

Diplomarbeit

Kristina Erikson

**Market entry strategy for
management consulting companies
into the Brazilian market with focus
on the LEAN consulting business**

Bibliographic information published by the German National Library:

The German National Library lists this publication in the National Bibliography; detailed bibliographic data are available on the Internet at <http://dnb.dnb.de>.

This book is copyright material and must not be copied, reproduced, transferred, distributed, leased, licensed or publicly performed or used in any way except as specifically permitted in writing by the publishers, as allowed under the terms and conditions under which it was purchased or as strictly permitted by applicable copyright law. Any unauthorized distribution or use of this text may be a direct infringement of the author's and publisher's rights and those responsible may be liable in law accordingly.

Copyright © 2009 Diplom.de
ISBN: 9783836631198

Kristina Erikson

Market entry strategy for management consulting companies into the Brazilian market with focus on the LEAN consulting business

Diplomarbeit

Kristina Erikson

**Market entry strategy for
management consulting companies
into the Brazilian market with focus
on the LEAN consulting business**

Kristina Erikson

**Market entry strategy for management consulting companies into the Brazilian market
with focus on the LEAN consulting business**

ISBN: 978-3-8366-3119-8

Herstellung: Diplomica® Verlag GmbH, Hamburg, 2009

Zugl. IMC - International Management Center GmbH, Krems, Österreich, Diplomarbeit,
2009

Dieses Werk ist urheberrechtlich geschützt. Die dadurch begründeten Rechte, insbesondere die der Übersetzung, des Nachdrucks, des Vortrags, der Entnahme von Abbildungen und Tabellen, der Funksendung, der Mikroverfilmung oder der Vervielfältigung auf anderen Wegen und der Speicherung in Datenverarbeitungsanlagen, bleiben, auch bei nur auszugsweiser Verwertung, vorbehalten. Eine Vervielfältigung dieses Werkes oder von Teilen dieses Werkes ist auch im Einzelfall nur in den Grenzen der gesetzlichen Bestimmungen des Urheberrechtsgesetzes der Bundesrepublik Deutschland in der jeweils geltenden Fassung zulässig. Sie ist grundsätzlich vergütungspflichtig. Zu widerhandlungen unterliegen den Strafbestimmungen des Urheberrechtes.

Die Wiedergabe von Gebrauchsnamen, Handelsnamen, Warenbezeichnungen usw. in diesem Werk berechtigt auch ohne besondere Kennzeichnung nicht zu der Annahme, dass solche Namen im Sinne der Warenzeichen- und Markenschutz-Gesetzgebung als frei zu betrachten wären und daher von jedermann benutzt werden dürften.

Die Informationen in diesem Werk wurden mit Sorgfalt erarbeitet. Dennoch können Fehler nicht vollständig ausgeschlossen werden und der Verlag, die Autoren oder Übersetzer übernehmen keine juristische Verantwortung oder irgendeine Haftung für evtl. verbliebene fehlerhafte Angaben und deren Folgen.

ABSTRACT IN ENGLISH LANGUAGE

Especially during the last two decades consulting companies established themselves in the international marketplace. In times of globalization particularly emerging economies, such as Brazil, are experiencing an upward trend. The term *LEAN consulting* became frequently used in this context and plays a major role in the Brazilian consulting market. This thesis develops recommendations for the market entry of management consulting companies into the Brazilian market. The implication of the term *Lean* in the context of the consulting business and its future potential in Brazil is examined, supported by an evaluation of the target market. Accordingly, the outcome of the theoretical part is then being compared with empirical findings. These findings are conducted via a Delphi Study, identifying that the most promising strategy for doing business in Brazil is intensive networking. New ventures should enter the market only with professional support from Brazilian partners who are more familiar with the peculiarities of the market.

ABSTRACT AUF DEUTSCH

Insbesondere während der letzten zwei Jahrzehnte haben sich Consulting Unternehmen im internationalen Markt etabliert. In Zeiten der Globalisierung kann man vor allem in Schwellenländern wie Brasilien eine Tendenz nach oben erkennen. Der Begriff LEAN Consulting wurde in diesem Zusammenhang sehr frequentiert und spielt eine wichtige Rolle im brasilianischen Consulting Markt. Diese Diplomarbeit entwickelt Handlungsempfehlungen für den Markteintritt von Management Beratungen in den brasilianischen Markt. Die Bedeutung des Begriffs LEAN im Zusammenhang mit dem Beratungsgeschäft und dessen Potenzial in Brasilien wird untersucht, basierend auf einer Analyse des Marktes. Die Ergebnisse des theoretischen Teils werden mit den empirischen Befunden verglichen, welche via einer Delphi Studie ermittelt werden die klar herausstellt dass intensives Networking eine der vielversprechendsten Strategien für Unternehmen in Brasilien ist. Start-up Unternehmen sollten den Markt nur mit professioneller Unterstützung eines brasilianischen Geschäftspartners erkunden, der sich mit den Besonderheiten des Marktes auskennt.

TABLE OF CONTENTS

STATUTORY DECLARATION	I
ACKNOWLEDGEMENTS	II
ABSTRACT IN ENGLISH LANGUAGE.....	III
ABSTRACT AUF DEUTSCH	IV
1 INTRODUCTION	1
1.1 OBJECTIVE, RELEVANCE AND RESEARCH QUESTIONS	1
1.2 STRUCTURE OF THE TOPIC.....	2
1.3 METHODOLOGY	5
2 ECONOMIC OVERVIEW AND BACKGROUND OF BRAZIL.....	7
2.1 MERCOSUR	7
2.1.1 <i>History</i>	8
2.1.2 <i>Foundation</i>	8
2.1.3 <i>Economic role of the Mercosur</i>	9
2.2 THE COUNTRY BRAZIL	10
2.2.1 <i>Political and economic history</i>	11
2.2.2 <i>Economic environment</i>	13
2.2.3 <i>Political environment</i>	14
2.2.4 <i>Macroeconomic data</i>	15
2.2.5 <i>Social inequality</i>	17
2.2.6 <i>Level of corruption and governance indicators</i>	19
3 MARKET EVALUATION.....	22
3.1 THE “THREE-SECTOR-THEORY” OF BRAZIL.....	22
3.2 PRODUCTIVITY.....	24
3.3 POTENTIAL MARKETS FOR MANAGEMENT CONSULTING COMPANIES.....	25
3.3.1 <i>Major Brazilian companies</i>	26
3.3.2 <i>Strongest regions in Brazil</i>	31
3.3.3 <i>Most promising branches</i>	34
3.4 CONCLUSION	35
4 LEAN CONSULTING	37
4.1 DEFINITION AND PHILOSOPHY OF LEAN	37
4.2 TYPICAL PRACTICES APPLIED	39
4.3 DIFFERENCES OF LEAN MANAGEMENT TOWARDS OTHER METHODS	42
4.4 MANAGEMENT CONSULTING COMPANIES IN BRAZIL	44
4.4.1 <i>LEAN consulting companies in Brazil</i>	45
4.4.2 <i>The IBCO</i>	47
4.5 REASONS TO CHOOSE AN EXTERNAL CONSULTANCY.....	47
4.5.1 <i>Criteria to choose consulting services</i>	48
4.5.2 <i>Average consulting fees</i>	48
4.6 CONCLUSION	49

5 MARKET ENTRY STRATEGY.....	51
5.1 OVERVIEW OF THE CLASSICAL MARKET ENTRY STRATEGY	51
5.1.1 <i>Methods for market entry</i>	52
5.1.1.1 Contractual agreements	53
5.1.1.2 Sole Venture.....	54
5.1.2 <i>Influencing factors for the entry mode decision</i>	55
5.1.3 <i>Special characteristics of services</i>	56
5.2 MARKET ENTRY STRATEGY INTO THE LEAN CONSULTING MARKET	57
5.2.1 <i>Competition</i>	57
5.2.2 <i>Opportunities and threats</i>	62
5.2.3 <i>Framework for strategy formulation</i>	64
5.2.3.1 Business communication	65
5.2.3.2 Starting the business	66
5.2.3.3 Employing foreign workers	67
5.2.3.4 Obtaining a credit.....	69
5.2.3.5 Legal constraints.....	70
5.2.4 <i>The Delphi Study</i>	71
5.2.4.1 Reasons to choose the Delphi method	73
5.2.4.2 Limits to the Delphi method	74
5.2.4.3 Experts	75
5.2.4.4 First round	76
5.2.4.5 Second round	78
5.2.4.6 Short summary of most important findings	81
6 CONCLUSION	83
6.1 FINAL RESULTS AND RECOMMENDATIONS	83
6.2 DIRECT COMPARISON OF THEORY AND EMPIRICISM	86
6.3 FUTURE OUTLOOK.....	88
6.4 PROSPECT FOR FURTHER RESEARCH.....	90
7 BIBLIOGRAPHY	91
7.1 BOOKS.....	91
7.2 ARTICLES/PUBLICATIONS.....	92
7.3 WEBSOURCES	94
7.4 FURTHER READING AND EXPERTS	97
8 APPENDIX	98
8.1 DELPHI STUDY – SUMMARY OF FIRST ROUND	98
8.2 DELPHI STUDY – SUMMARY OF SECOND ROUND	101
8.3 CONCRETE STEPS FOR STARTING A BUSINESS IN BRAZIL	105
8.4 PAYING TAXES IN BRAZIL	107

LIST OF TABLES AND FIGURES

FIGURE 1: STRUCTURE OF THE THESIS	3
FIGURE 2: FRAMEWORK APPLIED (“BOTTOM UP”)	4
FIGURE 3: % OF GDP DISTRIBUTION IN LATIN AMERICA	10
FIGURE 4: INFLATION RATE (1995 – 2007)	12
FIGURE 5: FDI INTO BRAZIL	14
FIGURE 6: GDP 2005 OF SELECTED COUNTRIES	16
FIGURE 7: GDP DEVELOPMENT IN BRAZIL (PPP US\$)	17
FIGURE 8: COMPARISON WITH REGIONAL AVERAGE IN LATIN AMERICA	20
FIGURE 9: COMPARISON WITH GERMANY	21
FIGURE 10: PERCENTAGE CHANGE OF INDUSTRIAL PRODUCTION (2005 – 2008)	24
FIGURE 11: FORBES GLOBAL 2000 – BRAZIL	27
FIGURE 12: LARGEST COMPANIES IN THE CHEMISTRY AND PETRO CHEMISTRY SECTOR ..	28
FIGURE 13: LARGEST COMPANIES IN THE FOOD AND BEVERAGES SECTOR	29
FIGURE 14: LARGEST COMPANIES IN THE AUTOMOTIVE AND AIRPLANE SECTOR	30
FIGURE 15: LARGEST COMPANIES IN THE ENGINEERING SECTOR	31
FIGURE 16: REGIONAL GDP DISTRIBUTION	32
FIGURE 17: INDUSTRIAL PRODUCTION BY REGIONS AND STATES	34
FIGURE 18: TURNOVER IN THE INDUSTRY SECTOR PER BRANCH (2005)	35
FIGURE 19: THE TOYOTA HOUSE	40
FIGURE 20: LEAN MANAGEMENT: 6 BASIC STRATEGIES	41
FIGURE 21: SIGNIFICATION OF KAIZEN	43
FIGURE 22: DIRECT COMPARISON OF INNOVATION WITH LEAN	43
FIGURE 23: CRITERIA USED BY CLIENTS TO CHOOSE CONSULTING SERVICES	48
FIGURE 24: AVERAGE CONSULTING FEES IN BRAZIL	49
FIGURE 25: STRUCTURE OF MARKET ENTRY	52
FIGURE 26: MARKET ENTRY ALTERNATIVES	53
FIGURE 27: FACTORS IN THE ENTRY MODE DECISION	55
FIGURE 28: FORCES GOVERNING COMPETITION IN AN INDUSTRY	58
FIGURE 29: CRITERIA TO CHOOSE CONSULTING SERVICES	78
FIGURE 30: AVERAGE USE OF MEASURES TO INCREASE LEVEL OF AWARENESS	81

LIST OF MAPS

MAP 1: MAP OF MERCOSUR.....	8
MAP 2: MAP OF COMPANY LOCATIONS IN THE SOUTH, SOUTHWEST AND NORTHWEST..	33
MAP 3: MAP OF CONSULTING LANDSCAPE IN BRAZIL	45

TABLE OF ABBREVIATIONS

BRIC	Brazil, Russia, India, China
GDP	Gross Domestic Product
IMF	International Monetary Fund
KVP	Kontinuierlicher Verbesserungsprozess
LIB	LEAN Institute Brazil
MIT	Massachusetts Institute of Technology
NAFTA	North American Free Trade Association
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing Power Parity
PwC	Price Waterhouse Coopers
ROI	Return of Investments
SWOT	Strengths, Weaknesses, Opportunities, Threats
TNC	Transnational Company
TPM	Total Productive Management
TPS	Toyota Production System
UNCTAD	United Nations Conference on Trade and Development
USP	Unique Selling Proposition