Internationalization Patterns of Multilatinas

Modelos de internacionalización de las multilatinas

Juanita Castro Olaya[1]

Juliana Castro Olaya[2]

Indira Jaller Cuéter[3]

Received: 15/06/2012 Acepted: 29/09/2012

Abstract

The following paper addresses an issue that has been gaining importance in today's world: Multilatinas. Those are companies that have emerged from Latin American developing economies and that during the last decades have been growing really fast in the national and the international field. Through this paper we studied the importance of Multilatinas in the region, their common characteristics and their internationalization processes in order to identify if there is a common pattern in their international moves. Actually, the economic openness of Latin America in the 90s left two options for enterprises: to modernize or to disappear. Therefore, Multilatinas represent the survivors from this phenomenon that flourished in adverse conditions through a process of "*learning-by-doing*".

Key Words:

Multilatinas; EMNEs (Emerging Multinational Enterprises); RDEs (Rapidly Developing Economies); Internationalization Patterns, Economic Liberalization.

JEL Classification:

F23

1 Degree in International Business at Strasbourg University. Strasbourg, France. E-mail: jcastro9@eafit.edu.co

2 Degree in International Business at Strasbourg University. Strasbourg, France. E-mail: jcastr12@eafit.edu.co

3 Degree in International Business at Strasbourg University. Strasbourg, France. E-mail: ijaller@eafit.edu.co

Resumen

El presente trabajo aborda un tema que ha ido ganando importancia en el mundo actual: las Multilatinas. Estas empresas han surgido de las economías en desarrollo de América Latina y durante las últimas décadas han crecido exponencialmente tanto en el ámbito nacional como internacional.

A través de este trabajo se estudia la importancia de las Multilatinas en la región, sus características comunes y sus procesos de internacionalización con el fin de identificar si existe un patrón común en sus movimientos internacionales. De hecho, la apertura económica que vivió América Latina en los años 90 dejó dos opciones para las empresas: modernizarse o desaparecer. Por lo tanto, las Multilatinas son las sobrevivientes de este fenómeno que se desarrolló en condiciones adversas a través de un proceso de "Aprender-haciendo".

Palabras claves:

Multilatinas; Empresas Multinacionales Emergentes (EMNEs); economías en vías de desarrollo; patrones de internacionalización; liberalización económica.

Clasificación JEL:

F21, F23.

Introduction

Today, Latin America is highly influenced from the South rather than from the North. In fact, the emerging countries from Latin America are becoming important economic powers, as well as strong actors in the global arena, challenging not only players from other emerging economies but also world leaders from developed countries. According to Santiso (2008), the major change in the world economy is being produced by the emerging markets owing to the fact that although they used to constitute the *periphery* of the globe, they are now moving to its *center,* displacing the role of the OECD countries. Therefore, the terms *"developing nations"* and *"third-world countries"* have become obsolete nowadays and multinational enterprises coming from emerging markets (EMNEs) have been dubbed as "unconventional multinationals" (Li, 2003), "global challengers" (BCG, 2009), and "new multinationals" (Guillén & García-Canal, 2010). Among those enterprises, we will focus our attention on Multilatinas.

Álvaro Cuervo-Cazurra (2010) was the first author that coined this term, referring to the companies coming from American countries that were colonized by Spain, Portugal or France and which possess added-value operations outside their places of origin. Besides, for Casanova and Fraser (2009), Multilatinas constitute the enterprises that have taken advantage from their positions in their domestic markets in order to expand their operations

through Latin America. In this paper, we will refer to Multilatinas as the multinational corporations which have their origins in Latin American countries.

Although Multilatinas are not a recent phenomenon, the size and leadership that these firms have acquired are relatively new. Actually, the Argentinean footwear enterprise Alpargatas, which is considered as the former Multilatina, established its first foreign subsidiary in 1890. Therefore, Multilatinas have existed since the XIX century.

Today, Multilatinas represent newly emerging challengers that will continue to grow and even speed up until becoming *"Global Latinas"*, which refer to the enterprises that extend beyond the Latin American region, entering successfully in Europe and United States (Casanova & Fraser, 2009).

Literature Review

Approach to Multilatinas. Regarding Multilatinas, Cuervo-Cazurra (2010) was the first author who approached to a definition of them. For him, Latin American Multinational Corporations are not recent in spite that academic literature has only begun to become interested in Multilatinas in the last years owing to the fact that the size and the leadership that these firms have acquired are relatively new.

Actually, Multilatinas achieved global leadership positions only until the 90s, which differs from multinational corporations from Asian countries like South Korea, Taiwan, and Hong Kong, that became world leaders in the 70s and 80s. Nevertheless, this issue is explained because in contrast to the multinational companies from Asian countries, Latin American enterprises operated under conditions of *import substitution*, which limited their growth and performance.

For this reason, according to Cuervo-Cazurra (2007a), Multilatinas have emerged today among the most influential multinational corporations throughout the world as a consequence of the *Washington Consensus*[4], which referred to the economic openness and liberalization that Latin American countries experienced during the 80s and 90s. In fact, this phenomenon forced Emerging Multinational Enterprises (EMNEs) to improve and progress on their levels of competitiveness in order to be able to bear the challenges of internationalization.

In addition, according to Cuervo-Cazurra (2007a), Multilatinas tend to have smaller size, less cutting-edge technology, and less sophisticated resources in relation to developed-country MNEs (Multinational Enterprises), which constitute potential disadvantages for these EMNEs. Nevertheless, Multilatinas have important advantages that pose challenges to their developed-country counterparts. For instance, Multilatinas know how to operate in challenging institutional environments and have the impressive ability to manage difficult situations due to their experiences.

4 The Washington Consensus was a series of recommendations for an economic and social reform in order to favor growth and development in Latin America.

Finally, Cuervo-Cazurra (2010) also emphasized that although there is a general knowledge about the internationalization process of Multilatinas, there are some lacunas regarding the behaviour of those enterprises.

As for Rivera and Soto (2010), these authors define Multilatinas as "those multinationals (MNEs) originated in Latin America, that own and control access abroad through FDI and develop adding value activities" (Rivera & Soto, 2010, p.12). Additionally, they highlight the importance that this region has been achieving during the last twenty years, emphasizing the investment-grade status that five Latin American countries (Brazil, Chile, Colombia, Mexico, and Peru) currently have, allowing them to account for 75% of the GDP in the region. Likewise, they emphasize that Latin American economies have shown to be very stable in crisis times where they had being able to maintain low inflation rates and growth in some economic sectors.

Besides, Rivera and Soto (2010) recognize that there are some key factors that have influenced the internationalization process and the expansion of multinational companies in Latin America. For instance, they point out the importance and impact of the economic liberalization as a common phenomenon that occurred in the 90s. Equally, these authors state that other factors that have been essential for the internationalization process of Multilatinas are the population distribution, the education levels, and the number of FTAs that the countries of the region have.

In relation to the main common characteristics of global Multilatinas that influence the way in which they had performed their internationalization processes, Rivera and Soto (2010) emphasize the characteristics of their local markets, which are made up by demanding and price-sensitive consumers that force companies to offer high quality products at lower prices. Likewise, most of the Multilatinas are family-owned companies which facilitate the decision-making process, focused on serving the third group of the Prahalad triangle or the BOP (Bottom of the Pyramid).

Equally, Rivera and Soto (2010) conclude that companies across different countries have pretty much the same reasons to decide to get assets abroad such as the search for stability, the limited domestic markets, the barriers to imports, the opportunism, and the entry of competitors that forced them to struggle in order to survive. Nevertheless, the authors conclude that it is difficult to identify a unique road to internationalization because, despite the fact that acquisitions have been a relatively common step, the sequence and speed of actions has not been the same for companies, nor consistent with what internationalization theories have proposed.

On her part, González-Pérez (2010) emphasizes that although research of multinational corporations in emerging markets is few and therefore there is still a lot to know about Multilatinas, there is consensus about the competitive advantages that will allow these firms to broaden its internationalization process. Actually, according to González-Pérez (2010), in the current days, Multinational Corporations of emerging markets have great opportunities to grow and to enter into the niches left by TNCs (Transnational Corporations)

of developed countries thanks to the economic recess. Furthermore, this authoress approaches to a definition of Multilatinas and notices that the growth and size of these firms accelerates each time more.

Besides, although Cuervo-Cazurra and Liberman (2010) state that International Business Research on the Latin American region is really limited owing to the fact that studies about developing countries have normally focused on transition economies and Asian firms they recognize that each time there is an increasing interest for studying and analyzing the internationalization process of Multilatinas and the factors that have allowed their emergence.

For this reason, for Cuervo-Cazurra and Liberman (2010), today Latin America is considered the departure point for moving forward the theory of international business. Nevertheless, these authors suggest that studies about Multilatinas' internationalization process have to move beyond Latin American firms using exports.

Besides, Cuervo-Cazurra and Liberman (2010) do not only perceive Latin America as a research laboratory to advance the theory by identifying new issues that traditionally have been ignored but also as a fast-growing, amazing, and integrating region that is becoming a key player in the current days.

This issue is consistent with the ideas of Casanova (2010), who explains that in the current days the emerging countries are becoming economic powers owing to the fact that they are considered as the starting mechanism in order to leave behind the crisis and as a possibility to finance the economic recovery. Actually, according to her, today emerging countries contribute to the 70% of the global growth, being the driving motor of the economy. Furthermore, although traditionally investment flows occurred between Europe and the United States, today FDI has increased dramatically between emerging countries and developed nations.

Besides, for Lourdes Casanova (2010), the seismic change that is experiencing the world is not exclusively an economic issue. Actually, there is a current revolution in which a "New Latin America" has reconfigured the political, social, entrepreneurial, and environmental spheres. In addition, today innovation is *upside down* owing to the fact that it is moving from emerging economies to developed nations rather than the other way around. Equally, in the current days, growth and prosperity are not exclusive of developed countries. For all these reasons, Casanova (2010) states that the term *Third World Countries* has become obsolete.

Besides, according to this authoress, this revolution has encouraged the emergence of *Global Multilatinas*. In fact, although Latin American Multinational Corporations are not a recent phenomenon, *Global Multilatinas* have been able to enter successfully into developed markets only in the last decades thanks to the virtuous circle in which internationalization has been perceived as a learning process to build competitive advantages.

In accordance with what Casanova (2010) stated, Goldstein (2010) asserted that today some Emerging Multinational Corporations (EMNCs) can claim the status of *Global Players*

due to the increasing importance that they are gaining in selected regional and national contexts. In fact, although *Third World multinationals* spread out in the 70s, "in today's global economy, multinational companies from emerging and developing economies are no longer niche players but they operate on the basis of some form of competitive advantage" (Goldstein, 2010, p. 2).

In fact, nowadays, *Northern Firms* are not the only ones able to build distinctive and highly competitive characteristics. On the contrary, *New Multinationals* from Emerging Countries have posed challenges to companies from Developed Nations because they are more flexible to create value in turbulent environments, develop special skills for detecting business tricks, and survive in protected markets.

Finally, Goldstein (2010) stated that Latin America is acting as headquarter of internationally-oriented firms each time more. In fact, he explains the changes in the geographical patterns and the location of international business, concluding that today multinational expansion is not an exclusive phenomenon of developed economies but it is becoming an increasing trend in emerging markets.

As for Santiso (2008), he examines the changes experienced by the business environment in the last decade, which has been characterised by the appearance of new Multinational Corporations in emerging markets. He stresses mainly the role of Brazilian and Mexican enterprises, whose precedent were Spanish companies. For this author, Multilatinas came up due to the push-and-pull factors, as well as, for the capital cost fall.

Equally, Santiso (2008) emphasizes the prominence achieved by Multilatinas in the last years. For instance, he highlights the emergence of Global-scale Multilatinas. Indeed, today emerging countries' firms are becoming the new leaders of some economic sectors. Besides, Santiso (2008) states that today emerging markets are not only seen as destinations for FDI but they have rapidly turned on investors. Furthermore, a new trend is the boom of *South-South* investment flows.

On their part, Dunning and Lundan (2008) have contributed to the knowledge of Multinational Corporations in a globalized environment by examining the evolution of International Business in the world economy. Similarly, Dunning and Lundan (2008) have explained the TNC, its economic impact, and the knowledge generation process in the framework of Eclectic Theory and its OLI (Ownership, Location, and Internalization) advantages.

Finally, Ramamurti and Singh (2010) have examined and questioned which strategies and competitive advantages have allowed many firms of emerging markets to internationalise rapidly and aggressively, as well as, how their global presence is affecting other firms in developed countries. Similarly, through their analysis, Ramamurti and Singh (2010) have sought to enrich the mainstream international business theory by studying the distinctive internationalization paths, sizes, and shapes of firms in emerging economies.

Approach to Internationalization Theories.

Regarding Doz , Santos and Williamson (2001), they argue that *Metanationals* are the firms that create value by learning from the world. Actually, "contrary to multi-domestic or transnational firms, *Metanationals* access unique local knowledge in order to exploit this very uniqueness, without seeing it only as a solution to local adaptation, or as a deviation from blueprint" (Alvim *et al*., 2010, p. 66).

In relation to the *Eclectic Paradigm*, Dunning (1979) states that firms engage on FDI in order to obtain *OLI* (*Ownership, Location,* and *Internalization*) *Advantages* which respectively constitute firm-specific competitive advantages, country-level advantages, and other benefits derived from generating assets internally rather than externally. Specifically, Dunning's ownership advantages are particular benefits specific to an enterprise, including superior advantages in quality, technology, or production; Dunning's location advantages are benefits specific to a particular country related to its geographical and political sphere; and Dunning's internalization advantages are benefits derived from producing internally to the firm. Actually, according to Dunning (1979), firms internalize its capital, technology, and management skills in order to have control, reduce transactional costs, avoid the disadvantages of externalization, capitalize on the market imperfections, reduce risks, and avoid uncertainty.

Likewise, Dunning analyzed the nature of a country's economic involvement distinguishing two types of economic activities:

1. Economic activities in which resources located within national borders are used by economic agents, irrespective of their nationalities, to produce goods and services for sale outside its boundaries.

2. Activities in which national economic agents provide foreign markets with goods and services irrespective of where the resources are located.

Finally, in relation to the *Eclectic Paradigm,* "based on this theory, it is expected that companies that are more internationalized achieve greater benefits from internationalization and deliver better financial performances" (Barcellos et al., 2010, p. 47).

As for Johanson and Vahlne (1977), they developed the Uppsala Model[5] according to which enterprises internationalize through a *learning-by-doing process* following a linear-path called the *establishment chain*: Firms begin by exporting and as they achieve knowledge about the foreign market they are entering in, they establish sales subsidiary, followed by production facilities. Therefore, the Uppsala Model shows the process from domestic only production and sales to foreign markets through the *establishment chain,* which is a linear model.

5 The Uppsala Model is a dynamic model of internationalization developed by Johanson and Vahlne that states that MNEs go abroad through a step by step process, following the *establishment chain*.

Besides, Johanson and Vahlne (1977) approached to the all-encompassing term *psychic distance* which is the "sum of factors preventing the flow of information from and to the market such as differences in language, education, business practices, culture, and industrial development" (Ietto-Gillies, 2005, p. 123). Therefore, this concept is composed by economic, administrative, cultural, and geographical elements.

Regarding the *Business Network Theory*, internationalization depends on the environment in which the multinational corporation operates. Therefore, multinational firms have to study the environment and adjust their organizations to better fit in it. Besides, "in Business Network Model, the emergence of the multinational firm through foreign direct investment is a gradual process rather than a foreign market entry made once and for all" (Ietto-Gillies, 2005, p. 107). Furthermore, as business relationships are important intangible assets of firms, time and resources need to be invested in order to foster them.

Finally, in relation to the *Portfolio Theory,* Carl Iversen (1935) explained firm internationalization through international capital movements. Actually, for him, countries decide to go overseas in order to take advantage of interest rate differentials. Actually, countries engage on firm internationalization because "foreign investment involves higher risks than domestic investments, so lenders expect higher interest abroad than at home" (Ietto-Gillies, 2005, p. 54).

Methodology

Sample. In order to establish if there is any pattern in the internationalization process of Multilatinas, the top 30 Latin American multinational corporations according to the 2011 Ranking of the *América Economía* journal were studied, excluding Multilatinas from Colombia[6] (Table 1). In this way, ten Brazilian companies, eight Mexican companies, seven Chilean companies, three Argentinean companies, one Bolivian company, and one Peruvian company were analyzed.

Variable and Analytic Method, the main variable that was taken into account in this paper was the globalization index[7] provided by *América economía* journal. Besides, in order to advance in the analysis, we went through three phases:

- Secondary Data Collection and Evaluation: Obtaining and refining information relying on databases, case studies, papers, books, and journal articles.

6 The two Colombian Multilatinas that were excluded from the analysis are Avianca-Taca and Grupo Nacional de Chocolates, which occupied the 15th and the 18th positions in the Ranking of *América Economía*, respectively.

7 The Globalization Index is an indicator provided by *América economía* journal, which evaluates sales, investment, foreign workers, number of regions in which the enterprise is present, and international growth potential of the firm.

Table 1. Ranking Multilatinas 2011

Ranking 2011	Enterprise	Country of Origin	Sector of the Industry	Number of Countries	Globalization Index
1	Brightstar	Bolivia	Telecom	61	82,30
2	Grupo JBS	Brazil	Food	21	78,18
3	Cemex	Mexico	Cement	35	77,71
4	Tenaris	Argentina	Iron and Steel	11	76,99
5	Lan	Chile	Airlines	19	73,18
6	Telmex	Mexico	Telecom	9	69,97
7	Grupo Alfa	Mexico	Auto Parts	17	69,75
8	Impsa	Argentina	Energy	11	68,99
9	Vale	Brazil	Mining	38	67,19
10	Norberto Odebrecht	Brazil	Engineering	34	66,25
11	Gerdau	Brazil	Iron and Steel	14	65,14
12	Ajegroup	Peru	Drinks	16	64,03
13	Grupo Bimbo	Mexico	Food	18	63,82
14	Petrobras	Brazil	Oil	28	61,29
15	Laboratorios Bagó	Argentina	Pharmaceutics	18	60,29
16	América Móvil	Mexico	Telecom	18	60,18
17	Grupo Casa Saba	Mexico	Retail	4	58,81
18	Marfrig	Brazil	Food	22	56,96
19	Sudamericana de Vapores	Chile	Shipping	6	54,12
20	Cencosud	Chile	Retail	5	54,00
21	Camargo Correa Cimentos	Brazil	Cement	4	53,74
22	Brasil Foods	Brazil	Food	25	53,68
23	Interoceánica	Chile	Shipping	4	53,68
24	Mexichem	Mexico	Petrochemistry	15	53,67
25	Viña Concha y Toro	Chile	Food	28	52,67
26	Sonda	Chile	Technology	9	51,66
27	Gruma	Mexico	Food	14	51,17
28	Embraer	Brazil	Aerospace	5	50,63
29	Arauco	Chile	Cellulose	10	50,19
30	Fibria	Brazil	Cellulose	7	49,76

Source: *América Economía* journal (http://rankings.americaeconomia.com/2011/multilatinas/ranking-multilatinas-completo.php)

- Data Analysis and Comparison: Studying, interpreting, and analysing the internationalization process of the top 30 Multilatinas according to the 2011 Ranking of *América Economía* in order to subtract the common factors that have let them to insert, intervene, and participate successfully in the global economy. The methodology of case studies was considered the most appropriate in order to deduce which mechanisms play a determinant role in the sustainable success of some Multilatinas.

- Conceptual Framework Development: Base on the information collected from secondary data sources, applying Firm Internationalization Theories in order to the develop a conceptual framework that explains the common features that have fostered the insertion and emergence of top 30 Multilatinas in the world economy.

Findings

Nowadays, emerging countries from Latin America are not only destinations of foreign capital but they have also become important investors abroad due to the emergence of Multilatinas. Besides, Latin America has shown to be a stable and calm region in the last decades, with its major countries committed to reduce their debt levels and strengthen their currency reserves. Likewise, Latin America relies on five investment-grade economies today, which are Brazil, Chile, Colombia, Mexico, and Peru. According to Sirkin (2010), these five countries together represent three-fourths of Latin America's GDP, constituting RDEs (Rapidly Developing Economies). Furthermore, according to ECLAC (2010), the Latin American region has achieved for the first time in 30 years an average economic growth of 5%, except in 2009, which dropped to 1,9% due to the global economic crisis. Therefore, all these factors have contributed to the evolution and growth of Multilatinas around the globe.

In relation to the internationalization process (Fleury *et al.*, 2010), Multilatinas and in general terms, emerging multinational enterprises (EMNEs) have been considered as latecomers owing to the fact that they have leaded the *third era of internationalization,* appearing in the global scenario after the emergence of North American and European enterprises (which constituted the *first era of internationalization)* and the Japanese firms (which constituted the *second era of internationalization).*

Actually, the characteristic Latin American political and economic context in which Multilatinas have developed contributed to their belated internationalization processes. In fact, from the 40s to the 80s, Latin American countries relied on import substitution models, high levels of regulation, and high government intervention, which protected firms from foreign and domestic competition. Thus, enterprises were focused on producing in their home countries and in some occasions, they exported in order to exploit their comparative advantages derived from the abundant access of natural resources and/or the low cost of labor hand. As a result, Latin American companies had little pressure to improve their competitiveness and increase their efficiency. Therefore, Latin American enterprises could not become multinationals owing to the fact that

the environment that prevailed until the 80s was characterized by a large domestic market, which was protected and highly influenced by the political decisions from the governments.

Subsequently, from the 80s to the 90s, a process of pro-market reforms known as the Washington Consensus took place. This was not only a macroeconomic stabilizer to the Latin American countries but it also fostered companies to improve their competitive skills and become Multilatinas. Actually, the lack of opportunities and incentives that Latin American enterprises had faced within their domestic market during the previous decades pressed them to go abroad in order to broaden their businesses and take advantage from the international markets. Therefore, the deregulation, the pro-market reforms, and the economic openness contributed to the significant increase in FDI during the 90s owing to the fact that these trade liberalization policies changed the behavior of Latin American firms by providing them incentives to internationalize their activities. Besides, many Multilatinas advanced their internationalization processes owing to the fact that many state-owned companies were privatised.

According to the Deutsche Bank (2007), the internationalization process of Latin America has divided in two phases. During the first stage, Multilatinas increased dramatically their exports in order to achieve a commercial expansion and then, they have followed a second stage, in which Multilatinas engaged on FDI (Foreign Direct Investment) in order to acquire strategic resources. Actually, most of Multilatinas did not establish overseas operations until relatively recently. Therefore, although many of these firms have been international companies owing to the fact that many of them have been exporting for a long time ago, most of Multilatinas have become multinationals enterprises until the early 90s, when they began to invest on countries abroad.

On the other hand, for Casanova and Fraser (2009), the internationalization of Multilatinas has comprised three stages. The first stage of internationalization, which covered from 1970 to 1990, marked the origin of Multilatinas. This phase was characterized by emerging FDI. Actually, Latin American companies engaged on limited volumes of FDI and they mainly concentrated on the search for *"natural markets"*, investing on countries which where most similar to the place of origin of the firm by expanding to countries that shared the same language and history or that were geographically closed. For this reason, Multilatinas invested on neighbouring countries of the region and on the Latin market of United States and Spain. Nevertheless, this phase of internationalization stopped from 1982 to 1990 because Latin America entered into the *"lost decade"*. Thus, levels of FDI went down due to regional crisis. Actually, Latin American countries faced a deep shrinking of their national production, which lead to a series of regulations directed towards the liberalization and deregulation of the national markets.

The second stage of internationalization, which covered from 1990 to 2002, was marked by the Washington Consensus that established pro-market reforms and brought the economic liberalization of the Latin American countries. As a result, levels of FDI had a considerable expansion and some multinational corporations left the region, opening

up rooms for some Multilatinas to occupy their spaces and consolidate their positions in the domestic and the regional markets. Besides, during this phase of internationalization, many privatizations of state-owned companies took place and many FTAs (Free Trade Agreements) were developed. For instance, Argentina, Brazil, Paraguay and Uruguay created Mercosur and Mexico signed the NAFTA with United States and Canada in 1994. Thus, local firms were exposed to a new competitive environment in which they had to restructure their organizations in order to improve their competitiveness, engage on a learning experience, and struggle to be able to survive.

Finally, the last stage of internationalization of Multilatinas comprises from 2002 onwards. This phase has been characterized by the large transactions of FDI that have allowed Multilatinas to become global multinationals. For instance, it stands out the purchase of the British company RMC by the Mexican Multilatina Cemex in 2004, as well as the purchase of the Canadian nickel enterprise Inco by the Brazilian Multilatina Vale in 2006. In fact, nowadays, Multilatinas are internationalizing further beyond the export phase owing to the fact that they are taking advantage of the FTAs (Free Trade Agreements) aiming at looking for partners in order to make strategic alliances and get into foreign markets. Besides, one of the most important factors that have allowed the boost of the internationalization process of Multilatinas has been the increasing access to national and international capital markets.

Therefore, the different theories about the internationalization processes of Multilatinas evidence that there is not a unique pattern that these EMNEs have followed in order to advance their international development. Nevertheless, in general terms, the successful expansion of Multilatinas started with natural markets owing to the fact that Latin American EMNEs had higher information and a deeper understanding of the competitive outlook within this network. However, the increasing competition forced some of the Latin American EMNEs that traditionally served the local markets to become more dynamic enterprises by looking for external markets. Subsequently, Multilatinas relied heavily on mergers and acquisitions in order to move forward their internationalization processes and consolidate as highly competitive multinational corporations in the international arena. Actually, the need for all Multilatinas to continue growing beyond their home markets became more acute when new entrants arrive into their markets. As a result, Multilatinas were forced to move another step forward in order to continue to create value and remain competitive.

In spite that the different theories suggest that there is not a unique pattern in relation to the internationalization process of Multilatinas, Rivera and Soto (2010) consider that these EMNEs have common features:

- Structure: Multilatinas generally are family-owned enterprises such as the Mexican firm Telmex, which is controlled by Carlos Slim and the Brazilian company Camargo Corrêa Cimentos. This structure allows Multilatinas to take decisions quickly and to have flexibility, avoiding the excessive bureaucracy of formal processes that is typical from multinationals from developed countries.

- Strong and Dynamic Leaderships: Behind each Multilatina, there are always strong leaders that have developed them. For instance, Lorenzo Zambrano in the case of Cemex, Carlos Slim in the case of Telmex, and the Batista's brothers in the case of JBS.

- Focus on the BOP (Bottom of the Pyramid): Multilatinas have the ability to serve successfully low-income markets owing to the fact that throughout the history almost half of the population of Latin America has been poor.

Likewise, these authors recognize common internationalization factors of Multilatinas such as:

- Macroeconomic Environment: Multilatinas have internationalized with the aim of diversifying the risks of their operations owing to the fact that their economies have been highly volatile and unstable, especially after the "*lost decade*".

- Limited Internal Markets: Multilatinas have gone abroad due to the small and saturated domestic markets to which they are faced.

- Importation Barriers: Importation Barriers have motivated Multilatinas to engage on FDI in countries like United States and Canada.

- Common Market Conditions: At the regional level, there are cultural bonds, common languages, geographical proximity, and similar socio-economical characteristics which allow Latin America to be a natural market for its enterprises.

- Opportunism: Multilatinas have taken advantages from economic crisis of other countries. In fact, they have been especially successful facing world crisis.

- Entrance of foreign multinationals: In the 90s, multinational corporations from developed countries entered Latin American countries due to the economic liberalization of the region, forcing local companies to internationalize.

Equally, all Multilatinas have common elements that explain their emergence in the international arena. For instance, all Multilatinas come from RDEs (Rapidly Developing Economies) that have been able to support strong national enterprises, all Multilatinas possess low-cost resources such as labor and commodities, all Multilatinas grew in difficult local environments and all Multilatinas have been able to overcome the lack of management capacity, the unstable financial systems, and the inadequate logistic and infrastructure systems from their countries of origin. All these obstacles have helped to transform Latin American EMNEs in highly effective Multilatinas, which are able to innovate and make quick decisions in order to seize opportunities. Furthermore, Multilatinas have wished to internationalize each time more in order to diversify the risks of investments looking for markets and natural resources and to protect their economies from currency risks and price fluctuations. This progressive path of Multilatinas reflects the gradual and systemic learning process to which they have been subjected to.

However, it is important to take into account that although Multilatinas do not have followed a single pattern of internationalization, all of them have developed their competences and skills gradually thorough the internationalization expansion being influenced by the characteristics of the current Latin American scenario, which involves a combination of economic reforms, technological advancements, education improvements, comparatively low costs, abundant natural resources, and increased management sophisticated techniques.

Discussions

According to what we have found, Multilatinas have not had a unique internationalization pattern. Indeed, few of them follow the *establishment chain* (exports, sales subsidiary, and production subsidiary) proposed by the Uppsala Model of Johanson and Vahlne (1977). Besides, Fleury *et al.* (2010) and Vargas-Hernández and Reza Noruzi (2010) emphasize that emerging multinational enterprises and particularly Multilatinas have used multiple entry modes in order to expand internationally and thus, patterns of internationalization differ from one firm to the other. As a result, there are divergent and even contradictory views regarding the internationalization processes of Multinational Corporations from Latin America.

For Vargas-Hernández and Reza Noruzi (2010), Multilatinas have expanded internationally relying on its own assets and resources, rather than on takeovers. Actually, they have based their internationalization processes principally on organic growth more than on mergers and acquisitions. On the other hand, although Santiso (2008) recognizes that initially overseas expansion was mainly undertaken though organic growth, for him, mergers and acquisitions predominate today. Indeed, thanks to the decrease in the capital cost and the financial techniques betterment, this strategy has allowed Multilatinas to act quickly and to increase their market share. As a result, today, Multilatinas are experiencing a new phase of its internationalization processes characterized by more globalized activities (strategic alliances, joint ventures, and partnerships) and even direct presence, aiming at improving their industrial and financial profiles. Additionally, according to Heenan and Perlmutter (1979), internationalization processes of Multilatinas have moved from ethnocentric (country of origin) to polycentric orientation (destination country), and then from region-centric (regional orientation) to geo-centric approach (global orientation).

Besides, according to our research, although many Multilatinas have based on the concept of *psychic distance* purported by the Uppsala Model (Johanson & Vahlne, 1977), this phenomenon can neither be generalized in their internationalization processes. Actually, the internationalization strategies of many Multilatinas favoured Latin American countries as a tool to broaden the markets thanks to the geographical proximity and similarities in terms of culture and institutions, emphasizing mainly on the Andean Community and the Mercosur zone (Cyrino *et al.*, 2008). However, other Multilatinas undertook a continental strategy and even, they entered countries of other continents pursuing a more strategic

perspective. Today, the new trend of Multilatinas is to enter developed markets and less developed countries simultaneously (Guillén & García-Canal, 2009). Therefore, for Cuervo-Cazurra and Liberman (2010), distance has not been the leading determinant when Multilatinas choose foreign markets because one of their main characteristics is their flexibility. As a result, although this factor is taken into account, Multilatinas do not feel constrained by this aspect and they are more influenced by the presence of economic and market opportunities.

In relation to the attributes that have allowed Multilatinas to succeed internationally, they have experienced a process of *creative destruction* in which only the firms that developed skills to thrive in the turbulent domestic environment were able to survive, turning into really challengers and innovative Multinational Corporations (Fleury *et al.*, 2010) . Furthermore, in accordance with Hymer (1976), Multilatinas have been able to overcome the *Liability of Foreignness* thanks to the *Firm-Specific Advantages* that they have developed over competitors, such as the economies of scale, the low-cost, and the product differentiation. Additionally, focusing on the *Business Network Theory,* Multilatinas also have succeeded in the global arena thanks to the integrated global networks to which they belong, allowing them to develop competitive advantages and best practices. Actually, Multilatinas have developed expertise in international networks to manage and use inter-relationships in their favor (Gemunden & Ritter, 2003).

Furthermore, regarding the *Eclectic Theory* (Dunning, 1979), the internalization processes of Multilatinas have been broadly based on the development of OLI advantages, which have been very different from those of traditional MNEs. According to what we have found, *locational advantages* of Latin America are primarily related with structural factors (Santiso, 2008). The main *locational advantages* of the region are the vast natural resource and raw materials endowment, the proximity to strategic markets, and the favourable demographic characteristics (young, educated, and low-labor cost population). However, according to Van Agtmael (2007), it is a simplification to characterize the triumphs of Multilatinas only with *locational advantages*. For this reason, he had demystified Multilatinas by stating that one of the main *ownership advantages* of these firms is their high degree of innovation.

Nevertheless, it is important to stress that locational characteristics of the region have also been a key factor to explain firm-specific advantages. Indeed, locational aspects such as volatile political and economical environments, cheaper telecommunication technologies, price-sensitive but demanding customers, macroeconomic reforms that have bettered the emerging markets' profile, and the difficult geography that complicates the development of adequate infrastructures have influenced the Multilatinas' *ownership advantages* (Rivera & Soto, 2010).

Besides, according to Alvim *et al.* (2010), the major investment that have done Multilatinas in order to place themselves as important global players in the world economy is on their *ownership advantages*. Indeed, according to Dunning (2006), some of these

advantages go after internationalization rather than lead it. Thus, in order to go abroad, Multilatinas have used both its existing capabilities as well as new ones. However, this was not the case of Latin American enterprises before the 1990 owing to the fact that as they were perceived as mature firms performing in protected markets without any competition or technological capability, they relied more on locational advantages than on firm-specific advantages (Dunning *et al.*, 2008).

Among the main *ownership advantage* of Multilatinas, those enterprises do not copy a strict business model from their headquarters but they are really flexible, adjusting to situations with agility (Casanova, 2010). As a result, they have been able to create and deliver value by assimilating their own cultures in conjunction with those of the target markets. Besides, their ability to act in turbulent environments has constituted an important institutionally-related ownership advantage of Multilatinas and a facilitator for value-creation (Casanova, 2009). Likewise, human resources, specialized labor-hand, knowledge about middle-income markets, low-cost but innovative products, international global awareness, stakeholder management, ability to act in really protected markets, adaptability, capacity to transfer knowledge, and the *catch-up* ability constitute major ownership advantages of Multilatinas. Besides, the survival instinct developed by Multilatinas have represented one of the most significant ownership advantages of those firms because they have understood that the best defence is offensive approach and therefore, they have improved their capabilities in order to equal other global firms (Casanova, 2009). In the case of Multilatinas that used to be state-owned, those firms acquired new ownership skills, thanks to the privatization processes undertaken in the 90s.

As for the *internalization advantages,* "Multilatinas have been more successful when choosing business models based on local partnerships, outsourcing some of their production steps, and relying less on internalization" (Alvim *et al.*, 2010: 75).

Finally, regarding the main motives to internationalize, we have found some common ground rules. As the Latin American continent has been characterized by being highly volatile, many Multilatinas have internationalized in order to seek stable markets that compensate the domestic instability. In this way, Multilatinas have based on the *Portfolio Theory* of Iversen (1935) owing to the fact that they have sought to take advantage of interest rate differentials across countries. Actually, according to Casanova (2010), Latin American companies traditionally have had higher capital costs in their domestic markets in comparison with Western companies, which always have had access to a cheaper financing. Besides, deficiencies in the local business environment including domestic exchange-rate appreciation and interest-rate differentials, as well as structural issues such as scarce infrastructures and excessive regulations have motivated firms to set up facilities abroad (Economist Intelligence Unit, 2007). Therefore, risk- management has acted as an incentive for internationalization.

Besides, "the competition with traditional MNEs after the liberalization of markets in the 1980s was an incentive for Multilatinas to reorganize and go abroad" (Alvim *et*

al., 2010, p. 72). Equally, one of the major motivators of Multilatinas to go overseas is to take advantage from differences across countries because it constitutes a value-creation source. As a result, Multilatinas have deconstructed their domestic strategies in order to devise new ways to undertake international challenges, basing on aggregation or global integration more than on adaptation (Ghemawat, 2007).

Conclusions

Based on the findings of this paper, we concluded that Multilatinas are survivors from past protectionists Latin American economies that have flourished in adverse conditions through a process of *"learning-by-doing"* and *"creative adaptation"*. That is why most of Multilatinas have taken a long time to internationalize and in most of the cases, the internationalization processes of Multilatinas have occurred decades after their creation.

Due to the particular conditions in which Multilatinas have emerged, we found that these companies are more flexible and adaptable than traditional MNEs. For this reason, Multilatinas have been dubbed *"unconventional multinationals"* owing to the fact that they are more open, creative, and innovative. Nevertheless, we suggest that if Multilatinas want to stay competitive in the national and the international arena, they will have to invest in R&D and technology in order to add value to their products.

From the top 30 Multilatinas according to the Journal *América economía* journal, the most important Multilatinas are from Brazil (10), Mexico (8), and Chile (7), followed by Argentina (3), Bolivia (1), and Peru (1). In fact, we realized that Brazil, Mexico, and Chile are countries that have led the process of foreign direct investment of Latin America.

Furthermore, by analysing the internationalization processes of the top 30 Multilatinas according to the *América economía* journal, we found that Multilatinas do not have followed a unique pattern of internationalization owing to the fact that the multinationalization process of each of them has been influenced by their own context and conditions. Nonetheless, by studying an overall view of the internationalization processes of these Multilatinas, we inferred that it intensified from the 90s due to the Washington Consensus that brought economic openness, commercial liberalization, deregulation, and pro-market reforms.

Likewise, according to the findings of this paper, we deduced that internationalization has constituted a learning process for these Emerging Multinational Enterprises (EMNEs) in which competitive advantages can be built. Actually, although some Multilatinas have initiated their international expansion without always having a clear competitive advantage, through the internationalization process, Multilatinas have acquired invaluable competences. Additionally, according to Casanova (2009), Multilatinas have seen international expansion as a mechanism in order to balance the risk in their unstable and turbulent domestic markets.

In relation to the advantages that Multilatinas most commonly achieved through internationalization, we concluded that some of the benefits are:

- Economies of scale and economies of scope derived from the higher geographical presence, reducing fixed costs.
- Better understanding of foreign markets and local cultures, which allows identifying the different needs of the different customers.
- Increase ability to serve international consumers due to the closer physical proximity.
- Higher learning process and higher international experience.
- Access to limited or cheaper resources in foreign countries.
- Increase ability to recognize, face, and overcome international competition.
- Increase recognition in the domestic and the international markets.

Nevertheless, we found that Multilatinas also recognize some disadvantages of undertaking internationalization processes such as:

- Cost of being a foreign company, which involves the lack of knowledge about a country (liability of foreignness) and the difficulty of dealing with markets and cultural contexts that are really different from country to country.
- Costs of acquiring and installing facilities abroad (liability of newness).
- Cost of international learning owing to the fact that there are distances between the country of origin and the country of destination, not only in locational, physical, or geographical terms but especially in economic, cultural, political, and administrative contexts.
- Growing complexity of international operations that makes more difficult the coordination, governance, and control.

Finally, we concluded that the emergence of Multilatinas in the world economy has posed challenges and threats to large MNEs from other emerging countries and from advanced economies, which have been forced to adapt to the new situation. However, although the number of Multilatinas and the FDI level of Latin America have reached unprecedented rates, Multilatinas tend to be smaller than multinationals from other countries.

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