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INTERNATIONALIZATION STRATEGIES OF EMERGING MARKET MULTINATIONALS: A Case Study of the Largest Brazilian Cosmetics Company

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Master's dissertation presented to the COPPEAD Graduate School of Business, Universidade Federal do Rio de Janeiro, as part of the mandatory requirements in order to obtain the title of Master in Business Administration (M.Sc.).

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RESUMO

HERMANO, Paula Almeida Erthal. Estratégias de Internacionalização de Multinacionais de Mercados Emergentes: Um Estudo de Caso da Maior Empresa Brasileira de Cosméticos. Rio de Janeiro, 2020. 56 pp. Dissertação (Mestrado em Administração) - COPPEAD de Administração, Universidade Federal do Rio de Janeiro, Rio de Janeiro, 2021.

Um tópico relevante nos estudos de Negócios Internacionais é a internacionalização das empresas. No entanto, a maioria das teorias existentes foca em países de economias desenvolvidas. Apesar da recente tendência de abordar as realidades das Empresas Multinacionais de Mercados Emergentes (EMNEs), a maioria dos estudos ainda está limitada a alguns países específicos. Dessa forma, o presente estudo foca em como empresas de economias emergentes se internacionalizam e conseguem alcançar posições de relevância na economia global. Por meio de um estudo de caso aprofundado do quarto player de beleza do mundo, Natura&Co, dados primários e secundários foram coletados, analisados e triangulados. Quatro entrevistas semiestruturadas aprofundadas foram conduzidas com tomadores de decisão atuais ou anteriores da Natura, Aesop, The Body Shop e Avon, incluindo o cofundador e copresidente do conselho da Natura. O caso ilustra as especificidades das EMNEs e seus achados contribuem para a literatura ao validar conceitos importantes em estudos de negócios internacionais e EMNEs e ao desafiar a rigidez de algumas teorias existentes.

Keywords: Multinacionais de mercados emergentes, internacionalização, negócios internacionais, economias emergentes.

ABSTRACT

HERMANO, Paula Almeida Erthal. Internationalization Strategies of Emerging Market Multinationals: A Case Study of the Largest Brazilian Cosmetics Company. Rio de Janeiro, 2020. 56 pp. Thesis (Master's Degree in Business Administration) - COPPEAD Graduate School of Business, Federal University of Rio de Janeiro, Rio de Janeiro, 2021.

A significant topic in International Business studies (IB) is the internationalization of firms. Nevertheless, most of the existing theories focus on countries from developed economies. Despite the recent trend to address the realities of Emerging Market Multinationals (EMNEs), most studies are still limited to a few specific countries. Thus, the current study focuses on how companies from emerging economies internationalize and manage to achieve relevant positions in the global economy. Through an in-depth case study from the fourth beauty player of the world, Natura&Co, primary and secondary data were collected, analyzed and triangulated. Four in-depth semi-structured interviews were conducted with current or past decision makers of Natura, Aesop, The Body Shop and Avon, including Natura’s co-founder and co-chairman of the board. The case illustrates specificities of EMNEs and its findings contribute to the literature by validating important concepts in IB and EMNEs studies and by challenging the rigidity of some existing theories.

Keywords: Emerging market multinationals, internationalization, international business, emerging economies.

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LIST OF ABBREVIATIONS

EMNCs	Emerging-Market Multinational Companies
EMNEs	Emerging Multinationals Enterprises
FDI	Foreign Direct Investment
IB	International Business
LLL	Linkage, Leverage and Learning
OFDI	Outward Foreign Direct Investment
OLI	Ownership, Location and Internalization

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1. INTRODUCTION

Multinationals enterprises from emerging markets are shaking up many industries and ruffling the features of stablished companies (Ramamurti, 2012). Indeed, an important trend in the world is the ascendance of emerging markets' multinationals (EMNEs), as they are expanding rapidly and leaving a permanent mark on global markets (Yeganeh, 2016). As new economic powers are reshaping the world, a major topic in international business concerns the remarkable rise of emerging markets' multinationals (Yeganeh, 2016).

During the past years, the interest in EMNEs research has increased. However, most of empirical and conceptual studies are limited to specific countries, address narrow questions and have restricted scopes, while it is essential to have an all-inclusive grasp of the EMNEs phenomenon (Yeganeh, 2016). Moreover, the distinct characteristics and behaviors of EMNEs raise questions about existing theories and call for new explanations (Madhok & Keyhani, 2012).

For this reason, the present study focuses on emerging multinationals internationalization processes, aiming to understand how companies from emerging economies manage to achieve relevant positions in the global economy. Therefore, the study was guided by the question: "How does a company from an emerging economy which achieved a position of global relevance carried out its internationalization process?". This general question was then broken down into the three specific ones: (a) "Which strategies does a company from an emerging economy use to achieve global relevance?", (b) "Which are the motivations for a company from an emerging economy to seek internationalization?", (c) "How has a Brazilian cosmetics company become relevant in its global context?".

In order to properly answers these questions, a qualitative approach was used. An in-depth, single case study was performed focusing on Natura&Co, a Brazilian cosmetics company that operates in 100 countries (*Natura&Co 2019 Report*, 2020). Natura&Co was the appropriate choice for this study due to its global relevance and its recent international growth. The group has recently bought three major global brands and has become the world's fourth largest beauty company (*Avon Worldwide*, n.d.), in an scenario where there are few companies from Latin America among the largest companies in the world (Cuervo-Cazurra, 2016).

Primary and secondary data were collected, analyzed and triangulated during the research to ensure validity (Creswell & Miller, 2000). Moreover, data analysis was performed through the contrast of the findings with the literature review, following the pattern-matching technique (Yin, 2003). The method was designed due to the need to understand the complexity of the phenomenon and to ensure the real-life context was covered in detail (Creswell, 2013). Findings contribute managerially and academically, as the research analyzes a case which presents well succeeded internationalization strategies and, at the same time, illustrates important concepts in IB EMNEs studies and challenges the rigidity of some existing theories.

The research is organized according to the following structure: besides this introduction, chapter two describes the literature review, combining the traditional international business theories with the theoretical background regarding EMNES internationalization process; chapter three presents the methodology chosen for the present study, including the research problem, questions, case selection, data analysis and its limitations; chapter four describes the case study of Natura&Co; while chapter five portrays the analysis of the case; and, finally, chapter six draws the final considerations, which includes contributions of this work and suggestions for future research.

2. LITERATURE REVIEW

2.1 International Business Theories

“Anyone who has sought to understand the shifts in international trade and international investment over the past twenty years has chafed from time to time under an acute sense of the inadequacy of the available analytical tools” (Vernon, 1993, p. 3). For years, there are several studies that try to explain how and why firms internationalize, but none of them has managed to achieve a unique consensus within the researchers.

The studies of internationalization are traditionally segregated in two main models: the economic, which basically analyzes a firm’s competitive advantage through monetary costs; and the behavioral, which refers to internationalization as a process that includes not only monetary aspects, but also non-monetary ones. The most important economic and behavioral models were studied in depth for the present study: The Product Life Cycle (Almor et al., 2006; Vernon, 1993), the Theory of Internalization (Rugman, 1980) and The Eclectic Paradigm (Dunning, 1973, 2001; Dunning & Lundan, 2008), from the Economic school; and the Uppsala Model (Johanson & Vahlne, 1977), Network Approach (S. K. Chetty & Stangl, 2010; Johanson & Mattson, 1993), International Entrepreneurship (Oviatt & McDougall, 2005; Rennie, 1993) and the Effectuation Approach (Sarasvathy, 2001, 2008; Sarasvathy et al., 2014), from the Behavioral school.

However, both the economic and the behavioral models were designed in developed economies, focusing on companies from these realities. Additionally, some of them focus on small organizations, while the present study analyzes large corporations. Therefore, a decision was made to present in detail only the theories related to the present study.

2.1.1 The Uppsala Model

Researchers from the Uppsala University, in Sweden, analyzed Swedish firms' patterns of internationalization and noticed that they often developed their international operations in small steps, rather than by making large foreign production investments at single points in time. Moreover, firms typically started exporting to a country via an agent, later stablished a sales subsidiary, and eventually, in some cases, began production in the host country.

Therefore, based on the core idea that internationalization of the firms is a process in which the firms gradually increase their international involvement, Johanson & Vahlne (1977) propose a model that focuses on incremental knowledge acquisition. The Uppsala Model focuses on the development of the individual firm and particularly on its gradual acquisition, integration, and use of knowledge about foreign markets and operations and on its successively increasing commitment to foreign markets. Additionally, it assumes that the lack of knowledge is an obstacle to the development of international operations and that the necessary knowledge can be acquired mainly through operations abroad.

The main structure of the model is made by the distinction between the state aspects (resource commitment to the foreign markets and knowledge about foreign markets and operations) and change aspects (decisions to commit resources and the performance of current business activities) of internationalization variables. In this sense, the outcome of one decision, or one cycle of events, constitutes the input of the next. In other words, the model states that “the present state of internationalization is one important factor explaining the course of following internationalization” (Johanson & Vahlne, 1977, p. 36).

The model is based on two main assumptions. Firstly, it is assumed that firms always seek to increase their long-term profit. Secondly, firms also seek to keep risk-taking at a low level. Accordingly, the state of internationalization affects perceived opportunities and risks which in turn influence commitment decisions and current activities.

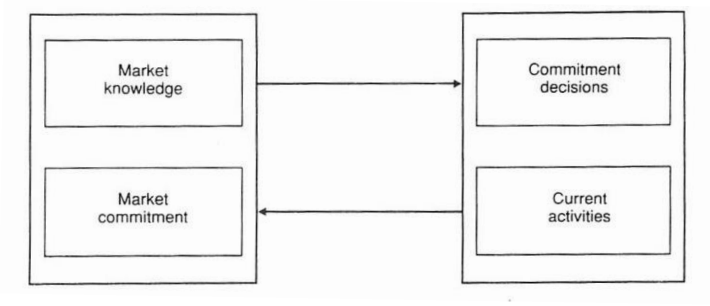

Figure 1 – The Basic Mechanism of Internationalization – State and Change Aspects (Johanson & Vahlne, 1977, p. 37).

The authors consider as state aspects market knowledge and market commitment, as they assume that the commitment to a market affects the firm’s perceived opportunities and risk. Market knowledge is classified in two different categories: objective knowledge (which can be taught) and experience knowledge (which can only be learned through personal experience). According to the authors, the experience knowledge is the critical kind of knowledge in the internationalization process, as it is more difficult to be acquired. Furthermore, they also argue that this type of knowledge enhances the framework for perceiving and formulating concrete opportunities.

Market commitment is assumed to be composed of two factors – the number of resources committed and the degree of commitment. The degree of commitment is higher the more the resources are integrated with other parts of the firm and their value is derived from integrated activities. Moreover, the more specialized the resources are to a specific market, the greater is the degree of commitment.

Market commitment and market knowledge have a direct relation. The better the knowledge about a market, the more valuable are the resources and, therefore, the stronger is the commitment to the market. At the same time, the authors consider change aspects current activities and decisions to commit resources to foreign operations.

Current business activities present a lag with their consequences. Some consequences only are realized when activities are repeated continuously. The longer the lag, the higher is the commitment of the firm. Additionally, current activities are the prime source of experience. Even though experience can be acquired through other sources, as hiring personnel, or having experienced people’s advice, it must be acquired through a long learning process connected to current activities. That is the reason why internationalization process often proceeds slowly.

Commitment decisions are made in response to perceived problems and opportunities on the market, which are assumed to be dependent on experience. For this reason, alternative solutions in response to problems or opportunities will generally consist of an extension of the boundaries of the organization and an increase of the commitment to the market. The framework suggests that scale increasing and uncertainty reducing decisions are taken depending on the existing market risk situation and the maximum tolerable market risk. As a result, the firm will incrementally extend its scale of existing operations on the market until its tolerable risk frontier is met. In conclusion, additional commitments will be usually made in small steps - market experience will lead to a stepwise increase in the scale of the operations to correct imbalance with respect to the risk situation on the market.

Eventually, Johanson, Vahlne and Lemos (2011) revisited the Uppsala Model to examine its risk formula in its two variables, commitment and uncertainty. They graphically treated the variables and demonstrated that the internationalization mechanism is consistent with the risk formula. Moreover, they have managed to explain the differences in the pattern and pace of the internationalization process, as well as potential leapfrogging and market-exit moves. “The more knowledge firms acquire, the greater their perception of the lack of knowledge" (Lemos et al., 2011, p. 143). In addition to this, in the globalized fast-changing world, the knowledge perception gap has become wider and managers must make decisions based on consciously incomplete information sets. For that reason, the balance between knowledge and resource commitment has become a central concern to international managers. Therefore, the internationalization process can no longer be seen only as an optimization exercise between resource allocation and foreign market exploitation. In fact, it should be seen as the process outcome of adjustments to changes within a firm and its environment.

Lemos et al. (2011) propose a model where both commitment and knowledge variables are represented:

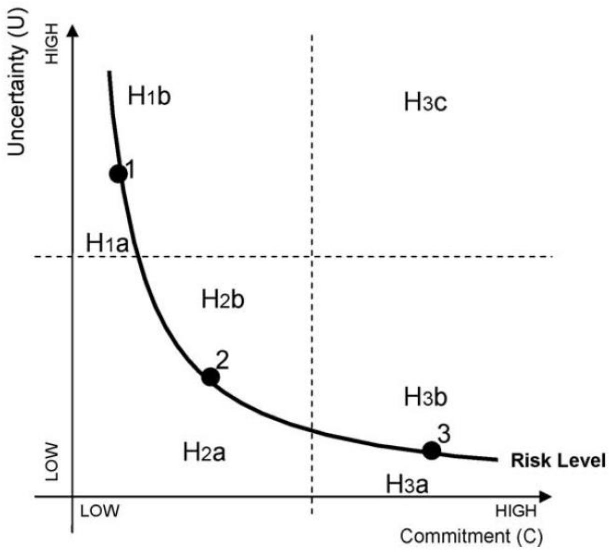

Figure 2 – Internationalization and decision hypotheses (Lemos et al., 2011, p. 151).

2.2 Internationalization of Emerging Multinationals Enterprises (EMNEs)

2.2.1 EMNEs Internationalization's Characteristics

Globalization has radically transformed the dynamism of business relations between developing and developed countries since 1990s (Yeganeh, 2016). Cuervo-Cazurra & Ramamurti (2013) proposed a study about emerging-market multinational companies (EMNCs), which had been rarely the object of attention of researchers as most of the models and theories explaining multinational companies were based on firms from advanced economies in North America, Europe and Japan (Cuervo-Cazurra & Ramamurti, 2013; Madhok & Keyhani, 2012). However, due to political and market changes, organizations from emerging countries upgraded their international competitiveness. As a result, the share of EMNCs in the world's outward foreign direct investment (OFDI) has substantially grown (Cuervo-Cazurra & Ramamurti, 2013).

Yeganeh (2016) states that emerging multinationals enterprises ascended as a result of major socio-economic transformations after the Cold War. Furthermore, EMNEs have an accelerated pace of expansion and present organizational flexibility and innovation. For this reason, they implement flexible and decentralized organizational configurations, which leads them to be capable of competing with well-stablished multinational from advanced economies. Even though they are in a market-based economic system, they also have strong political connections, as many EMNEs still depend on state support.

Companies from emerging markets can also find that their products are discriminated by consumers due to a country of origin liability (Cuervo-Cazurra et al., 2018). Indeed, a firm that does not have a position in a relevant network can be considered an outsider and suffer from the liability of foreignness or outsidership, which makes business development even more difficult (Johanson & Vahlne, 2009). Moreover, EMNEs tend to suffer an additional disadvantage on this aspect for being from emerging economies, which can be considered a 'liability of emergingness' (Madhok & Keyhani, 2012). Despite the impact that these liabilities have on EMNEs, many of the current theories and models of multinationals have paid limited attention to the influence of a multinational's home country, as home location has received relatively less attention than other firm characteristics (Cuervo-Cazurra et al., 2018).

Ramamurti (2012) explains that even though some researchers consider the international expansion of EMNEs fundamentally unsustainable, these organizations possess competitive advantages, which are firm-specific and not country-specific ones. Examples of these advantages are the ability to gather insights about consumer needs, to deliver products with ultra-low cost production prices, to come up with new products quickly and cheaply, to operate in adverse environments, to access natural resources and markets, and to take the lead in new industries to become first-movers. Therefore, EMNEs use internationalization to exploit these competitive advantages. Nevertheless, they also use it to acquire new competitive advantages for exploitation at home and abroad.

Considering the internationalization strategy followed by EMNEs, Mathews (2006) argues that these organizations do not follow the logic of Ownership-Location-Internalization (OLI) advantages introduced by Dunning (2001). Rather, their international expansion is driven by resource Linkage, Leverage and Learning (LLL). Firstly, linkage refers to the focus not only on internal advantages, but mainly on the advantages that can be acquired externally. For this reason, collaborative strategies, such as joint ventures and alliances, are seen as useful tools to acquire knowledge and reduce the risks of international expansion. Secondly, leverage refers to the way that links can be established with incumbents or partners so that resources can be leveraged. Consequently, the focus is on the resources themselves and their leverage potential, considering their imitability, transferability and substitutability. Finally, learning refers to the organizational learning capacity, the ability of the company to perform its operations more effectively.

Based on this logic, Luo & Tung (2007) present the springboard perspective. The authors explain that emerging market multinational corporations “use international expansion as a springboard to acquire critical resources needed to compete more effectively against their global rivals at home and abroad and to reduce their vulnerability to institutional and market constraints at home” (Luo & Tung, 2007, p. 484).

Luo & Tung (2007) delineate the main traits that characterize the international expansion of EMNEs, which includes its motivations, reasons impelling and encouraging them to spring, and its unique activities and challenges. According to the authors, the central premise of the springboard view is that firms use this strategy to acquire strategic resources to compensate their capability voids; overcome laggard disadvantages; exploit competitive advantages and market opportunities in other countries; alleviate institutional and market constraints at home and by pass trade barriers into advanced markets; and better compete with global rivals, as they augment capabilities and improve home base after strategic asset acquisition. These features are summarized by the framework in Figure 3:

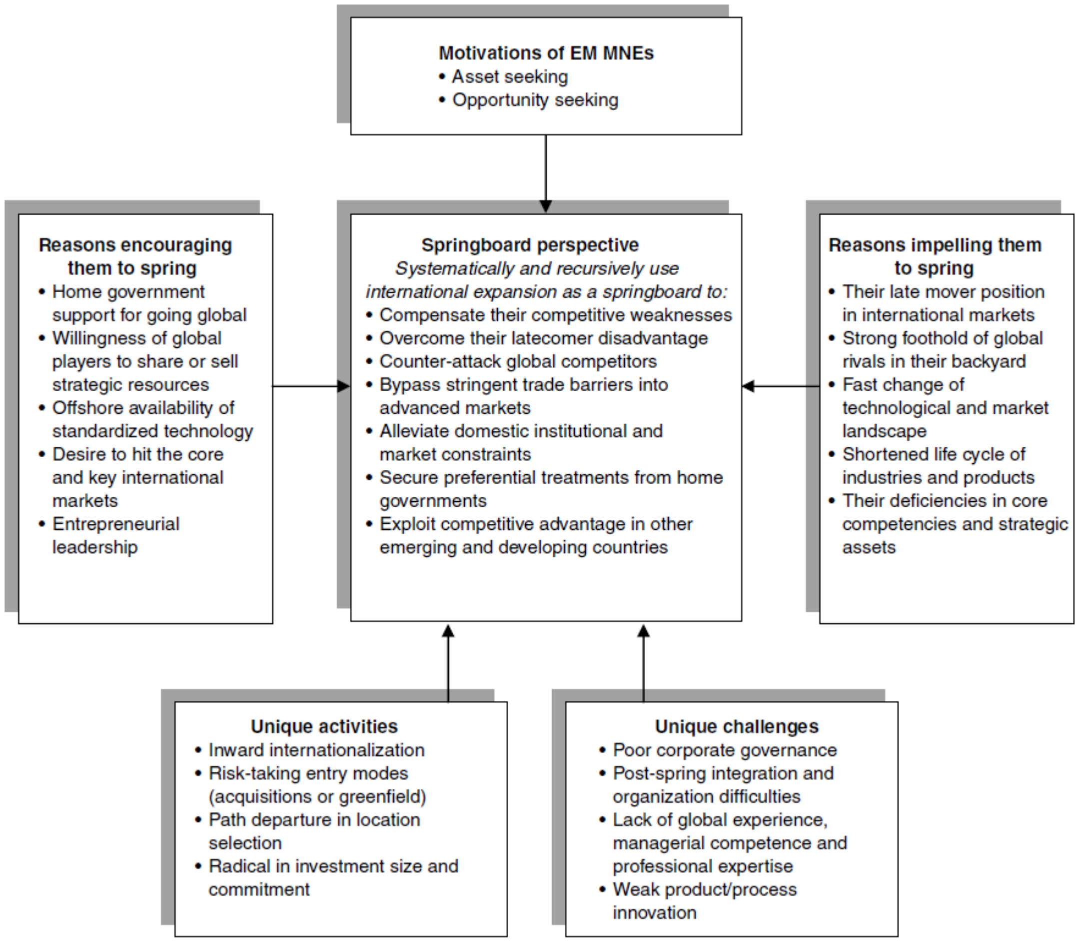

Figure 3 – The Springboard Perspective (Luo & Tung, 2007, p. 489).

Additionally, Luo & Tung (2018) also introduce the upward spiral concept, which suggests that EMNEs grow through a deliberate self-improving, positively reinforcing multi-stage process that consolidates and fortifies their essential capabilities needed in subsequent global competition. Through this spiral, EMNEs can become increasingly powerful on the global stage (Luo & Tung, 2018):

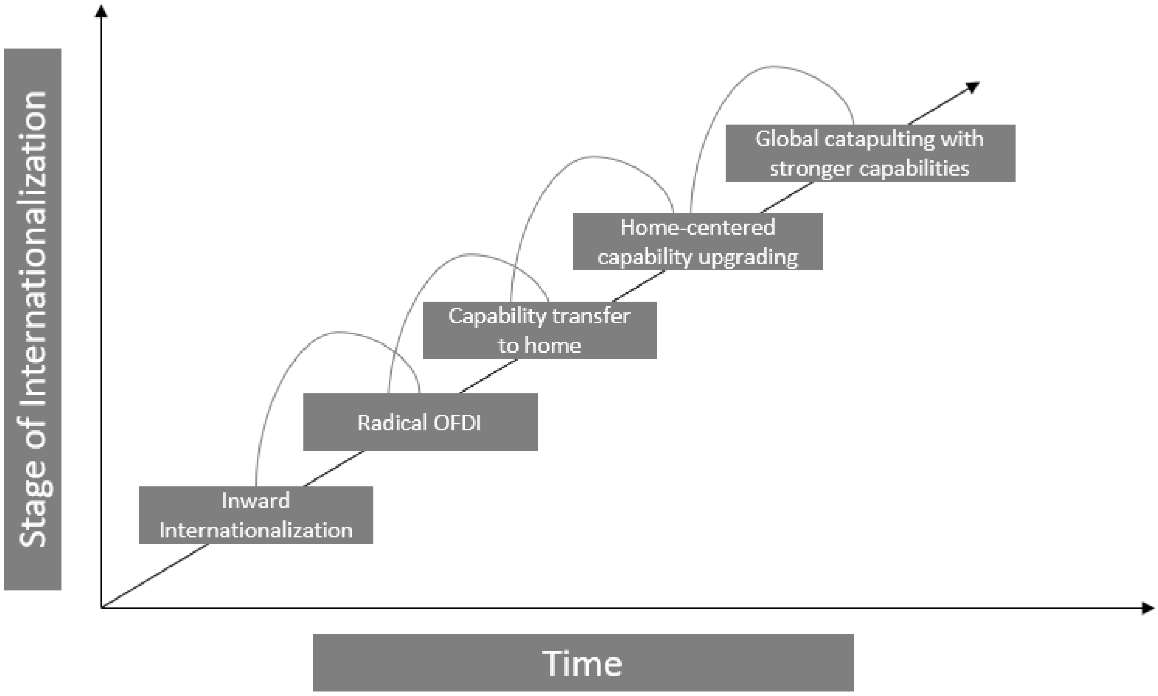

Figure 4 – The Upward Spiral Model (Luo & Tung, 2018, p. 144).

According to Dohse et al. (2012), knowledge and technology seeking are increasingly important motives for emerging multinationals to invest in developed economies. Indeed, “EMNEs internationalize to acquire new strategic resources rather than exploiting the existing ones” (Yeganeh, 2016, p. 612). As a result, Yeganeh (2016) identifies five main motivations for an EMNEs to internationalize, which are to acquire new markets, efficiency gains, higher value, new resources or national prestige.

These motivations are translated into strategies used by EMNEs of what Ramamurti (2012) would define as the Local Optimizer, Low-Cost Partner, Global Consolidator, Natural-Resource Vertical Integrator and Global First-Mover. The local optimizer is the organization that possesses optimized processes that can be applied both in their home markets and also in other emerging markets. The low-cost partner benefits from its location advantage to produce low-cost products, components, or services for customers in high-cost countries. At the same time, the global consolidator builds global scale in mature mid-technology industries, while the natural-resource vertical integrator is the organization from a country with abundant natural resources which secures markets through vertical integration. Finally, the global first-mover use internationalization to acquire complementary resources that will enhance their competitiveness in new industries.

As a result, the traditional model that suggests that firms use FDI as a method of entering foreign markets where they possess some knowledge-based ownership advantage which cannot be easily exploited is limited (Driffield et al., 2016). Rather than the traditional hierarchical structure of multinational studies which focus on how headquarters transfer knowledge to their subsidiaries, subsidiaries have been increasingly acknowledged as sources of knowledge to parent companies (Michailova & Mustaffa, 2012). Nevertheless, few studies explicitly focus on this reverse knowledge transfer (RKT), specially within EMNEs (Nair et al., 2015). As EMNEs expand rapidly to overcome their latecomer disadvantages, the subsidiary's knowledge is essential to this purpose, which makes the knowledge transfer process to parent companies also strategic (Kogut & Mello, 2017).

2.2.2 The Latin American Multinationals

Latin America is a challenging venue for business and exporters. Nevertheless, it is also home to large markets, and it is rich in natural resources, including oil, gas, minerals, and vast tracts of fertile lend. Moreover, Latin America is endowed with natural beauty which holds high potential for tourism. Indeed, in some cases the region has developed the needed skills to compete in the world economy (Ciravegna et al., 2016).

The study of Latin American multinationals (Multilatinas) is becoming increasingly important because some of these firms have become world industry leaders. Additionally, despite the increasing global expansion of multilatinas, most management studies have traditionally focused on the analysis of advanced economy firms, while the growing analysis of emerging markets has mainly focused on firms from Asia (Cuervo-Cazurra, 2016).

Cuervo-Cazurra (2007) developed a study regarding Latin American MNEs to understand how their internationalization process differs from that proposed in existing literature. According to the author, there are three alternative sequences of multinationalization for these organizations: to start with marketing subsidiaries in all countries, to start with production subsidiaries in all countries, and to start with marketing subsidiaries in some countries and production subsidiaries in others. The author's research is based on the ideas of incremental internalization model (Johanson & Vahlne, 1977) and on the eclectic paradigm of international production (Dunning, 1973). By integrating both of them, Cuervo-Cazurra (2007) has been able to develop explanations of why multilatinas should choose between the three alternative sequences of multinationalization:

> *Firms that benefit from a location advantage in the country of origin are more likely to start multinationalizing using marketing subsidiaries first; companies that benefit from a location advantage in the host country are more likely to start multinationalizing using production subsidiaries first; and firms that face difficulties in the transfer of products across countries are more likely to start multinationalizing using production subsidiaries first.* (Cuervo-Cazurra, 2007, p. 259).

Cuervo-Cazurra (2016) sheds light on the idea that particular characteristics of Latin American countries influence on the internationalization process of multilatinas. These characteristics can be analyzed through four main dimensions of a firm's environment: political, social, economic and geographic. Therefore, these dimensions result in new insights for each area: political uncertainty in the political-legal arena, violence in the sociocultural dimension, pro-market reforms and reversals in the economic-technological arena, and geographic isolation in the geographic dimension. The four characteristics of multilatinas can impact on the firm's foreign expansion in two main ways: either managerial learning from home country facilitates the management of diversity across countries, or it induces managers to escape from these conditions by internationalizing.

Regarding the obstacles faced by Latin American firms, Carneiro & Brenes (2014) explain that the overall business environment for entrepreneurs remains a major challenge. There are problems in terms of infrastructure and excessive bureaucracy. Furthermore, companies still must deal with poor infrastructure, expensive costs and political and economic uncertainty. The authors also explain that the absence of global mindset is a deterrent for these firms to internationalize. According to them, it is a result of the combination of three main reasons: high geographical barriers, cultural differences, and the liability of origin, which is a constant sense of being inferior to North Americans and Europeans.

Even though they face huge difficulties, many Latin American firms manage to succeed abroad. Consequently, Casanova (2009) introduced the concept of Global Latinas, the growing corporate giants from Latin America. In other words, they are the Latin American companies that have come on to the world stage and have succeeded in the United States, European Union or Asia. The author claims that besides macro-economic factors, firm-specific factors are also crucial indicators to understand the global expansion of Latin American firms. Companies tend to expand their activities in order to enhance or to protect their profitability and capital value.

Casanova (2009) explains that there are five characteristics that have contributed to help the Global Latinas to succeed abroad. Firstly, they present long-term visionary leaders, as many companies have been family enterprises, with strong individuals at the helm. Secondly, they have a strong survival instinct. Due to the fact that they could no longer count on state protection, Global Latinas had to learn how to survive in a competitive context. Thirdly, they are able to navigate through turbulent waters, which means that they are able to adapt and survive even with challenging economic times. Fourthly, they internationalize as a way to balance risk in the home market. Internationalization for Global Latinas is a strategy both to decrease exposure to risk and also to acquire knowledge and technology. Lastly, they have business model innovation. In other words, they manage to relate innovation not only to their products, but also to their business models.

According to Cuervo-cazurra (2010), multilatinas' expansion can be seen through two different lenses. On one hand, some big multilatinas have a strong international presence. On the other hand, there are few multilatinas among the largest multinational companies in the world. Additionally, most multilatinas have recently started their multinationalization and operate in a small number of countries. Some of them are in the delicate situation that they still depend on their country of origin and have a medium size that makes them vulnerable and attractive to be acquired by larger multinationals in developed countries. Therefore, continuing multinationalization and acquiring size and strength will depend on their ability to sustain growth and their vision of international expansion.

3. METHOD

3.1 Research Problem and Questions

To better understand why and how companies internationalize is still a major issue among International Business studies. The present study focuses on Emerging Market Multinationals internationalization processes, aiming to understand how companies from emerging economies manage to achieve relevant positions in the global economy.

For this reason, the general question that guided this study is “How does a company from an emerging economy which achieved a position of global relevance carried out its internationalization process?”. To better understand this context, associated sub questions were proposed, such as: (a) “Which strategies does a company from an emerging economy use to achieve global relevance?”, (b) “Which are the motivations for a company from an emerging economy to seek internationalization?”, (c) “How has a Brazilian cosmetics company become relevant in its global context?”.

3.2 Research Method

Due to the nature of the problem, which requires an in-depth perspective of the entire process of a company’s internationalization, the present study has a qualitative characteristic. According to Creswell (2013), the qualitative research is an approach that honors an inductive style, a focus on individual meaning, and the importance of rendering the complexity of a situation. Additionally, qualitative studies develop a complex picture of the problem or issue under study. This involves reporting multiple perspectives, identifying the many factors involved in a situation and sketching the larger picture that emerges from it (Creswell, 2013).

Within the possible qualitative research designs, the case study method was chosen for this study. The case study research is a qualitative approach in which the researcher explores a real-life bounded system over time, through detailed, in-depth data collection involving multiple sources of information (Creswell, 2013). This method was chosen due to three main reasons, in accordance to Yin (2003): the research problem is focused on a contemporary phenomenon within some real-life context, the investigator has little control over events and "how" and "why" questions are being posed. Additionally, case studies allow data to be collected from a variety of sources, both qualitative and quantitative. These include documentation, archival records, interviews, observation and physical artifacts (Chetty, 1996).

3.3 Case Selection

The selection of case studies is not a single decision, and within a case study investigation, researchers can use more than one sampling strategy (Piekkari & Welch, 2011). Therefore, the present study used the multilevel approach, which combined the strategies of what Piekkari & Welch (2011) would call as criterion sampling and convenience sampling. Criterion sampling was used because the selection was concentrated on analyzing a case that meet a set of predetermined criteria important to the study, such as choosing a company from an emerging economy that has achieved international relevance within its industry. At the same time, convenience sampling was used because that it has concentrated on the selection of a case in which information could be accessible. For these reasons, Natura&Co, a Brazilian publicly traded group which is present in 100 countries across all the continents (*Natura&Co 2019 Report*, 2020)., was chosen as a single case for the present study. The choice for a single case study allowed the description of the phenomenon in rich details (Collinson & Rugman, 2010) and, at the same time, generated deep insights from a highly specific context (Piekkari & Welch, 2011).

3.4 Data Collection and Analysis

Relying on only one source of data is typically not enough to develop an in-depth understanding of a case (Creswell, 2013). Thus, this present study used primary sources, such as interviews with the company's managers, and secondary sources, through the analysis of the available information on journals and newspapers. Moreover, lots of official financial and non-financial information were also obtained on the company's website reports. As a publicly traded company, there is plenty of information available.

An interview protocol was prepared to ensure that all important topics were carried out during the interviews. The protocol was divided in four mains parts: the first one to obtain information regarding the interviewee profile; the second to understand a general overview of internationalization process; the third to go further into specific information of the internationalization path; and the fourth to better understand the period after acquisitions and how to manage different cultures and companies.

Four in-depth semi-structured interviews were conducted to obtain the necessary information for the case. The interviewees were chosen due to their positions in the company, professional experiences and to how they could contribute to the present study. Therefore, all the interviews were conducted with current or past decision makers of Natura&Co, while each of them has worked in one company of the group: Natura, Aesop, Avon and The Body Shop, as summarized in Table 1. The presence of a representative from each company was important to ensure that the present study could consider the perspectives from both the buyer and the acquired organizations of the group. Also, interviewees were from different geographical locations and hierarchical levels, granting a richer view of the phenomena.

Table 1 – Natura&Co in depth-interviews.

<table>
<tr><th></th><th>Interview 1</th><th>Interview 2</th><th>Interview 3</th><th>Interview 4</th></tr>
<tr><td>Company</td><td>Aesop</td><td>The Body Shop</td><td>Avon</td><td>Natura</td></tr>
<tr><td>Position</td><td>Commercial Director</td><td>Operations Manager</td><td>Marketing Global Director</td><td rowspan="2">Cofounder and Cochairman of the board</td></tr>
<tr><td>Period working in the company</td><td>5 years</td><td>6 years</td><td>5 years</td></tr>
<tr><td>Base of location</td><td>Canada</td><td>Brazil</td><td>England</td><td>Brazil / Global</td></tr>
</table>

Source: Prepared by the author

The four interviews were conducted via video conference and lasted approximately sixty minutes each. All data was recorded and then transcribed, which helped further analysis and triangulation with the secondary data collected. Analysis was performed contrasting the findings with the literature review, following the pattern-matching technique, the logic that compares an empirical based pattern with a predicted theoretical one (Yin, 2003).

3.5 Method Limitations

The case study is often poorly understood in management disciplines and is not well represented in methodological studies (Piekkari & Welch, 2018). Moreover, there is a general consensus that qualitative inquirers always need to demonstrate that their studies are credible (Creswell & Miller, 2000). In general, one of the most common concerns regarding case studies is the fact that they provide little basis for scientific generalization (Yin, 2003). Nevertheless, the case study method of research is a rigorous methodology that allows decision-making processes and causality to be studied (Chetty, 1996). Furthermore, the present study does not intend to generate statistical generalization. Instead, it aims to better understand the phenomenon and to contribute to literature through a rich case analysis that promotes analytic generalization (Yin, 2003).

To overcome the method limitations, some strategies were adopted for the present study. Firstly, the description of the setting, the participants, and the themes were performed in rich detail, using the strategy of what Creswell & Miller (2000) would call as “thick, rich description”. The purpose of a thick description is to ensure all information is properly detailed in the case. Secondly, it was also used the strategy of peer debriefing. The review of the data and the research process by people who is familiar with the phenomenon being explored enriches the study, as it provides support, feedbacks, and challenges its assumptions. Thirdly, triangulation was performed with primary and secondary data to search for convergence among multiple and different sources of information to form themes and categories (Creswell & Miller, 2000). Finally, systematic procedures were used throughout the research process, such as the case study protocol and the case study database to ensure reliability (Yin, 2003).

4. CASE DESCRIPTION

4.1 Natura&Co Group

Natura&Co is a global direct-to-consumer relationship group which comprises four beauty companies: Natura Cosmetics, The Body Shop, Aèsop and Avon (*Natura&Co*, n.d.). The group is present in 100 countries across all the continents and comprises more than 6.3 million consultants and representatives, 40,000 employees and associates and 200 million consumers around the world (*Natura&Co 2019 Report*, 2020). Additionally, the group's purpose is to nurture beauty and relationships for a better way of living and doing business, while its aspiration is "to dare to innovate, to promote positive economic, social, and environmental impact" (*Natura&Co 2018 Report*, 2019).

4.1.1 Natura Cosmetics

Natura was founded in Brazil by Luiz Seabra, Pedro Passos and Guilherme Leal. The company operates in Argentina, Chile, Colombia, France, Mexico, Peru and United States. It has a network of 1.8 million direct selling consultants who works for the brand, 490 owned and franchised stores, and a growing online platform (*Natura&Co 2019 Report*, 2020). The company's reason for being is to create and commercialize products and services that promote well-being (*Natura 2018 Report*, 2019). Its vision is:

> *Due to our corporate behavior, the quality of the relations we establish and our products and services, we will be a group of global brands, identified with the community of people committed to building a better world through a better relationship with themselves, with others, with the nature of which they are part, with the whole.*
>
> (Natura 2018 Report, 2019, p. 4).

Natura's product portfolio is available to millions of consumers, mainly through the Relationship Selling Model, supported by the consultants in Brazil and in Latin America. Additionally, the company also has an online sales platform that has more than 5 million registered consumers and has been elected the best e-commerce in Brazil in 2018. Natura has become the largest Brazilian multinational in the cosmetics industry (*Natura 2018 Report*, 2019).

Natura is strongly committed to generating a positive impact in the world. As a publicly traded company with shares negotiated on the Brazilian's B3 stock exchange, it has been the first publicly traded company in the world to be awarded B Corp certification, in 2014. Moreover, in 2018, the company was also elected the 14th most sustainable company in the world by the Canadian group Corporate Knights (*Natura 2018 Report*, 2019).

4.1.1.1 Natura's History

Natura was founded in 1969 by Luiz Seabra who opened the first store in the traditional Oscar Freire shopping street, in São Paulo, Brazil (*Natura*, n.d.). Its business model of direct selling was only adopted in 1974 (*Natura&Co*, n.d.). During the 90s, Natura strengthened its approach of generating positive impact. In 1990, the company launched the Truly Beautiful Woman campaign, which encouraged women to discover and value their own beauty at every age. Additionally, it promoted the first association with traditional communities in the Amazon region (*Natura*, n.d.).

In 2000, Natura incorporated Brazilian biodiversity ingredients into its products, with the launch of Ekos line, one of the most important lines of the company. Moreover, in 2001, its headquarters moved to a new and modern complex in Cajamar, São Paulo, Brazil. The complex brought together factories, research center and offices integrated with nature (*Natura&Co*, n.d.).

Natura became a listed company on the São Paulo Stock Exchange, B3, in 2004. Afterwards, it remained consistent with its ambition of doing good, as by 2006 the company had already completely eliminated animal testing and launched the Carbon Neutral Program in 2007, with challenging goals for reducing CO2 emissions. Furthermore, by 2011 Natura launched the Amazon Program to concentrate investments to the forest, which had generated more than 1 billion reais invested in the region. In 2015, the company was awarded with the United Nation's top environmental award, being recognized as a Champion of the Earth (*Natura&Co*, n.d.).

The decade of 2010 was also characterized by the acquisitions made by the group. In 2012, Natura began the process of acquiring Aesop, which was completed in 2016 (*Natura&Co*, n.d.). Moreover, in 2017 the company took a further step on this strategy by acquiring The Body Shop from L'Oréal group (*Natura*, n.d.). Finally, in 2019 the company announced its acquisition of Avon Products, which transaction created the world's fourth-largest pure-play beauty company (*Avon Worldwide*, n.d.).

4.1.2 The Body Shop

The Body Shop group started in Brighton, England, in 1976 (*The Body Shop*, n.d.). The brand is currently present in more than 70 countries, with approximately 3 thousand retail stores (owned and franchised) (*Natura&Co 2019 Report*, 2020). The company has 12 distribution centers, 45 e-commerce websites and around 20 thousand consultants. Furthermore, the brand is also engaged in impact causes, such as banning animal testing and promoting the UN Sustainable goals to humanitarian aid for refugees (*Natura&Co 2018 Report*, 2019) and has managed to become a certified B Corporation in 2019 (*Natura&Co 2019 Report*, 2020).

> *Today our dedication to business as a force for good is stronger than ever. As part of our Enrich Not Exploit™ Commitment, we've made it our mission to enrich our products, our people and our planet. That means working fairly with our farmers and suppliers and helping communities thrive through our Community Trade program, being 100% vegetarian and always and forever being firmly against animal testing.*
>
> (*The Body Shop*, n.d.).

4.1.3 Aèsop

Aesop was founded in 1987 in Melbourne as a luxury skin care brand. Still headquartered in Australia, the company nowadays operates in 23 countries, with more than 240 company-owned signature stores (*Natura&Co 2019 Report*, 2020). Each store has a unique interior design developed in collaboration with various architects, designers and artists (*Aesop*, n.d.). Additionally, it produces skin care, hair care, soaps and fragrance that are commercialized in 92 department stores. Aesop's digital platform is in place in 17 countries and operates key partnerships with other online sales platforms (*Natura&Co 2018 Report*, 2019). Aesop is renowned for products created with meticulous attention to detail and sensory pleasure in mind (*Natura&Co 2019 Report*, 2020).

The company is also concerned about establishing a culture of compensating the world. Therefore, Aesop created the Global Philanthropy Program, which formalizes the company's long-standing emphasis on giving back, both through charitable product donations to local causes and through employee volunteering (*Natura&Co 2018 Report*, 2019).

4.1.4 Avon

The company was founded in 1886 by David H. McConnell, who used to be a travel book salesperson and saw the opportunity to sell fragrances in a new business model. Believing in the power of communities and the possibility to empower women, he started hiring women as sale representatives. With the mission to celebrate women's power to make a beautiful and positive impact in the world, the company nowadays sells skincare, color cosmetics, fragrance and personal care products (*Avon*, n.d.).

Avon products are sold primarily to women, through women. The company has more than five million representatives, in more than 55 countries, and supports women's empowerment entrepreneurship and wellbeing. It has already donated over US$1 billion to women's causes and in 2019 the company was recognized as the first global beauty company to end animal testing everywhere that it operates in the world (*Natura&Co 2019 Report*, 2020).

4.2 Natura's Internationalization

Natura began its process of internationalization in 1982, in Chile. This first attempt to go international started with an agreement with an outsourced distributor. In 1983, Natura created the brand Numina, which exported products to Florida and Portugal. These operations were conducted by people who worked at Natura or that used to have a personal contact with the company's managers. Due to the lack of planning and knowledge of the markets, Numina ended in financial loss, but an important learning resource for the company (Jones & Pinho, 2006).

Five years later, in 1988, Natura established a partnership with a local distributor in Bolivia. Moreover, in 1992 it opened an operation in Peru and in 1994 it founded a local partnership with a distributor in Argentina. Natura's decision to expand in Latin America happened simultaneously with the economic stabilization of the Brazilian economy and the favorable growth rates that were happening in other Latin American countries (Jones & Pinho, 2006).

According to the fourth interviewee, Natura's Cofounder and Cochairman of the board, the beginning of the company's internationalization was timid, slow and restricted to Latin America only, as the organization was still too focused on the Brazilian operation and did not have the best human resources allocated in the internationalization strategy. The "*turning point*", according to him, only happened in the late 90s, early 2000s, when the company decided to settle a robust team to take over the Latin America operation.

In 2005, Natura decided to open a store in Paris, which was the European city where consumers most recognized Brazilian products, diversity, and the sustainable development philosophy of the company (Zilber et al., 2010). More than a point of sale, the store was conceived as a reference of a place where Natura's beliefs and vision could be displayed. Furthermore, the store's opening meant a new sales model for the company. For the first time, the direct sales model has been replaced by a retail store (Jones & Pinho, 2006).

Based on the Paris experience, Natura decided to enter Mexico with a hybrid strategy. As a late entrant in the country, the company created in 2005 the Natura's House concept, a place where sales representatives could share experiences and receive training. The concept could be seen as a middle ground between a pure direct selling model and a store chain (Jones & Pinho, 2006). Finally, the company's next international steps were taken in 2007 with the start of operations in Venezuela and Colombia (Zilber et al., 2010), still focused on Latin America.

Until this moment, Natura had a strategy of using greenfield investments to enter new countries. The company did not rule out the possibility of international acquisitions and alliances, at least in the short and medium terms (Zilber et al., 2010). Nevertheless, during the decade of 2010 the company changed its strategy. According to Natura's Cofounder, 2010 was the year of a major paradigm shift. Natura carried out a strategic planning concluding that the company should become multi-brand, multichannel and multi-geographies. Therefore, the company had to learn how to operate with different brands, channels and locations. For this reason, an internal Mergers & Acquisitions department was settled to look for new businesses and opportunities. From there, many emerged.

In 2013 Natura announced the acquisition of Aesop, the Australian company in the premium cosmetics segment which by the time operated in 14 countries and had more than 80 stores (*Natura 2014 Report*, 2015). 65% of Aesop's control was bought for the equivalent of US$ 71,6 million, which was paid with Natura's own resources (Jelmayer & Glazer, 2012). 3 years later, Natura took total ownership by exercising its call option and holding all shares of the company (Bortolozi, 2016).

The first interviewee, an Aesop Commercial Director, stated that the purchase of Aesop from Natura was more than a financial purchase, it was "*a choice of heart, a meeting of souls*". Natura and Aesop had synergy of interests in the acquisition. Aesop became interested in Natura's brand concept, its principles of natural and sustainable products. At the same time, Natura wanted to learn from an experienced retailer how to open physical stores. Both companies had what to learn from each other. The acquisition would help Natura both to accelerate its growth internationally and to learn from Aesop's experience on retail stores. Moreover, the acquisition also helped Aesop to enter Latin American markets.

According to Natura's Cofounder, the acquisition of Aesop was an important milestone for the company's internationalization outside Latin America. Besides all the learning aspects already mentioned, the acquisition also promoted changes in the company's internal culture:

> *Natura's culture had to start changing because Australians do not speak Portuguese. We had to start speaking English at the company's main meetings and communications. Gradually Aesop began to change Natura's way of being.*
>
> (Fourth interviewee, Natura's Cofounder and Cochairman of the board)

Based on the knowledge acquired over time, Natura opened in 2016 its first store in Brazil and established itself in the United States, opening its first store in New York (*Natura&Co*, n.d.). Following the same learning strategy, in 2017 Natura acquired The Body Shop from the French group L'Oréal. The Body Shop was acquired when was valued at €1bn (Schipani, 2018) and was considered one of the world's biggest cosmetic chains with 3,000 stores in 66 countries (Gallas, 2017). The acquisition of The Body Shop meant a decisive step in making Natura an international player in the cosmetics industry, as well as a way of sustaining its vision of cosmetics, natural ingredients, and environmental consciousness (Schipani, 2017).

According to the second interviewee, who had worked at The Body Shop for six years, the acquisition of The Body Shop aimed to enhance the company's knowledge in the retail channel and to reach out to global master franchisees in various markets around the world, with whom The Body Shop already operated. Indeed, Natura's Cofounder also stated that the acquisition of The Body Shop brought lessons from new channels, internationalization of the company and the culture itself. In other words, it would mean for Natura to continue learning what they had already started learning from Aesop, but with a "*more important check*", in his own words. Moreover, it could also help the internationalization of Natura's brand itself, which was still restricted to Latin America.

The Aesop's Director and The Body Shop's Manager also mentioned that the acquisition was important for The Body Shop because Natura had more synergy with their brand profile and positioning than L'Oréal, their previous group, used to have. Natura and The Body Shop are activist brands and focus on global well-being. Furthermore, Natura's Cofounder added that The Body Shop seemed to be lost within the L'Oréal portfolio; it is a very activist brand, which did not match with L'Oréal, a very traditional corporation. According to him, "*there is no point in having an activist brand when the company itself is not an activist*". Indeed, The Body Shop's Manager also mentioned that the acquisition from L'Oréal represented an inconsistency of values, and employees from The Body Shop used to question themselves why the company had been bought by L'Oréal.

> *Our union with Aesop and The Body Shop in recent years represented the beginning of our international expansion beyond Latin America. Under the umbrella of the Natura&Co group, we harbor different brand identities and business models, united by purpose, activism, and ethical principles.*
>
> (*Natura&Co 2019 Report*, 2020, p. 17).

Finally, in 2019 Natura acquired the rival Avon Products, which was a global reference of the direct sales model. Natura has agreed to acquire Avon in an all-stock deal that valued the company at US$ 2bn, owning 76% of the group, while the remainder was kept by Avon shareholders. In a large scale, Natura also used this deal as a strategy to expand internationally, mainly in Asia, Europe and Latin America (Kahn & Schipani, 2019). Furthermore, the takeover of Avon, which used to be its biggest rival in direct sales, can be seen as a renewed bet on the company's core business of door-to-door distribution (Mello, 2019).

> *Natura and Avon together represent the transformational power of the positive cultivation of human relations, the basis of direct selling. (…) Now as a larger group, we have taken on the challenge of being the best FOR the world at a time when, more than ever, companies are expected to take on the role of building a more reassuring future.*
>
> (*Natura&Co 2019 Report*, 2020, p. 17).

According to Natura's Cofounder, the acquisition of Avon was a transformative project and different from the previous acquisitions due to two main reasons. Firstly, as the operations of both companies were similar, it was possible for them to gather synergies from the operational perspectives (factories, distribution centers and transport) and from the commercial ones. As a result, the acquisition could be "*self-financed*" by capturing those synergies. In other words, the source of funds for the operation itself could be the synergies captured when bringing the operations together. Secondly, the project was transformational because Avon already had thirty or forty per cent of their revenue outside of Latin America, as they were already relevant in Europe and Asia as well. This meant entering the rest of the world.

Corroborating this view, the third interviewee, a Global Marketing Director of Avon, explained that the acquisition of Avon happened not only because of the international markets that Avon already operated outside Latin America, but also because Avon had a portfolio complementarity with Natura. Moreover, Avon's Director and Natura's Cofounder explained that Avon was in a period when its shares were devalued in the market. Avon had previously been purchased by an investment fund that came in focused on short-term financial returns and strongly engaged in reducing costs, which brought some results. However, according to them, much more had to be done in terms of brand management. Consequently, the purchase also meant a financial opportunity for Natura.

To sum up, Natura's internationalization milestones can be described by the following timeline:

Table 2 – Natura&Co Internationalization milestones.

Year	Description
1982	Outsourced distributor in Chile
1983	Development of Numina brand – Florida and Portugal
1988	Local distributor in Bolivia
1992	Operation in Peru
1994	Partnership with a local distributor in Argentina
2005	Opening of Paris store
2005	Establishment of the hybrid strategy in Mexico
2007	Operation in Venezuela and Colombia
2013	Acquisition of Aesop
2016	Opening of NY store, the first Natura store in the US
2017	Acquisition of The Body Shop
2019	Acquisition of Avon

Source: Prepared by the author

4.2.1 Natura&Co Internationalization's Objectives

In general, Natura's Cofounder summarized the objectives of Natura to internationalize in three main topics. Firstly, the main motivation for Natura's historical internationalization refers to the objective of making the company grow. According to him, it is mandatory for Natura to be positioned in regions of the world where consumption will grow in the future, so they can capture this market opportunity.

Secondly, internationalization was important for the company to promote geographic diversification. Geographic, political and economic risks should be minimized by operating in different countries.

> *We love the fact that we have a strong position in Latin America because we know the market, we have a strong cash generation, and the financial results of our operations are strong. But we know that the risk is very concentrated in Latin America, so we need to search for another geography.*
>
> (Fourth interviewee, Natura's Cofounder and Cochairman of the board)

Thirdly, the last objective of Natura's internationalization is to improve the standards of management and quality. When a company operates in different areas of the world, it is demanded for it to have a certain level of product quality and innovation. "*In all requirements the bar is higher*", according to him. Additionally, internationalization also helped Natura to access different processes, ingredients, management, and diversified knowledge. "*Unfortunately, Brazil is still a very closed country, so you cannot have access to everything when you are too Brazilian*", he concluded.

In addition to these three general objectives cited by Natura's Cofounder, all respondents exposed learning as one of the main internationalization objectives of Natura. According to them, the three acquisitions happened so the company could learn how to operate in different channels, geographies, cultures, and brands. "*One day shareholders examined Natura's business model and said: 'we need to learn how to operate with physical stores. With whom can we learn that?' So, they came to Aesop*", stated Aesop's Director. Following the same logic, the acquisition of The Body Shop "*brought us learning from new channels, from how to internationalize the company, and from how to internationalize our culture as well*", said Natura's Cofounder. Furthermore, Avon's Director added that in her opinion Natura bought Avon because of the "*internationalization, the capillarity, the reach that Avon has in other markets*", as Natura had a lot to learn from it.

4.2.2 Natura&Co Integration

Eventually, the acquisitions of Aesop, The Body Shop and Avon turned Natura into the global group called Natura&Co. Managing this new structure is the main concern today, according to the interviewees. When asked about how integration has been happening, all four interviewees mentioned that Natura arrived "slowly" in the acquired companies, as it did not start promoting rapid changes in their businesses. Instead, Natura has had a strategy of respecting and preserving the brands' identities as they are. For this reason, Aesop's Director explained that an internal transformation team has been created to analyze what can be centralized within the four brands, aiming to reduce costs and make operations more efficient. At the same time, they define what must operate independently, so they do not interfere in the specificities of each brand.

> *We have also been very careful not to enter using the "steamroller" strategy, "with our foot in the door". Because we are talking about organizations that have a strong culture. (…) Obviously, we must move the strategy forward, but we must be delicate, elegant.*
>
> (Fourth interviewee, Natura's Cofounder and Cochairman of the board)

The transformation team also promotes initiatives to encourage knowledge transfer between the brands. The Body Shop's Manager explained that this team connects people from different departments and brands to make sure they can work together and find synergies. This connection can be punctual, through workshops to share best practices and main challenges; or permanent, through formal workstreams which are strategically monitored by the group. Additionally, knowledge transfer is also promoted in periodic meetings to share best practices and results. "*Once a year the entire senior management level meet in São Paulo. In these meetings we have all the workshops and presentations from brands, in which we can learn from these different areas*", explained Aesop's Director.

But integration has not been performed in the same way among companies. Natura's Cofounder explained that integrating Aesop and The Body Shop was easier than integrating Avon. According to him, the first two had fewer synergies with Natura, as the companies operated in different geographies, with different sales models, business models and positioning. However, Avon's integration was harder because operational synergies were necessary. Consequently, they had to connect factories, distribution centers and to create a new hierarchical structure within the brands to make the integration faster and easier.

Avon's Director explained, from the perspective of Avon (a company that had previously been bought by an investment fund), that the purchase of Natura was very different, as Natura does not ask for financial results in the same way the previous financial owner used to do. In fact, Natura showed a more collaborative and purposeful attitude for Avon.

> *They never said it was an acquisition. And everyone knows it was an acquisition. So, their culture is very interesting, the culture of being a part of the family (…) that we are together. (…) I think there was some 'wow!' in the air. Like 'now we are in a family that thinks about the future, a long-term business, understands beauty, understands the*

> *model.' I think it was also a great relief on the one hand to think that we are part of a business with even more purpose.*
>
> (Third interviewee, Avon's Marketing Global Director)

Nevertheless, integration has also been complicated in some cases. The Body Shop's Manager mentioned differences in the profile of The Body Shop and Natura employees. According to him, at The Body Shop people have always had an activist culture, which implied in strong positioning, in people saying what they think and what they want. At Natura, on the other hand, people do not really speak what they think as straightforward, which generates a feeling that The Body Shop employees are "*crazy people, who say what they want, a mess*".

Avon's Director explained that the Natura's strategy of entering softly also promoted a cultural shock. In fact, employees from Avon still do not know how to work in a model with this collaborative environment. According to her, as an American business, they are used to working focused on the business plan, on the objectives and results, and with Natura they still do not realize what is expected of them. Moreover, she also mentioned a "*veiled*" prejudice from the perspective of the acquired company. Firstly, a prejudice for having been bought by a Brazilian company, from an emerging economy. Secondly, a prejudice for Natura's profile, a company which is more "*peace and love*" and which "*embraces trees*", in her own words. According to her, it makes them question themselves of how much this strategy will really put Avon forward and make the company grow.

Another difference that can hinder Avon and Natura's integration is the fact that the two companies are at different levels of sustainability. According to Avon's Director, Avon is highly connected to Natura's business model when it turns to the social aspect, as the company has a very strong appeal for female empowerment. However, in the environmental aspect Avon is still far behind when compared to Natura. Thus, there is still a lot to be done to really integrate the two companies. In fact, Natura's Cofounder remembered that integration is still in its initial steps, because Avon acquisition was completed only in January 2020 and, two months later, the COVID-19 pandemic has spread worldwide, removing everyone from the offices and stores, without any prior planning. He added that people in strategic positions in the group have not had the chance to meet in person yet, which makes it even more difficult for the teams to connect. On the other hand, he argued that the pandemic also helped people in the group to get closer.

> *Even being distant and only connected virtually, everybody needed help, nobody knew what to do. Nobody knew how to do the annual budget, the impact that the pandemic could cause, which stores would have to be closed until the end of the year and so on. (…) So, there were some positive aspects resulting from the pandemic because somehow the group sought help from others and became more integrated.*
>
> (Fourth interviewee, Natura's Cofounder and Cochairman of the board)

International future plans for Natura&Co are still uncertain; Natura's Cofounder explained that in the short term they do not want to make other big moves to expand to new markets because they have to integrate the acquired companies first. According to him, the moment now is to "*digest*" the acquisitions recently made, which means promoting Avon's turnaround, improving the performance of The Body Shop and, most importantly, integrating the four brands into a unique group.

> *I think that the biggest challenge when making such important acquisitions is the cultural aspect. They are companies with different origins and cultures (…) We have to create a new culture, a culture which is neither from Natura, nor from Avon, Aesop, The Body Shop - a culture from the whole, from the group.*
>
> (Fourth interviewee, Natura's Cofounder and Cochairman of the board)

Without defining the exact deadline, "*maybe in two or three years*", Natura's Cofounder explained that Natura's brand can be expanded to places where infrastructure of The Body Shop, Aesop and/or Avon already exists. He added that the opportunities are not all mapped yet, but the group believes that Natura's brand, due to its values and its associations with a 'good Brazil' and nature preservation, can be highly acceptable in the global market. There are lots of opportunities, but "*I think the most important for us is to continue on this sustainable path. Where will it bring us to? I have no idea. But I did not know ten years ago as well, so I do not care about that question now. What matters is the process*", he concluded.

5. CASE ANALYSIS

In order to properly analyze Natura's internationalization history, it is important to separate its process into two distinct phases. The first one happened between the 1980s and 2010, while the second happened between 2010 and 2020. This segregation is important because Natura seems to have substantially changed its international strategy from one period to the other, after a planned move that resulted from strategic meetings with specialized consulting firms.

The first stage of internationalization was defined by a slow and gradual move of Natura brand from Brazil into new geographies. The company started operating in Latin America countries, which were closer to Brazil, not only geographically, but also culturally. This strategy is highly connected to the ideas of Johanson & Vahlne (1977), who proposed the Uppsala Model. The concept of psychic distance is strongly present in Natura's history, as the company has definitely used a "gradual acquisition, integration, and use of knowledge about foreign markets and operations and on its successively increasing commitment to foreign markets" (Johanson & Vahlne, 1977, p. 32). Indeed, "*Natura timidly started an internationalization process in Latin America (…) with Chile, then Peru, Argentina, Colombia and so on. But it was a very slow, an organic process, it was not through acquisitions*" (Fourth interviewee, Natura's Cofounder and Cochairman of the board).

The Uppsala Model is based on the idea that additional commitments abroad are usually made in small steps, which is the reason why the authors argue that internationalization processes often proceed slowly. Natura's first thirty years of international experience were characterized by slow movements, which in turn spawned a moderate internationalization process, for a limited number of countries from the same region only.

Furthermore, a step-by-step commitment build-up can be seen (Johansson & Vahlne, 1977). The first international moves were characterized by expansions through local partners distributors, as performed in Chile, Bolivia and Argentina. In sequence, new challenges started to be pursued, such as the opening of Paris store and the hybrid strategy in Mexico. This change in positioning illustrates how important it was for Natura to take some initial steps first, learn how to operate in other countries and then take greater risks. Thus, this strategy is also connected to Lemos et al. (2011)

who revisited the Uppsala Model's risk formula and argue that the knowledge perception gap is a central concern for companies when internationalizing. According to them, a firm's international commitment increases along with knowledge accumulation and reduction of uncertainty levels, which indeed happened with Natura during its first internationalization phase.

The second stage, on the other hand, was focused on a deeper and faster internationalization, based on the acquisition of brands which were already established in the international market. This strategy chosen by Natura, a company from an emerging market, cannot be found in the traditional International Business Theories, neither in the Economic Models (The Product Life Cycle, The Theory of Internalization and The Eclectic Paradigm), nor in the Behavioral ones (Uppsala, Network Approach, International Entrepreneurship and Effectuation Approach). Nevertheless, specific studies from Emerging Market Multinationals manage to explain the strategies used by Natura.

Firstly, the LLL framework proposed by Matheus (2006) can be used to understand Natura's case. The framework suggests that a firm's international expansion is driven by resource linkage, leverage and learning. Linkage refers to the company focus not on its own advantages, but on the advantages that can be accessed externally, which was the strategy of Natura when acquiring Aesop, The Body Shop and Avon. Leverage refers to the way that links can be established with third parties so the resources can be leveraged. Natura, when bought The Body Shop, also aimed to reach out to global master franchisees and representatives in various markets around the world, with whom The Body Shop had been operating for decades. Lastly, "repeated application of linkage and leverage processes may result in the firm learning to perform such operations more effectively (organizational learning)" (Mathews, 2006, p. 20). Natura presented the organizational learning of linkage and leverage by repeatedly acquiring the global brands Aesop, The Body Shop and Avon. The learning which is built up from this process helps to explain the accelerated internationalization of firms, which is Natura's case during its second stage of internationalization.

Secondly, Natura nowadays can be considered what Casanova (2009) would call as a Global Latina, a growing corporate giant from Latin America. Three characteristics pointed by the author can be identified in the company's history. Natura presents what the author called as “long-term visionary leaders”, strong individuals at the helm. Natura’s founders have played a key role in the development of the company and they still manage to transmit the culture and principles of foundation to the organization’s strategic guidelines. Furthermore, Casanova (2009) explained that Global Latinas use internationalization to balance risk in the home market, which was one of the main objectives of Natura’s internationalization, according to Natura’s Cofounder. Additionally, business model innovation is another characteristic present in the company’s history, since it has been able to adapt and to learn how to work with completely different forms of operations.

Thirdly, the acquisitions also helped Natura to overcome what Johanson & Vahlne (2009) called as liability of foreignness or outsidership. As the group still did not have a relevant position globally, it was considered an outsider in many markets, which hindered the development of new business. The acquisitions therefore can help Natura enter new geographies and channels going forward. Notwithstanding, the acquisitions also brought up a prejudice from the liability of emergingness, which is the disadvantage that EMNEs tend to suffer in the global market for being from emerging economies (Madhok & Keyhani, 2012). Avon’s Director mentioned that she noticed an internal veiled prejudice at Avon for being bought by a Brazilian company, from an emerging economy. Moreover, Natura’s Cofounder also noticed “a certain reaction due to the fact that it was a Latin American company, a Brazilian company, making acquisitions of such iconic global brands”. On the other hand, Natura’s Cofounder also stated that this reaction only happens in the beginning, since over time people start to be enchanted with Natura’s profile and positioning, different from the “big corporations and other traditional companies”, in his words.

This enchantment with Natura’s positioning, in turn, relates to the ideas of Ramamurti (2012) who argues that EMNEs possess competitive advantages which are firm-specific and not country-specific ones. Natura undoubtedly has firm specific advantages related to its way of doing business. According to Natura’s Cofounder, Natura has been well seen in the global market due to the “propensity to welcome these new, fresher, updated ideas from companies committed to society, to the environment and to sustainability, which shows a good financial performance”. Moreover, Ramamurti (2012) explains that the firm competitive advantages can also be related to the ability to gather insights about consumer needs, to operate in adverse environments and to access natural resources and markets, which Natura certainly has after having acquired experience in Brazil, in Latin America and for having entire lines of products from the Amazon.

Finally, the studies that cite that EMNEs can internationalize to acquire knowledge and strategic resources (Dohse et al., 2012; Driffield et al., 2016; Kogut & Mello, 2017; Luo & Tung, 2007; Michailova & Mustaffa, 2012; Nair et al., 2015; Yeganeh, 2016) also apply to Natura's internationalization process. The four interviewees explained how Natura acquired the brands in order to learn how to operate in different channels, geographies and cultures.

Specifically, the Springboard Perspective introduced by Luo & Tung (2007) is the EMNEs theory which can undoubtedly best explain the second stage of Natura's internationalization process. The model affirms that Emerging Market Multinationals use outward investments as a springboard to acquire strategic assets needed to compete more effectively against global competitors and to avoid the institutional and market constraints faced at home. The theory suggests that "springboarding" steps are used to facilitate firm growth and as a strategy to establish their competitive positions more solidly in the global marketplace. The main internationalization objectives of Natura, according to the interviewees (firm's growth, risk reduction, quality standard, search for knowledge and some domestic defensive strategy), illustrate this strategy.

Additionally, the central premise of the springboard view is that firms use this strategy to achieve some main goals that Natura seems to have pursued them all. Firstly, firms can acquire strategic resources to compensate capability voids, which Natura did when acquired the brands to overcome the lack of knowledge in different channels and markets. Secondly, they use the strategy to overcome laggard disadvantages, which was the case of Natura because the company was lagging behind compared to other players in its international presence and market knowledge. Thirdly, they can also use the strategy to alleviate institutional and market constraints at home. Natura sought to intensify its international presence to reduce its exposure to the risk of being restricted to Latin America only. Fourthly, the strategy is also important so the firm can exploit competitive advantages and market opportunities in other countries, which Natura has been seeking. Finally, the springboard is used to better compete with global rivals. Natura, after acquiring Avon, which was a major global rival, became stronger to fight with other competitors in the international market.

On the other hand, the springboard perspective suggests that EMNEs overcome their latecomer disadvantage by using aggressive, risk-taking measures. Nevertheless, by analyzing Natura's acquisitions it is possible to identify a tendency of buying companies aiming to acquire specific resources but with an increasing progression of commitment and risk. Of the three purchased companies, Natura started buying Aesop, the smallest and cheapest one, which costed approximately US$ 70 million, paid with Natura's own resources (Jelmayer & Glazer, 2012). In sequence, the group bought The Body Shop, which was considered by the time one of the world's biggest cosmetic chains (Gallas, 2017) and was valued at €1bn (Schipani, 2018). Finally, Natura bought Avon in an all-stock deal that valued the company at US$ 2bn, owning 76% of the group (Kahn & Schipani, 2019). In other words, Natura's strategy implied in buying companies from the cheapest to the most expensive, from the easiest to the most difficult to integrate, as if the company was trying to learn how to buy organizations first.

To become multichannel and multi-brand, the company started buying relevant international brands, but always seeking to maintain the risk in a somewhat controlled level, using the knowledge and experience obtained with the previous acquisition. From this perspective, this strategy is also somehow connected to Uppsala's ideas (Johanson & Vahlne, 1977), as it is possible to notice a gradual acquisition, integration, use of knowledge, and on its successively increasing commitment to foreign markets. Indeed, even after the acquisitions Natura's Cofounder pointed out that in the short term they do not want to make "*big moves to expand to other markets*" because they must integrate the acquired companies first. "*We are in a phase of digesting the acquisitions that we made*", he added.

6. FINAL CONSIDERATIONS

The present study aimed to understand how companies from emerging economies manage to achieve relevant positions in the global economy. An in-depth analysis of Natura&Co, a Brazilian cosmetics group that operates four global brands in over 100 countries, allowed the proper answers for the research questions, since Natura has become relevant in the global market using different internationalization strategies throughout its history.

As Natura nowadays is considered the world’s fourth largest beauty company, its case study contributions are both managerial and academic. From one perspective, the case contributes managerially because it can help organizations to identify well succeeded expansion and management strategies, which can be used in different internationalization phases. From another perspective, it also contributes academically because the case illustrates a form of internationalization that the literature has not fully covered yet. More specifically, the second stage of Natura’s internationalization shows specificities that challenge the rigidity of existing theories, because of three main reasons.

Firstly, while the springboard perspective largely covers the internationalization process in the company’s second phase (2010 onwards), it does not encompass its first phase nor explain Natura’s gradual strategy of making acquisitions. Secondly, the upward spiral concept introduced by Luo & Tung (2018) is not fully represented in Natura’s internationalization yet and may never be, once the company has fortified its home based by exploiting new acquired capabilities and has not moved to the stage of “re-catapulting globally with a new assortment of arrows” (Luo & Tung, 2018, p. 144). Instead, with sequential acquisitions, Natura keeps moving back to the second stage. Only time will tell if after integration is complete it will move into the last stage of the spiral or if it will follow a different path. Thirdly, the Uppsala Model also does not apply to the second phase, since it is focused on the idea of developing international operations in small commitment steps, rather than by making large foreign investments at single points in time, which Natura did when acquired the brands. Consequently, Natura’s internationalization history represents a managerial example of a EMNE that integrate some aspects of Uppsala to the Springboard Perspective.

For this reason, the case also contributes academically to the discussion of whether traditional International Business Theories, designed in developed countries, can apply to countries from emerging economies. In fact, Natura's history shows that these theories can be partially applied, as The Uppsala theory can be used to explain Natura's first internationalization phase, but it depends on the stage and on the context of each organization. At the same time, it also shows that specific EM theories, such as LLL or the Springboard Perspective seem to explain EMNEs' internationalization processes more thoroughly, although not entirely.

In addition to the specific method limitations described in section three, this study has its own limitations. The integration of the acquired brands has not been completed yet, so time may be an issue that will affect the analysis of the case. For this reason, suggestions for future work encompass the revision of this case in five or ten years from now, to see what will happen if Natura manages to properly integrate the four brands and to expand Natura's brand to all the countries where Aesop, The Body Shop and Avon already operate. Will it manage to "re-catapult" globally and become a global reference with stronger capabilities, in accordance with what Luo & Tung (2018) suggested in the Springboard Perspective? Furthermore, future studies can also be performed with combinations of different companies, either from other emerging economies or other industries, which have managed to become relevant in the global market.

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APPENDIX

Appendix A – Interview Protocol

Interview Protocol – Natura&Co

Start the interview with presentations, introducing yourself as a researcher and explaining the purpose of the meeting.

1) Interviewee Profile:

- Name
- Position
- Time working in the company/department
- Could you tell me a little bit about your current and past roles in Natura&Co, please?

2) Internationalization Process – General Overview

Comment on what you think, or how you see the internationalization of Natura:

- In your opinion, what do you think was the objective of Natura with the acquisition of the brands? How were these acquisitions' goals similar or different, in your opinion? Have these goals been achieved so far?
- Is there an international department that coordinates all the activities? Could you please put us in contact with them?
- Who is responsible for the internationalization decisions of the company?

3) Internationalization Process – Specific Information

- What has the company learned from the acquisition of the brands?
- How is the knowledge flow information between HQ and subsidiaries?
- Are brands managed independently?

Is there any kind of information flow or trade between brands?

- What have changed for the brands after being acquired by Natura?

- How has the integration been?

- Do you feel there is frequent knowledge exchange in the group? Can you give some examples?

- How has Natura&Co, or the acquired brand in particular, benefited from internationalization? Can you give some practical examples?

4) After Internationalization – Managing Cultures and Companies

- Comment on how HQ manages different companies and cultures

- Comment on how you analyze future international opportunities for the company – motivations and strategies

- Is the medium/long term strategy of the group to leave each company's management apart or to unify the entire group under the same business strategy?

Is there any other information or subject that has not been addressed, but should be discussed to facilitate understanding of the internationalization process of the company?

Thank you so much for your time and availability! If I have any more questions, I could get in touch again, by phone or email?