

DYNAMIC CAPABILITIES AND THE INWARD INTERNALISATION PROCESS OF AN ARGENTINE MULTINATIONAL DIRECTED TO BRAZIL

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Abstract: The article aims to check which dynamic capabilities, which are developed and used by the multinational, have contributed to the internationalisation process of the subsidiary in Brazil. The research methodology had a qualitative approach and used the case study for data collection, with the application of in-depth semi-structured interviews. The results show that, according to the economic theory, the company took ownership advantages on the basis of the development of local and non-local competencies. The location advantage was exploited on the basis of the choice of the host country, taking into consideration the potential market. Regarding the behavioural theory, we identified that the internalisation occurred gradually, it started with exportation and it is currently characterised as greenfield. As far the dynamic capabilities are concerned, they were developed by the company at the moment at which the company knew how to reconfigure and adapt the competencies which had been developed in each unit and it used them in its internalisation process.

Keywords: Dynamic capabilities; Internationalisation; Multinational; Competencies.

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Introduction

Multinational companies have differentiated characteristics, if we compare them to national companies. They have the advantage to acquire knowledge that has already been used in the parent company, which provides greater agility to the creation of the sustainable competitive advantage (HYMER, 1976; ZAHEER, 1995).

Prahalad and Hamel (1990) define this acquired knowledge, which is converted into apprenticeship, as essential competencies that provide the companies with means of coordination of the different abilities they require. Corroborating this theory, Borini and Fleury (2010) affirm that this knowledge transfer between the parent company and the subsidiaries can be a decisive point for the development of new organisational competencies.

The organisational competencies promote the development of specific characteristics within the companies, which, when they are reconfigured and recombined, are able to build new resources; this process is called process of dynamic capability (TEECE; PISANO; SHUEN, 1997; TEECE, 2007).

Based upon this scenario and on the concepts it approaches, this article aims at verifying which dynamic capabilities the multinational company developed and used contributed to the internationalisation process of the subsidiary in Brazil. In order to achieve this objective, we must answer three questions: how can the strategic resources of the parent company be decisive for the success of the internalisation of new subsidiaries? How are the dynamic capabilities, which are being developed in the parent company, used in the subsidiary and how can the dynamic capabilities, which are being developed in the subsidiary, be used in the parent company? How can the framework of the dynamic capabilities in multinational companies, which Floriani, Borini and Fleury (2009) propose, be used in an inward internationalisation?

The inward internationalisation can be considered as the importation of products, services, financings and technology; whereas the outward internationalisation refers to activities such as sales, marketing, production and distribution on external markets (WELCH; LUOSTARINEN, 1988). The operations of inward internalisation are carried out by means of importation, that is to say, through foreign direct investment (FDI); whereas the outward operations occur through exportation or through the exit of the direct investment abroad (DIA). These authors also emphasise the importance of internationalisation on both sides, inward and outward, and not only outward (WELCH; BENITO; SILSETH; KARLSEN, 2002).

The study is justified firstly because of the relevance of the topic in national as well as in international research agendas. Secondly, the study Floriani, Borini and Fleury (2009) carried out before suggested to undertake other researches in multinational companies, involving different contexts. Moreover the authors recommend that the researchers must verify if the dynamic capabilities follow the internalisation process of the companies.

Therefore the purpose of the article is to identify which of the dynamic capabilities that are being developed in the company were used in its internationalisation process. As a contribution, these results will be able to provide subsidies to future companies that decide to internalise themselves, since they give information which will serve as an instrument for decision-making as far as university is concerned, the study will provide an increase in internationalisation in the light of the theory of the dynamic capabilities. Based upon the replication of the framework Floriani, Borini and Fleury (2009) use, the present study will provide greater validation of the presupposition that the dynamic capabilities follow the internationalisation process of the companies. Moreover, since the study deals with an inward internationalisation,

the contribution also consists in a study which is the reverse of the framework Floriani, Borini and Fleury (2009) use only in the outward internationalisation.

The article is structured in the following way. Firstly, there is a discussion on the concept of organisational competencies; then, still within the theoretical framework, it examines the importance of the dynamic capabilities for the internationalisation process. Thereafter there is a discussion on the research methodology, which is followed by the presentation of the company under research and its internationalisation process. Then the discussion of the case and of the results emphasises the way in which the dynamic capabilities contribute to the internalisation of the company and lastly, the article presents the final considerations and the bibliographical references.

Theoretical Framework

Organisational competencies

The OLI theory, or Dunning's eclectic paradigm, (1980) and its principles of the economic school define that a company decides to internationalise itself in order to exploit three advantages: Ownership, Location and Internationalisation.

The company uses the advantage of ownership when it profits from its local competencies which are developed in the parent company and succeeds in transferring them to the subsidiaries. The company utilises the advantage of location when it internationalises itself to other countries, in order to exploit the advantages of the host-country. The advantages of internationalisation derive from the reduction of the costs of exchange, from the greater market control, from the acquisition of knowledge and information and, subsequently, from the reduction of uncertainty.

According to the advantage of ownership, internationalisation can be sustained by the organisational competencies. The companies, which internationalise themselves, can augment their range of competencies by acquiring them outside their country. Besides helping the company in the new country of actuation, these competencies can still be transferred to the other companies of the corporation in other places.

The multinational companies distinguish themselves because of their capability to transfer organisational competencies between the other companies of the group. These competencies can be characterised as: local, non-local and specific competencies (MOORE, 2001; RUGMAN; VERBEKE, 2001).

When the parent company develops an organisational competency, the utility of which is restricted to the very company, it is being defined as local competency. The non-local competencies are those which come from the parent company or from the subsidiary and are transferred between them. Due to their particularities, the specific competencies cannot be transferred to the others (DUNNING, 1993).

One of the main reasons of the existence of a multinational company can be its capability to prospect for knowledge and to transfer it in an efficient way (KOGUT; ZANDER, 1992, 1993; CONNER; PRAHALAD, 1996; BIRKINSNHAW; HOOD, 1998; FOSS; PEDERSEN, 2002). The corporation units can transfer their local knowledge to the other companies and thus help them to generate innovations for these companies. This happens more easily in situations in which the subsidiaries act in a more autonomous way, each one aiming to achieve its objectives (BIRKINSHAW, 1997; BIRKINSNHAW; HOOD, 1998). This autonomy of the subsidiaries can interfere positively in the process of the increase in strategic importance for the company (BIRKINSHAW; HOOD, 1998; ROCHA; BORINI; SPERS, 2010).

This knowledge transfer between parent company and subsidiary can be done essentially by the people who act in the company. The movement of people between the corporation units stimulates the apprenticeship process, which facilitates the incorporation of new knowledge into all the units.

The stock of knowledge can be the main source of competitive advantage of the companies (LIPPMAN; RUMELT, 1982; DIERICKX; COOL, 1989; GRANT, 1996), and the multinational companies succeed in a more efficient way than others in transferring and exploiting knowledge by means of the national limits (KOGUT; ZANDER, 1992, 1993; CONNER; PRAHALAD, 1996; NAVARETTI; TARR, 2000). The knowledge which is to be transferred between the subsidiaries can involve products as well as process or management (LI; FERREIRA; SERRA, 2009).

The centralisation of decision in the parent company can be decisive for the success of knowledge transfer between the subsidiaries (LAWRENCE; LORSCH, 1967). The parent company is responsible for the organisation of knowledge (CANTWELL, 2001), whereas the subsidiaries are responsible for knowledge transfer and creation in the corporation (FOSS; PEDERSEN, 2002; CANTWELL; MUDAMBI, 2005). Since most of the time the parent company has the control of the resources, the subsidiaries restrict themselves to make administrative and operational decisions and the parent company is responsible for the strategic decisions.

In this sense, Ghoshal and Bartlett (1988) affirm that centralisation in the parent company affects the power of knowledge creation of the subsidiaries, since they limit themselves to the imposed directives. If the contrary occurs, the subsidiaries will behave as independent companies, new knowledge will appear and decisions such as, for example, to create products or to withdraw them from the market, will also be made, which will create a framework of competition between the subsidiaries (GHOSHAL; BARTLETT, 1988). Thus, we can say that there must be a balance of autonomy, mainly as far as the resources are concerned; nevertheless centralisation, as a form of control of individual actions and relationships between the subsidiaries (BJORKMAN; BARNER-RASMUSSEN; LI, 2004), is fundamental for the existence of their mutual collaboration.

A framework of collaboration generates opportunities of greater knowledge transfer between subsidiaries, which can be a way of aggregating value to the companies. Porter (1986) and Ghoshal and Bartlett (1988) affirm that subsidiaries in a foreign country can develop new products, processes and systems by using their own resources in order to meet the needs of the place in which they are inserted.

The structure of the multinational company also exerts a strong influence on knowledge creation in the subsidiaries. It must possess systems which enable the creation as well as the propagation of this knowledge. There are communication systems which combine functions in order to remediate knowledge fluxes, or less structured systems can be used as well (COHEN; LEVINTHAL, 1990).

A study which was carried out by Borini, Oliveira and Silveira (2012) investigated which were the factors that stimulated the innovation transfer from the subsidiary to the parent company. They identified five factors which contribute to this sharing: strategic guidance of the area of the development of new products of the foreign subsidiary; strong integration between parent company and subsidiaries; management guidance of the corporation; time of existence of the subsidiary; way of entry via greenfield.

In order to be able to transfer competencies to the parent company, the subsidiary must be well structured; it must be autonomous in some processes; it must be involved in a

collaborative relationship with the parent company and it must be in syntony with the corporation's objectives.

On the basis of the development of organisational competencies, the multinational company develops specific characteristics which can be the source of competitive advantages. But therefore these competencies must be reconfigured and recombined in each moment, so that the company will be able to build new resources and to adapt itself to reality. This process is called dynamic capabilities (TEECE, 2007).

Dynamic capabilities

From the 1990s on, a new model of strategy formulation begins to be used, in which strategies start to be elaborated on the basis of the internal resources of the organisations, the Resource-Based View (RBV) (BARNEY, 1991; GRANT, 1991). This inside-out model understood that the internal resources of the organisation could enable the creation of competitive advantage for the companies. In the development of the theory based upon resources, Barney (1991) defines that the competitive advantage comes from rare, valuable, inimitable, non substitutable resources which are useful to the organisation.

In the light of the resource-based view, all the companies are considered as a set of tangible and intangible resources (PENROSE, 1959; WERNEFELT, 1984; BARNEY, 1991), which convert themselves into organisational capabilities when they are managed in order to perform some function of the organisation (BARNEY, 1991; MILLS; BOURNE; RICHARDS, 2002).

Although the resources are present in the other competitors, they are not equal. Authors such as Chandler (1962), Lawrence and Lorsch (1967) and Katz and Kahn (1970) affirm that each company acts in a different way, which can derive from variations in its competitive context. Another reason which makes the resources and the organisational competencies different from each other is the fact that each organisation has its own historical trajectory (DIERICKX; COOL, 1989; PRIEM; BUTLER, 2001; BARNEY, 2001).

The companies differentiate themselves from each other owing to the configuration of their resources. The development of these resources and competencies is provoked by the way they follow. With time passing, each company is acquiring different knowledge and experiences and has access to distinct resources, so that the organisation succeeds in achieving a differentiated position on the market.

The theory, which is based upon resources, could not explain how and why some companies have competitive advantage in situations of unforeseeable changes, when they are compared with other companies. On these fast-changing markets, the dynamic capabilities allow the companies to integrate, to build and to reconfigure their competencies, according to the changes within the environment (TEECE, 2007).

Deriving from the resource-based view, the dynamic capabilities can be understood as organisational and strategic routines by means of which the managers acquire, integrate and recombine their resources in order to generate new strategies for value creation (EISENHARDT; MARTIN, 2000). According to these authors, in turbulent environments, the superior performance of the organisations is achieved when temporary advantages are continuously being created, that is to say, when the company has the "dynamic capability" to acquire new forms of competitive advantage.

The dynamic capabilities refer to the company's capability to adapt itself, to integrate and to reconfigure its organisational abilities, resources and competencies. They must be developed within the companies in order to guarantee their adaptation in situations which involve changes

and also to maintain its organisational competencies in constant transformation by maintaining them as a source of competitive advantage (TEECE; PISANO; SHUEN, 1997).

The authors we quoted above define three categories which can determine the dynamic capabilities of a company: organisational processes or routines, positions and trajectories. In this study, the process or routine category will guide the analysis of the results. The organisational processes or routines are understood as the capability of integration/coordination, apprenticeship and reconfiguration of the organisational resources and competencies.

In the light of the dynamic capabilities, the process of the internationalisation of the company provides the integration of two theories which are used in this process: the behaviourist and the economic theories (JOHANSON; VAHLNE, 1977) (DUNNING, 1980).

On this basis, Floriani, Borini and Fleury (2009) built a framework, which is demonstrated by Figure 1, in order to represent the cycle of connections between the economic and behaviourist theories in the light of the dynamic capabilities.

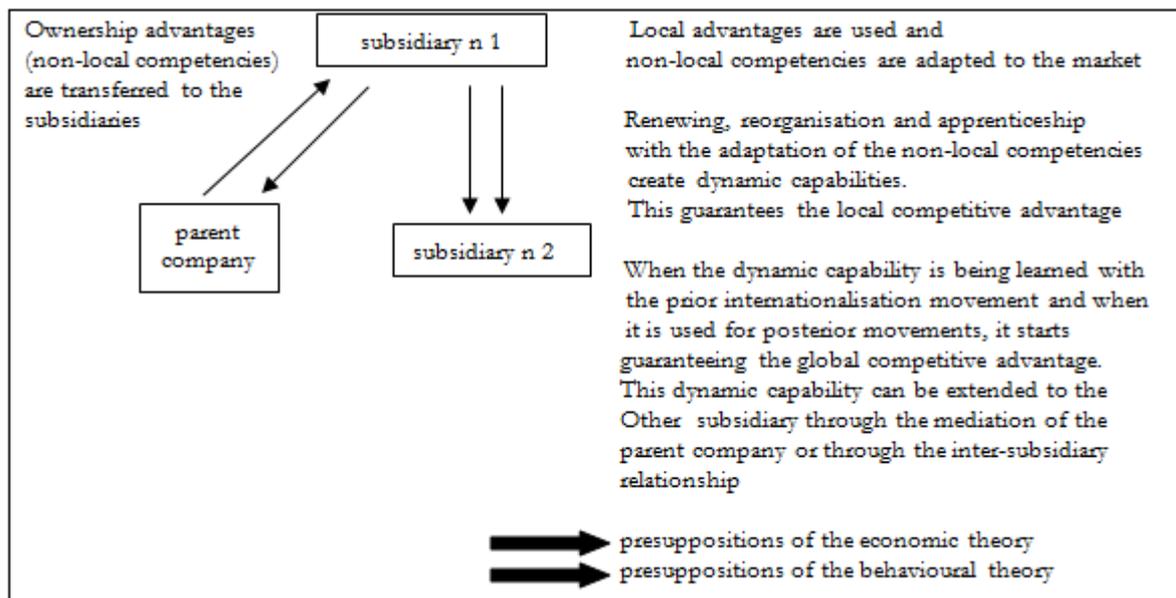


Figure 1: Framework of the Dynamic Capabilities in Multinational Companies
Source: Floriani, Borini and Fleury (2009).

The internationalisation process can begin with the local competencies of the parent company and the transfer of these competences to the subsidiaries is fundamental in this movement. In the competency transfer, the company uses the advantages of ownership, according to the definition in the economic theory.

By considering the capability to renew, to reconfigure and to adapt the competencies of the parent company, we identify the characteristic of the behaviourist theory. The competencies the company identifies can be used as apprenticeship and experience for future processes.

The present study will use the framework we mentioned above in order to verify if the company VETANCO of Brazil uses its dynamic capabilities in order to sustain a competitive advantage.

Research method

The method we used for this research seeks to investigate which dynamic capabilities that were developed and used by the multinational company contributed to the process of internationalisation of the subsidiary in Brazil. Thus the research is characterised by the qualitative and descriptive approach

We opted for the method of case study according to Yin's (2006) recommendations because the objectives of this article justify its carrying out. We used the unique case study in order to verify if the determined propositions for a theory meet that which was discovered in the research.

The development of a case study in a subsidiary is justified by the opportunity to deepen the topic by using the case of an Argentine multinational which acts in a representative way in Brazil. The choice of VETANCO S.A. as a research object is due to the fact that the company internationalised itself to Brazil in a gradual way. It began with exportations; in the sequence, it established a distribution centre and afterwards it evolved towards a company with a productive unit in Brazil, characterized as greenfield.

We carried out the research during the month of February 2013. The data collection occurred by means of a script of semi-structured interviews, which was reviewed by a team of experts and afterwards it was submitted to a pre-test with professors and students in the master and doctorate programme of Univali – University of Vale de Itajaí. The research protocol was elaborated on the basis of the script Floriani, Borini and Fleury (2009) used in their research. The interviews were conducted in Brazil, personally with the administrative and institutional director, who is denominated as KDB01 in the research, with the psychologist, who is responsible for the process of expatriation and strategic communication with the parent company of the Brazilian firm, denominated as DB03 in the research and, in Argentina, with the vice-president of VETANCO S.A., denominated as HDA02. The interviewees were chosen in an intentional way, due to the position they have in the company and due to their knowledge with regard to the internationalisation process. The interviews were previously scheduled and when they were conducted, they were recorded with the interviewees' authorization and they were transcribed later on. Each interview lasted forty minutes on average

The data we collected were interpreted by means of the analysis of the content, in order to meet the research question. The results (descriptive and interpretative) were confronted with the theory of organisational competencies and dynamic capabilities in the internationalisation process we propose in this study, in order to confirm the data we obtained and to give continuity to the contributions Floriani, Borini and Fleury (2009) made to this thematics.

A short history of VETANCO S.A.

VETANCO S.A. acts in the domain of research, fabrication and commercialisation of products and drugs. It was founded in Argentina in 1987. It is a non-listed corporation, involved in the fabrication and distribution of antibiotics, insecticides and disinfectants, products which are directed at animal health.

From the 1990s on the company signed partnership with the companies ECO ANIMAL HealTh, of Switzerland and AGIL, of the United Kingdom, for the representation and distribution of its lines of additives for Chile, Uruguay and Peru.

VETANCO S.A. 's internationalisation process

The founders of VETANCO S.A. have a visionary spirit, which is to overcome barriers. By seeking the growth of the company, they searched for other markets, besides Argentina, the country in which the company began its business. The internationalisation process began with the neighbour countries, Uruguay and Brazil. The choice of these countries is due to the fact of the

minor physical, cultural and linguistic distance, which facilitates the adaptation of the new company in another country

The internationalisation of the company can occur in various ways. Although exportation is the most usual way, companies use more complex ways in order to diversify themselves from their competitors, to seek lower costs and to be near the consumer or for other reasons (COVIELLO; McAULEY, 1999; HOLLENSTEIN, 2005).

Firstly the company established itself in Uruguay and, in 2000, in Brazil, by means of a distribution centre. Today the company has commercial representatives and the distribution of its products in more than 30 countries

The internationalisation movement of VETANCO S.A. directed to Brazil

VETANCO S.A. company had its mode of entry into Brazil by means of exportations, followed by the establishment of a distribution centre and, finally, the opening of a productive industry in Brazil, which is characterized as greenfield. According to Lu and Beamish (2001), Rasheed (2005) and Ruzzier, Antoncic and Hisrich (2007), the mode of entry is one of the indispensable items to form the degree of internationalisation and it is also a factor which contributes to the performance of the organisations.

The first step of the internationalisation process of the company VETANCO S.A. directed to Brazil occurred in the simplest way, by means of exportations. According to HDA02, *“Our VETANCO company is an enterprise of Argentine capital which achieved an important participation of the Argentine market in the veterinarian pharmaceutical products, thus our decision was the best way of increasing the company’s income growth, which occurred through exportation. In the first place Brazil has international importance in chicken and pork production, at the moment Brazil is the best. At the beginning we discussed the decision if we will serve as a Brazilian distributor or if we will invest in putting our own logistics and distribution subsidiary.”*

In 2000 motivated by the growth of its partnerships with European companies and the expansion of its industrial area in Argentina, VETANCO S.A. decided to establish a distribution unit in Brazil. Thus, it constituted VETANCO do Brasil Importação e Exportação Ltda. [VETANCO of Brazil Import and Export Ltd.] with its headquarters in the city of São Bernardo do Campo – SP [State of São Paulo].

The establishment of the company in São Bernardo do Campo did not achieve success, which was due to the fact that the commercial team had not succeeded in opening up markets, thus, in 2002 VETANCO do Brasil moved to Chapecó – SC [State of Santa Catarina], to a rented space.

In 2005, the company obtains, by means of donation, by means of bidding of the city council of Chapecó – SC, an estate of 20,160 m² for the establishment of the unit. In 2006, the works for the establishment of the Distribution Centre and of the Administrative Areas of VETANCO do Brasil began. In the same year, the technical/commercial and administrative teams were broadened and they adapted themselves to the commercial reality of the company, which enjoyed significant growth on the market.

And in September 2007, the company moved to its new headquarters in the Distrito Industrial [Industrial District]. In the same year the company received the NBR ISO 9001:2000 certificate, this conquest was due to the involvement of all the collaborators in the implementation of the Sistema de Gestão de Qualidade [Quality Management System] of VETANCO do Brasil.

The decision of the transfer of the distribution centre to Chapecó was strategic, “*one of the motives was the fact that the city is one of the most important centres of the modern poultry and pig farming and it is also a pole of convergence of approximately 600,000 inhabitants*” (KDB01). The main agro-industries of chicken, turkeys and swine are located in this region, which was an important factor for decision making, since it is a potential market for the VETANCO products. “*Another stimulating factor for the internationalisation is the question that Brazil is Argentina’s commercial partner*” (HDA02). Corroborating this, Floriani (2010) emphasises that the assets abroad augment with the decision to distribute their own products to the diverse importers abroad. The advantage lies in diminishing the risks of exportation with regard to distribution.

The Brazilian distribution centre is linked to the decision making of the Argentine parent company. There is a management committee which was recently formed and which decides all the investments and the whole strategic planning, involving the Argentine and Brazilian companies. In Brazil, the subsidiary only possesses administrative and operational independence. “*VETANCO do Brasil has administrative and operational independence, it has autonomy to develop the market, but all the decisions on the growth of investment, on the launching of new products are made in concordance with the parent company*” (KDB01).

Corroborating this, the authors Ghoshal and Bartlett (1988) asseverate that when the parent company has power in decision-making, knowledge creation is limited in the subsidiaries. On the contrary, the subsidiaries will be able to act in an independent way, thus helping to develop new knowledge for the corporation (GHOSHAL; BARTLETT, 1988). Autonomy is conferred on the subsidiaries with time passing and only for some unities and for strategic functions (BIRKINSHAW; HOOD, 1998).

In 2010 its Quality Management System was ISO 9001:2008 re-certified. Now the company attends to the whole Brazilian territory by means of direct sale and of commercial representatives; its main customers are the big agro-industries of poultry and pork meat processing

Today VETANCO do Brasil company is not only a distribution centre. The internationalisation process developed into a more complex form, due to the construction of its own factory for the production of antibiotic powders. “*We had a building constructed here, besides this building, we have a drug factory inside here, everything already with the resources of here, the company here in Brazil was in deficit at the beginning and now it is in surplus*” (KDB01).

On the basis of this testimony, we note that the internalisation of the company followed the Uppsala Model, by internationalising gradually (JOHANSON; VAHLNE, 2009). The mode of entry of the company which is used abroad occurred simply, by means of sporadic exportations; after that it established a distribution centre and, at last, it built a productive factory in Brazil, thus it characterised itself as greenfield and achieved internationalisation in a more complex way. Greenfield is considered a low process, but it guarantees greater control of the operation and minor conflict with the local culture (FLORIANI, 2010).

The organisational structure of VETANCO do Brasil has a total of 32 collaborators, among them there are two directors, an administrative director and an institutional one (Brazilian) and a technical and commercial director, only this one is Argentine and he has dual citizenship. The other collaborators are Brazilian, the two directors are veterinarians. “*I knew this region, the local market and the customers, the technical and commercial director and, more specifically, the product. The director had already worked in Argentina and knew the VETANCO products*” (KDB01).

The experience of the technical commercial director was associated with his experience as product veterinarian, market technician from Argentina; the experience of the administrative and institutional director was associated with his knowledge of the Brazilian market. One of the

main reasons of the existence of a multinational can be its capability to prospect and transfer knowledge in an efficacious way (KOGUT; ZANDER, 1992, 1993; CONNER; PRAHALAD, 1996; BIRKISNHAW; HOOD, 1998; FOSS; PEDERSEN, 2002).

Although the Argentine parent company has been involved in poultry raising, for 25 years and although it dominates a part of the market of that country, it had to adjust itself to the Brazilian market. *“Reality is that the Brazilian market is extremely competitive, Brazil is the biggest poultry exporter of the world and it has the third most modern poultry raising of the world and also the most modern pork raising, thus the company had to adapt itself to the reality of the poultry and pork market of Brazil”* (KDB01). *“VETANCO had already studied the market for some years. We participated in many congresses in Brazil. We carried out consultancies and outsourced studies of the Brazilian market before its establishment”* (HDA02).

An important factor for the success of the company VETANCO in Brazil was that the product, which was sold, was already known and well accepted by the customers, they did not know the company, but the product. *“It was this product which opened the doors of the Brazilian market, because it has high quality. The Brazilian company has been growing in the last 12 years and every year its participation in the market grows, because it is always launching new products and it is increasing its participation in the market, each new product is entering a determined market niche and it is gaining space* (KDB01).

VETANCO S.A. is in two other countries, Uruguay and México and it has representation in another 40 countries, but Brazil represents around 40% of the whole sales market of the parent company. *“The parent company bets on the Brazilian company, it is absolutely sure that VETANCO do Brasil will be the hen that lays the golden eggs, due to its market potential, to the structure which is mounted, to the strategic planning which is being carried out”* (KDB01). *“And what stands out in the internationalisation of the company directed to Brazil was the question to reach a market which is potentially five times larger than Argentina and to have come to one of the best markets of the activity of the parent company”* (KDB01). According to Borini, Fleury and Fleury (2010), the appropriate location of the subsidiary grants credits so that the parent company transfers its organisational competencies to it and exploits them even more.

Some problems VETANCO of Argentina faced when it established itself in Brazil were not repeated. *“In Brazil everything was more structured, with more information, consultancy, planning, with more qualified human resources, a much higher professionalism level”* (HDA02). *“And this question of people management is a very important item for the company in Brazil. We structured a strategic planning team and a sales team in order to maintain quality, which is the legacy of the parent company, all this adapts itself according to the Brazilian reality”* (KDB01).

VETANCO do Brasil maintains close relationships with all its stakeholders, from the transport company, the technicians, the final user and the organisms which approve the products. The opportunity and the relationship networks to which the company belongs are factors which explain the growth of the internalisation degree, mainly of the small and medium-sized enterprises (ANDERSSON; FORSGREN, 2000). The company has partnerships with universities, with research and analysis institutions. Motivated by their historical trajectory, some companies succeed in developing stronger partnerships with their stakeholders, thus they generate greater aggregate value to their products and to the services, superior performance in relation to its competitors, that is to say, competitive advantage (PRAHALAD; HAMEL, 1990; 2005; BARNEY, 2001).

With respect to legislation, the organisms, which approve the products in Argentina and in Brazil, are practically the same; obviously, since Brazil is bigger, there are more competitors and the requirements are higher. Since the company grew much during the last years, it felt the necessity to contract a specific professional in pharmacology and biochemistry to attend to these questions. *“At the beginning the whole dossier for the approval of the products came from Argentina, it was translated and sent to the competent organs in Brasília. Today, since there is this person in the company, who*

specifically deals with these processes, this was an upgrade, because she accelerates, she got to know all the people who are involved, inclusively a relationship process with these stakeholders was carried out, which facilitates and accelerates the necessary bureaucracy for the commercialisation of the products in Brazil” (KDB01).

A question which is not taken into consideration in Argentina is that of the certificates, *“differently from Argentina, in Brazil it is very important to have ISO 9000; it is a necessity, since 95% of the companies have this certification. In Argentina they do not appreciate it, they have a maximum of 5% of the companies that are certified, but the parent company adapts itself to these questions without greater problems, they know that they must follow the Brazilian regulation” (KDB01).*

Some difficulties the company had in the internalisation directed to Brazil were to start from zero, to develop the product, to adapt itself to the Brazilian reality. *“A company which did not have a name, genuinely Argentine, which was not a multinational, a family enterprise and which had to dispute markets that have gigantic owners, that have powerful multinationals (KDB01). Brazil has different cultural and economic adaptations, culturally the Argentines had to understand other human resources regulations, in the commercial part, the technical aspects are more important to get the sales, with regard to the institutional aspect there are big Brazilian corporations, one needs much time of commercial relationships, in Argentina everything is easier” (HDA02).* The authors Lawrence and Lorsch (1967) affirm that in each locality, in which there are subsidiaries, the characteristics are different, be they cultural, way of making business, geographical aspects and therefore the subsidiary with its headquarters in other localities must adapt itself to these characteristics if they want to survive.

There is a big exchange of knowledge, information and experience between the parent company, the distribution centre and the factory in Brazil. The biggest exchange occurs in the commercial area, in which the technicians participate in various workshops which take place in Brazil and in Argentina. *“An outstanding point is that the Argentine company is learning much with the questions of strategic and organisational planning with the Brazilian company” (KDB01).* Dunning (1993) affirms that there are non local competencies which can be created and developed in the subsidiary and afterwards transferred to the parent company or to other subsidiaries

Case Discussion

As far as the presupposition of the economic theory is concerned, the case study has the advantages of ownership and location, according to Dunning’s definition (1977; 1988). VETANCO’s ownership advantages are identified in the local and non local competencies the company develops. With regard to the location advantages, the company profited from the opportunities of the host country, such as for example, the specialised workforce.

In the light of the behavioural theory, VETANCO’s internationalisation process directed to Brazil occurred after the carrying out of a market and potentiality study, by means of consultancies and the participation of directors and collaborators in events in Brazil. Here the search for new knowledge is evident, based upon the acquisition of experiences the company acquired before VETANCO S.A.’s internationalisation, as the authors of the behavioural theory suggest it (JOHANSON; VAHLNE, 1977; 2009).

An important factor for VETANCO’s internationalisation directed to Brazil was the capability of the company to learn with the problems and difficulties it faced in Argentina, following the presuppositions of the behavioural theory (JOHANSON; VAHLNE, 1977; 2009). Figure 2 shows, in an abridged way, the generating factors, the dimensions of the problems it faced and the dynamic capabilities it developed in the internationalisation process directed to Brazil.

The experience exchange between Argentina and Brazil occurred with the arrival of an expatriate from Argentina, who knew the Argentine market, the product and the company

VETANCO S.A.; today he performs the function of technical and commercial director. They associated the experience of a Brazilian, who knew the Brazilian market and culture with this director's experience. This exchange of knowledge and apprenticeship comes from the dynamic capability of the Argentine parent company, associated with the Brazilian subsidiary. Borini, Fleury and Fleury (2010) reinforce that the integration between parent company and subsidiary stimulates the development of organisational competencies. The parent company turns to trust the subsidiary more and instigates the development of non local competencies outside its country of origin.

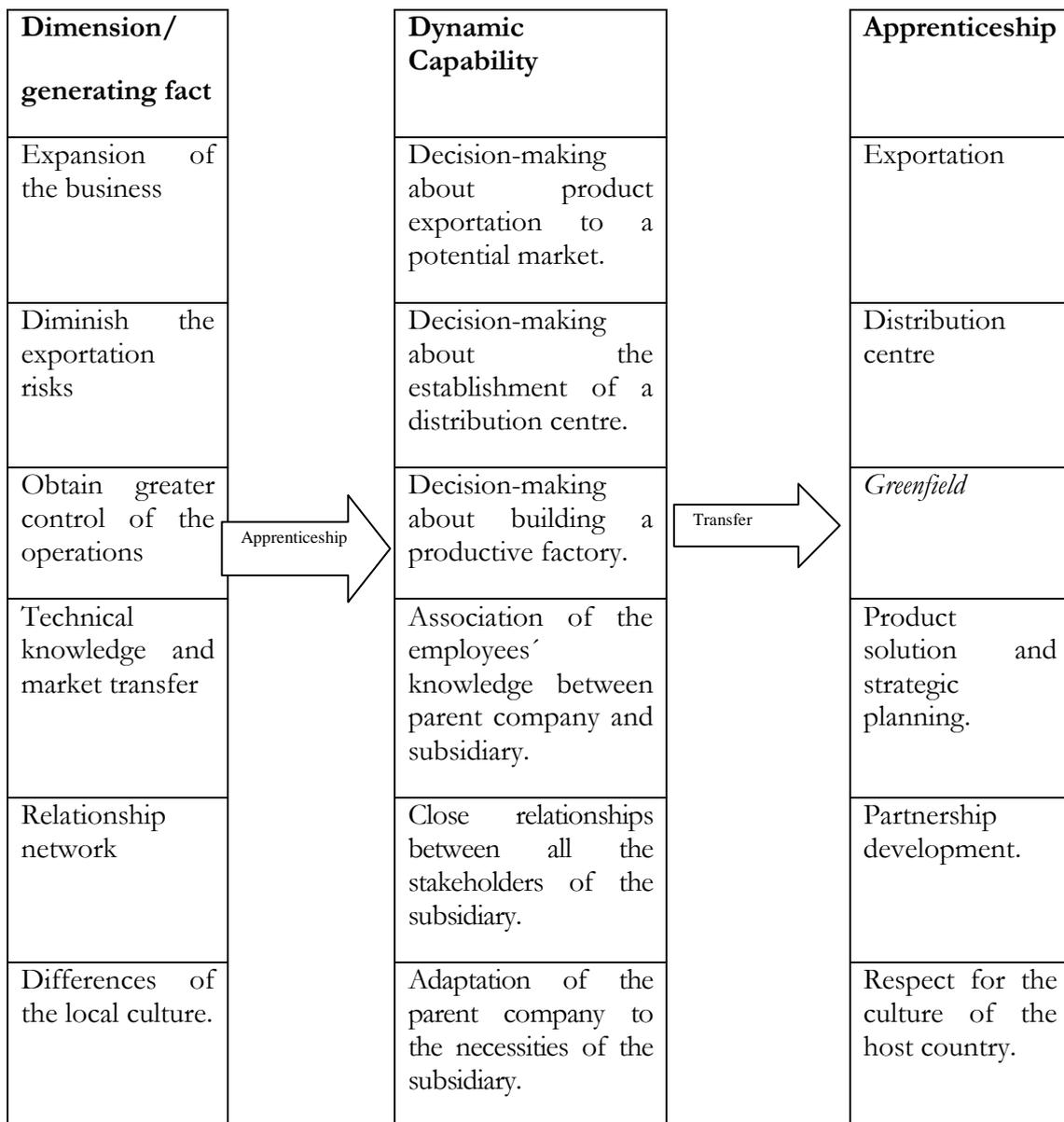


Figure 2: Dynamic capabilities developed by VETANCO in its internationalisation process directed to Brazil

Source: Adapted from Floriani, Borini and Fleury (2009).

Still according to Borini, Fleury and Fleury (2010), this integration also causes the increase in investment of the parent company directed to the subsidiaries; this is a reliable zone for the corporative strategic functions. This knowledge exchange and the cooperative work favour the

creation of organisational competencies which are aligned with the central business of the multinational.

With regard to the national and organisational culture, the Argentine parent company adapted itself to the necessities of the Brazilian subsidiary which derived from the continuous effort of adaptation to the local characteristics. This adaptation and reconfiguration of the competencies the company developed characterise themselves as a dynamic capability (TEECE; PISANO; SHUEN, 1997).

The case we studied presented relevant characteristics if we compare them to Floriani, Borini's and Fleury's (2009), research; they studied the internationalisation process of a Brazilian multinational abroad (*outward*). As Figure 3 demonstrates it, VETANCO do Brasil developed dynamic capabilities on the basis of the non local competencies, which were transferred from the subsidiary in Brazil to the Argentine parent company. The local competencies of the parent company were absorbed by the Brazilian subsidiary. The present study still identified the exploitation of the location advantages.

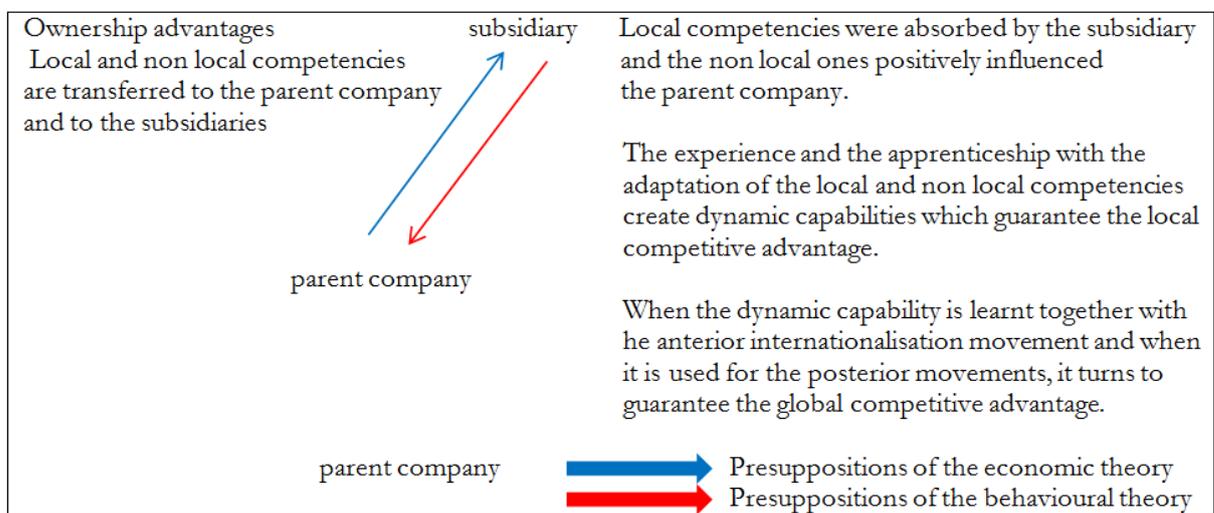


Figure 3: Framework of the dynamic capabilities developed in the internationalisation process

Source: Floriani, Borini e Fleury (2009)

By approaching dynamic capabilities as routines or processes which have the ability to transform the own resources of the organisation, we notice that they are capable of maintaining the company ahead of its competitors in frameworks of constant change and instability (TEECE; PISANO; SHUEN, 1997). The multinationals must reconfigure and adapt their organisational competencies so that they become global and not only local, thus generating a global competitive advantage.

Final considerations

The objective of this article was to verify which dynamic competencies, that are developed and used by the multinational company, contributed to the internationalisation process of the subsidiary in Brazil. The study presented the way in which the dynamic capabilities were articulated by the company VETANCO S.A. in its internationalisation process.

With regard to the organisational competencies the parent company developed, the local ones, some were absorbed by the subsidiary in Brazil, such as, for example, the quality of the product and of the processes. The non local competencies, which were developed by the subsidiary, also influenced the parent company positively by emphasising the implementation of the strategic planning and the importance given to the stakeholders. The specific competencies, which were created in Brazil, could not be transferred to the parent company, due to the characteristics which are proper to the Brazilian culture, such as, for example, to come nearer to the stakeholders, which occurs in events, trainings, among others.

Differently from the research Floriani, Borini and Fleury (2009) carried out, which approached the dynamic capabilities that were developed in the movement and in the Brazil's internationalisation abroad (*outward*), this study showed the reverse process (*inward*).

Although it presented the reverse aspect of internationalisation, the behavioural tendency as well as the economic one helped in this internationalisation process. As a contribution of this research, according to the behavioural theory, we identified that VETANCO S.A. began the internationalisation directed to Brazil in a gradual way according to that which the theory establishes. Firstly, the company made sporadic exportations, later it established a distribution centre and then, the company built a factory for the production of antibiotics, denominated *greenfield* and it elevated the degree of internationalisation of the company that way.

Still in the behavioural perspective, the company presented the importance of the process of apprenticeship, of knowledge and experience acquisition, which were primordial for its internationalisation movement.

From the perspective of the economic theory, the company developed two characteristics which are defined by Dunning's eclectic paradigm (1977; 1980; 1988), the first is the ownership advantage. The company used the local competencies which were developed in the parent company for the entry movement into the foreign country.

In order to exploit the location advantages, the company established itself in the city of Chapecó in the State of Santa Catarina, because this city is a potential market for the VETANCO S.A. products and it stands out as one of Brazil's most important centres of the modern poultry and pork raising. Another decisive factor for the choice of the establishment of the subsidiary in Brazil is the fact that Brazil is Argentina's commercial partner. Differently from Floriani, Borini and Fleury (2009) who, in their study, only presented the ownership advantage as a decisive factor for the internationalisation process of WEG.

Another contribution of this study refers to the knowledge transfer we identified in the parent company as well as in the subsidiary, that is to say, both promoted the development of new competencies. It is convenient to emphasise that, when we compare it to Floriani, Borini and Fleury's study (2009), which stressed the importance of the parent company for knowledge transfer, this study emphasised the participation of the subsidiary in this process.

A limitation of the article can be inherent in the method, because the case study only demonstrates the reality of the company we studied. Thus the results cannot be generalised for other organisations. As suggestions for future studies, we propose the continuity of case studies in other foreign organisations in Brazil and/or quantitative studies or still different sectors in order to prove if the dynamic capabilities influence the internationalisation process positively.

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**CAPACIDADES DINÂMICAS E O PROCESSO DE
INTERNACIONALIZAÇÃO *INWARD* DE UMA MULTINACIONAL
ARGENTINA PARA O BRASIL**

Resumo: O artigo tem como objetivo verificar quais capacidades dinâmicas desenvolvidas e utilizadas pela empresa multinacional contribuíram para o processo de internacionalização da subsidiária no Brasil. A metodologia de pesquisa foi de abordagem qualitativa, utilizando o estudo de caso para a coleta de dados, com a aplicação de entrevistas semiestruturadas em profundidade. Os resultados apontam que, de acordo com a teoria econômica, a empresa aproveitou as vantagens de propriedade, a partir do desenvolvimento de competências locais e não locais. A vantagem de localização foi explorada a partir da escolha do país hospedeiro, levando em consideração o mercado potencial. Em relação à teoria comportamental, identificou-se que a internacionalização ocorreu de forma gradual, iniciando com exportação e, atualmente, caracteriza-se como *greenfield*. Quanto às capacidades dinâmicas, elas foram desenvolvidas pela empresa no momento em que a empresa soube reconfigurar e adaptar as competências desenvolvidas em cada unidade, aproveitando-as no seu processo de internacionalização.

Palavras-chave: Capacidades dinâmicas; Internacionalização; Multinacional; Competências

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