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“Victory Strategies Institute”
Business Strategy for Brazil and China SMEs using Sun Tzu’s “Art of War”

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ABSTRACT

Brazil is the largest economy in South America, and China is one of the largest developing countries in the world.

Geographically, Brazil is distant from China, and two countries have limited historical conflict, security threats or territorial disputes. Brazil and China established formal diplomatic ties in 1974, but the relationship was elevated to a strategic partnership in 1993, and in 2004 upgraded into an “all weather strategic partnership” – one in which China would extend its support to its partner in any and every condition.

As such Brazil and China have a relatively young relationship, nonetheless their ties are significant. China is Brazil’s largest trade partner since 2009. Brazil’s export to China during the year 2016 was USD 37.4 billion, while the country’s import was USD 23.8 billion. China’s main imports from Brazil are commodities such as soy beans, iron and oil, while Brazil’s imports from China are mainly industrial products.

The two countries are very different, in politics, economics, infrastructure, technology and culture. But arguably, because of their differences, it is even more opportune for them to participate in exchange, be it commercial and otherwise. After all, the basis of trade is for parties to exchange with others goods and services in which they have absolute or comparative advantages. At the same time, one of the key ways to spark creativity and innovation is to be exposed to different ideas and cultures.

In studying trade and investment relations between China and other countries, we noticed that the relations are always start with participation from government or large companies, before being followed by Small and Medium Enterprises (SMEs). SMEs seek out China for two main reasons: (A1) Gain New Market; and (A2) Strengthen Supply Chain.

For Brazil and China, we think the moment of participation by SMEs is now. However, there are a number of obstacles to SMEs successfully taking the plunge.

Our research into companies’ expansion into foreign markets show that their challenges can be distilled into three macro categories: (B1) Do not know themselves and how to position their company, products and services in this expansion; (B2) Do not know their target audience, such as their new consumers, suppliers or business partners; and (B3) Do not know the foreign operating environment.

It is difficult, if not impossible, to find one-size-fits-all answers to these challenges. However, we can provide companies with a strategic thinking framework so that they can more effectively acquire the understandings and solutions to avoid or address these challenges.

To this end, we have identified the “Sun Tzu’s Art of War” as the must-know strategic framework to support SMEs in their participation in Brazil-China trade and investments.

“Sun Tzu’s Art of War” is a Chinese war strategy manual written in the 5th century BC. The framework is so universal; it has been applied to the business world, and studied by many executives, including those in Western societies who would like to better understand their Asian counterparts.

The manual is available at Brazilian bookshops. Indeed, it was reported that the coach Luiz Felipe Scolari of the 2002 Brazilian football team gave all its players a copy and made them study it. Therefore, perhaps not surprisingly, in the final game of the 2002 World Cup, Brazil defeated Germany, 2-0.

However, generally-speaking, “Sun Tzu Art of War” is still not well understood or applied in Brazil. As such, our project team perceives an opportunity to better educated interested companies and individuals in “Sun Tzu Art of War”, and so support their participation in Brazil-China trade and investment.

In this final thesis paper, we share our research into this opportunity as well as a business proposal to tap this opportunity.

In our business proposal, we will provide details (including on the business model, structure, strategies and competitor landscape) of our company “Victory Strategies Institute”, which focuses on the following service offerings:

- Workshop on Sun Tze’s “Art of War” thinking
- Workshop on the general application of Sun Tze’s “Art of War” thinking to the context of Brazil-China trade and investment
- Consultation sessions with SMEs to apply Sun Tze’s “Art of War” to their specific business scenario
- Networking sessions to facilitate Brazil-China business engagements

To back our business proposal, we also give examples of Brazilian companies, products and services that we think will enjoy positive response in China.

Today, China has a population of about 1.4 billion, and Mckinsey estimates a middle class population of around 225 million households. It is predicted that by 2020, another 50 million households will join this class. China consumer trends have revealed its interests in products and services that Brazil is well-positioned to fulfil.

Meanwhile, Brazil has a population of about 200 million, and about 100 million are in the middle class group. While the country's consumer sentiment has been generally affected by an economic recession that has entered its third year, we think that the economic climate has only made it more conducive for cost-competitive Chinese goods and services.

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1. PROBLEM / OPPORTUNITY

Since 2009, China has been Brazil's largest trade partner. Brazil's export to China in 2016 was USD 37.4 billion, while the country's import was USD 23.8 billion.

1

Raw materials (for example, soy beans, iron ore and oil²) accounted for 80.9% in exports from Brazil to China, while semi-finished products accounted for 13.6% and industrial products just 5.43%.³ Meanwhile, China sells mainly industrial products to Brazil, which in 2016 accounted for 96.9% of the total, and raw materials accounted for just 2.78%.⁴

To date, trade and investment between the two countries has been driven by larger companies. Given substantial benefits of such bilateral trades, **we expect growing interests from Small and Medium Enterprises (SMEs) in participating in Brazil-China trade and investments over time.**

2. JUSTIFICATION

Fulfilling SME interest in participating in Brazil-China trade and investment could present significant **new market and supply chain opportunities** for these companies.

Presently, China has a population of about 1.4 billion, and Mckinsey estimates a middle class population of around 225 million households. It is predicted that by 2020, another 50 million households will join this class.⁵ Typically-speaking, as a country's middle class population grows, it tends to have more diversified and distinct tastes, leading to rising demand for foreign products and services.

China has a preference for products and services that Brazil is in a good position to fulfil. For example, one of the biggest consumer trends in China is the demand for foreign food, both fresh and processed, especially if they are considered healthy.

Meanwhile, Brazil has a population of about 200 million, and about 100 million are in the middle class group.⁶ While the country's consumer sentiments have generally been affected by an economic recession that has entered its third year, its economic conditions and consumer trends is conducive for the growth of cost-competitive Chinese goods and services.

Brazil companies can also make Chinese suppliers part of its manufacturing chain. China's reputation as the "world's factory" is not without basis. While China faces rising competition from South and Southeast Asian countries, the nation is still one of the countries

for cost-competitive production. It is able to manufacture goods and intermediate parts at far more competitive prices than in Brazil, even after accounting for transport and taxes.

3. CONTEXT / SCENARIO

3.1 Major Trade Partners

Brazil and China established formal diplomatic ties in 1974, but the relationship was elevated to a strategic partnership in 1993, and in 2004 upgraded into an “all weather strategic partnership” – one in which China would extend its support to its partner in any and every condition. It was in 2004 that former President Lula Inacio da Silva visited China with 450 Brazilian business representatives.⁷

China has been Brazil's largest trading partner since 2009. And in July 2014, the two countries further deepened tied with the signing of 54 new agreements during an official visit to Brazil by the Chinese President Xi Jinping. The agreements and memorandums of understanding covered areas such as technology, telecommunications, remote sensing, defense, energy and education.

Affected by the Brazilian economic crisis, China-Brazil trade has been impacted in recent years. However, the importance of the Chinese market is still undeniable. Recent data from Brazil's Ministry of Agriculture reveals China remains Brazil's largest importer of agricultural products (particularly soybeans). Official statistics from Brazil indicate that Brazil's investment in China was \$19 million in 2016, a slight increase from 2015. Over the same period, Chinese companies increased their investment in Brazil, with annual investment of more than \$10 billion and a total investment of more than \$30 billion.⁸

The rising trend of China investment in Brazil boosted by: (i) Brazil's need for foreign funds to manage high public and private debt; (ii) investment shortfall due to the financial, structural and legal troubles of major Brazilian firms; (iii) exit of European and US firms from Brazil, and (iv) attractive deals due to Brazilian recession.

While Chinese investments in Brazil has traditionally been in the infrastructure sector, shifted from resource focus to manufacturing, logistics and even technology. Indeed, in early 2017, China's Didi Chuxing (the world's largest ride-sharing company, and which bought Uber's China unit in 2016) is said to be looking to invest USD 100 million in Brazil-based Uber rival 99.⁹

Brazilian companies are trying to also bring more investments into China. Presently, Brazilian companies in China are mainly in 3 sectors: (i) Services (legal, business consultancy, trading and banks), (ii) Manufacturing (particularly medium or large firms, Embraer, EMBRACO, and WEG), and (iii) Natural Resources Processing (for example, BR Foods, Marfrig, Petrobras and Vale).

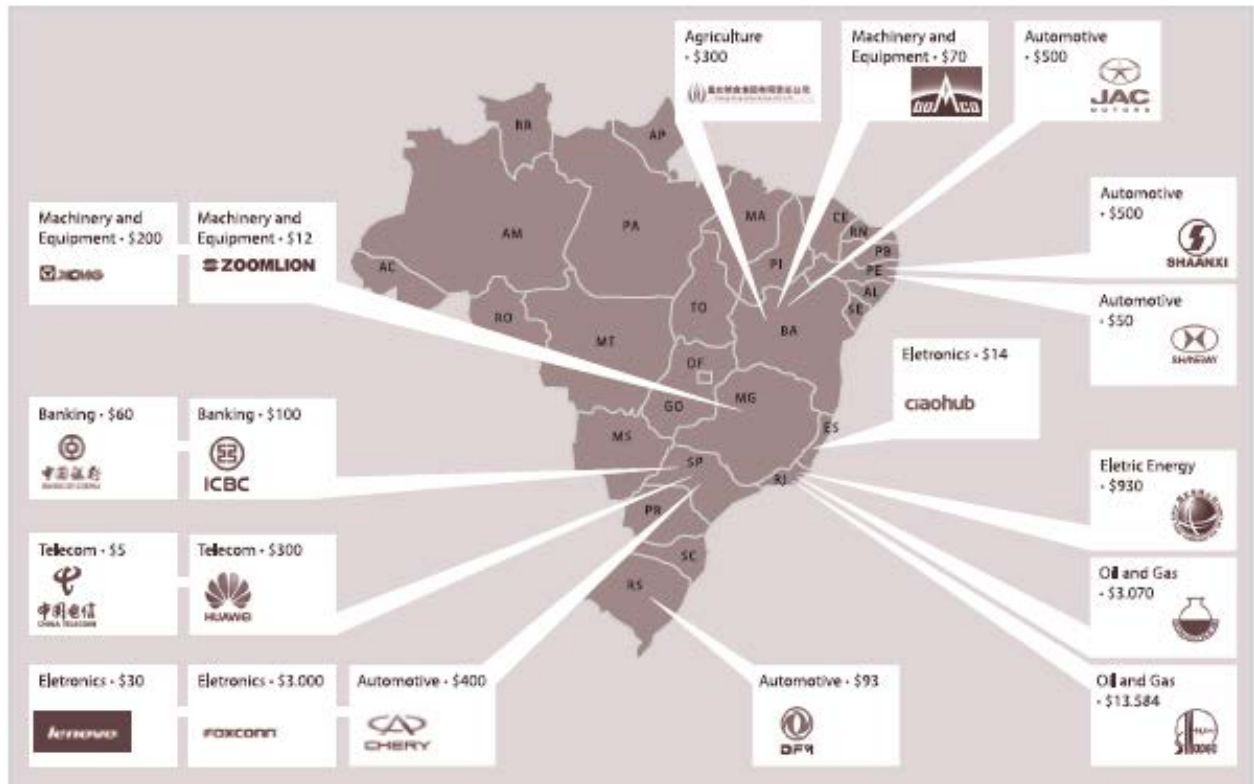
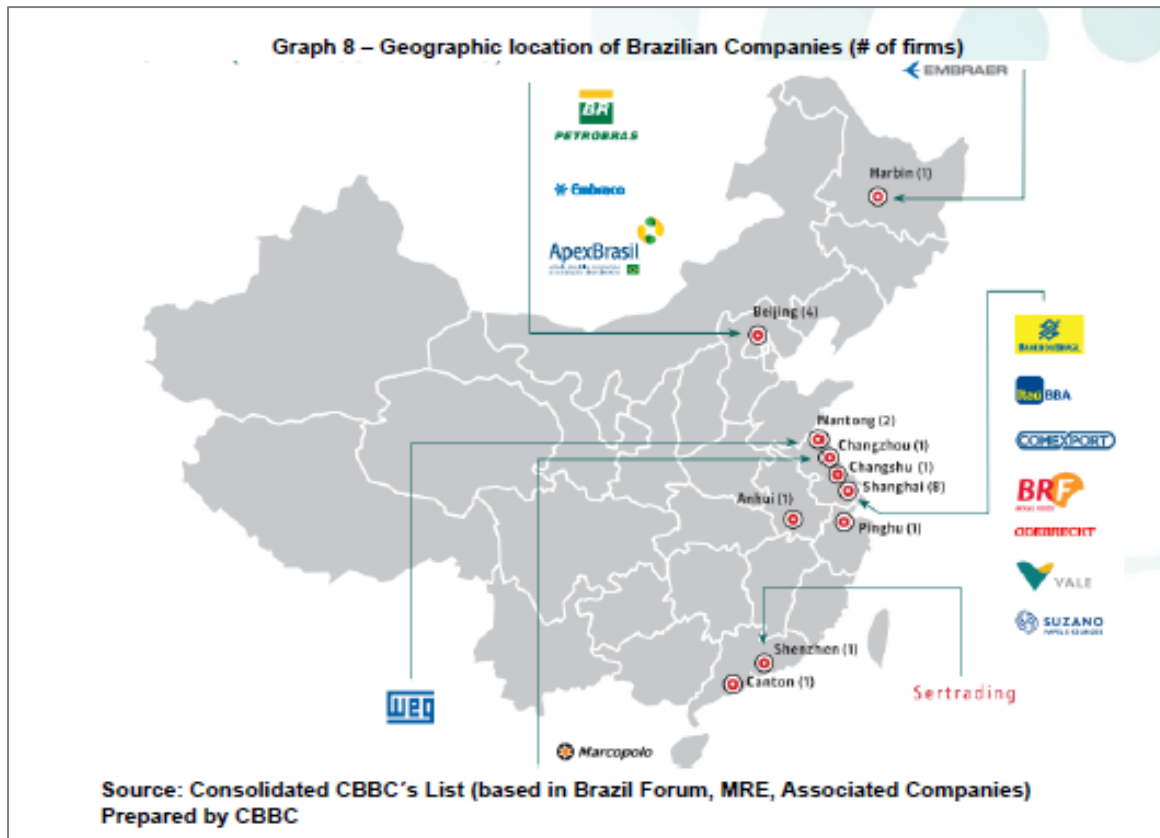


Figure 1: Chinese Companies in Brazil (USD millions)



| # ▲ | Country | Internet Users (2016) | Penetration (% of Pop) | Population (2016) | Non-Users (internetless) | Users 1 Year Change (%) | Internet Users 1 Year Change | Population 1 Y Change |
|-----|-------------|--------------------------|---------------------------|----------------------|-----------------------------|----------------------------|---------------------------------|--------------------------|
| 1 | China | 721,434,547 | 52.2 % | 1,382,323,332 | 660,888,785 | 2.2 % | 15,520,515 | 0.46 % |
| 2 | India | 462,124,989 | 34.8 % | 1,326,801,576 | 864,676,587 | 30.5 % | 108,010,242 | 1.2 % |
| 3 | U.S. | 286,942,362 | 88.5 % | 324,118,787 | 37,176,425 | 1.1 % | 3,229,955 | 0.73 % |
| 4 | Brazil | 139,111,185 | 66.4 % | 209,567,920 | 70,456,735 | 5.1 % | 6,753,879 | 0.83 % |
| 5 | Japan | 115,111,595 | 91.1 % | 126,323,715 | 11,212,120 | 0.1 % | 117,385 | -0.2 % |
| 6 | Russia | 102,258,256 | 71.3 % | 143,439,832 | 41,181,576 | 0.3 % | 330,067 | -0.01 % |
| 7 | Nigeria | 86,219,965 | 46.1 % | 186,987,563 | 100,767,598 | 5 % | 4,124,967 | 2.63 % |
| 8 | Germany | 71,016,605 | 88 % | 80,682,351 | 9,665,746 | 0.6 % | 447,557 | -0.01 % |
| 9 | U.K. | 60,273,385 | 92.6 % | 65,111,143 | 4,837,758 | 0.9 % | 555,411 | 0.61 % |
| 10 | Mexico | 58,016,997 | 45.1 % | 128,632,004 | 70,615,007 | 2.1 % | 1,182,988 | 1.27 % |
| 11 | France | 55,860,330 | 86.4 % | 64,668,129 | 8,807,799 | 1.4 % | 758,852 | 0.42 % |
| 12 | Indonesia | 53,236,719 | 20.4 % | 260,581,100 | 207,344,381 | 6.5 % | 3,232,544 | 1.17 % |
| 13 | Viet Nam | 49,063,762 | 52 % | 94,444,200 | 45,380,438 | 3.3 % | 1,564,346 | 1.07 % |
| 14 | Turkey | 46,196,720 | 58 % | 79,622,062 | 33,425,342 | 5.1 % | 2,242,750 | 1.22 % |
| 15 | Philippines | 44,478,808 | 43.5 % | 102,250,133 | 57,771,325 | 4.4 % | 1,855,574 | 1.54 % |

Figure 3: Internet Users by Country

In urban areas, mobile has helped fuel e-commerce growth. In 2015, 71% of urban online shopper used mobile phones to shop online, up from 51% in 2014. And shoppers all over China are joining this trend. In fact, among rural netizens, online shopping penetration grew 41% from 2013 to 2014.

Social media has also contributed to e-commerce growth in China. In 2015, 26% of respondents to our global survey on new products cite social media postings as a top source of new product awareness, up 11% from 15% in 2012. As a result, social media can be an efficient way for manufacturers and retailers to reach shoppers.¹³

China's internet infrastructure and culture is often described as having the 'late-mover advantage'. For example, China does not have an entrenched credit card culture – credit card penetration in China is relatively small compared to other developed markets and online payments using credit card remain a cumbersome process multiple authentications – as such, mobile and digital payments through WeChat or Alipay have surged ahead.¹⁴

3.3 Difficult Markets to Penetrate

Although the communist country announced by Deng Xiaoping in December 1978 to open the door to foreign businesses that wanted to set up in China. China remains one of the

most challenging countries to set up business. Its 1.4 billion population domestic market and cheap labour source definitely sound attractive to the western society. Although there are companies such as KFC and Apple who has significant business share or successfully manufacture their products in China, but still, only 41% of foreign MNCs operating in China are profitable.¹⁵

Similarly, there has been feedback on the challenges of investing in Brazil. According to Rio de Janeiro-based China-Brazil Business Council, many Chinese industrial, mining and agribusiness companies have found Brazil to be a more complex and messier place to do business than they had anticipated. After making a big push into Brazil's energy, iron ore and agribusiness sectors, and exploring Brazilian demand for labour-intensive Chinese-made consumer goods, some Chinese companies have become frustrated with Brazil's slow pace of economic growth, its high costs of doing business (the so-called Brazil cost), and a growing political and populist backlash against China's presence.¹⁶

Even Big Companies Fail to Enter China Successfully

Case Study 1: Barbie learns to appeal to Chinese mothers

In 2009, when Mattel, one of the world's leading makers of toys, opened its largest Barbie store in Shanghai, China, few perceived that this would be a disastrous decision. About two years after its grand opening, Mattel closed its store after suffering losses.

While many theories have been put forth about this failure, most agree that one of the main reasons is Mattel's lack of understanding of the Chinese consumer.

Chinese parents are extremely focused on educating their children. Mattel failed to perceive that for the Chinese parents, a toy is more likely to be considered a worthwhile purchase if it has educational value. Chinese mothers had perceived the Barbie doll to be a frivolous indulgence for their daughters, particularly since the toy's key message seemed to be about being beautiful and fashionable.



Figure 4: Barbie flagship-store in Shanghai, China, closed down in 2011 after 2 years of operations



Figure 5: Violinist Barbie – a new Barbie product to appeal to Chinese mothers was launched in 2013

So in year 2013, having learnt from its mistakes, Barbie returned to China. Its improved approach included a product line that would appeal to Chinese mothers. For example, there was the Violinist Barbie, which encouraged girls to develop an interest in music. The toy was also priced more attractively. Needless to say, Violinist Barbie was a hit with Chinese mothers.

Case study 2: Uber China loses the fight to Didi Chuxing

Uber was founded in 2009 in the United States. Since then, Uber has expanded its operations around the world. As of August 2016, the service was available in over 66 countries and 545 cities. In 2016, Uber has a market capital of US\$62.5 billion.

Where Uber's Value Currently Sits

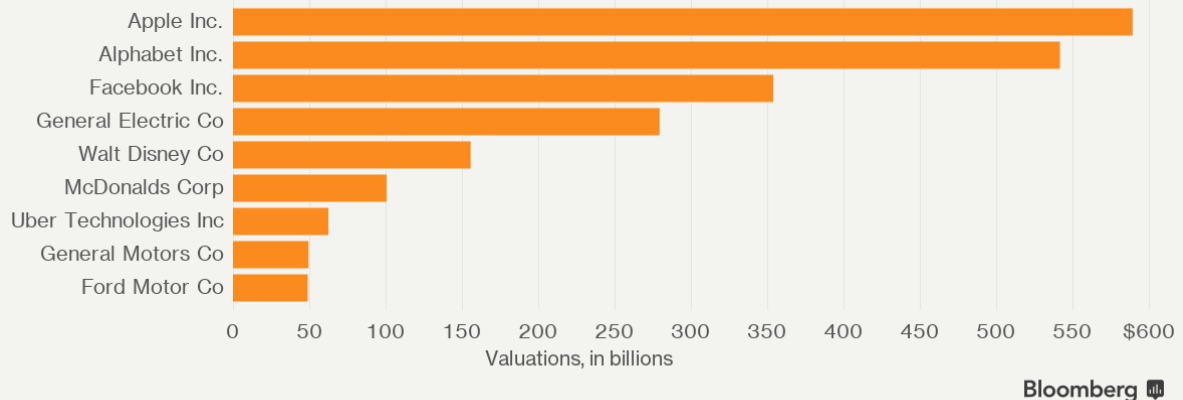


Figure 6: Valuation of Uber as compare to other American MNCs¹⁷

While Uber is usually makes positive headlines, in August 2016, there was a shocking piece of news on the company – “Uber Sells China Operations to Didi Chuxing”. Uber failed miserably against its Chinese rival Didi Chuxing in China after a costly price war. Indeed, it was reported that Uber had lost US\$ 1 billion a year in China.

In 2013, Uber brought its ride-sharing app to Beijing, which was the 100th city Uber was operating in. Most had thought that Uber’s rise in China would be straight-forward, it was already celebrated around the world and would be familiar to tourists and expats in China. However, its expansion into China was anything but straight-forward.



Figure 7: China’s ride-sharing app – Didi Chuxing

China has its own set of dominant internet and social media infrastructure and applications, and Uber did not customise its operating model to this reality. Uber continued to use Google Map for its app, which at the time was not accurate in China. As a result, there were reports

of Uber drivers and customers not able to connect with each other efficiently. Also, Uber app encouraged credit card payments, which was not as popular in China as mobile payment methods such as through WeChat and Alipay.



Figure 8: China's unique internet and social media eco-system

3.4 Connectivity and Big Data Spur Global Trade

“Seeing the world through the lens of connectivity generates new vision of how we organize ourselves as a species” – Connectography, Parag Khanna

Today, globalisation is a reality not just for developed countries but also for developing nations. With the advance of communication technologies, including e-commerce platforms, physical borders and distances have become less significant as barriers for trade, exchanges and relationships. Countries and people are more connected than before, and many times they do not even realise it.

Goods and, increasingly, services are no longer produced where they are consumed. As such, many university business programmes increasingly consider Supply Chain Management an important competency due to its high relevance and popularity with

employers in many sectors, including retail, defence, information technology (IT) and other sectors.

The mass production of various goods and service as well as international marketing campaigns have generated trends and preferences across countries. As such, people around the world, have develop similar standards and tastes for certain types of products and services.

In addition, the advancement of Big Data (the compiling and interpretation of structured and unstructured information), has enabled businesses to quickly understand their consumers and suppliers.

In the near future, we believe that most companies, even SMEs, will be able to leverage international supply chains and modern communication and information technologies to spur the growth of their business.

Examples of International Supply Chains

Apple's iPhone

Although Apple's iPhone is widely considered an American product, little of its physical components is actually from the US. While the final assembly of the iPhone is being done at Apple's sub-contractor Foxconn, in China, the parts for this product come from at least 8 other countries (this is not considering the detailed breakdown of the supply chain network of Apple's component suppliers).

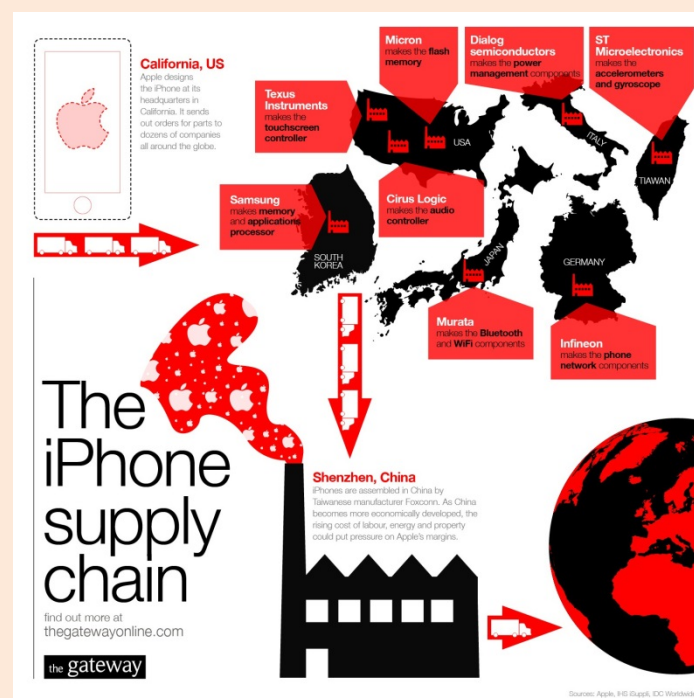


Figure 9: iPhone Supply Chain

Fabrication of all iPhone components are carefully timed for final assembly plant at Shenzhen, China. To minimize handling and storage cost, most of the components has to be “just in time”. This is possible with the use of big data as well as with accurate and predictable transportation, logistic and administrative support.

Where Brazil's beef and chicken exports go

The top destinations for the country's shipments, in tonnes.

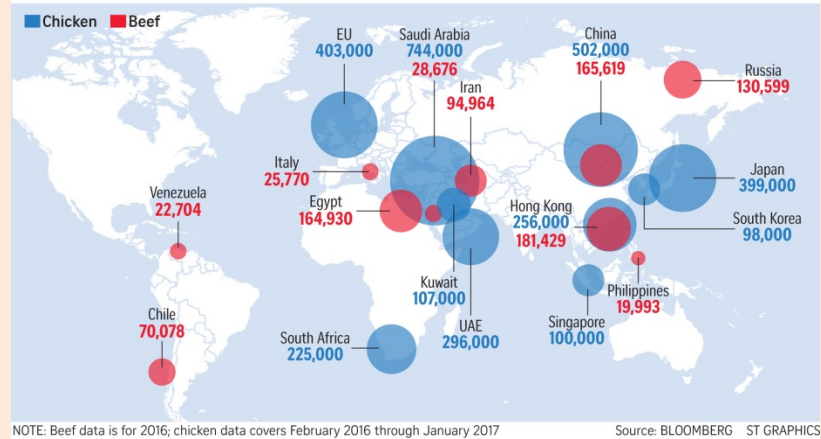


Figure 10: Brazil meat export

Brazil's Meat Scandal

The recent meat scandal outbreak in Brazil causes a big stir in the market as Brazil is one of the largest meat exporters in the world. There were reports of vessels carrying thousands of tons of frozen meat stranded at various international parts. This has resulted in massive disruptions to the hundreds of huge slaughter house as well as businesses in China that were anticipating the arrival of these meat. President Temer took the lead to clarify the findings relating to the food scandal and the ban was lifted 2 days later. This scandal in the meat industry shows the interconnectedness of the world's food supply chain. s

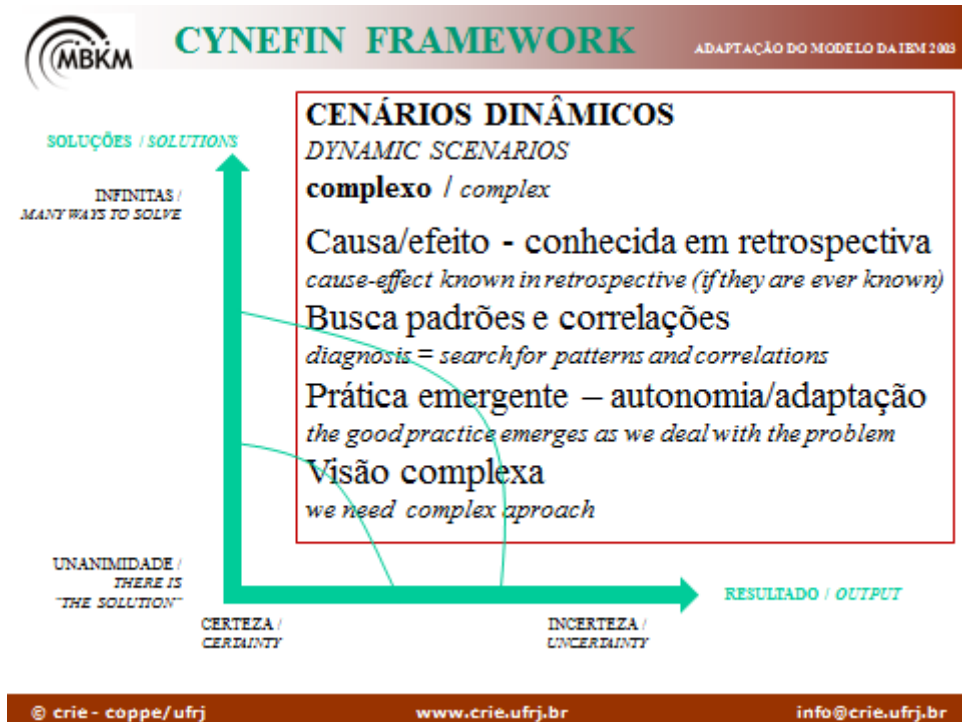


Figure 11: Brazil and China trade relation is seen as complex problem

We see promoting trade and investment between China and Brazil as a complex problem. As both countries speak different languages, and have its fair share of challenges in terms on bureaucracy and complexity in setting up a company. In the past, companies of both countries have to link up with each other through the government or big MNCs such as Petrobras or Banco do Brasil. Therefore these big “Nodes” does created only very few limited “Links”. It has benefited the countries and the employees of these company, but not to the SMEs.

However, with e-commerce development, today’s SMEs or even individual can connect directly to other SMEs in each country, the direct consumers or individual via the internet platform. Internet connectivity could have provided the additional “Links” needed. And now, the “Nodes” can be the SME itself, or even any individual. Information, products and services can be delivered via an overnight courier or at a click of the button. Hence, this brought the 2 countries closer than even before. This complex problem has to be solved with a strategy. Breaking up the complex problem to simple and known problem.

4. CAUSES OF PROBLEM / OPPORTUNITY

We derive the causal factors through our research into:

- Challenges of companies that have embarked on Brazil-China trade and investment
- Challenges of SMEs participating in Australia-china trade and investment

4.1 Experiences of companies that have embarked on Brazil-China trade and investments

Challenges for Brazilian Companies ¹⁸

- Geographical and cultural distance. The Chinese business environment has a number of particularities and idiosyncrasies
- Lack of information and knowledge about the priorities of the Chinese government, how to enter the China and how to deal with the various government bodies
- Misalignment in the strategic objectives of the Brazilian companies and their Chinese partners
- Non-recognition by the Chinese judiciary of international practices related to intellectual property rights, which ultimately benefits the Chinese side
- Establishing a network of reliable suppliers
- Establishing and maintaining a sales channel to meet the needs of the local market
- Limits imposed by the Chinese government to establish direct market channels to third-party countries, hindering the creation of independent export platforms (requiring the participation of domestic firms)
- Moderate level of education and qualification of the Chinese workforce
- High level of employee turnover
- Significantly lower productivity levels of Chinese partners in relation to Brazilian manufacturing companies
- Limited number of Brazilian companies performing innovative activities and engaged in technological partnerships in China

4.2 Experience of SMEs participating in Australia-China trade and investments

Background of Australia-China relations:

- China is Australia's number one export market, its largest source of international students, its most valuable tourism market, a major source of foreign direct investment and its largest agricultural goods market.
- For several decades, exports and investment have underpinned the development of the Chinese economy. However, to maintain high levels of growth, the Chinese Government is encouraging a transition to services and consumption while pursuing more sustainable development.¹⁹

Challenges for Australian Companies²⁰

- Lack of understand of culture and language
- Lack of knowledge of the Chinese market
- Limited contacts and networks in the country
- Limited understanding of local compliance requirements and logistics
- Limited budget and resources

4.3 Summary of Causes



5. MARCO SOLUTION

As show in the previous section, “Causes of Problem / Opportunity”, our research into companies’ expansion into foreign markets show that their challenges can be distilled into three macro categories: (1) Do not know themselves and how to position their company, products and services in this expansion; (2) Do not know their target audience, such as their new consumers, suppliers or business partners; and (3) Do not know the foreign operating environment.

It is difficult, if not impossible, to find one-size-fits-all answers to these challenges. However, we think that a possible macro solution is to arm the companies with a broad strategic thinking framework which will assist them in acquiring the necessary information and ideas to avoid or address these challenges.

To this end, we have identified the Sun Tzu’s “Art of War” as the strategic framework to support SMEs in their participation in Brazil-China trade and investments. We propose to impart the teachings of Sun Tzu’s “Art of War” as well as help companies apply these teachings into their own business context through educational workshops and consultancy sessions.

Our research has shown that our proposed service offering is relatively unique in Brazil. Most trade platforms and agencies involved in business between Brazil and China are sharing general market information; providing logistics and administrative services (such as freight forwarding and custom clearance services); coordinating participation in trade fairs and exhibitions; or sourcing for suppliers and business contacts.

History of Sun Tzu's "Art of War" and Its Place in the World Today



Figure 12: Sun Tzu's "Art of War"

Sun Tzu's "Art of War" is an ancient Chinese military treatise dating back to the 5th century BC. Attributed to the ancient Chinese military strategist Sun Tzu the text comprises 13 chapters, each is devoted to one aspect of warfare. Translated into many languages, the book has influenced Eastern and Western military thinking, business tactics, and legal strategy, amongst others.²¹

| <i>The Art of War</i> chapter names in translations by Giles, Wing, Sawyer, and Chow-Hou | | | | |
|--|---------------------------|-------------------------|---------------------------|---|
| Chapter | Lionel Giles (1910) | R.L. Wing (1988) | Ralph D. Sawyer (1996) | Chow-Hou Wee (2003) |
| I | Laying Plans | The Calculations | Initial Estimations | Detail Assessment and Planning (Chinese: 始計, 始计) |
| II | Waging War | The Challenge | Waging War | Waging War (Chinese: 作戰, 作战) |
| III | Attack by Stratagem | The Plan of Attack | Planning Offensives | Strategic Attack (Chinese: 謀攻, 谋攻) |
| IV | Tactical Dispositions | Positioning | Military Disposition | Disposition of the Army (Chinese: 軍形, 军形) |
| V | Use of Energy | Directing | Strategic Military Power | Forces (Chinese: 兵勢, 兵势) |
| VI | Weak Points and Strong | Illusion and Reality | Vacuity and Substance | Weaknesses and Strengths (Chinese: 虛實, 虚实) |
| VII | Maneuvering an Army | Engaging The Force | Military Combat | Military Maneuvers (Chinese: 軍爭, 军争) |
| VIII | Variation of Tactics | The Nine Variations | Nine Changes | Variations and Adaptability (Chinese: 九變, 九变) |
| IX | The Army on the March | Moving The Force | Maneuvering the Army | Movement and Development of Troops (Chinese: 行軍, 行军) |
| X | Classification of Terrain | Situational Positioning | Configurations of Terrain | Terrain (Chinese: 地形) |
| XI | The Nine Situations | The Nine Situations | Nine Terrains | The Nine Battlegrounds (Chinese: 九地) |
| XII | Attack by Fire | The Fiery Attack | Incendiary Attacks | Attacking with Fire (Chinese: 火攻) |
| XIII | Use of Spies | The Use of Intelligence | Employing Spies | Intelligence and Espionage (Chinese: 用間, 用间) |

Figure 13: The 13 chapters of Sun Tzu's "Art of War"²²

It is said that Sun Tzu's "Art of War" was first translated into French in 1772 by the Jesuit Jean Joseph Marie Amiot and a partial translation into English was attempted by British officer Everard Ferguson Calthrop in 1905. The first annotated English translation was completed and published by Lionel Giles in 1910.

Since then, its philosophies have been used by political and military leaders such as China's Mao Zedong, Vietnam's General Vo Nguyen Giap, and America's General Douglas MacArthur.

The book has been a part of iconic political moments. In 2006, China's President Hu Jintao gave silk copies of the "Art of War" in English and Chinese to US President George Bush. Then the US was in the throes of wars in Afghanistan and Iraq, and the book was not to suggest better ways of fighting, but to suggest that seemed that wars need not be fought in the first place.²³

And in the realm of technology and innovation, Sun Tzu's ancient text has its place. A Forbes article tells the story of an early meeting between Facebook's founder Mark Zuckerberg and Snapchat's founders Evan Spiegel and Bobby Murphy. According to the article, Zukeberg had stated in this meeting that it was working on a mobile app Poke, which was similar to Snapchat. Recalling the meeting, Spiegel said of Zuckerberg's message, "It was basically like, 'We're going to crush you.'" As the story goes, Spiegel and Murphy immediately returned to their office and ordered Sun Tzu's "Art of War" for each of their six employees.²⁴

Brazilian tacticians too have found the "Art of War" relevant. It was reported that Brazil's national football coach Luiz Felipe Scolari had made all his players read the book for the 2002 World Cup. And this perhaps helped to explain Brazil's victory over Germany in the final game, 2-0.

So universal are the teachings of the "Art of War" that it has since been applied in family and personal pursuits.



Figure 14: Brazil national football coach Luiz Felipe Scolari made all his player read Sun Tzu's "Art of War"

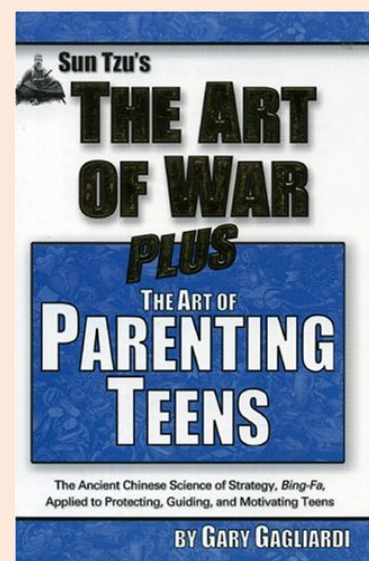
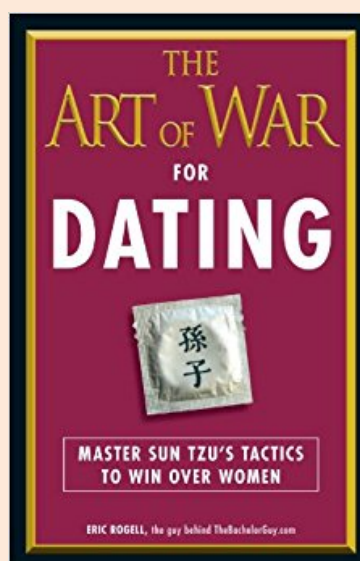
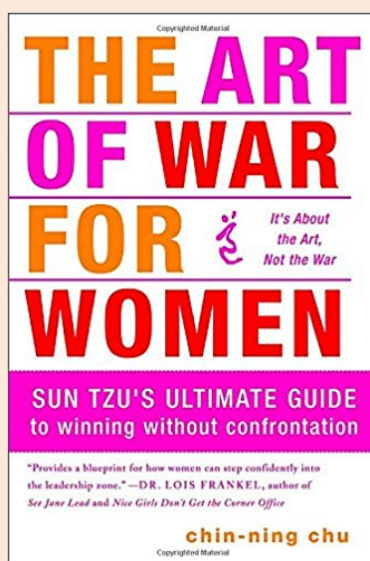
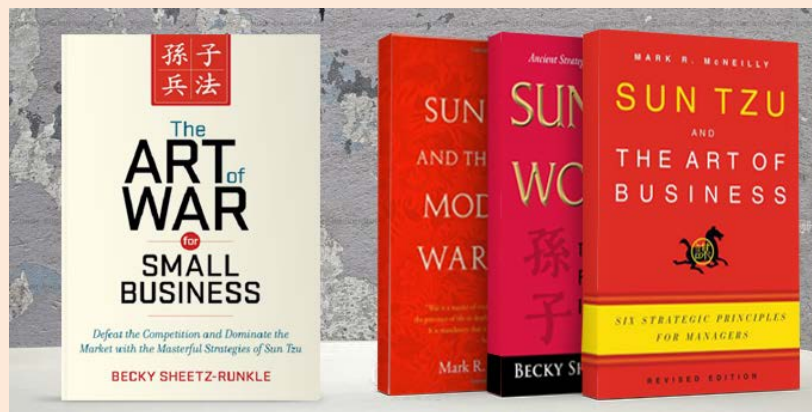


Figure 15: Various applications of Sun Tzu's "Art of War"

We also think the tools of network science can complement Sun Tzu's "Art of War" framework. The tools of network science can help to reveal connections not only between the countries but also for individual companies.

One can identify how the nodes and links in terms of culture, economy development, business trend, consumer behaviour and competitor landscape. Because the business trend move and changes in unimaginable speed, SMEs have to be very fast in adopting and change its strategies. As Chinese said, the business arena is similar to a war field, the Sun Tzu Art of War strategy can be a strategy to identify the links and nodes that one need in each country. As Sun Tzu said, the best strategy to win a battle is to win without fighting. We have to stay way ahead of the enemy's sight, the only way to do that is to fully understand the terrain, understand yourself, understand your enemy and obtain critical information well ahead of your enemy and act it way before they even realize your presence.



Figure 16: Importance of "Guan Xi" for Chinese businesses

“关系 guan xi” means relationship. In China, it is common to “first make friend, then talk about business”. To a certain extent, it is similar in Brazil too. Trust is important between businessmen. Although bureaucracy and procedures will do the background check, financial health and the customer base on your business partner, trust and unwritten information often hold the key to business deals. Hence, the relationship NETWORK is the key, especially so in China. Knowing the key personnel is identifying the NODES to business. And how one can create and maintain the LINK will be a strategy one must adopt, and one such method is Sun Tzu Art of War where there are 13 chapters of advice one can adopt.

6. VALIDATION

We have designed a survey with dual language (Portuguese and English), targeting SMEs in Brazil and China. The purpose of the survey is to explore and validate our assumptions on the problems and opportunities in Brazil and China trade. The survey results support our macro solution relating to Sun Tzu's "Art of War" as well as our specific solution to set up Victory Strategy Institute.

The survey first explains the background of our business proposal, and went on to provide some details regarding China and Brazil. Finally, we gave a brief background on Sun Tzu's "Art of War". We targeted Brazilian SMEs for our survey. The survey will reveal if SMEs have interest in expanding their business to China and if they know the Chinese market. The research also aims to find out if companies are aware of Sun Tzu's "Art of War". And they still recognize if its strategies as a good tool to help them expand their business to China.

We have surveyed 4 Brazilian companies. One of the company is Coletiva trading, a SME which has less than or equal of R\$2.4 million business trade with China, stated that access to raw material, expand customer base and cost-effective vendor and supplier as reasons to have business relation to China. He describe China is a very challenging place to do business and stating local culture and customs along with the difficulty in dealing with business partners and suppliers as main challenges. He is aware of the Sun Tzu's "Art of War" and agrees that this is relevant to his business.

We applied the survey to 3 other companies / entities that are not yet doing business in the Chinese market. Although they have an interest in that vast market, they have not yet started operations due to the barriers encountered. They shared that the knowledge gap with respect to China's culture and operational landscape are the main factors that prevent them from venturing to the country.

The 3 companies are in different market segments. One is a small company in the segment of production of items originating from native raw material, specifically bio jewelry production, by using seeds, leaves, wood, etc. Another is a small company producing products derived from açaí in the State of Pará, which is a product with great potential in China, because it is a product originating in the Amazon Rainforest, which attracts an important segment of the Chinese population involved with issues of preservation of the environment. We also had the opportunity to listen to ABEXA - Brazilian Association of Handicraft Exports, an entity that aggregates hundreds of small companies in the segment.

Such a segment has a great potential for success and quite lacking in support to reach the international market as a whole and especially the Chinese market.

One of the objectives of the survey was to find out if SME merchants have interest in the services of Victoria Strategies Institute. In addition, we want to know if SMEs are interested in Brazil-China trade and investments, and learning about “Art of War”.

From our survey we saw positive response from SMEs in learning about “Art of War” specific training, especially in attending the workshop that will enable them, give support to enter the international market. It became evident that count on the support of a tool as rich as the strategies of the Art of war, specifically when dealing with the market between Brazil and China, countries of culture so different, it could be an opportunity to them.

From an online research to study the “Art of War” workshops around the world and its effectiveness, it was possible to observe that there are some products and services available focused on business in general. And it is very well-evaluated experiences on the part of the participants. However, the specific application for Sun Tzu’s “Art of War” for international trade and investment for SMEs, or particularly for Brazilian companies, has not yet been found.

7. GENERAL DEFENCE

7.1 Success of Sun Tzu’s “Art of War” Workshops in Other Markets

The application of Sun Tzu’s “Art of War” framework to the business context is already being done. As mentioned earlier in this report, the book has been published in multiple languages and is consulted by business leaders from around the world. In a number of countries, there are also institutions that run seminars and workshops relating to Sun Tzu’s “Art of War” to support various business problems.

Interestingly, our online search did not show any Sun Tzu’s “Art of War” seminars or workshops in Brazil, this suggests that there is could be a supply gap in this area.

7.2 Existing Trade Platforms and Agencies More Focused on Logistics or Administrative Support

Our research shows several companies providing trade services between Brazil and China. Some examples are Foxware, WCI Consultoria em China, China Trade Centre, Over

China, Grupo Serpa, CIECBC (Centro de Intercambio Econômico e Comercial Brasil e China), Hosun do Brasil Consultoria, China Gate and Coletiva Trading, China Invest.

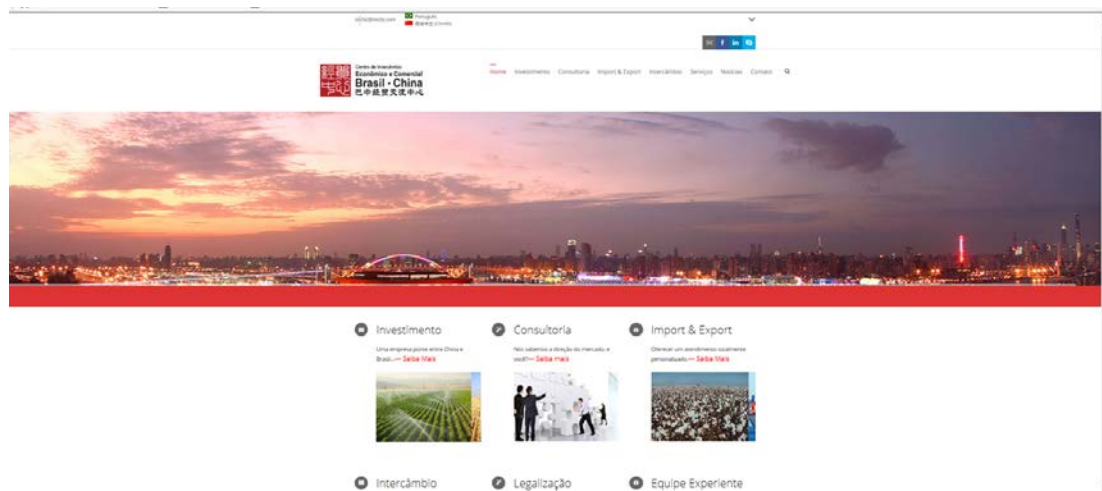


Figure 17: CIECBC (Centro de Intercambio Econômico e Comercial Brasil e China) website

CIECBC is a non-profit organization that promote the inter culture exchange between 2 countries. Provide basic guidance to Chinese and Brazil company guidelines and tips to do business in both countries. They provide information on investment, consultation, import & export, country legislation and legal issues.

Beside CIECBC, the rest of the of consultation company are mostly privately held. They provide freight forwarding services, custom clearance, assist Brazilian to attend Chinese trade fair and assist businessman in negotiating with their Chinese supplier. I can see that there is a lack of connection services on Brazil supplier to the Chinese customer in this case.

7.3 Opportunities for Brazil-China Trade and Investment

There are many opportunities for Brazilian company to expand to China. Manufacturing, food and drinks, agriculture, raw material, services, banking and energy. The increased globalization thinking of Brazilians and the increase demand for imported quality products of the Chinese will definitely open a whole new opportunity for the Brazilian SMEs.

7.4 Sun Tzu's "Art of War" is Consistent and Complementary with Other Strategic Frameworks

Sun Tzu's "Art of War" Key Philosophies

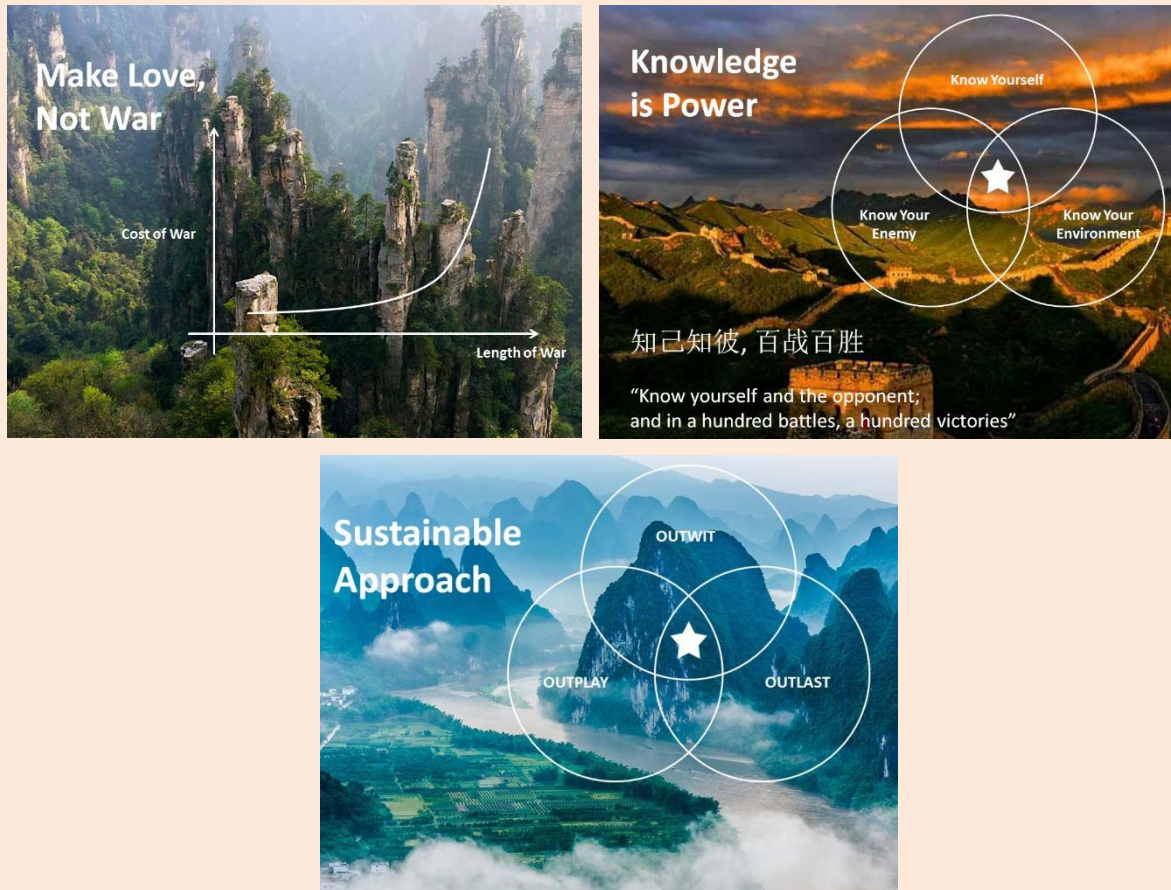


Figure 18: Some Key Philosophies of Sun Tzu's "Art of War"

4. Sun Tzu Art of War Strategy that Brazil business should adopt

VI. Weak Points and Strong

Sun Tzu said "He who can modify his tactics in relation to his opponent and thereby succeed in winning, may be called a heaven-born captain"



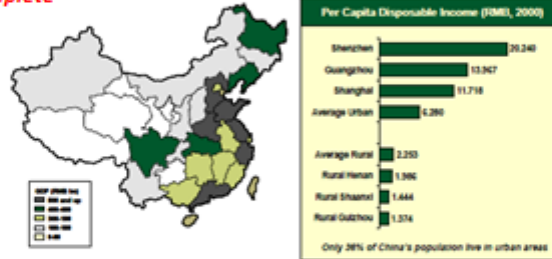
Figure 19: Adopting the Sun Tzu Art of War strategy chapter 5, one can learn to identify its strength

Tactics exist in the Sun Tzu Art of War can assist Brazil company in identifying new market for their products. For example, Brazil has been exporting Acai to the US and it has been classified as one of the “Superfood” in the US. Little known that there exist an even bigger market at China on demand for healthy quality food which the country is lacking in. by adopting the Sun Tzu chapter 5 – weak points and strong, the company can identify such opportunity.

4. Sun Tzu Art of War Strategy that Brazil business should adopt

X. Terrain

Sun Tzu said "if you know the enemy and know yourself, your victory will not stand in doubt; if you know Heaven and know Earth, you may make your victory complete"



Disposable income varies significantly from one province to another and ~65% of the population lives in rural areas.

We need to understand the "terrain", Chinese market.

Only 41% of MNCs operations in China are profitable, while 34% of them are reported to lose money



Figure 20: Understanding the terrain of the place is key to success

Another example is to understand the "Terrain" of the war field, the business landscape in this case. China is a big country, similar to Brazil. Different parts of the country have different income and hence different demand for services and goods. For example, in Brazil, there are more European descendants in the south and more African origin in the north, and hence, the consumption pattern in these regions also varies. Also, it is interesting to know that although Sao Paulo state has a lower tax than other cities, the water cost in Sao Paulo is the highest in South America. Again this strategy could be of good use when doing business in Brazil. Especially so for Chinese business who are looking at making some R\$ here.

8. SPECIFIC SOLUTION

8.1 Victory Strategies Institute (VSI)

We would like to set-up Victory Strategy Institute (VSI) as an organisation through which we can offer knowledge and consultancy services related to Sun Tzu's "Art of War".

Our target audience is SMEs in Brazil or China, particularly those that are interested in exploring the opportunities of Brazil-China trade and investments.



Figure 21: Logo of Victory Strategies Institute

Our services are as follows:

- Workshop on Sun Tze's "Art of War" thinking
- Workshop on the general application of Sun Tze's "Art of War" thinking to the context of Brazil-China trade and investment
- Consultation sessions with SMEs to apply Sun Tze's "Art of War" to their specific business scenario
- Networking sessions to facilitate Brazil-China business engagements

Victory Strategies Institute will also built up its own database and research library from the consultation and coaching task, and provide market information for business that want ideas of what to export to China.

9. DETAILS

The following describes the focus, services and structure of Victory Strategies Institute (VSI).

9.1 Vision and Mission

Vision

- Empower SMEs with the strategic framework to support their participation in Brazil-China trade and investment

Mission

- Educate SMEs on Sun Tzu's "Art of War" and guide them in their application of these philosophies to their specific context

9.2 Service Offerings

- Workshop on Sun Tze's "Art of War" thinking
- Workshop on the general application of Sun Tze's "Art of War" thinking to the context of Brazil-China trade and investment
- Consultation sessions with SMEs to apply Sun Tze's "Art of War" to their specific business scenario
- Networking sessions to facilitate Brazil-China business engagements

9.3 Target Customers

Using Empathy Map, we study some SMEs that might be possible customers of VSI. We then use the resulting maps as well as other research data to paint a picture of our target customers.

Analysis of SMEs that Might Consider the Services of Victory Strategies Institute

Case Study 1: Coqueiro²⁵



Figure 22: Small Cachaca producer in Rio de Janeiro

Coqueiro is a small Cachaca producer based in Paraty, Rio de Janeiro, Brazil. 99% of Cachaca producer in Brazil are small company like Coqueiro. And only 1% of Cachaca are exported out of Brazil. These producers are usually constrained to the Brazilian market, supplying mainly to regional customers. The mass market is usually dominated by large producer of lower grade Cachaca such as 51 and Ypioca.



Figure 23: Statistic of Cachaca production in Brazil

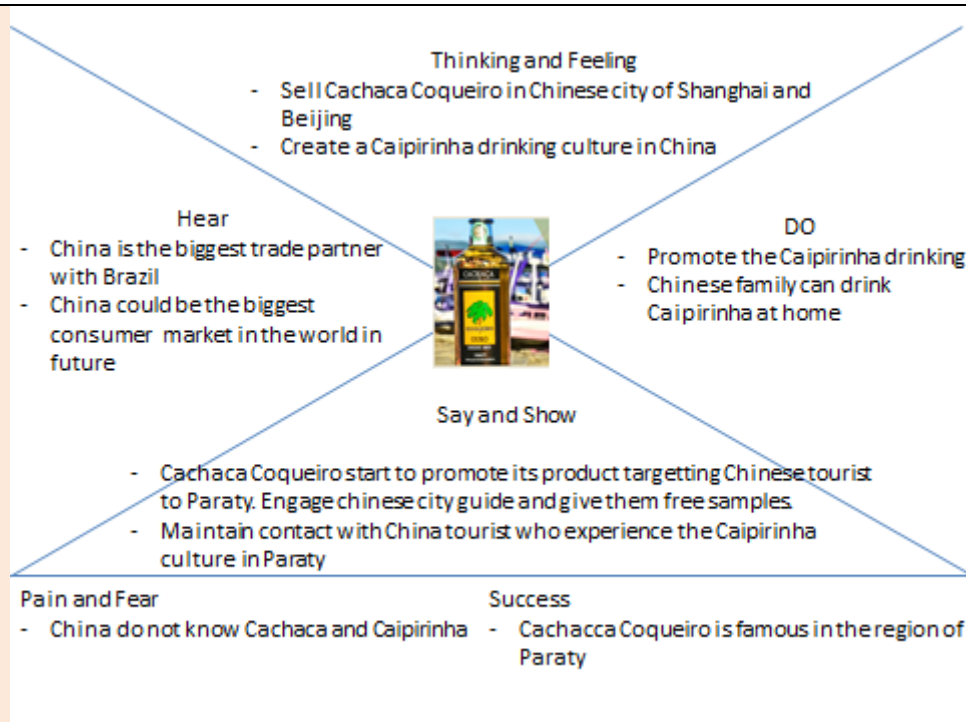


Figure 24: Empathy Map for Coqueiro

On top of the core services of VSI, we suggest to bring Coqueiro to first understand the massive alcohol market in China. And to find the most suitable blend that will be highly sought after in Chinese market. With the increasing cultural opening of China, Coqueiro can first gather information by engaging “spies”. Which Victory Strategies Institute can perform market research and survey for them. Coqueiro can partner with alcohol supplier in China to provide samples during event to slowly penetrate the market.

Case Study 2: Acai Brasil²⁶



Figure 25: Acai Brasil products

Many Acai producer are targeting mostly the US market, and they export mostly through US trading company, as such lose out to profit made by middle man. China has been an important market for healthy food such as Acai, and its products.

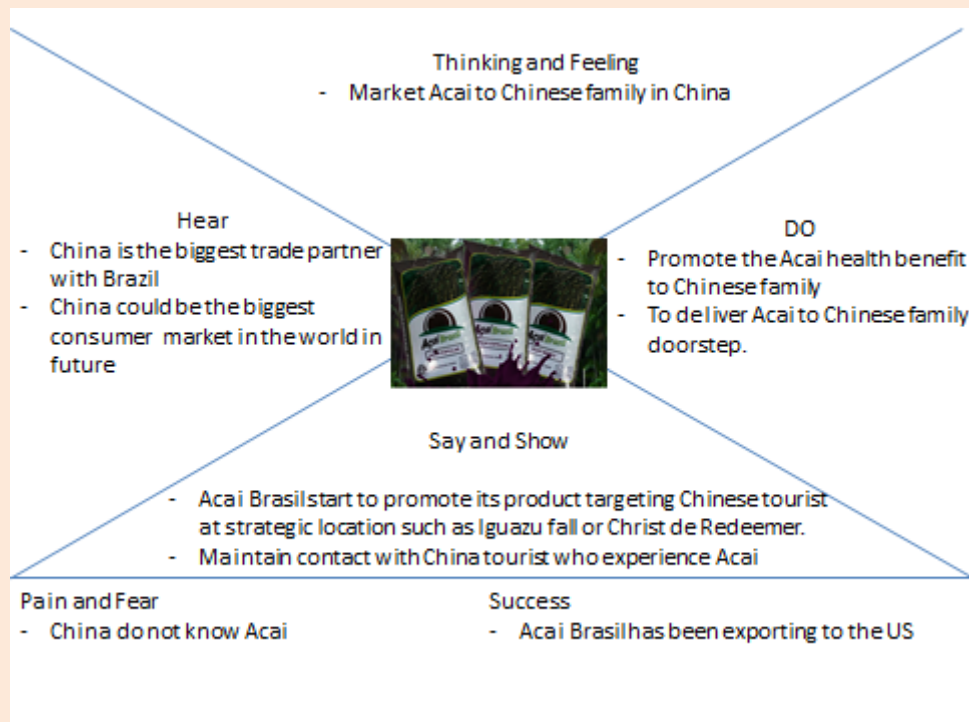


Figure 26: Empathy Map for Acai Brasil

Victory Strategies Institute can work out a game plan for Acai Brasil, to first understanding the region and target customer of Acai. And choose the most suitable strategy to penetrate into. By adopting the understanding of “terrain” and also adopting “variation in strategies”, Acai will definitely be one of the most sought after food product in China. Model after Marcopolo²⁷ model, perhaps the Acai Brasil can even look into exporting its processing process to China, serving the China domestic market at a lower cost and also increase the local content of the product. Victory Stratgies Institute can work out a cost analysis and market research for them.

Case Study 3: Vanchi Bathroom Ceramics

http://www.hkmicky.com/en_index.aspXxx

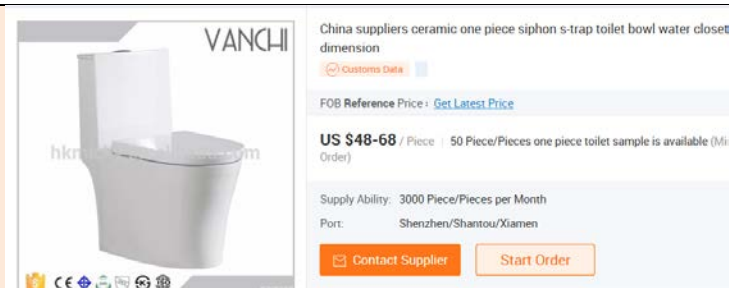


Figure 27: Vanchi listing at Alibaba website

China small and medium manufacturer are aggressive in exporting their products all over the world. With online platforms such as Alibaba and Taobao, they are now readily able to market their products and services overseas.



Figure 28: Empathy Map of Vanchi

Today, in Brazil, especially for those less internet savvy, do not have direct access to manufacturer direct sale, and thus, they pay high price to retailer / reseller / agency who import them and make a profit in between.

Victor Strategies Institutions can work out a plan, "laying plan" for such company in China that want to sell their products directly here in the free market.

9.4 Business Canvas

Business model is how an organization creates value for its key stakeholders. Following this premise, the business model of the Vitória Institute consists of:

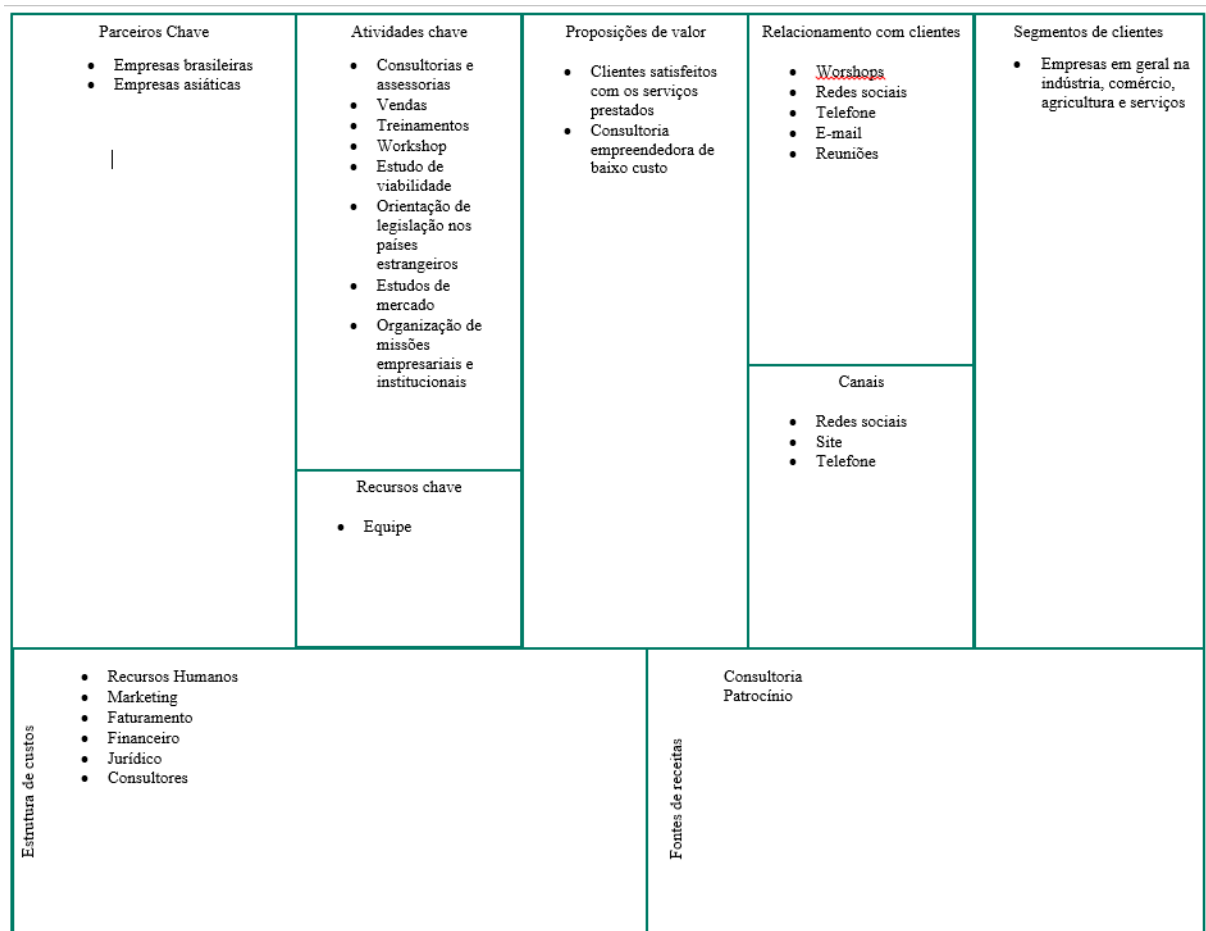


Figure 29: Business model of the Vitória Institute

9.5 Business Structure

Victory's Structure

Companies are created in specific ways to achieve different goals. The choice of the organizational structure is determinant, since the adequate structure facilitates the achievement of the objectives, while the misaligned structure causes confusion that impairs the execution of tasks and the decision making process, making it difficult to reach the results. This may result in internal conflicts between the teams, managerial and command staff, conflicts with suppliers and clients, including exposing internal difficulties to other stakeholders.

According to OLIVEIRA, 2006²⁸, the organizational structure is the administrative instrument resulting from the identification, analysis, ordering and grouping of activities and resources of companies, including the establishment of levels of competence and decision-making processes, aiming to achieve the objectives established in the Strategic planning of companies.

According to CHIAVENATO, 2006²⁹, there are three main types of organizational structure: functional, divisional and matrix structure.

Functional structure

The functional structure is configured so that each part of the organization is grouped according to its purpose. In this type of organization, for example, it is possible to have a marketing department, a sales department, and a production department. The functional structure serves both small and large enterprises in which each department can rely on the talent and knowledge of the team. However, one of the disadvantages of a functional structure is that coordination and communication between departments can be constrained by the organizational boundaries of having many different departments working.

Divisional Structure

Divisional structure is typically used in larger companies that operate in a wide geographic area or that have small separate organizations within the coverage group to cover different types of products or market areas. The benefit of this structure is that needs can be met more quickly and more specifically; However, communication is impaired because employees in different divisions are not working together. Division structure is expensive due to its size and scope. Small businesses can use a smaller divisional structure, having different offices in different parts of the city, for example, or assigning different sales teams to deal with different geographic areas.

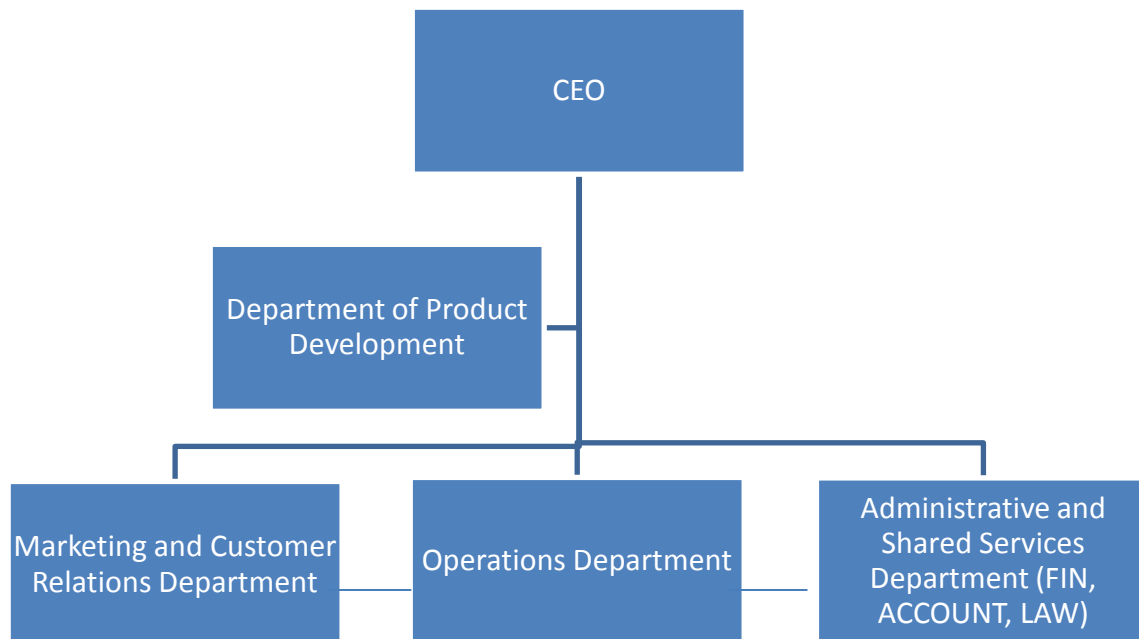
Matrix Structure

The third major type of organizational structure, called matrix structure, is a hybrid of divisional and functional structure. Typically used in large multinational corporations, the

matrix structure allows the benefits of functional structures and partitions to exist in an organization. This can create power struggles because most areas of the company will have a dual management - a functional manager and a product or division manager working at the same level and covering part of the same territory.

In the case of Victory's, we chose the functional model, because it is a small company, we consider it, because we believe it is the most appropriate. However, we are taking care of mitigating the risk of the areas acting independently, since the intercommunication between the areas, aims at aggregation and perception of value by the client. Victory's customer does not care how many divisions there are in the company. In this way, the objective is offer products and services in a more smooth way.

Below, we present the business structure suggestion, with the detailing of the functions:



CEO

In charge of the strategy and operation of the Victory's consulting firm.

Product Development Area. Responsible for the development and updating of the workshop (Art of War), advisory model (Which strategies will be applied for each client)

Marketing and Customer Relations Department

In charge of prospecting, selling products and advertising. This area is also responsible for the relationship with the client (during and after the providing services: training, workshop and implementation of the advisory model).

Operations Department

In charge of the application of the Workshop Art of War and implementation of the model of advisory and consulting services.

Administrative and Shared Services Department (FIN, ACCOUNT, LAW)

In charge of Victory's administrative support, financial, accounting and legal support. It is also responsible for making available deliveries of the assistance model made by the Operational Area (licenses, permits, etc.).

9.6 Operational Structure

An operational framework describes a logical and chronological structure of an operation of simple sequences and events in processes. A symbolic illustration of sequences and events along an absolute or relative timeline; Typical of an operational structure. The composition of the elements is based on the relationships between them applying the principles of classification.

Below is the suggestion for Operational Structure of Victory Strategies Institute:

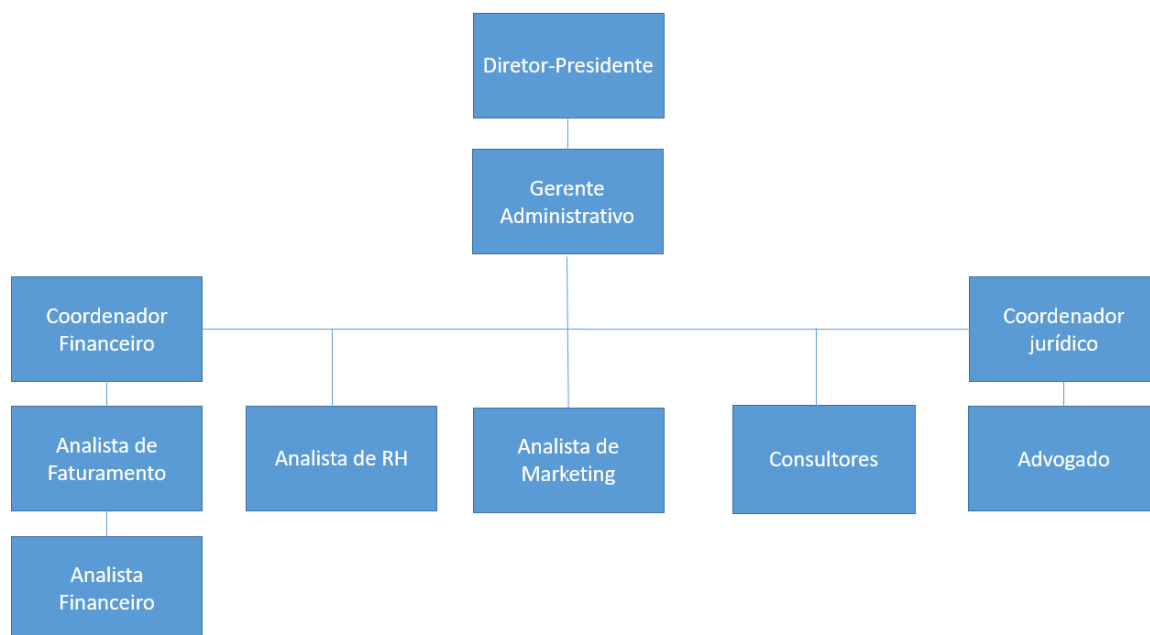


Figure 30: Operational Structure of Victory Strategies Institute

9.7 Financial model

The below table summarises the number of classes, the revenue and profit expected for each owner and also for the company.

| | June 17- Dec 17 | Jan 18 - June 18 | July 18 - Dec 18 | Jan 19 - June 19 |
|---|-----------------|------------------|------------------|------------------|
| Revenue from assignment | | | | |
| AOW workshop (each) R\$ | 3000 | 3500 | 4000 | 4500 |
| Consultation (each) R\$ | 5000 | 5500 | 6000 | 6500 |
| | | | | |
| No of freelance consultant | 0 | 0 | 2 | 3 |
| Expected AOW workshop / month | 2 | 4 | 6 | 8 |
| Expected consultaiton / month | 4 | 6 | 8 | 10 |
| Revenue from AOW workshop/month | 6000 | 14000 | 24000 | 36000 |
| Revenue from consulation/ month | 20000 | 33000 | 48000 | 65000 |
| Payment to freelance / month | 0 | 0 | 10000 | 22000 |
| Net internal revenue / month | 26000 | 47000 | 62000 | 79000 |
| | | | | |
| Earnings for each owner / month | 4550 | 8225 | 10850 | 13825 |
| cost for each owner / month | 1000 | 1500 | 2000 | 2500 |
| Profit for each owner / month (R\$) | 3550 | 6725 | 8850 | 11325 |
| Profit for Victoria Strategies Institute / month (R\$) | 7800 | 14100 | 18600 | 23700 |

Figure 31: Victory Strategies Institute 1-Year Financial Projection

Overhead Costs

VSI plans to keep overhead costs at a minimum.

We will operate without a permanent office space. We will do backend administration, consultancy or research work from home. For our workshops, consultation sessions and meetings, we will conduct them in short-term lease spaces or at client's facilities.

Other key overhead costs are:

- Personal laptops
- Mobile phones
- Servers
- Website hosting
- Business Registry (CNPJ)

Variable costs

Our company comprise of 4 employees, where each employees took up various key position as layout in the operation structure, they are also the co-owners of the company. Each of the 4 will not draw a fix salary.

For each assignment (whether it is a workshop or consultation session) which is undertaken by an owner or owners, they will take or split 70% of the revenue respectively. The remaining 30% will go to the company's overhead expenses and profits.

However, if an external freelance consultant is recruited, they are paid by assignment basis at 50%-50% arrangement.

Revenue from Each Workshop

The revenue of each workshop is R\$3,000.00 for a 4-hour session. Revenue will be split 70% for workshop conductor (if owner) and 30% for the company (company's overhead and profits). If the workshop is conducted by a freelance consultant, it will be revenue will be split 50-50 with the company.

Stationaries, laptop and other miscellaneous costs to conduct the workshop will be borne by the workshop conductor.

We expect to increase our course fees by R\$500.00 after every 6 months. This is to take into account inflation as well as rising demand for the course.

As the cost of venue rental will be charge to the customer, it will not be considered in our cost structure.

Revenue from Each SME Consultation

VSI will sign a service contract with the SME.

We will charge the manpower cost for each consultation assignment. We can also consider profit-sharing model with certain clients for successful overseas ventures.

The transportation, meals, stationaries, laptop and miscellaneous costs to conduct the consultation will be borne by the conductor. This is already incorporated in the 70% revenue share for the owner or 50% for the freelance consultant.

We expect to charge R\$5,000.00 from each consultation assignment per month for the first 6 months. Subsequently, we expect to make an additional R\$500.00 after every 6 months. This is to take into account inflation as well as rising demand.

Expected business

We estimate that the maximum workload that all 4 owners can handle would be 4 workshops and 6 consultations per month. Beyond this, we will have to hire freelance to support the workload.

9.8 Competitor Landscape

| Name of company / Nome da empresa | Foxware | WCI Consultoria em China | China Trade Center | Over China | Grupo Serpa | Hosun do Brasil Consultoria | China Gate | Coletiva Trading | China Invest | Centro de Intercambio Económico e Comercial Brasil e China - CIECBC |
|---|---|---|---|--|---|---|---|---|--|--|
| Language of Website / Idioma do site | Inglês e Português | Português | Português | Português | Português e Inglês | Português | Português | Português | Português | Português e Mandarin |
| Year of Inception / Ano de Início | 28/4/1990 | O site não informa | 2002 | 1962 | 1995 | 2007 | 2003 | O site não informa | O site não informa | O site não informa |
| Headquarter and Offices / Sede e Escritórios | São José dos Campos - SP | O site não informa | São Paulo, capital e três escritórios na China | São Paulo | Belo Horizonte, MG (sede); Rio de Janeiro; Santos, SP; Miami, Miami, USA; Betim, MG; Shuangqiao Village; China e Uberlândia | São Paulo e Taipei - R.O.C | Maringá, PR (Sede) | Viosa, MG | Porto Alegre, RS; Shenzhen; Shanghai | São Paulo, SP; Beijing e Nanjing |
| Vision and Mission / Visão e missão | Nossa missão é ajudar os nossos clientes a ultrapassarem as barreiras para fazer negócios no Brasil, Europa, China, Japão e América do Sul, oferecendo a eles uma variedade de serviços. | Promover negócios entre o Brasil, China e demais países asiáticos. Oferecendo serviços diferenciados, baseados no conhecimento e focados nas necessidades do cliente. | O site não informa | assistir empresas brasileiras interessadas em desenvolver negócios, promover missões empresariais e palestras sobre economia, comércio, política, história, cultura e outros aspectos da China | O site não informa | presta serviço principalmente para importadores de pequeno, médio e grande porte (com volume de importação mínima de 1 container, ou valores acima de USD 25.000) que precisam de ajuda para encontrar e negociar com fornecedores na China | ajudar importadores brasileiros a fazer negócios com a China | Assessorar busca por produtos, soluções, fornecedores e parceiros na China. A empresa participa das principais feiras de negócios da Ásia para trazer informações detalhadas e específicas para seu negócio. O objetivo da empresa é ajudar a melhorar as vendas, ter um ganho competitivo, mudar do varejo para o atacado, melhorar sua lucratividade etc. | Gerar valores aos clientes e parceiros por meio de seus produtos e serviços, tornando esta consultoria a mais qualificada e efetiva, envolvendo Brasil e China/Ásia | O centro tem como missão ser a ponte de solução empresarial e cultural entre Brasil e China, fundamentada por um sólido relacionamento local em ambas as nações. Ser referência no mercado internacional brasileiro e chinês, conquistando a confiança, podendo assim ser a principal conexão entre os dois mercados. |
| Type of Services / Tipo de Serviços | Do treinamento, serviços de consultoria e gerenciamento de projetos à localização de software e textos de ajuda, tradução da documentação e desktop publishing, a Foxware fornece serviços profissionais abrangentes, em vários idiomas: português, inglês, espanhol, chinês e japonês. | Estudos de mercado; Estudos de viabilidade; Organização de Missões Empresariais e Institucionais; Pesquisas de mercado; Análise de produtos; Consultoria e assessoria em negociações; "Procurement"; Elaboração de planos de negócios; Consultoria e assessoria na execução de contratos. | processos comerciais, investimentos, consultoria local, feiras de negócios, inspeção de fábricas, gerenciamento e intermediários, levantamento e desenvolvimento de produtos, transporte internacional, representações, nacionalização e pesquisas do mercado para empresários brasileiros e chineses | estudo de viabilidade de fornecedores, coordenação de fornecedores, montagem, inspeção e embalagem, proteção de propriedade intelectual, vendas e distribuição no mercado chinês. | prospecção de fornecedores chineses, levantamento de preços médios de mercado, expedição china, terceirização de equipe na china, pesquisa de idoneidade de empresas chinesas, visita técnica à fábrica, coleta de amostras, consolidação de mercadorias, importação e exportação e assessoria em projetos com empresas chinesas (importação e exportação), inspeções, pesquisa de mercado, registro de marca, tradução e terceirização de mão de obra. | consultoria, inspeção de cargas, pesquisa do mercado, tradução e logística. | cursos, consultoria, podcast, guias e tutoriais e blog. | pesquisa de fornecedores ou de compradores, feira de cântão virtual, planejamento e acompanhamento em viagem ao exterior/china, feira ou viagem de negócios virtual e cursos | missões empresariais, assessoria logística, auditoria financeira, constituições de empresas, contabilidade e serviços administrativos, controle de qualidade, coordenação de testes de laboratório, escritório de compras, planejamento estratégico, projetos tailor made, serviços de assessoria, sourcing, suporte jurídico através de webchat, warehouse e video conferencia. | intercâmbio comercial e cultural: missões governamentais, delegação empresarial, viagem estratégica de negócios, fórum e encontros empresariais, viagem para feiras setoriais, intercâmbio educacionais, palestras estratégicas comerciais e empresariais, curso de negócios e cultura chinesa, imigração e visto, tradução comercial e juramentada. |
| Target Customer / Cliente alvo | | Indústria, comércio, agricultura e serviços | Eventos, turismo e feiras de negócios; comércio exterior e logística | O site não informa | O site não informa | empresas de pequeno, médio e grande porte | O site não informa | empresas de pequeno e médio porte | Artecologia; coterflex; poppi; Orchid Collection; Custom Made; Vaz; João Fortes Engenharia; My Place; Lorenzetti; Anatec; GMT; Rainha das Noivas; Cidre Verde | Agronegócio; agropecuário; mineração; energia; infraestrutura e tecnologia |
| Partnership with Other Trade Bodies / Parceria com Outras Organizações de Comércio | Gaia Technologies; Startel Technologies; WIN Education, Business Support | O site não informa | CTC Comércio Importação e Exportação, UCB Turismo e CTC Agenciadora de Cargas e Logística | O site não informa | Biominas Brasil; Amcham Brasil; Câmara de Comércio Brasil-França; FIEMG; Fecomércio e Apex Brasil | O site não informa | O site não informa | O site não informa | O site não informa | REC; EMBEMAC; Huawei; Bank of China; Fudan University; Xinhua; Etihad Airways; Jesie; CBG Log; BNBM House |
| Other Relevant Information / Outra Informação Relevante | | | órgão autorizado pelo Ministério do Comércio da China para comercializar stands da feira em toda a América do Sul. Também é representante oficial das feiras de Yiwu (Feira Internacional de Commodities); CIAPE (Feira Internacional de Autopartes); entre outras feiras de grande porte na China | | O grupo possui 4 tipos de negócio: Serpa logística integrada; Serpa consultoria; Serpa china e Serpa USA | | | | Utiliza webchat e Weibo como forma de contato | |
| Website Link / Link do site | http://www.foxware.com.br/home.php | http://www.wciconsultoria.com.br/china/index.html | http://chinatradecenter.com.br/ | http://www.overchina.com.br/index.html | http://gruposerpa.com.br/ | http://hosunconsultoria.com.br/ | http://chinagate.com.br/sobre/ | http://coletivatrading.com/ | http://chinainvest.com.br/pt/ | http://www.ciecbc.com.br/ |

In the analysis of competition it is necessary to know, firstly, the characteristics: those referring to the products that it commercializes their size, the places and the capacity of service. Then it compares with other companies that have identical or similar characteristics. Below was an analysis of the main competitors that provide part of VSI services. .

Foxware

Chinese culture and language training for professionals and negotiators. Analysing prospecting and business support of trading partners in China.

Products and services offered: Procurement, prospection, intermediation and legal advice.

Courses: Mandarin Workshops on Chinese culture, translation of technical and commercial texts and simultaneous interpretation.

Source: <http://www.foxware.com.br/page.php?id=china>

WCI Consulting in China

WCI Consulting in China is a consulting firm specializing in the Asian market. Based in offices in Brazil and China, WCI serves large Brazilian and Asian clients, as well as a number of medium and small companies willing to establish cooperation agreements and business partnerships between the two countries.

Services offered: Procurement, Feasibility studies, Market research, Organization of Missions, Business and Institutional, Product analysis, Development of business plans, Market research and Consulting / Advisory in negotiations.

Source: <http://www.wciconsultoria.com.br/china/>

China Trade Center

The China Trade Center Group, founded in 2002 in the city of São Paulo, effectively operates in the Foreign Trade sector, assisting companies in international business fairs, mainly events that are held in Asia.

Services offered: Consulting, supplier prospecting, commercial negotiation, auditing, credibility assessment, production process follow-up, final production inspection and legal advice.

Source: <http://chinatradecenter.com.br/consultoria/>

Over China

OVERCHINA is a company established to assist Brazilian companies interested in developing business, promoting business missions and lectures on economy, trade, politics, history, culture and other aspects of China.

Services offered: Vendor feasibility study, supplier coordination, assembly, inspection and packaging, Intellectual Property protection, sales and distribution in the Chinese market.

Source: <http://www.overchina.com.br/servicos.html>

Serpa Group

Grupo Serpa is a service provider that offers solutions in Foreign Trade and has 7 units, 3 in Belo Horizonte, 1 in the United States, 1 in Rio de Janeiro, 1 in São Paulo and 1 in China.

Services offered: Prospecting of Chinese suppliers, survey of average market prices, Chinese shipment, team outsourcing in china, suitability survey of Chinese companies, technical visit to the factory, sample collection, merchandise consolidation, import and export and advice on Projects with Chinese companies (import and export), inspections, market research, trademark registration, translation and outsourcing of labor.

Source: <http://gruposerpa.com.br/>

Brazil and China Economic and Trade Exchange Center – CIECBC

Services Offered: Business and cultural exchange, government missions, interchange between sister cities, business delegation, business strategic travel, forum and business meetings, travel for sector fairs, Educational exchanges, Business and business strategic lectures, Chinese business and culture course. Immigration and Visa Commercial and sworn translation

Source: <http://www.ciecbc.com.br/>

Hosun do Brasil Consulting

It is an import consulting company for Brazil specializing in business with Chinese suppliers (Mainland China, Hong Kong, Taiwan).

Services offered: Consulting, cargo inspection, market research, translation and logistics.

Source: <http://hosunconsultoria.com.br/sobre-a-hosun-do-brasil-consultoria/>

China Gate

Is a company that specializes in helping Brazilian importers do business with China.

Services offered: courses, consulting, podcast, guides and tutorials and blog.

Source: <http://chinagate.com.br/sobre/>

Collective Trading

Services offered: Supplier or buyer search, virtual canton fair, planning and follow-up abroad china, trade show or virtual business trip and courses.

Source: <http://coletivatrading.com/>

China Invest

Services offered: Logistics consultancy, financial audit, company constitutions, accounting and administrative services, quality control, coordination of laboratory tests, purchasing office, strategic planning, tailor made projects, advisory services.

9.9 Partners

We have identified several organisations that we think can be VSI's potential partners. Below are descriptions of 5 of these organisations: Sebrae, CIECBC, Coletivatrading, Honsunconsultoria and Foxware. We perceive that these organisations have strengths that are complementary to VSI.

Sebrae³⁰

VSI and Sebrae both target SMEs, and VSI's niche expertise support Sebrae's overall objectives.

Sebrae (Brazilian Micro and Small Business Support Service) is a non-profit private entity with the mission of promoting the sustainable and competitive development of small businesses. Through their experience, they have become experts in small business development in Brazil. Their role is to foster entrepreneurship, providing guidance to help small businesses to grow and generate more employment, helping to develop the Brazilian economy. Indeed, it has been reported that 8.5 million small business form 99% of total Brazilian business.

Sebrae has a network of almost 700 onsite service centers throughout the country. The organisation has more than 5000 small business experts and a large pool of external consultants working towards transferring knowledge and know-how to those who own or intend to start a company.

VSI can partner Sebrae by providing a niche area of expertise to companies looking to export their products to China or have part of their manufacturing or production activities to China.

Centro De Intercambio Economico e Comercial Brasil China (CIECBC)³¹

VSI and CIECBC both look at Brazil and China trade and investments. VSI can tap of CIECBC expertise and experience in the area to better advise its clients.

This organization specialises in investment, consultation, import/export, intercultural exchange and legal issue in both Brazil and China. They currently have partnerships with international MNCs such as Lide, Embac, Huawei, Bank of China, Etihad Airways and Air China.

They have a monthly newsletter named “Investing in Brasil”. Below is the link of Oct 16 publication: <http://www.ciecbc.com.br/wp-content/uploads/2016/10/Jornal7.pdf>

Given that some of CIECBC’s members and supporters are organisations which have already expanded into China or Brazil, we can tap on them to better understand the challenges of internationalisation into these 2 countries so that we can better advise our clients.

Coletivatrading³²

Coletivatrading’s services are complementary to VSI’s. Given that China is a huge country, we need a large network for our clients to find the best-fit business partners in the country. By partnering Colectivatrading, we provide a larger network for our clients to tap.

Coletivatrading is an online company backed by a 6 person team. Leonardo Loewenstein, a Brazilian, is the founder of the company. The focus of the company is to assist Brazillian companies or individuals find suitable China suppliers.

Colectivatrading helps to source for suppliers trade fairs or through factory visits. They also arrange meetings, support negotiations, as well as provide transportation and logistics support.

Honsunconsultoria³³

Honsunconsultoria advises on import and export information as well as provide logistic support. This could be good technical knowledge for our clients to have. After developing strategic plans using Sun Tzu's "Art of War", our clients could use Honsunconsultoria's support in the execution of these plans.

This is another agent that has import and export expertise. Specialising in the Hong Kong, Taiwan and China markets, this firm has offices in Sao Paulo, Brazil and Taiwan. They provided some basic pointers to pay attention to for Brazilian firms that want to import from or trade with China.

We can potentially partner with Honsunconsultoria for the experience in China. We can offer to bring their company to higher-level of service. We can also share our expertise on trade and investments in Brazil.

Foxware Comércio e Representações Ltda.³⁴

Foxware provides an overview of China's political, economic, social and cultural landscape. This is good background knowledge for our clients to understand so that they can do more in-depth analysis using Sun Tzu's "Art of War" framework.

Foxware offers workshops to prepare Brazil companies for business in China. The workshop stretches 4 days and teaches Chinese culture, tradition, costumes, business landscape, the country events and festivals, country evolution, China politics, economy, diplomatic ties and geographical locations of the country.

We think this is good background knowledge for our clients to have. We can consider tie-ups with Foxware to bring our complementary expertise to SMEs.

10. ACTION PLAN

With application of Sun Tzu Art of War on our business, we first lay up our business plan for short, medium and long term. We plan to start off our business on the Sun Tzu Art of War workshop to gain confidence in our business. We will take 2 months to fully develop the course material, and in these 2 months, we plan to do free trial run for companies that are willing to work with us. What we will get in return from the free trial will be the opinion and feedback given, and also the measurement of the benefit from the course given. We will also do active marketing from June 2017 onwards on our workshop. During this period, we will also develop our consultation and coaching services. Constantly getting feedback will allow us to know ourselves better, as Sun Tzu chapter 6 mention, we need to know ourselves and know our enemy well to win the war.

We plan to start our business first in Brazil. We target to secure our first paying customer in July 17 for the workshop and first paying customer in August 17 for the consultation work. We target to conduct 2 workshop and 4 consultations per month for the first 6 months. To expand our business, we plan to train freelance consultant to expand our capacity of conducting workshop and perform consultation.

We will expect our competitor to catch up with us once they found out our presence in the market. As Sun Tzu Art of War chapter 8 said, we need to engage in variation in tactic to keep ourselves updated and ahead of our competitor. We plan to update and upgrade our workshop material and review our consultation material and services every 3 months. There will be a full day strategy and target setting review meeting for the company members to review the company performance and moving forward target. Through this review, we also target to maintain current customer by providing them new services, and hence generating recurrent income. We plan to tie up with UFRJ for research and development on our material and business model.

After 1 year of business, we plan to engage and partner up with Chinese company to expand our business in China. Through the consultation work, we should be able to gain sufficient knowledge and lesson learnt on China market in consulting. We target to conduct our first workshop for our Chinese customer in June 18 and first consultation for a Chinese customer in July 18.

Our 2 years target will be conducting 8 workshops and 10 consultations per month with 3 freelance consultants working for us.

11. CONCLUSION

We have shared on the growing relationship between Brazil and China. This relationship continues to strengthen amid the advancement of globalisation as well as communication and information technologies and methodologies (including the use of big data).

At the same time, we have shared on the challenges to Brazil and China trade and investments; distilling these challenges into three macro categories: (1) Do not know themselves and how to position their company, products and services in this expansion; (2) Do not know their target audience, such as their new consumers, suppliers or business partners; and (3) Do not know the foreign operating environment.

Some of these challenges are addressed by existing Brazil-China trade and investment agencies. However, as we have explained in our report, these agencies tend to focus more on administrative and logistics support. They do not support these companies in acquiring a strategic framework so that they can plan and conduct their business more tactically.

In addition, we have elaborated on the growing interests from SMEs for Brazil and China trade and investment opportunities. Our survey results as well as other research support our beliefs, that there is SME interests in such opportunities and SMEs are keen to have the strategic tools to tap such opportunities.

We have also shared on the background of Sun Tzu's "Art of War" as well as how this strategic framework is applicable to the business context. While Sun Tzu's "Art of War" has gained momentum amongst various leaders and executives, and there are already workshops conducted in various countries to arm businesses and individuals to leverage these concepts, the knowledge and application of Sun Tzu's "Art of War" in Brazil is still rather limited. In fact, our online research has not revealed Sun Tzu's "Art of War" courses or workshops in Brazil.

As such, we strongly believe that there is an opportunity to educate SMEs in Sun Tzu's "Art of War", and to support these businesses in applying these theories and internationalising. The channel through which we will do this is Victory Strategies Institute, a knowledge and consultancy agency, with low operating overheads.

Recognising that successful Brazil-China trade and investment is composed of many factors, we have also outlined possible business partners that will enable us to service our customers comprehensively and effectively.

We have also identified some companies or industries that we think could benefit from Victory Strategies Institute.

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