herbert Quandt Endowed Chair for International Management and Professor of the Center for Management Studies in Latin America at WHU – Otto Beisheim School of Management. The research team interviewed 59 chief executives and experts from 50 German and Swiss companies and institutions on site in Brazil. The result is an impressive collection of key success factors and useful management advices on doing business in Brazil. In practical terms, it offers a broad basis for best practice approaches.

I would like to stress a main finding of the study: Foreign companies in Brazil should not view their situational environment as given but they should rather seek to proactively lower the barriers they face and maximize the benefits of conducting business in Brazil.

From its angle and experience, BASF can only strongly support this finding. We are convinced that a close dialogue between politicians and companies can contribute to dismantle barriers and create a better framework for companies. As an example BASF is, together with other international companies, actively involved in the Mercosur/EU Business Forum (MEBF). In this business dialogue, entrepreneurs from both regions identify existing barriers

to trade and investment and put forward joint recommendations to the governments on the abolition of these barriers. The common objective of politicians and entrepreneurs should be to strengthen the global competitiveness of German subsidiaries in Brazil.

I congratulate the colleagues at WHU on this insightful and hands-on study. The study identifies numerous interesting aspects that could be the basis for further in-depth research. I am hopeful that the book will achieve the wide attention and comprehensive discussion it deserves.

Dr. Rolf-Dieter Acker
President of BASF S.A.
President of the German-Brazilian Chamber of Commerce

Preface by WHU

This in-depth study aims to offer support to managers to make the right strategic and operative decisions for a successful business in Brazil. It studies international expansion strategies using a sound research-based framework and analyzes the relevance, the development, and key determinants of those expansion strategies in Brazil using quantitative empirical evidence. In combination with the practical knowledge and deep industry insights of senior managers, this book should prove useful for managers viewing Brazil from abroad, for those analyzing and evaluating market entry, and for those considering the expansion of existing Brazilian affiliates. With its second focus on operational success factors, this survey may also serve as a reference guide for those practitioners that have to implement a strategy in the Brazilian market.

Our studies in Brazil are part of a comprehensive research project that analyzes the changing international expansion strategies of German companies, the drivers behind this development and the success factors for the implementation of each strategy. We focused on the automotive industry, mechanical and electrical engineering, as well as the chemical and the pharmaceutical industry. Within two years, we interviewed more than 500 senior executives of German affiliates in the BRICs countries Brazil, Russia, India and China, in the Triade regions Japan, the U.S. and Europe (especially Eastern Europe), as well as in ASEAN countries. In this book we solely focus on our findings from Brazil.¹

Our study in Brazil would not have been possible without the amazing support of an enormous number of people. We would like to express our most sincere gratitude to all of them. We feel very much indebted to our interview partners. They took up to 3 hours from their tight business schedules in order to discuss with us the circumstances and success factors of doing business in Brazil. We were amazed by the large number of interview partners who went even beyond the requested 90 minutes and insisted on answering our questions thoroughly. In addition, they took the time to fill out our long questionnaire. During our research project, we were honored to have the opportunity of talking to the following executives and experts: Dr. Rolf-Dieter Acker, José Antunes, Prof. Dr. Gerd Bauer, Jürgen Bischoff, Maria Ângela Bouskela, Gabriel Brennauer, Márcio de Andrade, Sergio De Bona, Cyrus de la Rubia, Guy de Vooght, Kleber Douvletis, Ernest Egli, João Carlos Ferreira, Tatiane Ferreti, Dario Gaeta, Edgar Garbade, Antonio Carlos Garcia, Alexandre Gerken Brasil, Mauricio Graber, Heinz Herrmann, Edgar Horny, Kurt Hupperich, Armin Karch, Peter Klam, Hetal Laligi, Robert Lang, Geraldo Roberto Lefosse Jr., Dr.

¹ Other books of this comprehensive research project that have already been published include *China Champions*, *American Allstars*, and *Investmentguide India*. Publications on other countries will follow, both in English and in German. A list of our current publications can be found on our homepage at <http://www.whu.edu/intman/ies>. In case of questions or feedback, you may contact dirk.panhans@whu.edu or call +49-261-6509-321.

Klaus-Wilhelm Lege, Karl-Heinz Lensing, Mathias Mäntele, Ermano Marchetti Moraes, Günter Martin, Roger Peter Michaelis, André Müller-Carioba, Dr. Felix Neumann, Helmuth Obilcnik, Mônica Panelli, Rubens Pedrosa, Eduardo Santiago Pinto, Weber Porto, David Powels, Adilson Primo, Albert Ros, Hélio Sacagami, Joachim Schoenfeld, Bernhard Schuster, Frank Segieth, Martin Stadler, Stefan Stegmann, Francisco Tabajara de Brito, Theo van der Loo, Luiz Violland, João Visetti, Lutz Vosgerau, Roberto Waack, Armin Weichert, Ludwig Werner, Stefan Widmann, Patrice Zagamé, and Paulo Zottolo.

In a research project whose success depends heavily on the participation of a large number of executives and experts, few things are as important as getting in touch with prospective participants. Therefore, we owe very much to the following people who provided tremendous help in establishing first contacts and setting up interviews: Norbert Breuer, Matthias Ginthum, Oliver Gosemann, Clemens Grambow, Dirk Guttzeit, Amador Hernandez, Kürten Ihlenfeld, Halina Kochanowicz, Dr. Katharina Kohn, Dr. Andres Leuenberger, Dr. Peter Neumann, Prof. Dr. Kuno Reckemmer, Prof. Dr. Dr. h.c. Henner Schierenbeck, Hermann Sigle, Dr. Karl Ullrich, Tobias Vetter, Patrizia Westermann, Florian Wintermantel, Jean-Pierre Wirtz, and Torsten Zoellner. We would never have reached such a high number of participants if it had not been for the outstanding support of Ernest Egli und Paulo Palumbo. We are extremely grateful for their help. Further, we would like to thank the following people for their amazing infrastructural and organizational support: Harald Meilicke, Christophe Laurent Bénichou, Ernesto Flores, Frederico Oliveira, Mirele Santos, Flavia Kuhn, Monique Berghs, Frank Sanglard, Noemia Martins, Christiane Balluff, Danuzia Caruso, and Ademar da Costa Carvalho. Many thanks also to Luiz Violland, not only for providing us with insightful lessons in our inspiring interview with him, but also for introducing us to the true meaning of *“hard life in the tropics”*.

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