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Ajudando o Brasil a expandir fronteiras

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Strategic Reinvention for International Markets



Ian Pallister



Tiago Grandi

Introduction

In this Paper the authors set out their views on the future challenges facing organisations and introduce the concept of a **'strategy as a continuous journey'** and discuss how an **integrated end-to-end approach to strategy** can help to solve many of the issues around the current silo-ed approach.

Furthermore they discuss how this new approach can help to address the biggest challenge that organisations face; and that is how to address the **Impact Challenge**, how to ensure that organisations realise value for all of their stakeholders and how they can help to have a positive impact on people's lives, over and above simple ESG compliance.

And they introduce a number of **important new concepts and tools** that business leaders, strategists and those involved in impact/sustainability need to take notice of such as **'Managing the Impact Equation'**.

Finally, they discuss why such an approach is effective for organisations looking to develop into international markets.

Re-Defining 'Success'?

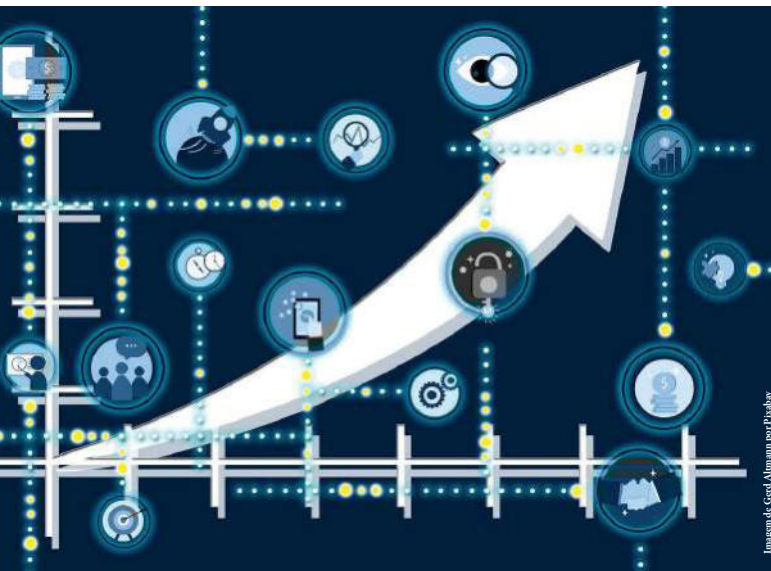
For almost a century, management theory has addressed the question of competitive advantage - how to gain a commercial advantage over the competition; how to conquer markets, grow revenues and to get a better return on investment?

Competitive advantage described how an organisation could 'win' in the marketplace, for example, by producing and selling more at a lower unit cost and a higher profit, thus increasing the overall shareholder value. This was the core focus of modern capitalism and set the context for leaders to determine how to develop their business strategy.

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This philosophy of 'shareholder capitalism' brought wealth and an increase in living standards to many nations but resulted in managers being focused almost exclusively on cost, revenue (and hence profit) as key valuation indicators.

Success was defined as 'profitability' in almost all organisations. 'They are a great business, very profitable' was an often heard comment.

Additionally 'success' was defined as executing your chosen strategy. A long term strategy was put in place and key metrics would inform a senior team about how closely they were following their 'plan'.

Success was also about executing on a somewhat 'static' strategic plan, that was 'signed-off' by shareholders seeking a steady and consistent long-term return on investment; and company valuations were based upon the accuracy of 'delivering the plan'.

A New Paradigm Of Success

So, we see that the old paradigm is one of a focus on profit, and a focus on delivery of a detailed static long term plan. In this paper we set out why we believe organisations need to embrace a new paradigm, one where they focus on *creating value for a broader set of stakeholders* and one where they focus on *realising value* rather than delivery of a plan.

From Profit to Impact

Whilst there is nothing inherently wrong with the profit motive, a singular pursuit of profit without consideration for other factors has led to a renewed interest in alternative socio-economic models. It could be said that early 20th century philanthropers like Rowntree and Lever in the UK and Carnegie and Rockefeller in the US started a movement where there was an increased focus on wealth distribution and social welfare. However it was in the 1970s that alternative philosophies really started to emerge and they have developed to the extent that we now embrace Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG) reporting as business as usual. These and other models, such as Shared Value, have implied a redefinition of what it means to 'win' and be 'successful' and has been termed the 'Impact Revolution'.

When viewed through an Impact lens, the organisation is no longer seen exclusively as an economic agent oriented to the return on invested capital. Rather there are a broader set of success metrics that go beyond pure financial measurement: **a philosophy of stakeholder capitalism.**

Whilst still being concerned about financial success, the organisation is now oriented towards a broader set of metrics. There is a wider focus on employees, direct and indirect, **People** and on sustainability and reduced environmental impact, **Planet** and on the way in which organisations generate benefits for the wider society, **Prosperity.**


New Challenges, New Way of doing Strategy

How different is the world today in mid-2023 compared to even 3 years ago?

How could anyone have imagined the Post-Covid world? Or the world on the edge of a major conflict? With spiralling costs and disrupted supply chains. The point is that the world is different and organisations have to manage a new set of challenges, or tensions, and build capabilities to address these challenges.

Today, we are living in a radically different world to that of even 5 years ago. The pace of change is faster. The expectations of stakeholders and society are greater and more diverse. We live in a VUCA world, it is volatile, uncertain, complex and ambiguous.

Organisations need to embrace a new way of expressing and managing value using the language of Impact and

Manage inherent tensions		Build the capability to
Financial v Social / Environmental Impact		Meet financial KPIs whilst also incorporating social and environmental impact objectives
Short-term v Long Core v Explore		Optimise your Core business whilst exploring new, longer-term horizons
Risk Mgt v Accelerated Cycle Times		Balance the need for planning and risk management with speed of design and execution
Certainty v Flexibility		Flexibly adapt your competitive position, to gain and maintain a sustainable advantage
Pro-active v Reactive		Understand your environment so you can react quickly, ideally be pro-active
Disruptive v Incremental		Manage a portfolio of different business models appropriate to your competitive positioning
Inside v Outside		Work with partners to accelerate time to value, build new ventures, create broader impact
Transient v Permanent		Identify and take multiple transient opportunities, as well as seeking longer term strategic positions
Silo-ed strategic activity v integrated approach		Apply a consistent end-to-end framework to manage all components of value realisation inc. innovation & ventures

broader stakeholder engagement; they need to be ambidextrous and optimise the core business whilst exploring new horizons and balance an incremental approach with more radical ideas; they need to balance the for sensible risk with a desire for speed; and accept uncertainty as certain; they need to pro-actively prepare for new scenarios; and work across and within new eco-systems; and finally they need to accept a lack of permanence and look to identify and exploit transient opportunities.

And the old paradigms of longer term strategic planning are no longer valid. It is not possible to plan with a degree of certainty and strategic choices need to be made based upon an acceptance that they could be wrong, but they are, at least, the best that you can make with limited, complex and ambiguous information.

Because of this, four things need to be done differently:

Re!nventing Strategy

Firstly, the entirety of the **strategy process needs to be managed as an integrated whole**; not as separate disciplines such as Design or Execution or Performance Management; not as separate organisational silos such as innovation or venturing. All elements should be managed in an end-to-end integrated framework so that Design naturally flows from a consideration of Purpose & Vision and Execution naturally follows the process of strategic choice. And the philosophy underpinning each step needs to be coherent and consistent.

Secondly, the **strategy process needs to be accelerated**. Strategy Design needs to become a dynamic process, and it needs to deliver outcomes quicker. The strategy process needs to incorporate the best elements of design thinking, systems innovation, and agile techniques. To use sprints and labs. It needs to be more inclusive, embrace redundancy, and accept an 80:20 pareto outcome.

Thirdly, **time to value needs to be shortened**. The strategic realisation phase needs to be more agile and experimental. The strategic portfolio needs to be more fluid so that failures can be faster and new ideas can be fast-tracked quicker. Discovery needs to be continuous. More emphasis needs to be placed on realisation options and trade-offs based upon a clear understanding of what is your core capability; what should we out-source, buy-in, with whom should we partner, who could we acquire, how can we streamline core operations? How can we challenge embedded ways of working?

And fourthly, the notion that a Strategy can be executed needs to be challenged. Rather, the whole notion of delivering a Strategy needs to be turned upon its head. It is actually your **Strategic Vision that needs to be realised** and your strategy is your way of best realising that. It is a means to an end, not the end in itself. And, therefore, it should be constantly reviewed, examined and improved as necessary, so that the Vision is reached rather than the Strategy being executed and strategy becomes a continuous journey.



it needs to be integrated and link front-end positioning and design to back-end execution; it needs to link strategy to concept & venture creation; and it needs to embrace innovative realisation approaches - a continuous journey of value creation and realisation.

A Systemic Approach

In order 'to do Strategy differently', at Stratega, we utilise an integrated, end-to-end strategic framework that we call our 'Stratega Strategy System'.©

We use an accelerated and agile approach, based upon labs and sprints, with key inputs and expected outcomes at each stage.

We use an accelerated timeline; speed is key, and we use specific tools to guide your thinking.

We employ 3 main principles, that is, we need to Re-define (our Purpose), we need to Re-invent (our value-creating mechanisms), and we need to Re-alise our Vision, rather than deliver a plan.

Re-Define

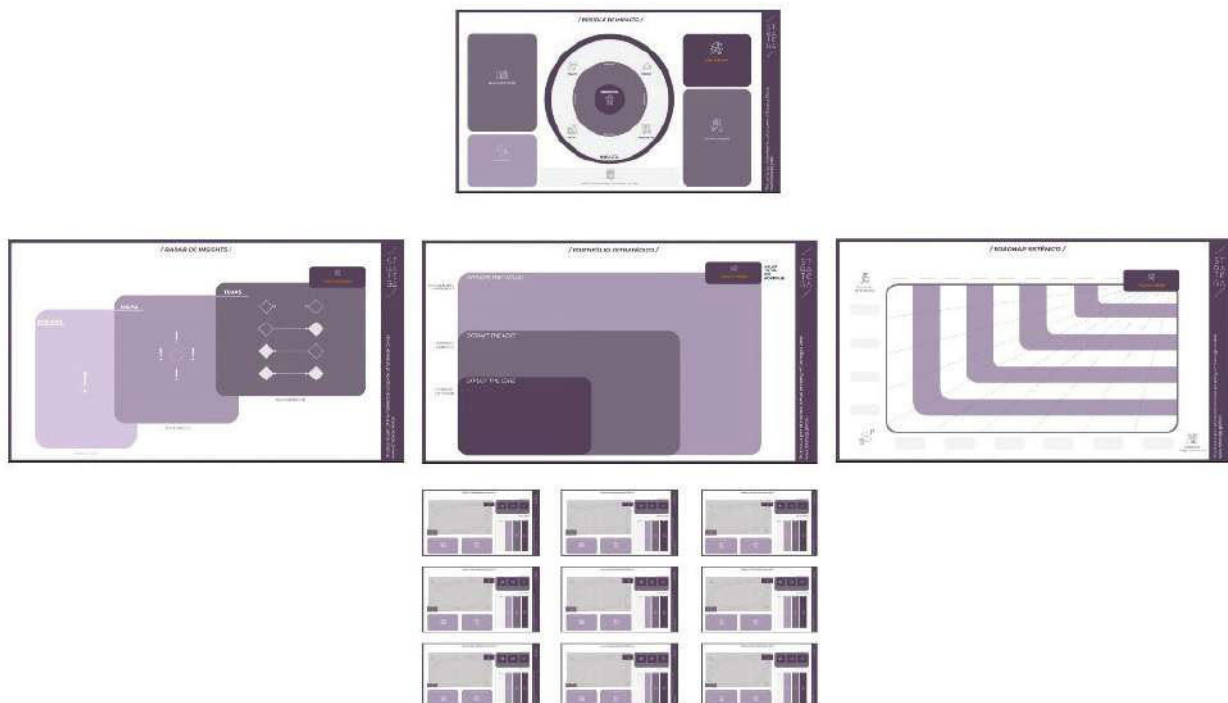
The need for a Vision, Mission or Intent has been part of management thinking since the 1950s and has been popularized again recently by the likes of Simon Sinek and his concept of the Golden Circle.

Strategy Re!nvented

The two key dimensions of a new way of doing strategy are clear.

Firstly, a different way of defining organisational success. A much broader and more inclusive approach that encompasses Profit, People, Planet, and Prosperity. And that also clarifies the Strategic Vision, Organisational Purpose and Identity.

And secondly, a different approach to the actual process and purpose of strategy. It needs to be more holistic, faster, more inclusive, based upon agile thinking; it needs to focus on realising value and not execution of a plan;



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And today we see an explosion in articles and books about ‘purpose-driven’ companies. And we see new forms of organizations like B-Corps making a real difference.

At Stratega, we also believe that we need to move beyond purpose & profit i.e. from a single dimension view of who we are and what we want to achieve, to a multi-dimensional view of identity and vision AND a broader set of metrics to measure our outcomes.

We call this the Impact Compass.

It provides Direction and Stability. It is a constant. It is a navigation tool. Choices are made based upon the components of the Compass.

It is the starting point of any strategy programme and time and effort needs to be applied to a careful consideration of what it includes.

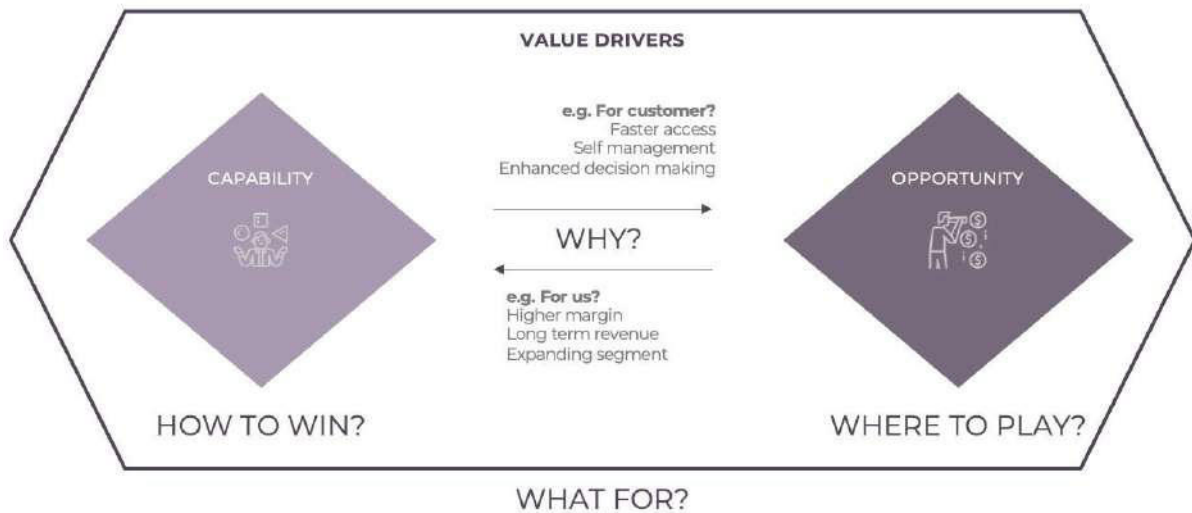
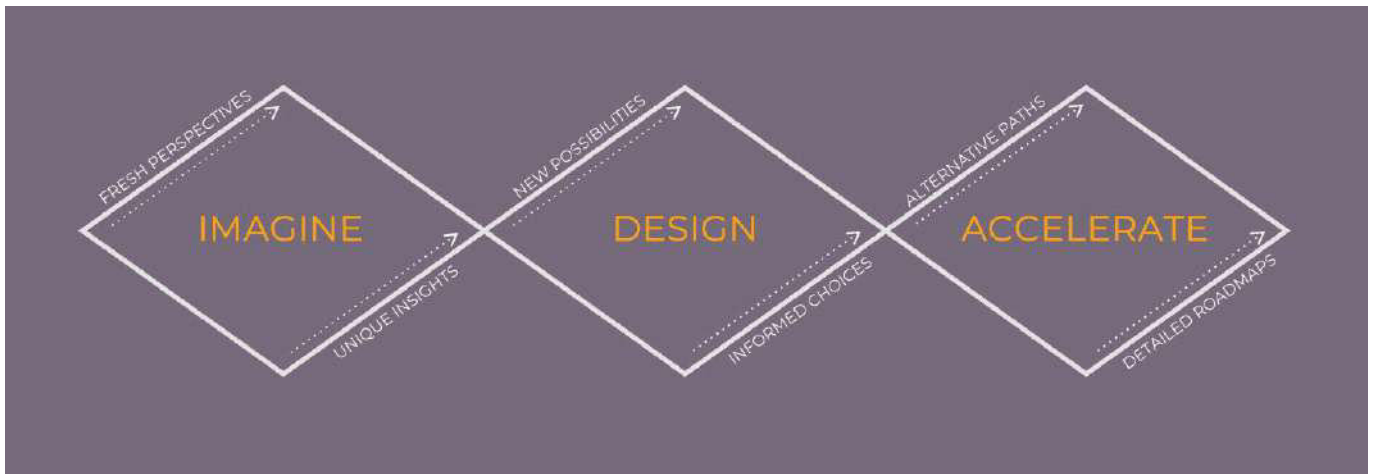
Re-Invent

Following the Re-definition phase we move into the 3 part Re-invention phase, using the IDeA Framework, and in each phase using a diverge-converge methodology to expand your thinking and then to bring focus.

The Imagine Phase discovers the key capabilities and opportunities. The Design Phase formally creates the linkages between them: between ‘How to Win’ and ‘Where to Play’.

Ultimately we are looking to construct a portfolio of opportunities, Strategic Domains, that are clearly defined, high-value, competitive spaces where you believe you can compete and win.

Each Strategic Domain details the specific Value Drivers that clarify the exchange of value between company and customer. It matches your key Capability to your possible Opportunity.



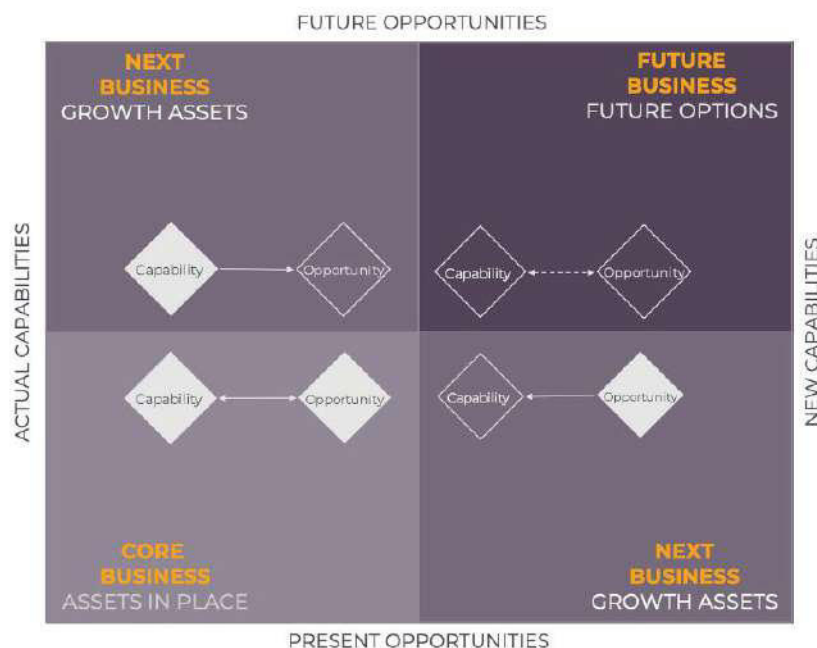
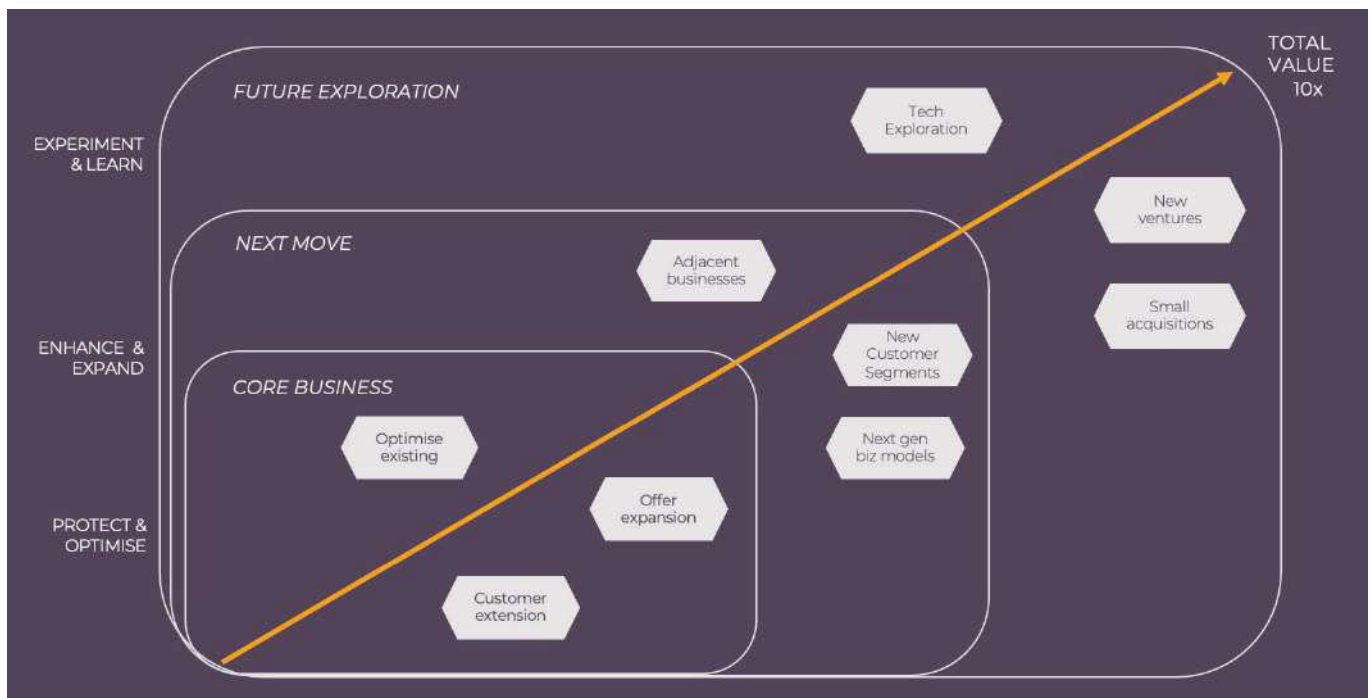
Building the Strategic Portfolio

And of course in your core business you will match existing capabilities with currently available opportunities.

But as we move further out in time, in the Next Move Horizon, it may be that we do not yet have the capability or alternatively the opportunity has not fully presented itself yet.

And as we move into the Future Exploration Horizon, it is likely that neither the capability nor the opportunity is fully formed and we have to invest in buying or building new capability and we have to work to constantly re-frame the opportunity.

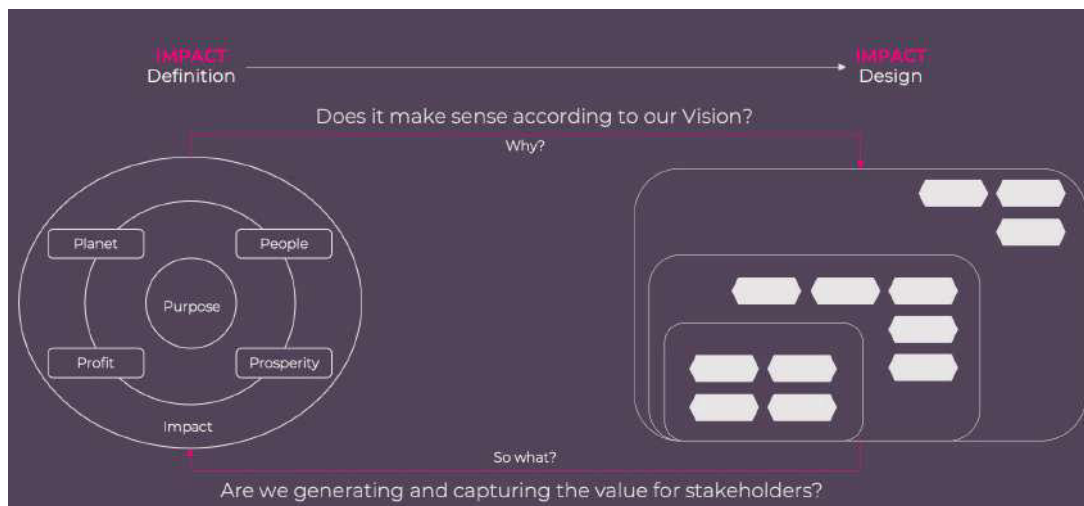
The flexible management of potential un-realised Value Domains is a key aspect of on-going Value Realisation and is fundamental component of ‘strategy as a continuous journey’.



Managing the Impact Equation

All the while we are constantly referring back to our Purpose and Vision to ensure that we are calibrating the proposed strategy against our initial goals. We call this 'Managing The Impact Equation', constantly checking that our strategy delivers the Impact that we want to deliver.

Managing the Impact Equation is a new skill for the 2020s that executives need to learn.



Accelerate Phase - Building the Roadmap

We have stated our point of view that the ultimate goal is not about Strategy Execution; rather it is about Impact Realisation - realising value for all stakeholders across all impact categories, staying true to your Purpose & Identity and achieving your Vision.

However, to realise that impact, we need to do two key things:

Firstly, we need to further consider the alternatives for realising impact; we need to design 'realisation initiatives' i.e. joint ventures, shared services, new ventures, experiments, out-sourcing, off balance sheet plays. And secondly we need to express them in a 'master-plan' that allows us to manage the implementation of those initiatives.

We call that the 'Value Realisation Roadmap'.

Consider alternatives – we have defined our Portfolio, and now we need to specify exactly how we will realise value especially in the 2nd and 3rd horizons. There will be alternatives that need to be considered before we can start to develop detailed implementation plans. And the consideration of alternatives and the constant refinement of 2nd and 3rd wave domains will be part of the continuous nature of the strategy journey.

It is not just about the old paradigm of 'maximising profit', rather it is about balancing multiple impact categories. Serious dilemmas will be faced.

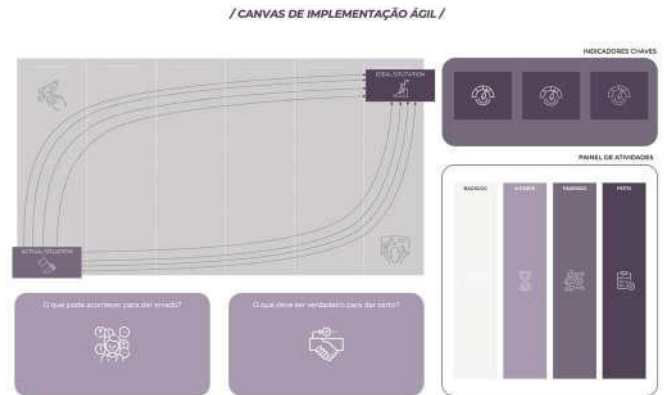
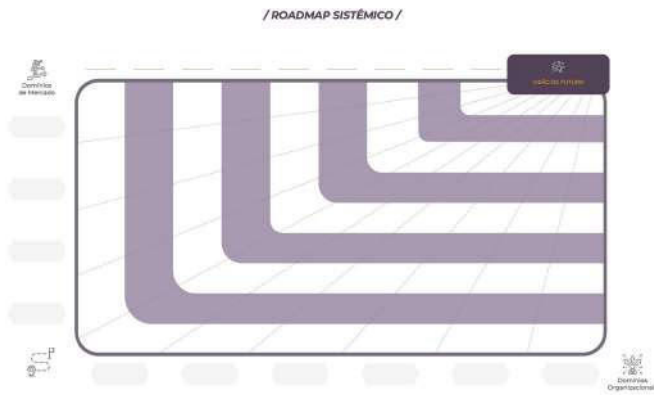
For example, is it OK to be less sustainable when profits are declining? Should you risk financial stability to ensure environmental impact? Perhaps.

Develop detailed plans - costed action plans, identified synergies between initiatives, and a management system that allows us to constantly review and refine activities and initiatives are all important components that need to be considered and agreed.

Crucially, we need to consider which management tools we will use to guide us through the realisation phase. At Stratega we recommend that clients use some form of tool in three specific areas:

1. Firstly a 'roadmap' whether that be a classic Transformation Map or even a simple Gantt Chart. This graphically shows the rollout of the strategic initiatives and shows linkages between them;
2. Secondly, there will be a Business Plan that summarises the overall financial forecasts;
3. and thirdly there will be a set of scorecards that help to manage progress at an initiative level and also on a daily, weekly, monthly and quarterly basis.

Our in-house approach is to develop what we call a 'Value Realisation RoadMap', a graphical representation of the key initiatives that will unite the leadership team and provide inspiration to the whole organization.



Application to an Internationalisation Strategy

We believe that the approach that we have set out is perfectly suited to developing and implementing an internationalization strategy.

Why is that?

Firstly, developing a true international business, rather than exporting, requires a more detailed understanding of the customers, competitors, markets and operating conditions in the target location. And our Imagine Phase, using our multiple insight lens, aids in that process.

Secondly, the way that you do business in your home location will not usually be transferable to the new geography, so we need to carefully build our Strategic Domains and critically assess, ‘why is this a good strategic move for us?’ and ‘what does this bring differently to the new market and customers?’. Again, the use of Domain-building tools is a crucial advantage.

Thirdly, the development of a detailed Realisation Map with carefully designed, linked, activities aids in the overall thought process by considering ‘will this work?’, ‘what could we do differently?’, should we partner, seek licencees, form a joint venture etc.?’

Fourthly, adopting a philosophy of strategy as a continuous journey will allow you to ‘course-correct’, to navigate to your ultimate goal, de-risking your expansion to ensure success in your new geography.

Key Take-Aways

We believe that all organisations can benefit from adopting our new approach to strategy and value creation, whether it be their CEOs / Business Leaders who can

align the organisation around a new paradigm of success; or a Strategy Head who can adopt a new integrated approach to strategy; or a Head of Sustainability/Impact who can utilize new tools to create more positive Impact.

Of course, any Departmental or Divisional Leader can embrace these new approaches and we believe that especially Heads of Innovation or Corporate Venturing can align their work with an integrated organisational-wide approach to strategy that will help them to invent and manage more value from their programmes.

Whatever level you are at or whatever the stage of maturity of your business, we firmly believe that this new approach can help to create and realise significant additional value for all stakeholders.

