

## Strategy and Performance: a Study on the Internationalization of the Major Brazilian Cashew-Nut Exporting Companies

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### ABSTRACT

International commerce has become, increasingly, an important mechanism of cultural and economic affirmation for countries and companies that wish to enter competitively in world markets. This entrance requires from the organization a change in global attitude towards the transnational way of management, which makes it necessary to promote mechanisms that facilitate the anticipation and adaptation of this change, which brings the need for performance measurement systems. In this perspective, this research surveys the existing relationship between the international entry/operation mode and the degree of internationalization of the Brazilian cashew-nut exporting companies between the moment of their entrance into internationalization, in 2007 and in a future state (2011). The theoretical referential was based on Sharma and Erramilli (2004), and Sullivan (1994). The methodology consisted on a quantitative study of descriptive nature. Primary data were collected in the year of 2007, in nine Brazilian cashew-nut exporting companies. It was concluded that there is no direct relationship between the international entry/operation mode and the degree of internationalization in the Brazilian cashew-nut exporting companies.

### INTRODUCTION

Internationalization originates from the competitiveness among companies in their constant search for more diversified markets, relating to cultural, geopolitical and economic characteristics, being it a reactive way through which businesspeople dodge competition attempting to discover new opportunities, aiming at developing their businesses and the relationship with their stakeholders. This reality is not different for the Brazilian cashew-nut exporting companies which try to adapt to a foreign market, prospecting new opportunities and facing threats.

In this study there was an attempt at determining the strategies of internationalization used by the companies, which once internationalized must have, first and foremost, a strategy able to develop adaptable global tactics, to facilitate the company's entrance into new markets, majoring, thus, its growth and, consequently, mitigating risk.

Since the international market have become, increasingly, an important mechanism of cultural and economic affirmation for countries and companies that seek to enter the world markets competitively, a company's behavior illustrates a change in global posture into a transnational way of administration, and it is necessary to promote mechanisms to facilitate the anticipation and adaptation of this change, and that brings the need for performance measure systems.

Based on the analysis of major cashew-nut exporting companies, we have tried to provide an answer to the following problem question: what relationship is there between the international entry/operation mode and the degree of internationalization presented by the Brazilian cashew-nut exporting companies?

Thus, we have established, as an objective, the identification of the relationship between the international entry/operation mode and the degree of internationalization presented by the Brazilian cashew-nut exporting companies between the moment at which those companies entered the international market, the current situation (2007) and a future moment in the next five years (2011).

The research by Forte and Moreira (2007) in the shoe sector was used as the basis for the elaboration of three presuppositions that represent provisory answers to the research problem: (i) the most commonly used international entry/operation mode are direct and

indirect exportation through intermediaries in the host country or through the company's own channels; (ii) companies possess a low degree of internationalization, nevertheless they have evolved with time and searched for a greater insertion into the international market; (iii) there is a direct relationship between international entry/operation mode and degree of internationalization.

Getting to know about the strategies and degree of internationalization might raise questions as to the whys and the wherefores of the situation, which by themselves justify the relevance of this research.

The research presents theoretical referential of international entry/operation mode (behavior) and degree of internationalization (performance), followed by the methodology, analysis, conclusion, and reference sections.

## **1 International Entry/Operation Mode and Degrees of Internationalization**

The objective of this section is to make it clear as to what international entry/operation mode are, going deeper into the model of Sharma and Erramili (2004), as well as presenting degrees of internationalization related to performance, under the point of view of the Sullivan Theory (1994).

### **1.1 International Entry/Operation Mode**

The international entry/operation mode is basically the sale of the products in foreign markets having as a starting point the domestic market of the company. There are several entrance strategies, and one's choice must be in accordance with the degree of internationalization that one intends to reach. It might be worth it to point out that, overall, organizations use diverse strategies. The strategies can be divided into the following categories: direct international investments, contract agreements, and exportation (HITT; IRELAND; AND HOSKISSON, 2002; NADKARNI; PEREZ, 2007).

#### **1.1.1 Direct International Investments**

This strategy happens when a company invests directly in a foreign territory, establishing a commitment with its capital, personnel and resources. The company generally possesses great control over its costs and operations (KHAMBATA; AJAMI, 1992).

Multinational companies decide to invest directly for two main reasons. The first reason is the opportunity to gain access to big markets and the second one refers to the advantage of differentiated costs in foreign markets. This cost advantage relates to the proximity of the company to the production resources, the economies of scale and the development of competences abroad. In general, companies go into foreign market for defensive reasons, that is, aiming at responding to strategic moves by their competitors, or even to follow a market leading company in new localities (NADKARNI; PEREZ, 2007).

Total control of its subsidiaries is normally the end of the line in a company's internationalization process. Through commercial and industrial establishments abroad, companies control the market and the decisions related to production while regarding information on their technological resources as classified data. That way, companies ensure profits generated by their subsidiaries. Although they do not face any problems with their minor stock holders, companies are responsible for all risks involved in the business. When companies intend to conduct their internationalization processes with total stockholder control on the business, they establish their subsidiaries in the desired market (MINERVINI, 1997).

Strategic alliances have been the major means of international expansion. The tone of this mode is the relationship between two or more companies for total collaboration and sharing of risks aiming at reaching a common goal. An organization enters a strategic alliance to acquire the necessary skills to efficiently get lesser costs and fewer risks. The competitive intensity of markets is a possible explanation to the growing number of strategic alliances on foreign markets (KEEGAN; GREEN, 1999; HITT; IRELAND; AND HOSKISSON, 2002).

### 1.1.2 Contract Agreements

The strategy of insertion through contracts, according to Root (1994), is the arrangement established between an international company and an organization in the foreign market involving the passing along of technologies or skills. Contract strategies are different from the other exporting strategies because they serve as a vehicle for the transference of knowledge in addition to providing exporting opportunities.

One of the options of internationalization is through the Licensing strategy. This strategy comprehends an activity in which the License giver grants the License holder with the right to use the manufacturing processes, patent and other services related to the product. In this mode, the licensing company offers the other company, through a contract, exclusive rights, such as the right to use or not frequently for some time in a determined geographic area, over the production processes, trademark, patent, commercial secret, management service or any other valuable item, in exchange for royalties or any other form of payment (ROOT, 1994; HITT; IRELAND; AND HOSKISSON, 2002; SHARMA; ERRAMILI, 2004).

Franchising can be understood as a derivation of licensing. In it, the franchiser provides a set of business-essential components, such as the use of concept and trademark, through the payment of royalties, but what makes it different from Licensing is the fact that the international company (franchiser) also helps in the marketing activities, organization and management of the franchised (HONÓRIO; RODRIGUES, 2005).

In the manufacture contract the company hires a domestic company to supply manufacture services. This arrangement is similar to vertical integration, except that, instead of establishing their own production plant, the interested companies subcontract the manufacturing. The subcontract may occur in two ways. In the first way there will be a contract for the whole production of goods at a local plant. The other way is through a service contract of partial manufacture with a service providing company (KHAMBATA; AJAMI, 1992).

The Joint-Venture method means, etymologically, a group risk investment through which foreign investors join local businesspeople for political and economic reasons. By means of a joint venture, a foreign company agrees to share capital and other resources with local partners, companies or authorities, in order to establish a new entity in the target market. The main benefits of this mode are the potential for return of invested capital and greater control over operations (ROOT, 1994).

### 1.1.3 Exportation

Exportation is regarded as the best-known, most traditional and objective way of entering a foreign market. Most companies, especially those of small size, use exportation as the only sales option for their products in foreign markets (KOTABE; HELSEN, 2000). The main objectives of this mode are the minimization of costs and risks (STÖTTINGER; SCHLEGELMILCH, 1998).

Thus, exportation is considered to be the most accessible international entry/operation mode, which is the reason why most companies initiate their activities in foreign markets, be it directly or indirectly (HITT; IRELAND; AND HOSKISSON, 2002).

**Indirect Exportation** occurs when unexperienced companies export, by their initiative or under specific requests by their clients abroad, in order to obtain knowledge on the ins and outs of international markets (KOTABE; HELSEN, 2000). In this mode, the company that executes the exportation does not have the necessity for investment or presence in the targeted country. The company is more focused on the domestic transactions, of their products with other home-country companies, which also sell these products in foreign markets. Therefore, it is possible to say that the established exporters are intermediaries which can be located in same country as the manufacturer is and are, likewise, able to sell their production abroad (SHARMA; ERRAMILI, 2004).

The sales activities in **Direct Exportation** are conducted by the manufacturer to a distributor, abroad, or directly to the final consumer. This method demands from the company the creation of a specialized internal department, where all activities related to exportation will be concentrated. Direct exportation may occur through the following commercialization channels:

Distributor, sales branch, mail sale or consumer direct sale, direct salesperson, exporters' association, exportation partnership, agent or representative abroad and so on (ROOT, 1994; ROSENBLOON, 2002). Direct exportations also present branches or subsidiaries abroad, responsible for the sale and distribution of goods; representatives that deal with foreign markets; and distributors that represent the company in the exporting country (KEEGAN; GREEN, 1999).

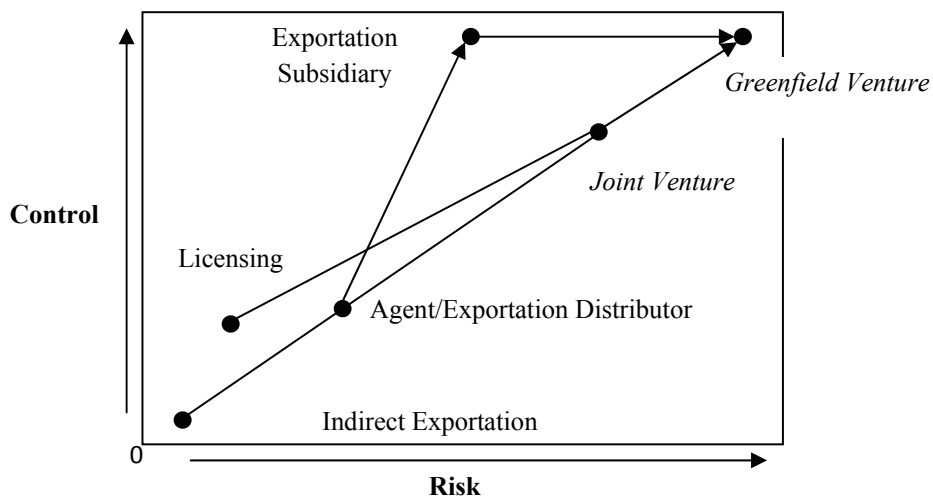


Illustration 1 - Evolution of the Decisions on the Entrance Methods. Source: Root (1994, p. 18).

Finally, it is relevant to point out that there is some dynamics between the international entry/operation mode. Once the international activity is initiated, companies gradually evolve in a relatively predictable pattern as they assume control over commercialization or develop skills in resource transference, capacities and management & production competence in the host country. This evolution is presented in Illustration 1. It is important to note that given the imposed restrictions concerning size, for instance, companies may not get involved in the creation of an exportation subsidiary (ROOT, 1994; HITT; IRELAND; AND HOSKISSON, 2002).

## 1.2 Degree of Internationalization

International commerce has become, increasingly, an important mechanism of cultural and economic affirmation for countries and companies that wish to enter competitively in world markets. This entrance requires from the organization a change in global attitude towards the transnational way of management, which makes it necessary to promote mechanisms that facilitate the anticipation and adaptation of this change, which brings the need for performance measurement systems. In this perspective, the performance measurement system has been an increasingly relevant topic over the past ten years, in business and in Academia. A considerable number of papers discuss the best way to identify factors that influence performance directly. Despite the subject's importance, there is no consensus in the theoretical and empirical research papers concerning classification and conceptualization. Researchers refer to the term performance measurement as performance assessment, or performance indicators (BOGAN; ENGLISH, 1997; NEELY; BOURNE; AND KENNERLEY, 2000; ECCLES, 2000; KAPLAN; NORTON, 2001; CARLSSON, 2006). In this research, the adopted term will be Performance, which uses a set of measures and indicators to verify the performance of a cashew-nut exporting sector, applied here as internationalization level.

To Sullivan (1994) the degree of internationalization of a company must be based on three pillars: performance, structure and attitude, and there is no consensual way of measuring the degree of internationalization of a company. This author provided an internationalization measurement that combined performance (relation between external and total sales), structure (relation between foreign actives and total number of actives and number of subsidiaries, and attitudinal dimensions (the international experience of the administrative cup and the psychic dispersion of the countries where the company operates).

Based on those attributes, after studying 74 industrial companies listed on the ranking of the top 100 North American companies on foreign revenue in the Forbes magazine from 1979 to 1990, the author elaborated a linear combination of meaningful variables for the measurement of degrees of internationalization, which are demonstrated on Chart 1.

$DOI_{INTS} = FSTS + FATA + OST S + PDIO + TIMIE$	
<b>DOI<sub>INTS</sub></b>	Scale of Internationalization level
<b>FSTS</b>	External sales/Total sales
<b>FATA</b>	Actives abroad/Total actives
<b>OSTS</b>	Subsidiaries abroad/total number of subsidiaries
<b>PDIO</b>	Psychic dispersion of the international operations
<b>TMIE</b>	International experience of top management

Chart 1 – Degree of Internationalization Equation. Source: Sullivan (1994).

In this research the formulation of alternative variables was adopted, adapting the original model of Sullivan (1994), to the reality of the researched companies.

$$GIN = VEVT + AEAT + SEST + PD + AIAF$$

<b>GIN</b>	Scale of Internationalization level
<b>VEVT</b>	External sales/Total sales
<b>AEAT</b>	Actives abroad/total actives
<b>SEST</b>	Subsidiaries abroad/total number of subsidiaries
<b>PD</b>	Destination Country – the sum of the percentages of the three economic blocks with the greatest exportation volumes of the company, with their respective exportation percentages.
<b>AIN</b>	Relation between the number of years of international activity of the surveyed company and the maximum number of years of foundation of the sample.

Chart 2 – Degree of Internationalization Equation. Source: Adapted From Sullivan (1994).

The model (Chart 2) will be used in the empirical study for verification of the degree of internationalization of companies in the cashew-nut sector comparing it with their financial performances. Here are the selected indicators:

- **External sales / total sales:** the participation of the company's turnover with the exportations on the total turnover, which is equivalent to the sales abroad plus sales obtained in the domestic market. It is considered that the greater the value of this indicator, the more internationalized a company is;
- **Actives abroad/total actives:** this indicator is obtained by the simple sum of the number of total actives in the company abroad divided by the total quantity of actives. It is considered that the greater the value of this indicator, the more internationalized a company is.
- **Number of subsidiaries abroad/Total number of subsidiaries:** this indicator is obtained by the simple sum of company subsidiaries abroad divided by the total number of subsidiaries. It is considered that the greater the value of this indicator, the more internationalized a company is;
- **Psychic distance :** this indicator is obtained by proxy as the average of the exportation percentages of the three main destinations of a company by economic block divided by 100. It is considered that the greater the value of this indicator, the more internationalized a company is, the greater the index and, therefore the lesser the psychic distance. Table 1;

Table 1 – Index Evaluation of Psychic Dispersion

	Destination country	Exportations 2006 Figures in US\$ FOB	Participation 2006 (%)	(%)	Index	Economic Blocks
1	United States	141.301.311	68,3			
2	Canada	8.965.822	4,3	73,9	0,74	NAFTA
3	Mexico	2.610.430	1,3			
4	Italy	6.619.288	3,2			
5	United Kingdom	5.274.382	2,5			
6	Holland	3.285.075	1,6			
7	Germany	3.267.780	1,6	12,4	0,12	European Union
8	France	2.566.008	1,2			
9	Spain	2.521.406	1,2			
10	Portugal	2.340.309	1,1			
11	Russia	3.952.326	1,9	2,6	0,03	APEC
12	Australia	1.456.063	.7			
13	Lebanon	4.633.657	2,2	2,2	0,02	Middle East
14	South Africa	2.213.977	1,1	1,1	0,01	AFRICA
15	Vietnan	1.659.579	.8	.8	0,008	ASEAN
16	Other countries	14.232.058	6,9	6,9	0,07	Other Blocks

Source: Elaborated With Questionnaire Data.



- **Relation between the quantity of years of the surveyed company's international activities and the maximum quantity of years of the sample foundation:** this indicator shows how the most internationalized companies are the ones that had their first international activity before the others. This indicator was obtained by proxy from the relation between the quantity of years of the surveyed company in international activity and the maximum number of years since the company's foundation. The greater this indicator, the more internationalized a company is.

## 2 METHODOLOGY

The research was conducted on Brazilian cashew-nut exporting companies and it focused on industries exporting over a million dollars in the year of 2006. This sector is the second greater in Brazilian exportations.

The companies have been found in registers of companies listed by the Centro Internacional de Negócios do Ceará (CIN) – International Business Center of Ceará, Ministry of Development, Industry and Foreign Trade, and by the Labor Union of Cashew Producers of the State of Ceará (Sindicaju).

It was observed that there were, simultaneously, twelve companies in three states of Brazil, – eight in Ceará, three in Rio Grande do Norte and one in Piauí (SINDICAJU, 2007). Following contact procedure, twelve e-mails with questionnaire-files were sent to the managers of each unit. Altogether, obtained nine valid questionnaires which corresponds to a response rate of 75%. The profile of the sample can be described as follows: Out of nine industries, seven are located in Ceará; one in Piauí and another one in Rio Grande do Norte. According to the Ministry of Development, Industry and Trade (MDIC) and the National Industry Confederacy (CNI), the cashew-nut industries are divided by turnover ranges, which have been used in this research. The starting range is from "US\$ 1 million to US\$ 10 million" and from "US\$ 10 million to US\$ 50 million", and the company names are listed on the turnover ranges presented by the MDIC and the CNI. By the Foreign Commerce turnover criterion, out of the nine union-registered companies analyzed, six exported something between US\$ 10 and US\$ 50 million in 2006 and three companies exported something between 1 and US\$ 10 million.

The oldest company was founded in 1962 and the youngest in 2002. Five companies started their internationalization activities within a short period, operating in the national market at intervals of at most six years (1962 and 1968) between company foundation and the beginning of their international activities. Four of the nine companies entered the international market in the same year they had been founded developing activities in the national market as well as in the international market.

The methodology consisted on a quantitative study of descriptive nature (COOPER; SCHINDLER, 2003). In the bibliographic research, national and international periodicals and books, national and international convention annuals such as Enanpad (1999-2006), 3Es (2003-2005), Google academic and data base websites for scientific research available on the Internet were used.

On the field research a structured non-disguised-concerning-objectives questionnaire was used. This same questionnaire was tested on a major company in the sector in order to obtain their impressions and not contaminate the definitive respondents, since the same tool was used in similar research developed by Forte and Moreira (2007), of which the main difference is in the calculation method of the psychic dispersion part in the Sullivan Method (1994). The result was used for an adaptation of the instrument for the sector, as well as for a greater refining and alignment with the research goals. The final version of the applied questionnaire consisted of four distinct parts. The first one characterized the company. In the

second part, there was an attempt at identifying the type of internationalization strategy (SHARMA; ERRAMILI, 2004) used by the company at the moment of entrance into foreign markets, currently and in the future. In the third and fourth parts, some data were collected for clarifying the degree of internationalization (SULLIVAN, 1994).

The data were collected in 2007 and there was support by two adequately trained researchers from the business administration field. The selected respondents were the presidents, or exportation directors of the companies. The first contact was through e-mail with an introduction letter and the questionnaire. Later on, there was a telephone conference for further clarifying. In other cases in which there was resistance by the administrators personal visits were paid in order to reinforce the importance and contribution of a respondent's participation in this study. It is relevant to point out that it was made clear to respondents that all information would be kept a secret. After the information gathering process, the classification process was initiated (RUDIO, 1995).

### 3 RESULT ANALYSIS

This section presents the analysis of collected data in a field research on the nine companies in the cashew-nut sector.

#### **Brazilian Cashew Industry Profile**

Brazil occupies third place in the world production of unprocessed cashew nuts and, also, in the offer of processed cashew nuts. The production of cashew nuts is distributed, mainly, in the states of Ceará., Piauí, and Rio Grande do Norte, with a registered production, considering the input of raw materials in the factories, of 325 thousand tons (crops of 2006/2007), harvested from 700 thousand hectares of cultivated area. The industrial context is made up of 12 companies which are capable of processing 360 thousand tons of cashew nuts, generating 70 thousand tons of processed cashew nuts and 45 thousand tons of cashew nut syrup. The revenue generated by exports represented 187 million American dollars for the northeastern region in 2007. Out of that amount, the state of Ceará participated with 136 million American dollars (72%) (SINDICAJU, 2007).

According to Embrapa (2008) the production of cashew nuts in Ceará dropped 9.58% in 2007. Several factors have contributed to this shortcoming in the crops, according to specialists: rainfall irregularity, hot and dry weather, low humidity, excessively strong winds before and during blossoming. The forecast for 2008 concerning production, according to 'Instituto Brasileiro de Geografia e Estatística' – IBGE (2008), is that 276.973 tons of cashew nuts. This institute reminds us that this projection might go through alterations throughout the year, especially in the second term.

The job generation in the production chain is of 300 thousand spots, distributed among industrial agricultural activity and services all over the northeastern region. The sector under analysis has been facing some difficulties, mainly due to taxation matters, encumbrance of payroll and increase in the value of the Real. In order to illustrate the seriousness of the factors mentioned above, we can observe that in 1999, when the minimum wage was 136 Reais, the amount of 19.70kg of processed cashew nuts, sold by 12.70 Reais, was equivalent to a minimum wage. In 2007, the scenario was quite different; a minimum wage of 380 Reais was worth 43.98kg of processed cashew nuts at 8.64 reais per kilogram. On the other hand, nowadays we have competition from India and Vietnam where cheap labor is available, and, unlike Brazil, these nations don't have social fees charged to the sector like Brazil (SINDICAJU, 2008).



## International Entry/Operation Mode

Table 2 presents international entry/operation mode by companies in the Brazilian cashew-nut sector, in the three analyzed moments: entrance, current (2007) and future (2011) situation.

Table 2 – International entry/operation mode by Companies in Three Moments

Internationalization Strategy	Moment of Entrance		Current Situation (2007)		Future (2011)	
	Quant.	%	Quant.	%	Quant	%
1- Indirect Exportation	4	26,7	2	13,3	2	11,8
2- Direct Exportation through intermediaries in host country	5	33,3	3	20,0	2	11,8
3- Direct exportation through company's own channels.	5	33,3	8	53,3	8	47,1
4-Contract mode: franchising, licensing or production contract.	1	6,67	-	-	1	5,9
5- <i>Joint venture</i> production	-	-	-	-	-	-
6- <i>Joint venture</i> trading	-	-	-	-	-	-
7- Own subsidiary abroad through acquisition	-	-	-	-	-	-
8- Own subsidiary abroad starting from zero (Greenfield).	-	-	2	13,3	4	23,5
<b>Total</b>	<b>15</b>	<b>100%</b>	<b>15</b>	<b>100%</b>	<b>17</b>	<b>100%</b>

Source: Field Research (2007).

At the moment of entrance in the foreign market, the most common strategies were direct exportation through intermediaries in host country and direct exportation through own channels, with 33,3 % each, followed by indirect exportation strategies, with 26,7%. However, the contract mode strategy was cited with 6,67%. Since companies can use one or more international entry/operation mode at the same time, the sum of all answers does not correspond to the total of nine companies (Table 2).

In the current situation, the most common international entry/operation mode among companies were: direct exportation through company own channels with 53,3% followed by direct exportation through intermediaries in host country with 20 % and indirect exportation international strategies and Greenfield with 13,3% (Table 2).

In the future, in next five years (2011), companies intend to use the following strategies: direct exportation through the company's own channels with 47,1% followed by subsidiary strategies with 23,5%, direct and indirect exportation through intermediaries in the host country with 11,8% each and the contract mode strategy, with 5,9 % (Table 2).

It is perceived that, overall, there is a “complexification” in the adoption of strategies as time passes by.

Table 3 – International entry/operation mode of The Companies In Three Moments. – Detailed by Company

Companies	Type of Strategy		
	Entrance	Current	Future
1	2	3	3
2	3	3	3
3	1,2,3	1,2,3	1,2,3
4	2	3,8	3,8
5	1,3	3	3
6	1,2,4	2,3	2,3
7	2	2,3	3,8
8	3	3	3
9	1	1,3,8	1,3,8

Source: Field Research (2007).

It is observed that (Table 3), from the nine investigated companies, five (1, 4, 5, 7, and 9) evolved, from the entrance moment to the current one, in the adoption of more sophisticated international entry/operation mode. From the current to the future moment, it can be observed that most companies intend to continue using the same strategies, that is, they do not intend to evolve in the adoption of strategies. It is noteworthy that among these eight companies, two have already used Greenfield Strategies, which is considered to be the most sophisticated within the set of eight international entry/operation mode listed in the research.

Analysis of Table 3 leads to the conclusion that there was an evolution in the adoption of international entry/operation mode by the Brazilian companies in the cashew-nut sector from the moment of entrance to the current moment and that eight out of nine companies intend to maintain their current situation strategy sets (2007) for the future situation (2011).

### Degree of Internationalization

The degree of internationalization, which comprehends an interval from zero to five, considering zero to be no internationalization to five which is the maximum degree of internationalization, was used to measure the performance of the Brazilian cashew-nut exporting industries in the international market.

Table 4 presents the degree of internationalization of Brazilian companies in the cashew-nut sector, in the three analyzed moments: entrance, current situation (2007) and future (2011).

Table 4 – Degree of Internationalization of the Companies at Three Moments

Company	Internationalization Level (GIN)		
	Entrance	Current situation (2007)	Future (2011)
Company 1	2,55	2,63	2,63
Company 2	2,96	2,70	2,90
Company 3	1,94	3,28	3,28
Company 4	3,39	3,00	2,80
Company 5	1,44	1,79	1,69
Company 6	2,31	2,23	2,56
Company 7	2,07	2,64	2,47
Company 8	1,60	1,47	2,27
Company 9	2,20	2,31	3,11

Source: Research Data (2007).

Concerning evolution of the degree of internationalization of the major exporting companies in the Brazilian cashew-nut sector, it was possible to verify that only company nine presented evolution in its degrees of internationalization at the two monitored moments (entrance-current situation and current situation-future). Companies one and three presented evolution in degree from the moment of entrance to the current moment, but intend to remain the way they are in a period of five years, that way the degree presents no evolution when analyzed from the perspective of the current moment into the future. The other companies presented evolution in the degree of internationalization for the current moment, but presented involution concerning the future.

In a general context five companies (1, 3, 5, 7, and 9) presented evolution from the moment of entrance to the current moment and four companies (2, 4, 6, and 8) presented involution. From the current moment to the future, four companies (2, 6, 8, and 9) intend to evolve in their degree of internationalization, two (1, and 3) intend to remain as they are and three (4, 5, and 7) might evolve in their degree of internationalization.

Analysis of table 3 leads to the conclusion that 55,5% of the investigated companies in the cashew-nut exportation sector present evolution from the moment of entrance to the current moment, though this statement of evolution cannot be expanded to the three moments, in view of the fact that from this perspective only 11,1% of the companies presented such results.

### International Entry/Operation Mode X Degree of Internationalization

Table 5 presents the relationship between the international entry/operation mode and the degree of internationalization of the nine respondent companies in the Brazilian cashew-nut exporting sector.

Since there are nine companies and two situations (entrance-current situation, situation A, and current situation-future situation, situation B) there are eighteen observations.

According to Table 5, we can infer that from the 18 observations:

- a) Strategy remains the same and degree decrease: 5 companies
- b) Strategy remains the same and degree increase: 4 companies
- c) Strategy gets more complex and degree increase: 4 companies
- d) Strategy gets more complex and degree decrease: 3 companies
- e) Strategy remains the same and so does degree: 2 companies

Table 5 – International entry/operation mode X Degree of Internationalization

Companies	Entrance		Current moment		Future	
	Strategy	GIN	Strategy	GIN	strategy	GIN
1	2	2,55	3	2,63	3	2,63
2	3	2,96	3	2,70	3	2,90
3	1, 2, 3	1,94	1, 2, 3	3,28	1, 2, 3	3,28
4	2	3,39	3, 8	3,00	3, 8	2,80
5	1,3	1,44	3	1,79	3	1,69
6	1, 2, 4	2,31	2, 3	2,23	2, 3	2,56
7	2	2,07	2, 3	2,64	3, 8	2,47
8	3	1,60	3	1,47	3	2,27
9	1	2,20	1, 3, 8	2,31	1, 3,8	3,11

Source: Research Data (2007).

Thus, from the eighteen observations it is possible to summarize that in only six observations there was a direct relationship (four with an increase and two with permanence

between strategy and degree). It is shown that in four observations the degree can increase, even though strategies remain as they are. That way, in ten observations the level remains the same or increases with the same strategies or more complex strategies. However, in eight observations there were two situations: (1) reverse relationship between strategy and degree (three observations); (2) the degree decreases even though strategies remain the same (five observations).

In case situation A is under consideration (entrance-current situation), from the nine observations, in only four there was a direct relationship between strategy and degree, and in situation B (current situation-future), from nine observations, in six the degree increases or remains the same, with the same strategies, making situation B the most promising one.

## CONCLUSION

The analysis tried to reach its objective and clarify the three study presuppositions. The first presupposition that the most common international entry/operation mode are direct and indirect exportation through intermediaries in host country or through the company's own channels was inferred but did not follow the same presupposed sequence. The presented sequence is the following: direct exportation through own channels with 33,3% each followed by the indirect exportation strategy with 26,7%.

The second presupposition that the companies still possess a low degree of internationalization, despite the fact that the level has evolved with time, was not confirmed, since, out of eighteen observations, in nine of them there has been or there will be evolution in degree.

The third presupposition that there is a direct link between international entry/operation mode and degree of internationalization was not confirmed either, since out of eighteen observations six were confirmed.

The limitation of the study is closely related to the fact that there are nine analyzed companies, in only 18 observations and a percentage was used for a better interpretation, even though there was awareness of the statistical inconvenience.

As a suggestion for new studies, there could be an investigation into why there is a reduction in level when the strategy remains the same or even gets more complex, which leads to criticism to the Sullivan (1994) model, at least with the adaptations realized here. It is also recommended that there is an investigation into the phenomenon in a situation which allows a greater number of observations, with support from multivariate statistics.

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