Competitiveness of Latin American Firms –
New Theory or New Application?

Oct 31

Abstract

This paper explores the characteristics of large Latin American firms that enable them to compete successfully in domestic and international business. A 2-stage theory is presented in which firms first compete domestically based on traditional competitive advantages; then they go overseas and succeed based on 2 particular strengths. Factors that help explain domestic competitiveness/performance include: company size(+), company age(-/+), family ownership(-), international sales(+), and sectoral diversification(-) in the 150 largest companies based in 6 Latin American countries. Case studies of FEMSA, Itausa, Grupo Luksic, and Grupo Economico Antioqueño show that their *international* competitiveness is based on risk appetite and management of government and society relations.

Key Words: emerging markets; Latin America; competitiveness; global strategy; competitive advantages; emerging market multinationals

Introduction

Latin America has been a rollercoaster of economic development, with numerous major ups and downs for more than half a century. The region provides a useful context to explore the competitiveness of emerging market firms, given that despite the relatively volatile economic conditions, a number of large firms have succeeded in local and international competition during this time. The number of internationally-competitive Latin American firms is not high: there are only 9 Latin American members of the 2017 Fortune Global 500. The reasons for this relatively weak performance are several, ranging from the size of the countries (fairly small, except for Brazil and Mexico), to their colonial past and Roman law tradition, to the abundance of natural resources which contributes to a 'Dutch disease', to the relative lack of R&D in the region. This paper explores the competitiveness of large companies based in Latin America, to see what features have enabled them to compete successfully against domestic and international rivals.

The literature on competitive strategies and competitive strengths of companies from emerging markets (EMs) has become quite large (e.g. Ramamurti 2012a; Cuervo-Cazurra 2012; Williamson 2015). One of the major points of debate is whether existing theories of management and international business can explain emerging market companies' strategies and successes, or if new theory is needed to understand this very different context. This paper proposes a 2-stage theory of competitive strategy for emerging markets firms[1]. Firms that internationalize must first be successful domestically, based on traditional competitive advantages. Once they succeed domestically they are poised for potential international competition, where they benefit from several emerging-market capabilities that differentiate them from traditional Triad MNEs. The advantages that apply to the domestic context tend *not* to be the same as those required for EM firms to compete overseas, and this 2-stage perspective emphasizes the duality.

Emerging market firms are not at all homogeneous across countries. Chinese firms, such as PetroChina, Shanghai Automotive, and Ping An, for example, often start out as state-owned enterprises and then either continue with that same ownership structure or become international competitors through (often partial) privatization. Other Chinese firms such as Geely, Alibaba, and Haier, are private-sector leaders that have become competitive internationally. These firms are in another universe in terms of greater size and international competitiveness compared with leading companies in smaller emerging markets such as Chile (Grupo Luksic or Falabella), Colombia (GEA, Grupo Colombia) or even Mexico (FEMSA or America Movil), where firm size is much smaller, and competitiveness is national or in the local region. Our approach can be used to understand each of these types of firms.

Competitive Advantages of Emerging Market Firms

From the earliest literature on internationally-competitive EM firms, Wells (1983) and Lall (1983) pointed out that these firms tended to have lower costs than Triad-based rivals, and they also often received some kind of government protection either through government ownership or entry barriers to foreign companies or subsidies of one form or another. These are country-specific characteristics. In addition to recognizing these features, Wells (1983) showed that the EM firms did possess ownership, firm-specific advantages ranging from technology to knowledge of emerging markets. He also argued that EM firms tended to transfer 'appropriate' technology to other EMs, and they frequently used joint ventures rather than wholly-owned investments overseas[2]. And Lall (1983) found that EM firms had particular skill at adapting technology to smaller markets and lower-cost environments, as well as at marketing to ethnic groups. He also pointed out that EM firms tended to have superior capabilities for dealing with governments and with political risks in emerging markets.

Much of the literature in the 1990s concentrated on the cost advantages that EM firms have in comparison with their Triad rivals. For example, Dawar and Frost (1999) emphasized cost as a basis for fending off multinational entrants into an emerging market, when globalization pressures are low. They also pointed out that emerging market firms can expand abroad based on cost advantage if the advantage comes from features such as producing natural resources at low cost, selling small-size quantities of products that lower-income customers may prefer, or achieving distribution economies when customers are few in number and located outside of major urban centers.

Lecraw (1993) found that Indonesian multinationals that were involved in export-enhancing FDI, especially to higher-income countries, based their competitiveness importantly on low-cost production. Many of the Indonesian firms in his study invested overseas to buy marketing and distribution companies downstream in their value chains – hence they were export-enhancing. He emphasized the point that the Indonesian firms appeared to go overseas to obtain elements that enhanced their competitiveness, such as technology and management skills, as well as these links to export channels.

Peres and Garrido (1998) observed that Latin American large companies tended to compete successfully in domestic markets with some degree of government protection and with their domination of local distribution channels. Since the Latin American firms were generally smaller than their MNE competitors from elsewhere, they needed to find offsetting advantages such as superior knowledge of and access to the domestic market in countries such as Argentina, Brazil and Mexico. The most international ones were in relatively low-tech industries (e.g., Cemex in cement and Alpargatas in shoes) and in natural resources (e.g., Pemex in oil, Votorantim in iron ore, and Codelco in copper). These companies' ability to compete overseas came from either participation in global supply chains (such as maquiladora factories in Mexico) or generally low-cost production.

Very little was written about Chinese firms competing during the 1990s, since they were just beginning to go overseas under the more open and outward looking policies that began under Deng Xiaoping in the 1980s and followed under the leadership of Jiang Zemin during 1992-2002. The main Chinese direct investments have occurred in the 2000s, when hundreds of Chinese companies have become multinational and dozens of them are major international competitors. Similarly, Russian firms were largely formed in the 1990s, after the end of the Soviet Union, and began their international expansion mostly in the 2000s, so they were not analyzed before then.

Competition in emerging markets today is no longer a world apart from that in industrial countries, but it certainly presents some key differences. More recent research in the 2000s proposes a path of development of EM firms that adapt to gaps in their ecosystems and argues that this adaptation makes them very competitive in their home markets (e.g. Chittoor et al 2009; Cuervo-Cazurra and Genc, 2008; Khanna and Palepu, 2006; Li and Yao, 2010; Williamson et al. 2010). It is argued that EM firms suffer disadvantages due to a lack of resources and skills (e.g. Barnard, 2010; Cuervo-Cazurra and Genc, 2008; Narula 2012). These papers assert that EM firms possess less advanced technology, less managerial and marketing expertise and more limited resources to compete against developed market firms. As a result they are expected to expand to markets that resemble their home markets with insufficient resources and similar institutional gaps (Kalasin et al., 2014).

A number of authors pursued the argument that EM MNEs needed a new theory to explain their behavior, because of the differences in comparison with traditional MNEs. Matthews (2006), for example, discussed the characteristics of Asia-based MNEs that he called the Asian Dragons. These firms tended to use joint ventures and other alliances, in additional to FDI, to both exploit their strengths from the home market and also to obtain knowledge and skills from abroad. He focused on the existence of global production networks into which the dragons could fit themselves and build international competitiveness. The firms, such as Acer and Li & Fung, could enter as assemblers of products made by traditional MNEs and then work their way up the value chain to become original product manufacturers themselves. In his terms, the new MNEs form ***linkages*** with existing industry leaders (via alliances of various types); they then ***leverage*** their capabilities through the alliance partners around the world; and finally they ***learn*** from the partners and through acquisition of companies that possess knowledge and skills that the new MNEs desire. Companies such as Acer, Flextronics, Lenovo and Hon Hai fit this three-part mold particularly well in the ICT industry.

Luo & Tung (2007) propose the idea of a 'springboard effect' through which EM MNEs internationalize by investing overseas to obtain capabilities that they do not have in the domestic market and also to escape constraints that may exist on their expansion in the domestic market. They argue that this springboard concept helps to explain why some EM MNEs look overseas to acquire technology or management skills that they can apply both at home and in other countries. They consider the strategies of these firms to aim at reducing or eliminating competitive disadvantages from being late movers and often smaller than existing Triad-based MNEs.

Guillen & Garcia Canals (2009) analyzed what they call 'new' MNEs, which are firms that have become multinational in recent years. They contrast these firms with established multinationals such as Exxon and Toyota, emphasizing the catch-up needs of the new firms. They include mostly companies from emerging markets, but also new firms from countries such as Spain and other Triad countries if they are recent entrants. These authors point out that the new MNEs often go abroad via acquisitions and alliances to obtain skills and resources that they lack at home, as well as to expand into foreign markets of both advanced and emerging markets. The particular capabilities that they demonstrate include excellence in execution of their strategies, skill for dealing with governments and political risk (particularly in other emerging markets), and flexibility in organizing their operations according to the needs of the situation, rather than via a long-existing, relatively fixed organizational structure as with traditional MNEs.

More recently Ramamurti (2012a,b) asserted that EM MNEs have superior insight into customer needs; ultra-low production costs; frugal innovation; operational excellence in complicated environments; privileged access to resources and markets in the home country; and some first-mover advantages. He goes on to reason that most of the advantages of EM MNEs are the same ones employed by traditional MNEs in similar contexts, and that the emerging market firms are just at an earlier stage of development. (See also Grosse 2015 on this view.)

Contractor (2013) argues that the main competitive advantages that distinguish emerging market MNEs from traditional ones are location-specific features such as a capability for dealing with (intrusive and idiosyncratic) governments, tolerance for ambiguity, and a humility based on the recognized need to catch up with existing leader firms. This last feature tends to allow EM MNEs to be more agile than existing MNEs, and to be willing to accept participation in alliances rather than owning most of the value chain. He also notes that the diaspora of people especially from India and China around the world give firms from those countries access to skills and knowledge in Triad countries and elsewhere that is not as common for traditional MNEs.

Williamson (2015) divided the particular competitive advantages of EM MNEs into three categories. First, successful EM MNEs are innovative in both the traditional sense of industrial R&D (e.g. industry leaders Huawei in telecoms, Embraer in regional jets, and Suzlon in wind energy) and also in process and business model innovation (e.g. Cemex in cement, Tencent in instant messaging, Gerdau in steel). Second, they reconfigure value chains (VCC) to achieve cost savings and superior operation (e.g. the Big 3 Indian business process outsourcing companies taking back-office functions from Triad countries to India, and Chinese mining companies obtaining raw materials by investing in mines in Africa). And third, they use international M&A to obtain skills and knowledge that they lack at home, learning from the foreign partners (e.g. Geeley acquiring Volvo to obtain both manufacturing skill and market access, and Mittal steel of India acquiring Arcelor to become the world's largest steel company). He concludes, as do almost all of the analyses, that to understand EM MNEs we need to expand our conception of key competitive advantages beyond the traditional proprietary technology and global brands/marketing skills.

This literature confirms the idea that EM MNEs do tend to have some competitive advantages that are less common among traditional MNEs, such as the ability to deal with the greater risks and uncertainties of operating in emerging markets and the ability to adapt technology to such markets, particularly where incomes are lower than in the Triad. Even so, as noted by Ramamurti, the EM companies have to compete just as traditional MNEs, and as they go further into international business, they grow and become more similar to traditional MNEs.

Conceptual Structure: A Two-Stage View of Latin American Company Competitiveness

Examples from Latin America show that the previous views offer substantial help in understanding company strategies, and that in this case there seems to be a fairly common process of achieving international competitiveness. Latin America has produced a handful of MNEs that compete in both developed and emerging markets successfully -- firms such as FEMSA, Itausa, GEA, and Luksic. We argue that Latin American firms' competitive advantages at home are similar to those of firms from developed markets, and that the firms mature in the same way as firms in developed markets domestically. The market forces and nature of competition in the Latin American domestic markets will appear very familiar to executives from developed markets, and large firms compete there with subsidiaries of firms from developed markets. When they expand overseas, then some particular characteristics of their home-country environment help them to succeed against international competitors. We show this through four case studies later in the paper.

As anywhere, the ability to succeed in competition in an emerging market requires a firm to have some competitive advantages such as a superior product or service, a lower-cost production capability, better distribution than competitors, and/or some other strengths relative to rival firms[3]. Perhaps the greatest difference between Triad countries and EMs is the volatility in the business environment in emerging markets. Quite a few Latin American firms have managed to thrive through near depression and an external debt crisis in the 1980s, challenges of broad-based economic opening to foreign competitors through the 1990s and 2000s, and of course the global financial crisis of 2008-9. Based on surviving these conditions, a number of Latin American firms demonstrate a powerful set of competitive advantages that help these firms go global.

As already noted, firms from emerging markets generally have disadvantages relative to MNEs from the US or the EU, based on their typical smaller sizes, weaker technology, and less knowledge of international markets and supply sources. Despite this background, in the past decade firms from emerging markets have joined the *Fortune* Global 500 in record numbers, based in countries ranging from China (109 companies in 2016) to Brazil (7 companies) and India (7 companies) to Russia (5 companies). Beyond these so-called 'BRIC' countries, firms from a number of additional emerging markets have joined the big leagues of world-leading companies, even though most still compete primarily in their home countries and in other emerging markets. In Latin America, only Mexico has any more members of the Global 500, with two in 2016.

The Latin American companies in the list are as follows:

Country/number	Brazil	Mexico	Argentina	Colombia	Chile	Peru
75	Petrobras		0	0	0	0
113	Itau Unibanco Holding					
151	Banco do Brasil					
154	Banco Bradesco					
191	JBS Brasil					
370	Vale					
487	Ultrapar					
152		Pemex				
176		America Movil				

Source: Fortune Global 500, May 2017. http://fortune.com/global500/list/

The argument here is that Latin American firms first need the ability to compete in their domestic markets. In fact, most of their sales in most cases are still within the home country. The economies of the region present a number of characteristics quite similar to many other emerging markets. These include factors such as a weak educational system, poor law enforcement, and inadequate health institutions. So the successful firms must develop competitive advantages that serve in this environment. In addition, these firms must build on their domestic success to compete internationally – and it remains to be seen what enables them to operate successfully in foreign markets. We argue that this capability derives largely from a second set of capabilities including (market and regulatory) risk management and also deep cultural understanding/embeddedness, which are required of all firms in their domestic markets but which are not as common overseas. In this second step our analysis is similar to Contractor (2013) and Williamson (2015), who look at international competitiveness of EM firms. At this stage we use examples of Latin American multinationals from four countries operating primarily in other regional emerging markets.

Considering competitive advantages of firms in the domestic market, they arise largely in line with what is found in the Triad countries, minus the technology advantage. That is, few Latin American companies possess competitive strengths in the traditionally-defined area of proprietary technology measured as R&D expenditures or patents. Even so, many of the 150 companies in our sample possess proprietary knowledge about customers and product markets, and business processes, so they are not absent from R&D activity in that broader context. Otherwise, advantages come from economies of scale, domination of distribution channels, superior brand names and advertising, low-cost production, customer relationship management and general experience, just as in most countries (cf. Wells 1983 and Porter 1985).

The principal internationally-transferrable advantages that arise from operating in Latin America have to do with managing under uncertainty and dealing with external pressure groups such as governments and labor unions (similar to Contractor's view 2013). These are quite different strengths in comparison with those of large US or EU-based firms, that tend to obtain competitive advantages from capabilities such as proprietary technology and marketing skills. Latin America's successful large firms have dealt with governments ranging left-wing socialist governments in Argentina and Venezuela, to right-wing military dictatorships in Argentina, Chile and Brazil since the 1970s. They have operated in violent environments with large-scale drug trafficking and occupation by major terrorist groups. They have dealt with economic growth rates of the formal economy in the range of approximately 0% per year during the early 1980s to approximately 5% per year in the early 2000s. They operated in a highly inward-looking environment after World War II (the well-known import-substituting industrialization period championed by Raul Prebisch at ECLAC) to a highly open competitive environment in many countries of the region since about 1994. And they have seen markets of tens of millions of potential customers in the high- and middle-income categories in several countries, along with a potential of more than 200 million poor people in Latin America overall.

Evidence on Competitive Advantages in the Domestic Market

We expect to see competitiveness in the domestic context depend on company strengths as around the world. Large size typically gives a company an advantage in obtaining funds for investment and in dealing with existing clients as a source of future revenues. We also expect a 'survivorship bias' in that companies with longer histories will have successfully overcome the challenges in the environment, and thus are likely to be more successful than younger companies. In addition to these two common strengths, we expect several more advantages to exist, as described here.

Size as noted is a major factor that enables companies to build some degree of monopoly power, economies of scale, domination of distribution channels, and more. While all of the firms in our sample of exchange-listed companies are fairly large, still there is a wide range of sizes among them, ranging from $US 1 billion in annual sales to about $US 15 billion.

Company **age** may be a factor that demonstrates survival skills in a market that has developed only recently (say in Eastern Europe), or it may be an indication of stagnation due to long-term lethargy or inability to innovate. In either case, age is likely to play a part in competitiveness. The Latin American firms in our sample range from 4 years old to 128 years old. During the 1980s the Latin American economies could be described as being in financial crisis, with a few exceptions, and firms that operated in these times had the advantage of an initially protected environment, then the disadvantage of the debt crisis, and then the challenge of relatively open markets by the end of the decade.

Family ownership is fairly extensive among the listed companies on the Latin American stock exchanges, as is true in most countries outside of the US and UK. Family ownership may either improve performance, because of the lack of a division between owners and managers, or it may reduce performance due to the complications of running a family business, from succession planning to financial management that may mix family and company goals. More than half of the firms in our sample have greater than 25% family ownership. Ownership in the Latin American context is characterized by large, typically family-controlled economic groups, along with subsidiaries of Triad-based MNEs, and a handful of government-owned large firms in natural resource industries and banking[4].

Sectoral diversification is another factor that is likely to affect competitiveness, or at least company survival. Through time, with crises and booms, a company that is diversified across businesses stands a better chance of survival. Even so, in the US and UK, the largest and longest-lived firms tend to be fairly narrowly focused on one or two sectors of business. In emerging markets other than China, diversification is more common among the largest and long-lasting companies. The Latin American listed firms in our sample operate in an average of 2.7 sectors, which is similar to the situation for Asian, European, and African large firms.

International diversification is reasonably high among emerging market firms from Latin America, and it may provide a source of additional revenues and profits to generate better performance for more geographically-diversified companies. The impact of this diversification is an empirical question that will be explored with both aggregate data and with a few examples of companies with extensive international activities.

We expected *marketing capabilities* (such as well-known brand names and superior advertising) to figure as a domestic competitive advantage as well. In the context of these emerging markets we were not able to obtain measures of marketing skill or marketing spending or market perceptions of the firms. Similarly, we would have liked to explore the technology intensity of the Latin American firms, but no data are available in aggregate form or in company reports. We do not expect technology to be an important driver of competitiveness here, though knowledge such as customer relationships and supply chain management easily could provide advantages that again were not measurable.

Evidence on Competitive Advantages for Competing Internationally

In the domestic context, Latin American firms face the same conditions as their rivals, so they presumably would not have or need differential advantages based on being in that emerging market. However, relative to rivals abroad, the Mexican or Brazilian or Colombian origin could provide advantages to these companies. Broadly speaking, when Latin American companies compete with Triad

MNEs, one would expect them to have advantages based on low costs and on existing client relationships from their country of origin (Wells 1983; Guillen and Garcia-Canal, 2009; Mathews 2006; Contractor 2013).

From experience working with the top management teams of a dozen Latin American MNEs, we have identified two very clear strengths of these firms when they compete overseas, especially in Latin America. These are emerging-market strengths that enable firms to compete successfully against traditional multinationals (1) when risks and uncertainty are higher than in the Triad countries, and (2) when governments and local pressure groups are more involved in business. We consider each of these elements in turn.

1. Managing Risks and Uncertainty

Features of emerging markets that differ in comparison with industrial countries include the levels of risk and uncertainty in the business environment. Often there are risks[5] (that is, measurable expectations for variation in aggregate demand, prices, exchange rates and other macroeconomic elements of the economy) that are higher than in the US or EU. For example, the inflation and exchange rate variations in many South American countries and sub-Saharan African countries have been enormous in comparison with dollar inflation and the dollar-euro exchange rate variation over the past couple of decades. Inflation and exchange rate variations have been higher in emerging markets overall than in industrial countries during the period since World War II.

Beyond the risks of this type, there are uncertainties such as unplanned regime change, capital flight that leads to currency maxi-devaluation, wars, high crime rates, and generally a more unstable environment than in the US-EU countries. Uncertainty[6] is just defined as the possibility of unexpected outcomes that affect firm profitability/viability that are not measurable. The point here is not to split hairs about the difference between risk and uncertainty, but rather to note that both types of problem are common in emerging markets more than in industrial countries.

Firms originating in emerging markets must deal with these risks and uncertainties from the time they are born, thus their experience in managing these problems is likely to be more extensive than for firms based in industrial countries (Buckley et al. 2007; Contractor 2013). As emerging market companies expand their activities into other emerging markets, this experience is likely to provide a competitive advantage relative to rivals from industrial countries (but not relative to rivals from emerging markets, including the target market) (Guillen and Garcia-Canal 2013).

Looking at the experience of firms from industrial countries, one finds that their overseas expansion tends to be into other industrial countries, with much more limited investment in emerging markets. Even given that many emerging markets are significantly smaller than industrial countries, especially the US and EU, this does not explain why industrial country firms have not expanded more extensively into large markets such as China and India, or even Brazil or Mexico, etc. On the other hand, looking at Latin American companies, the tendency is clearly to expand nearby, into other Latin American countries, before entering in a small number of cases into the US or EU. In short, emerging market firms, particularly those from Latin America, tend to compete in other emerging markets where uncertainty and risks are high, where the entry costs are low, and where industrial-country firms show less willingness to enter.

2. Dealing with Governments and Pressure Groups

A second source of competitive advantage for Latin American firms in competition with firms from industrial countries is their ability to deal with emerging market governments and other local stakeholders, starting with their own in whichever Latin American country that the company originates. This capability comes from necessity, since the governments in most of Latin America are much more interventionist than that in the United States or those in the EU, and pressure groups such as unions and local communities have more power relative to companies, whose legitimacy is sometimes called into question.

Looking back at the past three decades, firms in Latin America have needed to deal with governments that were largely interventionist during the CEPAL-led import-substitution period, followed by a significant economic opening in the second half of the 1980s and 1990s, and then followed by greater intervention again in the 2000s. And across countries government intervention was greater in Brazil up until the mid-1990s, and in Argentina during 2001-2016, and in Venezuela during 2000-2017; while much less in Chile since 1973 and in Mexico since 1987. These very different situations called for very different company strategies of dealing with the government, and thus Latin American firms have been pushed much more than industrial-country firms to respond to changing government interests and demands.

Dealing with the government successfully can provide a competitive advantage by enabling a firm to obtain licenses or permissions to do business, or contracts to be the supplier to government, or favorable tax treatment – or just to avoid being nationalized! There are many ways in which being able to deal well with a government can provide advantage to a firm; in emerging markets this particular skill has proven extremely valuable in situations where governments change unexpectedly, when governments are pushed to respond to economic, social or political crises, and just in general when governments seek to demonstrate their concern for society by regulating business. The knowledgeable and prepared company can position itself for favorable treatment in such situations, where the less astute or less-connected firm may not.[7]

Another source of competitive advantage for Latin American firms in international competition is their ability to deal with local communities and with labor unions. Communities in under-developed areas tend to view large companies as wealthy employers, and consequently tension arises if these companies do not employ locals and when they are viewed as taking profits from the community without adding an adequate benefit to the community. Similarly, labor unions are able to position themselves as a segment of society that is oppressed by large companies, and thus to generate community and government support for gaining better wages and treatment.

Our Evidence

We have gathered evidence to analyze the competitive strengths of Latin American companies from two sources: a statistical analysis of the features of the largest 150 companies traded on the Buenos Aires, Sao Paulo, Santiago, Bogota, Mexico City, and Lima Stock Exchanges and a set of four mini-case studies of large Latin American multinationals operating in different sectors. The former source only allows for comparison of companies that are based in Latin America, and so their characteristics should be similar in terms of ability to deal with governments and local pressure groups and experience in managing under uncertainty. We will look at that comparison of companies competing in their home countries first. Then the discussion turns to four companies whose characteristics and international competitiveness were explored in more detail: FEMSA, Grupo Economico Antioqueño, Itaúsa, and Grupo Luksic. In the case studies we focus on the advantages that have enabled these multinationals to compete successfully overseas and at home against international rivals.

A. Competitive Features of the Largest 150 Companies based in Latin America

This analysis uses regression modeling to explore the company-specific features that have enabled different companies to achieve greater profitability or market capitalization than the other large companies traded on Latin America's stock exchanges.

Data are taken from the Bureau van Dijk Osiris database[8] on the largest 25 companies listed on each of the 6 countries' stock exchanges in 2016. Additionally, company annual reports were used to obtain information unavailable on Osiris. Most of the variables that we want to include were available from these two sources, though missing data did cause us to lose 10-15 percent of the total possible observations in our modeling.

The dependent variable 'performance' was measured in several ways. First, we use market capitalization as the measure of performance, since it represents the present value of all expected future earnings (cash flows) of the company. (We used the natural logarithm of market cap as a transformation to normalize the distribution across the companies). Alternatively, we use (the logarithm of) current profits as the performance. Both of these measures are nominal variables, in line with the right hand side variables including sales, international sales and age. We also ran models using Tobin's Q ratio and ROA ratio as the measure of performance, resulting in coefficients with the same signs but much weaker results (available from the authors on request).

Explanatory variables

We include size and age of the companies as control variables, since these factors generally explain a large portion of variation in firm performance. Size was measured as the logarithm of total sales of the company, though we also used as alternatives the logarithm of total assets of the firm and total employees (results available on request). Sectoral diversification was included because it has been found in many countries that more of the largest firms are diversified into two or more industry sectors, while in fewer countries the leading firms are more narrowly focused. Our expectation is that Latin American countries, as emerging markets, should demonstrate the more common feature of greater diversification among large and successful companies (Khanna and Yafeh 2007).

Family ownership is a similar feature of large and small companies from most countries. From the Japanese keiretsu to the Mexican family groups to Korean chaebols, etc., large family-based groups often populate the top of the list of companies. Our expectation therefore is that family ownership will be associated with greater company size and success[9].

Finally, we look at international extension of the companies' activities. Among Triad companies, more international activity is associated with better performance – although the empirical evidence shows that at some point firms can be overextended internationally (e.g., Contractor 2007). We likewise expect that companies from Latin America will be more successful if they have more international activity, whether measured as overseas sales or the number of overseas subsidiaries.

Test Results

Using cross-section multiple regression models, we obtained the results shown in Table 1. The models explained about 70% of the variance in market capitalization and profits with about 110 observations usable in each model, using ordinary least squares regression with robust standard errors. Since the results are similar across specifications of the dependent variable, we present only the results using the natural logarithms of market capitalization and profits.

[Table 1 goes here]

The table contains two columns which show two different specifications of the internationalization variable, along with the four other explanatory variables. Internationalization is measured alternatively as the number of overseas subsidiaries and international/total sales in the two columns. Because overall (global) sales were highly correlated with all measures of internationalization, domestic sales were used as the company size variable in the modelling. (A correlation matrix is presented as Appendix Table A1.)

Age of the company demonstrated a negative correlation with performance, that is, younger companies performed better than older ones.

Sales of the company, defined as domestic sales in the models, were highly significantly correlated with all measures of performance (as were total sales, when run without the international variables). Even among large firms, the larger ones outperformed the relatively smaller ones.

Family ownership was not significantly correlated with performance, though the coefficient signs were negative. This was surprising, because most emerging markets show a positive relationship between family business and size/performance, except for China (Bjornberg et al. 2014). And among Triad countries findings are similar, with the exceptions of the US and the UK. In any event the percentage of family ownership was generally not significantly related to performance among the Latin American companies.

Industry diversification was positively correlated with performance, significantly in all specifications. This is a phenomenon like family ownership that usually is associated with superior performance in emerging markets (except China). And as with family ownership, the Latin American case is not alone, but is similar to those in most countries other than China, the US and the UK.

Finally, international activity and international diversification were each positively and significantly associated with better performance. International/total sales measured international activity, while the number of overseas subsidiaries more closely measured international diversification. We move next to consider the international competitiveness of some specific Latin American firms.

B. **Four Case Studies:** FEMSA, Itaúsa, Grupo Luksic, and GEA

Since these four companies are part of the group of Latin America's 150 largest companies that were analyzed above, we assert that they possess the characteristics that enable successful firms to compete in the domestic market – namely broad industry extension, large size relative to rivals, and large international presence. None of these bases, however, would enable the firms to expand successfully abroad. Here we explain how each of them benefits from two sources of international competitive advantage of Latin American firms.

FEMSA (Mexico)

A very interesting case to illustrate the competitive advantages and strategies of large Latin American companies is FEMSA (Fomento Económico Mexicano, SA) in Mexico. This company has operated for over 125 years, with its origin in the beer business operating as the brewer Cerveceria Cuauhtémoc Moctezuma in Monterrey, Mexico. Actually, the group started as Cerveceria Cuauhtémoc (Cuauhtémoc Brewery) in 1890, and only acquired competitor Moctezuma in 1985. The combined Cerveceria Cuauhtemoc Moctezuma (CCM) produces beers including Dos Equis, Tecate, Indio, and Carta Blanca among its international brands.

In 1909 Cerveceria Cuauhtemoc started to expand vertically. To provide glass bottles, in 1909, Vidrios y Cristales de Monterrey S.A., later Grupo Vitro, was founded. In order to produce boxes, bottle caps, and packaging materials, Fabricas de Carton Monterrey was founded in 1900; it was later renamed Titán Company. In 1929, Malta, S.A. was established to produce malt for the brewery.

In 1936 the various businesses were grouped under a holding company called Valores Industriales, SA, or VISA. By the 1970s it was one of Mexico's largest companies. In 1973 the group was divided into VISA, which kept the brewery and the country's third largest bank, Banca Serfin, and Grupo Alfa, which held the industrial non-beer activities, including Hylsa, a steel manufacturer, and Titán, the packaging company.

Several decades later the beer part of the business was sold to Heineken in 2010, in exchange for 20% ownership of Heineken and two seats on the Board of Directors. So as far as beer is concerned, FEMSA is a global portfolio investor today, with a large but still minority stake in Heineken.[10]

FEMSA expanded into other beverages in 1979, by becoming the principal distributor of Coca-Cola products in Mexico and later in several other Latin American countries. FEMSA began working more closely with Coca-Cola in 1991, forming a joint venture called Coca-Cola-FEMSA (KOF). This joint venture was initially owned 51% by FEMSA, 30% by Coca-Cola, and 19% by shareholders on the Mexican stock exchange. KOF combined the Mexican company's existing local soft drink brands and bottling facilities with the Coca-Cola brand. After initially operating just in Mexico, Coca-Cola FEMSA has acquired bottling companies throughout Latin America. In 2003 KOF transformed itself into a major international player by acquiring Panamco, a Coca-Cola bottler with operations in southern Mexico and in Guatemala, Nicaragua, Costa Rica, and Panama, as well as in Colombia, Venezuela, and Brazil. By 2012 KOF had become the largest Coca-Cola franchise bottler in the world. More recently, KOF has acquired additional bottlers in Brazil. And the company has broadened its scope to include bottled water and juices in addition to soft drinks.

Along with beer and soft drinks, FEMSA has built a major presence in the convenience store business. OXXO stores were started in 1977, when the company decided to set up its own retail store network to sell its beer. The small stores quickly took on the 7-Eleven or Circle K style of convenience stores, selling not just beer and related snacks but also soft drinks, a more extensive food selection, and other assorted items. By 2014 there were more than 11,000 OXXO stores in Mexico and 34 in Colombia. So today FEMSA participates in three major value chains: non-alcoholic beverages (bottling and distribution) with Coca-Cola; convenience store operation (OXXO); and beer (through Heineken). The discussion below just looks at FEMSA's business of soft drink bottling and distribution (KOF). It is a business in which FEMSA depends heavily on the soft drink supplier (Coca-Cola), and occupies a value chain location between producer and consumer.

The company clearly fits into the downstream end of the global value chain for soft drinks and other beverage sales, operating bottling and distribution networks for Coca-Cola. While geographically KOF has remained in the Americas to date, their product portfolio has shifted from the original focus on soft drinks to a broader array of non-alcoholic beverages including milk and juices.

International Strategic Capabilities. KOF has demonstrated the ability to deal with political and economic risks in Mexico and elsewhere in Latin America (particularly in Colombia) over the years. The challenges of large devaluations, government-imposed barriers to entry by foreign food and beverage companies, and competition from entrenched local rivals have enabled KOF to go where Triad-based MNEs tend to stay away. In fact, it appears that KOF is able to take Coca-Cola to countries where the US company wants to be present without subjecting it to the risks that are far greater than in the US or other Triad countries.

Value Chain Risks. In the KOF business FEMSA is vitally dependent on Coca-Cola, and this puts the company at a disadvantage in dealing with Coca-Cola, which could pursue a strategy harmful to FEMSA's interests. This is similar to the relationship with Heineken in beer, since FEMSA now depends completely on Heineken as majority owner to make ultimate strategy decisions. One way to deal partially with these risks is to diversify, as FEMSA has done with the OXXO retail stores that do not depend on particular suppliers of key inputs.

This brief commentary on FEMSA shows the kind of strategies pursued by diversified Latin American multinationals, which ebb and flow in their core businesses due at least partly to the global demand for their products and the competition from other companies. At the same time these emerging market firms can find opportunities to insert themselves into global value chains, in this case initially through beer distribution in Latin America and the US, and then through the link with Coca-Cola to provide bottling and distribution of Coke products throughout Latin America. FEMSA is clearly more willing to deal directly with owned affiliates in (risky) emerging markets, where Coca-Cola and Heineken may not wish to have their own facilities.

ITAÚSA (Brazil)

The Itaú group was founded in 1965 as Brazil's first investment bank. The group borrowed in the financial markets to finance loans and investments in Brazilian companies. Over time the bank gained significant positions in the equity of a number of Brazilian companies, such that a decision was made in 1974 to restructure the group's activities. All business was placed under the umbrella of Itaú Investments (Itaúsa). The banking activities were put into Banco Itaú and later Unibanco, while industrial holdings were concentrated in three companies: Duratec (a manufacturer of wood panels and porcelain and metal bathroom fittings for the construction industry); Itaútec (a manufacturer of ATMs and computer software, mainly for bank automation) and Elekeiroz (a manufacturer of chemical products such as resins for the construction industry)[11].

With the acquisition of Unibanco in 2008 the group's financial services business became the largest bank in Latin America, though still heavily focused on the domestic Brazilian market. Previously, in 1998 Itau had purchased Banco del Buen Ayre in Argentina, making it one of the top ten full-service banks in that country. In 2014 Itau-Unibanco acquired control of Corpbanca, with extensive operations in Chile and Colombia, as well as Citibank's operations in Uruguay. Today Itau-Unibanco has a presence in almost all Latin American markets, with either full-service coverage (as in Brazil, Chile and Colombia) or investment and corporate banking only (in Mexico). The bank had total assets of $US 362 billion at yearend 2014, ranking it 13th in the world.

The internationalization of Itaúsa has been almost completely within Latin America, though each of its businesses does have clients in other parts of the world, particularly in the United States. The banking business is the only one with operations in other countries, and even in this instance the percentage of total activity outside of Brazil is less than 10% of the bank's total financial services activity. This is clearly a company with huge opportunity to move into overseas markets for its manufactured goods as well as for expansion of its financial services business.

International Strategic Capabilities. Itaúsa's domestic competitive strengths come from its diversified business base, its large scale of operations, especially in banking, and its existing customer relationships. At the international level, Itaúsa has much more experience dealing with financial markets in the risky markets of South America than any of its main international rivals, Citibank, Barclays, HSBC, and the Spanish leaders, BBVA and Santander. The others are more experienced in Mexico, but from Colombia to Argentina and through the rest of South America, Itaúsa has greater strengths in dealing with governments and local customers.

Value Chain Risks. Probably the main risk facing Itausa is its 90%+ dependence on the Brazilian market. As events in 2015-6 (including the impeachment of President Rousseff and the Petrobras scandal, along with a major recession) have shown, Brazilian country risk is high, and companies operating there may suffer reduced earning potential relative to international rivals.

Dealing with risk and uncertainty

the bank's risk appetite is clearly greater than that of, say Bank of America or United Bank of Switzerland, Credit Lyonnais or any of the large Japanese banks. Most industrial country banks place most of their affiliates and their business in those Triad countries (that is, the US, EU, and Japan). There are exceptions, such as Citibank and Barclays, which also pursue aggressive emerging markets strategies – but they are definitely the exceptions. Itausa, on the other hand, operates its banking affiliates in 11 countries, of which 8 are emerging markets (along with bases for emerging market transactions in London, Luxembourg, and New York). It would not be easy to prove that Itausa is more successful in its emerging markets strategy than either Barclays or Citibank, but it certainly is far ahead of them in Latin

America – though the Spanish giants BBVA and Santander are also major players in multiple Latin American markets.

Management of government and regulator relations

Itausa has had to deal with the government of Brazil on a continuing basis over time, through populist periods and chaotic times in the macroeconomy. As the second largest bank in the country, Itausa is highly visible and subject to demands for 'good corporate citizenship' in many contexts. From supporting government initiatives such as investment in education and help with […], the bank is regularly pulled into public service activities.

Grupo Luksic (Chile)

The Luksic Group has been one of the two or three largest business groups in Chile for four decades. The group began in the copper business, with Andrónico Luksic's purchase of small mining areas in Antofagasta in 1954. While that business has remained in the Luksic portfolio for decades, it did not become the major player that it is today until the purchase of the Los Pelambres mine in 1986, and the major development of that resource beginning in 1996. That production made the Luksic group into the second largest copper producer in Chile, after the state-owned Codelco. The group's founder, Andrónico Luksic, saw additional opportunities in other sectors, and built up a pasta business (Lucchetti, acquired in 1965, sold in 2013 to GEA), a beer business (CCU, acquired in 1986), and a metal fabricating business (Madeco, acquired in 1970). In addition, he added a financial institution, which has seen a rollercoaster ride since the 1970s.

The group has bought and managed the largest or second largest bank in Chile on three separate occasions over the years, beginning with Banco O'Higgins in 1979. Along with Spanish partner Banco Central Hispano, the group then bought controlling interest in Banco de Santiago in 1995, and sold it all to Banco Santander in 1999. Finally, the group purchased control of Banco de Chile in 2000, and still retains control today.

The Luksic group grew during the 1980s into the largest Chilean private-sector company (still much smaller than the government-owned copper company, Codelco, however). It is a classic conglomerate grupo, with family control of the diverse businesses, and a set of quite unrelated sectors in the portfolio. The group has “modernized” with establishment of a holding company, Quiñenco, that is now publicly traded and owns a minority share in the family’s businesses.

International Strategic Capabilities. Luksic has perhaps been the most successful of the Latin American groups in operating as a portfolio investor, entering and leaving investments at opportune times[12]. The company has global reach with its shipping (CSAV) and copper businesses, and a strong Latin American regional presence in banking. Because the group has generally operated businesses through the whole value chain, they are not able to move further up or down in them.

Value Chain Risks. None of the Luksic companies is the largest in its business arena globally, so the group is faced with the risk of being a follower or at least a second or third participant in a sector dominated by others. This is not a major threat in the domestic Chilean market, where Luksic companies are market leaders, but rather in overseas markets. Still, all of the businesses face potential rivalry from foreign, larger entrants, so that defense of the home market is a challenge. And with copper production still accounting for about 1/3 of total sales, this dependency on a commodity market brings its own risks as commodity prices rise and fall.

Dealing with risk and uncertainty

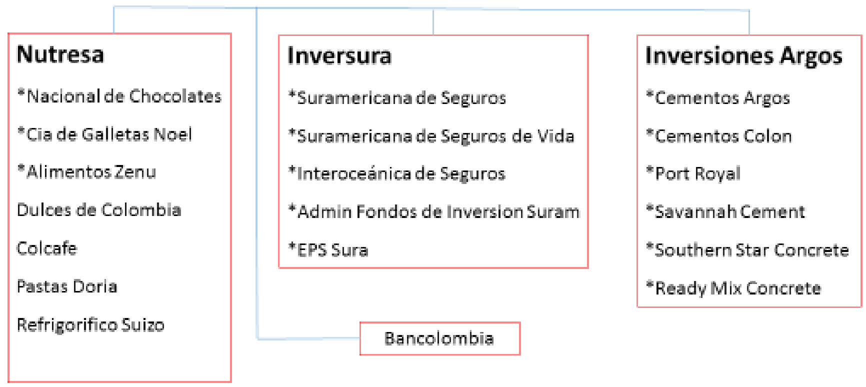
Management of government and regulator relations

Grupo Económico Antioqueño (GEA) from Colombia

GEA, originally known as the Sindicato Antioqueño, is the largest business group in Colombia, and it would be listed in the Fortune Global 500 except that the group structure does not list one company as a holding company for the rest. That is, there are three main divisions of the group, consisting of financial services (under the insurance affiliate, Suramericana de Seguros), cement (Argos), and foods (Nutresa, formerly Nacional de Chocolates) – and they operate through cross-holdings and cross-directorships in each other. The main companies in the group are shown below in Figure 5.

[Figure 5 – GEA businesses]

Figure 5 Group Structure – Grupo Empresarial Antioqueño



Major companies of the 150 total belonging to the Grupo Empresarial Antioqueño.

GEA was set up in 1978 as a response by Medellín businessmen to a wave of takeovers of local companies by companies from Bogotá and elsewhere. Local leading companies including Postobon (soft drinks), Coltejer (textiles), and Banco Comercial Antioqueño had been acquired by Bogotá-based business groups, and the heads of 14 Medellín-based companies came to a formal agreement to invest in each other's companies and form a defense network that would preclude outsiders from taking control of any of them. At that time two of the pillars of GEA (Nutresa and Inversura) had seen creeping takeover of shares by the Grupo Grancolombia from Bogotá, and they in particular were strongly committed to the mutual defense scheme. Today there are about 150 companies in the GEA, grouped under the three industrial headings shown in the figure above, along with the bank, Bancolombia.

The group has functioned successfully within Colombia since that time, with ups and downs along with the general economic condition of the country. In the late 1990s and 2000s several of the group's companies made significant pushes to internationalize by establishing subsidiaries in other Latin American countries. Inversura, for example, owns insurance companies in Mexico, Peru, Chile, and Panama, as well as in some smaller markets in Latin America. Argos has expanded by acquiring a large cement business in the southern US, as well as others in Honduras, the Dominican Republic, and Panama. And Nutresa has chocolate or other food operations in all Andean countries of South America, Argentina, all Central American countries, and an extensive network of subsidiaries in the US. Figure 6 shows the geographic expansion of GEA, and the notable hole in that coverage, namely, Brazil.

International Strategic Capabilities. The group's strategy is clearly one of diversified growth, with the three main product/service sets of companies not even accounting for all of the major businesses in which GEA is involved (e.g., the bank, the textile company, Fabricato, and the airplane importer, Internacional Ejecutiva de Aviación). For each of the three main business lines the group has defined a strategy of being a market leader in the Americas, from the US to Argentina, and this strategy has been partially realized in every instance. Clearly the main target market that remains in the region is Brazil – though GEA's market share in most countries outside of Colombia is not the largest, so room for growth exists in those markets as well.

Value Chain Risks. The key risks facing GEA include the challenge from larger competitors in all of the company's markets outside of Colombia. And even in Colombia there are challenges from larger banks and insurance companies based in the US, Spain and elsewhere, and from cement companies such as Cemex and LaFarge, as well as cookie and candymakers such as Nabisco, Kellogg, Bimbo, Mars, and several others. As a medium-sized company in global terms, GEA is clearly subject to the incursions of these outside competitors.

Lessons from the Case Studies

The four case studies of FEMSA, Itausa, GEA and Luksic all demonstrate several common features of internationally-successful Latin American companies. They each are smaller than a number of Triad-based rival companies, but they each have superior knowledge of Latin America. These companies all have better distribution networks in Latin America than any regional or global rival. All of them have extensive experience in dealing with local communities and high-risk environments at home and abroad, and they demonstrate a willingness to tolerate these conditions more than any international competitor.

All four companies have brand names that are well-known in Latin America. The fact that R&D is not a measurable competitive advantage for these firms comes primarily from the fact that they operate mostly in service industries where R&D is not patentable or measurable with traditional means. Overall, one could readily say that their strengths are not that different from Triad companies operating in their regions of origin, where customer relationships, distribution and marketing are key advantages. However, these four companies have demonstrated much greater willingness to operate in high-risk environments in

Latin America compared with their Triad-based rivals, and they have greater skill in dealing with governments and local pressure groups in this region.

Managerial Relevance of this Study

The two empirical sections of the paper demonstrate that South African companies, to compete domestically, need to identify and build competitive advantages such as scale (basically, size of the company), competence in running the business (proxied as longevity of the firm), a narrow focus in one or two industry sectors, and international expansion. Relative to other South African firms, the leaders in market valuation and in profits demonstrated these qualities.

Once the firms had succeeded in domestic competition, we found (as in several previous studies) that several emerging-market capabilities were key to overseas competition. These included the ability to deal with risks of operating in relatively chaotic environments, the ability to deal successfully with governments, and the ability to build credibility (legitimacy) with local communities where the firm operates.

So, managers need to know that they must pursue traditional strategies to take advantage of their company-specific capabilities in the home country first. This step is a *sine qua non* for competing internationally. Then, when going overseas, the firms are able to take advantage of the non-traditional capabilities noted here.

Conclusions

As seen in the empirical analysis in this paper, the Latin American firms' competitive strengths in domestic competition include size and international diversification, while they have been more successful when operating in a broad range of business lines. As described in our two-stage model, the internationally-competitive firms must first achieve leadership at home, and then they push into other markets.

In the second stage of competing, across national borders, the four examples demonstrated capabilities based on their experience dealing with high-risk conditions in Latin America, along with their ability to deal with changes in government policies and regulations. These are uncommon traits for multinationals from Triad countries, but not at all uncommon among emerging market companies.

Our two-stage view of competitiveness for these emerging market leading companies may be transferrable to other regions of the world as well. While the particular characteristics of China and Russia, with very large domestic markets and many large state-owned enterprises, may not fit well with this model, most of the rest of the emerging markets do. The first stage is fully consistent with the broad view of competitive advantages as developed in the US and Europe, while the second stage demonstrates the particular strengths that enable EM companies to enter and often succeed in international competition.

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Table 1a&b Regressions on Performance (market cap or profit)

	Ln Market Cap	Ln Market Cap
age	-0.04	-0.03
	(0.01)**	(0.01)**
numindus	0.30	-0.29
	(0.10)*	(0.10)*
familown	-0.33	-0.36
	(0.24)	(0.23)
lsasales	0.01	0.94
	(0.04)**	(0.04)**
numcount	-0.06	
	(0.09)*	
intl/tot		2.10
		(0.12)
Constant	8.85	8.79
	(0.53)**	(0.55)**
F statistic	126.20	111.43
R-squared	0.63	0.63
Number of observations	118	118

	Ln Profit	Ln Profit
age	-0.03	-0.02
	(0.01)**	(0.01)**
numindus	-0.33	-0.33
	(0.10)*	(0.10)*
familown	-0.42	-0.44
	(0.25)	(0.24)
lsasales	0.85	0.82
	(0.05)**	(0.05)**
numcount	-0.02	
	(0.08)*	
intl/tot		1.00
		(0.19)
Constant	6.20	5.86
	(0.62)**	(0.63)**
F statistic	58.43	68.23
R-squared	0.58	0.59
Number of observations	98	98

* $p<0.05$; ** $p<0.01$

Table A1 – Correlation Matrix -- Performance of Latin American Companies

	sales	profit	assets	ROA	marketcap	numcount	numindus	age	familown
sales	1.0000								
profit	0.2352	1.0000							
assets	0.9149	0.2895	1.0000						
ROA	-0.0219	0.2801	-0.0430	1.0000					
marketcap	0.5407	0.9200	0.7084	-0.0478	1.0000				
numcount	0.0175	0.0124	0.0305	-0.0145	-0.0226	1.0000			
numindus	-0.0664	-0.0730	-0.0784	-0.1186	-0.1059	0.0957	1.0000		
age	-0.1152	-0.0835	-0.1608	0.1439	-0.2100	-0.1194	0.2391	1.0000	
familown	-0.1870	-0.1612	-0.2022	-0.0390	-0.2675	-0.0922	0.0486	-0.1056	1.0000

Endnotes

1 A somewhat similar approach was taken by Krammer et al (2017) in a paper analyzing export success by emerging market companies.

2 In fact, Wells' emphasis was on the company-specific factors that enabled EM firms to compete internationally, rather than on location advantages such as low costs or government protection.

3 Government protection via subsidies or barriers to entry of additional competitors certainly is important in most emerging markets, including in Latin America, but it tends to be similar for domestic companies.

4 The firms in our sample are all traded on local stock exchanges, but often have controlling, non-traded shares in the hands of one or two families, a foreign multinational, or a government entity.

5 **Definition:** If outcomes will occur with known or estimable probability the decision maker faces a risk. Certainty is a special case of risk in which this probability is equal to zero or one. Source: http://economics.about.com/od/economicsglossary/g/risk.htm

6 **Definition:** If outcomes will occur with a probability that cannot even be estimated, the decision maker faces uncertainty. This meaning to uncertainty is attributed to Frank Knight, and is sometimes referred to as *Knightian uncertainty*. Source: http://economics.about.com/od/economicsglossary/g/uncertainty.htm

7 This is not even to focus on the issue of bribery and more broadly corruption, which are common in many emerging markets. Local firms are likely to understand when such elements are in play, and to respond to them appropriately, more than foreign firms. But separate from corrupt practices, local firms often understand the government's goals and interests better than less-knowledgeable, less-connected foreign firms, and thus they can take steps to position themselves for favorable treatment. For example across the Latin American region, local firms may be more able to recognize the challenges of corruption, because they may recognize the deep roots of this issue better than foreign firms, and thus the local firms may be able to deal with it more successfully as a result.

8 http://www.bvdinfo.com/en-gb/our-products/company-information/international-products/osiris

9 This is debatable, since several studies have shown that family ownership is associated with lower performance among large companies in emerging markets.

10 In principle this 20% could give FEMSA the opportunity to take control of Heineken at some point; however the Heineken family owns 50.1% of total shares, so FEMSA is likely to remain as an influential minority investor.

11 The Itaúsa group is 61% owned by the Egydio Souza Aranha family, with the remaining shares traded on the Sao Paulo stock exchange. The banking part of the conglomerate is 50% owned by Itaúsa and 50% by the Moreira Salles family.

12 The author will never forget the response from Andrónico Luksic a number of years ago, when asked what his corporate strategy was. He said: we buy low and sell high!