Spring 5-1-2013

Resource Dependency Theory and the Inclusion of Foreign Nationals on the Board of Directors of Publicly Traded Chilean Companies: A Multi-case Study

Steven E. Droll

PERMISSION TO BORROW

In presenting this dissertation as a partial fulfillment of the requirements for an advanced degree from Georgia State University, I agree that the Library of the University shall make it available for inspection and circulation in accordance with its regulations governing materials of this type. I agree that permission to quote from, to copy from, or publish this dissertation may be granted by the author or, in his/her absence, the professor under whose direction it was written or, in his absence, by the Dean of the Robinson College of Business. Such quoting, copying, or publishing must be solely for the scholarly purposes and does not involve potential financial gain. It is understood that any copying from or publication of this dissertation which involves potential gain will not be allowed without written permission of the author.

Steven E. Droll

NOTICE TO BORROWERS

All dissertations deposited in the Georgia State University Library must be used only in accordance with the stipulations prescribed by the author in the preceding statement.

The author of this dissertation is:

Steven E. Droll
3066 Glen Mary Walk
Duluth, Georgia 30097

The director of this dissertation is:

Dr. Wesley J. Johnston
CBIM Roundtable Professor of Marketing
Mack Robinson College of Business
Georgia State University
Room: 422, RCB Building
Atlanta, GA

Resource Dependency Theory and the Inclusion of Foreign Nationals on the Board of Directors of Publicly Traded Chilean Companies: A Multi-case Study

BY

Steven Edward Droll

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

Of

Executive Doctorate in Business

In the Robinson College of Business

Of

Georgia State University

GEORGIA STATE UNIVERSITY

ROBINSON COLLEGE OF BUSINESS

2013

ACCEPTANCE

This dissertation was prepared under the direction of the *Steven Droll's* Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Doctoral of Philosophy in Business Administration in the J. Mack Robinson College of Business of Georgia State University.

H. Fenwick Huss, Dean

DISSERTATION COMMITTEE
Dr. Wesley J. Johnston, Chair
Dr. David Bruce
Dr. Wayne Lord

ACKNOWLEDGEMENTS

First and foremost, I would like to recognize God who has provided me with this opportunity, which has culminated in the publication of the dissertation. Knowing that all things, good, bad, easy, and hard will strengthen me in my walk with Him. The second most important person in this process has been my wonderful and supportive wife, Melanie. She has made many sacrifices over the years and was an inspiration during the times I questioned the pursuit of the dissertation. To both of my sons, Bryan and Tyler, I understand now why you did not call as often during your respective college years. Academic work is hard and time consuming at any level. You not only have my love, but my respect, as I realize what each of you has accomplished in your academic studies. Finally, I would like to recognize Lyle Herold (father-in-law) and Mary Louise Droll (mother) both of whom passed away during these three years. I wish both of you could have been here to celebrate this accomplishment with me.

To Dr. Lars Mathiassen, who I told the very first day of the program as to my potential dissertation topic. You challenged me by saying it couldn't be done given a number of reasons. I realize now you were challenging me as you saw the relevance of the dissertation topic. To Maury, Heather, and Elizabeth, your love and support of the program never ceases to amaze me and in many ways, the three of you are the heart of the program.

The acknowledgements would be incomplete with out recognizing three very important individuals. First, I would like to thank Dr. Wesley Johnston for serving as my Dissertation Committee Advisor. Additionally, I would like to express my gratitude to Dr. David Bruce and Dr. Wayne Lord for their participation on my dissertation committee. The dissertation process and the dissertation itself have been significantly enriched through your individual and collective guidance and wisdom. The attention to detail, the willingness to challenge certain observations and demonstrated shared passion for the research topic directed me toward a new way of looking at the whole dissertation. Thank you so much for everything each of you contributed to the experience.

Finally, I would be totally remiss if I did thank my closest friends in the cohort, Darren and Ted for your motivation, encouragement, and most importantly friendship. Our Friday nights study sessions of each residency with Terri were most therapeutic. The formation of our group during the research project validated the theory that "opposites attract." During the past three years we have supported each other not only in this process, but also, through numerous personal and professional challenges. To my fellow members of the cohort and all of the wonderful professors, thank you for your contributions during these three years.

Resource Dependency Theory and the Inclusion of Foreign Nationals on the Board of Directors of Publicly Traded Chilean Companies: A Multi-case Study

Steven Edward Droll
Mack Robinson School of Business
Georgia State University

Table of Contents

TABLES

FIGURES

1. ABSTRACT

Resource Dependency Theory and the Inclusion of Foreign Nationals on the Board of Directors of Publicly Traded Chilean Companies: A Multi-case Study

BY

Steven Edward Droll

May 1, 2013

Committee Chair: *Dr. Wesley J. Johnston*

Major Academic Unit: *Marketing*

European and US companies, who desire to expand from a domestic-oriented focus to a more international mind-set, must undergo significant organizational transformation. Whether the transformation results in the company becoming internationally oriented, a complete transnational organization or anywhere in-between, one of the key components in the transformation process is developing a strategy that is outwardly focused from its natural domestic markets. To develop and execute said strategy, the utilization of human capital resources might be required that the company itself may not possess. Literature review has supported the concept that when European or US companies incorporate foreign nationals on the Board of Directors (BOD), the development and execution of international expansion strategies will increase the probability of reaching their respective strategic objectives. However, literature research is silent as to whether the inclusion of foreign nationals on the BOD of South American companies would result in the comparable results as experienced by European and US companies. This research study will begin to explore if a broader set of theoretical concepts could be applied to publicly traded Chilean companies and through future studies to publicly traded South American domiciled companies. Through an engaged scholarship approach, Resource Dependency Theory will be utilized as the lens through which to present the theoretical and practical applications for the BOD of publicly traded Chilean-domiciled companies to consider when developing international expansion strategies outside of Chile.

2. INTRODUCTION

2.1 RESEARCH DOMAIN

In reviewing the Fortune Global 500 Rankings from 2009 to 2011, a startling observation occurred during the analysis of the various geographical locations of corporate headquarters: approximately 2% of the companies were located in South America (see Table 1 for countries considered as part of South America). Table 2 presents the list of companies by year and their respective ranking per the Fortune Global 500 ranking ((2009) (2010) (2011)). Interestingly, three of the recurring companies on the lists were state-owned (Ecopetrol – Colombia, Petrobras – Brazil and PDVSA – Venezuela). Furthermore, only three of the ten countries considered as part of South America for this study were represented: Brazil, Colombia, and Venezuela.

With a plethora of natural resources, a history of being a strong supporter of capitalism and free enterprise, comparable infrastructures (transportation, communications, etc.) with the Europe and US, highly educated Board of Directors and executive management teams and human capital ready/willing to work, why does the region have such a low representation in such an important ranking? Given the historical, cultural and language linkages between South America and Europe and US, what could be a cause as to the under-representation of South American companies in the rankings as compared to European and US-domiciled corporations, who have dominated the ranking for the past 3 years?

TABLE 1

South American Countries

	Population (July 2012 est.)	GDP (Purchasing Power Parity) (2012 est.)	Ranking	Type of Government
Argentina	42.2 million	$ 746.9 billion	22	Republic
Bolivia	10.2 million	$ 54.4 billion	93	Republic (New constitution defines Bolivia as “Social Unitarian State”)
Brazil	199.3 million	$ 2.4 trillion	8	Federal Republic
Chile	17.1 million	$ 319.4 billion	43	Republic
Colombia	45.2 million	$ 500.0 billion	29	Republic (Exec. Branch dominates gov’t structure)
Ecuador	15.2 million	$ 134.4 billion	63	Republic
Paraguay	6.5 million	$ 41.1 billion	101	Const. Republic
Peru	29.5 million	$ 325.6 billion	41	Const. Republic
Uruguay	3.3 million	$ 53.6 billion	94	Const. Republic
Venezuela	28.0 million	$ 402.1 billion	34	Const. Republic

Falkland Islands (Islas Malvinas), French Guiana, Guyana, South Georgia/South Sandwich Islands and Suriname, while part of the continental land mass known as South America, their respective historical heritages are considered very different than and compatible with the other countries of South America. For these reasons, they were not considered part of this research study.

Source: Central Intelligence Agency – 2012 World Fact Book

Table 2

Fortune Global 500 Rankings

Country	Company	2009 Global 500 Rank	2010 Global 500 Rank	2011 Global 500 Rank	2008 Revenues ($ millions)	2009 Revenues ($ millions)	2010 Revenues ($ millions)
Brasil	Petrobras	34	54	34	118,257	91,869	120,052
	Banco Bradesco	148	135	156	50,930	51,608	53,010
	Itausa-Investimentos Itau	149	117	360	50,216	57,859	26,982
	Banco do Brasil	174	148	117	43,984	48,122	62,891
	Vale	-	363	186	-	23,311	45,923
	CVRD	205	-	-	37,426	-	-
	Metalugica Gerdau	400	-	-	22,860	-	-
	JBS	-	496	307	-	18,064	31,279
	Ultrapar Holdings	-	471	400	-	17,161	24,135
Venezuela	PDVSA	27	56	66	126,364	91,182	88,361
Colombia	Ecopetrol	-	-	445	-	-	21,743

Source: Fortune Magazine Issues dates: July 20, 2009; July 26, 2010 and July 25, 2011

2.2 RESEARCH PERSPECTIVE

The initial literature review focused on how domestically oriented companies transformed themselves into conducting business across national boundaries. The review of scholarly literature provided empirical evidence as to how European and US companies embraced the concept of inclusion of "foreign nationality diversity" within the Board of Directors and/or Top Management Teams (TMT). The inclusion of foreign nationals on a company's Board of Directors and/or within the TMT was presented by (Palmer & Varner, 2007) in their study that focused on answering the following question: "The goal of this study is to find an answer to how international are boards of directors and executives of multinational companies headquartered in the United States, Europe and East Asia?" (2007, p. 3)

In developing support for their hypothesis, the authors sampled the composition of boards of directors and executives of USA (Fortune 1000 organized by industry), European (Europe's 15,000 Largest Companies and Asian (Asia's 7,500 Largest Companies) companies that had some level of international business. (2007, pp. 6-7). The results contained some interesting findings including the following, which in some ways is not too surprising: There appears to a dichotomy of international experience between directors and executive at US multi-nationals. The sampled US executives had a higher percentage of international experience than the sampled directors. While companies may be willing to embrace the need for international experience within the executive management ranks, it may not apply an equivalent measuring stick when appointing members to the Board. US multinationals seem to concentrate on ensuring Boards are focused on monitoring the corporate processes and to ensure they are in compliance at all levels. As a result, they are less inclined to view international experience as a necessary qualification to be a member of the Board. (2007, p. 21)

Recognizing one of the most important assets of a company is human capital: a new concept was introduced by the Palmer/Varner--Resource Dependency Theory. Could this be the theoretical and practical framework to study why South American companies are so under-represented in the Fortune Global 500 rankings over the past 3 years? As Palmer/Varner pointed out, "…the board also provides more intangible resources, and these may be more crucial than the tangible ones in the long run. First and foremost, the board members provide their individual and professional expertise. While board members exchange ideas and share their experiences, they create new knowledge." (2007, pp. 3-4) As Nahapiet and Ghoshal (1998) noted, the creation of new knowledge occurs as individuals begin to share their respective levels of intellectual capital in varying areas of an organization: strategy, human resources, operations, and finance. A company may not be able to create this new level of organizational intellectual capital, which is needed in order to effectively compete in its domestic marker and when entering into new competitive markets.

Palmer and Varner introduced this new concept based on work done by various other researchers. Hillman and Dalziel proposed that the integration of agency and resource dependence perspectives should drive the selection and diversity of board members in order to improve the board capital, which could lead to an improvement of the firm's performance. (Hillman & Dalziel, 2003). Building on the improving the firm's performance, Early and Mosakowski (2000) and DiStefano and Maznevski (2000) provided support for the concept that international diversity within the BOD and TMT can lead to an improvement in the financial performance of the respective companies. The diverseness of educational, professional, personal and cultural backgrounds will allow a more interactive flow and sharing of ideas, thereby creating an environment in which all parties make better decisions.

So were Palmer and Varner correct in raising Resource Dependency Theory as a possible theory to support the inclusion of foreign nationals within BOD and TMT? According to Theories Used in IS Research, the originating authors of Resource Dependency Theory were Jeffrey Pfeffer and Gerald R. Salancik who introduced it in their book: **The External Control of Organizations: A Resource Dependence Perspective** (Pfeffer & Salancik, 1978). The key premise of the book illustrated how individuals, or organizations dependent on external resources will behave in such a manner in order not to interrupt the flow of those resources. The relevance of this theory became evident through Val Singh where he stated: *"Resource dependency theory suggests that those responsible for recruiting new directors seek particular characteristics in new appointees to complement the exiting board and to provide connections to new resources to secure the future of the firm…each new director brings an unique mix of personal attributes, skills, knowledge and experience, forming human capital."* (Singh, 2007, p. 2129)

A review of literature in the area of RDT provided support regarding the inclusion of foreign nationals on the Board of Directors and TMT of multinational companies. However, said literature has been primarily focused on companies domiciled in the United States, Europe and, to a lesser extent, Asia. The literature has been silent on the subject regarding South American companies' willingness to embrace the inclusion of foreign nationals at the Board of Directors and TMT levels. With this gap in knowledge and analysis, this exploratory study, which will be limited to the Board of Directors, begins to lay the theoretical and practical insights into answering the research question: How does the incorporation of foreign nationals at the Board of Directors facilitate the development and execution of an international expansion strategy for a publicly traded Chilean company?

2.3 RESEARCH PERSPECTIVE – SELECTION OF CHILE

The selection of Chile is based on the significant structural changes in the economy since 1973 following the overthrow of President Allende by the military coup led by General Pinochet. The structural changes undertaken by the military regime over a period from 1973 to 1990 led to the development of an economy that has been able to demonstrate consistent economic growth since the early 1990's (Table 3).

During its brief tenure in office, President Allende's administration enacted numerous laws that had seriously crippled the country's economic activity. Through CORFO (*Corporación de Fomento de la Producción de Chile)*, which had been established in 1939 as a Chilean governmental organization to promote economic growth in Chile), the Allende administration initiated a process of nationalization of any company deemed vital to the national interests. As Fernando Lefort indicated: *"In addition, during the socialist government of 1970-1973, a large scale plan of nationalization of private companies meant that the number of state-owned companies controlled by CORFO reached over 500 in 1973."* (Lefort, 2010, p.389) Recognizing the need to further control the economy, the banking system was nationalized during 1971 and 1972. Furthermore, the agarian reform initiated under previous adminstrations was speedily pushed forward by the Allende adminstration, resulting in the demise of large farms in the country. (Corbo, 1993)

In order to win the support of the populace (primarily lower working class citizens), the Allende administration dramatically increased the level of government spending, which initially resulted in positive economic growth in 1971 as GDP increased by 9% in real terms. However,

Table 3

Chile Economic Indicators

	% Change GDP	% Change GDP per Capita	Inflation GDP Deflator
1970	2.1%	0.2%	40.7%
1971	9.0%	7.1%	18.3%
1972	-0.8%	-2.5%	85.5%
1973	-4.9%	-6.5%	414.0%
1974	2.5%	0.9%	665.4%
1975	-11.4%	-12.7%	334.6%
1976	3.4%	1.9%	250.6%
1977	8.7%	7.2%	105.8%
1978	7.5%	6.0%	57.7%
1979	8.7%	7.2%	45.7%
1980	8.1%	6.6%	28.8%
1981	4.7%	3.2%	13.0%
1982	-10.3%	-11.7%	8.5%
1983	-3.8%	-5.3%	30.7%
1984	8.0%	6.2%	12.6%
1985	7.1%	5.4%	30.7%
1986	5.6%	3.9%	22.1%
1987	6.6%	4.8%	25.8%
1988	7.3%	5.5%	22.7%
1989	10.6%	8.7%	13.5%
1990	3.7%	1.9%	22.5%
1991	8.0%	6.0%	22.4%
1992	12.3%	10.2%	12.9%
1993	7.0%	5.1%	11.8%
1994	5.7%	3.9%	13.7%
1995	10.6%	8.8%	10.4%
1996	7.4%	5.8%	2.7%
1997	6.6%	5.1%	4.3%
1998	3.2%	1.9%	1.9%
1999	-0.8%	-2.0%	2.4%
2000	4.5%	3.2%	0.1%
2001	3.3%	2.1%	3.8%
2002	2.2%	1.0%	4.2%
2003	4.0%	2.8%	5.9%
2004	6.0%	4.9%	7.5%
2005	5.6%	4.5%	7.6%
2006	4.6%	3.5%	12.4%
2007	4.6%	3.6%	5.5%
2008	3.7%	2.7%	0.2%
2009	-1.0%	-2.0%	4.2%
2010	6.1%	5.1%	7.5%
2011	6.0%	5.0%	2.8%

Source: 2011 World Bank Data

a negative consequence of the government spending increase was a significant increase in domestic money supply as well. As economic theory would predict, the significant rise in domestic money supply caused domestic inflationary pressures, which the Allende administration attempted to control through strict price control regimes. (Corbo, 1993) As Table 3 presents, the result was negative real GDP growth for 1972 and 1973 of 1.2% and 5.6%, respectively as well as a decline in GDP per capita of 2.9% and 7.1% . Additionally, inflation increased from 18% in 1971% to 414% in 1973.

As the Allende administration had assumed control, directly or indirectly, over a significant percentage of the production activities in Chile, they also controlled almost all of the international trade activities. In order to spur domestic economic activity, the Allende government imposed numerous trade barriers, tariff and non-tariff. The tariffs ranged from 0% to as high as 750%, with the average nominal tariff around 105%. Non-tariff barriers included prior approvals of all imports, 90-day non-interest bearing deposits that could amount to being ten times the value of the import, quotas and etc. Additionally, the government heavily taxed export activities as well, which negatively impacted the trade balance. (Corbo, 1993)

By the 1973, Chile was country in disarray with an economy that was beginning to resemble Cuba. The military coup assumed power of

> "*…an economy closed to international trade, dominated by the public sector, with severe macroeconomic imbalances in the form of accelerating inflation and a deteriorating balance of payments situation. Relative prices were severely distorted and the production and distribution of goods was mainly determined by bureaucratic rules…The country had practically no foreign exchange reserves and the budget had a deficit of 25% of GDP."* (Corbo, 1993, p.4)

Recognizing the shift of the country, the military government led by General Pinochet realized the need to correct the so-called socialistic policies enacted under the Allende administration, which had undermined the Chilean economy in three years. The initial course of action by the Pinochet administration was to reestablish a market-based economy by dismantling the economic reforms of the overthrown administration. The task was daunting as the measures to be taken would be as draconian as the ones taken by the Allende administration. Inflation needed to be reduced, which required a significant reduction in the government budget deficit through structural reforms. In order to bring about the necessary changes, within the government and private sector, the Pinochet administration enlisted a group of Chilean economists, many who had been educated at the University of Chicago – Economics Department. Their task was to transform Chile into a market-oriented, open economy that could be highly competitive on a global basis.

The initiatives of those economists focused on eight main areas: 1) price stabilization in order to reduce inflation; 2) reforms to improve the efficiency of the public sector, which would flow through to the economy as a whole; 3) trade reforms to encourage exports; 4) changes in the social security system to make it based more on individual participation; 5) financial industry reforms to improve its efficiency and availability; 6) employment reforms to allow for reallocation of labor based on the market demands of the economy; 7) a privatization program that return properties taken under the previous administration, transfer through a sale process of economic activities that the private sector can perform more efficiently; and 8) reforms to improve the provision of programs and services for the poorest groups within the population. (Corbo, 1993, p.7) (Harberger, 1985)

While all of the reforms were critical, two of them have been highlighted as they influenced the selection of Chile as the country in which the research would be conducted: 1) trade reforms to encourage export activiity and 2) the privatization of state-owned or controlled companies. The government recognized Chile was a country with an abundance of natural resources from the most northern border to the southern tip by Antartica; however, it was a country with limited domestic market potential. In order for Chilean companies to compete more effectively in global markets, they would have to learn how to compete efficiently within Chile. Unfortunately, this would require a restructuring of the tariff and non-tariff barriers that had been implemented under the Allende administration., which by 1973, had led to Chile being ranked #71 out of 72 countries as most protectionist economies in the world. Recognizing the need to reverse this ranking, the Pinochet administration implemented numeorus reforms that reduced tariffs on almost all imported items down to an uniform rate of 10%, except for the auto imports. Additionally, other protectionist import barriers were eliminated or dramatically reduced. The elimination and/or reduction of tariff and non-tariff barriers allowed foreign competition to enter the Chilean market forcing Chilean manufacturers to become more competitive on a price and quality basis or face the possibility of going out of business. (Harberger, 1985), (Corbo, 1993), (Lefort, 2010)

Successive administrations have continued with the trade liberalization reforms initiated under the Pinochet administration by signing numerous and different types of trade agreements, economic associations and partial preferential agreements: 1) Trade Agreements: United States, Canada, Mexico, Central America, China, Japan and South Korea, MERCOSUR and others; 2) Economic Association Agreements: European Union, and through its membership in the Asia-Pacific Economic Cooperation organization (APEC) -Brunei, New Zealand and Singapore; and 3) Partial Preferential Agreements: Colombia, Ecuador, India and Venezuela. (SICE: Foreign Trade Information System - Chile Trade Agreements, 2013)

Regarding the privatization of state-owned or state-controlled companies, the Pinochet administration followed a two-pronged approach. First, companies seized by the Allende administration were returned to the previous owners with the requirement that those companies and their owners would either drop all lawsuits or not initiate any future lawsuits against the government for the seizure of the companies. Additionally, there were requirements in a limited number of instances of returned companies that employment levels would be maintained and a level of new investment would occur. It is estimated over 300 companies were returned to pre-Allende administration owners by the Pinochet administration. (Corbo, 1993)

The second prong of the privatization effort was the divestiture of many of state-owned companies. It is estimated that over 200 companies, ranging from finanical institutions, manufacting, utilities and others totaling over $ 1.2 billion in assets, were transferred from state-ownership to the private sector. The privatization effort took place over a number of years and were carried out through several methods:

- *Liquidation: due to operational losses, which could not be reduced through efficiency improvements, many firms had to close down and their assets had to be auctioned.*

- *Open bidding: CORFO intorduced an auction system to sell the enterprises, CORFO had the right to reject the offers, as well as to negotiate better prices and/or conditions with those who had the highest offer. The bidding's main objective was to maximize the sale of the public assets. For this purpose, most oftent blocks of shares providing controlling interest were sold…*

- *Direct Sale: this procedure was applied to smaller firms, where the cost of organizaing a bidding process was considered larger than the expected sale price of the firm. (Corbo, 1993 p. 21-22)*

The privitizations resulted in a number of state-owned companies being purchased and operated by numeorus Chilean investment groups as well as foreign investors, like Telefonica de Espana who bought Compania de Telefonos de Chile. (Corbo, 1993) (Hachette & Luders, 1993)

While the economy suffered several downturns during the period of adjustment from 1973 to 1990, Chile continued to stay the economic course as envisioned by the Pinochet administration and the team of economists who had initiated the reforms in the mid-1970's. By 1990, the Pinochet administration turned over the government to a newly elected President; who as well as successive presidential administrations, regardless of political persuasion, have maintined the majority of the economic liberalization policies of the Pinochet administration. Today, in the most recent Summary of Economic Freedom Ratings for 2010 but the Fraseir Institute, Chile was recognized as the 10th (Appendix 11.1) ranked country in terms of economic freedom. This is the highest ranking of any country in South America and ranks ahead of countries like the United Kingdom (#12), United States (#18) and Germany (#31). (Gwartney, Lawson, & Hall, 2012) With such a high ranking, in terms of economic freedom, Chile has provided a business environment where foreign companies are able to compete on equal footing with Chilean-domiciled companies. Conversely, many Chilean-domiciled companies have been able to effectively compete against these foreign competitors and have began to expand operations outside of Chile. Therefore, given these developments, Chile provided the right economic environment in which to identify a selected number of companies to pose the research question.

2.4 RESEARCH APPROACH

This will be an exploratory study incorporating a qualitative method of analysis. Since the primary focus of the study is answering a "How" question, the majority of the research will be conducted through a multiple case method of study as described by Yin (2009). Yet, would the multiple case method of study be the appropriate method of research? Yin provided a perfect definition of case study through the words of Schramm (1971) (2009, p. 17) who stated the following: *"…the central tendency among all types of case study, is it that tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what* *result."* This directly relates to the research question being posed by this exploratory study regarding decisions taken to grow internationally. Further supporting the multiple case method approach, Myers states (2009):

> *"In business discipline, case study research uses empirical evidence from real people in contemporary real-life organizations….But a defining feature of case study research is its focus on asking "how" and "why" questions. The case study researcher seeks to understand how and why a particular business decision was made, or how and a business process works the way it does. Unlike action research, the case study does not deliberately intervene in an situation but seeks, at least in the first instance, simply to describe it." (2009, p. 73)*

In order to understand how could this research simultaneously be relevant to the academia and business worlds, it was determined to use an Engaged Scholarship approach, which Andrew Van de Ven defined as being a participative form of research that investigates complex and complicated business issues through interaction with associated key constituents. (Van de Ven, 2007) The inclusion of these identified key constituents (defined as the interviewees at the selected companies) would be critical as they would provide valuable insights when answering the underlying research question. Through this corroborative effort between researcher and practicing constituents, a wealth of knowledge created will be far greater than each had worked in a solitary environment.

The expected outcome of the case study research would be the following contributions: 1) to understand the decision-making processes related to the inclusion of foreign nationals on the Board of Directors and 2) validate how Resource Dependency Theory could be used as the theoretical lens to understand and study the decision-making process in the selection of potential members of Board of Directors.

3. OVERVIEW

The following provides a brief overview of the primary sections of the dissertation:

- **Chapter 4 - Literature Review:** Initially, the chapter presents an overview of literature in the area of inclusion of foreign nationals on the Boards of Directors and TMT. As demonstrated through the literature review, there is a significant volume of research documenting the effect on the inclusion of foreign nationals on the Board of Directors and TMT of US and European multinationals, and to a lesser extent Asian companies. Yet, scholarly literature has been virtually silent regarding the effect on South American companies. Within the chapter, the scholarly literature review will lay the groundwork as to why RDT was the appropriate theoretical perspective to apply when analyzing this complex problem.

- **Chapter 5 - Resource Dependency Theory:** The chapter will focus on describing some of the key attributes of the theory that would be applicable to the research.

- **Chapter 6 - Research Methodology:** **T**he rationale to support the utilization of a qualitative, multiple case study approach as it answers the **"How"** question is discussed in this chapter. Furthermore, the chapter will describe the reasoning behind the use of engaged scholarship as a means to demonstrate the relevance of the results to the current and future key constituents. Additionally, the strategy for data collection and analysis will be outlined in the chapter. This will be a multiple-case study with the data being collected through a series of questions and interviews. Finally, the chapter presents the protocol to ensure that the appropriate steps are taken to protect the human subject who will be participating in the questionnaires and interviews.

- **Chapter 7 – Case Studies:** This chapter presents an overview of each selected case based on the review of archival data and through interviews with members of the Board of Directors.

- **Chapter 8 - Findings:** An analysis of the archival data as well as pertinent commentary from members of the Board of Directors of the selected companies who were interviewed in Santiago, Chile will be presented in the chapter. The findings from the research will be discussed and will demonstrate as to how they add to the research base established by Palmer/Varner related to Resource Dependency Theory.

- **Chapter 9 - Contributions and Limitations:** As previously mentioned, there appears to be a gap in scholarly literature supporting the inclusion of foreign nationals on the Board of Directors on Chilean companies. Even though this will be an exploratory study, the chapter will provide theoretical support as to why RDT was the appropriate theoretical lens to apply when examining the effect of the inclusion of foreign nationals. Furthermore, as the results of the exploratory study will be shared with various key constituents who participated, there may exist numerous practical applications. Finally, as this is an exploratory study, the chapter will conclude by highlighting known limitations.

- **Chapter 10 – Summary:** This chapter summarizes the contributions of this study.

4. LITERATURE REVIEW

4.1 KNOWLEDGE BASE CREATION

How does one define a multinational or an international company? What constitutes a global or transnational company? Over the years, numerous researchers have attempted to define all four types of companies. One of the most influential definitions has come from a book authored by Christopher Bartlett and Sumantra Ghoshal: Managing Across Borders: The Transnational Solution. (Barlett & Ghoshal, 1989) The authors' work has assisted many companies in developing the type of organization required in order to deal with the reality of the globalization of their respective businesses. The book describes the four types of companies: The international company transfers knowledge and expertise to an operating environment outside of its domestic market that may be less sophisticated. Operations outside of the domestic country, while some having degree of autonomy, are controlled by corporate employees at the parent company level who appear to have superior expertise and knowledge. A multinational company has a very high degree of local responsiveness in the markets in which it operates and can be described as a decentralized organization of operations in different countries controlled by expatriates who hold key positions. Global companies have cost advantages through efficiencies of scale through the global standardization of products with R&D primarily centralized in the home country. Strategic decisions, resources, and information are tightly controlled at the corporate headquarters level. A transnational is the combination of the global and multinational definitions and can be characterized by local responsiveness and global efficiency through the ease in which knowledge is transferred between organizations. Manufacturing and the development of technology will be located in the most appropriate location inn order to fully leverage local know-how. (Barlett & Ghoshal, 1989) However, a number of other researchers have redefined multinational to multidomestic to better reflect the definition which reflects high responsiveness and low integration. (Roth, Schweiger, & Morrisson, 1991) (Sundaram & Black, 1992) (Harzing, 2000)

From September 1986 through May 2005, my professional career included numerous managerial and executive positions that dealt with the international activities of numerous various subsidiaries of BellSouth Corporation, which was formed on January 1, 1984, due to the regulatory break-up of AT&T. The company provided telecommunications services (excluding certain segments per the regulatory requirements at the time) in nine southeastern states of the United States. While the company operated in one of the most attractive economic regions of the country, it was not satisfied with just being a domestic company. In 1985, the corporation through its unregulated subsidiary, BellSouth Enterprises, formed BellSouth International, which was charged with developing a global telecommunications footprint.

As a new publicly traded company with only the experience of providing telecommunication services in a monopolistic domestic industry, how could a company transition itself from a domestic-oriented to an international telecommunications company? In a seminal article, Blomstermo, Eriksson, & Sharma (2004) presented a key concept related to the internationalization process of firms with only domestic economic activity. The key concept was related to the development of knowledge, which could be applied to entering into the international business arena. The internationalization of company is a learning process that does not happen overnight, but over a period time, which is different for each company depending upon the amount and depth of available resources. Companies with operations only in their host country will develop a knowledge base reflective of the operating norms associated with that environment (Cavusgil, 1980). Likewise, companies begin to develop an international knowledge repository based on the interactions with customers, suppliers, government officials, etc. in market environments outside of the respective host countries.

The decision to accumulate knowledge outside one's host environment can prove to be costly and timely. There are three components of knowledge requiring simultaneously accumulation as described by Eriksson, et. al. (1997); however, the focus is on two of those components that are relevant to this paper: foreign business knowledge and internationalization of knowledge. What is foreign business knowledge? How does one accumulate such knowledge when commercial operations are solely in a domestic environment? The accumulation process starts when the company begins to understand customers needs and wants, potential competitors, market dynamics, regulatory environment, etc., in the countries outside of its domestic market. Every company will approach the method of accumulating this knowledge in different ways; however, not starting a process of accumulation could prove disastrous should a company decide to become internationally focused. The internationalization of knowledge is critical as the company assesses its capability and resources to undertake international business activities. (p. 343).

A domestic firm initiating the process of internationalization requires it to transform itself on two fronts: removal of existing organizational barriers to knowledge accumulation and embracing new organizational paths of learning in order to speed up the process of international knowledge accumulation. Executives, who have developed domestic power bases, while critical, often thwart the removal of existing organizational barriers. These executives have invested an extraordinary amount of time, effort and resources in meeting the needs and wants of their respective domestic constituents. They do not want precious resources being directed toward a new business initiative that provides little to no benefit for them (Autio, Sapeienza, & Almeida, 2000). Therefore, for a company to begin its process of internationalization of knowledge, it must begin to unwind time-honored organizational practices while embracing new organizational pathways of learning (Barkema & Vermeulen, 1998).

Embracing these new organizational pathways of learning in order to create the internationalization of knowledge is not easy. Many different organizations throughout the company will be required to participate in the creation of international knowledge base within an organization. How does a company create these new organizational pathways of learning? While there may be numerous approaches; it has been observed that the collection, distribution and incorporation of new knowledge about conducting all aspects of business outside of one's domestic market is critical to the success of an international venture. However, initially, this would occur at the individual level and when shared and accepted organizationally, the organizational pathways of learning would begin to be defined (Cohen & Levinthal, 1990).

4.2 DECISION TO INTERNATIONALIZE KNOWLEDGE BASE CREATION

The process in internationalizing knowledge requires two critical resources: financial and human capital. The financial will not be addressed under the assumption that a company, who wants to accumulate knowledge about conducting business outside of its domestic market will provide an adequate level of funding. The second resource is more critical to the learning process. When operating in a domestic market, a company will normally employ human capital best suited for the needs of that operating environment. The same qualities that make an individual a high performer in a domestic environment may not be sufficient in an international context. For example, the language spoken is generally the same throughout a domestic market; yet, entering into the European market may require the knowledge of several different languages. What about differences in business practices and customs? How about openness to new experiences? How will the learning experiences be accumulated, communicated, assimilated and stored within the organization? (Eriksson, Johanson, Majkgard, & Sharma, 1997) (Westhead, Wright, & Ucbasaran, 2001)

The ability of a domestic organization to acquire new knowledge will be based on the absorptive capacity of the individuals in the organization. In assessing an organization's absorptive capability, it would be determined by its willingness, past, present and future, to invest in the development of individuals' absorptive capacity. The investment takes the form of training, exposure to new ideas/concepts, allowing employees to take risks, etc. While these employees increase their respective knowledge bases through the absorption of these new experiences, the organization does not benefit unless there is a mechanism in which to share the accumulation of knowledge. An organization must have and needs to have both formal and informal ways for such information to be shared within and across an organization. (Blomstermo, Eriksson, & Sharma, 2004) (Cohen & Levinthal, 1990) As Wesley M. Cohen and Daniel A. Levinthal stated:

> *"Therefore, an organization's absorptive capacity does not simply depend on the organization's direct interface with the external environment. It also depends on transfers of knowledge across and within subunits that may be quite removed from the original point of entry. Thus, to understand the sources of a firm's absorptive capacity, we focus on the structure of communication between the external environment and the organization, as well as among the subunits of the organization, and also on the character and distribution of expertise within the organization."* (1990, pp. 131-132)

In addition to the learning processes at the individual, organization, and Board of Directors levels, there is another level of learning occurring within the organization. There must be an assessment of the internal resources within the organization and what is the capacity to handle the uncertainty and unfamiliarity of the international business arena. The assessment of the organization's structures and routines and their compatibility with the exploration for heuristic knowledge concerning an international market it desires to enter is a continuous process. It may discover a need to develop new structures and routines to handle a level of uncertainty and risk not experienced in a domestic market. These will be developed as the company (Board of Directors, TMT and employees) learns from the successful and unsuccessful decisions it makes related to the entering into an international market.

4.3 INCLUSION OF FOREIGN NATIONALS AND INTERNATIONAL KNOWLEDGE BASE CREATION

As the company assesses its routines and procedures, it must also assess the capability of individuals involved in the internationalization. Do these individuals have the capacity to absorb all of the learning experiences associated with the internationalization process of the organization? As we know, the global economy is becoming more and more integrated. Many companies can no longer remain just focused on their respective domestic markets; they must become more international oriented in their approach. Most companies will have individuals who have the capability of learning a new language, of experiencing a new culture, of understanding the business practices. However, it will be those companies willing to embrace foreign nationality diversity on its Board of Directors, which may find themselves successfully expanding into new international markets.

Barkema and Shvyrkov (2007) examined the impact of top management team (TMT) diversity on developing an international expansion strategy. Their research was built upon empirical work first presented by Bantel and Jackson (1989) and later supported by Wiersma and Bantel (1992) that foreign nationality diversity within the TMT would allow for the exploration, contemplation, and execution of different pathways into international markets. Furthermore, the inclusion of foreign nationals would heighten the creative abilities of all employees, thus permitting the implementation of innovative strategies. The earlier research had shown homogeneous TMT's were likely to be supportive of each other in order not to disrupt the organizational environment. As Barkema and Shvyrkov stated: *"…continued interaction* *between the same team members diminishes the cognitive diversity of the TMT, which in turn decreases entry into new geographic areas."* (2007, p. 668) Their research supported a view that organizations desiring to enter international markets would be better served if they sought to augment their respective TMT's with foreign nationals. The inclusion of these managers would allow for the presentation of different point of view based on their work experiences, cultural values and qualifications, which would contribute to the more constructive discourse on strategic innovation into the international business arena. However, in order to remain successful, companies will need to rejuvenate their thought processes through the rotation of TMT members including foreign nationals.

What is foreign nationality diversity, can it be learned, or is it based on the geographical location of an individual? Many organizations believe foreign nationality diversity is a mind-set that can be taught to and learned by an individual. Numerous US companies have held a belief that international assignments are the appropriate method to indoctrinate US executives and managers into thinking like a foreign national. The international assignments provide opportunities for cross-cultural interaction, global perspective, working in a foreign business environment and an increased understanding of markets outside of the US. Additionally, these international assignments can serve as means for succession planning and management development for international subsidiaries and as an information pathway between headquarters and international operations. Those executives who have had the opportunity of a foreign assignment will provide valuable contributions to the development and implementation of international strategies while on assignment or upon their return to the headquarters location. (Black, Gregersen, & Mendenhall, 1992)

An empirical study supported the view that US companies with a higher proportion of managers with international experience in the TMT were better positioned to portray themselves as a Multi-National Corporation (Sambharya, 1996). While the article only conducted research on U.S.-based multinationals, it provided some valuable insight regarding how the business world was rapidly becoming very global oriented and international competition was increasing. The author acknowledged previous research studies had shown that financial performance (loosely defined) would improve over time as companies increased their international diversification. The author stated companies should strive for transnational status, which requires three strategic capabilities: 1) global competiveness; 2) multinational flexibility and 3) worldwide learning. Three hypotheses were presented which dealt with international experience of executive management team (number of years of international experience, number of managers with international experience and diversity of executive management team) and positive impact on the level of international diversification. (1996, p. 17) The findings strongly supported two of three hypotheses, with the third only being partially supported. Furthermore, the results produced evidence financial performance increases as a company increases in international diversification strategy and operations. Reinforcing these findings, Carpenter and Fredrickson (2001) viewed international work experience as an avenue through which an executive's background would be enhanced as those experiences complemented and expanded knowledge gained from past and future experiences.

Is a TMT consisting of managers who only have had international experiences sufficient to develop and execute an international growth strategy? While those executives may have different international work experiences, their relative homogeneity may still present a barrier to fully comprehending the internationalization process of an organization based on the reasoning that TMT members were educated in similar environments, have similar life-long culture experiences, etc. Previous studies have indicated companies experienced higher levels of internationalization when their respective TMT's were diverse in terms of depth and breadth of international experiences and the heterogeneity of their educational backgrounds (Carpentar & Fredrickson, 2001).

Demographic heterogeneity among the TMT may be the key to the successful internationalization of an organization and its ability to develop and implement an international growth strategy. In a demographic heterogeneous TMT, information is accumulated from many different sources, but more importantly, may be interpreted differently based on the variety of the perspectives brought by the TMT members. High levels of creativity and innovation are the result of TMT heterogeneity as members are willing to challenge each other. (Murray, 1989) However, this process will also lead to the organization's enhanced ability to react and adapt to the uncertainties of international markets. (Wiersma & Bantel, 1992).

Does the inclusion of foreign nationals within the TMT contributed to a more successful internationalization of an organization, thereby improving the company's performance over time? Early and Mosakowksi (2000) concluded the creation of teams with nationality diversity could improve performance over time. Through a series of studies, the authors tested several hypothesis related to the performance and satisfaction level of homogeneous, moderately heterogeneous and highly heterogeneous teams. In all three studies, the participants represented a cross-section of nationalities in different settings. The studies' findings revealed some interesting points, one of which was the following: highly heterogeneous teams had difficulty initially in functioning as a team as they worked through their cultural and language differences. However, over time, those teams' performance improved significantly as they discovered ways to overcome those differences (establishment of interpersonal and task-oriented interactions, performance expectations, conflict management methods, rules of communications, etc.) for a team goal of creating common identity. DiStafano and Mazenevski (2000) also concluded teams who had nationality diversity within the members were more productive because they brought views influenced by their individual personalities, professional and personal or cultural backgrounds.

Are language and cultural barriers the only barriers that have to be overcome in order for a highly heterogeneous team to achieve its objectives? No…TRUST is another key barrier that hinders the integration of organizational members. Govindarajan and Gupta (2001) addressed this concept of trust between various global team members. Global teams often fall short of their explicit or implicit objectives because of the “trust factor” which was never established because of geographical, cultural and language differences among various team members. While language and cultural differences were obvious, the geographical difference was a new concept raised for consideration. However, as the authors pointed out, today’s world is full of technology advancements, which allow for instant communication without being in the same room. Some parts of the world find it acceptable to communicate via videoconferencing, email, teleconferencing, etc.; however, it must also be recognized this form of communication cannot be substitute for actual face-to-face meetings, the point at which familiarity and trust are developed.

Top management teams may not have the sole responsibility of directing strategy of the overall organization; the responsibility may additionally lie with the Board of Directors. Do the experiences discussed apply to members of the Board of Directors? Various studies on the Board of Directors and TMT of European, US, and Asian companies have concluded that nationality diversity has a positive impact on an organization’s ability to successfully develop and implement an internationalization process. van Veen and Marsman (2008) presented findings that foreign nationality diversity within the executive boards communicated several important concepts to the multinational companies’ (MNC) various constituencies which were as follow: 1) indicated as to the degree in which a MNC was truly multinational; 2) indicated if a

MNC had a "transnational mindset"; and 3) indicated a higher degree of strategic decision making based on a sampling of 2,229 executives in 15 European Union countries.

An article in *The Wall Street Journal* (Lubin, 2005), which addressed the lack of foreign directors in US boardrooms and the potential consequences, referenced a study that highlighted the fact only 35% of 149 large US businesses had at least one non-American director. Yet, almost half of the 99 large European companies surveyed had at least one American director. One executive noted US boards are more homogeneous because the US market is so large it stands as a barrier to the internationalizing of US companies. Also addressing the subject was David Meachin who stated: *"Just as companies recognized the strategic importance of women and acted accordingly, it is time for them to recognize the similar strategic importance of the world outside of the US. When many Fortune 500 companies derive around half of their revenues from global sources, they need informed input at the board level."* (Meachin, 2005) This comment supports the underlying premise of the research question: foreign nationals provide necessary and important information/expertise that a company may not posess as it expands and operates in markets outside of its domestic market.

Why are European companies more likely to embrace nationality diversity? A possible explanation for the noted difference is related the Resource Dependency Theory, which describes the role of members of the Board of Directors and TMT in contributing resources currently not available at the company. Those resources are both tangible and intangible and could be useful in developing and executing the internationalization process within an organization. As Dallas (1996) stated: *"The board of directors provides a valuable and often unique means for the corporation to acquire a number of relational resources, including the coordination, information, support, status, legitimacy, advice monitoring, and direction."* (1996, p.10)

What is not clear from literature is what comes first: the decision to include foreign nationals and then develop and execute a global expansion strategy or the decision to develop and execute a global expansion strategy and include foreign nationals as needed. For this study, Figure 1 presents two primary constructs and a facilitating construct, their respective descriptions, source of identification and illustrative measurements. Figure 2 presents the schematic of the primary constructs, the facilitating construct, expected outcome and the relational and co-relational flow of all.

Figure 1

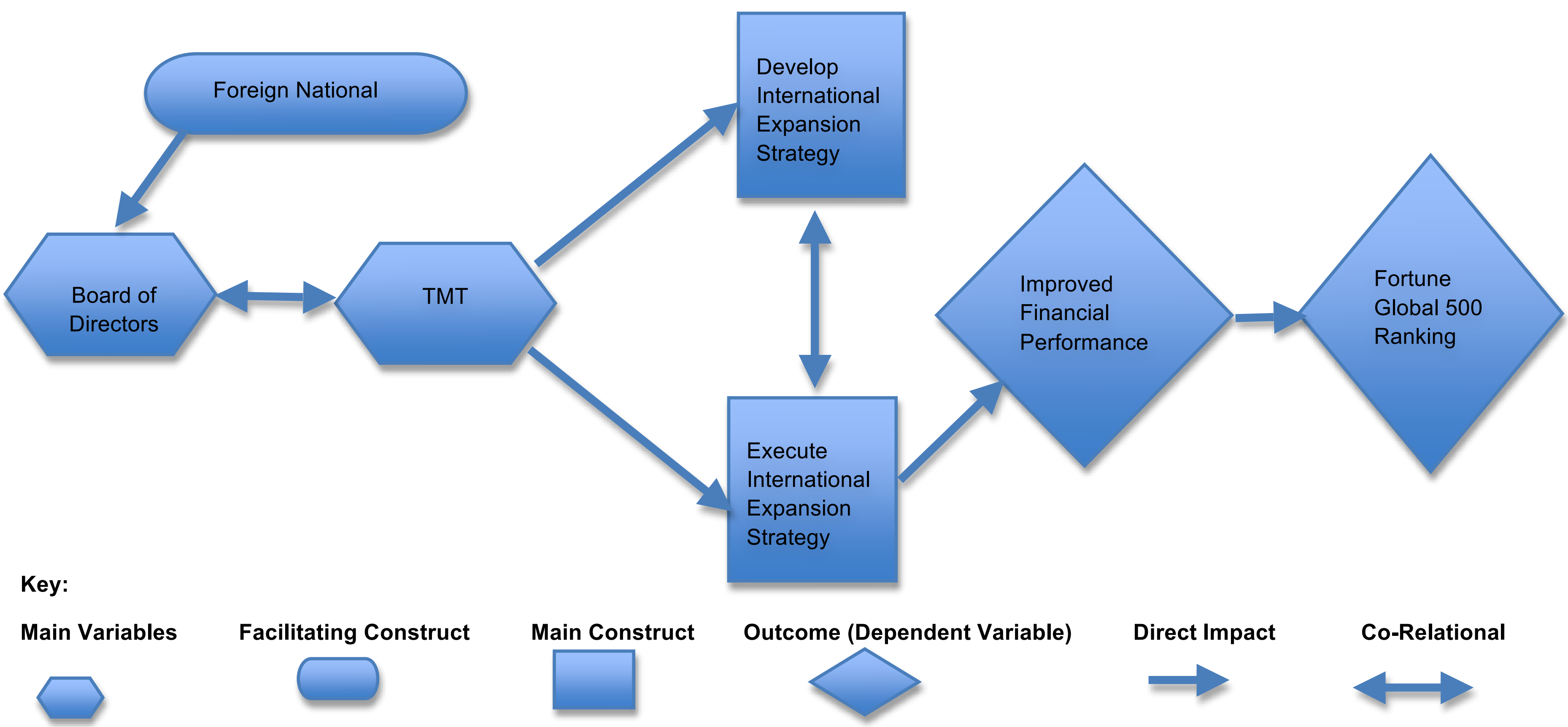
Construct Definition and Operational Measurements

Construct	Definition	Source of Measurement	Illustrative Measurement
Development of a international expansion strategy	The process of devising and coordinating short-term and long-term roadmaps for expanding commercial operations beyond its domestic local (home country).	Annual Reports, news releases, corporate presentations, interviews	Frequency and zeal in referencing international expansion
Execution plan for an international expansion.	Tactical (operational) plans are developed and placed into action in order to support the international expansion strategy.	News releases, corporate presentations, interviews	Nature of external communications when referencing action to be taken or has been taken to expand international operations.
Facilitating Construct			
Inclusion of one or more foreign nationals on the Board of Directors.	Appointment of a foreign national as a Director on the Board of Directors.	Regulatory filings and news releases by the company.	Announcements on changes of the composition of the Board of Directors.

Figure 2

Resource Dependency Theory

Model Schematic



5. RESOURCE DEPENDENCY THEORY

5.1 KEY CONSTRUCTS OF RESOURCE DEPENDENCY THEORY

The basis of Resource Dependency Theory (RDT) was initially raised by Weber in his book *The theory of social and economic organizations* (1947)**,** which studied the power bases within organizations and later by Selznick (1949), which examined it from an intra-organizational perspective. However, it was Pfeffer and Salancik's book *The External Control of Organizations: A Resource Dependence Perspective* (1978) that formalized the theory. As Pfeffer commented, the book presented three streams of thought: 1) environmental influence on organizational-decision making; 2) ability to negotiate the sources of constraint; and 3) the role of an individual's or organization's power toward influencing intraorganizational and interorganizational behavior. (2003, p. xii) While all three thought streams are viewed as extremely important, the first one (and its sub-parts) is considered as being the primary theme and the most critical to this research. As Pfeffer himself stated, "*…the importance of the environmental or social context of organizations ranging from who to hire (Salancik, 1979: Pfeffer and Leblebici, 1973), the composition of board of directors (Pfeffer, 1972a: 1973), and what alliances and mergers to seek (Pfeffer, 1972b; Pfeffer and Nowak, 1976).*" (2003, p. x)

In other words, for every company (small, medium, large) to be successful often requires resources it may not possess or have easy access to utilize. Those resources range from, but are not limited to, managerial, strategy development, financial capital, and market knowledge. As Pfeffer and Salancik noted organizations are often ***dependent*** on external sources for acquiring or obtaining these essential resources.

In this research, RDT is the study of the external resources of an organization and how they influence an organization's behavior regarding the organizational structure of companies, organizational strategy, external organizational relationship and most importantly for this paper, the recruitment of Board of Directors members and key executives.

5.2 RESOURCE DEPENDENCY THEORY AND ORGANIZATIONAL MANAGEMENT

Since its publication over 30 years ago, RDT has been recognized as a key theory in the discussion of strategy and organization management. How does one determine the influence of a theory; possibly the number of citations could be an excellent determinant? While this may not be the best determinant in deciding a theory's influence, it could serve as barometer as to how the theory is viewed not only by its primary academic discipline, but across all academic disciplines. Davis and Cobb (2010), presented findings that *The External Control of Organizations: A Resource Dependence Perspective* had been cited over 3,300 times between 1978 and 2008. While one may believe the citations were primarily limited to management-related publications, it was evident the influence of the theory had extended itself far into other academic disciplines as well. *The External Control,* while heavily cited in the academic disciplines of Management, Marketing and Strategy, has had almost 14% of its citations from academic disciplines such as Education, Healthcare and Political Science & Public Policy. The longevity of External Control is due to its application to a wide-array of organizations and the constantly changing environments in which they operate.

Yet, there have been many critics who have stated RDT has lost its relevance in today's fast-paced and constantly changing business environment. In fact, Pfeffer in the Introduction to the Classic Edition agreed with the notion that resource dependence thought streams were not "particularly open to being tested or disproved." (Pfeffer J. , 2003). However, in response to his perspective, a number of academic scholars undertook the challenge of empirically examining and clarifying a number of RDT's basic premises. One of the leading academic scholars, Amy Hillman, took on the challenge empirically verifying the importance of selection and composition of members of board of directors as presented by Pfeffer and Salancik. She determined that board of directors of heavily regulated firms had more ex-politicians as members than less-regulated firms. RDT had premised that board members would be utilized as a flow of information (in-bound and out-bound) and offer a degree of accessibility to critical political resources necessary for heavily regulated firms to be operationally and financially successful. (Hillman A. , 2005)

Following up on the initial research and building on an earlier work, Hillman et. al. (2007), researched the legitimacy issues facing board of directors as presented by Pfeffer and Salancik. All publicly traded companies potentially face an issue regarding their board of directors does not reflect the markets in which they serve. For example, a company that primarily markets products to African-Americans faces a legitimacy issue if its management team or Board of Directors does not include a degree of representation from the African-American community. Their research provided evidence to support the prediction that boards select members for strategic reasons in order to enhance the firm's legitimacy in its surrounding environments.

Finally, in another follow-up study, Hillman, Withers and Collins, (2009) clearly states *"…RDT appears to be well established in terms of the general relationships between firms, their environments, and the actions taken to reduce these dependencies."* (2009, pp. 1414-1415) However, these authors as well others agree there is a continuing need to conduct further research into various areas of the theory, especially as the world economies move closer to being one global economy.

One of the key tenets of RDT during periods of uncertainty in the environments surrounding an organization, is to develop a strategy to for the inclusion on the board of directors individuals who represent competitors, key suppliers, key customer markets (demographic and/or geographic) known as *Cooptation*. This concept was initially introduced in one of the earliest books on organizational theory: *TVA and the Grass Roots* (Selznick, 1949). It gained in stature as a concept when it was further discussed, refined and incorporated into RDT by Pfeffer and Salancik and may be more relevant today than either in 1949 or 1978 due to the interlocking of the global economy. The authors adeptly indicate the inclusion of key individuals have the potential of enhancing interactions between organizations, which could result is the lessening or removal of environmental uncertainty.

The focus was on interlocking directorates, which would fall under the old adage..”you scratch my back and I’ll scratch your back!” Chen, Dyball and Wright (2009) presented a key concept that interlocking directors, due to their network of external ties, could be a conduit to new business investments. The introduction of new business investment opportunities may allow a company to diversify across multiple businesses (related or unrelated) to smooth out the financial volatility from being associated with one line of business. As the authors stated: *“Resource dependency theory explains that interlocking directorships link corporations with the external environment and resources to maximize their performance….Interlocks may act as information pathways between corporations and provide useful information on the corporations external business environments.”* (2009, p. 212)

However, cooptation goes deeper than that because in many cases an opportunity for an interlocking directorate may not exist between two firms. Newly formed companies, regardless of whether they are pursuing entry into a new domestic or foreign market, may not have the financial or organizational resources to develop an in-depth supply chain network or distribution network. However, the appointment of a key executive from a logistics company or with experience in retailing distribution may provide the ability of the company to overcome the apparent weakness. Through the executive's professional connections, the company may be able to: 1) access networks previously closed; 2) gain market intelligence or awareness; 3) receive preferential pricing; etc.

The appointment of an individual to a company's board may provide the company with managerial skills currently lacking within the organization. A company may find itself facing the need to develop an executive management succession plan for the first time. The appointment of an individual with extensive experience in this area would prove to be a highly beneficial resource during the period of development and management of such a plan.

As Pfeffer and Salancik (1978) iterated, cooptation is one of the easiest and flexible concepts to put into action, which has resulted in its wide-spread utilization across all types of organizations: large and small, private-owned or publicly-traded, formal or informal process, etc. In some countries, due to legal restrictions, certain individuals may not be on the Board of Directors. However, there may not be any restrictions on appointments to advisory boards, committees, thus allowing those companies to find individuals who could serve as a resource for a particular market (demographic or geographic) it wants to enter or a product/service it wants to develop, etc.

In summary, RDT, while appearing to have been overlooked or not fully appreciated by many in the academic world, has maintained its relevance as a key organizational theory. The theory has seen its application in various areas like politics (selecting key individuals for demographic and/or geographical influence), professional sports teams, companies and even in religious organizations. Each organization would like to succeed in every endeavor undertaken and it is the rare organization, which has all of the necessary resources allowing it not to be dependent on anyone else. However, most organizations are lacking in some vital organizational resource and will be dependent on an external resource in order to be successful. RDT and certain components of the theory have proven to be a well-respected approach in understanding the complexities of how organizations anticipate and handle ever-changing external constraints.

5.3 RESOURCE DEPENDENCY THEORY APPLICATION

Based on the literature research, companies desiring to change strategic direction by entering new markets (demographic and geographic) and/or developing new products/services need to access the internal resources available to undertake the strategic shift in direction. History has plenty of examples of companies, despite the internal strength of the organization, have failed because they did not fully understand the external environment they were facing. Through personal experience I have observed this phenomenon. When Bellsouth decided to enter the international business arena, two critical resources were lacking at the Board of Directors and executive management level---1) competitive marketplace exposure, and 2) international operating experience.

BellSouth had been successful in dealing in a highly regulated domestic marketplace where true market competition did not exist. As Pfeffer and Salancik (1978, pp. 161-164) noted, companies in highly regulated industries were less concerned about the choices made by consumers (there were basically none to be made) and were more focused on ensuring that regulatory bodies, state and federal, made decisions most favorable to the company. In 1984, with the break-up of AT&T, while there still existed an extremely high level of regulation, uncertainty of the future increased due to the introduction of competition.

RDT would say the Board of Directors and executive management team could either enhance its understanding of or reduce the level of uncertainty through the addition new Board members who have tremendous experience of operating in a consumer/business competitive environment. Through the proper identification and selection of individuals, a wealth of knowledge in areas such as marketing/sales, distribution, and product development would prove to be invaluable to other board members and the executive management team during the development and execution stages of a competitive strategy. (Hillman, et. al, 2000)

Building on the cooptation principle of RDT, a company expanding into new geographic area should consider incorporating new Board members who have 1) developed and executed an international growth strategy or 2) a cultural or business knowledge that offers insights into potentially selected geographical areas. A strategy to expand internationally runs the risk of not being successful if the Board of Directors does not have members who have been intimately involved in the developed and execution of such a strategy.

BellSouth had developed a strong executive team to head up its international subsidiary; however, over time the international growth strategy begin fall into disfavor with the Board of Directors. As BellSouth Corporation began to strategically focus on the further expansion of its US wireless operations (through the merger of its US wireless operations with Southwest Bell's wireless operations and the purchase of AT&T wireless), it eliminated all funding for additional growth in the international area, including the Atlanta headquarters. This action was taken because of the appointment of directors who were US focused and did not fully understand the potential of the global wireless market. Twenty years after the formation of BellSouth International, the entire operation was dismantled and all vestiges of its existence were removed. It is possible that if BellSouth Corporation had utilized the cooptation concept of Resource Dependency Theory and appointed a key business leader from Europe or South America as a board member, the company would have continued developing and executing its international expansion strategy.

6. RESEARCH METHODOLOGY

6.1 RESEARCH DESIGN

As previously mentioned, the question being researched is: How does the incorporation of foreign nationals at the Board of Directors facilitate the development and execution of an international expansion strategy for a publicly traded Chilean company? The study is seeking to understand how decisions regarding the inclusion of foreign nationals have been accepted in certain global organizations and not others. As Meyers (Myers, 2009) states: "Qualitative research methods are designed to help researchers to understand people and what they say and do. They are designed to help researchers understand the social and cultural contexts within which people live." (2009, p. 5) Furthermore, a critical reason for designing one's research as qualitative is because the focus is on understanding the cultural and organizational settings in which decisions and actions are taken.

Quantitative research, as it provides an interpretation of a phenomenon from a numerical perspective, could have been selected as the research design. However, as Myers pointed out, qualitative research allows for interaction with human beings in order to better understand their thoughts and the subsequent actions by reading and hearing their words. (2009, pp. 8-14) Additionally, as this is an exploratory study, it is appropriate to utilize qualitative research method as the design of choice. As previously mentioned, there is very little scholarly research on the inclusion of foreign nationals on the BOD of South American companies. By using a qualitative research design, the focus is on understanding the cultural, organizational or other possible reasons in answering the research question.

With the establishment of the research design method to be qualitative in nature, the selection of the case study method is appropriate. As Yin highlights (2009, pp. 8-13) a case study is appropriate when posing a "How" question, the research does not have control of behavioral events and focuses on a contemporary event. Furthermore, the case study can utilize historical evidence (primarily documents from a variety of sources such as annual reports, news releases, regulatory filings, internal documents) and contemporary evidence (interviews of individuals within each of the identified companies).

Myers provides his own definition of case study research:

> *"Case Study research in business uses empirical evidence from one or more organizations where an attempt is made to study the subject matter in context. Multiple sources of evidence are used, although most of the evidence comes from interviews and documents."* (2009, p. 76)

One of the key takeaways from the definition and his following discussion is the fact that case study research can be conducted through any philosophical perspective: positivist, interpretative or critical. In examining the various epistemologies, it was important to understand which one was applicable to the research question and to the strengths of the researcher. Initially, the belief was that Critical Research would be the lens through which the case study would be conducted. However, through Myers' description of Interpretive Research, it became obvious it was the more appropriate philosophical perspective than Critical Research in utilizing case study research. It is important for the researcher to have the basic ability to communicate and interpret in the same language as the key constituents being studied. As an interpretative researcher who speaks/understand Spanish (with some limitations) and has lived for numerous years in South America, there will exist an ability to communicate with the key constituents of the study in order to 1) obtain the necessary raw data for analysis and 2) to analyze the raw data in a meaningful way.

In developing the design of the research study, there was a focus on ensuring it not only was appropriate from an academic perspective, but had a practical application approach through the methodology of engaged scholarship (Van de Ven, 2007). As previously mentioned, engaged scholarship studies a multi-faceted contemporary problem through the interaction between researcher and key constituents in order to create a wealth of knowledge far greater than and more meaningful than if the academic and business worlds had viewed the problems separately.

With all of this in mind and utilizing a framework for identifying and presenting concepts by Mathiassen et al. (Mathiassen, Chiasson, & Germonprez, 2011), Figure 3 presents the concept areas and contributions.

Figure 3

Area of Concern (A)	South American corporations are under-represented in the Fortune Global 500 Rankings due to the inability to develop and execute international expansion strategies.
Real world problem (P)	South American corporations have not embraced the inclusion of foreign nationals on Board of Directors.
Framing from A (FA)	The study is framed by the findings of previous research into the inclusion of foreign nationals into Board of Directors and Resource Dependency Theory.

6.2 DATA COLLECTION STRATEGY

This study utilized data collection strategies as proposed by Myers as well as Yin. According to Myers (2009, pp. 24-25), the most appropriate data collection techniques for a qualitative study are: documents, interviews and fieldwork (including participant observation). Most importantly, while each can be used as the sole source of data, the study would be enriched if the researcher utilized a combination of techniques. Supporting Myers, Yin (2009, pp. 114-124) has stated that three principles should be followed in order to enhance the validity of data collection: 1) multiple sources of evidence; 2) creation of a case study database; and 3) control of evidence. All three principles were utilized in this study as it was imperative the collected and analyzed data had validity and reliability.

Initially, the data collection utilized documentary evidence in order to identify appropriate companies for possible inclusion into the case study database. The documentary evidence included, but was not limited to, press releases, annual reports, financial reporting filings, mass media articles, etc. The focus of the data collection was to identify publicly-traded Chilean-domiciled companies who have a strong domestic Chilean presence and appear to have international business exposure outside of Chile. With this in mind and as a starting point, Appendix 11.4 (Tables 4, 5 and 6) provides a listing of Latin American companies viewed as being multinational based on the methodology (Table 7) set forth by America Economia for the years 2010, 2011, and 2012. From this table, four publicly traded Chilean-domiciled companies were identified as potential cases to be included in the research. Upon the identification of those potential companies to be included as case studies, additional data collection was undertaken to determine if the selected company had included a foreign national/s on its' BOD.

Through the researcher's own professional contacts in Chile, the list of selected companies was provided to determine if introductions to board members would be possible. Because of those inquiries, initial introductions were made to 10 board members, who were contacted by the researcher to inquire as to the possibility of in-person interviews. Additionally, the initial contacts provided introductions to several other potential companies, who had not been initially identified as having international operations outside of Chile as they were not listed on Tables 4, 5, and 6. Due to scheduling conflicts, the inability, or an unwillingness to participate in the research, 5 interviews with members of Board of Directors of four companies were scheduled in Santiago, Chile during the week of December 3, 2012. Additionally, three other interviews were conducted with executives who were members of Board of Directors of other Chilean companies with international operations, but who were not part of the study. The interviews were conducted at the time and location selected by the interviewee. Each interviewee was provided with an Informed Consent (Appendix 11.2), which was signed by both the interviewee and interviewer. Interviews were recorded with the fully knowledge and consent of the interviewee and were subsequently transcribed by the researcher or another person under a confidentiality agreement. The interviews were conducted in a semi-structured format utilizing a questionnaire (Appendix 11.3). Utilizing construct definitions and operational measurements shown in Figure 1, a questionnaire was developed to cover three areas: 1) international expansion strategy; 2) human capital resources; and 3) foreign national diversity. Additionally, each interviewee was provided with an opportunity to provide further comments that would be appropriate to the research.

6.3 DATA ANALYSIS STRATEGY

Miles and Huberman (1994) have provided the most appropriate framework for the procedures to be utilized in data analysis. According to Miles and Huberman (1994, pp. 10-12) data analysis has four components of activity, all of which are operating simultaneously: Data Collection, Data Reduction, Data Display and Conclusion Drawing and Verification. These last three components are part of the analysis of the Miles and Huberman Flow Model.

Data Reduction per Miles and Huberman (1994, pp. 10-11) could be just as easily renamed as Data Condensation as it refers to the researcher's process of selection, simplification, abstraction and formation of the data from the various written forms of data. The interesting aspect of Data Reduction is it is different for each researcher because of the decisions made by the researcher. Throughout a research study, the researcher will anticipate, revise, refocus, sharpen, discard and organize data in a manner that will provide support and verification of the research paper's conclusions. This does not mean the researcher is manipulating data as Data Reduction is not Data Analysis.

One of the areas of concern for data collection would be the bias of the researcher. As Yin stated: "*All of the preceding conditions will be negated if an investigator seeks only to use case study to substantiate a preconceived position.*" (2009, p. 72) In order to minimize the degree of bias, the researcher has to be willing to entertain new thoughts or findings that may not support the research hypothesis. Van de Ven recognizes that humans are incapable of eliminating bias in research and that is true for both the researcher and the persons that come in contact with the research during the data collection period. However, he does suggest a technique to minimize bias by enlisting others to provide insight and interpretation on the preliminary findings. (2007, pp. 89-91) Yin confirms this as well *"To test your own tolerance for contrary findings, report your preliminary findings—possibly while still in the data collection phase---to two or three critical colleagues. The colleagues should offer alternative explanations and suggestions for data collection. If the quest for contrary findings can produce documentable rebuttals, the likelihood of bias will have been reduced."* (2009, p. 72) While there can be no guarantee that bias will not creep into the research, as a researcher, the issue is understood and as such, will be committed to minimizing its influence in the research study.

One of the most critical components of a research paper is the appropriate approach to displaying the data. Miles and Huberman stated: *"…better displays are a major avenue to valid qualitative analysis. The displays discussed in this book include many types of matrices, graphs, charts and networks. All are designed to assemble organized information into an immediately accessible, compact form so that the analyst can see what is happening and either draw justified conclusions or move onto the next step of analysis the display suggests may be useful."* (1994, p. 11) The key is the continuous creation of data displays during the entire process will assist in a more thorough and valid analysis of the data collected.

Conclusion Drawing and Verification are the Yin and Yang of Data Analysis. As Miles and Huberman (1994, pp. 11-12) presented in their Figure 1.4, the arrows flowing in to Conclusion Drawing and Verification are bi-directional, not uni-directional. A conclusion may happen as soon as the first piece of data is collected with verification (even momentarily) occurring as the information is being written. Miles and Huberman caution early conclusions should be held lightly and only become further entrenched after being validated by testing for their plausibility or their *"validity"*.

6.4 CODING - GUIDELINES

Given the nature of the data collection, through documentary evidence and interviews, it was determined the descriptive coding techniques as described by Miles and Huberman (1994), would not have been beneficial to the findings.

7. CASE STUDIES

7.1 INTRODUCTION OF CASES

Table 8 presents the four selected Chilean companies and how they compare to the listed South American companies Fortune's Global 500. The four Chilean companies, all of whom are listed on the Santiago Stock Exchange, are represented as cases for the exploratory research study. Two of the companies have a significant and well-known family group as the controlling shareholder. These two companies do not have any foreign nationals on their respective Board of Directors, despite having a significant presence outside of Chile in terms of revenues and assets. The third company has a controlling shareholder, a large investment group with a European heritage and as such has had numerous foreign nationals on the Board of Directors over the years. Finally, the fourth company has a large Chilean family group as a shareholder and has had one foreign national as director for a number of years. All four companies have faced critical decisions regarding an international growth strategy to be undertaken due to the revenue growth limitations posed by the Chilean domestic market. Through archival data and interviews, their respective international growth strategies were reviewed and presented varying means in which an international growth strategy was developed and executed. However, the primary focus has been on a time-period from 2003 till 2011.

Table 8

Fortune Global 500 Rankings

Country	Company	2009 Global 500 Rank	2010 Global 500 Rank	2011 Global 500 Rank	2008 Revenues ($ millions)	2009 Revenues ($ millions)	2010 Revenues ($ millions)
Brasil	Petrobras	34	54	34	118,257	91,869	120,052
	Banco Bradesco	148	135	156	50,930	51,608	53,010
	Itausa-Investimentos Itau	149	117	360	50,216	57,859	26,982
	Banco do Brasil	174	148	117	43,984	48,122	62,891
	Vale	-	363	186	-	23,311	45,923
	CVRD	205	-	-	37,426	-	-
	Metalugica Gerdau	400	-	-	22,860	-	-
	JBS	-	496	307	-	18,064	31,279
	Ultrapar Holdings	-	471	400	-	17,161	24,135
Venezuela	PDVSA	27	56	66	126,364	91,182	88,361
Colombia	Ecopetrol	-	-	445	-	-	21,743
Chilean Companies							
Company A					+350	+300	+400
Company B					+3,000	+3,000	+4,000
Company C					+1,000	+900	+1,000
Company D					+100	+100	+100

Source: Fortune Magazine Issues dates: July 20, 2009; July 26, 2010 and July 25, 2011

7.2 COMPANY A

In the mid-1940's, Company A was founded and included as one of its principal shareholders the Corporacion de Fomento de la Produccion, better known as CORFO, was a government-owned development corporation. Like other significant Chilean companies, it has grown from being a domestic manufacturer of cables, pipes, etc. using Chile's most abundant natural resource, copper, to being a manufacturing leader in Latin America of finished and semi-finished non-ferrous products, optical fiber and flexible packaging for consumer products like food, snacks and cosmetics. Through archival data and discussion with a recently departed member of Company A's Board of Directors, the international growth strategy, management of the international operations, and inclusion of a foreign national on the Board of Directors were reviewed.

Initially, the company focused on converting copper into copper and copper-alloy products for consumption in the Chilean domestic market. Within 2 decades, the company had become the leading manufacturer of intermediate and finished copper products. However, by the mid-1950's, the company recognized the existence of a serious competitor to its copper-based products---Aluminum. Clearly, aluminum could not be a substitute for copper in the manufacturing of wires and cables; however, due to its lighter weight, durability, and lower price, it could be a viable substitute for other products. Therefore, the company undertook the production of aluminum sheets and foils for use in construction products in order to thwart the competitive threat.

By the mid-1960's, due to the increasing demand for copper-based and aluminum-based products, there was a growing need to increase and modernize its manufacturing capabilities. However, the company was unable to secure the necessary funding for these investments and turned to foreign investors. With the assistance of a US-based company, who was supplying the new manufacturing equipment and technical assistance, the company was able to secure funding from the US Export-Import Bank. In additional, the company was received further funding through an equity investment of an Italian firm due to friendly ties to the two of the founding shareholders. This new investor provided additional manufacturing equipment and technical assistance. The inflow of these funds allowed for the necessary modernization of the company's manufacturing capabilities, including the construction of a new cable producing facility in northern Chile.

Even though the company remained focused on its core businesses, the Board of Directors anticipated a need to initiate a domestic diversification strategy. In the early 1960's, it created a joint venture with another Chilean company that had experience in the rotogravure business. The newly formed joint venture focused on manufacturing of flexible packaging for food, snacks and cosmetics products in the Chilean market. For almost 30 years, the joint venture would remain focused only on the Chilean market.

In late 1970, Salvador Allende was elected as President of Chile and one of his main initiatives was the nationalization of significant Chilean companies. Unlike others companies, who were able to avoid nationalization, Company A, because it was deemed vital to the national economy and one of its shareholders was CORFO, was nationalized. In 1975, the ownership of the company was returned to the shareholders at the time of nationalization, one of who was CORFO. By the late 1970's, the Pinochet administration embarked on an economic liberalization plan for the country. One of the pillars of the plan was to exit ownership of any Chilean company. CORFO's ownership was sold to two of the company's largest shareholders. Unfortunately, the economic liberalization policies severely hampered the Chile economy as Chilean firms had to learn how to effectively compete against foreign competition. As a result, the company, like many other Chilean companies at the time, flirted with bankruptcy until the mid-1980's.

As the Chilean economy began its resurgence in the mid-1980's, due to the government's economic policies, the company was well-positioned for growth. As newly privatized Chilean companies continued their modernization efforts, demand for the company's wire and cable products increased. Construction activity within the country increased resulting in a higher demand for many of the company's other products like, tubes, pipes, etc. Finally, because the company had become a low cost producer of high quality aluminum foil and sheets, foreign demand for its products was increasing, which opened the export market for the first time.

The mid-1980's to mid 1990's was a time of significant transformation for Company A. The Board of Directors, through the leadership of the controlling shareholder who was one of the leading Chilean family groups, was no longer content with being a Chilean company and began to develop and execute a growth and diversification strategy. The new strategy included for the first time, investment opportunities outside of Chile; however, the Board of Directors was careful not to stray to far from the basic core of the company.

In the early 1990's, Argentina was beginning to follow some of the economic liberalization policies implemented earlier in Chile. As a result, the company entered the Argentine market through the acquisition of company that specialized in the manufacturing of power transmission and telecommunications cable. However, more importantly, the newly acquired company was a pioneer in the area of fiber optics, a potential rival to the copper wire business that the company was founded on almost 50 years earlier. The Argentina acquisition was quickly followed by the acquisition of a Peruvian cable producer.

Recognizing the investment opportunities before it, the Board of Directors decided to publicly list the company on the Santiago Stock Exchange and more importantly, on the New York Stock Exchange, through American Depository Receipts (ADR). While the company still remained under the control of the Chilean family group, the new source of funding allowed the Board of Directors to continue with its diversification strategy by: 1) entering the Peruvian flexible packaging market through minority ownerships in several Peruvian companies; 2) acquisition of majority ownership of an Argentine manufacturer of copper pipes/sheets and brass pipes/sheets; and 3) the merger of the Peruvian cable producer with another Peruvian cable producer. However, the most important strategic decision undertaken during this time was the entry into the largest South American market, Brazil, through the acquisition of large domestic cable producer. Through this acquisition, which was funded by additional stock issuances, the company was able to enter into a joint venture arrangement with a major US multinational. The new joint venture was focused on the manufacturing, distribution and sale of fiber-optic cables in Brazil and Argentina, both of whom were experiencing tremendous growth at the time.

By the late 1990's, the Board of Directors' growth and diversification strategy had resulted in significant investments in Argentina, Brazil and Chile, as well as expansion of manufacturing capabilities in Chile. In the 50+ years of existence, the company had expanded from being a small domestic manufacturer of copper and copper-alloy products to a significant South American manufacturer of a diverse array of products in multiple geographical locations. Unfortunately, Argentina economy began to show cracks in 1998 and by 2001, the country was in economic ruin by all measures.

The Argentine debt default and devaluation of the peso in 2001 had a disastrous impact on the company's in-country operations. The company's Argentine subsidiary, which produced wires, cables and brass products shutdown operations as it did not have the access to the necessary raw materials. The other operating company, the joint-venture manufacturer of fiber optics products, lost the support of the US joint venture partner, thereby leaving the company as the sole owner. Additionally, the company itself, because of its financial performance over last several years, had lost almost all of its stock value.

Facing the possibility of bankruptcy, the Board of Directors recognized the need to restructure the company. The restructuring was needed on three fronts: organizationally, operationally, and financially. Organizationally, management was replaced or reassigned at every level. Financially, through the support of the controlling shareholder group, additional equity funding was secured. The inflow of funding allowed for the restructuring of hundreds of millions US dollars of debt. Operationally, the company was organized around four areas: 1) wire/cable (manufacturing facilities in 4 countries), 2) brass mills (manufacturing facilities in 2 countries with exports to over 30 countries), 3) flexible packaging (manufacturing facilities in 3 countries) and 4) aluminum products (manufacturing facility in Chile). With a renewed focus, Board of Directors, along with a newly installed executive management team, developed a new strategy focused on modernization of production capabilities and increased focus on export activity to Europe, United States and East Asia.

Over the next several years, the improved financial performance allowed the company to increase its ownership in the Peruvian flexible packaging, thereby giving it operating control of the company. Additionally, the company expanded its geographical through the acquisition of a Colombian cable manufacturer. The company continued its focus on improving organizational and operational efficiencies through the implementation of a strategic management policy in human resources and the development of best practices throughout the company.

The Board of Directors made a strategic decision in the late 2000's when it decided to divest its wire and cable manufacturer facilities to a major European multinational for cash and equity. After almost 60 years, the company was no longer a manufacturer of these products. However, the company did become a minority shareholder in the acquiring company with the right to acquire additional ownership up over 20%, which the company has exercised. As such, the company has become the largest shareholder of the world leader in the manufacturing of wire and cabling.

After almost two decades of being listed on the New York Stock Exchange, the company closed its ADR program due to low volume and associated costs. However, the company continued to recognize the importance of foreign investors, who are able to make investments through a number of different investment vehicles, by presenting the majority of its annual reports, press releases, etc. in English as well as Spanish.

Today, the company through its three primary operating divisions has manufacturing facilities in four South American countries (recently added Colombia through an acquisition of a flexible packaging manufacturer). Two of the operating divisions, brass mills and flexible packaging, have significant export sales throughout the world. The aluminum-operating unit is domestic oriented at this time. Through its equity investment in the European multinational wire/cable manufacturer, who is the world leader, it now has a global presence. The company remains publicly-traded on the Santiago Stock Exchange, yet it remains through a holding company under the control of one of the largest, important family groups in the Chile and South America. Despite a presence that extends well beyond Chile, the company does not have a foreign national on its Board of Directors.

The review of archival data for the period of 2003 – 2012, a recurring theme was the company's international expansion strategy, from an operational presence, was focused on South America only. In a discussion with the Interviewee A, the company's international expansion strategy was described as being an unstructured process versus what is in place today:

> *"…this company started to diversify abroad during the 90's..and going abroad, I am talking about going to Latin America, going to countries in Latin America, Argentina and Brazil…and many companies and also this company---would not prefer basically to expand abroad during the 90's because we started and other Chilean companies started just to buy a company there…*"

In understanding the development and execution of the international expansion strategy, Interviewee A stated that the Board of Directors and the executive management team drove the international expansion strategy. The reason behind the Board of Directors involvement in developing the strategy was explained by the fact the controlling shareholder, a holding company controlled by one of the largest family groups in Chile and Latin America, was very involved in the company's management decision making. As Interviewee A indicated:

> *"On the family's presence at the board level and the board meets every month or in some cases more frequently than month, then the family—the owner—even though the company is publicly listed is very present at the management of the company. It is not the case as a board, which meets only quarterly and oversees some strategy, no—is not the case of the Chilean companies or at least it is not the case of this group. And I will say that is similar to other Chilean groups."*
>
> *"..that the owner or us as a holding company, we participate in deep at the board level and we share with the management the different views and strategies. Probably the manager, the management is the team that is in charge of searching for opportunities and evaluating different opportunities. But that is not the case of the management brings to the board an idea and the board says yes or no. No, it is much more team work experience."*

International expansion can come in many ways and the company decided to divest itself of one of its core product lines through divestiture to the world's largest company (an European company) in that industry. Because of the sale, the company received cash and shares in the acquiring company and today, through additional rights in the divestiture agreement, has been able to increase its equity ownership to a level, which makes it the largest shareholder and allows for several Board of Directors seats on a Board of Directors with numerous foreign nationals as directors. The decision to divest was based on an internal analysis that the company would not be able to effectively compete in South America because it did not have the funding to conduct the necessary Research & Development, like the other major players in the global market. By divesting and taking an equity position in the larger company, it now has a global presence in a product line where it was a struggling regional competitor.

Managing international expansion requires not only financial resources but more importantly, the appropriate human capital resources and information systems. It became obvious the company was not prepared for the execution of an international strategy. It is not sufficient to have commonality in language, but there needs to be integration and coordination of all functions to ensure that the companies are working together to increase shareholder value. Through its flexible packing subsidiary, which has production capabilities in Argentina, Brazil, Chile and Colombia, a multinational mindset has been developed toward managing the various operations in Latin America. Information and compensation systems have been integrated across all companies. Through extensive relational networks of the executives at the controlling shareholder group, some of whom are members of the Board of Directors, external auditors and legal firms have been identified and standardized throughout the company's international subsidiaries. Equivalent key performance indicators have been established through each operating unit. With this in mind, Interviewee A discussed what has happened at the controlling shareholder level, which is a holding company for multiple companies numerous industries with international operations:

> *"…we can export knowhow from one company---from one business unit and you can imagine the advantage to them. We—last year—I will explain…we used to have many business units before ten years ago but we divest—we sold different*

units that weren't very interesting for us at least. We saw ourselves as not the natural owners of that unit so we kept only three business units, the bank, the financial side, the brewery or the beverage company and industrial with Company A…But last year we added three other business units because we believe that they are an interesting opportunity for us.."

"And now we are exporting our know how, our management criteria and strategy to the other three business units that we acquired. And you can only imagine their change in there because we try to be good in our jobs….you can export your systems, your views, your strategy, your balance scorecards…we are now starting to see some changes---changes in the business unit that we just acquired year ago."

"…And probably our strategy there is growth through acquisition and not only through organic…we will buy a company only if we are able to manage within our culture and with installing the systems and having the human resources capable to run the country."

More specifically, Interviewee A commented on the significant changes made at the Company A level, which has improved the management of the various operations through out South America:

"…four different units in Colombia, Argentina, Peru and Chile which produces the same product. Then, for example, we negotiate with the suppliers as a group. We negotiate with their machinery producers as a group. And we get, of course, much better results."

"In the case of the big multinational customer that we have, they are starting much more coordination now to do so some bids for the region….their needs to the region are being negotiated as a bid…We participate as a group in that bidding process. Not every single company competing with, which was probably the case before, but the Peruvian company competes against us …within the process….now we coordinate our participation."

"But if we can have more, more, more power for the negotiating with our suppliers and equipment suppliers and also we can serve our customers in a regional way which is very important strategy for talking that strategy with a regional customer…..It is not so important the price of the package for them. It is very small compared with the price of the product but which is important for them is that the package supply should be very reliable….then they preferred to have---let's say two very---that is big or important suppliers for the region instead of having one supplier in Chile, another in Argentina and another in Brazil because they will be facing six or seven or eight suppliers independent of one of the others, now they are concentrating on two suppliers and they know that if we have problem with the Colombia plant we can serve their needs from the Peruvian plant…"

Interestingly enough, despite all of the significant changes made at the company, Interviewee A still believes the company does not have a multinational mindset. As he stated: *"No, I think that we are in the earliest stage of going international but a much better integrated company or group that was before compared with the 90's."*

In questioning as to why the company did not have any foreign nationals on the company's Board of Directors or at controlling shareholder level, Interviewee A's view it was not needed because: 1) the focus of international expansion was Latin America and 2) control of the Board of Directors. Regarding the first point, Interviewee A stated:

> *"..our expansion has been focused in Latin America, we know very well…the holding company helps the business units assess the opportunities…We have some experience in M & A here in the holding company; where some guys are experienced in M&A in not only the financial side of corporate finance money but also in the legal part of the process. Then we feel very comfortable with transaction, we are very accustomed to those transactions."*
>
> *"…you open me up a different view which is to bring people that know industry in a different way---probably because we are so focused in Latin America to this time we haven't found the need---to discover the need to bring in an international guy but, it is a very good idea…"*
>
> *"..we are present through Latin America with—in ports and tugboats and logistics…and again the board is basically formed by local guys and you are right, we should include people who have a different point of view from a guy that sees—because we are competing---again, we are competing with the big guys in the tugboat industry, we are competing with the big guys in the port industry and you are right."*

The second point regarding the control of the Board of Directors was restated in discussions with several other Chilean companies interviewed, control of the company was critical to the controlling Chilean shareholder. As Interviewee A stated:

> *"…the disadvantage is that we are accustomed—as a group—not only the case for our group but is the typical behavior of Chilean groups. We are accustomed to control of our companies. And if a board has nine members we want to have at*

least five members over nine. Let's say you have 51% of the shares of the company and we can name five members of the nine. The other four members are named by minority shareholders or personal friends or institutional investors. It would be—it will be not difficult but we will—we will have to think if we are going to give up one of our six to a guy which is an international part of our group."

"Probably would be very good for the company but we will feel that we will—we will be losing control."

Clearly, Company A views itself as a regional leader in South America regarding the lines of business in which it operates. While the annual reports and investment presentations repeatedly reference the company's export activity, it still views itself as only focusing on South America. However in the future, through its investment and the four board seats on the European company with global operations, it will be interesting to conduct further analysis as to changes in the company's international strategy or the manner in which it views itself in the global business arena. More importantly, with its representation on the Board of Directors of the European global company, it will be exposed to the presence of foreign nationals as fellow board members. As this exposure continues, the company as well as the controlling shareholder, may have to consider the inclusion of a foreign national as it continues to refine and executes its international expansion strategy.

7.3 COMPANY B

Company B was formed in the early 1920's and is today one of the largest publicly-traded companies in Chile. What started out as primarily a mill producer of paper, cardboard and pulp company today is engaged in the production, sale and export of cellulose and expansive variety of paper products throughout Chile, rest of Latin America and the world.

Through the frequent visits to Central and North America, one of the company's founders was introduced to industrial and entrepreneurial practices, not seen in Chile in the 1920's. Realizing the bountiful forestry resources residing in Chile, the company embarked on a strategy to develop itself as the leading paper company in the country. Initially, the focus was on the production of numerous paper products to Chilean commercial markets. However, through the introduction to North American industrial practices, the company launched its vertical integration strategy by purchasing tens of thousands of acres of pine forest. These forests began to provide some of the necessary raw material it was now importing from overseas sources.

After almost two decades of business activity, the company in the late 1930's and early 1940's made two key strategic decisions. First, it began to produce newsprint; and second, it continued with its acquisition strategy of forestry land in order to provide a more reliable source of raw material for its expanding production capabilities (the start of World War II disrupted raw material exports from Scandinavia, which accounted for 50% of its raw material needs). Over the next two decades, the company continued expanding its production capabilities in Chile through the construction of two new mills in Southern Chile. Both mills initially commenced operation by producing newsprint for primarily the Chilean market. Later, one of the mills began the production of cartonboard. In the later 1950's, the company made another key strategic decision through the construction of a new mill that focused on producing bleached softwood kraft for the domestic market.

For almost 40 years, the company focused on expanding its production capacity to meet the growing demand for its products in its domestic Chilean market. However, in the early 1960's the company saw an opportunity to increase it footprint through the exportation of its newsprint into Argentina, Bolivia, Ecuador, Paraguay, Peru and Paraguay. Later, these same countries began to import the company's cellulose products. For the next decade, the company focused its efforts on developing new plantations, expanding and modernizing its production capabilities, exploring potential new product lines and buying out other partners, where appropriate.

In the early 1980's, Company B, which had not been nationalized under the Allende administration in the early 1970's, decided the company needed to continue its strategy of product line (revenue) diversification of product lines in order to ensure it did not become to dependent on any product line. The construction of a tissue product mill followed shortly by a decision to invest in a new wholly owned subsidiary that would focus on the disposable diaper market in Chile. Over 10 years or so, the company, as before, focused on expansion, construction, and divestiture of production facilities throughout Chile. Additionally, it continued to develop its presence in the Chilean diaper market as well as expansion into household products like napkins and tissues, which led to several critical strategic decisions in the early 1990's.

The company was beginning to recognize the limitations of the Chilean domestic market, even as it expanded into to new product lines within the country. To date, the export markets for Company's B's products were increasing in significance and provided a level of needed financial diversification. Acknowledging the need for further diversification, the company in the early to the mid-1990's made several strategic decisions to expand international activity.

The company made its initial foreign investments in Argentina and Uruguay, its neighbors in the Southern Cone. The acquired companies in those two countries produced a wide arrange of tissue related products like toilet paper, sanitary towels, feminine and disposal diapers. The company was beginning to realize its competitive advantage in these product lines because of its production capabilities in Chile. As a result of this realization, the company reviewed and undertook a strategic decision regarding a unique investment opportunity -- entering into a joint venture arrangement with a large US multinational for the production and sale of wide range of products like feminine and baby products. Through the new joint venture arrangement, which was 50%/50%, the company was able to undertake new expansion initiatives into its own domestic market of Chile as well as other countries within the Southern Cone and Andean market.

By the mid-1990's, the company started to realize the fruits of its efforts in improving its production efficiency and product quality. Through the use of new technology and optimal use of fertilization, new plantings in the company's numerous plantations were able to mature up to five years sooner than previously experienced, thereby allowing a higher yield per acre over time. Additionally, the wood being produced was of a higher quality, which allowed for its exportation to the United States, a new export market. Through its efforts, it was the largest producer of paper tissues in South America. Most importantly, it was one of the few Chilean companies was able to control all aspects of its production process from raw material to finish product because of its decades-long strategy of deploying vertical integration.

For the remainder of the 90's decade, the strategic focus was directed toward continued diversification and expansion of its production capabilities. As a result, the Board of Directors undertook several important strategic investment decisions. First, the company made a strategic decision to reinvest upwards to 70% of net income into new projects and enhancing its control of joint ventures, where appropriate. During that time, the company bought out numerous joint venture partners or majority shareholders, giving them complete control over the operating entity. New production facilities were being built as well as acquiring additional forestry lands. In total, the company spent well over $1 billion in new acquisitions (or acquiring additional ownership), contraction, or expansion of new production facilities and acquiring additional forestry land. The company was preparing itself for entering a new millennium.

Second, a decision was made to reorganize itself into a holding company with 5 distinct operating entities. The reorganization allowed each operating entity to clearly focus on its respective corporate objective and allowed for vertical integration, a strategy initiated several years earlier. Throughout South America, the company controlled almost 2.0 million acres of forestry land. With the forest plantations, the basic raw material was supplied for the products being offered by the other four entities; thereby controlling the cost and quality of raw material, which provided it with a significant competitive advantage.

Third, the company made the decision to divest itself from the tissue paper joint venture with the US multinational. The decision was taken in order to have vertical integration and complete control over the development, marketing and sales of its related tissue products from beginning until the point the product is in the hands of the consumer. This decision was made easy by the fact the company had made significant investments in developing its capability of producing and selling toilet paper, disposable tissues, diapers, napkins, paper towels and feminine products in a number of South American countries. By 2000, the company had become one of the leading producers and sellers of tissue related products in Latin America.

With the start of a new millennium, the company continued to focus on having a multi-pronged strategy in order to expand its geographical and financial diversification capabilities through; 1) vertical integration (from developing the natural resource to marketing and selling consumer products), and 2) product expansion. Over the next decade, the company increased its vertical integration through acquisitions of new forestry plantations and production facilities in Chile. Production capabilities in tissue paper, cardboard, paper bags and lumber mills were expanded throughout Latin America. Through acquisitions, the company entered the diaper business in Mexico and Colombia, which expanded its geographical presence in 8 countries.

Even with the high level of activity in expanding production capabilities and increasing product diversification, the company had not significantly entered into the largest market in

South America---Brazil. Recognizing the need to enter into the market, the Board of Directors made a significant investment into Brazil toward the end of the decade. With the largest investment it has ever made outside of Chile, the company purchased a pulp mill for the manufacturing of tissue paper in southern Brazil. Additionally, it purchased a Brazilian company that produced and market feminine hygiene and household paper products. Recently, the Board of Directors announced it was expanding its production capabilities at the Brazilian facility.

Today, the company is in every major Latin American country market from Mexico to Argentina, except for one. The Board of Directors has encouraged investments in foreign countries in order to transform itself into a multinational company. Yet, even though the company is a publicly traded on the Santiago Stock Exchange, it is still majority-controlled by one of the largest, important family groups in the country and does not have a foreign national on its Board of Directors.

A review of archival data for the period of 2003 – 2012, a recurring theme was the company's international expansion strategy and results, not only from South America, but from Europe, United States and Asia as presented through the following highlights from Company B's annual reports:

> *" Our investment projects reflect the vitality of both the Chilean economy and that of our export markets." (2004)*
>
> *"…a major international softwood and hardwood producer...which sold to over 200 clients in thirty countries in Europe, North America and Asia." (2004)*
>
> *"..a major international softwood and hardwood pulp producer…which will be sold to over 200 clients in 40 countries of Europe, Asia, America and Oceania." (2006)*
>
> *"Company B's division deals with more than 200 clients in America, Europe, Asia and Australasia. It is placed among the leading companies in the industrial*

world and has efficient logistics network enabling it to offer its clients excellent distribution services." (2007)

"Company B is positioned as the fourth largest pulp producer in the world with an interesting outlook for future proving. This business area has been present in the market since 1960, being the Chilean pioneer company exporting this product to five continents." (2009)

Through separate interviews with two members of the Board of Directors of Company B, further insight into the development and execution of the company's international expansion strategy was provided to the researcher. Inquiring as to why and how Company B decided to expand its presence outside of Chile, both interviewees were consistent regarding the underlying reasons for the international expansion strategy. While they admitted the geographical and domestic market limitations of Chile created a need to diversify outside of Chile, they were very clear in their assessment that the opening up of the economy to foreign competition had enabled them to compete internationally. As Interviewee B_1 stated:

"…And then we felt comfortable because in Chile today you can import anything. Of course you cannot--since 30 years ago, you cannot influence the government to protect your business and that is very important because first of all you learn to compete."

"..in '75 or so when the military government ended the protections through duties and through local regulations and price controls and so. And then we had a selection of products.."

And here we have a consequence of the application of a very severe model of a pre-economy---pre-competition….we have learned one and that has produced a natural selection of business because there is no protection."

"..and that encouraged Company B to select among many business which it was involved---which were the best ones—the ones in which we could enjoy competitive advantages. This many business or products portfolio was the consequence of the import substitution process."

"I have been with Chile through 30 or over 30 years competing here for the local market and abroad for exports. The company has become much more efficient and confident of itself on the business level."

Regarding the international expansion strategy, it was clearly communicated that the Chairman of the Board of Directors, who was a representative of the controlling family, was the leading force behind the international expansion strategy over the years. According to Interviewee B_1, the chairman, who had been the CEO many years ago, as well as the vice-chairman of the board was a driving force behind international expansion: "*and in any of those---in each of those positions he had a very clear intention of going abroad.*" The other board members and company executives participated in the decision-making process regarding the international expansion.

In discussing the inclusion of a foreign national on the Board of Directors, it was very clear from both respondents, there was no need for the inclusion of a foreign national for two very important reasons: 1) composition of the company Board of Directors; and 2) each operating division had an advisory board, which included members not related to the controlling shareholder or the executive team.

The relationship and composition of Company B's Board of Directors were addressed by both interviewees. First, there was clearly a very close relationship between the Board of Directors and the Company's B executive team. Unlike many other places in the world, the CEO's of publicly traded companies in Chile may not sit on their respective board of directors. Like the other companies interviewed for this research, the interviewees stated the Board of Directors and, most importantly, representatives of the controlling shareholder group were involved with the management, informally and formally on a daily, weekly, and monthly basis. As the two interviewees stated:

> *Interviewee B_1: "…I am sure you are aware that in Chile---in the Chile---Chilean family corporations, there is a complete separation between the board and the executive—chief executive…The chief executive cannot be a board member."*

Interviewee B_1: "..I mean strong enough reporting to a board that is formally, that formally acts as a board having board meetings every month and more frequently if required. And the board really takes the business decisions of course subject to coordination with the chief executive of Company B."

Interviewee B_2: Right that is part of the culture of the company in the sense; if something goes wrong in one of the subsidiaries or in one of those plants, within 24 hours all Board members know about it."

Regarding the composition of the Board of Directors and the inclusion of foreign nationals as board members, both interviewees had strong opinions about the topic:

Interviewee B_1: "…we have three Ph.D's as executives of the company, the Board. We have three or four MBS's at the executive level. We have five, probably more, eight or ten MBA's….We have highly educated people, most of the main executives are educated abroad at the board level. And we had a powerful organization, particularly since we decided to divide the company into business units---fully autonomous business units. And that is very significant regarding your main question that is the incorporation of foreign nationals at the Board level.."

Interviewee B_1: "So, instead of having board members—foreigners as board members, we have acted at the senior management—local management—with locals and in that way, we don't need so much to absorb, you know the culture of Colombia…"

Interviewee B_2: "How does the – how does one say—the controlling shareholders have plenty of very high level relationships in most of the countries of Latin America where we operate. With the Rothchilds, we are partners in a group and so they know where to call if they need an advisor or good talk or who to approach in Brazil."

Interviewee B_2: "To have a board with 15 people and you want to appoint a foreigner and do not want to give up control…maybe you agree with others that you appoint one and I appoint one, so let's appoint two together…with one from Brazil and the other from wherever…Mexico."

However, both interviewees stated, in a way, the company had already included a foreign national or an expert in a particular area through appointments to the subsidiaries' advisory boards. Each subsidiary has an advisory board made up of subsidiary executives, members of the Board of Directors and other appointed individuals. This has been necessary, especially, in the subsidiary that is more consumer product oriented, because the company had been primarily production focused in the past. As the interviewees stated:

> *Interviewee B_2: "…where they brought people from the outside of the company so they could sit on these boards of these subsidiaries. Some were former chief executive officers for some competing companies but not related to those groups anymore like Coca-Cola marketing expert or a retailer expert."*
>
> *Interviewee B_1: "And we have external board member at that level (subsidiary) but it wouldn't help much to have a Brazilian and an Argentine and others as the board member at the board level here..But we have some, for example a former Coca-Cola executive, at the tissue board level. We have the—we have the former executive, union labor executive in Chile in the tissue business."*

Today, while the Company B generates revenues from many locations throughout the world, the company still perceives itself as just being a Latin American company. Several times during the interviews, when the Company was stated as being a multinational, the interviewees were quick to point out that it was a Latin American company…."*At the regional level. At the Latin American level and regarding direct investment. Regarding exports—we export—many products worldwide---lots of different markets and customers." (Interviewee B_1).* Yet, there was still a sense that the company wanted to be a global player in the future.

7.4 COMPANY C

Company C is similar, but different from Company A and Company B. Like the previous two companies, there is a controlling shareholder group with over 50% of the stock. However, the controlling shareholder is not a leading Chilean family group but has its roots from Europe and is headquartered outside of Chile. Initially, this company was focused on providing wood and wood-related products for the Chilean market. However, over the years it has transformed itself and is today, a market leader in a wide range of an expanded array of wood and wood-related products in Latin America and throughout the world.

When the company was founded in the early 1960's, the focus was on the production of wood and wood-related products for the construction industry in Chile. During the first decade of operation, the company aggressively consolidated its position as the industry leader by acquiring a competitor and expanding production capabilities. Additionally, similar to other Chilean companies, the Board of Directors recognized the need to control the sourcing and quality of the raw materials used in it products. Therefore, new subsidiary was formed with the objective of handling the management of forestry lands and plantations. The first decade of operation ended with the Board of Directors decision to list the company on the Santiago Stock Exchange, thus providing funds for future expansion.

Over the next 20 years, the company continued to focus on maintaining its market leadership position in the Chilean market. Due to the economic liberalization initiatives enacted by the Pinochet government, the company faced increased foreign competition, which required it to learn how to compete, not only on a cost basis, but a quality basis as well. Consolidation in its industry continued as other Chilean manufactures faltered and the company acquired another competitor. Additionally, recognizing an opportunity to diversify, the Board of Directors decided to create a new subsidiary to provide adhesive resins, a critical component in a variety of its wood-related products.

By the early 1990's, the Board of Directors understood the necessity of developing and executing a multi-pronged diversification strategy. A key component of the strategy was to raise sufficient funding, which was accomplished when the company listed its shares on the New York Stock Exchange through its ADR program. With the new inflow of funding, the Board of Directors launched an aggressive diversification strategy, which included several geographical expansion opportunities.

The first opportunity was the greenfield investment in Argentina, where it built a wood-related production facility. A year later, another production facility was completed, which expanded its product offerings in Argentina. With these two wood-related production facilities, the company became one of Argentina's largest manufacturers of wood-derived products. Like in Chile, there was a recognition regarding the control of raw material sourcing and quality. A new Argentine subsidiary was created for the management of forestry lands and plantations. Several years later, the company formed a joint venture with a US multinational to produce resin products in Argentina And Chile.

Expanding its geographical reach, the company formed two new subsidiaries. In Peru, a subsidiary was established with the objective of marketing the company's wide array of wood and wood-related products. More importantly, the company established a subsidiary in the largest South American market, Brazil. Several years later, its first production facility commenced operation in southern Brazil. This would be the first of many investments into the country over the decade.

Entering the new millennium, the Board of Directors' diversification strategy had resulted in expanded production capabilities in Chile, expanded production capabilities geographically through new production facilities in Argentina and Brazil and established its market presence in four South American countries. Building on the success of the past decade, the Board of Directors continued its diversification strategy. Additional funding for the strategy was raised in two separate transactions. First, its ownership in the joint venture with the US multinational was sold to that company and included an agreement for a long-term supply agreement. Second, the company issued additional equity.

New production facilities were opened in Argentina and Brasil. These new facilities not only expanded production capabilities, but also expanded the array of products produced in both markets. Geographical expansion continued by 1) the acquisition of wood-related production facility in Mexico, 2) an Ecuadorian subsidiary was formed for the marketing of the company's products in the country, 3) the company's retail store concept expanded outside of Chile (8 South and Central American countries) and 4) the company sign a contractual agreement to manage a wood-related production facility and forestry lands in Venezuela.

By the early 2000's, a new competitive strategic plan, directed toward the realization of the company's medium term profitability potential, was implemented and focused on four key pillars: Innovation and proximity to customers; expansion and enhancement of distribution chain; leverage Latin American growth opportunities; and commitment to sustainable development. However, underlying these fours pillars was the strategy of long-term profitability through the management of environmental, social and economic factors as consumers would have preference in buying products from a company that was socially, environmentally and financially conscious.

Based on these two strategies, for the remainder of the decade and until today, the company continued it expansion plans primarily in Latin America. Multiple production capabilities have been established in 5 countries, which produced wood-derivative products, sawn wood, mdf (medium-density fiberboard) moldings and doors. One of the key components of the strategy was proximity to the customer, which has been achieved by having almost 350 home improvement stores in 10 South American countries and Mexico. Forestry plantations exist in 4 South American countries, providing a dependable source of raw material for the many products the company offers to its customers throughout the region and on an export basis. A new program has been started where a community of small and mid-size furniture makers has been established in 6 Latin American countries, with over 8,000 registered furniture makers. These furniture makers were provided assistance (tools, business support, etc.,) to boost their business and improve employment opportunities. Despite a natural disaster and the global economic crisis, the company reported record sales and earnings in 2011.

In reviewing the archival data of the company, a significant event took place in the early 2000's, which has transformed the company over the past ten years. In the early 2000's, an existing shareholder, through a series of acquisitions and mergers, became the controlling shareholder of the company. The new controlling shareholder group, which was not Chilean-based, had its original founding in Europe, was a multinational company with global assets over $2.5 billion and revenues approaching $2.0 billion. Based on its heritage and its global presence, the controlling shareholder brought a new direction to the Board Directors, including the appointment of foreign nationals to the Board, and company's management team. Focusing on the period 2003 through 2012, the archival data was reviewed and analyzed to determine if the influence of the controlling shareholder guided or influenced the company in becoming a multinational organization. Additionally, an interview was conducted with a member (Interviewee C) of the Board of Directors who provided insight into the transformation of the company during that period.

As the company was transforming itself from a commodity resource company to one more reliant on a wide array of products, the Board of Directors recognized the need to provide key certifications for its products in order to be universally acceptable in key potential markets like North America and Europe. Even though it was not under any pressure from external groups, the company undertook numerous initiatives in 2003 to obtain key environmental certifications. First, it attained ISO 14.001 Environmental Management Standard for all industrial operations in Argentina, Brazil, and Chile. Secondly, for a key product line it was certified SCS (guarantees its production meets certain international standards). Finally, the company attained FSC (Forest Stewardship Council), which guarantees forest and plantation management processes are conducted with social, environmental and economics aspects in mind. This was evident when it was addressed in the 2003 Annual Report, where the Chairman's letter stated "…has thus taken a significant step towards the goal of obtaining suitable world-class certifications."

The 2003 Annual Report dedicated an entire section on how the company was initiating a strategy to consolidate its leadership position in the region. While the focus was on it position within Latin America, there was clearly a goal of becoming more than just a regional player. The annual report stated:

> *".....the sales of company products to 46 countries around the world are based on continuous improvement of the product mix, efficient production processes, certified under world-class standards and a management model committed to cost reductions and taking advantage of the synergies resulting from regional management."*

The influence of the new controlling shareholder began to infiltrate throughout the company following its acquisition of the majority of the shares in 2003. In a more direct way, the 2003 Annual Report communicated a change in business philosophy, one that would be based on the following: the highest level of profitability would be sought from its many different businesses while strengthening its positive environmental and social effects and ensuring potential negative impacts on the environment and society would be minimal. Additionally, the annual report stated due to the influence of the controlling shareholder, a new scorecard was being implemented to complement the company's new strategic planning process. The new scorecard would facilitate decision making by ensuring that social, environmental and financial outcomes were properly considered. Finally, the controlling shareholder increased the company's focus on social responsibility. This was defined as the linkage of interests associated with all human aspects, like safety, non-discrimination, fair remunerations, right of association, communication and consultation with the public. A new function within the company was formed to handle these issues---Social and Environmental Management.

By the 2005 Annual Report, the influence of the controlling shareholder was becoming more evident. The focus was to take the company from being viewed as a Chilean-based company to being viewed as a world-class leader in its industry. Within the first several paragraphs of the Chairman's Letter, it was communicated the company was in a position to begin preparations to explore market opportunities in Europe, Middle East and Asia. Because of this endeavor, a new production facility was being constructed in Chile.

As part of its plan to transform itself to being a multinational company, the company had initiated an American Depository Receipt (ADR) on the New York Stock Exchange. In the words of the Chairman, *"…was our follow-on stock offering, made more successful by the fact that we attracted greater participation from international investors and strengthened our ADR program on the New York Stock Exchange."* This was an important milestone as the company wanted to portray itself as being more than just a regional leader as over 40% of its sales in 2005 were attributed to North America (USA & Mexico), with one of its main retailers being Home Depot. In fact, the company described itself as vertically integrated Latin American forestry company having a competitive industrial capacity, strong distribution network in Latin America, an importance presence in the United States and demand for its products in 50 countries.

The transformation to portraying itself as a multinational company was more evident in the 2006 Annual Report. On the first page of the Chairman's Letter, an important message was communicated. There was an admission regarding the review of the company's long-term strategy as the Chairman stated: *"We focused on reviewing our business strategy to become the company we want, i.e., a multinational company with a long-term vision that assures the sustainable profitability of the business."* Previously, the long-term strategy had focused on being a leading Latin American company in its product lines and a focus on the export market. Additionally, to reinforce its efforts of becoming a multinational company, the company's corporate governance initiatives were moving in the right direction through the recognition by local and international bodies.

From a Board of Directors perspective, corporate governance was based on four principles: 1) corporate risk and management practices based on structured processes; 2) individual corporate ethical conduct while achieving strategic objectives; 3) transparency and dialogue with shareholder and stakeholders; and 4) principles of sustainable development. While the first three were critical, it was clear the fourth principle was extremely important as the company wanted global recognition for its sustainability efforts as itself into a multinational company. The 2007 Annual Report highlighted a report from the World Wildlife Fund regarding the company's practices in the area of sustainability. For most companies, this report would be highlighted or mentioned in the Chairman's Letter. What is unique was this report was presented in the annual report before the Chairman's Letter, giving it a greater presence to the reader. Furthermore, in the recap of the company's history, 2006 and 2007 highlights primarily mention all of the corporate governance and sustainability awards, like Best Corporate Governance within Latin America, WWF – Leaders for a Living Planet, Family Responsible Company, Best Chief Executive Officer, the company or its subsidiaries had received during those two years.

During the 2008 – 2010, the company endured a global economic downturn, which dramatically impacted many of the industries of many of its customers. In reviewing the archival data, the company maintained its focus on the strategy of put in place several years earlier. However, there was a slight shift in focus as now it focused on being a leader in Latin America, not on becoming a multinational company. Clearly the slight shift in focus was due in large part to the global economic crisis, which saw the company delist itself from the New York Stock Exchange and withdrawing operations from several markets. In fact, through 2007, the company's Annual Reports were available in Spanish and English. In this time period of 2008 – 2010, due in part to the economic crisis and the delisting of the stock on the New York Stock Exchange, the annual reports for those years were only published in Spanish.

By 2011, due to the increasing equity ownership (through the purchase of the company's shares on the Santiago Stock Exchange) by foreign emerging funds, most of whom speak/read English, the company began producing Annual and Quarterly Reports in English. Additionally, the 2011 Annual Report focused on the company's efforts to be recognized as a multinational company through its agreement to participate in a pilot program of the International Integrated Reporting Committee, which was detailed in the first four pages of the Annual Report.

As of today, Company C has transformed itself from a Chilean domestic operation with some international activity to a multinational organization domiciled in Chile. The transformation occurred through the leadership of the controlling shareholder through the Board of Directors. Through the analysis of the archival data from 2003 to 2012 and discussion with Interviewee C, there were three areas where the controlling shareholder exercised tremendous influence: 1) Board of Directors; 2) Control of International Operations and 3) Corporate Strategy based on environmental and social issues. One of the first actions of the controlling shareholder was the internationalization of the Board of Directors through the appointment of foreign nationals as directors to the Board of Directors. Since 2003, several foreign nationals have been served as directors and even as Chairman, giving the company a more global perspective in terms of strategy and management objectives. Review of the data showed those directors were from places like Ecuador, USA, Brazil, and Switzerland. The respective backgrounds and the international knowledge of those directors included legal affairs, internal audit & compliance, mechanical engineering, electrical engineering to name a few. Their existence on the board brought international resources and international competencies that were lacking or needed enhancement.

In discussing this point with Interviewee C, it was pointed out the controlling shareholder had a very international mentality because being from a small country in Europe, the focus had always been on international markets. Foreign national Board members were appointed because they were a resource that brought knowledge and experience lacking at the Board level. Through the interview, Interviewee C explained why certain foreign nationals were appointed as directors:

> *"I can tell you that we had a lot of union problems in Venezuela. And this Mexican, he had lots of experience with unions in Mexico and he got involved in our union problems in Venezuela….he give us a different view and perspective of how to solve the problem because he lived the same sort of problems in Mexico…he lived situations in Mexico very similar sorts of problems that we in Chile don't have…It's quite unique."*

> "*The Brazilian worked in the controlling shareholder and was an expert in auditing...she worked in ExxonMobile and she actually knows a lot about corporate governance and control and she was really helping me in the control of the company….She has done a tremendous work but she is very much control oriented….and very much corporate governance oriented. More than management, line management….she knows what is happening."*

The appointment of foreign nationals to the Board of Directors moved the company from being a Chilean domiciled operation to being a multinational operation as evidenced by their annual reports and the attention given to issues, not just related to Chile. This was highlighted by Interviewee C:

> *"It is a multinational company. And today the company has won several awards in Chile because of the corporate governance of the company….It is regarded as being the most soundly managed company in Chile. In the companies that are traded in the stock market and I was awarded a prize as the CEO of the Year in Latin America because of the fact of really changing this multinational approach."*

As the literature review had shown, the presence of foreign nationals at the Board of Directors level often directly impacts the company's corporate strategy. Through a series of questions, it was determined that prior to the controlling shareholder, the company's international strategy was not well-defined. Like other Chilean companies, there was a realization in the early 1990's that Chile was a small market and growth would have to come through expansion beyond its borders. International expansion was somewhat opportunistic, like in Mexico, where, in the late 1990's, a company was acquired because it was a low price and the Chairman liked the opportunity. As Interviewee C said: *"…So the company had operations in Chile, in Argentina, in Brazil and in Mexico..the chairman of the board and some friends were really the owners of the company and they made important decisions and the strategic decisions and everything…"* However, starting in 2003, the new controlling shareholder brought a different mindset with regards to development and execution of an international strategy.

In reviewing the archival data and as previously mentioned, a strategy was developed and executed based on four pillars with a foundation based on environmental, social and economic factors. As Interviewee C mentioned several times, it was viewed as the business model and one capable of being exported to all operations regardless of geographical location. One of the key components of the execution of the international strategy was related to Control, a concept mentioned by other interviewed companies. Prior to 2003, control of the international operations was done through placement of people as Interviewee C repeated on several occasions:

> *"…the chairman was the motor behind this international expansion in the company…He was the leader really of this organization. When he made the expansion he was relying very much on individuals, on people because he lacked the control systems so he knew that in this expansion he was going to run risks of operating in foreign countries with corruption."*
>
> *"..he relied a lot on people that he knew from Chile. So he put a Chilean manager in Argentina, he put a Chilean manager in Brazil, he put a Chilean manager in Mexico. People that had grown in the Chilean organization because he relied on those people as good managers and more importantly as morally sound individuals."*
>
> *"…you start developing a culture, I mean the company is run by Chileans and we are here in Argentina—and we are here in Brazil and Brazil is a much larger country than Chile and they are very nationalistic…they feel that they cannot really get into the higher position in the local company and why? Because I am not Chilean?...it is in fact problematic."*

Due to the influence of the controlling shareholder, the Board of Directors recognized the need to improve in the area of operational control in order to localize country operations. Per Interviewee C, the key to the improvement in operational control was putting into a place a system of checks and balances in every operation and headquarters. International operations were being managed without fully developed and documented processes. New internal control processes were developed, implemented and clearly documented, which were routinely reviewed by an internal audit staff. New information systems like SAP were installed in order to facilitate the internal control processes and to improve internal/external reporting. The objective was to start replacing the Chilean managers in the various international operations with strong local management teams as Interviewee C stated: "*And when we felt that we had that in control we could really think of removing this cultural issue and looking at managers, the local* *managers, and start promoting them and getting those Chilean managers back into Chile. And we did that in every country."*

Finally, the controlling shareholder has a clear objective in ensuring that its companies are socially and environmentally conscious in every endeavor. The 2003 Annual Report states:

> *" The company measures the result of its works by its financial, social and environmental achievement and goals in what is known as the Triple Result. As of 2003, the company's strategic process incorporates the three objectives in one tool developed by the Controlling Shareholder: the Sustainability Scorecard, so that decision making brings together social, environmental as well as financial considerations."*

By 2011 Annual Report, the company had incorporate over 50 pages discussing social (human capital management, health and safety management, talent development, education and development, surrounding communities) and environmental performances (energy and airborne emissions, waste for final disposal, wood fiber origin control and forestry environmental stewardship). In discussing this with Interviewee C, he said the origin of these endeavors were from the controlling shareholder and its founder:

> *"…the conceptualizing the strategy and everything was the very modern mentality of the original owner of the controlling shareholder and he was a Swiss national…he was the first president of the World Business Council for Sustainable Development and he called the Rio Summit so he was very conscious of what would happen to the world in terms of the problems you would be facing with the environment and social problems."*

> *"… And today we are really measuring---it is very interesting what we have done…Really measuring not only the economic impact but we are measuring with KPI's and the social and environmental goals and we are paying managers to attain those goals and to look at it with a holistic approach."*

Today, the company presents itself as striving for being and continuing to be a leader in Latin America in the wood board and forestry businesses in terms of long-term profitability.

This objective is based on its ability to differentiate itself through customer service excellence, product and service innovations and the efficient and sustainable management of its processes. The long-term strategy has been, and continues to be supported by three key influences: environmental, social and economic.

7.6 COMPANY D

Company D is in some ways similar but in others dissimilar to previously discussed companies in the research study. First, the first three companies have some consumer or retail oriented divisions, but are primarily built upon manufacturing platforms more geared toward supplying critical components used in the production of finished products. Company D is strictly focused on the retail arena, either through their own stores or large retailing chains, many of who are based in Chile. Second, like the other three companies, a large shareholder group controls the publicly traded company. While the controlling shareholder group is a significant family group within Chile; it was not listed as one of the largest Chilean family groups by Lefort (Lefort, 2010). Additionally, it has the shortest corporate history having been incorporated in 1981. Insight in to Company D's international growth strategy, management of the international operations, and for this compay, its decision to include a foreign national as a member of the Board of Directors were obtained through archival data and a discussion with a member of the Company D's Board of Directors.

Company D has its founding in the early 1980's when a highly prestigous US-based company initiated ints international expansion strategy. One of the first countries targeted was Chile where it established a joint venture with a Chilean business group. The joint venture, which was 70% held by the Chilean family group, focused on launching several of the iconic brands of the US-based company. Within several years, the success of the venture led to a decision to establish another joint venture, one focused on manufacturing. The newly created joint venture would focus on manufactring, wholesale and exports activities; while the previous joint venture would focus on the retail sales of the brands through company-owned stores.

For the remainder of the 1980's, the new companies focused on serving the Chilean market, which was experiencing strong growth due to the economic liberlaization policies enacted by the Pinochet administration. Through the implmentation of the latest technologies of footwear design and production, the retail products offered in the Chilean market had gained a reputation to be highly prestigous, quality brand. The effort to build brand awareness was accomplished by effective advertising and marketing campaigns using different communication techniques.

By the early 1990's, the controlling shareholder, in order to execute a larger retail strategy, negotiated a buyout of the US-based joint venture partner. However, both parties have maintained a close relationship for years afterwards, which in part helped to drive the future success of the company. With the buyout of the US-based partner, the company restructured itself into two different subsidiaries. One subsidiary was established that would handle all of the production, exports, franchises, wholesales and be the owners of the licenses. The other subsidiary would focus on the administration and operation of all of the retail stores. It was during the 1990's the company made its first foray into the international expansion through the establishment of retail stores in Argentina and Uruguay. However, the economic crisis of the early 2000's quickly caused a retreat from Argentina.

Growth continued during the early to the mid-2000's, The company had undergone another restrucuturing and was able to add numerous other world-known brands to its array of product lines. Recognzing the Chilean market was not going to provide the needed growth potential, a new expansion strategy would be needed. The new strategy would focus on three areas: 1) increasing the number of world-class and regional brands offered; 2) increase the number of retail stores; and 3) search for international expansion opportunities. In order to accomplish this new strategic approach, funding was raised by through an initial public offering (IPO) on the Santiago Stock Exchange in 2006. However, the Chilean family group remained the largest and controlling shareholder with somewhere between 65% to 70% of the shares through a number of investment vehicles.

Since 2006, the company has added almost 15 new brands of footwear, apparel and accessories; opened over 150 new stores; and created or acquired 8 new concepts stores. Additionally, the company has increased it international presence in Uruguay and has added new countries like Colombia and Peru. Most recently, the company has announced it is studying the possible entry into Brazil and Mexico, even though it remains non-commital as to the timing of such moves internationally.

One of the keys to the company's growth success has been it's ability to diversify its supply chain for products. The majority of the products sold through the company's retail stores or to large Latin American retailing chains are sourced from Asia, primarily China. A network of Chinese suppliers, including the manufacturing operations of its licensors, provide competitive advantages like pricing and scheduling that others may not enjoy in Latin America. Additionally, the company through its own Chilean production facility and other local facilities, has supply sources capable of providing small lots of production runs and reduced delivery times on as needed basis.

As the company has only been publicly traded since 2006, the archival data is more limited compared to the other company cases. However, review of the archival data revealed that since its IPO in 2006, Company D has had a foreign national on its Board of Directors. Just as the previous companies in the research, there is one controlling shareholder group (a well-known Chilean family. So why did this company see the need to include a foreign national on its Board of Directors?

In an interview with the member of Company D's Board of Directors, the reasons behind the inclusion of the foreign national were pursued. However, there was an initial need to understand the why and how did the company grow its international presence. The member of the Board, Interviewee D, provded insight that was not readily available in the review of the archival data.

To answer: Why did the company want to grow internationally?, Interviewee D stated there were several reasons. First, he indicated the first international expansion into Uruguay occurred in the early 1990's as the company was asked by one of its major licensors (an US company) to help out an Uruguayan licensee, who was having financial troubles. After a short period of time, Company D purchased all of the shares of the Uruguayan company. As Interviewee D stated: *"I can tell you that our first international movement was an accident."* It would be almost 15 years before the company would again expand outside of Chile.

The international expansion came as a result of the development by the Board of Directors and the management team in developing a long-term strategy. The goal of the strategy was to double in revenues in five years. As the Board and management team recognized, Chile still had significant growth opportunities, but it would not be sufficient enough to meet the long-term objective. So the company started to examine potential countries as to where possible expansion could occur. The approach in terms of analyzing potential markets was consumer-centric and not macro-economic as Interview D stated:

> *"So we started initally referring to international countries like Peru, Colombia, also Uruguay as markets and we're trying to measure the consumer—how similar, how different they are...."*
>
> *"…The first question was where are consumers that we think are similar in terms of their accessibility, their spending habits, market trends, etc,..for those consumers, do we have the long-term visions and economics of the consumers…"*
>
> *"We try to serve the consumer more than a strategy because if you serve the the consumers, you will find the right strategy."*
>
> *"...Some other companies, the first thing that they do is to look at the macroeconomics, the country's growth, etc..but for us that was the second question."*
>
> *'...But we don't want to add a country—a region---We want to add consumers…we have to understand that our business model can add value to those consumers in that market. And this is key for us.."*

However, Interviewee D did admit that because the company was successful in their earlier international expansions in Peru and Uruguay, it caused them to be too aggressive regarding the expansion into Colombia. As he explained, the expansion into Colombia was done without the usually consumer research. Like Uruguay, for example, a licensor requested the company consider helping out a Colombian licensee and ended up acquiring the licensee. As the Interviewee D stated: "*...So too much focus on the opportunity and not too much on the business opportunity regarding the consumer…..when you think that you can achieve success, you start to make a lot of mistakes…We said we are a success in Peru, success in Uruguay, so we are going into Colombia. So when you feel that you are so good; you are in deep, deep problem."*

The entry into Colombia was disasterous because the Company viewed the whole country as one consumer market, not as five consumer markets that surrounded the five major cities of the country. The company has since recovered and is doing better in Colombia. However, the lesson learned has been incorporated into the company's long-term strategy to ensure that it does not repeat the mistake again, but on a larger scale.

With this understanding regarding the need to expand internationally in order to meet the long-term objective, the question regarding the inclusion of a foreign national on the Board of Directors since 2006 was raised. Interviewee D provided some very important insight:

> *"...in terms of your second question, why do have international board member?..Our first approach to that strategy was to have somebody who had lived in the States; who can talk on a daily basis with the right sources; a businessman also to give us information on what was going on in the market; and think it was very important in terms of trends and communications with the licensors."*

As Interviewee D indicated the company needed somebody with this knowledge as the company is the licencee for almost 30 regional and global brands. In order to attract these current and future global brands, the company has a strategy of offering licensors, not a region; but core competencies and values that they, the licensors, do not possess in the region.

Today, the company is working on its next five year strategic plan, which calls for it to double in size again. The company recognizes tremendous growth opportunities exists in their consumer markets in Chile, Colombia, Peru and Uruguay as it opens new stores and launches new brands. However, it also recognizes the need to continue the analysis of entering the region's two largest markets, Brazil and Mexico. As the Interviewee D stated: "*...Mexico is easy to answer question 1.*(regarding consumer market and buying habits) *But it is very difficult to answer question 2* (regarding the country's macroeconomics, political, security issues). *In Brazil, it is very difficult to answer question 1 and also question 2."*

Clearly, the international mindset of the company is due in large part to the global brands that it sells through its own stores and through the major retail chains in the region. However, the inclusion of a foreign national on the Board of Directors enables the company to know about new developing fashion wear trends in places like Italy, Spain, Australia, United States and other fashion locations for possible expansion of new product lines. This has enabled the company to enjoy substantial Revenue and EBITDA growth since its Initial Public Offering of its stock in 2006.

8. FINDINGS

Table 9 presents a comparison of the 4 companies on which research was conducted. The focus of the research study was to determine how international expansion strategy was developed and executed by each company and as to the view regarding the inclusion of a foreign national on the Board of Directors. However, early on the interviewing process, it became apparent, there were several ancillary findings that would need to be addressed as they were related to the primary findings points.

Table 9

	Company A	Company B	Company C	Company D
2011 Revenues - Millions US$	+$400	+$4,800	+$1,200	+$250
2011 Net Income - Millions US$	+20	+450	+50	+50
2011 Assets - Millions US$	+750	+13,300	+2,500	+225
# of Countries outside of Chile	2*	7	10	3
# of Employees	+2,300	+1,500	+8,600	+2,500
Equity % - Controlling Shareholder	55%	56%	66%	66%
Company's Perspective	Regional and Domestic Leader	World Class Company in the Industry	Strategic Leader in Latin America	Latin American Leader in its industry

* Through an equity interest in an European multinational, the company has a global presence in 40 countries

8.2 PRIMARY FINDINGS

The two primary findings were focused on 1) International Expansion Strategy, and 2) Foreign Nationals on the Board of Directors, which will be discussed in the following pages.

The international expansion strategy focused on three areas; 1) genesis of international strategy, 2) organic versus acquisition, and 3) geographical. First, it was apparent all four companies did not have a clear international strategy initially. However, it was also apparent international expansion occurred because of the limitations (size and diversification) of the Chilean market. Here are some additional comments regarding international expansion:

> "*I would say, put into perspective and remember that Chile is an island…we are cut-off by the sea to the Orient, the Andes to the east. So we are isolated.*"
>
> "*…Chile was small country, we cannot grow; we cannot increase the size of our company. The only way to increase was the company's operation was to go abroad or to start to export products. Then we basically selected the alternative to invest abroad within the same industry in countries that we believed that are, that were similar to Chile.*"
>
> *" I would say that the company wanted to grow and the local market, the Chilean local market was very limited both on customers and on the other end, on the availability of lands to be planted. Chile is a very small country and there aren't many lands. We planted a lot and we grew a lot on plantations until the 1990's and then the growth was limited."*
>
> *"So you had to look around…Now with this company, if you were a natural resources company, there was limited available land. There is no more land, so expansion would be difficult."*
>
> *"…this company started to diversify abroad during the 90's..and going abroad, I am talking about going to Latin America, going to countries in Latin America, Argentina and Brazil.*"
>
> *"…You start to grow-to go to other countries, within the same industry or start to diversify in your country in different business. Every strategy has some benefits and some advantages and disadvantages…our case, we have been following a sort mixed strategy.."*

All of the companies cited the need to grow outside of Chile. Companies B and C had to grow, because, being natural resource companies, they were limited as to the availability of land for the production of their primary raw material - wood. Company D's international expansion the early 1990's occurred because a licensor requested their financial assistance of a licensee in Uruguay; however, no further international expansion occurred for another decade and half.

Another important point related to the Chilean domestic market was due to its openness to foreign competitors, each of the companies had transformed themselves into an operation capable of dealing with foreign competition. In turn, this prepared them to expand internationally as they were more confident of their abilities to compete. For example:

> *"In other cases, we wanted to go abroad because we felt confident that we were able---we were going to be able to compete because the products---the quality offered abroad was miserable because the prices were too high because of collusion among the local players and because the quality was just too poor.."*

> *"..another aspect is that we felt familiar here in Chile with the main actors---global actors—in our sector were Kimberly-Clark and Proctor and Gamble in consumer products—SCA, a Swedish company—also consumer similar to Company B…And then we felt comfortable because in Chile today you can import anything."*

The companies saw the need the to expand internationally, outside of Chile, and exports were not going to be the only strategy; investment had to occur. How did those companies go about growing internationally? Was it through acquisition or start-up?

Based on the interviews and review of the archival data, international expansion occurred primarily through the acquisition of a company or lands; however, once operating in a country, expansion can occur either organically or through further acquisitions.

> *"…And probably our strategy there is growth through acquisition and not only through organic…we will buy a company only if we are able to manage within our culture and with installing the systems and having the human resources capable to run the country."*

> *They bought a company that produced cable in Argentina but you can imagine it is not enough, just to buy a company within the same industry. You need to be prepared to be sort of multinational. The same system---human resources, policies, compensation policies."*

Expanding internationally had its problems for all four companies as they sought to operate in business environments where there was commonality of language, but there may have not been similar business practices. In every company, Chileans were put in charge of the international operations because of a lack of trust with the local management team. Here are some comments regarding the trust issue.

> *"…the chairman was the motor behind this international expansion in the company…He was the leader really of this organization. When he made the expansion he was relying very much on individuals, on people because he lacked the control systems so he knew that in this expansion he was going to run risks of operating in foreign countries with corruption."*
>
> *"..he relied a lot on people that he knew from Chile. So he put a Chilean manager in Argentina, he put a Chilean manager in Brazil, he put a Chilean manager in Mexico. People that had grown in the Chilean organization because he relied on those people as good managers and more importantly as morally sound individuals."*

The final discussion point the primary finding of International Expansion Strategy was the geographical preference of the four companies as presented in Table 10. While three of companies have had significant export-oriented activity, their geographical preference for international expansion of a physical presence has been in South America. The exception would be Company C, which has had and does have substantial assets in Central America, Mexico and the United States. While the business environments for every country may be different than Chile, the primary reasons for the selection of those countries was related to culture and language, Spanish, except in the case of United States.

Table 10

Company A

Revenue Breakdown	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Base Year - 2003	100%	133%	141%	191%	203%	193%	159%	210%	219%
# of Countries - Investments									
South America	4	4	4	4	5	4	4	4	4
Central/North America	-	-	-	-	-	-	-	-	-
ROW (Rest of World)Note A	-	-	-	-	40+	40+	40+	40+	40+

Notes:
Note A: Compay sold one of their operating units to a global firm located Europe for cash and an equity %. The company has an option to increase its ownership and would include up to 4 Board of Directors seats. The global company has operations in over 40 countries.

Company B

Revenue Breakdown	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Base Year - 2003	100%	116%	127%	136%	193%	196%	187%	252%	287%
# of Countries - Investments									
South America	4	4	4	4	4	5	6	7	7
Central/North America	-	-	-	1	1	1	1	1	1
ROW (Rest of World)	-	-	-	-	-	-	-	-	-

Company C

Revenue Breakdown	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Base Year - 2003	100%	136%	155%	185%	201%	220%	190%	212%	261%
# of Countries - Investments									
South America	9	9	9	9	9	9	9	9	9
Central/North America	4	4	2	2	2	1	1	1	1
ROW (Rest of World)	-	-	-	-	-	-	-	-	-

Company D

Revenue Breakdown	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Base Year - 2004			100%	110%	157%	184%	182%	210%	248%
# of Countries - Investments									
South America	-	-	2	2	4	4	4	4	4
Central/North America	-	-	-	-	-	-	-	-	-
ROW (Rest of World)	-	-	-	-	-	-	-	-	-

However, three of the companies have significant investments in Brazil, which is Portuguese speaking.

> *"The strategy was to basically to go abroad within the same industry and invest in countries that spoke the same language or that are basically the same area, Argentina, Peru Brazil which is a bit far away but is basically within South America….That was the rationale….the only way to increase Company A's operation was to go abroad, or start to export Company A's products. Then we basically selected the alternative to invest abroad within the same industry in countries that we believed that were similar to Chile."*

In comparing the four companies over the time period under review. The international expansion into markets outside of Chile by these four companies present an interesting picture. Company D has been the most analytical in their approach to international expansion as previously explained. Their revenue growth has not only come from geographical expansion, but from an expansion of product lines within Chile and the other countries. While they continued to analyze the potential of entering Mexico and Brazil in the near future, one senses a level of reluctance to do so based on the sheer size (Brazil) and market proximity (Mexico).

Company C has pulled back on their international presence in terms of physical locations. Since 2005, they have exited Central America and the United States for different reasons. However, the company has made significant investments in the remaining international operations throughout the region. Company B, the largest of the four companies, continues to make significant investments in the international area. Recently, the company announced additional investment of over $2.0 billion in new facilities in Brazil, which increases their investment to close to $5.0 billion.

Finally, Company A, while at first would appear to have reduced it international presence, has actually significantly increased it. Over the last several years, it has increased its equity ownership in a European multinational that had acquired one of its major operating subsidiaries, and who has an operating presence in over 40 countries globally.

The second primary finding addressed foreign nationals on the Board of Directors. Two of the companies, Company C and D, have had foreign nationals on their Board of Directors for numerous years. Unknowingly, they both incorporated the foreign nationals on their respective Boards in order to provide a resource or resources that each company was lacking at the time. Under Resource Dependency Theory, both companies were utilizing the "Cooptation" principle defined earlier in the literature review section.

Company C was the most intriguing company because of its embracing (albeit unknown) of the cooptation concept of Resource Dependency Theory. Since 2003, the company has had numerous foreign nationals on the Board of Directors as demonstrated in Table 11. From 2003 to 2006, the Company C had included a foreign national from the US as a Board member. With a tremendous knowledge of the US market and a background in the legal area, he provided the company a resource it was lacking in determining the best way to export products into the USA. By 2007, the sales to the USA accounted for almost 17% of the company's total sales with Home Depot being one of their largest customers. Unfortunately, the housing crisis of 2007 and beyond has dramatically reduced sales activity in the USA, which accounted for only 3% of total sales in 2011. The company no longer has a director from the US.

The other foreign nationals were incorporated into the Board of Directors because of their expertise in labor union negotiations and corporate governance/internal audit within South America. As the company was expanding its operations into new international markets where labor unions were strong and corruption was a major issue. Those two individuals provided expert knowledge as to the best way to handle these issues and to ensure the company's reputation in the marketplace would not be tarnished. Additionally, all but one director has an advanced degree from a university outside of Chile, which further enhances its internationalization of knowledge. Reviewing the company's annual reports, the presentation style and commentary clearly were geared toward a more globally-minded audience, not one that one that was South American-centric. For Company C, the appointment of foreign nationals was critical as the company was expanding into new markets and having problems in existing operations. As was explained during the interview:

> *"I can tell you that we had a lot of union problems in Venezuela. And this Mexican, he had lots of experience with unions in Mexico and he got involved in our union problems in Venezuela….he gives us a different view and perspective of how to solve the problem because he lived the same sort of problems in Mexico…he lived situations in Mexico, very similar sorts of problems that we in Chile don't have…It's quite unique."*
>
> "*The Brazilian worked in the controlling shareholder and was an expert in auditing...she worked in ExxonMobil and she actually knows a lot about corporate governance and control and she was really helping me in the control of the company….She has done a tremendous work but she is very much control oriented….and very much corporate governance oriented. More than management, line management….she knows what is happening."*

Why was Company C an early adopter of 'Cooptation" and the appointment of foreign nationals as board members. The controlling shareholder group was of European heritage and wanted to transform the company from being Chile domestic operation with international activity to one being a multinational organization headquartered in Santiago, Chile. The appointments of those various foreign nationals, as directors and even Chairman, have provided a more global perspective when developing and executing the overall corporate strategy. As was stated, the appointed of those individuals has changed the mindset of the company as it now thinks of itself as a multinational company. And as a result, it has been recognized for its corporate governance efforts, being the best managed publicly traded company in Chile and numerous sustainability initiatives.

Company D's decision to incorporate a foreign national corresponded to the view held by Dallas and cited by Palmer and Varner: *"The board of directors provides a valuable and often unique means for the corporation to acquire a number of relational resources, including coordination, information, support, status, legitimacy, advice monitoring and directions."* (Dallas, 1996) (Palmer & Varner, 2007) Building on this concept, Lynall et al stated that: *"An implication of resource dependency theory, then is that each director may bring different linkages and resources to a board." (Lynall, Golden, & Hillman, 2003)* The foreign national, who has extensive professional experience in the retail sector that Company D operates in, is a director because of his deep, personal knowledge of and connection to many world class brands that Company D may want to be a licensee in South America. What does this foreign national bring to the company:

> *"…in terms of your second question, why do we have an international board member?..Our first approach to that strategy was to have somebody who had lived in the States; who can talk on a daily basis with the right sources; a businessman also to give us information on what was going on in the market; and think it was very important in terms of trends and communications with the licensors."*
>
> *"..so then he became the board member, he has his own value every day. We are discovering a new value, like different approaches, different way of thinking. The problem when you have people that think the same way, nobody can grow."*
>
> *"..he is British living in the United Sates. He knows the business very well; he was working for…one of licensors. He also worked for another licensor…He was in charge of the sourcing and lived in China for six months…Also, he was President of another licensor…"*

Since its 2006 IPO, the company has added over 10 globally recognizable retail brands to its its product mix. Additionally, by the end of 2011, the company had over 300 locations in the countries where it operates of which over 25% were located outside of Chile. The inclusion of a foreign national on the Board of Directors enables the company to know about new developing fashion wear trends in places like Italy, Spain, Australia, United States and other fashion locations for possible expansion of new product lines. This is critical to their continuing growth strategy by knowing the current trends and being the leader in bringing them to their multiple markets. Based on a number of factors, it appears Company D has conceptually embraced Resource Dependency Theory and Cooptation.

As was stated in the literature review: Board of Directors, in order to manage its relationships with various constituencies, may be dependent on resources it currently does not possess. Through a "bridging strategy" in the form of contracting, cooptation or coalescing, at the Board of Directors level, a company may be able access resources such as information, advice, contracts, etc. previously unavailable. With cooptation being broadly defined as taking a person into a group as a member and is often used to describe a corporation's use of board memberships to secure resources it may not possess at the time. The research findings prove cooptation has worked in Companies C and D as they procured resources, through the inclusion of foreign nationals, which has enabled both companies to undertake international expansion strategies that have contributed to their respective revenue growth.

What about Companies A & B? Both companies have had significant revenue growth as well while embarking on an international expansion strategy; however, neither company has had a foreign national on its respective board of directors. As one respondent stated regarding the participation of foreign nationals on Chilean Board of Directors: *"..I would like to add 20 years ago, if you went through the list of board members in American companies, United States companies, you would have the same issue but almost no foreigners sitting on those boards….European boards were quite multinational group…then the United States."*

However, it should be noted Company B stated foreign nationals were present on advisory boards of several of their international operations. The reasons for the inclusion of those foreign nationals meet the Cooptation criteria. As was stated:

> *"…where they brought people from the outside of the company so they could sit on these boards of these subsidiaries. Some were former chief executive officers for some competing companies but not related to those groups anymore like a Coca-Cola marketing expert or a retailer expert."*
>
> *"And we have external board member at that level (subsidiary) but it wouldn't help much to have a Brazilian and an Argentine and others as the board member at the board level here..But we have some, for example a former Coca-Cola executive, at the tissue board level. We have the—we have the former executive, union labor executive in Chile in the tissue business."*

While these foreign nationals do provide resources at the operational level, they are not involved at the company level in terms of developing the international expansion strategy.

So are there ancillary factors that have contributed to the international expansions strategies of Company A & B? During the interviewing process with these two companies, as well as Companies C and D. Three ancillary findings became apparent when discussing the role of a foreign national on the Board of Directors in the development and execution of an international expansion strategy.

Table 11

Company A	2003	2004	2005	2006	2007	2008	2009	2010	2011
# of Directors	7	7	7	7	7	7	7	7	7
# of Directors w/Advanced Degrees									
US University	1	1	2	2	3	4	4	5	5
Europe University	1	1	1	1	1	1	1	0	0
Chilean University	5	5	4	4	3	2	2	2	2
Foreign directors	0	0	0	0	0	0	0	0	0
Company B									
# of Directors	7	7	7	7	7	7	7	7	7
# of Directors w/Advanced Degrees									
US University	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Europe University	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chilean University	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Foreign directors	0	0	0	0	0	0	0	0	0
Company C									
# of Directors	**7**	**7**	**7**	**7**	**7**	**7**	**7**	**7**	**7**
# of Directors w/Advanced Degrees									
US University	6	6	6	5	5	5	5	5	5
Europe University	0	0	0	1	1	1	2	2	2
Chilean University	1	1	1	1	1	1	0	0	0
Foreign directors	3	3	3	3	2	2	2	2	2
Company D									
# of Directors	7	7	7	7	7	7	7	7	7
# of Directors w/Advanced Degrees									
US University	N/A	N/A	N/A	1	1	2	2	2	2
Europe University	N/A	N/A	N/A	2	2	1	1	1	1
Chilean University	N/A	N/A	N/A	4	4	4	4	4	4
Foreign directors	N/A	N/A	N/A	1	1	1	1	1	1

8.2 ANCILLARY FINDINGS:

Through the interview process, three ancillary findings were uncovered: 1) significant controlling shareholder group; 2) educational profile of Board of Directors; and 3) BOD's role in Company's management activities.

Regarding significant controlling shareholders, it is important to understand that it is a legal concept in Chilean:

> *"An economic group is a set of companies which present such a sort of relationships and linkages in their property, management, administration or credit responsibilities, and there is ground to believe that the economic and financial decisions of those companies are guided by or subordinated to the shared interest of the group, or that there are common financial risks in the credits obtained or in the financial instruments they issue."* (Majluf, Abarca, Rodriguez, & Fuentes, 1998, p.112)

This is an interesting finding as every interviewee raised this point regarding the influence of the significant shareholder group. For example:

> *"..that the owner or us as a holding company, we participate in deep at the board level and we share with the management the different views and strategies. Probably the manager, the management is the team that is in charge of searching for opportunities and evaluating different opportunities. But that is not the case of the management brings to the board an idea and the board says yes or no. No, it is much more team work experience."*

> *"The main thing I would say is the way to look at companies is the thing about controlling the boards. The family was controlling it or the controlling group was controlling it and was deeply involved with management ."*

> "*…this is an idea which the controlling shareholders in my view; first if you don't convince the controlling shareholder, there's no way in which it could be accomplished."*

Who are the significant controlling shareholders of Company A and B? For Company A, the significant controlling shareholder is a holding company of one of the largest, family controlled economic groups in Chile with over $50 billions in assets under management. Its economic interests include, but are not limited to the following: a mining venture; a Chilean financial institution (joint venture with a major global financial institution); beverage company (beer & soft drinks); a shipping company (top 5 in South America); a logistics company that owns tugboats, shipping services, ports, etc. and has a presence in South/North America; and a major Chilean retail distributor of fuels.

Like Company A, Company B's significant controlling shareholder is a holding company of another large, family controlled economic groups in Chile. The holding company has economic interests in a beverage company (a global brand based in the US); beer company (global brand based in Europe); an energy venture with an European-based company; and a financial institution with activities that include insurance, brokerage, investment/retail banking.

Just like Companies A & B, both Companies C and D have significant controlling shareholders that are family-controlled economic groups. Company D is a Chilean family; however, their economic interests while substantial, are not at the level of the previously mentioned two groups. As a result, they saw a need to reach out and include a foreign national on their board of directors in order to fill a resource void they had internally. Company C controlling shareholder is a European family group operating out of Cost Rica that has over investments that generate over $3.0 billion in revenue annually.

What is the significance of those family-controlled economic groups and the need to include a foreign national on the board of directors? Those holding companies have a wealth of knowledge sitting at the holding company, which are able to provide insight and guidance into the development and execution of an international expansion. Additionally, because of the various economic interests, they have to access to international resources that others may not be to do at a moment's notice. As respondents from Company A and Company B explained:

> *"…we can export knowhow from one company---from one business unit and you can imagine the advantage to them. We—last year—I will explain…we used to have many business units before ten years ago but we divest—we sold different units that weren't very interesting for us at least. We saw ourselves as not the natural owners of that unit so we kept only three business units, the bank, the financial side, the brewery or the beverage company and industrial with Company A…But last year we added three other business units because we believe that they are an interesting opportunity for us.."*

> *"And now we are exporting our know how, our management criteria and strategy to the other three business units that we acquired. And you can only imagine their change in there because we try to be good in our jobs….you can export your systems, your views, your strategy, your balance scorecards…we are now starting to see some changes---changes in the business unit that we just acquired year ago."*

> *"How does the – how does one say—the controlling shareholders have plenty of very high level relationships in most of the countries of Latin America where we operate. With the Rothchilds, we are partners in a group and so they know where to call if they need an advisor or good talk or who to approach in Brazil."*

> *"and for your purposes we do have international board members at the bank that belong to Citicorp…and of course there is very interesting contribution from the board, the Citigroup board members because the know how and many, many different views comes from a big corporation."*

> *"How does one say..the controlling shareholders have plenty of very high level relationships in most of the countries of Latin America where we operate."*

> *"And then I have to say because this family (controlling shareholder of Company A) specifically, they look to this. They do have investments in several countries…They do have a lot of knowledge and experience of what's going on, of what has happened in the past…so they bring to the table some their knowledge…they share or that they have information and they just put it in front of other board members. So that is kind of the way, the origin of it whether it is technical, legal you know, regulatory, international."*

As the explained, the perception was that their respective companies did not need to have a foreign national on the board when there was such easy access to the resources at the holding company level.

Another ancillary finding was the educational profile of the members of the Board of Directors as presented in Table 11. Companies A and B both highlighted that in addition to the controlling shareholder factor, the educational background of their board members was another factor in not needing foreign national as a member of the Board of Directors. Company A believes by incorporating more Chilean board members, who had studied abroad was a way to gain knowledge of the global business arena. Board members have MBA's and law degrees from universities like Wharton, University of Chicago, Columbia University and other schools.

Company B does not provide an educational profile of their directors in its Annual Reports. However, during the interviews, it was stated:

> *"…we have three Ph.d's as executives of the company, the Board, we have three MBA's at the executive level, the Board. We have five, probably more, eight to ten MBA's and we have a powerful organization….We have highly educated people, most of them, the main executives are educated abroad at the board level"*

There is some validity to this educational background perspective by Company A and B. Palmer and Varner (2007), as well as Carpenter and Frederickson (2001) addressed the issue of educational heterogeneity as a factor in determining if a company is globally-minded. Companies that do have such a diversely educated Board of Directors will tend to be more successful in the international arena.

The final ancillary finding that needs to be addressed: Board of Directors and their role in the company's management activities. Repeatedly, it was stated that no member of the executive team may be a member of the Board of Directors as dictated by Chilean securities law. The role of CEO in a Chilean company is very different than in the US or elsewhere. For these two companies, as well as Companies C and D, the Board of Directors are very active in the management of the company. As was explained by numerous interviewees:

> *On the family's presence at the board level and the board meets every month or in some cases more frequently than month; then the family—the owner—even though the company is publicly listed, is very present at the management of the company. It is not the case as a board, which meets only quarterly and oversees some strategy. No, it is not the case of the Chilean companies or at least it is not the case of this group…We, that the owner or us as a holding company, we participate deep at the board level and we share with the management the different views and strategies…much more teamwork."*
>
> *"…a board that is formally, that formally acts as a board having board meetings every month and more frequently if required and the board really takes the business's decisions of course subject to coordination…"*
>
> *"The main thing I would say is the way to look at companies is the thing about controlling the boards. The family was controlling it or the controlling group was controlling it and was deeply involved with management….The executive team has a Board member at the meetings, just listening observing and in the afternoon, he is meeting with the Chairman and telling him what they were discussion, what was happening in a Subsidiary. It would be to open up the lines of communication between the executive team and the Board."*
>
> *"And also we have, every week a meeting with the CEO, where the Chairman is my father, my uncle is a board member and myself and the CEO and some management representing the business…We work together…I think we have a team; it is a team as the family who are involved in the business. And members of the family are ones who own the business and some are of the management."*
>
> *"…I am sure you are aware that in Chile---in the Chile---Chilean family corporations, there is a complete separation between the board and the executive—chief executive…The chief executive cannot be a board member."*
>
> *"..I mean strong enough reporting to a board that is formally, that formally acts as a board having board meetings every month and more frequently if required. And the board really takes the business decisions of course subject to coordination with the chief executive of Company B."*
>
> *"Right that is part of the culture of the company in the sense; if something goes wrong in one of the subsidiaries or in one of those plants, within 24 hours all Board members know about it."*

The significance is that the Board members are intimately involved in the activities of the company, from a Board perspective. And because they are Board members of other companies, they can bring intelligence to the table on an almost immediate basis, which helps in the decision- making at the company level.

The research findings clearly show for Company C and D, the inclusion of a foreign national or nationals on the Board of Director has positively impacted their respective development and execution of an international expansion strategy. For Company A and B, given that they do have any foreign national on their respective Board of Directors, a similar statement may not be made. However, the "Cooptation" principle was evident in the research both of those companies utilized foreign nationals in way not envisioned by the Palmer/Varner study.

9. CONTRIBUTIONS AND LIMITATIONS

9.1 CONTRIBUTION TO THEORY

As the literature review has demonstrated, research on the impact on international strategy when including foreign nationals on the Board of Directors of Chilean-domiciled companies has been non-existent. This exploratory study, through the utilization of key constructs of Resource Dependency Theory, was focused on the answering the hypothesis that the inclusion of a foreign national at the Board of Directors level of Chilean-domiciled companies would facilitate the development and execution of an international expansion strategy as presented in the Conceptual Model. For Companies C and D, the hypothesis proved to be correct as both companies have actively sought the inclusion of foreign nationals on their respective Board of Directors to facilitate in the development and execution of an international expansion strategy. This is evidenced by the their revenue growth and number of countries where they operate outside of Chile.

On the other hand, Companies A and B have taken different approaches in the development and execution of their respective international expansion strategies, even though their revenue growth and international expansions appear to comparable to Companies C and D 2003 to 2011. Instead of the utilizing foreign nationals, the controlling shareholder groups have utilized a combination of strategies to enhance the internationalization of knowledge: 1) extensive network of global connections through other lines of businesses and 2) through local country representatives at the advisory board levels of their international subsidiaries. Those connections allowed for access to external resources that Resource Dependency Theory stated would come through the incorporation of individuals (foreign nationals) at the Board of Director level. Numerous interviewees were clear about the accessibility to external resources through the controlling shareholder group.

This was an interesting concept and raised the possibility that Resource Dependency Theory, while the appropriate theoretical lens for this exploratory study, may not be the only theoretical lens to apply to this research. A different approach could be utilized as proposed by Lynall, et al. As they stated, "*Agency, resource dependence, institutional and social network theories have all been applied to the board phenomenon, but a question arises as to their varying usefulness…As suggested earlier, we contend that it is not a matter of choosing one theoretical perspective over another, but rather, of identifying under which conditions each is more applicable.*" (Lynall, Golden, & Hillman, 2003 p.419).

The article develops its hypothesis on the premise that the application of any of those theories would be related to the life cycle of the organization: "*We contend the predictive validity* *of these theories is contingent upon the life cycle stage at formation and the relative power of important stakeholders."* (Lynall, Golden, & Hillman, 2003 p. 420) What is the validity of this new theoretical lens? It has been cited over 225 times in articles that have appeared in distinguished journals such as Journal of Management, Strategic Organization, Organization Science to name a few.

To be clear, the research study results have supported the utilization of Resource Dependency Theory, and in particularly the Cooptation concept, as the most appropriate theoretical lens. Furthermore, the research study has laid the foundation for future studies of Chilean- domiciled companies as the dominance of economic (business) groups is very different than the companies examined in the Palmer/Varner study. Future in-depth studies of this database of companies may provide a basis for revising the research question of Palmer and Varner which is trying to understand the how international are the relationships of board members of multinational companies headquartered in Chile.

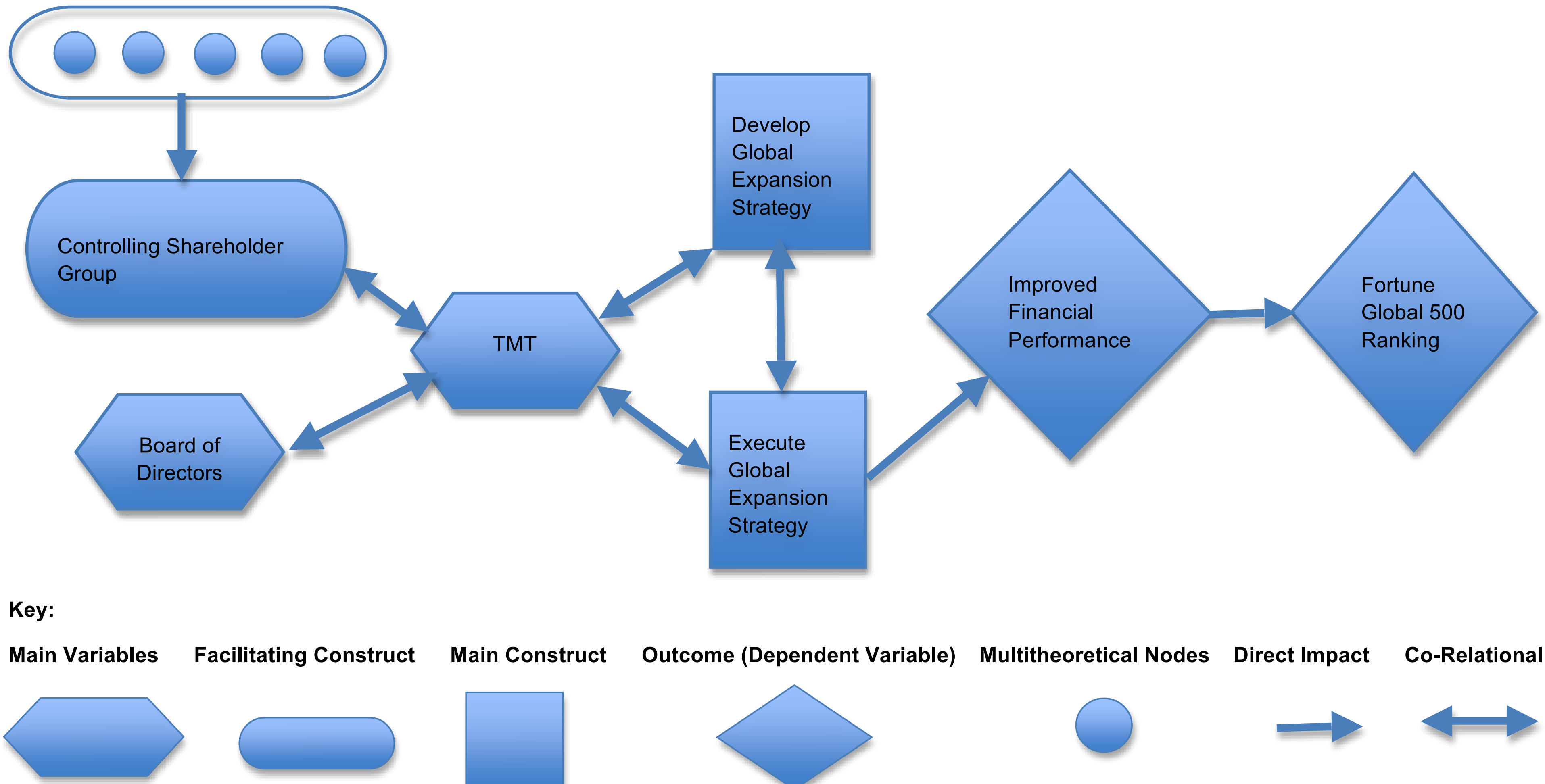
However, future studies may find it more useful to utilize the Multitheoretic View as proposed by Lynall, et. al. as presented in the Conceptual Model Figure 2a is unclear as to where each of those companies are, and future companies researched would be, in their respective organizational life cycle as proposed by Lynall et al.

The decision to include or not include a foreign national on the BOD is multi-faceted and may not always be approached rationally. There are many key constituents with varying interests, issues, perspectives, values and opinions that are shaped by a lifetime of multitude of interactions that have impacted the process of decision-making.

Figure 4

Multitheoretical Theory

Model Schematic



9.2 CONTRIBUTION TO PRACTICE

As this research as demonstrated, Chile is home to numerous companies who have the potential of becoming global organizations. Given the market size of the Chile, Chilean-domiciled companies, who aspire to increase their economic value for stakeholders, will have to begin looking outside of Chile for growth opportunities. Naturally, the first step for international expansion would be to look for opportunities in markets where there may be shared cultural, language, political systems. It would only be appropriate to look within South America for those potential growth opportunities. All four companies undertook international expansion, in their own words, to markets where there existed a shared history. Three of the companies undertook their earliest international expansions into Argentina, a neighboring country. The reasons given were related to a shared cultural heritage and language.

Even though Brazil is part of South America, and is the largest market in terms of GDP, the three companies that have entered the country have done so cautiously and with some reservations. Brazil does not share cultural heritage, common language or business practices with Chile. Yet, the three companies entered the market in a significant way by utilizing connections though Board members or the controlling shareholder had in the country. All three were clear that they reached out to other Chilean executives or other executives through relationships with foreign multinationals to find the best legal advisor in Brazil, who then became a “quasi-executive” of the Brazilian subsidiary.

Regarding management, for Companies A, B and D family members are deeply embedded in the management team. It is not uncommon for sons, nephews and cousins to go abroad for their education (MBA, Engineering, Law), to work in a company outside of Chile and then return to work in one of the family’s companies. As the holding companies continue their expansion into new lines of business, there may be a greater need to incorporate more "professional" managers and not ones that are family related. However, this will take some time and they expect it to happen within the next generation or two of the family.

With regard to expansion outside of South America? To date, only one of the companies has made any significant foray outside of South America—Company C. However, with the economic crisis and the collapse of the housing market, the company has significantly pulled back its presence in the US. During the interviews, the question regarding expansion outside of South America was raised. A number of the interviewees stated the question was interesting and one that needed to be considered more closely by Chilean companies, like themselves, as they consider international opportunities outside of South America. However, for now, they were confident that South America offered plenty of investment opportunities for growth.

Finally, one has to consider as what is the responsibility of the Board of Directors? Based on the literature review, a Board of Directors should focus on these five areas, as well as possibly others, when contemplating an international expansion strategy: 1) appetite for risk; 2) development of company's international expansion strategy (growth and profitability); 3) financial investment and control; 4) compliance/governance in an international arena; and 5) appointment of CEO. The Board of Directors of any company contemplating an international expansion should perform a self-assessment of its internal resources to determine if management has the capability to undertake such an endeavor. If not, an assessment needs to occur to determine what are the external resources board members may able to provide regarding knowledge of conducting business internationally. The appointment of a foreign national, with extensive international business knowledge, to the board of directors may be the appropriate course of action. With regards to the four case studies, Table 12 highlights how each company addressed each of those areas through the appointment of a foreign national to their respective Board of Directors.

Table 12

		Company A	Company B	Company C	Company D
Risk Appetite		No	No	No	No
Int'l Expansion Strategy		No	No	Yes	Yes
Financial Investment/Control		No	No	No	No
Compliance/Governance		No	No	Yes	No
App't of CEO		No	No	Yes	No

Company C has utilized the appointment of a foreign national to the Board of Directors to fill a potential void in internal resources during the development and execution of international expansion strategies. In fact, the current CEO of Company C is a foreign national who was formerly a member of the Board of Directors of Company C. Company D utilized its foreign national member of the Board of Directors as an external source when developing international expansion strategy, whether it is new countries to consider or launching new product lines in current operating countries.

Companies A and B have not directly appointed a foreign national as a member of their respective Board of Directors; however, they both indicate through either the controlling shareholder group or advisory boards of their respective international operations, they have utilized foreign nationals to fill a gap in internal resources. During the interviews, one interviewee stated with a recent acquisition in an industry outside of their normal focus, there could be an increased need to have a foreign national on the Board of Directors as the holding company did not have all of the necessary expertise (labor relations) to manage the newly acquired operations at this time.

Through this study, Chilean companies, publicly traded or privately held, may determine the findings to be beneficial when contemplating the next steps in developing an international expansion strategy or managing the international operations already in existence.

9.3 LIMITATIONS

As with any exploratory study, there are limitations, which are presented in the following paragraphs. These include the generalizability of cooptation and the limitation of the theoretical lens: Resource Dependency Theory.

In order to test the applicability or generalization of the study, one has to examine the three levels of generalization as presented by Firestone (Firestone, 1993): sample to population, analytical (theory-driven) and case-to-case research (Miles & Huberman, 1994, p. 279). Regarding the sample (companies – 4 and interviews 8), the sample size was limited to an in-depth analysis of four different companies domiciled in Chile. These sampled companies may not be representative of similar companies in Chile or South America. Therefore, due to the limited number of companies analyzed, a sample to population generalization may not be possible as a similar study conducted on a similar sample size in a differing South American country could produce a different set of conclusions.

The generalizability of the conclusions may be more appropriately attained through case-to-case research. By utilizing the replication strategy as presented first by Yin (1991) and reiterated in Miles and Huberman (1994) and Yin (2009), the multiple cases will be selected based on the following princple: *"Each individual case study consists of a "whole" study, in which convergent evidence is sought regarding the facts and conclusions for the case; each case's conclusions are then considered to be the information needing replication by other individual cases."* (Yin, 2009, p. 56). The cross-case analysis is possible because the selected companies will have similarities in terms of settings (location, cultural values, language, etc.) and framework in which the data was collected (questionnaires/interviews). While generalizability may not be possible, the case-to-case research has provided a basis of comparison given similarities between the cases in terms of settings and the framework in which the data has been collected.

Additionally, it should be noted there were several blocking factors, which may increase the level of generalizability of the research study's findings. First, the four cases were selected randomly from the population of publicly traded Chilean companies. Second, the annual revenue size of the companies ranged from $250 million to almost $ 5 billion. Third, the age of the companies varied from having started operations in the early 1920's to the early 1980's. Finally, two of the companies did not have foreign nationals on the board of directors and two have had member(s) for numerous years. The combination of these four blocking factors reduced the level of variability of the findings.

A second potential limitation is the choice of RDT as a theoretical framework. The potential weaknesses of RDT are best described by Pfeffer himslef (2003, pp. xx-xxi):

1) RDT does not consider the environmental effects on organizations because of emphasis on transactional interdependence. Pfeffer stated that there might be validity in the challenge as resource interdependence or dependence was not intended to cover every aspect of an organization.

2) RDT does not consider social class as presented by Palmer (1983) who noted that relationships among directors involves a strong bind that is built upon social and economic classifications.

3) RDT is no longer relevant in today's world because "..the power of the financial markets and increasingly boundary-less production processes has made the sorts of actions and strategic choices described in *The External Control of Organizations* no longer important or relevant (e.g., Davis and McAdam, 2000).

Pfeffer addressed each of the challenges in a very concise manner and well-laid out approach. He recognized that RDT and another theoretical lens, institutional theory (Meyer and Rowan, 1977), have possibly moved to be more closely aligned than previously thought. He also recognizes RDT needed to have more empirical research conducted in order to support key conclusions of the theory. Subsequently, empirical research was conducted by Hillman et al., (2009) and Davis and Cobb (2010), which provided empirical data to support key constructs of RDT.

In conclusion, Resource Dependency Theory and Cooptation concept has been the appropriate theoretical lens in which to conduct this exploratory study. Future research studies should build upon the groundwork established through this study by utilizing Resource Dependency Theory; however, after careful consideration one may consider utilizing additional theoretical lenses, which may enrich the theoretical and practioner findings.

10. SUMMARY

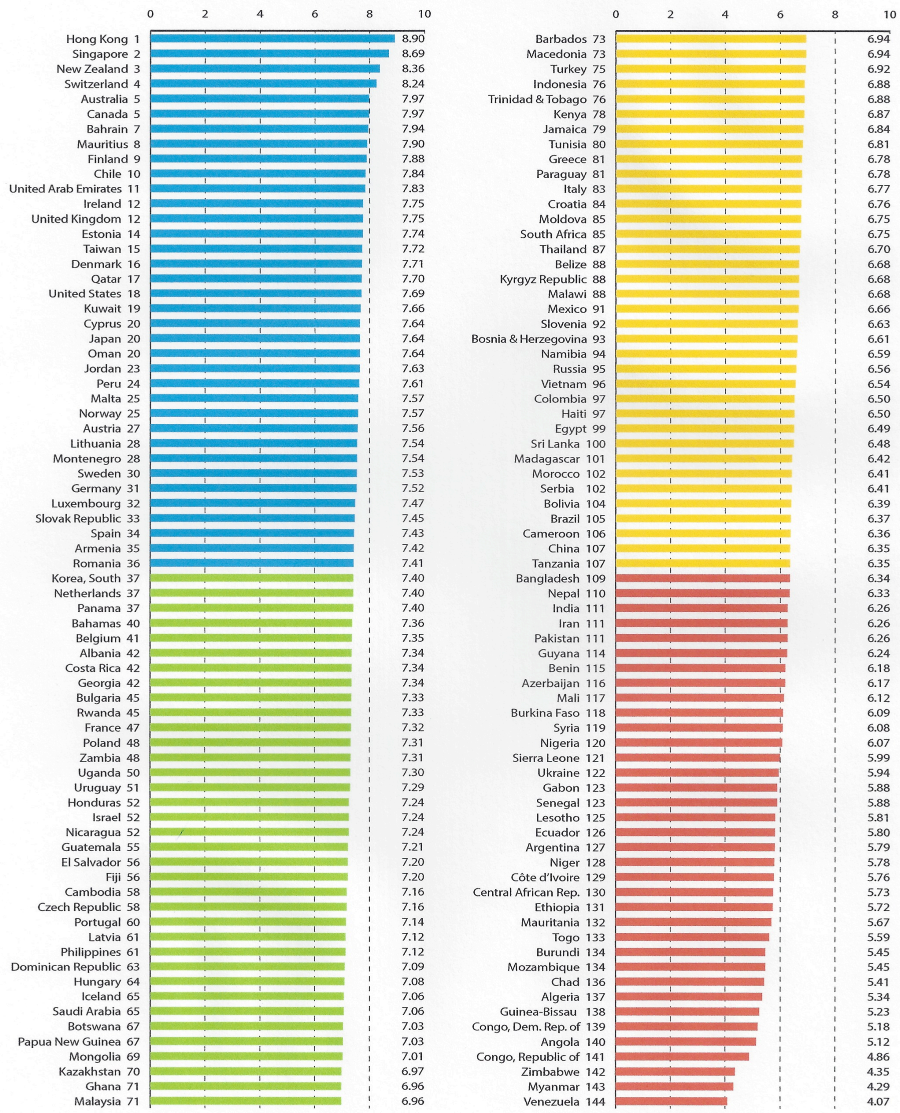
Clearly, Companies C and D have successfully included foreign nationals onto their Board of Directors, not just for show, but as active participants in key areas such as market intelligence, compliance and labor issues. What will the other two companies do in the future? Clearly, they understand they concept of including foreign nationals as they have indirectly utilized them when developing and executing their respective international expansion strategies. However, will they go the route of Companies C and D and incorporate foreign nationals directly onto the Board of Directors? With the recent divestiture of one of its primary lines of business resulting in it becoming the largest shareholder of a company headquartered in Europe, several of Company A's board members will sit on the board of the European company and will be required to interact with numerous foreign nationals on that Board of Directors. Currently, the two appointed directors to the European company's board have important roles at Company A's controlling shareholder level (a holding company). Their interactions with other board members at the European company may enlighten them as to the possibility of embracing the concepts of Resource Dependency Theory and begin to consider the appointment of foreign nationals on the boards of holding companies various companies.

11. APPENDICES

11.1 SUMMARY OF ECONOMIC FREEDOM RATINGS

10 • Economic Freedom of the World: 2012 Annual Report

Exhibit 1.2: Summary Economic Freedom Ratings for 2010



Fraser Institute ©2012 • www.fraserinstitute.org • www.freetheworld.com

11.2 INFORMED CONSENT

Georgia State University
Department of Marketing

Informed Consent

Title: Foreign Nationality Diversity at the Board of Directors level of Chilean Companies

Principal Investigator: **Dr. Wesley James Johnston**

Student Principal Investigator: **Steven Droll**

I. Purpose:

You are invited to participate in this research study. During the interview, a series of questions have been designed to capture your company's development and execution a global expansion strategy. Additionally, the interview will evaluate how the company's considered its human capital resources and the acceptance of a foreign national on the Board of Directors. It is anticipated between 4 to 8 Chilean companies will participate in the study.

II. Procedures:

This questionnaire is comprised of 5 sections with a series of open-ended questions. Section 1 includes demographic information. Section 2 covers the thought process at the Board of Directors level in developing and executing a global expansion strategy. Section 3 focuses on the company's assessment of the adequacy of its current human capital resources to develop and execute a global expansion strategy. Section 4 is on determining the company's view on incorporating a foreign national at the Board of Directors. Section 5 allows for comments on any additional issues not raised in the interview. In Sections 2-4, you are requested to be as descriptive as possible.

The hour-long interview will be audiotaped, in the location selected by you. It is not anticipated a follow-up interview will be required; however, if one is required, a short follow-up may be requested, in which you are not obligated to agree to.

Finally, your participation is voluntary and neither you nor your company is being compensated in any manner.

III. Risks:

In this study, you will not have any more risks than you would in a normal day of life.

IV. Benefits:

Overall, the study expects to fill a gap currently existing in a literature research. Additionally, practitioners may gain necessary insight into the assessment of human capital resources when developing and executing a global strategy. Your participation in this study may not benefit you personally or professionally.

V. Voluntary Participation and Withdrawal:

You have voluntarily agreed to participate in this study. If, after the interview, you wish to withdraw your consent of participation, please email sdroll@student.gsu.edu of your decision. You may skip questions or stop participating at any time during the interview. Whatever you decide, you will not lose any benefits to which you are otherwise entitled.

APPROVED *Consent Form Approved by Georgia State University IRB November 16, 2012 - November 15, 2013*

VI. Confidentiality

The principal investigator (Dr. Wesley James Johnston), student principal investigator (Steven Droll) or designated representatives for the research project (for language or logistical reasons) will be privy to the responses of the questionnaire. All audio recordings will be transcribed to hard paper copy. All personal or company identifiers will be coded in order to protect the confidentiality of each interviewee. Materials, including interview notes and audio files, will be maintained on a computer requiring a passcode known only by the principal investigator and student principal investigator. As requested, certain information may be shared with those who make sure the study has been correctly performed (GSU Institutional Review Board for Human Research Protection (OHRP)). All research material will be confidentially maintained until such time they are no longer needed to support the research study.

VII. Contact Persons:

Contact Information for the Principal Investigator and Student Principal Investigator:

PI: Dr. Wesley Johnston: wesleyj@gsu.edu; Cell# 404-953-1164
Student PI: Steven Droll: sdroll1@student.gsu.edu; Cell# 770-653-9935

If you have any questions, concerns or complaints about the study, please feel free to contact one the above. If you believe the study has harmed you in any way or if you want to speak to someone about questions, concerns or suggestions about the study and who is not part of the study team, please contact Susan Vogtner in the Georgia State University Office of Research Integrity at 404-413-3513 or svogtner1@gsu.edu.

VIII. Copy of Consent Form:

A copy of the consent form will be provided to you.

If you are willing to volunteer for this research and be audio recorded, please sign below.

______________________________ ____________________
Participant Date

______________________________ ____________________
Principal Investigator or Researcher

APPROVED *Consent Form Approved by Georgia State University IRB November 16, 2012 - November 15, 2013*

11.3 QUESTIONNAIRE

Foreign Nationality Diversity at the Board of Directors level of Chilean Companies

Questionnaire Protocol for members of Board of Directors of selected Chilean companies

Section 1: Global Expansion Strategy

a) Please describe the organizational and/or competitive landscape that caused your company to undertake an international expansion strategy. Did the company develop a formal international expansion strategy or is one that has been developed over time without significant thought?

b) Did the Board of Directors raise the concept of international expansion or was it raised by the senior management team of the company?

c) Were the Board of Directors and the senior management team in agreement that international expansion was a strategy requiring careful consideration? Who seemed to be more interested in the company having an international strategy---Board of Directors or senior management?

d) What appeared to be the driving factors influencing the need to develop an international expansion strategy---Chilean market limitations, internal/external competitive forces, organizational influences, etc.

e) Explain the process in which the international expansion strategy was developed; in other words, who had ultimate responsibility in the development of the strategy---led by the Board of Directors; led by the senior management team; combination of the two?

f) In developing the strategy, did the company ever assess if it had the knowledge base internally to handle an expansion of operations outside of Chile?

g) How did the company assess the market conditions, institutional aspects and cultural differences of each market identified as a potential participant in the international expansion strategy? Did the company want to grow organically or through acquisition?

h) How many months did it take to develop, present and approve the strategy? And were there iterations in the process?

i) Were the pros and cons of the global expansion strategy fully discussed at the Board of Directors level?

j) What was the stated overall objective of the international expansion strategy?

k) Was the company in a sound financial condition to support the strategy?

l) How was the strategy announced to the employee base? How was it received?

m) How was the strategy announced to the Chilean market place? To the countries where new operations were going to take place? How has the execution of international expansion strategy change the public's perception of the company?

n) What role did you have during the process?

o) In hindsight, what went right during the process of developing the international expansion strategy; what went wrong?

Section 2: Assessing Human Capital Resources

a) During the development of the international expansion strategy, was there an analysis on the human capital resources of the company conducted? In other words, was there an assessment at the Board of Directors and/or senior management levels to determine if the company had the organizational resources to manage operations outside of Chile?

b) If no analysis was conducted, who provided the insight into conducting business outside of Chile? Did individuals step forward at the Board or senior management level? What was the background of those individuals---nationality, education, language ability, etc.? Was an external consulting firm engaged to provide direction in developing the strategy?

c) If an analysis was conducted, were those individuals asked to be a part of the team charged with the development of the international expansion strategy? What was their background---nationality, education, language ability, etc.?

d) Who was given the responsibility of implementing the international expansion strategy and were they provided the necessary resources (human capital, financial) for its successful implementation?

e) The individual or individuals assigned the responsibility for executing the international expansion strategy, did they have the appropriate managerial and personal qualifications for the assignment?

Section 3: Foreign Nationality Diversity

a) It appears the company does not have any foreign nationals on its Board of Directors, yet the company has an international expansion strategy---has the company ever considered adding a foreign national to its Board of Directors or senior management team? If not, why?

b) Cooptation is a strategy to reduce uncertainty in a company's operating environments by including external members on the Board of Directors who will: 1) add managerial skills/expertise that may be lacking at the Board of Directors level; 2) provide support/knowledge of external organizations (customers, regulators, financial institutions and 3) shows a commitment to a strategy (at least from an external perspective). Based on this perspective, do you think the appointment of a foreign national to the Board of Directors would have been beneficial during the development of the global expansion strategy? What about currently, would the appointment of a foreign national be beneficial to the continued refinement and execution of the international expansion strategy?

c) The addition of a foreign national with extensive experience in legal affairs in many countries could provide insight in to the legal framework of identified countries. Or a foreign national marketing executive, in a non-competing industry, could provide marketing insight into the most effective means of marketing in the countries of interest. There are other examples…do you think it would be better to add a foreign national at the Board of Directors, the senior management level in order to provide additional support in expertise areas that are critical to the company?

d) What would be your expectations as to the benefits to the Board of Directors as well as the company, if a foreign national were to be added to the Board of Directors and or senior management level? What would be the disadvantages on the other hand?

e) What do you believe should be the professional and personal characteristics of a foreign national appointment to the Board of Directors and or the senior management team?

f) What do you perceive to be the barriers to adding a foreign national at the Board of Directors?

g) What do you perceive to be the barriers to adding a foreign national at the senior management level?

Section 4: Additional thoughts or comments?

Thank you for your time and cooperation.

Your openness and willingness to share your thoughts and experiences are greatly appreciated. Over the next several days, additional interviews will be conducted with other members of your Board of Directors as well with members of Board of Directors of other Chilean companies. Through the analysis of all interview data, it is expected there will be a greater insight into the development and execution of global expansion strategies of Chilean companies and the inclusion of foreign nationals at the Board of Directors and/or senior management levels.

11.4 TOP LATIN AMERICA MULTINATIONAL RANKINGS – 2010 -2012

Table 4

Top Multilatinas Companies

Rank 2010	Rank 2009	Company	Country of Origen	Sector	2009 US$ Millions	Revenue Growth %	2009 Net Income US$ Millions	Employees 2009	# of Countries	# of Econ. Zones	Coverage %	Revenues % 2009	Investment % 2009	% of Workers 2009	Global Index
1	3	GRUPO JBS (FRIBOI)	BR	Alimentos	20,547.8	**58.3**	**-166.1**	**55,019**	**11**	**5**	**69.7**	**85.2**	**85.0**	**76.5**	**79.1**
2	1	TENARIS	AR	Siderurgia	8,149.3	(32.8)	1,161.6	24,000	10	5	69.0	83.1	84.0	73.0	77.1
3	2	CEMEX	MX	Cemento	15,138.7	(13.9)	107.9	57,000	33	9	97.7	79.8	64.0	64.0	76.5
4	5	BRIGHTSTAR	BO	Telecom.	3,500.0	-	-	3,200	41	7	100,0	59.3	69.0	80.0	72.2
5	7	GRUPO ALFA	MX	Autopartes/	8,849.9	5.4	154.6	50,992	17	6	82.7	52.3	70.0	51.0	69.2
6	8	LAN	CL	Aerolíneas	3,655.5	(20.3)	292.4	16,844	14	5	74.9	73.0	70.2	40.6	68.4
7	4	VALE	BR	Minería	27,852.4	(7.7)	5,886.1	62,500	34	9	92.1	35.0	46.5	20.0	66.7
8	6	GERDAU	BR	Siderurgia	15,242.4	(15.0)	644.4	40,000	14	6	70.4	53.0	58.2	46.3	66.1
9	9	CONST. NORBERTO ODEBRECHT	BR	Ingeniería	4,800.0	(3.0)	-	82,159	34	7	88.4	68.8	56.0	49.0	65.8
10	20	TELMEX	MX	Telecom.	9,115.3	1.6	1,566.6	78,000	9	3	60.4	67.4	51.0	70.1	64.6
11	13	GRUPO BIMBO	MX	Alimentos	8,914.7	49.8	455.8	97,000	16	6	71.5	54.6	58.0	51.0	63.6
12	10	PETROBRAS	BR	Petróleo	101,648.4	10.8	15,342.4	74,240	28	7	84.9	29.0	33.6	10.0	59.6
13	11	AMÉRICA MÓVIL	MX	Telecom.	30,209.2	20.9	5,395.3	52,879	18	4	68.8	63.9	32.1	68.7	59.3
14	12	AJEGROUP	PE	Bebidas	980.0	(10.1)	-	9,500	12	4	56.0	76.0	62.0	73.0	58.8
15	-	MARFRIG	BR	Alimentos	5,316.6	107.8	277.3	40,000	13	6	76.8	39.3	40.0	35.0	57.0
16	19	CAMARGO CORRÊA CIMENTOS	BR	Cemento	1,500.0	(9.9)	-	3,900	4	1	38.8	48.0	67.0	60.8	54.8
17	14	SUDAMERICANA DE VAPORES	CL	Naviera	3,031.9	(38.6)	(669.7)	8,577	5	5	58.8	90.3	36.0	68.0	54.6
18	18	EMBRAER	BR	Aeroespacia	6,812.0	19.0	542.4	16,853	5	4	58.8	86.0	45.0	12.6	54.0
19	16	INTEROCEÁNICA	CL	Naviera	879.4	(10.6)	(28.2)	3,019	4	4	55.5	81.0	56.0	54.0	53.4
20	17	CENCOSUD	CL	RETAIL	10,518.2	11.2	190.2	102,162	5	1	43.4	55.5	50.3	44.0	53.0
21	22	MEXICHEM	MX	Petroquímic	2,349.5	3.3	211.1	10,000	15	4	65.5	76.2	30.5	72.0	53.0
22	54	GRUPO NAC. DE CHOCOLATES	CO	Alimentos	2,261.3	24.4	105.1	28,312	4	2	37.1	37.7	69.9	19.7	52.4
23	21	GRUPO CAMARGO CORRÊA	BR	Constr,/Inge	6,950.0	(3.1)	-	54,400	14	5	69.7	22.2	46.9	28.2	52.1
24	23	WEG	BR	Maquinaria	2,055.6	(11.5)	315.0	19,105	47	7	97.6	34.3	26.0	10.3	50.1
25	32	SONDA	CL	Tecnología	738.8	12.0	62.3	10,614	8	3	52.7	55.0	40.0	77.3	49.9
26	15	PDVSA	VE	Petróleo	68,000.0	(41.1)	6,000.0	83,457	10	5	68.4	94.4	5.2	6.1	48.7
27	25	VOTORANTIM CIMENTOS	BR	Cemento	3,110.0	(4.5)	-	11,000	3	3	44.7	36.0	48.0	34.9	48.0
28	50	SADIA	BR	Alimentos	5,577.1	4.4	(1,389.9)	60,580	13	3	76.8	47.0	10.0	80.0	47.4
29	31	FALABELLA	CL	RETAIL	6,713.0	9.5	299.0	70,841	4	1	38.8	36.5	40.0	38.2	47.3
30	24	POLLO CAMPERO	GU	Alimentos	300.0	(14.3)	-	5,000	13	6	69.3	75.0	11.0	78.0	47.1
31	39	GRUPO TACA	ELS	Aerolíneas	925.0	(1.6)	-	6,500	5	1	29.4	80.0	17.0	79.0	46.6
32	26	CMPC	CL	Forestal	3,247.7	9.0	130.8	12,567	6	2	47.7	70.0	27.0	30.5	46.3
33	29	FEMSA	MX	Bebidas	15,080.0	24.1	758.3	122,981	9	3	51.3	40.7	18.5	32.8	46.1
34	55	ITAÚ - UNIBANCO	BR	Banca	44,242.0	83.6	5,804.5	110,000	11	4	73.3	10.5	2.5	10.0	44.9
35	35	GRUMA	MX	Alimentos	3,864.2	19.3	116.0	18,179	12	7	71.7	72.6	15.0	11.8	44.7
36	37	ARAUCO	CL	Forestal/Cel	2,782.9	(24.6)	168.0	36,000	4	1	38.8	90.0	19.0	21.3	44.4
37	36	VIÑA CONCHA Y TORO	CL	Bebidas	698.2	26.7	87.2	2,727	28	7	91.4	83.2	7.0	14.6	44.3
38	43	GRUPO ELEKTRA	MX	RETAIL	3,275.4	7.2	380.7	38,000	8	3	48.3	14.9	29.0	21.0	44.1
39	30	ARCOR	AR	Alimentos	2,200.0	(1.4)	-	20,000	16	6	73.1	15.4	26.0	27.9	42.7
40	44	VITRO	MX	Vidrio	1,836.2	(12.5)	(63.5)	19,385	10	5	69.0	53.6	16.0	19.0	42.6
41	27	GRUPO MODELO	MX	Bebidas	6,265.3	15.0	660.5	37,598	6	3	57.4	40.9	13.9	3.0	42.5
42	52	ANDRADE GUTIERREZ	BR	Ingeniería/c	4,500.0	(7.6)	-	4,844	17	6	69.7	15.4	9.8	5.2	42.0
43	46	ARACRUZ CELULOSE/ FIBRIA	BR	Celulosa	1,800.0	(6.4)	(1,124.5)	-	5	4	61.5	40.0	27.0	2.0	41.7
44	45	TAM	BR	Aerolíneas	5,780.2	11.1	(582.0)	24,164	10	3	74.6	30.8	5.0	5.6	41.4
45	40	GRUPO CASA SABA (FASA)	MX	RETAIL	1,602.6	(2.5)	8.4	12,398	3	2	34.1	60.0	28.0	68.0	41.3
46	34	P.I. MABE	MX	Pañales	220.0	(12.7)	-	3,600	5	3	51.3	45.0	46.0	25.0	41.2
47	28	MADECO	CL	Forestal	394.4	(63.1)	40.0	2,417	5	1	43.4	61.5	18.0	46.2	40.7
48	33	DUAS RODAS	BRA	Alimentos	450.0	(10.0)	-	-	24	7	87.6	4.0	39.0	8.9	39.4
49	42	LUPATECH	BR	Ingeniería	244.8	(30.3)	(15.1)	2,950	3	2	44.1	28.3	36.0	25.3	38.8
50	47	GRUPO TELEVISA	MX	Medios	4,006.8	15.5	459.8	18,000	8	3	51.3	14.9	22.3	10.5	38.1
51	38	SABO IND. Y COM. DE AUTOPECAS	BRA	Autopartes	300.0	(13.5)	-	-	8	3	72.6	42.1	20.1	28.0	38.0
52	53	CÍA. SIDERURGICA NACIONAL	BR	Siderurgia	6,305.1	(11.4)	-	15,629	3	3	51.3	22.6	12.9	6.0	37.1
53	41	METALFRIO	BR	Electrodome	369.4	(5.2)	20.0	-	5	4	60.7	21.0	19.6	45.0	36.6
54	51	MARCOPOLO	BR	Autopartes	1,181.8	(4.8)	78.4	13,364	8	5	60.0	23.5	13.6	20.6	36.4
55	59	GRUPO GLORIA	PE	Alimentos	896.8	0.6	52.6	1,500	6	2	46.0	19.0	15.8	22.0	35.7
56	60	NATURA	BR	Cosméticos	2,359.7	52.4	392.8	5,698	9	3	60.4	6.9	4.9	23.0	35.6
57	48	RIPLEY	CL	RETAIL	1,753.4	7.6	12.9	20,194	2	1	25.0	26.0	30.9	26.9	35.5
58	49	LABORATORIOS BAGÓ	AR	Farmacéutic	510.0	(5.6)	-	4,800	18	4	68.8	22.0	1.0	65.0	34.7
59	57	TIGRE (TUBOS DE CONEXIÓN)	BR	MAT. CONST	815.0	(4.0)	-	-	9	2	60.0	15.0	28.0	18.3	34.4
60	56	ARTECOLA	BR	Química	450.0	(10.0)	-	-	6	2	47.7	17.0	29.0	18.7	33.1

Source: http://ranking.americaeconomia.com/2010/

Table 5

Top Multilatinas Companies

Rank 2011	Rank 2010	Company	Country of Origen	Sector	2010 Revenues US$ Millions	Revenue Growth %	2010 Net Income US$ Millions	Employees 2010	# of Countries	# of Econ. Zones	Coverage %	Revenues % 2010	Investment % 2010	% of Workers 2010	Global Index
1	4	BRIGHTSTAR	BO	Telecom.	6.400,0	-	-	3,600	61	8	100,0	60,3	76,0	84,0	82.3
2	1	GRUPO JBS (FRIBOI)	BR	Alimentos	28.417,6	38,3	215	123,936	21	8	77,6	89,2	65,5	64,0	78.2
3	3	CEMEX	MX	Cemento	14.434,5	-4,7	-1.337,4	46,500	35	8	96,3	75,6	67,7	65,8	77.7
4	2	TENARIS	AR	Siderurgia	7.711,0	-5,4	1.127,4	22,591	11	5	71,9	80,4	81,0	71,7	77.0
5	6	LAN	CL	Aerolíneas	4.387,1	20,0	419,4	17,000	19	7	73,8	78,0	76,4	43,0	73.2
6	10	TELMEX	MX	Telecom.	8.132,5	-10,8	1.245,7	74,769	9	3	59,5	94,9	50,2	92,2	70.0
7	5	GRUPO ALFA	MX	Autopartes/	11.044,5	24,8	398,9	52,000	17	6	81,5	54,0	71,0	51,5	69.8
8	-	IMPSA (PESCARMONA)	AR	Energía	788,9	-	-	1,500	11	3	65,7	84,0	78,0	65,0	69.0
9	7	VALE	BR	Minería	49.949,0	79,3	18.047,1	60,036	38	9	89,9	33,6	49,8	27,1	67.2
10	9	CONST. NORBERTO ODEBRECHT	BR	Ingeniería	5.500,0	8,9	-	87,662	34	7	87,2	70,5	56,0	48,6	66.3
11	8	GERDAU	BR	Siderurgia	18.841,2	23,6	1.285,9	-	14	6	69,4	38,9	59,9	48,0	65.1
12	14	AJEGROUP	PE	Bebidas	1.127,0	15,0	-	9,800	16	4	72,7	78,0	67,3	74,0	64.0
13	11	GRUPO BIMBO	MX	Alimentos	9.487,2	6,4	436,8	102,000	18	6	71,6	55,0	60,1	52,7	63.8
14	12	PETROBRAS	BR	Petróleo	128.000,0	25,6	21.119,5	76,919	28	8	83,8	34,5	31,0	19,9	61.3
15	31	AVIANCA – TACA	CO/ESL	Aerolíneas	3.000,0	-	-	6,700	23	4	74,3	82,0	22,0	77,0	61.3
16	-	LABORATORIOS BAGÓ	AR	Farmacéutic	654,5	12,0	-	6,500	18	4	67,9	23,1	85,0	69,0	60.3
17	13	AMÉRICA MÓVIL	MX	Telecom.	49.220,6	62,9	7.354,2	55,000	18	4	67,9	36,0	33,0	70,0	60.2
18	22	GRUPO NAC. DE CHOCOLATES	CO	Alimentos	2.224,9	-1,6	172,1	28,200	11	4	58,9	38,0	71,6	19,5	59.1
19	45	GRUPO CASA SABA (FASA)	MX	RETAIL	4.100,0	-	52,3	11,922	4	2	39,1	73,0	53,0	70,0	58.8
20	15	MARFRIG	BR	Alimentos	7.788,1	46,5	147,5	-	22	6	81,1	54,9	31,6	41,7	57.0
21	17	SUDAMERICANA DE VAPORES	CL	Naviera	5.448,1	79,7	170,7	6,972	6	5	58,3	93,4	37,4	63,0	54.1
22	20	CENCOSUD	CL	RETAIL	11.822,2	12,4	632,5	101,392	5	1	42,8	56,0	48,3	55,6	54.0
23	16	CAMARGO CORRÊA CIMENTOS	BR	Cemento	1.663,2	10,9	-	4,751	4	1	38,3	51,0	66,0	56,7	53.7
24	28	BRASIL FOODS	BR	Alimentos	12.741,8	128,5	224,1	120,000	25	5	91,5	41,9	16,0	17,0	53.7
24	19	INTEROCEÁNICA	CL	Naviera	821,9	-6,5	47,0	2,918	4	4	54,8	79,2	58,0	54,0	53.7
26	21	MEXICHEM	MX	Petroquímic	2.953,7	25,7	299,1	-	15	4	64,6	76,2	30,1	70,0	53.7
27	37	VIÑA CONCHA Y TORO	CL	Bebidas	798,6	14,4	89,5	2,935	28	7	83,3	81,5	19,4	13,4	42.7
28	25	SONDA	CL	Tecnología	951,9	28,8	71,6	10,882	9	3	54,4	55,3	42,0	79,5	51.7
29	35	GRUMA	MX	Alimentos	3.761,3	-2,7	41,9	19,646	14	7	75,0	66,9	18,4	62,6	51.2
30	18	EMBRAER	BR	Aeroespacia	5.216,2	-23,4	314,7	17,009	5	4	57,9	93,0	26,5	11,0	50.6
31	36	ARAUCO	CL	Forestal/Cel	3.788,4	36,1	694,0	34,803	10	6	65,7	87,0	23,3	21,6	50.2
32	43	FIBRIA	BR	Celulosa	3.771,1	60,2	359,3	-	7	4	67,3	44,0	28,0	4,0	49.8
33	32	CMPC	CL	Forestal	3.817,9	17,6	637,1	14,382	9	2	55,1	72,5	30,0	33,0	49.6
34	24	WEG	BR	Maquinaria	2.629,2	27,9	312,0	22,984	47	7	96,2	26,5	19,2	14,9	48.6
35	27	VOTORANTIM CIMENTOS	BR	Cemento	5.315,6	70,9	-	11,700	4	3	47,6	35,0	49,0	36,0	48.3
36	30	POLLO CAMPERO	GU	Alimentos	400,0	33,3	-	5,150	13	6	70.0	72,0	10,1	76,5	48.3
37	26	PDVSA	VE	Petróleo	95.529,9	27,4	6.650,1	91,949	10	5	67,5	95,2	5,2	5,6	48.2
38	44	TAM	BR	Aerolíneas	6.811,8	17,8	381,6	28,193	13	3	76,2	31,3	9,0	8,3	48.0
39	29	FALABELLA	CL	RETAIL	8.086,1	20,5	882,5	67,465	4	1	38,3	39,5	39,6	41,0	48.0
40	-	GRUPO ARGOS	CO	Cemento	1.594,0	-0,5	-	16,000	6	3	49,1	44,0	32,1	35,0	47.6
41	41	GRUPO MODELO	MX	Bebidas	6.884,3	9,9	805,2	36,707	22	9	78,7	47,0	15,6	2,9	47.0
42	59	TIGRE (TUBOS DE CONEXIÓN)	BR	MAT. CONST	1.280,0	57,1	-	-	9	2	59,2	22,4	43,2	24,7	46.2
43	-	SUZANO PAPEL E CELULOSE	BR	Celulosa	2.709,1	19,4	-	-	8	4	72,3	71,0	10,2	5,2	45.8
44	53	METALFRIO	BR	Electrodome	470,2	27,3	40,1	-	6	4	64,6	36,5	41,0	50,0	45.3
45	46	P.I. MABE	MX	Pañales	280,0	27,3	-	-	18	6	70,5	46,1	36,2	24,1	44.5
46	39	ARCOR	AR	Alimentos	2.386,7	8,5	-	22,000	16	6	72,1	16,3	27,2	30,0	44.3
47	34	ITAÚ - UNIBANCO	BR	Banca	46.316,9	4,7	7.796,1	112,000	12	4	73,2	12,0	3,8	9,8	43.6
48	50	GRUPO TELEVISA	MX	Medios	4.684,9	16,9	622,2	24,362	8	3	50,6	16,8	22,1	11,0	42.9
49	38	GRUPO ELEKTRA	MX	RETAIL	3.726,3	13,8	17,5	37,498	8	3	47,6	15,0	28,4	17,6	42.9
50	33	FEMSA	MX	Bebidas	13.741,5	12,0	3.259,3	127,179	9	3	50,6	44,4	18,0	33,4	42.6
51	23	GRUPO CAMARGO CORRÊA	BR	Constr,/Inge	9.698,0	39,5	-	57,864	14	5	68,7	18,4	15,0	22,5	42.4
52	40	VITRO	MX	Vidrio	1.885,5	2,7	-111,3	16,989	10	5	68,1	56,1	15,8	17,0	41.9
53	42	ANDRADE GUTIERREZ	BR	Ingeniería/c	10.895,3	142,1	-	18,293	13	7	67,3	25,2	7,5	9,7	41.7
54	60	ARTECOLA	BR	Química	378,0	44,8	-	-	6	2	47,0	28,0	29,8	21,0	39.4
55	-	COPA AIRLINES	PA	Aerolíneas	1.411,1	12,6	212,1	4,772	7	6	60,4	25,3	18,0	24,0	39.2
56	47	MADECO	CL	Forestal	338,8	-14,1	8,0	2,370	3	1	32,6	58,6	17,0	50,7	39.2
57	52	CÍA. SIDERURGICA NACIONAL	BR	Siderurgia	8.300,6	31,6	1.677,0	16,974	3	3	50,6	26,2	13,4	7,3	37.9
58	56	NATURA	BR	Cosméticos	3.082,9	30,6	446,6	6,260	9	4	63,1	7,2	7,6	26,7	37.8
59	-	BEMATECH	BR	Tecnología	199,5	8,4	21,2	-	25	7	85,9	13,6	15,0	8,3	37.4
60	54	MARCOPOLO	BR	Autopartes	1.779,2	50,6	178,0	20,016	7	5	57,3	18,0	11,3	31,6	35.7
61	55	GRUPO GLORIA	PE	Alimentos	817,0	-8,9	75,8	1,600	6	2	45,3	16,3	14,2	24,0	35.7
62	49	LUPATECH	BR	Ingeniería	349,0	9,5	-43,8	2,951	38	6	47,6	23,6	13,7	26,2	34.8
63	-	TOTVS	BR	Tecnología	677,9	19,4	82,7	-	19	5	80,1	3,8	2,8	7,4	34.2
64	-	DHB COMPON. AUTOMOTIVOS	BR	Autopartes	169,7	20,7	-	950	25	7	83,9	10,5	3,6	1,6	34.1
65	-	CINÉPOLIS	MX	Entretenimi	787,5	16,9	-	15,702	10	4	53,6	5,0	7,5	6,0	33.9
66	57	RIPLEY	CL	RETAIL	2.122,8	21,1	106,8	19,574	2	1	24,6	27,0	28,2	29,0	33.7

Source: http://ranking.americaeconomia.com/2011/

Table 6

Top Multilatinas Companies

Rank 2012	Rank 2011	Company	Country of Origen	Sector	2011 Revenues US$ Millions	Revenue Growth %	2011 Net Income US$ Millions	Employees 2011	# of Countries	# of Econ. Zones	Coverage %	Revenues % 2011	Investment % 2011	% of Workers 2011	Global Index
1	2	GRUPO JBS (FRIBOI)	BR	Alimentos	32,944.0	(0.3)	(345.4)	128,036	22	8	79.2	89.2	66.5	61.7	80.3
2	1	BRIGHTSTAR	BO	Telecom.	4,700.0	13.8	-	3,750	50	8	100.0	60.3	77.1	84.0	80.1
3	5	LAN	CL	Aerolíneas	5,718.2	30.3	320.2	21,838	20	7	75.3	75.1	77.6	48.2	79.8
4	3	CEMEX	MX	Cemento	13,546.2	(6.2)	(1,371.3)	46,500	36	8	98.2	75.6	68.7	65.8	79.0
5	4	TENARIS	AR	Siderurgia	9,972.5	29.3	1,331.2	25,422	12	5	73.3	80.4	82.3	71.5	77.0
6	6	TELMEX	MX	Telecom.	7,057.0	(13.2)	1,045.5	19,026	9	3	61.2	95.9	51.0	89.9	71.6
7	7	GRUPO ALFA	MX	Autopartes/Petr	13,053.1	18.2	373.2	56,978	17	6	83.8	45.0	72.1	27.0	68.1
8	9	VALE	BR	Minería	55,014.1	10.1	20,158.7	70,785	39	9	92.4	18.4	50.6	27.1	66.7
9	11	GERDAU	BR	Siderurgia	18,875.6	0.2	1,069.3	50,000	14	6	71.3	38.9	60.9	48.0	66.1
10	12	AJEGROUP	PE	Bebidas	1,450.0	28.7	-	10,000	16	4	74.9	78.0	68.4	74.0	65.1
11	8	IMPSA (PESCARMONA)	AR	Energía	1,066.9	35.2	-	3,108	13	4	67.5	46.3	79.2	49.8	64.9
12	10	CONST. NORBERTO ODEBRECHT	BR	Ingeniería	32,325.0	38.5	-	89,500	34	7	89.6	34.6	57.0	48.6	64.3
13	13	GRUPO BIMBO	MX	Alimentos	10,462.8	10.3	382.1	126,747	19	6	73.7	54.4	61.1	52.7	64.2
14	16	LABORATORIOS BAGÓ	AR	Farmacéutica	1,012.0	54.6	-	6,500	18	4	69.9	23.1	86.4	67.5	62.5
15	-	SIGDO KOPPERS	CL	Const./Ing.	2,016.9	9.9	334.8	20,334	25	8	84.5	43.5	70.4	25.0	61.4
16	17	AMÉRICA MÓVIL	MX	Telecom.	47,689.6	(3.1)	5,923.7	56,500	18	4	69.9	36.0	33.6	70.0	61.1
17	14	PETROBRAS	BR	Petróleo	130,171.7	1.7	17,759.4	80,492	29	9	86.3	34.5	31.5	17.5	60.4
18	-	ISA (INTERCONEX ELEC)	CO	Trans. Ener. EL.	2,240.3	27.8	168.0	3,435	7	2	48.1	70.1	92.3	65.3	59.9
19	19	GRUPO CASA SABA (FASA)	MX	RETAIL	4,670.0	13.9	-	11,758	4	2	40.3	73.0	53.9	68.4	59.4
20	20	MARFRIG	BR	Alimentos	11,548.8	48.3	(243.9)	96,000	23	7	83.5	60.1	32.1	41.7	59.0
21	15	AVIANCA – TACA	CO/ESL	Aerolíneas	3,279.4	9.3	-	6,950	25	4	76.5	82.0	22.4	77.0	58.9
22	18	GRUPO NAC. DE CHOCOLATES	CO	Alimentos	2,736.4	23.0	186.1	29,679	11	4	60.7	30.5	72.8	20.9	58.6
23	21	SUDAMERICANA DE VAPORES	CL	Naviera	5,151.9	(5.4)	(1,249.8)	9,749	6	5	60.0	93.4	38.0	63.0	55.6
24	24	INTEROCEÁNICA	CL	Naviera	879.9	7.1	(39.9)	3,251	4	4	56.6	79.2	59.0	54.0	54.3
25	26	MEXICHEM	MX	Petroquímica	3,415.8	15.6	197.5	10,000	16	6	66.7	76.0	30.6	70.0	53.9
26	24	BRASIL FOODS	BR	Alimentos	13,485.5	5.8	1,155.2	127,982	27	5	94.5	40.0	16.3	16.4	53.7
27	32	FIBRIA	BR	Celulosa	3,121.0	(17.2)	(462.2)	16,956	8	4	69.8	58.0	28.5	4.0	53.3
28	23	CAMARGO CORRÊA CIMENTOS	BR	Cemento	1,325.3	-	-	4,700	4	1	39.4	39.0	67.1	57.4	53.3
29	22	CENCOSUD	CL	RETAIL	13,971.2	18.2	744.9	126,530	5	1	44.1	46.0	49.1	57.0	53.1
30	34	WEG	BR	Maquinaria	2,766.5	5.2	312.9	19,406	49	8	99.8	33.7	19.5	14.9	52.3
31	28	SONDA	CL	Tecnología	1,136.8	19.4	77.9	10,882	9	3	56.4	55.3	42.7	79.5	52.0
32	31	ARAUCO	CL	Forestal/Celulos	4,451.4	17.5	620.8	35,704	11	6	68.1	88.0	23.7	23.6	51.7
33	29	GRUMA	MX	Alimentos	4,104.4	9.1	377.9	21,318	16	7	77.8	65.7	18.7	63.3	51.5
34	27	VIÑA CONCHA Y TORO	CL	Bebidas	770.1	(3.6)	93.2	2,848	30	7	86.0	77.4	19.7	13.8	51.4
35	33	CMPC	CL	Forestal	4,613.3	20.8	492.1	15,068	9	2	57.1	75.8	30.5	29.5	51.2
36	38	TAM	BR	Aerolíneas	6,927.4	1.7	(178.6)	28,193	13	3	79.0	31.3	9.2	8.3	51.0
37	40	GRUPO ARGOS	CO	Cemento	779.2	(51.1)	-	6,263	7	3	50.9	51.0	32.7	38.9	50.0
38	41	GRUPO MODELO	MX	Bebidas	6,539.0	(5.0)	856.4	36,566	22	9	81.6	51.6	15.9	2.9	49.6
39	35	VOTORANTIM CIMENTOS	BR	Cemento	5,680.0	6.9	-	12,000	4	3	49.4	35.0	49.8	36.0	48.4
40	36	POLLO CAMPERO	GU	Alimentos	400,0	-	-	7,000	13	6	72.6	72.0	10.3	76.5	48.4
41	37	PDVSA	VE	Petróleo	102,500.0	7.3	-	80,000	10	5	70.0	95.2	5.3	4.7	48.1
42	30	EMBRAER	BR	Aeroespacial	5,140.6	(19.5)	385.2	17,149	6	4	60.0	87.0	27.0	12.3	47.4
43	42	TIGRE (TUBOS DE CONEXIÓN)	BR	MAT. CONSTRU(	1,460.0	14.1	-	5,200	10	2	61.4	22.4	44.0	25.0	47.0
44	39	FALABELLA	CL	RETAIL	9,044.0	11.8	811.3	70,841	4	1	39.7	31.0	40.3	40.2	46.7
45	45	P.I. MABE	MX	Pañales	320.0	14.3	-	20,000	21	6	73.1	46.1	36.7	24.1	45.3
46	44	METALFRIO	BR	Electrodoméstic	402.6	(14.4)	3.9	1,600	6	4	67.0	29.8	41.7	51.0	44.8
47	46	ARCOR	AR	Alimentos	2,540.0	6.4	-	20,000	16	6	74.8	16.3	27.6	28.7	44.5
48	43	SUZANO PAPEL E CELULOSE	BR	Celulosa	2,538.3	(6.3)	52.1	4,352	9	5	75.0	58.0	10.4	6.0	43.4
49	48	GRUPO TELEVISA	MX	Medios	4,486.9	(4.2)	494.0	24,362	8	3	52.5	16.8	22.4	10.5	43.0
50	49	GRUPO ELEKTRA	MX	RETAIL	3,729.6	0.1	2.1	39,429	8	3	49.6	15.0	28.8	16.8	42.7
51	63	TOTVS	BR	Tecnología	681.9	0.6	90.0	5,507	19	5	83.6	47.0	2.8	6.7	42.4
52	51	GRUPO CAMARGO CORRÊA	BR	Constr,/Ingenier	9,610.0	(0.9)	-	61,700	14	5	71.5	18.4	15.2	16.9	42.2
53	50	FEMSA	MX	Bebidas	14,501.6	5.5	761.0	177,470	9	3	52.7	41.1	18.3	35.6	42.0
54	53	ANDRADE GUTIERREZ	BR	Ingeniería/const	8,400.0	(22.9)	-	175,533	38	8	70.1	25.2	7.6	9.7	41.7
55	64	DHB COMPON. AUTOMOTIVOS	BR	Autopartes	163.1	(3.9)	16.8	1,151	26	7	87.6	25.7	3.6	1.6	40.5
56	55	COPA AIRLINES	PA	Aerolíneas	1,550.0	9.8	-	5,000	7	6	62.9	25.3	18.2	22.7	39.3
57	54	ARTECOLA	BR	Química	238.3	(36.9)	-	1,831	6	2	48.9	21.6	30.1	16.3	39.3
58	59	BEMATECH	BR	Tecnología	158.4	(20.6)	(22.6)	1,144	27	7	89.4	13.6	15.2	9.1	37.9
59	52	VITRO	MX	Vidrio	2,030.0	7.7	27.6	17,628	11	5	70.9	48.5	16.0	17.0	37.7
60	60	MARCOPOLO	BR	Autopartes	1,804.6	1.4	182.9	17,231	12	7	59.6	27.1	11.4	26.1	37.5
61	58	NATURA	BR	Cosméticos	2,980.8	(3.3)	443.0	7,037	10	3	65.7	7.2	7.7	21.7	36.9
62	61	GRUPO GLORIA	PE	Alimentos	954.1	16.8	84.1	13,680	6	2	47.2	16.3	14.4	24.0	35.8
63	66	RIPLEY	CL	RETAIL	1,821.0	(14.2)	154.0	20,863	2	1	25.7	29.3	28.5	30.3	35.0
64	56	MADECO	CL	Forestal	428.2	26.4	19.2	2,416	3	1	33.9	38.2	17.2	53.2	34.9
65	62	LUPATECH	BR	Ingeniería	327.3	(6.2)	(92.9)	3,215	39	6	49.7	23.6	13.9	20.8	34.4

Source: http://ranking.americaeconomia.com/2012/multilatinas/index.php

Methodology

In order to measure the degree of globalization of Latin American businesses, the America Economia Intelligence considered five principal variables that taken together would result in an index of Globalization.

The first three variables incorporated the concept of external operations from the principal place of conducting business. The first key variable was the percentage of revenues derived from exports from the headquarters location and the revenues of the international subsidiaries.

The second key variable considered was the number of employees (expressed as a percentage of the overall employee base) that worked in the international subsidiaries of the company.

Finally, the third key variable was the percentage of assets (current and fixed) located within their respective international operations. The three variables account for 50% of the Global Index, 10%, 10% and 30%, respectively.

The fourth key variable was the Geographic Coverage of the international operations. There are nine economic zones with varying degrees of difficulty related to the ease in which Latin American multinationals are able to enter the marketplace. The regions were South America, Central America, North America (Mexico, Canada) United States, Europe, Asia, Oceania and Middle East. Each company was assigned a weighting based on the number of economic regions and countries where international operations were located. This key variable was 20% of the Global Index.

Finally, the last variable, known as the Potential for International Growth, was the ability of the company to grow its international operations, which was based on three parameters. The first was based on the Revenue base of the company. The second parameter was the liquidity of the company (level of indebtedness). The final parameter was a qualitative factor using a base of 100 points. This parameter examined each company's plans for investment, recent acquisition activity and the capacity to grow its global presence. In those circumstances where information was not available from the company, estimations were developed using public information. This last variable carried a weighting of 30%, with three parameters carrying a weighting of 15%, 3% and 12%, respectively.

INTENTIONALLY LEFT BLANK

12. REFERENCES

Autio, E., Sapeienza, H., & Almeida, J. G. (2000). Effects of Age at Entry, Knowledge Intensity and Imitability on International Growth. The Academy of Management Journal , 43, 909-924.

Bantel, K., & Jackson, S. E. (1989). Top management and innovations in banking: does the composition of the top team make a difference? Strategic Management Journal , 10 (Special), 107-124.

Barkema, H. G., & Shvyrkov, O. (2007). Does Top Management Team Diversity Promote or Hamper Foreign Expansion? Strategic Management Journal , 28, 663-680.

Barkema, H. G., & Vermeulen, F. (1998). International Expansion Through Start-up or Acquisition: A Learning Perspective. Academy of Management Journal , 41 (1), 7-26.

Barlett, C., & Ghoshal, S. (1989). Managing Across Borders. The Transnational Solution. Boston, MA, USA: Harvard Business Scholl Press.

Black, S., Gregersen, H. B., & Mendenhall, M. E. (1992). Global Assignments: Successfully Expatriating and Repatriating International Managers. San Francisco, CA, USA: Jossey Bass Publishers.

Blomstermo, A., Eriksson, K., & Sharma, D. D. (2004). Domestic Activity and Knowledge Development in the Internationalization Process of Firms. Journal of International Entrepreneurship , 2 (3), 239-258.

Carpentar, M. A., & Fredrickson, J. W. (2001). Top Management Teams, Global Strategic Posutre, And The Moderating Role of Uncertainty. Academy of Management Journal , 44(3), 533-544.

Cavusgil, S. T. (1980). On The Internationalization Process of Firms. European Research , 8, 273-281.

Chen, R., Dyball, M. C., & Wright, S. (2009). The Link Between Board Composition and Corporate Diversification in Australian Corporations. Corporate Governance: An International Review , 17 (2), 208-223. CIA. (2012). The World Fact Book. Washington, D.C.: Central Intelligence Agency.

Cohen, W. M., & Levinthal, D. A. (1990). Absorptive Capacity: A New Perspective on Learning and Innovation. Administrative Science Quarterly , 35, 131-132.

Corbo, V. (1993). Economic Reforms In Chile: An Overview. Pontificia Universidad Catolica de Chile, Insituto De Economia. Santiago: Oficina De Publicacions.

Dallas, L. (1996). The Relational Board: Theories of Corporate Board of Directors. Journal of Corporation Law , 22, 1-22.

Davis, G. F., & Cobb, J. A. (2010). Resource Dependence Theory: Past and Future. Research in the Sociology of Organizations , 28, 21-42.

DiStefano, J., & Maznevski, M. L. (2000). Creating Value With Diverse Teams in Global Management. Organizational Dynamics , 29, 45-63.

Earley, P. C., & Mosakowski, E. (2000). Creating Hybrid Team Cultures: An Emprirical Test Of Transnational Team Functioning. Academy of Managment Journal , 43 (1), 26-49.

Economia, America. (2010). 2010 Multilatinas Rankings. Retrieved from http;//rankings.americaeconomia.com/2010/multilatinas/

Economia, America. (2011). 2011 Multilatinas Ranking. Retrieved from http://rankings.americaeconomia.com/2011/multilatinas/

Economia, America. (2012). 2012 Multilatinas Rankings. Retrieved from http://rankings.americaeconomia.com/2012/multilatinas/index.php

Eriksson, K., Johanson, J., Majkgard, A., & Sharma, D. D. (1997). Experiential Knowledge and Cost In The Internationalization Process. Journal of International Business Studies , 28 (2), 337-360.

Firestone, W. A. (1993). Alternative arguments for generalizing from data as applied to qualitative research. Educational Researcher , 22 (4), 16-23.

Fortune. (2009, July 20). Global 500 Rankings. Fortune .

Fortune. (2010, July 26). Global 500 Rankings. Fortune .

Fortune. (2011, July 25). Global 500 Rankings. Fortune .

Govindarajan, V., & Gupta, A. K. (2001). Building an Effective Global Team. MIT Sloan Management Review , 42 (4), 63-71.

Gwartney, J., Lawson, R., & Hall, J. (2012). Economic Freedom of the World: 2012 Annual Report. Vancouver, BC: Fraser Institute.

Hachette, D., & Luders, R. (1993). Privatization in Chile: An Economic Appraisal. International Center for Economic Growth (ICEG).

Hambrick, D. C., & Mason, P. A. (1984). Uppler Echelons: The Organization as a Reflection of Its Top Managers. Academy of Management Review , 9 (2), 193-206.

Harberger, A. (1985). Observations on the Chilean Economy, 1973 - 1985. Economic Development and Cultural Change , 33.

Harzing, A.-W. (2000). An Empirical Analysis and Extension of the Barlett and Ghoshal Typology of Multinational Companies. Jounal of Intenational Business Studies , 31 (1), 101-120.

Hillman, A. J., & Dalziel, T. (2003). Boards of Directors and Firm Performance: Integrating Agency and Resource Dependence Perspectives. Academy of Management Review , 28 (3), 383-396.

Hillman, A. J., Cannella, JR, A. A., & Paetzold, R. L. (2000). The Resource Dependence Role of Corporate Directors: Strategic Adaptation Of Board Composition In Response To Environment Change. Journal of Management Studies , 37 (2), 235-255.

Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource Dependence Theory: A Review. Journal of Management , 35 (6), 1404-1427.

Hillman, A. (2005). Politicians on the board: do connections affect the bottom line? Journal of Management , 31, 464-481.

Hillman, A., Shrosphire, C., & Cannella, JR, A. A. (2007). Organizational predictors of women on corporate boards. Academy of Management Journal , 50, 941-952.

Lefort, F. (2010). Business Groups in Chile. In T. H. Asli M. Colpan (Ed.), The Oxford Handbook of Business Groups (p. 389). London, England: Oxford University Press.

Lubin, J. S. (2005, October 31). Globalising the Boardroom: Companies World-Wide Add Foreign Directors, but Boards in U.S. Are SLow to Follow. The Wall Street Journal , p. B.!.

Lynall, M. D., Golden, B. R., & Hillman, A. J. (2003). Board Composition From Adolesence to Maturity: A Multheoretic View. Academy of Management Review , 28 (3), 416-431.

Majluf, N., Abarca, N., Rodriguez, D., & Fuentes, L. A. (1998). Governance and Ownership Structure in Chilean Economic Groups. Revista ABANTE , 1 (1), 111-139.

Management, T. B. (2003, Spring). Managing Across Borders. The British Journal of Administrative Management , 24-25.

Mathiassen, L., Chiasson, M., & Germonprez, M. (2011). Style Composition in Action Research Publication. MIS Quarterly , 35 (X), 1-17.

Meachin, D. (2005). Globalising the Boardroom: The Case for a New Kind of Diversity. Directorship , 31 (8), 14-15.

Miles, M. B., & Huberman, M. A. (1994). Qualitative Data Analysis (2 Edition ed.). SAGE.

Murray, A. (1989). Top management group heterogenity and firm performance. Strategic Management Journal , 10, 125-141.

Myers, M. D. (2009). QUALITATIVE RESEARCH in BUSINESS & MANAGEMENT . SAGE.

Nahapiet, J., & Groshal, S. (1998). Social Capital, Intellectual Capital and the Organizational Advantage. The Academy of Management Review , 23 (2), 242-266.

Palmer, T. M., & Varner, I. I. (2007). A Comparision of the International Diversity on Top Management Teams of Multinational Firms in the United Staes, Europe and Asia: Status and Implications. Singapore Management Review , 29 (1), 1-30.

Pfeffer, J. (2003). The External Control of Organizations: A Resource Dependence Perspective. Harper & Row.

Pfeffer, J., & Salancik, G. R. (1978). The External COntrol of Organizations: A Resource Dependence Perspective. Harper & Row.

Roth, K., Schweiger, D. M., & Morrisson, A. J. (1991). Gloabl Strategy Implementation at the Business Unit Level - Operational Capabilities and Administrative Mechanisms. Journal of International Business Studies , 22 (3), 369-402.

Sambharya, R. B. (1996). Foreign Experience of Top Management Teams and International Diversification Stategies of U.S. Multinational Corporations. Strategic Management Journal , 17, 739-746.

Selznick, P. (1949). TVA and the Grass Roots. University of California Press.

SICE: Foreign Trade Information System - Chile Trade Agreements. (2013). Retrieved 01 24, 2013, from Organization of American States: http://www.sice.oas.org/ctyindex/CHL/CHLagreements_e.asp

Singh, V. (2007). Ethnic diversity on top corporate boards: a resource dependency perspective. The Internatioal Journal of Human Resource Management , 18 (12), 2128-2146.

Sundaram, A. K., & Black, J. S. (1992). The envoronment and Internal Organization of Multinational Enterprises. Academy of Management Review , 17 (4), 729-757.

Van de Ven, A. (2007). Engaged Scholarship: A Guide For Organizational and Social Research. Oxford University Press.

van Veen, K., & Marsman, I. (2008). How interantioanl are exectuive boards of European MNC's? Nationality diversity in 15 European countries. European Management Journal , 26 (3), 188-198.

Weber, M. (1947). The theory of social and economic organizations. Free Press.

Westhead, P., Wright, M., & Ucbasaran, D. (2001). The Internationalizationno of New and Small Firms: A Resource-Based View. Journal of Business Venturing , 16, 333-358.

Wiersma, M., & Bantel, K. (1992). Top management team demography and corporate strategic change. Academy of Management Journal , 35 (1), 91-121.

Yin, R. K. (2009). Case Study Research: design and methods (4th ed.). SAGE.

13. VITA

Steven E. Droll is a 30+ year domestic/international executive. Born in St. Louis, Missouri, he holds a BS in Financial Management from Clemson University, a Master in International Business Studies (MIBS) from the University of South Carolina, and an Executive Doctorate in Business from Georgia State University. During his career, he has held numerous managerial positions ranging from Foreign Exchange Manager to Operations Manager, Mergers & Acquisitions in several multinational corporations. Additionally, he has held senior executive positions as Vice President, Financial Planning & Operations and Chief Financial Officer of several domestic and international companies, including an international start-up company. He has traveled extensively through Europe and Central/South America, including living assignments in Argentina, Colombia, Germany and Honduras. His research interests include organizational management and change, with a special emphasis on companies seeking: 1) to develop a strategy for international expansions and/or 2) to improve the organizational effectiveness of international operations.