

## **Adaptive capability abroad of Brazilian MNCs: the role of IHRM and Brazilian national culture**

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### **Résumé**

Comment les entreprises multinationales apprennent-elles à s'adapter à des marchés étrangers et aux différences culturelles ? Existe-t-il des spécificités, concernant cette question, pour les entreprises provenant de pays émergents ? Cette recherche cherche à contribuer à la réponse à ces questions, dans le contexte spécifique des multinationales brésiliennes. Sur la base de sept études de cas d'entreprises internationalisées du Sud du Brésil, cet article montre que l'expérience internationale et l'interaction interculturelle sont des facteurs clés de succès pour le développement d'une capacité d'adaptation au niveau international. Une gestion des ressources humaines à l'international (GIRH) visant l'apprentissage interculturel a grandement bénéficié à l'acquisition d'une culture internationale dans ces entreprises. Le cas du Brésil semble être un cas spécifique, car la culture nationale brésilienne paraît faciliter l'adaptation à l'international. Ces résultats montrent que la culture nationale peut être une ressource potentielle pour l'apprentissage organisationnel de la compétence interculturelle.

**Mots-clés :** Capacité d'adaptation, Brésil, compétence interculturelle, gestion internationale des ressources humaines, culture nationale, apprentissage organisationnel

### **Abstract**

How do Multinational Companies (MNC) learn to adapt to foreign markets and cultural differences? Are there specificities, regarding this question, for MNCs from emerging economies? This research aims to help finding an answer to these questions, in the particular context of Brazilian MNCs. Based on seven case-studies of internationalized companies from Southern Brazil, this paper shows that international experience and intercultural interaction are key factors for the development of international adaptive capability. International human resource management (IHRM) aiming intercultural learning greatly benefited to the acquisition of an international mindset within the companies. The case of Brazil seems to be specific, for Brazilian national culture appears to be particularly favorable for the development of international adaptive capability. This result draws light on national culture as a potential resource for organizational learning of intercultural competence.

**Keywords:** Adaptive capability, Brazil, intercultural competence, international human resource management, national culture, organizational learning

### **Resumo**

Como as empresas multinacionais aprendem a se adaptar aos mercados estrangeiros e às diferenças culturais? Para empresas oriundas de países emergentes, há alguma particularidade no que diz respeito a esta questão? Esta pesquisa, no contexto específico das multinacionais brasileiras, tem o intuito de contribuir na resposta a estas perguntas. Este artigo, baseado em sete estudos de caso de empresas internacionalizadas do Sul do Brasil, demonstra que a experiência internacional e a interação intercultural são fatores chave do sucesso para o desenvolvimento de uma capacidade de adaptação ao nível internacional. Uma gestão de recursos humanos para o internacional (GIRH) visando à aprendizagem intercultural beneficiou amplamente a aquisição de

uma cultura internacional nessas empresas. O caso do Brasil parece ser um caso específico, pois a cultura nacional brasileira tende a facilitar a adaptação ao internacional. Esses resultados mostram que a cultura nacional pode ser um recurso potencial para o aprendizado organizacional da competência intercultural.

**Palavras chaves:** Capacidade de adaptação, Brasil, competência intercultural, gestão internacional dos recursos humanos, cultura nacional, aprendizagem organizacional.

## Introduction

What determines the international success and failure of firms? This question has been identified as one of the five most fundamental ones in strategy (Rumelt et al., 1994, p. 564), and as the core question of the field of International Business (Peng, 2004). One of the key developments in recent strategic management and international business research has been the emergence of the resource-based view of the firm (Peng, 2001). According to this view, successful firms are those that learn to exploit current resource-based advantages and develop new resource-based opportunities (Brouthers et al., 2008).

In global economy, firms located in some countries benefit specific resources, such as cost advantages, closeness to the market, or good education of workers. But these differences in access to resources do not explain by themselves international success and failure. In an international environment, firms also need specific resources and competencies, like the capacity to deal with greater complexity, and to adapt to foreign markets and countries.

How do some companies manage to develop such international adaptive capability, while others don't? According to Peng (2001: 820), one of the most significant contributions of International Business to the Resource Based View lies "in the identification of international knowledge and experience as a valuable, unique, and hard-to-imitate resource that differentiates the winners from the losers and mere survivors in global competition".

While some interesting insights have been gained, these questions still lack a deep understanding of process- and implementation related issues (Peng, 2001). Complex intangible processes such as global learning are likely to be the last frontier in the quest for competitive advantage (Bartlett & Ghoshal, 1989). Adaptation to foreign local contexts and integration of several cultures in the company is particularly relevant for MNCs bridging large psychic, cultural and economic distances.

More and more MNCs from emerging countries are currently confronted to these questions, while research on MNCs in developing countries remains quite weak and more resource based view work should be devoted to emerging economies (Peng, 2001).

This study aims to participate in closing this knowledge gap by raising the question of how Brazilian MNCs develop international adaptive capability. After a short review of existing literature, empirical evidence drawn from seven case studies of Brazilian MNCs will be presented.

## **Adaptive capability, international experience and intercultural competence**

How do companies learn to adapt to different markets? How do they learn to understand cultural differences underlying business in foreign countries, and develop an organization and strategies capable of dealing with them?

Dynamic learning capabilities are resource-based advantages that facilitate adoption of new capabilities and adaptation of existing resources to changes in institutional environments (Brouthers et al., 2008). This conceptualisation draws on work on organizational learning capability (Di Bella et al., 1996) and organizational learning in general (Crossan et al., 1999; Huber, 1991). Another conceptualisation has been constructed around the term of adaptive capability. Oktemgil and Mehmet (1997, p. 445) define adaptive capability as “the ability to identify and capitalize on emerging market opportunities”. Any of those frameworks includes the idea that organizational learning implies both cognitive and behavioural dimensions, and that individual learning within the company contributes to organizational learning which is more than the sum of individual learning within the company.

### Adaptive capability as intercultural competence on the organizational level

Adaptive capability in an international and intercultural environment can be analyzed as intercultural competence on an organizational level. Intercultural competence fundamentally influences the performance of international companies in several significant ways. Management research considers intercultural competence as an important condition for the success of intercultural business relationships and performance in foreign markets, in the areas of expatriation (Black 1990, Clarke and Hammer 1995, Müller 1996), customer-supplier relationships (Bush et al. 2001, Usunier 1997), and efficient interaction within multinational companies (Ralston et al. 1995). Consequently, intercultural competence can be a strategic organizational competence for multinational companies (Eubel-Kasper 1997, Klimecki and Probst, 1993; Iles, 1995; Saner et al. 2000): “the intercultural competence of individuals and organizations has a high economic impact which becomes obvious in a multitude of situations” (Gauthey, 1998, p. 15).

### International experience as a resource for adaptive capability

Scholars have pointed out experience with intercultural situations as a key element for learning, both on the individual and the organizational level. On the organizational level, international experience may provide a firm with dynamic learning capabilities (Chang & Rosenzweig, 2001; Madhok, 1997); both the intensity and diversity of international experience endow a firm with resource-based advantages that can be used to exploit other resources in new markets (Luo & Peng, 1999). Managers who have had international experience represent firm specific tacit knowledge that is difficult to access by other MNCs (Peng, 2001; Carpenter, Sanders & Gregersen, 2001). Brouthers et al. (2008) highlights that international experience-based dynamic learning capabilities are an important resource-based advantage.

Here, we will consider that both individual and organizational international experience are resources (Barney, 1991) helpful for developing adaptive capacity as a core competency that helps to reach a sustainable competitive advantage on foreign markets.

### What impedes companies to learn from international experience

Every company that sends employees abroad does not develop international adaptive capability. Wong (2005) reports the case of Japanese companies where “collective myopia” hinders from developing learning from the experience of expatriates. She shows that dimensions of national

culture may have a strong impact on dynamic learning capabilities concerning the internationalisation of companies. This study suggests that specific elements of organizational and national culture may impede double-loop learning (Argyris and Schön, 1978) of intercultural competence.

Harris, Brewster and Sparrow (2003) highlight that a virtuous learning cycle from expatriation should start with adequate strategic planning: expatriates have to be sent abroad “for the right thing”. In other words, when the aim of expatriation is to gain better knowledge of foreign markets, train “international cadres” and develop a global organizational cultural, and when candidates are selected in line with these aims, learning is much more likely to occur from expatriation.

#### Intercultural learning through intercultural interaction within the MNC

Socially complex relationships may be one of the most difficult-to-imitate resources (Barney, 1991). This insight drawn from the RBV seems to apply to international business and intercultural learning, too.

The case study of a French MNC has suggested that intercultural interaction within a company, which means contact between subsidiaries from different countries and work within intercultural teams, has a particular high potential for intercultural learning (Bartel-Radic, 2006). Relationships that are characterised by long-term, spontaneous interaction, shared context and language, care for the other organizational members and conflict among hierarchically equal team members, incorporate the highest learning potential for intercultural competence.

Literature leads to the following conclusions. Successful MNCs need international adaptive capability and organizational intercultural competence. These last mainly arise from international experience. International experience-based dynamic learning capabilities are an important resource-based advantage. Thoughtful IHR strategies and adequate intercultural interaction within the company appear to be main learning leverages for those capabilities. Specific dimensions of organizational and national culture may impede learning from international experience.

The Brazilian economy is not highly internationalised compared to other countries (in 2007, Brazil was the 9<sup>th</sup> economy of the world in terms of Gross Domestic Product / Purchasing Power Parity, but only the 21<sup>st</sup> exporter according to the CIA World Factbook), and the huge majority of Brazilian companies have no long-term experience of international business. Brazilian economy really opened its borders in the 1990s, with the Real Plan. As a consequence, one could suppose that Brazilian companies, in average, do not have a big experience with cultural differences. Development of international adaptive capability and organizational learning of intercultural competence might only be at an early stage. On the other hand, Brazilian culture can be described best by “métissage” (Daval et al. 2008), and openness to differences. Thus, Brazil might offer a specific context for intercultural competence. The aim of the empirical study was to check how far conclusions from the literature would fit the specific context of Brazilian companies (rather low international experience, but metis culture), see how far these companies have progressed in their learning process, and if they had developed particular strategies or paths to international adaptive capability.

## Method

### Case study research

Learning capabilities in the context of international business has been discussed by a number of authors, as described in the previous section. Yet neither consensual definition nor measures of the concept have been developed. Moreover, to date, most scholars only have speculated on how intercultural learning processes might arise in international organizations. That is why this research question still remains poorly understood. In such a context, a deductive research design appears to be neither desirable nor possible.

Here the aim is to develop theory based on peoples' experiences in intercultural relationships and the competencies necessary for them. With theory-generation in mind, I set out to investigate under what conditions companies develop international learning capabilities. This question required the development of a conceptualization of what constitutes intercultural learning and how it is leveraged in general. Necessary definitions have been reviewed above.

In this context of analysis of a complex phenomenon within its context, case study research appears to be an appropriate strategy. "A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between the phenomenon and context are not clearly evident, and in which multiple sources of evidence are used" (Yin, 1989, p. 23). In consequence, the case study method matches especially well the "how" research questions, as is the case here. Case study research is capable of providing testable, novel and empirically valid theory (Eisenhardt, 1989).

There is no consensus among scholars concerning the number of cases needed in order to answer a research question. Multiple cases may follow the aim of construction of a general theory (Eisenhardt, 1989; Stake, 1994), when some directions can already be drawn from single case studies. This type of research design, like others as well, has a number of limitations. Yet here, the objective is to deepen our understanding of a poorly known phenomenon and to develop an exploratory perspective. In consequence, the results presented below are to be considered as propositions to be further tested in a deductive research design. In using a case approach in this situation, I aimed to satisfy the requirements of Eisenhardt (1989, p. 548) for case study research:

- The propositions that emerge from the process are to be "good theory" (parsimonious, testable, logically coherent – Pfeffer, 1982).
- Methods and the evidence grounding the theory have to be strong.
- New insights should be found.

### Choice of the studied companies

To bring up answers to the research question, the cases of seven Brazilian MNCs have been examined.

The criteria of choice of the companies were:

- companies with Brazilian origin and management,
- having substantial international experience (at least substantial exportation and existence of foreign subsidiaries)
- with headquarters in Southern Brazil (and mainly the State of Santa Catarina, for practical reasons).

**Table 1: Short description of the seven Brazilian MNCs studied**

	Interviewees	Sector	Number of employees	History of company and internationalisation	Exportation area and subsidiaries abroad
A	1 (founder and board member)	Logistics and transport	7000	Created in 1997. Internationalisation in 2001.	Production subsidiary in Argentina
C	1 (industrial director)	Textiles	20000	Created in 1967. 2001, strategic alliance with a US-American competitor. Acquisition of this company in 2006.	Production and sales subsidiaries in Argentina, Mexico and the USA, purchasing subsidiaries in China and India
E	3 (corporate quality, former expatriate manager in China, industrial director)	Electronic equipment	10000	Created in 1971. First exportation in 1977. 1991, first sales subsidiary abroad, in Germany. 1994, acquisition of an Italian competitor. 1995, joint-venture in China	Exportation worldwide. Sales subsidiaries in Mexico and the USA. Production subsidiaries in China, Italy, Slovakia
H	1 (exportation director)	Clothes	8000	Created in 1880. Beginning of exportation in 1964 (Argentina), first sales subsidiary there in 1986.	Exportation to 40 countries: Americas, Europe, Middle East, Japan
M	1 (export director)	Clothes	6300	Exportation since the 1970s.	Sales subsidiaries in Mexico and Italy.
T	1 (export director)	Tubes	5200	Created in 1941. First subsidiary abroad in 1977 (Paraguay).	Exportation to Southern America and Africa. Sales and production subsidiaries in 7 countries in Southern America and the USA.
W	2 (international marketing and head of foreign subsidiary)	Electronic equipment	20000	Created in 1961. First exportation in 1970. First sales subsidiary abroad in 1991. First production subsidiary abroad in 2001.	Exportation worldwide in more than 100 countries. Sales subsidiaries in 21 countries, worldwide. Production subsidiaries in Argentina, Mexico, Portugal, China, India

Two dozens of companies corresponded to these criteria and have been selected and contacted. Seven accepted to take part in the study. Within each of the companies, interviews have been realized during Spring and Summer 2008. The research team included a European researcher and Brazilian research assistants; discussions with the interviewees were made in Portuguese. Extensive documentary research, including internal documents, completed the data collection. All of the interviewees have a strong link with the internationalisation of their company: board members, export managers, former expatriate managers to foreign subsidiaries, and marketing directors are part of the sample. All of the interviews have been fully transcribed and coded by the author within N'Vivo, a programme for analysis of qualitative data. The structure of the "results" section corresponds to the main themes that emerged from the data. Quotations of interviewees will be used to illustrate each aspect of the results and to permit the reader to get close to the data. The letter corresponding to the company will be given in brackets after every

quotation. Table 1 gives an overview over the seven companies and their history and level of internationalisation.

Three of the companies are exportation champions, truly international companies that went abroad many years ago and that are often quoted as an example of internationalised Brazilian companies (E, T, W). Three other companies are companies that have been existing for a long time, but that have shorter and less intense international experience (C, M, H). The last company (A) was created in 1997 only, but went international very quickly, in 2001.

## Results

When getting international, companies are often not prepared for the cultural differences they will encounter, and have difficulties dealing with them. As Brazilian economy is not very international compared to other countries, one could suppose that Brazilian companies might not have gone very far in the learning process of international knowledge and intercultural competence. But not at all... the level of understanding of cultural differences, and the adaptive capability to an international environment, are surprisingly high in all of the seven companies.

### Recognition of cultural differences and contact with foreign customers

If one shall adapt to cultural differences, recognition and understanding of them is a first step of the learning process. In all of the companies, interviewees highlighted that cultural differences existed, and that they had to adapt to them in everyday business.

*“My work is to find common policies for our 4 production sites in Brazil, Italy, Slovakia and China. It is not only a strategic alignment, but also a cultural one. You need to understand how these cultures ‘work’. You can not take some policies from here and take them over there... this won’t work. You need to respect local culture, and what they believe in.” (E)*

The interviewees not only acknowledged the existence of cultural differences, but showed up a fine analysis of their composition and consequences.

In order to sell products and services abroad, the Brazilian companies consider that adapting the products to foreign markets is not enough. *“We don’t only adapt our products to foreign markets, we also adapt the company.” (M)*

In all of the companies, the contact work with foreign customers is made by locals. The cultural differences are considered as strong, and adaptation to them as so difficult that nobody can do better than locals when dealing with the customers.

*“The commercial directors, normally, are locals, for nobody knows better the market, ways of communication and culture than somebody from the country. This strategy helped us to overcome barriers when entering the market.” (T)* *“The locals who work for M abroad are very important because they better know the local market and the culture of the country.” (M)*

In order to better adapt to the customers, most of the companies use various languages when contacting them. At W, for instance, customers are addressed in English, Spanish, German and even Persian.

Several interviewees highlighted that Brazil is seen by many foreigners as the country of carnival and life on the beach, but not as a country where trustworthy industrial companies produce good products. For the two investigated companies in clothing industry, this is far from being a problem, for this image even helps to sell their products abroad. But for the companies in

electronic industry heading for worldwide markets, the image of Brazil abroad may impede from obtaining big contracts. In consequence, W set up a policy of inviting foreign customers to the headquarters in Santa Catarina, to show them the company and industrial side of contemporary Brazil.

*“We make our customers and potential customers come over here [to Brazil], to make them know the country and the company, to show them that we are trustworthy. This has turned out to be one of the most efficient marketing policies of the company. Every week, an average of 34 foreign customers come to our headquarters. At the moment, we await for people from Iran and Russia. They will be welcomed here by natives of their countries, working in Brazil. This makes a big difference for the customers; their confidence in W increases immediately.” (W)*

#### Geocentric International Human Resource Strategies

The contact with customers is mainly hold by locals to avoid cultural misunderstandings. But inside the group, all of the seven companies set up international human resource strategies aiming to “mix” nationalities and cultural origins.

All of the companies have, at least some, Brazilian expatriates abroad. The main reason given for these expatriations is the transmission of the corporate and organizational culture to the foreign subsidiaries. The younger the subsidiary, the more the presence of Brazilian with long experience at the headquarters is considered as crucial. The aim of these expatriations is not so much control in an ethnocentric vision, but transmission of formal and informal knowledge about the group. As soon as local employees know the company well enough, they take over the direction of the subsidiary (companies M, W, T, ...)

*“It’s very important for us to have Brazilians working abroad, because they already know our brands, already know their strengths, (...). Over time, they will be progressively change, and some Brazilian workers will come back here, and others will stay over there [in Mexico]. There is a whole process of transmission of knowledge toward the Mexican employees, for them to learn to know the brand and how to sell it best.” (M) “The general and administrative directors, in all of the foreign subsidiaries except Bolivia, are Brazilians. During the first times, this is important, for they have to transmit our organizational culture.” (T) “Leadership of foreign subsidiaries is a ‘mix’: there are local directors and expatriate Brazilian directors. (...) Today, we have ten Brazilian expatriates in China, and the main objective of this is... to exchange cultures, knowledge, customs...” (E)*

The companies also send Brazilians abroad in order to make them and the company learn about foreign markets and cultures. Concerning this aim, short term assignments and travelling are also developed.

*“You always have to go there and see by your own. Only when you go to these markets, you can understand them. When you visit a shop, you can understand how things are organized. When we plan some ad for a foreign market, our marketing experts travel to the country to meet the local teams, and to try to ‘feel’ the country, what will make people laugh, what will hurt them, and so on...” (T) “To improve knowledge of foreign markets and proximity with the customers, the company sends Brazilians abroad, in order to diminish the cultural diversity among the subsidiaries.” (W)*

International human resource strategy of the seven Brazilian companies mainly aims intercultural interaction and mutual learning. *“The big secret lies in the mix between Brazilians working abroad for M and the local workers. The Brazilians better represent the company,*

*better know M's culture, but on the other hand, the locals who work for M abroad are very important because they better know the local market and the culture of the country.” (M)*

Beyond that, policies are quite informal. *“We never determine the duration of an expatriation in advance. It depends on the evolution, on the process... Some expatriates will one day come back to Brazil, others will remain in the country or move to another destination.” (T)*

IHRM policies also include impatriation of foreign employees for some of the companies (E: Italy, USA; W: several nationalities). Besides long-term assignments, alike for expatriation of Brazilians, meetings and short-term assignments also aim to make company members meet at the headquarters (A, C, E, M, T, W). As for expatriation of Brazilians, mutual learning is the main objective of this policy: impatriated foreigners shall learn to know the company's and Brazilian culture, and Brazilian employees shall acquire international knowledge and intercultural competence from the foreign colleagues.

*“It helps a lot to have foreign people here at the headquarters. The contact with them facilitates adaptation to the customers' cultures. We have people from Russia, Iran, England, Spain and Japan working at the headquarters. We also make foreign employees come over here for internships, so that they will take Brazilian culture back home to their country, afterwards. Once a year we hold the International Meeting here at the headquarters, and all the directors of foreign subsidiaries come to Brazil to exchange information and points of view. This meeting is very rich, as it reveals not only the Brazilian vision of the company, but also the one of the foreigners.” (W)*

*“Foreign employees come here regularly for meetings, for presentations of the new collections, to tell us about they difficulties they have in their country, tell us its specificities, and so on.” (M)* *“In the case of Algeria, for instance, last year, we made three employees of one of our distributors come here, in order to make a sort of acculturation process. How do we transport our products? How are the shops organized? In Algeria, distribution of our products is organized like it was 30 years ago in Brazil. We showed them our production sites, the marketing department and strategy, the organization of exportation, several shops... and they learned how we make operations here in Brazil. They will take this learning back home, and try to adapt as many things as possible to their market” (T).*

#### Intercultural interaction and learning at the organizational level

As a consequence of international contact and intercultural interaction, the companies clearly engaged into learning processes. Even if most of the companies made their first export experience three decades ago, true internationalisation and globalisation took place much later. Internationalisation of the companies, and change in organizational culture, has occurred quite quickly over the last ten or fifteen years.

*“In the 1990s, when Brazil started to get out of its shell, we had no idea of how could be the business world abroad. Within the companies, we had less than ten people with education in international relations, or who had lived abroad. When E set up its joint venture in China, it was a big culture choc for us. The Brazilians knew nothing about China, and the Chinese had hardly ever heard anything about foreigners, and even less about Brazilians. People were not prepared for this. What has changed most at E is that today, the world is our home. We noticed that we live in a small world. It's cultural richness that we carry in our bags.” (E)*

*“Today, when we establish a corporate policy, we never set up rules based only on Brazil. For any project, people from all of the countries participate. There is one key word: 'respect' for both of the sides. We Brazilians from the headquarters respect the local plants and personnel, but they also have to respect us. Once a company from Paraguay bought a Brazilian company.*

*There were stereotypes on both sides. We felt ourselves inferior, and in consequence, they felt themselves superior. This is the first stereotype you have to overcome... even before those concerning local culture, food and communication.” (E)*

*“Our international dimension has increased a lot during the last two years. There has been a big cultural change within the company, which was the acceptance of the internationalisation process. (...) We dedicate our efforts to the national, as well as to the international market. (...) Many people already work abroad, and others could leave soon, when new subsidiaries will be established. Today, many people are already ready in their minds for an international assignment. (...) They are ready for new experience.” (T)*

Language issues also reveal the internationalisation of organizational culture that is occurring in some of the companies.

*“Brazilians working at the subsidiaries often write us [at the headquarter] e-mails in English. They forget that we are Brazilian, too!” (W) “One of the big things, at the moment, is the introduction of Spanish language. We have employees here at the headquarters who are currently studying Spanish. In the beginning, many people thought we would not need to learn Spanish because it is quite similar to Portuguese. Today, we changed our minds.” (T)*

One of the main difficulties lies in the generalisation of learning, in the transmission of an international mindset to people and parts of the company who are less concerned with intercultural contact.

*“Our biggest difficulty [since we started internationalisation] is to transmit this ‘exportation culture’ within the company. It will be a long way to become a company with an ‘international DNA’.” (M)*

#### Brazilian culture as a resource for international adaptive capacity

An aspect that had not been accounted for, progressively emerged from the data: Brazilian culture might be particularly favourable for developing international adaptive capability. When being asked how their company managed adaptation to foreign markets, several interviewees spontaneously underlined this aspect.

*“I believe that Brazilians and ‘Made in Brazil’ are welcome all over the world. Brazilians easily adapt to foreign cultures, which helps a lot. (...) I believe that Brazilian culture, our facilities in communication, in adaptation, the happiness of our people, helps more than it disturbs when negotiating.” (M)*

*“I would say that Brazilians have a very high flexibility when they have to adapt to a new reality.” (T)*

*“How I was able to adapt in China? Well... I learned to be happy for small reasons! But I think that we Brazilians, we can adapt to every country in the world.” (E)*

The interviewees underlined that inside Brazil, one is frequently confronted to differences: differences in regional culture and context, colour of skin, social classes, education... They considered that adaptation skills are frequently necessary, even without leaving the country. In the following section, some hypotheses will be raised concerning the reasons of this potential for learning international adaptive capability of Brazilian culture.

## Discussion

The empirical data from the case studies confirms existing literature in several aspects. But beyond, Brazilian national culture appears as a resource for learning in an intercultural context. Afterwards, limitations of this study will be discussed.

### The learning potential of intercultural interaction within the MNC

A big majority of the interviewees raised by themselves the idea that when going international, a company needs international adaptive capability and organizational intercultural competence. The most internationalised companies of the sample are also those where interviewees talked most about the necessity to gain knowledge on foreign markets, understand cultural differences and design an organization able to adapt to them. Intercultural competence is needed to successfully interact with foreign customers, suppliers and governmental organizations, but especially when it comes to interaction with foreign subsidiaries and employees.

Those dynamic learning capabilities which are an important resource-based advantage mainly arise from international experience. When asked how their company managed to deal with local contingencies and cultures abroad, interviewees immediately pointed towards the role of contact with foreign people and contexts. Results of the case studies are particularly clear on this aspect and completely confirm existing literature on this point.

More than on global teams, like some MNCs from developed countries (for instance, Bartel-Radic, 2006), the Brazilian companies emphasized IHR policies and expatriation to enhance learning.

One of the reasons why these expatriation policies appear to be successful is the geocentric orientation of the Brazilian companies (Perlmutter, 1969). Their aim is neither to impose Brazilian methods elsewhere and to exert strong control (ethnocentric orientation), nor to drop potential synergies and exclusively adapt the subsidiary to local culture (polycentric orientation). In line with Harris et al.'s (2003) recommendations, expatriates are sent "for the right thing". Expatriation policies aim intercultural learning... which happens to be the main outcome of missions abroad. This is also coherent with Kochan et al. (2003) who state that organizational context (organizational culture, business strategy and human resource policies and practices) moderates the link between diversity, team processes and outcomes. The IHR strategies observed within the case studies are in line with an orientation towards diversity within the organization that corresponds to what Ely and Thomas (2001) call the "integration and learning perspective". Organizations with this perspective show up the conditions for a positive effect of cultural diversity on performance:

- Organizational members have to share the representation of diversity as a potentially valuable resource for learning;
- Cultural diversity shall not only exist "on the surface," but has to be integrated into working processes and methods;
- The members of one or another cultural group are equal regarding power and hierarchy;
- If conflicts arise among the cultural groups, problems are openly discussed.

As a consequence of geocentric orientation and the integration and learning perspective, intercultural interaction within the MNC is characterized by some of the conditions Bartel-Radic (2006) identified as main motors of intercultural learning: long-term, spontaneous interaction,

shared context and (more or less, here) language, care and conflict among 'equal' organizational members. These motors for the development of intercultural competence on an organizational level also seem to work in the Brazilian context.

In parallel with expatriation, invitation of foreign customers and sellers to the headquarters in Brazil also encourages intercultural interaction and learning. These policies show that the companies recognize the important role of tacit knowledge (Nonaka, 1994) and informal knowledge transfer when it comes to international business.

#### Characteristics of Brazilian culture that facilitate intercultural learning

Literature suggests that specific dimensions of organizational and national culture may impede learning from international experience. Concerning this aspect, the data confirmed literature as well as they went beyond. Brazilian culture appears not to impede, but to facilitate adaptive capability in the international context.

Even without leaving the country, Brazilians are confronted to cultural differences in their everyday life and are used to adjust to them. Brazil is a country of continental dimensions, and regional differences are very big. "*Diversity* is not the best word for describing Brazil and Brazilians; *mixture* is better. Brazil is a nation of mixed races (miscegenation), religions (syncretism), and cultures (diasporas, borderlands)" (Garibaldi de Hilal, 2006). "Metissage" is considered as a main expression of cultural identity in Brazil (Davel et al., 2008). The concept was used by Freyre (1966) as a mean of sociocultural interpretation of the Brazilian specificity. Brazil has been, for a long time, a country of immigration. The states of Santa Catarina has welcomed many immigrants with European origin, until the beginning of the 20<sup>th</sup> Century. Even if they consider themselves as Brazilian, people are proud of their origins and valorise cultural heritage. Brazil clearly is a "melting pot" where a common national culture coexists with cultural heritage from people's origins. Brazil is also a country with very high differences in income between the rich and the poor, and differences between formal and informal economy (Davel et al., 2008).

Da Matta (1997) showed that in a dynamic sense, behaviours continually oscillate in Brazil: people can express apparently different or even contradictory opinions and behaviours depending on whether they position themselves in the 'street' or in the 'home'. The space of the 'home' (including workplace) is identified with the hierarchical and personalistic moral world where relations among family members and servants or among superiors and subordinates institute hierarchies of race, class, age and gender. The space of the 'street' is egalitarian and individualistic and hierarchies are suspended. In certain situations the 'home' encompasses the 'street' and all matters are treated in a personal, familiar way, with the sense of loyalty and collectivism (Hofstede, 1991); in others the 'street' encompasses the 'home' and behaviour is free of the sense of loyalty, ruled by the criteria of individualism, by laws and by the rules of the market. There is, therefore, a double-edged ethic that operates simultaneously and that determines different behaviours. Brazilians are constantly negotiating between two different codes (Garibaldi da Hilal, 2006) and flexibility is a main issue. A very well-known concept characterizing the way of doing things in Brazil is "jeitinho", ("the little way of doing things"). "Jeitinho" is a special way of problem-solving, where a creative solution is found to a difficult problem, where norms are cleverly bypassed. It is linked to ambiguity (Davel et al., 2008). Consequently, Brazilians are likely to have a high tolerance for ambiguity - which is one aspect of intercultural competence on an individual level (Kichel, 1997). In an organizational context, this culture creates a dynamic based on a multitude of references that coexist in an ambivalent

situation (Davel et al., 2008).

The first inhabitants of Brazil were the Tupi-Guarani Indians, who were cannibals. This practice took its roots in the idea that by eating an enemy or a foreigner, one would incorporate and acquire his strength and capacities. In other words, the main idea was not to destroy the strange, but to ingest it (Dole, 1993). These times are, luckily, far away, but nevertheless, this is one of the roots of Brazilian culture which clearly differs from European cultures, for instance. The symbolic interpretation of cannibalism finds its translation in what can be called "anthropophagous management practices" (Davel et al., 2008): Brazilians are very open towards novelty and easily "ingest" foreign management practices which are adapted to local values and customs.

An extreme and negative expression of metis culture is overestimation of the foreign, and underestimation of local practices (Caldas and Wood Jr., 1997). Indeed, Brazilians frequently show up a sort of "inferiority complex" when comparing Brazil to developed countries. When speaking with Brazilians about their country and economy, they often mention that they live "in a Third World country" and that they have not reached the state of development of "the First World". Instead of an ethnocentric attitude, hindering from learning, managers consider that there are learning opportunities from other cultures and countries. When in contact with companies or customers from industrialised countries, Brazilian companies show a strong will to learn from them. And, when in contact with people from other emergent countries or developing economies, they do not position themselves as superior. In both of these situation, this "ethnorelative" attitude, helping the organization to move towards a geocentric orientation, opens up opportunities for learning.

Literature suggests that some aspects of national culture impede learning from expatriation, like in the case of Japan (Wong, 2005). Here, data show that several dimensions of Brazilian culture might enhance adaptive capability. These results call for more research on the impact of national culture on the development of international adaptive capability of MNCs.

Research on intercultural competence on an individual level has identified specific personality traits as positively linked to intercultural competence. Factors such as absence of ethnocentrism and attributional complexity (Bush et al., 2001), respect of cultural differences (Chen and Starosta, 2000) and cultural flexibility (Van der Zee and Van Oudenhoven, 2001) are relevant in this context. Some authors highlight that intercultural competence might not be linked to the same personality traits in all countries (Hatzer and Layes, 2003). Moreover, these factors are likely to be unequally distributed among cultures. Thus, traits linked to intercultural competence could also be dimensions differentiating national cultures. In cultures where they are strongly present, organizations might develop international adaptive capability more easily. In the case of Brazil, flexibility and tolerance for ambiguity might be higher than elsewhere. These emerging hypotheses are to be further developed and tested in country-specific and comparative studies of national cultures and organizational capabilities.

#### Limitations of the study

Even if it draws on former research, the main limits of this study lie in its exploratory nature.

The characteristics that lead to strength in theory building from case studies (able to create testable, novel and empirically valid theory; see above) also lead to weaknesses. Many grounded case studies result in modest theories (Eisenhardt, 1989, p. 547). They are essentially theories about specific phenomena; they are not theories about organization in any grand sense. Secondly, the risks are that the theory describes a very idiosyncratic phenomenon or that the

theorist is unable to raise the level of generality of the theory. This issue is linked to the question about external validity, which is a major critical point in case study research. Even for research based on multiple case studies, statistical generalization is impossible. But Yin (1989) points out that if the context and the phenomenon are described in detail, analytical generalization can be considered. In other words, the level of generality of the theory is raised while considering the context in which it was developed.

Some arguments promote careful analytical generalization. They essentially concern the coherence with existing research:

- On intercultural learning processes (largely based on intercultural interaction);
- On the link between IHR strategies and expatriation outcomes;
- On organizational learning (organizational and national culture is an element capable of enhancing or impeding organizational learning);

Of course, only larger-scale deductive research could give a definitive answer concerning generalization of results. In the meantime, this study leads to some novel factors of intercultural learning in MNCs and new elements concerning the context of Brazil, one of the major emerging economies.

## Conclusion

The aim of this paper was to question the development of dynamic learning capabilities in the context of internationalisation of Brazilian MNCs. The analysis of seven case studies showed that the firm's learning capabilities and sensitivity for learning from intercultural situations were surprisingly high. The companies had developed strategies for intercultural interaction, through expatriation, short-term assignments and travelling, designed in order to enhance mutual learning. The organizational cultures showed big openness towards cultural differences, and even with short-time internationalisation experience, developed organizational intercultural competence is high. The reason for this potential "Brazilian exception" might lie in Brazilian national culture itself. Several dimensions of Brazilian culture might be positively linked to intercultural learning like flexibility, tolerance for ambiguity and anthropophagous managerial culture. Of course, this "Brazilian exception" is to be considered as a proposition which emerged from the study, and is to be further tested on larger-scale research. As a more general result, national culture appears to be, for some countries, a resource facilitating the development of organizational intercultural competence. Research including more MNCs coming from more countries is needed to check how far these emerging results can be generalized.

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