



International Business Research and Latin America*

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Estudios de Negocios Internacionales y Latinoamérica
Estudos de International Business e a América Latina

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This article reviews international business research on Latin America and introduces the articles contained in this special issue on international business research and Latin America. The articles are the finalists for the best paper award given at the 2010 meeting of the Latin American chapter of the Academy of International Business. They reflect the promise of using Latin America as a research laboratory for advancing the theory of international business.

En este artículo se revisan los estudios de negocios internacionales en Latinoamérica y se presenta el resto de artículos incluidos en este especial sobre estudios de negocios internacionales y Latinoamérica. Los artículos son los finalistas al premio al mejor artículo que se entrega en el encuentro 2010 de la sección de Latinoamérica de la Academy of International Business. Reflejan la promesa de usar Latinoamérica como centro de investigación para avanzar en la teoría de los negocios internacionales.

O presente artigo passa em revista os estudos de international business na América Latina e apresenta os artigos contidos nesta edição especial sobre estudos de transações internacionais e a América Latina. Os artigos são os finalistas do prêmio para melhor comunicação atribuído no encontro de 2010 do ramo latino-americano da Academy of International Business. Reflectem a promessa de usar a América Latina como laboratório de investigação para avanços na teoria em international business.

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1. Introduction

International business research on Latin American firms is limited but growing¹. Most of the international business research analyzing developing countries has focused on the study of firms in Asia and transition economies. For example, recent special issues of journals analyzing multinational firms from developing countries have mostly studied firms from Asian and transition economies (e.g., see the articles published in the recent special issues of *Journal of International Business Studies* edited by Luo and Tung, 2007, and of *Journal of International Management* edited by Aulakh, 2007; Gammeltoft, Barnard and Madhok, 2010; as well as the chapters in the books edited by Sauvant, 2008; and by Ramamurti and Singh, 2009). Moreover two reviews of international business research indicate that few studies analyze firms in this region. Elahee and Vaidya (2001) reviewed articles published in the two leading international business journals, *Journal of International Business Studies* and *Management International Review*, in the period 1987-1997 and found that less than 6% of the articles mention Latin America. More recently, Pérez-Batres, Pisani, and Doh (2010) reviewed articles published in four leading international business journals, *Journal of International Business Studies*, *Management International Review*, *Journal of World Business*, and *International Business Review* in 2001-2005, and found that only 0.58% of the scholars who published in these journals were based on Latin America, and that only 2.75% of the articles focused Latin America, and 4.31% had some Latin American content.

Despite the very limited attention that the region has received, there is increasing attention in international business research to the study of Latin American firms. The initial impetus of this research was on the internationalization of Latin American firms using exports. Thus, in this line of research one finds analyses of the exporting strategies of Brazilian companies (Christensen, Rocha and Gertner, 1987), of non-traditional exporters from Costa Rica, El Salvador, Guatemala, Honduras, and Panama (Dominguez and Sequeira, 1993), of companies from Brazil, Chile and Mexico (Aulakh, Kotabe and Teegan, 2000), of Mexican companies that are not *maquiladoras* (export assembly plants) (Thomas and Grosse, 2005). Other studies have analyzed related aspects of the internationalization of Latin American firms such as the impact of pro-market reforms on the exports of Latin American firms (Cuervo-Cazurra and Dau, 2009a), the relationship between the level of internationalization and performance of Mexican companies (Thomas, 2006), the changes that accompany the globalization process (Martínez, Esperanca and Torre, 2005); strategies abroad, particularly by Mexican companies in the United States (Vasquez-Parraga and Felix, 2004), strategies to deal with liberalization and globalization (Anand, Brenes, Karnani and Rodriguez, 2006, Brenes, 2000, Dominguez and Brenes, 1997; Ickis, 2000), the response of Chilean firms to economic liberalization (del Sol, 2010), the relationship between foreign expansion and profitability of Chilean multinationals (del Sol and Kogan, 2007), corporate social responsibility in multilatinas (Casanova and Dumas, 2010), and the relationship between pro-market reforms and profitability of different types of Latin American firms (Cuervo-Cazurra and Dau, 2009b).

A related line of research has focused on the study of the multinationalization process of

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1. This brief, non-comprehensive review of the literature focuses on articles that appeared in leading research books and leading academic journals published in English. It does not review literature published in Spanish or Portuguese.

Latin American companies, that is the process by which firms become multinational companies, or multilatinas². In this line of inquiry one finds the studies on multilatinas in the special issue of *Universia Business Review* edited by Cuervo-Cazurra (2010) and on Brazilian multinationals in the special issue of *Latin American Business Review* edited by da Rocha and da Silva (2009), as well as articles that study the impact of pro-market reforms on the multinationalization of Latin American firms (Cuervo-Cazurra, 2007a), the selection among different types of value-added activities abroad in the initial steps of the firms' multinationalization (Cuervo-Cazurra, 2007b), or the selection of the countries in which to start the multinationalization process (Cuervo-Cazurra, 2008). Also in this line of research one can find descriptions of the process of transformation and international expansion of some major multilatinas such as Cemex (Lessard and Lucea, 2009), Embraer (Goldstein, 2002), Petrobras (Goldstein, 2010), Fallabela (Bianchi, 2009), Arcor (Traverso and Quiroga, 2003), Brazilian multinationals (Fleury and Fleury, 2009; studies in the book edited by Ramsey and Almeida, 2009), and multilatinas from several countries (special issues of the *Journal of Business Research* edited by Brenes and Dominguez, 1997 and Brenes, Ickis and Olsen, 2000, chapters in the book edited by Grosse and Mesquita, 2007, ECLAC, 2006, and Casanova, 2009).

2. Special Issue

The articles in this special issue contribute to international business research by adding to our understanding of the international activities of firms in Latin America. They address diverse aspects of this topic, illustrating how analyzing firms in Latin America can serve as a laboratory for identifying new issues that studies of firms in other regions have missed or have not studied in depth. The six articles of this special issue reflect the variety of good research that can be done by studying firms in Latin America.

Three of the articles study the behavior of multilatinas. Muritiba, Muritiba, Albuquerque, Bertoia and Frech analyze the influence of psychic distance, understood as a concept composed by cultural, administrative, economic, and geographic distance, on the foreign expansion of multilatinas. Their explorative analysis of 6 Brazilian multinational firms based on 12 semi-structured interviews and analyses of 48 company documents indicates that, in contrast to previous studies, cultural distance is not the leading determinant in the selection of markets. Instead, economic and market opportunities were found to influence the market choice. A plausible explanation for this suggested by the authors is that multilatinas are flexible in their ability to adapt to different cultures, which might be supported by the fact that although the directors of the multinational firms reported taking psychic distance into account, they did not consider this to limit their activities abroad. Barcellos, Cyrino, Oliveira and Fleury analyze the relationship between internationalization and performance within 73 Brazilian firms. This study set out to test two hypotheses. The first hypothesis states that the most internationalized

2. For a more extensive review of multilatinas, upon which this article is based, see Cuervo-Cazurra (2010).

companies would perceive that they have obtained greater benefits as a result of internationalization; and the second hypothesis suggests that the most internationalized companies would experience better performance of their international operations in relation to domestic operations. Different from previous studies that have analyzed overall firm performance, the study separates domestic and international performance and reveals that higher levels of internationalization result in lower international performance in comparison to domestic performance, although managers still perceive internationalization as being good for the firm. Ramsey, Alvim, Forteza and Micheloni review the relationship between internationalization and performance in an analysis that combines a literature review with primary and secondary data. Their study proposes a new international value creation model that includes five dimensions: value proposition, business model, organizational model, talent and leadership, and stakeholder management. The authors illustrate the use of this model with examples of mainly Brazilian multinationals within each dimension.

The other three articles analyze the behavior of foreign investors in Latin America. Stringer and Ge study the expansion of two New Zealand agri-business firms in Latin America based on semi-structured interviews with company representatives in New Zealand, Chile and Brazil, and government officials and industry personnel in New Zealand and Chile, as well as secondary data. The purpose of their analysis is to explore the following four propositions: 1) South America is a key node in the global value chains of large New Zealand agri-business companies; 2) New Zealand agri-business companies initially enter South America through a market governance structure and over time a shift in their governance occurs; 3) New Zealand agribusiness companies play a key role in reshaping farming and production practices in South America; and lastly, 4) Through their inclusion in New Zealand agri-business global value chains, smaller South American companies are obtaining upgrading opportunities. This study explains the transformation of the operations of foreign firms in the region and the transformation of local practices as a result of the presence of foreign firms. Zambaldi, Mascarenhas, Bernardes and Neto study the relationships and behavior of an offshore service provider in Brazil. The study tests hypotheses about the relationships between cultural sensitivity, relational competence, customer trust and relationship effectiveness between workers and customers. They base their analyses on electronic questionnaires answered by 57 workers at IBM Brazil and the results reveal that cultural sensitivity helps relational competence, which in turn supports customer trust and ultimately improves relations with customers. Moreover, cultural sensitivity is a relevant antecedent of relational competence in the international business arena, and the authors suggest that offshore service providers may achieve benefits from initiatives that promote cross-cultural skills and relational competence of employees. Finally, Amal, Tomio and Raboch study the determinants of foreign direct investment (FDI) in Latin America, based on a sample of 27 countries. In their analysis, the authors test three hypotheses exploring the importance of a country's conditions for economic stability and growth, its degree of trade openness, and the quality of its institutions in its propensity to receive FDI. The results indicate that all the above-mentioned factors help attract FDI into Latin America.

These six articles reflect the quality of research that can be generated by analyzing firms in Latin America. The articles are the finalists for the best paper award given at the 2010 meeting of the Latin American chapter of the Academy of International Business (AIB). This meeting, which was held in Rio de Janeiro on June 25, 2010, marked the beginning of the competitive program of the Latin American chapter of AIB (AIB-LAT). Over 90 submissions were sent to this conference and after the two-stage double-blind review process, 31 papers were included

in the final program. This represents an acceptance rate of one third, being below the acceptance rate for the main program of leading business and management conferences. Those papers included in the program that received the highest evaluations by the reviewers were selected as finalists for the best paper award, and six of these papers are included in this special issue. It is our hope that the studies included in this special issue will serve as exemplars of the promise of using Latin America as a research laboratory to advance theory and that a future review of the literature will indicate significant advances on research analyzing firms in this fascinating, fast-growing and integrating region.

Alvaro Cuervo-Cazurra, Chair of the Scientific Committee, AIB-LAT Conference 2010
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