



UNIVERSITY OF AGDER

**HOW TO BECOME SUCCESSFUL IN BRAZIL:  
A STUDY OF THE NORWEGIAN OIL SERVICE  
INDUSTRY ON THE BRAZILIAN SHELF**

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*This Master's Thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.*

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Kristiansand, May 2012

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”How to become successful in Brazil: A Study of the Norwegian oil service industry on the  
Brazilian shelf”

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# Abstract

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<b>Title</b>	How to become successful in Brazil: A study of the Norwegian oil service industry on the Brazilian shelf.
<b>Author</b>	Bent Magnus Bentsen
<b>Supervisor</b>	Professor Trond Randøy
<b>Location</b>	University of Agder
<b>Key concepts</b>	Culture, cultural friction, foreign entry, oil service industry, Brazil

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**Background** After more than 40 years of an economy based on the black gold of the North Sea, a substantial supplier industry has gotten a foothold in Norway. The oil and gas market of Brazil is one of the fastest growing markets in the world and they are expanding beyond the capacity of their domestic oil and gas related industry, thus representing an opportunity for foreign entrants.

**Problem** Cultural friction between two parties of different cultural background is a driver for increased levels of conflict. In a foreign entry, such friction may represent an obstacle to development and growth.

**Purpose** This thesis aims to develop a framework on how a Norwegian company within the oil service industry can achieve its goals in Brazil. Developing such a framework, I utilized already existing theories in a new context.

**Research** The research process was carried out in a qualitative manner. The data collection came from four in-depth interviews where the respondents represented two different areas of the oil service industry. The key topics for the interviews were; challenges in Brazil, success factors in Brazil, success factors for Norwegian firms in Brazil and cultural friction.

**Findings** Cultural friction was determined as a severe challenge for Norwegian companies entering the Brazilian market. Further it was connected to uncertainty avoidance, power distance, individualism and long-term orientation. Norwegian companies are, in addition challenged by the local contents in labour and less loyalty. Success factors in Brazil are knowledge about how to handle time, management and local presence.

**Conclusion** The research showed that Norwegian companies within the oil service industry that had advanced into Brazil face several challenges. Simultaneously they have competitive advantages by virtue of being Norwegian with extended experience in the industry.



# 1 Introduction

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*This chapter will introduce the research problem and its background. The research question of the thesis will be presented and discussed. Moreover, the purpose of the study, core concepts, limitations and disposition for the thesis will be outlined.*

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## 1.1 Background

Since the first oil discoveries on the Norwegian continental shelf in 1969, Norway has built a massive industry both in oil and gas (OLF, 2011). After more than 40 years of an economy based on the black gold of the North Sea, a rapid development has put Norway into the position as one of the global leaders in offshore oil and gas technology. A substantial supplier industry has gotten a foothold in the country and has gained reputation for its expertise from all around the world. Last year's discoveries made by amongst others Statoil, once again spread optimism in the market. Ola Borten Moe, the Norwegian Oil and Energy Minister even went as far as saying that the new findings will pave the way for 40 more years on the shelf (Regjeringen, 2011). While the industry is standing strong at home, they are also expanding to foreign territories.

Brazil, one of the fastest growing markets in world today, is subject to the massive investment from the state-controlled company Petróleo Brasileiro (Petrobras). Petrobras is the world's third largest oil company and South America's largest industrial group (Petrobras, 2011) thus a source of both capital and power. But not the least, Petrobras is expanding beyond the capacity of their domestic oil and gas related industry and therefore representing an opportunity for foreign entrants. This has become apparent by Statoil's 2011 findings, the revolutionising discoveries at Skrugard, Aldous and Avaldsnes are estimated to hold approximately 650-2050 million barrels (Oljedirektoratet, 2012). At the same time Statoil was part of a major discovery at the Peregrino oil field in Brasil counting for 300-600 million barrels (NTB, 2011).

Due to my keen interest of the matters associated with the Norwegian oil economy, I wanted have a closer look at how Norwegian firms are performing abroad. Brazil became a natural choice, as big parts of the Norwegian oil service and offshore industry are heavily exposed to this newly developing country. When I first spoke to my supervisor Trond Randøy about the topic of the dissertation, he was enthusiastic and encouraged me to investigate the aspects of cultural friction that occurs when two different cultures meet. With my professional background from studies in both France and South Korea, I have also learned the importance to understand cultural differences. Being capable of understanding how different cultures work together is particularly essential for many multinational enterprises. Furthermore, the importance of this very topic was confirmed through the in-depth conversations with my informants: the Norwegian Brazilian Chamber of Commerce in Brazil and acquaintances who work internationally in the oil service industry.

## **1.2 Research problem**

The Norwegian oil service industry is blooming in large parts of the world. Their success has attracted acquirers that are eager to get hold of their world's leading technology. Thus, many companies have become multinational in the sense that they have foreign owners, in addition to having employees from around the world. What I wanted to discover was how such Norwegian, read; multinational enterprises with a Norwegian base succeeded in Brazil. But, what is success? As a business student I have incorporated the mindset that what really matters in a commercial context, is the financial result. However, getting there requires a deeper knowledge of the role the cultural factor plays. The research problem reads the following:

*“How to become successful in Brazil: A Study of the Norwegian oil service industry on the Brazilian shelf”*

## 1.3 Purpose

To plan and implement a foreign entry demands reviewing of financial, strategic and operational factors. Different explanations of the challenges in a foreign entry are offered, however in the recent years the focus has been directed more towards the human processes in a foreign entry. One of the most prominent reasons for the challenges is the cultural friction between national and organizational cultures. This thesis aims to develop a framework on how a Norwegian company within the oil service industry can achieve its goals in Brazil. Developing such a framework I utilized already existing theories, but used them in a new context. The purpose of conducting this qualitative study was to detect new dimensions, furthermore a basis for future research. This thesis is written due to self-interest, however assisted by Norwegian Centres of Expertise, Norwegian Offshore & Drilling Engineering (NCE NODE). The conducted research is relevant to the parties within the oil service and offshore industry, thus giving an insight into how these may succeed to overcome the cultural friction in facing the Brazilian market. Interested parties may find the research relevant to what the industry itself sees as important factors for establishing abroad as well as the specific factors applicable to Brazil. This thesis may possibly have relevance for other sectors within oil and gas exploration. However, the term "oil service" is quite widely interpreted, accounting for support activities for oil companies. Furthermore; 1) the entity must have specialization in the oil and gas sector and 2) a larger portion of the revenue must be directed to primary activities in the oil and gas sector (Flikka, 2008). The dissertation may also have relevance for other sectors in the offshore oil and gas, shipping and other industries that are entering Brazil, as it can help them answer the question of how to utilize their resources when going into a new country like Brazil.

## 1.4 Limitations

This thesis within the Performance Analysis and Project Management aims to highlight and analyse the cultural and the commercial perspective of an entry into the Brazilian market. As a business student, I have limited knowledge of the technical aspects of the aforementioned industry. Thus, the technical details and descriptions of the dissertation are simplified.

## 1.5 Disposition

<b>Chapter 1 – Introduction</b>	Presentation of the research problem.
<b>Chapter 2 – Culture</b>	An introduction to the different levels of culture. Different concepts concerning culture will be explained together with cultural friction and its consequences.
<b>Chapter 3 – Brazil</b>	The current situation of the Brazilian economy, Brazilian oil fields and various challenges that may occur during entry into Brazil are presented.
<b>Chapter 4 – Global entry modes</b>	Theory on foreign entry modes, establishing abroad and timing of the foreign entrance is presented. Value creation and resource utilization in connection with a foreign entry will also be gone through briefly.
<b>Chapter 5 – Methodology</b>	The research methodology is described together with the research design and research process.
<b>Chapter 6 – Findings &amp; Discussion</b>	This chapter analyses and discusses the findings in light of the relevant theory.
<b>Chapter 7 – Conclusion</b>	This chapter aim to form a recap of the performed research. Constraints of the research will also be addressed.
<b>Chapter 8 – Further Research</b>	Suggestions for further research on the subject that can take advantage of the exploratory aspect in this thesis are presented.

**Table 1. Source: (Bentsen, 2012)**

# 2 Culture

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*This chapter will introduce the different levels of culture. Several concepts concerning culture will be explained together with cultural friction and its consequences.*

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## 2.1 Culture

For the intent of this thesis culture can be described as an incorporated pattern of human belief and knowledge. By sharing a certain set of values, goals and attitudes a group culture is formed (Levine, 1971). Hofstede (1991) has defined culture as: “the collective programming of the mind which distinguishes the members of one group or category of people from another”.

Culture’s purpose in this setting operates on a two-level basis. On the corporate level and the national level. In a study of cultural-diversification through multi-national operations is considered an advantage (Michel, 1986). As this paper is going to focus on international business relations it is appropriate to give a definition of what a MNE is. “MNE’s are firms that own a significant equity share of another company operating in a foreign country” (Navaretti, 2004).

The strike power of a MNE that performs their operations in several countries of which possesses different cultures is therefore enhanced. A higher degree of independence from the economic and political situation of a single nation brings about a diversified market position and synergies through economies of scale. In order to utilize the benefits from a broad cultural platform it is important to minimize the cultural barriers that are present (Navaretti, 2004).

## 2.2 National culture

Hofstede introduces six dimensions of which determines what cultural differences are. Uncertainty avoidance, power distance, individualism, masculinity, long term orientation and indulgence vs. restraint (G. H. Hofstede, G. J.; Minkov, M., 2010).

Hofstede (1998) remarks that the participation in an organization normally is optional, while national culture participation is somewhat less voluntary and more permanent. One can consider culture as a common mode of programming the population. Culture is further assigned four terms that describe its manifestation: values, symbols, rites and “heroes”. These are representing different levels of importance. While values often are deeply rooted in an organization, symbols and rites are more loosely attached. Symbols operate on the surface as the more shallow part.

Values are acquired at early age and are difficult to change after having gained their foothold. They cannot be observed physically by others, the only way to sense values are the interpretation of behaviour. Hofstede (1991) suggests that national values are most linked to values, while organizational values are more connected to cursory parts as symbols, rites and "heroes". These indicators of organizational culture are created by the organization's leaders and form the every day practices. Members take part in a subsequent socialization to understand and adjust to these routines (G. Hofstede, 1991).

Hall uses another approach to explain cultural differences and focuses on the nonverbal communication and attention drawn to a specific message. This theory turned out to be insignificant in the studies of how members of different cultures fail to interact and understand each other (Hall, 2011).

Another study on national culture differences given by Missana (2011) emphasizes the perception of time. Monochronic oriented people focus on one thing at the time and assign a certain amount of time to a specific task; this approach to time is normally the one of; The United States, Germany, Canada and Scandinavia. Societies like this behave in a manner that divides time into units; allowing measurement of the accuracy. Business interactions as

such focus on the details rather than building a relationship, this kind of cultures stress predictability, order and plans (Missana, 2011).

Polychronic time is when you multi-task and conduct several tasks simultaneously, this notion of time is applicable for Latin American countries, Eastern Europe, Africa, Asia and the Arab cultures. Cultures as this have a more relaxed attitude towards time. Schedules are more flexible and time is considered fluid, which is reflected in sudden interruptions in meetings. Business encounters focuses on relationship building; it is thus sometimes regarded as disrespectful not to spend time with people (Bluedorn, Kaufman, & Lane, 1992).

Talking about the nuances of a national culture, the term “nation” must be reviewed. Hofstede and Minkov (2010) define “nation” as “political units into which the entire world is divided and to one of which every human being is supposed to belong”. Moreover they question whether national borders are the rightful criteria for distinguishing cultural differences. Religious, ethnic, regional or societal may serve as better conditions for a measure of cultural differences. The typical characteristics of a national culture are that the values held by the mass differ at a more or less unconscious level. Value with respect to a nation’s population is - large preference for a subject’s matter before another. Since values are perceived during childhood years, cultural groups are notably more stable (G. Hofstede, Hofstede, & Minkov, 2010).

## **2.3 Corporate culture**

Research on organizational culture focuses on three traditional perspectives: differentiation, fragmentation and integration (Martin, 1992). In this thesis corporate and organizational culture is treated as one cultural unit as all organizations unless the Norwegian and Brazilian authorities are corporate cultures.

Differentiation looks at organizations as compound from heterogeneous parts. These are ingrained subcultures that coexist in indifference, dispute or unity (Frost & J., 1991).

Fragmentation is the view that equivocalness is the feature that defines the culture of an organization (Martin, 2004).

Integration states that a culture is defined by clear texture, unanimity and acuity via the values of the people in charge of the organization (Schein, 1985, 2010). These perspectives have a rationale for existing, however the perspective on integration is presumably how a culture is normally seen based on a pragmatic standpoint. Going deeper into the term “organizational culture” I use the definition given by Schein (2010):

“...a pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems” (Schein, 2010).

In this interpretation of “organizational culture” Schein explains that such a culture commences after the management has achieved to incorporate the inherent human capital with the fundamental assumptions of the members in the organization. It thus becomes the unspoken policy and guidance of the organization. The “corporate culture” becomes universal when the members throughout the different units around the globe share their beliefs and holds the same mindset as a basis for their actions (Ralston & H.; Kai-Cheng, 2007).

Organizational culture design is to some extent an issue, which is within the control sphere of an organization. Culture in organizations emerges on its own due to their history, endogenous and exogenous factors. National culture serves as both endogenous and exogenous variable for the organizational culture. Also, it is most definitely part of corporate history (Schein, 1985, 2010).

Hofstede (2011) joints national and organizational culture in this way:

“Because organizational cultures are rooted in practices, they are to some extent manageable; national cultures, rooted in values, are given facts for organization management.”



## 2.4 Cultural diversity

The term "diversity" includes the existence of both the differences and similarities in a social group, and how diversity is part of social structures. It is therefore essential to identify the underlying dimensions of diversity. In essence, cultural diversity is created on the basis of two determinants: nationality and ethnicity (Hays-Thomas, 2004), which set the tone for cultural affiliation. But what are the nuances that determine cultural diversity? The EU has established six dimensions of importance to cultural diversity; age, physical capacity, cultural background, gender, creed and sexual orientation. Whereas (T. B. Cox, S., 1991) adds secondary dimensions as mother tongue, social economic-status, cognitive abilities, education and professional experience. The scope of cultural diversity is a complex term, thus a challenge for managers. In order to operate a well-run and profitable business, this disadvantage needs to be turned into an advantage. It has been discovered that adequate leadership can transform cultural diversity into a benefit (Ely, 2001). In brief, this is about bringing out the potential of your employees, offer equal opportunities and to focus on constructive solutions.

## 2.5 Cultural distance

Hofstede's (1980, 2010) six cultural dimensions were in the late 80's popularized through an index-based measure given by (Kogut, 1988), which again gave an overall view of cultural distance. Cultural distance is a well-known term in international management research, with the aim of measuring the differences in national culture. In light of the palpable unit it forms in an otherwise vague area, cultural distance has become the preferred variable of research in entry mode and global acquisition. However, "distance" may be regarded as counterproductive as what really needs to be measured is the interface between the different cultural parties. Hofstede (1996) argue that making complex phenomena easier by focusing only on the "distance" that exists gives a poor representation of the actual conditions. This is particularly applicable in research in international management, an area of research that shows utter motion and complexity. Several factors needs to be taken into account to form a broad enough impression of the phenomenon studied (Roberts. K. H.; Boyacigiller, 1984). As a consequence of this, Shenkar et. al. (2008) suggests that cultural friction supersedes cultural distance.

## 2.6 Cultural friction

Friction is defined as follows: “the action of chafing and rubbing”, “the rubbing of one body against another” and “the jarring and conflict of unlike opinions, temperaments” (Oxford English Dictionary, 2012).

Shenkar et al. (2010) define cultural friction in international business as: “the extent to which two or more entities, such as organizations, units, teams, groups, and individuals, from different countries culturally resist with one another in real contact or interactions over the course of international business activities or transactions”.

By the term “resist” is meant how two or more parts acts in opposition to each other due to their implicit beliefs and values (Oxford English Dictionary, 2012).

Cultural friction accentuates the actual cultural contact happening between the parties that exchange cultures, in surroundings where cultural disparity arise at more levels. The notion of friction attains cultural differences at several levels, such as organizational, national, team, and individual levels when they interact (Shenkar, Luo, & Yeheskel, 2008).

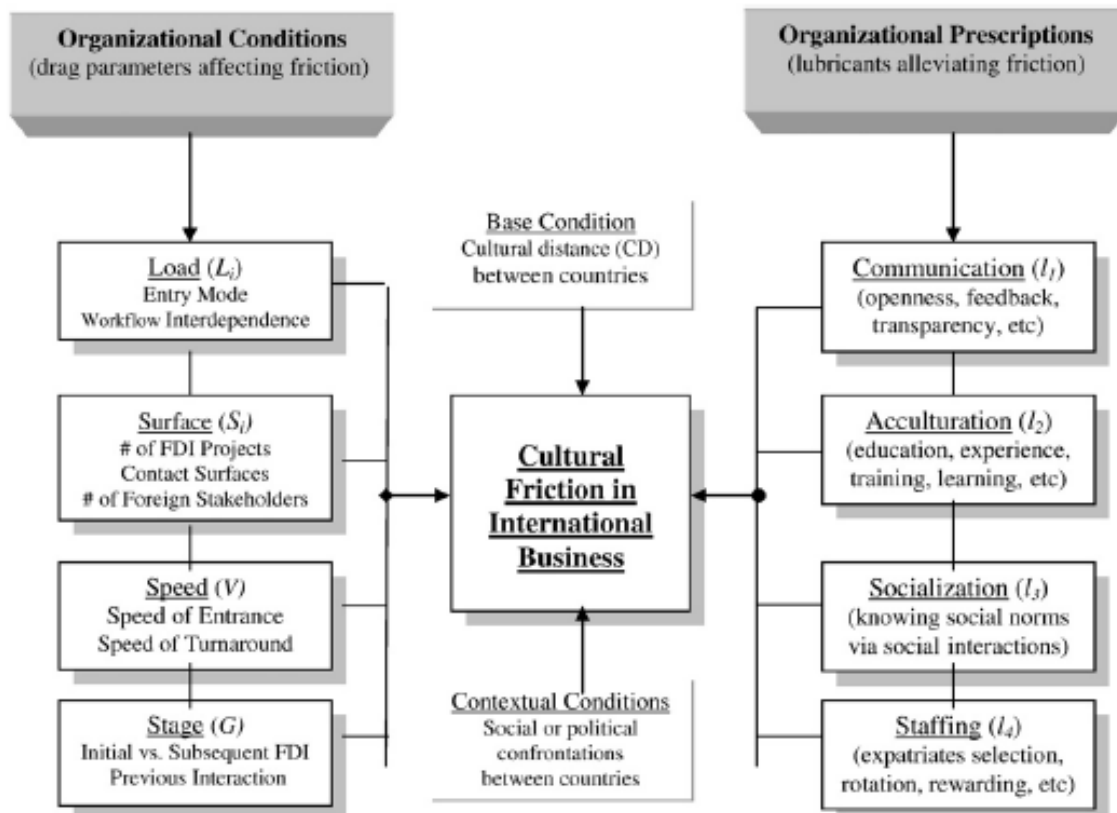
With friction as objective one can consider culture as something that is created by stakeholders that have a considerable stake in the national and organizational identities. The stakeholders that are involved hold different levels of influence and they have different resources and interests, which forms the basis for their involvement. They are also engaged in a continuous exchange that consists of utterances and counter-utterances (Shenkar et al., 2008). It is thus reasonable to assume that cultural friction represent both a path and the results of the conditions given by the organization and transaction based matters. Cultural friction is therefore likely to have an impact on a MNE's approach to FDI strategies. Furthermore investment size, mode of entry, speed and pace of the entry. The increase in marginal size of friction decreases the marginal commitment in to such strategic matters in an organization (Yadong Luo & Shenkar, 2011).

Friction theory addresses several principles that seem beneficial when building a framework around the notion of cultural framework. Cultural friction consists of three main elements; (I) organizational conditions, (II) ambient conditions and (III) organizational prescriptions (Shenkar et al., 2008).

The organizational conditions (I) indicate that friction is an increasing function of forces in touch with one another, also referred to as “drag” forces. Such parameters are; load, surface, speed and stage. Load ( $L_i$ ) denotes the type of entry modes used and what degree of workflow interdependence that exists. Surface ( $S_i$ ) involves number of initiated FDI projects, contact surfaces and number of foreign stakeholders. Speed ( $V$ ) is about how fast the entrance is done and how fast turnarounds in the entry are implemented. Stage ( $G$ ) entails initial FDI and the subsequent FDI, it also refer to previous interaction between different FDI strategies (Y. S. Luo, O., 2011).

Ambient relations (I) have two main sources that set the prerequisites for the interaction approach; (1) base condition and (2) contextual conditions. Base condition treats the cultural distance (CD) between countries. The contextual conditions deals with whether there exist social or political confrontations among countries (Y. S. Luo, O., 2011).

Organizational prescriptions (III) are lubricants that relieve friction and are in this context; communication, acculturation, socialization and staffing. Communication ( $I_1$ ) as a lubricant is based on how open your business is, what level of feedback given and how transparent it is. Acculturation ( $I_2$ ) explains the process of cultural and psychological change that results from the meeting between cultures (Sam, 2010). This again is grounded in the education and experience of the employees. Socialization ( $I_3$ ) is the social norms that exists or not in social interactions. Staffing ( $I_4$ ) policies is how expatriates are recruited and how the employees are given incentives. All three components are summed up in the figure below (Y. S. Luo, O., 2011).



**Figure 1. Cultural friction in international business: (Source Luo, Y., & Shenkar, O. 2011)**

### 2.6.1 Strategic overview of cultural friction

Friction between cultural movements is created in the collision of two parties' strategic goals. "Strategic" is defined as "the identification of long-term or overall aims and interests and the means of achieving them" (Oxford English Dictionary, 2012).

When strategic objectives are dealt with in close connection to the cultural exchange partner, a contrasting effect is created. Issues of a given system is set in position in relation to another and how they would like to see the opponent. In such situations the two parties reveal something about themselves and this again may cause cultural friction (Yadong Luo & Shenkar, 2011).

The more the systems are likely to collide, the higher the probability for friction is and thus the importance of control increases. Lack of control or the sudden need of control derives from high cultural distance. On the other side, culture is a tool to obtain control in a system

(Schneider, 1988). Homogenous corporate culture at the mother company and at the subsidiary is suggested to have a positive effect, possibly reducing internal transaction costs. On the other hand, (Laurent, 1986) claims that a clear corporate culture amplifies the differences in national culture.

## **2.6.2 Cultural idiosyncrasies**

Friction is by far affected by the cultural interpretations of the crossing cultures, to get a firmer grip on how interpretations are made; I will elaborate on Hofstede's (2010b) six cultural dimensions. Hofstede has also developed an index that measures the different cultural dimensions. The study on the IBM global business culture (later referred to as the HERMES study) was carried out in 50 countries and with 60,000 respondents. He established country specific relative measures of how well the dimensions were dominant in the country's culture.

### *Uncertainty avoidance*

Uncertainty avoidance is by (G. Hofstede, 2012) described as: "the way that a society deals with the fact that the future can never be known". Uncertainty about the future is something that we try to eliminate by indulging in religion, obeying laws and craving new technology. Schwartz (1999) points at cultures that strongly try to *avoid uncertainty*, the way decisions and activities carried out are given significant weight in relation to other cultures where the economic result is the ultimate goal (Schwartz, 1999). As for example the German labour unions, that dislike strike due to the involved risk (uncertainty avoidance) (G. Hofstede, 1980). This kind of culture is more sensitive to offensive encounters with other cultures notwithstanding the contents of the opposing culture. Hofstede's HERMES study claims that uncertainty held by the employees in the subsidiaries in different countries varied. He used three indicators to identify uncertainty avoidance: stress level, employment stability and rule orientation. In countries with high levels of uncertainty avoidance he also found that working for a small company, in-house competition, individual decisions, foreign management and a high rate of organizational changes had a tendency to be looked upon as risky situations that people were reluctant to face. Hofstede (1998) assigned certain properties to the countries that had strong uncertainty avoidance. They felt a need for rules,

standardized and formalized procedures and were somewhat intolerant to ideas or people of aberrant nature. Like most Latin American countries, Brazil scores high on uncertainty avoidance index created by Hofstede. In Brazil, as in all high uncertainty avoidance communities, bureaucracy, laws and regulations is very important to make things work. Because of its high score in this dimension, Brazilians are a very ardent and demonstrative people; feelings are easily displayed in their communication and body language (G. Hofstede, 2012).

### *Power distance*

“*Power distance* is a measure of the interpersonal power of the influence between the boss and the subordinate as perceived by the least powerful of the two” (G. Hofstede, 1980). In a video from 2010, Hofstede described an example of power distance, looking back at how the Chinese authorities oppressed the 2010 Nobel Peace Prize winner Liu Xiaobo due to his message of moderation in state control and a slight amount of power sharing (Röttgers, 2010). By corporate means, firms with a higher power distance culture behave regardless of whether the host culture is similar or not (Yadong Luo & Shenkar, 2011), and have a tendency to keep a firm control of the associated business' operations, thus, appearing as more hazardous to the counterpart culture. Different power distance levels are closely linked to what degree of comfort the given levels of control allows. For example, employees in low power distance cultures are often favouring advisory leadership style, whereas the ones in high power distance cultures usually select an authoritarian style (Brock, 2008). The perception of leadership style and how managers are expected to behave is according to Hofstede (1998) a consequence of how a person is raised and how the authoritarian persons met while growing up have acted. Societies of large power distance expect that subordinates meet the requirements without questioning them, hierarchy are regarded the same as existential inequality and the ideal superior is a soothing autocrat (G. Hofstede, 1998).

### *Collectivist vs. individualism cultures*

How individuals define themselves and their relationships with others is one of the most common frameworks for characterizing and examining cultural differences, particularly in the groups or collectives to which they belong. In the majority of Western cultures, the very essence of self-definition is based on independence, the “I” awareness, emotional

independence, the right to privacy and the need for specific friendship. Unlike this focus on the individual, the way Eastern cultures approach the self-perception is mainly based on social ties and interdependence with others. Such collectivist cultures underlines the “we” consciousness, group decision, the need for steady and predefined friendship and shared identity (G. Hofstede, 1980). This difference has been described as both an attribute of culture and an attribute of people. (Kluckhohn, 1961; Oyserman, 2002).

### *Masculinity versus femininity*

Masculinity and femininity deals with ego amplification versus relationship enhancement, regardless of group affiliation. While an individual can be both masculine and feminine at the same time (androgynous), a country is primarily one of them. Research on the area shows that the higher degree either masculinity or femininity takes in a country; it is statistically correlated with a minor degree of the other. Thus insinuating the existence of one single dimension (G. Hofstede, 1988). Cultures that are especially masculine outermost try to pursue the expectations of how women and men are suppose to appear. In masculine cultures such as Japan, Venezuela and the United States, material wealth and self-assertion are often targets both in society and politics. Feminine cultures like Sweden, Norway and the Netherlands holds a different view of what quality of life means. Interpersonal relations, welfare and care for the disadvantaged supersedes materialistic satisfaction (G. Hofstede, 1980).

### *Long-term orientation*

An international management researcher got the following statement from an executive on long term presence in foreign markets: “If I can’t see at least ten years ahead of us, then it’s not worth the trouble” (Janger, 1980). In long-term corporate relationships, effective cross-cultural communication, openness and transparency by all parties is particularly important. Alliances and joint ventures involving openness and transparency, are considered prerequisites for the interactional and informational righteousness in cross-cultural setting (Y. Luo, 2001). To succeed in an inter-organizational collaboration knowledge share is necessary. But how does a company arrive at knowledge sharing? The answer is given by; Powell (1990), when establishing a relationship across organizations, personal ties are necessary. Personalized connections facilitate the propensity to transfer knowledge among

organizations. However, in order to create a close relationship between parties of different cultural background, it is essential to devote time.

### *Indulgence versus restraint*

Indulgence cultures represent societies that allow a fairly unlimited access to basic human desires as; lust and emotional satisfaction, particularly socializing with friends, leisure, consumption and sex. Indulgence tends to exist in South and North America, Western Europe and in parts of Middle Africa. Restraint set all these pleasures under control, thus the members of such a culture cannot enjoy life to the same extent as the indulgence members. Restrained countries are Eastern Europe, Asia and Muslim parts of the world (G. Hofstede, 2011).

### **2.6.3 The effects of cultural friction**

Friction is by far a negatively charged term that contributes to create trouble in an organization. As inferred by (Adler, 1991; Nohria, 1994), cultural friction is a driver for increased levels of conflict as well as aggravating the agency costs that occurs from the disharmony between the company and its subsidiaries. In connection to its predecessor cultural distance; it is stated that friction leads to poorer flow of technological knowledge (Davidson, 1985). Thus, resulting in a more complicated transformation process of the company, substantiated by a more difficult process of implementing the technology and the organizational changes that take place at such a gap between the cultural reference points within a company (Bartlett, 1986). Another poor quality that arises from cultural friction is the absence of groupthink. A prerequisite for successful groupthink is in-group cohesion that again is closely linked to group homogeneity (H. T. B. Cox, S., 1991). Nevertheless, cultural friction may highlight different viewpoints that lead to increased critical thinking skills in an organization. Which contribute establishing the competitive advantage of enhanced decision-making (Nemeth, 1985).



## **2.7 Cultural bias**

Cultural bias exists when judgments and interpretations of a different culture is made based at the frame of intrinsic conceptions of one's own culture. Cultural bias is regarded as a problem in social circumstances, business life and research. Typical examples of how different culture biases an encounter are borders of intimacy, taboos, what you look for in a spouse and logical validity (Pedersen, 1987).

## 2.8 Summary

Culture is something all humans take part of, whether it is a specific national, corporate or organizational culture. Culture is explained as the " collective programming of the mind that distinguishes members of one group or category of people forming another ". Group culture is formed by the values, objectives and opinions of these members (G. Hofstede, 1991)

In connection with national culture Hofstede identified six cultural dimensions that explain cultural differences. These are; uncertainty avoidance, power distance, individualism, masculinity, long term orientation and indulgence vs. restraint Furthermore, national culture is related to the set of values a person has, and thus acquired at early age (G. Hofstede, 1991).

Corporate culture is the result of incorporating the symbols, rituals and "heroes" in the company with the human capital. Heterogeneous parts in the corporation are put together, shaping the culture along with a well-defined structure, unanimity and focus operationalized by the managers (Ralston & H.; Kai-Cheng, 2007).

Diversity is often referred to the way of positively perceived differences between people. As a matter of fact, it includes both the differences and the similarities (Hays-Thomas, 2004). Cultural distance is a rather vague term with unclear boundaries; Hofstede is nevertheless aiming to measure this distance in the light of his six cultural dimensions.

Shenkar et al. (2008) proposes that cultural friction gives a more correct picture of what concerns grave inequalities between cultures. Cultural friction takes place when "two or more entities, such as organizations, units, teams, groups, and individuals, from different countries culturally resist with one another in real contact or interactions over the course of international business activities or transactions".

# 3 Brazil

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*This chapter will introduce the current situation of the Brazilian economy. Brazilian oil fields are briefly addressed and we look at various challenges that may occur during entry into Brazil.*

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## 3.1 The Brazilian economy

There is a growing interest for global corporations to establish operations in Brazil, the 6<sup>th</sup> largest economy in the world. Moreover, the Brazilian oil and gas industry is the fastest growing in the world. Petrobras, the Brazilian energy corporation plans to invest about 225 billion USD within 2015 in developing the oil and gas resources in the Santos basin (Segrov, 2012).

Brazil is the most important partner of Norway in the Latin-American countries and the bilateral relationship includes business, climate and environmental issues. As part of the BRICS (Brazil, Russia, India, China and South Africa) countries Brazil represent a steady growth of 7.5% in GDP in 2010 (OECD, 2012). Brazil is the 5<sup>th</sup> biggest country in the world based on both geography and holds a population of 192 million in 2011 (World Population Review, 2012).

With an astonishing unemployment rate of 23.1% in the age 25-54 (2009) they face a great challenge creating enough jobs in the coming years. However, the average unemployment rates are significantly lower measuring 6.7% in 2010. The main issue of employment in Brazil is the fact that 62% of the Brazilians are aged 29 or below (World Population Review, 2012).

Brazil has gained the trust and support of the International Monetary fund (IMF) and big parts of the international business community. This has been essential in the creation of a stable and business friendly economical environment. The recent oil discoveries, both on-

and offshore have helped Brazil to become a market maker in petroleum (Business Monitor International Ltd, 2012).

## **3.2 Brazilian oil fields**

The “raison d’être” for Norwegian oil service firms in Brazil lies in the oil- and gas resources on the northeast coast on Brazil. They are divided into five main areas called: Camamu – Almada, Jequitinhonha, Espirito – Santo, Campos and Santos (see appendices). Within these there are numerous oil fields (Petrobras, 2011).

The special case for the oil- and gas reserves in Brazil is that they lay beneath a massive layer of salt, and beneath that a considerable layer of rock. Geological research carried out by Petrobras shows that the petrochemical resources are to be found 2000–3000 meters below the sea surface. Such depths are categorized very – deep and demands special technology, skilled personnel and experience. Acknowledging the fact that the world reached peak oil during the last decade, the oil that is currently being drilled is known as the “hard oil”. Depletion of such oil- and gas deposits is capital intensive and have a lower degree of profits (Bridgman, 2010).

## **3.4 Challenges in Brazil**

### **3.4.1 Legal framework**

The legal framework and its increasingly sophisticated character are created to support an expanding and diversified economy. By South – American means the legal system is well structured, however it is not yet efficient enough to handle the burden of cases. Brazilian legislation is considered very formal, especially in means of declaring the rightful authenticity and verification. The Brazilian legislation’s extreme demand of documentation was shown in the case of Brazilian coffee exporters (Rosenn, 1971) who had to fill out 38 different forms for a single shipment of coffee, each with several copies. Formalism in

Brazil has taken the position of creating an apparent inconsistency between the legislation and how these practices are followed. From a Brazilian perspective, the laws are considered as inoculations, ie. some of you take and some you don't (Campos, 1966).

### **3.4.2. Corruption**

Brazil has for a long time struggled with corruption as one of the most challenging issues in the nation's economy. The patrimony of the military regime substantiated the high degree of political instability and furthermore corruption. In the 1980's the country went through a transition phase and transformed to a democracy. Fernando Collor de Mello acceded as president and the first democratically elected in 1990. However, he was impeached after only two years in service due to allegations of extensive corruption. At the start of the 1990's Brazil still held high numbers of corruption, but has now improved, as stability grew more mature. A significant underlying circumstance for the involvement of corruption in the fray was the uprising of 17 political parties. The major parties would not have had a majority even if they entered into a coalition (Campante, 2009).

Geddes and Neto (1992) claims that the establishment of such a political environment was a dominant part of the augment in corruption (Geddes & Neto, 1992). On Transparency International Corruption Perception Index of 2010 Brazil was ranked 69<sup>th</sup> out of 180 countries, where number one indicates a very low level of corruption (Transparency International, 2010).

### **3.4.3. Local content**

Every oil-producing nation has the option to nationalize or monopolize their production. However, such single-minded extraction strategies might prove inefficient in the long run due to the lack of technological knowledge sharing. Local content was established in the sphere of issuance of oil licences, where the operator is obliged to use a certain percentage of equipment and services offered by local stakeholders. The goal of introducing demands of local content is to; "maximize goods and services' national industry content, within competitive and sustainable basis, in the implantation of oil and gas projects in Brazil and abroad" (Prominp, 2009). Local content is a strong feature when it comes to achieving nationwide incremental growth through a strong value chain. Regulations set from the

Brazilian government requires that 37% of local content in the exploration phase and 55% in the development phase for the period of 2011-2015. Moreover, the authorities have given a notice that from 2019 entails a rise of local content up to 65% in the development phase (Hestmann, 2011). In terms of tendering a contract, the bidders are also ranked in connection to what degree of local content they intend to take on (Barroso, 2010). In Brazil local content is statutory through Law n. 9478/97 (“The oil law”) that regulates the national guidelines related to energy and the operations concerned with the petroleum extraction (Goyos Jr., 2008). Through this judicial statement they will provide Brazilian suppliers competing conditions. Nevertheless, when the price, delivery and quality offered from two suppliers are similar, the Brazilians will be preferred before foreign companies. Kjell O. Johannessen in NCE NODE states that the oil service and offshore industry should expect to hold about 60% local content at average in Brazil (K. O. Johannessen, 2012). For Norwegian seamen the regulations as well as the collaboration with Brazilian authorities have recently improved. In May 2011 four Norwegian trade union leaders signed a memorandum of understanding with the with similar organizations in Brazil. The agreement secures job opportunities for both Norwegian and Brazilian sailors on the Brazilian continental shelf. The agreement constitutes the Brazilian trade union's sovereignty on the continental shelf, at the same time it opens up for Norwegian seamen to work on the Brazilian shelf at Norwegian wage and conditions. Norwegian companies operating in Brazil are in turn expected to offer cadet positions to the Brazilians (Solstad, 2011). Below you find the requirements of local contents related to sailors on a typical ship operating on the Brazilian shelf, the offshore supply vessel (OSV) and for rigs.

	<b>Period (days)</b>		<b>Local content (crew)</b>	
	0	To	91	NIL*
<b>OSV</b>	91	To	180	1/3
	181	To	365	1/2
	>365 Days			2/3
	0	To	180	NIL*
<b>Rigs</b>	181	To	360	1/5
	361	To	720	1/3
	>720			2/3

**Table 2. Source: (Norwegian Shipowners Association)**

## 3.5 The emerging Brazil

Brazil as an emerging country and part of the BRICS countries has for long been a keen investment opportunity for foreign companies. The first part of the market entry happened in the 1980's and attracted a lot of foreign capital. However, the MNE's held an established set of attitudes that was more imperialistic than anything else. They didn't spend enough time building relationships with the local counterparts or partners, in which resulted in poor results. One of the pitfalls was the belief that their products could fit the market of the developing Brazil, even though it was in the very end of the product life cycle on the domestic market. The opportunity of such a big market requires a new way of thinking, and more than the merely being sensitive of the culture (Business Monitor International Ltd, 2012).

Innovation and amendments in the utilization of resources is a necessity to succeed in emerging markets like Brazil. The end of the corporate imperialism is the start of successful MNE's. However, when entering emerging markets like Brazil there are some fundamental questions to be asked:

(1) What are the key characteristics of the distribution network in these markets, and how are the networks evolving? Is the infrastructure good enough to serve the needs of a global corporation?

(2) What mix of local and global leadership is required to foster business opportunities? What is the key factors regarding cultural and national identity?

(3) Will local partners accelerate the multinational's ability to learn about the market? To what extent is the bilateral relationship of knowledge and technology share of mutual interest? (Business Monitor International Ltd, 2012).

Infrastructural problems in Brazil might arise as an issue that has never been a part of operations on domestic soil. Poor logistical solutions, weak banking amenities and slow distribution systems would in total imply higher capital intensity than the equivalent on the

home market. However, the reality is somewhat different. The settled way of thinking must be challenged in order to overcome the challenges in the overseas emerging markets. Structural changes in the capital efficiency are needed, and redesigning the supply chain can to some extent solve this problem. Functional and accessible distribution is crucial in entering a market like Brazil, and it cannot be taken for granted. Building a deep and unbiased understanding of the unique characteristics and needs of developing countries and residents will provide new sources of revenue and bring on innovation. Brazil has such a big growth potential that it is necessary for MNE's to enter the market in order to sustain their power. Before and whilst entering they must rethink every element of their business model (Prahalad, 2003).

### **3.6 Summary**

By virtue of holding the fastest growing oil and gas industry in the world Brazil represents an enormous growth area, both at the current stage and in the future. Petrobras' investment plans attract supplier industry from all over the world. Brazil is the most important Latin-American partner for Norway; however, strict government regulations obstruct the entrance of Norwegian corporations. Local content is a challenge to foreigners, but nurtures the development of the supplier industry in Brazil. After the passing of the "Oil law", local contents were adjusted to this general piece of advice. It states the regulatory framework for non-Brazilian companies and constitutes the rule of acceptance relating to the preference of Brazilian players when price, delivery and quality are the same.

Brazil's pre – salt surface conditions subsea demands high levels of expertise and advanced technology. The reservoirs lie at "ultra-deep" waters beneath the pre-salt layer and beneath a layer of rock, measuring 2000-3000 meters below sea levels (Petrobras, 2011)

Foreign entrants in Brazil face several challenges related to the formal legislation. An exaggerated requirement of documentation slows down business and is a distinct difference from e.g. Northern-European standards. On the other hand, slow going formalities create incentives for corruption. Brazil suffers from corruption, ranked in the middle-range on Transparency International Corruption Perception Index (Transparency International, 2010).



# 4 Global entry modes

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*In this chapter I will go through different foreign entry modes, how firms establish abroad and timing of the foreign entrance. Value creation and resource utilization in connection with a foreign entry will also be gone through briefly. At the end of the chapter the companies that participated in the in-depth interviews are presented together with Norway's strategy in Brazil.*

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## 4.1 Multinational enterprises and decision of venture formation

A MNE is a corporation that has its management head office in one country, and operates in several other countries. When the decision to enter a new country is set, different corporate structures can be exercised. Organizational studies have found equity joint ventures (EJV) as a compromise between the local authorities in a host country and the MNE. Furthermore, EJV's are strategic extensions on powerful positions in the home market. This kind of joint venture is especially suited for developing countries, hindering competitors of entering their market. Demanding less intervention than in a WOS. Host government legislation is one of the obstacles that may arise from external factors. An international cooperative venture (ICV) is like a marriage. You trust and understand your partner and share visions for the future, and for some it has shown to be life lasting. Moreover, social, mental and emotional issues are part of the affiliation (Tallman & Shenkar, 1994).

Creating an ICV is a process that happens at several levels in an organization. The bottom line is made up of economic elements that are operationalized after the abortion of other governance models. In the decision process of going into an ICV the anticipated performance is important, but these are not exclusively economic. Albeit the aim of an ICV is economic performance, it is necessarily difficult to measure the relative magnitude of such a performance before competition has developed (Tallman & Shenkar, 1994).

### **4.1.1 Entry modes**

Entry modes have distinct advantages and drawbacks. Elusive trade-offs impede the understanding and evaluation of the criteria (Anderson & Gatignon, 1986). Surveys on firms' decisions making in entry mode suggest that the majority of the enterprises involved make poor cognizant choices, lacking a basis of cost-benefit analysis (Robinson, 1978).

A company seeking to carry out a business feature abroad must select the optimal "entry mode" for the foreign market. The entrant to be encounters several choices: a joint venture, wholly owned subsidiary or a non-equity involvement such as contractual joint venture. Foreign entry hasn't got any standard solution in its creation. However, the building blocks of an entry mode strategy are HRM, logistics, location, timing, marketing, ownership and choice of equity mode (K. E. E. Meyer, S., 2007).

### **4.1.2 Strategic approach**

The foreign entry strategy must specify the objectives and how to achieve them. And it should fit the need and resources that the firm holds. Valuable resources in the home market might find different valuation in a different market.

Natural resources seeking MNE's pursue gaining access to valuables like gas, oil and minerals. What they have to be certain of is where to find such and how they can access those in a good way. Companies that enter the Brazilian market are also to some extent looking for innovative action. Aiming for knowledge that is beneficial for the MNE as a whole (M. Peng & Meyer, 2009). It is well known that money for good ideas are close, with Petrobras investing USD 225 billion in the period 2011-2015 (Petrobras, 2011).

### **4.1.3 Establishing in Brazil**

Decisions of where to locate when a firm enter a foreign market are; (1) which country to enter and (2) where to establish the site or headquarter. Potential foreign investors get to take part in the local advantages and match them with their own needs if they cooperate with the locals. An important concern is the costs and quality of the local resources. Brazil has shown to be more expensive when it comes to highly skilled labour. Such as seamen working in the oil and gas industry, paid 1.5 times more than the equivalent professionals in Norway (Segrov, 2012) .

Attractiveness of a host country lies in their ability to improve the efficiency of the foreign entrants by reducing the overall costs. Industry specific costs like power prices make FDI happen in nominally high cost countries. As in the USA where political stability, good infrastructure and in some states low power prices are present (Smith, 2003).

### **4.1.4 Time of entrance**

Firms seeking new markets often try to get the first-mover advantages, that are advantages that the late mover doesn't have the opportunity to take part of. Several studies looking at first movers' advantage or disadvantage have yet provided ambiguous results (Suarez, 2007). First movers may run into difficulties when moving into untouched battlefields. Early entrants in new markets often develop unique technology and get to pick the best suppliers in the host market. They have the opportunity to block business opportunities for late entrants and get the opportunity to build exclusive relationships with the key stakeholders. Firms pursuing a follower strategy can enjoy the advantages that the first-mover doesn't, as well as avoiding the major pitfalls. Unlike the first-mover, the follower has information about technology and how the market works (Dobrev & Gotsopoulos, 2010).

## 4.2 Foreign direct investment

Foreign direct investment (FDI) is defined as an investment abroad, usually in terms of a long-lasting commitment with the aim of influencing the management (Investopedia.com; OECD, 2008).

According to OECD, FDI relates to “the direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy”. Yet, it is debated whether holding a stake as small as 10% have any significant voting power. Still, the magnitude of influence in the management may be substantial (OECD, 2008).

Emerging markets provides new possibilities for investors. Access to raw material and low labour costs appears as lucrative promises for growth. MNE’s widely choose to operate several entry strategies simultaneously, as practiced by Toyota. They export cars from the domestic market for the US market and manufacture cars in the US. Thus, grabbing a hold of both export and FDI side by side (Chang, 1995).

“Increased competitiveness is one of the prime benefits that developing-country MNE’s can derive from outward FDI” (United Nations, 2006).

FDI can be created in two ways. Either through a merger and acquisition (M&A) or it can be done by a Greenfield investment. M&A occurs when two or more parts agree to merge into one company or when the acquiring enterprise buys a stake of the target enterprise.

Acquiring a local business is a way to enter a foreign market through a wholly - owned subsidiary (WOS). In an acquisition you get a pre-organized unit with established contacts to the local authorities and human capital. Entrance is faster and the new WOS already holds a market share. Acquisition is the most capital-intensive mode of FDI, accounting for about 70 per cent of the global FDI flows (Brouthers, 2000).

### 4.2.1 OLI

Dunning (1993) created the OLI model, which has become an eclectic paradigm and analytical tool in approaching different economical theories that concern FDI and the operational design of MNE's. Three interdependent parts make up OLI, which determines whether a company will engage in FDI, or not. These represent the advantages that an MNE will achieve if FDI is carried out.

(1) Ownership (O) specific advantages are obtained in virtue of ownership or investment in foreign direct investment activities. Incentives of ownership must be drawn to attract capital and examples of such are human capital, intellectual property rights or outstanding production facilities. The sub-paradigm claims that the investing companies are more likely to engage or increase investment if their competitive advantages are relatively greater than those of the other firms in the targeted country, *ceteris paribus*.

(2) Localisation advantages (L) can be achieved from arbitrary benefits that a MNE gets by running some of their operations in foreign country. The host country has to offer some attributes to attract the attention of foreign investors. Such location-based attributes are:

- I. Access of new markets
- II. Improved efficiency
- III. Access to natural resources

The reasons for accessing new markets are often the fact that trade barriers, taxes and complex legal systems can be subdued in the host country. By improved efficiency means that an MNE that enters a country holding production factors favourable relative to the home market, have the prerequisite to enhance the operational outcome. Natural resources are a powerful driver for business and demands that the MNE is present where the resource is. Some resource rich host countries offer such conditions that make the marginal production of the natural resource the cheapest. However, depletion of natural resources is dynamic. It depends on both the demand for the resource and the accessible technology needed for exploitation (Dunning, 2000).

(3) Internalization (I) is a sociologic effect that come from the process where the individuals

of the organization acknowledge the values and norms that are set by influential groups or people (Meissner, 1981). On corporate level it is a matter of company structure, hence the decision to do production in-house or outsource. The advantages of internalization become visual when the benefits of engaging in production itself abroad are greater than licensing out the rights of your product (Linchausen, 2010).

### **4.3 Greenfield investment**

Greenfield investments are defined as setting up a new venture in a foreign country. It gives several advantages that are less reachable in an acquisition. A Greenfield operation provides the opportunity to design the new subsidiary as an integrated part of the mother organization. Competitive advantages of working practice are easier implemented and the corporate culture can be made from scratch. On the contrary, an acquired firm comes with its pre-established management (Harzing, 2002).

A Greenfield operation allows full equity and management control. Leaving no possibilities of failure due to conflicts with JV affiliates. However, for investors that invest heavily in R&D there is a low tendency of choosing a Greenfield entry when the industry is extraordinarily fast or slow growing (Hennart & Park, 1993).

Greenfield investments add extra resources and capacity to an industry and thus intensify the competition. This narrows the market possibilities and slows the start in this kind of entrance. Normally two years are considered the time needed to get a business running with a Greenfield philosophy (Becker, 2011).

### **4.4 Brownfield acquisitions**

In some cases foreign investors do acquisitions due to some valuable asset of the acquired firm. A license, production facility or a brand name is not always for sale separately and can only be taken control of through an acquisition. Such purchases are referred to as a brownfield acquisition (Estrin & Meyer, 2011).

## **4.5 Acquisitions**

In acquisitions there might occur issues relating to the corporate culture in the acquired company and the acquiring company. Resistance to adapt the new corporate governance, both inside and outside the acquired company is regarded as a usual constraint in acquisitions. Focus on human resource synergies is crucial for effective cooperation and the survival of two organizations (Islam, Sengupta, Ghosh, & Basu, 2012).

## **4.6 Corporate structure and entry**

When a firm enters a new market there are two concepts of entry; equity mode and non-equity mode. Non-equity modes are either export or contractual agreements and are usually exercised in smaller involvements abroad (Pan & Tse, 2000)

## **4.7 Equity mode**

Equity mode choice in a foreign market is split into two parts, Joint Venture (JV) or Wholly – Owned Subsidiary (WOS). Equity mode is especially preferred by companies that compete in technology, with their brand or with other intangible assets. Choosing equity mode as a platform for the investment, there are still more detailed choices to take care of. Degree of commitment, risk, return and potential profit is what distinguishes the different modes of entry (Pan & Tse, 2000).

Creating a WOS indicates that the MNE wants to maintain control of the subsidiary. By generating a WOS it is easier to integrate the operations with other parts of the organization and remain a high degree of equity control (Hitt, 2009).

A Joint venture (JV) holds three different levels of involvement: majority JV, 50/50 JV and minority JV. Successful JV's can be advantageous in several ways. They share the financial

risk with the local party, and thus reduce it. Operations will be facilitated by knowledge share and the fact that JV's are more politically accepted (S.-F. S. Chen & Hennart, 2002).

Shared control of another company can be done by a partial acquisition. This is a standard agreement for MNE's that wants to buy entrepreneurial firms, keeping the entrepreneurs encouraged by their incentives of higher returns. Yet, incorporating organizational changes may be hard. Without full control of the equity neither parts have the power to force changes (K. E. E. Meyer, S., 2007).

## **4.8 Global coordination**

Integrating the global parts of a MNE you have to think of logistics, marketing and human resources. Low labour is only a competitive advantage if this is complemented with efficient logistics. Global standards have to be changed to local versions, especially in how the products, brands and processes are promoted (Solberg, 2000). Economies of scale are the advantage of a worldwide standard, while adapting to the host country's standards may accommodate the local market in a different way. In order to create a WOS with local employees, an experienced expatriate manager is needed. Firms without sufficient knowledge are more likely to enter through a local JV partner (Deresky, 2008).

## **4.9 Entry strategies**

Regulations set by institutions in the host market play a role in entry decisions. According to control theory, a government can restrict FDI with three different control systems: outcome, process and clan (Turner, 2006). The outcome can be affected by change in transactions costs or rise in duties. Brazil has introduced a demanded percentage of the labour in FDI's to be Brazilian. This delays the whole process of getting involved in Brazil and the needed competency isn't always available at once. To protect the interest of the local industry, institutions forbid operations and transactions by law (D. Chen, Paik, & Park, 2010).



When you deal with less strong governments it is likely to find that the cost of transactions increase. Inefficient legal framework complicates the process of formalities and thus such firms need to emphasize the importance of close relationships. Financial markets lacking sufficient development are also increasing the acquisition costs. Absence of skilled professionals and inadequate information systems in the society, cause the overall costs rise. (K. E. Meyer, Estrin, Bhaumik, & Peng, 2009).

When a local government prohibit international business, this may under some circumstances augment the number of foreign countries that enter through a local production facility. As a result they are less affected by local tax regimes and other barriers related to export(Deresky, 2008).

## **4.10 Entry scope**

For well-established MNE's it is debated whether to enter a new market through a major investment in advance or by a growing rate. Some competitive industries have to invest heavily to prevent vengeance from the existing market and to obtain the first-mover benefits. Simultaneously, this communicates determination of a long-commitment in a market and restrains other new comers. For some industries, as oil exploration it is a necessity to invest a lot in the beginning to achieve economical feasible operations (Lord & Ranft, 2000).

Nevertheless, such investments take upon huge risk and a considerable drop if it turns out to be unsuccessful. Foothold in a new market via smaller and increasing investments provides greater flexibility and a more diversified strategy. The most severe disadvantage of a small-scale entry is the scarcity of devotion (McCarthy & Puffer, 1997).

## **4.11 Resource utilization**

For MNE's to make the most of its resources they must identify the ones who adds value to the firm and the ones that doesn't. The very basis of firm's resources creates their competitive advantage and map out the future direction. Primary resources are the assets, tangible, intangible as well as the human resources that are the productive core in a firm. In

order to utilize such resources a firm must have the right firm capabilities. That is to make use of the specific abilities and reach their organizational targets. But, such capabilities are not necessarily found in the balance sheet (Deresky, 2008).

In a foreign market entry it is important to keep track of the firms resources. Tangible assets are usually thought of as pure financial measures like cash and securities, but it also includes physical capacity like infrastructure, equipment and natural resources. These are visible and relatively easy to value. Commitment to an entry mode ties up the resources for a long time. Thus, any ensuing changes will imply significant losses in both time and money (Javalgi, Deligonul, Ghosh, Lambert, & Cavusgil, 2010).

Intangible assets are also part of the balance statement, but are more difficult to put value on. Technological assets like trademarks, patents and copyright are valued by their relative advantage in the market. Sudden deficits can occur due to the new and improved technology from competitors. Goodwill and business relationships are also clear intangible assets that can change by the wind. Grave negative publicity can destroy reputation and promises of good conduct (Gardberg & Fombrun, 2006).

The human resource is the core of a company. After an acquisition it is important for the acquirer to manage the human capital to understand and accept the new ownership. In cases where there are small amounts of physical assets the power of the people must be especially emphasized. Loss of key personnel can contribute to significant decline in company value for stock exchange listed companies (Grant, 2010). Individual skills, both educational and experiences affect the valuation of a firm. However, a team is never stronger than its weakest link. Interpersonal cooperation and share of a common vision is therefore a crucial element to success (Denison, Haaland, & Goelzer, 2004).

## **4.12 VRIO**

A well-established method to localize the value of resources is the VRIO framework. By determining the value creation, rarity, inimitability and organizational issues of a resource the value added can be estimated. If a firm wants to bring about a competitive advantage, they have to focus on their value creating resources. If their competitive environment changes, former

value creating resources may become out-dated (Leonard-Barton, 1992). Rare resources have the possibility to give some short-term competitive advantage. The reason why a rare product stands out is because it is limited to the immediate vicinity of some lucky few (Ethiraj, Kale, Krishnan, & Singh, 2005).

If a product is hard to imitate the competitive advantage from rarity and value creation will be easier to maintain. Social complexity is the unique and dynamic organizing of a MNE. It is the value of the relationship between the human resources in different parts of the world that invisibly occurs that create the inimitability (Kostova & Roth, 2003). To add value through a well-run organization a firm must emphasize policies and procedures. The capability of appropriating the values for itself is dependent on two conditions: (1) the expenses they pay to the suppliers and (2) the revenue from sales.

The four parts of the VRIO framework are interdependent. Resources are more valuable if they have good scores on more measures (Fahy, Hooley, Beracs, Krzysztof, & Gabrijan, 2003). Benchmarking compares your resources with those your competitors have. Two questions should be asked: (1) what resources are of greatest importance in transferring sustained competitive advantages in your industry? (2) What are your strengths and weaknesses as compared to your competitors? (M. M. Peng, Klaus, 2009). Benchmarking plays an essential role in the continuous improvement in businesses, information of their relative strength facilitates changes in an organization (Hamel, 1994).

## **4.13 Company essentials**

As a resident of Kristiansand I found it most convenient that several world's leading oil service companies was within the reach of 10 minutes. The basis of the companies lies in Norwegian Centres of Expertise, Norwegian Offshore and Drilling Engineering (NCE NODE), which is a global energy-, technology- and knowledge hub in southern Norway. Kjell O. Johannessen founded NODE in 2003, and its aim was to strengthen the knowledge share within the industry. Almost 10 years later they have approximately 8500 employees and total annual revenues of 40 billion NOK. Today their goal is: "to build the southern

Norway as world leading region of mechatronics”. System deliveries and service is the core of their business philosophy. Kristiansand, that is often referred to, as “drilling bay” serves as main location for more of the companies involved in NODE and holds the very top of offshore and drilling technology (K. O. Johannessen, 2012).

#### **4.13.1 Siem Offshore**

Siem Offshore was founded in mid 2005 as a subsidiary of Subsea 7 Inc. The original purpose of the secretion was to establish a company that focused on full-scale operation of a fleet in Brazil, supporting the growing offshore industry.

During the past years Siem Offshore has seen substantial growth in the fleet, acquiring tonnage from the second hand market and ordering several new-buildings. Their business is mainly based on platform support vessels (PSV), anchor handling tug supply vessels (AHTS) and some other various types of support vessels. As of 2012 they operate 44 vessels, while 7 are under construction, 40% operate in Brazil for Petrobras (Siem Offshore, 2012).

Strategically they want to position themselves as the leading supplier of maritime services to the oil and gas industry, worldwide. They aim to accrue their activities in the support vessel market in the offshore industry. The activities are run from the headquarters in Kristiansand, Norway while the other offices are located in Brazil, Germany and Cayman Islands. Siem Offshore is one of Petrobras’ top preferred suppliers and the virtue of being a Norwegian company provides safety and quality on the deliveries. Revenues in 2011 were about USD 300 million, which is a substantial amount considering that the company has not yet existed a decade (Sørensen, 2012).

### **4.13.2 National Oilwell Varco**

National Oilwell Varco (NOV) was founded in 1841 and has developed to be a world-leading provider of oil related services, on- and offshore. Their core expertise lie in different types of drilling equipment, drilling rigs, lifting and handling devices, and tubular parts. Extensive supply chain systems have been developed to manage the flow of goods. NOV strategize on being a leader in quality products, redesigning processes and managing information. Through technical and innovative solutions they seek competitive advantages (National Oilwell, 2012).

In the period 2006 to 2010 NOV saw a remarkable increase in the annual net profits. The 2006 numbers were 0.491 billion NOK, while 2010 shows 3.103 billion NOK. Showing for an increase of 629 % in four years (1881.no, 2011).

### **4.13.3 Aker Solutions (Aker MH)**

Aker Solution's predecessor Kvaerner Brug was founded in 1853 and running operations of various kinds. In the mid 1960's they stepped into the shipping industry with the design and concept for one of the first ships carrying liquefied natural gas (LNG). At the same time they took part of the beginning of the Norwegian petroleum adventure. Entering the offshore market with engineering solutions for oil and gas. Through major mergers and acquisitions they grew big and settled in the maritime industry. Currently they are involved in deep water drilling, subsea operations, wells and systems for mooring and offloading (Aker Solutions, 2012).

Aker Solutions has been involved in business in Brazil since the end of the 1960's. They first started their subsea activities in 1995 and rapidly became a qualified supplier of Petrobras. Energy development & services (ED&S) was the result of a merger between the two business areas Field Development and Maintenance, Modifications and Operations (MMO) (Aker Solutions, 2012).

In 2001 Aker Solutions initiated their first ED&S operations in Brazil. In 2003 the 100<sup>th</sup> subsea tree was installed on the seabed, measuring 3000m. Going into joint ventures with the mining companies ECM and Vale, they expanded their business areas. After almost half a century in pulp production, they sold out their pulping business in 2007 (Aker Solutions, 2010).

Aker Solutions focus on providing service to oil- and gas drilling companies. A common description of what they deliver to the Brazilian market is “drilling service lifecycle hubs”. In the start of 2012 they had 40% of the delivered new – builds operating on the Brazilian shelf, while 15 ships are contracted from shipyards in South Korea (Aker Solutions, 2012).

#### **4.13.4 TTS Energy**

TTS Energy is a Norwegian company listed on Oslo Stock Exchange. It was founded in 1966 and its headquarter is situated in Bergen. At present one of the top three suppliers in development, design and service towards the oil and gas industry. The three main divisions are Energy, Marine and Port and Logistics. The offshore drilling part of the company accounts for 75% of its activities (TTS Energy, 2012a).

TTS Energy holds subsidiaries in 14 countries around the world, and its network of agents covers the major global shipping routes. Their strategy is to maintain its position as a full-scale provider of services in the segment, focusing on being a reliable and solution-focused player (TTS Group, 2010). In Brazil TTS Energy provide drilling and rig equipment through their fully owned Brazilian subsidiary TTS Do Brazil. The target markets are jack up rigs, semi submersibles and platforms (TTS Do Brazil, 2012).

Innovative next-generation solutions are delivered with automated handling and drilling equipment. Remote controlling enhances safety and facilitate advanced offshore and subsea operations (TTS Energy, 2012b).

TTS Energy's 2010 turnover was 0.805 billion NOK, a growth of 159% since 2007. However, the net income has become negative in the same period, counting -0.182 billion NOK in 2010 (1881.no, 2011).

## 4.14 Norway's strategy in Brazil

In March 2011 Norway launched its official Brazil strategy. The strategy includes several different business areas, amongst them seafood, academia as well as oil and gas.

Acknowledging the huge growth and global political influence that lies in Brazil. Norway wants to continue building the relationship to Brazil firstly a business partner, but also as an ally in the fight against climate change and environmental protection (Ministry of Foreign Affairs, 2011).

“The Government wants to increase awareness of the importance of Brazil in Norway and to understand in which specific areas Norway could contribute and be a valuable partner to Brazil. We want take a fresh look at our relations and to take them a step further”(Støre, 2011).

The strategy emphasizes the magnitude of the common interests shared by Norway and Brazil. During the last decade they have learnt that they are mutually dependent of each other, participating in international markets where their products and services are much regarded as complementary. Share of knowledge and experience will come to benefit both parts. The Government of Norway punctuates that they want to facilitate a closer partnership in the future (Ministry of Foreign Affairs, 2011).

## 4.15 Summary

Entering a foreign market is a case of choosing the right entry mode based on a cost-benefit approach. An entry strategy must comply with the resources of the company, taking into consideration that resources valuable in the home market may prove to be of different value abroad (Javalgi et al., 2010).

Cost and quality of local resources must also be carefully thought through. Appealing host countries manage to cut overall costs by improving the efficiency; this advantage may come from closeness to natural resources, industry specific costs, generally lower price level etc. Timing of the market must be seen in linkage to risk and reward. First movers can take advantage of untouched ground, while implying higher uncertainty. Followers may be blocked from entry by the first-movers, but they are empowered by market information (M. M. Peng, Klaus, 2009).

Foreign direct investment (FDI) involves a long-lasting commitment abroad. The OLI model present determinants for whether a company will engage in FDI activities or not. Further it presents advantages of; ownership, localization and internalization (Dunning, 2000).

Greenfield investments set up new ventures from scratch, whereas brownfield acquisitions is a concept of acquiring firms in a foreign country due their possession of a valuable asset (Hennart & Park, 1993).

Norway's Brazil strategy wants to acknowledge the fact that Brazil represents a significant growth market and address the common interests of Norway and Brazil (Ministry of Foreign Affairs, 2011).



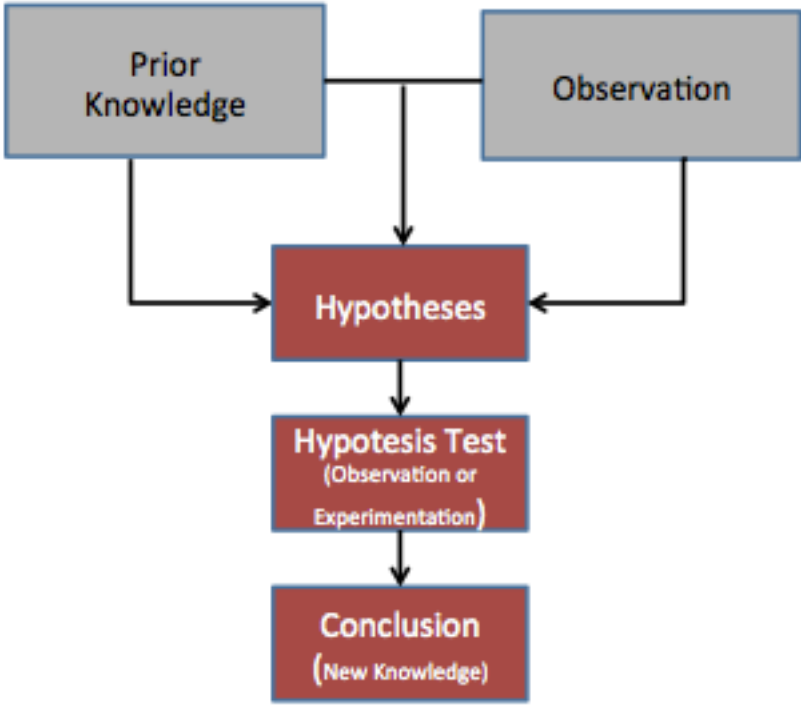
# 5 Methodology and research design

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*In this chapter I will describe the strategic choices on research I have conducted in this thesis. The methods utilized depends on what answers that are searched for. The method of data collection does also to some extent have an impact on the conclusions that are drawn from the empirical findings.*

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Zikmund (2010) describes scientific methods as: “the way researchers go about using knowledge and evidence to reach objective conclusions about the real world”. Further he uses the following model to visualize the scientific methods:



**Figure 2. Source: (W. G. B. Zikmund, B. J.; Carr, J.;C. & Griffin, M., 2010)**

In this dissertation I will utilize a scientific method that is based on observation as I had little prior knowledge in the researched area.

## **5.1 Development of the research question**

The intent of this dissertation is to enlighten different areas concerning foreign entry in Brazil, subsequently from the perspective of the Norwegian oil service industry. This study is built on a qualitative approach and qualitative data.

Through qualitative interviews with key informants I have been granted access to assessments and experiences from four of the most significant oil service industry suppliers in the Southern region of Norway. Given the aim of an insight in the process of an entry in Brazil, these are important features.

Furthermore, I complemented the qualitative data with press releases, conference speeches and news statements from the involved participants. The strength of a qualitative study like this is its ability to go in depth, while being flexible and sensitive of the chosen context. However, there are several challenges concerning the analysis of the obtained material from the in-depth interviews with regard to utility and validity. Hence, the approach of analytical methods and methods of analysis in the qualitative research is of great importance (Jacobsen, 2005).

First, I will introduce the case study as research design and then account for the use of interview-based surveys. Second, a section of the processing and analysis of data, and third a section concerning the validity and reliability of the paper.

## **5.2 A theoretically interpretive case study**

### **5.2.1 Choice of research design**

According to (W. G. B. Zikmund, B. J.; Carr, J.;C. & Griffin, M., 2010) there are three different kinds of research design:

- Exploratory
- Descriptive
- Causal

**Figure 3. Source: (Zikmund et. al. 2010)**

Exploratory research design is used to gain deeper insight into a phenomenon, however not necessarily to reach a clear conclusion. Explorative design is often the first step in a research process and the further research will provide stronger evidence of the findings. Zikmund (2010) discusses exploratory research to be: “a type of research conducted to clarify ambiguous situations or discover ideas that may be potential business opportunities.

Descriptive research design gives characteristics of objects, people, groups, organizations or environments. The method is mainly used to create a picture of the phenomenon being examined. Nevertheless, it is usual to base business research from this approach as it is regarded to hold a high level of accuracy. Such studies are conducted after the researcher has gained a sound understanding of the current situation (Zikmund et. al. 2010).

Causal research design seeks to prove a cause-effect relationship, meaning that reason “A” will lead to the effect of “B”. The effect in this context is the actual outcome that derives from the cause. Causal research opens up for causal inferences, which are concluding with when one thing happens; it will lead to one other particular event. Causal inferences are thus of great power since this will allow a higher degree of control. Zikmund et. al. (2010) believes that three criteria must be fulfilled in order to prove a causal relationship.

(1) Temporal sequence deals with the time of events, the cause must occur before the effect.

(2) Concomitant variation treats covariation. Meaning that there exists systematically variation between two events.

(3) Non-spurious association take on the assumption that any covariation between a cause and an effect is true and does not rely on some other variable.

### **5.1.2 Case study as research design**

Business research can be carried out through different kinds of research instruments. The main distinction is whether the research is done qualitatively or quantitatively (W. G. Zikmund, 2002). “Quantitative research is based on the quantity or the amount. The outcome of the study is presented through monetary or numerical terms. Whereas qualitative approaches are popularly used to find the behaviour of the people under study” (Krishnaswami, 2010). Qualitative research concentrates on observation and interpretation whereas the objective is to discover new insights (W. G. B. Zikmund, B. J.; Carr, J.;C. & Griffin, M., 2010).

The researcher often influences qualitative methods of research both in the data collection, the analysis and final conclusion. Considering the fact that qualitative research is classified as subjective, different researchers may arrive at different conclusions on the field of study (W. G. B. Zikmund, B. J.; Carr, J.;C. & Griffin, M., 2010). Due to this possibility of biases, the researchers must take into consideration their own subjectivity in order to achieve satisfactory validity and credibility.

This dissertation is based on qualitative studies and the answers are thus derived from an exploratory aspect. Research with a small number of in-depth samples is normally eligible for such an orientation (Jacobsen, 2005).

As the impact of cultural friction between Norwegian and Brazilian companies in the oil service sector has not yet been researched, this study must necessarily have an exploratory perspective to be able to detect new knowledge. In the virtue of qualitative research lets the researcher investigate prospective subjects of interest that occurs while interviewing.

The traditional school’s view on case studies argues that it holds limited possibilities to generalize and regards such research as inferior (Lieberson, 1985). Waller (1934) even went as far as describing case studies as an “essential artistic process” (Waller, 1934).

However, there is also a more ambitious view on the opportunities of case studies. Yin (2003) claims that case studies are “sharp, refreshing and erudite” and can be used in development and to test general relationships (Yin, 2003).

This case study is built upon the basis of Gerring (2007), who states that the case study is a deeper understanding of a single case. Furthermore he argues that: “sometimes, in-depth knowledge of an individual example is more helpful than fleeting knowledge about a larger number of examples. We gain better understanding by focusing on a key part” (Gerring, 2007).

The aim is to shed light on a greater existence of more general cases. I have chosen to investigate the process of Norwegian entry in Brazil, which I search to obtain a greater knowledge of. However, the object is not to draw general conclusions in static terms. Every case is part of a greater group or universe (Andersen, 1997).

The study will look at the entry process in Brazil as a compound issue, but it does not mean that it should be considered isolated like a confined part of an episode, like (Lijphart, 1971) and (Geddes, 2003) would probably argue.

In qualitative studies it makes sense to talk about transferability rather than generalizability. That is the ability to “establish descriptions, concepts, interpretations, and explanations that come to be useful in other areas than the one of research” (A. T. Johannessen, P. A.; Christoffersen, L., 2010). Based on my assessment of the case study as research design, this study will serve with a limited relevance in other areas in a general context.

The overall research questions: “How to become successful in Brazil: A study of the Norwegian oil service industry on the Brazilian shelf” will be answered by a thoroughly and structured analysis. I consider it possible that the findings and the conclusions I arrive at will be able to say something about the driving positive and negative forces in the process of this across-country entry. Moreover the preconditions for a successful entry in Brazil and how potential pitfalls may be avoided. I will use Hofstede's six cultural dimensions as a basis for the analysis of this task. Furthermore, I am going to connect these to cultural friction theory and look at how cultural friction affects the Norwegian oil service companies operations in Brazil. My aim is to extract validity from this investigation and provide a solution of how to become successful in Brazil, relating to the cultural aspects of management and foreign entry.

The choice of getting to know a little about a lot, or to know a lot about a little represents a common research dilemma, not the least within the limits of a master thesis (Gerring, 2007). I have chosen to undertake the last one, an intense study with depth rather than wide knowledge as objective.

The case study finds its strength in explaining how the parts of the decision process consider the issue, the available solutions and the surroundings of an entry in Brazil. Case studies are weak when it comes to show the causal effects between variables, but they are strong at identifying the causal mechanisms (Gerring, 2007).

### **5.1.3. A theoretically based interpretation**

This study may be looked upon as a theoretical interpretive case study (Andersen, 1997). The purpose is to utilize a theoretical perspective in analysing a empirical case and to “assess generalizations to shed enlighten over special issues” (Andersen, 1997). The combination of a single case, due to my interest of the oil service industry in Brazil and a simple analytical model of cultural dimensions given by (G. H. Hofstede, G. J.; Minkov, M., 2010) may seem thin. However the possibility for new theoretical insights is nevertheless present. These might occur in the intersection of theory and empirical data and can contribute to new knowledge and theoretical implications (Andersen, 1997).

An obvious danger by taking the stand on a theory is the risk of biases from prejudice. The theory can lead you to a certain direction, and thus narrows the angle of perspectives. This may ignore interesting observations. However, Hofstede’s research on cultural dimensions (the HERMES study) was very comprehensive as it was conducted in 50 countries. Based on Hofstede’s study and Shenkar et. al. (2010) study of cultural friction I will look at how a Norwegian companies can succeed in Brazil. Generalization will not be possible due to the small number of respondents. However, there are pragmatic reasons for this approach, given the boundaries of a master dissertation. The scope of this paper does not allow an extensive enough review of (Shenkar et al., 2008). Basing the research on a theory avoids a common pitfall in using case study as research design, lack of structure. The complexity of empirical

evidence impedes the ability of a case study to extract the needed information. A mere consequence of this is too detailed descriptions of the facts and the inexistence of structure (Andersen, 1997).

## **5.2 Data collection**

The purpose of this study is to gain insights of the process when a MNE enter the Brazilian market. I chose to look closer at the Norwegian oil service industry because it has attracted my interest through the period of study. The bilateral relationship Norway – Brazil and its subsequent areas of trade mentioned above have come to my attention, and I wanted to display some of the key success factors with respect to this matter.

The process of data collection has focused on both primary and secondary data. As little research had been done on the exact topic of the dissertation the interviews became my primary resource. The main basis for the analysis is thus the material collected through the interviews. Secondary data, which affects the topic, has been used as complementary sources. To map out a process like this, I necessarily had to talk to participants who had been involved in such activities. Authorized documents will often introduce official versions of the circumstances, and conceal more informal sides that may be applicable in relation to research (Tansey, 2007).

In interview based studies and insofar in general research is it important to have a critical view on your sources. The contextual framework is created with a special purpose and target audience and will in many cases exercise a subjective influence on how the questions are asked (Jacobsen, 2005).

### **5.2.1. Primary data**

#### **In-depth interviews**

The purpose of the interviews was to gain access to a sample of participants that has been or that currently is part of an entry process in Brazil, and to get hold of their opinions and experiences.

## 5.3 Trustworthiness

Trustworthiness is described as the ability, benevolence, and integrity of a trustee (Colquitt, 2011). Qualitative studies must be trustworthy and have good quality to be considered good and useful. Furthermore, it has been discussed that validity and reliability are hard to measure in qualitative studies. Hence, validity and reliability will be emphasized through the whole dissertation (Bryman, 2008).

### 5.3.1 Reliability

Reliability is to what extent the measurement holds internal consistency (W. G. B. Zikmund, B. J.; Carr, J.;C. & Griffin, M., 2010). Consistency over time and accuracy in representativeness of the population in the study makes the research more reliable (Joppe, 2000). Three different types of reliability can be identified from a qualitative study; (1) the degree to which the measurement remains the same, (2) the stability of the given measurement over time and (3) the similarity of measurements within a given period of time (Kirk, 1986). It has been argued that the expression “reliability” is inapplicable and even irrelevant to qualitative studies. While quantitative studies is meant for the “purpose of explaining” the quality concept of qualitative studies in meant for “generating understanding”. Thus the different criteria and intent for quality in the two kinds of research that is one of the arguments for reliability being irrelevant in qualitative research. Further Stenbacka (2001) states that: “the concept of reliability is even misleading in qualitative research. If a qualitative study is discussed with reliability as a criterion, the consequence is rather that the study is no good” (Stenbacka, 2001).

Zikmund (2010) claims that consistency is one of the prerequisites for reliability, furthermore within internal consistency. Internal consistency is the homogeneity of a measure, thus to what extent the different statements from a respondent concur. Posing



several corresponding, but not the same questions can attain internal consistency (W. G. B. Zikmund, B. J.; Carr, J.;C. & Griffin, M., 2010).

Such questions are mentioned below:

- Q1a) - In Brazil the cultural and the language barriers are great seen from a Norwegian point of view, how do you approach such markets?
- Q1b) - What did you focus on before the final decision of doing business in Brazil? What decisions factors played the largest role?
- Q2a) - How is your company's experience relevant for an entry in Brazil?
- Q2b) - Which competitive advantages do you consider as the most valuable for your firm in entering Brazil?

**Figure 4. Source: (Interview template, Bentsen 2012)**

Moreover, the interview template was followed insofar as possible. Hence, it could be stated that results that resemble the identified in this paper would be found if the interviews were carried out once more. However, this is dependent on the respondents and can therefore not be determined by certainty. Replication is considered as truly hard in qualitative studies due to its nature of complexity (Saunders, 2007).

### **5.3.2 Validity**

According to Bryman & Bell (2003 ) validity is “concerned with the integrity of the

conclusions that are generated from a piece of research” (Bryman, 2003). That means; researchers want to make sure that they measure what they are suppose to measure in an accurate way (W. G. B. Zikmund, B. J.; Carr, J.;C. & Griffin, M., 2010).

Accuracy concerns how a measure assesses the envisaged concept. In this context, good accuracy results in the right choice of respondents. The drawn sample should represent the population in a best possible manner and ensure that the wanted information is obtained. This dissertation is however limited in terms of sample size and thus it is hard to claim external validity (W. G. B. Zikmund, B. J.; Carr, J.;C. & Griffin, M., 2010). The main purpose was to shed light on how cultural friction affects the entrance of Norwegian oil service providers in Brazil, focusing on the effect that seen on operational success.

In the research progress I was aware of the validity problems. Keeping track of what to measure and what is really being measured has been emphasized, while the sample has been evaluated and even changed during the data collection. At the same time authors normally have preconceptions and an idea of the objective before starting a research project. After having retrieved the information from the respondents, it has been considered critically.

### **5.3.3 Triangulation**

Triangulation is defined as: “using more than one method or source of data in the study of social phenomena” (Bryman, 2003). It attempts to improve reliability and validity of a research study. “It implies that that the results of an investigation employing a method associated with one research strategy are cross-checked against the results of using a method associated with the other research strategy “ (Bryman, 2003).

The purpose is to remove the limitations of one method by utilizing another to crosscheck the results as seen in (Au, 2000). Cross-sectional business and management studies is for this reason not seen to have a clear share of quantitative or qualitative methods (Bryman, 2008). In this thesis triangulation has not been used due to the time constraint. However, awareness of how to improve reliability and validity has followed me through the process.

### **5.3.4 Error sources**

The research of this dissertation will be subject to critique; therefore potential sources of errors have been identified. Such potential errors are:

(1) Lack of interest or fatigue in the in-depth interviews due to the fact that the respondents are remote parties. The respondents are only indirectly involved in the research process and are possibly reluctant to admit the factual circumstances of the organization.

(2) As this thesis is the first real research project I have conducted there are necessarily limitations on how successfully I have managed to carry out the in-depth interviews. A skilled researcher would most probably have been able to deduce results of higher quality from the interviews.

(3) The participating companies appointed the respondents themselves, in this a biased selection from the population might have taken place.

(4) Due to error in (3) there might a possibility that the respondents not were the most eligible for the in-depth interviews.

### **5.3.4 Methodological challenges**

Due to the fact that an untrained and non-professional interviewer executed the interviews there might have occurred some biases in the retrieved information.

First, the respondents were all part of a highly technical industry. Thus, their technical expertise was brought to the light of day very promptly. As a business student I have limited knowledge about the technology within the oil service and offshore industry, which again made me somewhat concerned about how I appeared in front of the respondents. In the first interviews this made me focus more on what I said than being able to ask good follow-up questions. Using a trained interviewer with superior technical insights would probably have been useful to reveal other areas of relevance.

Second, after having identified key factors from the initial interviews there is a definite possibility that I have attempted to adapt the subsequent interviews to the previously found results. Although I followed an interview template, this was adapted to the individual respondent and the experiences this could provide. Hence, I was aware of that I might have set leading questions, especially leading follow-up questions.

Apart from the way the interviews were carried out themselves there is an obvious risk that I not have gotten in touch with the most valuable respondents. Before the commencement of the paper I contacted Kjell O. Johannessen, Project Manager at NCE NODE who provided me with helpful contacts at the firms eligible for participation in my thesis. The respondents' firms were approached by both e-mail and by telephone, and then the management appointed the respondent. In this manner they may have sorted out other useful sources that for some reasons not were available. There are conspicuous reasons for selecting the chosen respondents according to the agenda of the firm. The managers who select their representatives might consider:

- That the chosen respondent is the one that could represent the firm in the most possible way
- That the chosen respondent is part of the management
- That the chosen respondent is a technical specialist
- That the other eligible persons are busy
- That the other eligible person are travelling or living abroad

**Figure 5. Source: (Bentsen, 2012)**

## **5.4 Data analysis**

Before determining the analytical method both inductive and deductive methods have been taken into close consideration. Deductive reasoning is according to Zikmund (2010) “the logical process of deriving a conclusion about a specific instance based on a known general premise or something known to be true”. Jacobsen (2005) describes this as going from theory to empirical evidence, you first establish some expectations of the fact that is to be investigated and secondly collect empirical data to see if the expected events concur with reality. The expectations are made on behalf of earlier observations and from experience. However, such reasoning has its limitations insofar the researcher will be affected by the earlier evidence, which for that reason only search for the relevant information. Hereby tangible expectations are made and thus the information flow taken into account reduced.

Zikmund (2010) depicts inductive reasoning as “the logical process of establishing a general proposition on the basis of observation of particular facts”. In this approach the ideal is researchers that collect empirical data with a virtually free mind. After the data has been collected they structure it and create their theories. This keeps an open track for all information from the sources.

All qualitative analysis starts with collecting data, these data needs to be systemized, which entails breaking down the overall structure into single elements. Then I try to see the different sections as part of the whole by looking at differences and similarities. The four in-

depth interviews are outlined through a structured path as suggested by Jacobsen (2005); describe, categorize and combine.

### **5.4.1 Describe**

In this phase of the thesis the main task is to describe the material acquired through the interviews (Jacobsen, 2005). Prior to the interviews all respondents agreed to electronic storage of audio from the information retrieval. As all the parties involved in the research process were native Norwegians, the interviews were carried out in Norwegian and translated to English in retrospect. The interviews were in hindsight formalized in full text, in terms of both the asked questions and answers from the interview objects. Information of date, time, duration, company name and respondent name was added to each document. Furthermore, the interviews were randomly assigned different respondent numbers.

### **5.4.2 Categorize**

The next step focuses on systemizing and reduction of complex information that forms the basis for the analysis. Even though the qualitative data set in this context is rather small, far from all the data collected was involved in the interpretation of the results. Due to the qualitative nature of the data collection, the respondents often embellished their answers to an extent that exceeded the respective questions. However, such detailed and somewhat narrative responses proved beneficial for other parts of the data collection, providing a deeper understanding of the addressed issue.

Researchers need to delineate the scope of the analysis with a plan thorough plan of data reduction policies (Guest, 2008). Details insignificant to the thesis were set aside, to build a more concentrated image of the data relevant to the research question. While I was in the process of interviewing, the relevancy of the information was continuously evaluated, but was also reviewed when all the interviews had been conducted to reassure the rightful selection. As Miles and Huberman (1994) explain, data reduction is a form of analysis that “sharpens, sorts, focuses, discards and organizes data in such a way that final conclusions can be drawn and verified”. By performing a data reduction, the data is transformed from the

original form to a format applicable for conducting a data analysis with respect to the research purposes.

In advance of the interviews I identified four key elements at the core of the research question; cultural friction (E1), challenges in the Brazilian market (E2), success factors in the Brazilian market (E3) and competitive advantages for Norwegian oil service companies in the Brazilian market (E4). When reviewing the transcribed information, areas applicable for the analysis were marked with a tag describing what category they were part of. Further, the different categories were inserted into a spread sheet, and sorted by respondent number, question number, category and statement. Each key element was assigned sub-elements, whilst some sub-elements of less significance were removed.

Apart from the pre-defined key research elements, there has to some extent occurred unexpected links or revelations from the respondents. Such unexpected revelations proved to have some sort of consistency as they occurred in more of the transcribed documents. When all the prospective sub-elements had been identified they were assembled with the key

<b>Respondent #</b>	<b>Question #</b>	<b>Category</b>	<b>Statement</b>	<b>Element</b>	<b>Importance</b>
2	41	The interaction Norway - Brazil	-	E2	I
1	12	Authorities interference	-	E2	II
4	9	Cultural friction	-	E1	III
3	33	Success factors	-	E3	II

elements as well as importance, in a new scheme as shown below.

**Table 2. Source: (Bentsen, 2012)**

The purpose of the scheme is to represent an overall listing of the coded data, thus facilitating the setup of the data as a tool in the analysis. Importance is denoted with three degrees of relevance; less significant (I), significant (II) and higher significance (III). The unexpected revelations that were discovered is implemented as part of the regular questions, but are not labelled in any particular way. The significance of the questions is determined by

the acknowledgment from the respondents, and to what extent it can be used directly towards the hypotheses. When all of the information was put into the scheme the analysis commenced.

### **5.4.3 Combine**

When the information has been systematized, it is usual to start interpreting the data. Such an interpretation implies to look for opinions, underlying reasons as well as attempting to generalize or coordinating the data. In this phase the researcher is supposed to go beyond what has been seen or heard. When push comes to shove, reading between the lines might reveal the most interesting conditions (Jacobsen, 2005). First, I will combine all the statements that represent the same key element. The respondents have somewhat different background, although they are all part of the same industry providing various services towards oil companies. Thus it is expected that their insights vary. The findings will be presented by elements from E1 to E4 and then the unexpected revelations will be presented.

## **5.5 Retrospective on the process**

### **5.5.1 The interviews**

In total four in-depth interviews were performed based on an interview template of 34 questions. These were sent by e-mail to all the involved in advance, giving them the opportunity to prepare themselves. The respondents held different positions in their respective companies, thus offering different knowledge towards the research problem. The interviews were all started with an informal part of convivial small talk, while the core time of the interviews varied from 40 minutes to 1.5 hours.

Several of the companies that took part of this thesis were hard to reach. The contact persons retrieved from Kjell O. Johannessen in NCE NODE were busy managers and it took time to arrange for the interviews. One of the respondents was situated abroad and could not be reached. Another eligible respondent replaced this individual.



The respondents were all talkative and skilled communicators, but had different approaches to the role of interviewees. Some followed the questions systematically, while others answered several questions simultaneously. Due to the technical nature of the industry, follow up questions was asked to achieve a greater understanding of some issues. All four in-depth interviews were carried out with success and the data is regarded as insightful. However, the information that was acquired from the interviews was more than I had previously hoped for.

## 5.6 Presentation of the respondents

Jacobsen (2005) emphasizes that data from qualitative research should be made anonymous, but complete anonymity has proven impossible. The smaller the sample, the greater is the danger of revealing the identity of the respondents. Hence, this is particularly a problem within the framework of a qualitative study where one often operates with a small number of research objects. The oil service industry situated in Kristiansand is closely connected as both competitors as well as members of a world leading oil service cluster. Need less to say, this is an obvious reason to keep respondents' identities hidden. In order to obtain a certain degree of anonymity I have chosen to not to assert names, gender or age to my informants. However, they will be placed by position in their organization.

Designation	Position
Respondent #1	Project Manager
Respondent #2	Operations Manager
Respondent #3	Project Manager
Respondent #4	Chief Operating Officer

Table 4. Source: (Bentsen, 2012)

## 5.7 Summary

The main data collection was conducted from four in-depth interviews. The respondents represented different companies and two different parts of the oil service industry.

# 6 Findings & Discussion

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*In this chapter I will analyse and discuss the findings in light of the relevant theory. By utilizing the theory as a source of analysis, I will search to place the findings in a greater context.*

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## 6.1 Brief background introduction

Four in-depth interviews have been performed representing four different companies within the Norwegian oil service industry that again are present in the Brazilian market. Thus, four different angles on the current situation and past experiences have been caught. Most of the respondents share the same characteristic due to their background in the same industry. The findings from all the respondents will be held anonymous, as some more or less sensitive information is revealed. However, the different point of views that are expressed in the quotations will be presented together with the perspective representing each respondent. Despite the similarity of the participants, this will not directly reveal their identity. However, insiders might be able to identify the informants. Three of the respondents represent the Norwegian industry that provides technical equipment to rigs and drill ships. The fourth one is representing the supply boat industry. Similar to both categories are that they have entered the Brazilian market in recent years or are in such a process as of today. After the coding of the data, four key elements were identified, these were linked to the three hypotheses as shown in the figure below.

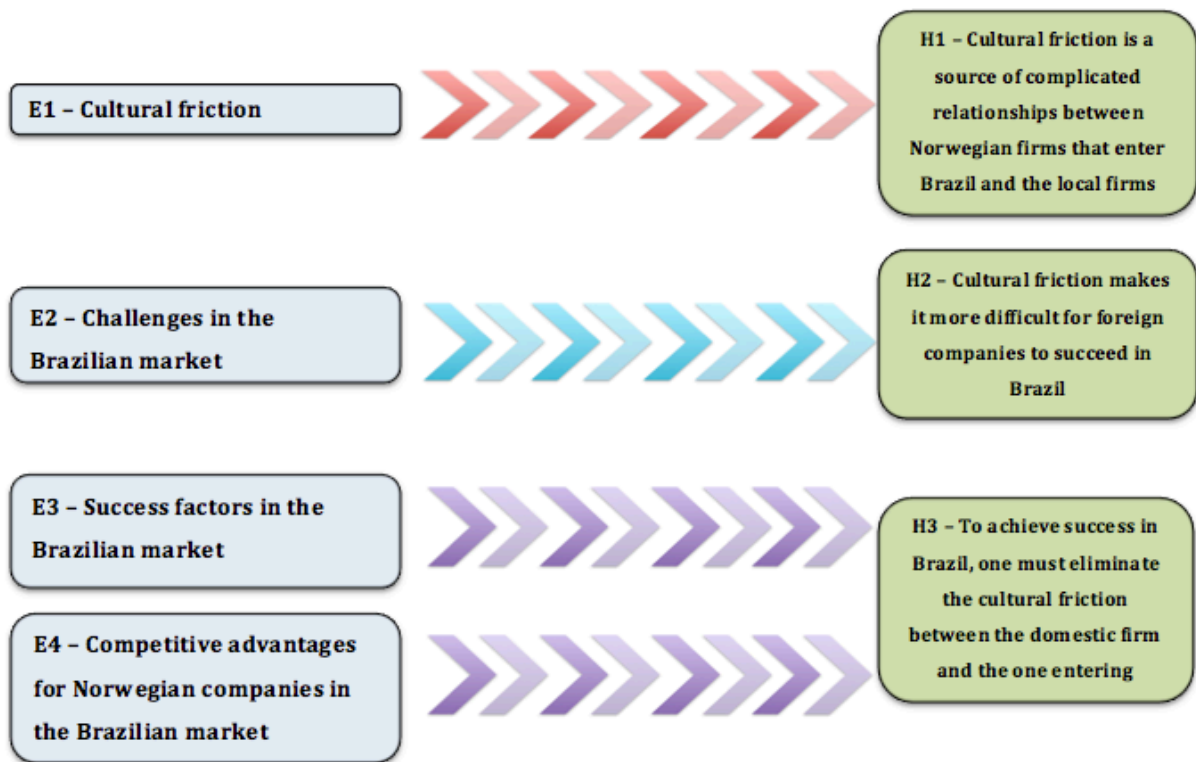


Figure 6. Source: (Bentsen, 2012)

## 6.2 Hypothesis 1

The objective of hypothesis 1 is to investigate how cultural friction affects the relationship between a Norwegian entrant in Brazil and the local firms that are involved. Element 1 (E1) is a compound factor of hierarchical structure, the interaction of Norway – Brazil, socio-cultural conditions and cultural differences.



Figure 7. Source: (Bentsen, 2012)

Before elaborating on the details in the analysis, I will provide a predominant catalyst for how Norwegian companies in oil services, energy equipment and services considers cultural friction in the encounter of a foreign entrant in Brazil and the host country firms.

The first issue that needs to be discussed, is whether or not cultural friction exists and affect Norwegian companies that enter Brazil?

Following Shenkar (2010), cultural friction is created in the negative perceived encounter between two parties of different cultural origin. The determinants of culture are told to be considerable stakeholders in both national and corporate culture, and holding a certain amount of influence in their company. Thus, it is reasonable to believe that the respondents of the in-depth interviews are of such nature. When it comes to the question of cultural friction's existence in their businesses' operations in Brazil, three of the respondents categorically confirmed this. While one of the respondents gave this answer:

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*"I do not believe that Brazil is special, or that it is in a unique position in this context ...I can not see how the cultural differences would provide some increased friction, I believe not."*

*Respondent #1*

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This is an interesting view, as it is quite intuitive that cultural friction is a hindrance when speaking of foreign entry. What must be taken into consideration is that the respondent's reference point for such a statement. From a Norwegian domestic market player's point of view, the cultural differences will to some extent represent an obstacle. Nevertheless, the respondent is part of an international corporation and has done business with parties from different cultures in the last two decades. It is thus natural to think that this has been of influence. The question in connection to this is, where does cultural friction really occur? Considering Shenkar's (2010) description of how cultural friction is formed, it is evident that a physical meeting must take place. Further, the indignant parties may utilize several lubricants to fight and overcome the cultural friction. If the cultural friction is completely or partially removed by the front line people, the ones in the subsequent stage of entry might experience the process are less affected by friction. Respondent #1 was very much in direct contact with their foreign customers, but as a consequence of their large organization their sales department initiated the initial contact of a process with foreign customers. Thereby leaving a smoother interaction to the next department in the company. I will further look at

some statements and opinions that may help to illustrate some of the approaches of cultural friction between the Norwegian and Brazilian parties.

### **6.2.1 Cultural friction's effect on the company performance**

How do you think cultural friction in the organizations from Norway and Brazil affect the company performance?

Cultural friction theory presents various outcomes that are caused by dysfunctional interactions. Considering Adler's (1991) suggestions of what follows from a cultural friction scene, one can to a large extent assume cultural friction as an unfavourable condition. Still, small glimpses of what positive attributes cultural friction can provide is in sight (Nemeth, 1985). In this case study the informants gave the following answers to this question:

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*"I do not think it is developing the company, I think rather it is more challenging than it gives positivity that one are different."*

*Respondent #4*

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*"I think; for Norwegian companies that come down and do not put themselves into their cultural mindset, it is negative."*

*Respondent #2*

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Respondent #4 could further convey that the cultural differences between Norwegians and the Brazilians are significant. Respondent #4 underpinned that communication across cultures has been an issue, which they have been focusing on in their corporate culture policy work. Respondent #2 found that the two cultures have different perceptions in the concept of confidence. According to this informant it is particularly the phenomenon of time perception and respect for each other's time that is different. Respondent #2 believes that the punctuality we can recognize, deeply rooted in Norwegian culture does not exist to the same extent in Brazil, and this is reflected throughout the Brazilian culture. While respondents #2 and #4 have a clear idea that the cultural friction that is created in the meeting between

Norway and Brazil is one-sided negative, there are others who look at such friction as a fertile ground for opportunities in the face of a different culture. Respondent #3 speaks Portuguese and has been living in Brazil for a longer period and gave the following statement of how he regards the effects of cultural friction:

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*“If there is friction it will clearly be negative for the target. But that is necessarily not correct. It is perhaps the first thing that strikes you, but it need not be correct because you have "diversity"... cultural friction can be a good thing.”*

*Respondent #3*

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What is interesting is that respondent #3 emphasizes that close intercultural interaction as a way to gain greater understanding of their culture and their way of thinking. Respondent #3 points out that the width of an organization can be healthy and that in this way, think outside the box. According to respondent #3, cultural friction can work as a positive factor. As (Ely, 2001) suggests, such positive results can be achieved on the basis of cultural diversity, if the management is sufficient skilled and powerful.

### **6.2.2 Preliminary summary**

Cultural friction does to some extent exist in the relation between Norwegian and Brazilian companies in the oil service sector. How the involved parties percept friction relates to how direct contact they have to the cultural counterpart. The expression “birds of a feather flock together” draws a picture of how heterogeneous and homogenous people interact. In cultural encounters the same principle is eligible. In the in-depth interviews the informants emphasized that cultural friction is a severe source to a complicated Norwegian-Brazilian relationship. Lack of the ability to adapt the Brazilians’ cultural mindset also creates a negative element in terms of how cultural friction affects the company’s performance. However, the diversity that lies in cultural friction might contribute creativity and outside-of-the box thinking. Thus, I will not discard H1.

## 6.3 Hypothesis 2

Hypothesis 2 aims to give an answer to how foreign entrants in Brazil are challenged by the fact that cultural friction may serve as an obstacle. The main element number 2 of challenges in Brazil (E2) consists of hierarchical structure, the interaction of Norway – Brazil, institutional conditions and cultural differences.



**Figure 8. Source: (Bentsen, 2012)**

The challenges that foreign companies encounter in Brazil are related to three determinants as outlined by (Yadong Luo & Shenkar, 2011): the organizational conditions, the base conditions (cultural distance between countries) and contextual conditions (social or political distance between countries). The first one may be put in context with corporate culture and the latter two are covered by national culture. An entry in Brazil may be precluded due to several reasons from a national culture perspective. Hofstede points at the different sources of existence. The base and contextual conditions are being shaped as part of the national culture, thus internalized at young age. These are deeply rooted in the personality as values and are hard to alter.

Organizational conditions are on the other hand more superficial elements that one takes on as member or an organization. Symbols, rites and "heroes" operate as organizational factors of influence provided by the management of the organization. Clearly, one would expect that two parts of different national origin and organizational practices are interacting there is a source of concern.

To identify and address the different challenges that a foreign entrant face when going into Brazil I will present these in connection with Hofstede's six cultural dimensions; uncertainty avoidance, power distance, individualism, masculinity, long term orientation and indulgence vs. restraint. These parts are connected to the national culture and basically explain how a

national culture is built and assembled. The fact that these dimensions vary in different countries allows the creation of cultural friction.

### **6.3.1 Uncertainty avoidance**

Organization theory claims that uncertainty avoidance is associated with national culture. Hofstede's (1980) study at IBM about organizational culture with data from 1967-78 states that countries with high uncertainty avoidance tend to associate risk at work with a range of less reliable factors. Among others, the need to initiate individual decisions is deemed as walking at an uncertain path. Foreign manager rule and frequent changes are also unsolicited among those who seek to avoid uncertainty. In our case is it important to understand why and how different perceptions of uncertainty avoidance contributes to friction, one of the informants answered mentioned this:

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*“Norwegians often think that it is better to take a wrong decision than to not make a decision at all. If we made a wrong decision, well, then we sorted the problem and will do it right afterwards. In Brazil, they don't like this. There, they are very reluctant to take a wrong decision in case it is incorrect.”*

*Respondent #2*

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He says that when quick decisions are to be taken, it is often more efficient to send a representative from Norway to expedite the action and assume the sole responsibility of the decision. Even though the appointed Brazilian has both the power and knowledge to do the decision, they are reticent to do so. However, by intervening with an outsider that is responsible they tend to loosen up a bit. The Brazilians are extremely thorough and investigative before they reach a conclusion, as the fear of failure in Brazil is quite a bit larger than we are used to in Norway. The informant experienced great difficulties from indecisiveness as a result of lower labour protection. As Hofstede (1998) mentions, national societies that strongly avoid uncertainty, show intolerance of deviant ideas and persons, this can be tied up with one of the statements I collected:



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*“It is difficult for the Brazilians to give their views directly to the boss, they probably say what the boss would like to hear”.*

*Respondent #3*

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The fear of criticizing the boss, is according to respondent major in Brazil, this is a product of the power distance between employees and the boss, I will go further into this in the next chapter of the analysis. Such fear of intervening will for obvious reasons lead to a dysfunctional practice, if no one dares to criticize the established code of conduct. Brazil is quite different from Norway when it comes to uncertainty avoidance. Norway scores in the very middle of the uncertainty avoidance index, thereby placing itself as a more pragmatically oriented culture. Norwegians keeps a focus on planning, but when sudden changes take place, improvised solutions may also occur. The people of Norway are reluctant to show feelings and more prone to take risky choices (G. Hofstede, 2012).

### **6.3.2 Power distance**

The countries with greater power distance are associated with higher emphasis on processes and less focus on results. Power distance is correlated with major divisions of income levels and how violent the political tools appear to be. Latin countries (as of where their language is Latin based) get high scores on power distance (G. Hofstede, 1998). High power distance societies tend to have a more authoritarian leader while dissidents are forcefully taken away from the political and public scene. This is a cultural dimension that demonstrates a greatest difference between Norway and Brazil. From the in-depth interviews I got some more or less interesting insight that address this issue.

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*“Our organization in Norway is flat, there is little difference between a boss and a non-manager, a secretary, for example...However, In Brazil they have incredible respect for their superiors, the boss is not challenged what so ever...It is almost in the sense that even though they know it is wrong they will not challenge it.”*

*Respondent #4*

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While the employees and managers in Norway are respected for the person they are and the results they deliver, the respect for authorities is in Brazil closer connected to the title and position. The respondent emphasizes that a title itself means very little in Norway, while there lies tremendous power in the hands of a Brazilian manager, which again leads to a hesitant and virtually non-existent culture of challenging authorities. In Brazil it is customary to display their power in order to obtain a high social standing and thus the respect they deserve (G. Hofstede, 2012). One of the other respondents presented this view on power distance in Brazil:

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*“We hired a Brazilian engineer that we engaged in our procurement division...But as a graduate he was very afraid to talk to authorities”.*

*Respondent #2*

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As a result of this the processes of getting information in the procurement department went very slow, the manager I interviewed needed to force the Brazilian to call the authority he was scared to talk to. The common belief of hierarchy in Brazil is that it should be respected and that disparities are acceptable. Which is also somewhat applicable to the legal system in Brazil, the ones in power possess more benefits than those with minor power. This entails that in many cases, one manager bears the whole responsibility (G. Hofstede, 2012).

### 6.3.3 Individualism

Individualism describes how well individuals are integrated into groups (G. Hofstede, 1998). Societies where the members are of such individualistic character are based on the fact that the individual is responsible for taking care of themselves and their closest family. On the opposite side we find the collectivist mindset, where the members from birth are expected to participate in groups, which by definition is a social norm.

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*“The way Brazilians sees Norwegians is that we are good adapters. Norwegians are very independent and we travel a lot, it's embedded in our culture. Many Norwegians in Brazil try to avoid being with Norwegians to adapt the local culture”.*

*Respondent #2*

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In Norway this reflects both the private and working life, people are expected to take care of themselves without relying on others. As citizens of a more or less well functioning social democracy, the state is expected to take responsibility when the people need help.

However, the group feeling in Brazil is reinforced by a sense of solidarity in which the elders protects the young and in return get their respect and loyalty. Hofstede (2012) gives the example of where an older and more powerful member of the family is suppose to use his connections to help get the younger ones employment. Brazilians get low scores on individualist rankings and is considered a collectivist society (G. Hofstede, 1998).

Collectivist cultures are often interrelated to long-lasting relationships with the members of the group. Hence, in-group loyalty becomes important and not least central to its existence.

One of the respondents had considerable problems with trusting the Brazilian co-workers and business affiliates. Unwritten agreements were in hindsight often denied by the Brazilians. Which again can be related to the uncertainty avoidance problem about reaching decisions as an individual, as suggested by Hofstede (1998). Their reluctant behaviour towards decision-making, clearly represent an obstacle to foreign partners.

Keeping the group as one unit and focusing on the decisions that create a greater good for the whole is fundamental. When two cultures of different scale meet, one must take into account the extreme differences and what lubricants that can overcome these. In Brazil there is often negotiated agreements that are beneficial for the whole group and thus the preferences of a collectivist culture can be secured. If one takes account of this, it allows an easier interface to international negotiations in which Brazilians are involved (Pearson & Stephan, 1998).

### **6.3.4 Long term orientation**

Most of the countries that are part of a long-term minded culture are East - Asian, for instance Taiwan, China, South-Korea, Japan and Hong Kong. The legacy of Confucius, a Chinese philosopher who lived from 551 - 479 BC include strong family loyalty, respect for the elderly and the family as the basic affiliated unit. Covered by such strong connections and thus confidence in those, it is in these cultures naturally to rely on long-term relationships. This type of social bonds can however lead two significant gaps between parties of different backgrounds (Powell, 1990), namely the need of personal ties and different verbal and physical communication styles. First I will look at how the concept of time is perceived and then how long-term orientation in relationships is different. All of the respondents put a certain weight to the difference in perception of time held by Norwegians and Brazilians. However, some of them were especially interesting related to how they contributed to establish cultural friction. I will briefly present these:

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*“I think the greatest issue is the perception of time. One sets a time for a meeting, show up and stand utterly alone without any other showing up. This is what I have been most worried about, which results in lack of trust”.*

*Respondent #2*

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The respondent highlights that whilst Norwegians and other Northern-European cultures are taught to appear on time, Brazilians don't give this any particular thought. Clear

communication is required to eliminate the chafing from this base condition of cultural distance. However, the reasons of being too late in Brazil must not be neglected. Frequent traffic jams; complex bureaucracy and constant multitasking contribute to a more dynamic way of time.

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*“I think we have a slightly different perception of time, this is similar to my experiences with our Indian customers. We are probably more active, we want to get things done”.*

*Respondent #1*

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*“I think that Norwegians come to Brazil a bit naïve. We are used to things going fast, ...things should go fast and decisions are to be taken.”*

*Respondent #2*

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The way the informants explain their experiences of difference in conception of time is much similar to a scenario where one is pushing and the other is holding back. The fact that more of the companies I interviewed are used to being exposed to different cultures due to their global presence may contribute to minimizing this inequality. It was made clear by several of the respondents that it is difficult to generalize when it comes to this topic, as it is entirely dependent on the person. One must bear in mind the individual differences and that there are disparities in how a country's population behave. I will further analyse the findings of long-term orientation:

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*“The most important element when going into Brazil is that one must be long-term based, extremely long-term based. If one is not long-term oriented in Brazil, you will lose money ... You must have a minimum ten-year perspective. You can not expect to earn a penny the first five years, if you earn money the first five years you are lucky”.*

*Respondent #2*

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From the *uncertainty avoidance* chapter the respondent made it clear that the unwritten rules not are followed in Brazil, as they are in e.g. Western Europe. The Brazilian community have an obvious need for formalized standards and thereby a strong and complex bureaucratic system. As a consequence of this, the process entering an agreement takes longer time and therefore it is necessary to price in this issue when negotiating the formalities of a contract.

Brazil is by Hofstede (2012) placed amongst the long term oriented societies as the only country with this characteristic outside Asia. Brazilians agree that change is a part of life and show inclination to accept the change more than one truth.

Long lasting relationships in business are important, implying mutual trust and provide stable framework conditions. A business collaboration often starts with informal discussions and allows the parties to get to know each other (G. Hofstede, 2012). In the oil related services in Brazil, there is one main determinant for success: Petrobras. Several of the respondents noted the importance of being a team player of Petrobras. As a partially state-controlled company, they operate on a long-term basis under the rule of the Brazilians state and its intricate legal system. Incentives are given to settle as an independent Brazilian subsidiary, with Brazilians staff and content. It takes time to prove that you are proficient skilled for Petrobras, which you intend to integrate and show that you are a stayer. After some time they loosen up and count you in for the contracts of larger value.

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*“Petrobras is the alpha and omega, if you are in Brazil you are with Petrobras. Petrobras and oil in Brazil is the same thing. Sometimes there are some other companies that issue a single contract, where you come in with equipment; a rig or a boat doing a job it's out again. But if you are in Brazil and establish yourself you have to deal with Petrobras”.*

*Respondent #2*

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It is evident that with great power, there will always be an issue of corruption. Respondent #2 states that corruption in Brazil happens at a very high level of power and in very secrecy units. The contracts are tendered and through a pre-qualification, the providers of interest are

picked out. Because these contracts are assigned through such a prequalification, they are therefore part of a limited tender market that opens up space for corruption. As described by Campante (2009) corruption is a general problem for the ruling elites in Brazil, even leading to impeachment of central government officials. However, the way of organizing it is hidden as “gentlemen’s agreements” where top managers can enter closed circles of power and thus gets a foothold of the desired contracts. From the in-depth interviews I learned that it is important to hire a Brazilian top manager when entering in Brazil. Because they have a better understanding of the Brazilian culture and way of doing business, and since they have a better chance of participating in the “closed circles of power”. Foreign companies may be hindered by this code of conduct as many MNE’s have corporate policies that prohibit corruption as part of their corporate operations. Nevertheless, it doesn't mean that the companies that participated in the survey are taking part in corruption, even though it is a problem they are constantly facing. The results of corruption are debated, (Kaufman, 1999) suggest that corrupt companies waste time negotiating with officials, while (Beck, 1986) claims that when a tender is ongoing bribes may speed up the process. However, in the long run corruption is a risky instrument to enhance the position of the company.

### **6.3.5 Masculinity**

Masculine societies strive for material measures as wealth and success – where success means to be the winner or the best in the field, whereas feminine societies desire quality of life, interpersonal relationships and care for the weaker (Beekun, 2003). The difference between the two is what motivates the individual, wanting to be the best or enjoying what you do. Hofstede (2012) denotes the Brazilian society as a neutral or “really in the middle”, thus emphasizing neither masculinity nor femininity as current practice. The research process did not reveal any particular features relating to how masculine or feminine the respondents conceived the Brazilians. However, one of the respondents indicated the following:

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*“There is much more respect for a title in Brazil, and this can be used consciously”.*

*Respondent #4*

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Greater economic disparity between rich and poor are a part of the respect that the empowered enjoy. It is reasonable to infer that power, economical success and the being part of the elite is a desire for those who are not already part of it. Status and title is important and it is expected that a manager should act like a manager.

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*“Brazilians are much more open, smiling all the time. They have more emotion on both ends. They are much more emotional”.*

*Respondent #2*

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Expressing feelings is not a one-sided feminine phenomenon, but it can be perceived as a "soft" value and thus it is something that softens a hard masculine power-based culture.

### **6.3.6 Indulgence versus restraint**

How indulgent or restrained Brazil is compared to Norway could maybe have given insights and reasons for how the two cultures behave and interact. However, no sound results that could possibly define this were found.

## **6.4 Additional challenges**

Foreign entrants in Brazil face a number of challenges, probably some that has not yet been discovered in this dissertation. I will now try to shed light on other challenges that was not covered in the review of Hofstede's six cultural dimensions.



### **6.4.1 Monochromic versus polychromic**

I have already discussed time-orientation as a cultural difference; however, I have only partially explained the interlude of a long-term orientation and the sense of time. Missana (2011) notes the concepts of monochromic and polychromic behaviour as the difference between the transactional and task focused people versus the relational and people focused, respectively (Missana, 2011).

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*“Brazilians like to talk and do many different tasks at once, but Norwegians are more structured and complete one task before we begin any other. Meeting culture, they (Brazilians) don't turn off their phone. If they receive a call in a meeting they answer it, either going outside to talk or sit talking quietly in the meeting, the same thing happens in the universities”.*

*Respondent #3*

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There is a clear distinction between cultures that are focused on doing one thing at the time to those who like to keep many projects running simultaneously. The respondent was frustrated about the distractions this created and this constituted a definite bias to the formal meeting culture in Norway.

### **6.4.2 Loyalty**

The traditional loyalty of working your whole life in one company has changed the recent years. Loyal can be defined as: “steadfast in allegiance to one’s homeland, government or sovereign” (Niehoff, 2001). Loyalty had not been identified as part of the challenges faced by Norwegian companies within the oil and offshore sector in Brazil in advance of the in-depth interviews. However, it has shown to be a general problem in the teeming petroleum industry Brazil is part of.

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“The oil market in Brazil has a need for 200,000 workers and 70,000 engineers. There is a hierarchy, with good salaries on par with Norwegian salaries and sometimes even higher. As a consequence of this they constantly choose the employer who pays the most. They have very little loyalty in Brazil, this is an enormous problem”.

Respondent #2

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It was also expressed that the pressure on labour within the sector was a result of an overwhelming growth. One would think that the giant investments (Segrov, 2012) initiated by Petrobras was part of the country's largest industry, but (Martinelli, 2010) shows that the exports of agricultural products accounted for 40% of the country's trade surplus in 2008. The industry is suffering from this extremely tough competition; respondent #1 stated that farmers are now being retrained to cope with the need of skilled labour in the petrochemical industry.

### **6.4.3 Labour costs**

Brazil as part of the BRICS is regarded as a country with plentiful supply of cheap manpower, however rising living standards is about to dilute their position as a low-cost country. The profits from Brazilian run operations are marginal, Brazilian man-hours are a lot more expensive than the Norwegians in the same positions. Norwegian supply shipping companies in Brazil have limited opportunities to get compensation from Petrobras from growing costs (Førde, 2012) .

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“Brazilians are relatively expensive in cost. A Brazilian sailor costs more than a Norwegian sailor, this kind of pressure come from the rigorous legal restrictions. Hence, it is difficult to predict the growth in costs for a Brazilian sailor, having seen the rapid escalation”.

Respondent #4

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The uncertainty coming from heavily growing costs in Brazil is an element of insecurity some Norwegian companies not are willing to face.

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*- The cost in Brazil has evolved much faster than many had imagined. The cost of Brazil's oil industry has gone from a level typical of a low-cost country to the most expensive in the world in a very short time. A major problem is the strict use of the local Brazilian crews as well as too low training capacity.*

*Stig Erik Kyrkjeide, Financial Analyst in Swedbank First Securities. Retrieved from (Førde, 2012)*

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Rising costs have, according to Kyrkjeide (2012), caused a tendency in the market where Norwegian companies limit their exposure to the Brazilian market because of this uncertainty.

#### **6.4.4 Preliminary summary**

Considering the different organizational, base and contextual conditions that apply amongst Norway and Brazil, the preconditions are rather poor. By interpreting the challenges Norwegian firms face in Brazil in the light of Hofstede's six cultural dimensions I discovered interesting findings. Uncertainty avoidance is regarded in much different ways in Brazil and in Norway. Brazilians are very thoroughly in their decision-making and sometimes procrastinate in fear of doing the wrong decision, whereas Norwegians have the attitude that it is better to reach a decision than to stay at inertia. Furthermore, Brazil is a country where autocrat leaders rule and their word is law. For this reason they are more reluctant to challenge what the managers say, even though they know the decision he or she is making is unfortunate to the business. On the contrary, Norwegians differ with their flat hierarchical structure and informal business culture.

The perception of time in Norway is based on planning and one expects that appointments be kept. Brazilians have a more loose orientation towards time, as shown in their polychromic behaviour. Such polychromic attitude is also evident in their long-term

orientation in relationships. To build trust in a relationship with Brazilians one must spend a long time. After having demonstrated the determination of long-term presence, opportunities will open up. Establishing an affiliation with Petrobras and passing the bar as an approved supplier takes time. When a company manages to get a prequalification for offering a tender, they will start making money.

Limited loyalty is also regarded a problem in the Brazilian market. The propensity of job change is high as oil and gas industry parties keep overbidding each other for experienced competence. High labour costs entail the difficulties that are associated with low supply of personnel. The aforementioned issues are deteriorating the chances of Norwegian companies success in Brazil, however the probability of success are greater if one is aware of these. Therefore I find H2 adequate and do not reject it.

### 6.5 Hypothesis 3

This hypothesis is based on two main elements of the coded information that was extracted from the interviews. First I will look at the element of general success factors in the Brazilian market for the given industry (E3) and then look at specific success factors for the given Norwegian industry participating in Brazil (E4).



Figure 9. Source: (Bentsen, 2012)

## 6.5.1 Success factors in the Brazilian market

### *Time*

Little research has been done on the field of success factors for companies in the Brazilian oil service- and offshore industry. However, the challenge is probably not to identify what factors that provide success, it is rather how to execute and follow through what should be done. Nevertheless, I will hereby present the findings on what are considered general factors of success:

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*“Having been there a long time, having built an organization with contacts, to produce your own equipment to do maintenance of own equipment. Having a self-supported, self-driven organization in Brazil, that it is the biggest advantage. Not being dependent on help from others”.*

*Respondent #2*

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*“It is very advantageous to be experienced, then you know what to put your finger on”.*

*Respondent #1*

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*“To become successful in Brazil, one must have local expertise in the processes of what is spent on purchases, sales and taxes. Primarily you need an established network to reach out to the customer”.*

*Respondent #3*

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Similar to all statements are that one need a long-term commitment to succeed in the Brazilian market. In the light of how Brazilians score on long-term orientation and their polychronic way of being this is an expected result. By this one can also understand that it

takes time to realize the nature of the Brazilian market, as the human factors are widely different. Respondents #2 and #3 emphasize the complicated legislative framework, a way to speed up the entrance is to use agents who have specialized on foreign entry. These had already taken part in an entry into Brazil with companies other than those of their current employers. In these entrances there were several things that not worked out as expected. Among others, they anticipated a faster growth than what was practically possible. In addition, their core-competences were not strong enough. This proved to be very expensive in a market with fierce competition and unpredictable costs that appeared in connection with unforeseen events. An instrument to achieve success through long-term approach is to keep close control of the legal obligations that are to be met.

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*“While some try to bend regulations while paying as little tax and taxes as possible, we strive to follow the rules to the greatest extent possible”.*

*Respondent #4*

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This shows how a company can prevent huge extra costs by operating ahead of the environmental and technical demands. Respondent #4's company worked to get an approval for their delivery to Petrobras. In advance, they had taken precautions and made a thorough assessment of the set requirements. Due to their diligent work they got the equipment authorized after three days, while others where waiting 2.5 months before getting their approval. In this industry the daily penalties are substantial amounts, the ability to comply with the requirements is thus a very valuable piece of kit.

### *Management*

Foreign entry management is a highly daunting task, and there is consistency in the answers relating to this.

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*“What many companies do is hire a Brazilian chief executive, which then can access the closed room. By doing so you are well positioned”.*

*Respondent #2*

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*“There is an emerging trend that they employ locals in top positions. It is most appropriate to set a Brazilian in the top position. The downside of having a Norwegian in a high position, is the cultural differences and their unfamiliarity with the bureaucratic system, how it works in Brazil. It's very complicated”.*

*Respondent #3*

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All of the respondents stated that the responsibility of their Brazilian operations was allocated to a Brazilian CEO. It is thus a strong signal to infer that a successful foreign company in Brazil should hire a Brazilian local as its top manager.

### *Local presence*

An emerging trend in the oil related market is the demand of local content. Brazil's passing of the “Oil Law” in 1997, set strict requirements at foreign entrants in the petrochemical industry. From such a law they wanted to increase the speed of growth in the oil and gas industry while simultaneously broadening the local supply industry.

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*“Local presence is what matters. That you are present, two underscores below that!”*

*Respondent #4*

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*“You must have local knowledge, that is the alpha and omega”.*

*Respondent #3*

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Adjusting to the local content requirements in Brazil is a definite challenge. Moreover, when an entering firm have got a grasp of what it involves and have found a means of how to cope with this challenge, it is then changed to an advantage. Respondent #3 shared his experience around local content in Brazil. At an earlier project towards Petrobras they had tendered a non-Brazilian ship for a contract on the Brazilian shelf. The competition in the Brazilian oil service market is notoriously hard, and another competitor snatched their proceedings against Petrobras. As the ship not was Brazilian, any Brazilian ship with the same price, quality and delivery time could use their preferential rights as follows from Brazilian law. To overcome the threat of preferential rights the foreign entrants in Brazil are establishing complete Brazilian subsidiaries. Respondent #4 represents a company that manages all of its activities through a wholly owned Brazilian company.

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*“You need local content and you must be local. They get better and better protection on their borders, a bit like in Norway ... Before we had sailors who travelled around the world, now there is more focus on local content. How can we train locals? Instead of the hassle sending down a Norwegian. This is one of our main focuses”.*

*Respondent #4*

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### **6.5.2 Competitive advantages for the Norwegian companies in the Brazilian market**

Norwegian companies in the oil service- and offshore industry come from an environment with harsh weather conditions and are used to operate under extreme temperatures in the North Sea. Being able to use these experiences into a new market is regarded as an advantage. Nevertheless, the situation in Brazil is far subtler.



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*“I believe that the earlier deliveries are very good references for us. We have delivered equipment to about 50 drill ships. So we have got a good reputation in the market...We have 1,500 employees in Brazil, this has been a support for us and it is always easier to do something in a country when one is already represented there and you have people from the nationality”*

*Respondent #1*

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*“I consider our long-term presence and that we are well established in Brazil as our most valuable competitive advantage”.*

*Respondent #4*

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From the perspectives of respondents #3 and #4 operating as an all-Brazilian company is viewed as their competitive clout. By the virtue of being Brazilian they have a more solid basis for complying with the regulations from the authorities and Petrobras. The informants emphasize that they live well on goodwill in the market because they have already been present for some time. Respondent # 4 also states that they have a better relationship with their customers in Brazil than they do in Norway. This is reinforced by the impression drawn from the long-term orientation section.

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*“What distinguishes our culture from our competitors in Brazil is that we have a Norwegian business culture ...I feel that it is easy to walk straight into the boss if I have something on my mind”.*

*Respondent #3*

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With reference to the power distance discussion earlier in the analysis we see that elements of informal Norwegian business culture will lead to positive elements. It may indicate that a lower barrier to confront the management with criticism and improvement will be perceived as an appreciated attribute by the employees. On the other hand, this is completely contrary

to the Brazilian leadership ideal of an autocratic leader (G. Hofstede, 1998). Respondent #2 explained the effects of Norwegian business culture and thus relatively low power distance in this way:

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*“The workers at the bottom of the hierarchy are incredibly pleased to be working for a Norwegian company. They feel valued, that they are taken care of and they feel included. In the case where a Norwegian top manager is at chair, the Brazilian middle manager might feel a little embarrassed, because the Norwegian leader includes everybody. While the Brazilian middle manager is a little more used to having a top-down structure. So the workers will feel very included, but the middle manager will probably feel a little embarrassed”.*

*Respondent #2*

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In this situation the Norwegian top leader may fall between two stools and must be aware of the responsibility to communicate and raise the awareness of staff roles. It is rather difficult to draw a one-sided inference about the impact of Norwegian managers' presence in the Brazilian companies. The two conflicting interests relating to inequality of power distribution as mentioned by (G. Hofstede, 1991) must be emphasized.

### **6.5.3 Summary**

From a more general perspective of what success factors that are valid in Brazil, it comes back to the challenges discussed earlier. To deal with these, it pays out to have been present in Brazil for a certain period of time and thus having built a extended network. Experience and local expertise enable you to cope with both predicted and unforeseen challenges in a positive way. Making use of local agents specialized in taxes is emphasized as very beneficial. It is necessary to keep close control of the legal obligations that are to be met, and make sure to deal with the bureaucracy by complying with their requirements.

Operating ahead of the environmental and technical demands can prevent huge extra costs. Having local content and local presence is therefore important.

The fact that more of the Norwegian I interviewed had up and running all Brazilian organizations in Brazil is worth a great deal. Although this is not an exclusive competitive advantage for Norwegian companies, it is part of their advantage. All of the companies had been present in Brazil for a shorter or longer period and therefore they had built up a reputation and a name in market. A Norwegian business culture can also to some extent prove positive if it manages to break down the hard hierarchical distinction typical of a Brazilian company. In summing up this chapter it is clear that the advantages mentioned above will help to improve the situation of cultural friction. I interpret the findings to that one needs to remove cultural friction in order to conduct business effectively. I will therefore not reject H3.

# 7 Conclusion

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*In this chapter I will sum up the problem background, the thesis' purpose and the most significant findings. Moreover a conclusion and a proposal of how Norwegian companies may succeed in Brazil will be presented. Lastly, limitations of the research will be discussed.*

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After more than 40 years of an economy based on the black gold of the North Sea, a rapid development has put Norway into the position as one of the global leaders in offshore oil and gas technology. A substantial supplier industry has gotten a foothold in the country and has gained reputation for its expertise from all around the world.

Brazil is one of the fastest growing markets in the world and is therefore subject to the massive investment from the state-controlled company Petrobras, being the world's third largest oil company and South America's largest industrial group. Petrobras are expanding beyond the capacity of their domestic oil and gas related industry and therefore representing an opportunity for foreign entrants. This thesis aims to develop a framework on how a Norwegian company within the oil service industry can achieve its goals in Brazil. Developing such a framework I utilized already existing theories, although used in a new context. The purpose of conducting this qualitative study was to detect new dimensions, furthermore a basis for future research.

Cultural friction does to some extent exist in the relation between Norwegian and Brazilian companies in the oil service sector. In the in-depth interviews the informants emphasized that cultural friction is a severe source to a complicated Norwegian-Brazilian relationship. Lack of the ability to adapt the Brazilians' cultural mindset also creates a negative element in terms of how cultural friction affects the company's performance. However, the diversity that lies in cultural friction might contribute creativity and outside-of-the box thinking.

Considering the different organizational, base and contextual conditions that apply amongst Norway and Brazil, the preconditions are rather poor. By interpreting the challenges Norwegian firms face in Brazil in the light of Hofstede's six cultural dimensions I discovered interesting findings. Uncertainty avoidance is regarded in much different ways in Brazil and in Norway. Brazilians are very thorough in their decision-making and

sometimes procrastinate in fear of making a wrong decision, whereas Norwegians have the attitude that it is better to reach a decision than to stay at inertia. Furthermore, Brazil is a country where autocrat leaders rule and their word is law. For this reason they are more reluctant to challenge what the managers say, even though they know the decision he or she is making is unfortunate to the business. On the contrary, Norwegians differs with their flat hierarchical structure and informal business culture.

The perception of time in Norway is based on planning and one expects that appointments be kept. Brazilians have a more loose orientation towards time, as shown in their polychromic behaviour. Such polychromic attitude is also evident in their long-term orientation in relationships. To build trust in a relationship with Brazilians one must spend a long time. After having demonstrated the determination of long-term presence, opportunities will open up. Establishing an affiliation with Petrobras and passing the bar as an approved supplier takes time. When a company manages to get a prequalification for offering a tender, they will start making money.

Limited loyalty is also regarded a problem in the Brazilian market. The propensity of job change is high as oil and gas industry parties keep overbidding each other for experienced competence. High labour costs entail the difficulties that are associated with low supply of personnel. The aforementioned issues are deteriorating the chances of Norwegian companies success in Brazil, however the probability of success are greater if one is aware of these.

From a more general perspective of what success factors that are valid in Brazil, it comes back to the challenges discussed earlier. To deal with these, it pays out to have been present in Brazil for a certain period of time and thus having built an extended network. Experience and local expertise enable you to cope with both predicted and unforeseen challenges in a positive way. Making use of local agents specialized in taxes is emphasized as very beneficial. It is necessary to keep close control of the legal obligations that are to be met, and make sure to deal with the bureaucracy by complying with their requirements. Operating ahead of the environmental and technical demands can prevent huge extra costs. Having local content and local presence is therefore important.

The fact that more of the Norwegian companies I interviewed had an up and running all Brazilian organizations in Brazil is worth a great deal. Although this is not an exclusive competitive advantage for Norwegian companies, it is part of their advantage. All of the companies had been present in Brazil for a shorter or longer period and therefore they had built up a reputation and a name in market. A Norwegian business culture can also to some extent prove positive if it manages to break down the hard hierarchical distinction typical of a Brazilian company. It is clear that the advantages mentioned above will help to improve the situation of cultural friction. I interpret the findings to that one needs to remove cultural friction in order to conduct business effectively.

This dissertation is designed based on data from the oil service industry. It can therefore not be considered representative of how cultural friction affects business relations in general. A selection of four respondents cannot be considered representative of the whole industry in general. Due to the exploratory nature of this study and the time restraint of five months the sample size was kept small.

## 8 Further Research

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*This chapter will put forward for consideration topics for further research.*

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The sample in this thesis was a mixture of both medium and large companies. It would be intriguing to conduct the same qualitative study on a larger sample. Furthermore, a more specific time study of one designated part of the oil service industry would contribute to offer more precise knowledge. It would also be interesting to look at oil service industries from other parts of the world. A quantitative study should be performed in order to ascertain the size of the significance of the factors; thereby facilitate for results representative for the whole population.

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# 10 Appendices

## 10.1 Appendix 1 – Interview template English

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**Master thesis interview template**

**MSc Business Administration**

**Bent M. Bentsen Agder University, Kristiansand**

Research question: *“How to become successful in Brazil: A study of the Norwegian oil service industry on the Brazilian shelf”*.

### **1. Responsibility/ role in your company**

1.1 How long have you been working in the company?

1.2 Describe your area of responsibility

1.3 Where in the organizational chart is your position?

1.4 How do you participate to forums/meetings where issues in the strategy on Brazilian entry are discussed?

1.5 Describe your tasks related to the activity in Brazil

1.6 Who do/did you cooperate with in the process of establishing your business in Brazil?

1.Externally?

2.Internally?

1.7 How is your company's experience relevant for an entry in Brazil?

1.8 Which competitive advantages do you consider as the most valuable for your firm in entering Brazil?

## **2. Culture**

### **2.1 Organizational culture**

2.1.1 How do you think people on the outside percept your organizational culture?

2.1.2 Please describe your company by three honest values that reflect the working environment

2.1.3 Have your company got an own culture? What characterizes your company culture?

1. Give examples

2.1.4 How does your company culture diversify from your competitors?

1. Give examples

2.1.5 How do think cultural friction in the organizations from Norway and Brazil affect the following measures:

1. Result

2. Strategy in Brazil

3. Growth in Brazil

### **2.2 National culture**

2.2.1 What do you think characterizes the Norwegian culture?

2.2.2 What do you think characterizes the Brazilian culture?

2.2.3 Have you experienced any difficulties in the encounter of the two cultures?

1.If yes, how did you handle them?

2.2.4 How can you deal with cultural differences in a good way?

### **3. Brazil entry process**

3.1 What is your role concerning the entry process in Brazil?

3.2 Have you been part of a foreign market entry before? Have you been part of an entry in Brazil before?

3.3 If you have already been part of the entry of a foreign market, please describe the process. What parts went well and which did not?

3.4 In Brazil the cultural and the language barriers are great seen from a Norwegian point of view, how do you approach such markets?

3.5 What characterizes an entry in Brazil?

3.6 What did you focus on before the final decision of doing business in Brazil? What decisions factors played the largest role?

3.7 How do you choose partners in Brazil?

3.8 What other departments in your company are the most important in the start of a process of going into Brazil?

1. Why are these important?

2. How do you ensure that all the stakeholders at your company have the same information?

3.9 What did you consider as your competitive advantages when you entered Brazil?



3.10 Did you see any change in these competitive advantages after the entrance?

3.11 What are the most considerable challenges that you met while entering Brazil?

3.12 Which competitive advantages do you consider as the most valuable for your firm in entering Brazil?

3.13 What are the most favourable advantages that you could obtain?

3.14 Have the most recent entry been as expected?

1. Why or why not?

3.15 Why do you think the Norwegian oil service industry is amongst the top suppliers in the world concerning the Brazilian offshore activities?

#### **4. Government interference**

4.1 Do you use earlier experiences from new market entries in the last entry you were in/ the entry you are in now?

1. How?

4.2 Have you experienced any trouble related to regulations set by the Brazilian government?

4.3 How do you deal with the tax system in Brazil?

4.4 How do you meet the challenges that arise due to the lack of skilled labour in Brazil?

3 Give examples

Are there any questions that you have thought of that I didn't ask you?

**Thank you for your time!**

## **10.2 Appendix 2 Interview template Norwegian**

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**Intervju mal masteroppgave vår 2012**

**MSc Økonomi og administrasjon**

**Bent M. Bentsen Universitetet i Agder, Kristiansand**

Problemstilling: *“How to become successful in Brazil: A study of the Norwegian oil service industry on the Brazilian shelf”.*

### **1. Ansvar/ rolle i firmaet ditt**

1.1 Hvor lenge har du jobbet i firmaet?

1.2 Beskriv ditt ansvarsområde.

1.3 Hvor i organisasjonskartet er din posisjon?

1.4 Hvordan deltar du på forum og møter hvor strategien for inntreden i det Brasilianske markedet diskuteres?

1.5 Beskriv dine oppgaver som er knyttet til aktiviteten i Brasil.

1.6 Hvem samarbeidet/samarbeider du med når dere entret/entrer det brasilianske markedet?

1. Eksternt?

2. Internt?

1.7 Hvordan er firmaets kompetanse relevant for en inngang i Brasil?

1.Hvilke komparative fortrinn anser du som det mest verdifulle for firmaet ved inntreden i Brasil?

## **2 Kultur**

### **2.1 Organisasjonskultur**

2.1.1 Hvordan tror du folk fra utsiden av firmaet oppfatter deres organisasjonskultur?

2.1.2 Beskriv firmaet ditt med tre ærlige verdier som gjenspeiler arbeidsmiljøet.

2.1.3 Finnes det en særegen kultur i firmaet? Hva karakteriserer deres bedriftskultur?

1. Gi eksempler

2.1.4 Hvordan skiller deres bedriftskultur fra deres konkurrenter?

1. Gi eksempler

2.1.5

Kulturell friksjon er hvordan to eller flere enheter, slik som organisasjoner, enheter, lag, grupper og individer fra forskjellige land kulturelt sett, gjør motstand i møtet med en annen eller i interaksjoner i forbindelse med internasjonal virksomhet eller transaksjoner.

Hvordan tror du kulturell friksjon i mellom norske og brasilianske bedrifter påvirker de følgende målene:

1. Resultat

2. Strategi i Brasil

3. Vekst i Brasil

## **3.2 Nasjonal kultur**

2.2.1 Hva karakteriserer brasiliansk kultur fra den norske?

2.2.2 Har du opplevd noen vanskeligheter i møtet mellom de to kulturene?

1. Hvis ja, hvordan håndterte du dem?

2.2.3 Hvordan kan man håndtere kulturelle forskjeller på en god måte?

## **3 Inntreden i det brasilianske markedet**

3.1. Hva er din rolle vedrørende inngangen i Brasil?

3.2 Har du tatt del i en inntreden i et utenlandsk marked før?

3.3 Hvis du allerede har tatt del i inntreden i et utenlandsk marked, vennligst beskriv prosessen. Hvilke deler gikk bra og hvilke gikk mindre bra?

3.4 I Brasil er de kulturelle og språklige barrierene store sammenlignet med Norge, hvordan tilnærmer man seg slike markeder?

3.5 Hva karakteriserer en inngang i det brasilianske markedet?

3.6 Hva fokuserte du på før den endelige beslutningen om å gå inn i Brasil? Hvilke beslutningsfaktorer spilte størst rolle?

3.7 Hvordan valgte du partnere i Brasil?

3.8 Hvilke andre avdelinger av firmaet er de viktigste i starten på en inntreden i Brasil?

1. Hvorfor er disse viktige?

2. Hvordan sørger du for at alle de involverte i inngangsprosessen i firmaet ditt får den samme informasjonen?

3.9 Hva anså du som deres konkurransefortrinn ved inngang i Brasil?

3.10 Så du noen endring i disse konkurransefortrinnene etter inngangen?

3.11 Hva er de største utfordringene du møtte i prosessen ved inngang i det brasilianske markedet?

3.12 Hvilke konkurransefortrinn anser du som mest verdifulle i møtet med Brasil?

3.13 Gikk den siste inngangen i Brasil som ventet?

1. Hvorfor eller hvorfor ikke?

#### **4 Innblanding fra lokale myndigheter**

4.1 Bruker du tidligere erfaringer fra lignende inntredener i nye markeder i den siste inntredenen eller i den inntredenen du er i nå?

1. Hvordan?

4.2 Har du opplevd noen form for vanskeligheter med regelverket som er satt av den brasilianske stat?

4.3 Hvordan håndterer du skattesystemet i Brasil?

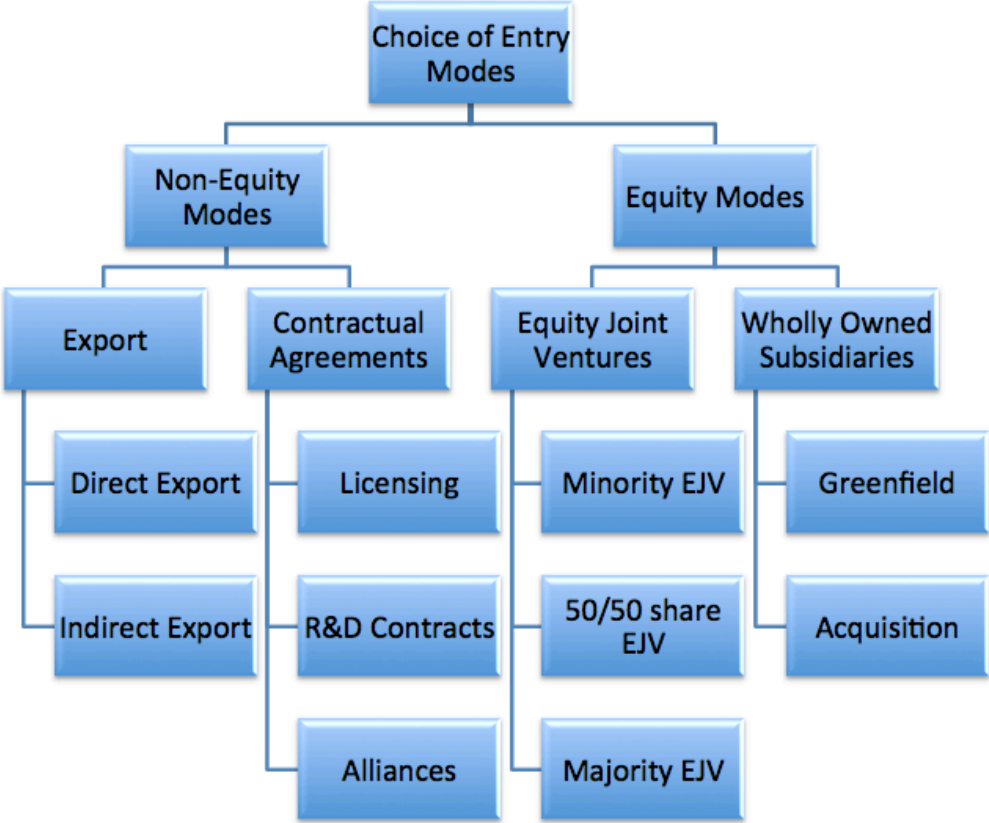
4.4 Hvordan møter du utfordringen med mangel på kvalifisert arbeidskraft i Brasil?

1. Gi eksempler

Er det noen spørsmål som du tenker jeg burde stille som jeg ikke har spurt deg?

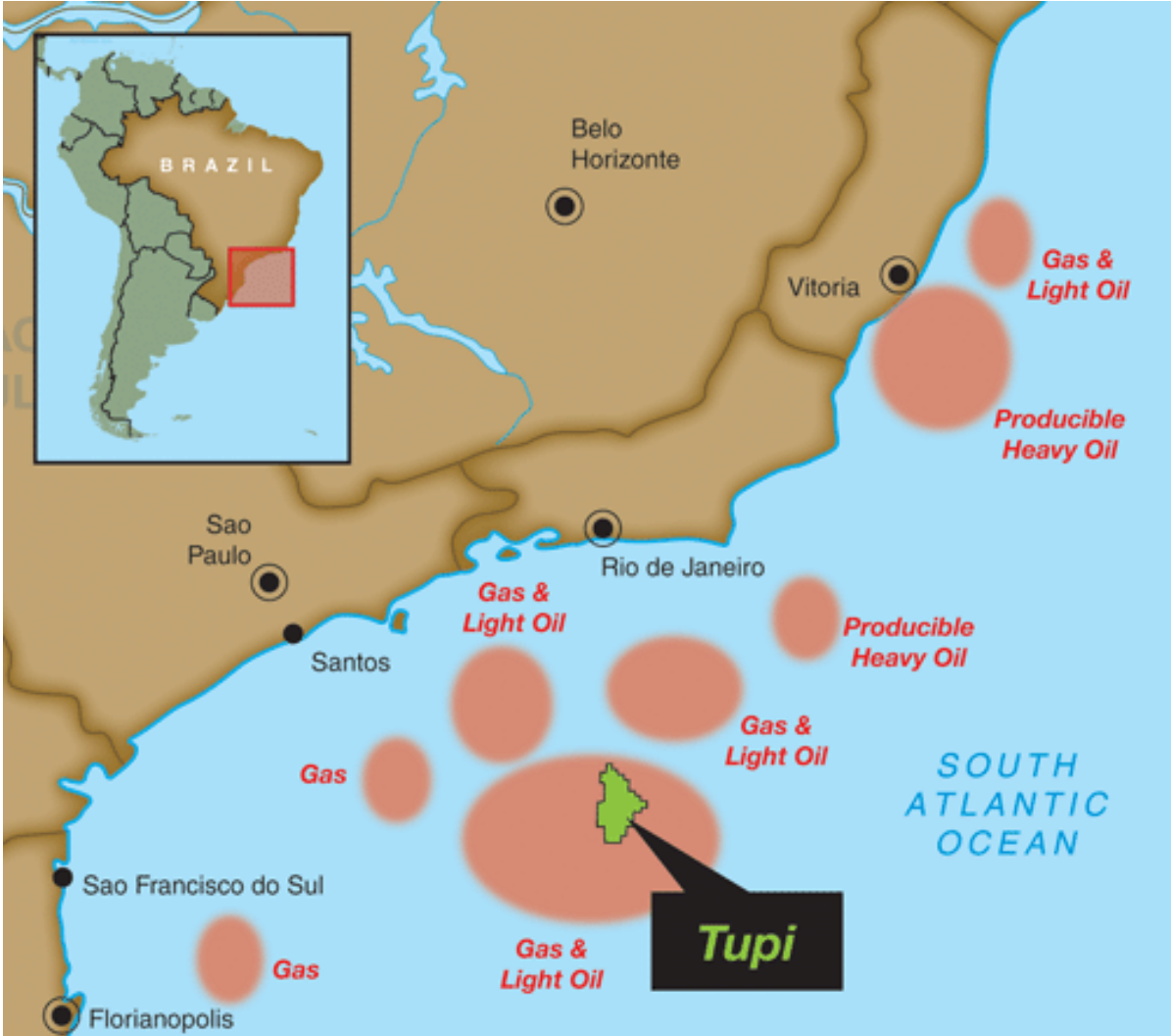
**Takk for at du tar deg tid til dette!**

# 10.3 Appendix 3 – Choice of entry modes



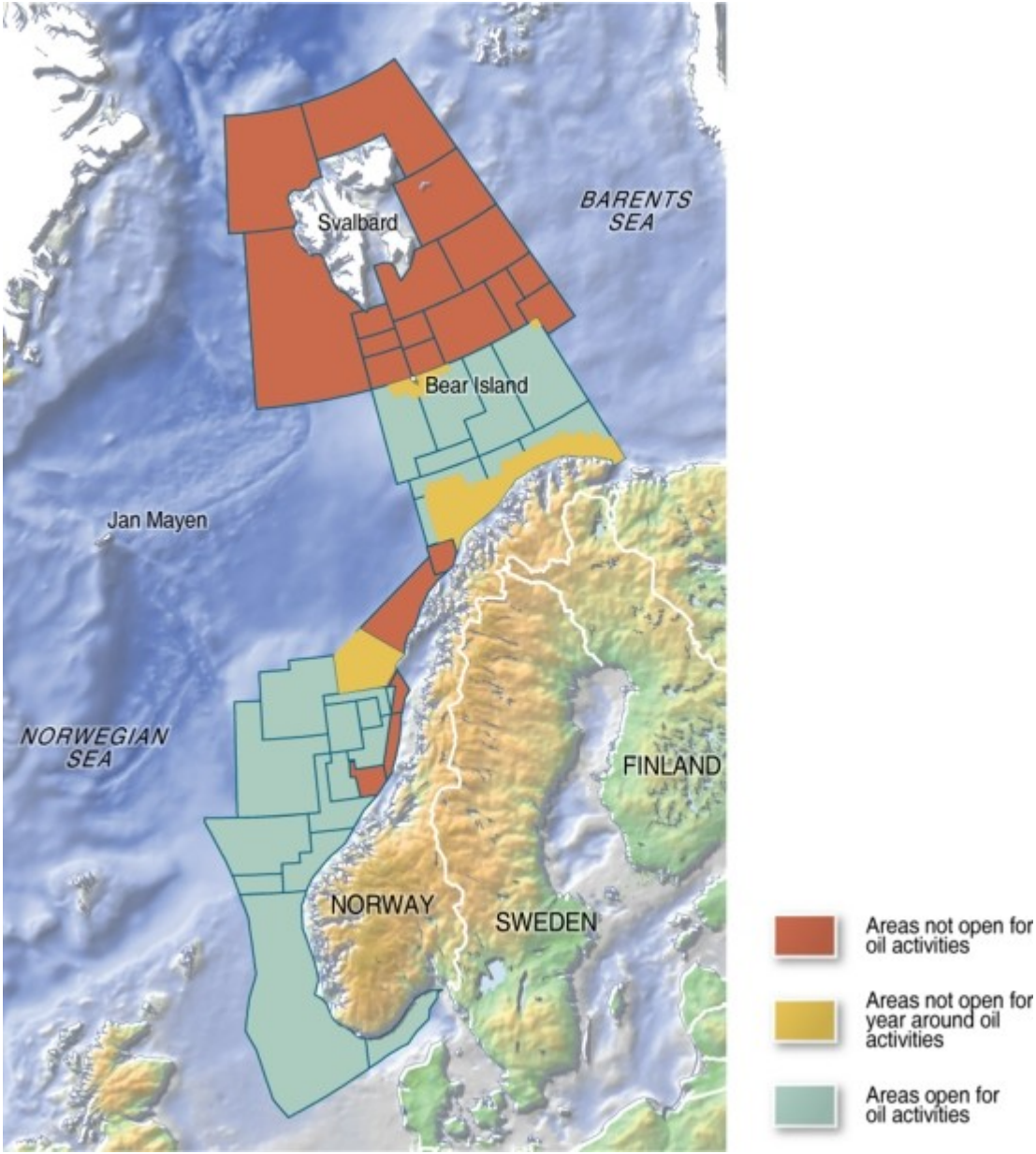
Source: (Deresky, 2008)

# 10.4 Appendix 4 – Brazilian oil fields



Source: (Woods, 2008)

# 10.5 Appendix 5 – Norwegian oil fields



Source: (Ahlenius, 2006)



# 10.6 Appendix 6 – Country statistical profile: Brazil

## Country statistical profile: Brazil 2011-2012

	Unit	2003	2004	2005	2006	2007	2008	2009	2010
<b>Production and income</b>									
Gross domestic product (GDP)	Bln USD curr. PPPs	1 377.8	1 494.7	1 584.6	1 701.0	1 857.7	1 996.3	2 001.6	2 172.1
GDP per capita	USD current PPPs	7 698	8 231	8 603	9 166	9 900	10 528	10 453	11 239
Gross national income (GNI) per capita	USD current PPPs	..	..	..	..	..	..	..	..
Household disposable income	Annual growth %	..	..	..	..	..	..	..	..
<b>Economic growth</b>									
Real GDP growth	Annual growth %	1.1	5.7	3.2	4.0	6.1	5.2	-0.6	7.5
Net saving rate in household disposable income	%	..	..	..	..	..	..	..	..
Gross fixed capital formation	% of GDP	..	..	..	..	..	..	..	..
<b>Economic structure</b>									
Real value added: agriculture, forestry, fishing	Annual growth %	..	..	..	..	..	..	..	..
Real value added: industry	Annual growth %	..	..	..	..	..	..	..	..
Real value added: services	Annual growth %	..	..	..	..	..	..	..	..
<b>Government deficits and debt</b>									
Government deficit	% of GDP	..	..	..	..	..	..	..	..
General government debt	% of GDP	54.8	50.6	48.4	47.3	45.5	38.5	42.8	40.2
General government revenues	% of GDP	..	..	..	..	..	..	..	..
General government expenditures	% of GDP	..	..	..	..	..	..	..	..
<b>Expenditure</b>									
Public expenditure on health	% of GDP	..	..	3.3	..	..	3.7	4.1	..
Private expenditure on health	% of GDP	..	..	4.9	..	..	4.7	4.9	..
Public social expenditure	% of GDP	..	..	..	..	..	..	..	..
Private social expenditure	% of GDP	..	..	..	..	..	..	..	..
Public pension expenditure	% of GDP	..	..	..	..	..	..	..	..
Private pension expenditure	% of GDP	..	..	..	..	..	..	..	..
Net official development assistance (Aid)	% of GNI	..	..	..	..	..	..	..	..
<b>Taxes</b>									
Total tax revenue	% of GDP	..	..	..	..	..	..	..	..
Taxes on income and profits	% of GDP	..	..	..	..	..	..	..	..
Taxes on goods and services	% of GDP	..	..	..	..	..	..	..	..
Taxes on the average worker	% of labour cost	..	..	..	..	..	..	..	..
<b>Trade</b>									
Imports of goods and services	% of GDP	..	..	..	..	..	..	..	..
Exports of goods and services	% of GDP	..	..	..	..	..	..	..	..
Goods trade balance: exports minus imports of goods	Bln USD	24.9	33.8	44.9	46.5	40.0	24.7	25.3	20.3
Imports of goods	Bln USD	48.3	62.8	73.6	91.3	120.6	173.2	127.6	181.6
Exports of goods	Bln USD	73.2	96.7	118.5	137.8	160.6	197.9	153.0	201.9
Service trade balance: exports minus imports of services	Bln USD	-4.9	-4.7	-8.3	-9.7	-13.2	-16.7	-19.2	..
Imports of services	Bln USD	15.4	17.3	24.4	29.1	37.2	47.1	47.0	..
Exports of services	Bln USD	10.4	12.6	16.0	19.5	24.0	30.5	27.7	..
Current account balance of payments	% of GDP	0.7 e	1.7 e	1.6 e	1.2 e	0.2 e	-1.7 e	-1.4 e	..
<b>Foreign direct investment (FDI)</b>									
Outward FDI stocks	Mln USD	..	..	..	..	139 886	155 668	164 523	189 222
Inward FDI stocks	Mln USD	..	..	..	..	309 668	287 697	400 808	472 576
Inflows of foreign direct investment	Mln USD	..	9 807	2 517	28 202	7 067	20 457	-10 084	11 500
Outflows of foreign direct investment	Mln USD	..	18 146	15 066	18 822	34 585	45 058	25 949	48 459
<b>Prices and interest rates</b>									
Inflation rate: all items	Annual growth %	14.7	6.6	6.9	4.2	3.6	5.7	4.9	5.0
Inflation rate: all items non food non energy	Annual growth %	..	..	..	..	..	..	..	..
Inflation rate: food	Annual growth %	20.4	4.0	3.1	0.0	6.8	13.1	5.8	6.1
Inflation rate: energy	Annual growth %	..	..	..	..	..	..	..	..
Producer Price Indices (PPI): manufacturing	Annual growth %	..	..	..	..	..	..	..	..
Long-term interest rates	%	..	..	..	..	..	..	..	..
<b>Purchasing power and exchange rates</b>									
Purchasing power parities	BRL per USD	1.23	1.30	1.36	1.39	1.43	1.52	1.59	1.69
Exchange rates	BRL per USD	3.08	2.93	2.43	2.18	1.95	1.83	2.00	1.76
Indices of price levels	OECD = 100	41	44	55	64	71	78	78	93
<b>Energy supply and prices</b>									
Total primary energy supply (TPES)	Mtoe	199.1	209.7	215.4	223.0	235.4	248.6	240.2	..
Total primary energy supply per capita	Toe per capita	1.10	1.14	1.16	1.19	1.24	1.30	1.24	..
TPES per unit of GDP at 2000 prices and PPPs	Toe per '000 USD	0.15	0.15	0.15	0.15	0.15	0.15	0.15	..
Renewables' contribution to total primary energy supply	%	42.1	42.4	43.0	43.4	44.5	44.5	45.8	..
Crude oil import prices	USD per barrel	..	..	..	..	..	..	..	..
<b>Information and Communications Technology (ICT)</b>									
ICT investment in non-residential fixed capital formation	%	..	..	..	..	..	..	..	..
ICT related occupations: total employment	%	..	..	..	..	..	..	..	..
Households with access to the Internet	%	..	..	12.9	..	..	..	..	..

## Country statistical profile: Brazil 2011-2012

	Unit	2003	2004	2005	2006	2007	2008	2009	2010
<b>Environment</b>									
Water abstractions	Mln m <sup>3</sup>	..	..	..	..	..	..	..	..
Fish landings in domestic and foreign ports	'000 tonnes	..	..	..	..	..	..	..	..
Aquaculture	'000 tonnes	..	..	..	..	..	..	..	..
Municipal waste total	'000 tonnes	..	..	..	..	..	..	51 430	..
Municipal waste per capita	Kg	..	..	320	..	..	..	270	..
CO <sub>2</sub> emissions from fuel combustion	Mln tonnes	300	320	322	327	342	361	338	..
<b>Education</b>									
Tertiary attainment in population aged 25-64	%	..	..	..	..	..	..	10.9	..
Expenditure per student: non-tertiary, 2008 prices	USD constant PPPs	..	..	..	..	..	2 097.7	..	..
Expenditure per student: tertiary, 2008 prices	USD constant PPPs	..	..	..	..	..	11 610.3	..	..
<b>Employment</b>									
Employment rate in population aged 15-24	%	50.8	52.4	52.7	52.6	52.9	53.4	51.5	..
Employment rate in population aged 25-54	%	74.0	75.4	75.9	76.3	76.1	77.0	76.9	..
Employment rate in population aged 55-64	%	52.2	52.6	54.1	54.1	53.7	55.1	53.8	..
Incidence of part-time employment	%	18.0	18.2	19.0	19.2	18.3	18.1	17.8	..
Self-employment rate: total civilian employment	%	..	..	..	..	..	..	..	..
Self-employment rate, men: male civilian employment	%	..	..	..	..	..	..	..	..
Self-employment rate, women: female civilian employment	%	..	..	..	..	..	..	..	..
<b>Unemployment</b>									
Unemployment rate: total civilian labour force	%	12.3	11.5	9.8	10.0	9.3	7.9	8.1	6.7
Unemployment rate, men: male civilian labour force	%	10.1	9.1	7.8	8.2	7.4	6.1	6.5	5.2
Unemployment rate, women: female civilian labour force	%	15.2	14.4	12.4	12.2	11.6	10.0	9.9	8.5
Long-term unemployment: total unemployed	%	..	..	..	..	..	..	..	..
<b>Labour compensation and hours worked</b>									
Labour compensation per unit labour input, total economy	Annual growth %	..	..	..	..	..	..	..	..
Average time worked per person in employment	Hours per year	..	..	..	..	..	..	..	..
<b>Research and Development (R&amp;D)</b>									
Gross domestic expenditure on R&D	% of GDP	..	..	..	..	..	..	..	..
Researchers: full-time equivalent	Per '000 employed	..	..	..	..	..	..	..	..
<b>Population</b>									
Total population	'000 persons	181 633	183 873	185 987	187 958	189 798	191 543	193 247	194 947
Population growth rates	%	1.3	1.2	1.1	1.1	1.0	0.9	0.9	0.9
Total fertility rates	Children	2.2	2.1	2.1	2.0	1.9	1.9	..	..
Youth population aged less than 15	% of population	28.3	27.9	27.5	27.1	26.7	26.3	25.9	25.5
Elderly population aged 65 and over	% of population	6.0	6.1	6.3	6.4	6.5	6.7	6.8	7.0
<b>International migration</b>									
Net migration rate	Per '000 inhabitants	..	..	..	..	..	..	-0.2	..
Foreign-born population	% of population	..	..	0.4	..	..	..	0.4	..
Foreign population	% of population	..	..	..	..	..	..	..	..
Unemployment rate of native-born men	% of labour force	..	..	..	..	..	..	..	..
Unemployment rate of foreign-born men	% of labour force	..	..	..	..	..	..	..	..
Unemployment rate of native-born women	% of labour force	..	..	..	..	..	..	..	..
Unemployment rate of foreign-born women	% of labour force	..	..	..	..	..	..	..	..
<b>Health</b>									
Life expectancy at birth	Years	71.2	71.5	71.7	72.0	72.2	72.5	72.7	..
Life expectancy at birth: men	Years	67.4	67.7	68.0	68.3	68.6	68.8	69.1	..
Life expectancy at birth: women	Years	75.0	75.2	75.5	75.7	75.9	76.2	76.4	..
Infant mortality	Per '000	..	..	21.5	20.4	19.3	18.3	17.3	..
Overweight and obese aged 15 and over	% of population	40.6	..	..	43.0	43.4	43.3	46.6	..
<b>Society</b>									
Suicide rates	Per 100 000 persons	..	..	..	..	..	..	..	..
Youths 20-24 not in education nor employment	%	..	..	..	..	14.7	13.8	14.0	..
Youths 15-19 not in education nor employment	%	..	..	..	..	23.4	22.5	23.3	..
<b>Transport</b>									
Goods transport	Mln tonne-km	..	..	..	..	..	..	..	..
Passenger transport	Mln passenger-km	..	..	..	..	..	..	..	..
Road fatalities	Per mln inhabitants	..	..	..	..	..	..	..	..

Last updated: 18 January 2012

Note: e: Estimated value

Source: OECD Factbook statistics.

For explanatory notes, see OECD Factbook 2011-2012 (DOI: 10.1787/factbook-2011-en)

<http://dx.doi.org/10.1787/csp-bra-table-2011-1-en>