



**Maria Luiza Carvalho de Aguillar Pinho**

**International Licensing as a Strategic Option for firms in the  
Creative Industries**

**Tese de Doutorado**

Thesis presented to the Programa de Pós-graduação em Administração of PUC-Rio in partial fulfillment of the requirements for the degree of Doutor em Administração de Empresas.

Advisor: Prof<sup>a</sup>. Angela Maria Cavalcanti da Rocha

Rio de Janeiro

April 2018



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**Profa. Angela Maria Cavalcanti da Rocha**

Orientadora

Departamento de Administração – PUC-Rio

**Prof. Marcus Wilcox Hemaís**

Departamento de Administração – PUC-Rio

**Prof. Renato Dourado Cotta de Mello**

UFRJ

**Profa. Arianne Cristine Roder Figueira**

UFRJ

**Prof. Otávio Henrique dos Santos Figueiredo**

UFRJ

**Prof. Augusto Cesar Pinheiro da Silva**

Coordenador Setorial do Centro de Ciências Sociais – PUC-Rio

Rio de Janeiro, April 24, 2018

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**Maria Luiza Carvalho de Aguillar Pinho**

Graduated in Psychology at PUC-Rio in 1990, post-graduated M.Sc. in Business from COPPEAD, Federal University of Rio de Janeiro worked directly with international business management at a French multinational for 15 years.

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## Abstract

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International licensing is a vital entry mode for the creative industries, a dynamic sector of the world economy, growing at a faster pace than traditional sectors. The context of digitalization increased the relevance and value of content and brand/character licensing. In 2016 global retail of licensed merchandise reached 272 billion dollars driven by entertainment/character which represented 45% of the total (LIMA, 2017). The International Business (IB) literature argues that licensing is a low-cost, low-involvement and low-risk entry mode although it is the sole alternative for some sectors. The lack of academic research on the subject, the relevance of licensing for the creative industries and the limited presence of Brazilian firms in the international market motivated this research. This Ph.D. dissertation comprises four essays that evolved in parallel, although complementary, directions to better gather different perspectives on the subject. The initial effort was to map the extant literature on international licensing. The first essay evaluated the use of different theoretical perspective in IB research and the application of these theoretical perspectives to small and medium-sized firms. The second essay reviews the IB literature to understand the theoretical influences on the study of licensing using a bibliometric approach. A third essay, of an exploratory nature, analyzed for case studies from small-sized Brazilian firms aiming at understanding how licensing was present in their business and its use in their international process. Finally, the fourth essay consisted of a survey to identify the perceptions of executives from a segment of the creative industries concerning international licensing for their content and brands/characters. Finally, general conclusions were drawn from the four essays, theoretical implications were presented and recommendations were made for the use of licensing by managers.

## Keywords

International Business; International Licensing; Bibliometrics; Case Studies; Survey Creative Industries.

## Resumo

Pinho, Maria Luiza Carvalho de Aguillar; Rocha, Angela Maria Cavalcanti da. **Licenciamento Internacional como Opção Estratégica as empresas da Indústria Criativa.** Rio de Janeiro, 2018. 162p. Tese de Doutorado – Departamento de Administração, Pontifícia Universidade Católica do Rio de Janeiro.

O licenciamento internacional é um modo de entrada vital para as indústrias criativas, consideradas um dos setores mais dinâmicos da economia global, com crescimento mais rápido do que o dos setores tradicionais. O contexto da digitalização aumentou a relevância e o valor do licenciamento de conteúdo e marcas/personagens. Em 2016, o mercado de vendas de mercadorias licenciadas atingiu 272 milhões de dólares, estimulado pelo segmento de entretenimento/personagens, que representou 45% do total (LIMA, 2017). A literatura de Negócios Internacionais (NI) argumenta que o licenciamento deve ser visto como um modo de entrada de baixo custo, baixo envolvimento e baixo risco, mas trata-se, em alguns casos, da única forma de internacionalização acessível a algumas empresas. A insuficiência de pesquisa acadêmica sobre o tema, a relevância do licenciamento para as indústrias criativas e a limitada presença de empresas brasileiras no mercado internacional motivaram esta pesquisa. Esta tese de doutorado compreende quatro ensaios que foram desenvolvidos em direções paralelas, ainda que de forma complementar, para entender melhor as diferentes perspectivas sobre o tema. Procurou-se, inicialmente, mapear a literatura sobre licenciamento internacional. Assim, o primeiro ensaio avaliou o uso de diferentes perspectivas teóricas na pesquisa em NI e a aplicação de tais perspectivas teóricas a pequenas e médias empresas. O segundo ensaio realizou uma revisão de artigos publicados em NI para estudar as influências teóricas, usando um enfoque bibliométrico. Os dois últimos ensaios caracterizam-se como pesquisa empírica. O terceiro ensaio, de natureza exploratória, analisou estudo de casos de pequenas empresas brasileiras, com o propósito de compreender como o licenciamento internacional estava representado em seus negócios e seu uso no processo de internacionalização. Finalmente, o quarto ensaio consistiu de uma survey para identificar as percepções de licenciamento internacional de executivos de um segmento das indústrias criativas, no que se refere a conteúdo e marcas/personagens. Por fim, conclusões gerais foram extraídas dos quatro

ensaios, chegando-se a implicações teóricas e recomendações quanto ao uso de licenciamento por gerentes.

### **Palavras-chave**

Negócios Internacionais; licenciamento; indústrias criativas; modos de entrada.



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## List of abbreviations

**APEX** - Brazil - Brazilian Investment and Export Promotion Agency

**CCI** - Cultural and Creative Industry

**CISAC** - Confederation of Authors and Composers Societies

**DCMS** - Department for Digital, Culture, Media & Sport

**GDP** – Gross Domestic Product

**IB** – International Business

**IPLC** - International Product Life Cycle Theory

**LIMA** - International Licensing Industry Merchandising Association

**UNCTAD** - United Nations Conference on Trade and Development

**UNDP** - United Nations Development Programme

**UNESCO** - United Nations Educational, Scientific and Cultural  
Organizations

**OECD** - Organization for Economic Co-operation and Development

**PWC** – PricewaterhouseCoopers

**TCE** – Transaction Cost Economics

**WIPO** - World Intellectual Property Organization

**WTO** - World Trade Organization

*“What an extraordinary situation is that of us mortals!  
Each of us is here for a brief sojourn; for what purpose he knows not, though he  
sometimes thinks he feels it.  
But from the point of view of daily life, without going deeper, we exist for our  
fellow-men-in the first place for those on whose smiles and welfare all our  
happiness depends, and next or all those unknown to us personally with those  
destines we are bound up by the tie of sympathy.*

Albert Einstein in The World as I see it (2014)



# 1

## Introduction

Changes in the technological scenario of the 21<sup>st</sup> century have produced dramatic changes in society, due to disruptive advances in the communication and information technologies. As a result, industries and companies around the world have been thriving to adapt and survive to this new reality. Newcomers with new business models challenge traditional business dogmas. In this disruptive scenario, the cultural and creative industries are no different from others industries.

Cultural and creative industries comprise different segments of the economy. According to UNESCO (2018), the principal purpose of the cultural and creative industries “is production or reproduction, promotion, distribution or commercialization of goods, services and activities of a cultural, artistic or heritage-related nature.” The UNESCO (2012) classification considers 11 sectors: advertising, architecture, books, gaming, music, movies, newspapers and magazines, performing arts, radio, TV and visual arts. The key element in value creation is the “individual creativity, skill and talent” (WHITE, GUNASEKARAN, ROY, 2014, p. 47). As stated by the president of the Confederation of Authors and Composers Societies (CISAC), Jean Michel Jarre, there is no frontier for arts since “arts knows no boundaries” (ERNST, YOUNG, 2015, p. 6).

Creativity is perceived as a leverage for countries to achieve competitive advantage (WHITE *et al.*, 2014) and it is more than just revenues and employment but also provides confidence and fulfillment to the society (BOKOVA, 2014). According to the Cultural Times (2015) report, the cultural and creative industries comprise 3% of the world GDP (considering the “underground economy<sup>1</sup>” and digital consumption) and employ 29.5 million people. Although television has the most prominent revenues, there is a diversity

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<sup>1</sup> The underground economy is defined according to Smith (1997, p.15) where “market-based production of goods and services, whether legal or illegal, that escape detection in the official estimates of GDP”.

of corporate profiles from big multi-media players to individuals and small business.

It is also noted that the creative industries have increased their share in international trade at a faster pace than traditional manufactured products and commodities. Not only their importance rises in the global economy, but also the creative industries are leading many of the fundamental changes in society. In fact, digital technology is changing the way people consume entertainment, information, and communication. However, digital transformation “does not occur in isolation; it is shaped by and contributes to shaping, the broader economy, and society as a whole. (OECD, 2017, p. 27)

This dissertation focuses on the intellectual properties originating from creative development, which can extend intangible content to tangible merchandise, engendering revenues for the use of intellectual property rights. A creative content might have been originated in one cultural and creative industry (CCI) and migrate across platforms and formats. For example, a game developed in the United Kingdom, Grand Theft Auto 5, has moved in 24 hours from the fastest selling video game to the most viewed movie trailer for an action-adventure video game, and Moshi Monsters, a website created in 2008 for monster adoptions and online gaming, with 80 million players (2013) was successfully launched as a movie and had achieved brand licensing.

The essays that compose this dissertation are concerned with these new realities in the global marketplace, and, particularly, with one segment of the creative industries: the animation industry. As pointed out by Lee (2010, p. 184): “In spite of its recognizable contribution to the creative economy, the animation industry has not been given adequate attention by creative industries researchers.”

This introduction chapter is organized in five sections: the industry under analysis and its different venues, the theoretical background used as boundaries for the development of the research questions and hypotheses, and the structure of the dissertation.

## 1.1. Creative Industries

### 1.1.1. UNCTAD Perspective

*“The creative economy is a mysterious animal: it’s found in many land habitats around the world; it mostly frequents cities, often searching out cultural quarters and clusters; moreover it seems to have many heads and appendages, and depending on where one is located it has many tongues. Policymakers talk it up; academics are inclined to talk it down, while artists and creative practitioners are ambivalent: if it helps their work to get noticed they’re happy to ‘talk the talk” (UNDP, 2013, p. 19)*

The term “creative industries” was first coined to “signpost the significant interface between commercial and cultural activity and the emerging new media driven by technological change” (FOORD, 2008, p. 94). Although there are different definitions from country to country (UNDP, 2010), the differences are on the allocation of industries that are part of the creative industries (Table 1).

Table 1 - Core classification system for creative industries for selected references

DCMS	WIPO Copyright Model	UNESCO Institute for Statistics Model
Advertising	Core copyright industries	Industries in core cultural domains
Architecture	Advertising	Museums, galleries, libraries
Art and antiques market	Collecting societies	Performing arts
Crafts	Film and video	Festivals
Design	Music	Visual arts, crafts
Fashion	Performing arts	Design
Film and video	Publishing	Publishing
Music	Software	Television, radio
Performing arts	Television and radio	Film and video
Publishing	Visual and graphic art	Photography
Software		Interactive media Industries
Television and radio		
Video and computer games		

Source: Adapted from UNCTAD, 2013, p. 22

According to the United Nations Conference on Trade and Development (UNCTAD), exports of creative goods and services grow faster than those of the conventional economic sectors and even more than those of some technology sectors (UNDP, 2013). In 2012, it was reported a global market for traded creative goods and services of \$547 billion with sustainable growing between 2003 and 2012 of 8.6% annually (UNCTAD, 2016). Estimates of the trade of creative goods and services presently surpass 620 billion dollars (BOKOVA, 2014). Developed economies were the leading players in the exports of creative goods and services with 60% of global share in 2003, compared to 32% of developing economies.

However, the growing participation of developing countries such China and those of East-Southern Asia led to a decrease in developed economies share to only 42%, while developing economies expanded to 48% in 2012.

Statistics are available concerning the trade of creative goods. In 2015, the main exporting segment for creative goods was digital fabrication (3D printers, 3D scanners, laser cutters and others), with a 35.6% share, down from the previous level of 41% in 2002. The second key sector in the ranking was the new media, directly related to computer equipment, with 29.8% in 2015 against 16.2% in 2002. The third in relevance in 2002 was audiovisual with 24%, but its share decreased to only 11% in 2015. However, this reduction is mainly due to the decrease in the sales of CDs, DVDs, and tapes (UNCTAD, 2016).

The measurement of creative industries' exports and imports of goods faced some issues due to methodological reclassification and the reduction of country reports (UNCTAD, 2016). Table 2 shows the values of creative industries' exports and imports of goods.

Table 2 - Values of creative industries related goods exports and imports (\$ billions of dollars)

	2002		2005		2010		2015	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
<b>All related goods</b>	<b>608.13</b>	<b>639.69</b>	<b>939.95</b>	<b>1.009.73</b>	<b>793.85</b>	<b>854.57</b>	<b>837.01</b>	<b>864.53</b>
Audiovisuals	145.64	143.32	254.07	246.07	93.55	101.63	89.99	95.38
Design	74.914	77.465	120.61	125.49	178.54	159.29	217.54	167.11
Digital fabrication	251.57	270.09	366.42	421.25	238.52	301.39	246.11	307.58
New media	98.43	110.29	153.21	169.61	241.41	249.72	245.97	257.56
Performing arts	4.22	4.55	5.65	6.08	6.59	7.05	6.79	7.04
Publishing	10.59	10.39	15.10	14.97	13.06	13.55	11.31	11.54
Visual arts	22.76	23.58	24.88	26.26	22.16	21.93	19.30	18.33

Source: UNCTAD Stat

Creative services exports presented a sustained growth, reaching 177.2 billion dollars in 2011, which represents an average increase of 11% from 2002 to 2011 (Figure 1).

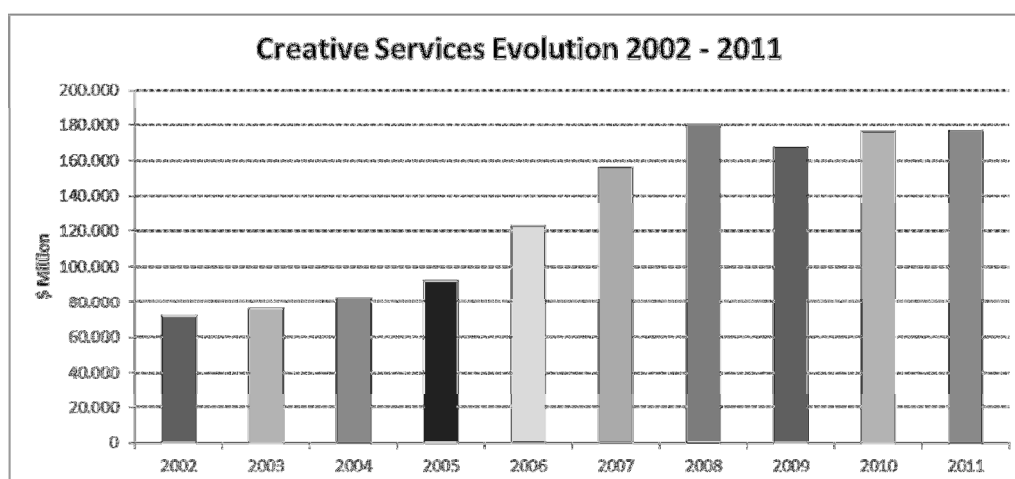


Figure 1 – Evolution of creative services in value from 2002 – 2011

Source: Elaborated using UNCTAD, 2016, p.10

The central segment in the creative services is the personal, cultural and recreational services, which accounts for more than 42% (UNCTAD, 2016), although this value represents only 0.9% of total exported services. World exports of personal, cultural and recreational services surpassed 45 billion dollars in 2016<sup>2</sup>. The main exporters were companies from developed countries such as the United Kingdom, Luxembourg, France, Malta, and Germany, although developing countries, such as Turkey and India, have gained share. Turkey reached the 7<sup>th</sup> position and India the 8<sup>th</sup> among the top 10 exporters in 2016. Also, there were ten developing countries among the top 30 exporters in 2016 (Table 3).

<sup>2</sup> Data collected from World Trade Organization statistical database.

Table 3 – Volume of exports of Personal, Cultural and Recreational Services for selected countries (\$ millions of dollars)

	2010	2011	2012	2013	2014	2015	2016
Australia	702	827	791	661	879	716	628
Austria	311	368	411	548	582	439	488
Belgium	661	778	743	890	1400	1236	1268
Brazil	2359	2721	2957	2745	681	314	568
Canada	2291	2441	2663	2498	1729	1581	1829
China	123	123	126	147	175	731	744
Denmark	504	487	415	617	705	474	495
France	3120	2408	2780	2970	3426	2967	2876
Germany	1126	1105	1029	1778	1913	1799	1860
Hungary	231	318	267	367	558	421	534
India	975	345	767	1232	1266	1266	1397
Ireland	334	353	320	329	329	275	274
Japan	149	159	181	159	471	649	812
Republic of Korea	396	521	675	731	922	888	1131
Luxembourg	2130	3200	3801	5230	6469	5165	4256
Malta	1879	2324	2245	2394	3345	2243	2448
Netherlands	0	0	0	0	2742	992	1059
New Zealand	398	447	601	504	485	333	281
Norway	164	315	403	387	289	224	293
Poland	308	523	387	383	426	457	674
Portugal	358	332	356	400	291	233	254
Russian Federation	474	493	556	770	681	341	421
Singapore	505	518	534	558	563	450	462
Sweden	387	573	525	538	490	445	442
Switzerland	362	410	390	599	735	536	599
Turkey	912	1269	1218	1282	1795	1873	1587
United Kingdom	3414	5004	5418	4765	3498	3827	5147
United States of America	2994	3074	3140	3091	3266	3091	2513

Source: Table elaborated using statistics from the WTO Database.

The profile of leading importers of personal, cultural and recreational services is mixed between advanced and developing countries, although there are important differences among the balance between exports and imports (Table 4).

Table 4 – Volume of imports of Personal, Cultural and Recreational Services for selected countries (\$ millions of dollars)

	2010	2011	2012	2013	2014	2015	2016
Argentina	338	426	457	485	493	517	506
Australia	1270	1674	1727	1633	1559	1509	1373
Austria	991	1003	1063	1145	1234	1017	1039
Belgium	849	1091	930	988	1292	1096	1120
Brazil	336	337	216	302	2222	973	856
Canada	2123	2300	2808	2222	1933	1936	2017
China	371	400	564	783	873	1899	2143
Denmark	995	984	1030	1262	1514	1433	1493
Finland	277	339	413	428	491	430	524
France	2669	2908	3896	4682	4564	4499	4143
Germany	2781	2843	2535	2792	3463	2769	2976
Hungary	428	456	426	420	490	926	976
India	4180	345	542	725	1390	1369	1895
Italy	679	564	494	514	654	472	398
Japan	935	977	1199	1130	850	1281	1396
Republic of Korea	640	608	770	815	905	665	667
Luxembourg	1961	2869	3393	4262	4774	4842	3789
Malaysia	289	348	605	879	973	874	791
Netherlands	0	0	0	0	2640	1260	1364
Norway	539	1569	1823	1820	1693	1320	1368
Poland	945	1584	1133	763	810	724	773
Portugal	599	603	590	550	302	265	286
Qatar	0	1428	1398	2115	1480	1346	1697
Russian Federation	999	1059	1117	1264	1611	1092	1025
Singapore	472	490	476	454	505	454	466
Sweden	413	439	448	511	563	535	467
Switzerland	888	1069	1067	1131	833	672	561
Turkey	260	296	330	473	442	379	355
United Kingdom	3698	3746	3908	5101	5172	4901	4423
United States of America	2145	2363	2308	2310	2172	2313	2015

Source: Table elaborated using statistics from the WTO Database.

Another relevant issue is the charges for intellectual property rights. Applications for trademarks increased 13.5% in 2016 in comparison to 2015, the most significant growth occurring in patents, utility models and industrial designs (WIPO, 2018).

Exports of charges for the use of intellectual properties reached 314 billion dollars in 2016. The U.S. is the top exporter, accounting for 39% of the total. The profile of exporters remains within the advanced economies such as Japan, the Netherlands and other European countries (Table 5). In 2016, all European countries together represented 40.2% of the total amount, and Asiatic countries 17.8%. There was a remarkable increase in the relative share of countries such as South Korea, which showed a 300% increase.

Table 5 - Volume of Exports of Charges for the use of intellectual property for selected countries (\$ millions of dollars).

	2010	2011	2012	2013	2014	2015	2016
Austria	926	1038	1096	1075	1157	885	952
Belgium	2489	2537	2656	3351	3377	3195	3507
Canada	2814	3345	3932	4571	4543	4329	4468
China	830	743	1044	887	676	1081	1172
Chinese Taipei	460	838	932	1017	866	1190	1235
Denmark	2025	2475	2264	2306	2527	2133	2265
Europe	88270	101980	100670	109990	122050	123750	126330
Finland	2329	3187	3331	3541	2649	2453	2720
France	13610	15342	12723	13150	14302	14976	15627
Germany	8246	10725	10285	13431	15000	14596	16859
Hungary	2033	2184	2035	2077	2077	1504	1719
Ireland	2921	5003	4987	5828	6955	7456	8322
Israel	380	723	856	763	890	761	880
Italy	3645	4033	4102	3685	3304	3051	3278
Japan	26683	29058	31890	31573	37385	36477	39013
Korea, Republic of	3188	4399	3903	4328	5167	6199	6622
Luxembourg	550	576	1172	1398	1733	1613	1543
Middle East	400	740	870	850	2570	2500	2670
Netherlands	0	0	0	0	19693	25345	25713
North America	110420	126770	128470	134980	134630	129300	126860
Singapore	976	1662	1857	3176	3784	5180	5340
Spain	0	0	1363	1175	1440	1615	1921
Sweden	5776	6638	7548	7834	9176	8833	7263
Switzerland	13358	15764	17281	18613	18221	16178	17539
United Arab Emirates	0	0	0	0	1634	1688	1715
United Kingdom	16557	16956	15160	17107	18003	17539	14777
United States of America	107521	123333	124440	128034	129890	124664	122226
World	234660	270310	273960	291520	311990	310520	314060

Source: Table elaborated using statistics from the WTO Database.



The Internet has a significant impact on the production of content, since the creation, production, and distribution is much faster, and innovative business models emerge. The variety of copyright systems around the world and the different licensing regimes for content across sectors are still a challenge for authors and creators trying to internationalize.

### **1.1.2. Entertainment and Media Industry**

The entertainment and media industry is considered as part of the creative industries, although there is not a clear boundary between specific sectors. The media industry in particular, even before the changes boosted by the internet and by technological convergence, did not have a standard accepted definition. As Kung (2008, p. 17) comments: “The media industry is not a monolith, but rather a conglomeration of different industries that have the creation of mediated content as a common activity.”

Leading consulting firms, such as PricewaterhouseCoopers, McKinsey, Ernst & Young, and Deloitte, use different delimitations in their reports (Table 6), although their studies date longer than the database for the creative industries elaborated by international organizations such as UNCTAD or UNESCO. The advantage of those reports is the international structure behind their construction, which allows a broad perspective of different regions. To reduce confusion, it was decided to elaborate the analysis of the content consumption based on the Entertainment and Media Outlook developed by PWC, which is used as a reference by the department of commerce of the United States on the International Trade Report and analysis.

Table 6 – Structure of media industries sectors according to consulting firms.

	Price Waterhouse Coppers	McKinsey	Ernest & Young
<b>Sectors</b>	– Internet access spending: wired and mobile	– Digital Advertising	– Advertising
	– Internet advertising: wired and mobile	– Broadband	– Architecture Music
	– Television subscriptions and license fees	– TV Advertising	– Movie
	– Television advertising	– In-Home Video	– Books
	– Music	– Entertainment	– Gaming
	– Filmed entertainment	– Audio Entertainment	– Newspapers and magazines
	– Video games	– Cinema	– Performing Arts
	– Radio	– Out-of-Home	– Radio
	– Out-of-home advertising	– Consumer Magazine	– TV
	– Consumer magazine publishing	– Publishing	– Visual arts
	– Newspaper publishing	– Newspaper	
	– Consumer and educational book publishing	– Publishing	
	– Business-to-business	– Consumer Books	
		– Educational Publishing	
		– Video Games	

Source: Based on the different reports analyzed.

According to PWC (2016), the entertainment and media industry reached \$1.7 trillion in revenues in 2015. The forecast for the next five years indicates a 4% average increase each year. Growing markets are the emerging countries. Compared with mature markets (3.1%), the BRICS will have a growth of 8%, led by India (10.5%), China (8.3%) and Russia (7.2%). Nevertheless, in market size, the U.S. market is still the most significant accounting for \$602,973 million dollars (Figure 2).

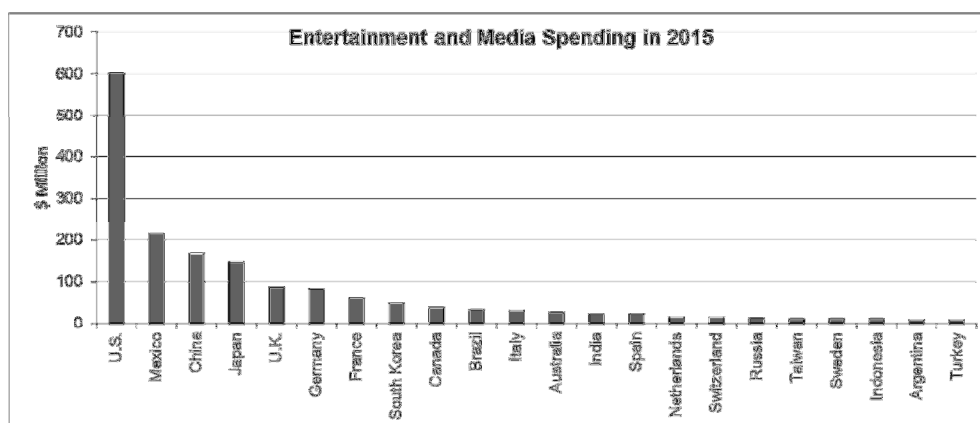


Figure 2 – Entertainment and media spending of Top 20 countries in 2015(\$ million).

Source: Adapted from PWC 2016, p. 17.

The internet will be the primary driver of growth in the next years, with an estimated 7.8% increase, followed by video-games (4.8%), video entertainment (3.6%), music (2.3%), and publishing (1.1%) (PricewaterhouseCoopers, 2016).

## 1.2. Animation Business Evolution

The animation industry is considered as an important segment of the creative industries. Its singularity relies on the cross-section with movies, TV, advertising, video-games, computer and new media (LEE, 2010).

Since 1914, with the first animated movie character expressing emotions, the animation industry faced severe constraints until it was able to completely computerize animations. Characters such as Gertie the Dinosaur, Felix the Cat, and Mickey Mouse appealed to children and often to adults. The period between 1930 and 1960 is recognized as the ‘Golden Age’ of American animation, with Disney Studios, Universal Studios, Warner Brothers, Paramount and other producers. The global market is dominated by three American groups: Disney, Cartoon Network (owned by Time Warner), and Nickelodeon (Viacom). Those studios are vertically integrated, from pre-production to the exhibition with their channels. They have an increasingly global footprint.

But animation evolved in different places worldwide using different resources, creating and adapting techniques and machines. Around the world, there are differences also in the manner how the animation business is related to national policies (LEE, 2010). In Europe, South Korea and China, for example, there are local government incentives to promote the independent production. The difference from the U.S. also relies on the non-existence of significant vertical integration linking production and exhibition. These countries’ animation studios are typically independent producers or small media enterprises. In the new global environment, emerging countries such as Brazil, Argentina, or Russia are having the opportunity to commercialize their animations.

The Brazilian animation industry has faced constraints to reach technological and financial capabilities to compete in the international market. Indeed, Brazil did not have a national identity in the animation business, until the internationally-renowned cartoonist Mauricio de Sousa published or broadcasted his “Monica and Friends” in several countries.<sup>3</sup>

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<sup>3</sup> The case is studied in this dissertation in Essay 3.

Before the introduction of the cable TV, there was only one key player in the Brazilian TV industry, Rede Globo TV. The company is the big producer of Soap operas and the largest broadcaster operator (ERNST & YOUNG, 2015). The cable TV allowed new and international channels to start broadcasting in Brazil. Initially, the grid for kid's content was restricted to Rede Globo "Saturday" mornings. Suddenly there were new channels with 24 hours programming for kids increasing the demand for children's animation content. The new environment facilitated the development of Brazilian animation industry.

### **1.3. Licensing the Creative Industries**

The licensing of intellectual properties involves the assignment of rights from the property owner (named the licensor) to different enterprises (designated licensees) in exchange for payment, usually a fee over the product sales (named royalties). According to the licensor and the category the royalties can vary from 1 to 14% due to the property value and category.

The industry licenses content for exhibition, but can also license brand/characters, which can be materialized in a plush, in a figure, or even in clothes and other products. According to International Licensing Industry Merchandising Association - LIMA (2017), the global retail sales of licensed merchandise reached \$262.9 billion in 2016, the second year with more than 4% of average annual growth. The properties originated from entertainment/character are the most significant segment in size, with 45% in 2016 (Table 7). The properties are present in several product categories, but apparel and toys account for one-quarter of the total (LIMA, 2017).

Table 7 - Global retail sales of licensed merchandise.

Property Type	Sales (\$ millions of dollars)			$\Delta$ (%)	
	2014	2015	2016	2015/2014	2016/2015
Art	1,761	1,439	1,775	-18.3	23.3
Celebrity	3,359	4,209	4,452	25.3	5.8
Entertainment /Character	106,938	113,245	118,324	5.9	4.5
College	4,625	5,940	5,757	28.4	-3.1
Fashion	30,784	29,756	31,068	-3.3	4.4
Music	2,360	2,816	3,081	19.3	9.4
Non Profit	1,080	921	971	-14.7	5.4
Sports	23,398	24,889	25,298	6.4	1.6
Corporate/Brand	54,109	52,820	54,641	-2.4	3.4
Publishing	13,123	15,678	17,513	19.5	11.7
<b>Total</b>	<b>241,537</b>	<b>251,713</b>	<b>262,880</b>	<b>4.2</b>	<b>4.4</b>

Source: elaborated using Global Licensing Report from LIMA (2014, 2015, 2016)

Disney is the most prominent licensor accounting for more than 40% of the retail sales in 2016. The company has been increasing its share each year. The singularity of the industry is that the licensing management can be operated directly, which means the licensor is also responsible for the license agreement with licensees, or can be managed indirectly, using licensing agents.

Table 8 – Sales and ranking position of licensors dedicated to kids and teens

Kids and Teens Licensors	Sales (US\$ Billion)				Ranking Position			
	2016	2015	2014	2013	2016	2015	2014	2013
Disney Consumer Products	56.6	52.5	45.2	40.9	1	1	1	1
Iconix Brand Group (Snoopy)	12	13	13	13	4	4	4	4
Hasbro (My Little Pony. Transformers)	6.2	5.9	5.06	4.4	6	6	10	11
Warner Bros. Consumer Products	6.5	6	6	6	5	5	7	7
Universal Brand Group (Universal Pictures. Dreamworks. NBC.)	6.1	7.8	5.3	5.05	7			
Nickelodeon Consumer Products	5.5	5.5	5.5	5.4	8	9	9	9
Rainbow	4.5	4.3	4.3	4.1	11	12	12	12
Sanrio	4.2	5.9	6.5	8	12	7	6	6
The Pokemon Company	3.3	2.1	2	1.5	19	29	34	40
Toei Animation (Dragon Ball)	2.5	0.3	0.38	0.38	28	89	84	85
Mattel	2.3	2.3	9	9	29	27	5	5
Cartoon Network	2.1	2	2	2.4	31	30	28	26
Twentieth Century Fox	1.5	1.9	2.1	2.6	42	35	27	24
Entertainment One (Peppa)	1.3	1	0.93	0.77	44	49	61	66
Sesame Workshop	1.3	1.3	1.6	1.8	46	46	38	33
Moose Toys (Shopkins)	1	0.1			53	137		
Saban Brands (Powerrangers)	0.9	0.87	0.85	0.75	57	58	66	68
The Lego Group	0.8	0.7	0.65	0.6	59	62	69	69
Dhx Brands (Telletubies)	0.7	0.5	0.24		60	71	103	
Rovio Entertainment	0.64	0.39	1.1	2.2	63	79	51	28
STUDIO 100 GROUP (Maya The Bee)	0.5	0.5	0.5	0.436	71	73	76	78
Sony Pictures Consumer Products	0.335	0.28	0.225	1.3	87	92	105	46
41 Entertainment	0.29	0.32	0.05		90	86	151	
Animacord (Marsha And The Bear)	0.23	0.2			104	107		
4K Media (Yu-Gi-O)	0.2	0.12	0.12		107	132	132	
Aardman Animation (Wallace & Gommit)	0.14	0.14	0.14	0.115	127	121	123	123
MGA Entertainment (Lallaloopsi)	0.086	0.085	2	2	141	143	32	32
Viz Media North America	0.06		0.05	0.05	150		153	148
Bromelia Productions		0.16	0.3			115	89	
<b>Total</b>	<b>272.2</b>	<b>262.2</b>	<b>259.9</b>	<b>251.8</b>				

Source: elaborated using the Top 150 Global Licensors published in 2017, 2016, 2015 and 2014

The U.S. market is the largest for licensing intellectual properties, although other regions of the world have been gaining space in the business (Table 9). There is a strong relationship between the amount of entertainment and media created and the licensing of intellectual properties.

Table 9 - Regional Retail Revenues

	Sales (\$ millions of dollars)			$\Delta$ (%)	
	2014	2015	2016	2015/2014	2016/2015
US and Canada	140,107	145,550	152,284	3.9	4.6
Western Europe	46,760	50,560	52,368	8.1	3.6
N Asia	21,951	23,482	24,522	7.0	4.4
LATAM	10,414	9,597	9,953	-7.8	3.7
Eastern Europe	9,621	9,479	9,802	-1.5	3.4
Southeast Asia/PAC	6,649	8,398	8,970	26.3	6.8
Middle East/Africa	5,132	4,505	4,606	-12.2	2.2
Rest of the World	903	330	374	-63.5	13.3
<b>TOTAL</b>	<b>241,537</b>	<b>251,901</b>	<b>262,879</b>	<b>4.3</b>	<b>4.4</b>

Source: elaborated using Global Licensing Report from LIMA (2014, 2015, 2016).

#### 1.4. Research Motivation

The motivation to carry out this research comes from two sources: the interest on the subject due to a professional experience of the researcher and the identification of a theoretical gap in the international business literature.

The researcher had the opportunity to participate in a project concerning specifically the subject of licensing for the Brazilian Investment and Export Promotion Agency – Apex-Brasil, conducted by the Pontifical Catholic University of Rio de Janeiro, just before starting her PhD studies in this university. During this project, several contacts were made with the animation studios, showing that licensing could be an interesting and profitable business. At the same time, the researcher found out that the academic literature on licensing was scarce, and did not seem to be able to explain the situation of these firms.

The international business (IB) literature is the theoretical background used for the research and due to the limited availability of research regarding the use of licensing outside developed countries and manufacturing firms, the researcher was motivated to seek and expand the knowledge of licensing in international business. In fact, the leading theories in international business were developed in

the 1960's (IETTO-GILLES, 2005a) and did not take into account recent technological changes, particularly digitalization, that had become a critical driver of the audiovisual industry.

The literature on international licensing, departing from two different theoretical perspectives, offers two explanations for licensing. On one side, the use of licensing is seen in the context of a dichotomous choice between licensing and foreign direct investment, being considered a risky and less profitable alternative. On the other side, licensing is seen as a low-cost, low-involvement, low-commitment and low-risk entry mode alternative.

Therefore, this research aimed at exploring this research gap and contribute to the use of international licensing in a new context and with new firms' profiles. The following research question inspired this dissertation: *How the animation business operates in the international markets and how the use of licensing is perceived?* In order to answer this research question, four objectives were pursued:

1. To understand how the use of international licensing is described by IB theories;
2. To identify the extent to which IB empirical studies consider the use of international licensing;
3. To investigate when, how, and why Brazilian animation studios have considered international licensing as an entry mode to international markets, and how the use of international licensing evolved;
4. To understand how executives from this industry perceive international licensing.

## 1.5. Structure of the Thesis

The four essays that are at the core of this dissertation are positioned to contribute to theory development using different research methods. Each essay is directed towards achieving one of the objectives previously described.

The dissertation followed three different, although complementary directions to answer the research questions. The first direction was to understand the role of international licensing in the IB literature. To develop this understanding two studies were developed:



- Analysis of the main theoretical perspectives in IB that explicitly deal with international licensing (Essay 1)
- Review the IB literature beginning from 1960s to the present, using a bibliometric approach (Essay 2)

The first and second essays resulted in papers presented at international conferences. Those essays are presented in Chapter 2.

The second direction was the development of case studies of Brazilian firms using licensing as their approach to international markets. The result of project with Apex-Brasil was the development and publishing of three teaching case to be used in classroom for each company. As the development of the dissertation started, it was decided to use the original cases as a multiple-case study to understand the phenomenon of international licensing by Brazilian firms. Accordingly, additional interviews were made with the entrepreneurs and executives from the target firms. The result of this initiative is the third essay presented in Chapter 2.

The third direction was the development of a survey to understand executives' perceptions of the use of international licensing for content and brand/character. It seemed important to understand how the practitioners involved in the use of licensing perceived the main issues pointed out by the literature. The result of this initiative is the fourth essay presented in Chapter 2.

The final step of the dissertation was to integrate the findings from each paper and establish the linkage between the research question and the objectives with the results, to capture the contributions to the IB literature and arrive to suggestions for further research.

## **2**

### **The Essays**

#### **2.1.**

#### **Essay I - Expanding International Licensing Theory and Research: Challenges and Opportunities**

##### **2.1.1.**

##### **Abstract**

This essay contends that international licensing has been neglected by the extant theory as a strategic choice available to several types of firms in the new global environment. Traditional theoretical perspectives in the field of International Business see international licensing as an alternative, low-involvement, low-control, and low-risk entry mode. Nevertheless, globalization challenges many of the assumptions of these theories, and several firms in different industries are now considering licensing as their main alternative to operate in international markets, or creatively combine different methods of servicing foreign markets. The paper presents several challenges and opportunities to develop our knowledge of international licensing.

##### **2.1.2.**

##### **Introduction**

International licensing – technology and know-how transfer, and copyright and trademark licensing – is a growing segment of international business. Different sources disagree in their estimates of the size of the global market for licensing. Considering only the segment of licensed merchandise and services, the International Licensing Industry Merchandising Association (LIMA, 2016) estimates that worldwide retail sales reached 252 billion dollars in 2015. Despite the growing importance of licensing, and of the global market for licensed merchandise and services, the international business literature has given scant attention to licensing as an international strategy (BROUTHERS & MCNICOL, 2009), and even less to the international licensing of merchandise. In fact, licensing is the least researched method of entering and operating in international

markets, when compared to exporting, foreign direct investment, and even franchising (also a contractual mode).

We contend in this essay that the main theoretical perspectives in international business that have examined international licensing – the international product life cycle theory, internalization theory, and internationalization process theory – have limited application when it comes to study the international licensing activity of many types of firms, and, specifically, of firms operating in certain markets and industries. Part of the reason may be because these theories were developed in the 1960s and 1970s, when it was more difficult for certain types of firms to go international, such as smaller firms and service firms. These theories, in fact, have focused more on manufacturing and larger firms (e.g. LAUFS & SCHWENS, 2014).

This essay examines the main theoretical perspectives in the field of IB that deal with the choice of international licensing, unveils neglected issues, and suggests challenges and opportunities for future research. The paper proceeds as follows: after this introduction, we discuss the concept and the three main theoretical perspectives that examined international licensing. Subsequently, we look at several empirical situations that are not explained or insufficiently dealt with by these three theoretical perspectives here examined. Then we present our final considerations on the need for additional theoretical development and empirical research to support managerial decision-making on international licensing.

### **2.1.3. Conceptualizing International Licensing**

Licensing has been defined in several different ways, depending on the scope considered by each author. As a result, the same author may present more than one definition in different papers, or in different parts of the same work. Some authors offer more general definitions of licensing, which can apply to activities performed either in the domestic market or in international markets. For example, Sherman (2004) conceptualizes licensing as “a contractual method of developing and exploiting intellectual property by transferring rights of use to third parties without the transfer of ownership”; and Battersby (2013, p. 1) as “... any transaction in which the owner of a piece of intellectual property grants

another party the right to use such intellectual property, typically in exchange for some form of consideration or payment”.

Broader definitions tend to cover all aspects of the transfer of intellectual property rights (e.g., BRADLEY, 2005; ROOT, 1982), while narrower definitions tend to focus on one specific type of licensing, such as technology, trademarks, etc. While some definitions are based on the essence of the licensing activity, others focus on the characteristics of the license agreement. However, as pointed out by Johnson and Mottner (2000, p. 173), most authors see licensing as “...almost synonymous with the term ‘technology transfer’,” and therefore do not take into consideration in their conceptualizations the other side of licensing, related to copyright and trademark licensing. Brouthers and McNicol (2009, p. 185) list several types of intellectual property that can be licensed, such as “research and development ideas, inventions, formulas, technological know-how, services, brands, art, music, designs and trademarks.”

According to these definitions, licensing is: (i) A contractual (non-equity) arrangement; (ii) between two parties, the owner of an intellectual property (licensor) and an entity that wants to use this intellectual property (licensee); (iii) in which the licensor grants to the licensee the rights to use this intellectual property for the purpose of production and/or sale (iv) in a given market and (v) for a certain time, (vi) in exchange for some sort of compensation.

The conceptualization of international licensing differs somewhat from the generic view of licensing due to the focus on cross-border activities. In fact, definitions of international licensing are scarce and far from reaching a consensus. In the field of International Business (IB), most authors see international licensing as an alternative mode available to the firm entering a host market. Conceptualizations extracted from the IB literature characterize licensing as a low-involvement, low-control, and low-risk entry mode.(e.g. AULAKH, CAVUSGIL & SARKAR, 1998; HILL, HWANG & KIM, 1990B; JOHNSON & MOTTNER, 2000) In spite of the dominant view of licensing as an entry mode, Johnson and Mottner (2000, p. 172) contend that, at least to some extent, such a view is too limited. In fact, these authors suggest that licensing should rather be seen as “part of a firm’s overall international strategy.” In fact, when one considers international licensing under a broader strategic perspective, licensing may be seen not merely as an escape from risk, or a choice of low involvement

and low control of international operations, but rather as an active and strategically relevant approach to internationalization, which may increase shareholder value by generating new sources of revenue or market opportunities.

#### **2.1.4.**

#### **Theoretical Perspectives on International Licensing**

Different conceptualizations of international licensing tend to be associated to different theoretical perspectives embraced by the authors. Indeed, although most of the literature mentions licensing as an alternative entry mode, few theories have examined licensing in more depth. Among the theoretical perspectives that explicitly mention licensing are the International Product Life Cycle theory (VERNON, 1966), Internalization Theory (BUCKLEY & CASSON, 1976; RUGMAN, 2006), and the Internationalization Process Model (JOHANSON & VAHLNE, 1977, 1990). More recently, Brouthers and McNicol (2009) have discussed the potential application of institutional theory to the study of licensing, but we have found no studies using this perspective.

#### **2.1.5.**

#### **The International Product Life Cycle Theory and International Licensing**

Inspired by previous work on the technological gap between developed and underdeveloped countries and on the “life” of a product (IETTO-GILLES, 2005), Vernon proposed the IPLC theory. This theory intended to explain when international trade and, in particular, international production would take place as a product matures in terms of technological innovation.

The basic assumption behind the theory is that “enterprises in any one of the advanced countries of the world are not distinguishably different from those in any other advanced country, in terms of their access to scientific knowledge and their capacity to comprehend scientific principles” (VERNON, 1966, p. 191). The economic force behind the application of scientific principles to a new product is the result of entrepreneurial talent, which, although available in any country, needs two conditions to be successfully applied: geographical proximity to the market, and the resulting ease of communication. In more developed countries, consumers have a higher per capita income and are thus more prone to adopt new innovative products. Moreover, the cost of labor is high. Therefore, entrepreneurs

from developed countries show more awareness and promptness to transform scientific innovation into marketable products. As pointed out by Ietto-Gilles (2005, p. 70), in her review of Vernon's contributions to the understanding of why and how firms enter international markets, in IPLC theory the disposition of the entrepreneur is "associated with the market conditions in which entrepreneurs operate; this makes [market] knowledge inseparable from the decision-making process about its use."

Based on the idea of evolutionary steps toward international markets, which assume the development, diffusion, and maturation of a product, Vernon proposed four main stages in the international life cycle of a product originating in the U.S.: (i) Introduction of a new, innovative, and premium-priced product in the domestic market; (ii) Growth, a stage characterized by product standardization, mass production, economies of scale, declining prices, and exporting to high-income consumers in other countries; (iii) Maturity, when the technology or know-how becomes accessible to foreign firms that manufacture the product to serve their own markets, thus forcing U.S. firms to start production abroad; and (iv) Decline, when production is carried out in lower-income countries, and the U.S. market is served by imports.

Licensing in Vernon's theory is a complementary mode for the innovator in the early stages of domestic production if there is demand from a foreign market that cannot be reached by exporting. Nevertheless, the "licensing alternative may prove an inferior choice because of inefficiencies in the international market for technology" (VERNON, 1979, p.257). In his 1979 paper, Vernon presents empirical support for this contention, showing that U.S.-based multinationals used international production more often than licensing, especially after the product matured.

Vernon's theory stands up for its simplicity and fit to the data on multinational activities of U.S. based-firms at the time. However, his theory preceded the impact of globalization; advances in information and communication technologies, as well as the reduction of travelling costs, undermined some basic assumptions of the model. Vernon (1979) himself noted later that changes in the global market impacted the speed between a new product inception and its diffusion across different countries. Other authors, such as Cantwell (1995), criticised Vernon's theory on several aspects, including the fact that firms use

more often the three different entry modes in international markets – exporting, international production, and licensing – as complementary, not alternative, entry modes.

#### **2.1.6.**

#### **Transaction Costs Economics, Internalization Theory, and International Licensing**

The rationale behind TCE is strongly based on two behavioral assumptions: bounded rationality and opportunism (WILLIAMSON, 1985). The concept of bounded rationality assumes that although humans make rational decisions, there are limits to rationality as a result of physical characteristics (such as the ability to process information) and these limits are reached in certain situations, such as those with high levels of uncertainty or complexity. Opportunism implies that a potential partner is expected to behave in ways that protect his own self-interest; it “refers to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse” (WILLIAMSON, 1985, p. 47). Faced with the potential opportunistic behavior of economic agents, firms may choose to use their own structure (hierarchy) to manufacture their products, instead of using a third party (market). In some cases, firms may choose a hybrid form (such as a strategic alliance). Internalization (the choice of the firm’s own structure) has thus been conceptualized as “the process of making a market within a firm” (RUGMAN, 2006, p. 7).

The choice between alternative ways of servicing a market is mostly determined by three factors: uncertainty, asset specificity, and frequency of transactions. Asset specificity implies that certain assets employed in a transaction cannot be redeployed in other productive activities without losing at least part of their value. Uncertainty interacts with asset specificity, since uncertainty about the ex-post behavior of a partner becomes a more serious problem when there is a substantial investment in transaction-specific assets. Finally, the frequency of transactions refers to “large transactions of a recurring kind”, which permit to recover more easily “the cost of specialized governance structures” (WILLIAMSON, 1985, p. 60).

Internalization theory is rooted in Transaction Cost Economics (TCE). Internalization theorists see the multinational corporation as a firm that extends its boundaries beyond national borders, choosing to internalize markets by establishing production subsidiaries in a foreign country, in response to externalities such as export tariffs, restrictions to patent protection, etc. MNEs are assumed to possess unique firm competitive advantages, such as knowledge, marketing, or managerial skills, that can be more successfully transferred to other countries by using its own hierarchy than by using external markets (BUCKLEY & CASSON, 1976; 2009; CASSON, 1979). Internationalization theory aims therefore to be a general theory that explains the very existence of the multinational corporation, as a response to market imperfections (RUGMAN, 2006). It is not, however, limited to the MNE, but it is “a general principle that explains the boundaries of organizations” (BUCKLEY & CASSON, 2009, p. 1566).

Licensing differs from FDI because of the “externalization effect” (BUCKLEY, PASS & PRESCOTT, 1990, p. 277). When a firm licenses another in a different country, it transfers the right to use a technology, know-how, or trademark to produce and distribute products, while in FDI these functions are internalized. Rugman (2006) sees licensing as a risky choice; he claims that licensing, as well as other non-equity contractual arrangements, has “the potential to destroy the firm specific advantage of the MNE” (p. 4). The author demonstrates that, given certain assumptions, licensing tends to be the least profitable choice, compared to exporting and FDI, an argument earlier posed by Caves (1971). If the host country imposes high tariffs to exporting, which is often the case, FDI would be then the best choice for the MNE. The costs of licensing include: (i) first and foremost, the potential dissipation of the firm’s competitive advantages; (ii) the potential loss of control over its use; and (iii) the need to monitor the use of the license. Firms would therefore prefer foreign direct investment “when exporting and licensing are unreliable, inferior, or more costly options” (RUGMAN, 2006, p. 8).



Internalization scholars recognize, however, that firms may choose licensing under specific market and cost conditions, and that changes in entry modes can be triggered over time by changes in such conditions (BUCKLEY & CASSON, 2009). In fact, in a recent paper, Buckley (2014, p. 233) argues that “context matters”, that is, not only market imperfections, but also “the cultural, social, and political context in which the firm is embedded” impacts the decision to internalize or not. Casson, Porter and Wadeson (2016) point out that the difficulty to license technology led Chinese firms to acquisitions of European firms in order to have access to proprietary technology.

Internalization theorists have given special attention to knowledge-intensive industries:

*“An important special case [...] is where the intermediate product is a knowledge-intensive flow arising from an intangible asset. In this case, the MNE can be viewed as a firm that builds a system to exploit a temporary monopoly arising from an innovation. It does so by internalizing markets in relevant intermediate goods and services to maximise the private returns from the exploitation of the innovation. It substitutes for a theoretically perfect external market a system of knowledge creation and dissemination...” (BUCKLEY, 2014, p. 228).*

The international firm may choose to export knowledge-based products from its country of origin, to license its knowledge to foreign buyers (licensees) that detain the control of production/distribution of the flow of knowledge-based products in local markets (therefore potentially putting these advantages at risk), or to internalize (thus protecting its firm competitive advantage) (CASSON, 2014). In the last case, “the gains from knowledge internalization can be substantial”, due mainly to the fact that a potential buyer may be reluctant to pay the “right” price for a know-how or technology before acquiring full understanding of its potential, and the licensor cannot give the buyer full information without disclosing industrial secrets before signing a formal contract, a problem of information asymmetry (BUCKLEY & CASSON, 2009, p. 1567). Accordingly, the authors have demonstrated that MNEs occurred more often in knowledge-intensive industries (BUCKLEY & CASSON, 1976).

An interesting aspect of internalization theory is relevant to our analysis. Buckley and Casson (1976, 2009) distinguish between two types of knowledge: patentable and un-patentable. Internalization gains are predicted to be higher when knowledge cannot be patented, because in this situation information asymmetry and the risks of dissipation of the firm’s advantages are higher. Therefore, when

the firm's intellectual property can be protected, internalization gains can be low, and licensing may under certain conditions become a more attractive alternative. Hennart (2010) claims, however, that patents do not fully solve this problem, since patent enforcement poses an additional cost to the firm, and legal enforcement of intellectual property rights is difficult or inefficient in many countries. As a result of these considerations, the transfer of new and tacit knowledge incurs high transaction costs, and therefore this type of knowledge tends to be transferred internally; conversely, explicit, protected, established, and familiar technologies present low transaction costs and thus tend to be licensed.

In summary, internalization theory sees licensing as an alternative entry mode in international business, although a risky one. According to this theory, licensing should be avoided in knowledge-intensive industries, particularly when the firm's intellectual property cannot be patented, due to information asymmetry and potential opportunistic behavior of a partner, leading to inferior gains when compared to FDI. Therefore, licensing would be more acceptable in situations in which the firm does not need to protect its intellectual property, such as when the technology or know-how is already mature.

### **2.1.7. Internationalization Process Theory and International Licensing**

Licensing is only marginally considered by the Internationalization Process (IP) theory, also known as the Uppsala model. Similarly to internalization theory, the Uppsala model departs from the construct of uncertainty. The seminal work of Aharoni (1966), which inspired Uppsala scholars, suggests that uncertainty and risk are major drivers of internationalization decisions. In Aharoni's view, licensing was a less-risk alternative to manufacturing in a foreign country.

The concept of uncertainty is an "important ingredient" of the Uppsala model (VAHLNE & JOHANSON, 2013). The original version of the model (JOHANSON & VAHLNE, 1977; JOHANSON & WIEDERSHEIM-PAUL, 1975) associates uncertainty to a major obstacle to the firm's internationalization, the lack of market knowledge (BJÖRKMAN & FORSGREN, 2000). Uncertainty is mostly seen, in the original model, as market uncertainty: "... the decision-makers' perceived lack of ability to estimate the present and future market and market-influencing factors"... (JOHANSON & VAHLNE, 1977, p. 27). Only

direct experience in foreign markets allows the firm to acquire foreign market knowledge. As the firm improves its experiential knowledge on foreign markets, it gradually increases the commitment to foreign operations. Internationalization is thus conceptualized as an evolutionary process of incremental involvement with foreign markets (JOHANSON & VAHLNE, 1990).

Petersen and Pedersen (1997, p. 118) argue that “at the operational level (inductive), the [original] model states that incremental commitment is observable through the formation of establishment chains (in the individual foreign market) and in the geographic sequence of foreign country markets...”. The establishment chain, as empirically observed by Uppsala scholars in Sweden firms, consists of a linear sequence of stages. At each stage firms may adopt a different entry mode in the foreign country based on increased market knowledge. The stages are evolutionary steps since they require different levels of investments and commitment by the firm. They include: no international activities, exporting via agents, sales subsidiary, and production subsidiary (JOHANSON & WIEDERSHEIM-PAUL, 1975). In addition, some authors have suggested a step previous to manufacturing, consisting of “a mix of export and FDI in the form of a subsidiary with assembly activities” (PETERSEN & PEDERSEN, 1997, p. 119). The existence of the establishment chain has been challenged by several authors, but other studies found supporting evidence for the hypothesized phenomenon (HAGEN & HENNART, 2004).

Licensing was one of the first steps toward the foreign market observed in one of the four Swedish firms in the original empirical work by Johanson and Wiedersheim-Paul (1975). The use of licensing was associated to the existence of barriers to exporting to foreign markets, similarly to the choice of establishing a production subsidiary (JOHANSON & WIEDERSHEIM-PAUL, 1975). However, this entry mode was not included in the four sequential stages of the Uppsala model, possibly because it does not fit the logical sequence of the Uppsala model, as mentioned by Mirus (1980). In fact, no studies, to our knowledge, have examined how licensing fits into the establishment chain, using internationalization process theory. In addition, licensing is virtually absent from the revised Uppsala model (JOHANSON & VAHLNE, 2009; VAHLNE & JOHANSON, 2013).

Welch (1993, p. 67-68) found empirical evidence among Australian firms that “licensing to particular foreign markets was preceded by either no involvement or exporting” (p. 67), and therefore was “an earlier stage of international development” (p. 68). Firms that adopted licensing frequently showed a passive attitude towards international markets; only in a few cases licensing was part of a joint venture arrangement with a foreign partner. Licensing was often a “residual”, or secondary entry mode. Welch (1993) suggests, however, that licensing had the potential of becoming a “springboard” or a “stepping stone” to other opportunities in the international market. Therefore, it should be seen as an experimentation stage in the firm’s international development, leading to later adoption of more advanced entry modes. Hedlund and Kverneland (1993) found that several Swedish companies used licensing as an entry mode in Japan before moving to FDI. More recently, Zou and Ghauri (2010) found evidence from case studies that high-tech Chinese firms followed the gradual path predicted by the Uppsala model and used licensing as one of the first entry modes in specific international markets.

### 2.1.8. Comparing the Theoretical Perspectives

The main theoretical perspectives that examine international licensing in the context of firm internationalization offer sometimes conflicting, sometimes complementary explanations, as summarized in Table 10.

Table 10 - A Comparison of Three Theoretical Perspectives on International Licensing

Aspects	IPLC theory (Vernon)	TCE/ Internalization theory	IP theory (Uppsala model)
<b>Variables relevant to the model</b>	Macroeconomic variables (per capita income, labor costs, capital supply)	Uncertainty, asset specificity, frequency of transactions, opportunism, and bounded rationality	Uncertainty, knowledge, commitment
<b>Entry modes considered</b>	Exporting, licensing, FDI	Exporting, licensing, FDI	Exporting, licensing, sales subsidiary, assembly subsidiary, production subsidiary
<b>Trigger of mode choice</b>	Stage in the product life cycle	Potential dissipation of firms’ competitive advantages	Acquisition of experiential knowledge
<b>Role of uncertainty</b>	Not relevant	Key to decision-making	Key to decision-making
<b>Main source of uncertainty</b>	Not relevant	Opportunism and bounded rationality	Psychic distance

<b>Role of knowledge</b>	Unequal access to market knowledge leads to the development of new products by entrepreneurs in developed markets.	Lack of knowledge of potential opportunistic behavior of foreign partners and information asymmetry determines the choice of entry mode.	The acquisition of market knowledge is a key ingredient in the advancement of the internationalization process.
<b>Place of licensing among other entry modes</b>	Earlier stages of the IPLC, if there is demand in a foreign market.	Later stages of the internationalization process, when the technology/know-how is already mature.	Earlier stages of the internationalization process.
<b>Attractiveness of licensing as an entry mode</b>	Seen as an inferior choice.	Seen as a risky and less profitable choice.	Seen as a lesser-risk, secondary entry mode.
<b>Best conditions to adopt a licensing strategy</b>	Demand for the product in a foreign market in the early stages of IPLC.	Explicit, protected, established, and familiar intellectual properties.	High barriers to exporting, limited market knowledge, and low firm commitment to the market.

Both internalization and IP theories depart from the concept of uncertainty, but while internalization theory departs from the assumptions of transaction cost economics – mainly opportunism and bounded rationality – to explain uncertainty, internationalization process theory emphasizes the lack of market knowledge as the main source of uncertainty when entering international markets. Knowledge plays a key role in the theoretical perspectives examined, but the relevant type of knowledge and the operating mechanism by which knowledge influences entry modes decisions are quite different. Buckley (2016, p. 78) claims that internalization theory and the IP model depart from “incompatible assumptions – on technology, on knowledge, on risk”. IPLC and IP theories are essentially stages model, but while the first assumes that macroeconomic variables influence the stage of product internationalization, the second proposes a path-dependent model by which firms pass from one stage to another. In addition, internalization theory focuses on the decision between licensing and FDI, while internationalization process theory considers and discusses a broader range of entry modes.

Due to the differences in assumptions, the role of licensing substantially differs in the theoretical perspectives examined. Licensing is central to internalization theory, although as a less attractive and more risky entry mode, while it has only marginal relevance in IP theory, which sees licensing as a low-risk, rather initial, and secondary entry mode, and in the IPLC theory. As a result, the conditions under which licensing would be a desirable or acceptable entry

mode also vary, with internalization theory leaving licensing to situations in which intellectual properties can be protected, or are less valuable (as when it is already known), and internationalization process scholars seeing it as a rather initial step in international markets.

#### **2.1.9. Some Limitations of the Theoretical Perspectives Examined to Managerial Decision-Making**

IPLC differs substantially from the other two theories because it looks at internationalization from a country's, not a firm's perspective (CANTWELL, 1995). Thus, the IPLC model is not very useful to enlighten managerial decisions, compared to the other two theoretical perspectives. As to internalization theory and the IP model, both assume that firms do have a choice among different entry modes, which is not always true. Firms may be specialized in a given stage of the value chain; they may be too small to engage in manufacturing; or they may license intellectual properties that they do not wish to manufacture. In addition, as pointed out by Root (1982), international licensing may be the only possible way of entering a foreign market, due to high export barriers and foreign investment restrictions. Also, an increase in the speed of diffusion of innovations has changed the way many companies, including very large ones, look at licensing. We examine these situations in more detail.

- *Firm Size and Age*

Entry mode decisions of small and medium-sized firms (SMEs) has been largely neglected in the international business literature (LAUFS & SCHWENS, 2014). Based on a literature review of entry mode studies of SMEs, these authors point out that three characteristics of SMEs impact their entry mode decision (including licensing): resource constraints, vulnerability to external threats, and ownership structure. Many small firms may not have the resources to manufacture products they have created, but rather decide to license their intellectual properties abroad. Bradley (2005, p. 243) suggests that international licensing is an interesting and viable alternative “for the internationalization of smaller firms that might not have the capital or foreign experience to establish a joint venture or a wholly owned subsidiary abroad.” This view is shared by Root (1982) in his pioneering work on entry modes. Buckley & Casson (1993) also point out that

licensing can be a viable option to small firms, because it requires less capital investment than FDI and less management resources than a strategic alliance or joint venture. For Buckley, Press, and Prescott (1993, p. 277), licensing is an alternative when firms have “limited available assets”.

This is also the case of new international ventures or born global firms, that is, firms that entered international markets shortly after their inception. These firms are said to creatively combine different non-equity entry modes to serve foreign markets, taking advantage of their capabilities and overcoming their limitations (JONES, COVIELLO & TANG, 2011; KEUPP & GASSMANN, 2009).

- *Firm Activities*

Certain firms limit their activities to specific stages of the value chain. Even very large and successful multinationals, such as Nike and Adidas, have adopted a business model based on the control of the design and marketing functions, leaving manufacturing and local sales to a third party. Several Italian footwear manufacturers have also adopted offshoring, having their products manufactured by third parties in low-cost countries, while keeping the design and marketing of their products in international markets. Also, a number of firms in several industries are specialized in specific stages of the value chain. For example, there are firms specialized in designing products for other firms to manufacture under a license agreement. As a result, these firms do not consider exporting or manufacturing as alternative entry modes, and tend to have licensing as their single option to enter foreign markets.

Firms may also develop new products or technologies with the explicit intention of licensing their intellectual property. As pointed out by Meyer, Tinney, & Tinney (1985, p. 197), some firms may license “trademarks for use on merchandise in product categories that are unrelated to the product for which the trademarks were originally developed”, in which case it could be seen as “a diversification move”. Examples abound. For example, some firms in the audiovisual industry are established to create content (such as games, movies, or animation), and later license the production of toys, clothes, books, houseware products, bags, etc., based on the characters presented in the content. These firms do not face the choice between manufacturing and licensing, because they do not have the capabilities to manufacture such a broad range of different products,

which are in fact produced by different industries, with different technologies, raw materials, etc. Firms in the fashion industry also license their brand names for manufacturers in a large variety of industries (e.g. clothing, houseware, jewelry, etc.). Cavusgil, Knight, and Riesenberger (2008, p. 454) claim that high-technology firms “routinely license their patents and know-how to foreign companies.” These firms see their core business as the development of technology or content, and not the direct application of their intellectual property in different manufacturing industries.

- *Market and Industry Characteristics*

Some markets present high import barriers, as well as restrictions to foreign direct investment (BUCKLEY, PRESS, & PRESCOTT, 1993). Although Root (1982) mentioned specifically communist markets in the early 1980s, which are, with rare exceptions, no longer closed, and since then the world has seen a wave of liberalization, there are still certain sectors, particularly in the creative industries, that present very high barriers to exporting and investment, such as architecture, law, and audiovisual, only to mention a few. These restrictions may also apply to industries considered critical to national security, such as the telecommunications or the defense industries.

Several authors have pointed out that licensing may be the only feasible strategy to serve small markets (e.g. WELCH, 1993; BUCKLEY & CASSON, 1993). Small markets may not justify the investments required to establish a production subsidiary (BROUTHERS & MCNICOL, 2009). The IPLC does not ignore this situation, conceding that licensing agreements may be used to serve small foreign markets. From the perspective of internalization theory, the costs of internalization may overcome the benefits in small markets, but this conclusion does not lead automatically to the choice of licensing, but often to not enter these markets, due to the risk of dissipating the firm’s competitive advantage by creating a future international competitor.

- *Speed of Diffusion of Innovations*

Changes in the speed of diffusion of innovations also challenge the theoretical perspectives examined, and, more specifically, the IPLC model and internalization theory. Bartlett and Ghoshal (1998, p. 14) claim that the high cost of innovation combined to the increased speed of diffusion triggered by



globalization have “encouraged companies to transfer new technology voluntarily”, with licensing becoming “an important source of funding” and cross-licensing “a means to fill technology gaps”. This change, induced by globalization, invalidates the conclusions one can draw from the IPLC model, which remains still applicable to only a few situations. As to internalization theory, although its assumptions and rationale remain solid, these changes reduced the scope of its application to managerial decisions.

- *Mode Packages*

The simultaneous use of two or more modes of entry and operation in a given foreign market *also* challenges the application of existing theoretical perspectives to international decision making. Contractor (1985) was among the first to suggest that exporting, licensing, and foreign direct investment could be combined. Benito, Petersen, & Welch (2009, p. 1460) indicated that although researchers often look at modes as “discrete alternatives”, firms often use mode packages, with a “dominant mode within the package”, and changes in modes (“some minor and subtle, others major and tantamount”) and in the relative importance of each mode may happen over time. For example, a firm may license its intellectual property to a joint-venture with a local partner, thus combining a contractual and an equity entry mode. The use of more than one mode may be a source of additional revenue, increased control, or a means of reducing risk (BENITO, PETERSEN, & WELCH, 2011). However, to this point mode packages using international licensing have been insufficiently theorized and empirically studied.

#### **2.1.10. Suggestions for Future Research on Licensing**

International licensing is often used by firms to enter foreign markets, and it is sometimes the only available entry mode. In spite of this, the extant literature has largely ignored this critical decision; the main theoretical perspectives consider licensing as an alternative and less attractive entry mode. It is our contention, however, that changes in globalization have turned international licensing into a more viable and interesting alternative to many firms, especially SMEs and those operating in high-technology, creative, and service industries, or in small or protected foreign markets.

Therefore, there is a need for new theoretical perspectives when examining international licensing. Two promising theoretical perspectives that have been increasingly used by IB scholars are institutional theory and the resource-based view (RBV). While the RBV provides a strong conceptual framework to understand firm resources and capabilities, institutional theory offers a broad view of how the firm's external environment – both the country of origin and the foreign market – influence internationalization decisions. Network theory may also provide valuable insights into the relationships among licensor and licensees. In addition, industrial economics may also offer directions on how firms in different industries use licensing. The combination of these perspectives open new avenues for the understanding of how firms use international licensing as a strategic decision in their internationalization process. More theoretical developments and empirical research are needed to improve our understanding of international licensing. Accordingly, we suggest the following lines of inquiry in order to reexamine the role of licensing in the IB literature:

- First, definitions of international licensing need to be updated to include the new role of licensing, and its growing use by new breeds of firms that proliferate in the evolving global environment. When presenting definitions and conceptualizations, authors should clarify whether their definitions refer to licensing as an international strategy, an entry mode in foreign markets, or simply an operational approach to doing business abroad.
- Second, in line with the RBV (BARNEY, 2011; WERNERFELT, 1984), researchers could investigate what types of organizational capabilities are required to successfully use international licensing. It is conceivable that not every firm is equally capable of managing licensing agreements effectively. Therefore, the nature of the organizational capabilities that allow a firm to use licensing to achieve higher performance needs to be examined and tested. What types of firms seem to be more capable of mastering licensing agreements?

- Third, the lenses of network theory could also be adopted to understand international licensing. One major avenue for research is to investigate the nature of the relationships between licensors and licensees. To what extent licensors establish (and manage) network relationships with foreign licensees, or are these only arms' length deals? What types of network ties are established between licensors and licensees? Inter-connected relationships may open new opportunities to both licensors and licensees, and stimulate the development of trust and commitment (JOHANSON & VAHLNE, 2006), thus reducing the risk of opportunistic behavior (PITTAWAY, *et al.*, 2004). In addition, there is a need to investigate the role of international licensing agencies (or agents) and their role as "connective nodes" (ANDERSEN & CHRISTENSEN, 2005, p. 1261).
- Fourth, the role of industry in the adoption of international licensing is a major area of research to improve our understanding of the phenomenon. Which industries offer the best conditions to the adoption of international licensing? To what extent industry structure favors or not the use of international licensing? What is the relationship between international licensing and industry characteristics such as the speed of diffusion of innovations, the degree of industry maturity, and the technology level of the industry? How can a firm improve its competitive position using licensing? For example, recent research shows that licensing strategies may be used by incumbents to reduce the threat of new entrants in an industry (DUCHENNE, SEN & SERFES, 2015) and that the in-licensing of international technology in China seems to occur typically in mature industries (LI-YING AND WANG, 2015).
- Fifth, similarities and differences between the home and the host country environments may influence international licensing decisions. To examine this issue, institutional theory can provide an alternative theoretical framework to internalization theory, using the constructs of regulative distance, cognitive distance and cultural distance (SCOTT, 2001; TUNG & VERBEKE, 2010), in addition to geographic distance (CASSON, PORTER & WADESON, 2016). Furthermore, firm size, age

and international experience may moderate the impact of distance on licensing decisions.

- Sixth, research could look at both inward and outward licensing activities and the relationship between them. Do firms that use licensing as an entry mode in foreign markets (outward licensing) have had previous experience with inward license agreements? In this case, what types of learning with inward licensing seem important to stimulate the adoption of licensing in a firm's international expansion? Furthermore, once a firm uses international licensing and acquires experiential knowledge, what changes, if any, are introduced in the firm's international strategy?
- Seventh, one could speculate on the relationship between state control and the use of licensing. There is some evidence that state-controlled firms are more ready to accept risk in their international expansion than other firms (KNUTSEN, RYGH & HVEEM, 2011), due to relationships between national governments, as well as the existence of bilateral or multilateral agreements. To what extent state control influences the choice of international licensing is still open to research.
- Eighth, longitudinal (process) studies could contribute to the understanding of how firms combine licensing to other entry modes, either simultaneously in different markets, or in the same market but in different time periods. To study the use of mixed entry modes would be a relevant contribution to the understanding of the location and timing of international resource allocation. Empirical research on international new ventures suggest these firms effectually adopt different non-equity market entry modes, responding to unforeseen opportunities or to network relationships (JONES, COVIELLO & TANG, 2011; KNIGHT & LIESCH, 2016). Emerging market firms may also make more use of mode packages that include licensing than traditional multinational enterprises from developed countries, since the first often suffer of resource scarcity.

- Finally, the link between licensing and international performance needs to be thoroughly examined. Under what conditions is licensing more or less profitable than other entry modes? Research should examine the long-term return of international licensing and its impact on the firm's overall performance in international markets, both for licensors and for licensees.

Summing up, there are several research opportunities on international licensing, an issue that has remained relatively unexplored both theoretically and empirically in the IB literature. We argue that there is a need to better understand this issue, and present several potential avenues for future research.

## **2.2.**

### **Essay II - Theoretical Map of Licensing in Business – A Bibliometric Study**

#### **2.2.1.**

##### **Abstract**

International licensing – technology and know-how transfer, copyright and trademark licensing – is a growing International Business segment. Nevertheless, despite the increasing importance of licensing, the international business literature has given scant attention to licensing as an international strategy. With the general purpose of mapping the literature on licensing, a bibliometric study was conducted to ascertain how the subject of licensing has appeared in the business literature as a whole and in the international business literature in particular. The study uses citation and co-citation analyses. The results, from the last 30 years of research on licensing, indicated that the business literature shows an increasing awareness of licensing, with three main groups named according to the main issues investigated: Group I – Innovation in the organization; Group 2 – Innovation, strategy and performance; Group 3 – Universities and innovation. However, when examining licensing in the international business literature, the study found only a limited number of papers, and no meaningful grouping of authors.

### 2.2.2. Introduction

International licensing – technology and know-how transfer, copyright and trademark licensing – is a growing International Business (IB) segment. Nevertheless, despite the increasing importance of licensing, the international business literature has given scant attention to licensing as an international strategy (BROUTHERS & MCNICOL, 2009).

The term licensing is defined in this study, following Battersby (2012, p. 1), as “any transaction in which the owner of a piece of intellectual property grants another party the right to use such intellectual property, typically in exchange for some form of consideration or payment.” Accordingly, international licensing is defined herein as (i) a contractual (non-equity) arrangement (ii) between two parties – the owner of an intellectual property and an entity that wants to use this intellectual property – (iii) in which the owner grants to the other party the rights to use it (iv) in a given market and (v) for a certain length of time, (vi) in exchange for some sort of compensation.

The business literature on licensing is limited and is usually associated with technology transfer (ARORA & FOSFURI, 2003; CONTRACTOR, 1980; TEECE, 1986). However, licensing encompasses several types of intellectual property, such as “research and development ideas, inventions, formulas, technological know-how, services, brands, art, music, designs and trademarks” (JOHNSON & MOTTNER, 2000, p. 173). On the other side, the IB literature tends to approach licensing as a low-cost, low-control and low-risk entry mode, compared to foreign direct investment (AULAKH, CAVUSGIL & SARKAR, 1998; BUCKLEY & CASSON, 1998; JOHNSON & MOTTNER, 2000). Also, although the most relevant theoretical traditions in the IB literature, such as the Uppsala model, transaction cost theory and internalization theory, adopt the dominant view of licensing as a less desirable entry mode, they diverge as to the risk involved in the activity.

With the general purpose of mapping the literature on licensing, a bibliometric study was conducted to ascertain how the subject of licensing has appeared in the literature “by focusing on and describing what appears, as it were, in the rear-view mirror” (RAMOS-RODRÍGUEZ & RUÍZ-NAVARRO, 2004, p. 981). Thus, the purpose of the study was to map the literature on licensing and,

specifically, international licensing, around the "multiple dimensions of the scientific domain" (OECD, 2016) in order to identify the most frequently cited authors and their influence on the subject. The study covered the period from 1986 to 2017.

The essay is organized in the following sequence: The second section (after this Introduction) presents the literature on bibliometrics and the use of this method in academic research. The third section entails a detailed description of data collection, processing, and analysis. The fourth section presents the main results of the bibliometric analysis, and the final section presents the conclusions, limitations, and suggestions for further research.

### **2.2.3.**

#### **Citation and Co-Citation Analyses**

The use of bibliometrics is not new (BROADUS, 1987). According to Hood and Wilson (2001), the term 'bibliometrics' was first applied in 1934, but the present meaning was only coined by Pritchard in 1969. Bibliometrics is defined as "the application of mathematical and statistical methods to books and other media" (HOOD & WILSON, 2001, p. 293), and it is considered a useful tool to take stock of and evaluate scientific research (TAHAI & MEYER, 1999). Bibliometrics allows the classifying of data, such as authors, institutions, journals, and references, to be extracted from scientific documents. The data analysis helps one understand how a given theme has evolved over time (WHITE & MCCAIN, 1998).

The present study uses citation and co-citation analyses. A citation is a reference to a document by a researcher. Citation analysis identifies the most frequently cited authors and their respective documents in the bibliographic references of all the records in a database, revealing the most influential articles in the field. The frequency of citation of a particular document shows its influence on the literature being examined (CULNAN, 1987; TAHAI & MEYER, 1999). Co-citation is the frequency with which two documents are cited together; the interrelationship between the sets of co-cited authors is a way of mapping the intellectual structure of a field (SMALL, 1973).

Several studies have used bibliometric research to understand the structure of knowledge of a particular topic. For example, Di Guardo and Harrigan (2012) used bibliometrics to analyze the combination of alliances and innovation; Nerur, Rasheed, and Natarajan (2008) complemented the work of Ramos-Rodriguez and Ruiz-Navarro (2004), by investigating the intellectual structure of strategic management research; and Casillas and Acedo (2007) examined the intellectual structure of family business literature.

The use of bibliometrics as a tool to map the field requires the adoption of a three-step procedure: (i) data collection; (ii) data processing and analysis; and (iii) evaluation of results.

#### **2.2.4. Data Collection**

The research used papers extracted from two sources – Web of Science and Scopus – covering the period between 1986 and May, 2017. These two databases provided the metadata for each document and enabled the collecting of joint data from multiple documents. The study used 1986 as the starting year in order to take into account the seminal article by Teece (1986). The keywords used were "licensing" AND "business" and also "licensing" AND "international business."

The search of articles and reviews using the keywords "licensing" and "business" provided 703 results, while the search for "licensing" and "international business" yielded only 79 results for the same period. The use of articles and reviews published in journals gives the researcher an endorsement because a published article or review has successfully passed the scrutiny of other researchers (E.G. OECD, 2016; PEIRIS, AKOORIE & SINHA, 2013).

The following information was collected for each document: title, author, source, year of publication, keywords, abstracts and bibliographic references. The data was exported in plain text format.

#### **2.2.5. Data Processing and Analysis**

A single database was built, unifying the text files from both databases. The collected data were debugged to eliminate duplicated documents (128 records in the study of licensing in business and 18 records for licensing in international business) and insufficient information (14 records and 32 records, respectively).



The final database contained 574 records for licensing in business and 43 for licensing in international business in the selected period. BibExcel, a bibliometric software program, was used to support the data processing and consolidation, generating tables with cited and co-cited documents.

Citation and co-citation analyses made it possible to establish the main theoretical influences in the licensing literature. The citation analysis used the most cited documents in each database, which were then compiled in a summary table. The co-citation table was built by counting the number of times in which those documents were cited in pairs. The result of the co-citation analysis was a symmetric square matrix converted into a Pearson correlation matrix. Based on the correlation matrix, and with the support of the statistical software SPSS-22, the researchers used Multidimensional Scaling (MDS). The coefficient of stress resulting from MDS is considered a good measure for assessing the quality of the dimensional model. Goodness-of-fit for the model must have a maximum coefficient of 0.15. The distribution of co-citation was then plotted in a two-dimensional figure by using MS Excel.

To assess the similarity between the documents, a hierarchical factor analysis was performed. The amount of variance explained the factors and the factor loadings helped to choose them (HAIR, TATHAM, ANDERSON & BLACK, 2006). To supplement the quantitative analysis, the researchers used qualitative analysis (NOBLIT & HARE, 1988).

#### **2.2.6.**

#### **Mapping the Literature on Licensing In Business**

The first theoretical map presented in this study covers the subject of licensing in the business literature (Figure 1). The increase in the number of papers published from 1986 to May, 2017 suggests that business scholars have dedicated increasingly more attention to the subject in the last two decades. The highest number of published papers appears in 2015, with 53 documents. This is probably the result of the growing importance of licensing as a business strategy in the global context due to the larger number of smaller firms that have gone international using this entry mode, as well as the fast growth of service and technology industries.

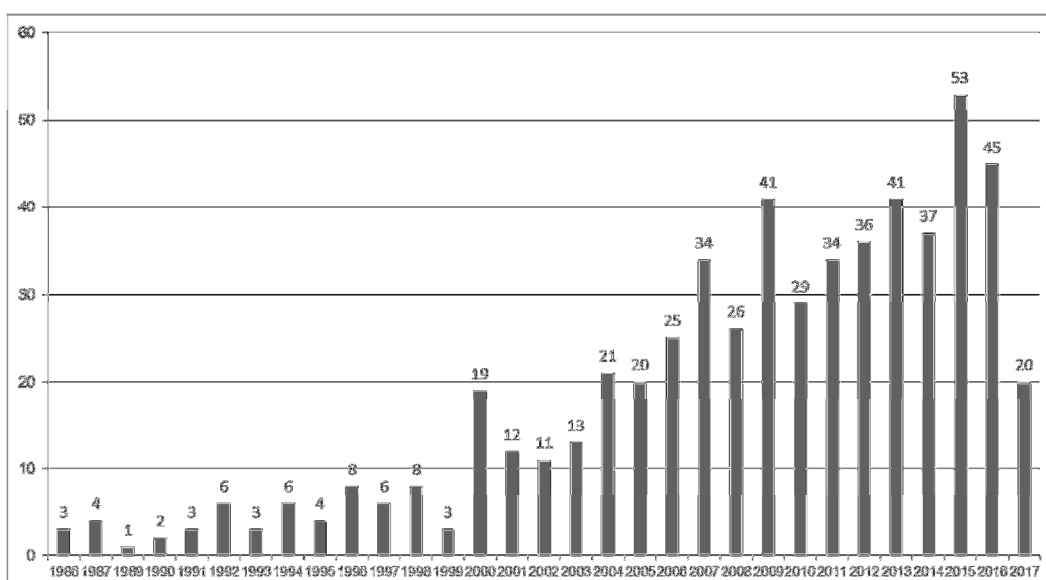


Figure 3 - Evolution of Papers on Licensing Published (1986-2017)

Licensing is a widespread topic in different business areas. Table 11 presents the 20 business journals that published the most papers on licensing during the period studied.

Table 11 - Top 20 Journals in Number of Papers Published

Journal	Nb of Papers	Relative Frequency
Journal of Technology Transfer	28	4.88%
Journal of Business Ethics	22	3.83%
Journal of International Business Studies	12	2.09%
Research Policy	11	1.92%
Technovation	10	1.74%
Business History	10	1.74%
Publishing Research Quarterly	9	1.57%
Journal of Business Venturing	9	1.57%
Journal of World Business	7	1.22%
International Journal of Technology Management	7	1.22%
Business Information Review	7	1.22%
Harvard Business Review	7	1.22%
California Management Review	6	1.05%
International Journal of Intellectual Property Management	6	1.05%
Journal of Business Research	5	0.87%
International Journal of Entrepreneurship and Innovation Management	5	0.87%
BRQ-Business Research Quarterly	5	0.87%
Medical Textiles	5	0.87%
Business Horizons	5	0.87%
Journal of Commercial Biotechnology	5	0.87%

The fact that the highest ranked journals show a small percentage of the total number of papers could be regarded as evidence of how dispersed this literature is. However, in grouping the journals dedicated to R&D management (*Journal of Technology Transfer*, *Research Policy*, *Technovation*, *International Journal of Technology Management*, *International Journal of Intellectual Property Management*, *Medical Textiles*, and *Journal of Commercial Biotechnology*), a new picture appears. Actually, not only does the *Journal of Technology Transfer* rank first, accounting for 4.9% of the total, but together these seven journals published 12.6% of the total number of papers. This situation explains the dominance of technology licensing in the literature. In fact, compared to traditional manufacturing industries, high-tech firms and firms in the creative industries – two fast-growing business sectors over the past few decades – are heavy adopters of licensing strategies due to the nature of their products.

This picture changes again when examining journal citation frequency. *Research Policy* (with 38.8% of citations) and the *Journal of International Business Studies* (10.6%) dominate the scene, with almost 50% of the total number of citations (Table 12). These results suggest that technology licensing and international licensing are the two most studied aspects of licensing.

Table 12 - Top Journals in Citation Frequency

<i>Journal</i>	<i>Citations</i>	<i>Relative Frequency</i>
Research Policy	10,749	37.87%
Journal of International Business Studies	3,017	10.62%
Strategic Management Journal	1,504	5.30%
Journal of Business Venturing	1,428	5.03%
Management Science	747	2.63%
Journal of High Technology Management Research	653	2.30%
Journal of Business Ethics	622	2.19%
Technovation	605	2.13%
Journal of Technology Transfer	565	1.99%
Journal of Marketing	542	1.91%
Industrial and Corporate Change	483	1.70%
MIT Sloan Management Review	375	1.32%
Harvard Business Review	335	1.18%
Marine Policy	304	1.07%
Journal of Management Studies	236	0.83%
World Development	236	0.83%
World Economy	219	0.77%

### **2.2.7. Citation Analysis**

A total number of 32,546 citations were gathered, with an average of 56.7 citations per document. After treating the data, this number fell to 28,384 different citations. The 46 most cited papers were then selected in order to understand their relevance over time (Table 13). The period analyzed was divided into three sub-periods. Interestingly, one-third of the papers cited were published before 1986.

Table 13 - Citation Frequency for the Three Sub-Periods

Authors	1986-2017		1986-1996		1997-2006		2007-2017	
	$\eta = 679$		$\eta = 13$		$\eta = 122$		$\eta = 566$	
Teece (1986).	37	5.45%	1	7.7%	9	7.8%	27	4.91%
Arora, Fosfuri, & Gambardella (2001)	31	4.57%	0	0.0%	2	1.7%	29	5.27%
Chesbrough (2003)	27	3.98%	0	0.0%	0	0.0%	27	4.91%
Cohen & Levinthal (1990)	26	3.83%	0	0.0%	2	1.7%	24	4.36%
Eisenhardt (1989)	23	3.39%	2	15.4%	3	2.6%	18	3.27%
Nelson & Winter (1982).	20	2.95%	1	7.7%	5	4.3%	14	2.55%
Teece, Pisano, & Shuen (1997)	20	2.95%	0	0.0%	7	6.0%	13	2.36%
Barney (1991)	19	2.80%	0	0.0%	4	3.4%	15	2.73%
Grindley & Teece (1997)	19	2.80%	0	0.0%	1	0.9%	18	3.27%
Anand & Khanna (2000)	17	2.50%	0	0.0%	3	2.6%	14	2.55%
Arrow (1962)	17	2.50%	0	0.0%	5	4.3%	12	2.18%
Jensen & Thursby (2001)	17	2.50%	0	0.0%	4	3.4%	13	2.36%
Siegel, Waldman, & Link (2003)	17	2.50%	0	0.0%	5	4.3%	12	2.18%
Gambardella, Giuri, & Luzzi (2007)	15	2.21%	0	0.0%	0	0.0%	15	2.73%
Hall & Ziedonis (2001)	15	2.21%	0	0.0%	1	0.9%	14	2.55%
Thursby & Thursby (2002)	15	2.21%	0	0.0%	5	4.3%	10	1.82%
Fosfuri (2006)	14	2.06%	0	0.0%	0	0.0%	14	2.55%
Porter (1980)	14	2.06%	1	7.7%	5	4.3%	8	1.45%
Rivette & Kline (2000)	14	2.06%	0	0.0%	3	2.6%	11	2.00%
Thursby, Jensen, & Thursby (2001)	14	2.06%	0	0.0%	2	1.7%	12	2.18%
Williamson (1975)	14	2.06%	1	7.7%	5	4.3%	8	1.45%
Williamson (1985)	14	2.06%	0	0.0%	0	0.0%	14	2.55%
Arora & Fosfuri (2003)	13	1.91%	0	0.0%	0	0.0%	13	2.36%
Buckley & Casson (1976)	13	1.91%	1	7.7%	4	3.4%	8	1.45%
Cohen, Nelson, & Walsh (2000)	13	1.91%	0	0.0%	0	0.0%	13	2.36%
Caves, Crookell, & Killing (1983)	12	1.77%	1	7.7%	1	0.9%	10	1.82%
Gallini (1984)	12	1.77%	0	0.0%	1	0.9%	11	2.00%
Johanson & Vahlne (1977)	12	1.77%	0	0.0%	4	3.4%	8	1.45%
Kogut & Singh (1988)	12	1.77%	0	0.0%	3	2.6%	9	1.64%
Levin <i>et al</i> (1987)	12	1.77%	1	7.7%	5	4.3%	6	1.09%
North (1990)	12	1.77%	1	7.7%	1	0.9%	10	1.82%
Arora & Ceccagnoli (2006)	11	1.62%	0	0.0%	0	0.0%	11	2.00%
Gans & Stern (2003)	11	1.62%	0	0.0%	0	0.0%	11	2.00%
March (1991)	11	1.62%	0	0.0%	2	1.7%	9	1.64%
Penrose (1959).	11	1.62%	0	0.0%	4	3.4%	7	1.27%
Porter (1985)	11	1.62%	1	7.7%	6	5.2%	4	0.73%
Teece (1977)	11	1.62%	1	7.7%	4	3.4%	6	1.09%
Chesbrough (2006)	10	1.47%	0	0.0%	0	0.0%	10	1.82%
Davis & Harrison (2001)	10	1.47%	0	0.0%	1	0.9%	9	1.64%
Anderson & Gatignon (1986)	9	1.33%	0	0.0%	4	3.4%	5	0.91%
Arora & Gambardella (2010)	9	1.33%	0	0.0%	0	0.0%	9	1.64%
DiMaggio & Powell (1983)	9	1.33%	1	7.7%	2	1.7%	6	1.09%
Jensen, Thursby, & Thursby (2003)	9	1.33%	0	0.0%	2	1.7%	7	1.27%
Kline (2003)	9	1.33%	0	0.0%	1	0.9%	8	1.45%
Suchman (1995)	9	1.33%	0	0.0%	0	0.0%	9	1.64%
Yin (2003)	9	1.33%	0	0.0%	0	0.0%	9	1.64%
<b>Total</b>	<b>679</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>116</b>	<b>100%</b>	<b>550</b>	<b>100%</b>

For the whole period covered by this study, books accounted for 28% of the total citations. The most cited were: Buckley and Casson (1976), Chesbrough (2003, 2006), Davis and Harrison (2001), Nelson and Winter (1982), North (1990), Penrose (1959), Porter (1980, 1985), Rivette and Kline (2000), Williamson (1975, 1985), and Yin (2003). Yin is often cited to justify or explain the use of the case method of research, but he does not discuss licensing or related issues. The same applies to Eisenhardt's (1989) paper, one of the ten most frequently cited.

The most cited paper was authored by Teece (1986) who "demonstrates that when imitation is easy, markets don't work well, and the profits from innovation may accrue to the owners of certain complementary assets, rather than to the developers of the intellectual property" (TEECE, 1986, p. 285). Teece's paper is considered seminal because of its pioneering analysis of the maximization of rents from innovation (ARORA, FOSFURI & GAMBARDELLA, 2001; GANS & STERN, 2003). The second most cited work was authored by Arora, Fosfuri and Gambardella (2001), stating that the "markets for technologies increase the strategy space" (p. 419) and proposing more active strategy management for innovation. Chesbrough (2003) was the third most cited work. In his book, the author challenges the traditional paradigm of closed innovation as opposed to open innovation when it comes to discussing issues related to licensing.

Cohen and Levinthal (1990, p. 128) was the fourth-most cited work, which introduces the concept of absorptive capacity, defined as "the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends." Innovation is a key aspect of using licensing, mainly due to the challenges licensors face in order to spread and profit from their innovation across markets. On the other hand, licensees have to face the internal challenges of learning and absorbing the innovation.

### **2.2.8. Co-citation Analysis**

Multidimensional Scaling (MDS) was used to analyze the occurrence of similarities between the records. The two-dimensional map showed a normalized raw stress of 0.032, thus below the 0.15 limit (Figure 4). Hierarchical cluster analysis using three groups explained 85.5% of the variance.

Group I includes papers concerning innovation in organizations, the development of competencies and capabilities, and learning. Group II combines the papers that link innovation, strategy, and firm performance. Group III includes papers that discuss institutions (mainly universities) environment and innovation, except for Johanson and Vahlne's (1977) paper. The author's last name and the year of publication are used to present the results in Figure 4.

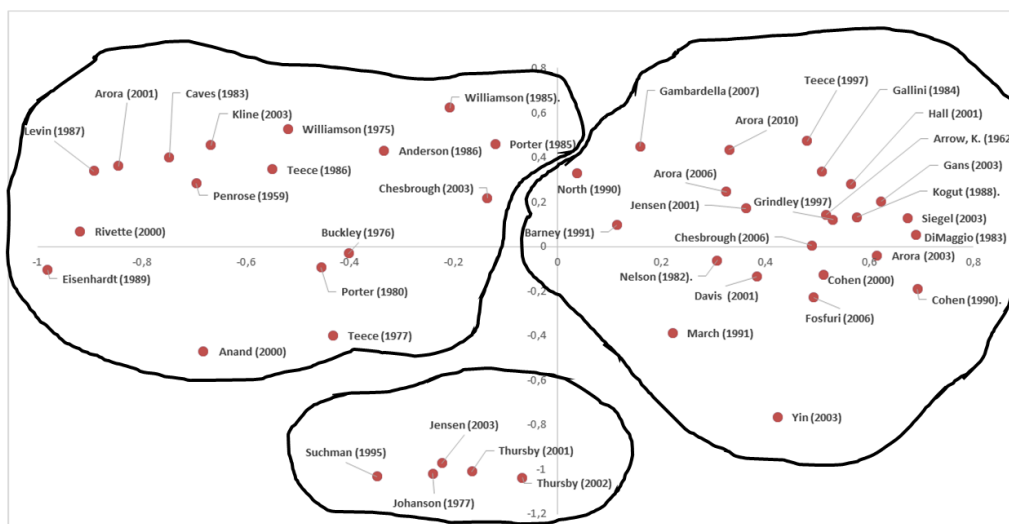


Figure 4 - Two-Dimensional Map of Licensing in Business

Despite giving a good idea of how the literature is structured, the two-dimensional map (Figure 4) does not allow grouping the most influential authors. Thus, Figure 5 depicts the two-dimensional map within a third dimension, the number of co-citations each author received (measured by the size of the bubble). The results show that Group I authors were the most cited in the business literature on licensing during the period studied.

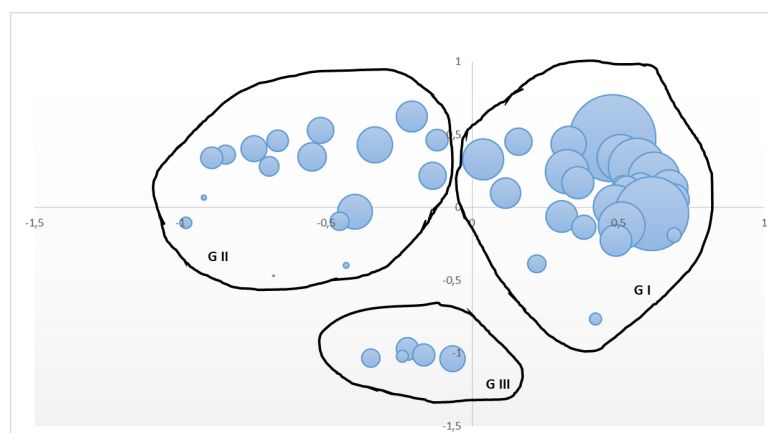


Figure 5 - Two-Dimensional Map of Licensing in Business with Citations

Table 14 presents a list of authors in each of the three groups. Due the specificities of their work (case research methodology), which is not related to licensing, we excluded Eisenhardt (1989) and Yin (2003) from the list. It should also be noted that the seminal work of Johanson and Vahlne (1977) falls within the third group, but does not fit into this category.

Table 14 - Authors Classified according to their Groups

<b>Group I</b> <b>Innovation on the</b> <b>Organization</b>	<b>Group II</b> <b>Innovation, Strategy and</b> <b>Performance</b>	<b>Group III</b> <b>Universities and Innovation</b>
Arora & Ceccagnoli (2006)	Anand & Khanna (2000)	Jensen, Thursby, & Thursby (2003)
Arora & Fosfuri (2003)	Anderson & Gatignon (1986)	Johanson & Vahlne, 1977
Arora & Gambardella (2010)	Arora, Fosfuri, & Gambardella (2001)	Suchman, 1995
Arrow (1962)	Buckley & Casson (1976)	Thursby & Thursby (2002)
Barney (1991)	Caves, Crookell, & Killing (1983)	Thursby, Jensen, & Thursby (2001)
Chesbrough (2006)	Chesbrough (2003)	
Cohen & Levinthal (1990)	Kline (2003)	
Cohen, Nelson, & Walsh (2000)	Levin <i>et al.</i> (1987)	
Davis & Harrison (2001)	Penrose (1959)	
DiMaggio & Powell (1983)	Porter (1980)	
Fosfuri (2006)	Porter (1985)	
Gallini (1984)	Rivette & Kline (2000)	
Gambardella, Giuri, & Luzzi (2007)	Teece (1977)	
Gans & Stern (2003)	Teece (1986)	
Grindley & Teece (1997)	Williamson (1975)	
Hall & Ziedonis (2001)	Williamson (1985)	
Jensen & Thursby (2001)		
Kogut & Singh (1988)		
March (1991)		
Nelson & Winter (1982)		
North (1990)		
Siegel, Waldman, & Link (2003)		
Teece, Pisano & Shuen (1997)		
(Yin, 2003)		

An approach for defining the two dimensions consists of using keywords or indexed-keywords extracted from the documents. This procedure was used and the words were then classified according to their semantics resulting in seven groups:

1. Licensing: patent, licensing, intellectual property (IP), property-rights, license, patent scope, university licensing;
2. Resources: complementary assets, resource allocation, management, enterprise, industrial management, behavior, organization, intellectual capital, firm size, policy, competencies, capabilities, organizational change, resources, behavioral theory and entrepreneur;



3. Environment: market structure, chemical process, market for knowledge, chemical industry, product market;
4. Strategy;
5. Innovation;
6. Learning.
7. Performance.

Factor analysis made it possible to reduce these six dimensions to two factors explaining 85% of the variance. The result of Bartlett's sphericity test was .000. Loadings for each keyword are given in the brackets:

- Dimension I includes licensing (0.87), learning (0.85) and performance (0.796);
- Dimension II combines strategy (0.89) and innovation (0.63).

The environment and resources groupings were discarded due to their loadings and distance from the other groups. Therefore, we named the vertical axis “Strategic Innovation” and the horizontal axis “Licensing Knowledge.”

#### **2.2.9. Mapping Licensing In International Business**

The second sample, limited to the field of International Business, yielded only 43 documents using the keywords “licensing” and “international business,” thus confirming the scant interest in the subject in the field of IB. Papers combining licensing and international business appeared only from 1992 to the present. The year 2016 holds the record for published papers (8 papers). The journal with the most papers on licensing was the *Journal of International Business Studies*, accounting for 28% of the total, followed by the *International Business Review* and the *Journal of World Business*, with 9% each. Table 15 presents the journals and the publication count by year.

Table 15 - Year of Publication and Counting by Year

JOURNAL/YEAR	92	94	96	98	99	00	01	04	06	09	10	11	12	13	14	15	16	17	Total
Journal of International Business Studies			2	2		2				1	3		1	1					12
International Business Review						1	1							2					4
Journal of World Business																	4		4
Business History	1	1																	2
Japan and The World Economy					2														2
Multinational Business Review													1		1				2
Advances in International Management														1					1
Annals of The American Academy of Political And Social Science									1										1
Chinese Management Studies													1						1
Communication-South African Journal for Communication Theory and Research																1			1
European Journal of Innovation Management																	1		1
European Journal of Social Sciences										1									1
Frontiers of Business Research In China												1							1
Journal of Business Research																	1		1
Journal of Economic Issues																		1	1
Journal of Innovation & Knowledge																	1		1
Journal of International Marketing				1															1
New Electronics								1											1
New Technology Based Firms In The New Millennium													1						1
Nuclear Engineering International					1														1
Organization Science															1				1
Review of Economic Dynamics																	1		1
Simulation and Gaming									1										1
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>43</b>

## 2.2.10. Citation Analysis

The number of citations totaled 2,490 with an average of 57.9 citations per document. After cleaning the data, this number fell to 1,920 different documents. Books accounted for 30%: Buckley & Casson (1976), Hofstede (1980), North (1990), Rugman (1981), Hennart (1982), Nelson & Winter (1982), Williamson (1985), Porter (1990), Telesio (1979), Dunning & Lundan (2008), Hymer (1976), Dunning (1993), Casson (1979), Casson (1987) and Williamson (1975). The 50 most cited documents were selected to understand their relevance in the field (Table 16).

Table 16 - Citations frequency for Licensing in IB

Authors	1986-2017 $n = 1,920$	
Buckley & Casson (1976)	15	0,78%
Johanson & Vahlne (1977)	14	0,73%
Kogut & Singh (1988)	11	0,57%
Anderson & Gatignon (1986)	10	0,52%
Hofstede (1980)	7	0,36%
Teece (1986)	7	0,36%
North (1990)	7	0,36%
Buckley & Casson (1988)	7	0,36%
Rugman (1981)	6	0,31%
Hennart (1982)	6	0,31%
Davidson & Mcfetridge (1985)	6	0,31%
Nelson & Winter (1982)	6	0,31%
Cohen & Levinthal (1990)	6	0,31%
Williamson (1985)	6	0,31%
Hill, Hwang & Kim. (1990)	6	0,31%
Contractor (1984)	6	0,31%
Porter (1990)	5	0,26%
Lieberman & Montgomery (1988)	5	0,26%
Telesio (1979)	5	0,26%
Kim & Hwang (1992)	5	0,26%
Lane & Lubatkin (1998)	5	0,26%
Vernon (1966)	5	0,26%
Beamish & Banks (1987)	5	0,26%
Agarwal & Ramaswani (1992)	5	0,26%
Arora & Fosfuri (2000)	5	0,26%
Barney (1991)	4	0,21%
Kogut & Zander (1993)	4	0,21%
Kogut & Zander (1992)	4	0,21%
Kogut (1988)	4	0,21%
Anand & Khanna (2000)	4	0,21%
Grindley & Teece (1997)	4	0,21%
Dunning & Lundan (2008)	4	0,21%
Grossman & Hart (1986)	4	0,21%
Gulati (1995)	4	0,21%
Hannan & Freeman (1977)	4	0,21%
Hennart (1986)	4	0,21%
Johanson & Wiedersheim-Paul (1975)	4	0,21%
Zajac & Olsen (1993)	4	0,21%
Hymer (1976)	4	0,21%

Dunning (1993)	4	0,21%
Dunning (1988)	4	0,21%
Kotabe, Sahay, & Aulakh (1996)	4	0,21%
Shane (1994)	4	0,21%
Teece, Pisano & Shuen (1997)	4	0,21%
Casson (1979)	4	0,21%
Casson (1987)	4	0,21%
Oxley (1999)	4	0,21%
Williamson (1975)	4	0,21%
Bergen, Dutta, & Walker (1992)	4	0,21%
Madhok & Tallman (1998)	4	0,21%

Buckley and Casson's (1976) book was the most cited work on licensing in IB research. From the perspective of internalization theory, which is rooted in transaction cost economics, these authors see licensing as more risky for a multinational firm because, instead of using its own structure (hierarchy), the firm transfers the right of its intellectual property to the market. In this situation, it is more difficult to protect the firm's advantages.

Johanson and Vahlne's (1977) seminal work on the internationalization process model mentions licensing in the initial steps of internationalization. The gradual acquisition, integration, and use of knowledge about foreign markets and operations provide elements for incrementally increasing commitments to foreign markets, moving from low-to-high commitment entry modes. However, this work only marginally refers to licensing.

Kogut & Singh (1988) use the construct of national cultural distance to approach the choice of entry modes. IB scholars have cited these two authors' work most often because of their contribution to measuring cultural distance using Hofstede's (1980) cultural dimensions, rather than due to their contribution to understanding the link between national culture and entry modes. However, Hofstede's article does not cover licensing as an entry mode, but focuses on acquisitions, greenfield investments and joint ventures.

Anderson & Gatignon (1986) – the fourth-most cited paper – depart from transaction cost economics to analyse equity modes such as wholly-owned subsidiaries and equity joint ventures, and non-equity arrangements such as contractual joint ventures and licensing. These authors support the dominant view of licensing as a low-control alternative for low proprietary products or simple products.

### 2.2.11. Co-citation Analysis

Using the 50 most cited documents, a co-citation analysis generated a symmetric square matrix and a Pearson correlation matrix. Using MDS, the results of the correlation matrix were used to plot a two-dimensional map. The results showed a normalized raw stress of 0.104, below the 0.15 desirable limit. However, the results were not conclusive, due to the dispersion of the documents in the map.

The hierarchical cluster analysis was unable to provide an acceptable grouping: three groups explained only 58.3% of the variance, and four groups, 66.2%. Even though these results might be acceptable under some circumstances, the different solutions are quite dispersed. Figure 6 presents the two-dimensional map for three groups, using the first author's name and year of publication

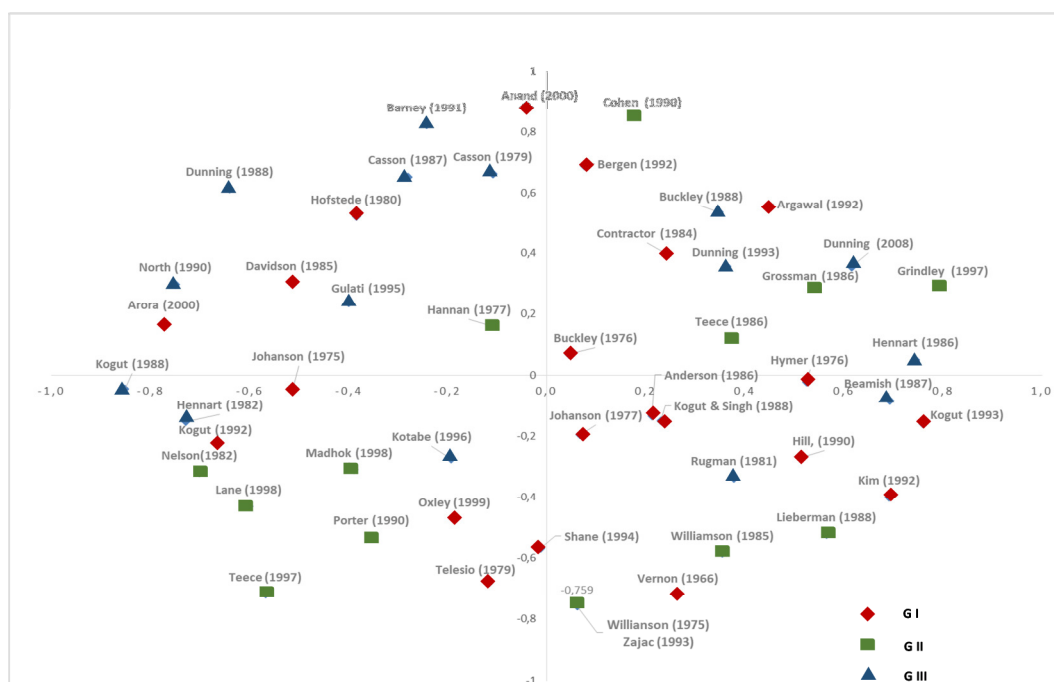


Figure 6 - Two-dimensional Map of Licensing in International Business

The size of the bubble in Figure 7 indicates the number of co-citations in the two-dimensional map.

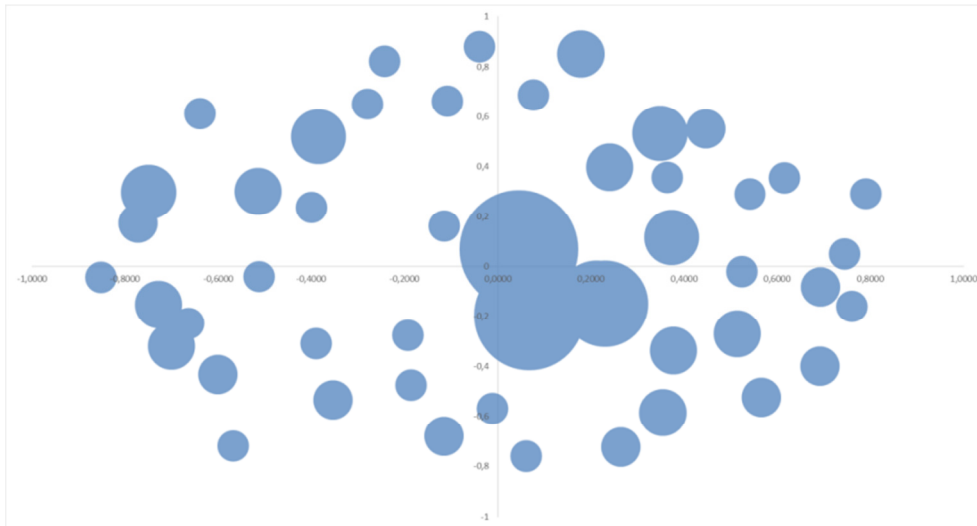


Figure 7 - Two-Dimensional Map of Licensing in International Business with Citations Frequency

Theoretically, the authors in the same group are close to other authors in the same group. Nevertheless, the authors are spread out across the map, possibly indicating that there is not a prevalent theoretical tradition that can be considered as a basis for the researched theme. The dispersion might also be the result of the small number of documents and consequently the small number of citations. Due to these inconclusive results, we waived the keywords exercise to identify the axis dimensions.

### 2.2.12. Conclusions

A large number of firms, particularly from the high-technology industries, services industries and creative industries, are increasingly using licensing in their internationalization process. The forces of globalization have prompted a substantial change in the international landscape, facilitating the entry of smaller firms into world markets. Nevertheless, the field of IB has not followed this trend. In fact, this study shows that IB scholars have mostly neglected licensing as a research topic, despite its growing relevance. It seems that there is still a sort of “academic prejudice” against licensing, perhaps because it has historically been seen as a less attractive, inferior entry mode.

Theories that consider licensing were basically developed in the 1970s and 1980s, when large multinational firms, predominantly from traditional manufacturing industries, were the relevant players in the global arena. Therefore, most theoretical perspectives that consider licensing either see it as an inferior choice (e.g. internalization theory, transaction cost economics, dynamic capabilities), or almost ignore it (e.g. the Uppsala internalization process model).

With changes in the international environment, now is the time for scholars to consider licensing in a digital, high-tech environment. In the new context, licensing is an attractive solution, particularly when innovation is so fast, and patents or similar practices cannot protect competitive advantages, either because a new competitor has appeared with a new offer, or because the firm itself has created a replacement for its own products. The shortening of life cycles, the rapid pace of innovation, the ability to reach foreign markets – all these changes should encourage scholars to take a new look at licensing and other contractual arrangements.

Although the study was capable of providing a reasonable view of the state of affairs in licensing research in the area of business, the same was not possible in the area of international business. The main reason for this was probably the limited number of articles on the subject of international licensing. Another limitation of this study was the use of only two databases. Perhaps it would be possible to identify more articles on licensing by adding more databases.

The use of bibliometrics to analyze a theoretical domain does enable the researcher to have a view of the subject of interest, but the method also has its limitations and should be used with caution. The assumption behind the use of citation frequency is that the most cited authors are the most influential, but this is not necessarily true. Furthermore, the fact that only a few documents are the ones most cited does not make them the most current or most important in a field. Despite these limitations, according to Peiris, Akoorie and Sinha (2012), this is a method that makes it possible “to recognize the articles that had a significant impact and the extent of their dependence on building the existing knowledge base” ((PEIRIS, AKOORIE & SINHA, 2012, p.281). It is important that other researchers supplement the study in order to expand the current analysis.

### 2.3.

## **Essay III - Licensing in the Internationalization of Creative Industries – Multiple-Case Study from Brazilian Firms**

### 2.3.1.

#### **Abstract**

The dynamic context of the internet has created a new set of opportunities for the development of creative goods and services. To assess the place of international licensing in the internationalization of animation studios, a multiple-case study was devised with Brazilian firms. The investigation of the trajectories adopted indicates that international licensing consists of a plethora of facets. The results suggest that emerging market firms should acquire knowledge, develop control systems, and build trust to pursue fruitful international licensing agreements. The findings are in contrast with existing theories, thus suggesting the need for more studies in order to enhance the knowledge on this type of industry. A deeper understanding of licensing and the factors involved in its use challenges the dominant views in the extant literature.

### 2.3.2.

#### **Introduction**

The creative economy includes a broad range of services, such as advertising, arts, crafts, film, music, publishing, toys and games, entertainment, and television (HOWKINS, 2002). The international market for the creative economy reached a record of 624 billion dollars in 2011. This value doubled between 2002 and 2011, with an annual growth rate of 8.8%. Even though the developing economies have been increasing their share in the international market of creative goods and services, their share is still small; exports from developing countries added up to only 227 billion dollars in 2011. Nevertheless, exports of creative goods and services from developing countries showed an average of 12.1% annual growth rate between 2002 and 2011 (UNCTAD, 2015).

Creative goods and services are in the core of contemporary life, and are part of a revolution in the way entertainment is consumed. According to the World Economic Forum (World Economic Forum, 2015, p. 8) “the internet has unleashed opportunities for content creation, production, distribution and consumption.” In the entertainment and media industry, technological change has disrupted every activity, from music consumption to video production. Today



consumers take for granted the abundance and immense diversity of content available in different media (ERNST & YOUNG, 2015).

The production of content for the entertainment industry has been traditionally concentrated in a few advanced economies (MANYIKA, *et al.*, 2016). This picture has been changing in recent years, with India, South Korea and China becoming significant producers of content. Regarding consumption, in 2016, for the first time, China ranked second in the entertainment and media markets (190 billion dollars) after the U.S. (712 billion dollars), and followed by developed economies such as Japan, Germany and the United Kingdom.

Such changes in the business environment increased the strategic complexity of operating in the industry, not only for traditional players, but also for newcomers. The digital revolution changed the traditional audiovisual value chain, allowing independent producers to license or sell their content to broadcasters all over the world, thus enabling them to reach larger audiences. In this context, the licensing of creative content has become a critical activity for independent content producers.

Animation is “a notable part of the creative economy” (LEE, 2010, p. 183), spreading across a number of sectors such as TV, filmmaking, publishing, new media and computers. To cover high production costs and increase profitability, firms in the industry use a range of different formats of marketing and merchandising. Additional sales come from a number of digital platforms, but also from books, games, comics, toys, clothes, etc. Many releases of blockbuster films have been based on successful TV shows, books, and comic books (BATTERSBY & SIMON, 2012).

A variety of corporate structures coexist in the animation industry, ranging from large conglomerates such as Walt Disney (first in the ranking of global licensors and one of the world’s largest animation producers), Time Warner, and Viacom, to small independent firms. The global market for animation, considering its many formats, was estimated at 300 billion dollars per year in 2011, with the U.S. leading, followed by Canada, France, and the United Kingdom (WESCOTT, 2011).

Intellectual properties are transferred from movies to products, and vice-versa. Additional or even main revenue streams come from ancillary products and other forms of entertainment. The primary mode of expansion is licensing (RAUGUST, 2004). In the past, a brand/character to be licensed needed to follow the traditional path: broadcast in TV, increase awareness and build a demand for products, and only then producers could expect to license related characters or brands. However, digital media allowed brand/character licensing to start without ever been on the traditional screen.

Despite the speed of change in the business environment of the entertainment and media industry, researchers in International Business (IB) have not given enough attention to the growing importance of foreign markets to smaller content producers, and their use of licensing as their primary entry mode. Moreover, many of these firms come from emerging markets. In fact, the very limited presence of Brazilian firms in this challenging global market was the main motivation to develop a multiple case study to investigate their internationalization process and their use of licensing as an international strategy. The purpose of this paper is, therefore, to understand the place of international licensing in the internationalization trajectory of Brazilian animation studios. Using an abductive approach, the paper analyses three cases of animation firms that were successful in the domestic market and entered international markets.

The paper is organized in six sections. After this introduction, the second section briefly reviews the literature on international licensing. The third section presents the methodology used to develop the case studies. The fourth section describes each of the three case studies. The fifth section cross-analyzes the results regarding the characteristics of the firms and their top managers, their international trajectory, their choice of entry modes and their licensing activities in foreign markets. The final section presents the conclusions, limitations and recommendations for future research.

### 2.3.3. Theoretical Background

IB researchers have made considerable efforts to understand, prescribe, and predict the impact on the firm of the adoption of different entry and operation modes. In fact, Cross (2000, p. 483) has suggested that at the heart of “theorizing in international business is whether such opportunities should be exploited within the boundaries of the firm, as internalized, affiliate transactions, or between firms, as ‘arm’s-length,’ or non-affiliated, transactions.” According to Ietto-Gilles (2005b), the main focus of IB research has traditionally been on the organization of international production. Such theoretical and empirical developments were typical of the earlier stages of globalization, when manufacturing in foreign countries was carried out by traditional multinational firms, and international trade activities involved mainly tangible products.

Economic theories in IB come from a long tradition of International Economics, which looked both at international trade and international production. In general, these theories consider licensing as a less interesting, less profitable option, with poor control and high risk of losing the firm’s monopoly to exploit its specific advantages due to market imperfections (Hymer, 1976). In addition, licensing appears as an alternative for the innovator in the early stages of production if there is a demand from a foreign market, even though the “licensing alternative may prove an inferior choice because of inefficiencies in the international market for technology” (VERNON, 1966, p. 257).

Transaction cost economics (TCE) is considered the most influential theory examining the use of licensing (BROUTHERS & MCNICOL, 2009). TCE explains the firm's choice between FDI and licensing taking into account opportunistic behavior of potential partners. Internalization theory, departing from TCE and Coase’s (1937) contribution, focuses on the use of the firm’s structure to internalize intermediate and knowledge-based products (BUCKLEY & CASSON, 1976; 1998). Licensing is also seen as a risky entry mode. In Buckley and Casson’s (1998) paper, the use of licensing appears among thirteen alternatives to approach international markets, and a not particularly desirable one.

Behavioral theories have adopted a different approach to internationalization, by looking at how firms enter foreign markets in a sequence of steps (CAVUSGIL, 1980). The Uppsala model, one of the most cited behavioral theories, sees the international trajectory of the firm as a series of gradual steps supported by knowledge acquisition and incremental commitment (JOHANSON & VAHLNE, 1977). The use of licensing in this approach is considered as an initial stage for the firm's international trajectory. However, although frequently mentioned in this literature, licensing has received little attention in the empirical studies using the model (MIRUS, 1980). In addition, the Uppsala model is said to be challenged by emerging market multinationals (OLIVEIRA, 2017).

More recently, the Uppsala model has been updated to include relationships as a crucial element in the firm's internationalization process (JOHANSON & VAHLNE, 2003; 1990a; 2009). The relationship built over time enhances trust and provides knowledge, allowing firms to increase their involvement and commitment. The assumption underlying the revised model is that the process of acquiring business relationships is subtle and related to a specific context. It is safe to assume that a long-term relationship with a foreign partner might reduce any potential risks associated to licensing. In fact, Maekelburger, Schwens and Kabst (2012), departing from TCE assumptions, show that international networks may be safeguards against opportunism.

Several authors consider the use of licensing in diverse situations, according to their theoretical perspective or the specific context examined. For example, Fosfuri (2006a) recommends the use of licensing for firms lacking production and marketing capabilities, although technology intensity, industry structure and firm resources may influence its use (AULAKH, KOTABE & SAHAY, 1996). Another favorable context occurs when the enforcement of intellectual property rights in the host country is high (CAVUSGIL, 1998); the lower the enforcement levels, the higher the risk to license. Cavusgil (1998) also points out that partnerships (which includes licensing) are an alternative for small and medium-sized enterprises (SMEs) wishing to expand internationally. Entrepreneurial motivations include leveraging resources and assets, retaining flexibility, reducing risks, gaining speed, and capitalizing on each partner's strengths.

Contractor (1981) offers a list of conditions when licensing would be the preferable choice, that could be extended to non-technological and non-innovative firms, including: product cycle standardization and maturity; constraints on direct investment; restrictions on imports into a foreign country; licensor firm size; R&D intensity of the licensor; perpetuation of licensee dependency; and product line organization and diversification by the licensor. Meyer, Tinney, and Tinney (1985) approach the use of licensing as a source of potential revenues for firms developing their international expansion strategy, although assuming that licensing is not the primary focus of the firm but a supplemental revenue. More recently, Duchêne, Sen and Serfes (2015, p. 1324) suggest that the owner of an intellectual property may use licensing as a strategy to deter competitor's entry in a foreign market, provided that "the entry cost is high, or the efficiency edge of the technology is significant."

The study of entry modes and, specifically, of licensing in the context of SMEs has received limited attention in the literature. Two recent literature reviews of foreign entry modes choice by SMEs (BRUNEEL & DE COCK, 2016; LAUFS & SCHWENS, 2014) have analyzed 33 articles (published between 1989 and 2012) and 47 articles (published between 1992 and 2012) respectively. The most common perspective used was TCE, followed by Dunning's Eclectic Paradigm (DUNNING, 1988). Since both theories assume that licensing is a high-risk, low-control entry mode, most authors depart from these assumptions. A number of interesting findings of both reviews give clues to the problem of licensing by SMEs. First, because most SMEs have limited resources, they use non-equity entry modes when capital intensity is high or the required investment in promotion is high. Second, SMEs use contractual modes when they want to expand fast. Third, SMEs prefer equity modes when there is high market potential, or high perceived risk, the market is important, and they offer differentiated products. Fourth, there are industry specificities that impact the entry mode decision. For example, digital SMEs may prefer exporting or licensing, and retailing SMEs prefer low-control entry modes (including licensing).

Since very few of the TCE studies reviewed go in depth into specific entry modes (particularly licensing), Laufs and Schwens (2014, p. 1118) claim “for a more nuanced foreign market entry mode perspective.” The same recommendation is stressed in the case of studies using other theoretical perspectives. Bruneel and De Cock (2016) recommend more careful conceptualizations and measurement, and more qualitative and quantitative longitudinal research.

Finally, in the last two decades, another stream of research – named international entrepreneurship – offered interesting insights into the internationalization of young entrepreneurial firms. However, as pointed out by Benito, Petersen and Welch (2009, p. 1456), this literature has shown “little treatment of operation modes”, although “it might be assumed that faster internationalisation means faster movement through modes or mode leapfrogging.” Exceptions are Shrader, Oviatt and McDougall (2000), Gleason and Wiggenhorn (2007), and Ripollés, Blesa and Monferrer (2012). Nevertheless, none of these papers looked at how entrepreneurial firms use licensing.

### **2.3.5. Methodology**

The study aimed at answering the following research question: *How and when some Brazilian animation studies have adopted international licensing in their internationalization trajectory?*

- *Method*

The nature and the dynamics of the field of IB offer a range of research methodologies, some of them qualitative, others quantitative, allowing to approach a given phenomenon from different perspectives. As Birkinshaw, Brannen, and Tung (2011, p. 573) noted, "the field of IB is multidisciplinary in scope and interdisciplinary in content and methodology."

A qualitative approach was used to better capture the complex and rich nature of some Brazilian animation studios' experiences. In fact, as indicated by Doz (DOZ, 2011, p. 583), “qualitative research is uniquely suited to ‘opening the black box’ of organizational processes, the ‘how’, ‘who’ and ‘why’ of individual and collective organized actions as it unfolds over time in context.” Also, considering the specificities of the industry studied, its rapid evolution and

dynamism, a rich and detailed description may provide a broad view of the phenomenon of international licensing.

Among the qualitative methods in IB research, the case study appears as a method of election: "The case study has an established place in qualitative international business (IB) research" (WELCH, PIEKKARI, PLAKOYIANNAKI & PAAVILAINEN-MÄNTYMÄKI, 2011, p. 740). Ghauri (2004) argues that the case study is particularly suited as a research strategy in IB, due to its potential to generate and provide innovative insights. Remenyi, Williams, Money, and Swartz (2010) also claim that the case study is an important research method and its use in doctoral dissertations is particularly appropriate because of its flexibility and ability to deal with the complexity of business phenomena.

The holistic nature of research case studies enables the investigation of a phenomenon from different points of view. Dubois and Gadde (2002, p. 554) state that "the interaction between a phenomenon and its context is best understood through in-depth case studies." Several authors point out that the case study is a useful method when the research area is still not mapped (e.g. GHOURI, 2004; GIBBERT & RUIGROK, 2010; YIN, 2009). All these arguments support the decision to use case studies to investigate the place of international licensing in the internationalization trajectory of Brazilian animation studios.

The research strategy to develop the case studies used an abductive approach. The abductive approach allows the case analysis to evolve gradually and simultaneously, as the findings from the fieldwork are continuously confronted with the relevant literature, enabling systematic combining. The process is non-path-dependent and non-linear. Following the abductive approach, the cases have been developed in sequence, with the purpose of building a gradual understanding of the phenomenon.

- *Case Selection*

The unit of analysis is a critical aspect of the case study (FLETCHER & PLAKOYIANNAKI, 2011). The unit of analysis was Brazilian animation studios that have decided to use international licensing, even if the decision was not yet fully implemented at the time of data collection.

Because Brazilian companies are still on a preliminary level of development of international licensing activities, particularly brand/character licensing, a single case would not give a sufficiently broad understanding of the research problem. Three cases seemed an adequate number, in order to not sacrifice the depth of the analysis. The cases were selected based on recommendations of specialists from the Brazilian export promotion agency, Apex-Brasil. Data from each company and their status on the licensing activity are presented in Table 17.

Table 17 - Firms' Profile (2017)

Company	Main Product Line	Nb. of Employees	Year of Inception	Year of Internalization	Licensing in Brazil	Intl. Licensing
Mauricio de Sousa Productions (MSP)	Publishing/ TV Cartoons	400	1963	Early 1970s	Yes	Yes
TV Pinguim (TVP)	TV Cartoons	62	1989	2002	Yes	Yes
Bromelia Films (BROF)	Animated musical cartoons	15	2008	2012	Yes	Yes

The firms are substantially different in terms of number of employees. The oldest company, MSP, is a large company, with 400 employees. TVP is a medium-sized company with 62 employees in 2017.<sup>4</sup> BROF is the smallest of the three firms, mainly due to the entrepreneurs' desire to keep a small structure and develop operations through partnership in different areas. The three companies started business activities that were quite innovative in the domestic market: MSP with comic books, TVP with animation production and BROF with animated music in a digital channel.

- *Data Collection*

The complexity of the phenomenon and the real-life context imposed the use of multiple sources of information, permitting triangulation. In this study, four sources were used: (1) interviews; (2) company sites; (3) company documents; and (4) published material. Each source has its advantages and disadvantages, and they are not necessarily exhaustive (YIN, 2014). Table 18 presents the primary data sources used. Interviews were conducted in the three firms, as well as with the head of the licensing agency (Redibra) used by one of the firms.

<sup>4</sup> It should be noted that TVP had close to half its size in 2013, when the firm was first interviewed. The classification by size follows OECD's (OECD, 2018)



Table 18 - Summary of Primary Data Sources Used

<b>Firms</b>	<b>Year</b>	<b>Interviewee</b>	<b>Position</b>	<b>Length</b>
MSP	2014	Mauricio de Sousa	CEO Founder	53'
	2014	Monica de Sousa	Commercial Manager	20'
	2017	Marcos Saraiva	Commercial Manager	25'
	2016	Enio Kuruma	International Marketing Manager	90'
TVP	2014	Mauricio de Sousa	CEO Founder	23'
	2013	Celia Catunda	CEO Founder	1h17'
	2013	Kiko Mistrorigo	CEO Founder	57'
	2013	Ricardo Rozzino	CFO	1h37'
	2015	Celia Catunda	CEO Founder	44'
BROF	2016 <sup>a</sup>	Marcos Luporini	CEO Founder	27'
	2016 <sup>b</sup>	Marcos Luporini	CEO Founder	26'
	2017	Marcos Luporini	CEO Founder	27'
	2013	Juliano Prado	CEO Founder	1h52'
Redibra	2013	David Diesenbruck	CEO	48'

- *Data Analysis*

According to Ghauri and Firth (2009, p. 34) “interpreting and analyzing qualitative data is perhaps the most difficult and time-consuming task while doing a case study research.” In this study, the analysis followed three steps: (i) individual case reports; (ii) within-case analysis; and (iii) cross-case analysis.

The first step consisted of writing individual reports for each case. The purpose was mainly to organize the data and to develop a longitudinal account of each firm’s international development. The reports are useful to understand the context (both external and internal to the firm) that surrounded the internationalization process and the temporal sequence of events.

The second step is within-case analysis, aiming to identify specific patterns within each case (PAUWELS & MATTHYSSENS, 2004). In this step, each case is studied to identify issues that may help to explain the logic of the phenomenon under study.

The third step consists of a cross-case analysis, that is, a comparison of the findings from each case. Ghauri (2004, p. 119) warns, however, that “developing a good case comparison in a multiple case study is essential but not very simple, as different cases might tell different stories and lead to different variables.” The idea is to analyze the data from different perspectives to identify similarities and differences between the cases.

The cross-case analysis does not consider the historical evolution of the cases but it is instead a search for concepts. At this stage, the amount of data collected and the researcher capacity to deal with the amount of data is often limited. To facilitate data analysis, it was decided to use a computer-assisted qualitative data analysis software, N\*Vivo, to formalize the gathering, analyses, and interpretation (SINKOVICS, PENZ & GHOURI, 2008).

The cross-case analysis was based on theoretical and emergent categories, concerning managers' background, the internationalization process, the choice of entry modes, and the use of licensing (Table 19). Some descriptive data is also provided, but they were not considered relevant for the analysis, and therefore are not included in the categories, although they may appear in the tables.

Table 19 - Categories used to analyze the data

Category	Description
<i>Manager Characteristics</i>	
Intl. experience	Previous experience of living in a foreign country
<i>Internationalization Process</i>	
Timing	Years between inception and internationalization
	Speed (slow, medium, fast)
Intensity	International revenues on total revenues
Scope	First world region to enter
	No. of countries (2017)
Attitudes towards internationalization	Initial attitude towards internationalization
	Subsequent attitude towards internationalization
<i>Choice of Entry Modes</i>	
Initial entry mode	First entry mode used
Subsequent entry modes	Sequence of entry modes
<i>Use of Licensing</i>	
Market uncertainty and knowledge	Market uncertainty leads to an effort to acquire market knowledge
Perceived risk and trust	Trust in international partners reduces perceived risk
Control and involvement	Mechanisms used to control licensees and involvement in international operations

### 2.3.6. Case Description

#### 2.3.6.1. Mauricio de Sousa Productions (MSP)

In 1963, cartoonist Mauricio de Sousa founded an animation studio, named Mauricio de Souza Productions (MSP). The first characters developed were part of a series of comic strips entitled "Monica and Friends", published in Brazil. Since then, a large number of characters were developed. The company is presently run by Mauricio de Sousa (President), and other family members,

including his daughter Monica, who inspired the original comic strips, as well as a team of professionals.

MSP has an extensive portfolio of comic books, cartoons and films, shows and entertainment, games and digital media. There are more than 500 characters created within different series such as Monica's and Friends, Chuck Billy, and others. Since the company's inception, there were more than one billion comic books sold and more than two billion views on the YouTube. The company leads the Brazilian children's comic book market, selling more comic books than Disney. Table 20 compares MSP Titles and Disney titles in the Brazilian market.

The company business revenues come from two main areas: content licensing and brand/character licensing; the latter represents 85% of MSP's revenues. MSP is recognized in Brazil for brand/character licensing. There are more than 3,000 licensed products and 150 contracts with different companies in several product categories. For example, in the diapers market, the Monica brand is the sales leader in a 4.8 billion dollars industry (Euromonitor International, 2017). In the groceries market, the Monica brand was successfully used to launch a small apple targeting children, and had in 2017 around 33% of this market segment (PEZZOTTI, 2017)

Table 20 - Brazilian Weekly Children's Comic Book Sales 2006-2015 (thousands of units)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Jimmy Five (Cebolinha)	120.9	97.6	111.7	149.2	145.0	123.4	139.4	137.2	126.1	130.4
Smudge (Cascão)	111.9	86.5	99.3	134.4	128.0	106.7	123.0	122.5	115.1	124.1
Maggy (Magali)	114.7	90.2	102.7	137.4	133.7	108.9	125.4	124.6	114.2	118.8
Chuck Billy (Chico Bento)	113.9	87.8	103.0	136.5	130.4	106.1	122.0	117.8	108.6	117.9
Monica (Mônica)	128.1	105.6	123.4	150.8	145.7	128.3	145.5	143.6	126.5	109.7
Donald Duck (Pato Donald)	6.4	8.6	9.1	9.0	9.1	22.7	36.7	40.6	40.9	32.0
Uncle Scrooge (Tio Patinhas)	6.6	8.2	8.0	8.6	8.1	20.8	36.1	40.7	39.9	31.9
Mickey Mouse	5.7	7.1	7.2	7.6	8.4	21.6	36.3	40.2	40.2	31.7
Joe Carioca (Zé Carioca)	6.0	6.9	6.6	7.0	7.7	21.7	35.9	40.4	40.2	31.5
Other	50.3	46.6	28.7	11.3	3.4					
Total	664.5	545.17	599.51	751.92	719.52	660.22	800.22	807.49	751.59	727.92
MSP Titles	<b>88.7%</b>	<b>85.8%</b>	<b>90.1%</b>	<b>94.2%</b>	<b>94.9%</b>	<b>86.9%</b>	<b>81.9%</b>	<b>80.0%</b>	<b>78.6%</b>	<b>82.5%</b>
Disney Titles	<b>3.7%</b>	<b>5.7%</b>	<b>5.1%</b>	<b>4.3%</b>	<b>4.6%</b>	<b>13.1%</b>	<b>18.1%</b>	<b>20.0%</b>	<b>21.4%</b>	<b>17.5%</b>

Source: Data extracted from IVC reports (several years)<sup>5</sup>

<sup>5</sup> IVC is a non-profit organization gathering printed and new media performance data. The organization is affiliated to the International Federation of Audit Bureaux of Certification (IFABC).

- *The Internationalization of MSP*

After successfully developing a number of characters in the domestic market, the entrepreneur decided to enter international markets. This process started by licensing content. The internationalization of publishing content occurred in two distinct periods: a first pioneering initiative at the beginning of 1970s until 1980 and another one following a more structured process starting in 2000.

In 1970, MSP created the character *Pelezinho* (little Pelé), based on the famous Brazilian soccer player, which had much appeal in several countries. *Pelezinho* comic strips were featured in newspapers from several countries. By 1980, *Pelezinho* was published in 14 countries, including editions in English, Swedish, Finnish and Norwegian. This initiative ended with what Mauricio de Sousa called in his autobiographic book the "Japanese invasion" (SOUSA, 1997). The publishers were dealing with a complex context of investments by Japanese magazines, combined with a difficult economic environment in Brazil between 1980 and 1990.

The second international experience began in 2000, first with the establishment of the New York office, aimed at developing the U.S. market, which Mauricio de Sousa considered as the company's primary target (NUCCI, 2008), followed by the signing of a contract with a new publisher, the Panini Group, a multinational firm. During the same year, MSP started the publication of the Monica and Friends comic book series in Indonesia, a comic strip in the leading newspaper of South Korea, and a cartoon series in Italy.

The primary facilitator for this new internationalization attempt was *Ronaldinho*, a character created in 2005 based on the internationally-renowned Brazilian soccer player Ronaldinho Gaúcho. Relatively successful sales were attained with products licensed in Spain and Portugal. As Mauricio de Sousa stated in an interview: "Ronaldinho paved the way for us. It allowed us to also offer Monica and Friends."

Mauricio de Sousa's international operations consisted of publishing comics and cartoons in print format, and also airing them on television channels, dubbed in several languages such as Italian, Continental Portuguese, French, and others. The characters' names may differ from one country to another: for example, *Cebolinha* is *Cipollino* in Italy and Jimmy Five in England.

Portugal, the colonial power in Brazil's history, was a natural market. Monica and Friends characters have appeared for many years in Portugal, and they have been part of thousands of children's lives there. Mauricio de Sousa is considered in that country the most successful and charismatic Portuguese-speaking author of comic books (News of Portugal, 2013). In 2010, Mauricio de Sousa decided to increase the company's share of the Portuguese market, reaching a new generation of readers. MSP developed several initiatives, including the expansion of the number of points-of-sale and the opening of a theme park, with an investment of approximately 670 thousand euros.

The Asian initiatives included Japan and China. Starting in 2008, a biweekly Japanese magazine published some pages of Monica and Friends comic strips. The magazine also published Monica and Friends complete stories. In January 2010, Mauricio de Sousa received authorization to use the characters from Princess Knight's manga comics along with characters from Monica and Friends in a Japanese comic book on world peace.

Also in 2008, the Chinese government chose Monica and Friends' characters for a literacy project directed at more than 180 million children in China. MSP and Online Education China (OEC) carried out the project. Also, MSP signed an agreement with a Chinese studio to promote the production of TV cartoons for international markets and to Chinese and Brazilian TV channels, aiming to achieve a 10% share of the world's market for TV cartoons. According to the entrepreneur, both companies considered this goal feasible, since they had extensive experience in the entertainment industry, and specifically with child entertainment (BARBOSA, 2011).

A detailed list of MSP's international initiatives appears in Table 21. However, despite its ability to license content worldwide, MSP was not successful in developing the markets for brand/character licensing outside Brazil.

Table 21 - MSP's Internationalization Timeline

Year	Product / Service	Distribution Channel	Countries	Languages
1980's	Comic Books	Newspaper stores	Germany, other European countries	German
2000	New York office is established and headed by Maura de Sousa (Mauricio de Sousa's sister)			
2003	"Ronaldinho" animated cartoons	Open TV Broadcasting (RAI 2)	Italy	Italian
2008	Comic Strips	Japanese Magazine	Japan	Portuguese and Japanese
2008	Comic Strips	Indonesia Newspaper	Indonesia region	Bahasa
2008	"Ronaldinho" comic books	French newspaper stores	France	French
2008	Literacy books	Schools (Chinese Education Dept.)	China	Portuguese and Chinese
2010	Monica and Friends Channel	Digital - Youtube	World	Brazilian Portuguese
2010	Theme Park	Recreation space	Portugal	
2010	Monica and Friends Channel	Digital - Youtube	Latin America and Europe	Spanish
2011	Neymar Comic Book	Newspaper stores	Portugal	Portuguese
2012	Monica and Friends Channel animated cartoons	Pay-per-view TV (Globo International)	Several countries	Brazilian Portuguese
2013	Astronaut Graphic Novel	Newspaper and book stores	France, Germany, Italy, Spain	French, German, Italian, Spanish
2014	Monica Toy	Digital - Youtube	International	-
2015	Monica and Friends Channel cartoons	Cartoon Network Broadcaster	Latin America (except Brazil)	Spanish
2015	Monica and Friends Channel cartoons	SICK Broadcaster	European Countries	European Portuguese
2015	Monica and Friends Channel cartoons	DSTV Kids Broadcaster	Angola and Mozambique	Brazilian Portuguese
2017	Monica and Friends Channel Musical	Theaters (BIS entertainment)	U.S.	Brazilian Portuguese (simultaneous translation)

### 2.3.6.2.

#### TV PinGuim (TVP)

TV PinGuim was established in 1989 by Celia Catunda and Kiko Mistrorigo. Initially, the company developed advertising campaigns, logos, and printed materials, but the owners cherished the dream of competing in the animation market, creating and producing children's series. Accordingly, in 2001, the company started their first original content targeting children, a series broadcasted by a Brazilian public channel. It intended to answer common

questions of children up to six years old. Over time, the portfolio of products originated from the series expanded to include books and DVDs as well.

The initial design of the Fishtronaut (in Portuguese, *Peixonauta*) series dates of 2003. The first project was a co-production with a Canadian company, but it was not successful. Shortly thereafter, in 2004, TVP started negotiations with the Discovery Kids channel. In 2005 the company signed a five-year contract with Discovery Kids Latin America. The production costs were covered partly by the company and partly by tax incentives and government grants. Although the series initially targeted the Brazilian market, the firm developed the product in English, French, and Spanish. The total period, encompassing negotiation, production, and exhibition, took approximately four years: contracting in 2005; starting of production in 2007; and broadcasting in 2009. That same year, the series had the largest audience of children on the Discovery Kids channel. Also, in order to achieve brand recognition and to develop brand/character licensing, the company launched the Fishtronaut series in other digital platforms. In 2013, TVP launched a Fishtronaut movie.

A second, and even more successful children's animated series, Earth to Luna, was launched in 2014. The show was licensed to the pay-per-view channel Discovery Kids, although its first exhibition was for an American Channel, Sprout. Later on the series started exhibition on Brazilian TV channels. The show is on its third season and has been licensed to 74 countries. A female character, Luna, explores the world, supporting the concern with women's empowerment, even if this was not a primary intention of the creators. With the Luna series, the company, for the first time, achieved international licensing for the brand/characters.

In 2013 brand/character licensing was equivalent to 35% of TVP revenues. In 2015 the international operations were responsible for 45% of company revenues (Mendonça, 2015) and in 2016 this number reached 60% (Alvarenga, 2016).

- *The Internationalization of TVP*

Since the beginning of its activities, the owners of TVP had the vision that entering the international market was critical to the success and growth of the company. The Fishtronaut series was the first entirely Brazilian show broadcasted in an international subscription channel. The Fishtronaut series in 2013 was

presented three times a day on the Discovery Kids channel in Latin America, and it was the most watched children series for two consecutive years.

The first international licensee was the Arab network Al-Jazeera, the most extensive Qatar's journalistic broadcaster, in 2009. The channel was looking for a non-US production and became interested in the project. The series was translated into Arabic. In the same period, the series was licensed to E-Vision, the leading satellite channel in Dubai, reaching over 24 countries. In this initial phase, in addition to Latin America, the company licensed its content to several countries such as Turkey, Thailand and South Korea.

In 2010, TVP entered the United States, the world's largest market of audiovisual animation, with the Video on Demand (VOD) channel Netflix. This event made the Discovery Channel interested in also acquiring the program to be exhibited by the U.S. Discovery Family Channel, which targeted children and the Hispanic community in mornings and afternoons programming. The negotiation included the two seasons of Fishtronaut, with 52 episodes each. Table 22 presents TVP's internationalization timeline.

The internationalization process consisted of three stages: negotiation of the exhibition rights with a distributor or network; translation into the language in which it would be exhibited; and recording and sending the digital content.

Table 22 - TVP's Internationalization Timeline

Year	Product / Service	Distribution Channel	Countries	Languages
2005	Fishtronaut series – Production Agreement	Discovery Kids Latin America	Latin America	Portuguese, Spanish, English, French
2009	Fishtronaut series launch	Discovery Kids Latin America	Latin America	Portuguese, Spanish, English, French
2009	Fishtronaut 1 <sup>st</sup> Season	Al-Jazeera and E-Vision	Catar, Arab countries* and UAE	English and Arabic
2010	Fishtronaut 1 <sup>st</sup> and 2 <sup>nd</sup> season	Discovery Family TV Broadcast Streaming - Netflix	U.S.	English and Spanish
2012	Fishtronaut	Kazakhstan Public Channel Sprout Channel (NBC) August 2014	Kazakhstan	Kazakh
2014	Earth to Luna	Discovery Kids Latin America October 2014 TV Brazil August 2015	Latin America U.S.	English and Spanish

\* Oman, Kuwait, Bahrain, Qatar, Saudi Arabia, Iraq, Iran, Yemen, Jordan, Palestine, Lebanon, Egypt, Libya, Algeria, Tunisia, Morocco, Sudan, Chad, Djibouti, Mauritania and Somalia.



Content distribution was considered critical to the success and profitability of a series. To deal with the international market, the company used agents and distributors. At the beginning of the international activities, TVP operated with a Canadian distributor. However, since this firm had a strong position as a producer and a distributor, with a large number of shows in its portfolio, TVP decided to move to a smaller distributor that could better meet the company's needs. At the beginning of 2014, the company's international market coverage was as follows: a commercial agent dedicated to licensing for Latin American countries; a distribution company for Europe and some Asian countries; and a distributor and licensee for Asia, a Chinese company with offices in Hong Kong, specialized in animation and market leader in the manufacturing of toys in China.

### **2.3.6.3. Bromelia Films (BROF)**

BROF was founded in 2006 by Juliano Prado and Marcos Loporini. The original concept developed by the firm was an animated two-dimensional musical clip using children's songs of the Brazilian folk tradition. The main character was named Lottie Dottie Chicken. The primary target was children in the pre-school range. Having financed the project with their own resources, the entrepreneurs looked for opportunities to present their project to potential buyers. To facilitate this process, they posted the video in the YouTube. Unexpectedly, after a few months, the number of views in the YouTube reached around 500,000 (DESIDERIO, 2016).

At that point, the entrepreneurs focused their attention on creating the first DVD of the series Lottie Dottie Chicken, launched in 2008 using their e-store. In the same year, they entered the iPhone applicatives market, which was still incipient. In 2010, the company released the second DVD. Sales reached more than 100,000 units within the first month after launching, winning a double platinum award. The second DVD achieved the sixth position among the top sellers in 2010. At the end of 2012, BROF won the diamond award for selling more than 250,000 copies of the third DVD of the series, three months after its launch. The fourth DVD was released in 2014, and it ranked first among the year's launches. In the next two years, the firm licensed a thematic playground in malls, produced a music show, and launched a book series.

A major step to develop brand/character licensing was an agreement with a Brazilian licensing agency, Redibra, in 2011. This agency had started as a Disney representative in Brazil. The CEO of the company was for some time a Disney vice-president for Latin America. This experience associated with the knowledge about the region allowed him to build a network of relationships with companies in Europe and Asia. Soon Redibra became one of the leading licensing agencies in Brazil, representing brands such as Coca-Cola, Cartoon Network, Fox and Lucasfilm. In 2016 the agency's brand/character licensing revenues amounted to 300 million dollars covering 800 brand/character merchandise products in different segments, from toys and clothing to food and home products.

- *The Internationalization of BROF*

The internationalization of the Lottie Dottie Chicken series started in 2012 with the same strategy successfully adopted in Brazil; BROF launched a YouTube channel in Spanish and English. The insertion on YouTube had results similar to the earlier experience in Brazil. Although the songs were initially translated, it was decided to start in Mexico the adaptation to local popular children's songs, considering the cultural diversity among Spanish-speaking countries. BROF signed a licensing agreement (content and brand/character) with the largest Mexican media conglomerate, Televisa. The agreement was strategic for the international expansion of BROF, because of Televisa's association with Univisión, the largest television Hispanic network in the United States, where it held a shareholding of 5%.

The business expansion to other Latin America countries was achieved by launching the DVD initially in Argentina, and then in other countries. The DVD was also sold to the Latin American markets using the marketplace website Mercado Libre. In 2018, the Lottie Dottie Chicken channel in Spanish had already surpassed four billion views. According to the Kidz Global Study (International Licensing Industry Merchandisers' Association, 2015a, 2015b, 2016a, 2016b). Lottie Dottie Chicken (in Portuguese) is recognized as one of the children's favorite characters in Colombia and Mexico in 2015 and 2016. In 2017 reached the ninth position among the top ten mentioned licensed merchandise by the parents of kids aged 0-2.

In Europe, BROF signed an agreement with CPLG (Copyright Promotions Licensing Group), a UK-based licensing agency that represents different companies and brands linked to the entertainment industry, such as Dreamworks, 20th Century Fox, and Pink Panther. The strategy adopted was to work with local licensing agents. A three-party contract with BROF, CPLG and Redibra was valid only for Spain and Portugal. In other international markets Redibra acted as a master licensee for BROF until 2017. In the U.S. market BROF had the support of YouTube itself, since their perspective was that the Lottie Dottie Chicken series had been a successful case of brand building outside the traditional path. Table 23 presents Bromelia Films' internationalization timeline.

Table 23 - BROF's Internationalization Timeline

Year	Product / Service	Distribution Channel	Countries	Languages
2011	Three Videos in Spanish	Digital – YouTube Spanish	Mexico and Spain	Mexican Spanish
2013		TV Broadcast – Televisa	Mexico	Spanish
2013	Gallina Pintadita Lottie Dottie Chicken	Digital – YouTube Channel Spanish an USA	Latin America USA	English Spanish
2013	1 <sup>st</sup> DVD	Retail Stores	Argentina Mexico	Mexican Spanish
2015	DVD 1 and 2	Digital – Netflix	North America and Canada	Mexican Spanish
2016	Galina Puntolina	Digital – Youtube Italian Channel	Italy	Italian
2016	Consumer products	E-commerce/ U.S. office	EUA	English Spanish

### 2.3.7. Cross-Case Analysis

The cases are now compared. First, firm characteristics relevant to the analysis are described, followed by the firms' internationalization paths. Then, the choice of entry modes and the use of international licensing are discussed.

### 2.3.8. Firm Characteristics

The companies studied are entrepreneurial, highly innovative, despite their limited human and financial resources in their first years. MSP started selling comic strips to newspapers, TVP financed the production of animation by providing advertising services, and BROF funded the first DVD with an investment shared with the production team.

*And then, in the 1970s, we launched the first ‘Monica and Friends’ comic book... Soon we had a massive volume of sale; it was very well received. After a while came ‘Jimmy Five’ comic books. (Monica de Sousa, MSP).*

*We were among the first to produce paperless animation, not only in Brazil, but almost anywhere in the world. I went to a LA animation festival, and we had one animation there, and everybody asked me how we had done it ... It was a mix of three and two-dimensional animation. I explained we had done it only with a mouse, and we didn’t use any paper. And this happened in 1990 (Celia Catunda, TVP).*

*The Lottie Dottie Chicken is the first character built at YouTube to become a brand. [...] The Lottie Dottie Chicken YouTube channel is the first Brazilian channel to reach five billion views. More than a fantastic number, it shows the beautiful path we traced helping children’s education. It is a reward for all our efforts to build a fun and educational production for children (Marco Luporini, BROF).*

The founders’ education and international experience was also considered (Table 24). The IB literature indicates that international experience may play a crucial role on the pace of internationalization, reducing uncertainty (E.G.; EVERS, 2011; JOHANSON & VAHLNE, 1977; VAHLNE & JOHANSON 2013). Nevertheless, the founders did not have any international experience previous to these firm’s inception. It does not seem from these cases that previous international experience is a requirement to internationalize.

Table 24 - Background of the founders

Name	Position	University Education	Experience Background	Intl. Exp.
Mauricio de Sousa	Founder/ President MSP	---	Journalist	None
Celia Catunda	Founder/ Creative Director TVP	Communication – Radio and TV	Internship in Cartoon Producers	None
Kiko Mistrorigo	Founder/ Executive Producer TVP	Architecture	São Paulo University Campus Town Hall Communication office	None
Juliano Prado	Founder/ Executive Producer BROF	Business	Start-up entrepreneur	None
Marcos Luporini	Founder/ Creative Director	Communication, Master of Arts PhD (incomplete)	Sound records and media production at an Media agency (2002)	None

### 2.3.9. Internationalization Process

Diving in the firms' internationalization process, the cross-case analysis considered five dimensions. The first dimension is the *timing of internationalization* (years between inception and first internationalization, evaluation of the speed of internationalization). The second dimension is the *intensity of internationalization* (measured by the percentage of international revenues on total revenues). The third dimension is *scope of internationalization* (first world region to enter, number of countries in 2017). The fourth dimension is *choice of entry modes* (first entry mode used, offices abroad in 2017), and the fifth dimension is *attitude towards internationalization* (the initial founders' attitude towards internationalization, subsequent attitude).

Table 25 - Similarities and differences concerning the internationalization process

Characteristics of Internationalization	MSP	TVP	BROF
<i>Timing of Internationalization</i>			
Main product/service in foreign markets	Publishing and Animation	Animation	Animation
Years between inception and internationalization	10	13	6
Evaluation of speed of internationalization	Slow and gradual	Medium	Fast
<i>Intensity of Internationalization</i>			
International revenues on total revenues	<10%	Approx. 60%	Approx. 25%
<i>Scope of Internationalization</i>			
First world region to enter	Europe	Latin America	Latin America
No. of countries in (2017)	180+	90+	50+
<i>Attitudes toward Internationalization</i>			
Initial attitude towards internationalization	Reactive	Proactive	Proactive
Subsequent attitude towards internationalization	Proactive	Proactive	Proactive

The first dimension used was the *timing of internationalization*. The firm's age (measured by the year of foundation) is considered “a proxy for experience” (DA SILVA, DA ROCHA, & CARNEIRO, 2009, p.98); the assumption is that older firms tend to have less flexibility since their internal routines and procedures are already established, and younger firms are less rigid due to their initial operations. The case studies show that there is substantial difference among companies in terms of their timing of internationalization. BROF can be considered international new ventures, or even a born global (depending on the number of years considered as a limit between foundation and first internationalization experience) (RIALP, RIALP & KNIGHT, 2005). BROF belongs to this “new breed” of firms referred to by Rennie (1993). *The intensity and scope of internationalization* (the second and third dimensions analyzed) of BROF is also compatible with born globals. In fact, Rennie (1993) finds that born globals have an average of 20% of their income from foreign markets. On the other side, MSP is a typical traditional internationalizer, which follows the gradual approach to internationalization predicted by the Uppsala model (JOHANSON & VAHLNE, 1977), and TVP is more similar to INVs, but still took a longer time to internationalize. Finally, the fourth dimension concerns attitudes towards internationalization. Although MSP showed initially a reactive attitude, there was a change to proactive, while the others have been proactive throughout the whole time.

*One day in the 1980s, in a meeting with the president and founder of Abril Publishers, who had just arrived from a trip to Europe, he told me there was a German publisher [...] ready to publish our comic books in almost all West European countries... (Maurício de Souza, MSP)*

*It was the first time we managed to go to a foreign market, thanks to the Brazilian Audiovisual Producers project... I already knew this market from reading. My dream was to go there. Only the cost was prohibitive; it was unfeasible. Too much risk. Because you don't know what you will find there, huh? But we had this project... And we made arrangements to meet all the producers. Information was critical to us. (Celia Catunda, TVP)*

*So, after we launched the third DVD in Portuguese, suddenly we had this idea: What about exporting? This is how intentions are born... [...] We are rational, of course, but there is a lot of intuition in what we do. We do business because it's cool. So the idea to go international was a little like that: Let's try it? Let's export the Brazilian culture? (Juliano Prado, TVP)*

Differences in timing and intensity of internationalization have certainly to do with the time each firm was founded: 1960s, 1980s and 2000s. The faster internationalization of the youngest company (BROF) are related to changes in the industry that made it easier for a firm to go international. The digital environment and the diffusion of social media allowed consumers to easily access new content and substantially reduced the barriers to internationalization. BROF was already immersed in the digital environment at the time of inception. However, TVP shows similar behavior, probably due to the fact that the firm was born in the late 1980s, when these changes were already under way.

### 2.3.10. Choice of Entry Modes

Another issue examined was the choice of entry modes. Interestingly, none of the three firms started their internationalization with content licensing, although they moved quite quickly towards it. MSP used a variety of entry modes throughout its trajectory. TVP and BROF used mostly licensing. All firms were able to license their brand/characters, but MSP was unable to sustain these efforts.

Table 26 – Entry Mode Used

	<b>MSP</b>	<b>TVP</b>	<b>BROF</b>
First entry mode used	Publishing contract	Co-production	Direct/Digital (YouTube)
Sequence of entry modes	Contract → Sales office → Content licensing → Character licensing → Direct investment (park)	Co-production → Content licensing → Character licensing	Direct/Digital → Content and Character licensing
Offices abroad (2017)	None	U.S.	U.S.

### 2.3.11. Use of International Licensing

International licensing is the most common entry mode used by animation producers. The three companies use national and international licensing for their content. MSP and TVP license traditional broadcasters and also video-on-demand (VOD) and streaming. BROF does not have international licensing agreements with TV broadcasters (either open or cable), but does have with international streaming channels, such as Netflix. However, the only company that achieved

international brand/character licensing was TVP with the Earth to Luna TV show. Since its launch, the show was able to capitalize beyond content licensing:

*Then we did our second production, Earth to Luna, and it went much faster, we were already known by the players... Only one year after the launch we were selling to more than 70 countries. And now we are able to license merchandise everywhere, Hong Kong, Las Vegas, London... (Celia Catunda, TVP)*

BROF established a licensing agreement with Televisa that covered both content and brand/character licensing. The show was broadcasted in Televisa's children's channel, but in a low demand programming hour. Therefore, brand/character licensing did not become feasible. In 2017, the company was still seeking alternatives to achieve brand/character licensing in Mexico.

Some issues from the licensing literature are now examined: (i) market uncertainty and market knowledge; (ii) perceived risk and trust building; (iii) control and involvement.

- *Market uncertainty and the acquisition of market knowledge*

Market uncertainty is a major deterrent of internationalization, particularly of foreign direct investment. The lack of market knowledge is considered an important obstacle for firms venturing in international markets (CAVUSGIL, 1980; JOHANSON & VAHLNE, 1977, 1990). According to the Uppsala model, the lack of knowledge about the foreign market will determine the entry mode chosen by the firm; the less the knowledge about the foreign market, the greater the chance that the company will choose a non FDI alternative such as exporting or licensing.

The firms studied were aware of how much they lacked market knowledge. For example, Kiko Mistrorigo, one of TVP's partners, was very aware of their ignorance about international markets, due mainly, in his view, to the fact that Brazil was "a desert, very insulated, especially in the audiovisual area." The firms used several methods to acquire such knowledge. Experiential knowledge was acquired particularly from trips to foreign markets and attendance to international festivals; objective knowledge was acquired by reading specialized magazines and using data from different sources.

MSP's founder travelled around the world to get direct, experiential knowledge on foreign markets, and MSP's managers visit exhibitions around the world:



*Then we started to travel around the world, taking our material, showing in schools, colleges, talking to the young people, talking to the kids, telling our story. Going to several countries and evaluating their acceptance. (Mauricio de Sousa, MSP)*

*“We have been in an event now in Mexico, a licensing exhibition. [...] It was very cool because we have seen some Mexican fans, who knew Monica and Friends... They said - in Spanish, of course – ‘look, Mommy, Monica and Friends’. (Marcos Saraiva, MSP)*

TVP's management were particularly aware of the problem and since very early have made considered efforts to acquire market knowledge:

*At TVP there was always this movement to know the international markets. They [the founders] took the suitcase and went to San Francisco, on an animation conference. They went to Chicago on a kids international festival. (Ricardo Rozzino, TVP)*

*So I saw there was a global market and I started reading a lot, trying to figure out how those productions were feasible. Finally I realized that the only explanation was the global market; unless you have a global vision, it will never be something possible (Celia Catunda, TVP)*

As to BROF, the company seemed to also make considerable effort to study the market:

*So we already had this research mechanism from the YouTube. So we decided, let's do the same. We did some metrics, we studied the YouTube statistics and which was the bigger market. We found that it was Mexico, so we chose to do something focusing in Mexico, with a singer from Mexico. Because if it works, it will succeed in the market with the largest potential. (Juliano Prado, BROF)*

- *Perceived Risk and Trust Building*

Risk and trust are frequently researched in IB literature. Risk is associated with the probability of certain events that a firm might face when expanding into international markets. According to TCE and internalization theory, opportunism is one of the major risks a firm may face in its international trajectory, and the reason why firms may avoid licensing as an entry mode.

The firms used trust building as a mechanism to avoid opportunistic behavior, as explained by the revised Uppsala model (Vahlne & Johanson, 2013). The entrepreneurs made considerable efforts to align the partners' strategic and economic interests and to create bonds between the firms and their partners in international markets.

The following excerpts of the interviews suggests that the firms were able to build trust-based relationships with their partners, while keeping the decision making over the property and the relationships with channels.

*The relationship is very nice, people here are very fond of Redibra's team. And David has an international profile: he has worked out there, he attends international fairs, he has relationships with other agencies... We trust Redibra's work very much.... Because we're trying to go overseas, we made a proposal to David: 'Would Redibra be interested in being part of this and also help us with the strategy?'* (Juliano Prado, BROF).

*"She was someone who knew very well the project because she had worked with us since the initial development. And she is trustworthy. I think you have to work with whoever you trust.* (Celia Catunda, TVP)

*"If I go to these events, [...] I will be able to schedule a meeting with people from the TV channels. For two reasons. The first is because there is no one better than I to sell my project. And the second reason is because I am building a relationship that I cannot build if I have a distributor.* (Celia Catunda, TVP)

However, this situation is not always true. In some cases, the firms have failed to establish a relationship, or they chose the wrong partner:

*The production started wrong. [...] India has very good animation studios, but our partner chose a studio, maybe because of the price, with a very bad team and very bad production. I sent my animation manager to take care of the problem... He tried, tried and failed. So I sent another animation manager to India. He met the people from the firm, but it didn't work either. The material came out bad, people didn't understand, they just couldn't do it right. I think the producer wanted to save some money and the human resources were really weak.* (Mauricio de Sousa, MSP)

*"They [the partner] have burned themselves in the marketplace. Then, long after, talking to some broadcasters, they said they wouldn't 'buy anything from this firm', and that 'their work was terrible.' [...] You know, you discover some things. And, deep down, of course, it is your property.* (Celia Catunda, TVP)

- *Control and involvement*

Control is a major issue for firms involved in licensing. The reason is that control is needed when adopting this entry mode, but it is difficult and tends to mobilize human and financial resources that are scarce in a small firm (BROUTHERS, NAKOS & DIMITRATOS, 2015). Accordingly, the protection of the firms' intellectual properties was a concern for the interviewees. For example, Celia Catunda observed: *"What was great about Fishtronaut is that we were able to keep 100% of the rights. This was important."* In fact, TVP avoided the use of distributors and preferred to manage their intellectual properties directly or using licensees, and Mauricio de Souza mentioned his recent effort to centralize the firm's international operations in Brazil: *"I am pulling the international operation to Brazil. It will not be in New York anymore."*

One area that seemed very important, especially at MSP and TVP, was the control over production. In the case of BROF this aspect seemed less important, perhaps because of the peculiarities of their productions.

*“We did all the production in English originally, because the English speakers’ market is very used with the lip sink in English... But we did the scripts in Brazil. [...] And then I had two Canadian writers to do the English version. We recorded all the voices in English, and we did the entire first version in English. (Celia Catunda, TVP)*

*All the translations are done with a Spanish native translator we hired. Only after this the material goes to publishing. (Enio Kuruma, MSP)*

The control over brand/character licensing seemed to follow the same pattern, all the items had to be approved by the firms. TVP and BROF have a licensing agency to operationalize the contracts and agreements. In this regard, MSP acts differently from the other companies. They are directly in charge of the negotiations and agreements and do not use a licensing agency. Enio Kuruma from MSP explained: *“All the licencees have to send examples to us before start the production. We verify the quality of everything.”*

### **2.3.12. Conclusions**

The paper aimed at understanding the place of international licensing in the internationalization of animation studios from an emerging market, Brazil. To achieve this goal, a multiple-case study was developed with companies that carried out internationalization in different moments in time.

Each firm had a specific trajectory in their internationalization process. MSP has made different incursions in the international market with some degree of success, but it is the least internationalized in terms of percentage of foreign revenues. The firm has now reorganized its international operations. TVP started with a coproduction contract but struggled with operational issues ending up by adopting a direct approach with high involvement in their licensing activities. BROF emerging strategy allowed the development of the first completely digital brand in the YouTube and fast internationalization.

The case studies results indicate that licensing may not necessarily be a low-cost, low-involvement, and low-risk alternative for firms seeking internationalization in this industry. In the digital society that emerged in the last decades, and for some industries, such as the entertainment and media industry, licensing is often the main arrangement to go international and the main source of revenues. In this industry both small and larger-sized firms use licensing as their main entry mode.

The study shows that entrepreneurial firms may deal with licensing in a variety of ways. They may license directly, have master licensees, or use a single licensing agency to conduct their international licensing activity. They use their efforts to acquire market knowledge to overcome market uncertainty. The market-specific knowledge gained by studying, travelling and participating in the industry events suggests that firms do not need to evolve gradually to acquire the necessary knowledge, particularly in the digital era. The firms studied use trust building to overcome the risk of opportunism in foreign markets. They actively try to expand their relationships in international markets. Trust is seen by the entrepreneurs as a critical element in partner selection and management. The close management and the development of relationships allowed identifying problems with potential or actual partners and adopt the necessary changes. They also employ several control mechanisms and are quite involved with decision making in their international operations, particularly those that directly impact their intellectual properties. The control over the content and brand/character licensing was a key element that none of the companies would let go.

The industry evolution brought new business models to reach consumers in the domestic market or across borders. Although there isn't a definitive answer for how the industry will operate and convene with all the platforms, technological changes create new opportunities and challenges for independent producers all over the world. There isn't a right approach or the best solution. However, acquiring knowledge, building trust, and controlling key aspects of licensing agreements seems to be a winning path for emerging market firms in this industry.

This study has several limitations. First, the method does not allow for generalizations to the population. Only three independent animation firms were analyzed, all from Brazil. Other firms in the industry, firms from other industries, and firms from other countries may behave differently. Researchers should therefore look with caution at these results. Other qualitative studies may shed light on the phenomenon of licensing. The use of surveys may help to improve the understanding of the decision concerning licensing. The question this qualitative study raises for future research is whether licensing is still a low-cost, low-involvement, low-commitment and low-risk entry mode in the 21<sup>st</sup> century.

## **2.4.**

### **Essay IV - Perceptions of the Use of International Licensing by Firms in the Creative Industries**

#### **2.4.1.**

##### **Abstract**

This paper examines executives' perceptions of the use of international licensing in the internationalization process of firms from the audiovisual industry. Facing disruption in the way content has been consumed, firms have adopted new strategies to respond to the challenges of digitalization. A review of the International Business literature was conducted to identify the main attributes related to the choice of licensing as an entry mode. An international web-based survey was used to test the research hypotheses. Results from a sample of 103 respondents from 34 countries challenge the traditional understanding of international licensing, suggesting the need for more research.

#### **2.4.2.**

##### **Introduction**

Digitalization has allowed the emergence of new business models, new competitors, and new frontiers in many industries, challenging the traditional way of doing business. For example, only a few decades ago, firms in the audiovisual industry were part of a value chain in which the independent producer created the content, offered it to a distributor and the distributor would sell to broadcasters to include in their exhibition grid. Even so, the independent producer could sell the license rights directly to a broadcaster, or the broadcaster could produce its own content. In addition, there was a concentration of independent production in the developed economies.

The digital revolution allowed not only direct contact with the consumer but also increased the options and choices (Pricewaterhouse Coopers, 2017). Independent producers can now provide content directly to the consumer and the consumer can choose from several platforms where, when and how the content will be consumed. The consumer can choose to watch the content on traditional TV, pay-per-use cable, streaming or watch directly on social media, in most countries. Moreover, brand and characters created in the digital realm turn now into licensed merchandise sold all over the globe. As a result, firms from developing countries had easier access to international markets, becoming also global players.

This paper aims to contribute to a better understanding of the use of international licensing by capturing the attitudes of executives from the animation segment of the audiovisual industry towards the main issues debated in the extant literature on licensing. A cross-sectional international survey was conducted with 103 executives from the audiovisual animation industry. The theoretical contribution of the paper is to discuss to what extent the IB literature has ignored the changes in the digital environment that have impacted the role of licensing in international business.

The paper is organized as follows. After this introduction, we present the main issues in the IB literature regarding the use of licensing, explain how licensing is used in the audiovisual industry, and develop the research hypotheses. Then, we present the methodology adopted to test the hypotheses. Afterwards, we describe the results of the survey and provide a discussion of the results. Finally, we present the conclusions, limitations and recommendations for further research.

### **2.4.3. Literature Review**

#### **2.4.3.1. Licensing in International Business**

There are several different definitions of licensing, depending on the perspective adopted by each author.<sup>6</sup> Some general definitions see licensing as a contractual transaction between firms in which the owner transfer assets to a third party without the transfer of ownership, in exchange for some amount of money

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<sup>6</sup> Different definitions of licensing have been presented and discussed in Essay 1.

previously negotiated or for a fixed percentage of the assets' value, paid as royalties (BATTERSBY & SIMON, 2012; SHERMAN, 2004). The assets are intangible and of different types such as brand, patents, know-how, or other types of intellectual property. Some definitions cover all the steps of the transfer of intellectual property rights (e.g., ROOT, 1982; BRADLEY, 2005), and often are related to the type of asset under licensing, such as technology, trademarks, or copyright.

International licensing differs from domestic licensing due to the fact that the first deals with cross-border activities. In fact, definitions of international licensing do not show a consensus. Conceptualizations extracted from the IB literature are almost unanimous in characterizing licensing as a low-involvement and low-control entry mode. However, authors disagree on the risk associated to international licensing. While some consider licensing a low-risk entry mode (e.g. AULAKH, CAVUSGIL & SARKAR, 1998; HILL, HWANG & KIM, 1990A; JOHNSON & MOTTNER, 2000), others see international licensing as a risky choice, due to market imperfections, and specifically, to the opportunistic behavior of a potential partner (e.g. , BUCKLEY & CASSON, 1976; RUGMAN, 2006; CASSON, 2014).

Among the different theoretical perspectives that examine international licensing, this study considers in this essay two. On one side, gradual theories of internalization, such as the Uppsala model and stages models. On the other, transaction cost economics (TCE) and internalization theory. Hypotheses are extracted from these two theoretical perspectives and tested in this study.<sup>7</sup>

#### **2.4.3.2. Licensing in the Audiovisual Industry**

The audiovisual industry is part of the entertainment and media industry, although the latter “is not a monolith, but rather a conglomeration of different industries that have the creation of mediated content as a common activity” (KUNG, 2008, p. 17). The entertainment and media industry has evolved from the physical to the digital realm although the content offered is basically still the same. Figure 8 shows the supply chain of the audiovisual industry.

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<sup>7</sup> For a detailed discussion of these theoretical perspectives, see Essay 1.

Audiovisual “refers to the commercial production and distribution of motion pictures, comprising primarily feature films, television programs, and documentaries” (COMMISSION, 2014). The exhibition of the audiovisual product/service comprises several venues such as theaters, rental or sale of DVDs or Blu-Ray, cable, satellite, and the internet.

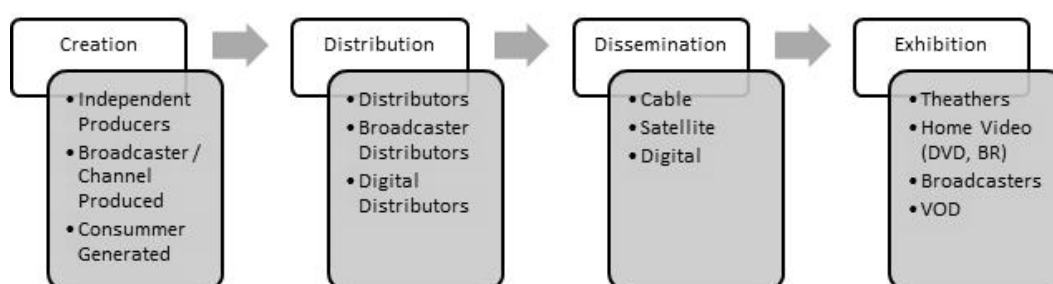


Figure 8 - Audiovisual Industry Supply Chain

The U.S. is the global leader in the audiovisual services and has a surplus in cross-border trade. The leading audiovisual producer countries export to developed markets such as Western Europe, Canada, and Australia. On the other hand, audiovisual services are imported from Latin America, where Brazil is the most significant supplier of audiovisual services (COMMISSION, 2014).

Often the audiovisual content is extended to products, in which the brand or the character assumes physical and tangible characteristics. Brand and character licensing can play an essential role in the brands' expansion strategy into new markets and in firms' growth (QUELCH, 1985; COLUCCI, MONTAGUTI & LAGO, 2008). The licensor, or the property owner, will grant a license to a manufacturer or a licensee through an agreement in exchange for a payment (BATTERSBY & SIMON, 2012). This process can be managed directly by the licensor or through a licensing agent, or agency (Figure 9).

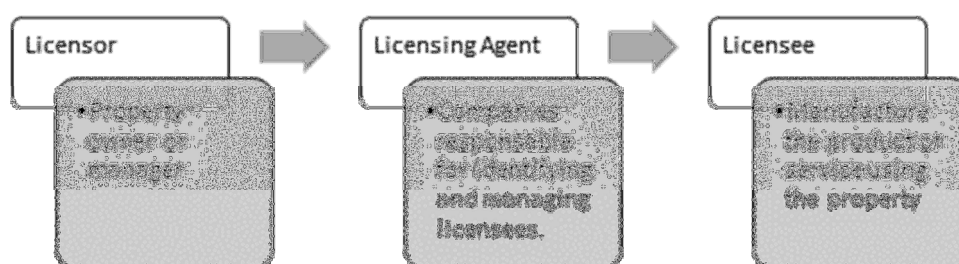


Figure 9 - Actors in the Licensing of Brand/Characters Process



A newcomer licensor might question whether the firm should have an agent or conduct the licensing program by itself (BATTERSBY & SIMON, 2012). The licensing program usually is not the core business of audiovisual firms, even though in the animation segment it is the primary source of revenues. However, larger firms tend to use their own licensing departments, or their own licensing firm, to act directly in the licensing process (e.g., Disney Entertainment).

Because of their resource scarcity, smaller firms tend to expand overseas using distributors or agents in individual markets, because they cannot afford to act directly in several markets (CAVUSGIL, 1998). Specifically, a smaller firm in the audiovisual industry may establish a partnership with a foreign independent distributor that purchases content or merchandise from the firm and resells to buyers in the local market, or the firm may choose a licensing agent to conduct these transactions.

## **2.4. Hypotheses Development**

IB authors have considered several issues when examining international licensing and its place in the internationalization process of the firms. Among the issues mentioned, this study considers the following attributes: involvement/commitment; monitoring/control, risk, thrust, and market knowledge. In addition, because licensing is considered a less profitable option by some authors (e.g. CAVES, 1971; BUCKLEY, 2014; RUGMAN, 2006), the study also looks into this issue. The operationalization of the attributes of licensing take into consideration (i) firm involvement and resource commitment (human and financial); (ii) monitoring (control), (iii) perceived risk, (iv) level of trust between business partners, (iv) knowledge about the market, and (v) performance expectations in terms of profitability.

### **2.4.5. International licensing and involvement/commitment**

Authors have generally agreed in that different entry modes require different levels of resource commitment and/or involvement by the international firm. The Uppsala model claims that resource commitment is measured by the level of dedicated resources (JOHANSON & VAHLNE, 1977, 1990). Such an understanding is shared with other authors, such as Hill *et al.* (1990a, p. 190): “By

resource commitment, we mean dedicated assets that cannot be redeployed to alternative uses without cost (loss of value).” The resources can be of a variety of types according to their tangibility. They may consist of intangible assets, such as managerial, innovation-related, or production-related know how, and tangible assets, such as physical facilities and equipment. Usually, firms avoid substantial resource commitment in their internationalization. The resources are engaged according to the increase in international commitment. This process is associated with firm size. Large firms are more likely to commit more extensive resources than small ones (CAVUSGIL, 1980).

In the case of licensing, IB literature is also unanimous in considering it a low-involvement/commitment mode. For example, Brouthers and McNicol (2009a) argue that licensing does not require investments from the licensor, and Ripolles Meliá, Blesa Pérez and Roig Dobón (2010, p. 780), consider licensing “a contractual method implying non-ownership and low resource commitment”. Licensing is a low commitment and low involvement entry mode because it is up to the licensee all the costs arising from activities in the foreign market, such as assets, personal and marketing. Whatever the licensing object, the licensor has only to provide personnel to train the licensees, if necessary, and to take care of licensing contracts.

Based on the literature review<sup>8</sup>, this study advances the following hypotheses:

H1: Firms’ executives from the audiovisual industry perceive licensing as a low involvement activity.

H2: Firms’ executives from the audiovisual industry perceive licensing as a low-commitment activity.

H2a: Firms’ executives from the audiovisual industry perceive licensing as an activity that requires low human resources commitment to the market.

H2b: Firms’ executives from the audiovisual industry perceive licensing as an activity that requires low financial resources commitment to the market.

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<sup>8</sup> See also Essays 1 and 2.

#### **2.4.6. International licensing and control**

Control is an essential requirement when firms enter international activities. The literature associates entry modes, such as exports and licensing, with lower levels of control (HILL, HWANG & KIM, 1990; RIPOLLES MELIÁ, BLESÁ PÉREZ & ROIG DOBÓN, 2010; SHANE, 1994). Shane (1994, p. 628) claims that “licensing permits less monitoring of people in the host country than does direct foreign investment since it permits less interaction with host country personnel.”

However, TCE and internationalization theory authors have emphasized more the issue of control than those that follow other theoretical perspectives, due to the importance attributed to “market imperfections for knowledge and the problem of ‘buyer uncertainty’” (BUCKLEY, 2016, p. 75). Buckley and Casson (1998, p. 541) assume that “foreign licensing is foreign-located and contractually controlled”. Control means authority over operational and strategic systems, methods and decisions, and thus “has a critical impact on the future of a foreign enterprise” (ANDERSON & GATIGNON, 1986, p. 3). As a contractual mode, licensing has an impact on the firm’s costs of coordination. Also, “attitudes to property rights” influence such costs (MARK CASSON *et al.*, 2016). However, according to these authors, the costs of licensing are reduced as the firm moves across the product life cycle.

Thus, the following hypothesis is advanced:

H3: Firms’ executives from the audiovisual industry perceive licensing as a low-control activity.

#### **2.4.7. International licensing and risk perception**

According to March and Shapira (1987, p. 1404), “in classical decision theory, risk is most commonly conceived as reflecting variation in the distribution of possible outcomes, their likelihoods, and their subjective values.” Cavusgil (1980) states that risk perception seems to be a critical characteristic in understanding firms’ involvement in international marketing and “on the whole, entry, and survival in foreign markets are more risky and difficult than operating in domestic market.” (CAVUSGIL, 1980, p. 278). A recent study by Vahlne,

Hamberg & Schweizer (2017, p. 96) shows that the most common interpretation of risk by executives concerns “the probability of risking the company’s existence.”

Most studies in IB, particularly those adopting gradual theories, consider licensing as a low-risk choice. For example, Johnson and Mottner (2002, p.172) contend that international licensing “allows the firm to benefit from the overseas exploitation of its mobile assets while avoiding the greater risks inherent in foreign direct investment.”

On the opposite direction, TCE and internalization theorists consider licensing a risky business. For example, Rugman (2006, p. 6) claims that the use of licensing is a risky choice that has “the potential to destroy the firm-specific advantage.” In their eclectic approach to entry modes, Hill, Hwang and Kim (1990) address the risk of appropriation by another player (such as a licensee) of a firm’s specific know-how advantage, which they called dissemination risk. This dissemination is not acceptable because it could reduce the expected rent to be earned from the know-how.

Considering that there are two conflicting views in the extant literature, this study adopts the most widespread view of licensing as a low-risk entry mode. Accordingly, the following hypothesis is advanced:

H4: Firms’ executives from the audiovisual industry perceive licensing as a low-risk activity.

#### **2.4.7. International licensing and trust building**

In a business environment, trust is the expectation that the parties will behave in good faith, respecting mutual commitments and not taking advantage of the other (AULAKH, KOTABE & SAHAY, 1996). This “expectation of behavior” has two components: structural and behavioral (HOSMER, 1995; MADHOK, 1995; WILLIAMSON, 1975). The structural element deals with the trust that derives from how complementary are the resources contributed by each partner and to what extent the partners are mutual hostages. Although this dimension may be fundamental in relationship creation, it is not enough to sustain it (MADHOK, 1995). The behavioral component is based on the concept of opportunism (WILLIAMSON, 1975). A potential partner should not behave in

ways that protect only his own interest and hurts the partner, avoiding “incomplete or distorted disclosure of information”, and “calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse” (WILLIAMSON, 1975, p. 47).

The revised Uppsala model (JOHANSON & VAHLNE 2009, 2013) emphasizes trust as a key aspect of relationship building. The model suggests that trust is a necessary ingredient to acquire knowledge from the partner, and that trust in a partner can even be a substitute of market knowledge. The role of trust in the model received empirical support in a recent study (CESINGER *et al.*, 2016). Accordingly, the study posits the following hypothesis:

H5: Firms’ executives from the audiovisual industry perceive licensing as an activity that requires a certain degree of trust in the partner.

#### **2.4.8. International licensing and market knowledge**

According to the Uppsala model, knowledge about the market reduces uncertainty in international business activities. Market knowledge is a fundamental construct in the model; its acquisition permits to reduce market uncertainty and to increase market commitment. “By market knowledge we mean information about markets, and operations in those markets, which is somehow stored and reasonably retrievable-in the mind of individuals, in computer memories, and in written reports” (JOHANSON & VAHLNE, 1977, p. 26).

Uncertainty is also considered by TCE and internalization theory. In a recent article, Buckley (2016, p. 79) states that “uncertainty [...] is generally perceived as arising from lack of information and therefore knowledge collection [...] is seen as the antidote to uncertainty.” However, Buckley suggests that the processes associated the reduction of uncertainty need to be better known.

The study thus advances the following hypothesis:

H6: Firms’ executives from the audiovisual industry perceive licensing as an activity that requires previous knowledge about the foreign market.

#### **2.4.9. International licensing and profitability**

TCE and internalization theorists tend also to stress that licensing is a less profitable entry mode, but other scholars also seem to show an agreement on the matter. Hymer (1976) already considered licensing a less profitable choice of entry mode. According to Contractor (1990), when a firm chooses to license as a means to exploit a given market, it has to estimate the sales and profits differences between this choice and another alternative mode, suggesting that it could be less profitable to use international licensing in comparison to internalize the activity. Rugman (2006) demonstrates that the use of licensing is less profitable than other equity contractual arrangements under certain conditions. However, the studies on international technology transfer consider that there is an ideal moment to start a license agreement that would be more profitable to the licensors (ARORA, ASHISH; FOSFURI, 2003; CONTRACTOR, 2000; FOSFURI, 2006b). Therefore, it is proposed that:

H7: Firms' executives from the audiovisual industry perceive licensing as providing low profitability.

#### **2.4.10. Firm Characteristics**

In addition, the study considered four other variables: firm's country of origin, firm's age (a proxy for international experience), firm's size (a proxy for resource availability), and the use of intermediaries in the licensing chain. On their meta-analytical review of transaction-cost determinants of entry modes choice, Zhao, Luo and Suh (2004) find that country of origin has a moderating effect on the choice of entry modes. Firm size and firm age are two frequently used control variables in international entry mode studies. Several studies have shown a relationship between size and entry modes choice (e.g., BROUTHERS & BROUTHERS, 2001; CUI & JIANG, 2009; CUI, JIANG & STENING, 2011). Firm age has been often used as a proxy for experience. In the international entrepreneurship literature, this variable is considered a key element to distinguish international new ventures from traditionally-internationalized firms (E.G., LOVE, ROPER & ZHOU, 2016). Lauf and Schwens (2014) also indicate, in their

literature review of SMEs entry mode, that firm age “is a critical contextual dimension” in the literature on entry mode choice.

#### **2.4.11. Methodology**

The study is a cross-sectional survey using a non-probabilistic sample and a self-administered web-based questionnaire. IB scholars have used a wide range of research methods. Yang, Wang, and Su (2006) analyzed empirical articles from six leading IB journals covering the period from 1992 to 2003 and concluded that mail questionnaire surveys were the most common empirical research methodology applied in IB during the period.

The purpose of the survey was to identify executives’ perceptions of the attributes of international licensing (content licensing and brand/characters licensing). For each attribute, the study also investigated if there are significant perceptual differences in terms of the firm’s country of origin (developed or developing countries), firm age (year of foundation), firm size, and use of intermediaries, or not, in the licensing chain.

#### **2.4.12. Sampling Issues**

The sampling frame is usually a consequence of the research objectives, the research environment and the subjects under investigation in the study (KOTHARI, 2004; YANG, WANG & SU, 2006). The target population in this survey are the licensors (owners of the intellectual properties rights) from the audiovisual industry in the animation segment, either Brazilian or international firms. The intent was to investigate companies creating and commercializing their own intellectual properties.

There is no single database to be used to study this segment. The first challenge was therefore to build a database for the study, since companies can operate in different stages of production or even in all of them. With this purpose, several web-based sites were visited to identify independent audiovisual producers acting in the animation segment such as BRAVI<sup>9</sup> (Brazilian

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<sup>9</sup> Brazilian nonprofit organization, created in 1999 to strengthen content and media producers nationally and internationally, with the support of the Brazilian Trade and Investment Promotion Agency (Apex-Brazil).

Independent Producers), Las Vegas Licensing Expo<sup>10</sup> 2016 and 2017, Licensing Mexico 2017 and MIPCOM<sup>11</sup> (*Marché International des Programmes de Communication*) 2016 and 2017.

The researcher has two basic choices in terms of sampling: probabilistic and nonprobabilistic (COCHRAN, 1995; KOTHARI, 2004; YANG *et al.*, 2006). Probability samples are preferred since they offer more assurance against sampling bias. However, based on the accessibility of data sources and the availability of respondents this study uses a non-probabilistic sample. Despite extensive search, a complete list of the target population and even an estimate of population size were not available. Generalization from surveys is commonly associated with a probabilistic sampling approach, although even low response rates may lead to “many notable inaccuracies of survey findings attributable to the failure to employ such techniques” (KROSNICK, 1990, p. 539).

A purposive sampling approach was thus the only alternative available at this point. If the investigators are impartial, the results obtained from this kind of sample “may be tolerably reliable” (KOTHARI, 2004, p. 59). The Brazilian Audiovisual Economic Impact Report (2016) asserts that one of the challenges to assessing the creative economy is data accuracy, due to three important aspects of this industry: informality; lack of a standardized methodology; and difficulties in data gathering (ZEIDAN, HELCIAS, KRULIKOSKI & AMORIM, 2016).

#### **2.4.13. Data Collection Instrument**

The survey was based on a self-administered questionnaire. The questions were developed based on the literature review. Converse and Presser (1979) argue that the use of questions that have already been used by other researchers cannot assure quality, and even if they were right questions in the past, they might not be in the present. The authors thus recommend four guidelines to be applied when developing questions: simple language, universal concepts, manageable tasks and extensive information.

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<sup>10</sup> The Licensing Expo is considered the world’s largest licensing trade show where entertainment, character, art, and corporate brand owners and agents interact with consumer goods manufacturers, licensees and retailers.

<sup>11</sup> The MIPCOM Junior is an annual trade show devoted exclusively to the children's television industry.



Concerning scaling the attributes to be measured to test the hypothesis, Stone (1978) states that the scale used should generate sufficient variance among respondents to allow subsequent statistical analyses. According to Hinkin (1998, p. 111), “Likert-type scales are the most frequently used in survey questionnaire research”, and are the most useful in behavioral research. A five-point Likert-type scale was thus used to capture the respondents’ perception of the attributes studied (1 = very low; 2 = low; 3 = nor low, neither high; 4 = high, 5 = very high).

Pretesting is a recommended step for the validity of a survey, once “questionnaire pretesting identifies questions that respondents have difficulty understanding or interpret differently than the researcher intended” (KROSNICK, 1990, p. 541). Two pre-tests were run due to the complexity of conducting international research (LEEuw, HOX & DILLMAN, 2008). Initially when the first draft was submitted to the evaluation of two academic experts in survey methods in the context of IB, to check for content validity. In addition, to ascertain that the wording used was consistent with the industry “jargon” five Brazilian firm’s executives answered the instrument. The information collected improved the wording and the sequence of the questions. The second test was performed in two international events with Brazilian and international executives to access the easy of understanding (Rio Content Market 2017 and Licensing Expo Vegas 2017). This second test was performed through an in-person administered questionnaire with the interviewer recording the answers. The first five questionnaires didn’t present any further improvement. The final questionnaire is in the Appendix.

Hardesty and Bearden (2004, p. 105) contend that there is “an apparent lack of consistency in the literature regarding how researchers use the opinions of expert judges in aiding the decision of whether or not to retain items for a scale.” Nevertheless, the use of expert judges is still considered a necessary step to assure content and face validity. The experts and the executives did not recommend the removal or suppression of any question in the instrument.

### 2.4.13.1. Data Collection

The data collection methods can affect the reliability and validity of the research. The choice is based on factors such as availability of subjects, access to data sources and an “effort [...] to ensure that data-collection procedures are consistent across various locations, as this enhances the comparability of the data collected” (CHIDLOW, GHARI, YENIYURT & CAVUSGIL, 2015, p. 27).

The administration procedures included a self-administrated questionnaire, being applied in an intentional sample of audiovisual firms from the animation segment. This questionnaire was either delivered personally by the researcher to executives of firms in the industry during an audiovisual fair, or posted in the internet with an invitation by e-mail. The self-administered questionnaires were collected during the Las Vegas Licensing Expo 2017 held in Las Vegas, USA, from May 23, 2017 to May 25, 2017. The respondents' selection was based on the company portfolio (children's content productions) and availability of the respondents. As a result, 32 questionnaires were filled, in some cases the fulfillment was done by the researcher asking and writing the answers and in some cases the questionnaire were left to be collected afterwards.

The second phase of data collection was held using a web-based self-administered survey. The web-based version was sent to five different experts to access the presentation, design and sequence of the web questionnaire. The instrument presentation is one of the factors affecting response rates in web surveys (FAN & YAN, 2010). To collect the data from firms located in different countries, the instrument in English was adapted to a computer-assisted self-interviewing, using the Qualtrics software.

According to Fan and Yan (2010), after the survey is operational there are five elements to be managed to minimize response rates: besides the sampling method, the contact delivery and reminders, the invitation design and the use of incentives. The primary contact delivery mode was made using e-mail invitations (contacts containing a hyperlink to survey websites) stating the survey objectives, the sponsors and the incentive for the answers (PORTER, 2004). Although there isn't a definitive answer about the use of incentives to increase response rates, the researchers decided to offer a donation on behalf of the respondents to the Global Giving Foundation to support women and girls education. The incentives

appealed to the social awareness of survey participants (GROVES, CIALDINI & COUPER, 1992).

A total of 3,226 e-mails were sent between October 2017 and February 2018. In the beginning, the reminders were performed in a 15-days base and the last two months on weekly bases. At the end of the data collection period, there were 103 questionnaires answered. This number was higher than the minimum satisfactory sample size usually set at 100 subjects per study (BAILEY, 1982). However, a response rate of only 2.26% was obtained.

The core part of the questionnaire measures executives' perceptions towards the key constructs examined in this study. The questionnaire also collected information about the firms and their internationalization profiles. Information such as country of origin, year of establishment, number of employees, year of internationalization, type of internationalization mode used, use of intermediaries, the percentage of revenues from internationalization, the occurrence of employees or offices abroad and the region's where the internationalization took place. Firm characteristics are relevant to understand their profiles and the type of international operations, in order to uncover patterns that could otherwise not be known.

#### **2.4.13.2. Data Analysis**

According to Hinkin (1998), before using the data, it is necessary to examine the inter-item correlations of the variables. Hair *et al.* (2006) suggest to use collinearity tests, calculating the tolerance and the Variation Inflation Factor (VIF) value. There is collinearity if tolerance is below 0.1 or if the VIF calculated is above 10 (J. COHEN, COHEN, WEST & AIKEN, 2003). The Pearson correlation matrices also can help to capture correlations among the variables.

Reliability is a necessary condition for validity (HINKIN, 1998) and represents the consistency between a set of variables and what it intends to measure (CORTINA, 1993), an important factor when considering multiple-items scales. According to Spector (1992, p. 6) "a good scale must be reliable and valid." To test reliability the study used Cronbach's Alpha Coefficient. The coefficient is considered "one of the most important and pervasive statistics in

research involving test construction and use” (CORTINA, 1993, p. 2) and “the most commonly accepted measure” (HINKIN, 1998, p. 115).

The tests of hypotheses were held comparing the mean value for each variable with a reference value stated as the value under which the measured value is considered low. This reference was established calculating the means of all measured values for each content and brand/character licensing and subtracting from them two times the standard deviation of each set of data.

## **2.5. Findings and discussion**

### **2.5.1. Descriptive Analysis**

The set of 103 questionnaires provided a wide range of firm sizes and countries of origin. There are firms from 34 countries: 45.6% from developed countries and 54.3% from developing countries, being Brazil and U.S. the two most represented countries. The age of the firms in the sample was mostly 15 years old or less (70%) and almost 80% had at least one employee working abroad. The firms have an average of 207 employees. Considering OECD (2006) criterion, the sample presents nine large firms (more than 250 employees - 20.4%), 23 medium-sized firms (between 50 to 250 employees - 22.3%) and 69 small firms (49 or fewer employees - 67%). Among the small firms, more than half has less than ten employees characterizing micro firms.

The sample contains 88 firms (86.4%) currently involved in some international activities divided between 78 that use international content licensing (from now on referred to as ICL), 53 uses international brand/character licensing (IBCAL) and 25 uses another kind of international activities (OTHER). It is important to remark that one firm can use more than one type of international licensing types, as shown in Figure 3. In the surveyed sample, there are only ten firms (9.7%) that had never been involved in international activity and five firms (4.9%) that discontinued their international operations.

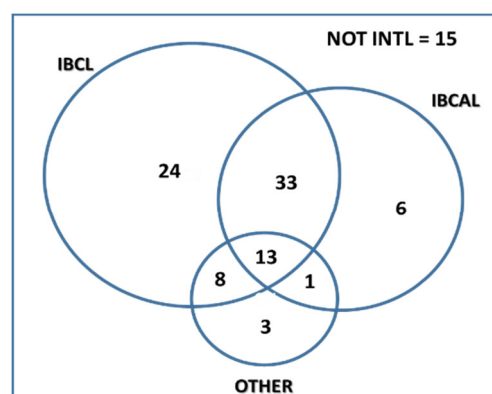


Figure 10 - Venn Diagram showing the licensing types used by sampled firms ( $n=103$ ).

Firms with international activities have an average of 30% of revenues coming from abroad, 32 (36.4%) have at least one foreign office, while 34 (38.6%) have employees working overseas. The average time elapsed since firm's establishment until internationalization was 6.08 years and 35 firms (40.9% of the internationalized firms) was established and immediately internationalized, being considered as "born globals".

The answers also indicated the existence of a direct relationship between firms and licensees or networks/channels. These are the most common ways of licensing in the audiovisual animation industry. In internationalization through licensing, 70 firms have already used licensing contracts directly with licensees in the foreign countries, 58 firms used a licensing agent, 50 hired an audiovisual distributor, and 46 negotiated directly with a network, channels or other.

### 2.5.2. Evaluation of the Variables (attributes)

Data were analyzed using the statistical software SPSS-22. To access the existence of multicollinearity among the variables values of tolerance were below 0.1, and the VIF obtained was higher than 10. The Pearson's correlation matrices were used to verify that there is no collinearity between/among the attributes - all values were less than 0.7 (Table 27).

The data were tested to access the validity and reliability of the scales. The Cronbach's alpha was 0.801 for the ICL scale and 0.865 for the IBCAL scale, attesting their validity and reliability. The scale attributes were also tested to observe the normality (Kolmogorov-Smirnoff). None of them had a normal distribution; all curves were negatively skewed and the distribution of the risk attribute had an unequal variance for both ICL and IBCAL.

Table 27- Correlation matrix for the attributes referring to international content licensing (ICL) and international brand/character licensing (IBCAL)

	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. ICL_INVOL	0.38	0.53	0.44	0.41	0.44	0.48	0.44	0.68	0.31	0.45	0.43	0.29	0.46	0.47	0.48
2. ICL_RISK		0.27	0.08	0.23	0.25	0.35	0.19	0.19	0.63	0.28	0.10	0.23	0.34	0.44	0.36
3. ICL_MONIT			0.25	0.14	0.34	0.52	0.31	0.34	0.27	0.59	0.33	0.22	0.34	0.42	0.39
4. ICL_TRUST				0.43	0.24	0.31	0.35	0.50	0.31	0.39	0.75	0.45	0.35	0.27	0.38
5. ICL_KNOW					0.40	0.36	0.28	0.37	0.24	0.41	0.36	0.77	0.36	0.25	0.26
6. ICL_HUMRES						0.59	0.44	0.30	0.18	0.32	0.24	0.41	0.77	0.58	0.47
7. ICL_FINRES							0.43	0.28	0.24	0.33	0.30	0.49	0.57	0.75	0.48
8. ICL_PROF								0.45	0.20	0.38	0.39	0.29	0.43	0.40	0.71
9. IBCAL_INV									0.44	0.63	0.59	0.43	0.45	0.38	0.55
10. IBCAL_RISK										0.50	0.31	0.29	0.31	0.32	0.37
11. IBCAL_MONIT											0.54	0.47	0.39	0.36	0.43
12. IBCAL_TRUST												0.49	0.38	0.35	0.46
13. IBCAL_KNOW													0.50	0.40	0.44
14. IBCAL_HUMANRES														0.69	0.63
15. IBCAL_FINRES															0.63

### 2.5.3. Tests of Hypotheses

A T-test for one sample was held in order to test the hypotheses, assuming as set point for low-level values 2.24 for ICL and 2.29 for IBCAL. Therefore, the null hypotheses are rejected if values are greater than these set points. In this study, the null hypotheses are equivalent to the research hypotheses previously advanced.

The setpoint was calculated as the mean of all variables values of each licensing type less two standard deviations, that is, if a variable has a mean value below the set point, it is deemed to be low. The results indicate that all means were higher than the minimum value, with a low p-value for each test for the all variables (Table 28).

Table 28 - Descriptive statistics for the variables and T-test results for Test of Hypothesis

Variables of Test	Descriptive Statistics			T-test for means (1 sample)					
	Mean	Standard Deviation	Standard Error of Mean	Values of Test:					
				ICL = 2.24			95 % Confidence Interval of Difference		
				IBCAL = 2.29			Mean Difference	Lower	Upper
				t	df	Sig. (2 tailed)			
ICL_INVOL	4.27	0.854	0.084	24.15	102	0.000	2.03	1.86	2.20
ICL_RISK	3.41	1.208	0.119	9.81	102	0.000	1.17	0.93	1.40
ICL_MONIT	4.10	0.913	0.090	20.64	102	0.000	1.86	1.68	2.04
ICL_TRUST	4.52	0.712	0.070	32.57	102	0.000	2.28	2.15	2.42
ICL_KNOW	4.33	0.833	0.082	25.47	102	0.000	2.09	1.93	2.25
ICL_HUMRES	4.00	0.816	0.080	21.88	102	0.000	1.76	1.60	1.92
ICL_FINRES	4.06	0.850	0.084	21.72	102	0.000	1.82	1.65	1.98
ICL_PROF	4.11	0.766	0.075	24.74	102	0.000	1.87	1.72	2.02
IBCAL_INV	4.35	0.893	0.088	23.40	102	0.000	2.06	1.88	2.23
IBCAL_RISK	3.71	1.090	0.107	13.21	102	0.000	1.42	1.21	1.63
IBCAL_MONIT	4.20	0.911	0.090	21.31	102	0.000	1.91	1.74	2.09
IBCAL_TRUST	4.51	0.739	0.073	30.54	102	0.000	2.23	2.08	2.37
IBCAL_KNOW	4.36	0.790	0.078	26.57	102	0.000	2.07	1.91	2.22
IBCAL_HUMANRES	3.96	0.874	0.086	19.41	102	0.000	1.67	1.50	1.84
IBCAL_FINRES	4.06	0.978	0.096	18.34	102	0.000	1.77	1.58	1.96
IBCAL_PROFIT	4.08	0.926	0.091	19.60	102	0.000	1.79	1.61	1.97

Because the differences between the means are all positive, all the hypotheses concerning executives' perception of licensing attributes are rejected for both content and brand/character licensing. No matter whether the licensing agreement involved content or brand/character, the survey showed that respondents from the animation segment of the audiovisual have similar perceptions concerning the licensing activity:

- Licensing appears as a high-involvement international activity that requires a substantial commitment in terms of human and financial resources.
- Licensing requires a relevant effort of monitoring, and is thus considered a high-control activity.
- Licensing efforts requires trust in the partner; lack of trust seems to deter licensing efforts.
- Licensing requires previous knowledge about the market.
- Licensing is profitable.

The variable RISK also showed higher values than the set point, but lower than the other variables. The only variable that shows differences between objects of licensing is Risk.

To better depict the differences among the means for the variables in both groups a chart was developed (Figure 4). The confidence interval analysis shows overlap for almost all variables, indicating that the perceptions were statistically equal. Only the variable RISK is statistically unequal and the executives' perceptions are higher for brand/character than for content licensing. At this point, although both values are higher than the set point, brand and character licensing is perceived as higher risky than content licensing in internationalization process.

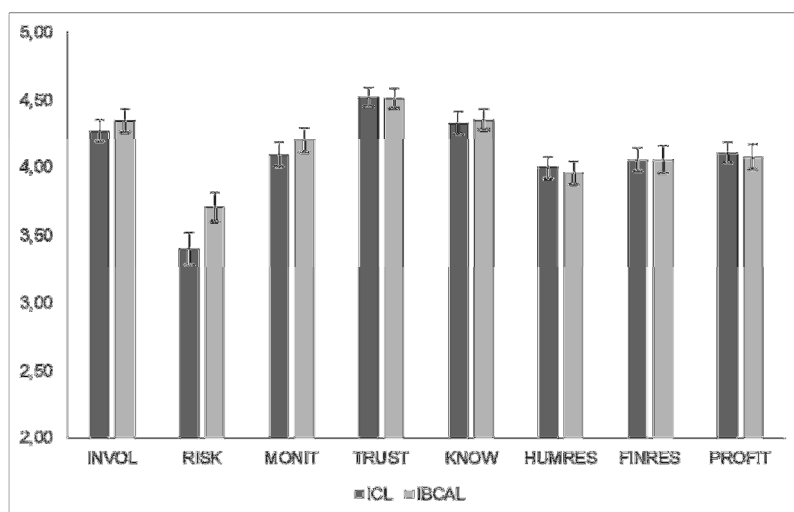


Figure 11 – Means and confidence intervals for each attribute

The next step was to test whether there were differences in perceptions regarding the attributes in both situations for firms using only one of the alternatives as internationalization mode (ICL, IBCAL or OTHER). The analysis shows that firms using only content licensing or brand/character licensing perceived control and human resources commitment in content licensing differently. There were no differences among attributes perceived by these firms for IBCAL. On the other hand, firms that use different modes to internationalize sees trust for ICL and involvement, risk and control for IBCAL higher than firms using ICL or IBCAL (Figure 12).



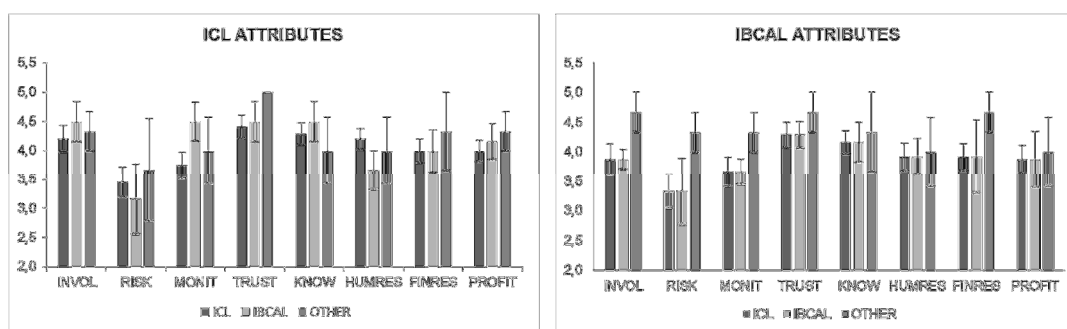


Figure 12 - Means of Attributes' Perceptions by firms that use only one mode of internationalization

There are differences in the evolution of the audiovisual industry of different countries. The United States, United Kingdom, and France have developed a highly competitive audiovisual industry since very early. Nevertheless, the firm's country of origin did not appear to be a factor in distinguishing the perception of licensing attributes, suggesting a quite homogeneous perception among firms in the industry, wherever they are located. The only significant difference occurs between firms of developed countries, instead of between developed and developing countries. Firms from developed countries perceived risk and control as different in content and brand/character licensing (Figure 13).

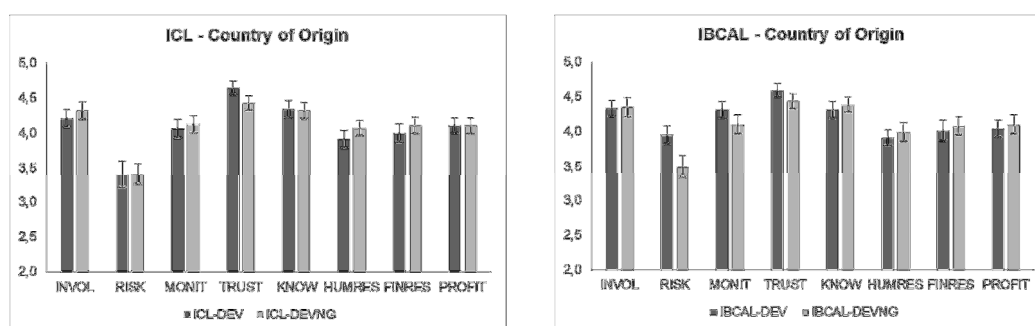


Figure 13 - Comparison of attributes means and confidence intervals according to country development classification

Firm age could suggest that older firms are more experienced in internationalization, or even that younger firms are more advanced (considering INV's and born globals' literature). To test the impact of firm age, firms were divided into three groups, taking into account two relevant dates in the industry: 2000, when DVD was launched in the U.S., and 2009, when streaming services were directly offered on TV. There were no significant difference among the groups for almost all attributes (Figure 14).

Interestingly, risk and commitments (human and financial) were perceived significantly lower by the youngest group of firms (2009-2017) in comparison to middle-aged (2000-2009) firms in content licensing as well as in human and financial commitments in brand/character licensing.

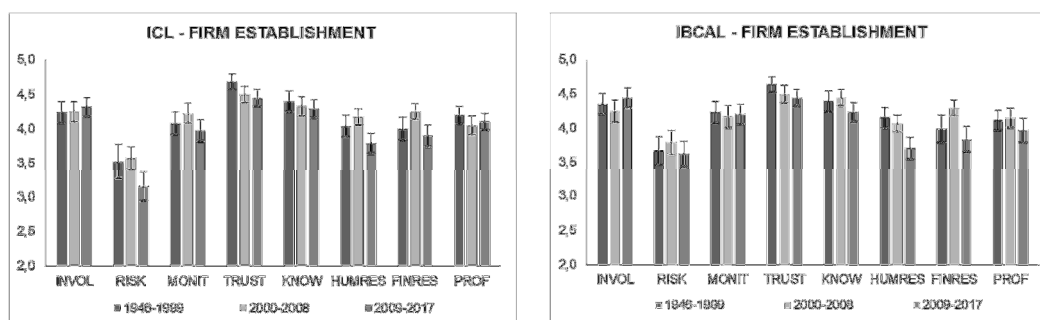


Figure 14 - Comparison of attributes according to firm age

Considering the firm size (number of employees), there are some significant differences in the sample. For content licensing, control/monitoring is perceived as higher by larger firms (above 51 employees) in comparison with all other groups. Larger firms also demand more trust than middle-sized ones (between 6 to 50 employees). The smallest group of firms (until 5 employees) perceives financial resource commitment as higher than middle-sized firms. On the other hand, there were no differences in perceptions when analyzing brand/character licensing attributes (Figure 15).

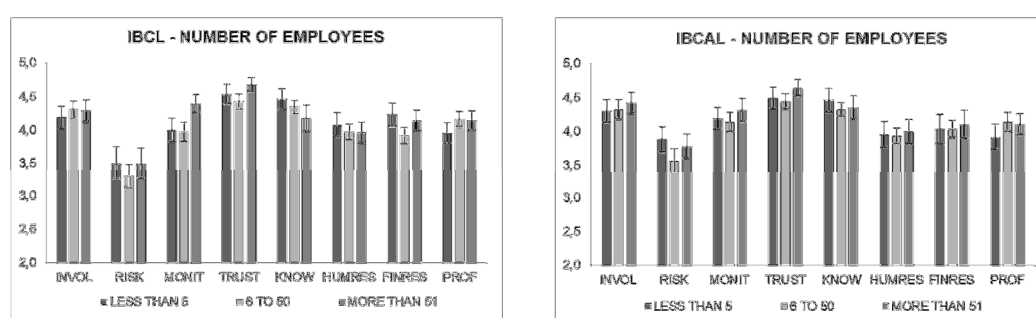


Figure 15 – Comparison of perceptions of attributes according to firm size

Content licensing and brand/character licensing can be established directly with the final user of the object of licensing, or using an intermediary (a distributor) for content licensing and an agent for brand/characters licensing. The analysis thus compared the executives' perceptions of firms' direct access or the use of intermediaries. The sample was divided into four groups: firms that used a distributor, firms that negotiated the license directly, firms that used an agent for content and firms that negotiated directly with the broadcaster. Results indicate that, for most attributes, there are no differences considering IBCL. Nevertheless, for IBCAL, the firms that used agents had a lower perception of risk, financial resource commitment and profit than others. Moreover, these firms saw trust and market knowledge as a more relevant requirement than the others (Figure 16).

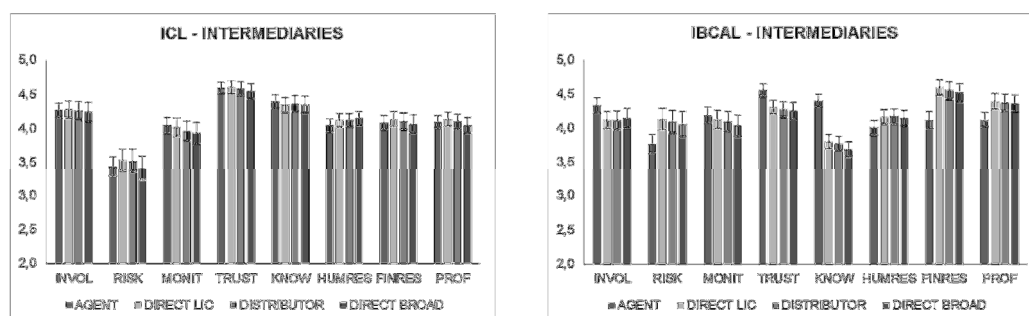


Figure 16 – Comparison of perception of use of intermediaries

Table 29 shows a summary of the tests and the perceived differences by groups of control chosen for each parameter under analysis.

Table 29 - Summary of comparisons of executive's perception of each attributes and control variables

			Content License Attributes Perception (ICL)						Brand/Character License Attributes Perception (IBCAL)									
Parameter	Groups of Firms	Sample Size	INVOL	RISK	MONIT	TRUST	KNOW	HUMRES	FINRES	PROF	INVOL	RISK	MONIT	TRUST	KNOW	HUMRES	FINRES	PROF
Licensing	All firms	103	=	-	=	=	=	=	=	=	=	+	=	=	=	=	=	=
One type of Licensing	Content only	24	=	=	-	=	=	+	=	=	=	=	=	=	=	=	-	=
	Brand/Character only	6	=	=	+	=	=	-	=	=	=	=	=	=	=	=	=	=
	Other only	3	=	=	=	+	=	=	=	=	+	+	+	=	=	=	+	=
Country of Origin	Developed	47	=	=	=	+	=	=	=	=	=	+	=	=	=	=	=	=
	Developing	53	=	=	=	-	=	=	=	=	=	-	=	=	=	=	=	=
Year of Establishment	1946-1999	25	=	=	=	=	=	=	=	=	=	=	=	=	=	=	=	=
	2000-2008	40	=	+	=	=	=	+	+	=	=	=	=	=	=	+	+	=
	2009-2017	38	=	-	=	=	=	-	-	=	=	=	=	=	=	-	-	=
Number of Employees	Less than 10	47	=	=	=	=	=	=	=	=	=	=	=	=	=	=	=	=
	11 to 50	28	=	-	=	-	=	=	-	=	=	=	=	=	=	=	=	=
	More than 51	28	=	=	+	+	=	=	=	=	=	=	=	=	=	=	=	=
Use of Intermediaries	Agent	71	=	=	=	=	=	=	=	=	=	-	=	+	+	=	-	-
	Direct Licensing	58	=	=	=	=	=	=	=	=	=	=	=	=	=	=	=	=
	Distributor	50	=	=	=	=	=	=	=	=	=	=	=	=	=	=	=	=
	Directly to broadcast	46	=	=	=	=	=	=	=	=	=	=	=	=	=	=	=	=

#### 2.5.4. Discussion

This study's results show that licensing is not perceived by executives in the animation segment of the audiovisual industry as a low commitment, low-control, low-risk and less profitable entry mode, going against the dominant view in the IB literature. Therefore, the study's results challenge some of the most well-established concepts in entry mode research. The following discussion tries to highlight some of the issues raised by this study.

Before any further discussion, however, there is a methodological question that needs to be addressed. One could argue that the study does not compare licensing with other entry modes. Therefore, from an absolute standpoint, executives would consider the involvement/commitment, control, risk, and profits high, but they would interpret differently from a relative stance, that is, when comparing with other modes. This assumption, however, does not correspond to the reality of these firms. FDI is not an alternative for animation studios, except in the case of very large conglomerates and only for certain activities. The licensed content has to be broadcasted, published, be in the internet, etc., and no animation studio, the largest it is, can operate these essentially different businesses in several countries at the same time it concentrates in its core business. As to character/brand licensing, it is obvious that an animation studio cannot produce toys, clothes, children's utensils, party items, several types of accessories, etc. Therefore, one can easily come to the conclusion that they actually do not have FDI as an alternative to licensing. Even so, there are issues that deserve further discussion, given the industry's specificities.

Even considering that licensing is their best alternative, why would these firms consider that licensing requires a high degree of involvement/commitment? Several alternative explanations can be forwarded. First, because they know that to succeed internationally is critical for the success of their intellectual properties. With most markets in the world being too small to be profitable and to drive an animation studio's growth, internationalization is a natural choice. Second, there are several intermediate decisions that follow licensing in the animation segment and often need the licensor to be very involved, such as adjustments due to

cultural differences, dubbing or translation<sup>12</sup>. Finally, this may happen because they actually *get* involved with their intellectual properties, since their interaction with licensees does not end with a licensing agreement, like in the case of many manufactured products. A successful animation series will probably continue over time and open the door to brand/character licensing, the real source of profits in the industry. Monitoring/control is a natural consequence of this state of affairs. Firms aim at keeping control over their intellectual properties and exert control over its use. Therefore, they have to monitor how their intellectual properties are being used, broadcasted, published, etc., in order not to have a negative impact on their image and reputation. These results contradict both the TCE/internalization literature (e.g. BUCKLEY & CASSON, 1998; BUCKLEY, 2016; CASSON, PORTER & WADESON, 2016), the stages model theorists (CAVUSGIL, 1980), and other authors (e.g. RIPOLLES MELIÁ, BLESÁ PÉREZ & ROIG DOBÓN, 2010).

The construct risk has a different behavior. It is more in an intermediate position in the executives' perception, neither low nor high (although higher than the set point). This is an interesting finding, because in a way it gives some support to both points of view in the IB literature, that is, the arguments on both sides have to be considered, some of which making perceived risk higher (e.g. BUCKLEY & CASSON, 1998; BUCKLEY, 2016; CASSON, PORTER & WADESON, 2016), while others suggesting lower risk (e.g. CAVUSGIL, 1980; JOHNSON & MOTTNER, 2002). Of course, most firms have copyright or patent protection for their content and brand/characters, and therefore some protection, particularly in countries that provide legal enforcement to these rights.

Trust and market knowledge are mechanisms that these firms use to protect against uncertainty and risk, as predicted in the Uppsala model (JOHANSON & VAHLNE, 1977, 1990, 2009, 2013), and supported in several studies. Such mechanisms seem to be highly valued by these firms, particularly the need to trust the partner. For larger firms this is even higher than for smaller-sized firms.

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<sup>12</sup> See Essay 3 for qualitative evidence regarding this issue.

As to profitability, firms in the animation segment of the audiovisual industry consider licensing highly profitable, a view that is against the position adopted by TCE and internalization theory scholars (e.g. HYMER, 1976; Rugman, 2006). As previously argued, licensing is the best option in terms of entry mode in foreign markets in this industry, and it is broadly recognized that international licensing is a source of profits and growth for the firm in this industry.

## **2.6. Conclusions**

Licensing has been non-equity, contractual entry mode alternative for firms in several industries to expand their operations in the domestic or international environment. The entertainment and media industry has been facing disruptive changes due to technological advances. Industry value systems are changing, and producers can access consumers directly. The licensing of intellectual properties allows considerable revenues to the producers.

Considering these issues, the paper intended to gather executives' perceptions on international licensing in the animation segment of the audiovisual industry, using a cross-sectional international survey. The IB literature most often considers licensing as a low-involvement, low-control and low-risk, and less profitable entry mode. Yet the results show that firms in the sample hold a position contrary to this widely spread views.

What is different about these firms? They are part of the digital revolution, and they are part of a global industry. Many of them are international new ventures, and among these, a large part are born globals. This industry (or segment), however, is not the only one that fits this profile. Many high-tech industries may have similar views, showing a substantial change in the relationship with licensing, compared to old manufacturing firms, which were the source of inspiration for most of the seminal work on entry modes.

The paper intended to contribute to the international business literature by testing the assumptions of theories developed in the past, to investigate whether they are still valid for the new contexts and industries. It is possible that firms in other industries that are part of the digital revolution may share the same perceptions as the ones from our sample. The results of the study suggest a call for more research to understand the use of licensing and others non-equity modes. The interconnected and complex reality of business firms nowadays indicate that there is not a single approach to examine contractual agreements.

The study presents several limitations. A major limitation comes from the use of a non-probabilistic sample, which limits generalizability of the results. In order to select a probabilistic sample it is necessary to have a complete list of the population, which was not available for the present study. Considering the relevance of the industry, international organizations could develop a database to better measure and access the size of the sector and its players. Also, self-administered surveys tend to present high non-response rates, which also impact the validity of the study. Finally, the use of a web-based survey has advantages and disadvantages, particularly in an international survey. The use of English in the questionnaire might have made difficult the understanding for some of the potential and actual respondents, challenging cross-cultural equivalence. However, since most respondents were in an international exhibition in the U.S., it is expected they could understand the language. Finally, the study targeted a specific segment of the audiovisual industry and the results may be industry-specific.



### **3**

## **Conclusions**

This chapter presents a summary of the study, followed by the main conclusions reached, the contributions of the paper to theory and practice, the limitations of the study and suggestions for future research.

### **3.1.**

#### **Summary of the study**

The purpose of this study was to contribute to the understanding of international licensing in the context of digitalization, taking into consideration the impact of technological change in the way firms do business. The locus of the study was the audiovisual industry, and, specifically, the animation studios segment.

The primary drivers of the study were the scarce literature regarding the use of international licensing in IB and the increase of its use by firms in the animation industry. Traditionally, the use of licensing in international business has been classified as an alternative for firms to explore foreign markets with no equity engagement. Two questions emerged as foundations to understand this phenomenon: how the animation industry operates in the international markets and how the use of licensing is perceived. The research comprises four essays.

The first essay presents an in-depth analysis of the main international business theories and an assessment of the theoretical place of international licensing. The main theories examined were the ones that specifically include international licensing: International Product Life Cycle Theory (VERNON, 1966), Transaction Cost Economics and Internalization Theory (BUCKLEY & CASSON, 1976) and the Internationalization Process Model (JOHANSON & VAHLNE, 1977, 1990). The studies placed licensing in the earlier phases of internationalization, or as a secondary alternative compared to foreign direct investment. Uncertainty was not at stake for IPLC theory, although for TCE/Internalization and IP theory it plays a significant role when associated with opportunism and bounded rationality or to psychic distance. However, theories

fail in taking into account other aspects, such as the nature of the firm (activities, age and size), the market and industry characteristics, the changes and speed of the diffusion of innovations and the possibility of mode packages. One of the findings to emerge from the essays was the inconsistencies among different authors, concepts and theories. Furthermore, it became clear that existing conceptualizations of international licensing were outdated when considering technological change and globalization.

To expand the perspectives on the use of licensing, the second essay presents a broader analysis of the business literature by means of a bibliometric study, which resulted in a theoretical map of the field of licensing and of international licensing. The statistical analysis permitted to identify three groups as of empirical studies on licensing in business: Group I concerns the process of development and learning from the innovation in the organizations, Group II refers to the strategic impact of innovation to achieve superior performance, and Group III associate institutions, environments and innovation. These results suggest an emphasis on the use of licensing as a strategy to get value from the innovation internally and externally. However, the bibliometric approach failed to reach conclusive results in trying to identify the existence of a theoretical map in the international business literature about international licensing.

Moving forward from the theories to the empirical part of the study, the third essay consists of a multiple-case study of Brazilian animation studios. This essay was concerned with understanding how and when international licensing was adopted in the internationalization trajectory of the firms. An abductive approach was used as a research strategy for case development and analysis, allowing a gradual understanding of the phenomenon. The cross-case analysis was developed based on four categories: manager characteristics; internationalization process; choice of entry mode; and the use of licensing. The three firms can be characterized as innovative and entrepreneurial, although they are different in terms of size. The results suggest that there are differences in four dimensions of the firms' internationalization process: pace, intensity, scope and entry mode chosen. A proactive attitude towards internationalization is notable in all of the firms. There is a contrast between the cases and the theories associated with the use of international licensing. The firms were aware of their lack of market knowledge hence they made efforts to develop trustful relationships and align

strategic interests with the partners. The firms also kept the control and involvement over the property in all its stages: development (production), adaptation (lip-sync, dubbing or translating), communication (licensing bible) and approval (the licensees had to send examples before production for approval).

The particular reality obtained with the multiple-case study triggered the interest to capture a broader perspective from animation studios in other parts of the world. The fourth essay analyzes executives' perceptions regarding eight attributes of international licensing identified in the literature. An international survey was designed to test the eight hypotheses. The questionnaire with 21 questions was pretested with academic experts in international business and with executives from the industry to ensure the validity of the survey. The 103 answers were collected both personally and on web-based self-administrated software. The results provided a sample with firms from 34 different nations, half from developing countries and a half from developed countries. More than four in five companies are involved in some international activity either international content licensing, international brand/character licensing, or other. Since firms' inception until internationalization an average of six years passed, indicating a fast pace towards international markets. Of the sample, 41% could be considered as born global. The results from the test of hypotheses using a T-test of means suggest that respondents have a high perception of all the eight attributes regarding the use of licensing: involvement/commitment, risk, control (monitoring), trust, market knowledge and profitability.

### **3.2. General Conclusion**

The study permitted to reach the following general conclusion:

Dominant theoretical perspectives in IB fail to explain the adoption of international licensing by firms that are part of the digital revolution, such as the animation segment of the audiovisual industry. These theories have been developed in the 1960s and 1970s, and therefore aim at explaining the international strategy of large manufacturing firms, which were the multinationals of the past. However, as pointed out in the international entrepreneurship literature, there is a "new breed" of firms, which, regardless of size and age, reach international markets. Moreover, executives in these firms may perceive

international licensing in a quite different manner than explained by the literature. The study points out at the need for new theoretical developments that take into account the new realities of the digital world.

Therefore, the results suggest that international licensing is not a low-cost, low-involvement, low-commitment, low-risk and less profitable alternative for firms as stated originally by the international business literature.

### **3.3. Theoretical Contributions**

The present study contributes to the IB literature by exploring the use of licensing both theoretically and empirically.

Theoretical contributions, comprise a critique of the dominant approaches to describe licensing in the IB literature and a mapping of the literature on licensing in business and on international licensing (although it was not possible to achieve the theoretical underpinning of international licensing due to the restricted literature covering the subject).

Empirical contributions are two-fold. On one side, departing from empirical data on Brazilian animation studios, the research provides an in-depth and detailed view of when and how international licensing evolves in the animation segment of the audiovisual industry, and how innovative, entrepreneurial firms develop their international licensing strategy. On the other, the survey reveals that perceptions of a purposeful sample of executives of animation studios from several countries on key issues examined in the IB literature radically differ from the dominant theoretical assumptions.

### **3.4. Business Contributions**

The managerial implications of the essay findings indicate that SME firms have a plethora of alternatives to approach international markets that are not limited due to resources constraints. Entrepreneur's creativity spreads beyond the core business, in this context is the creation of intellectual properties, to create their management and internationalization skills.

The use of licensing should be not limited to an entry mode and neither as an extra source of revenues for the firms in the creative industries. A well-developed licensing strategy plan, for properties and brand/character, will provide financial results at national and international markets. The digital environment offers unlimited opportunities for independent producers to acquire market knowledge, to develop controls and monitoring tools reducing risks and building trust with partners and customers.

### **3.5. Limitations**

The essays present several limitations. The first essay focused on the theoretical perspectives on international licensing considering three theories: International Product Life Cycle Theory, Internalization Theory, and the Internationalization Process Model. A more in-depth analysis of other theories such Network Theory, Institutional Theory, Resource-Based View or Industrial Economics may provide complementary perspectives to the study of licensing.

The second essay is limited to the databases used and the type of documents available. The accessibility and availability of data sources such as the Web of Science and Scopus databases improved the ability to perform bibliometrics, although those databases were launched less than twenty years ago (WOS, 2002; SCOPUS, 2004). The novelty of those databases might restrict access to offline documents relevant to the research. Another limitation of those databases is the process to be accepted in a journal. According to the level of the journal, the reviewing process can take several years. A third limitation of this type of method is the citation frequency used as an assumption that the highest cited authors are the most influential.

For the third and fourth essays, both the qualitative and the quantitative method have its advantages and disadvantages. Each method seeks to answer a different type of research question. The qualitative approach “is uniquely suited to ‘opening the black box’ of organizational processes, the “how,” “who” and “why” of individual and collective organized actions as it unfolds over time in context” (DOZ, 2011, p. 583).

The use of case studies in the third essay could be perceived as a less desirable form of inquiry due to three reasons: (i) lack of rigor attributed to the method, (ii) generalizability, and (iii) high effort level and difficulty to manage the data (YIN, 2014). Although these aspects are controversial, the use of a single country (Brazil), of the three cases, and the focus on the animation segment of the audiovisual industry do not allow for statistical generalizations of any kind, only analytical generalizations.

Finally, in the fourth essay, the quantitative approach also has some limitations. A survey in particular faces three limitations: (i) limitations regarding the sampling method; (ii) non sampling error associate to respondents, the variable measurement and operationalization, survey delivery method, data analysis and coding; and (iii) statistical analysis limitations (FAN & YAN, 2010; HAIR *et al.*, 2006; KROSNICK, 1990). Particularly, the use of a purposeful, non probabilistic sample impacts the ability to generalize to the target population.

### **3.6. Suggestions for Future Research on Licensing**

Licensing is commonly used for firms in the creative industries to exploit the intellectual property in domestic and international markets. The earlier stages of international business development are potentially more prone to the use of international licensing in the context of contractual agreements (ARORA *et al.*, 2001; CONTRACTOR, 1980, 1990; FOSFURI, 2006a) with the intent of maximizing rents (GRINDLEY & TEECE, 1997; TEECE, 1986) from the innovations (CHESBROUGH, 2003, 2006). In contrast, authors influenced by the TCE approach associate licensing solely to an entry mode among other alternatives (e.g., BUCKLEY & CASSON, 1976, 1998; ANDERSON & GATIGNON, 1986) or a preliminarily approach towards internationalization (JOHANSON & VAHLNE, 1977). Nevertheless, the constant evolution in different industries challenges the dominant views.

There is a call for more theoretical developments and empirical research. Future theoretical development concerns the importance to redefine international licensing considering the changes induced by technology and globalization. The adoption of other theoretical perspectives such Institutional Theory and Resource-Based View could help to identify the internal organizational capabilities required, as well as the influences of the external environment on their activities. A complementary approach is to use Network Theory to understand the relationships among licensors, agents, distributors, and licensees. Research questions concerning what types of firms are more capable of mastering licensing agreements; what kind of networks ties are relevant; and what is the role of the industry, the host and the home country in the adoption of international licensing are potential fields of research to further increase the knowledge on the phenomenon.

Empirical research with more case studies, cross-sectional or longitudinal, from other industries, or in the same industry, but in different countries of origin, might offer new insights and new perspectives on firm characteristics, internationalization processes, and entry mode choices. International surveys with probabilistic samples would provide data to generalize the results and enhance the understanding of country-level and firm-level differences.

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## 5 Appendix

### Appendix 1 – Survey Questionnaire

Q1. Dear madam/sirs,

Thank you for agreeing to be part in this important survey that the Center for International Business Research of the Pontifical Catholic University from Rio de Janeiro jointly with the Center for International Business Research of Georgia State University are running regarding International Licensing for audiovisual firms. Today we will be gaining your valuable thoughts and opinion in order to better advance at this challenging billion dollar industry.

The survey should take only 5-7 minutes to complete. Be assured that all the answers you provide will be kept in the strict confidentiality and the results are going to be used aggregated.

Thanks in advance,

Q2. Company name:

Q3. Country of Origin:

Q4. Year Founded:

Q5. Total Number of Employees:

Q6. Which of the following choices best describes the current situation of your company?

Company has never been involved in any international activity	Company used to be involved in some international activity but is was discontinued.	Company is currently involved in international activities.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**International Activities - Only if you are no longer involved in international**

Q7. In which of the following international activities did the company used to be involved? For the purpose of the survey here follows an basic definition:

Content licensing is the process of leasing copyrighted material for use in visual, audio, graphic, or text-based media (traditional and digital)

Consumer products/services licensing is the process of leasing a legally protected (trademarked or copyrighted) entity for use in conjunction with a product or service. The Intellectual Property can be a Corporate Brand, Character, artist's name or work, sport team or league, fashion labor or other entity.

International Content Licensing	International Brand Licensing	International Character Licensing	Other International activity
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q8. With which of the following regions has the company had international licensing? (MARK ALL THAT APPLY)

Latin America	United States / Canada	Western Europe	Eastern Europe	Middle East	Asia	Africa	Australia and New Zeland
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## International Activities - company involved in international licensing

Q9. In what year did the company begin the international activities?

Q10. Approximately what percentage (%) of the company's revenues come from abroad?

Q11. In what types of international activities is the company currently involved? (MARK ALL THAT APPLY)

For the purpose of the survey here follows an basic definition:

Content licensing is the process of leasing copyrighted material for use in visual, audio, graphic, or text-based media (traditional and digital)

Consumer products/services licensing is the process of leasing a legally protected (trademarked or copyrighted) entity for use in conjunction with a product or service. The Intellectual Property can be a Corporate

Brand, Character, artist's name or work, sport team or league, fashion labor or other entity.

International Content Licensing	International Brand Licensing	International Character Licensing	Other International activity
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q12 Considering the company involvement in the international licensing, specify the year each activity begun and what is the percentage of the international revenues each type represents in the total revenue came from abroad.

	Year Begin	% of International Revenues
Content Licensing		
Brand Licensing		
Character Licensing		
Other activities		

Q13. Are any of the company's office located abroad?

No	Yes
<input type="radio"/>	<input type="radio"/>

Q14. Does the company have any employees abroad?

No	Yes
<input type="radio"/>	<input type="radio"/>

Q15. Approximately how many?

Q16. In its international licensing activities: (MARK ALL THAT APPLY)

Company enters into licensing contracts directly with licensees in other countries.	<input type="radio"/>
Company uses a licensing agent.	<input type="radio"/>
Company uses an audiovisual distributor.	<input type="radio"/>
Company negotiate's directly with media network, channels (streaming or not) or other.	<input type="radio"/>



Q17. With which of the following regions does the company have each type of licensing? (MARK ALL THAT APPLY)

	Type of Licensing		
	Content	Brand	Character
Latin America	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
United States / Canada	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Western Europe	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Eastern Europe	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Middle East	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Asia	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Africa	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Australia and New Zeland	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PLEASE RESPOND TO THE FOLLOWING QUESTIONS REGARDLESS WHETHER YOU ARE OR NOT ENGAGED IN SOME FORM OF INTERNATIONAL LICENSING.

Considering the statements regarding **INTERNATIONAL CONTENT LICENSING** select the option that best reflects your perceptions.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Compared with other forms of internationalization, international content licensing <b>requires a degree of involvement</b> by the company...					
Compared with other forms of internationalization, international content licensing <b>entails a degree of risk</b> for the company...					
International content licensing requires from the company a <b>degree of monitoring/control</b> of licensee's licensing activities abroad...					
International content licensing <b>involves a degree of trust</b> in the partner...					
International content licensing <b>requires prior knowledge</b> of the foreign market...					
International content licensing <b>requires a commitment of the company's human resources</b> ...					
International content licensing <b>requires a commitment of the company's financial resources</b> ...					
International content licensing provides the company a <b>degree of profitability</b> ....					

Considering the statements regarding **INTERNATIONAL BRAND OR CHARACTER LICENSING** select the option that best reflects your perceptions.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Compared with other forms of internationalization, international brand/character licensing <b>requires a degree of involvement</b> by the company...					
Compared with other forms of internationalization, international brand/character licensing <b>entails a degree of risk</b> for the company...					
International brand/ character licensing requires from the company a <b>degree of monitoring/control</b> of licensee's activities abroad...					
International brand/ character licensing <b>involves a degree of trust</b> in the partner...					
International brand/ character licensing <b>involves prior knowledge</b> of the foreign market...					
International brand/ character licensing <b>requires a commitment of the company's human resources...</b>					
International brand/ character licensing <b>requires a commitment of the company's financial resources...</b>					
International brand/ character licensing provides the company a degree of profitability....					