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# FROM THE BRAZILIAN NORTHEAST TO INTERNATIONAL MARKETS: HOW CAN RESOURCES CONTRIBUTE TO THE INTERNATIONALIZATION?

## Do nordeste brasileiro para o mercado internacional: Como os recursos contribuem para a internacionalização?

### ABSTRACT

Strategic resources come as a facilitator in meeting the demands of the market, considering this the present research focuses on understanding: How strategic resources have influenced the internationalization process of Group FAN's nut processing business over time? Through a retrospective study, data were collected mainly through technical visits and semi-structured interviews. The findings indicate that the organization has adopted three stages in order to become international: exportation; wholly owned subsidiary; purchasing subsidiary. It was verified that the strategic resources related to the product, the location and the entrepreneur formed the means by which it was possible to be internationalized.

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### RESUMO

Os recursos estratégicos podem facilitar o atendimento às demandas de mercado, considerando isso, esta investigação centra-se no seguinte problema de pesquisa: Como recursos estratégicos influenciam o processo de internacionalização do negócio de beneficiamento de amêndoas do Grupo FAN, ao longo do tempo? Por meio de um estudo de caso em retrospectiva, os dados foram coletados principalmente através de visitas técnicas e entrevistas semiestruturadas. Os resultados indicam que a organização adotou três fases, a fim de se tornar internacional: exportação; subsidiária integral; subsidiária de compra. Verificou-se que os recursos estratégicos relacionados ao produto, ao local e ao empreendedor propiciaram a internacionalização.

**Keywords:** Internationalization, resources, qualitative research.

**Palavras-chave:** Internacionalização, recursos, pesquisa qualitativa.

### 1 INTRODUCTION

The internationalization of companies is a reality not only in developed countries but also in those under development. Brazil is following this trend prominently among other countries in Latin America. In foreign trade, the country reached US\$ 170.5 billion in the first half of 2010. When compared with the same period in 2009, one sees the growth of 35.3% over US\$ 126.0 billion (BRASIL, 2010b). This performance entitled as the nation is the largest exporter in Latin America in 2008 and 2009 (SECEX, 2010).

Following this provision, parts of Brazil that *a priori* would not have a vocation to operate in international business proved able to act in this segment. An example is the semi-arid northeast, known for its striking features of climate and vegetation constantly hit by droughts (SILVA, 2007). Trying

to overcome that stigma that does not appear to be favorable to development, organizations in the semi-arid (Rio Grande do Norte - RN) are being noted for seeking in the resources, the source to operate in international markets.

In the city of Mossoró - RN, this scenario became reality. The trade balance of Rio Grande do Norte shows that the city, located in the semiarid - RN, held the highest export rate of the state over the past four years (BRASIL, 2010a).

The cashew nut, vegetable waxes, sea salt, fresh melons, among other fruits, are the main products exported by the municipality of Mossoró. Approximately 50% of Mossoró's exports are represented by the cashew nut (BRASIL, 2010a). Thus, as the market leader in the region, the nut processing segment of the family-run Group FAN, was selected for this research.

This scenario aroused the interest of investigating the following research problem: How strategic resources have influenced the internationalization process of Group FAN's nut processing business over time? In order to answer this, the resource-based view (RBV) approach (BARNEY, 1991, 2002; PENROSE, 2006; PETERAF, 1993; WERNERFELT, 1984) and understanding the phenomenon as a process (MELIN, 1992) that understands the development of strategies as multifaceted De Wit and Meyer (2004), Pettigrew (1987) and Pettigrew, Woodman and Cameron (2001) enabled the implementation of this research.

Thus, it is believed that through this research, leaders of organizations facing the challenges of meeting the international market will have access to relevant information for decision-making. Another rationale for conducting this research is the commitment to the issues of the semiarid region, specifically the task of contributing to the development of the region. In the theoretical sphere, it is intended to expand the existing base of knowledge about the field of internationalization through the research findings.

The study is structured as follows. The next section presents the main theoretical concepts. After that, methodological steps are discussed, followed by the results and then final considerations.

## 2 THE ORIGIN OF THE RESOURCE-BASED VIEW

The perspective of the resource-based view has been explicitly or implicitly addressed in the main approaches to internationalization (KOVACS, 2009). Given this, the RBV origins are initially presented, to then demonstrate its cooperation in international business literature. The hallmark of the firm's internal view came through the work of the economist Penrose (2006), in 1959. She realized that in order to face external forces to the organization and to maintain the growth rate it was necessary to have significant resources and capabilities. Economic gains acquired through growth were also identified as an opportunity to strengthen. This perspective inspired Barney (1991) and Wernerfelt (1984), causing them to increase knowledge on the subject.

Barney (1991) demonstrated that to achieve competitive advantage, resources must not only be heterogeneous and immobile, but also valuable, rare, inimitable and irreplaceable (VRII), more recently, the criterion to be irreplaceable was replaced by the need to **organize** resources, becoming the (VRIO) framework (BARNEY, 2002; BARNEY; HESTERLY, 2007). Barney (2002)

explains that the financial, physical, human and organizational capital resources are categories, diverging partially from the nomenclature given by other authors (HITT; IRELAND; HOSKISSON, 2008).

Regarding the RBV, Peteraf (1993) concurs with Barney (1991) that heterogeneity and the imperfection of the resources mobility underpin the achievement of competitive advantage. These two criteria, in conjunction with the requirements of ascertaining the limits prior and post competition and constitute the four conditions related to achieving sustainable competitive advantage. Thus, the author contribution consisted in the demonstrating the role of company size and considering the limits that result from competition.

More recently, Teece, Pisano and Shuen (1997) introduced the concept of dynamic capabilities. This approach includes the assumption that, when experiencing changes, the organization can achieve competitive advantage if it holds the ability to "reshape" its capabilities within the appropriate time and space. From a global perspective, Griffith and Harvey (2001) adopted this perspective. However, the term was coined with private companies that operate in environments of rapid technological change as a parameter, being this one of its limitations.

## 3 THE RBV IN THE INTERNATIONALIZATION PROCESS

The internationalization phenomenon of companies is becoming more popular in organizational studies. Regarding this trend, firstly the ways of entering the foreign market are presented, to demonstrate how the RBV influences the following factors: the product marketed in the internationalization, the location decision, and the activities of the entrepreneur. These three constructs were selected with the theoretical support considered during the exploratory research in Mossoró's USIBRAS, unit of the nut processing segment of Group FAN, during two technical visits.

In its most rudimentary form, international business happened long before the exploration of the new world by Europeans. Over the years, the field began to be investigated, and at present, the internationalization can be understood as a strategy process (JOHANSON; VAHLNE, 1977; LAM; WHITE, 1999; MELIN, 1992). In this context, the fundamental aspect lies in the understanding that the development of strategy is complex and should be considered in its entirety (DE WIT; MEYER, 2004).

In this process approach, the internationalization strategies of firms are developed incrementally (MELIN, 1992), following the strategic intent (HAMEL; PRAHALAD, 2001; MELIN, 1992). More specifically, “an international strategy is one whereby the company sells its products or services outside its local market sphere” (HITT; IRELAND; HOSKISSON, 2008, p. 211). There are the business level represented by the generic strategies (PORTER, 1986) and international corporate strategies, known as multilocal, global or transnational.

According to Root (1994), internationalization is planned, being the way of entrance in other countries one of the steps to the process. The author classifies these ways into three general groups, including: exportation (indirect, direct via agent/distributor in the country of destination, direct via sales subsidiary, and others), contractual entrance (licensing, franchising, technical agreements, service contracts; management contracts, turnkey contracts, production contracts, agreements for co-production etc.) and investment (new establishment, acquisition, joint venture, others).

By looking at some internationalization theoretical approaches can be noticed that both in the Eclectic Paradigm (DUNNING, 1988) as in the Adaptive Choice model (LAM; WHITE, 1999), stages of internationalization differ from what is recommended by Uppsala’s model, since they happen in this order: export through agents, then negotiation should be via sales subsidiaries to then produce in the host country (JOHANSON; VAHLNE, 1977). In the Eclectic Paradigm, Dunning (1988) shows that internationalization can happen initially through direct investment. While Lam and White (1999), in the Adaptive Choice model, explain that the stages can be developed primarily through exports, then through a joint venture and then, the company gets to make direct investments abroad.

Considering Porter’s Diamond theory (1999), one option would be to become international with partnerships’ help. The author explains that by collaborating with its rivals, in association form, increase the chances to conquer new markets. In a way, it is about relation, implying the existence of commitment among participants.

On the other hand, Sharma and Erramilli (2004) present four ways of entering international markets, namely: direct and indirect exports, contractual arrangements, joint ventures and establishment of subsidiaries, each of these is a competitive advantage source. For the authors, resources can be developed with

the assistance of external factors to the organization (outside-in) or internal to it (inside-out).

Currently, Gao et al. (2010) consider the RBV as part of a “strategy tripod” in export behavior. The tripod model shows that the resource-based view (cost leadership and differentiation competencies), institution-based view (free-market mechanism and intermediary institutions) and industry-based view (export-oriented industry and unstable industry), form the foundation that fosters the export behavior (propensity and intensity) to firm performance. Moreover, it is noteworthy that there are factors that influence the entry decision, and may be internal or external to the company (ROOT, 1994).

Once presented the internationalization strategies and ways of entrance, the product, location, and entrepreneur are discussed. The debate is supported by some theoretical approaches to internationalization. Thus, it is possible to realize through these perspectives, such as the Product Life Cycle (VERNON, 1966), the Uppsala Internationalization Process (JOHANSON; VAHLNE, 1977, 2009), Eclectic Paradigm (DUNNING, 1988), Adaptive Choice Model (LAM; WHITE, 1999), Porter’s Diamond (1999), the existence of certain similarities with the resource-based view - RBV - in internationalization (DHANARAJ; BEAMISH, 2003; FAHY, 1998; SHARMA; ERRAMILI, 2004).

#### 4 PRODUCT

In the internationalization process, organizational leaders must define what product to export. Root (1994) affirms that this is one of the first decisions to make when you want to operate in foreign countries.

Regarding the production process, Vernon (1966) shows that the relative cost of production is not the only significant element in developing a new product, but there is the evolution influence of comparative cost advantages. To these advantages understood as dynamic, the author made conjunction with the theory of investment (productive). It is emphasized that this theoretical basis was also considered significant by the RBV (BARNEY, 2002; PENROSE, 2006).

In this internationalization perspective, foreign investment occurs according to the product life cycle phase, demonstrating its influence towards the commercialization process, production and strategy (VERNON, 1966). In a way, Wernerfelt (1984) also highlights this influence, primarily as an element related to the strategic resources of the firm.

Through a more critical view, one realizes that the model of Vernon (1966) is restricted, by having innovation of industrial products targeted to high-income public. The one-sided view of the determinants of innovation and production internationalization undermines the generalization of the author's proposal. It can also be taken into consideration that at present, there is no need to wait for the full development of the product to begin the internationalization, because it is known that there are products comprised of components from various countries.

According to the Eclectic Paradigm of Production Internationalization (DUNNING, 1988), considers the influence of transaction costs and resource allocation in the dynamics of multinational enterprises (MNEs). In this sense, to succeed in international production, MNEs need to achieve benefits through assets and transactions, as provided in the RBV.

Therefore, in addition to these product decisions, the choice of markets is a priority when it is intended to operate abroad (ROOT, 1994). This subject will be discussed next.

## 5 LOCALIZATION

The selection of international markets must be defined in parallel to the deliberation of the product type. The choice of countries occurs when a company wants to export and, in a more advanced stage, when it aims to invest in building a production subsidiary. There are cases where the preference for certain nations depends on the psychic distance among the countries (JOHANSON; VAHLNE, 1977, 2009).

Moreover, Vernon (1966) explain that depending on the type and stage of the product cycle, production can be kept the country of origin or in some other developed or under development nation. From this perspective, while the marginal cost of product plus the transport of goods to be exported are less than the unitary cost of production in the host country, it should continue to produce at the country of origin without investing directly overseas. As for Dunning (1988), he explains that the purpose is not only to examine the rationality of the international economy, but also understand the impact of assets traded in the activities of multinationals, approaching the RBV assumptions.

In terms of the resource-based view, Sharma and Erramilli (2004) rely on this approach to explain the choice of ways to entry into international markets. The authors explain that the major strategic decisions are the leasing and ownership of assets. They collude with the precepts

of the RBV when realize that the firm's assets must be unique, they need to have immobility and heterogeneity. As for the intangibles, the authors state that in addition to strengthening the relation with customers, firms need to build relation of trust and commitment, following what is argued by Morgan and Hunt (1994).

From this perspective, Porter (1999) emphasizes the need to raise the qualification level of human resources of a country for being one of the relevant factors when selecting a location to maintain business relation. This idea relates to the Adaptive Choice Model (LAM; WHITE, 1999), although in this case, the human resources dilemma faced in the internationalization is mainly related to transfers of staff among headquarters and subsidiaries.

Therefore, the units location choice operated by joint venture, acquisition and other methods need to be careful. This is because the acquisition of resources and capabilities that are aggregated in the joint venture mode for example, strengthens the company internally (LAM; WHITE, 1999). This thought is similar to Penrose (2006) and Wernerfelt (1984) considerations; for them, acquisition and mergers are means to acquire resources and capabilities from other companies.

In this context, the leader plays a relevant role in determining the location and product. Thus, especially in this research, considering the family management of the organization studied, the founder's role in the internationalization process was considered.

## 6 ENTREPRENEUR

For implement the internationalization strategy, when choosing the country, the entrepreneur needs to establish whether there are transactional benefits or cost reduction (DUNNING, 1988). From this point, the managerial decisions role in the internationalization process is defined. Lam and White (1999) comment that in the Adaptive Choice Model, the path to be followed by a firm intending to internationalize depends on the selection of alternatives related to strategy, structure and human resources. Furthermore, the internal consistency of these decisions is important for achieving success. In this case, the Adaptive Choice Model is complementary to the stage models represented by the Product Life Cycle, Uppsala Internationalization Process and Innovation-Related Internationalization models.

Through the Eclectic Paradigm point of view (DUNNING, 1988) and the Adaptive Choice Model (LAM; WHITE, 1999), satisfactory performance in internationalization is achieved by the correct decisions

and the centralization degree of power between headquarters and subsidiaries. It is important to consider that even if there is managerial autonomy in each subsidiary, the corporate level strategy receives environmental pressure; thus, the strategist's challenge lies in the ability to deal with the various international influences (ROSENWEIG; SING, 1992).

To address these environmental forces, the entrepreneur's experience (DUNNING, 1988), knowledge and learning (JOHANSON; VAHLNE, 1977, 2009) are essential. These features facilitate the association of resources that serve as a base for activities, maximizing yields (SHARMA; ERRAMILLI, 2004). In resource-based view, Penrose (2006) points out that experience, learning and knowledge enable the strengthening of organizational resources.

Complementary to this discussion, Johanson and Vahlne (2009) include the networks role in the process. The commitment and trust (FAULKNER, 1998) in these networks of relation emerge as a source of opportunities development. The authors recognize the entrepreneur importance once it holds the function of identifying the opportunities and appropriate resources. The alignment of this theoretical perspective of internationalization to the RBV approach is noticeable. Networks, learning, commitment and trust favor the conception of competitive advantage, representing aspects that are not easily copied by competitors.

It was perceived that the resource-based view brings significant contributions to the international business studies. Especially, for demonstrating that managerial resources also known as organizational (firm size, experience and distribution, management experience in marketing), entrepreneurial resources such as research on the export market, evaluation of the foreign market and characteristics of the entrepreneur, and technological resources are critical to achieve superior performance in exports (DHANARAJ; BEAMISH, 2003).

## 7 METHODS

After consideration of the theoretical framework, follows the presentation of methodological procedures adopted in this research. Initially, it is noteworthy that to adopt the perspective of strategy process in internationalization studies, the use of longitudinal research (ANDERSEN, 1993; MELIN, 1992) is recommended. In this context, it is clarified that longitudinal research not only occurs as a result of a data analysis collected over the years, but is also done through a retrospective analysis of the organization's history (MELIN, 1992). Given these

guidelines, the period between 1979 and 2010 of Group FAN's nut segment was analyzed in retrospect.

Regarding the problem analyzed in this research, a qualitative perspective was adopted, for focusing on the essence, the understanding, description (BOGDAN; BIKLEN, 1994; PATTON, 2001; TAYLOR; BOGDAN, 1984), the discovery and significance of the phenomenon. The methodological choice of this study was to develop a qualitative historical case study through descriptive lens (MERRIAM, 1998).

Considering that the case study is characterized as a type of research where the object is a unit under in-depth analysis (GODOY, 1995; MERRIAM, 1998; YIN, 2001), choosing the Group FAN's nut processing business - formed by two USIBRAS units and one NUTSCO unit - was motivated by its social-economic representativeness, by the fact that it holds a production subsidiary in the U.S., and for being one of the leading businesses in the segment of cashew nut in Brazil.

As for data collection, during exploratory research two technical visits to the factory located in Mossoró-RN were conducted. At this time, besides visiting the industrial structure, there was a presentation of the firm trajectory with the support of instructional video and three managers - from production, administration, and human resources - when some questions were answered. The reports of this meeting were recorded and then transcribed. With this material in hand, data analysis was conducted with the support of the major internationalization theories perspectives: Product Life Cycle (VERNON, 1966), the Uppsala Internationalization Process (JOHANSON; VAHLNE, 1977, 2009), Eclectic Paradigm (Dunning, 1988), Adaptive Choice Model (LAM; WHITE, 1999), Porter's Diamond (1999) and Resource Based View on Internationalization (DHANARAJ; BEAMISH, 2003; SHARMA; ERRAMILLI, 2004). As a result of this procedure, the importance of studying the relation among product, location, the entrepreneur and the resource-based view is noticed.

In a second phase of research, in order to select the informants, the definition of some criteria took place. It was intended to select respondents, favoring those subjects with information on investment decisions and implementation of the company internationalization strategies. The first selected was the administrative manager of the Mossoró-RN factory. Then the two sons of the founder of the organization were interviewed at the factory in Aquiraz-CE. One of them is general manager of two plants, one in Mossoró-RN and the other in Aquiraz-CE. The

founder's daughter is the business manager of the company in Brazil and is responsible for all negotiations with the foreign market. Semi-structured interview was conducted with all subjects in the second half of 2010 (BOGDAN; BIKLEN, 1994). These interactions were recorded and soon, transcribed and analyzed. It is noteworthy that, along the presentation of results, on the next section, excerpts from the interviews are transcribed. In addition, secondary data available on the Internet were collected.

Regarding the stage of data analysis, a characteristic of qualitative studies is the large amount of information (PATTON, 2001), in which encoding comes as a systematic way of development and refinement that helps interpretation. Considering this, the information collected was encoded in order to make it possible to analyze the content of the interviews, through the specific encoding method for studies that investigate processes (BOGDAN; BIKLEN, 1994). Words and phrases were encoded, in order to facilitate the categorization of events sequences and changes that occurred in the time interval that was set.

It is noteworthy that the coding was guided by the research problem and the three constructs (product, location and entrepreneur) identified in the exploratory stage. Thus, the repetition of words and the emphasis given to some themes by the respondents were considered (BOGDAN; BIKLEN, 1994). During data analysis, validating information so that the results were as close as possible to reality it was a concern. According to Glick et al. (1995), validation may be achieved by comparing data from one respondent to the others or even through confirmation of answers from a single respondent (at different phases of field work). In the research, information obtained from different interviews were compared, also, at times, the researcher returned to one of the respondents to ascertain the validity of the information.

## 8 RESULTS

This section aims to show the results obtained through this research. First, the organization investigated is presented. Then, the influence of resource-based view in the internationalization track followed by Group FAN's nut processing business is described and interpreted.

The Brazilian factory of oils and nuts - USIBRAS, known as Dunorte, and NUTSCO are the three units of Group FAN that focuses on the processing of nuts. The founder began working at age 16 at his father's gas station in the Mossoró town in 1960. After a few years, in parallel with this activity, he began to buy and sell cashew nut in the region. In 1974, he assumed the gas station direction,

without his father, and then signed a fuel transportation contract with Petrobrás, expanding the business to the transportation segment.

Viewing potential on cashew nuts, in 1979, he installed USIBRAS in Mossoró-RN, in partnership with a childhood friend from the same town. After seven years, he acquires his partner's participation in the business. Lacking the necessary capital, he has partnered with a businessman from Ceará (Brazil) who had knowledge of this business. After another seven years, the founder of the company acquires the shares of the partner becoming a sole owner.

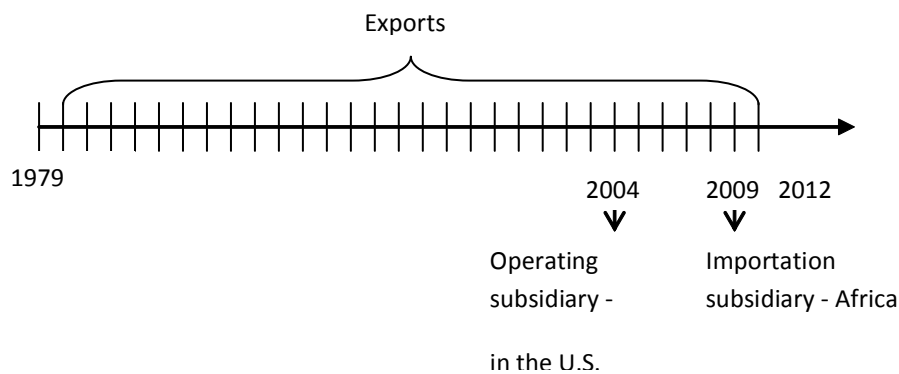
Simultaneously, Group FAN is strengthened by expanding its business portfolio. Already holding USIBRAS, gas stations and the fuel distribution, it inaugurates the factoring, the carrier, and a construction business. In 2002, opens another USIBRAS factory in Aquiraz-CE, and two years later, the NUTSCO is inaugurated in New Jersey in the USA. With the implementation of this unit in the U.S. territory, the company begins to work with different kinds of nuts other than cashew nuts. Currently, the daily activities of each business, including the one in the U.S., are managed by the founder's offspring. The founder of Group FAN acts as advisor, negotiator and consultant.

It is noteworthy that USIBRAS is a highlight, both by the number of staff employed, approaching 1.400, and by total exports in the states of Rio Grande do Norte and Ceará. The Mossoró unit has averaged over these past nine years, while the factory in Aquiraz inaugurated in 2002, began its exportation activities in 2003, and shows a rising performance over the years. Once presented the organization, the results of the study are discussed.

### 8.1 The RBV in the internationalization process

Initially, the phases of the internationalization process are presented, in each of these steps, the influence of strategic resources is commented, noting issues related to the product, the location and the entrepreneur.

In the mid-1980's, the investigated organization began the internationalization process through exports, then the firm has invested in an operating subsidiary in the U.S., launched in 2004. More recently, in 2009, in partnership with some Brazilian competitors, set up a buying office in Africa to buy raw material (cashew nut *in natura*) and most importantly, study the market and conditions of the region to install a plant in Africa's mainland (see Figure 1).



**FIGURE 1** – Internationalization phases of Group FAN's nut processing business

The USIBRAS/NUTSCO internationalization process diverges from what is presented in the literature. In the Uppsala model (JOHANSON; VAHLNE, 1977), the process occurs in the following order: initially, by exporting through agents, then negotiation should be via sales subsidiaries, to then produce in the destination country. According to the Eclectic Paradigm, the process may start through direct investments (DUNNING, 1988). While in the Adaptive Choice Model, phases occur primarily through exports, followed by the adoption of a joint venture, and then by making direct investments abroad (LAM; WHITE, 1999). Porter's Diamond model (1999) indicates the development of partnerships in order to start the internationalization. However, the case study corroborates Melin (1992), for being the internationalization a process that occurs in a sequence of stages.

### 8.2 Exportation

The initial purpose of the company has always been to export cashew nut and the cashew nut shell liquid. To achieve this goal, the firm started exporting via national agents, characterizing an indirect entrance mode (ROOT, 1994). The United States, which was coming out as the world leader in the nuts consumption, was the first to be served, followed by European countries. At that time, in mid-1980's and 1990, 50% of production was exported.

In this first phase of exportation, it can be seen in Table 1, that the variety and quality of the product were essential. While the information rose as decisive in the selection of the first international markets - being the prominent intangible asset related to the construct location. In relation to the entrepreneur, the financial liquidity of

Group FAN was a result of the management style and vision of the entrepreneur.

The second phase of exportation, demarcated in this study from the mid-2000's, until up to this date, serves the U.S., European countries, and Middle Eastern nations, among others. Respect to the product, stood out in this phase: quality/certification, production, brand and reputation. The determining factor for choosing new markets was based on information about the consumer market. The entrepreneur remained financially capitalized, but connecting his knowledge to networks, the set led to the viability of a successful exportation process.

Looking at the entire export process, the company began through the indirect entrance mode, approaching to what is predicted by the Uppsala model (JOHANSON; VAHLNE, 1977) and the Adaptive Choice Model (LAM; WHITE, 1999). Unlike what happens with the horticulture sector in the northeast of Brazil, the cashew nut is not traded under consignment, which is an advantage for the industry. Another important topic is that the founder of that organization had the foreign market in mind from the moment he built the first factory (HAMEL; PRAHALAD, 2001). However, by not knowing the international dynamics, everything was done incrementally (JOHANSON; VAHLNE, 1977, 2009; MELIN, 1992).

On the other hand, in a later moment, export gained another dimension. Besides the indirect mode, the firm started exporting directly, since 2000. The launch of another plant in Ceará in 2002 and the creation of an international trade department within the company were favorable. It is noteworthy that both the direct and the indirect exports are still used by Group FAN, especially in riskier markets.



TABLE 1 – Role of Resources in Group FAN's Exports

	Product		Location		Entrepreneur	
	Resources	Evidence	Resources	Evidence	Resources	Evidence
First Phase of Export (1980's and 1990's)	Variety	There are two or three types that are only found here in Brazil, they are larger (Export Manager)	Information	Not all kinds could be sold to the chocolate industry, so he started to export (Export Manager)	Financial Resources	Working under a cost control method, that's when I realized how he keeps his financial health (Administrative Manager)
	Quality	Always relying on quality, the company was already certified by ISO 9000 (Production Manager)		The U.S. holds the world's largest market (Director)	Vision	It is true that subjective motivation or interests, based on personal beliefs and assumptions were the main reasons for taking the decision to internationalize (ASSIS, 2010)
					Management	The company remains competitive during its 31 years thanks to three philosophies: not going into debt, working with its own money; investing and continuously monitoring the quality of its products; and strictly fulfilling its commitments (ASSIS, 2010).
Second phase of Export (2000-present)	Quality and Certification	Nowadays we have the HACCP food safety seal – which is what matters in terms of foreign trade and in October 2010, we are going through a 22.000 audit which regards food safety, and is what the market demands (Manager Production)	Information	Through the company internationalization there is now direct access to the consumer market, not eliminating the broker-dealer, that is, the company understands more about the market, studies it, and doesn't depend so much on dealer's information (ASSIS, 2010)	Financial Resources	Building a factory like the one in Aquiraz and being able to say that it was built with own resources, without funding, [...] it does not depend on interests, bank financing, nothing like that (Administrative Manager)
	Production	We are always innovating, one step ahead (Export Manager) Modern and compact factories (Director)			Network	The most relevant factors are important (Export Manager)
	Brand/ Reputation	I honor all our contracts [...] it's a reliable brand (Export Manager)			Knowledge	He knows the activity seasonality, he really knows the factory, he knows a lot (Administrative Manager) That guy holds a lot of knowledge, it's an extraordinary mind (Director)

As for the product, the focus is not the planting of cashew trees. The firm buys cashew nut from Northeast producers of Brazil and when there are shortages of raw materials, imports from Africa. This information concurs with Wernerfelt (1984) findings: resources are related to the products produced and the variety, quality and production can be some of product advantages. Moreover, the relative production costs are significant to deciding where and who to sell for (BARNEY, 2002; PENROSE, 2006; VERNON, 1966). The reputation that strengthened the brand is also understood as a distinctive characteristic of the firm (KAY, 1996) and was crucial to business expansion.

Regarding the choice of countries to which wished to export, the distance (JOHANSON; VAHLNE, 1977, 2009) was not taken into account, nor the stage of the product (VERNON, 1966), but the culture of product consumption. The entrepreneur had only obtained the information that the U.S. was the world's largest consumer, and with this information he chooses the first market to export. In the second phase, the market mix went under a strong process of expansion after the boycott by some American customers once they felt aggrieved by the opening of the NUTSCO subsidiary in the U.S. given this event, the company prospected different markets: Latin America, Europe, Asia and the Middle East, broadening its customer base.

Regarding the last construct, it is believed that the role of entrepreneur was central to the internationalization process. The main aspect of its management is financial capitalization. While, its competitors are indebted, Group FAN, supported by the business administration in six segments, could be sustained over time. This tangible resource (HITT; IRELAND; HOSKISSON, 2008) proves to be essential in agribusiness.

Moreover, the leader decisions, as consequences of his vision, learning, knowledge and experience were relevant (DUNNING, 1988; LAM; WHITE, 1999; ROSENZWEIG; SING, 1992). The knowledge benefits the resources association that serves as the basis for activities, maximizing yields (SHARMA; ERRAMILI, 2004). It suggests that the experience, learning and knowledge enable the strengthening of organizational resources (PENROSE, 2006), also highlighting the relation networks (JOHANSON; VAHLNE, 2009).

### 8.3 Operating subsidiary

Differently from what has been demonstrated in some internationalization models (JOHANSON; VAHLNE, 1977; LAM; WHITE, 1999; PORTER, 1999), the company

embarked on the second stage of the internationalization process to invest directly in an operating subsidiary in the U.S. that serves primarily the American and Canadian market. Table 2 presents the strategic resources that were prominent in the process.

Regarding the product, the company expanded its portfolio, through the U.S. subsidiary, beginning to process other types of nuts in addition to the cashew nut. Besides that, the firm conducted a vertical integration strategy through the American unit, that also started to toast, salt and pack the product, doing exactly the steps of the production process formerly conducted by USIBRAS customers. Vertical integration is an option for the firm that seeks to strengthen the value chain through backward or forward verticalization. In this case, the vertical integration strategy was adopted heading forward, it happens when the firm brings together functions performed by its buyers, enhancing interaction with consumers. By strengthening through this pooling of resources and capabilities among companies, the chain gains competitiveness (HITT; IRELAND; HOSKISSON, 2008). In this sense, Barney (2002) shows that vertical integration can bring competitive advantage to the organization.

The choice of the subsidiary location was primarily motivated by the fact that Americans form the largest consumer market for nuts, being these informations considered an intangible resource (BARNEY, 2002). To promote the viability of this goal, the organization benefited from incentives provided by the host country (DUNNING, 1988), strengthening its resource, and moving closer to what is discussed by Sharma and Erramili (2004) regarding outside-in and inside-out.

Among these incentives, the founder of the company opted not to finance the construction of the unit with U.S. financial resource. He believed it was risky and unnecessary, since he possessed his own resources. Also in relation to the entrepreneur, it became evident that the vision helped in that decision, pulling ahead of competitors in Brazil.

NUTSCO is the first Brazilian unit of the segment to be installed in a foreign country. Moreover, it is noteworthy that networking played a crucial role by being a source of market information (FAULKNER, 1998; JOHANSON; VAHLNE, 1977, 2009; SHARMA; ERRAMILI, 2004).

Despite several favorable factors, the inauguration of the unit in the United States, lead some American importers to boycott USIBRAS in Brazil. Once discussed aspects of the second phase of internationalization process, the third stage is presented next.

#### 8.4 Subsidiary in Africa

More recently, the investigated organization started a buying office in Ghana, Africa, in 2009. Although officially, the company is importing cashew nut, the manager intends to mount an operating subsidiary on that continent, seeking to continue the internationalization process. Taking into account the regional peculiarities, the entrepreneur is studying the market. This finding is peculiar and has not been reviewed by any of the internationalization models related to this study.

On the other hand, this corporation attitude is partially aligned to what Porter (1999) advises regarding conquering international markets. Partnering with other organizations is a path to be followed in the internationalization process, and the divergent point found is that the partnership actually began in order to import (see Table 2).

Finally, it is noteworthy that India, Vietnam, Brazil and Africa are the largest producers of cashew nut. However, in the processing of cashew nut, only India and

**TABLE 2** – The role of resources in the U.S. operating subsidiary

	Product		Location		Entrepreneur	
	Resources	Evidences	Resources	Evidences	Resources	Evidences
Operating Subsidiary (2004)	Portfolio Expansion	The United States, Europe... they all have processing units, our unit in the U.S. is not a factory it is a chestnut roasting unit. So, the customer buys from us, it is a service, it uses our service in the U.S., it buys from us and pays us to toast, right? It is a roasting unit (Production Manager)	Incentives	The qualified workforce, he said the consumer market there is huge (Export Manager)  Even if I send it toasted from here the U.S. will not tax it (Export Manager)	Financial Resources	There were several benefits that were not used because he already had lots of capital [...] it is a great advantage (Export Manager)  My father follows a very interesting work philosophy we use our own capital (Director)
	Vertical Integration	So the product leaves specifically to NUTSCO. [...] as a supplier, the only difference is that we have total freedom (Administrative Manager)  It packs and does all that, let's say it took the place of some of Usibras' own clients [...] some who did not like it, boycotted (Export Manager)	Information	He actually wanted to understand more about that Market, but how? Formerly the source of his information was through representatives, but then it was limited to what the representatives heard from importers [...] he said it was his main motivation, to understand, to know by himself, as in "now I, myself, am the one who is going to learn about this Market etc" (Export Manager)	Vision	He saw a business opportunity (Administrative Manager) My father is a visionary, always one step further (Director) It takes a lot of courage to do what my father did (Director)
					Network	The installation of the toasting unit in the U.S. unit was supported by networking (ASSIS, 2010)

Vietnam compete with Brazil. Moreover, many are located near consumer markets and by using manual processing procedures, production costs are lower. Considering this information, the existence of a subsidiary in Africa, would probably bring some competitive advantage to the company.

## 9 FINAL CONSIDERATIONS

This study addressed the following research problem: how strategic resources have influenced the internationalization process of Group FAN's nut processing business over time? The data support the idea that strategic resources have influenced the internationalization process through the activities related to product, location and the entrepreneur, those were present during the export phase and in a second moment with the establishment of a wholly-owned subsidiary in the USA. The highlight of third stage was the launch of the purchasing office, emerging as a peculiar finding that should be explored in future studies.

The exportation is operationalized as a way of entering new markets, but also riskier ones. The variety, quality, certification, production, brand and reputation were the features related to the product that caused the internationalization process to occur. The locations selected (to export) were supported by information and the role of the entrepreneur, which included: financial resources, vision, management, relation and knowledge.

The assembly of the wholly-owned subsidiary was also conducted by means of strategic resources: portfolio expansion and vertical integration (product) information and incentives (location) and financial resources, vision and relationship (entrepreneur). Thus, one can see that the synergy among the three constructs (product, location and entrepreneur) and the related tangible and intangible resources fostered the corporation internationalization, showing the complexity of the process.

Regarding the dimension of strategic management, the results show that the founder acts as a conductor in the corporation. In spite of the fact, that each offspring directs a segment of the business group, the founder brings the synergy, thereby demonstrating a certain weakness in the Group's future. Especially in nut processing, two of his sons manage the three units; one resides in Brazil and is responsible for USIBRAS factories, while the other directs the U.S. unit. Perhaps, it would be necessary to discuss the possibility of modifying the governance style, even if only in the nut segment, in order to ensure the longevity of the international company.

Another outstanding fact is that the company opted for non-cultivation of the cashew trees. This attitude was perceived as an advantage, even the acquisition of raw material (cashew nut and nuts in general) accounts for the largest portion of production cost, minimizing the risks related to agricultural activities. When there is a problem involving the Brazilian harvest season, for example, managers import the nuts from other countries. Moreover, given the evidences, future studies on the learning of entrepreneurs in the internationalization process are suggested. Since this is essential to understand paths that could facilitate the process.

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