ENTRY DECISIONS IN VOLATILE MARKETS

HOW BRAZIL'S CURRENT UNSTABLE ECONOMIC AND POLITICAL SITUATION SHAPES THE MARKET ENTRY DECISION- MAKING OF GERMAN COMPANIES

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Abstract

Emerging countries and BRIC countries in particular were hold as the engines for economic growth representing a highly attractive business environment for foreign companies form developed markets. A lack of changes in respect to infrastructure, the political, financial and legal system required in these rising economies now have resulted in a declining GDP in some of these once so promising economies. Especially Brazil has suffered from a heavy economic and political instability lately. Many international companies are struggling with keeping up there once large sales volumes. Interestingly, only few MNCs pulled out of the market though. It is thus a major purpose of this research project to understand why companies still enter this market, i.e. what motivations they have. In addition, it is critical for companies, which also seek to enter this market despite the current crisis to understand what characteristics companies have which have positive future prospects for their business in Brazil. Finally, companies should be aware of how their strategies have to be adapted to the volatile market conditions In Brazil. In order to find answers to these questions, five cases of German companies, which entered Brazil in 2014, 2015 or are planning to do so in 2016, were analyzed. Drawing additionally on industry expert information the main results are: a) German companies were primarily motivated by three patterns for entering Brazil: (1) Seize market opportunities, (2) Leverage competitive resources and (3) Follow the company's internationalization strategy; b) Companies that have rare resources, which they can leverage in Brazil right now leading to a competitive advantage, should enter the Brazilian market despite the unstable economic and political situation. c) Companies take proactive and/or passive strategies dependent on their evaluation of the future performance of their business in Brazil, while additionally policy risk management strategies and additional service offers by the companies are recommended. Apart from these propositions, the case study analysis revealed that the political and economic instability did not particularly hamper German companies in their decision to enter the Brazilian market.

KEY WORDS: ***Market Entry Decision; Market Adaptation Strategy; Brazil; Volatile Markets.***

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List of Abbreviations

FDI = Foreign Direct Investment

MSB = Commerzbank AG - MSB Corporate Banking

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1. Introduction

What most international companies seek when entering a new market is in essence to grow their profits by either save costs or raise revenues through a higher sales volume or higher prices. Hence, since especially emerging countries are well-known for high GDP growth, cheap work-force and manufacturing as well as a high population number centered around big cities and their consumers' aspirations for European or American products, these markets have become quite interesting for MNCs (Cavusgil, 2002). Four countries were selected among these emerging markets that were expected to develop into the four largest economies by 2015. These so called BRIC countries encompass China and India, which as forecasts suggest will turn into the first and third largest economies in the world, as well as Brazil and Russia which rank as number five and six on the worldwide scale (the US and the EU rank as number two and number four respectively). The reason why these countries emerged into such large economies is primarily linked to their increasingly large population sizes, which accounts for 40% of the world population right now and other favorable demographic changes such as an increasing middle class (Global Sherpa, 2016).

As a result, the BRIC countries have experienced an increasing FDI inflow in the last couple of years. But, with all the advantages these countries offer to large international corporations there comes also difficulties, constraints and obstacles that new market entrants have to face when doing business there, mainly resulting from the political, economical, social and legal unstable conditions (Costa, 2012).

In 2001 the expression "BRIC" countries was first introduced by Goldman & Sachs, which entitled the four fastest growing emerging economies. Since then changes in global markets have slightly hindered this high growth potential in recent years which drives many investors to look beyond Brazil, Russia, India and China to other emerging markets such as Indonesia or Colombia (The Market Mogul, 2016). These changes are also aligned with lacks of business environment reforms in BRIC countries that other smaller emerging countries are focusing on right now such as Costa Rica or Myanmar. This makes other emerging countries more attractive for investors who seek favorable business environments for FDI. As to these reasons, BRIC countries lost in regarding to their FDI intensity 1,5% in the years from 2008 to 2015 (Lennard, 2015).

Thereby especially Brazil has considerably lost attraction for foreign investors as a result of high political instability and the country's GDP drop. Many MNCs, such as the German car manufacturer Daimler, feel a "(…) strong, very cold headwind" (Bloomberg, 2015) when doing business in Brazil right now as demand for commercial vehicles has considerably declined in 2015 and sales have been shrinking by 44% consequently.

Following the hyperinflation of 1994, the Brazilian economy has been flourishing until it entered into the next recession in 2014. The main drivers for that economic growth were changes in the macroeconomic policy that showed its effects a decade after having been initiated with high commodity prices and capital inflows. The advantages of Brazil such as a population size of 200 million consumers, steady economic growth and a vast heritage of natural resources has been attracting international corporate investments. This enabled Brazil to rank as number one destination for foreign investment in the region according to CEPAL, while 30-40% of global MNCs have been installing operations in Brazil. Especially in the South American region, Brazil ranked among the top destinations for investments form countries like Mexico, which was also reflected by the fact that Brazil constituted 30-40% of a typical Latin American MNC (Alonso, 2015).

In 2014, the Brazilian economy experienced a serious slump, which demonstrates the real GDP 3% drop-down accompanied by an inflation rate of 10%. The main factors driving Brazilians recession are the following: commodity prices have considerably fallen in 2011, which Brazil is heavily affective for, since the exports of for instance iron ore, soybeans and raw sugar to China in particular have been accounting for Brazil's rising GDP in precedent years. The fiscal deficits and high inflation rate from 2013 on was fuelled by strong capital inflows into Brazil, which led to a appreciation of the Real which on the down side made Brazilian export products less competitive. In addition, loose financing conditions in combination with tax exemptions and the cut of the official interest rate enabled big state-owned companies such as Petrobras to make long-term investments leading to increasing fiscal deficits enabled by public sector lending (Alonso, 2015).

In general, domestic factors such as demand, monetary policy and financing expenses as well as commodity prices have been found to be the main drivers for Brazil's GDP slump, while external shocks such as global uncertainty and demand have been considered less significant for the economic crisis (ECB, 2016).

Currently, International companies report declines in corporate sales by 6% within the last 2 years in Brazil. The Frontier Strategy Group prospects that the future may not look any brighter with a annual GDP growth of 1% which is argued to be the result of credit restriction measures, austerity measures, inflation and political instability triggered by corruption scandals such as the Petrobas scandal (Alonso, 2015). Forecasts by Santander (2015a) further suggest that the recession may deepen within 2016 driven by the Government's attempts to tighten monetary policies in order to rebalance the high inflation rate involving initiatives to limit foreign financing projects by the state and subsidies for the flagship social program *Bolsa familia*.

Factors such as the weak Brazilian currency, the poor infrastructure and weaknesses in the educational system further driving social and geographical inequality are aggravating the economic crisis. But problems such as the criminal violence and the unemployment rate, which stands at 7,5% in 2015, are even more difficult to tackle right now under the current crisis (Santander, 2015b).

Hence, Brazil represents a highly volatile business environment at the moment for local as well as international companies, which is supposed to decrease the attraction of foreign investors. However, headlines in newspapers or business journals suggest that large MNCs are nevertheless increasing investments in Brazil despite the crisis. An example is besides the previously mentioned case of Daimler, the German company Bosch Services Solutions, which sticks to its plans to further invest in Brazil and grow its operations of IT services despite the current market conditions (Nearshore Americas, 2015). Hence, it seems that international companies despite all might expect positive returns on investments in Brazil right now.

1.1 Research Questions

The pre-assumption of this research project is thus that it cannot per se be argued that a market entry into Brazil right now is unfavorable for a company. Hence, the purpose of the project is to find out, what the motivation of these companies, which still enter the market under the current conditions, is and to what extent this motivation has been influenced by the unstable market situation. Results from this study may then be generalized for any case that involves international companies, which seek to enter a market despite its high volatility.

For this study German companies were chosen for the case studies, since Germany represents one of the countries with the highest GDP in Europe. Thus, the country is one of the most important economies in Europe and in the world. Hence, results from the case studies with German companies will be critical for any international company (The World Fact Book, 2016).

The main research question for this project is:

What motivates German companies to enter Brazil despite the current economic and political instability?

Having elaborated on the motifs of international companies that drive them to expand to Brazil despite the country's high volatility, it is also critical to investigate on two further sub-questions.

In order to derive valuable information for other German companies that also seek to enter Brazil, but are reluctant right now because of the unstable business environment, the next research question will help to evaluate if a market entry under such conditions is considered beneficial for companies in general. This question is quite critical for the overall understanding of the motivation for German companies to enter Brazil as it elaborates on the specific characteristics of companies, which have a positive effect on the business performance prospects. Results for this question might help other companies to understand if their characteristics are similar, which would imply that it might be beneficial to enter Brazil right now. As for the main research question, results for the sub-questions may be generalized for international companies, which seek to expand to a highly volatile market.

Hence, the first sub-question a) is:

a) Should German companies enter Brazil despite the current economic and political instability and under which circumstances?

In a next step the case companies will be examined on the particular strategic adaptations they are using, in order to understand how these companies react to the volatility in the market and how these reactions relate to the evaluation of their business performance in Brazil so far. This next research question is targeted at elaborating on how companies can shape their market entry decision in respect to the current market conditions in order to be successful in Brazil right now or in the long term. Results for this research question will help German companies to integrate strategic considerations into their market entry decision. As a positive effect, companies may be more cautious about their strategic planning instead of a making a blindsided market entry, but at the same time will be more willing to take the risk to enter Brazil right now, as they assess different strategic options to divert unfavorable business outcomes.

Hence, the second sub-question within the overall research topic is:

b) Which strategic adaptations do German companies make after the market entry into Brazil due to the current economic and political instability?

This research study requires a specific research methodology that ensures greatly valid and reliable results for answering the previously described research questions in detail. Hence, part 2 represents a description of the research methodology applied for this research project entailing the research philosophy, the research approach, the research strategy, the research design and the research ethics. In addition, limitations resulting from this research methodology will be presented as well as the compliance of this methodology with validity and reliability of the research results.

2. Research Methodology

The following part will describe the research methodology for this project involving the research philosophy as well as the research approach and the research design. This is important in order to justify the validity and possible limitations of the accuracy of the findings resulting from the particular research method. Thus this part is considerably important, since it defines how the researcher will interpret the findings and how methodology will be applied in order to answer the research question.

2.1 Research Philosophy

The research philosophy chosen for any project has a significant impact on how the results of the particular research will be interpreted and evaluated. When choosing a research philosophy the researcher has to consider how knowledge should be developed (Saunders et al., 2009). The main research philosophy concepts and their different views will be presented below. The concept describing the nature of knowledge and the researchers' conception of their surroundings is known as Epistemology in literature. Three views are associated with this concept, namely the positivist view, the interpretivist view and pragmatism.

The main goal of a positivist researcher is to predict and explain phenomena (Bryman & Bell, 2011). A researcher with a positivist view will not interact with the research participants, as the study should be objective and detached from the researcher in order to avoid biases. Effectively, strict research guidelines, quantitative research methods and a deductive approach will be applied in order to support or reject a particular hypothesis that has been established through an inductive approach (Wilson, 2013; Blumberg et al., 2011). The advantages that come with the positivist view are the high degree of reliability and the resulting applicability of the research findings to a large population. But, literature suggests that this view on research will leave out critical input factors and findings that are ignored when only focusing on quantitative and objective data and results. In addition, some authors agree that the reality can actually never be fully captured. Therefore the post-positivist view was introduced building upon this assumption challenging the traditional notion of the positivist view (Wilson, 2013). A post-positivist researcher investigates on causes that result in particular outcomes. Post-positivism suggests that the causes determine the effects or outcomes (Henderson, 2011).

The interpretivist view adds on shortcomings of the positivist view by suggesting that the researcher takes an active role during the research process, which will result in the interaction of the researcher and the participants and thus more subjective results capturing social aspects. As a difference to the positivist view, qualitative and subjective research methods are applied within an inductive research approach. The main goal of the interpretivist researcher is to understand the logic and reasoning behind the actions of research participants while applying research methods such as focus groups or interviews (O'Donoghue, 2007). Research projects, which are undertaken with the interpretivist view result in outcomes that are exposed to problems of measurability and reliability. This results from the researcher's view on the world, which is open to interpretation suggesting the interpretability of research findings and subjects likewise. In addition, accuracy and repeatability are issues that may arise within the qualitative research under the interpretivist view.

The concept of epistemology involves a third view called Pragmatism, which balances elements of the positivist and interpretivist view. In this view the researcher focuses on his overall research project goal, which leads him to choose research methods that seem most appropriate for this purpose. This view acknowledges the importance of both the physical and social worldview for the outcome of the research project (Wilson, 2013).

Another concept within research philosophy is Ontology. This concept questions the perception of the social world. This perception entails two views, namely Objectivism and Subjectivism. A researcher who is inspired by Objectivism will perceive the world as external to social actors, or in the case of Subjectivism as affected by the social actors who create social phenomena.

These two views are closely connected to the views of Epistemology, since the subjectivist researcher tends to have an interpretivist view which may drive him to focus on qualitative data such as the participants' motivation and social interaction. Researchers, who consider themselves as objectivists considers the actions of the participants as driven by the external reality, which can be controlled by us (Wilson, 2013).

In this project, knowledge is developed under an interpretivist view by using a research approach that results in findings derived from a qualitative data collection. For this project it is considered critical to avoid any kind of bias from the research participants, i.e. the case companies. This project aims at understanding the companies' motifs behind there actions, in this case their expansion to the Brazilian market, fostered by the interaction of the interviewer with the participants during interviews and by taking a more subjective view. This allows the researcher to deliver reliable findings for answering the research question and predicting the phenomenon of market entry in volatile markets.

2.2 Research approach

The next part of the methodology chapter will describe the general approach used for this research project including the research purpose as well as how research connects with theory.

Research purpose

The most important different purposes for research are exploratory or conclusive purposes. In the following paragraph each of these approaches will be explained in order to eventually elaborate which purpose this research project has. Research projects, which have an *exploratory* purpose, are characterized by their flexible and unstructured nature where the research direction can be adapted during the process according to new findings. The main purpose is to gain insights into a specific market phenomenon in order to solve a particular problem (Saunders et al., 2009). The research strategy and design applied for this purpose involves qualitative and quantitative methods with a small sample size aiming at intuitive and imaginative or even unconscious and repressed responses in the case of interviews. This purpose is in line with research projects that require sensitive and in-depth information collection to derive findings and solutions for answering the research question (Malhotra et al., 2012).
When the research project's goal is to test weather a specific hypotheses is true or false in order to measure a specific phenomenon, the research purpose is *conclusive*. The conclusive research is relatively formal and structured which is reflected by the research strategy and design that is applied. This involves quantitative methods such as structured observations, experiments and surveys or secondary data applied on a large sample. These methods are characterized by a high degree of standardization which allows for a large scale data collection through for instance telephone interviews instead of personal interviews with highly structured questionnaires (Malhotra et al., 2012).
The purpose of this project is to gain insights into the decision making of international companies in regarding to their market entry into Brazil which requires in-depth

information from the case companies and other experts by using quantitative and qualitative methods. As such the exploratory approach is used for this project.

Inductive vs. Deductive- Research Approach

There are two main approaches for conducting a research project, which is *inductive* or *deductive*. When applying an inductive research approach, data collection and evaluation is used in order to build new theories by starting off with understanding and analyzing particular phenomena in detail followed by deriving general theories.
The deductive approach suggests that the researcher develops hypotheses based on theory that already exists in literature. These hypotheses are tested and validated by data. Within the inductive research approach, which has an open-ended and exploratory nature, data collection serves the formulation of hypotheses, the identification of particular regularities and patterns and the definition of new theories (Wilson, 2013).
The researcher uses an inductive approach for this project, since the overall goal is to understand what motivates companies to enter the Brazilian market under current conditions. Thus, observations from the case study analysis will be translated into patterns in order to deliver new ideas as an extension to current theory.
This project uses also partly a deductive approach in order to derive findings that extent already existing theory and are in line with generally acknowledged models. But it has to be pointed out that the goal of this project is not to verify a specific hypothesis derived from the study of current theory. The researcher aims instead at upgrading current theory on motivation for market entry decision in volatile markets and at investigating on new patterns that may represent the construct for new theories for the specific case of volatile markets such as Brazil. The inductive approach is in line with the interpretivist view of the researcher of this project.

2.3 Research Strategy

Qualitative vs. Quantitative

In order to decide which research strategy to choose it is critical to be aware of the respective advantages and disadvantages. Quantitative research is based on numerical data, while qualitative research focuses on narrative data. Qualitative data serves the goal of gaining a subjective understanding of the research objects by gathering data through interviews in an inductive research approach (Wilson, 2013). The advantage of the qualitative research method is that it is more flexible than the quantitative method which allows for an adaptation during the research process resulting in more accurate and relevant findings for answering the research question (Cassell, 2015).

The quantitative method is objective and based on existing theories. The eventual goal of using the quantitate method is to gather data from a representative sample of the population, which can be assessed and measured on specific characteristics and attitudes (Wilson, 2013).

To leverage the advantages and disadvantages of both strategies the two approaches can be mixed resulting in a multi-strategy research strategy (Strauss & Corbin, 1990).

In order to gather data for this research project majorly qualitative data will be applied, which is in line with the interpretivist view. In this way, qualitative data will support the researcher in understanding the reasons behind market entry decision on a subjective level. As such, qualitative interviews with case companies and industry experts were conducted. In order to facilitate the analysis quantitative patterns were included into the questionnaire. This leads to a higher reliability and validity of the overall project outcome.

2.4 Research Design

In the following sub section the research design applied for this project will be described in detail with a focus on the design of the case studies used in in this project.

a) Case Studies

Case studies are an appropriate tool in order to understand the dynamics within single settings. In this research design qualitative and quantitative research strategies can be applied which include various data gathering methods such as archives, interviews, questionnaires and observations. The case study research method is not limited to either quantitative or qualitative research strategies though (Yin, 1994). There is no ideal number of cases that must be applied in order to deliver valid and reliable findings, but the number of 4 to 10 cases has been proven to be appropriate in order to derive valid and reliable research results. Case studies can be used for an inductive as well as deductive research approach.

Since this research project involves an inductive research approach, the following details on case selection will be described for the case of theory building or extending research projects (Eisenhardt, 1989). Case studies are suitable for this research project as this research design enables the researcher to understand the different dynamics of the case companies' motivations in regarding to a single setting, i.e. the market entry into Brazil under the current instable market conditions. In addition, this research design may encompass various data gathering methods, which helps to tackle the research question from different perspectives involving personal interviews and secondary data.

b) Selection of cases for the inductive research approach

The decision which population the research sample is drawn from is critical for the definition of the limitation for generalizing the findings and building theory. The focus on a specific population in the research project allows the researcher to avoid extraneous variation and to give a validated limitation for the findings. It is more common though to choose cases according to theory that the researcher aims to extend through the research project and to already existing case studies which allows for replication of the findings. This sampling method is referred to as "theoretical sampling". The application of polar cases or extreme situations is often used, since the sample size of case studies is usually limited. Another sampling method is to adjust the sample during the research process, which results in findings influenced by dynamic effects (Eisenhardt, 1989).

For this research project five company cases were applied, which is under the time limitations and accessibility of companies that apply for this research purpose considered as sufficient. In order to avoid extraneous variation, all case companies have similarly entered the Brazilian market in respect to time and market entry mode. The chosen cases also reflect some disparities despite their similarities in the sense that three of them operate in different industries. In order to evaluate the effect of the variable industry two companies within the same industry were chosen. As this research study has primarily an inductive approach the cases where not chosen according to the theoretical sampling method.

c) Analysis and evaluation of data

The data gathered through case studies can be analyzed by within-case analysis or cross-case pattern analysis. The goal of the within-case analysis is to understand the particular case in its single identity, which helps the researcher in the next step of the cross-case patterns analysis. The analysis involves write-ups of information gathered for one specific case, which can be organized in a narrative description or longitudinal graphs for example. There are three main methods for the cross-case pattern analysis. First, cases can be compared within specific categories or dimensions, which may reveal similarities and differences. To facilitate the analysis and to compare multiple categories a matrix cell design is used. A second method is to compare a pair or group of cases on similarities or differences, which may result in new concepts and ideas that researchers did previously not consider (Eisenhardt, 1989).

In this project each case is thoroughly analyzed by including data from the qualitative phone interviews as well as additional secondary company data from the company's webpage or other published sources. Each case will be analyzed through a write-up in a narrative description in order to facilitate the cross-case analysis in the next step. Each case description is structured according to the research questions into the parts: company and product, drivers of market entry, market selection criteria, evaluation of the market entry and market strategy. This structure is also reflected in the questionnaire that serves as basis for the case studies. Structuring the within-case analyses in the exact same way for all the case companies facilitates the cross-case analysis and additionally increases the validity and reliability of the project outcome.

In the next step, the cases are analyzed for cross-case patterns. The categorization into five parts, which has already given structure to the within-case analysis as well as the interview guide, will now also serve as dimensions for the comparison. These dimensions are compounded into the three main areas of analysis: Motivation for market entry, evaluation of market entry and strategic adaptation, which complies with the research questions' focus. In this way, findings from the analysis can directly be translated into drawing conclusions for answering the research questions. Cross-analyzing the five cases in respect to differences and similarities enables the researcher to identify patterns that are similar or different. Comparing these findings with existing theory, compliance to or gaps in literature will be revealed. Drawing on the interviews with the industry experts, findings will be verified and put into the perspective of the current political and economical situation in Brazil. Eventually, the overall research question can be answered.

2.5 Data Collection

In this sub section the main data gathering method will be explained and the chosen data collection procedure will be described in detail.

a) Primary vs. Secondary data

The data collection for a specific research project may involve primary as well as secondary data. In the following paragraph the main distinctions as well as advantages and disadvantages of the data collection methods will be presented.

Primary data is gathered for solving a particular research problem, thus the data is serving a specific individual purpose for the researcher. Primary data may also be used for validating secondary data and for getting a better understanding of the research problem. Primary data collection generally involves the risk of biases, higher expenses for the research project and more time in comparison to secondary data collection (Malhotra et al., 2012).

Secondary data is not gathered by the researcher himself during the research project, but was collected by other researchers for a different project. This kind of data is used in order to develop an overall approach to answer the research question such as deriving the research methodology. In addition, this data is used to support and add to primary data, which involves the validation of primary data. It is critical to validate the relevance of secondary data for the research project in advance in order to avoid inaccuracies in regarding to the findings and results for the research project (Malhotra et al., 2012).

In this project, primary data is used in order to investigate on the main research question. This kind of data helps identifying the motivation for expansion to Brazil under a subjective and objective view by gaining detailed insights from the case study companies. Secondary data such as information on the current political, social and economical situation in Brazil helps putting this information into context by gaining a more in-depth understanding of the overall topic. In addition, several articles found in current literature help to support the arguments made in the evaluation of the case studies. Secondary data such as information from the case companies' websites or company internally published articles were used in order to verify data derived through primary data gathering through the case studies.

b) Data collection method – Interview

Interviews are a suitable data gathering method for projects where the primary goal is to investigate on a particular phenomenon more thoroughly or where quantitative data needs to be complemented. Interviews may be applied in different ways, which assign different roles to them. Within the single method design, interviews are the only method for gathering data. The mixed method also includes data gathered through other methods such as quantitative data gathering tools. This ensures consistency of the findings and complements data gathered by one method (Cassel, 2015).

There are three main types of interviews, namely in-depth, intercept and expert interviews. In-depth interviews result in more thorough findings, but are more time consuming and expensive. Intercept interviews are the so-called person-to-person interviews, which include only a few questions that can be answered quickly thus involving less time and a larger sample size can be used. During expert interviews, the participants answer to questions on the topic of their expertise and specific know-how (Kolb, 2008).

The case studies involved in-depth interviews with the sales, account or general manager for Brazil, hence the person within the company that has most insights about what has driven the company to enter Brazil, how the current performance can be evaluated and what kind of strategic adaptations the company made or makes. These interviews were conducted via phone or Skype since the interviewees are located in Brazil or Germany while the researcher of this project is based in Copenhagen. Some interviews had to be conducted via phone since the connection via Skype was not sufficiently good (see Table 1).

The other group of interviewees contains experts on the macro- and micro economic situation in Brazil, which includes a Consultant of Berners Consulting and an Analyst of the Frontier Strategy Group. These interviews add to the information gathered through the primary and secondary data collection regarding the current political and economical situation in Brazil, strategies for international companies operating in Brazil and challenges and opportunities. As such, information from these interviewees help verify and extent the outcomes from the case studies.

Company	**Industry**	**Interviewees**
HopSol	Solar Power Technology	Lothar Zimmermann, Managing Partner Brazil
Zimmermann PV	Solar Power Technology	Sergio Esteves, Sales Manager Brazil
MOBA	Machine technology	Patrícia Herrera Diez, General Manager Brazil
MSB	Banking	Hubertus v. Blomberg, Sales Manager
iiM AG	Machinery support	Edward Wark, Account Manager
Frontier Strategy Group	Information Services	Alec Lee, Analyst Latin America
Berners Consulting	Consultancy	Manuel Brettschneider, Consultant

Table 1: Interviews overview

The interviews are split up into five main parts, which consist of an introduction part, where the interviewer introduces the project, while the interviewee is asked introductory easy to answer questions to get started. These questions aim at gaining insights into the company’s starting point for the market entry into Brazil and provide the frame for the company’s decision-making process. These questions are addressing the company’s main value proposition, their market entries in the past as well as their status in respect to the market entry into Brazil. In the next step the interviewee is asked detailed open-ended questions on specific topics that relate to the sequence of the analyses part and eventually the answering of the research questions.

Thus, in part one and two questions are targeted at the motivations of international companies to expand to Brazil despite its current economical slow-down. Hence, questions are aimed at first the drivers of the company’s decision to enter the Brazilian market as well as the importance of specific factors for the selection of Brazil as a market the company seeks to enter.

In order to gain more applicable data that leads to more valid and reliable results in the analysis part the interviewee was asked to rank specific factors for the market selection by looking at a table that was included into the questionnaire (see table 2). The aim of including these factors, that should be applicable for all businesses and industries, in order to derive a valid and reliable result, was to be able to compare the companies on the basis of quantified data. The factors that are included into the table are derived from the theory on market selection (see section 3, Literature Review). Current literature reveals criteria for market selection. Six factors as suggested, besides other factors, by Koch (2001) were considered as particularly suitable for this project, since these factors are applicable to all business contexts and the most relevant business practices: *Company strategic objectives, Overseas market experience, Own or accessible resources, Similarity or proximity of the overseas, Anticipated overseas market risk.*

Company strategic objectives relate to the industry, tradition and interests of executives that formulate these objectives. The objectives include for instance global market shares or profits which if achieved will lead to a reduction of strategic risk or lead to the market leadership of the company. *Overseas market experience* which can differ for instance in how recent this experience is or in how relevant for the respective market entry and operations it is. The higher the experience is, the riskier and more uncertain future target markets for entering become. *Own or accessible resources* are either captured internally or accessed though partnerships or alliances with other companies. Companies, which hold theses resources will be less restricted in their market choice.

Similarity or proximity of the overseas market refers to the theory of psychic distance by Johanson and Vahlne (1977), which is further described in the literature review part, suggesting that companies that have cultural or business links to foreign markets or that have employees who are familiar with the country influence the market selection considerably. The *country market potential* as a criterion is widely used for market selection. The estimation of the market potential should take into consideration the product specific variables. *Anticipated overseas market risks* are assessed in the light of international business risk that can be classified into ownership risk, operation risks as well as transfer risks.

In part two of the questionnaire, the interviewee is asked to elaborate on the evaluation of the market entry so far and its perception of the situation in the market and in the future. These questions aim at revealing information that supports answering the first sub-question, which is if companies should enter Brazil and more specifically under which conditions.

In the final part of the questionnaire, interviewees are asked to state the company's current strategy after the market entry, the strategy before the market entry as well as the adaptations that have been made in respect to the initial strategy for the Brazilian market. The information gathered in this part of the questionnaire will support the analysis of the strategies applied by the case companies and their effects.

The questions in general are clear and straightforward, but still leave space for the interviewee to elaborate on the overall topic. In addition, questions were slightly adopted to the company's specific case during the interview as some companies for instance did just enter Brazil in this year and thus could not reveal as much about the evaluation of their activity in this market until now as could other companies that entered in 2014 or 2015.

As such, the qualitative interviews represent the main source of information for the case study analysis. The case company questionnaire is listed under appendix 1. Before starting with the interviewing process, the questionnaire was send out to three native English speaking persons that all have a business and higher education background, in order to assure that the questions in the questionnaire were understandable and straightforward. In order to prevent biased information, all transcribed interviews were sent back to the respective case company where they were proof-read by the interviewee's superiors. This assured un-biased, valid and reliable results derived from the case studies.

Market Selection Criteria: **1= least important, 5= most important**						
	1	2	3	4	5	
Company strategic objectives						Internal
Own or accessible resources						Internal
Similarity or proximity of overseas market						Mixed
Overseas market selection experience						Mixed
Country market potential						External
Anticipated overseas market risk						External

Table 2: Market selection criteria, own creation adapted from Koch (2001)

2.6 Research Ethics

Since this research project involves the interaction with individuals and groups, it is critical to be aware of ethics, which includes acting in a responsible and moral way (Malhotra et al., 2012). In order to guarantee an ethically correct proceeding within the research project four main rules need to be followed: (1) protect the anonymity of the research participants, (2) avoid mislead and deception of the participants, (3) avoid embarrassment or harm for participants, (4) use the research results in a morally correct way (Market Research Society, 2014). To meet these ethical rules the researcher has informed the interviewees in advance regarding the topic of the interview and has sent the questionnaire to the participant in advance in order to avoid that the participant is deceived by the questions or does not understand them during the interview, which may lead to embarrassment for the interviewee. Furthermore, participants have been asked in advance if their name can be mentioned in the research paper and if information can be shared the supervisor and the external assessor. In addition, the results of this research project will only be used for a purpose that is morally correct, responsible and in the sense of the research participants.

2.7 Limitations on Data Collection

In general, time and resources disposable for the research project have set constraints to the data collection. The findings would have been more elaborated by including more case studies and more in-depth expert interviews. In addition, the case study companies were restricted from revealing specific data on sales figures or strictly confidential information. Furthermore, the researcher was limited in her access to databases for gathering information on the Brazilian market that could have helped to better understand certain influential factors on the companies' decision making.

In addition, the relevance of the secondary data is limited due the fact that it was initially gathered for another research purpose. The secondary data derived from internal date published by the case study company might have been biased (Malhotra et al., 2012; Grant, 2010). The results of the project are further limited by the fact that in-depth interviews depend on the interviewer's skills and may be biased by the interviewee, despite the fact that the findings were proof-read by the superior within the case company.

In general, the data is limited to five case companies that are all German companies and all act in solar, machinery or banking related business areas and all entered via a similar entry mode, i.e. distributing agent or subsidiary. The fact that the interviews were conducted via phone or skype was leading towards less elaborated answers by the interviewee due to time constrains, lack of face to face contact and acoustic communication impairments.

2.8 Validity and reliability

Reliability in a research project ensures consistent results whenever a project that copies the exact same research will achieve the same results, i.e. the results of the project are repeatable or consistent.

Validity means that the results of the research project can be generalized and applied to a larger group. Even though a research project can be only reliable without being valid or the other way around, it is favorable to achieve a reliable and valid outcome of the research project, which provides the most valuable data. This concept relates to quantitative research in particular, but may also be applied in qualitative research (Golafshani, 2003).

Shenton (2014) suggests an approach for ensuring high validity and reliability of the project that includes four different factors: (1) credibility, (2) dependability, (3) transferability, and (4) conformability. This concept is applied for this research project, because it applies especially well for qualitative research projects and is more detailed than the generic validity and reliability concept. Credibility means that the research follows the intended direction by relating to the overall research question. In this project the questionnaire has been built upon the structure of the research questions by dividing the interview guide into the sections motivation for the market entry, evaluation of the market entry and market strategy. The analysis has also been oriented on this structure in order to make the research as consistent as possible.

Dependability is achieved by describing in detail the research process and the purpose of the project. The dependability is improved by using valuable theory that can back up the research project. In quantitative research projects, dependability is comparable to reliability, which means that if the exact same project would be conducted again it would result in the same findings and outcomes. Dependability has been achieved in this project by describing the research purpose and topic in detail in the introduction part as well as elaborating on the research process in the methodology part. In addition, theories presented in the literature review part serve as supporting findings from the case studies.

Transferability implies that the outcome of the project can be generalized to a larger population. Transferability has been ensured in this research project by always connecting the findings from the case studies, which focus on the specific case of German companies and their market entry into Brazil, with theories and secondary data on the generalized topic of international companies entering into any volatile market. In addition, the chosen research approach and topic allows to be used in the same manner on a larger scale.Conformability means that the report findings are accurate and not biased by the interviewees' opinion. By gathering secondary data form the companies webpages and publications, data gathered through the interviews with the case companies' representatives has been double checked in order to exclude wrong data resulting from biased responses of the interviewees.

3. Literature Review

Authors have been heavily engaging in research projects and studies centered on internationalization and strategies for companies. In the following part, the most important concepts and findings within exiting literature, which are relevant for the overall research project, will be explored. In this first part, theories on the motivation for internationalization will be presented, followed by internationalization theories and strategies for market entry. Finally, it will be elaborated on Brazil as a suitable example for this project.

3.1 Motivation for Internationalization

Literature suggests various theories and findings in regarding to factors that motivate companies to expand into foreign markets. In part 3.1, theories on drivers for market entry and market selection criteria will be presented.

3.1.1 Drivers for market entry

In the following part drivers for market entry (1) in general, (2) in emerging markets and (3) in volatile markets will be presented.

a) General drivers for market entry

The decision to internationalize is driven by so-called push factors arising from the company's own or accessible resources, such as higher profitability and competitive advantage or pull factors involving the micro- and macro- level patterns in respect to the external environment within the host country (Isa et al., 2014).
Factors that push companies to internationalize are further associated with the environmental conditions at the company's home market such as the size of the domestic market, market saturation and a slow down in economic growth.

Pull factors also involve external conditions such as new trade agreements in the home market (Grünig & Morschett, 2011). The study by which the authors investigated the international market expansion of a Malaysian construction firm supports the argument that companies involve considerations on both pull- and push factors for foreign market expansion decisions in order to assess to which extent the company's competitive advantage counterbalances particular risks arising in the foreign country (Isa et al., 2014). Grüning & Morschett (2011) assign drivers for expansion into foreign markets to two main categories, which are comparable with the push- and pull factor categorization.

Push Factors/ Threat opposing factors

Grünig & Morschett (2011) suggest that a first driver, which is aligned with the overall pattern of opposing threats within the home market, is gaining access to a new customer base. The more customers concentrated and stagnating the home market is, the more important the drive for expanding internationally becomes. Companies also seek cost benefits of scale by allocating their fix costs to a wider range of products that are spread internationally and by replicating knowledge- based assets in other locations worldwide. Access to low cost raw materials and labor (Nagar 2008; Grünig & Morschett, 2011) represents another driver affecting why companies expand internationally in response to higher costs at the home market. In addition companies enter foreign markets in order to balance risks represented by varying demand in particular markets (Grünig & Morschett, 2011; Ahmad & Kitchen, 2008a). Further push factors found in existing literature encompass securing or leveraging competitive advantages (Abdul-Aziz, 1993; Papadopoulos & Martín 2011).

Pull Factors/ Opportunity seeking factors

Opportunity seeking motives or pull factors, which explain the expansion of companies to a foreign market contain access to new competencies and know-how, which the company may leverage as well in the home market (Isa et al., 2014; Grünig & Morschett, 2011). Furthermore, companies that are operating internationally will also attract a more international clientele thus a broader customer base. Finally, companies may strengthen their strategic power by growing their international operations, which enables them to pursue price-pressuring activities in certain markets resulting in a higher profit margin (Grünig & Morschett, 2011). Further pull factors are in general support from the home or host government for the business expansion into a foreign market, and the access to new business areas, which enables the implementation of a diversification strategy (Isa et al., 2014; Ahmad & Kitchen, 2008).

b) Drivers for entering emerging markets

The concept of emerging markets

The concept of emerging markets originates from the 1990s where shifts in international business led to the evolution of once developing countries. These countries were characterized by representing high- risk business environments and markets with low purchasing power of the customers and lacks in economical and technological development, i.e. markets with few opportunities for foreign companies to do business in. Nowadays, these countries transformed into the so-called emerging markets where risk can be better managed, purchasing power is increasing, income growth is higher than in developed countries, and new technologies are being developed. Thus, emerging markets provide international companies with low-cost and high-quality resources while some markets are still untapped in respect to certain products and industries. Emerging markets' population accounts for 75% of the world's population now growing at a much higher pace as compared to developed countries. Hence, companies from developed countries seek to enter these markets in order to increase sales. While production and manufacturing is still conducted in developed countries, emerging countries represent a growing market to export these products to (Cavusgil et al., 2002).
Besides these opportunities international companies encounter when entering an emerging market, some characteristics of these markets will make doing business challenging. The first is the lack of infrastructure such as public utilities, e.g. telecommunications, power, water supply, waste collection, and transportation, e.g. road construction, railways, urban transport. In addition, environmental concerns have been rising in emerging countries, which also have an impact on how international companies

do business in these countries. Companies have to engage in environmentally friendly business by considering these issues for activities along the value chain such as disposal and recycling. A third concern when doing business in emerging countries is ethical issues. Foreign companies have to be aware of the higher corruption bribery level in these countries which has its roots in the country's culture where giving gifts to another person is essential to build up relationships. As such the distinction between a gift and bribery may sometimes be blurry and difficult to recognize by a foreign manager (Cavusgil et al., 2002).

Market entry drivers for emerging markets

Some of the authors focusing on the motivation of developed companies to enter emerging markets are Sakarya et al. (2007). According to these authors, especially the long-term growth opportunity is motivating companies to enter these markets, since developed markets are more saturated and competitive. In addition, other authors such as Sowinski (2000) mention motivational factors such as a large population and an increasing disposable income. Arnold & Quelch (1998) further explain what triggered the increasing attractiveness of emerging markets for foreign companies, namely that foreign companies can reach and connect with customers in emerging countries though international media now and can thus influence the perception of its products among the population. Especially, in the case of small- and medium sized companies, the fast development of a communication infrastructure and technology in emerging countries facilitates reaching business customers even without engaging with a distributor.

Kouznetsov (2009) analyzed the specific country conditions in emerging markets and their influence on market entry mode decisions of companies in the case of multinational manufacturing firms expanding to Russia. In general, literature suggests that five factors are particularly critical for market entry decisions in emerging markets: cultural conditions; technological environments, infrastructure, and competitive conditions; legal conditions; political conditions and economic conditions. The findings of Kouznetsov's (2009) study reveal that these factors do not all weigh the same in the decision- making. For large MNEs the only critical factor is the economic conditions in the emerging market since they consider this factor as particularly important for forecasting profitability in the foreign market for the company. This is only true and tested in the case of large companies, which have sufficient financial liquidity to counterbalance negative effects resulting from the legal, social, cultural and technological conditions. In addition, their brand is recognized, well- known and the company was able to gain internationalization experience from entries into other markets.

c) Drivers for entering volatile markets

Hoffmann et al. (2009) have been investigating on the impact of regulatory uncertainty on the investment decision of companies. Under regulatory uncertainty they understand a situation where the decision maker is unable to predict how the situation of the environment of its company's operations will evolve in the future. Regulatory environment refers here to a construct of regulatory activities by for instance the government. Investment decisions are considered as resulting from the decision makers' perceptions of the uncertainty. These authors identified three main motivations for investment decisions under a high level of regulatory uncertainty, which is "securing competitive resources, leveraging complementary resources, and alleviating institutional pressure" (Hoffmann et al., 2009). By securing and leveraging resources the authors mean that companies make quick market entry decisions in order to gain a competitive advantage. These resources that are considered to drive the leading position in a market can be for instance contracts with suppliers or contacts to clients that may lead to long-term contracts, and location advantages.

3.1.2 Market Selection Criteria

Literature review suggests various criteria which companies use in general, when assessing a certain market for entering. When companies consider a market to perform particularly well in respect to the selection criteria that are most critical for them, they may have the motivation to enter this specific market.
Whitelock & Jobber (2004) tried to fill in the research gap in existing theory, which widely focuses on market entry modes, by studying the decision- making process, and external factors influencing it, of UK firms. They suggest the following criteria for

market entry decisions: degree of economy development, quality of market information, government attitude, geopolitical and political similarity, market attractiveness, previous knowledge and experience of individual decision makers. Sakarya (2007) further introduces criteria in the case of entering decisions into emerging markets. The author suggests the following criteria: Long-term market potential, which is assessed by multiplying the national population (including the estimated growth for the planning period) and the difference between the GDP per capita in developing countries and emerging countries. This formula was derived by Arnold and Quelch (1998, p. 13): "Q = (P+NP) x (DevGDP – AdjGDP)".

Another criterion used by Sakarya (2007) is cultural distance. This criterion is measured by figures such as cultural differences (e.g. language and legal or political system) as well as market structure and growth by applying Hofstede's (1980, 2001) five dimensions model and Morosini et al.'s (1998) estimation calculation of the cultural distance of countries. Additionally, the competitive strength of the industry is considered as an important figure for market selection decisions for emerging countries since performance levels of particular industries are not reflected in the overall countrywide assessment. A final suggestion for a market selection criterion by the authors is customer receptiveness, which assesses how host country nationals react on the market entry in respect to its impact on the national economic and social situation and how they accept the product or the brand also in a industry wide comparison of the company's offer (Sakarya, 2007).

Luo (2002) further elaborates on criteria, which have to be considered by companies when taking decisions to enter an emerging market in particular. These are cost and tax factors such as transportation costs, wage rate, availability and cost of land, construction costs, costs of raw materials and resources, financing costs, tax rates, investment incentives and profit repatriation. A second criterion suggested is demand factors such as market size and growth, presence of customers and local competition. Furthermore, strategic factors such as investment infrastructure, manufacturing concentration, industrial linkages, workforce productivity, inbound and outbound logistics. The author also includes regulatory or economic factors such as industrial policies, FDI policies, and availability of special economic zones. A final aspect considered by this author for country selection is sociopolitical factors, i.e. political instability, cultural barriers, local

business practices, government efficiency and corruption, attitudes to foreign business and pollution control.
A further model to assess a foreign market for expansion is to define the differences and distances of the domestic country and the host country, the so-called CAGE model. The author suggests four different categories, which are split up into two main categories: bilateral, unilateral or multilateral. These categories include (1) cultural distance including factors such as language, religion, values, norms and traditionalism on the multilateral level; (2) administrative distance (e.g. currency, trading blocs, colonial ties or weak institutions and corruption on a multilateral level), (3) geographic distance (e.g. differences in time zone, climate, physical distance or geographic size, and weak transportation links) and (3) economic distance (e.g. income inequalities or economic size) (Ghemawat & Siegel, 2011).
A. J. Koch (2001) also introduced a model illustrating the factors influencing market selection. He divides the 14 factors into three main categories, namely external, mixed and internal. Internal factors include the strategic orientation of the company, the stage of internationalization, company strategic objectives, market selection experience, company international competitiveness, and calculation methods applied.
The mixed category includes own or accessible resources and capabilities, networking, similarity or proximity of the market, market portfolio congruity and expansion sequence optimization. External factors involve country market potential, competitive significance of the market and anticipated overseas market risks.
While most authors focused on external factors that comply with what Koch (2001) proposes such as the potential in the market including demand and attractiveness of the market, Koch suggests an additional view on the market selection decision process. He introduces mixed and internal factors that originate within the company and shape the market selection (please also refer to part 2.5, b).

3.2 Internationalization Theories

The so-called internationalization theories serve well for explaining why companies are motivated to expand to a particular country and which entry modes they use.
One theory that tries to explain the internationalization process of a company is the well - known Uppsala Model (Johanson & Vahlne, 1977). This model reveals that companies

increase their commitment in the respective market and take more risks in respect to the market entry model as they gain more market knowledge. As a result, in the first step internationalization entry modes which require little commitment and risk, are used, i.e. unsteady exporting. Companies apply entry modes such as export via independent agents as they gain more knowledge on how to enter new markets. Subsequently, companies establish their own sales structure in the foreign country. Eventually, companies invest in production facilities in the foreign market (Eberbach-Sahilioglu, 2004). In addition to the establishment chain concept, psychic distance is another pattern used within internationalization theory. This theory by Johanson and Vahlne (1977) suggests that companies frequently start with expanding into countries that are close in terms of psychic distance to the domestic country. As the company gathers more knowledge in respect to operating in foreign countries, other countries are chosen for market entry where the psychic distance is larger.

Johanson and Vahlne (1977) further linked this theory to networks of relationships where firms are connected with each other in complex, invisible and various patterns. Thus, successful internationalization further requires being insider in relevant networks in order to avoid the liability of outsidership. Having relevant relationships in within this network fosters trust and commitment, which is the influencing variable in the establishment chain.

An important internationalization theory that explains a company’s decision to internationalize via the specific entry mode of FDI is Dunning’s eclectic paradigm. Dunning’s eclectic or OLI paradigm model represents a theory in the context of market entry mode and internationalization decisions for MNEs. This model is based on three factors that need to be analyzed in order to assess the potential for a company that seeks to invest in a respective market. First, ownership advantage, i.e. the company’s competitive advantage in regarding to other players in the foreign market is critical for the decision to localize production in this country as well as the extent and composition of the production. The second factor that has an impact on the company’s engagement in foreign direct investment is the locational attractions of other than the domestic market. The third factor that influences the company in the decision to establish a production facility in the particular country is the advantage of internalization, i.e. the advantage the company has by internationalizing via FDI in contrast to partnership agreements, joint venture or licensing (Dunning, 2000).

3.3 Strategies for market entry

In the following section strategies for market entries in general which consider factors such as timing as well as entry modes will be described. In the next step strategies as adaptions for a volatile market situation will be introduced.

3.3.1 General market entry strategies

In this first part on strategies for market entry two main influential factors on general market entry strategies will be described, namely institutional factors and resources, timing and entry mode.

a) Institutional factors and resource considerations

Market entry strategies are dependent on institutions in the respective country as well as the types of local resources the company, which enters the country, requires (Meyer et al., 2008). Institutions have an impact on transaction costs and production costs for companies operating in the particular country (North, 1990). Meyer et al. (2008) further argue that the more developed market-supporting institutions are in emerging economies, the more inclined companies are to enter this market via Greenfield or acquisition. Additionally, these authors agree on that resource based considerations and institutional theory in regarding to market entry strategies considerably interact. This means that even if the host country's institutional environment is better developed, companies that seek intangible resources from a local organization still choose a Joint Venture for entering the market (Meyer et al., 2008).

The institutional environment of a particular country may be characterized by formal and informal patterns. The legal, political and economic institutions in the country will make specific laws and rules, which are considered as formal forces influencing the institutional environment. Informal forces include the culture of the country, value and norms, which have an impact on how stakeholders behave (Meyer et. al, 2008). The transaction costs, which are linked to the institutional environment of the country, involve search and information costs, bargaining costs and policing and enforcing costs (Dahlman, 1979). According to Makino and Neupert (2000) transaction costs as well as the national culture both have a high impact on the firm's strategic market entry choice. These authors found out for instance that firms from a country of origin with high power distance and uncertainty avoidance will be more likely to enter the market by a majority ownership than a Joint Venture for instance.

b) Timing and entry mode

Gallego et al. (2009) suggests that timing of entry, market selection and entry mode decisions interconnect. The two polar propositions these authors make is that when (1) entry timing is slow and the destination market is near, the company will establish subsidiaries in the foreign market. If (2) the entry timing is fast and the destination market is far, the company will either enter via Joint Ventures or exporting.

Powell (2014) analyzed the relationship of the company's profitability and market entry speed. He suggests that less profitable companies enter earlier into a particular market than the most profitable ones, since they seek to leverage first mover advantages in order to compete with more profitable firms. Companies that lack the resources to expand will also enter later.

Other factors such as firm size, international experience, previous establishment of offices in the respective country have positiv influence on an early market entry, while age of the firm, practice concentration and early entry of the firm's competitors as well as an intensity of the home-market competition are negatively correlated with an early market entry. Furthermore, additional regulations, which protect domestic firms, will discourage companies to enter the market early (Powell, 2014).

3.3.2 Strategic adaptations for volatile markets

Besides strategic considerations that companies need to make when entering a new market such as timing of the market entry as well as the entry mode, in the case of volatile markets, companies may need to adapt their strategy in order to be successful.

a) Risk management

When entering into a volatile market, companies need to consider specific risks that may arise. In the case of emerging countries, investing companies considered the “expropriation risk” as a result of immaturity or volatility of the political system as the most important risk that needed to be assessed along with the market entry decision. This risk is related with the fear that the government would seize the foreign owned assets.

Nowadays, companies additionally fear a different risk called “policy risk” which implies that the government acknowledges a method of benefitting from the foreign investment by using regulatory controlling measures by for instance changing the law, introducing new regulations or not enforcing preset contracts. Hence, policy risk may result in a negative impact on the investing company’s financial returns. Companies consider the policy risk such as breach of contract, the failure of the government to honor guarantees as well as regulatory restrictions more significant than the risk of seizure (MIGA, 2009). This change in risk considerations of investing companies also requires a different approach to risk assessment and management. Generic risk management actions that companies take encompass signing legal contracts, taking insurance or using financial hedging. All these measures are considered to not protect the investing company for policy risk. New strategies that Henisz and Zelner (2010) suggest is to “invest in the goodwill” by for instance thinking in a long-term perspective and by investing in good relationships with a particular political institution or state hold company.

A second strategy is to frame a new venture or the market entry in a way that may secure political support by for instance using terms such as “fair” or growth enhancing”.

A final strategy that the author suggests is to find “political pressure points” which means engaging local politicians’ networks. This can also involve responding to social needs of the particular country by funding specific social projects. The essence of the author’s idea about new strategies for managing policy risk is thus to try to understand the political actors in the particular country and their position towards the firm as well as actions that can have an impact on the outcome of the company’s operations in the particular market (Henisz & Zelner, 2010).

In addition to the policy risk, companies adapt strategies according to political instabilities, e.g. ongoing political processes without tangible results or solutions for a particular political problem. As such, literature review revealed that the decision to postpone the entry into a market as a strategic adaptation is most relevant for situations where a short to mid term solution of political processes is expected. Companies have a so-called wait and see perspective that is caused by the fear of unpredictable changes in the future under regulatory uncertainty (Bittlingmayer, 2001). Further motifs of companies to postpone a market entry are increased investment risk triggered by market uncertainty (Luo, 2004). In addition, ambiguities in governmental policies related to the industry companies operate in leads to a postponement of investment, since a long-term commitment is considered too risky (Wiegand, 2005). In addition, companies may investigate external institutions (Henisz & Delios, 2004) or adapt their internal operations and structure to the new circumstances in order to be more flexible and able to react to unforeseeable events (Collis, 1992). Another strategic move of companies is to go out of the market (Bittlingmayer, 2001).

b) Achievement of sustainable competitive advantage

Wernerfeldt and Karnani (1987) further make six propositions that focus on the strategies companies may apply after they entered into a market with a high level of uncertainty. They suggest that three factors make it attractive for companies to take on proactive strategies before the uncertainty is resolved: the company has first mover advantages, the company has a willingness to take risks, the company is able to influence how the uncertainty is resolved.

Furthermore, these authors suggest two distinct strategies for the case that the company takes proactive actions: focus on all resources on one single scenario or stay flexible and spread resources over all alternative scenarios. The authors suggest that whenever the company has economy of scale advantages, a high willingness to take risk or is able to influence how the uncertainty is resolved, this company will find it more attractive to take a focus strategy.

Furthermore, the authors state that the more rivals the company expects to be competing within the uncertain market with them the higher their motivation is to take early actions and focus on one scenario. In addition, the authors suggest that bigger firms more often take waiting strategies and stay flexible, since big companies with a high reputation have the liquidity to role out the field later and may still be able to take leadership in the market. Furthermore, companies that have a higher upside potential derived from their sunk investments, i.e. the amount the company will gain if it focused on the right scenario, have more incentives to stay flexible and invest more (Wernerfeldt and Karnani, 1987).

Strategic decisions under regulatory uncertainties have also been discussed in the context of the resource- based view. This theory from Barney (1991) suggests that a firm achieves competitive advantage by possessing or acquiring valuable, rare, inimitable and non-substitutable resources. These resources must be according to Barney (1991) strategically used in a way that competitors are not able to imitate. These resources encompass physical capital resources such as physical technology used in a company, the geographic location, the access to raw materials and the plant and equipment; human capital resources such as intelligence, training, experience, insight and judgment of individuals within a firm and organizational capital resources such as the company's controlling, coordinating and informal planning system and informal relations among groups within a firm and external stakeholders (Barney, 1991). A strategic adaptation in the situation of high uncertainty in the light of the resource-based view is to invest reversibly in resources that are flexible and potentially contribute to an increase in performance (Aragón- Correa and Sharma, 2003). The authors argue that when these resources are exposed to the highly uncertain market conditions, the competitive advantage the company holds through them is in danger. A strategy to avoid losing the competitive market position is to proactively use innovative strategies and implement activities to prevent this. In this sense companies may implement portfolio expansion strategies in order to spread risks imposed by the uncertainty in the market and to decrease dependability on the performance in the markets that are highly volatile (Carrera et al., 2003).

Another strategic approach to respond to a volatile market condition is proposed by Sull (2009). He suggests that companies need to be agile enough to see the changes in the market early enough in order to exploit them. This agility can be achieved in respect to *operation*, i.e. have a business model that enables the company to see opportunities faster than the rivals, *portfolio*, i.e. be flexible and make changes within the portfolio, *strategy*, i.e. identify and understand opportunities in the market. As an alterative companies should use their power of absorption. Absorption means to ensure that the company has the resources to resist negative changes in the business environment. These resources involve for instance financial liquidity, excess staff, customer lock-ins or a protected core market. Combing these two management strategies is as the author states critical for success in an uncertain business environment.

Sull (2005) introduced the "Strategy as Active Waiting", i.e. the company should have a general plan for the future with being prepared for threats that could arise, but at the same time be ready to seize opportunities as they arise. In detail, the strategy entails that the company formulates a fuzzy vision with stating clear priorities, which gives direction for future actions of the company without being to specific. Secondly, the author suggests that the company conducts reconnaissance, which means to explore opportunities and threats in particular markets. In addition, companies should have a "war chest of cash" that protects them when the company is suddenly faced by threats or new opportunities. Furthermore, companies should keep their operational activities as efficient as possible to have a favorable position once the company wants to seize an opportunity or fight back rivals. Finally, the author suggests that, once a greatly important opportunity or threat that sticks out of the routine arises, executives must be able to "declare the main effort". This task is quite difficult since it is still not clear if the opportunity is as golden as it looks like. This means that the company has to take certain risks in the short term and seize these opportunities despite doubts in order to be successful in the long-term (Sull, 2005).

3.4 Brazil as a suitable example

The next section represents an overview of relevant information about the Brazilian market and explains why Brazil has been chosen as an example for this research project, hence why Brazil represents a highly volatile market right now.

Brazil represents one of the BRIC countries with a nominal GDP in 2015 of 2,4 billions USD ranking as the seventh biggest global economy in the world (Santander, 2015a). However, Brazil is in its biggest recession since decades and does show only modest GDP growth projections for the future (BMI Research, 2016). To investigate on the overall topic of this project, which is how international companies make strategic entry decisions in volatile markets, the example of Brazil seems particularly interesting as this market was previously hold for one of the fastest growing emerging economies in the world but now shows characteristics of a highly volatile business environment. To understand what international companies encounter right now, when operating or entering the Brazilian market, which will also have an effect on the market entry decision, the following part will give an overview of the current economical and political situation, the legal system for doing business in Brazil and general opportunities and threats.

a) Economic situation

Since the first quarter of 2014 the Brazilian economy, which had been showing promising signs of growth over the precedent years, experienced a considerable slow down. This current situation has been ascribed to the decrease in consumption, governmental intervention into the private sector and the loose fiscal and monetary policy. Other factors such as corruption scandals of the political regime which negatively influenced investors' confidence in the Brazilian market have driven Brazil into an unfavorable position where FDI is shrinking, inflation rising and the country's trade balance degrading. This is shown by Brazil's GDP slope down in 2015 from 2,346.58 billions USD the year before to 1,799.61 billions USD, a decrease of 3.5% in 2015. This trend is expected to continue for 2016 with a forecasted dropdown of the economy by 1% (Santander a, 2016). Figures on the FDI inward flow in the time frame of 2012 until 2014 further illustrates the overall economic crisis. As such FDIs declined from 65 billion in 2012 to a little bit more than 62 billion in 2014. But despite these figures, Brazil is still the number one recipient of FDI in Latin America and number five worldwide in 2016 (Santander, 2015b).

b) Political situation

With the vote for impeachment of Brazil's president Dilma Rousseff from the socialist PT party on April 21st 2016, a new era of political uncertainty has begun. In the beginning of May, the senate will initiate the impeachment process by installing a special commission. This commission will deliver a report on the impeachment proposal, which will be voted upon in mid May 2016. The formal impeachment trial will only get started if the senate votes with simple majority for acceptance of this report. As soon as the process starts Michael Temer from the PMDB party will take of as president for the period of 6 months of the process. If the two thirds of the senate's 81 total votes support the impeachment of Rousseff, Michael Temer will be assigned as president until the next elections held in 2018.

The current political situation is further destabilized by the ongoing Petrobas investigation and Rousseff's probable moves to persuade members of the senate to reject the report of the impeachment delivered by the special commission (Financial Times, 2016b). Support for the removal of Rousseff as a president majorly originated from the accusations that she has manipulated the federal budget in order to hide growing deficits as well as, even more importantly, the Petrobas scandal. Former president Luiz Inácio Lula da Silva and his PT party as well as coalition parties assigned candidates from their own parties as important executives of Petrobas.

The scandal started when funds (3% of contracts) were diverted to PT and coalition partners. Also some of the largest construction companies of Brazil were involved in the corruption scandal. The funds raised from Petrobas contracts are in suspect to having been used for financing election campaigns and pay off for the coalition that was ruling at times of the election. In essential, four political parties are accused to be involved in the bribery including the PT, Rousseff' s party, PMDB, the party of Temer who is supposed to take over as president as well as the PP and the opposition PSDB.

Investigators have discovered losses of 29 billion up to 42 billion Brazilian Reais loss for the state. The role of Rousseff, who also was a former chairman of Petrobas form 2003 until 2010, could until now not been proven, but she is accused to have used funds raised through corruption for the election campaign in 2010 and 2014 (Financial Times, 2016a).

In a nutshell, the current political situation is highly uncertain and unstable since either the impeachment process is certain to be rolled out, the parties in charge of the process might be under power of Rousseff, the overtaking party may also be involved in the corruption scandal and the investigations around the so called Lava Jato or Petrobas scandal are not closed.

c) Legal terms for investment by foreign companies

To understand Brazil as a country for FDI or any other mode of entry, it is critical to understand the peculiarities of its legal system as well. The Brazilian legal system is generally considered as highly bureaucratic, slow and burdensome. The Brazilian Civil Code entails particular rules for companies when entering the Brazilian market. It is generally permitted to create a branch or representative office, but this has to be approved by the federal executive institution. Other entry modes are more often used such as forming a legal entity Limited Liability Company (LLC). This does not require the company to raise a minimum capital and there is no limit of partners of the company. When establishing a Joint Stock Company (JSC) there is also no minimum capital required (Costa, 2012). It is also important to note here that foreign investment is restricted in the insurance, aviation and media sector.
In general, the Brazilian Government is promoting Foreign Direct Investment by removing barriers, especially on the stock market, privatizing companies and deregulating many industry sectors right now. In addition, several bilateral agreements ratified by the congress with 7 countries protect foreign investors. When it comes to Brazil's performance for the protection of investors Brazil ranks pretty high in the index of Transaction Transparency as well as Investor Protection and Manager's Responsibility, but shows major weaknesses in comparison to other Latin American countries, Germany and the US in the Index of Shareholder Power (Santander, 2015b).

d) Opportunities

The Brazilian market offers despite its current economic slow down still opportunities for international companies. These are its demographics with a large population of over 206 million inhabitants and a 22,8% middle class share in the population which is expected to be constant until 2020 (Euromonitor, 2016; Statista, 2016).
In addition Brazil offers easy access to raw materials and its economy is considered less

vulnerable to international crises.
Also its geographic position is considered as strategically favorable as it gives easy access to other south-American markets. Further opportunities include the diversity of Brazil's economy and its large pool of workers from all educational levels. The weak Real makes investments for foreign companies in Brazil favorable. Investment opportunities are provided within Brazil's traditional key sectors of the economy such as agriculture, beef or mineral ores. Other sectors, such as textile, pharmacy, automobile or steel are also increasingly contributing to the country's GDP. In addition, the government motivates FDI in infrastructure development (Santander, 2015b).
The current negotiation of the EU and Mercosur on a trade agreement in line with the negotiation for a bi-regional Association Agreement, which includes a political and a corporation aspect, are giving rise to a positive outlook for companies or the government doing business in or with Brazil. The EU currently holds a bilateral partnership agreement with Argentina, Brazil, Paraguay and Uruguay. In addition, the EU and Mercosur signed and concluded an Inter-regional Framework Cooperation Agreement in 1999. The provisioned new agreement would add on this framework, which only encompasses cooperation on trade-related matters for industrial and agricultural goods until now, by covering areas such as services, establishment and government procurement as well as intellectual property rights, customs and trade facilitation, and technical barriers. Mercosur was established in 1991 and counts Argentina, Brazil, Paraguay, Uruguay and Venezuela (since 2012) as members. The accession of Bolivia to Mercosur is still pending since 2012. The status of the negations on the new agreement is still pending with both sides preparing market access offers (European Commission, 2016).

e) Challenges

Doing business in Brazil requires the company to have a solid understanding and know-how of the particularities of the Brazilian legal and political system such as tax structure, labor law restrictions, lack of qualified personnel, logistics given the lack of infrastructure, and the slow bureaucratic system. In addition, social factors, such as the high disparity in distribution of wealth, represent challenges for companies when doing

business in Brazil (Export Gov, 2015).
The current political and economic unstable situation characterized by the shrinking GDP, double-digit inflation triggered by the impeachment process, as mentioned above, represent considerable risks for companies when entering the Brazilian market. The high instability in these patterns can represent a burden for foreign investors when they have to engage with regulatory agencies in sectors such as electricity and energy which are monopolies in the Brazilian market as well as sectors that are affected by competition from China such as textiles (Santander, 2015b).

4. Findings Case Studies

In the following part the findings from the data that was gathered through the interviews with the five case companies' representatives will be presented. All case companies entered the Brazilian market in 2014, 2015 or is planning on doing so in 2016, when the crisis had already started and the business environment was characterized by considerable volatility. The entry modes the case companies used where either a distributing agent or a subsidiary. But the factor entry mode will be neglected for further analysis, as the focus will be on the motivation for the decision to enter the market in general via any entry mode. Solely exporting products to the market is not considered as entering the market.
Each case will be described in detail with focusing on the main areas (1) company and product, (2) drivers for market entry, (3) market selection criteria, (4) market strategy and (5) evaluation of the market entry. The information to describe these patterns for each company was derived from the answers of the interviewees and was further proved for consistency by drawing on secondary data from the companies' webpages and additional publications of the company. These five areas are consistence with the structure of the interview guide to facilitate the data gathering process and give the findings more structure such that the data can be analyzed in a way that allows cross-case comparisons with ensuring high validity and reliability. Table 3 shows an overview of the five case companies.

4.1 Case 1: HopSol AG

HopSol AG

Industry: Solar
Market entry status: entered in September 2015 via wholly owned subsidiary.

The company & product

The HopSol AG operates as a family-owned business in the solar industry.
The main products are turnkey solutions for photovoltaic power plants. In addition, they act as a wholesaler of all relevant parts for photovoltaic solar power solutions. In addition, HopSol offers services such as location selection, project planning, operation and maintenance and also energy audits and energy consulting (HopSol, 2016). Photovoltaic (PV) solar power solution work especially well in hot and so-called Sunbelt countries where a high radiation is provided. An advantage of these PV solutions that HopSol provides is that no subsidies or support form the government is required.
Their internal unique capabilities are the know-how in regarding to solutions for the desert region in particular, as the company invests in R&D projects including generation of empirical data on equipment and facilities for these regions. The unique selling proposition of HopSol is their usage of thin-film modules, which allows the customer to adapt the PV solution to the specific conditions of the location. This adaptation technology is key to the success of HopSol in hot regions as customers gain 15% more electricity with the same investment in solar power (Interviewee 1, 2016). Located in Zurich, Switzerland, the company invested in subsidiaries in Johannesburg, Africa and since September 2015 in Brazil (HopSol, 2016). HopSol set up wholly- owned subsidiaries in all of their international locations.

Drivers for market entry

The main factors HopSol considered when taking any internationalization decisions were the decreasing prices for the PV technology in certain locations as well as the hot climate and radiation intensity. For the administration of global operations HopSol chose to install an office in Europe, while the operations themselves are conducted in Africa and Brazil. Besides the location, especially the climate and the specific resources HopSol disposes of have driven their decision to enter the Brazilian market in particular. These resources involved the connection to the current country manager in Brazil who the CEO of HopSol was looking for.
The logical next move for HopSol would have been to either go to Australia or South America, as these regions both provide the conditions of the location that the PV technology solutions of HopSol are targeted at. Besides the fact that the CEO of HopSol already had connections to the future country manager for HopSol who had in-depth knowledge on the market, HopSol considered Brazil as a huge market (it is about 100 times bigger than HopSol's other location Namibia). In addition, Brazil has an under-capacity of installed power plants, which is suggested to be critical, as it would have led to a situation where Brazil would have run out of electricity if the crisis had not set in. Through the current crisis, less electricity is used as many companies scale down their operations, which consume electricity. Prices of electricity have already been increasing by 50% as a result of the under-supply in the last years (Interview 1, 2016).
When HopSol made the decision to enter the Brazilian market in 2015, the crisis was already ongoing. The company did research on price fluctuation, market figures and forecasts in order to make sure that they took the right decision. HopSol states that the crisis was already there when they decided to enter the Brazilian market, but they did not expect it to be that complicated as it has been in the last three months of 2015. But in 2016 HopSol expects a more positive result when considering the performance of its main supplier who already reached its target for three months by end of January (Interview 1, 2016).
In general, HopSol does not worry too much about the crisis and its negative effect for the business as it states that the PV technology industry is a special case, which is not directly linked to the economic and political instability in the country. This business is

not comparable with the automotive sector for instance, which is directly linked with the consumer demand. Only one negative aspect does HopSol mention in regarding to the current performance in the Brazilian market, which is that the prices for its products have been rising due to the strong Dollar compared to the declining value of the Brazilian Currency, the Real (Interview 1, 2016).

Market selection criteria

HopSol' s *strategic objectives* were only partly important in the market selection decision for Brazil. It was more of a "where else to go" question that motivated the company to choose Brazil and to select this market. It just made sense for them, since Brazil is also by far the biggest market in South America. The next factor *own or accessible resources* was quite a strong influential factor for HopSol' s market selection as nowhere else the CEO already had a connection to a person that could act as country manager and would help the company to build up trust in the new market.

The *similarity or proximity to other markets* HopSol has entered, i.e. in this case Africa, had also quite a big influence for the market selection. Despite the fact that Namibia is not close to Brazil geographically, the market is still similar in consideration of what the customers need and expect from HopSol' s products. The *experience* HopSol gathered through the market entry into Africa has also been an important factor for choosing Brazil as the next market for expansion. HopSol learnt from its entry in the African market what is important, i.e. know the right people and overcome difficulties in the beginning of the market entry. The *market potential* that Brazil provides was the most important factor for the market selection decision.

The *risk* that HopSol anticipated for the market did not have an important influence in their decision, since HopSol expects that there are no direct links between the crisis and its business as mentioned above. Generally, HopSol admits that the reality looks different than planned which is a risk they have to take (Interview 1, 2016).

Market Strategy

HopSol did adapt its strategy already shortly after the company has entered the Brazilian market due to suppliers' decisions, but not primarily due to the increasing instability in Brazil since late 2015. These decisions of suppliers encompass for instance the abundance of the supplier's business in general driven by falling module prices and high investment costs for the supplier (Interview 1, 2016).

Evaluation of the market entry

In general, HopSol considers its business in Brazil as quite profitable with an about 200% growth rate in comparison to last year. The main reason for HopSol' s success despite the crises is linked to the growing demand for solar power where turnover rates climbed up by 300% within the last two years. The market is growing at a high pace in comparison to 2015. On the downside the dollar gets more expensive and thus prices also will climb up, which could also affect HopSol' s business after all (Interview 1, 2016).

4.2 Case 2: Zimmermann PV

Industry: Solar
Market entry situation: entry in November 2014 via subsidiary, planning on local production (start not determined yet).

The company & product

Zimmermann PV is a German manufacturer of Ground Mount PV Mounting Frames for solar power since 2009, with a turnover of 50 million Euros in 2014 and 100 employees. In addition to the PV Mounting Frames, Zimmermann PV supports the client in project planning and statics including ground investigation and risk assessment. Furthermore, clients may choose to assign Zimmermann PV with assembly of the frame and additional services such as electrical wiring. Zimmermann PV also provides the shipment of the product to the clients' location. Zimmermann considers the low cost, precision, adjustability, customization and qualities as unique selling proposition (Zimmermann PV, 2016).

Zimmermann PV has its headquarter and manufacturing site in Germany. It sells its products in various countries throughout Europe, Jordan and since November 2014 also in Brazil. UK is the country where Zimmermann PV achieves its best sales numbers among the other European countries such as France, Sweden, Norway and Denmark. The company made its first move outside of Europe when it entered Jordan. As manager for the operations in Jordan the company hired a German, since it is critical for the business that the country manager can communicate with main stakeholders in the country, but also with the German headquarter. In November 2014, Zimmermann PV entered the Brazilian market (Interview 2, 2016).

In general, suitable markets for Zimmermann PV's products are in regions of high temperatures with high sun radiation. The number one market for solar power is Australia, followed by Brazil, Africa, India and the US. In Africa, other power sources are preferred since the cities are small and solar power is expensive. New rules for nuclear power forces Africa though to switch to alternative power sources. While oil and gas is considered as dirty energy sources, wind power is considered as the best alternative before solar power. In general, prices for renewables are falling (Interview 2, 2016).

Drivers for Entering

The main drivers for Zimmermann PV were all centered on finding the best irradiation possible at a particular location. Land in Europe is expensive, but the technology standard is relatively high. Zimmermann PV is result driven and considers the profit level to be higher in other places than Europe with better radiation. Zimmermann PV is aware of higher risks in countries outside of Europe, but the higher the risk, the higher the gains as the company states. To consolidate this risk, Zimmermann PV uses its basis in Europe and can thus afford to enter other riskier markets overseas. Furthermore, they start early with planning on the market entry to be better positioned among the existing competitors in the market and to reduce risks (Interview 2, 2016).

Especially, factors in respect to Brazil's location particularities pulled Zimmermann PV towards this market. These factors encompass the huge space and the low price of land in Brazil. The Brazilian government started an auction for a particular amount of electricity; hence Zimmermann decided to enter Brazil by accepting the first auction thereby leveraging a first mover advantage. Zimmermann PV's strategy to hand in a proposal for an auction as early as possible has already been proven successful in respect to its operations in Jordan. But by entering quite early, there is not much time for the company to assess risks. Until now Zimmermann PV had no issues with operating in Brazil in regarding to contract fulfillments and payments on time (Interview 2, 2016).

Zimmermann PV ignored the economic slow-down in Brazil since the plan by the Brazilian government for the solar power energy sector was defined for five years. The only risk Zimmermann PV fears is that the government will due to the current instabilities not stick to the plan. Zimmermann PV is certain that the government will shorten expenditures within other markets but not in the energy sector since everybody in the country depends on energy. Hydroid power is no alternative energy source since Brazil suffers from water shortage due to the lack of rain. But Zimmermann PV also acknowledges that big investors will draw back plans to invest in Brazil right now, even if the solar Industry seems to be well of (Interview 2, 2016).

Market selection criteria

For Zimmermann PV the company's *strategic objective* was not very important as a market selection criterion since it was more a "just go there and see move". But in the long term Zimmermann PV believes that Brazil could become one of their top markets. For Zimmermann PV *resources* such as steel quality are key to their business. Brazil has these resources as raw materials, but Zimmermann has to teach Brazilian firms how to process them in order to source locally. Hence, this criterion was only modestly important for the company when selecting a suitable market for expansion.

The *similarity or proximity* of the market was quite important for the market selection since this allows Zimmermann to leverage similarities of technology standards among its different other markets that can be found in especially the southern part of Brazil where there are German settlements.

The *experience* that Zimmermann PV gathered when entering the market in Jordan can also help doing business in Brazil, which makes this selection criterion quite important as well. The *market potential* was the most important criterion for Zimmermann as Brazil provides one of the best solar eradiation, cheap land and government programs for the solar energy sector. Since the company was planning to only move a small share of its production towards Brazil having a strong position in Europe, the operation did not seem to involve notable risks.

Hence, the criterion *anticipated market risk* was only moderately important for the market selection. For Zimmermann PV, Brazil represents the question mark in the so-called BCG matrix, suggesting that the market growth in Brazil for Zimmermann PV's products is expected to be high, but the share of Zimmermann PV in the market is currently low. The strategy is thus to wait if the product proves to be worth or not. If this is the case, Zimmermann PV will expand its operations in Brazil (Interview 2, 2016).

Evaluation of market entry

Zimmermann PV evaluates the market entry as not as successful as initially expected. One of the issues in the Brazilian market is related to customer preferences and needs. The clients require the frames to be movable, but Zimmermann PV does not manufacture the required equipment to move the frames.

This market of movable frames accounts for 80% within the market Zimmermann PV is operating in. But this market has been experiencing a slope of 80% since Zimmermann PV started to operate in Brazil in 2015. Hence Zimmermann PV focuses on the remaining 20% of the market where the company is market leader. This market is considered by the company to be notably large. Zimmermann PV considers the fact that their solar frames are a completely new products for Brazilians and that the steel the company uses for the frames is high quality, which is robust against seawater and the atmosphere having a life expectancy of 25 years at least, as a great competitive advantage. The plants are to last for 20 years as Zimmermann PV states, thanks to the high quality of the surface protection material the company delivers. The company considers the opportunities Brazil offers right now as important. The opportunities are arising as the company cites, because the country seems to open their eyes for corruption and the country is getting cleaned right now. Hence, Zimmermann PV is positive that the political and economic risk in the country will decrease. The company further expects more opportunities in the infrastructure market, which is still in the development phase (Interview 2, 2016).

Zimmermann PV mentions that the company did not consider the geological risk, when assessing the market. In Brazil companies want to save money and hence do not investigate the ground before buying the product from Zimmermann PV. But mood or not solid ground and heavy winds can harm the frame construction. But since these clients purchase the product including a 25 years warranty, Zimmermann PV has to come up for the damage. The company expects that the current instability will influence majorly the demands from the financial department, as there are more requirements for warranties and insurgencies. In addition, Zimmermann PV wants to receive payments in Euro, as the Real is greatly instable. Many customers have difficulties with this as they also have their financing in Real (Interview 2, 2016).

Market Strategy

The strategy the company applies currently will probably change to the extent of installing local production as planned for March 2015. Due to the current instability this plan was postponed. The company currently imports the products to Brazil and sells it there. The government initially announced to raise import taxes, which would have forced Zimmermann PV to establish a local factory as soon as possible. Since the government postponed this plan's initiation, the company has more time now to assess where to install the facility. A difficulty which comes along with local production is though the requirement to employ locals and thus to find qualified Brazilian human resources for working at Zimmermann PV. The company will definitively stay in the market and install local production sooner or later. The company expects a strong acceleration of its business in Brazil and the economy in total within the next four to five years, as Zimmermann PV looks optimistically at the voting in 2016 (Interview 2, 2016).

4.3 Case 3: MOBA Group

Industry: Technology
Market entry state: entered in 2015 via subsidiary

The company & product

MOBA is a family-owned business operating in the Mobile Automation industry since 1972. The products are divided into seven main areas including 2D and 3D leveling and positioning, mobile weighing systems, Identification, Quality control, Software, CAN-Technology and Process Automation and Process Visualization. MOBA offers solutions for different industries, such as agriculture, earthworks, mining, road construction, waste management. MOBA is globally recognized as the expert in the development and production of machine control systems, identification, mobile weighing technology, and flexible software solutions. The company's major clients are machine manufacturers, but since recent years also end-users (MOBA, 2016).
MOBA has been expanding its business by establishing subsidiaries in Europe where they started initially in France, then expanded to China in 2000, India and the US afterwards. It has three sites in Germany and its headquarters in Limburg close to Frankfurt. In 2015 the company entered the Brazilian market with founding a subsidiary for the distribution of the products imported from Germany. In general, the products sold through the subsidiaries in countries like India, China or now Brazil are

manufactured in Germany. But sometimes, products are adapted to the specific market and produced by a local manufacturer such as in China. Right now, only products manufactured in Germany are sold in Brazil (Interview 3, 2016).

Drivers for entering

Drivers to set up a subsidiary in Brazil are to develop connections to business partners and clients or to introduce a new technology. This is especially true in the business of MOBA where clients may require support with handling or installing the product. In addition, MOBA considers the contact of a Brazilian person to the Brazilian clients as critical for the success of the business. MOBA did already have business with machine manufacturers in Brazil and saw an export potential for end users in all segments. The crisis provided MOBA with business opportunities, as many companies in all industry sectors are becoming more conscious about the fact that technology is critical to compete in the market, to cut costs and keep skilled employees. The main challenge for MOBA is firstly the language barrier, i.e. the lack of English language skills within Brazil's population, which forces MOBA to send Portuguese-speaking employees to Brazil for doing business there. In addition, the current political situation leads to a declining governmental support for doing business in Brazil.
Since MOBA generally plans in long terms, when deciding about a market entry, the company was not becoming reluctant to move forward with the market entry despite the crisis. The company acknowledges though that they would not have expected the situation to be that critical. But nevertheless, in the company's view, it makes sense to invest exactly at this point in time in order to leverage exchange rate advantages, which makes the investment cheaper for foreign companies. According to MOBA's prospects the market entry only pays off in the long run and the results will come later then the company had expected (Interview 3, 2016).

Market selection criteria

The most important criterion when selecting Brazil as a market for entry was the *company strategic objectives*, i.e. following where there is most demand. As mentioned

above, Brazil is considered as a high *potential* market for MOBA since there is a low penetration of technology yet. The *own or accessible resources* were a negligible criterion, since in Brazil the application of technology is different than in other countries MOBA is present. In addition, the human resources MOBA needs are not easily available in Brazil, as many engineers do not speak English and have to go through training before they have the skills that are needed to work for MOBA.
The criterion *similarity and proximity of the market* is less important as Brazil and for instance India differ largely in respect to English skills. China and Brazil are not comparable markets in respect to the country's price level (China is considerably cheaper). In addition, the *market experience* MOBA gathered so far is not a relevant criterion that MOBA considered in the market selection assessment as it is considered as completely different than the other markets MOBA has experienced so far. The *potential* of the Brazilian market was very critical for the market selection as mentioned above. The risk MOBA anticipated for Brazil did not affect the market selection as MOBA plans in long terms (Interview 3, 2016).

Evaluation of the market entry

MOBA did expect that results would be negatively affected by the crisis in the end of 2015, but the company underestimated how critical the situation would eventually be. In general, many other companies suffer from the crisis, because they are dependent on the investments in infrastructure. As a result they try to be more productive by finding new solutions. MOBA has an optimistic view on the future though, and expects that the situation will be better for companies in this market as soon as there is a decision about the current president. In general, MOBA believes that since Brazil already experienced an impeachment process in its history and moved out of the instable situation, the situation will get better again this time (Interview 3, 2016).

Market Strategy

MOBA does not change much in its predefined strategy for the Brazilian market, but reduces investments. Otherwise, MOBA keeps on developing human resources and following its processes as planned, even if the performance is not as projected in the last year. MOBA constructs the basis for its business right now, in order to be strong in the future when the crisis is over and the economy starts growing again (Interview 3, 2016).

4.4 Case 4: MSB

COMMERZBANK

Industry: Banking
Market entry situation: entered Brazil via representative office, FDI planned in 2016.

The company & product

MSB Corporate Banking is part of the Commerzbank AG, ranked 2^{nd} in the German banking market and 1^{st} in the market for corporate clients services as to export activities. MSB has its strength in its international footprints where it has been moving in and out starting around 120 to 150 years ago. MSB provides its clients with services ranging from cash services including account deposits, payments, electronic banking and cross border transfers. In addition, MSB offers support for trade business such as export and import finances, pre-export finance and guaranteed business. Finally, MSB provides credits such as cross border credits, loans, currency foreign exchange derivatives as well as corporate finance solutions and market loans (MSB, 2016). MSB has been present in Brazil a long time ago, then moved out of the market and is now planning on re-entering in 2016. MSB assesses the necessities of doing business in a certain market as well as the market potential in order to decide how to enter a market, i.e. via a representative office or a subsidiary. Asia was in focus for the company recently, China in particular. In general, the company looks at where their customers are going and follows them (Interview 4, 2016).

Drivers for entering

MSB follows its over 2000 German background clients to new markets. In addition, Brazil represents a big market for MSB even under the current downturn of the economy. Brazil is a challenging market though, which makes forward looking decisions not easy. There are many restrictions that make it as MSB states difficult to get in and out of the market with the investment. In addition, MSB considers high entry barriers, taxation issues, and limitations in international recruitment as quite challenging external factors. To circumvent some of these issues MSB has been motivated to set up a subsidiary in Brazil instead of only being present in the market with a representative office.

MSB assessed potential income and costs of the business in Brazil by various factors, analyzed the foreign exchange rate, set up risk scenarios, and assessed the potential scale of business and the capital available. In addition issues such as taxation and due diligence were taken into account for the risk assessment.

MSB did plan long ago to set up a subsidiary in Brazil that could serve clients and do business for the books of MSB. The representative office is limited to tasks such as client advisory. Even though the situation in Brazil was different when MSB planned the investment, MSB will stick to its decision (Interview 4, 2016).

Market selection criteria

For the market selection, MSB considered the *company's strategic objective* as very important. For the decision to choose the Brazilian market as location for the establishment of the subsidiary, it was critical for MSB to have the required *resources* such as the market know-how and network to partner banks and clients that they built up before, when entering via the representative office.

The *similarity* to other markets was existent in respect to clients, but since Brazil is the only South American country MSB is present, there is no geographical *proximity*. Overall MSB considers this criterion as minor to their selection process. The *experience* MSB gathered from other overseas market entries clearly played a major role in the market selection, as MSB already had an idea of market entries into overseas markets, even if they require new resources for Brazil in particular. The high *market potential* that MSB ascribes to Brazil was majorly important as a criterion for the market selection. The *anticipated risk* was not important as a criterion for the market selection since MSB considered it as being manageable as the company believes that without risk one does not earn money (Interview 4, 2016).

Evaluation of market entry

MSB now only has a representing office there, where the focus is on building relationships to local banks. The performance result of the office has been positive for several years (Interview 4, 2016).

Market strategy

MSB does not adapt its strategy for Brazil as a result of the crisis and will stick to their roll out plan. The current crisis might even increase opportunities for them, since other local banks do not focus on German clients and their specific requirements and since other German banks have reduced operations in south America due the political instabilities and these also do not focus on the "Mittelstand" (SME) clients. MSB considers itself also as being well positioned among international players in the Brazilian market. Local Brazilian banks have also different set ups. MSB has mainly large businesses and only a small amount of Brazilian businesses as clients. Even if the reduction of these businesses due to the crises has an impact on MSB's performance, MSB considers the potential for clients as high and thinks that there are enough opportunities in the market despite the crises. The belief of MSB is that there will be an economical stabilization, but the business environment will still be shaky in the next six months (Interview 4, 2016).

4.5 Case 5: iiM AG

Industry: Engineering

Market entry situation: Entered via distributing agent in October 2015

The company & product

The iiM AG was founded in 1998 by three engineers and has its headquarters in Suhl, Germany as well as two wholly owned subsidiaries in Nurnberg and Weißensberg. The company operates within two main business areas, i.e. industrial LED illumination or lights for machine vision applications, and cable measurement engineering for cable manufacturers all around the world. The company serves customers in various industries such as solar, cable, wire and automotive. The unique selling proposition of iiM is the company's high quality for a reasonable price. In regarding to the cable measurement devices market, iiM has competitors, however these are of a smaller company size and have so far not been a threat. iiM has tapped this niche market 15 years ago and developed to the market leader (iiM, 2016).

The company sells its products in various markets via distributing agents. The company first expanded by selling its products in European countries such as Italy, France and Spain. Later on, iiM started selling its products in Russia, Egypt, India and South Africa. iiM did follow the waterfall strategy and additionally was pulled into international business opportunities by customer inquiries.

iiM entered the Brazilian market in October 2015 via a distributing agent, who will sell their products in the market. iiM leverages the advantage of having a distributing agent which the company remunerates on a commission basis without having fixed expenses. The company got into contact with the agent during an exhibition, "Wire South America". In addition, iiM' s customer, a supplier for the cable industry, also employed the distributing agent before, which enabled the company to have the required information on the agent's contact and performance (Interview 5, 2016).

Drivers for entering

iiM has access to data that allows the company to have an overview over the market size in the cable manufacturers industry. Hence, iiM knew about the high market potential in Brazil as a country. Besides the compelling market characteristics in Brazil, iiM also considered the market entry into Brazil as a steppingstone for South America and thus for being present in all major markets around the world. The company considers import taxes as the main market entry barriers since is makes products more expensive for customers, thus may have an impact on sales. Additional factors such as cultural differences and the educational situation may be challenging for iiM in the future. The current crisis did not in any way influence the decision of iiM to enter the market, as they trust their distributing agent who considered the future development of the market for iiM as promising (Interview 5, 2016).

Market selection criteria

The *company's strategy* was partly influencing the market selection, which encompasses to enter the three big markets US, South America and Asia.
The company's *own or accessible resources* were also only partly important in the market decision. iiM was further motivated to enter the South American market in general, because one of the former iiM employees lives and works in Paraguay. Hence, the first intention was to build a business by leveraging his knowledge of the market as well as his network. In addition the company has the own resources of operating internationally through the headquarters, which would be advantageous for any operation in Brazil as well.
The *similarity or proximity to other markets* did not particularly influence the company's market selection; neither did *experiences* from other market entries. The huge *market potential* in Brazil had the most influence on the market selection for iiM, since manufacturers in Brazil largely require products which iiM offers. Cable

manufacturers in Brazil are not necessarily forced to buy iiM's high performance equipment, however iiM's particular equipment is required to remain competitive in comparison with other international manufacturers.
The *anticipated risk* did not have any impact on the market selection, since iiM sells its products on various markets that may even out fluctuating results in Brazil (Interview 5, 2016).

Evaluation of market entry

The company is aware that the distribution of the products is currently slightly more difficult since customers must be convinced of the return on investment even more during the current economical slow down. In general, the company relies on the distributing agents in respect to market trends and sales. Until now iiM has two big customers that they acquired last year (Interview 5, 2016).

Market strategy

iiM entered Brazil only in October 2015 by entering in a commission based contract with the distributing agent. The company invested in demonstration equipment that the agent uses for acquiring new customers. The company may consider bringing partly unfinished products to the Brazilian market, which will be completed there. As such the products would be cheaper for the customers. The company's strategy of entering the market despite the current crisis was to grasp first mover advantages. In that way the company has the time to build relationships to customers and get known in the market before the economy starts to be better off again.

Company	Industry	Market entry mode, year of entry
HopSol	Solar	Wholly owned subsidiary, 2015
Zimmermann PV	Solar	Distributing agent, 2014
MOBA	Machine Technology	Wholly owned subsidiary, 2015
MSB	Banking	Wholly owned subsidiary, 2016 (planned)
iiM AG	Machinery support	Distributing agent, 2015

Table 3: overview case companies

5. Analysis

In the following part the case studies will be analyzed in order to answer the overall research question as well as the two sub-questions which will lead to results and conclusions that contribute to the current literature on market entry strategies into volatile markets. The analysis part is structured into three main parts corresponding to the sequence of the research questions.

In the first part, the analysis will be focused on comparing the findings from the interviews with the representatives of the five case companies in respect to their motivation to enter the Brazilian market despite the crisis. Hence, the responses from the interview part 1 and 2 which includes questions on the case company’s drivers for entering Brazil and the market selection criteria used which led to the decision to chose Brazil as the market for entry (including the quantitative data from the market selection criteria ranking) will be linked to the theories presented in the literature review part on motivation for internationalization, internationalization theories and strategies for market entry.

Secondary data presented in the literature part under Brazil as a suitable example will be applied in order to put the analysis into the context of Brazil. Findings from the interviews with the two industry experts, the consultant from Berners Consulting and

the analyst from Frontier Strategy Group will serve as support for the arguments being made.
In the second part of the analysis, data from the case studies will be examined on the topic of evaluation of the market entry by comparing the findings from the interview on evaluation of market entry with findings from the interview with the analyst of Frontier Strategy Group. Proposition 1 from the first part of the analysis will serve as a basis for the proposition made for this respective analysis part.
In the third part of the analysis, the question, which strategies German companies should apply when entering Brazil right now will be answered by comparing the strategies applied or planned to be initiated by the case companies. In this part, current theories as introduced in the literature review part under strategies for market entry will be applied in order to back up the findings derived from the answers on questions of part 4 of the questionnaire on market strategy. In addition, secondary data on strategic adaptation for the current Brazilian market will serve as an extension to the results of the analysis.

5.1 Motivations of Companies for Market Entry

In order to draw conclusions for answering the major research question of what motivates German companies to enter Brazil despite the current economic and political instability, the five company cases will be compared and linked to existing theory. In this way the main motivation of the case companies will be revealed and backed up by theories that confirm these. Additionally, inconsistencies of current theory in comparison with the findings of the study will be elaborated in detail.
Theory suggests that there are two basic patterns that drive companies to enter a foreign market, i.e. firstly push factors that relate to the company's resources as well as to the home country's market conditions as well as pull factors, which relate to specific advantages the target market offers (Isa et al., 2014). Brazil offers despite the crisis a great amount of pull factors that offer various opportunities for international companies such as the favorable large population as well as its geographic position in the South Americas, the weak currency at the moment and the probable finalization of the trade agreement of the EU and Mercosur (European Commission, 2016).

Despite all, challenges linked to the country's developing status such as high bureaucracy that hampers FDI or other market entry attempts as well as lack of qualified employees, weaknesses in regarding to infrastructure as well as social inequalities make it difficult for foreign companies to do business in Brazil. The economic and the political instability right now highly threatens the Brazilian business environment attractiveness for foreign companies as it turns Brazil into a highly volatile market.

The five case companies seem to have neglected the current crisis in Brazil when taking the market entry decision. HopSol considers the crisis not to be linked with their business of PV technology, at least not directly. Zimmermann PV also states that the crisis does not have a direct impact on its business since the government concluded a plan for the solar power energy sector that is defined for five years stating the amount of electricity it will buy. Hence, Zimmermann PV is sure to win further contracts with the Brazilian government despite the crisis. MOBA also states that it is more concerned about the lack of an English speaking work force in Brazil as well as general challenges in the business environment that where already known before the crisis started. However, the company representative states that the governmental support is shrinking as a direct effect of the crisis, which will have an impact on MOBA as a company likewise. MSB did not consider the current crisis to have a direct effect on its business though and the company was majorly concerned with general challenges in Brazil for doing business as mentioned above, such as specific entry barriers and taxation issues. iiM does also not consider the current crisis as having a negative impact on the business as import taxes and cultural differences are considered as majorly challenging factors in doing business in Brazil.

Hence, the motivation of the case companies to enter Brazil seemed not to be majorly diminished by the high volatility in the market induced by the economic and political instability. This particular motivation appears to be driven by three patterns that were found to be majorly evident for the case companies and that could also be partly underpinned by existing theories.

As such, three main categories of motivation for the market entry into Brazil under the current volatile market condition in particular have emerged.

a) Seize Market opportunities

All companies showed evidence for the motivation of seizing particular market opportunities in Brazil. This driver for market entry decisions is widely accepted in current theory. Authors such as Grüning and Morschett (2011) state that companies enter new markets in order to seize new opportunities such as attracting more international clientele and Cavusgl et.al (2002) argue that companies enter markets in order to increase sales. Snowinski (2002) further suggests that companies want to grasp the potential of emerging markets, which is in essence the large population and the increasing disposable income.

As such, for HopSol the hot climate and the irradiation, which are two factors that are critical for the business success, as well as the market size, were clearly two main driving forces to enter this market. Zimmermann PV operates in the same industry as HopSol and hence was looking out for the same features within the market as HopSol. For the company the same pulling factors, climate and irradiation, were mainly driving the decision to enter the market. Additionally, the large size of the population and low price of the land in Brazil has driven Zimmermann PV to enter.

MOBA saw a high potential arising in the Brazilian market because of the crisis in particular as many manufacturing companies became more aware of the fact that they need to invest in technology. The consultant of Berners Consulting supports this argument by stating that there is a tendency of Brazilian companies especially in manufacturing to require higher technology, while this key industry sector is still underdeveloped in Brazil (Interview 1, 2016). MOBA additionally aimed at targeting a new customer base in Brazil as the company saw a high potential for sales to end users in Brazil. Hence, MOBA was motivated by characteristics of the market that arose because of the crisis. Current theory fails here to focus on market opportunities that arise because of the volatility in the market in particular and positively influence the motivation of companies to enter the market.

MSB's clients are majorly large German corporations that operate internationally. Hence, MSB saw a large potential in Brazil as well to cater to its clients as they seek growth opportunities in the Brazilian market likewise. iiM's main motivation to entre Brazil has also been driven by the country's high market potential for addressing clients in the cable manufacturers industry in this case.

The ranking of the market selection criteria further proves the fact, that all companies entered the market as they aimed at seizing market opportunities. As such, all five case companies considered the country's market potential as the most important factor of their market selection decision for Brazil at that point in time (see table 4).

This argument is further consistent with what the interviewed analyst of Frontier Strategy Group indicated. The clients he advised so far all agreed on the motivation of seizing market opportunities. These companies state that the Brazilian consumer is usually richer than consumers in India or China and that government spending within the B2B market has increased in recent years (Interview 3, 2016).

b) Leverage competitive resources

Only a few authors focused on the resource based view and its relation to the motivation for market entries. Hoffmann et al. (2009) has done so focusing on market entries into volatile markets. He suggests that companies enter volatile markets before the uncertainty is resolved in order to have competitive advantage that arises from rare resources they have such as contacts to future clients or prospects of long-term contracts. Almost all case companies show evidence for this motivation, i.e. to enter Brazil before the political and economic instability is resolved, in order to leverage competitive advantages arising from their particular resources. P

owell's (2014) contribution further supports this argument as he suggests that companies that have particular competitive advantages enter a respective market relatively early in order to be able to compete with the more profitable firms in the new market. All of the case companies did not wait until the crisis is over, but entered as soon as they saw a particular opportunity in the market.

iiM had its network as a resource that helped them to find the right distributing agent in Brazil, which is critical to the success of any company that enters a market without prior knowledge or a network. Thus, finding a suitable distribution partner right away was a competitive advantage.

MSB already had a customer base in Brazil since the company follows its clients to the markets. Furthermore the company was present in form of a representative office for several years in the market without doing operations for the books, but for establishing relationships to clients and gaining know-how. Thus, MSB entered Brazil encouraged by the fact that they would have a considerable competitive advantage through their market know-how and relationships to clients in the market. HopSol also claimed their competitive advantage by entering Brazil as the company benefits from its good network. As such the company had connections to its future country manager for Brazil who had the critical know-how about the market and the skills to create a competitive advantage for HopSol.

MOBA only shows minor evidence for this motivation pattern, since it does not have a rare resource that could lead to a competitive advantage in Brazil in particular. Its technology is a rare resource in various emerging countries. Thus, MOBA has a competitive advantage also in other markets and not forcibly in Brazil, which makes this motivation pattern negligible for MOBA's market entry decision for Brazil.

Zimmermann PV has not been driven by its rare resources to enter Brazil in order to harvest the competitive advantage the company would have. The company has rather been pulled into Brazil by the countries opportunities in the solar industry as well as by the government initiated auctions about a large amount of electricity that can be delivered by the installment of Zimmermann PV's solar mounting frames.

The ranking the companies made for the market selection criteria, especially when looking at the results for MOBA and HopSol, partially support this second pattern b) of the market entry motivation for Brazil. The market selection criteria accessible resources is directly linked to the driver considered in this paragraph, i.e. selecting a particular market in respect to the resources the company disposes of, which might give it a competitive advantage in this particular market.

iiM and MSB rank the criterion own or accessible resources with three in a range from one (least important) to five (most important). HopSol considers this criterion as almost the most important factor. Zimmermann PV ranked accessible resources likewise with three, since the company may leverage the low priced raw material that Brazil offers in the future, but the company first has to find skilled counterparts in Brazil who have the know-how for processing these resources. Thus the accessible resources will only be more important in the future, but did not play an important role when Zimmermann PV decided to enter Brazil last year.

MOBA ranks this market selection criterion lowest since the company may not leverage resources such as human resources in Brazil and at the same time can not use its capabilities and know how in regarding to the technology installation drawn from other countries MOBA operates in as it differs in every country. Especially Brazil seems to be a quite different market on various perspectives for MOBA (see table 4).

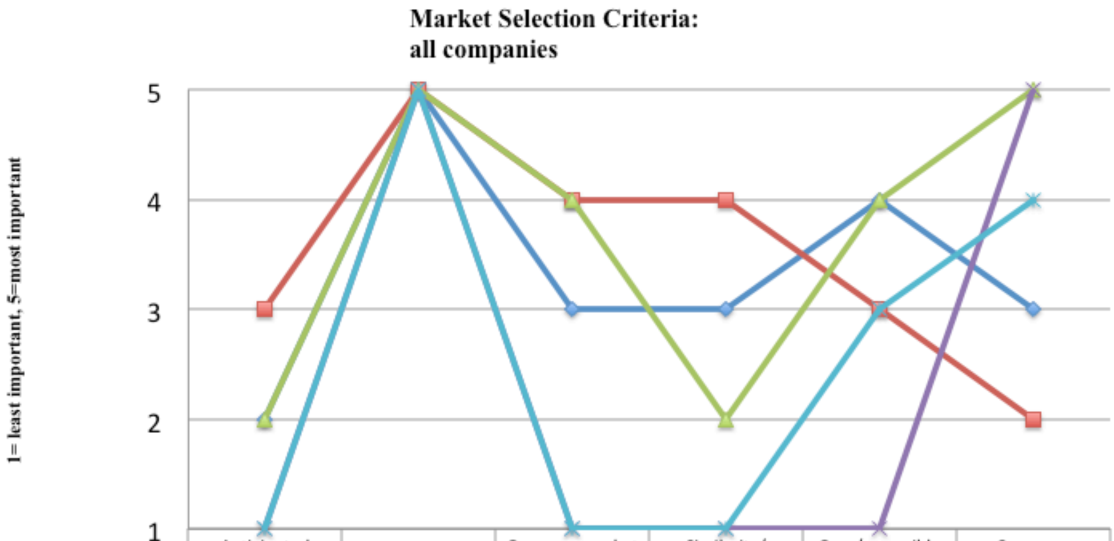
c) Follow company's internationalization strategy

The case study companies were majorly all found to be encouraged to enter Brazil despite the crisis by their internationalization strategy. This complies with research of current literature, which reveals theories that mention the company's strategy as a motivation for market entry decisions. One of the authors of these theories is Koch (2001) who suggests that companies select markets upon the criterion of the company's overall strategic approach. Other authors such as Johanson and Vahlne (1977) explain the motivation of companies to enter a particular market by relating the factor knowledge and country risks in their internationalization theory. They suggest that companies follow a strategic approach when deciding which market to enter in that they start with markets where they exposed to few risks. As they gather more knowledge on foreign market entry processes, these companies will be motivated to enter countries that hold more risks. In the case examples two companies showed evidence for the arguments found in current theory.

MOBA sees the entry into Brazil as a logical step as the company follows their internationalization strategy. After having entered other emerging countries such as China in 2000 and India after that, MSB also follows its overall company strategy, i.e. spread international reach by stepping into the South American market. The market entry into Brazil was a strategic decision as it represents a stepping-stone for MSB into South America.

iiM states that the company follows a so-called waterfall strategy that has already driven them to enter European countries such as Italy, France and Spain first and later on Russia, Egypt, India and South Africa. Hence iiM followed the theory of psychic distance (Johanson & Vahlne, 1977) by first entering countries that are more similar to Germany and are less risky for the company. Subsequently, the company entered more difficult markets such as Brazil recently. HopSol and Zimmermann PV do not follow a particular internationalization strategy and act more impulsive.

These results are consistent with the ranking of the market selection criteria where MSB, iiM and MOBA ranked company strategic objectives as the most important criterion for selecting Brazil for market entry while the other two companies HopSol and Zimmermann PV only ranked this market selection criterion with a 2 and 3 (see table 4).



	Anticipated overseas market risk	Country market potential	Overseas market selection experience	Similarity/ proximity of overseas market	Own/accessible resources & capabilities	Company strategic objectives
HopSol	2	5	3	3	4	3
Zimmermann PV	3	5	4	4	3	2
MSB	2	5	4	2	4	5
MOBA	1	5	1	1	1	5
iiM AG	1	5	1	1	3	4

Table 4: Evaluation of Market Selection Criteria by case companies

Hence, the majority of the case companies were found to agree on the suggestion made in theory of following a particular internationalization strategy that drives them to enter a specific market. In general, when comparing theory and examples from the case study three major patterns of motivation to enter Brazil despite the current volatility emerged which are summarized in table 5 and stated in proposition 1 below: (see table 5):

Proposition 1: German companies were primarily motivated by three distinct patterns for entering Brazil: (1) Seize market opportunities, (2) Leverage competitive resources and (3) Follow company's internationalization strategy.

Motivation for Market Entry	**Examples from case studies**	**Companies showing strong evidence**	**Theoretical background**
a) Seize market opportunities	Land price, large population size, High demand, Mercasur agreement, rising prices for products in Brazil.	All	Grünig & Morschett, 2011: attract more international clientele; new trade agreement as pulling factor. Cavusgil et al., 2002: increase sales. Sowinski, 2000: large population and increasing disposable income.
b) Leverage competitive resources	Contacts to future manager, long-term contracts, contact to customers, unique technology.	MSB, HopSol, iiM	Hoffmann et. al, 2009: securing competitive advantage in uncertain markets. Powell, 2014: leverage competitive advantage by entering early.
c) Follow the company' s internationalization strategy	Extend international reach, Brazil as stepping stone for South America, applicability of know- how from other markets, "logical next step".	MOBA, MSB, iiM	Koch, 2001: Company strategic objectives as market selection criterion. Johanson and Vahlne, 1977: the higher the knowledge, the riskier the chosen markets.

Table 5: Summary of Proposition 1

5.2 Evaluation of the market entry

When taking into account the results as described in proposition 1, MOBA and Zimmermann PV are the only two companies that do not consider a particular rare resource, which may lead to a competitive advantage in the market, as having encouraged them to enter Brazil. These same two companies also are the only ones among the case companies having negative prospects for their performance in the Brazilian market since they entered. Reasons for this have been named as not being able to meet the customer needs in respect to product characteristics or being challenged by external effects resulting from the unstable political and economical situation in Brazil, such as the reduced government spending for certain infrastructure projects. Eventhough MOBA thinks that as soon as a new voting in 2018 takes place, the company's performance will improve, MOBA did still not expect that the current situation in Brazil would be as critical for the business. For Zimmermann PV the performance is worse than expected, partly because of different customer preferences and needs, and indirectly as well because clients reduce investments as a response to the high volatility in Brazil right now.

All other companies state that they have positive prospects for the future and that already now during the crisis their business performance was quite at a reasonable level. The reasons for why these companies have such an optimistic view on the future in the Brazilian market is because they may rely on their competitive resource. They have already signed long-term contracts or have a large customer base already in the market that they may access. The findings further suggest that no company considers pulling out of the market. iiM entered Brazil in October 2015, but already has two big customers, which encourages the company to be optimistic about the future in the Brazilian market. Zimmermann PV and HopSol are in the same industry, but differ in their prospects for the company's performance after the market entry. As opposed to Zimmermann PV, HopSol looks very optimistic towards the future in the Brazilian market as the company recorded profit growth rates of 200% in comparison to 2015 where the company entered the market. These two companies operate both in the solar power industry, which is according to HopSol growing. As such, the assumption can be made that the particular industry companies operate in does not determine the performance results for doing business in Brazil. MSB is just about to open their first branch in Brazil, but has optimistic prospects in regarding to the performance of the company in Brazil as the company refers to the positive feedback from its representative office in Brazil.

As a result, the following proposition can be made (see for proposition summary in table 6).

Proposition 2: The evaluation of the market entry into Brazil does not depend on the industry, but more on accessible or internal resources that give the company a competitive advantage.

Evaluation of the market entry	**Examples form the case studies**	**Companies showing strong evidence**	**Reasons**
Optimistic prospects	Already signed long-term contracts;	HopSol, iiM, MSB	Increasing demand, already existing customer base.
Negative prospects	Product characteristics do not meet customer needs; Reduced investments of potential clients due to crisis	Zimmermann PV, MOBA	Different customer preferences than expected, external effects due to the crisis such as reduction of government spending.

Table 6: Summary of Proposition 2

Proposition 2 complies with the statement of the industry expert from FSG who says that their clients do not consider pulling out of Brazil as an option. FSG's clients consider Brazil still as a great growth engine as the country still provides substantial gaps in regarding to for instance infrastructure that can be seized by foreign companies despite the current crisis (Interview 3, 2016). These findings again suggest that companies' optimistic prospects depend largely on the fact of their resources and the opportunity in the market to grasp the competitive advantage. Hence, it can be suggested that companies who dispose of a competitive advantage in Brazil, should enter this market despite the current crisis.

5.3 Market Strategies

When comparing the cases two main strategic approaches for confronting the volatile market condition after the market entry where found. First, companies might take proactive strategies or second they might stay passive. Theories suggest that companies may act proactively in an uncertain business environment by focusing their resources on one specific scenario where they might also make further investments (Wernerfeldt and Karnani, 1987). In addition, companies may take actions to stay agile, i.e. be prepared, for better times or take on absorption strategies, i.e. having the resources to survive when the market conditions deteriorate (Sull, 2009; 2005). All companies showed partly evidence for these theories. Passive strategies include doing business as before, basically ignoring the uncertainty in the market and hoping for better times or estimating the risks as too high and pull out of the market to avoid the probability of future losses (Bittlingmayer, 2001; Wernerfeldt and Karnani, 1987).

When looking at the statements of the case companies, all of them seem to take proactive actions. HopSol follows the agile strategy by changing its supplier only shortly after the market entry, Zimmermann PV focuses on a core market that emerged as particularly suitable to the company's competitive advantage; MOBA, MSB, iiM and Zimmermann PV prepare for the time, when the crisis is over, by developing human resources or making the required investments and develop customer relations following the agility strategy. In general, companies keep on following their initial roll- out plans.

Zimmermann PV and MOBA stated that they additionally take passive strategies such as postponement or reduction of investments in order to save costs and to not increase sunk costs in case they have to pull out of the market.

Zimmermann PV for instance only moved a minor part of their operation to Brazil and postpones the commitment of more resources, i.e. further investments into facilities, to a future point in time when the market has proven to be beneficial for the company. The fact that these companies in particular take passive strategies may be explained by looking at their negative prospects for the future. These companies expect that the future might not be as promising as thought before the market entry and they want to be prepared for the worst case. The consultant from Berners consulting further supports these findings by stating that companies operating in Brazil right now take passive strategies by postponing further expansion plans (Interview 1, 2016).

Proposition 3: Companies with negative prospects of performance after the market entry, take additionally to proactive strategies, passive strategies.

Strategic adaptations	**Examples from the case studies**	**Companies showing strong evidence**	**Theoretical background**
(1) Proactive strategy	Re-focus on core market, preparation for future (HR development etc.), stick to set up a plan, build relations to customers	All	Wernerfeldt and Karnani, 1987: focus resources on one market. Sull, 2009; 2005: agility and absorption.
(2) Passive strategy	Postponement of investment, reduction of investment	Zimmermann PV, MOBA	Wernerfeldt and Karnani, 1987: wait strategies. Bittlingmayer, 2001: pull out of the market.

Table 7: Summary of Proposition 3

In addition to the strategies as described at proposition 3 which the case companies take, the interviewed analyst from Frontier Strategy Group suggests that the companies should have a critical look on the developments in Brazil right now (Interview 3, 2016). Companies should understand the new dynamics in the market and be more detailed about where they should put their resources. Companies should according to Alonso (2015) make adaptations to their value proposition to the higher price sensitivity of the customers in Brazil. Particularly activities that comprise the enhancement of value-added services such as installation or technical assistance are considered as effective.

The extra expenses for these services will be paid in the local currency. Thus the company can leverage the depreciation of the Real. Especially companies such as iiM that entered the market just recently via a distributing agent and claim that it is more difficult now to convince customers to buy their technology, Alonso's suggestion of adding additional services could boost business. A second proactive strategy suggested by Alonso is to localize business, which involves finding local suppliers or acquire a company in order to benefit from the depreciation, which is forecasted to continue until 2018. Hence, companies such as Zimmermann PV may have to consider this strategic move as well and invest right now instead of pushing it further in the future.

In addition, companies do not consider risk management strategies as an adaptation to the instable political situation as they do not consider the current crisis as having an impact on their business performance. But Zimmermann PV for instance is dependent on the government's compliance to their solar energy power demand plans though. As such, it could have been favorable for Zimmermann PV to adapt its strategy in the sense that the company invests in the goodwill of the government in order to avoid policy risk (Henisz and Zelner, 2010) by investing in a good relationship with the government to ensure long-term contracts on a frequent basis. MOBA is a company that is also dependent on the government's support more indirectly, as MOBA's clients require support by the government to have the funds to invest in MOBA's technology.

Still, the company does also not consider specific adaptation to cope with policy risks that originate in highly volatile markets such as Brazil right now. The company could for instance frame its market entry as growth enhancing for the Brazilian economy as the company supplies domestic manufacturers with technology that they require for operating more efficiently thus saving costs. This technology is currently not offered by domestic firms, thus MOBA could argue that it supports the Brazilian industry in selling their technology to local companies.

This strategic approach could lead to a higher political support for MOBA's industry as well as their market entry as such. To sum up, the case companies use proactive as well as passive strategies. Additional secondary literature argues that companies entering Brazil right now should also apply strategies that prevent a negative impact form policy risk and monitor the development of the political ad economic situation in Brazil right now.

6. Conclusion

The aim of this research project was to answer the main research question of what motivates German companies to enter Brazil despite the current crisis. Instinctually, we would argue that companies avoid countries that show high volatility since operations in these markets are often quite risky. Hence a market entry into these countries would rather lead to a loss for the company than help to make additional profits. Research for this paper has shown that German companies have clear motivational goals that drive them to enter Brazil right now despite the quite instable market conditions. The analysis in regarding to the market entry motivation of German companies has shown that motifs of these companies can be categorized into three main areas: (1) Seize market opportunities, (2) Leverage competitive resources and (3) Follow company's internationalization strategy.

Furthermore, the analysis of the findings suggests that not the industry in which the companies that entered Brazil operate in is decisive for how companies evaluate the market entry and prospect the future performance of the business in Brazil, but rather the competitive resources companies may leverage for being successful in Brazil under the highly volatile business environment right now. The results of this research study clearly show that there is no black and white answer to the question if German companies should enter Brazil right now, yes or no. But so far all case companies do not pull out of the market, which suggest that these companies expect to be successful in Brazil sooner or later. Hence to answer the first sub-question, companies that have rare resources, which they can leverage in Brazil right now leading to a competitive advantage, should enter the Brazilian market despite the unstable economic and political situation.

Finally, two main strategic approaches have been found to be relevant for companies entering Brazil despite the current crisis: a proactive strategy and/or a passive strategy. These two strategies are not mutually exclusive. Some case companies apply activities that are examples of proactive and passive strategies dependent on their respective prospects for the future performance of their business in Brazil. As such strategies that companies apply right now after the entry into Brazil between 2014 and 2015 are to proactively either focus on their competitive advantage by making investments in this business area to make gains right now or even more in the future once the crisis is resolved, or focus on staying flexible and preparing for the future by investing in human resource development or developing customer relationships. Industry experts further suggest additional strategic initiatives by the companies that protect them from policy risk, which is more critical under the current political instability, and other proactive strategies such as offering additional services.

Jumping back to the example of Daimler from the introduction, despite the crisis in Brazil right now, even large German companies do not plan to pull out of the market and as theory and industry experts suggest any company should first consider proactive or other passive strategies before resigning. Daimler takes passive strategic actions right now such as reducing expenses on human resources, but at the same time takes proactive strategies such as investing in new products having optimistic long-term prospects for the business in Brazil despite the crisis right now (Bloomberg, 2015).

7. Discussion

In this last part of the paper the most important implications and limitations will be discussed. Finally, the author will give suggestions on further research.

7.1 Implications and Recommendations

The findings of this research project have significant implications for not only future studies, but also companies that ask themselves if they should seek new opportunities even if the market conditions seem greatly unstable and volatile. The conclusions drawn from the analysis of the data gathered from five company cases and two expert interviews as well as from secondary data on the current business environment in Brazil have shown that companies have reasonable motifs why to enter the market while also having a high willingness to take risks. But risk is definitively a factor that companies have to consider when making market entry decisions for volatile markets.

If the company's culture is risk averse it might be difficult in the first step to convince senior executives to take the decision to enter a volatile market. Secondly, companies might miss out on opportunities after the market entry to adapt their strategy accordingly and take on riskier proactive strategies that might lead to higher returns in the long term though securing the company a competitive advantage. The findings further on suggest that companies should not back off from entering markets only because they seem to be marked by a heavily risky and instable business environment. These companies should invest more resources into risk and market assessment to project the future of their business in the respective market not only in the short run but also in a long-term perspective.

As such, to generalize the findings from the example of German companies, which entered Brazil, the main recommendations for managers being in charge for a market entry decisions into highly volatile markets will be presented as follows:

(1) Consider the company's particular resources and assess the competitive advantage the company might have through them despite the volatility in the market.
(2) Assess the risk and market conditions thoroughly in order to project the future business performance, without preliminarily neglecting the market entry because of the high volatility.
(3) Take proactive and passive strategic adaptations including policy risk management and continuous monitoring of the development of the political and economic situation.

7.2 Limitations

Besides the limitations in regarding to the applied methodology, further limitations include the theory chosen for this project.

There is a large amount of publications and theories on the topic of market entry modes, market selection and market entry strategies or strategic adaptations in emerging markets, which could have been presented in the literature review part and/or applied in order to analyze the case studies. For the purpose and the extent of this paper, only the most relevant theories for this project have been chosen. In addition, some theories have only had the purpose of framing the project and putting the research questions into context, and have thus not been applied for the analysis.

Furthermore, in order to deliver highly valid and reliable results for the overall topic of entry decisions in volatile markets, case studies of companies with different countries of origin as well as a high variety of different volatile markets are required. This study only includes companies from one country of origin, namely Germany, which take decisions to enter Brazil.

7.3 Further Research

The topic of market entry decisions is largely neglected in current literature, as the focus is more on market entry modes or strategies in general which overshadows research on the topic of the market entry decision as such (Ellis, 2000; Bjo Erkman and Eklund, 1991).

It is important though to go back to the origin of the market entry, i.e. the motivation for it in essence, in order to understand what the goal of the operation in the particular market should be. If the objective is set and understood within the company it will be considerably easier to implement new strategies that will trigger the business performance in the new market. Especially, in the context of volatile markets, further research is important to discover how companies in different industries can make the decision to take the risk or not to enter such a market. Further research should thus include companies with different sizes and industrial background as well as different volatile markets in order to identify interconnections between these influential factors. In fact, as many theories confusingly suggest, volatile markets are not at the same time emerging markets (Luo, 2003). Hence, future research might also include examples of companies that for instance make entry decisions for developed markets like Greece or Turkey where unemployment, country debts or political instability stimulate the volatility in the market.

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Interview 1: with Manuel Brettschneider (Berners Consulting) conducted on 1st December 2015.

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APPENDICES

Appendix 1: Questionnaire Case Studies

Questionnaire

Subject:

Entry decisions in volatile markets

How Brazil’s current unstable economic and political situation shapes the market entry decision- making of German companies?

Introduction:

This questionnaire is designed to investigate on the motivation of your company to expand to the Brazilian market despite the current recession. The following questions are posed in order to analyze the main drivers of the decision to expand to Brazil, the market selection criteria used and the evaluation of the market entry and performance of your company in Brazil right now as well as strategic adaptations.

General Questions on the company and its international expansion

What is your company’s product?

What would you consider the strengths and unique selling proposition of your company?

Which countries have you already entered?

When have you entered which country?

How did you enter these countries?

Part 1: Drivers for Entering

Which factors had an impact on your company’s decision to expand internationally?

How do drivers for expanding to other markets, that your company already entered, differ from the drivers for entering Brazil?

How much do each of the drivers you just mentioned weigh in your decision making process for entering Brazil or not?

What did you consider as the main opportunities in this market?

What did you consider as the main challenges in this market?

Which risks did you assess before entering?

How did the unstable political and economical situation influence your drive to enter Brazil?

Part 2: Market selection criteria

Which market selection criteria have you used from the table 1 below?

Looking at Table 1 below, how important was each of these factors in your decision to choose Brazil as the country for expansion also in comparison to other market entries?

Did you adjust the criteria to the unstable political and economical situation in Brazil, e.g. did you add or drop criteria that you used for your decision to enter other countries?

Market Selection Criteria: 1= least important, 5= most important	1	2	3	4	5	
Company strategic objectives						Internal
Own or accessible resources						Internal
Similarity or proximity of overseas market						Mixed
Overseas market selection experience						Mixed
Country market potential						External
Anticipated overseas market risk						External

Table 1: own creation adapted from Koch (2001)

Part 3: Evaluation of market entry

How would you evaluate the current performance of your business in Brazil?

Did the market entry into Brazil positively affect your business?

What are the major opportunities that you discovered after entering the market?

What risks did you disregard when assessing the market for entry?

What do you consider the major challenges in the Brazilian market now that you entered?

How do you project the future for your company under the current market conditions in Brazil?

Part 4: Market Strategy

Which entry strategy do you usually use for entering a new market?

Did you adapt you entry strategy to the Brazilian market?

Do you adapt your marketing/ sales/ operations strategy in Brazil as response to current political and economical disruptions?

Thank you very much for your time and help.

Appendix 2: Questionnaire Alec Lee (Frontier Strategy Group)

Questionnaire

Subject:

Entry decisions in volatile markets

How Brazil's current unstable economic and political situation shapes the market entry decision- making of German companies?

Introduction:

This questionnaire is designed to investigate on the motivation of International companies to expand to the Brazilian market despite the current recession. The following questions are posed in order to analyze the main drivers of the decision to expand to Brazil, the market selection criteria used and the evaluation of the market entry and performance of international companies in Brazil right now as well as strategic adaptations they make or should undertake.

Introduction questions:

Can you shortly describe your position at Frontier Strategy Group?

Part 1: Drivers for entering:

You are the author of the article "Brazil remains a priority for multinationals despite economic and political woes", where you mention that there are three political scenarios that FSG believes to be most relevant.

Can you please shortly describe these three again with focusing on how these scenarios would influence the situation for companies operating in Brazil right now?

What are the main challenges companies can expect to encounter?

Part 3: Evaluation of market entry

How would you evaluate the performance of international companies in Brazil right now?

Which factors in respect to risks and challenges do you think, did most companies not consider when taking the entry decision?

What are success factors for companies operating in Brazil right now?

Part 4: Market Strategy

Do you see that companies made strategic adaptions when entering Brazil in recent years or when operating in Brazil under the current volatile situation? Why did they make these adaptions?

Which strategic adaptions would you suggest to make for international companies operating in Brazil in the light of the current political and economical situation?

Thank you very much for your time and help.

Appendix 3: Questionnaire Manuel Brettschneider (Berners Consulting)

Questionnaire

Subject:

Entry decisions in volatile markets

How Brazil's current unstable economic and political situation shapes the market entry decision- making of German companies?

Introduction:

This questionnaire is designed to investigate on the motivation of International companies to expand to the Brazilian market despite the current recession. The following questions are posed in order to analyze the main drivers of the decision to expand to Brazil as well as the market selection criteria used and the evaluation of the market entry and performance of international companies in Brazil right now as well as strategic adaptations they make or should undertake.

Introduction questions:

Can you shortly describe your position at Berners Consulting?

Which projects in relation to international companies entering the Brazilian market have you already been working on?

Part 1: Drivers for entering

What would you consider the major challenges for international companies entering the Brazilian market?

What are the opportunities international companies usually seek in the Brazilian market?

What are the most common entry strategies for International MNCs?

How does the current political and economical situation influence the motivation of international MNCs to enter the Brazilian market?

Part 3: Evaluation of market entry

How would you evaluate the performance of international companies in Brazil right now?

Which factors in respect to risks and challenges do you think, did most companies not consider when taking the entry decision?

What are success factors for companies operating in Brazil right now?

How do you expect the Brazilian economy evolving over the next 5 years?

Part 4: Market Strategy

Do you see that companies made strategic adaptions when entering Brazil in recent years or when operating in Brazil under the current volatile situation? Why did they make these adaptions?

Which strategic adaptions would you suggest to make for international companies operating in Brazil in the light of the current political and economical situation?

Thank you very much for your time and help.

Appendix 4: USB stick including interview recordings

1: Interview with Manuel Brettschneider (Berners Consulting) conducted on 1st December 2015

2: Interview with Sergio Esteves (Zimmermann PV) conducted on 1st April 2016

3: Interview with Alec Lee (Frontier Strategy Group) conducted on 6th April 2016

4: Interview with Patricia Herrera Diez (MOBA) conducted on 7th April 2016

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