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## BELONE BROTHERS: SMALL EXPORT TYPE COMPANY

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**Abstract:** This teaching case presents the trajectory of the Belone brothers and their fruit and vegetable producing and exporting company, highlighting elements of entrepreneurship, strategy, strategic management, entrepreneurial skills and exports linked to a small business. The text reports the unusual journey of entrepreneurs, who identified better conditions for business development in the international market than in the Brazilian market. It is more common in the Brazilian literature on entrepreneurship the case of doing business only in the national territory.

**Keywords:** entrepreneurship, small businesses, strategic management, entrepreneurial skills and export.

With the real story portrayed, the text describes the challenges and achievements of two entrepreneurs and their small Brazilian company in their activities to serve the European market with high quality. The example of the Belone brothers can be an inspiration for the pursuit of success in other endeavors as well. Persistence is a central trait of the Belone brothers, who developed a rational strategic plan, initially arising from an emerging strategy. To do so, they had to overcome cultural and linguistic barriers and promote organizational changes.

The changes that involved the development of exports benefited from activities typical of the entrepreneurial process, such as identifying opportunities, developing the vision of leaders, directing to new markets, increasing self-confidence to deal with difficulties and personal fulfillment when achieving the realization of plans.

This shows that, even in the context of a small company with scarce resources when compared to a large corporation, it is possible to carry out apparently very sophisticated activities to undertake with daring goals,

more common in larger companies.

## THE START OF A BUSINESS FOR THE GOOD TABLE

Brothers Onivaldo and Claudio Belone have been working together for over 30 years. The origin of the business activities they carry out dates back to their young age. They say that the choices they made about work were influenced by the experiences they began to gain as children with their father. The family patriarch was an Italian immigrant and, when he arrived in Brazil, he settled in the Campinas region, where he bought a small rural property for the cultivation of fruit. The brothers grew up in an agricultural environment helping their father in the cultivation and commercialization of fruits. This experience enabled them to learn about the production and market of fruit and vegetables. In addition to their father, they also lived with neighbors who had small properties and who often made joint sales to wholesalers and distributors.

In the 1970s, they even helped their father sell fruit to export trades (intermediary companies that buy from different producers and then export in larger quantities) specialized in trading with European importers. In the same decade, they opened a national distributor of vegetables and fruits with which they intermediated the production of farmers in the state of São Paulo with marketers, retailers, wholesalers and supermarkets. The ``Pão de Açúcar`` group was one of its important customers.

Over twenty years, the brothers managed the distributor, accumulating successes in terms of results and the longevity of the business. However, the childhood history was a recurring theme in their conversations. They wanted to go back to acting as rural producers, as they missed contact with the land. For this reason, in the early nineties, they bought a property close to the international airport of

Viracopos, in the municipality of Campinas, where they began to grow figs.

Nostalgia for the land played a part, but also a vision (or strategic vision) that developed little by little, according to which they would increase their earnings through vertical integration, that is, accumulating production and distribution. They then became partners in two companies, the second having agricultural production as its corporate purpose. Both claim to enjoy prospecting for new opportunities, focusing on seeking better business conditions and avoiding self-indulgence.

They were attracted by the diversification of activities and, at the same time, identified an interesting opportunity to invest the capital they had accumulated over twenty years in productive land. They took the opportunity to buy lands that were going up in value, close to the ``Viracopos`` airport and important highways in the state of São Paulo, such as Anhanguera and Bandeirantes.

## NEW DIRECTIONS

The plan to also become producers generated strong changes for both. One of them was that they were forced to divide their time between the field and the distributor, located in Valinhos-SP, approximately 35 km from Campinas. The brothers also had to adapt the new property for fig production, which involved building a water tank for irrigation, building houses that would serve as housing for employees, building sheds and adapting the soil for cultivation.

For them, the beginning of this new phase was not easy. The double activity forced them to reduce the sleep period and the rural activity consumed their weekends. After the time needed to structure the property and start the first harvests, the results obtained were far from what they had imagined. In addition, they began to realize that the

agricultural activity demanded more time than they were dedicating to the field and that they lacked the technical knowledge to obtain quality harvests.

The distributor also presented difficulties, since, in it, the brothers were not able to handle all the necessary activities. Thus, they found themselves in a delicate situation. They were facing difficulties they hadn't counted on, going against the direction of the initial vision years before, when they decided on vertical integration.

In 1996, an important event opened up new perspectives and the temptation for new strategic decisions. Representatives of a fruit export trade operating in Europe sought us out to buy part of their fig production. The success of the first export resulted in other small exports and the brothers began, even indirectly, to deal with the demanding and more lucrative foreign market.

## THE FIRST EXPORTS

As they carried out the first exports to Europe, the brothers found that they were more advantageous than national marketing. The first advantage perceived by them was the price. According to them, in the Brazilian market, the price of fruits and vegetables fluctuates more according to the law of supply and demand. This means that earnings are low at the time of the harvest, since there is then a large supply of figs in the country. On the other hand, in the European market, this is not the case. Price fluctuations are smaller and result more from exchange rate fluctuations than from oversupply or undersupply.

The second perceived advantage concerns the purchase loyalty of the European fruit importer. The two producers were used to behavior that they consider "promiscuous" in the Brazilian market, according to which buyers change suppliers very frequently, generating unpredictability about future

supplies. Negotiations of fruits and vegetables in Brazil, according to the Belone brothers, privilege gains with a high profit margin to the detriment of product quality. According to them, this fact does not occur with the European market, since the importer's high loyalty tends to occur with foreign suppliers, who are forced to offer high quality products, but still practicing an attractive margin.

Exporting was something that emerged gradually for the Belone brothers. The first export experiences made it expand its range of knowledge. New information was progressively assimilated by them regarding the operation of the foreign market, initially little known. New and promising opportunities were identified by them to overcome the difficulties faced in their two companies.

Additionally, there were challenges that they were interested in overcoming in exporting, such as the lack of direct contact with importers, lower profits using trade than exporting directly, and the underutilization of commercial skills associated with the strict focus on production encouraged by trade. As they were also merchants, the brothers wanted to fully participate in export operations, having contact with foreign customers. The realization of these new vision elements seemed to them an insoluble problem, given the barriers imposed by the trades for direct contact with importers (secrecy regarding contacts, etc.).

Initially, they decided to focus on investments in fig production methods and processes in order to establish a high-quality standard for production and product. In parallel, they concluded that the concomitance of the business activities of production and distribution was not working well. They closed the distributor in 2003. The initiative was not just rational and financial. The two already felt tired of working as distributors and rural production was what really gave

them pleasure.

## **LEARNING AND ADAPTATION OF OPERATIONS TO EXPORT**

As the brothers intensified exports, they were forced to promote a qualitative leap in their cultivation routines, something complex. There were no agricultural technicians with specific knowledge about the production of figs for export at their fingertips.

To face this challenge, they sought support in the Integrated Fruit Production (PIF) program, carried out in the late 1990s by the EMBRAPA-CNPq partnership. In general terms, the PIF's mission was to provide technical knowledge to Brazilian fruit growers interested in exporting.

With training and technical visits, PIF technicians taught fruit growers how to properly manage production, especially with regard to fertilization and the application of pesticides.

According to the brothers, the PIF provided them with know-how to carry out fertilization and pesticide application very well, in accordance with the standards required by the European market. However, it was unable to offer training specifically applicable to fig production. For this reason, they continued to improve the techniques learned internally in their company, until they reached a much more effective production process for their specific product.

However, they considered the formation of the PIF important, which took place from 1997 to 2001, as it contributed to the improvement of production routines with the implementation of key practices, such as controls on the amount and date of pesticide application. These controls made it possible to reduce costs, making production management move from an artisanal condition to a professional one. Until they entered the PIF, the brothers were guided by knowledge

obtained from childhood, working with their father, and contact with neighbors, who were also small fruit producers.

Another major advance arising from the formation of the PIF was the awareness that they could carry out exports directly, without depending on the intermediation of the trade. However, this marketing strategy was not yet feasible at the time of the PIF. She became one just a few years later.

Throughout the 1990s, even though they wanted to export all of their fig production, the Belone brothers faced barriers to entry abroad, which forced them to keep a large part of their sales only in Brazil – otherwise, it would be lost. In the early 2000s, there was the advent, in the international market, of quality seals for the export of fruits and vegetables. Important importing countries of Brazilian agricultural commodities, such as the United States, Canada, Japan and European Union countries, already had, at that time, restrictive and rigid phytosanitary rules for importation. To provide compliance with most of these rules, there are international stamps that attest to the quality of the production process and exported products. In Europe, one of them was called EUREPGAP.

EUREPGAP was created in the early 1990s, inspired by the ISO standards. In the acronym EUREPGAP, the prefix EUREP stands for Europe, while the suffix GAP stands for *good agricultural practices*. The quality seal certifies the compliance of products and their production processes with European legal standards. In 2007, the EUREPGAP standards gained greater scope of application, as countries outside the European Union began to use it as a quality reference. That is why, in 2007, the seal was renamed GLOBALGAP.

For the Belone brothers, obtaining the EUREPGAP seal became the solution to implement the strategy of exporting the entire fig production, without worrying about entry

barriers. However, the path proved to be long and arduous. Only in 2010 did they succeed with the certification of what was then called GLOBALGAP.

The persistence of the two and their employees was fundamental for winning the seal. Typical limitations of small rural producers weighed, such as the small investment capacity, the low level of specialization in terms of production techniques, difficulties in obtaining precise information about foreign clients - as this is usually kept as a secret by the trades - and the lack of specific guidance on EUREPGAP or GLOBALGAP. It was not easy to overcome them, which justifies the long period of time to obtain the seal.

The standards to be met with GLOBALGAP involve aspects of food safety, sustainability and social security. Food safety means the appropriate use of chemical fertilizers and pesticides, which must be administered in adequate amounts and according to specific harvest periods, so as not to pose a risk to human consumption of the products to which they are applied. The aspect of sustainability refers to the storage of products in an appropriate place, free of chemical pesticides and tractor fuel, as well as the proper disposal of leftovers. Social security involves prohibiting the use of slave labor and due compliance with the labor and social legislation of the country where the production fields are located.

Some of the changes they made to obtain the seal were: the construction of an isolated storage shed for chemical pesticides, fertilizer and other inputs for fig production, as well as the relevant reduction in contracts with temporary employees, the so-called sharecroppers, accompanied by the increase in the number of own employees with a formal contract.

These actions were necessary steps in the process of implementing a carefully designed

strategic plan. As a result of these efforts, starting in 2010, the Belone brothers gained more credibility in Europe and thus expanded their customer base there. In addition, since then, they have been able to feel great personal satisfaction for having reached a level of development and professionalism previously seen as virtually impossible, especially for a small company with modest origins.

### **MOVING FORWARD BY LEAPS AND BOUNDS – NOW ALSO WITH A SPIN-OFF**

The path to export the entire fig production revealed new opportunities. As already highlighted, when they were doing the PIF training, the brothers realized that it would be feasible to export directly to Europe, without the intermediation of third-party trades. In parallel with the actions undertaken to conquer GLOBALGAP, they sought information on how to open their own trade, which would export not only their production, but also that of other producers.

Their previous work as distributors influenced the development of this new vision, of spin-off – the process of creating a new organization from a previous one, relying on the transfer of resources, such as personnel, knowledge and/or financial resources. Their business acumen and their experiences led them to believe that the vision was viable. From there, in 2004, they created a trade whose corporate purpose is the import and export of agricultural products. From 2005 to 2009, it had a third partner, responsible for commercial contacts, but he left in early 2010. The company is called ``Valiza Comércio de Frutas, Exportação e Importação Ltda``.

Enabling Valiza within the Foreign Trade system of the Federal Revenue Secretariat was a task considered arduous by the two brothers. They had little knowledge of foreign trade bureaucracy. For this reason, the trade made

its first export in 2005, almost a year after its creation.

In order to realize Valiza's vision, it would be necessary for the packaging of the figs to be carried out according to the standards required by the European market. To this end, the Belone brothers built a packing house on the property. It is a shed with an area of approximately 200 square meters and a ceiling height of six meters, where there is a conveyor belt that transports the fruits through the washing, conditioning and packaging processes. It also has a cold room. To transport the products from Campinas to the international airport in Guarulhos, a refrigerated truck was purchased. According to a report in the newspaper O Estado de São Paulo, the total investment in Valiza's packing house was around R\$ 200,000.00 (COSTA, 2010).

With the departure of the third partner, it fell to his brother Claudio Belone to deal directly with customers. This forced him to develop some executive skills. He started using the computer to contact customers using a voice communication service over the Internet.

With this communication, it manages to meet detailed and specific demands from customers and even contribute to their strategic management, as it informs when there is surplus production by ``Irmãos Belone``, a trigger for the application of promotional prices in Europe. A peculiarity of the contacts of Irmãos Belone in Europe is that the importers have Brazilian employees, who speak Portuguese with the Brazilian producers. This avoids language barriers, as Claudio Belone is only proficient in his native language.

Additionally, Onivaldo Belone has already traveled to Italy and Germany, where he learned about the European consumer market, met some customers face-to-face

and prospected others. Through the Valiza trade, the Belone brothers export to England, France, Sweden, Switzerland and Increase the export mix without taking their foot off the German tradition.

After managing to sell figs abroad, the Belone brothers decided to resume fruit and vegetable distribution activities. Thus, in 2010, they made some attempts to export cassava cut into sticks, ready to be fried and served. But the initiative was aborted due to difficulties in packaging the product properly.

Other attempts were made with mango and guava. This time, they were successful, mainly due to the fact that the structure of the producers' packaging house was also adequate to develop treatment and packaging processes for these products according to the requirements of the European market. Furthermore, the Belone brothers took advantage of their open contacts in Europe to intermediate the sale of macadamia nuts. These new efforts resulted in a mix of products that makes it possible to generate exports throughout the twelve months of the year, something relevant for the development of the company, which is no longer exclusively dependent on the fig culture and its seasonality.

Additional developments refer to family involvement in the company and in the community. In 2015, the fact that the children of the Belone brothers were already working at the company, all occupying positions that involve functions related to foreign trade procedures, explains the family interest and the long-term vision involving new generations in foreign trade activities.

Despite the international focus, the Belone brothers maintain the tradition of selling figs at the annual fig festival held in Valinhos by the city hall. As Paula Belone, daughter of Onivaldo Belone, explains, this is a family tradition that has lasted for over 30 years. The Belone Brothers are among the traditional

producers in the region, which nurtures the respect and admiration of the local farming community for them.

For the Belone, preserving tradition means honoring the roots and values learned from the family patriarch and creator of the fruit production business, which are work, honesty, the search for quality in production and being useful to the agricultural community. These values are considered relevant for the development of a profitable, long-term family business.

With the company relying on this base in the organizational culture and with the spirit of continuous search for new challenges on the part of the directors, the future can reserve the most varied things for the business.

### **SUGGESTED TOPIC FOR CLASSES IN SMALL BUSINESS MANAGEMENT AND ENTREPRENEURSHIP COURSES**

The case of the Belone Brothers refers to the understanding of definitions and constructs linked to small business management and entrepreneurship. Starting with the analysis of his posture in directing a small business, with few financial and economic resources, for export. This was a decision that sought financial gains, but also personal satisfaction to reach a new market. Search for financial gain and personal satisfaction are characteristics that define an entrepreneur (CAMPOS, 2014).

In terms of strategic management, the company's suitability to meet the international seal of *Good Agriculture Practices* can be considered as a necessary decision to achieve the desired goal of exporting, which forced the Belone Brothers to develop entrepreneurial skills to become more efficient managers of the company. It was a process, in their personal context, of deep learning, innovation and acquisition of new knowledge.

The fact that the Belone Brothers have

built an exporting history indicates that the knowledge was internalized and the process as a whole generated transformations that made their entrepreneurial skills more

comprehensive, allowing them a more efficient and effective management of their small business.

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