Brazil Cost: The Competitiveness of the Brazilian Automobilistic Industry

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Abstract: The purpose of this paper is demonstrate the aspects related to the competitiveness and innovation of the Brazilian automobilistic industry, its difficulties and challenges found. It assumes the premise that the “Brazil Cost” has been one of the great responsible for defaulting the development of this area, interrupting in the capacity of innovation and entrepreneurship of the brazilian companies, based for many years, in the Protectionism of the state in which one most of these companies have lived during this period, stimulating the well-off behavior regarding the less efficiency and effectiveness, not investing in new products and services, only improving alternatives imports from already existent models. Lastly, the brazilian model of work opts for the reproduction on a system highly tied in hierarchy and with autonomy very restrict for the employees, choosing for the flexibilization by organizational changing, once the technological improves are incorporated.

Keywords: Competitiveness, Innovation, Brazil Cost and Industry

1. Introduction

The globalization in intrinsically related to the working mode of the capitalism system, bringing to the society, to the economy and to the companies an amount of changes in its paradigms. The globalization demands to the social actors, politicians and economists a new form of organization inside a highly competitive, innovative and entrepreneur order.

The height of the globalization can be listed from the two essential points. The first topic occurs since the capitalism consolidation over the consumerism and the necessity of an opened market to the countries all around the world. With this, the economy nonetheless local to be global. But, for this to be possible, it is indispensable the development of the tools that turn the distances shorter and eliminate the barriers of the time. The advances of technology in the telecom area and, mainly, in the informatics area [8] formed the proficuous foundations to the current model of capitalism and globalization.

In this context, the companies search for a new economical archetype of low cost and intense competition. It elapses from the internationalization and globalization, which ones imposes the necessity of developing products and services of quality with high productivity, in a conjecture of changing that demands, above all things, capacity in adaptation and innovation by the organization and its employees.

According to Robbins (2004), the organizations have been changed in order to substitute the traditional barriers and borders, transposing the mechanisms which were used to gather the employees who are executors of the same function. To the author, it is necessary to substitute the functional departments by multifunctional teams and organize the activities based on the productive process. It means the companies must be attempted to the fact that it is necessary make the individuals float on the sectors, doing various tasks, not attending only to one function. In the same wat, the globalization changed the laces which rounded the relationships based on work, becoming indispensable to the employees acostumed to act in a good way under pressure, market’s necessities and technological changes. Still according to Robbins (2007, p. 11), “the traditional employee is getting old”, nowadays there are new relationships in the job market, like the “temporary jobs” and the competition inside the organizations demands flexibility from the employees to adapt themselves do the fast changes.

According to Chiavenato (2004), the organizations of the XX century have been built in three ways, in other words, in
three different periods. The first was the age of the classical industrialization, in which the company centered its process and used to divide them into functional departments. The employees were seen like components of the machines, not being, in any way, a decision person inside this company.

In the second period, classified as the age of the neoclassic industrialization, the companies started using a model of matricial structure, with emphasis in the departmental division of services and products. Concluding, the third age is the age of the information. In this age, the human aspect has fundamental relevancy, because its structure is based in decentralization of the individual acts. In this process, the employees acquire various functions with lots of specific uses, because there is not a pre specification about the tasks. In this way, the organization leads with the final product and with the objective of having the best professionals, apt in the most vary functions and with the highest capacity to innovate and generates entrepreneurship.

Looking to the exposed idea of this paper, its premise is that Brazil is following a model for replacement for imports, leaving aside the culture of innovation and entrepreneurship, thinking directly about the work relationships, in the way how employees prosecute and also about their payments.

Throughout this paper, it is intended to list the discussion related to the economic industrial model adopted for Brazil, country that prioritized for the replacement of imports and what are the consequences of this decision to the national organizations. Another topic to be approach is related to the globalization and its necessary changes to companies and employees. Concluding, the third topic’s importance is demonstrate the changes and employee’s competences, advantages and disadvantages of this new global model of economy of the working society.

2. Methodology

This investigation intends to unveil meanderings about the productive processes of the automotive industry when referred to the impacts caused by the globalization, model of work, innovation grade and the impact caused by the brazilian economic model in the activities developed for the industry.

For Ruiz (1985, p. 131), the methodology is the “arrangement of steps and processes to neatly conclude in the investigation of facts or on the search for the truth”. The first step was divided in two parts. The first one occurred by the creation of a qualitative data base formed by the authors whom discuss about the researched themes. The second part was based on a comparative analysis of information. This method objectives the research for key-situations. In this case, there is the brazilian economic model, the business model for the automobilistic industries in Brazil and the relation between this environment and the innovation.

In order to have a a high quality in this paper, the chosen method for it is a case study, because it helps on the definition for lots of situations and circumstances in particular problems. It is what Castells (1991) considers important.

The case study is a characterization to design a diversity of researches that gather and record data in specific cases or an amount of them, in order to organize a critical report of an experience, or evaluate it analytically, for, later, support decisions about this case study or propose a transforming action [4].

Thus, the case study becomes an important tool, since it allows the researcher a greater depth related to the acquired data, allowing him, thereafter, to make several analysis. The referred method presents higher flexibility and applicability when compared to other usual methods. [36] “It is a research category which objectives a deep analysis. This definition determines its characteristics by two circumstances, mainly. On one hand, the coverage and nature of the unit [...] and, on the other hand, also the complexity study id defined by the theoric supports which guide the investigator”.

3. Economic Sociology and the Competitiveness of the Brazilian Industry

The economic sociology has over the last few years retaking issues that have long been forgotten or had become a consensus in the areas of economics and sociology and others that arise and cause direct impacts to the society. One of these themes is the division of labor. For Swedberg (1987), the division of labor was established from the creation of the American Society of Sociology in 1905, which was reaffirmed in 1930, by Parsons.

The other point emanating from the changes resulting from the government of the United States and England in the 80s, where the economy sees the need to enter into areas that previously were only seen in sociology, such as: marketing, social impacts of production models, consumer goods and services, labor relations and the influences of social actors by other individuals in society [35].

Based on an austerity the prevailing economic model in the decade of 80 policy was guided by the conservative liberal thinking model that minimized the state of social welfare and left the office market the role of balancing social inequalities. According to Schilling (2013), the formulation of a minimal state outside the promoter of labor flexibility in Britain, promoting a shock therapy to adjust the economy, reflected in the weakening of unions and the elimination of corporatist privileges.

According to Polanyi (1980, p. 23), “the idea of a self-regulating market” it is not beyond a “stark utopia”, because economic phenomena are submerged by the social whole which comprises not in the market able to cover all the needs of society.

Nowadays the debate around the theme state, economy and market, gain strength in the situation in which Brazil
is. Several economists preach that it is high time that the Brazilian state reduce its size, making it as little as possible, leaving to the market the responsibilities of balancing economic and social inequalities.

In this line of thought, the Brazilian economic model, due to its lack of effectiveness and efficiency, high rates of taxation and excessive bureaucracy are responsible for causing the lack of competitiveness of industries and Brazilian front companies to the international market.

Brazil, even being one of the world's biggest economies, has its economic performance described by analysts as modest and this is directly reflected in its commercial insertion, considered by many as disappointing. This competitive difficulty is linked to the direction adopted by the Brazilian economy, because it excelled by far ways of neoliberal orthodoxy highly competitive.

According to Fishlow (2000), Brazil established the high levels of protection to domestic products, financial subsidies, price fixing on fees for imported products, as well as cyclic commitments to import substitution. The strong role of the state ahead the economy generated severe deformations over time, making the country lose many opportunities, directly affecting the competitiveness of Brazilian companies across the international market.

Competitiveness can be determined from the capacity of a country, industry sector and companies able to operate successfully in a particular business environment. According to Coutinho and Ferraz (2002, p. 19-21), the competitive performance of a system is determined by three factors acting together: systemic factors, structural factors and internal factors to the company.

Systemic factors are related to external elements of the company and are conditioned by macroeconomic factors such as exchange rate, credit and interest rates. Other factors, too, are of paramount importance to understand the systemic factors, including tax and tariff policies, protection policies to industrial property, environmental protection, antitrust and consumer protection, infrastructure factors determining the energy supply strategies quality and cost, as well as transport and telecommunications. Finally, the social factors that determine the degree of worker protection, through laws and social security and labor qualification.

The National Confederation of Industries (NCI) calls these difficulties from what is now known as the “Brazil Cost”. The Brazil Cost is all a "set of inefficiencies and distortions that affect the competitiveness of its productive sector. Such inefficiencies [...] concerning the relationship between state and private sector, and are basically expressed in inadequate legislation and severe disabilities in public goods provision" [7]. the "Brazil Cost" can be understood as factors that penalize local businesses, because the limiting conditions of transport (railways, roads and ports), low qualifications of labor, political instability and the scarcity and high cost of capital.

The structural factors are those that are partially under the influence of business and include characteristics of consumer markets, such as geographic distribution, income levels, degree of sophistication, access to foreign markets and marketing costs. In this respect it is essential to analyze the various existing variables in the Brazilian productive sectors, for here are well developed sectors and others that still use structures and poor techniques.

The internal factors to the company include the management models adopted by Brazilian organizations, which will be included your skills acquired over time and substantially determine their market competitiveness. These factors will be related to their degree of technological, intellectual property development, knowledge management, entrepreneurship and innovation employees in all activities and processes developed by the company.

The model set up by Di Serio (2013), demonstrates the influencers aspects of competitiveness and lists four elements that are market, network, industry and businesses. But the primary to the model is the market factor, it will be through them that the essential conditions for the development of organizations will be produced.

However, according to Wood (2004), the market closed and protected by the state in which Brazilian companies have lived for so many years, stimulated accommodation attitudes towards low efficiency and effectiveness and the same stop investing in innovation of new products and services, trying just to implement import substitution from existing models. Another fact that cannot be forgotten are the repeated cycles of agitation and the Brazilian market uncertainties that discourage investment in the long term. For the author, "the result is a management environment where lack entrepreneurial spirit, communication is truncated and processes are intricatred."

This puts Brazil in a place little convenient when it comes to competitiveness. According to the global competitiveness index (2014), Brazil is putting fifty-sixth, of one hundred forty-eight countries, with an average score of 4,33 points.

The elements responsible for this poor rating of Brazil compared to the other countries are related to inadequate infrastructure, tax regulations, fiscal impact, inefficient government bureaucracy, current labor regulations, corruption, poorly qualified workforce, political instability, poor access to finance and high costs, insufficient capacity for innovation, government instability, crime, theft and inflation.

4. Globalization in Automotive Industry

Over the centuries, the world society has undergone drastic changes in behavior and economic structure. These changes have not weakened the core of the capitalist mode of production, only strengthened their nuances.

The process of globalization, new name for the old process of internationalization or creation of the world market born with itself Capitalism brings with it the breaking of existing regional ties and the precariousness of labor relations. For
The precariousness of work included both the exclusion of a growing body of enjoyment of their legal rights as workers the consolidation of a considerable reserve army and the worsening of their conditions [7].

According Antunes (2002), the trend of the labor market, at present, is to employ workers without labor ties, which he called "core workers". The order is to allocate people who can be hired and fired easily and at no cost to the company.

For Bauman (1999), this process of transformation resulted in the impoverishment and disintegration of the "human ties". Life followed by such logical patterns permeated is loneliness and changed the social relations in autonomous relations. In the construction of idealized city, forgotten that it depends on the opportunity given to men, it is they, and they alone, who should enjoy this harmony: "Men do not become good simply by following the good orders or good plan of others" [2].

The city, once created to preserve the collective ills of coming out, now serves to preserve the citizens of "enemy within". The walls no longer serve to protect the towns and, yes, to shield the individual who now protects inside your home and its walls.

From this social reorganization, the state gains a new meaning, in Bauman's view and now opens a politics of division to the economy that ends up breaking up with his last protective barriers.

To better understand this globalization development process is imperative to discern about three times that involve the production process and they are: Fordism, Toyotism and the Information Age (knowledge). The industry in its infancy and over the first two centuries, especially the case of the automotive industry, used to archaic production methods. Ford was responsible for redesigning a whole system of production and bring the light of the development for the industrial sector and also a new method of production and work starting from the idea of production in mass. Pondering such considerations, Gorender (1997, p. 311) says that "by introducing new working methods in its factories, at the beginning of the century, Henry Ford supplanted the handmade type of production, so characteristic of the car industry, the mass production ".

Modifications of Ford methods aimed at the same objective of "scientific organization of work" conceived and organized by Taylor, which provides for the elimination of dead time in the work process in order to increase worker productivity and reduce costs related to the unit cost of the product. Similarly, of the principle of separation of workers into two groups. In other words, there will be intellectual work exercised by directors and managers and crafts, reserved for operational workers (factory floor), Concentrating on manual tasks, work should follow arigid standard movements, aiming at maximum economy of time. Morea discipline of work, Taylor and Ford proposed an ethics standard of conduct for workers [13-14].

For Womack (1992), another proceeding fact the Fordist method stems from guidance on standardization of products offered, the well-known Ford T, in black, for the standardization of products leads to a homogenization of the labor activities and, consequently, their disqualification.

In the decades 60 and 70, the world knows a new production called Toyotism and its main precept model is flexible accumulation system. The central aspect of this model is the flexibility of production, opposing, this way, the Fordist model.

Toyotism takes its name from its creator and founder of the automobile company Toyota. The model calls for the adequacy of storage of products on demand. That is, the production works according to the market demand which means: when sales increase, increases the volume produced, when sales decline, has been the decrease in production. The Toyota Production System is a system that increases productivity and efficiency, avoiding waste, such as waiting time, overproduction, transportation bottlenecks and unnecessary inventory.

Braverman (1974) developed the thesis regarding the tendency to continuous disqualification of work. According to the author, degradation increasingly pronounced the work would therefore be inevitable in the conditions of capitalism. From the Japanese production model Braverman's theory waned since Toyotism arrested for workers with high levels of education, constantly receiving training and improvement of the functions performed.

In this context, workers are valued and companies create strategies to retain their employees. The compensation is one of the strategies used and is linked to team productivity in which the employee is part and also the profit obtained by the company. Thus, the greater the productivity of the worker and the company, the greater will be the compensation of employees [15-17-32-16].

The third and final period discussed arises in the 80s and 90s, being known as the information age or era of Knowledge Management. In the information age it is essential that knowledge is kept within institutions through their active individuals, becoming the developer competitive advantage results, leading corporations achieve their financial goals, strategic and market.

Nonaka and Takeuchi (1997) cite the two types of knowledge according to their epistemological origins. One of them, tacit knowledge, is the knowledge that the individual acquires throughout life through their experiences and the great means "slice" of human knowledge. In this case, knowledge would include concrete know-how, techniques and skills. This side believes that the human being knows more than he can express and simply the existence of organizational mechanisms for increased knowledge. For these authors, when
there is interaction between tacit and explicit knowledge comes innovation and continuous interaction between this knowledge generates organizational knowledge, which can be expressed through the spiral of knowledge.

The dissemination of knowledge is directly reflected in the results of a company and the salaries of employees. However, creating an environment conducive to the development of knowledge much depends on the internal climate of the organization, which can be favorable or unfavorable to this interaction and the economic and industrial model adopted by the country. According to Joas (1999, p. 130) social relations do not adopt fixed rules, but the important thing is that the rules are open proposals and "subject to the continued recognition by the community members".

Knowledge management has its method focused on innovation all processes developed by the organization. According to Ruduit (2013, p. 94) "in the current debate, the innovation is to be conceived in a broad sense (as a process, business models, logistics, organization, products and technology), recognizing the value of innovation called incremental.

Knowledge management is responsible for systematizing, gather information, create and organize strategies and develop process improvements which, in turn, lead to the improvement of products and services and make it possible to increase the satisfaction of its users. This fact is responsible for adding value to the product and generate competitive value within an extreme rivalry scenario.

5. The Brazilian Automotive Industry and Its Complexity

The brazilian automotive industry has come through lots of changes in the last 40 years. Those changes are the result of modifications in the organization process and the management of work, where there are many quality tools and increasing of productivity. In this way, the employees are valued according a “model of competences”, and their professional growth depends on this evaluation.

Related to group work, Brazil adopts one type called "Enriched Groups", according to [34]. These groups can be understood since the work adaptation from the Japanese model and its objective is a work model less based in Taylor, with the collaboration of the employees in the aspects related to the improvement of the quality in process and products, to the act of solving problems about the execution of activities and related to work, to the distribution of tasks and assignments to the members of the group.

However, the brazilian model prioritizes the reproduction of a system highly based on hierarchy and with a restrict autonomy of the employee’s groups. [30] indicates that in Brazil there is an “amount of simplified tasks and with a little quantity of requirements of qualification, which does not contain an improvement of the work, saving vestiges of a standard of management of work based on the studies of Taylor”.

It is possible to notice that the brazilian companies have chosen for the flexibilization by the organizational transformation, over the incorporation of technological changes. The studies developed by Fleury (1995) in companies from different areas, show that the strategy adopted by the brazilian companies are the following ones: cost-cutting by the outsourcing of the support activities, organizational innovations like Just-in-Time and the tools of Total Quality Control (TQC), using of multifunctional manpower to apply reduction in human resources.

6. Results

During the work it was possible to verify the difficulties faced by the Brazilian automotive industry looking to the competitiveness and innovation to the area. The estimative showed that “Brazil Cost” generates distortions in the productive system, injuring the competitiveness of the companies of the area.

The inefficiencies are guided from institutional aspects) high level of bureaucracy of the public institutes, difficult access to credit, tax war between States and the complex bureaucratic system), conjectural aspects (high taxes of interest and exchange uncertainties) and, ending, structural aspects (problems related to logistics, poor infrastructure, high costs of manpower, low level of manpower qualification and constant energy crisis.

Another important element is the internal factor adopted by the brazilian organizations which minimizes the capacity of innovation of their employees, substantially decreasing the intellectual property, the management of knowledge, entrepreneurship and innovation.

Concluding, it is possible to acquire the knowledge that shows that the years dealing with a closed market and the protectionism prosecuted by the State incited attitudes based on accommodation, low efficiency and effectiveness and low innovation in products and services, only implementing substitutes for imports from existent models. With this, the global index for competitiveness (2014) places Brazil in the 56th position, between 148 (one hundred and forty-eight) countries, with an average score of 4,33 points, staying in a very below position when compared to the best countries for the ranking.

7. Conclusion

In this way, it is possible to conclude the economic model adopted by Brazil caused severous problems to the automobilist companies, damaging substantially its productive capacity of efficiency, effectiveness and innovation. Those inefficiencies are based on these three following aspects: Institutional, structural and conjuncture.

Each one of these listed items affects directly the Brazilian automobilist industry and its global competitiveness. The vehicles sold in the Brazilian market are considered inferior in terms of quality when compared to the others that are sold in the main markets all around the world. In another perspective, the prices charged for the product, on the other hand, are considered very high, because of the “Brazil Cost”.

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