Introduction

Acquisition is one of the most popular strategies for MNCs to enter to foreign countries. Firms perform acquisitions for numerous reasons: mainly for getting new competences, creating synergies, overcoming entry barriers, and/or for increasing market share (Vermeulen and Barkema, 2001). In the 1980s and 1990s, most acquisitions were made by MNCs from advanced economies such as from the United States, Western Europe, and Japan. However, recently MNCs which are from various emerging economies like Brazil, Russia, India, and China have started influencing the world economies by their acquisitions of major MNCs from advanced economies. Outward foreign direct investments from Latin America have been significantly increased overtime since 2000 up to 2009. In 2009, this trend was affected by the world financial crisis with decreasing of 44 per cent, however, it was up 121 per cent again in 2010 (WIR, 2012).

In 2011 Latin American and the Caribbean FDI overseas slowed down. The number of FDI projects established overseas by Latin American and Caribbean companies fell by 6%, compared with 10% growth in 2010. However, Brazil is still the leading outward investor from the region, followed by Mexico, Chile, and Bermuda. Outward FDI from Mexico did not grow in 2011, while Chile saw a 16% growth in overseas FDI projects (The FDI Report, 2012).

Brazilian FDI annual outflows have increased from $2.2 billion in 2000 to $2.5 billion in 2005 and further to $11.5 billion in 2010. Brazilian FDI outflows in 2010 amounted to 15% of the forty-three-country, Latin America and the Caribbean region's total. 15% is an increase from 7% in 2005. Brazil is perennially one of the top sources of FDI outflows from the region. In addition, in 2010 cross-border M&A net purchases by Brazilian companies totaled $7.8 billion, an increase from $2.5 billion in 2005. In 2010, Brazilian MNEs accounted for 50% of the region's overall M&A purchases, in 2005 they accounted for only 25% of the total. Furthermore, the value of
greenfield FDI projects from Brazil destined to the rest of the world totaled $8.8 billion in 2010, up from $3.2 billion in 2005. (Utter, 2011)

Most Brazilian TNCs have affiliates in the United States. Brazil has also established strong FDI positions outside the Americas, particularly in Europe. The countries outside Latin America host a greater portion of Brazilian outward FDI than those countries within. Important locations are Canada, Portugal and the United States. Brazilian companies have also successfully developed strong positions in industry segments outside agriculture, including banking (Banco Bradesco, Banco do Brasil and Unibanco), petroleum refining (Petrobras), steel products (Gerdau and Tupy) and aircraft (Embraer). (Daniels, Krug, and Trevino, 2007).

According to Verma et al. (2011), 60 % of total outward FDI using acquisitions by EMNCs took place in developed economies, and this number increased to more than 70% since recession started. These international expansion is ripe for further study (Luo and Wang, 2012). Fetscherin and Beuttenmuller (2012) specified that, Chinese investments in developed countries are expected to grow significantly in the next few years. Similarly, Kumar (2006) maintains that Indian outward investments play more and more important role in the world economies. In the same vein, Aulakh (2007) noticed that international acquisitions (IA) have become a main entry mode for emerging country multinational companies (EMNCs) into other countries.

Researchers on IA have noticed that successful rate of post-acquisition is rather low (Stahl and Voigt, 2008; Reus and Lamont, 2009), especially, in the case of acquisitions made by EMNCs in advanced economies (Pant and Ramachandran, 2012). Sauvant (2008) noticed additional challenge of integration process for EMNCs to perform their OFDI through mergers and acquisitions. In the case of China merger and acquisitions abroad, up to 2008, the failure rate was 70% of total (People Daily, 2009). Garg and Delois (2007) conclude that Indian MNCs are more successful in developing countries but they are less likely to be successful in developed countries. Researchers (e.g. Riad and Vaara, 2011) have noticed that in IA, national identity and national culture are often invoked. In IA by EMNCs, the change of ownership of the acquire units creates uncertainties for their operations, thus causing a negative psychological effect on employees. Wooldridge (2010) argues that EMNCs face big problems from recruiting and retaining workers.
Similarly, Aguzzoli and Geary (2013) find that Brazil MNCs faced challenges with human resource management in their Canadian subsidiaries.

Prior research has also argued that control mechanisms are at the heart of the relationship between the acquirer and the acquired firm (Calori et al., 1994: 362). While control has received attention in joint venture research (e.g. Geringer and Herbert, 1989; Glaister and Buckley, 1998; Luo, et al., 2001), it has been very much ignored in acquisition (e.g. Calori et al. 1994; Lees 2003; Bijlsma-Frankema 2004; Nguyen and Hassett, 2011). In IA, where cultural differences and geographical distance cause additional challenges (e.g. Chang and Taylor, 1999; Child et al., 2003; Very and Schweiger, 2001) organizational designs and control of such operations are even more critical (e.g. Meckl, 2004; Very and Gates, 2007). Researchers (e.g. Luo and Tung, 2007; Mathews, 2006, Garg and Delois, 2007; Johnson et al., 2011) argue that FDI by emerging MNCs facing challenges in developed economies. Hennart (2012) and Narula (2012) raised the question that if we need more to explain these investments by EMNCs. Buckley et al. (2010) and Du and Boateng (2012) raised the important of understanding of factors influence performance of acquisitions by EMNCs in advanced economies. In the same vein, Ramachandran and Pant (2010) suggest that the concept of liability of country of origin can be useful to understand the character of EMNC disadvantages in foreign country. The purpose of this paper is therefore to discuss acquisition strategies of EMNCs in advanced economies. In particular, we analyze strategic motives of acquisitions by EMNCs and how EMNCs manage their acquired units to reduce liability of country of origin (LOO), to gain support from local stakeholders and therefore increase performance of acquired units in advanced economies.

This study makes the following contributions. First, as researchers rose the question that if current theories which are based on Western firms can explain behaviors of EMNCs (e.g Luo and Tung, 2007, Hennart, 2012, Narula, 2012). Similarly, Holtbrügge, and Kreppel (2012) maintain that “FDI of firms from BRIC countries cannot be comprehensively explained by factors that motive FDI of firms from developed countries. This study explores acquisition motives of MNCs from an emerging country of Brazil to find out if their motives are different with those from advanced economies. In addition, since IA research has focused surprisingly little on management control of acquired units. Most previous acquisition research has focused on managing and monitoring the integration process (e.g. Calori et al., 1994; Lees 2003; Very and Gates, 2007). Control of acquired units is particularly challenge for parent firms because acquired...
units totally differ than traditional subsidiaries as they have been operated by their own board members and under their own organizational culture. These problems often cause by liability of country of origin. This study is among the first to analyze how EMNCs can cope with the LOO by exercising right control strategies.

The paper is organized as follows. First, we discuss strategic motives of foreign acquisitions by EMNCs in advanced economies. Next we elaborate the LOO caused by acquisition by EMNCs in advanced economies. Then we discuss strategic control in IA by EMNCs in advanced economies. After that we discuss our methodology, introduce and analyse our cases. We then continue with elaborating the results and concluding the paper with implications for both international business scholars and managers.

Motives of foreign acquisitions in advanced economies by EMNCs

MNCs enter to foreign countries for four main reasons: market, resource, assets, and efficiency seeking (Dunning, 1988). Facing time pressure for rapid market entry, firms often choose acquisition for their foreign penetration (Hennart and Park, 1993) since it allows firm to gain foothold in the market faster than greenfield investment mode. IA can help firms to increase their market power when they acquire competing firms, suppliers, and/or distributors (Hitt et al., 2001). MNCs can also use IA to access new resources and technology (Vermeulen and Barkema, 2001, Desyllas and Hughes, 2008). Through IA, MNCs can also diversify their business activities by acquiring new products and new markets thus reducing risks (Chan-Olmsted and Chang, 2003). Furthermore, Bradley, Desai, and Kim (1988) suggest that firms carry out IA to achieve synergies by combining their activities with those of other firms. Besides, managers may perform acquisition to achieve their personal benefits rather than the overall interest of the company (Seth et al., 2000).

Results of previous studies show that EMNCs invest in advanced economies to overcome tariff and non-tariff barriers and to reduce the level of exposure to political risk at home (e.g. in Russia) (OECD, 2006). According to Rugman and Li (2007), Gammeltoft, Barnard, and Madhok (2010), Wu, Hoon, and Yuzhu (2011) EMNCs carry out their IA in advanced economies for knowledge /
technology seeking, resource seeking, and branding seeking. EMNCs may perform acquisition abroad as they receive special support from home country government. This is the case of Chinese firms who are pushed to go abroad by ”Go Global” policy since 2000 by Chinese government (Wu et al., 2011). EMNCs are also interesting in acquiring natural resources such as oil and gas in advanced economies (Wu et al., 2011) or simply for diversification reason (Boateng, Quian and Tianle, 2008). Similarly, FDI from Latin America to advanced economies to exploit firm-specific advantages (Daniels, Krug, and Trevino, 2007). In addition, Daniels et al., (2007) suggest that in Latin America, Brazilian MNCs have significant investment outside the Americas due to historic and cultural region. As Brazil is the only Portuguese speaking country in the region, there are substantial investments by Brazilian MNCs in Portugal and the Portuguese speaking countries in Africa. As Hispanic population in the US has grown rapidly, Latin American firms are increasing their FDI in US to serve their community. Brazilian MNCs perform foreign investment is also to be close to its key customers to meet their specific needs (UNCTAD, 2004). According the finding from Daniels et al., (2007), primary outward FDI from Latin America MNCs in the past two decades is market seeking behaviour. Furthermore, they also found some FDI investments by Latin America MNCs were to secure resources such as Petroleum. Glauco and Luiz (2011) maintain that objectives of Brazil MNCs to internationalize are to compete, to learn, and to acquire capabilities directly in the main areas and with global companies. In their study, Holtbrügge and Kreppel (2012) found that OFDI of Brazilian MNCs is to gain access to new markets and to obtain access to technology and management know-how.

The liability of country of origin and acquisitions of EMNCs in advanced economies

Country-of-origin is defined as the country where corporate headquarters of the company marketing the product or brand is located (Johansson et al., 1985). The liability of origin is regarded as a direct consequence of the national origins of the firm (Bartlett and Ghoshal, 2000). The term ‘liabilities of origin’ seeks to capture those disadvantages of MNEs that emerge as a consequence of where they are from (Ramachandran and Pant, 2010). This liability of often causes disadvantages for the performance of the unit as they lack support from local stakeholders. This is due to the fact that local stakeholders often have negative stereotypes toward firms from other countries (Moeller et al., 2013). Morgan (2001) maintains that MNCs are social constructions and characterized by their national institutional contexts.
In international expansion of MNCs, acquisitions are often seen to have a negative impact on employees of acquired units (Olubukunola and Uwuigbe, 2009). This is because the differences in beliefs, values, and practices between acquirers and acquired firms can cause clashes in the operations of acquired units (Teerikangas and Very, 2006). According to social identity theory (Tajfel, 1981), organizational members tend to hold negative view about members of out-group. Kramer (1999) maintains that perceptual biases such as negative characteristics and bad intentions are often associated with out-group. Similarly, Sitkin and Stickel (1996) argue that out-group members are often evaluated as unethical and incompetent by in-group members. This negative bias and cultural stereotypes are often the cases of cross border acquisitions (Hogg and Terry, 2000; Krug and Nigh, 2001).

Country of origin of MNCs often is understood not only in terms of their administrative bureaucracy, but also in terms of how they identify themselves and how their host country stakeholders regard them (Moeller et al., 2013). Researchers show that country of origin of a MNC (Harzing and Sorge, 2003; Noorderhaven and Harzing, 2003) has strong influence on how local stakeholders perceive MNC’s value, business practices, and its product quality (Thakor and Lavack, 2003). As EMNCs are origin from developing countries, they often face negative image in local stakeholders. Sauvant (2008) noticed problem in international acquisitions in advanced economies by EMNCs that local stakeholders may feel that national pride suffers. According to Ashkenas et al. (1998) employees in acquired firms often go through the process of psychodrama: uncertainty, anxious, insecure, and even angry. Employees from acquired units are often proud of themselves as they are from advanced economies. They are often confident about their competence, knowledge, the way they work and how things should be done in the company. Furthermore, they often have the stereotyped knowledge toward companies from other countries and how things are done there (Ailon-Souday and Kunda, 2003). Employees in advanced economies may have problem as they find themselves work under new bosses and the new rules from parent firms based in emerging economies. As a result, employees can easily loose their motivation and commitment to their work. This can be further fueled by acquiring managers who adopt an attitude of superiority (Hambrick and Cannella, 1993). Furthermore, local firms may consider foreign firms entering into joint venture relationship with local firms by making partial acquisition of local firm in order to use this joint venture as Trojan horse to steal knowledge from
local partners (Reich and Mankin, 1986; Hamel, 1991; Hennart et al., 1999). As Meunier et al. (2011) pointed out that local US people may be afraid that the Chinese investment in the US may act as a Trojan Horse of Chinese values and politics. In the same vein, Wu et al., (2011) point out that US public media sees China unfavorably.

Similarly, local government as well as other key players in countries of acquired units may also have a negative reaction to the new owners of the acquired units. More specifically, local authorities may refuse to renew land contract to EMNCs. Local suppliers or local distributors may also demand higher price for their inputs and services towards EMNCs than for MNCs from Western economies. Local suppliers as well as local distributors may refuse to supply the inputs or refuse to distribute the products. As a result, performance of acquired units may be decreased over time due to an unrealized synergy between acquirers and acquired units and due to boycotting activities towards the acquired units and their products by local stakeholders. Things that separate an acquirer and an acquired firm are also their organizational culture and business practice (Evans and Mondavo, 2002). As firms have differences in the way they operate, their attitude toward environment, local communities, bribery, local stakeholders may refer to EMNCs as “them” versus “us”. According to Tavares (2008), one of the most challenging that Latin American MNCs, especial Bazilian MNCs face when carrying out their investment abroad is the cultural issues. The importance of cultural difficulties in internationalization probably has a lot to do with the fact that many Latin American companies are relatively recent to the host countries (Tavares, 2008). The second biggest problem found in her study (Tavares, 2008) is that Latin American MNCs have to cope with is dealing with local business environment idiosyncrasies including local legislation and local business practices and these can be overcome with the help from local partners. In short, the strategies of EMNCs for their acquired units have to differ from those from advanced economies (Buckley and Mirza, 1988) in order to gain the support from local people.

**Control strategies exercised by EMNCs over their acquired units in advance economies**

Control has been studied from various perspectives in disciplines such as organisation and accounting research (e.g. Ouchi and Maguire, 1975; Ouchi, 1979; Eisenhardt, 1985, Ouchi,
1979). It has been argued that organisational control is an important facet of organisational
design (Eisenhardt, 1985). In organisational literature, control has been defined as the process by
which one entity influences, to varying degrees, the behavior and output of another entity through
the use of power and a number of mechanisms (e.g. Geringer and Herbert 1989; Glaister and
Buckley, 1998). There has been little research focusing on control in cross-border acquisition
(e.g. Calori et al., 1994; Bijlsma-Frankema, 2004; Nguyen and Hassett, 2011). Calori et al.
(1994) focused on cross-border acquisition and analysed the extent to which firms differ in the
control they exercise over acquired firms abroad. Folta (1998) focused on governance and
uncertainty and the trade-offs between administrative control and commitment. The findings
suggest that the cost of commitment in the face of technological uncertainty may offset the
benefits associated with superior administrative control. This challenges the view that higher
domains of asset specificity require more integrative modes of governance. Some more recent
studies have focused on the relationship between trust and control in acquisition (e.g. Biljsma-
Frankema, 2004; Inpen and Curall, 2004; Derbyshire, 2006). The findings of these studies reveal
that when there is high trust between acquirers and acquired firms, there is much less need for
control. Researchers have argued that acquisition performance may depend on the adequacy of
the integration process, given a certain level of strategic interdependence and a certain level of
need for autonomy (Haspeslagh and Jemison, 1991; Calori et al., 1994).

Follow Child et al., (2003), we adapt Haspeslagh and Jemison (1991) classification of level of
integration and control between parent firms and acquired units. According to Haspeslagh and
Jemison (1991), there are three type of level of integration, which related to level of autonomy of
acquired units. Absorption involves a high need for strategic interdependence in order to create
the expected value, and a low need for organizational autonomy to achieve good performance.
Preservation refers to a low need for strategic interdependence between the two firms, but a high
need for organizational autonomy. Symbiotic involves a high need for strategic interdependence
and a high need for organizational autonomy because the acquired capabilities need to be
preserved.

As discussed earlier, acquisitions often have a negative impact on the employees of
acquired firms resulting in reduction of productivity. This negative impact on performance of the
units is even more serious in the case of acquisitions by EMNCs in advanced economy because
of liability country of origin. Local stakeholders may be concerned about the future of the units as they doubt about the competence and ability of the new owners from emerging economies and if the new owners are able to lead the acquired firms to grow and gain prosperity. Some local stakeholders may also be afraid of “invasion” from the east as many EMNCs coming from there. Others may concern about lost pride as working under employers from EMNCs. Control of foreign acquired units is often influence behavioral actions of local stakeholders. Local management teams as well as local employees of the acquired units are those directly influencing on the performance of the units. They are also the key communicative means between EMNCs and local communities. Therefore, it is important that EMNCs pay attention to their control mechanisms exercised over their local employees. Because these tell local employees how their new employers respect them and believe in their competences, resulting in either to increase or decrease the negative effect of the liability of country of origin. Furthermore, previous research has suggested that units need greater autonomy in order to remain in business without going through radical changes. As the units are granted more autonomy, they are able to maintain their local uniqueness as well as their organizational culture (Yeheskel et al., 2004). Thus they can keep their local identity and image.

With local identity, the units are able to continue receiving support from local people. Therefore, EMNCs may use preservation or symbiotic strategies for their acquired units in advanced economies at first stage of acquisitions. With these strategies, EMNCs can grant acquired units more autonomy by narrowing down their control to only some key areas of the acquired units such as financial or research and development departments. In IA relationship especially between East and West relationship, there is a high need for trust between partners for the relationship to work. According to Nielsen (2007) when the need for trust and commitment from local stakeholders increases the requirement for control diminishes. Therefore, EMNCs may seek to focus their control over priority activities, rather than control over all activities. Brouthers and Bamossy (2006) also found that tight control by parent firms normally resulted in poor performance of units.

According to Belmiro, Matheus, and Aldo (2009), a key for Brazilian MNCs to success in their foreign markets is to use a clear strategy of collaboration and knowledge sharing rather than tight control of their foreign acquired units. Similarly, Maehler, Curado, Pedrozo, and Pires
(2011), who studied innovation and performance of subsidiaries of Brazilian MNCs in Portugal suggest that involvement of local stakeholders as well as autonomy of foreign subsidiaries help to increase level of innovation and value creation for MNCs through their foreign units. In contrast, Resende and Cyrino (2008) investigated foreign operations of Brazilian industrial MNCs, found that centralized control is preferred because of elevated achievements in worldwide optimization costs.

Table 1. Characteristics of the acquisitions by Brazilian MNCs in the present study (Source: from

<table>
<thead>
<tr>
<th>Characters of acquired units</th>
<th>Inco</th>
<th>Swift</th>
<th>Sunoco Chemical Polypropylene</th>
<th>Nansel Sekiyu K. K.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established year</td>
<td>1902</td>
<td>1955</td>
<td>1886</td>
<td>1968</td>
</tr>
<tr>
<td>Location/country of origin</td>
<td>Canada</td>
<td>US</td>
<td>US</td>
<td>Japan</td>
</tr>
<tr>
<td>Business Area</td>
<td>One of the world largest Nickel producers</td>
<td>Meat processor</td>
<td>Chemistry</td>
<td>Oil</td>
</tr>
<tr>
<td>Foreign operations</td>
<td>Subsidiaries in Indonesia, and New Caledonia, and sales office in Asia, UK.</td>
<td>Sales offices in several countries in Asia, and Australia</td>
<td>Subsidiaries in Canada, and Venezuela, and sales offices in several countries</td>
<td>Sales offices in several countries in Asia</td>
</tr>
<tr>
<td>Financial Performance at the time of acquisition</td>
<td>Weak with USD 1.2 billion in debt</td>
<td>Weak at USD 48.6 million loss in the quarter ended at February 2007</td>
<td>Closed down other plans in 2009 due to nonfinancial viable. Made loss at around USD190 million in the first quarter of 2010</td>
<td>Downstream margins for 3 continuous years Made loss of 95 USD million in 2007</td>
</tr>
<tr>
<td>Year of being acquired</td>
<td>2007</td>
<td>2007</td>
<td>2010</td>
<td>87.5% in 2008 and the rest 12.5% in 2010</td>
</tr>
<tr>
<td>Acquisition value</td>
<td>18.9 USD billion</td>
<td>1.425 USD billion</td>
<td>350 USD million in cash</td>
<td>50 USD million (87.5%) and 27 USD million</td>
</tr>
<tr>
<td>Being acquired by EMNC</td>
<td>Vale (Brazil MNC)</td>
<td>JBS (Brazil MNC)</td>
<td>Braskem SA (Brazil MNC)</td>
<td>Petrobras (Brazil MNC)</td>
</tr>
</tbody>
</table>
Holtbrügge and Kreppel (2012) found Brazilian MNCs increase their competitiveness by developing specific solutions for different markets. They do this by hiring local employees to have better access to country-specific know-how and to be as close as possible to customers.

**Methodology**

In this paper we rely on qualitative approach using multiple cases as we believe that cases are phenomena occurring in a bounded context (Miles and Huberman 1994). In qualitative research we seek to describe, decode, and translate the phenomenon (Van Maanen, 1983) and building a complex and holistic view of the issue under research basing on analyzing of words and views of informants (Creswell, 1998). We adopt multiple case study approach because: 1) the nature exploratory of our research question, 2) the characteristics of the phenomenon under study (Eisenhardt and Graebner, 2007): a) acquisitions of firms in advanced economies by EMNCs, b) the negative effect of LOO, c) control by EMNCs. Since the nature of research question is exploratory and descriptive it requires a methodology approach that enhances of acquiring of in-depth information related to relevant issue such as case study approach (Yin, 2003). In addition, case study approach is justified in this research because the research problem is a contemporary phenomenon rooted in real-life context that are not clearly evident (Yin, 2003).

A multiple case study is selected instead of a single case study as multiple case studies will enhance more evident, offering opportunity to compare cases, leading to better theorizing about a phenomenon (Eisenhardt, 1991; Stake, 2000). In addition, to the nature of research question, the complexity of the phenomenon of LOO on local stakeholders by the acquisitions of Brazilian MNCs in advanced economies makes it difficult to gain information through quantitative method. We collected information for this research from multiple secondary sources. First, we used search engine: Google News Archive to have relevant cases using key words: “Brazilian MNCs, acquisitions, takeover, developed economies, advanced economies, etc.” Then we collected information from different articles from various major newspapers and media such as the New York Times, Wall Stress Journal, The Hollywood Reporter, Bloomberg, Financial Times.
Automotive News, BBC News. Furthermore, we also used other sources such as strategic management textbooks, company websites, and their annual reports.

<table>
<thead>
<tr>
<th>Acquiring firms</th>
<th>Vale</th>
<th>JBS</th>
<th>Braskem</th>
<th>Petrobras</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Established year</strong></td>
<td>1942</td>
<td>1953</td>
<td>In 2002 (consolidation of six companies: Copene, OPP, Trikem Nitrocarbono, Proppet and Polialden)</td>
<td>1953</td>
</tr>
<tr>
<td><strong>Location of HQs</strong></td>
<td>Rio de janeiro, Brazil</td>
<td>Sao Paulo, Brazil</td>
<td>Sao Paulo, Brazil</td>
<td>Rio de janeiro, Brazil</td>
</tr>
<tr>
<td><strong>Business Area</strong></td>
<td>Diversified metals and mining business, and logistics and energy</td>
<td>Animal protein processing company: food, leather, products for pets, biodiesel, collagen, cans and cleaning products.</td>
<td>Chemistry and petrochemical sector</td>
<td>Oil and Gas industry</td>
</tr>
<tr>
<td><strong>Total sales</strong></td>
<td>46.4 billion USD in 2012</td>
<td>38.27 billion USD</td>
<td>21.6 billion USD in 2012</td>
<td>137.3 billion in 2012</td>
</tr>
<tr>
<td><strong>International Operations</strong></td>
<td>Present in 37 countries including: offices, operations, exploration and joint ventures</td>
<td>Present in five continents with production platforms and offices in Brazil, Argentina, Italy, Australia, the USA, Uruguay, Paraguay, Mexico, China, Russia and other countries</td>
<td>Braskem's industrial units are located in Brazil, United States and Germany. It also has commercial offices and bases in Argentina, Mexico, Peru, Venezuela, Chile, Colombia, the Netherlands and Singapore</td>
<td>Present in 25 countries: India, Turkey, Angola, and Nigeria. The most important countries for commercial agreements are Japan, United Kingdom and China.</td>
</tr>
<tr>
<td><strong>Earlier relationship with target firm</strong></td>
<td>No earlier relationship/Competitors</td>
<td>No earlier relationship</td>
<td>No earlier relationship</td>
<td>No earlier relationship</td>
</tr>
</tbody>
</table>

Table 2. Characteristics of Brazilian MNCs in the present study (Source: from different leading newspapers from Google news archive)

In the data collection process, the focus is on words rather than quantification (Bryman and Bell, 2007). The cases were selected based on following criteria: 1) Country of origin: acquirers have to come from Brazil, acquired firms have to be based in advanced economies; 2) Timing of acquisitions: the acquisitions should have taken place at least in 2010 at the latest in order to be
able to follow the development of the acquired units after the deal; 3) Business relatedness: as the focus of the paper is to discuss about control of acquired units by parent firms, business area of parent firms and that of acquired firms have to be in same lines (if they are different, acquired units may be likely operated as independent units). The sample cases were chosen so that we have cases with strong, medium level, and low level. This is because we want to investigate how Brazilian MNCs can cope with different level of LOO. Our data comprises four acquisitions by Brazil MNCs including the acquisition of, Inco (Canada based) by Vale, Swift (US based) by JBS, Sunoco Chemicals' polypropylene business (US based) by Brazkem SA, and Nansei Sekiyu K.K. (Japan based) by Petrobras (see Table 1 and Table 2). The data analysis of the study is a process of data reduction, data display and information reduction. During this process, ideas were developed and refined and related to the framework in the literatures, then conclusions were drawn and verification (Bryman and Bell, 2007). We used pattern-matching and explanation building techniques for our data analysis (Yin, 2009).

**Validity and reliability of the study**

The quality of this study is based upon common tests of social science such as reliability, construct validity and external validity (Yin, 2009). Construct validity refers to building correct operational measures for the concepts being studied, while external validity regards to the domain to which finding can be generalized. Reliability relates to operations of the study that repeated study will give the same results. Regards to construct validity, our strategy in the study is that we use multiple sources of evidence consisting of companies’ annual report, news articles from different business journals, news released from both home and host countries’ authorities such. These multiple sources help to produce more complete, holistic, and contextual portrait of the object under study (Ghauri and Gronhaug, 2005).

We compared information from different articles and information from the website of the companies to have the most accurate ones. Regards to external validity, since this is qualitative research, this study cannot be generalized in a statistical sense but the results of multiple cases can be generalized analytically (Yin, 2009: 43)

The existing literature was analyzed and compared against the research question to gain more general points in theoretical construct. The findings of the study can be applied to assist EMNCs
to manage their acquired units better in advanced economies. In terms of reliability of the study, the data collection method was followed other researchers focusing on international acquisitions using secondary data from public media (e.g. Riad and Vaara, 2011). The information was carefully selected by at least two experienced researchers involving in the study. Only the most reliable sources such as Wall Street Journal, Financial Times, The New York Times, Blomberg, etc. were used to get information for the cases.

Results and Discussion

Motives for acquisitions by Brazil MNCs in advance economies

The results of our case analysis showed that Brazil MNCs acquired firms in advanced economies with different motives (Table 3) including market seeking (all cases), resource seeking (Vale, JBS), efficiency seeking (JBS, Petrobras), and asset seeking (Braskem).

<table>
<thead>
<tr>
<th>Motives</th>
<th>Vale</th>
<th>JBS</th>
<th>Braskem</th>
<th>Petrobras</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main motive</strong></td>
<td>. To gain Nickel production technology</td>
<td>Through acquired unit in US, JBS gain their foothold in US, Canada, Australia, South Korea, Japan and Southeast Asia</td>
<td>To enhance markets for greenfield projects in Latin America</td>
<td>To gain foothold to Japan</td>
</tr>
<tr>
<td><strong>Secondary motives</strong></td>
<td>. To secure mines resources for productions</td>
<td>. As base for sequence acquisitions</td>
<td>. To acquire technology and development center in Pittsburgh, PA, which will play an essential role for Braskem in continuing to provide support for clients in product and market development and technical assistance services</td>
<td>. To use this unit as a regional supply hub, serving its Asian clients</td>
</tr>
<tr>
<td></td>
<td>. To grow</td>
<td>. To reduce production costs related to logistics</td>
<td>. To own well known product brands such as Spheripol and Unipol brand brands from</td>
<td>. To bring biofuel to Japan and other Asian countries e.g. China, Singapore, Taiwan, and Vietnam</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>To gain good profit through high margin business</td>
<td>. To promote of Petrobras in Japan and Asia</td>
</tr>
<tr>
<td><strong>General motives</strong></td>
<td>Technology and Resource seeking</td>
<td>Market seeking</td>
<td>Market seeking</td>
<td>Market seeking</td>
</tr>
</tbody>
</table>

Table 3. Motives of Brazilian MNCs for acquiring companies in advanced economies (Source: from different leading newspapers from Google news archive)
It is interesting that Brazil MNCs use their acquired units in one country to overcome entry barriers to other country. For example: JBS used its acquired unit in the US to overcome entry barriers to South Korea and Japan as its products are banned to those markets. JBS also used the acquired unit in the US to gain market access to Australia and South Asia. Similarly Petrobras used the unit in Japan to entry to East Asia countries like China, Taiwan, Singapore, and Vietnam.

Petrobras also used acquired unit in Japan as distribution hub for its new products such as biofuel to these markets. Therefore, we found that the common motive that Brazilian MNCs carried out their acquisitions in US or Canada or in one country in Asia in order to use these units as gateway not only to that particular country but also to the whole trade regions such North America and Asia. This is an important motive for EMNCs as it may be costly and time consuming for them to enter to each country in North America and Asia separately from their home country. Other motive of Brazil MNCs to acquire firms in advanced economies is to have established brands and technology. For Vale, its acquisition is to own nickel production technology and nickel mine. Braskem acquired the unit in the US also because of its well-known brands, and Braskem planned to use these brands to entry to other North America markets.

Our cases also show that Brazilian MNCs acquire firms in advanced economies to secure for their inputs from natural resources and to lower logistic costs as examples of Vale and Braskem. Finally, Brazilian MNCs, in addition, used their acquired unit as bases for further acquisition in the region. Vale has used Inco as its communication channel to acquire other units in Canada, and in US. In the same vein, JBS also used SWIFT, and Braskem used Sunoco chemicals PP to make their subsequence acquisition in the US.

*Liability of origin and control strategy by case companies*
Evidence from the cases suggests that acquisitions by Brazilian MNCs in advanced economies caused negative effect by LOO which can influence to performance of acquired units (see table 4 for details).

<table>
<thead>
<tr>
<th>Company</th>
<th>Negative effect of Liability of origin</th>
<th>Control Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vale</td>
<td>Strong</td>
<td>Symbiotic strategy at interceptive stage and absorption strategies in the later stage:</td>
</tr>
<tr>
<td></td>
<td>. Negative comments from Canadian media: “this acquisition is disaster for Canadian metal industry…”</td>
<td></td>
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<tr>
<td></td>
<td>. Negative reactions from local employees and union “…Brazilian management style cannot be transplanted everywhere in the world…”</td>
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<tr>
<td></td>
<td>. “…Our business and technology are much more advanced than those of them…”</td>
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<tr>
<td></td>
<td>. “…Firms from there often do not care for communities and environment…”</td>
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<tr>
<td></td>
<td>. one third of the board members of Inco quit their job after the acquisition as they do not want to work under Vale control &amp; ownership</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Symbiotic strategy at interceptive stage and absorption strategies in the later stage:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>. Nickel business will be remained in Toronto with senior Canadian management team and chief</td>
<td></td>
</tr>
<tr>
<td></td>
<td>. Vale will not lay off Inco’s employees during three year</td>
<td></td>
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<tr>
<td></td>
<td>. Improving image by launching public and international relation program</td>
<td></td>
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<tr>
<td></td>
<td>. Restructuring the unit in 2009</td>
<td></td>
</tr>
<tr>
<td></td>
<td>. Changes board of directors in 2009 and 2010</td>
<td></td>
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<tr>
<td></td>
<td>. Full integration to Vale operations in 2010</td>
<td></td>
</tr>
<tr>
<td>Petrobras</td>
<td>Medium</td>
<td>Preservation strategy</td>
</tr>
<tr>
<td></td>
<td>. Negative comments from Japanese local stakeholders. This was “disappointed for Japanese oil industry”</td>
<td></td>
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<tr>
<td></td>
<td>. Comments from local employees: … How come they are our boss?</td>
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<tr>
<td></td>
<td>. “…Are new rules from Petrobras ok for us?…”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>. “…Do they really care about us?…”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Preservation strategy in the interceptive stage and absorption strategy in later stage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>. No significant change in the board of direction of the unit</td>
<td></td>
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<tr>
<td></td>
<td>. Granting autonomy in decision making for daily operations to current board of directors.</td>
<td></td>
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<tr>
<td></td>
<td>. Increasing commitment from local employees by implementing Corporate Social Responsibility project such as Green Belt Project in local area</td>
<td></td>
</tr>
<tr>
<td>Braskem</td>
<td>Medium</td>
<td>Preservation strategy in the interceptive stage and absorption strategy in later stage</td>
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<tr>
<td></td>
<td>Some part of employees of Sunoco chemical Polypropylene do not want the company being owned by developing firm</td>
<td></td>
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<tr>
<td></td>
<td>…We should not sell ourselves to firms from developing countries…</td>
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<tr>
<td></td>
<td>. As unknown firm from emerging country of Brazil, Braskem had to pay 5 times earnings before taxes, interests in order to own the acquired firm</td>
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<tr>
<td></td>
<td>Preservation strategy in the interceptive stage and absorption strategy in later stage</td>
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<tr>
<td></td>
<td>. Management team and CEO are allowed to remain in place with full right of decision making</td>
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<td></td>
<td>. “We will value the experience of Sunoco chemicals’ key executives, who have in depth knowledge of American market reality”</td>
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<td></td>
<td>. New president coming from Braskem to introduce Braskem strategy and corporate cultures to the acquired unit for later development stage of the unit.</td>
<td></td>
</tr>
<tr>
<td>JBS</td>
<td>Light</td>
<td>Symbiotic strategy in the interceptive stage and absorption strategy in the later stage</td>
</tr>
<tr>
<td></td>
<td>. Only a few employees and conservative local politician have some negative feeling towards acquirer JBS as “… stranger, firm from developing country…”</td>
<td></td>
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<tr>
<td></td>
<td>. Most local stakeholders see the acquisition with very positive attitudes: “It is good news for our partnership, customers, our suppliers, and our employees”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Symbiotic strategy in the interceptive stage and absorption strategy in the later stage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>. “We will keep and create US jobs” (CEO of JBS)</td>
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<tr>
<td></td>
<td>. Employing more US worker</td>
<td></td>
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<td></td>
<td>. New CEO from JBS</td>
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<td></td>
<td>. Significant influence over Swift business policies and affairs including composition of board of directors.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>. Highly integration at beginning and full integrated in JBS operations in 2008</td>
<td></td>
</tr>
</tbody>
</table>

Table 4. Liability of origin and control strategies of Brazil MNCs in advanced economies (Source: from different leading newspapers from Google news archive)

However, there was variation in the level of LOO in each acquisition (see Table 4). The variation is because “negative image of EMNCs” may be compensated by their great international
experiences as well as their financial strength. In the case of EMNCs that have great experience and strong brands in international markets will be more easily to be accepted by local stakeholders (In case of JBS) than those that do not have these (Vale case). Similarly, EMNCs that have strong financial resources will have more power to invest in future development of acquired firms thus securing future of acquired firms and therefore reducing LOO on local stakeholders (Petrobras case and Braskem case).

Figure 2 Control strategy of Brazilian MNCs exercise over their acquired units in advanced economies

As can be seen from Table 4, all Brazilian MNCs in the study did not impose any radical change on their acquired units at least at during the first years of acquisitions. At this interceptive stage, they use preservation or symbiotic strategies for their acquired units. These are evidenced that all management teams were remained in their positions in all acquired units. The rationale for that is that Brazilian MNCs want to reduce LOO and to build up trust with current employees as new employers and also to have time to learn new technology, learn local culture and find out the best way to manage the units.
Furthermore, related to control strategy (see Figure 2), we found that in the interceptive stage, Brazilian MNCs are willing to grant to their acquired units in advanced economies high autonomy in order to reduce negative effect of LOOs. In the case of JBS where negative effect of LOO is just lightly, JBS was able to point new CEO coming from JBS for its acquired unit soon after the acquisition completed. Other cases, in the later stage/development stage of the acquired units, depending on motives of acquisition, Brazilian MNCs have different control strategies and how they will compose board of directors of acquired units.

In cases of the acquired units are strategically important such as acquisition is to gain technology, as base for further acquisitions, to secure future markets, as base to serve multiple markets, or as base to overcome entry barriers in other important markets (cases of Inco, Swift, and Sunoco Chemicals PP) Brazil MNCs use absorption strategy and exercise tight control over them and delegate key personnel coming from their own companies to the board of directors of acquired unit gradually. In the case of the units are just for supportive purposes such as acquisitions to gain economies of scale and scope, to secure resources, or to gain logistic advantages, Brazil MNCs preservation or symbiotic strategy and allow high autonomy for them (cases of Nansei Sekiyu K K).

Conclusions

As EMNCs, especially firms from BRIC countries have started to influence more and more global economies through their outward investments, researchers have called for further studies of motives of their acquisitions and management strategies in post-acquisition of their acquired units in advanced economies. Although there are many studies related to integration processes in mergers and acquisitions, there is a lack of investigation regarding how parent firms from emerging countries can manage better acquired units in advanced economies via the deployment of proper control strategies. In addition, although, there are studies dealing with cultural clash in post-merger and acquisitions, and liability of foreignness in general, there are, however, few studies considering the negative effect of country of origin in post acquisitions as a result of EMNCs acquiring of firms in advanced economies. Such effects undermine the performance of acquired units during post-acquisition stage. Therefore, it is important for both researchers and
managers to tackle the problems of negative effect. This study is the first to analyze how Brazilian MNCs can use their integration and control strategies to minimize this negative effect.

Since EMNCs often lack of managers with international experience, in their post acquisitions we suggest that no major changes should be taken place in the interceptive stage. However, because of cost considerations, in the later of post-acquisition some of the production can be relocated to their home country or to other subsidiaries in low cost countries. Using Haspeslagh and Jemison (1991) integration typology, we suggest that a symbiotic relationship between acquiring firms from emerging countries and acquired firms from developed countries. This is because: first, there are high need for both strategic interdependence due to the need for acquiring and transferring of capabilities and for organizational autonomy, because the organizational culture are great different between acquirers and acquired firms. More specifically, EMNCs will focus more on strategic decisions that affect the long term performance of the firm such as financial control. They give more autonomy for management team of acquired firms on the daily operations due to differences in the institutional and economic context and to reduce the negative effect of country of origin. In addition, related to marketing activities, EMNCs should also give more autonomy to acquired firms as acquired firms have more knowledge about their markets as also about their neighboring markets. Furthermore, EMNCs need to open to local culture, employ more local managers, and maintaining in investing in local research and developments, and placing local concerns.

This is often issue of Brazilian MNCs as Ozaki et al., (2012) found in their case study of Brazilian subsidiaries that subsidiaries’ autonomy to adapt to particular country is limited. The framework for control strategy of Brazilian MNCs is summarized in Figure 2. Our findings related to motives of Brazilian MNCs for acquiring firms in advanced economies are: 1) to gain markets and technology from the West. This motive is consistent with the finding from previous studies (e.g. Gammeltoft et al., 2010; Rugman and Li, 2007; Wu et al., 2011; Holtbrügge and Kreppel, 2012), 2) to own natural resources. This motive is in line with Wu et al., (2011) and Daniels et al., (2007). Our study extends previous studies by showing that Bazilian MNCs acquired firms in advanced economies also for overcoming entry barriers to the third and fourth markets, for using them as base for further sequence acquisitions in regions.
One of limitations of this study is small number of cases (4). For future study, we argue that the impact of LOO may differ depending on location of acquired firms and other geographic factors (i.e. geographic distance, regional area). Therefore, larger empirical data from Brazilian MNCs as well as location of acquired units from different advanced economies are of interest. In addition, in this paper we excluded factors from the host country which may also influence to LOO such as the openness of the host country. Local stakeholders in the highly opened economies may be more willing to accept the acquisition by Brazilian MNCs or on the other hand, low opened economies may have more negative view on the acquisition by them. Therefore, future studies could investigate if these factors influence level of LOO of local stakeholders towards Brazilian MNCs. Furthermore, the size of foreign firms may also influence the level of LOO to local stakeholders. Our study include only large Brazilian MNCs, further study may include acquisitions of foreign units in advanced economies by Brazilian SMEs. Finally, our study and discussion related to motives of Brazilian MNCs acquiring units in advanced economies and their control strategies did not include other two factors such as ownership advantages and internalization advantages (Dunning, 1988) of EMNCs. Therefore, future studies can expand our study further by adding these two factors in the study of strategies and behaviors of EMNCs are of interests.

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