European SMEs and the Brazilian market:
the key role of social networks

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Brazil’s attractiveness:

- moderately high growth rates (5-7% annually) since 2004
- increase in Brazilian GDP and changes in Brazilian society
- upcoming events (FIFA World Cup in 2014 and the 2016 Olympic Games in Rio de Janeiro)
Survey (June-August 2012):
- 24 French and 21 Italian SMEs
Why did you enter/are planning to enter the Brazilian market?

- Enlarge Market
- Client Followership
- Reduce Production Costs
- Access New Technologies
- Access Raw Materials

[Bar chart showing the reasons for entering the Brazilian market for Italian SMEs and French SMEs]
Doing business in Brazil?: What Tempo?

Length of Time Before Market Penetration: 15 months

Length of Time Before ROI: 23 months
Weight of importance of the following factors:

- Bureaucracy
- Corruption
- Cultural Distance
- Geographical Distance
- Safety Issues
- Different Rules
- Language Difficulties
- Political Instability

Italian SMEs
French SMEs
How do you think the following factors have affected your business in Brazil?

- Administrative Procedures: 3.4
- Legal Constraints: 3.0
- Transport Costs: 3.5
- Lack of Time: 3.3
- Lack of Capital: 3.1
- Lack of Qualified Personnel: 3.2
- Exchange Rate: 2.9
- International Standards: 1.9

Italian SMEs: 1.0, 1.5, 2.0, 2.5, 3.0, 3.5, 4.0, 4.5, 5.0
French SMEs: 1.9, 2.3, 2.7, 2.9, 3.0, 3.2, 3.3, 3.5, 4.2
How do you evaluate the impact of the following items on the progress of your business in Brazil?

- Market Size
- Innovation
- Support from Public Institutions
- Access to Financing

![Bar chart showing the evaluation of items for Italian SMEs and French SMEs.](chart.png)
Brazil is a complex country: bureaucracy, legal constraints, rules and standards, transportation costs due to geographical distance, and administrative requirements.

Social networking can help entrants decipher and understand how society and business work.

Liability of newness, liability of sameness and the importance of building legitimacy through a path dependent process that needs Internet and Information and Communications Technologies (ICT) but also face-to-face contacts for building reputation and trust.
The “keywords” of the path dependence process for networks establishment in Brazil
Discussion

- **Network ties are a vital input for SMEs internationalization:** they enable to identify global market opportunities and to extend connections through trust-based interpersonal relationships and social contacts
- **Social networking in Brazil** is an essential pillar of successful business initiatives
- **Entrepreneurs** with potentially interesting ideas for doing business in Brazil must take the importance of these factors into account and build their business strategies in partnership with local institutions
In the actual Brazilian context of international business, long lasting working relationships have to be put in place for trust building through a path dependent process where “networks creation” is the conditio sine qua non.

Trust needs to be built through a path-dependent process of informal contacts establishment that requires time, perseverance and patience rather than taking the risk of trying something completely different.
Thank you for your attention!
Any questions?