Track 11: MNE Strategy and Organization

~~Interactive Session~~

MULTILATINAS: WHAT DO WE KNOW ABOUT THEM?

ABSTRACT

In this paper, we investigated the Latin American Multinationals (Multilatinas) scenario. We anchored our analysis in the literature about this theme, but also on mapping the multinationals originated by those countries. Although most of the studies were focused in a single country, we tried to develop a cross country descriptive analysis, identifying the key multinationals for each country and indicating where are those companies expanding their activities abroad. We analyzed the internationalization expansion of 530 multinational from 10 different countries accounting for 2,553 foreign subsidiaries.

MULTILATINAS: WHAT DO WE KNOW ABOUT THEM?

Emerging market multinationals received the attention from International Business researchers over the last decade. However, the studies were mainly focused on the BRICS' countries, once Jim O'Neil indicated those countries as the possible new economic leaders in the early 2000 (Rammaurti & Singh, 2009; Williamson et al, 2013).

Although there are some important Latin American Multinationals (Multilatinas) that were considered forerunner of their industry (Cuervo-Cazurra, 2008) and could be considered from emerging markets, we don't know much about them. We could identify 331 papers on EBSCOHost database and 109 on ISI Web of knowledge using the terms multinational and Latin America. After all, we could realize that they were mainly about Latin America as a destination for foreign direct investment. Just a few of them were about multinationals from those countries. Using the Multilatinas term, we could only find 18 papers on EBSCOHost and ten on ISI (the same listed on EBSCOHost).

In addition, most of the studies on this region were focused on Mexico (Casanova, 2009) and Brazil (Fleury & Fleury, 2011). Cuervo-Cazurra (2008) analyzed 20 Multilatinas, and Casanova (2009) studied 10, some of them were the same multinationals on both studies. So far, those are the main researches about this thematic and helped us to unveil the region. However, since the majority of the published studies were composed of single or multiple case studies, we were not able to develop in deep cross-country comparisons or analysis.

Since we are aware of the most successful multinationals in the Latin America due to the published case studies, on this study, we aim to map the Multilatinas top companies and also show their expansion outside the region in order to provide a broader perspective of this theme.

This paper is structured into 5 main sections. After this introduction, we presented the literature review, summarize the relevant papers to this theme and highlight the key findings. In the third section, we present the methodology used in this paper to mapping the Multilatinas and showed some descriptive statistical results. In the fifth part, we discuss our findings, and finally the conclusions.

LITERATURE REVIEW

History matters

The number of multinational companies from Latin America has increased significantly during the last two decades. In 1975, it was estimated only eight multinational from this region. The first recorded case is Alpargatas, an Argentinian footwear company, which expanded to Uruguay and Brazil (Franco and DeLaombaerde, 2003). Nowadays, we cannot precisely estimate the total amount of multinationals from Latin America due to the lack of information available (Cuervo-Cazurra, 2010). However, we identified the most prominent 13 multinationals in Fortune 500 ranking (Fortune, 2014).

Political reforms during nineties contributed to open the market to international competition and fomenting internationalization of local companies in order to survive in their home country (Cuervo-Cazurra, 2007; Fleury & Fleury, 2011). Free trade agreements as MERCOSUR, NAFTA, and ANDEAN Community has helped for the circulation of entrepreneurs and shareholders (Franco and DeLaombaerde, 2003), creating a more favorable scenario for internationalization of Latin American companies. Therefore, economic integration allied to political reforms reduced trade restrictions and privatization broke down local barriers and fomented the foreign direct investment (Gomez, 1997).

The role of government is also one relevant aspect to be considered in Latin American research. Therefore, many studies pointed out constrain and benefits that companies from emerging economies possess regarding their home country institutions (Peng, 2002; Cuervo-Cazurra; Dau, 2009; Luo; Wang, 2012). In addition, Cuervo-Cazurra (2012) highlighted that the country of origin can affect the companies' strategy through the development of resources and knowledge.

Multilatinas was a term coined by Cuervo-Cazurra (2007) to shorten Latin American Multinationals. He was one of the pioneers in this field and has increased the interest in the region. A special issue of Universia Business Review (2010) amplified the discussion about Multilatinas, but we still need to increase our knowledge about it. We will use this term during the paper as well to simplify the reference to those companies.

Gammeltoft et al. 2010 noted that emerging economies do not like the same once their institutions, histories, and legacy are quite different. Thus, it requires caution to generalize their common aspects. Therefore, we believe that using Latin America as a research field facilitates the comparison of experiences of those firms (Cuervo-Cazurra, 2008).

Theoretical background

Cultural distance, capabilities, and organizational practices of the Multilatinas were a common object of analysis of recent studies (Bianchi, 2009; Muritiba et al. 2010; Fleury et al. 2010). They focused on one specific country (Brazil, Mexico, or Argentina) and prepared a descriptive analysis on multinational companies from those countries.

In addition, most part of recent case studies about the Multilatinas involved internationalization processes, patterns or drives (Cuervo- Cazurra, 2007; Ferreira da Silva et al 2009; Kossacoff & Ramos 2009; Lucea & Lessard 2009; Goldstein 2010, Oyala et al 2012; O'Campo, 2013; Franco-Arroyave et al, 2014). Those papers were supported in the main international business literature as Uppsala Model (Johanson & Vahlne, 1977) and OLI

paradigm (Dunnning, 1988), but also complemented by product life cycle (Vernon, 1979) competitive advantages (Prahalad & Hamel, 1994) and institutions (Khanna & Palepu, 1997).

Regarding the performance and financial areas, we found three key quantitative papers. Barcellos et al. (2010) identified that companies with a higher degree of internationalization had worse economic performances of their international operations in relation to domestic operations, using Brazil as a context. Chang and Marrewijk (2013) tested connections between a firm's productivity level and a firm's international organization. In addition, Dakessian and Feldmand (2013) looked at the performance of cross-border acquisition by Multilatinas.

Value creation (Ramsey et al. 2010) and Pro-Market reforms (Dau, 2013) are hot topics and attempted to bridge the gap of external factors influencing the internationalization processes with internal capabilities. It is important to note that institutional theory seems to be central to Multilatinas investigation (Cuervo-Cazurra, 2012), once local government might encourage firms to internationalize to increase international competitiveness (Gammeltoft et al. 2010).

DATA AND SAMPLE

First, we research in Orbis database[1] companies from the countries composing Latin America region: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay, and Venezuela. The list accounted 5, 564 companies owning at least one foreign subsidiary.

Some countries had more than 1,000 companies and other less than 40. Therefore, we decided to select the top 100 companies from each country, based on their revenues, to have a

[1] Available at https://orbis.bvdinfo.com

more distributed sample. After verifying carefully the ownership information of each company, we reached 530 firms and our final sample is composed as follow in Table 1.

Insert Table 1 about here

It is important to note that Belize and Panama had an expressive amount of multinationals. However, the control was not made by a native enterprise or state. Therefore, it did not seem to be a local company, and we decided to remove those countries from our analysis since we could guarantee the country of origin from many companies.

METHODS

We used a qualitative explorative study in order to understand the pattern of internationalization of Latin America firms outside Latin America. Based on our literature research we believe that first is necessary better comprehensions about where are the Multilatinas expanding their operations.

In order to understand that we collected the following variables in Orbis database: (i) country of origin; (ii) ownership (state-owned or private); (iii) host country of the subsidiaries; (iv) total revenue and (v) sector of the firm in country of origin. The reason for using total revenue as a variable was to select the top 100 in those countries with a larger number of multinationals. We believe that they would be relevant to represent their countries. It is important to note that some firms are part of business groups. Thus, we are considering the sector of the firm in the country of origin.

Furthermore, we developed a descriptive analysis, creating a database with all the firms and indicating where are their foreign subsidiaries located. Our intention was to verify if

the Multilatinas were expanding outside the region and how representative that enlargement was to them.

PRELIMINARY RESULTS

The sample has 530 firms from the selected Latin America countries. From those Multilatinas, we could find 1,468 different subsidiaries in Latin America. Outside the region, we identified 1,075 subsidiaries, in 58 countries in all continents. See in Table 2 the descriptive statistics of this data. It is important to highlight that 93 firms were classified in Orbis database as not available information (87 firms from Mexico, five from Colombia, and one from Peru).

Insert Table 2 about here

As we could see from the figure 1, Latin America is still the main destination for the majority countries analyzed. It only represents less than 50% of total number subsidiaries abroad from Venezuela (48%), Brazil (47%), and Mexico (34%).

Insert figure 1 about here

We could say that Multilatinas are expanding mainly to Europe and the United States. Recently, Asia and Africa are becoming attractive locations, but Oceania is still out of their target as expressed in Table 3.

Insert Table 3 about here

Brazilian companies have a significant amount of subsidiaries in Europe (121) and North America (89). Furthermore, Chileans have invested a lot in Asia (55) having almost the same number of subsidiaries from Europe (64). Finally, Mexican has the majority part of its subsidiaries in North America (215).

DISCUSSION

Based on the data collected as well as the economic and political history of the Latin America countries, we can affirm that multinational companies were favored by free trade agreement and MERCOSUR has important for the international expansion. Thus, the majority of subsidiaries located inside the region could be a measure of the agreements success. In the case of Mexico, NAFTA also express its relevance once it is the only country in Latin America that has more subsidiaries in North America than inside the region.

Chile has made several bilateral agreements with MERCOSUR, the United States of America, India, China, and Japan. We could verify that Chilean companies were expanding to all those countries. In addition, the Brazilian Government is fomenting foreign direct investment (FDI) in the African continent thought financial subsidies in the last decade. We could see an increase in the number of Brazilian multinationals there, mainly in the Lusophone countries.

Thus, we can summarize that Multilatinas are being successful expanding not only in Latin America, but also outside the region. Some companies as CEMEX, Petrobras, Bimbo, Embraer, Avianca, and Astrid & Gaston are globally recognized, but we still have several to be investigated.

CONCLUSION

We believe that our paper contributes on mapping the Multilatinas and showing where are those companies expanding their activities. However, we are aware that our paper has some limitations due to the few variables collected. Still, it is the first step to increase our knowledge about the subject.

We are aiming to expand our database to produce a cross-country comparison on the internationalization patterns of Multilatinas. Verifying the entry mode decision and also the relevance of cultural and institutional distance on those choices. In addition, we consider that further studies comparing state-owned and private companies are necessary in order to check to influence of institutions in the internationalization process.

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Table 1: Sample

Country of Origin	**Number of MNEs**
Argentina	66
Brazil	100
Mexico	100
Uruguay	7
Venezuela	14
Chile	95
Colombia	100
Costa Rica	10
Ecuador	11
Peru	27
Total	**530**

Source: database

Table2: descriptive statistics of subsidiaries per continent

	Latin America	Europe	North America	Africa	Asia	Oceania	Total subsidiaries abroad LA
Sum	1468	359	462	32	116	13	1075
Mean	104.85	25.64	33	2.28	8.28	1.18	15.35
Max	462	121	215	15	55	2	215
Min	2	0	0	0	0	0	0

Source: database

Table 3: number of subsidiaries per origin country

	Latin America	Europe	North America	Africa	Asia	Oceania	Total subsidiaries abroad LA	%LA	% abroad LA
ARG	100	21	15	1	5	0	42	70%	30%
BR	233	121	89	14	31	5	260	47%	53%
CL	462	70	64	15	55	5	209	69%	31%
COL	337	34	51	0	4	1	90	79%	21%
CR	18	3	2	0	0	0	5	78%	22%
EC	7	0	5	1	0	0	6	54%	43%
MX	173	102	215	1	17	1	336	34%	66%
PE	69	1	3	0	1	0	5	93%	7%
UR	8	0	0	0	2	0	2	80%	20%
VE	16	3	12	0	1	1	17	48%	52%
PA	37	4	2	0	0	0	6	86%	14%
GT	3	0	2	0	0	0	2	60%	40%
SV	2	0	0	0	0	0	0	100%	0%
RD	3	0	2	0	0	0	2	60%	40%

Source: database

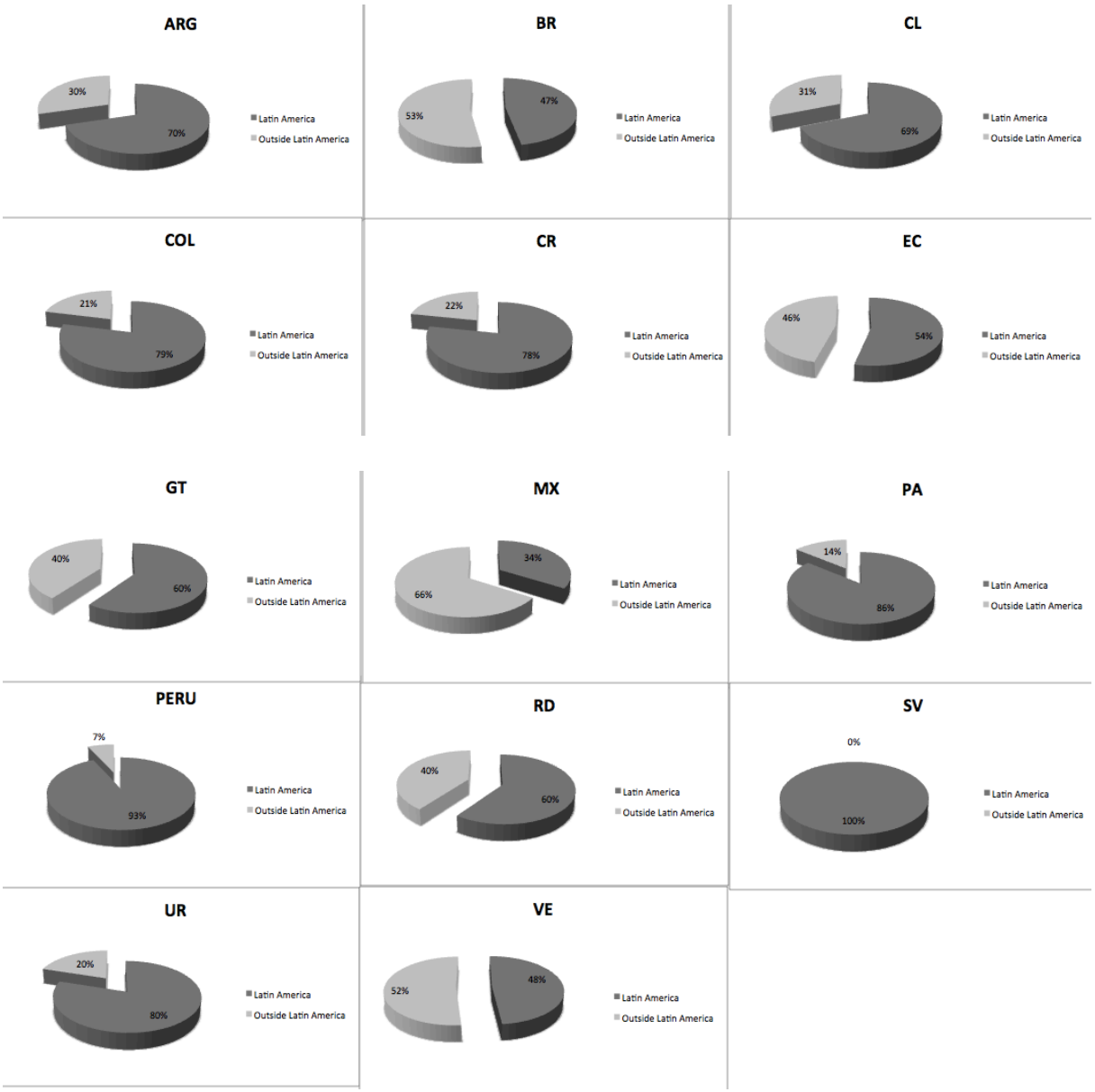

Figure 1: foreign subsidiaries
Source: Database