Bringing Italians SME’s to Brazil: The GM VENTURE Case

CHIARA FUMAGALLI

SÃO PAULO
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Thesis presented to Escola de Administração de Empresas de São Paulo of Fundação Getúlio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge Field: Business Strategy

Adviser: Prof. Dr. Sérvio Túlio Prado Júnior

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Moreover I see myself grown in terms of personal knowledge, maturity but also as a woman.

I am totally aware that whole this could not even start without all the people who surrounded me those years.

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Thank you.
PREFACE

The creator of this thesis work is an Italian student who participated in the Double Degree program jointly proposed by the Escola de Administração de Empresas da Fundação Getúlio Vargas (FGV-EAESP) in São Paulo, Brazil and the Università Commerciale Luigi Bocconi in Milan, Italy. The Brazilian supervisor of the thesis is Prof. Dr. Sérvio Túlio Prado Júnior of FGV-EAESP.
ABSTRACT

The Italian business presence in Brazil has been characterizing, since years, the economic landscape of Brazil. More than 1300 Italian companies, from the biggest to the smallest one, are acting in Brazil, exploiting the overall potential of this country and contributing with the excellence they can bring. Noting the consistency of the Italian presence and wondering how those companies have entered such a complex country and, a recurring name has been GM Venture, which became the protagonist of this dissertation. The thesis in fact aims at studying how GM Venture Company has been able to create value for Italian SMEs, contributing to their success in Brazil during the last ten years. Therefore this analysis focuses firstly on the literature dealing with the key success factors for the internationalization of small-medium enterprises. The second part of the literature goes deep in the specific case of the Brazilian context, trying to understand the major problems that this particular environment poses to small-medium companies internationalizing here and some specific factors Italian companies should pay attention to. Given this introduction, the analysis centers on the core topic of this dissertation. In fact the investigation regarding the GM Venture case looks specifically at how this company has been able create value despite those problems and create a business model able to successfully support SMEs entering Brazil.

The inquiry on the case and the conclusion reports how GM Venture, through its operations, has been able to respond to the Brazilian complexity, face it with legal means and expertise, and positively contribute to the growth and value of the Italian economic reality in this country. Moreover looking at the literature findings, this specific case introduces some novelty in the emerged factors, such as a new way of conceiving the Network, as well as new factors or undervalued ones for success such as promptness in the response and trustworthiness, which are essential in the Brazilian economic environment.

Keywords
Italian SME’s, Internationalizations, Networking
Reliability, Information, Brazilian complexity,
Whole solution consulting, Brazilian potential, GM Venture.
RESUMO

Desde muitos anos a presença Italiana no Brasil foi caracterizante do panorama econômico brasileiro. Mais de mil trezentos empresas italianas, das maiores até as menores, são presente hoje no Brasil, aproveitando inteiramente do potencial Brasileiro e levando no Brasil uma contribuição relevante no sistema econômico, por meio da excelência que caracteriza estas empresas Italianas. Olhando ao tamanhão da realidade das empresas italiana no Brasil, e como todas essas corporações podia ter entrado em um país muito complexo, ponto central foi a GM Venture, que se tornou o protagonista da minha dissertação. Esso TCC tem o escopo de entender melhor como esses deis anos GM Venture conseguiu em criar valor econômico por muitas media e pequena empresas Italianas, levando eles ao sucesso no novo país. Por isso a dissertação se focaliza inicialmente sobre a literatura da internacionalização e dos fatores essenciais de sucesso por uma pequena e media empresa em general. O secundo fator de analise nela literatura para o caso específico do contexto Brasileiro, foi a compreensão dos problemas principais que o Brasil pôe para pequenas-medias empresas estrangeiras, e algumas atenções que são necessárias em particular para empresários italianos. Para evoluir no tema, depois de essa introdução ao tema e ao contexto, o tópico mais importante é discutido. Então a investigação de esse trabalho se focaliza sobre o tema de como a GM Venture tem capacidade de responder com uma solução para os problemas presentados criando valor, e como ela criou um modelo de business que seja capaz de levar ao sucesso as empresas clientes no Brasil. A analise e conclusão do caso vão elaborar como a GM Venturo contribuiu ao resolver e evitar a complexidade Brasileira com meios legais e experiência, cooperando em positivo no crescimento da realidade econômica italiana em Brasil. Olhando ainda mais na analise da literatura e comparando o caso, parece evidente como o caso da GM Venture introduziu algumas novidades nos fatores já individuados, como uma ideais nova de network, e no mesmo tempo foi capaz de presentar fatores novos o subestimado, como a pronta velocidade e a confiança nos relacionamento de business que são muito importantes especialmente no Brasil.

Palavras- chave
PME Italianas, internacionalização, Networking
Confiança, informação, complexidade Brasileira, consultoria de solução única
Potencial do Brasil, GM Venture.
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<td>BRIC</td>
<td>Brazil Russia India China</td>
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<td>CADEMP</td>
<td>Cadastro de Empresa</td>
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<td>CAGED</td>
<td>Cadastro General de Empregados e Desempregados</td>
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<td>CCM</td>
<td>Cadastro Contribuintes Mobiliários</td>
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<td>CDB</td>
<td>Certificado de Deposito Bancário (Equivalent of CD)</td>
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<td>CEDIN</td>
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<td>DNCR</td>
<td>Departamento Nacional de Registro do Comercio</td>
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<td>EDFI</td>
<td>European Association of the Development of Financial Institution</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign Direct Investments</td>
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<td>FGTS</td>
<td>Fundo de Garantia por Tempo de Serviço</td>
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<td>FOB</td>
<td>Fright on Board</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>ICE</td>
<td>Istituto nazionale per il Commercio Estero</td>
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<td>ICMS</td>
<td>Imposto s/Circulação de Mercadorias e Serviços</td>
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<td>IE</td>
<td>inscrição Estadual</td>
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<td>INPI</td>
<td>Instituto Nacional da Propriedade Industrial</td>
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<td>INSS</td>
<td>Instituto Nacional de Seguro Social (contribuição)</td>
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<td>IOF</td>
<td>Imposto sobre Operações de Crédito</td>
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<td>IRPJ</td>
<td>Imposto sobre a Renda e Proventos das Pessoas Jurídicas</td>
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<td>IRR</td>
<td>Internal Rate of Return</td>
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<td>Multi National Enterprise</td>
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<td>PIS</td>
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<td>PPP</td>
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<td>SISBACEN</td>
<td>Sistema do Banco Central</td>
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<td>SME</td>
<td>Small Medium Enterprise</td>
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<td>SNC</td>
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<td>TFE</td>
<td>Taxa de Fiscalização de Estabeleciam</td>
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1 INTRODUCTION

This dissertation aims at briefly analyzing the Brazilian business environment, in a way to adequately present the case of GM Venture, and how was it able to add value to Italian SME’s in Brazil.

This work introduces to the case of GM Venture, and the business model they have structured to support Italian SME in the Brazilian context. This company has turned out to be a valuable partner for many Italian enterprises in the Brazilian environment. The aim is to detail and study in depth the GM Venture model, in order to provide evidences for all the benefits and critical aspects of their services.

Therefore, the rationale of this research paper lays in showing how GM has addressed the most relevant issues regarding the support of Italian SME’s willing to operate in Brazil.

On this ground, according to what emerged in the interviews performed, the dissertation briefly highlight what are the main issues an Italian entrepreneur should face when starting a business in Brazil. This contextualization helps introducing to main object of this thesis, which is the relevance if the case. In fact this work desire to explain the originality of the business model of GM Venture and where it comes from. In order to point this out and to assess the relevance of GM Venture, many institutions and experts have been contacted. The analysis of the case elaborates the strategic reasons and the pillars underlying the model of GM Venture, detailing all the services that the company offers. What the research pointed out is that all the actors involved, give great relevance to the offer of GM Venture in the development of their activity in Brazil and that this unique model is particularly helpful for Italian enterprises internationalizing here; these results provide the ground for this dissertation.

1.1 Research question and research goals

The whole research that have conducted to this dissertation have been driven by these research questions:

1. How has GM Venture adequately added value to Italian Small-Medium Enterprises internationalizing in Brazil?
2. Why the GM Venture case highlights specific critical success factors for Italian SMEs in Brazil?

These research questions are linked to each other and consequently based on the following dimensions:

**Field of study:** internationalization, business strategy, key factors and the cooperation (network) importance are the main broad focus of this thesis research. The thesis itself elaborates one specific company, namely a critical partnership, which in the last 10 years have been unique and effective. Moreover are discussed literature and the environmental analysis on the possible key factors that are useful during an internationalization process.

**Object of study:** The main one consists in understanding how the GM Venture case contributed to the Italian presence in Brazil. It involves the analysis of the case, the model of the company and the origination of the whole business, clearing out the advantage for an Italian entrepreneurial community.

**GM Venture:** it is the Company presented as a strategic partner and a success factor for Italian SMEs internationalizing in Brazil. The work outlines its peculiarities and its fundamentals, down to the detail of this specific business model and its services offer.

The main goal of this dissertation is to identify the contribution that GM Venture gives to Italian Companies entering Brazil. The analysis of the case tries to demonstrate the fit between the business model of GM Venture and the needs of the average small-medium Italian enterprise moving to Brazil.

The final result of the thesis is not a quantitative one; it rather represents the opportunity to offer something unique to the business community, through the exposition of the peculiarities, origins and offers of GM Venture, demonstrated also through the numerous interviews made.

The qualitative analysis gives reasons to conclude that this cooperation can be considered key to address the necessities of Italian SMEs entering Brazil, and that the case of GM Venture represents a novelty for the Brazilian landscape.
1.2 Relevance of the research work

Since the creation of the acronym BRICS, the internationalization toward emerging markets has become increasingly significant, while more and more theoretic models have been developed as a matter of study. This specific thesis work is not focusing on FDI in emerging countries, which has been already discussed in depth by others. It presents how the GM Venture business model, adequately support Italian SMEs in the economic, legal and networking environment of the Brazilian market. The necessity of a key partnership arises when facing the differences of the institutional environment, which often raises trust-in-business issues.

This topic is gaining more visibility every day since the 1990s when some of the biggest Italian enterprises entered Brazil (e.g.: Telecom Italia, Fiat, Luxottica Group…) and a structured Italian presence started being developed. From this first setting until now, a diffuse Italian business migration has been observed, and more than Italian enterprises joined the first ones (Ambasciata D'Italia a Brasilia, 2016). Given the Italian incidence in Brazil, the Embassy and the other Italian institutions are now trying to follow the changes and the studies performed on this issue on a yearly basis, they support every contribution. Concerning the aspect of the cooperation that Italian companies would need and should certainly use to enter Brazil, the literature is insufficient: this contribution tries to fulfill this gap, at least as an initial step toward a more conscious and successful process of internationalization. From this point of view, what the analysis points out is the essentiality of a reliable local partner, which can understand and address the Italian SME’s needs in such an intricate and fast-paced environment. The case presents a business model, which has been increasingly appreciated and successful during the last ten years.

In the end this work can assume a sort of practical relevance in the fact that it offers some “guidelines for Italian investors”.

1.3 Research process and outline of the dissertation

The first part of this thesis work (Chapter 2) consists of a literature review. This first focus is to revise the basis that the economic discussion has put until now, regarding SMEs internationalization and its key drivers. Some key success factors in internationalization are highlighted here. The analysis starts from the definition of SME and internationalization
process, and moves forward collecting contributions from recent publications on strategy journals. Moreover the chapter focused on the analysis of the main issues that the Brazilian environment poses to foreign companies internationalizing there, according to he literature.

In the third chapter the actual situation and potentiality of the Brazilian environment are presented in order to give reason of the analysis and to answer the research questions. This chapter focuses on the main attractivenss of Brazil in a Italian perspective, along with its intrinsic positive aspects. The attempt is to highlight and introduce the relevance of the Italian interest in this country, the relevance of the research question as well as the originality of the case presented in the last chapter.

The fourth chapter explains the methodology followed during the collection of information, and details of the interviewed people.

The fifth chapter briefly introduces the framework developed from the literature contribution, in order to analyze the following case, core of this dissertation.

Afterwards, chapter six and seven presents in the case of GM Venture that this dissertation aims at proposing as a very interesting and unique strategic partner for Italian businesses that are entering Brazil. In the following chapter the effective evaluation of how the reality of GM Venture is able to create value for its Italian customers, has been inquired in depth. In this purpose it put in evidence all the activity, and the peculiarities of this company and the foundations that made it able to create effective value.

In conclusion the eight chapter sums up what have emerged from the analysis, and the conclusions of the work.
2 LITERATURE REVIEW

Literature concerning internationalization is one of the broadest in the economic research horizon. Looking for adequate theoretical background for the following analysis of this dissertation, the focus of the review concentrates approaches regarding the internationalization of SMEs. Those tactics resulted from the effort of rationalizing and organizing in common models the literature available on this theme.

This review tries to focus on essential aspects, which might give an introduction to the topic of this dissertation.

Aware of the fact that the subject of this Case Study, regarding a specific typology of network and support to Italian SMEs in Brazil, is quite singular, it has been collocated in the landscape of the key success factors for internationalization of small-medium companies.

The analysis of the review starts with a general idea of the main approaches where the factors can be extrapolated from, while the following analysis of the current thesis looks at the Brazilian environment. In the specific case this work looks at the critical factor of success for a SME, in an Italian perspective.

The analysis of the literature starts with the definition of internationalization (2.1) with its subchapters concerning SME’s, key approaches and key success factors. Later on it gives a comprehensive introduction to the CAGE model (2.2), and to the importance of networking (2.3). The fourth subchapter proposes a introduction of the literature to the main business issues that Brazil poses for foreign actors (2.4 and 2.5), which are dimension often taken in consideration too little or definitely unknown. To conclude later with the critical understanding from Literature and an adequate framework are proposed (2.6).

2.1 Internationalization

The “internationalization” concept describes the phenomenon of growth beyond borders. The most basic scenario sees a company growing in new markets, out of its native country. The enterprise shifts its interest focus out of its own country for a number of different reasons, which usually can be clustered in higher revenues and lower costs, or in the
exploitation of cultural proximity or interesting differences, as the CAGE model (2001) reflects.

Internationalization is a topic which has been discussed for many decades, but the systematic study of this phenomenon started by focusing on enterprises which had decided to broaden their market by entering into foreign countries rather than staying at the national level (Hymer, 1960). Hymer (1960) has been the first researcher looking at internationalization as a structured phenomenon, made of coordinated transactions, resulting from a specific enterprise’s interest in a given market.

2.1.1 SME definition

The Small Medium Size company concept identifies a specific type of enterprises, fully radiated in the Italian and Brazilian business environment. The European Commission has defined them on January 1st 2005, stating that “The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million” (Recommendation’s annex, 2003; Official register L124, 2003)

These companies are the engine of the European Union, creating jobs (85% of jobs in the EU), growth and innovation. SMEs are not developed multinationals; hence they require an environment with a stronger regulation, where they can be sustained in their entrepreneurial activity and where the growth potential of these entities is protected, and a flexible setting to stimulate innovation and competitiveness. (Jean-Claude Junker, 2016)

2.1.2 Key approaches to the literature about Internationalization

According to Knight (2000), most SMEs are disadvantaged due to the increasing world’s globalization, but actually it is just a matter of success factors. Certainly small-medium companies are not equipped with the amount of capital and expertise that a multinational has, even though this is not a disadvantage, since it just highlights that those companies rely on different factors. It clearly emerges from the literature that the organization, network, incentives and objectives of an average SME in the internationalization process are very different from the MNE’s ones.
According to Tarun Kanti Bose on the volume 26 of the *Journal of small business strategy* (2016), literature has put in evidence three main approaches to this topic: the Stage-based approach, the Network Theory and the International Entrepreneurship.

Starting from those three approaches literature puts in evidence few key factors, which will be analyzed later on.

*The stage-based approach* describes the internationalization phenomenon as a linear process, made exclusively of consecutive stages. Its foundation relies on the Uppsala model (Johanson and Vahlen, 1977), and the Innovation related model (Bilkey and Tesar 1997, Cavusgil 1980). The former model describes internationalization as the process through which a firm firstly gains, then integrates and exploits knowledge and expertise in foreign operations, while it progressively takes part in the international market. It basically is a process of gradual learning and development of the know-how acquired from the market, which makes it easier for the company to take influential decisions (Pett, Francis and Wolff, 2004). In order to achieve this internationalization, the model itself introduces different degrees of learning and integration, depending on the level of resources committed (invested in the market and in the decision-making activity) and on the amount of self-commitment by the company. Since there is a high risk involved in the process, most of the companies have started internationalizing in countries which are considered similar to the native one, so the first step has usually been to enter the market of a country which bears a close resemblance to the firm’s nation. Moreover, given a great amount of uncertainty, the commitment to the new market is gradual also in the choice of how to enter it. The main gradual steps identified in the Uppsala model are: export activities, export activities through an agent, establishment of a subsidiary and establishment of foreign site of manufacturing and production. In the latter model, internationalization is seen as a process driven by the development of new products, services and processes. In this case the basis for internationalization is a continuous process of innovation. In the same way as the Uppsala model, this one suggests that internationalization is achieved by stages in terms of company’s commitment to the new country, with an increasing level of innovation required per stage.

The second approach is the *Network theory*: according to Coviello and Munro (1997) the internationalization process of SME heavily relies on the network relationships that the company is able to create while selecting the market and the entry mode.

Regarding this concepts theory, a fast and effective process of internationalization has to take into account the creation of a network and key relationships. Even though uncertainty is still present, the existence of a reliable network fastens the process of internationalization,
since the company is not “alone”. According to Coviello and Munro (1997), the relationships established inside the network of a company are the factors able to influence the kind of internationalization undertaken by the firm. By entering in close relationships with different partners, the company itself amplifies its activities and increases its presence across borders. The importance of the network for an enterprise is remarked also by the IMP group (International Marketing and Purchasing), which underlines how the relationships among business entities are the fundament for the creation of an industrial system. As a firm enters a market, it is fundamental to evaluate its own relations with the other actors.

The last approach is the international entrepreneurship. This theory focuses on new operational activities developed by new enterprises (Ruzzier 2006). This approach does not look at internationalization as a staged phenomenon; it rather considers this fact as the result of entrepreneurs’ passion and devotion to change and learning. Entrepreneurs who share these traits have a more innovative and risky attitude, hence supporting internationalization and developing new ideas, knowledge, processes and concepts (Collinson and Houlden, 2005). The resources based theory is then collocated here. Resources and competences are a key factor in this entrepreneurial international strategy, and they determine the business strategy of the company.

In addition to these three main approaches, an important theory discussed in literature is the Eclectic paradigm, which underlines the main advantages of internationalization, independently from the previous approaches. This overall theory tries to identify three main advantages that a company can exploit in the internationalization process, and that can explain the reason why many companies went beyond national borders.

These benefits can be identified in: advantages of ownership, of location and of internalization. The first one looks at the benefits regarding the property rights or the governance rights, which can be possessed in a more unique way through this process. With the internationalization of the company rather than through licensing or other forms, the company gains more control and enjoys direct access to new information, new flexibility and resources, and to the opportunity to diversify. The second category of advantages comprises gains in terms of costs (resources, raw material and workforce), prices and quality; moreover the firm enjoys legal and tax gains, plus all the positive influences of a new cultural-economic environment. Furthermore, another advantage of internalization is that the company is allowed to have higher internal control, larger property, higher quality and control on distribution and image.
Literature has approached internationalization from every corner and regarding every issue. A brief introduction to the theme has been analyzed with the previous fours approaches, trying to frame the amount of material into four theories. From this broad idea of internalization of small-medium companies, it is possible to identify some key factors of success that will be the object of further analysis in the following paragraphs.

2.1.3  Key success factors in SMEs’ internationalization

A factor can be considered key if it is vital in the successful development of a business. The idea of “success factors” has been firstly introduced by Ronald Daniel (Journal of small business strategy, 1961) and has shaped many analyses since then. In international literature, some common and general critical success factors have been defined, along with the relationships between them. One important issue for every company is to look and study the stories of successful enterprises coming from the same country and internationalizing in the same target location. In fact the origin of the success factors can often be found in the characteristics of the home country. Each move from a country to another has different factors, and there is no point in filling in a list of standardized key causes. The most important thing is to look at these factors as methods to follow, and to exploit the stories of those who have already undergone this procedure.

The main causes are for sure capacity and competences. These factors are key in the domestic and in the foreign country. A company that has lot of potential but no capability to turn it into competitive advantage won’t be successful. Given the size of the SMEs, it is fundamental not only to possess these competences, but also to have them highly coordinated.

Hence a company needs to be domestically prepared in order to be able to face the international environment. The journal of small business strategies (article and elaboration of Tarun Kanti Bose, 2016) identifies four main factors of success: Capacity building, policy development, building strategic network and innovation.

The first factors imply the idea of making the local company equipped for the international environment. The level of support needed depends on the stage of development, which the company has reached, and of course the government assistance might be an accelerator in the process. Managerial and organizational issues differ according to the need and the dimension of the company, but it is extremely important to be geared up with a
capacity developed enough to make a step forward. Without it, there is no success horizon. The concept of capabilities certainly includes ability of integrating, commitment and resources of the ownership and decision-making capability. A further step sees the necessity of a network, which is one of the first factors needed in order to internationalize properly and can benefit all those who take part into strategic alliances (Bari, Heema and Haque, 2005). A specific network of other businesses is what the literature suggests as a second factor. The idea of a network is founded on the concept of sharing. This idea of contributing one to another involves raw material, machinery, knowledge, marketing campaign, infrastructural and technological apparatus and all the key activities of an enterprise (Barnett and Storey, 2000). The idea of Johanson and Mattson (1993) sees the company in a process of gradual learning and development of market knowledge as a consequence of the interaction with the actors in the network (Ruzzier, Hsrich, Antonicic, 2006). Another interesting factor is the setting of political rules, which might be able to accelerate and support the process of internationalization. The concept of favorable policies includes the presence of a positive environment for companies, which are willing to internationalize. Both the home country and the one of destination, through policies, can encourage the act of going abroad and are able to motivate the company (Greenaway, 2004); in addition they have the chance to create a positive marketplace for the survival of these companies.

Another key issue, often identified in the internationalization studies, is innovation. This factor is key for survival and growth both locally and internationally. Of course a company willing to go abroad is required to offer something original and innovative in order to gain market shares in the new country. Innovation, as it has always been studied, can be either disruptive or incremental (Barnett and Storey, 2000). The former one implies a radical change in the process, service or product, while the latter is a sort of improvement or partial innovation. According to Pla-Barber and Alegre (2007), innovation is a source of competitive advantage in the global market (Chetty, 2010). This factor can act at all levels in the company, but it remains critical for the process of internationalization. The basic requirement is the orientation of the company toward going abroad, even though there are additional factors (Nummela et al, 2005), such as the internal disposition of the company or the strategy it decides to apply and follow. The company operations, the mode of entry and the country chosen for internationalize are three intrinsic choices of the enterprise and, as such, they are critical as much as the factor already quoted. Furthermore, these internal peculiarities are also the assumption for the other factors.
To complete the factor analysis made by the elaboration of the article quoted, it is interesting to look at the factors for the internationalization of a SME according to Antonicic and Hisrich (2000). These two authors, on the *journal of small businesses and enterprise development*, analyze the broader picture of these critical factors. The classification they have made sees a division into factors relating to the entrepreneur, firms characteristics, and environmental characteristics. The first one deals with the entrepreneur’s skills and capabilities, which are the basic competence at the origin of the company. Along with his skills, which are linked to the so-called “human capital”, the authors quote as key factors the orientation to internationalization, the perception of the environment and the internal know-how. All these are decisive soft skills, which can make the difference in the growth process of an enterprise. Beside this, the traits of the firm are relevant as key features. The company needs to be solid and prepared, so the number of employees and the level of sales it possesses are fundamental issues. Finally, as already cited in the first analysis under the name “policies”, the environmental characteristics are not indifferent. The domestic environment and the international one are able to stand against or favor and push the potentiality of a company for internationalization.

Once the company is geared with all these factors, and with its own peculiarities (according to the market, industry and personal traits), it can be said that it possesses all the basics to go beyond borders.

2.2 **CAGE Model: Valorisation of Differences and Proximities**

Beside the four discussed approaches, it is interesting to scrutinize the CAGE model (Pankaj Ghemawat, 2001) to understand the attractiveness of Brazil for Italian companies. The model helps identifying four areas of attractiveness regarding the foreign market, in order not to overestimate both the appeal and the uncertainty of the differences. This model is critically important as a general approach to the internationalization phenomenon, since it includes variables often left aside in most of the economical approaches. As demonstrated in the study of J. Frankel and A. Rose (cited by Ghemawat, 2001), distance plays an important role in the international perspective, and it has been documented that higher proximity (geographical, cultural and administrative) increases significantly the percentage of trade. The CAGE Model identifies four main dimension of distance that can be critical in the internationalization process, especially for SMEs, which do integrate less easily.
The four dimensions are: culture, administration, geography and economy. Of course each dimension can affect each industry differently.

The most evident distance is usually the geographical one, since the physical remoteness of the boarders explicitly affects trade. It is a given measure and it cannot be changed by any means. The closer are the borders the higher is the percentage of trade (Frankel and Rose, 2000, as cited by Ghemawat, 2001). For sure nowadays thanks to the transportation innovation the geographical distance can be considered a relative obstacle for most of the countries, even though it sure affects most of the trade costs. This dimension is probably the one where globalization made the biggest difference, reducing the time of transportation through the introduction of innovative vehicles.

The Economic distance is another important factor. Given the difference in the population income of each country, in the quality and cost of resources, and the gap between developed and developing countries, the economic distance can become a key factor as well as a key obstacle.

In the majority of the cases this dimension requires a sort of adaptation from the foreign company, to the market demand and the customers income. On the other hand, a distance intended as a difference, (Ghemawat, 2001) offers lots of opportunity compared to a developed market that on specific products it might be already saturated or too competitive. It is critical to approach the economic distance through the strategy of the AAA Triangle (Ghemawat, 2007): Aggregation, Adaptation and Arbitrage. This concept and this difference in the economic perspectives are for sure one point of dissimilarity that attracts enterprises from one country to another in search for potential to exploit. The distance in economic terms for sure intricate business decisions, but at the same time it constitutes a great positive potential if the foreign company is able to exploit it through adaptation, aggregation and taking advantage of the arbitrage as an opportunity.

The other two dimensions are presented as the most decisive one. The higher is the distance in terms of culture and administration, the harder is the trade among countries. The cultural difference in the CAGE Model is determined by the behavior of the interaction among people and the one between companies and institutions. The main obstacles to cultural proximity are for sure the language, the race, the religious beliefs and the social norms. Two countries that share in common some of those values will be for facilitated also in business relations. In the case whether the companies involved comes from countries culturally
distant, they should be careful about the content of the products proposed, because if these are strictly related to the cultural sphere, they might be easily rejected.

The last dimension considered by the model is the Administrative one. Two countries can be considered closer on this dimension if: the government norms are similar, the government involvement in the economy is aligned and comparable, if social norms are aligned and institutions play the same role in the society. Moreover historical links and bilateral agreements contribute in the reduction of this distance, increasing the success of trade. In the concerns of this dimension, the weakness of a political system and of the institution framework can significantly create an obstacle to trade relations with the weak country.

For each dimension, a range of products is more affected than others, so it is in the responsibility of the enterprise to analyze consciously these dimensions in relation to its own offer. According to this the company can be aware of which location is more adequate as a new market where to internationalize, and which dimension might be overcame.

2.3 Focus on network

Among all the factors identified from the literature, one in particular captures the attention: the network. A network of partnerships can be defined as “A relationship between organizations or groups that is characterized by mutual co-operation and responsibility to achieve a common goal, with the involvement of all parties to the partnership (the partners). It can be formal, semi-formal, or informal. Partnerships can involve a variety of different actions by the partners, including: Joint funding; pooling of resources; consultation and agreement to work together; in kind support.” (Williams, Sankar, Rogers, 2004). A successful business network should detect among the members both cooperation and collaboration. Indeed the competitive advantage of a network lays in the relevance of shared information, integrated strategies, mutual support and collective purpose. The key to the network success is on its fit with the context where it operates, and the alignment of the constituents. (Williams, Sankar, Rogers, 2004)

Like in all countries where doing business is not immediately easy, the existence of a network is considered one fundamental factor to succeed. Even more basilar, it is one factor essential to start and to survive with a business. Indeed foreign investors benefit from their alliances and networks, in terms of accessing reliable information, accessing key resources,
saving on time constraints and in terms of existence of trusted partners in loco (Meschi and Wassmer, 2012).

The existence of a reliable network mitigate for the new company the uncertainty embedded in the new emerging market, and in the business relations hazard. Despite the importance of the network, it cannot be considered sufficient for the success of the company (Meschi and Wassmer, 2013). Other factors, as already examined above, need to be involved in the pattern to success in the foreign market.

According to Goerzen and Beamish (2005) companies from the same country of origins, usually enter similar markets; face the same constraints and most of all take advantage from similar benefits in the network alliances. Network in fact can be considered essential whether composed by suppliers and customers, or by key service providers in the constitution of the business. In emerging countries, where local institution are weak or changing at a fast pace, the belonging in a peer-level network gives to the company a distinctive competitive advantage. Indeed a network can provide useful information on other partners and competitors, it can give access to resources and experiences that are critical to a given context, and to information that are relevant in a specific market and that would be accessible otherwise. (Gulati, 1999; cited by Meschi and Wassmer, 2012)

2.4 Contextualizing Brazil in an Italian Perspective

Many differences that the Brazilian business environment presents to a foreign company can create serious issues, arising the need of local experts’ support. Even though Italy and Brazil have lot in common, the main differences in doing business cause many unprepared companies to fail in Brazil. For these reasons considerations on the business difficulties existing in Brazil can be key for a foreign perspective.

For those not expert on the field, these differences are usually the reason of withdrawal, while for prepared and informed investors they are the keys to direct every move and to approach every issue. The first step is to know these complications exist, and then to be informed on them in order to not be constricted.

Both the literature and the experts interviewed have highlighted some specific issues that have historically complicated the foundations of Italian businesses in Brazil.
Even though these problems might seem common knowledge about Brazil, every Italian entrepreneur entering this market faces the same struggles, and looks for support on very similar problems. The literature emphasizes the most important ones.

2.4.1 Constitution of a company

The constitution of a company in Brazil follows specific laws, and is not something immediate. As the Doing Business index of 2016 clearly put in evidence, Brazil is not an easy country where to operate, and especially for the first access. It scores 116 over 189 countries. It is not a straight process to open a business in this country. On the Other side Italy scored 45 out of 189 in the same ranking, which does not mean that it is significantly easier but that for sure is simpler and different, especially for its belonging to the EU. (WB, 2016)

Even though the installation of a new company is a complex investment, which absorbs many resources, it has many positive aspects: clear juridical relationships between the Italian and the Brazilian company, easier products imports, keep control over the image and reputation of the brand, choosing the employees dealing with the product or service. To open a Newco means to align the motherhouse’s interests with an autonomous juridical entity, sharing the stocks and participation and the main strategies for the product and the core business. Moreover holding the company in loco helps the motherhouse to keep a sort of juridical certainty to all the deals undertaken in Brazil, and to give a flowing continuity to all the activities. (Marcelo Trussardi, 2016; Graziano Messana, 2016).

In Brazil the LTD is the simpler form, mostly adapt to small-medium size companies, which do not need to respect the whole legislation of the big companies. Differently from Italy there are no simpler forms available. This one is very similar to the Italian SRL being more agile and more functional, for its simplicity in terms of organization, functioning and economical consequences. The responsibility of the partners is limited to the quotes in their possession but there is a solidly responsibility for the company stock deposits.

Looking at the average LTD Company (The preferred form for Small-medium enterprises) in Italy ad Brazil, some differences can be encountered that give reasons of the complexity (Governo Italiano, 2016; ITA, 2016; Portal Tributario, 2016; ICE, 2016; Passini and Alvares, 2016; Italian Chamber of commerce, 2016; World Bank, 2016, ITA, 2016):

1. In Italy the SRL in its traditional form can constituted by both physical and juridical person, while the simpler common form requires mandatorily a physical person (the
commonly used one given the benefits it enjoys). In the case of a juridical person, a legal representative is necessary, with the certificate of approval of the Enterprises Register. In Brazil every investor can be either physical person or juridical person, but it must have respectively a CPF or CNPJ in order to effectively be able to have a share of the Brazilian company, and to have those identification they must be registered at the federal fiscal institute.

2. In Italy (the bylaws) the act of constitution of a company can be drawn up only by the notary through the so-called “Atto Pubblico”. Moreover the notary is the one who register the company at the Public enterprises register, and the agreement of association. Only this registration will allow the company to have its fiscal code. In Brazil the procedure is more complicated: the company needs to detail and write down its statute, allocate the signing power to the legal representative, have the passport of the legal representative and assign the proxy to an attorney (Brazilian citizen or permanent resident in Brazil).

3. Every foreign partner needs to be represented in Brazil by a local attorney (Brazilian or foreigner with permanent residence), who will be the legal responsible for the local authorities. For a foreigner partner in Italy the attorney and the legal representative are necessary as well, on the contrary he can present himself as a juridical person for the constitution of the traditional SRL.

4. The CNPJ and the authorization of the treasure affair of the state are prior steps also to the article of association. After those two documents, the other registrations can occur. In Italy the procedures are all contemporary with the constitution by the notary.

5. Register all the documents of the new company at the ‘Junta Comercial’ of the state where the company is effective, to obtain the inscription and the homologation. This institution will also check the originality of the denomination, and the possibility of using it. In Italy the notary take charge of the registration at the Enterprise Register of the government.

6. To open a company in any country, specific registrations and documentation are needed. While in Italy the process is smoother and shorter, Brazil has many steps to be accomplished. In Italy the additional requirements, beside the steps already documented, are: registration fee, rights of the enterprises register, Chamber of commerce annual right, authentication of filed documents, notary fee and notary tax. There is no triangular system of registration like Brazil (state, federation and municipality) and the trade unions are not mandatory rather is a choice of the
employees. All the detailed surroundings registrations (on general bases) into a one single registration practice. There is a sort of unique system, which simplifies the procedures. In Brazil it works very differently, and much of the complexity lies in those requirements. Some of the registrations required concern: a) Municipal registration (CCM – Cadastro Contribuintes Mobiliários); b) Registration at the INSS (national institute of social security), the NIRE (register of enterprises state enrollment) and the ICMS (Brazilian value added tax); c) Registration with the municipal taxpayer’s registry (Secretaria Municipal de Finanças) and electronic registration; d) activation of the functioning license at the ‘Alvará de localização’; e) State registration (IE – Inscrição estadual) for the production and circulation of the products; f) Reregistration and payment of the TFE (registry taxa de fiscalização de estabelecimento) to the municipal register; g) Registration of the employees in the social integration program (PIS); h) Opening and registration of a fund for unemployment (FGTS); i) Registration to the patronal union and the employees union, which are mandatory inscription to assure the company is respecting the right of the workers (not mandatory in Italy, is a choice of the employees); l) Registration to the SISBACEN, which is mandatory for the companies having foreign capital.

2.4.2 The Bureaucracy

The biggest error Italians make is to believe that the similarity of the two countries makes them working the same. Italy is not an easy place too, as we can see from the World Bank statistics, but the main complexity relates to the high burden of costs for opening a business, and in the concession of construction permits. Concerning other variables like the number of procedures, the reliability of the system and the time period involved, Italy is on average much better than Brazil. Not by chance the two countries score more than 33% positions of difference. The Brazilian bureaucracy is often referred as ‘Custo Brazil’, which rather than a monetary costs implies heavy laws and regulation on work, contracts and legal issues, a long bureaucratic process for every step of the business creation and for the institutional life of an individual. Just in terms of days to open a business, it requires (if everything goes well) 5,5 in Italy and 83 in Brazil. Most of the times is a matter that the foreign entrepreneur getting to Brazil does not even understand what he is require to do, and falls in the complexity of the bureaucratic documentations and requirements. The research of the World Bank in 2016, highlight Brazil as the 116th country out of 189 for the easiness of
doing business, worsening five spots from 2015. The index is based on many indicators resumed in this table:

**Table 1: Brazilian and Italian easy of Doing Business Scores**

*Table 1: info source the World Bank “Doing Business 2016: Brazil”*

<table>
<thead>
<tr>
<th></th>
<th>BRAZIL 2016</th>
<th>ITALY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business (rank)</td>
<td>174</td>
<td>50</td>
</tr>
<tr>
<td>Procedures (numbers)</td>
<td>11</td>
<td>5</td>
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<tr>
<td>Times (days)</td>
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<td>5.5</td>
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<tr>
<td>Cost (% of income per capita)</td>
<td>3.8</td>
<td>13.8</td>
</tr>
<tr>
<td>Dealing with construction permits (rank)</td>
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<td>86</td>
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<tr>
<td>Time (days)</td>
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<td>227.5</td>
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<td>Quality control index (0-15)</td>
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<td>11</td>
</tr>
<tr>
<td>Getting electricity (rank)</td>
<td>22</td>
<td>59</td>
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<td>Procedures (numbers)</td>
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<td>5</td>
</tr>
<tr>
<td>Time (days)</td>
<td>43.6</td>
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</tr>
<tr>
<td>Reliability of supply and transparency on tariffs (index 0-8)</td>
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<tr>
<td>Registering property (rank)</td>
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<td>24</td>
</tr>
<tr>
<td>Procedures (numbers)</td>
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<td>4</td>
</tr>
<tr>
<td>Time (days)</td>
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</tr>
<tr>
<td>Getting credit (rank)</td>
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<tr>
<td>Paying taxes (rank)</td>
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<td>137</td>
</tr>
<tr>
<td>Payments (number per year)</td>
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<td>Time (hours per year)</td>
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<td>Tax rate (% of profit)</td>
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<td>Trading across borders (rank)</td>
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<tr>
<td>Trading across borders (DTF)</td>
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<td>Time to export (border compliance hours)</td>
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<td>Cost to export: border compliance (USD)</td>
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<td>Time to export: documents compliance (USD)</td>
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<tr>
<td>Cost to export: documents (USD)</td>
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<td>Time to import: border compliance (hours)</td>
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<tr>
<td>Cost to import: border compliance (USD)</td>
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<td>0</td>
</tr>
<tr>
<td>Time to import: documents compliance (hours)</td>
<td>146</td>
<td>1</td>
</tr>
</tbody>
</table>
Cost to import: documents (USD)

To open a business in Italy, it is costly and not accessible to everyone in terms of bureaucratic monetary costs (more than 1000€) but it takes less than one week. On the contrary in Brazil the foreign entrepreneur need to spend more time behind procedures and legal requirements, often with the need of an external support, which in the end increases cost as well. Brazil is not an easy country where to operate, and the excessive bureaucracy challenges first of all the business activities. For example to open a business in Brazil an entrepreneur need 15 times the average of most European countries, if he wants to operate with legal means (ICE, 2016; WB, 2016). Bureaucracy has to do with almost every issue, form taxes, to labor law, documents registration and bank services. Even in Italy an entrepreneur deals with many of those issues, but the substantial difference he encounters in Brazil, and the complexity of the requirements makes him struggle along the process. For this reason in Brazil if a foreign company relies on good networks it will be facilitated along the process, since experience and information are the best tool in such a country (Meschi and Wassmer, 2012). Brazil is known for its own standards and regulations, for example the excess of rules, laws, and requirements has been the main reason of the failure of 50% of the Italian business that tried to enter the country in the last three years (Ambasciata D’Italia a Brasilia, 2016). This country is still far away form global standards and as a consequence the kind of bureaucracy present there is the main reason for corruption. To avoid these amount of processes people are disposed to pay important amounts of money feeding the illegal system. Notwithstanding the Italian entrepreneur think he is used to corruption already, he does not have to undervalue this phenomenon since it can be different and on daily basis it can affect the relations with business partners. (World Bank, 2016; Costa L.M, 2016)

2.4.3 The tax system

The Brazilian tax system is one of the most complex in the world. As seen above, just to pay taxes in Brazil an entrepreneur needs 2600 hours per year, when the world average is 264. In Italy the time and money involved in taxes are high as well, but the system is based on a single level, facilitating the procedure and its comprehension. Italy is in fact aligned with the world average, scoring 269, so that the company internationalizing in Brazil cannot underestimate this factor. (World Bank, 2016)
In Italy there are 14 different tax payments a company is usually supposed to pay, but it takes one-tenth of time it takes in Brazil. Basically all of them are paid online in a simple procedure, no matter if they are to the state or the municipality. In Italy all the taxes paid are to the state, beside two exceptions to the municipality and the region, but whose rate and variations are decided at the state level (it is the government that puts limits and intervals for any modification). These are information for an average company SRL, since some delicate industries and activities are not subjected to taxation in order to favor their productivity (like agriculture). (Governo Italiano, 2016)

The main taxes to be paid in Italy are: IRES, which is tax on corporation’s profit of the year (24% from January 2016 on average; tax on dividends and interests; VAT that is the tax on value added and is usually between 22% and 24% depending on the product and the activity; the TFR and social security tax (the most complex and timely one); eventually at state level are paid the percentage fee for registration of one company. (World Bank, 2016; Governo Italiano, 2016)

The only Regional discretional tax is the IRAP, around 10%, on productive activities. The Municipal tax is the TASI, around 1%, which is the tax paid on services, and the IMU on real estate property that is on average lower than 1% of the value every year, but that is a state tax collected in the municipality. (World Bank, 2016)

These are the main taxes paid by an average SRL in Italy, and according to particular cases some of them can be subjected to reimbursement.

the rate and on the taxes to be collected, which means an additional complication, differently from Italy. There is in fact in Brazil the so-called “Guerra Fiscal” between different states and municipalities, in order to attract activities and businesses there for the appeal of the discretional fiscal system.

The main federal taxes for an average LTD are (Portal Tributario, 2016; World bank, 2016; Italian Chamber of Commerce, 2016; Graziano Messana, 2016): IRPJ that is the corporate income tax, and the CSLL, the contribution tax on the profits. These two rates are bases on the taxable profit, which depends on the decision of the company to respect the regime of the Lucro Real or the one of the Lucro Presumido. The taxes to be paid on the revenues are PIS (Programa de integração social) and COFINS (Contribuição para Financiamento da seguridade social). The tax on the imports II affects the companies that import foreign materials or products. It burden on the company once the goods enter the national territory, and the rate varies according to the classification of the product. The highest import tax is 35%, which is the one for luxury products. In addition there is the tax on the industrialized products IPI, this rate is determined monthly, and it weights on every product that was subjected to a modification in its nature, scope or consumption. The IOF on its turn is a federal tribute to be paid on credit transactions, currency change, insurance and stock of financial institutions. Eventually the CIDE is the tax on the royalties, services and technical assistance paid to foreign residents. All those are ate the first federal level. (Portal Tributario, 2016)

The second level is the state one. The most important tax is the ICMS, which is on the products circulating in the state, and the services provided. It is computed on a taxable base, which already includes the contribution of other taxes, so it results much higher than the initial FOB (Freight on Board incoterm) weighting strongly on the company. Usually the base is: CIF + II + IPI + customs expenses. While in Italy you don’t pay taxes on other taxes, rather it is just on the first taxable income. In the end the third level is the Municipal one where the main tax is the ISS, applied on the services provided, and it varies according to every municipality. Other important taxes to take into account are: the INSS (social security contributions are 11% and the vehicle tax 1.5. (Portal Tributario, 2016)

To facilitate the tax computation, Brazil has agreements on double taxation with many countries: Argentina, Austria, Belgium, Canada, Chile, China, Czech Republic, Denmark, Ecuador, Finland, France, Hungary, India, Israel, Italy, Japan, Korea (South), Luxembourg,
Concerning the intellectual property, Italy is a country with one of the highest protection and highest facility of registration. In addition its belonging to the EU introduced the country to the advantages of many multilateral agreements. Italy alone took part in 26 different agreements in order to increase the protection for the intellectual property in and out the country (from China to Singapore and others numerous countries with the Madrid and AIA agreements). This is the main difference from Brazil, which is not part of so many multilateral agreements, which enlarge the horizon of protection for the property and guarantee the security of one property in numerous countries through just one national registration. Brazil is part only of: Paris agreement of the industrial propriety (CUP), WIPO constitutive agreement, Vienna agreement on the trademarks figure classification (still not validated), Strasbourg agreement on the international validity of patents, and the TRIPS agreement (Trade agreement on related aspects of intellectual property rights). (WB, 2016; UIBM, 2016)

Registering an intellectual property in Italy and with the European institute for IP (EUIPO), it is automatically protected and registered in all the states of the European Union. Like in Brazil, the three main tools for IP protection in Italy are copyrights, trademarks and patents. Each one can be registered at national or European level, with different costs and different protections. (Governo Italiano, 2016; UIBM, 2016)

For the specific regulations of each form of protection there are precise articles of the “Intellectual property code”, just like Brazil that has its own code for the Intellectual property, created by the relative institute: INPI. Inside the general institute, just like Italy, Brazil has different centers depending on the typology of protection: DIRPA is in charge of patents, DIRMA of trademarks and DIRTEC of technology, plus the CEDIN that is a center for the registration of whole the documents and information. (INPI, 2016)

The protections under each tool are very similar, in terms of procedures, documentation required and coverage time. The suggestion is to be well informed on the passages in order to not get lost in the labyrinth of offices and papers. The Procedure in Italy is faster in terms of passages to accomplish and it is basically fully accessible online. The cost is higher in Italy rather than Brazil, but the protection is better guaranteed and faster to
be received. On average a patent need more than two years in Brazil to be registered (average for an Italian entrepreneur) and the cost is almost doubled, compared to Italy, due to all the correspondences needed. In Italy on average in less than one year the procedure is approved and it requires just the intervention of the legal representative and the online procedure.

It is then fundamental before opening the company in Brazil to verify if something similar or the same name and product have been already registered in the country.

Additionally is critical to be aware of the complexity embedded in each passage of the Brazilian approval, and either to be fully informed or to look for the advise of a reliable professional, to avoid the lost of your intellectual property and useless correspondences.

2.4.5 The access to the credit and cost of borrowing

The credit access in Brazil is not an easy procedure. Given the history of corruption and high bureaucracy of the country, getting credit is not easy. The difficulty comes first in the capability of demonstrate that you are a reliable solvent borrower, and secondly in the capacity to overcome all the necessary procedures for the acquisition of the credit at reasonable costs. Moreover the financial institutions knows very well the risk of currency volatility, and cyclical economy that Brazil has, which are two main causes along with corruption of companies failures, and for this reason there is a huge control and protection over credit (Gianfranco Giromini, 2016; Banco Santander 2016).

In Brazil it is fundamental to have a good track record as a borrower, in order to have an easier life in the access to credit. The Credit information system is one of the most reliable tools to know if the borrower is trustable and as a borrower to know if you have good chances to get the credit. For a foreigner Newco this is impossible to be proved. For this reason it is easier to entrust Italian institutions, which aware of the problem created several solution for credit lines in Brazil. Moreover the cost of borrowing money in this country is almost prohibitive due to ultra-high interest rates. Imagine that just the SELIC rate (a sort of risk free rate) is today 14.25% and it the base for the computation of every interest (Banco Santander, 2016), compared to a usual 2% of Italy.

As evident in the ‘Doing Business 2016’ Brazil and Italy scores are similar. Both countries do very well on the information side, probably for the high insolvency they are used to, but extremely bad on the strength of the legal system on credit. It is true though that in those last years Italy have seen the rising of many private funds investing easily in NewCO,
as well as new government’s programs to favor Banks invest in local start-up and local key companies. (WB, 2016)

For this further reason it easier and cheaper for an Italian small-medium company (Multinationals have a different treatment) to be financed either by the motherhouse, or by Italian institutes that possess all information on the borrower.

In the overall picture of the local financial environment it remains that the foreign company can get finances from a local Brazilian Bank (very hard), or from foreign institution and Banks. In the case of an Italian investor, the foreign sources available are: SACE, Simest and Banca Intesa Sanpaolo. Additionally other Italian banks have established representative office to facilitate the relation between the home bank and the client.

The Brazilian banking system is very concentrated in the hand of few main players: Banco do Brasil, Banco Itaú, Banco Bradesco and for the service to companies we have the BNDES (Brazilian development bank). On the other side the major financial organizations providing credit for the Italian companies in Brazil are: Intesa Sanpaolo, the SACE and SIMEST. (ITA, 2016)

Intesa Sanpaolo started its effective activity in 2015, opening the first Italian bank in Brazil. One priority of the bank is to support the SMEs enterprises that desire to internationalize. Especially in Brazil it offers services to branches or Brazilian companies that are affiliated to an already existing Italian client. Every relation is established on a previous confidence between the bank and the client. The main activity is devoted toward the credit products and currency protection, so the bank offers the full line of products to support the need of credit in this country. Hence the bank offers a wide range of products to Italian companies, at reasonable interests and prices. In addition intesa Sanpaolo created a special set of products to finance operations in Brazil while leaving the risk of credit in Italy, where the cost is lower and the legislation easier. The idea underlying these products is that the Italian bank’s branch manages the relationships with the client company, gives the credit line to him, and later on produces a sort of document “stand by letter of credit” for Intesa Sanpaolo Brasil, asking for the credit concession to the client and giving itself the guarantee for it. In this way the client receive the money in Brazil, but all the criticalities are treated in Italy. The cost of those products is definitely lower since the risk is not influenced by the risk of Brazilian changes, and the control on the credit is higher, because it is monitored centrally. In this way the majority of the credit decision are taken in Italy. (Gianfranco Giromini, 2016)
For an Italian investor Intesa Sanpaolo offers a huge range of affordable service, their quality and differentiation is high, the language is not a barrier, and it is a reference bank for every issue in the new country.

Another strong alternative is SACE group, a financial company offering insurance services to protect foreign trade. It is a public limited company since 2004, but under the patronage of the ministry of finance and economy. The main products it offers are guarantees to the export risk, investment protection, factoring and financial guarantees. Since 2009 SACE is physically present in Brazil, offering a personal service and a strict collaboration with expert managers. It aims at supporting firstly the small medium enterprises, which are those having more problems in getting finances abroad. Indeed almost 90% of the transactions that SACE does, are lower than 10 million of euro. Being populated by many Italian SME, Brazil since 2010 is the second market for the SACE financing, so the group has been able to strength agreements with local commercial bank and Italian bank present there de-facto or through representative offices. (SACE, 2016)

Eventually SIMEST is the third accessible financial institution, mainly under the control of the Italian Government through the ‘Cassa Depositi e Prestiti’. The company offers financing and products to support the internationalization of Italian companies aboard, in particular it has a special line just for companied going extra-EU. The group can buy also participation in the companies, as a mean of financing, but within a maximum of 49%, in order to never possess the absolute control. The activity of this group is much broader that just a pecuniary funding. SIMEST undertakes promotional activities, to push Italian companies toward participation in foreign countries, highlighting investment opportunities and offering consulting assistance. (SIMEST, 2016)

Additionally SIMEST participates in co-financing programs with banking institutions; it contributes at the capitalization of exporting companies and, at the constitution of autonomous foreign companies or JV through direct participation or venture capital. SIMEST essentially supports the Italian company in all the process internationalization, with a direct intervention or through its network, thanks to the belonging at the European association of the development financial institutions (EDFI). (SIMEST, 2016)

Even though the access to credit is not easy in Brazil, and not at all cheap, the Italian average entrepreneur has a wide range of institution to approach and to ask for financing at accessible and subsidized prices.
2.4.6 Reliability of partners and networks

From an Italian perspective one of the biggest problem in Brazil is the reliability of the people you are entering businesses with. Getting to this new country, quite well-known for its habit of corruption and frauds, is not immediate to understand who is worth of trust. An estimation of the Italian Embassy (2013; 2016), registered that almost 50% of the Italian star-ups failed in Brazil, had as main cause the reliability on wrong and opportunistic partners. As discussed with many of the interviewees, and put in light by the literature, one of the biggest problem lies today in the trustworthiness of the partners you are working with. A common error made by many entrepreneurs has been in the superficial evaluation of the associates. It is very hard to know the truth behind the people you are hiring, or the solidity of a company you are entering in business with, even more for a foreign entrepreneur. For this reason most of the countries have constituted in Brazil local communities, which developed locally-based network and offices (like the Chamber of Commerce) to support businesses’ development. Italy opened the economic office of the consulate, the ICE agency, the chamber of commerce, and numerous Italian lawyers’ offices. Moreover there are successful consulting and restructuring company or Italian experts, who can support the company activity in a reliable way. The important thing is the inevitability of a careful verification on the origin and the way of doing of the people you enter in businesses with.

2.4.7 The labor law

Italy as a social-democratic country had always possessed a very strict labor regulation. With the crisis of 2008-2009, the existence of such a constraining law amplified the consequences of the crisis and the unemployment rose at levels never registered before. The labor contracts were so limiting for the employers that no one was hiring any more. The rate of unemployment for young people rose to more than 25% (Governo Italiano, 2016), because finishing their studies the labor market was close, and still not some consequences are present. In 2014 to 2016 the government tried to simplify the regulations on labor: created incentives for companies hiring young persons, simplified permanent contracts, simplified the benefits for the worker and the firing process giving more freedom to the employers, and eventually adopted the Job ACT. This last act simplifies redundancy laws, favour out-of-court reconciliations and simplified disputes resolutions. (World Bank, 2016)

The labor regulation in Brazil is very strict, and definitely unbalanced toward the employee side. The majority of the burdens fall on the employer’s side, indeed the estimation
made by KPMG (2016) on the clients assisted, is that the cost of an employee for its employer is almost three times the amount of the salary.

To clear the differences here are listed some key points:

**Table 2: Brazilian and Italian work legislation’s issues and costs**

<table>
<thead>
<tr>
<th>BRAZIL</th>
<th>ITALY</th>
</tr>
</thead>
<tbody>
<tr>
<td>⋅ Minimum wage R$788</td>
<td>⋅ Minimum wage 1998€</td>
</tr>
<tr>
<td>⋅ Irreducibility of salaries</td>
<td>⋅ Reducibility of salaries</td>
</tr>
<tr>
<td>⋅ Overtime compensation (50%)</td>
<td>⋅ Overtime compensation (15%)</td>
</tr>
<tr>
<td>⋅ Annual vacation (100% extra payments)</td>
<td>⋅ Annual vacation 20 days no extra payment.</td>
</tr>
<tr>
<td>⋅ Paternity leave</td>
<td>⋅ No Paternity leave</td>
</tr>
<tr>
<td>⋅ Paid sick days</td>
<td>⋅ Not Paid sick days</td>
</tr>
<tr>
<td>⋅ Right to strike (full salary during strike)</td>
<td>⋅ Right to strike (no salary at all)</td>
</tr>
<tr>
<td>⋅ Pregnancy and work-related injury leave (100% salary)</td>
<td>⋅ Pregnancy and work-related injury leave (30% of salary)</td>
</tr>
<tr>
<td>⋅ Allowances (family, health insurance, food vouchers, transfers, education)</td>
<td>⋅ NO Allowances and health insurance (depend on the choice of the company)</td>
</tr>
<tr>
<td>⋅ Severance Fund (FGTS) with penalty at 50%</td>
<td>⋅ No Severance Fund for redundancy dismissal.</td>
</tr>
<tr>
<td>⋅ Social providence contributions, applied approximately as the 27% of the salary, including the 13th month salary.</td>
<td>⋅ Social providence contributions, applied approximately as the 27% of the salary, including the 13th month salary.</td>
</tr>
<tr>
<td>⋅ Premium salary on vacation around 100% of the salary.</td>
<td>⋅ Premium salary on vacation around 30% of the salary.</td>
</tr>
<tr>
<td>⋅ Health insurance, usually mandatory for specific kinds of work, or due to the labor union.</td>
<td>⋅ Labor union contribution not mandatory, depend if employees register to it</td>
</tr>
<tr>
<td>⋅ Labor union contribution are mandatory</td>
<td></td>
</tr>
</tbody>
</table>

*Info source: “The foreign investment law in Brazil” lesson of the course Business law in BRICS countries; Costa, L.M, 2016; World Bank, 2016.*

The table clarifies how costly is a labor contract in Brazil compared to Italy, and how constraining at the same time. Often companies have the habit to hire physical employees as juridical person, which is allowed for some specific service providers, but in most cases it is not legally accepted and it is against the fiscal law. The employer can incur in several risks, especially now that the anti-corruption laws, is stricter and has more controls.

The labor law it is just complex and costly as many things in Brazil, but it is an easy approachable obstacle. It is important to be fully informed and aware of whom we are hiring, why to want him. It is intrinsically wrong to think that Brazil can offer a cheap workforce.
2.5 Main issues highlighted from the experience

After analyzing the main obstacles that the Brazilian business environment presents according to literature and experts, it is critical to highlights few points that should not be undervalued. The importance of paying attention to them is to avoid falling in common errors. Indeed when operating in Brazil is vital to be fully informed, prepared and to rely on the right partner. Those are already success factors.

The few points treated here are common mistakes that the entrepreneurs and lawyers interviewed discussed, and being aware of them is for sure an advantage of “late comers”.

2.5.1 Taxes

- The tax system, as seen, is very complex, and many players risk to leave the market for the incomprehension of the procedure. It is fundamental to decide before starting how to plan the fiscal payments and the fiscal regime. Through the help of experts or, the company should evaluate pros and cons of every regime and, the advantages and disadvantages of every state. (ICE, 2016)
- The transaction that moves foreign capital into Brazil, also between two companies, is subjected to a specific tax already seen, the IOF (tax on the financial operations). This tax requires a payment of 6% for the inflow capital and 6% for the outflow of capital, even thou the capital is the same. This tax discourages many investors, for specific loans aimed at financing certain activities the IOF is 0%, so the company can look access to these exclusive loans. (Deutsche Bank, 2016; Valderez; 2016)

2.5.2 Company constitution

- One common error is to divide the participation 50% - 50% with the Brazilian partner. This habit is intrinsically wrong since it causes a dispersion of the control. If the company is your, keep the 75% of the participations, in order to have decisional power and control (Italian Chamber of commerce, 2016).
- One other mistake is to concentrate too many responsibilities on unknown persons. It is critical to divide the responsibilities especially if the Italian owner cannot move to Brazil, and does not know how the partner operates. Either you give them to very
reliable people (you should have proof of trustworthiness) or divide them to avoid conflict of interests and appropriation of undue power.

- A similar attention to have is to not come in Brazil and trust one unknown man for everything. Enter in a network and try to understand other similar Italian companies what relies on. Monitor always the real competences of a person you’re putting in charge of a give role, and its deliveries. Because most entrepreneurs have given the responsibility and flew back to Italy, with a check on the task results just once in a while. (ICE, 2016)

- A relevant error lies in the underestimation of all the practices necessary to enter the country and open a company. It is intrinsically erroneous to be cheap on the structural organization of the business and on the quality of the people you hire. Competences and experience make the difference in Brazil.

- Don’t think to finance your company through Brazilian organizations. Is much more convenient and cheap to access the Italian banks or institutions rather than the local ones, which present very high interest. Through SIMENST, SACE, Intesa Sanpaolo or the representative offices of other banks, and through the BNDES (not easy to access), the company can receive subsidized loans.

- The profit made in Brazil and repatriated by the motherhouse is subjected to taxation only for 5% (ICE, 2016).

2.5.3 Other different issues

- For the Intellectual property protection, a trademark registered in Italy or in European Union is not automatically recognized in Brazil. So whether wanting or not to an activity there, it is important to register it there in order not to have problems of copy and misappropriation. (UIBM, 2016)

- Once decided to open an autonomous company there, if the motherhouse doesn’t have 100% of it, then is better to register the IP through the Brazilian company and to stipulate a licensee contract to use it. In this the risk of misappropriation of the trademark by other collaborators is avoided. (ICE, 2016; ITA, 2016)

- It is wrong to entitle the lawyer as an administrator. Many law offices propose this service to increase fees, but usually it comes out a mixture of responsibilities that end up being undertaken very badly. Find a good lawyer that can follow all the legal
matters of the company, but separate the administrative responsibility. (Trussardi, 2016; ICE, 206)

- The accountability of the company should be compiled and followed by the ‘contador’, which is different from the “commercialista” an Italian entrepreneur is used to. The functions of the two are different! The contador in Brazil is mandatory by law, he is the one who can fill in the accountability registers and that with the administrator can sign the approval of the financial statement. He is neither an active manager nor a counselor as in Italy rather he is just an accountant. He does not hold the whole vision of the company. It is possible to find active administrators and managers who can sign the balance but also be involved and advice the decisions of the company. (Messana, 2016; ICE, 2016)

- As seen in the dedicated paragraph the workforce is very expensive, and the legislation very strict in favor of the employee. It is important to know that an employer can fire a worker, but at the cost of 40% of the FGTS fund to the employee and 10% of the FGTS at the government. As prospected, the labor lawsuits are very frequent, and unbalanced on the worker side, so in case you find yourself involved in one of them, don’t do hasty moves but rather with the collaboration of a good lawyer and follow step by step the legislation (Costa, L.M, 2016; ICE, 2016).

- The judge in Brazil has lots of power no matter the typology of company and, during a lawsuits or a sentence, he can break the ‘contrato social’. This procedure basically allows the judge to access the fiscal code of every physical person behind a company and block his bank account, to protect the creditors and the weak stakeholders. (Messana, 2016; Falcetta; 2016)
3 HOW ITALIANS PERCEIVE BRAZIL AS ATTRACTIVE

3.1 Brazilian economic data:

Brazil is a commodities producers and exporter. It is the first producer of coffee, sugar and orange juice. It is a leading country also for beews and chickens breeding and production, as well as ethanol and cellulose. Moreover Brazil stands out among the firsts five producers of soy and its derivatives, of iron, Bauxite, fruit and pork meat. Beside this, it excels among the best automotive producers, airplanes manufacturers and among chemicals and steel. Most importantly it is the widest open door on the whole Latin America. Reference (Euromonitor, 2016).

Undoubtedly this country is very strong in the agro-business, but also in manufacturing it plays a role. This industry accounts for 12% of the GDP and gives job to almost 13% of the population (Euromonitor, 2016).

The highest contribution to the GDP is given by the service industry, which scores around 72%. It grew a lot recently thanks to the boost in the tourism sector, which is one of the major businesses apportioning to this category. In fact those lasts years the Olympics games of 2016 and the World Cup of 2014, plus the improvement in transportation and connection of the natural beauties Brazil can offer, made the tourism industry grew significantly (Euromonitor, 2016; Banco Santander, 2016).

The country enjoys fast rate of exportation and wide amount of FDI, which allowed Brazil in the latest 7/8 years to perform growth records, especially in 2010. This outstanding growth rate has recently decelerated, until the explosion of a big economical crises accompanied by an unexpected political crisis, which led to the president Rousseff impeachment. Even if it has been registered as the heaviest economical crisis for the country, Brazil has been already able to prove its capacity of recovery and its fast reaction to these cyclical economic scenarios, which are typical in Brazil. This cyclicality is a sort of footprint of Brazil and it should not discourage the foreign companies. (Pantalica, 2016)

According to both the projections of Banco ITAU (2016), Banco Snatader (2016) and Banco do Brasil (2016), the first trimester of 2017 will register a GDP improvement of more than 50%, rising to just -0,8%, introducing to a complete positive result in the second trimester with 0.2% and an overall year GDP growth of 1% (4,5% point of recovery
compared to 2016). The Total public debt in 2015 closed at 69.2% of GDP, for an amount of 4,086R$ billion, due to protectionist policies, new reforms and new maneuvers implementation of the government. The prospects are already positive, and growth will be back in the short time scenario demonstrating the capability of fast recovery that this country has (Deutsche Bank, 2016).

The nominal GDP was around 3,192.4 billion (USD PPP) in June 2016, and the Inflation rate cumulated was 8.97 at September 2016. The Interest rate can be assessed referring to the SELIC rate (average of the overbanking rate computed on treasury bonds with 1 day period), which was 14.15% in September 2016, giving an idea of how high are interest rates in Brazil.

The share of export in GDP is not so big for Brazil, being around an 11%. The recent crisis saw a fall of 15% in this share for 2015, but a slight increase is already expected for 2016. The three major destinations of Brazilians exports and the main providers of FDI are China, Europe and USA. Renegotiation with EU and Mexico are on the table, in the hope of boosting medium term trade and lowering the Government deficit, which should contract by one percentage point at the end of 2016. (Euromonitor, 2016)

The market is still not fully developed so it presents lot of potential for both local and foreign companies. Especially in the field of infrastructure and logistic operations there are numerous opportunities of investments. Brazil in 2015, despite the crisis had lot to offer in terms of new investments, in fact it received more than 64US$ billion in FDI; but outflows from Brazil are just 3US$ billion, which shows how little Brazil invests out of his country, even though this data registered and increase by 37.7%. (ICE, 2016)

Notwithstanding large potential, Brazil is still a developing market with a high degree of uncertainty; hence its business environment might have some complications. As the ‘Doing business 2016’ highlights, Brazil is very low in the ranking of easiness in doing business, scoring 116 out of 189 (WB, 2016) Moreover it possesses a currency very volatile and a tax system so complex that further intricacies are involved. In addition the country suffers a strict bureaucracy and very high import tax, which undermine the operation of different foreign companies. For those and many others reasons, Brazil is not an easy location where to open a business, but for brave experts and solid companies it is a ‘sea full of fishes’ and potential. (WB, 2016; ICE, 2016)
3.2 How Italians perceive Brazil as attractive

3.2.1 Italy and Brazil: what relations and opportunities

Brazil and Italy have a common story since more than a century; especially when during the 1900 a huge number of Italians emigrated toward Brazil searching for job and life opportunities. The Italian immigrates moved to Brazil in a very distinctive moment, the slavery was in fact abolished since a short period of time, and lots of job opportunities were rising for those willing to work. Many of those immigrants established in Brazil and created a fortune, from agriculture to industrial activities, establishing there one of the largest Italian presence out of the home country. Still today it is counted that more than 30 million Brazilians have the Italian citizenships, and many others are waiting to confirm their Italian origins, from just second to fourth generations. More than 6 million are concentrated in Sao Paulo, which is the “Italian city”, but also the center of Latin America and Brazil. Sao Paulo has a huge connection to the Italian culture and a great appreciation for the “made in Italy”, which means high potential market for the Italian brands. Beside this, it hosts the majority of the headquarters of worldwide companies, which again demonstrates the potential of a big international network and business opportunities also in inter-sectorial activities (Ambasciata D’Italia a Brasilia, 2016; Luca Angeloni, 2016; Infomercati, 2016).

Going back to the distances identified in the CAGE Model, it is possible to have an insight of the proximity between Brazil and Italy, even though their geographical location. The most evident distance is usually the geographical one, since the physical remoteness of the boarders explicitly affects trade. Italy and Brazil are clearly distant in term of physical location, but it is interesting to note that the migratory flow of Italian into Brazil made closer the two countries. Moreover as discussed above the geographical distance is probably the one where globalization is making the most significant alteration, reducing the time of transportation, the easiness of contacts and the facility of connections through the introduction of innovative vehicles.

The Economic distance is another critical dimension. It is embodied in the disparities of the population income of each country, in the quality and cost of resources and, in the gap between developed and developing countries. The distance in economic terms can constitute an substantial obstacle, but at the same time it represents a great positive potential if the foreign company is able to exploit it, through adaptation, aggregation and taking advantage of the arbitrage as an opportunity. This is the case of the economic relation between these two
countries. Indeed Italian entrepreneurs are attracted by business opportunities embedded in the diversity of the population, of the demand and of the Brazilian economies system. Not by chance, despite the recent crisis of Europe and the 2015 Brazilian crisis, Italy remained among the top ten trading partners of the South American country (Brazilian Ministry of Foreign Affairs, 2016). The registered bilateral trade of 2015, counted an amount of 7.94 billion dollars between Italy and Brazil, and according to the Brazilian Central Bank (2013), Italy invested in Brazil around 18US$ billion just in the year of 2013. Among the top ten partners countries of Brazil, Italy is the second European commercial partner for the country, after Germany. Brazil is the first destination of the Italian export in Central-Latin America. The Italian attractiveness for Brazil is so significant that the expected potential increment in the exports toward Brazil is 1.2 million euros by 2019 (Infomercati, 2016). Furthermore according to SACE Spa (2016) both the export opportunity index and the investment opportunity index for Italy are higher than 50%, and in 2015 despite the great recession the export toward Brazil decreased by just 2,4% while import increased by 3,3%.

To have a better understanding of the size of this exchange, figure 2 shows the dimension of the share between these two countries. Is evident how the trade suffered the big crisis, but it is already expected for 2016 (which is registered just on 7 months) to recover and, score a little bit better than 2015.

The Italian exports are focused manly on high added value products such as automotive, made in Italy, transportation vehicles, basic metals and chemicals.

The subdivision is respectively: 37% instrumental mechanics, 14% transportation means, 13% chemicals, 8% electrical apparels, 6% metals, 5% plastics and 17% others like luxury, fashion and made in Italy (food, design). (Infomercati, 2016; ICE, 2016)
It is worldwide known that the economic Italian horizon sees as protagonist many Italian SMEs and Brazil too has a similar set of companies (around more than 6 million companies), the so-called “National Champions”. During the recent Brazilian crisis these companies have been the most affected and distressed, creating many opportunities for Italian companies willing to expand in Brazil on similar sectors or in new businesses. In those upcoming months where the consequences of the crisis affected more and more companies and, the hardness of getting credit lines and financing aggravate the circumstances, numerous opportunities have risen for solid courageous Italian Companies wishing to buy. (Rosa Maria Nicotra, 2016; Infomercati, 2016; Modello di sviluppo industriale del sistema Italia in Brasile, 2016).

In Brazil are present more than 40 of the biggest Italian groups like: FIAT, Pirelli Group, Prysmian, Finmeccanica, Telecom Italia. Additionally the “Made in Italy” sector has
established as a very strong one, and it sees many Italian excellences entering the Brazilian market. Finally, the Italian presence is increasing also in the services area, to respond to the arising need of existing companies, offering professional support services. A wide range of consulting company and law firms have opened Italian desks or local branch, boutique of M&A and consulting offices have opened focusing on Italian enterprises, due to the large presence. Also Intesa Sanpaolo have opened in São Paulo the first active Italian bank to favor the access to financing services and risk coverage for its clients (Ambasciata D’Italia a Brasilia, 2016).

It is clear that this country still has a big potential, and especially for Italy which enjoys cultural and economical affinity, which reduces many gaps and differences, allowing an easier investment process.

The cultural difference, as referred to in the CAGE Model, is determined by the nature of the interactions among people and between companies and institutions. The major differences among countries lie in language, race, religious beliefs and the social norms. Looking at the two cultures under analysis, many similarities can be encountered, which makes Brazil and Italy closer than many others. The openness and welcoming of foreigners, the language with the same Latin origin, the bound to the family, the Christian religion and many other factors for sure creates link between the two countries. Looking at the Hofstede measure on culture (Geert Hofstede, 2016) the scores of Brazil and Italy are not so distant from each other’s, especially on uncertainty avoidance and power distance, which are important determinants in the business relations.

As already said, it is registered by the governments that thirty million of Brazilian do possess the Italian citizenship, and many are waiting for it. This suggests the influence that the Italian culture has on the Brazilian one, and the reciprocal appreciation existing between the two countries. The historical proximity of the two countries, compared to others, led to the rising of many bilateral relations, up to the Strategic Partnership in 2007 (Brazilian Ministry of Foreign Affairs, 2016). In this agreement the two countries decided to work together in favor of international peace, security, environment protection, non-proliferation and the promotion of development with social justice.

Regarding the Administrative distance, the two countries are very close in terms of legislation, being both founded on the Roman law and the Roman code. Even more evident, the two countries have respectively supported an open political dialogue, and not by chance three of the Italian Parliamentarians (one Senator and two representatives) have been elected in the Italian Government. The bureaucratic, legislative and social norms system has in
common many aspects between Italy and Brazil; in fact these two countries have a common vision on international issues, on the values of democracy and the respect for the rule of law. The cooperation started already in the end of the 1800, and since then more than 20 bilateral relations have occurred. In 2010 an action plan was stipulated to deepen the reciprocal partnership on 16 different areas of intervention. Italy and Brazil are aligned on many issues like Defense (with Joint industries), trade, energy (ENEL Green Power), cultural and academic areas, and Science and Technology (agreement of 1997). (Brazilian Ministry of Foreign Affairs, 2016)

For sure the geographical distance between these two countries is mediated by the commonalities existing on the others dimensions, which make Brazil very attractive in an Italian perspective.

3.2.2 Positive aspects and Brazilian potential

As briefly analyzed above, Brazil is a country with huge potential and many resources. Despite the economical and political crisis, the country is showing the ability to recover and to not lose its specifics potential advantages.

3.2.2.1 Positive advantages:

First of all Brazil is so big for surface extension and for population (it is a very young population that will develop new needs and demands) that its internal market has continental dimension. By just entering Brazil a company has access to a market of huge dimension. In addition the population is very young, and most of it can either be allocated in the middle-class C or in the low class D. These clusters highlight a pool of customers with increasing levels of consumption and access to higher-level services on one side, as well as customers needing all the basic goods and services. The active consuming population is much larger than the retired one, so even the potential working population is large. Despite the crisis the demand is still very high and dynamic, so it favors the realization of productive investments. Recording this growth, Brazil presents a large demand for technology, which can be partially satisfied by the numerous Italian companies owning specific and updated know-how. Many Italian enterprises can take advantage of the demand for technology transfers, specialized know-how, Human capital formation and training, and bring in their excellence (Infomercati, 2016; Marcelo Trussardi, 2016).
One aspect that should not be undervalued is the strategic position that Brazil detains in Latin America. It is a sort of principal door of access to this whole ‘continent’, and it is a reference point for the economical landscape and development that whole Latin America achieves and access to. Not by chance Sao Paulo is the economic capital of Brazil and of South America, hosting the majority of the headquarters of small and large companies, for the entire southern American continent (Ambasciata D’Italia a Brasilia, 2016).

Not only its position is strategic, but also its territory. As already discussed, the country is among the firsts producers of many raw materials and natural resources, in fact it embodies large reserves on its own territory. Brazil is one of the few countries, after USA, which can offer the presence of all the main sectors of an economy: minerals, raw material, industry, services, commodities, and agribusiness (Infomercati, 2016; Euromonitor, 2016).

Among the BRIC countries Brazil has highest level of development, of human and social conditions, and the easiest system for capital flows, differently from China and India (Costa, L.M, 2016).

In conclusion, beside the recent recession that affected the country, Brazil remains a nation with good growth perspective. The recovery is already visible, and is expected to be back to positive rates in few semesters. Moreover the young population allows having positive expectations of durable growth until 2050 (a longer run growth cannot be reliably prospected now). This whole perspective creates an opportunity window for Italian products, which will be able to find a strong positioning in the market. (Banco Santander, 2016; Salvatore Milanese, 2016).

3.2.2.2 Investments and sales focus:

Brazil is plentiful of sectors where investments opportunities are abundant and interesting. The energy sector is one of this, especially with a focus on electrical energy, gas, air conditioning and steam. In 2035 Brazil is supposed to be self-sufficient on the energetic point of view, especially with the abundant investments made in renewable energies that will determine the great advantage of this country. According to the World energy Outlook (2015) the need for energy will increase at least of one-third by 2035, and Brazil is posting a lot on this through the improvement of its energy production. The demand of energy toward Brazil is expected to almost double by 2023, which opens a pool of opportunity for foreign companies in this sector, especially now that local companies are under financial distress for the crisis. Not by chance Brazil is positioned among the best 10 countries for energy production. Investments on every source of energy are active and opened to new investors,
such as ‘Enel Green Power’ that is already operating as market leader in Brazil. (Modello di sviluppo industriale del sistema Italia in Brasile, 2016; Infomercati, 2016; ICE, 2016)

Another pivotal sector is the one of machinery and instruments. It includes automotive, health sector equipment and also enterprises machineries. Furthermore the health sector market unlocked to private investments recently, which lead to the rising of many private specialized clinics, and consequently to the expanding demand for new apparatus. Italy can strongly compete as a technology provider in this field (ICE, 2016).

An alternative sector full of opportunities is the public one, especially on the social insurance topic and defense issues. The insurance system is lacking in Brazil, so it gives now space to foreign companies that already organize good packages or innovative proposals, as their own business. Regarding security questions the state opened opportunities for local and foreign private combined, in order to implement effective solutions.

Given the width of the country and the diversity of the population, every business has space and potential clients there. It is important to focus on finding the right target, the right location since the country is huge, and in being sustainable. (Infomercati, 2016)

Every product of the “Made in Italy” categories (food, design and fashion) has a wide market share where to be collocated, especially in the south regions of Brazil. All classes, depending on the price accessibility, largely appreciate these Italian products and create high demand for them.

3.3 Concluding remarks on the Brazilian environment from an Italian perspective

This whole chapter put in evidence the coexistence of a huge economic potential in Brazil along with the intrinsic interest Italy has for this country. Brazil is able to offer many advantages for Italian investors and for new companies. The market dimension is continental and the population very young. At the same time, as seen in the literature, the level of intricacy is high enough to make the life of a sole entrepreneur very hard. In Brazil there is prospective of success for almost every business, but not at all for an entrepreneur who goes alone and thinks to know already how to deal with every issues the country poses. Given the potential to exploit and the analysis from the literature few factors can be considered more critical than others: capabilities and resource commitments, direct involvement of the entrepreneur in the decisions, Network reliable relationships and distances awareness. In
Brazil the cooperation a company decides to rely on can involve all those factors in once, becoming a significant help for the foreign company. Aware of the necessity of reliable informed partners, those companies that at the same time understood the potentiality of their offer and of the hosting country, are among the most successful Italian businesses in Brazil. Awareness on those potentialities and of the greatest advantage a company can exploit in this country, are the main reasons of successful survival despite the issues above presented.
4 METHODOLOGY

This chapter aims at outlining the typology of research executed and describing the sources of the data collection. The first feature (3.1) concerns the choice of a qualitative analysis and the approach chosen to the answer at the research question. Then, in the following subchapters are exposed the data collection methodology and the reasons behind it. To conclude, in the section 3.3 the analysis followed is presented.

4.1 Type of research

An empirical thesis work can be approached mainly from a quantitative or a qualitative research method distinguished, as well as from the combination of the two. As pointed out by Yin (1994), many discussions are opened on the distinction between qualitative and quantitative researches, with all the diversified types included in those broad classifications. The former one is usually based on the collection of quantitative data, in order to support the hypothesis that an author makes starting from a given theory. This approach can be considered a deductive one. On the other side, the latter method is a qualitative one, which has neither statistical analysis nor a hypothesis to be verified. It proposes the analysis of an empirical Case Study. The starting point of this second method is the research question, which aims at deepening the reasons of a given phenomenon, answering to the questions on how and why a contemporary phenomenon is observed. This type of research incentivizes and intensifies the study of a given concern, through multiple sources of data, and an in-depth evaluation of the context (Yin, 1994). This method follows an inductive method, and it tries to drive conclusions from a broader start. For these reasons Case Studies are often classified as ‘Evaluation research’ (Yin, 1993).

In this specific work, the collection of information, documents and observation has been directed toward the intent of understanding and describing how GM Venture, a consulting company placed in São Paulo adds value to its clients - Italian SME’s willing to establish branches in Brazil - by helping them to better assess the specificities of the Brazilian environment.

In order to perform a reliable Case study two criteria have to be considered: Case Studies answer to How and Why a given phenomenon is observed, without possibility of
manipulate behaviors, and the main strength of the Case Study lies in the unique capacity of dealing with different evidences: artifacts, observations, documents and interviews (Yin, 1994).

Following these criteria the research questions presented in chapter one drove the qualitative study, which on its turn has focused on:

- What main approaches did the literature identified to describe the internationalization phenomenon?
- What main success factors have been identified till now for SMEs’ internationalization?
- What issues the literature identifies about Brazil, from a foreigner’s perspective?
- How the GM Venture model adequately responds to the main challenges an Italian enterprise faces in the Brazilian environment?
- How GM Venture adds value to Italian Companies entering Brazil?

Concerning the sources of information, a reliable qualitative analysis needs to be based on three different methods of information collection, and the research questions need to match the possible approaches of data gathering (King, 1994). The main sources used for this research have been: Interviews, Documents and Observations.

This Case study focused on investigating the contemporary phenomenon of Italian SMEs entering Brazil, and the value offered by GM Venture in its partnership with these new entrants. The analysis started from the comprehension of the context where this phenomenon is registered confirmed by the literature available on the topic. It is exactly the reality of the Brazilian context, seen in an Italian perspective that highlights the GM Venture attractiveness. The Case Study wants on purpose to inquiry about ‘How the GM Venture case adequately adds value to Italian SME internationalizing in Brazil’.

4.2 Data collection and Case selection

According to Yin (1994) the main five components of the case research design are: study’s question, proposition (if existent), unit of analysis, logic link between data and proposition, criteria to interpret the findings.
The starting point of every analysis is always the research question. As pointed out above, the type of question shapes consequently the type of research to conduct. For this specific case, the inquiry has been driven by a question on “How GM Venture adds value to Italian SMEs internationalizing into Brazil”. Having this starting point, the research conducted has been a qualitative case study.

The research question consequently introduces to the propositions of the study. Study propositions are suggestions that direct the attention to some issues that should be examined inside the scope of the study conducted (Yin, 1994). In this actual dissertation the propositions concerns: the significant contemporary phenomenon of Italian SMEs in Brazil; the Case of GM Venture and how it creates value for Italian companies; the main issues arising in the Brazilian context, to better understand the first two proposition.

Once determined the research question and the study propositions, the selection of the unit under analysis is a critical step. This research proposes a single unit and a single case study: GM Venture. The choice of the single unit has two reasons: the first one is because during the data collection all the interviewees pointed out that GM Venture still not have direct competitors for their business (just tangential ones), and secondly the main interest was to deepen specifically their model and their way of adding value. Just few comparisons will be pointed out on determined manners along the case exploration. The analysis of the present case is not completely an exploration; rather it can be considered a combination of exploration, description and explanation. For this reason it has three stated propositions, which conduct both the description and the explanation side of the analysis. On the other side it want to explore the effectiveness of GM Value proposition, which can be considered successful if able to respond to the issues emerged in the literature.

Concerning the logic link between data and proposition, it can be stated that the nature of the sources and their authority created a direct link with the proposition. Both as experts in the Brazilian business context, and as professional or clients working with GM Venture, the interviewees can be considered directly linked to the propositions. Moreover the search of information have been directed by the three proposition stated before. Documents, interviews and observation have been conducted directly on GM Venture, to understand its model and its value creation. Moreover, direct sources and interviews have been collected to understand the real issues that Brazil poses for foreign SMEs, and to better inquire on the GM’s intervention. Eventually interviews and observations have been collected on the link between those issues and GM’s activity in Brazil.
Concluding the criteria to analyze the findings has been the evaluation of the effective intervention of GM Venture in the Italian community, and the effective value creation of its business. In addition the inquiry led to potential new success factors for Italian SMEs in Brazil, identified by the case of GM Venture.

The case chosen has been GM Venture, a Brazilian company founded by two Italian brothers with the scope of supporting small-medium businesses internationalizing in Brazil. The starting point for this company was to offer a solution to the problem that the context was posing to Italian SMEs. Given the case, the approach of the research has been an evaluation of the intervention and value creation of GM Venture. The actual dissertation collected information in order to illustrate the context faced by these companies in Brazil, and explain how GM Venture acted with a business model able to offer a solution to the majority of the challenges emerged. Of course this branch of knowledge is still in progress, but through this thesis the aim is to give a contribution at the exploration of this phenomenon.

The actual thesis started exactly form the case selection. Being surprised by the huge Italian presence in Sao Paulo, a contact started with many Italian entrepreneurs in Brazil as well as with the institutional figures (Embassy, consulate, ICE). The first phase started with informal interviews conducted to understand a bit of this phenomenon and to find out what topic might have been interesting for the analysis. During those introductory interviews the name of GM Venture was repetitive as a reference company on the subject, therefore came out the decision to inquiry more on them. Knowing the founder, the company, and later on some of theirs coworkers, the choice for the dissertation came easily, especially for the interest matured in their model and the intrinsic uniqueness of the business.

Once the case was there, the analysis began with an exploration of the main literature concerning the Key factors for SMEs internationalization, as well as the main issues that the Brazilian business context is posing to foreign companies.

4.2.1 Information collection methodology

Once decided the topic of this dissertation, the design of the case got structured. It has driven the collection of data, the analysis and integration of the information and the final interpretation.

The methods chosen for collection have be adapted to the investigation arisen by the research questions, as developed above. For a research study to be reliable, a triangular
The methodology needs to be applied to the information gathering (Yin, 1994), indeed Interviews, documents and observation have been gathered.

The case threatened here is a single unit, hence the inquiry called in plural point of view to develop a more comprehensive understanding. The interviews and documents collected have involved clients, prospect clients, cooperators, partners and providers of complementary services. Unfortunately there was no chance to contact any direct competitor since for now it has still not been found. The interviews method has been fundamental to cover all the existing gaps on the topic, since most of the subject is still not documented and the case of GM is studied for the first time. The contact with the Italian Embassy in Brasilia and the Italian consulate in Sao Paulo (and other countries’ institutions) has opened to possible interesting not-biased experts to interview, and gave some indications of key unknown documents. Concerning the environmental analysis the applied approach is based on documents and personal experience of the interviewed actors, aim at investigating the problems and obstacles Brazil presents in an Italian perspective, to give reason of the case study existence.

Direct formal interviews have been made to:

**Table 3 : Names and data of the interviewees**
*Source: Author*

<table>
<thead>
<tr>
<th>NAME</th>
<th>DATE</th>
<th>LENGTH</th>
<th>NOTE</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Alessandro Messana,</em> CFO of GM Venture.</td>
<td>July 5th, 2016</td>
<td>00:53:59</td>
<td>Skype call</td>
</tr>
<tr>
<td></td>
<td>June 16th, 2016</td>
<td>01:07:43</td>
<td>Interview</td>
</tr>
<tr>
<td><em>Andrea De Melis,</em> responsible of the</td>
<td>June 20th, 2016</td>
<td>00:28:02</td>
<td>Phone call</td>
</tr>
<tr>
<td>commercial and economic affairs for the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italian Embassy in Brasilia.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Edoardo Tonolli,</em> &quot;Bacio di latte&quot;</td>
<td>July 8th, 2016</td>
<td>00:31:12</td>
<td>Interview</td>
</tr>
<tr>
<td>founder (Ice Cream Chain).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Ellen Key Passini,</em> Lawyer founder of</td>
<td>June 29th, 2016</td>
<td>00:48:38</td>
<td>Interview</td>
</tr>
<tr>
<td>Passini &amp; Alvares Sociedade de</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Position</td>
<td>Date</td>
<td>Time</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>---------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Giacomo Guarnera</td>
<td>Lawyer founder of Guarnera Advogados (specialized on Italian companies the office is present also in Milan).</td>
<td>June 6th, 2016</td>
<td>00:21:15</td>
</tr>
<tr>
<td>Gianfranco Giromini</td>
<td>President of the Brazilian branch of Intesa Sanpaolo</td>
<td>May 21st, 2016</td>
<td>01:51:12</td>
</tr>
<tr>
<td>Giovanni Falcetta</td>
<td>Lawyers at Tozzini-Freire law firm; responsible of the desk for compliance, internal investigation and data privacy.</td>
<td>June 23rd, 2016</td>
<td>01:09:47</td>
</tr>
<tr>
<td>Graziano Messana</td>
<td>General Manager of GM Venture.</td>
<td>June 24th, 2016</td>
<td>01:48:59</td>
</tr>
<tr>
<td></td>
<td></td>
<td>June 3rd, 2016</td>
<td>01:10:10</td>
</tr>
<tr>
<td>Luca Angelone</td>
<td>Director of the commercial office of the General Italian Consulate in Brazil.</td>
<td>July 3rd, 2016</td>
<td>1:00:12</td>
</tr>
<tr>
<td>Luca Fadda</td>
<td>CFO of Luxottica Brazil.</td>
<td>June 10th, 2016</td>
<td>00:18:24</td>
</tr>
<tr>
<td>Luigi Bianchini</td>
<td>CFO of Engineering, Brazilian Branch.</td>
<td>June 2nd, 2016</td>
<td>00:35:18</td>
</tr>
<tr>
<td><strong>Marcelo Trussardi Paolini</strong>, lawyer responsible of the Italian desk at Mattos Filho.</td>
<td>June 15th, 2016</td>
<td>00:32:08</td>
<td>Interview</td>
</tr>
<tr>
<td><strong>Michele Uria</strong>, CEO of CTO do Brasil Group.</td>
<td>May 27th, 2016</td>
<td>00:24:19</td>
<td>Interview</td>
</tr>
<tr>
<td><strong>Raquel Raimundo</strong>, Institutional Relations at the French Chamber of commerce.</td>
<td>July 6th, 2016</td>
<td>00:47:55</td>
<td>Interview</td>
</tr>
<tr>
<td>RosaMaria Nicotra, Italian KPMG manager in Brazil.</td>
<td>June 27th, 2016</td>
<td>1:12:51</td>
<td>Interview</td>
</tr>
<tr>
<td><strong>Salvatore Milanese</strong>, Founding partner at Pantalica, and ex-director of the KPMG Brasil restructuring desk.</td>
<td>June 13th, 2016</td>
<td>00:45:35</td>
<td>Interview</td>
</tr>
<tr>
<td><strong>Samantha Alvares</strong>, Lawyer founder of Passini &amp; Alvares Sociedade de Advogados (specialized in advising Italian companies).</td>
<td>June 29th, 2016</td>
<td>00:48:06</td>
<td>Interview</td>
</tr>
<tr>
<td><strong>Valderez Pires</strong>, Multinational Corporate Coverage and Senior Relationship Manager at BNP Paribas Brazil.</td>
<td>July 1st, 2016</td>
<td>01:14:04</td>
<td>Interview</td>
</tr>
<tr>
<td><strong>Victor Anequini</strong>, Enterprise’s support office at the French Chamber of commerce.</td>
<td>July 6th, 2016</td>
<td>00:47:08</td>
<td>Interview</td>
</tr>
</tbody>
</table>

*Source: Author*
Most of the data collected are primary data from those experts. The second sources used have been documents and papers regarding the topic of Italian investments in Brazil and regarding the Brazilian environment. This source can be defined as Documental Analysis. It is mainly constituted by newspapers (Sole 24 ore, Panorama, Affair, Italcam publications, Valor Economico, MF international, Il Mondo, L’espresso, èBrasil, Libero), websites of the main institutions with the relative guides (ICE, ITALCAM; Italian Embassy, WORLD BANK, Banco Central do Brasil, Receita federal, and many others described along the text) and companies websites. Finally the third tool of data collecting has been the direct observations inside the GM Venture and few companies visited.

**Table 4: Sources and data of observations**

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>DATE</th>
<th>LENGTH/Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observation at GM Venture, or of the reality of the Italian Business community (Besides the interviews)</td>
<td>June 28(^{th}), 2016</td>
<td>Italia em Sao Paulo event</td>
</tr>
<tr>
<td></td>
<td>June 23(^{rd}), 2016</td>
<td>About 2 hours in the afternoon</td>
</tr>
<tr>
<td></td>
<td>June 3(^{rd}), 2016</td>
<td>2 hours in morning</td>
</tr>
<tr>
<td></td>
<td>June 2(^{nd}), 2016</td>
<td>Event for the Italian entrepreneur in Sao Paulo, for the Italian Republic.</td>
</tr>
<tr>
<td></td>
<td>April 26(^{th}), 2016</td>
<td></td>
</tr>
<tr>
<td></td>
<td>March 22(^{nd}), 2016</td>
<td></td>
</tr>
<tr>
<td></td>
<td>February 17(^{th}), 2016</td>
<td></td>
</tr>
<tr>
<td>ICE</td>
<td></td>
<td>“Guida agli investimenti in Brasile 2016”</td>
</tr>
<tr>
<td>KPMG</td>
<td></td>
<td>“Modello di sviluppo industrial del Sistema Italia in Brasile”</td>
</tr>
</tbody>
</table>
The internal validity (Yin, 1994) of how GM Venture offered an answer to the issues posed to Italian companies can be considered confirmed in the pattern followed in the construction of the case, and in the explanation-building structure of how the model came out and operates. While the external validity (Yin, 1994) can be traced in the insight that the case gives to general cases of Italian SME entering Brazil, with or without the collaboration of GM Venture. In addition it can give a positive contribution to similar realities that operates for other countries, giving general understandings on what helps small-medium companies having success in Brazil, and where the focus should be directed.

Given all those information the main analysis performed has been a content analysis, which aimed at reorganize and integrate all the material gathered and elaborate a detailed guideline for future and actual Italian investors in Brazil, presenting in particular the possible key role of GM Venture.
5 MODEL DEVELOPED FOR THE CASE STUDY INQUIRY

As developed in the literature review, many theoretical contribution have been gathered, both on the “SME’s Internationalization” theme and on the “Brazilian business environment” one. Considering those important contributions form the academic literature, a framework have been structured here for the case analysis.

Table 5: Model developed for the Case Study Analysis
Source: Author

<table>
<thead>
<tr>
<th>Key success factors for SME’s</th>
<th>Brazilian Business Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internationalization requires:</strong> Orientation, Commitment, Capabilities and Network:</td>
<td><strong>Internationalization in Brazil arises the need to tackle local issues:</strong></td>
</tr>
<tr>
<td>Decision Process:</td>
<td>Dimensions of complexity:</td>
</tr>
<tr>
<td>a. CAGE Dimensions</td>
<td>a. Taxation</td>
</tr>
<tr>
<td>b. Entrepreneur’s commitment</td>
<td>b. IP Protection</td>
</tr>
<tr>
<td>c. Enterprises characteristics</td>
<td>c. Requirements for company constitution</td>
</tr>
<tr>
<td>d. Policies</td>
<td></td>
</tr>
<tr>
<td>Creation Process:</td>
<td>Experience based issues:</td>
</tr>
<tr>
<td>a. Enterprise Commitment</td>
<td>a. Reliability of Partners</td>
</tr>
<tr>
<td>b. Connection of Network relationships</td>
<td>b. Participation in the company</td>
</tr>
<tr>
<td></td>
<td>c. Administration</td>
</tr>
<tr>
<td></td>
<td>d. Contador-Commercialista</td>
</tr>
<tr>
<td>Development Process: permanence in the market</td>
<td>Dishearten issues:</td>
</tr>
<tr>
<td>a. Innovation and creativity</td>
<td>a. Labor costs</td>
</tr>
<tr>
<td>b. Connectivity and Strategic Network</td>
<td>b. Bureaucratic procedures</td>
</tr>
<tr>
<td>c. Proactivity and Motivation</td>
<td>c. Failure rate of start-ups</td>
</tr>
<tr>
<td></td>
<td>d. Access and cost of credit</td>
</tr>
</tbody>
</table>
The case analysis has been based on these two dimensions: Key Factors of Success and Brazilian Environment Issues. The model aims to explore on the main factors that have to be faced once entering Brazil, and in particular it inquire on the GM Venture activity regarding those items. The case analysis explore and evaluates how GM Venture creates value for Italian SME’s, in offering response to these issues above listed.

As clear in the second chapter of this dissertation, the content is justified by the institutional and academic studies developed in the literature chapter. The Framework is then based on the statements of those authors and on their contributions.

5.1 Key factors of success

The first dimension concerned is: Key Factor of success for SME’s. The main contribution on this topic came from the *Journal of small business strategies* (2016), Meschi and Wassmer (2012), and Antonicic and Hisrich (2000). All these authors brought important contribution to contextualize and understand the main success factors for SME’s internationalization in the literature. From the former one that introduced the concepts of SME internalization and four unavoidable factors: Capabilities, policies, Strategic Alliances and innovation. Later on Meschi and Wassmer (2013) focus on the importance of a strategic network as the key to face and survive in emerging countries, and to acquire sensitive information and capabilities. Finally the latter one focuses on the dimension of the entrepreneur-enterprise characteristics and commitment, beside the environment issues.

The contributions of those authors, and several others quoted, helped reorganize the key factors for each determinant phase of enterprise internationalization. During the analysis is explored the contribution of GM Venture on these aspects highlighted by the literature.

5.2 Brazilian Business Environment

The second dimension of the analysis focuses more on institutional documentation rather than academic one. It has been based on the statements of the Italian Embassy in Brasilia, the
ICE, the World Bank, and several other expert competent institutions. The choice of the sources has been based on the competence they have on the topic. Gathering information from these particular sources, they have been analyzed according to the nature of the issues raised, and specific common sub-dimensions have been identified. Considering the statements of those institutions, the main classifications have been: Complexity, Experience-based issues and Dishearten issues. Inside each one few specific items to be analyzed have been selected, according to the classification made by these sources.

5.3 Analysis

Through this segmentation, it was easier for the author to proceed with the Case Study exploration. In particular the activity of GM Venture have been studied under each dimension and classification, to evaluate how this company is able to create value for its Italian clients. Given the model, the case will be presented before the analysis to give reason of its choice for this dissertation. Before the case study, a brief introduction to the attractiveness that Brazil has for Italy is due, to better comprehend the relation among those two countries and the reasons of such a business as GM Venture’s.
6 CASE STUDY: GM VENTURE

6.1 Introduction

GM Venture is a consulting company placed in Sao Paulo, whose aim is to be a strategic partner and investor manager for international (and mainly Italian) companies that want to operate with Brazil. The founder Graziano Messana established it in Sao Paulo in 2006.

GM Venture fundamentally supports foreign companies in Brazilian investments concerning:

- Day by day activities (start-up, branch management)
- Extraordinary activities (M&A, market penetration)

Their clients can go from pure start-ups, which need to be followed for the whole process, to companies already existing. The main activity is about centralizing the relevant processes that a Brazilian subsidiary has to undertake. Moreover, GM is able to coordinate these activities with the support of a valuable network created over years. Basically, GM is managing and representing a variety of interests of Italian companies into Brazil. The managers of GM can act as interim managers for numerous groups, following all the financial and administrative tasks, disposing general managers and CFO activities in outsourcing to their team, made by experts directors.

The main objective of the company is to create value for the international investors, or the mother-house managing the risk of investment. (EX: It is extremely important to have a deep knowledge of the indirect taxes you are supposed to pay for every sector, the importation taxes and how you might be able to recover some of them through a local subsidiary). Being successful managers of many business cases, GM had the chance to develop a deep expertise to lever and handle the Brazilian complexity (well identified by the team) in a competent way in order to manage risks and reduce as much as possible the time to market for the investors.

The GM team is made of managers, engineers, controllers, and specialists in foreign commerce. This business model allows being flexible and dynamic toward every kind of necessity. Therefore, GM is able to directly manage: a) local branch, as a connection point between them and the foreign top management; b) the local Brazilian operations, id acquired
or established; c) third parties involved in the project such as lawyers, external auditors and recruiting companies (Institutional presentation “GM Venture on Your finger tips”, 2015).

The client is not just an acquirer of the service, but he becomes a partner, for this reasons company and customer’s interests have to be aligned. Moreover, GM implication is total because it offers not just managing skills, but also the statutory role required by the law (legal representatives), and all the surrounding necessary services.

### 6.2 A step Back: GM background

Graziano Messana is the founder of the company GM Venture, which has been operating in Brazil since 2006. Actually, he is vice president of the Italian commercial chamber in Sao Paulo.

His background is an economical one with a degree at the LUISS university of Rome and work experience in Banks (Banca Commerciale Italiana) and financial institutes (Electa financial engineering). Through the reality of GM venture, he proved to have experience in General Management, reorganization and restructuring, Business development, Business strategy and planning, Interim Management, M&A. Indeed, he assumed different role inside numerous Brazilian and Italian companies.

The background of the company cannot be unrelated to the background of the founder Graziano Messana.

Graziano Messana’s previous working experiences allowed the realization of GM Venture, and for this reason the story of the company and the story of the originator are fully aligned. Hence, to understand what is the origin of this idea, it is interesting first of all to see where it comes from. As Graziano Messana himself told in the interviews, his own background has a lot to do with the decision of the business model established for the company.

So, beginning from his working experiences, it has to be said that he started the job career working in the Banca Commerciale Italiana in Luxemburg. The permanence in the bank lasted until the merge with Banca Intesa (The first Italian Bank, today merged into Intesa Sanpaolo).

The first steps and learning of that period are related to the main activities undertaken there: structuring of Private Equity funds and operations of structured finance, beside operation of M&A between funds and enterprises.
Thus, working at the Banca Commerciale Italiana Graziano developed a deep expertise regarding funds’ administration, concerning their functions and their purposes.

He developed competences on these fields, and he fully realized the importance of “being inside a company” when investing or advising it. He could see personally the importance for each fund to enter in a corporation, buying a majority of the shares and helping the company in the administration and management tasks. Through this he had the chance to go deeper in the mechanism by which the fund does not just invest money but it also put one counselor member inside the board of directors of the acquired company. In this way the fund can help the company in its administration and have an influence in the management decisions (avoiding to have just a financial investment) through the know-how of a qualified person.

When the Banca Commerciale Italiana got acquired, Graziano left the bank and with two colleagues created a company, located in Milan, called ELECTA (It has been founded by a team of professional corporate bankers). This company was based on the know-how they all had acquired on Private Equity funds, financial structuring, and on the relationships they matured with many of the investors. The main PE funds, which invested in Italy, were all created at the Banca Commerciale Italiana, counting for around 60/70% of the total funds investing in Italy. Therefore, these three partners created ELECTA, Ltd at “Piazza Affari”, whose proposal was not just the structuring of Private Equity funds, but also M&A activities.

They had lot of experiences, indeed in a short period they already had kind of success, being responsible for the structure of many funds such as the Mandarin Capital Partner (the biggest Italian-Chinese PE funds), or the Luis Vuitton Funds (L Capital 1, L Capital 2…) where the majoritarian shareholder is the LVMH group. Besides this, they also managed the fund “360°” and the Dresdner Group fund.

On the other side the company focused on pure M&A. The fundamental idea was to put in contact the money of the funds and the enterprises, which had the will to grow bigger. Therefore, Electa ended up dealing with M&A activity and consulting on deals structuring, beside the PE funds activity.

It was exactly in Electa that Graziano Messana identified one problem, which later would have influenced the GM Venture business model. Indeed, the three founders were often in the situation of finding themselves in the middle of transactions that after few months would have expired and ended. This issue would meant that at the accomplishment of one deal, the job was done, and they had to start all over again and pursue another clients or deals. This was in fact the hardest part of the business, but contemporarily it was affordable, given
the presence of three founder partners focused on this. Moreover this job required working closely with lawyers, notaries and banks in order to get to the closing of the deal. This need for copartners helped in developing good networking abilities, which as well are fully part of the model structure by GM Venture.

After some years of work the job was holding stressed schedule, and on the other side due to personal reason Brazil came into the scene. Exactly in this moment Messana started looking up for Brazil. The decision of getting closer to Brazil was influenced by a talk with Mario Resca. He was an influential person in the Italian business panorama; he worked in Mondadori, Versace, and the Chamber of Commerce in USA. As a shareholder of McDonald he has been the one bringing it to Italy. In addition he has been in charge of the Cirio’s reorganization, he was a manager of Egon Zhender and had many other important experiences. The relationship with him was challenging and stimulating, Graziano have been in the board of directors of Resca’s family enterprise since years, and he had a big admiration for his story of a self-made man, who came from a southern humble family and accomplished all those experiences. For all these reasons Resca’s judgment was fundamental for Messana’s decision.

Graziano had this internal thrust, which pushed him to create something personal and, being that in Italy creating something was a lengthy process and the growth prospect was not that positive, he looked far. Graziano, as already said, started developing an interest in the BRIC countries that were becoming popular, indeed some countries were becoming attractive but at the same time the funds and investors more conservatives were not going. It was exactly there that he had his own interest. Resca appreciated the courage interest and he warned Messana about the difficulties of Brazil, but most importantly he believed in the idea and pushed Graziano toward this new adventure. In order to show his support, Resca had also acquired a symbolic share of GM Venture.

Therefore to have a deeper vision, the founder came in Brazil in August for one month, in 2006, to check the feasibility of his idea. Once he had made the ideas clearer, he went back to Italy, he closed all his activities and he flied back to Brazil. He did all rapidly because for the Brazilian legislation, in order to be a general manager of a company, you have to be either Brazilian, or a foreigner permanently resident into Brazil. The Brazilian experience of GM started from here.
6.3 GM Venture Business model’s pillars

The Business of GM Venture, as discussed through interviews with the founder and some collaborators focuses mainly on two pillars: the M&A expertise and the General & Cash management expertise. Moreover, the peculiarity of the model is based on some observations and circumstances that the founder has been able to fully exploit.

As seen in the background, the two previous experiences that Messana had, fully shaped his own view of the new business model that he created for GM Venture. All the information used for the case has been collected by means of the interviews to Graziano Messana and Alessandro Messana mainly. Beside them, some close collaborators like Giovanni Falcetta and Salvatore Milanese were questioned on the same topic.

The establishment of GM Venture in Brazil, presented to Graziano a different pool of challenges and circumstances inherently unusual from those he was used at home:

- Lack of plurality of partners: the first “entrepreneurial” experience of Graziano Messana was the foundation of Electa in Italy, with the collaboration of two older partners who complemented him through their personal expertise. At the beginning of GM there was just a single partner (a single partner), and no other more expert collaborators.

- New market and opportunities: it was the first time Graziano faced an emerging country, which of course operates on completely different criteria and assumptions compared to Italy. Brazil was a huge potential market; indeed the key of this company lied in understanding the possible opportunities, implementing best practices and developing expertise on the main criticalities for Italian companies.

- Essentiality of a network: being a single partner on a new land, the necessity of a network of coworkers was essential to Graziano, and it has become a pillar of the service offered by GM Venture on its turn. Already at the beginning, the Italian Chamber of Commerce and Confindustria gave an influential help, in terms of crucial information and associates to search for. On the other side, participation in a network was necessary, because Graziano couldn’t have many experience and models in front of him to take as examples or suggestions.
• Lack of structure for M&A business: even though M&A was the activity where the founder had most experience in, the singularity of the partnership made the business unfeasible. The impracticability of the business was embedded in the costs of one side (fixed structure of analysts, research, project team, and execution team) and in the scarcity of human resources for the research of origination deals (he was alone, very young and with insufficient knowledge of the Brazilian market). The activity of M&A was considered too risky.

• Intrinsic risk in M&A activity: Every 10 deals one survives, and nine get to nothing in Brazil. It was then important to know this, in order to avoid being too unwise. Besides this unfavorable statistics, Graziano was aware that meanwhile the structure of fixed costs was present bearing the cost for all 10 deals, surely not all transactions would have succeed and would have paid good for that. The prospect was to have on one side uncertain revenues, especially in start-up with no assured activity launched, and on the other side verified costs to endure.

• Fees: The M&A activity has a particular model of fees, which are not so feasible in a developing risky country especially with one single partner. Basically, the fee of every contract was divided into retainer fee and success fee. The former one was connected to the info memorandum, the analysis of the target company or the preparation to sales (to be more appealing in case of sell-side commission). The latter one, more conspicuous, was paid just in case of successful closing. Hence the fixed costs of a medium-small M&A Company would have been too large to be recovered by the retainer fee paid for a small period. Since that the success fee is nothing granted (high rate of mortality), it was too risky to think at this kind of business for Messana alone.

• Local associate option: Graziano had no sufficient knowledge and experience of the Brazilian market to trust an unknown local partner. Being in a complex country, it was excessively risky to open a company from scratch with an unknown party in an unknown country.

• No recognitions or fame in Brazil: at the beginning, entering alone with no local partner, Messana was lacking the needed reputation to be consulted in M&A transaction and research. There was no stable position, differently from Milan, for the constitution of the company in such a field.
Given these many observations that Messana did, the idea of an intermediate business like the one of GM Venture started coming to the mind.

With an idea on GM, the founder started setting some **objectives** that the model had to pursue, in order to be feasible for him.

- The target client had to be the small-medium company: given his expertise, Graziano focused especially on medium Italian enterprises (300 Million of annual revenues), which were the ones he knew most and the ones demonstrating a real need for support.

- Long time focus: given the unfeasibility of the M&A business solely, the expressed need of Messana was regarding the permanence of the client for a longer time, around 1,5-2 years. The aim was to create a model that would allow retaining the client for at least two years, building in this way a longer relationship with him.

- Response to foreigner needs: the service had to be a response to the need of foreign companies investing into Brazil from Italy. Graziano wanted to create a single accessible solution to support the commitment of Italian entrepreneurs in international projects. For this reason he got involved in the Italian organizations in Brazil, and he started developing his knowledge on the topic of the Brazilian criticalities for an Italian investors, becoming nowadays one of the most experts professional on the field.

Once settled the goals, a step forward was a depth observation of the actual circumstances.

From Graziano Messana's analytic observation, two main issues have emerged and according to them the GM Venture business got reorganized, defining its clear core activities.

He firstly realized that many companies, which were acquiring in Brazil some assets, needed consulting not in the M&A process, but rather in the period following the closing action. It is exactly here where Graziano had the intuition of an existing gap in the advisory market supply, breach where a new business could intervene through its services. Indeed, once the deal was headed to success, the M&A boutique was used to close its service provisions after the deal conclusion, although the main urgency of help was arising subsequently the closing. GM Venture opted to establish its consulting offer specifically in these delicate moments. Therefore, the founder decided to focus his activity on the needs post-negotiation, when the target company has to integrate with the buyer, without jeopardizing the value for which it has been acquired.
In the critical transitional moment between the founder and the acquirer, that the counseling of an expert that on its turn is entrepreneur as well (he understand the fine logic of the enterprise and the personal involvement of its entrepreneurs) can create a significant difference in the preservation of the core value, compared to the advice of professionals from big corporations with a listed-company mindset. In particular Graziano was offering the additional possibility of sustaining the responsibility of the whole post-acquisition issue, under the terms of administrators and legal representatives.

Thanks to this activity Graziano had the chance to know very well the local market, the logics behind Brazilian businesses and business relations, and the application of the strict regulations of the country. In addition he had the advantage of working with outstanding professionals and experts on the field, starting personal contacts that today contribute to the excellent network GM Venture owns.

The second stage GM identified as crucial was the start-up one. Given his experience at Banca Commerciale Italiana, Graziano came into contact with many companies that were marketing excellent products and services. They were willing to enter Brazil, but were struggling in launching their Brazilian activity in a legal and economically convenient way. In fact, there are often a lot of unclear legal issues that block the process. In most of the cases it is highly time consuming to found the corporation, collect and register the share capital, renting a place, establishing the legal company, pursuing guarantees, and many others steps. This amount of complications is, on the other side, annoying the investors, who may decide to withdraw from the investment. Getting to know all these stories about bad bureaucracy and complexity, Graziano got the idea that this could have been another field where to start operating. Especially when, as seen before, according to the WB studies “Doing Business”, the number of hours needed to open a business in Brazil is around 2600, compared to a world average of 260 (World Bank, 2016). This is of course emblematic of how hard is it to do business there, and how much vision is needed in order to operate.

These are the issues that inspired Graziano Messana in specializing his business model on the start-up phase of foreign companies.

Therefore, the idea of the business model was basically structured on these two opportunities that had been identified, and it was presupposing that GM would have been able to keep the clients for 1,5-2 years, the time period necessary to cover all the fixed costs.
To conclude, it must be noted that in order for the model to be reasonably and consistently structured a deep study had been undertaken on the main differences between Italy and Brazil. This analysis being decisive to intensify the comprehension of the need and the perspectives of Italian and foreign entrepreneurs, so that GM Venture could offer an effective solution:

- The role of the accounting-business consultant (“commercialista” in Italy) that does not exist in Brazil by itself. There is a substitute role, instead, which in reality is just a simple counter.
- Accounting measurement harmonization: GM intervention is able to foster coordination between managers/agents and headquarters, proposing a well functioning control scheme and the harmonization of the different measure for key accounting documents, due to the full knowledge of the two systems.
- Recruiting a CFO is extremely hard and expensive, since qualified people tend to ask for salaries that are way higher that the competitive ones. Differently from Italy, in Brazil is not that easy to find a valid, competent available person to cover this role. There are in fact not many people ready for such a role, and most of them are employed in stable positions in well-organized companies with a solid business. Beyond the scarcity of people available, the cost is prohibitive as on average a CFO asks for 25000-30000 reais per month (GM Venture, 2016), which is exaggerated for what a company can generate in the start-up phase. GM venture therefore included this role into its offer, to avoid additional complications for the client.
7 ANALYSIS AND RESULTS

In order to inquiry on the case study, we refer to the framework presented in the above chapter to develop the analysis. Therefore the results are divided into two main segments: a) Key success factors for SME’s; b) Brazilian Business Environment. Into each segment the main results are collected, according to the dimensions defined thanks to the multiple sources considered. The results and the inquiry on the case are collected through the multiple sources considered in the research (Interviews, Documents and observations).

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Considering the content of the model and the sources collected it can be stated that three different perspectives has been taken into account: the owner (the brand itself), the customers, and the network of collaborators. In the first case it was considered the interviews with the founders and, the available information directly connected with GM Venture (documents, press). Concerning the customers and collaborators’ perspective in-depth interviews have been performed and analyzed. The results are presented in an analytical text including author’s reformulations and direct quotations of the sources.

7.1 Key success factors for SME’s

7.1.1 Decision process

The first phase of every internationalization process is the decision to undertake this path. In order to understand whether it is a good or bad idea to pursue, an analysis of the feasibility of the idea is mandatory and an evaluation of the four points emerged in the model is critical. GM Venture has been specializing in this essential decision phase, both to support the entrepreneur decision and to evaluate the feasibility of the process.

7.1.1.1 CAGE Dimensions and Policies

Literature put in evidence how both the policies of one country and the distances among the origin and the destination for one company can have a great impact on the decision to internationalize. It is very rare that a solely company has enough knowledge and expertise to enter successfully in Brazil, given the intricacy of the numerous issues dealt in the literature. Information and knowledge on how to face those issues is the key to proceed in the validity and effectiveness of the process. It was presented the essentiality of being aware regarding each CAGE dimension, as well as regarding the main differences in the local polices such as taxation, bureaucracy and requirements. Considering what emerged in the literature it was explored how GM Venture has been able to collaborate on these issues.

In the brand perspective, “The activity of GM Venture has the aim of transforming the idea in reality here in Brazil. For this reason we have developed a team of expert regarding the
legal, administrative and cultural issues here in Brazil” (Alessandro Messana, 2016). Indeed GM Venture specialized on the main distances between Italy and Brazil according to: Administration, Culture, Economy and Geography as well as in the main difficult policies that the Brazilian context immediately poses to those new entrepreneurs. The concept of the first viability of the project is the priority for GM’s experts, and for this reason they specialized on the main criticalities in an Italian perspective, in order to be able to give fast response and adequate support. For GM Venture the customer is at the center, and his willingness is the driver for any choice. The experts try to understand what the customer expects and desire, adapting their offer to its preference.

In fact GM Venture is able to offer to the client a whole solution, from the beginning to the end, or a set of decomposable services that can be customized to the client. The company presents its range of services in the form of a Menu, which has been analyzed with the help of Alessandro Messana, CFO of the company and responsible for all the processes, in order to understand them up to the core.

In this first decisional process, GM Venture is able to support the analysis of the different policies and the CAGE dimensions, through feasibility studies performed through their own expertise on the Italian and Brazilian realities.

- **Feasibility study**

This kind of study is usually performed to check the viability of one given project. It is necessary to understand and monitor both issues and occasions. In few words it represents the cost-benefits analysis of the prospect business. This analysis should include restrictions and suggestions to support the decision-maker in the understanding of the viability of the investment. A specific attention is devoted to understand the opportunities available in the economic point of view, as well as to acquire the necessary means to face the administrative and cultural distances. For the former issue GM Venture focus on its own knowledge of the market, and on the network it is related to, in order to spot the main economic opportunities available in the market. For the latter one, GM is able to function both as abridge in the communication with the motherhouse and the local partners (culture dimension), and as responsible of the Brazilian administration of the company, in order to avoid hazard and misunderstanding. A good feasibility study as GM performs, especially in a complex country such as Brazil, can save companies from hazardous investments. If the study seems positive and reliable, then the business plan is the next step. In this case, since it is required by the
investors themselves, its results will be evaluated and it is going to be the basis to decide if credibility and depth are enough to trust the project.

GM Venture can offer all the experts and competences necessary to develop a 360° feasibility study: Technical feasibility, Legal feasibility, Market feasibility (PEST analysis, SWOT analysis and Porter’s five forces), Business model feasibility in Brazil (internal analysis), Estimated cost feasibility (acceptable initial investment, acceptable risk level), Expected profitability, Economic and financial model sustainability (acceptable loss of the investor, IRR required in a reasonable period and NPV required, aid founded opportunities), Exit strategy practicability, Context feasibility (Brazilian market characteristics).

In a complex country such as Brazil, this kind of study is essential and it clears a lot of issues and conditions, which might be met before entering the country.

The main issue of this study is to validate the rough idea of the project proposal, and verify what might be the more critical issues. “When the new clients show up, as an investor he more or less has in mind when he would like to invest his capital in Brazil. What he doesn’t know alone is if the idea he has can be a good business or not. He holds the money, but not the certainty that one specific project is worth the investment” (Alessandro Messana, 2016). Here is where the feasibility study gets necessary according to GM venture.

For this reason GM has developed a team of expert regarding the legal, administrative and cultural issues in Brazil. Every enterprise has already an idea of what they want to do in the country, but the main issue is to translate the business plan (usually already ready) in the Brazilian context, which is GM’s specialty.

The study basically goes analyzing all the aspects of the business plan that have been explained at the beginning (entry market, potential customers, location, capital needed, taxes estimation, translation of the cash flow prospection…) in the specificities of the Brazilian environment, and the needed follow-up with the Italien motherhouse.

“One clear example here has been the “Bacio di Latte” (Most famous ice-cream chain in Brazil): GM was called in charge of the start-up of the new company in Brazil. The customer itself was coinciding with the principal investor, and he was the one having in mind to open one Ice cream chain, which was not existent in Brazil at that time. Edoardo Tonolli (the founder) had in mind to open the first chain of ice-cream shops of Brazil, starting from Sao Paulo; therefore he was the one creating the demand through the offer. Bacio di Latte has been one case of an offer generating a demand. The investor has been really perceptive in understanding this market gap here in Brazil, in fact there were no one serving gourmet
ice-cream. In order to pursue this purpose they had, the owner required a feasibility study for the specific product (nothing new since it was an ice-cream) contextualized though in a specific new market. Moreover the study was aimed at understanding if it was feasible to create the desire for this product in such a market (where the culinary offer is very diversified, very extended and also very high level) and such a population. They were able through the study, to create the best model to induce the clients toward the Italian idea of getting no dessert in the restaurant and rather to walk a bit in a nice place (study for the location) to get a gourmet ice-cream. The idea was about reinventing, in a high-level positioning, a common aliment but in a completely new place.

It is clear how in this specific service the study is about an already known product but in a new market and new target consumers.

In the customers and collaborators’ perspective the difficulty in internationalizing has been of course identified in the distance existing between the country of origin and the one of destination, no matter how similar the two places are, they work differently and this creates some kind of complexity. Regarding Brazil, it has been agreed by everyone that policies and CAGE dimensions can create a critical barrier for new foreigners. For this reason the necessity of someone to rely on in the first phases is considered something essential by all the interviewees. In this specific matter the positive value of GM venture “is the velocity of response that they re able to offer. Especially at the beginning when the customer need a broad understanding of what to face, they might not be able right away to give you the perfect answer, but they are always prepared to give a useful orientation to the client in the minimum time possible. Moreover at very affordable fees. Beside this I have to say that their approach is very practical, the communication is easy a linear and their offer is one complete”(Salvatore Milanese, 2016). Moreover “They allowed us to avoid many mistakes, especially at the beginning when everything is unknown. Brazil has many laws and if you want to operate legally, you need some expert to guide you, and GM did this role for us. They gave us the confidence to trust them, and they were able to show us the effectiveness of their managing”. (Edoardo Tonolli, 2016).

In conclusion ad a matter of external factors for the decisional process of an Italian SME, GM demonstrates to be able to offer fast adequate support to the client. The main value is involved in the affordable fees, in the broad expertise offered both on Brazil and Italy (plus the specialization of the combinations of the two) and in the velocity and punctuality of their
Entrepreneurs commitment and enterprise’s characteristics are two fundamental factors that the literature put in evidence as key for the internationalization process. Already in the first evaluation above discussed those two factors are considered, since the specificities of each company affect its feasibility in one country, but even more they have importance in the start up process. The value emerged by GM Venture is the capability to take into account all the entrepreneur will and commitment, the capability to be in direct communication with him and to create ad-hoc solution for his company. In the advisory role of GM Venture, the entrepreneur is the center, and all the decisions are taken with him and to facilitate him. This is favored and possible thanks to the dimension of GM, and their decision of communicate directly with the entrepreneur of the company. “Since the beginning Graziano have been our attorney for every legal and economical procedures. Beside this he was in charge of all the administrative aspects of the company, so he was a consultant, an administrator and an attorney at the same time. I used to refer to him for every decision. The specific strategic choices were my ultimate responsibility, but I used to discuss with him everything, and he gave a huge contribution in terms of finance, HR and Brazilian market issues” (Edoardo Tonolli, 2016).

Moreover in the specific start-up process development GM has been always able to take into account the characteristic of the client company, shaping the new-co as a resulta of the compromise between the local environment constraints and the motherhouse desires.

Since the start-up process is the main issue to actually enter in Brazil with a subsidiary, the procedure is very delicate and needs to be addressed carefully. The start-up process is the basis for the opening of a new company. Beside all the analysis undertaken with the feasibility study, a much deeper study needs to be undertaken for the client here.

In order to have a structure approach we can look deeper at the procedure that the enterprise should follow (and that in this case GM does for the client company). (ICE, 2016)

a. Choice of the market and the mode of entry: It is fundamental to define an accurate business model, to collect the information on the market and verify what gaps are uncovered, to analyze the local market on the consumer side considering the capabilities of the New-Co entering the market.
b. **Preparation for the access to the market:** in this passage it is vital for GM to decide with the company which is the most suitable mode of entry, and then develop the process.

c. **Implementation and development:** whether a greenfield or brownfield investment, the implementation of the new company is the final necessary step. Lawyers will be contacted and will co-work with the GM Venture’s team in order to define the best form for the characteristics of the client.

d. **Follow up of the first year of integration:** GM Venture offers the expertise and capabilities to continue following the post-acquisition integration, which is one of the most delicate processes especially in Brazil. Here is exactly where GM Venture does not just follow the M&A process, but furthermore it aims at following the process of integration in Brazil, knowing that the Italian acquirer will not be able to follow and comprehend clearly every issue.

### 7.1.2 Creation Process:

#### 7.1.2.1 Enterprise Commitment and Connection of Network relationships

According to the literature, Enterprise commitment and Network of relationships are two fundamental factors to the effectiveness of the creation process for the company. On one side the enterprise commitment is in term of internal resources and willingness to pursue the project, while the network is the essential bound of relationship that a company need to operate and enter successfully in the new country.

On these specific factors GM Venture value is in the start-up process above described, which is considered valid also in this point, and in the network it is able to offer to the clients. Since the beginning of its operations GM focused on building a reliable network of collaborators constituted by excellent professional in the market. Indeed to each client GM offers of a full network of cooperators in order to be able to respond to every need that might arise. In addition they implemented the offer of a specific team of GM, which follows directly and specifically one company. They propose a solution with a team of people directly hired by the client company, but reporting also to GM.

According to the interviews made “Thinking at GM I can say that the network they have been able to build with partners offering other services, like lawyers, is amazing and it constitute one main advantage in using GM Venture’s service. Moreover they have a good
forward looking for every typology of client, good perspectives and they are definitely expert in the Italian financial statement analysis and the needed translation and adaptation of documents from Portuguese to Italian” (Marcelo Trussardi, 2016).

The value created through GM Venture expertise and network is visible in the main phases of the creation process, as following described:

MODE of ENTRY: GM supports the decision of the mode of entry most adapted to the company. It is an essential step, since it will influence most of the cost to bear, the fiscal regime to follow, the access to determinate credit line (given by SACE or SIMEST) and the location needed. Given the entry options in the Brazilian market, according to the law, there are four models:

Exportation: even though it is still a widespread practice, it is one of the least advantageous for Brazil. In fact in this country the customs duties are very high and can reach up to 100% (ICE, 2016) of the good value. Through the help of informed experts like GM, if this is the form chosen, many of the taxes can be reimbursed or exempted thought a smart segmentation of the production process.

Joint venture or commercial alliances: it is the least costly option, and usually one of the less risky to be implemented. It is fully recommended in the beginning to get to know better the market and the business partner (of course it requires a careful analysis of the partner, of its fairness and of compliance policies). GM in this form can constitute the main partner if it is a matter of overall services or it can support the selection of an effective partner in the core business, through its M&A expertise.

M&A: It is not commonly used as an option among Italian companies, especially because it often requires a good advisor and an excellent evaluation in order to avoid falling in frauds are needed, which are very costly. GM on its own covers this role of competent institution for the M&A process (now that the sole partnership has been overcome and that the company has a solid HR structure), pre and post acquisition for the whole integration, at very reasonable fixed fees and, for this reason, it offers a critical consulting on these operations.

Greenfield investment: it is one of the growing models for FDI, and it presumes the construction of the company out of nowhere. Here GM venture intervene thanks to its capabilities in the start-up process, taking responsibilities on all the necessary steps up to the opening of the activity. This kind of investment needs an accurate study of feasibility and a detail start-up process, as well as the capability of dealing with the HR, financial and legislative requirements that GM provides easily to the client.

NAME and BRAND: The name of the company is chosen together, and the brand is checked
out to be sure that no other has registered the same at the Sao Paulo commerce register (in the case of GM clients which have legal office in Sao Paulo) and at the INPI institute (Instituto Nacional Propriedade Industrial). GM created an own file for Italian names still available, and has a dedicated person in direct contact with the register institution who subscribes and fasten the process for the client.

LEGAL STRUCTURE: necessary step is the ddefinition of the basic steps, which involve definition of the company’s “corporate purpose”, address of the legal registered office, specification of the administrator assigned, declaration of the two partners, designation of the juridical structure the company will embody (LTDA, or LLC). Moreover attorney has to be pointed out (usually the legal requirement needs him to be a Brazilian or a foreigner with permanent residence here in Brazil) as well as the legal representative and the definition of the two partners. GM has the qualification and the resources to cover all these authorizations (within it own business), or as another option it entrust specific people that can take charge of these responsibility with full reliability by the client.

RESOURCES: it is crucial to decide which resources are essential, and which one should be collected locally in Brazil together with which others should be imported from the native country. Once the resources indispensable are defined, GM helps in the procurement of those Brazilian resources, and facilitates the processes of importation of those brought from Italy. Also for the resources the ability of saving on taxes is critical, along with the relationship with the customs that inspects every stock, and GM can contribute with a significant difference. Additionally since GM administers and manages around 15 companies at the same time, it can exploit synergies on import and export, generating great efficiencies for all the customers.

To conclude, it comes out clear how GM venture developed specific capabilities and partnership in order to fully support the creation process of one company in Brazil. Through this complete structure GM is able to create a distinctive value for its customers.

7.1.3 Development Process: permanence in the market

7.1.3.1 Innovation and creativity, Connectivity and Strategic Network, Proactivity and Motivation.

Concerning the development process, and the GM Venture’s value creation in this phase, it is possible to group the three factors that are considered key for the permanence in the market.
The literature analysis allowed to identify those three as the main one for the progress of one company in the foreign market. Looking at those three dimension the customer and the brand’s perspective can be analyzed conjunctively to understand how the company studied here has been able to add value in this phase. It can be stated that GM Venture captured those factors inside its model, and developed some specific activates so to be able to support clients companies to operate in a sustainable way in the market. Basically GM Venture have been able to create value for the customer by taking charge of the main critical tasks to be performed in order to live in a new market, and grow stronger. Inside those services GM venture tried to include the strategic network factor, innovation and proactivity.

As Marcelo Trussardi (2016) told in the interview “They are basically able to offer a complete solution, which not at all easy here in Brasil. They have full knowledge of both the Italian and Brazilian culture, of the common practices here in Brazil and there in Italy, and they are able to offer specific consulting advice on almost every issue”.

The clearest activities evaluated for this point of the framework are here analyzed both reformulating the interviewees’ contribution and the company one:

- **General management and Cash management**

GM has been able to create a model by which it assigns a specific key account manager to every client, and he is the main reference for both the client and GM Venture regarding every issue. The general manager service-offer relates to all those processes of overall administration that GM Venture undertakes for the client company, plus the whole fiscal management. Additionally, it includes active management (treasury, relationship with the banks, cash inflow, cash outflow, prospect cash flow). The main purpose is the creation of value and optimal efficiency of the business processes. Usually inside this service GM includes: the typical financial services, treasury services and controls, human resources management (benefits, vacations, recruitment…), supervision and execution of the specifics contracts (such as drafts, detail analysis). Moreover they intervene on the matters of transfer pricing, stock management and licenses. In addition GM is able to provide a full range of experts on accountability, auditing and legal aspects that are managed in an inclusive mandate in order to reduce as much as possible the total cost. Concerning importation and licensing, the company relies on trusted partners, which already deal with customs borders and government documentations, so that it can obtain cost efficiency for the client. Finally
GM monitors the ITC coordination and implementation, with integration of the motherhouse model, and when necessary they adapt and harmonize the communication and the documents to the best practices of the motherhouse.

GM Venture decided to focus its value on the ability to offer personalization of all processes and documentation, plus of trimestral forecasts and periodic communication. Moreover precision and accuracy do not lack here, in fact GM does a monthly closure of the administration in order to be fully aware of each occurrence and communicate it back in Italy. Indeed they provide a monthly disclosure of all the accounting and cash administration, produces a consumptive document, and presents a trimestral forecast for the future to come.

GM help the development of the client business by accurately following the whole administration. In the GM model trimestral forecasts suppose (attachment 4 and 5) full understanding of all the prospect activities and their planning, strict dialogue with the commercial director to get to know its forecasts on sales, technical details on each client (such as the days of payments of the client, days of payment o the relative supplier, and many other activities, which are necessary to be able to plan a consumptive of the whole portfolio).

- **Business model implementation and HR management end2end**

Depending on the need of the client company, GM relies on a set of HR partner companies to hunter the best profile for the given business. Of course hiring the right people is one of the first step for the business implementation, which then follows all the steps analyzed either in the start-up process or in the M&A process, contingently to the specific case. Based on the needed manager profiles and on the dimension of the company, GM partners with different structured headhunters, which assure the reliability of the individual chosen. The idea of end2end supervision implies that GM Venture fully controls the selection and hiring process. It is supervised from the profile selection to the benefits management (specific for Brazil such as ticket restaurants, ticket grocery, ticket transportations, personal health insurance and fringe benefits), compensation, admissions tests, workers unions and all the sectors specificities for the human resources management.

- **Reporting to HQ or shareholders**

The motherhouse, which invested in the Brazilian branch, requires periodical reports to know what is happening in the Brazilian arm, and GM Venture provides this accurate service for all the companies that they administrate in first person. The reporting activity is very connected with the cash and general manager activities; in fact most of the reports are based on information that these two activities provides. They provide the entry set of standard
documentations, plus the personalized model that GM uses in its routines of communication with the motherhouse, concerning fiscal, administrative, financial results but also the HR and strategic development.

- **Market development**

  When aims and targets are established, the company proceeds to determining and verifying target markets, niches and actual sector. It is then necessary for GM to define the real potential of the client, the adequacy of the organization and of the strategy, and the need for new developments and strategy propositions. The next step is an evaluation of the resources available and needed, which introduces to the implementation and purchase of every item or individual missing. The client decides communication, marketing, sales method and image to apply, and the implementation is supported by GM Venture, along with performing, monitoring and following up of all administrative and financial tasks.

  Market development is then a continuous process of improvements, implementation and progress performed through GM Venture capabilities and its own network of experts.

- **Branding and communication**

  GM has usually outsourced this service, due to cost efficiency reasons and internal policy. GM is focused on the administrative and financial consulting, and does not interfere with the mission, vision and image of the client company. For this reason it leaves complete freedom to the motherhouse in terms of commercial and marketing decisions. Given the knowledge of the market and the disposal of a broad network, GM enters only in the merit of the selection of an adequate commercial and marketing manager, if necessary.

In conclusion it can be defined that the key factors identified by GM Venture to develop its own business, are the same discussed in the literature. It is interesting to observe how the perspective of the company is aligned with the one of the collaborators and customers involved, clarifying how the perception of the value creation from GM is in line with the value absorbed by clients and collaborators. The case demonstrated how a deep information, expertise and a key network have been essential for the model developed by GM Venture, and that a critical observation of the phenomenon occurring of Italian companies entering Brazil, allows GM to successfully create a solution for those enterprises. GM contributes to the literature with its own example of a successful business model, and through its new view of the main factors of success applied at the Brazilian reality.
Indeed GM Venture has been able to offer an innovative service for the client, with matches directly with the implicit and explicit factors arising during the literature analysis of internationalization. The key to their value creation in embedded into the processes they have been able to standardize, their extensive experience and the structure their model assumed.

The interesting thing in respect to the analysis of the literature firstly performed, concerns how GM might contribute to it and “respect” the factors emerged.

Regarding the factors emerged GM Venture itself is constructed according to all of them. In fact it has been able to propose the client a 360° support, partnering with the client with its whole baggage of relations and networks. Interesting that GM Venture itself succeeded in the foreign market thanks to the involvement and commitment of Graziano (as described in the International Entrepreneurship) and thanks to the network built in the first phases of the company. For this reason it pushes on those same factors for all its clients. The partners, whom Graziano decided to rely on, made the difference in the business model of the company till today. The novelty brought by GM Venture is that the company itself offers to the client the possibility of relying on trustworthy ‘already-prepared’ networks of experts. In this way the small-medium Italian client is not supposed to look for reliable partnership in the unknown market, risking to fall in deceptions and mistakes, rather it had the possibility to be supported fully by GM and its overall co-workers. In this way it adds to the literature a new concept of network and consulting (based on inside and outside expertise) which can be a new success factors for today’s small-medium business in Brazil.

Moreover they developed the capability to innovate constantly their service, personalize it and construct new processes to give consulting and strategy partnership to fifteen - twenty companies together. In this way they support the development process of the customer, making it continuously performing, and able to last and grow.

The interesting matter presented by the case of GM lies in the fact that they have been able to recognize those key criteria of success (for Italians in Brazil) and adapt them to their own services creating effective value for the client. In addition it offers an affordable consulting assistance to the entrepreneur who lack this capabilities but do not want to renounce to the new market. GM turns itself in a strategic partner, becoming part of the company and legal representative of it, with the whole baggage of its expertise.

As already deeply discussed GM venture have been able to revolutionize somehow the concept of a network needed in the foreign country, and on the other side it is able to offer full reliability to small-medium companies. GM is not a company making advertisement;
rather its reliability is a matter of world of mouth among clients, which is giving it even more credibility.

### 7.2 Brazilian Business Environment

#### 7.2.1 Dimensions of complexity:

According to the literature developed on Brazilian business environment, three main issues have been identified as dimension of complexity, and have been confirmed in each interview performed. Taxation, IP protection and requirements for company constitution are identified issues. The brief analysis of all of them, and of how GM Venture have been able to create value according to each one of these, will be evaluate as a result of the interviews to the founders and to customers or collaborators.

The idea of complexity have been clearly described in the literature, both with the World Bank statistics as well as with all the institutional documentation collected. These three factors can be considered the main differences and the easiest mistakes that a New-Co might fall in. Give the importance they have, the evaluation of the case analysis focused on understanding how GM Venture has been able to create value for Italian SME’s even on those complexities.

#### 7.2.1.1 Taxation

As developed in the literature, the taxation issues collocates Brazil among the most complex countries where to operate, and among the most expensive in fiscal sense.

GM understood clearly this difficulty for the foreign company, and decided to specialize on tax savings and payments, and on specific methods to reduce the taxable income. Moreover the pool of professionals surrounding GM venture offers expert lawyers in fiscal issues, which can cooperate with the client addressing him toward most convenient solutions.

Once a company enter Brazil, financially speaking, the prospect of the estimated costs is mandatory, at least for the first year, in order to define under which fiscal regime the company will fall. In order to do this the plan has to define under which form IRPJ and CSLL will be paid (once the choice is made it has to be undertaken until a whole year cycle): Lucro real or Lucro Presumido. GM supplies the company in this choice, analyzing all the details of the client’s business to find the most suitable form. In addition, despite the regime choice,
GM developed a process for the segmentation of imported products with the possible combinations to save as much taxes as possible. This method works both under the terms of the FOB reduction, and under the terms of reimbursable taxes. In this way the tax burden on the Italian company is definitely lower, and its products-service is significantly more competitive. Moreover GM Venture developed a pool of experts and some standard processes to support every client in the recovery of the refundable taxes, in order to lower the burden of this fiscal weight.

*Figure 3: Taxes payment and possible savings*

*Source GM Venture internal presentation.*

GM Venture in the task of general and financial administration of the customer pursues for him all the fiscal payments and recovery. In addition it can help the company with adaptable solutions to its products/services in order to lower the tax rate.

### 7.2.1.2 IP Protection

Concerning the IP protection, it has been developed in the literature how weak is the protection in Brazil. Differently form Italy, the country does not participate in numerous bilateral and multilateral agreements, so that it cannot assure any coverage for trademarks or patents registered in foreign countries. With GM Venture the name of the company is chosen together, and the brand is checked out to be sure that no other has registered the same one at the Sao Paulo commerce register (in the case of GM clients which have legal office in Sao Paulo) and at the INPI institute (Instituto Nacional Propriedade Industrial). GM created an own file for Italian names still available, and has a dedicated person in direct contact with the
register institution who subscribes and fasten the process for the client. This is valid both for trademarks and for patents. GM Venture takes care of the whole process of IP protection, so whether you want or not have an activity there, it is important to register it there in order not to have problems of copy and misappropriation. GM verifies the status at the INPI, and register there the client’s mark. When he decides to open an autonomous company there, if as a motherhouse doesn’t have 100% of it, GM Venture register the IP through the Brazilian company an then stipulates a licensee contract to use it.

7.2.1.3 Requirements for company constitution

The requirements for the company constitution are one of the most intricate accomplishments a company has to undertake in order to operate. As detailed in the literature, the numerous registrations a company has to do, as well as the numerous institutions involved, often discourage the new entrepreneur who ends up leaving the project due to high bureaucracy. In order to give a solution to this complexity, and to create value for the client in terms of time-savings and higher comprehension, GM Venture create a way to deal with all those practices for the company. Indeed GM spent time and resources to study a way to put in common all the similar characteristics of client companies, so that they could stay efficient, fully monitor each client and accurately face any issue should have arisen. In this way they had no problem in managing companies belonging to different sectors, in terms of bureaucracy and standard procedures. Basically they structured a model that could help the accomplishment of many administrative issues and processes in a standardized way, optimizing time and human resources allocation. The managerial engineers of GM, together with Alessandro, are in charge of all routinely financial and administrative procedures that are mandatory for each company (e.g: employees salary payment).

In this way GM Venture is able to save time for the client, make him operative faster, and saves him form dealing with much complexity as the Brazilian bureaucracy.

7.2.2 Experience based issues:

7.2.2.1 Reliability of Partners

The reliability of the business partner in Brazil is one of the main issue emerged from the experience of entrepreneurs and experts. It is very easy to fall in the ends of dishonest people.
Moreover being foreigner and located in Italy is hard for the entrepreneur to understand on time when some fraud or unfair behavior is occurring. As a response to this issue, GM Venture has always decided to work in the most compliable and hones way, building it reputation on the way of working ad spreading through word of mouth. GM does not focused on marketing its brand, but rather on offering trustworthy and effective partnership, letting the reputation spread around with its clients and coworkers. “Looking at GM I see experts, who are able to provide rapidly all the basics services that a new entrepreneur would need here in Brazil. The client is fully protected, sure that he is working with reliable consultants, especially now that with the new corruption law few companies are clean. Moreover the client can entrust everything to the, it does not have to worry much on the conduct of the business, the added aggregated value for the client has been always very high” (Giovanni Falcetta, 2016). GM thanks to its reputation turned itself in one of the first contact for medium Italian companies entering Brazil. The value created lays in the pool of clients (current and past) that can be contacted for advises on GM Venture, the reliability they have constructed and the reputation they have, letting the small entrepreneur safe and secure on its new company.

7.2.2.2 Participation in the company and Administration

Concerning all the issues analyzed and related to participation and control over the company, GM Venture created some line of its service to face this need. In terms of participation, GM Venture suggests to the entrepreneur to keep control over the company, without spreading it with local partners if not necessary. The idea of GM has been to cover the role of the second partner (necessary for the constitution of the company) can be include in the support required to GM.

In addition, beside the activity of cash and general management already analyzed, GM venture is able to create value for its client through some lateral peculiarities of their offer that are often key for foreigners:

Slim organization

GM possesses a very slim organization by itself, because it wants to be present inside the client’s organization, in order to be fully able to advise and cooperate. Indeed it has employees directly involved in the client company, but reporting to GM Venture. Only 9 individuals belongs effectively to GM Venture, who take responsibility of the centralized
financial and administrative activities, make up GM officially. Everyone else is hired by the client company to report also to GM. In this way the employee has full consciousness of the need and the occurrences in the clients firms, but at the same time he joins a straight communication channel with the administrators. It is a way to be fully responsive to the need of the client and fully informed on the side of GM. The foreign entrepreneur can be much more confident with the control activity carried out by GM. (Michele Uria, 2016, GM venture, 2016, Alessandro Messana, 2016; Giovanni Falcetta, 2016).

Cultural proximity

One important thing when going abroad with a company is to find someone to trust and who understands your need and your perspective, especially when managing and administrating the company. In the confusion of the Brazilian market, GM offers to the Italian (and European) entrepreneur a clear proximity with the original culture and language, but also a complete expertise in the new Brazilian market. The funders are in fact Italian, which is the main advantage for the SME originated in Italy; moreover as developed above they hold a broad network with experts of different nationalities, and they have full knowledge of the Brazilian market, which is one of the main requisites to be successful in the internationalization process and in the daily operation there. (Michele Uria, 2016, Salvatere Milanese, 2016; Edoardo Tonolli, 2016)

Legal representation

GM offers the opportunity of instructing one of their hires and to nominate him as legal representative of the Brazilian branch of the client company. As seen in the constitution of the enterprise, it is mandatory that a Brazilian or a foreigner, who has permanent residence in Brazil, represents legally the company and outperforms all the legal requisites. It is very important to find a reliable and trusted person and GM offers itself this possibility along with the general administration of the corporation. (GM Venture, 2016)

Partners’ attorney (physical and juridical person)

GM offers the opportunity of instructing one of their people and to nominate him as attorney of one or more partners. Also in this case, it is mandatory by law to nominate a Brazilian or a foreigner with permanent residency there. It is very important to find a reliable and trusted person. (GM Venture, 2016)
Eventually GM has been able to create a range of services to add value to the client in the administrative procedures, so to give an easy and reliable solution to all the issues involved in it.

7.2.2.3 **Contador-Commercialista**

The literature put in evidence the huge misinterpretation of the role contador’s role, especially in the Italian entrepreneur's perspective. For this reason GM venture opted to support the Italian entrepreneur offering themselves the role of the “Commercialista”, through the support of reliable contadores. The have basically combined their capabilities with the one of those experts, so to offer the effective role of the “commercialista” that the entrepreneur look for. GM tries to create a whole solution for every need of the newcomer, in order to make him at ease in the new country.

7.2.3 **Dishearten issues:**

7.2.3.1 **Labor costs**

As developed in the literature, Labor costs is a great burden for an Italian companies used to all other regime. The interesting activity of GM venture here is not about lowering costs, since they are fixed by law, rather by operating on a two level way. On one side GM offers high-qualified expertise at very affordable prices, and on the other side it works on making fully informed the entrepreneur on the labor law and labor costs.

Regarding the former one, GM decided since the beginning to apply a flat fee mode. As explained by Alessandro Messana himself, once a company enters Brazil, no matter how big it is in Italy: the investment to be undertaken is a great one, and at the same time a risky one. Understanding this issue, GM Venture decided to charge clients with a competitive flat fee, differently from controllers and lawyers in Brazil. This particular choice makes the cost structure of the client more manageable and allows focusing on other important issues (Graziano Messana; 2016). Moreover inside the whole structure of GM venture, the client has access to competences and expertise as well as role of CFOs and general manager at fully affordable prices.

Regarding the latter one, GM develops in the entrepreneur the awareness of how to deal with the local labor law, how expensive is to hire and fire people, and how the labor market works in Brazil. In addition GM venture assure that the client operated on the labor market in a fair
and legal manner, to stay in line with their values. According to GM being informed is the first key to the Brazilian market and the first way to avoid errors and complexities.

7.2.3.2 Bureaucratic procedure and Failure rate of start-ups

Already discussed in-depth both in the literature and in the above issues, those two factors are among the highest disheartened issues that lower the incentives to come to Brazil. Data about the complexity of the environment and the failure of previous companies, discourage newcomer from Italy. GM Venture through its activities tries to make more accessible the choice of internationalizing to Brazil, taking care of most of the requirements and of the daily managing of the company. In this way it creates value for the entrepreneur who succeeded in its project, and for the market in broadening the offer of products and services.

7.2.3.3 Access and cost of credit

As a last point of analysis, the access to credit and cost of borrowing are important issue for those operating in this country. As clearly developed in the literature, the cost of borrowing in Brazil is prohibitive, and totally inaccessible for companies without any background. On the other side though, three main Italian institution offering critical solutions have been scrutinized in the literature. Given their importance, GM venture decide to open direct contacts and special channels to favor its client in obtaining those financing. For this reason GM created partnerships and direct relations with IntesaSanpaolo, SIMEST, SACE and numerous other local banks. In addition, given the high costs of getting borrowed capital through local banks for the excessive costs they have, it is vital to plan how everything will be financed, and how much working capital is needed (included in the financing in order not to borrow in Brazil). The plan of capital collection from the motherhouse or from other parties is supplied by the expertise and the knowledge of GM Venture, which facilitates the relations with the Italian institution discussed and, if necessary intervenes with its own Venture capital system (discusses in the lateral peculiarities of the model).

For this last opportunity, to favour performing clients, GM opened a line where it offers a similar venture capital service to some clients. In fact in case of some specific characteristics and in case of very solid companies, the “low” flat fee can be compensated with what can be called a capital payment. GM basically proposes a sort of call-options, which will be redeemed once the company reaches some pre-determined results (promised by GM to the client). This occurs, of course, at a very advantageous price for GM, which in exchange
charges a lower flat fee to the companies that show lots of potential of success and positive results (Alessandro Messana, 2016; Salavatore Milanese, 2016).
8 Concluding on GM Venture

The proposition of the actual study was to investigate, in which way GM Venture was able to create value for Italian SME’s entering Brazil. For this reason different perspectives have been taken into account for the analysis, especially the brands, the collaborators and consumers have been assessed. From all perspective the aim has been to evaluate this value creation, and how the company has been able to make this creation effective through its business model. All the actors have been interviewed, choosing some relevant individuals for every perspective, and other type of sources have been considered such as documentation and observations. Inside the entire analysis there has been the chance to discover, through the literature analysis, the main issues that Brazil poses for foreigner in its business environment. For this purpose both institutional documentation and experts on the topic have been consulted to identify those specific issues and, analyze the case according also to how it has been able to propose solutions to all of them.

As seen in the literature, the best practices and the main key factors of success for SME’s internationalization are evolving continuously, introducing new factors and new best approaches. On the other side, the literature is evolving also on the specificities of the Brazilian business environment from different perspectives, which are still often institutionalized information. No matter how they will evolve, this dissertation decide to focus on the actual phenomenon of Italian SME’s in this actual context (both for Key factors and for Brazilian issues) and on how the reality of GM Venture has been able to actually create value for those companies, by facing all the issues arising in the literature and so in the context where they operate.

What resulted interesting has been that the different perspective were aligned since the interviews, so the most analytical work resulted not much in understanding the differences among them (which were almost inexistent) but rather in evaluate and inquiry on the GM’s activity to understand how they have actually created value for theirs customers, and how they proposed a solution on the issues emerged in the first part. For this purpose, the theoretical studies of the firsts chapters have been resumed in a simple framework that addressed the analysis of the case.

As a result of the analysis, seen through the whole case from the literature to the analysis GM Venture has been able to offer an innovative service for the client, with matches directly with
the implicit and explicit needs arising during the entry in the Brazilian market. No matter the distinction made in the literature between “Key factors of success for SME’s” and “Brazilian business environment issues”, the case of GM brought light on the presence of a comprehensive business model that succeeded in the creation of a possible solution for every aspect emerged. In the specific, what has resulted by the analysis highlighted that GM Venture has been able to develop an overall solution made by different services and activities, each one specific for one issue arisen in the first contextual evaluation.

Regarding the key factors for internationalization GM has been capable of offering capabilities and enhancing the single characteristics and commitment of each client, supporting through its expertise and its professional network all the phases of the internationalization process of a SME company. In this strict sense a deep analysis of the core activities created by GM has been pursued, understanding how it is able to create value assisting the client in every implicit and explicit need. Indeed GM Venture itself is constructed as a company which desire to propose the client a 360° support, partnering with the client with its whole baggage of relations and networks. Interesting that GM Venture itself succeeded in the foreign market thanks to the involvement and commitment of Graziano (as described in the International Entrepreneurship) and thanks to the network built in the first phases of the company. The novelty brought by GM Venture is that the company itself offers to the client the possibility of relying on trustworthy ‘already-prepared’ networks of experts. In this way the small-medium Italian client is not supposed to look for reliable partnership in the unknown market, risking to fall in deceptions and mistakes, rather it had the possibility to be supported fully by GM and its overall co-workers. On the other side, GM venture has been able to include in its model a devoted attention to every complexity that an Italian entrepreneur might have encountered in Brazil. In this perspective it has been evaluated how the company specialized on information processes and lateral peculiarities to be able to fully serve the customer, which is at the centre of every choice. From bureaucracy issues, to financing, tax and labor costs, the results highlighted the capability of GM Venture to create specific activities or expertises to be offered to the client.

The fact that GM Venture already 10 years ago understood the great complexity of Brazil in respect of small Italian enterprise, and implemented a business model that would respond successfully to this (among the other services) makes the company a first mover and an innovative business. GM is one of the few companies able to offer this whole solution to the company entering this complex country. In this way it adds to the literature a new concept
of partnership for internationalization and inside-consulting (based on inside and outside expertise) which can be a new success factors for today’s small-medium business in Brazil.

In conclusion the interesting matter presented by the case of GM lies in the fact that they have been able to recognize those key criteria of success for internationalization and for the specific Brazilian environment (for Italians in Brazil) and adapt them to their own services, making them the key for their own value creation for the customer.

Hence Going back to the research question, it is interesting after the analysis to realize how GM venture is a value creator for Italian SME’s, and how it contributed positively to the development of the Italian reality in Brazil. GM created an innovative solution to this phenomenon, and turned itself in a multilateral partner, which takes part to the client life and opens to it a network of experts in all needed disciplines.

Of course the information of GM Venture lead to the analysis of this specific case and the discovery of its personal contribution. An interesting continuation for this research might be a comparison with similar companies of other countries, if presents, which might allow to a broader understanding of those factors of success in relation to the origin of the SME. In addition new factors might emerge from different countries or different method, which on its turn will contribute to GM venture itself.
9 REFERENCES:


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32. KPMG. (2014). Developing a Market entry strategy for Brazil. *Advisory KPMG*


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WEBSITES

1. SACE: www.sace.it
2. SIMEST: www.simest.it
4. IBGE: http://www.ibge.gov.br/home/
5. TOZZINI-FREIRE: http://tozzinifreire.com.br

10 ANNEXES

Figure 4: cash flow report example 1a

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**Consumptive results already realized**

**Trimestral forecast**

**Synthesis**

**Multiple cash flows details**

**Prospects**
Figure 5: cash flow report example 1b

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