1 *Multilatinas – where do we find them?*

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Multilatinas are companies of Latin American origin that engage in foreign direct investment (FDI). There is no single well-recognised and readily available source to facilitate an in-depth quantitative analysis of the internationalisation strategies of multilatinas. In fact, the difficulty in identifying this class of companies is probably the main reason why our current understanding of the internationalisation strategies of multilatinas is based predominantly on case studies. This chapter describes how we identified the multilatinas discussed in this book and uncovered their internationalisation strategies.

Identifying multilatinas

We relied on several existing rankings of Latin American companies to identify the location of the key decision-makers in the process of internationalisation, including: the 500 largest Latin American companies in 2009 and 2010; the most global Latin American multinationals (LAMNEs) in 2012; the 500 largest Chilean companies in 2011, selected by AméricaEconomía[1]; the 500 most important Mexican companies in 2011 from the CNN magazine Expansion; and the 1,000 largest Colombian companies in 2012 from Semana. Fundação Dom Cabral publishes a ranking of Brazilian multinationals; however, the majority of the companies appear in the AméricaEconomía ranking, so the added value of this source was only modest. AméricaEconomía also publishes a ranking of Peruvian companies, but an exhaustive review of this ranking in 2012 showed that the participation of Peruvian companies in FDI is very limited. All of these sources draw heavily on information available from the companies' websites, from the financial supervisory bodies of different Latin American countries and from surveys of executives.

[1] www.americaeconomia.com.

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We inspected these pooled data to identify Latin American Multinational Enterprises. Our approach has an obvious bias towards identifying large multilatinas and does not include micro-multinationals and Latin American born-global companies. In fact, we excluded all companies with sales less than US$100 million. This threshold is significant because traditionally companies with sales volumes of this magnitude have the resources necessary to make direct investments in foreign markets.[2] Although it has recently been recognised that firms with small national markets have incentives to become international very fast, because of the small scale and lower domestic opportunities,[3] empirical evidence suggests that these firms do not engage in FDI but rely on specialised international networks instead.[4] For example, exporting and leveraging independent intermediaries helps Latin American born-global companies international operations become flexible without paying the cost of direct investments abroad. Therefore, we expect only a small number of multilatinas – that is, companies that use FDI in their overseas operations – to fall outside the selected pool of companies.

Our next step was to reject companies that were subsidiaries of firms from outside Latin America, companies that had only domestic operations and businesses in the insurance and banking industries, which are highly regulated and subject to considerable restrictions regarding internationalisation. We also discarded purely state-owned enterprises (SOEs) that were not publicly traded, on the assumption that their internationalisation process would obey not only a market but also and mainly a political logic. The behaviour of SOEs frequently responds to political pressures that make comparisons with the internationalisation strategies of other companies questionable. However, at this stage we retained Petrobras, Ecopetrol and Grupo ISA in our sample because they were publicly traded SOEs. The 2015 corruption scandal at Petrobras illustrates vividly the risks of this approach.

[2] Bloodgood, J. M., Sapienza, H. J. & Almeida, J. G. (1996). The internationalization of new high-potential U.S. ventures: Antecedents and outcomes. *Entrepreneurship Theory and Practice*, 20(4), 61–76.

[3] Knight, G. & Cavusgil, T. (2004). Innovation, organizational capabilities, and born-global firms. *Journal of International Business Studies*, 35, 124–41.

[4] Oviatt, B. & McDougall, P. (2005). Defining international entrepreneurship and modeling the speed of Internationalization. *Entrepreneurship Theory and Practice*, 29, 537–54.

The sophisticated scheme of interdependencies and transfers in which Petrobras was involved and which benefitted individuals and political parties, worsened the economic crisis in Brazil and undermined the international credibility of the country while stigmatising one of the champion multilatinas. As SOEs, the uniqueness of Petrobras, Ecopetrol and Grupo ISA stands out in many aspects of their operations, including their internationalisation strategy, so much so that their exclusion would have hampered our overall understanding of the internationalisation strategy of multilatinas. Ecopetrol was the only Colombian multinational company in the Fortune Global 500 list in 2015, in which Petrobras ranked twenty-eighth.

The resulting pool of companies was revised and double-counted entities were eliminated, to arrive at 247 firms. Because business groups are a pervasive organisational form in emerging economies,[5] we had to examine ownership relationships among these 247 multilatinas. Using Standard and Poor's (S&P) and Reuters' databases and the firms' websites, we identified 71 conglomerates or headquarters of business groups, 57 subsidiaries of other Latin American companies and 125 standalone enterprises. We classified firms as conglomerates if S&P or Reuters described their economic activity as 'business conglomerate or holding', they presented themselves as a business group on their website, or they had several clearly identifiable affiliate companies. Firms were classified as 'subsidiaries' if S&P and Reuters identified them as such or their website indicated that they were controlled by another Latin American company.

We subsequently eliminated fourteen conglomerate headquarters whose subsidiaries were already included in the list: CGE, Empresas COPEC, Femsa, Grupo Alfa, Grupo Bal, Grupo Camargo Correa, Grupo Carso, Grupo Casa Saba, Grupo Elektra, Grupo Salinas, Grupo Xignux, Norberto Odebrecht, Techint and Vale. This decision was made for two reasons: (1) a parent and a subsidiary share important features, especially resources; and (2) the international business literature suggests that subsidiaries' behaviour reflects the business group's

[5] Guillen, M. (2000). Business groups in emerging economies: A resource based view. *Academy of Management Journal*, 43(3), 362–80. Chang, S. J. & Hong, J. (2000). Economic performance of group-affiliated companies in Korea: Intragroup resource sharing and internal business transactions. *Academy of Management Journal*, 43(3), 429–48.

strategy;[6] and we therefore risked double-counting some companies as their strategic decision-making processes overlapped. We also omitted six conglomerate headquarters that were in essence pure holdings[7] and whose only economic activity, described by S&P, was to provide administrative and financial support to members of the group without being involved in strategic decision-making.

We expect the firms that are part of a conglomerate and the stand-alone firms in our sample to be largely comparable even when they have a distinct resource base. Conglomerates, like independent firms, are characterised by unitary management and administrative coordination. In independent firms, the unitary management is in the hands of the general manager, who defines strategies and supervises the different business activities of the company. In business groups, unitary management is possible because the responsibility for defining long-term strategies and control, in the form of monitoring and supervising any affiliated companies, are in the hands of the managers of the parent company or the owner in the case of a family group. Also, in a business group, the parent company coordinates the administrative function of any subsidiaries to achieve mutual adjustments and (ideally) synergies in planning and decision-making, standardise processes and procedures and exert direct supervision over subsidiaries – much like a general manager does in an independent firm.

The decisions made about internationalisation by stand-alone firms and business groups are also comparable in terms of their purpose and the role played by resources. Decisions about internationalisation are made to improve the position of the group as a whole as well as improving the competitive position of individual entities. As for resources, internationalisation decisions are comparable because for both firms and groups they are related to the resources that control viable business operations abroad or are required for creating them. That said, we acknowledge that business groups and their affiliates share resources that might not be available for standalone firms, such as internal capital markets, for example, which can provide the

[6] Cainelli, G. & Iacobucci, D. (2011). Business groups and the boundaries of the firm. *Management Decision*, 49(9), 1549–73.

[7] We are grateful to Lourdes Casanova for highlighting this aspect. The companies deleted were Carvajal Internacional, Quiñenco, CMPC Papeles y Cartones, Grupo Votorantim, Cencosud and Grupo Nutresa.

financial resources to invest abroad.[8] Table 1.1 summarises the process of identifying the companies for this study.

A group of nineteen firms included in the initial list of companies shared a parent company with other firms in the sample. In these cases, we decided to retain the firms if each subsidiary belonged to a different industry.[9] We made this decision because empirical evidence has shown that although firms share some resources within a business group, each also has a unique set of resources that it uses to achieve its business purposes.[10] These differences naturally tend to be larger when entities within a business group belong to unrelated industries. When the process of selection was complete, we had a list of 226 multilatinas, full details of which, including their industries and country of origin, are shown in Table 1.2.

Unit of analysis

Our unit of analysis is the most recent foreign investment project undertaken by the Latin American multinationals in a foreign country. We chose this unit of analysis because it is at the transaction level that internal organisational resources and competences and contextual variables, such as the interaction between home and host country institutional factors, shape firms' strategies abroad.[11] We purposefully and explicitly invited the executives surveyed for this study to answer questions about their most recent approach to internationalisation in relation to their companies' most recent project involving FDI.

By using this unit of analysis we aimed to diminish recall bias and rely on managers remembering recent experiences more vividly and

[8] Mahmood I. & Mitchell, W. (2004). Two faces: Effects of business groups on innovation in emerging economies. *Management Science*, 50(10), 1348–65.

[9] The only exceptions were Tenaris and Ternium, which had the same parent, Techint Group, and both competed in the siderurgical industry. In this case Tenaris was retained because its sales in 2010 were greater.

[10] Chang, S. & Hong, J. (2000). Economic performance of group-affiliated companies in Korea: Intragroup resource sharing and internal business transactions. *Academy of Management Journal*, 43(3), 429–48.

[11] Cho, D., Moon, H. & and Kim, M. (2008). Characterizing international competitiveness in international business research: A MASI approach to national competitiveness. *Research in International Business and Finance*, 22, 175–79.

Table 1.1 *Summary of the process of identification of multilatinas*

Ranking source of data	Firms in the ranking	Step 1	Step 2	Step 3	Step 4	Step 5	Steep 6	Step 7	Step 8	Final sample
500 largest LACs (2009 to 2010)	583	0	218	161	0	41	0	12	5	144
65 Most global Latin American companies (2012)	65	0	0	0	0	1	54	2	1	9
500 largest Mexican firms (2011)	500	0	219	131	76	1	49	0	0	24
500 largest Chilean firms (2011)	500	102	75	220	41	0	32	0	0	30
1,000 largest Colombian firms (2012)	1000	582	234	147	8	0	9	0	0	20
Final multilatina population										226

Table 1.2 *The population of multilatinas*

ID	Name	Origin country	Economic activity	Sales (2011)	Net income (2011)	Sample
1	Acegrasas	Colombia	Agroindustry	242,41	0,19	0
2	Acerias de Colombia	Colombia	Siderurgical	282,43	2,20	0
3	Agrosuper	Chile	Food	2.149,00	–	0
4	Agunsa (14)	Chile	Logistic and transport	572,70	23,80	0
5	Aje-Group	Peru	Beverages	1.719,00	–	0
6	Alfagres	Colombia	Construction	221,38	1,91	0
7	Alicorp	Peru	Food	1.578,00	120,00	0
8	All América Latina	Brazil	Logistic and transport	1.691,00	130,00	0
9	Alpargatas	Brazil	Footwear	1.372,00	163,00	0
10	Alpek	Mexico	Oil and gas	4.326,59	149,41	1
11	Alpina	Colombia	Food	851,09	16,29	1
12	Alsea	Mexico	Restaurants	690,54	8,34	0
13	Altos Hornos de México	Mexico	Siderurgical	2.928,00	140,00	1
14	Andrade Gutierrez	Brazil	Multisector	3.151,00	(96,00)	0
15	Antofagasta PLC	Chile	Mining	6.076,00	2.130,00	0
16	Arauco	Chile	Cellulose/paper	4.374,00	620,00	0
17	Arcor	Argentina	Food	3.100,00	–	1
18	Arcos Dorados	Argentina	Retailer	3.657,00	115,00	0
19	Artecola	Brazil	Chemical	238,30		0
20	Australis	Chile	Aquafarming	163,70	27,40	0

(continued)

Table 1.2 *(cont.)*

ID	Name	Origin country	Economic activity	Sales (2011)	Net income (2011)	Sample
21	Avianca–Taca	Colombia	Logistic and transport	3.566,00	102,00	1
22	Bematech	Brazil	Technology	158,40	(22,60)	1
23	Besalco	Chile	Construction	616,80	37,40	1
24	Bimbo	Mexico	Food	1.572,00	–	1
25	Biofilm	Colombia	Chemical	213,78	(26,09)	1
26	Biopappel	Mexico	Cellulose/paper	1.134,00	6,00	0
27	Braskem	Brazil	Oil and gas	17.686,00	(280,00)	1
28	BRF foods	Brazil	Food	13.704,00	729,00	1
29	Brightstar	Bolivia	Telecommunications	4.700,00		0
30	Brinsa	Colombia	Chemical	181,80	15,87	0
31	Camargo Corrêa Cimento	Brazil	Cement	1.247,00	117,00	0
32	CAP (Compañía Minera del Pacifico)	Chile	Siderurgical	2.787,00	441,00	0
33	Casa Luker	Colombia	Food	234,94	4,26	1
34	Cemento Polpaico	Chile	Cement	267,30	(5,00)	0
35	Cementos Argos	Colombia	Cement	1.852,00	186,00	0
36	Cemex	Mexico	Cement	13.546,00	(1.371,00)	0
37	Cía. Pesquera Camanchaca	Chile	Aquafarming	326,10	(22,40)	1
38	Cia.Brasileira de Metalurgia E Mineração	Brazil	Mining	7.528,00	–	0
39	Cicsa	Mexico	Construction	–	–	0

40	Cinepolis	Mexico	Entertainment	705,24	–	1
41	CMPC Celulosa	Chile	Cellulose/paper	1.316,00	260,00	1
42	Coimex	Brazil	Retailer	1.400,00	251,00	0
43	Colombina	Colombia	Food	114,86	14,15	1
44	Compañía de Cervecerías Unidas – CCU	Chile	Beverages	20.931,00	(1.230,00)	0
45	Compañía Minera Autlán	Mexico	Mining	176,95	8,60	0
46	Const. E Comércio Camargo Corrêa	Brazil	Construction	2.418,00	–	0
47	Constructora Colpatria	Colombia	Construction	138,66	20,89	0
48	Construtora Norberto Odebrecht	Brazil	Construction	4.476,00	482,00	0
49	Construtora Queiroz Galvão	Brazil	Construction	1.654,00	27,00	0
50	Copa Airlines	Panama	Logistic and transport	1.830,00	310,00	0
51	Copec Combustibles	Chile	Oil and gas	7.969,00	–	0
52	Corp. Interamericana de entretenimiento (CIE)	Mexico	Entertainment	761,55	76,94	1
53	Corporación Durango	Mexico	Paper	827,28	127,69	0
54	Cosan	Brazil	Agroindustry	12.214,00	1.565,00	1
55	Coteminas	Brazil	Footwear	2.248,00	–	0
56	Cotia	Brazil	Retailer	1.766,00	46,00	0
57	Cruz Blanca Salud	Chile	Healthcare	326,10	(22,40)	1
58	CSAV	Chile	Shipping	5.151,90	(1.249,80)	0
59	CSN	Brazil	Siderurgical	8.806,00	1.975,00	0
60	Cyrela Realty	Brazil	Construction	3.266,00	265,00	0

(*continued*)

Table 1.2 *(cont.)*

ID	Name	Origin country	Economic activity	Sales (2011)	Net income (2011)	Sample
61	Detroit	Chile	Multisector	175,00	17,10	0
62	DHB Automotive	Brazil	Automotive	163,10	16,80	1
63	Duas Rodas	Brazil	Food	450,00		1
64	Duratex	Brazil	Manufacturing	1.583,00	199,00	0
65	Ecopetrol	Colombia	Oil and gas	33.194,00	7.801,00	1
66	Editorial Televisa	Mexico	Mass media	827,28	127,69	0
67	Elecmetal	Chile	Siderurgical	175,00	17,10	1
68	Elementia	Mexico	Construction	1.900,00	262,00	0
69	Embotelladora Andina	Chile	Beverages	1.884,00	186,00	0
70	Embotelladoras Arca	Argentina	Food	3.211,00	323,00	0
71	Embraer	Brazil	Aerospace	5.255,00	83,00	1
72	Empresas Banmédica	Chile	Healthcare	1.509,00	83,00	0
73	Empresas Iansa	Chile	Agroindustry	631,10	26,20	0
74	Empresas Ica	Mexico	Construction	3.066,00	106,00	0
75	Empresas Navieras	Chile	Logistic and transport	1.508,00	(23,00)	0
76	Enaex	Chile	Chemical	631,10	26,20	0
77	Enjoy	Chile	Retailer	255,00	2,20	0
78	Entel	Chile	Telecommunications	2.360,00	346,00	0
79	Falabella	Chile	Retailer	9,27	811,00	1
80	Ferreyros/Ferreycorp	Peru	Retailer	1.419,00	72,00	1
81	Ferromex	Mexico	Logistic and transport	1.419,00	72,00	0

82	Fibria	Brazil	Cellulose/paper	3.121,00	(465,00)	0
83	Fomento Económico Mexicano	Mexico	Beverages	15.769,74	1.212,83	0
84	Forus	Chile	Retailer	273,00	54,50	0
85	Gasco	Chile	Oil and gas	1.785,00	63,00	1
86	Gerdau	Brazil	Siderurgical	18.875,00	1.069,00	0
87	Gicsa	Mexico	Construction	292,01	33,08	0
88	Gol	Brazil	Logistic and transport	4.019,00	(400,00)	1
89	Grupo Andre Maggi	Brazil	Agroindustry	4.133,00	377,00	0
90	Grupo Chedraui	Mexico	Retailer	4.133,00	377,00	0
91	Grupo Deacero	Mexico	Siderurgical	4.133,00	377,00	0
92	*Grupo Famsa*	Mexico	Retailer	4.133,00	377,00	1
93	Grupo Gloria	Peru	Retailer	4.133,00	377,00	0
95	Grupo Industrial Lala	Mexico	Food	4.133,00	377,00	0
96	Grupo Abril	Brazil	Mass media	1.680,00	99,00	0
97	Grupo Accel	Mexico	Logistic and transport	228,07	0,26	0
98	Grupo Bafar	Mexico	Food	420,65	12,95	0
99	Grupo Cementos De Chihuahua	Mexico	Cement	734,09	31,00	1
100	Grupo Clarín	Argentina	Mass media	2.257,00	120,00	0
101	Grupo Condumex	Mexico	Manufacturing	1.560,00	120,00	0
102	Grupo Coppel	Mexico	Retailer	4.206,00	532,00	0
103	Grupo Gigante	Mexico	Multisector	765,43	65,36	0
104	Grupo Herdez	Mexico	Food	6.599,35	60,00	0
107	Grupo Isa	Colombia	Energy	4.802,00	–	1

(*continued*)

Table 1.2 *(cont.)*

ID	Name	Origin country	Economic activity	Sales (2011)	Net income (2011)	Sample
108	Grupo Iusa	Mexico	Manufacturing	4.802,00	–	0
109	Grupo Kuo	Mexico	Multisector	1.916,00	9,00	1
110	Grupo La Moderna	Mexico	Food	479,37	40,79	0
111	Grupo Maseca	Mexico	Food	1.604,00	14,00	1
112	Grupo México	Mexico	Mining	9.296,00	2.098,00	0
113	Grupo Minsa	Mexico	Food	363,54	17,29	0
114	Grupo Modelo	Mexico	Beverages	6.539,00	856,00	0
115	Grupo Pochteca	Mexico	Chemical	254,02	4,54	0
116	Grupo Posadas	Mexico	Hospitality	5.792,45	21,10	0
117	Grupo Radio Centro	Mexico	Mass media	63,20	0,35	0
118	Grupo Sanborns	Mexico	Retailer	2.656,00	209,00	0
119	Grupo Senda	Mexico	Logistic and transport	2.496,73	27,65	0
120	Grupo Simec	Mexico	Siderurgical	2.098,00	205,00	0
121	Grupo Televisa	Mexico	Mass media	4.486,00	564,00	1
122	Grupo Villacero	Mexico	Siderurgical	1.116,00	–	1
123	Grupo Viz	Mexico	Food	1.565,00	27,00	0
124	Haceb	Colombia	Electronics	289,57	11,60	0
125	Hildebrando	Mexico	Computers	154,94	3,64	0
126	Homex	Mexico	Construction	1.566,00	112,00	0
127	Hortifrut	Chile	Agroindustry	180,00	13,10	1
128	Hypermarcas	Brazil	Pharmaceutical	1.772,00	(29,00)	0

129	Imcopa	Brazil	Agroindustry	1.392,00	237,00	0
130	Impsa	Argentina	Energy	–	–	0
131	Indura Industria Y Comercio	Chile	Multisector	453,40	33,50	1
132	Industrias Bachoco	Mexico	Food	1.988,00	11,00	0
133	Industrias Ch	Mexico	Siderurgical	2.323,00	218,00	0
134	Industrias Unidas	Mexico	Manufacturing	–	–	0
135	Industrias Peñoles	Mexico	Mining	6.944,00	914,00	1
136	Ingenio Manuelita	Colombia	Food	609,17	48,56	1
137	Intasa	Chile	Manufacturing	100,30	1,60	0
138	Intercement	Brazil	Cement	1.325,30		0
140	Interoceánica	Chile	Shipping	879,90	(39,90)	0
141	Inversiones Alsacia	Chile	Logistic and transport	142,80	(18,80)	0
142	Iochpe-Maxion	Brazil	Automotive	1.548,00	119,00	1
143	Italcol	Colombia	Food	203,22	2,06	0
144	Itautec	Brazil	Electronics	3.652,00	784,00	0
145	JBS Friboi	Brazil	Agroindustry	32.944,00	(40,00)	1
146	Jumbo	Chile	Retailer	1.916,00	–	0
147	Klabin	Brazil	Cellulose/paper	2.073,00	97,00	1
148	Küpfer Hermanos	Chile	Multisector	142,80	(18,80)	0
149	La polar	Chile	Retailer	–	–	0
150	Laboratorios Andrómaco	Chile	Pharmaceutical	169,90	6,30	0
151	Laboratorios Bagò	Argentina	Pharmaceutical	2.555,00	472,00	1
152	Lan	Chile	Logistic and transport	5.585,00	320,00	0
153	Leonisa	Colombia	Footwear	160,57	13,46	0
154	Localiza	Brazil	Logistic and transport	1.555,00	155,00	0

(*continued*)

Table 1.2 *(cont.)*

ID	Name	Origin country	Economic activity	Sales (2011)	Net income (2011)	Sample
155	Lupatech	Brazil	Engineering	327,30	(92,90)	0
156	M. Dias Branco	Brazil	Food	1.551,00	195,00	0
157	Mabe	Mexico	Electronics	3.264,00	(125,00)	1
158	Madeco	Chile	Forestry	428,20	19,20	0
159	Magnesita	Brazil	Mining	1.236,00	52,00	0
160	Mall Plaza	Chile	Retailer	4.022,00	–	0
161	Marcopolo	Brazil	Automotive	1.796,00	182,00	1
162	Marfrig	Brazil	Agroindustry	11.667,00	(397,00)	0
163	Masisa	Chile	Manufacturing	1.251,00	68,00	0
164	Matriz Ideas (Casa & Ideas)	Chile	Retailer	121,00	(30,00)	0
165	Melón	Chile	Cement	359,20	8,10	0
166	Metalfrio	Brazil	Electronics	402,60	3,90	1
167	Metalsa	Mexico	Automotive	1.271,00	–	1
168	Mexichem	Mexico	Oil and gas	3.392,00	194,00	0
169	Minerva	Brazil	Agroindustry	2.120,00	24,00	1
170	Molinos Río De La Plata	Argentina	Agroindustry	3.106,00	64,00	1
171	Molymet	Chile	Siderurgical	1.330,00	103,00	0
172	Nalsani	Colombia	Multisector	136,25	5,44	1
173	Natura	Brazil	Pharmaceutical	2.980,00	443,00	1
174	Nemak	Mexico	Automotive	3.204,00	76,00	0
175	Oas Engenharia	Brazil	Construction	1.474,00	7,00	0

176	Odinsa	Colombia	Construction	145,93	70,50	0
177	Oi-Telemar	Brazil	Telecommunications	4.928,00	536,00	0
178	Olímpica	Colombia	Retailer	1.588,00	45,00	0
179	Organización Terpel	Colombia	Oil and gas	4.384,00	86,00	0
180	Oxiteno	Brazil	Oil and gas	1.284,00	–	0
181	Oxxo (Femsa)	Mexico	Retailer	5.313,00	337,00	0
182	P.I. Mabe	Mexico	Manufacturing	320,00		0
183	Paranapanema	Brazil	Mining	2.184,00	(25,00)	0
184	Paz del Rio	Colombia	Siderurgical	380,97	(43,26)	0
185	PDG Realty	Brazil	Construction	3.666,00	375,00	0
186	Petrobras	Brazil	Oil and gas	130.171,70	17.759,00	1
187	Pintuco	Colombia	Chemical	207,60	16,23	1
188	Pluspetrol	Argentina	Oil and gas	1.281,00	–	1
189	Pollo Campero	Guatemala	Food	400,00		0
190	Positivo Informática	Brazil	Electronics	1.109,00	(36,00)	0
191	Procaps	Colombia	Pharmaceutical	186,85	3,71	1
192	Promigas	Colombia	Oil and gas	721,54	100,98	1
193	Pucobre	Chile	Mining	267,10	62,30	0
194	Quala	Colombia	Food	276,53	8,39	0
195	Quintec	Chile	Software	184,30	(5,80)	0
196	Randon Participaciones	Brazil	Automotive	2.425,00	56,00	1
197	Recalcine	Chile	Pharmaceutical	490,90	91,10	0
198	Ripley	Chile	Retailer	1.215,00	128,00	0
195	Salfacorp	Chile	Construction	1.728,00	30,00	0
196	Sigdo koppers	Chile	Construction	2.127,00	285,00	0

(continued)

Table 1.2 *(cont.)*

ID	Name	Origin country	Economic activity	Sales (2011)	Net income (2011)	Sample
197	Sigma	Mexico	Food	2.945,00	59,00	0
198	Sintex	Chile	Chemical	490,90	91,10	0
199	Sipsa	Chile	Construction	305,50	(19,00)	0
200	Sodimac	Chile	Retailer	2.684,00	165,00	0
201	Sonda	Chile	Technology	1.136,00	77,00	0
202	Soquimich Comercial	Chile	Mining	305,50	(19,00)	0
203	Springs	Brazil	Footwear	2.222,00	213,00	0
204	SQM	Chile	Mining	2.145,00	545,00	0
205	Sudamericana de Vapores	Chile	Logistic and transport	5.151,00	(1.249,00)	0
206	Supermercados Unimarc	Chile	Retailer	1.834,00	–	0
207	Suzano Papel E Cellulose	Brazil	Cellulose/paper	2.584,00	15,00	0
208	Tam	Brazil	Logistic and transport	6.927,00	(178,00)	0
209	Tecnoquimicas	Colombia	Pharmaceutical	492,17	32,84	0
210	Telmex Internacional	Mexico	Telecommunications	7.057,00	267,00	0
211	Tenaris	Argentina	Siderurgical	9.972,00	1.331,00	0
212	Tiendas Elektra	Mexico	Retailer	1.812,00	–	0
213	Tigre-Tubos E Conexões	Brazil	Manufacturing	1.546,00	–	1
214	Totvs	Brazil	Technology	681,90	90,00	1
215	Tupy	Brazil	Automotive	1.165,00	108,00	0
216	Ultrapar	Brazil	Oil and gas	25.941,00	452,00	0
217	Usiminas	Brazil	Siderurgical	6.345,00	124,00	0
218	Viakable	Mexico	Electronics	1.412,00	–	0
219	Viña Concha Y Toro	Chile	Beverages	810,70	96,80	1
220	Viña San Pedro Tarapacá	Chile	Beverages	265,30	25,50	0
221	Vitro	Mexico	Manufacturing	1.412,00	–	1
222	Voltran	Mexico	Electric equipment	69,33	12,05	0
223	Votorantim Cimentos	Brazil	Cement	4.639,00	483,00	0
224	Votorantim Siderugia	Brazil	Siderurgical	–	–	0
225	Vulcabras	Brazil	Footwear	4.020,00	(276,00)	0
226	Weg	Brazil	Equipment	2.766,00	312,00	0

Note: 1 = participated in the survey; 0 = otherwise. Sales and Net income in million US$.

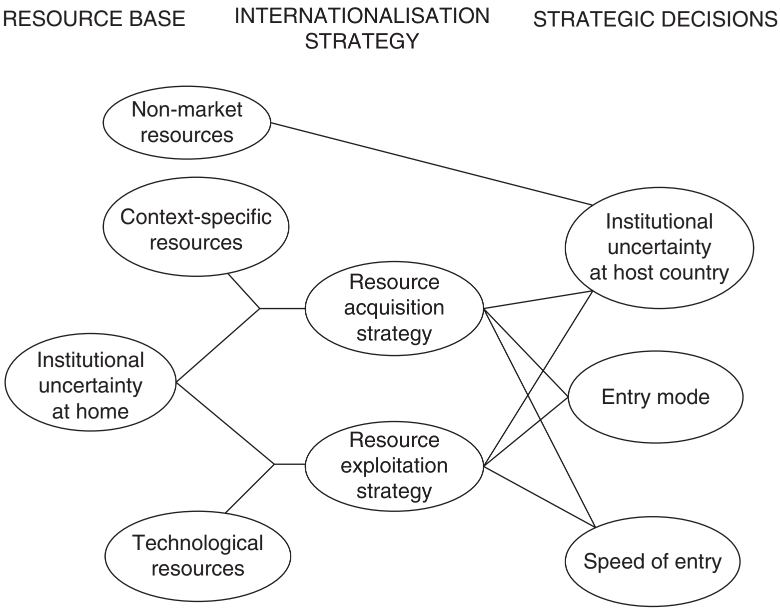

Figure 1.1 Conceptual model of strategic internationalisation decision-making.

easily than older ones.[12] We also aimed to reduce the confusion of respondents when responding to specific quantitative questions about the process of making foreign direct investments.

Strategising about internationalisation

We built a unique dataset to explore the conceptual model of strategic decision-making represented in Figure 1.1. According to this framework, the internationalisation strategy of multilatinas cannot be understood without identifying the most important resources on which their competitive position at home is built.

Resources

We adopted a wide definition of resources that includes all assets, capabilities, organisational processes, firm attributes, information,

[12] Bountempo, G. & Brockner, J. (2008) Emotional intelligence and the ease of recall judgment bias: The mediating effect of private self-focused attention. *Journal of Applied Social Psychology*, 38(1), 159–72.

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knowledge, and so on, that a firm controls and that allow it to conceive and implement strategies in foreign markets.[13] Resources can be of two types: market or non-market.[14] Market resources are those that firms use to compete against each other in the market; they include efficient production facilities, brand names and product innovations. Non-market resources are the tangible and intangible assets firms develop that allow them to manage the formal and informal institutions that surround their business activities in the home country (for example, the exchange of favours and bribes).

Additionally, for the purposes of this research, we classified market resources as either technological or context-specific. Transferable technological resources are knowledge-intensive resources[15] that allow firms to create superior products, improve existing products and gain effectiveness and efficiency in production processes. Examples of these resources are R&D, patents and advanced production technologies. Context-specific resources, on the other hand, are developed by firms to fit their country-of-origin markets; their benefits, as a source of competitive advantage, are restricted to a specific country or a region.[16] Examples of these resources are business networks, brands and managerial market knowledge. The value of organisational resources is determined by the institutional environment in the home country, and this contextual element determines many of the differences between developed country multinationals and multilatinas.

[13] See, for example, Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17, 99–120; and Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5, 171–80.

[14] Cuervo-Cazurra, A. & Genc, M. (2011). Obligating, pressuring, and supporting dimensions of the environment and the nonmarket advantages of developing country multinational companies. *Journal of Management Studies*, 48(2), 441–55.

[15] Yiu, D. W., Lau, Ch. & Bruton, G. D. (2007). International venturing by emerging economy firms: The effects of firm, home country networks, and corporate entrepreneurship. *Journal of International Business Studies*, 38, 519–40.

[16] See, for example, Rugman, A. & Verbeke, A. (2001) Subsidiary-specific advantages in multinational enterprises. *Strategic Management Journal*, 22(3), 237–50; Sirmon, D., Hitt, M. & Ireland, D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, 32(1), 273–92; and Anand, J. & Delios, D. (1997b). Location specificity and the transferability of downstream assets to foreign subsidiaries. *Journal of International Business Studies*, 28(3) 579–603.

Institutional uncertainty

We define institutions as the formal and informal rules of the game for doing business inside the borders of a specific country.[17] The institutional weakness of emerging countries, such as those in Latin America, is manifested in many characteristics of governance, including weak legal systems to protect intellectual property rights,[18] political instability,[19] risk of intervention by the home government through taxation, pricing, exchange rates, production and ownership requirements,[20] or corruption and abuse (or misuse) of public power for private benefit.[21] While these characteristics of a weak institutional context tend to be more or less acute in all emerging countries, the institutional uncertainty is particularly damaging for business transactions. These institutional weaknesses interact with the unique resources and core competences of multilatinas to shape their internationalisation strategies.

Strategies

By 'strategies' we mean firms' attempts to identify, protect and exploit their unique resources in order to gain a competitive advantage in the marketplace.[22] Following this definition, and considering the relationship between institutional uncertainty in the home country and firms' resources, we expect multilatinas to follow predominantly one of two generic internationalisation strategies: resource exploitation, which uses the firm's home-grown resources in its foreign markets

[17] North, D. (1990). *Institutions, institutional change and economic performance. Cambridge*: Cambridge University Press.

[18] Peng, M. (2003). Institutional transitions and strategic choices. *Academy of Management Review*, 28(2), 275–96.

[19] Miller, K. D. (1992). A framework for integrated risk management in international business. *Journal of International Business Studies*, 23(2), 311–31.

[20] Demirbag, M., McGuinness, M. & Altay H. (2010). Perceptions of institutional environment and entry mode: FDI from an emerging country. *Management International Review*, 50, 207–40.

[21] See, for example, Bhardan, P. (1997). Corruption and development: A review of issues. *Journal of Economic Literature*, 18(2), 1–26; and Casanova, L. (2009b). *Global Latinas: Latin America's emerging multinationals*. Palgrave Macmillan.

[22] Tallman, S. (1991). Strategic management models and resource-based strategies among MNEs in a host market. *Strategic Management Journal*, 12, 69–82.

to create competitive advantage;[23] and resource acquisition, which broadens the resource base of the firm through foreign investments in new resources and competences.[24] Each of these strategies gives rise to a specific set of strategic decisions that affect the where, when and how of internationalisation.

Strategic decisions

Internationalisation obliges firms to make at least three strategic decisions: choose a host market, select an entry mode, and determine the speed of investment.[25] Market choice refers to the selection of a foreign country in which to invest. Entry mode refers to the choice of greenfield investment, mergers, acquisitions or joint ventures as a contractual or organisational arrangement for operating abroad.[26] Speed of investment refers to how quickly organisations execute a plan for FDI, from initial consideration of alternatives to the commitment of resources abroad.[27]

Data collection

Data collection consisted of a telephone interview based on a structured questionnaire. All invited respondents fell into one of the following categories: vice-president of corporate planning, financial chief

[23] See, for example, Caves, R. E. (1971). International corporations: The industrial economics of foreign investment. *Economica*, 38, 1–27; Winter, S. & Szulanki, G. (2001). Replication as Strategy. *Organization Science*, 12(6), 730–43; and Makino, S., Lau, C. & Yeh, R. (2002). Asset-exploitation versus asset-seeking, Implications for location choice of foreign direct investment from newly industrialized economies. *Journal of International Business Studies*, 33, 403–21.

[24] See, for example, Dunning, J. H. (1993). *Multinational enterprises and the global economy*. Addison-Wesley; Dunning, J. H. (1988). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies*, 9(1), 1–31; and Deng, P. (2004). Outward investment by Chinese MNCs: Motivations and implications. *Business Horizons*, 47(3), 8–16.

[25] Hill, Ch. & Jones, G. (2008). *Strategic management theory: An integrated approach*. Houghton Mifflin.

[26] Meyer, K. E., Mudambi, R. & Narula, R. (2011). Multinational enterprises and local contexts: The opportunities and challenges of multiple embeddedness. *Journal of Management Studies*, 48, 235–52.

[27] Eisenhardt, K. (1989). Making fast strategic decisions in high-velocity environments. *Academy of Management Journal*, 32(3), 543–76.

or chief of international operations, and respondents were identified in specialised databases such as Standard & Poor's, Reuters and Bloomberg. A cover letter and questionnaire written in Spanish and Portuguese were sent via email to the key informants. In the following four months, market researchers, all Spanish and Portuguese native speakers, contacted the selected respondents or their assistants by phone and made appointments for the interviews. We received responses from sixty-two executives, one per company. The far-right column in Table 1.2 identifies the participating companies. In seven of the questionnaires returned, data relating to the speed of undertaking FDI were incomplete. These questionnaires noted only the year in which firms identified investment opportunities or started legal procedures in the host market to prepare for investment. In these cases, we took a conservative approach and assumed January as the month in which the opportunity was discovered or the legal procedures began. Additionally, some of the aspects about which we would ideally have liked information could not be fully explored because fewer than 60% of the respondents provided valid answers. Areas for which we could not access information with enough detail include aspects of ownership structure, drivers of perceived competition in the domestic market, business unit sales of the previous year and ownership participation in joint venture agreements.

Characteristics of the sample

Of the sixty-two participating multilatinas, forty-seven reported that they were entering a new host market. The participating companies belong to twenty-four industrial sectors, of which 30% are Brazilian multinationals, followed in frequency by Mexican, Colombian and Chilean. The sample consists of large multilatinas of which seven have more than 20,000 employees. Table 1.3 presents a detailed description of the data.

The subsequent chapters of Part I of this book present the most critical macroeconomic, social and institutional aspects of Argentina, Brazil, Chile, Colombia, Mexico and Peru, as these are seen as indispensable for understanding the internationalisation strategies of the multilatinas featured in the book. The contextual analysis in these chapters is focused almost entirely on the period of 2000 to 2015, a time period that allows us to examine the environmental context immediately before the FDI

Table 1.3 Characteristics of the multilatinas sample

	Frequency	%
a. Number of firms that invest in a new host country		
New	45	72.6
Old (reinvesting)	17	27.4
Total	62	100
b. Country of origin of firms in the sample		
Origen country	Frequency	%
Argentina	4	6.5
Brazil	19	30.6
Chile	10	16.1
Colombia	12	19.4
Mexico	15	24.2
Peru	2	3.2
Total	62	100
c. Age of the firms in the sample		
Age	Frequency	%
< 20 years	7	11.3
> 20 < 40	9	14.5
> 40 < 60	17	27.4
> 60 < 80	14	22.6
> 80 < 100	7	11.3
> 100 years	8	12.9
Total	62	100
d. Size of the firms in the sample		
Number of employees	**Frequency**	**%**
< 5,000	36	58.06
> 5,000 < 20,000	19	30.65
> 20,000	7	11.29
Total	62	100

(*continued*)

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Table 1.3 (*cont.*)

e. Economic activities of the firms in the sample

Economic activity	Frequency
Aerospace	1
Agroindustry	5
Aqua farming	1
Automotive	5
Beverages	1
Cellulose/paper	2
Cement	1
Chemical	2
Construction	1
Electronics	2
Energy	1
Entertainment	2
Food	10
Healthcare	1
Logistic and transport	2
Manufacturing	2
Mass media	1
Mining	1
Multisector	3
Oil and gas	7
Pharmaceutical	3
Retailer	3
Siderurgical	3
Technology	2

process we studied and some years following it. The understanding of the macro environment is essential for the building of a holistic understanding of the internationalisation strategies of multilatinas. However, expanding the detailed description of the context beyond 2015 will introduce facts and forces that were not part of the decision-making consideration of multilatinas and will introduce a substantial cognitive bias in the interpretation of the results. The phone interviews, which revealed the internationalisation strategies of the multilatinas featured, took place between August 2012 and April 2013.