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Multilatinas and the internationalization of Latin American firms☆

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ABSTRACT

Latin America is an under-researched region that has the potential to yield new and important insights on the internationalization of firms from emerging markets, particularly as compared with the experience of firms from other regions. At the same time, some of the unique features of Latin America are generating new ideas that contribute to a better understanding of how the home country influences the behavior of firms in general and their foreign expansion in particular. In this article, we discuss such contributions and present some suggestions for future research.

1. Introduction

Latin American companies appear with limited frequency in management research and the international media. Few Latin American firms are recognized, and most remain under-represented in the practitioners' and academic management literature (Brenes, Ciravegna, & Woodside, 2016; Casanova, 2009; Pérez-Batres, Pisani, & Doh, 2010). This is partly due to the fact that there are relatively few firms from Latin America ranking amongst the largest or most valuable firms in the world. For example, in the Forbes (2016) ranking of the world's 2000 largest companies, only 62 are from the region (19 from Brazil, 15 from Mexico, 8 from Chile, 7 from Bermuda, 5 from Colombia, 4 from Venezuela, 2 from Argentina, and 2 from Peru) (Forbes, 2016). Even in rankings focusing on the largest firms from emerging economies, Latin American firms have a rather low presence (Cuervo-Cazurra, 2016; Vassolo, Castro, & Gomez-Mejia, 2011).

Although there are many Latin American firms with a long and distinguished corporate life (Cuervo-Cazurra, 2007; Brenes, Ciravegna, & Montoya, 2015), they only seem to rise to preeminence when they internationalize. This is partly the result of analyses of emerging markets firms gaining recognition (Ciravegna, Kundu, & Lopez, 2016; Cuervo-Cazurra & Ramamurti, 2014; Gonzalez-Perez, Manotas, & Ciravegna, 2016; Ramamurti & Singh, 2009; Williamson, Ramamurti, Fleury, & Fleury, 2013). For example, Bimbo, the Mexican producer of baked goods, has become famous as the largest baked goods firm in the world after it entered the US market, although it had already been a very large and highly successful firm in Mexico and Central America for several decades. Bimbo continues to make the lion's share of its sales and profits in Mexico, but its presence in the US and China changed its profile from a local, or at most regional, firm from Latin America to a much more visible multinational firm. A similar process occurred among other Multilatinas, i.e., Latin American multinationals, which unlike their advanced economies counterparts, did not attract much attention from business scholars despite decades of growth in their home and neighboring countries' markets.

In this article, we aim to clarify and dispel some myths about multinationals from Latin America, or Multilatinas, by reviewing what we know about them and offering new insights into their nature and behavior. To do so, we first provide some historical background on Latin America for those who are not familiar with the circumstances under which the firms operated, and that have affected their domestic and international expansion. We then review some statistics to explain the recent transformation and importance of these firms' foreign

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investments. After this, we review the literature that has analyzed these firms, paying particular attention to recent years, to identify some of the contextual drivers of their behavior. We conclude with a summary of the articles in the special issue of this journal, and outline some ideas for future research.

2. Multinatinas: a brief historical background

2.1. Latin America: one, many, or none?

An initial challenge with examining Multilatinas is defining Latin America. Latin America is technically not a self-standing geographic area; it is part of the continent of America. The term "Latin" America was coined during the reign of Napoleon III to distinguish the part of the Americas that he hoped to have influence on, and highlighting its cultural and linguistic similarities with France, such as speaking Latin-derived languages and sharing a high influence of the Catholic church. Although Napoleon III failed to extend Frances's influence in Latin America, the term continues to be broadly used and the region continues to maintain its specific idiosyncrasies that make it different from the United States and Canada (Rojas-Mix, 1991).

Given that Latin America is not a strict geographic definition, doubts and confusions are common, and self-perceptions differ (Quijada, 1998). Mexicans point out that geographically their country is part of North America, and clearly separated from the isthmus linking the two parts of the Americas. In Europe, the term "South America" is commonly used to refer to any country of the Americas that is not Canada or the US, though for a Latin American it refers only to the most southern part of the region. Caribbean countries share several features, including their climate, geographic position, and the fact that they were used as hubs for the trade of slaves, but include several English-speaking countries such as Jamaica, as well as French-speaking countries like Haiti (Rojas-Mix, 1991).

2.2. Journey in time

Acemoglu and Robinson (2012) point out that the different colonial history of Latin America contributes to explaining why it is poorer, and often more dangerous, than North America. However, as one might expect, there are wide differences among countries within Latin America: Argentina, which reached European levels of development in the 19th century before going through a reversal of fortunes and a long decline; Haiti, which has moved from being an outpost of liberal ideas to one of the poorest in the region; and Brazil, which, in spite of dramatic boom and bust cycles, in the long run continues to develop. Latin America is thus one and many − it is a region with some clearly shared features, such as having been colonies, mostly of Spain and Portugal, and being rich in natural resources; but also one with a high heterogeneity in terms of wealth, economic diversification, and political structures (Bethell, 1995).

To find commonalities in Latin America, beyond language and religion, it is useful to turn to economic history. Most Latin American economies first developed as hubs for the production and export of natural resource-based goods that were scarce or unavailable elsewhere, and, with some exceptions, they continue to have economies heavily biased towards natural resources. During the colonial period, Latin America exported large amounts of gold and silver. Between the 1700s and the late 1800s, it became a hub for plantations – European colonizers and settlers imported slaves from Africa to compensate for labor scarcity and expanded the production of goods aimed at European markets, such as coffee, indigo, sugar cane, cotton, and cocoa. Later came bananas, rubber, and oil and gas (Bulmer-Thomas et al., 2006Bulmer-Thomas, Coatsworth, & Cortes-Conde, 2006). Minerals and export crops provided highly profitable opportunities for investors, but their capital- and technology-intensive nature entailed that such opportunities were accessible only to the richest local capitalists and foreigners (Topik et al., 2006Topik, Marichal, & Frank, 2006). Natural resource products, especially those concentrated in specific geographic locations, such as mines, were also easier targets for rent-seeking and corrupt governments. Regions that focused on the export of natural resources, especially mining and plantations, often suffered from the continuing negative effects of having had a slave-based economy, such as high inequality, low levels of trust, and crime (Acemoglu and Robinson, 2012Acemoglu & Robinson, 2012). Latin America remains today one of the most inequitable regions in the world, in spite of much progress during the last decades. It is interesting to note that Argentina and Uruguay, which started growing only when technological innovations such as railways and steam boats allowed them to export foodstuff to Europe, went through a much more progressive development during the export-led period than countries where mining and plantations prevailed (Bulmer-Thomas, 2003).

The high attractiveness of natural resource-based sectors distorted resource allocation, reducing incentives to invest in different activities, and provided funds to import consumption goods from abroad. Given that export-led sectors relied mostly on external demand, Latin America became highly susceptible to the boom and bust cycles of commodities elsewhere. These typically occurred as demand for a product, such as coffee or cocoa, increased in Europe; Latin American landlords expanded production and made fantastic profits, but also borrowed against future earnings. When supply caught back up with demand, prices collapsed, generating havoc, and the cycle repeated itself for different commodities at different points in time.

The cyclicality of commodity exporting economies generated several nefarious effects, which continue to be noticeable in Latin America. The most dramatic effect was on political stability – during commodity booms governments received higher revenues and could "buy" their popularity, and pursue developmental projects (Skidmore et al., 1992Skidmore, Smith, & Green, 1992). Firms invested aggressively, often borrowing from abroad, expecting high foreign-currency-denominated earnings from exports. Domestic sectors, such as construction and housing, grew fueled by revenues from exports. During commodity bursts, both public sector and private sector debts became hard to service, whilst speculative growth ceased in real estate and other activities (Brenes, Camacho et al., 2016Brenes, Camacho, Ciravegna, & Pichardo, 2016). Governments in Latin America continued to act highly pro-cyclically, so that when the economy grew they also invested, and when it contracted, they cut spending, emphasizing rather than alleviating recessions. This helps to explain the highly tumultuous political history of the region – it is often during recessions that new political leaders and forces emerge, and during boom periods that tendencies to concentrate power manifest themselves most evidently (Thorp, 1998).

Another commonality among Latin American countries is their political economy and their push to become self-sufficient and at times independent from the economic powers of the time. Thus, the economic history of Latin America changed after the Second World War – by the 1950s most countries had moved from the export-led growth model that dominated most of the 19th century to import substitution industrialization (ISI), leveraging export revenues to finance inward oriented manufacturing production (Haar and Ortiz-Buonafina, 1995Haar & Ortiz-Buonafina, 1995). The ISI model generated high economic growth and allowed Latin American economies to become more diversified. However, its reliance on the domestic market entailed that it was more successful in the larger economies, particularly Brazil, than in smaller economies such as Chile or Ecuador. The ISI model suffered from a major weakness − it depended on external financing because Latin American countries failed to generate sufficient tax revenues to finance their own industrialization. Thus, when US interest increased in 1979, the debt incurred by Latin American countries became mostly unpayable, starting a decade of structural economic reforms, which, together with a slump in commodity prices, produced the "lost decade" − a decade characterized by hyperinflation, repeated