University of Reading

The Evolution and Heterogeneity of Outward Foreign Direct Investment from Latin America

Doctor of Philosophy (PhD)

Henley Business School

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Declaration

I confirm that this is my own work and the use of all material from other sources has been properly and fully acknowledged.

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Abstract

The PhD dissertation investigates the rise of emerging country multinationals (EMNEs), a phenomenon that has opened up a series of research themes and debates. The main debate in this field is the extent to which the theories/frameworks on foreign direct investment (FDI), which have been developed from investigations on multinationals from developed countries, is relevant in explaining outward FDI from EMNEs. This debate is sparked by research suggesting that EMNEs supposedly do not hold the characteristics that are seen as a prerequisite to engaging in FDI.

The underlying theme in this PhD is that the field should move away from a one size fit all categorisation of EMNEs, and explore the heterogeneity within EMNEs. Collecting data through various databases, archival articles and annual reports, there was an examination of the internationalisation process of 136 Latin American Multinationals (LAMNEs). The research explores the differences in internationalisation trajectories and global strategies and classifies firms into one of four categories. The four categories that LAMNEs fall into are: Natural-Resource Vertical Integrator, which are firms that are in resource seeking sectors; Accelerated Global, which depict firms that have become global over a very short period of time; Traditional Global, which are EMNEs that have internationalised at the same pace as developed country MNEs and Local Optimisers that only acquire or internationalise to developing countries. The analysis also looks at which decade LAMNEs engaged in FDI, to see if LAMNEs that internationalised during the 1970s and 1980s, during a time when Latin America had a closed economy, was different to LAMNEs that internationalised during the Washington consensus era of the 1990s or to firms that have only just internationalised within the last decade. The findings show that LAMNEs that internationalised before

1990 were more likely to adopt Local Optimiser strategies. However, more LAMNEs that started to internationalise during the 1990s started to adopt Traditional Global strategies, although Local Optimisers were the most prominent strategy. From 2002, there was more prominence of Accelerated Global strategies and a lot more heterogeneity among LAMNEs. Natural-Resource Vertical Integrator LAMNEs, tended to start to internationalisation process during the 1970s/1980s.

Despite the rise of EMNEs, and by extension LAMNEs opting to use cross border merger and acquisitions (M&A), there is little research on whether this entry mode has been successful. Contrary to the argument that EMNEs are "internationalising successfully" through this strategy, the findings show that these firms are highly geared and are running less efficiently against their Western competitors. In comparison, LAMNEs internationalising through a more gradual approach, are outperforming their Western competitors on efficiency and are not highly geared- i.e. do not hold a lot of debt.

The conclusion of the thesis is the emphasis of moving away from evaluating firms from their country or region of origin, but rather through the global strategy they are using. This will give a more a robust firm level of analysis, and help develop the understanding of EMNEs and international business theory.

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Chapter One: Introduction and Outline of the Thesis

1. Background of the Research

The last three decades have seen a significant global shift in the global economy. 30 years ago foreign direct investment (FDI) was only concentrated in developed countries and with only a few exceptions, FDI was unheard of in the developing and emerging countries. Today emerging markets account for 37% of all global FDI and the number of emerging country multinationals (EMNEs) in the Fortune Global 500 increased from 19 in 1990 to 126 in 2012.

The rise of EMNEs has been a topical discussion in business, policy and academia. These firms have altered the way many scholars view multinationals (MNEs) as a whole and the phenomenon has opened up a series of research themes and debates. The main debate in this field is the extent to which the theories/frameworks on FDI, which have been developed from investigations on MNEs from developed countries, are relevant in explaining outward FDI from EMNEs. This debate is sparked by research suggesting that EMNEs supposedly do not hold the characteristics that are seen as a prerequisite to engaging in FDI.

Research on EMNEs has mainly focused on three research questions. 1) What are the main differences between EMNEs and MNEs from developed countries? 2) What are the motivations for EMNEs to expand internationally? 3) What are the entry strategies these EMNEs adopt when engaging in FDI? The answers to these research questions have wider implications on international business research as a whole. Indeed, a larger question in the field is if there is a significant difference between EMNEs and MNEs from developed countries, does that mean we need a separate theory to explain FDI from EMNEs? This question has dominated the field for the last decade, and yet there is still no consensus on whether such a theory is needed.

1.1. Introduction to the current debate surrounding international business theory and EMNEs

The Reading School of International Business which was started by Buckley and Casson (1976) internalisation theory and later Dunning's (1981, 1998) eclectic paradigm (also known as OLI), which succinctly links different areas of research and theories of FDI through a framework, represents the field's traditional understanding of outward FDI. Broadly, there are three perspectives scholars fall into regarding the question if traditional understanding of FDI applies to EMNEs. The first camp argues that our understanding of FDI needs to be further extended to incorporate the observations of EMNEs. The second camp, on the other hand, argue that the current theories in international business do, in fact, explain FDI from EMNEs and no changes are needed, while the third camp advocates a completely new theory is needed.

Dunning's (1981, 1998) eclectic paradigm, is based on three advantages: ownership specific advantages, location specific advantages and internalisation advantages (OLI). According to the framework, for a firm to be seen as an MNE, it must engage in international value-adding activities and follow the three conditions of OLI. Ownership advantages, which is built on Hymer's (1960) monopolistic advantages, argues that the firm must hold some form of comparative advantages to overcome the risks associated of engaging in international business. Dunning (1988) introduced two types of monopolistic advantages, ownership asset advantages (Oa), which are the proprietary ownership of specific assets including intangible assets, for example, technology, product innovations, trademark and reputation, management expertise or property rights. The other is ownership transaction advantages (Ot), which is the ability of the firm to benefit from the transactional benefits (which are less than that of the transaction costs) during international production.

The second important strand in the eclectic paradigm is internalisation advantages, which are important for the MNE to engage in further international activities. Internalisation theory is based on three assumptions put forth by Buckley and Casson (1976:p33): 1) Firms maximise profit in a world of imperfect markets. 2) When markets in intermediate products are imperfect, there is an incentive to bypass them by creating internal and control the activities which are linked by the market. 3) Internationalisation of markets across national boundaries generates MNEs. Internalisation theory is the retaining of monopolistic advantages within the actual firm as the benefits of doing so outweigh the costs.

When the firm has both ownership and internalisation advantage, location advantage determines whether or not the firm will engage in FDI. If the firm possess ownership and internalisation advantages but there is no location advantage in the host country, then the firm will opt for domestic production and exporting. If the firm only has ownership advantages, they will not be able to transfer comparative advantages within the firm and will have to opt for licencing (Dunning 1981; 1995; 1998).

The OLI framework has faced criticism for the omission of provisions for explaining the internationalisation of EMNEs and the criticism is twofold. Firstly, EMNEs may not pose the same competitive advantages as traditional MNEs and so "if they invest abroad, it is not on the basis of "O", and the parameters that determine the degree of "I" in their foreign operations are different" (Goldstein, 2007: 81). Moreover, early research on MNEs argued that FDI is based on 'monopolistic advantages' the firms possess and these monopolistic advantages are akin to the entry barriers of new entrants (Lall 1983). Yet research has shown that this is not always the case for EMNEs, with some arguing in fact that these firms are internationalising to developed countries in order to gain access to stronger capabilities to compensate for their weak ownership advantages.

Second criticism lies in the fact that the OLI framework is viewed by some as a relatively static paradigm by only looking at the pre-existing advantages prior to making an FDI decision and it does not explain the accumulated advantages and experience from international involvement experience. This will lead to the evolution and development opportunities of improving the firms' capabilities (Matthews, 2006). While on the one hand, it was not the intention for the OLI framework to capture the evolutionary change of how the firms advantages improves overtime, on the other hand, the static nature of the framework has meant that it is hard to understand fully the internationalisation process.

Matthews (2006) proposed a new theoretical framework based on observations on Asia-Pacific firms dubbed the 'Dragon Multinationals.' His work has focused on the resource based analysis that he argued is unexplained by the eclectic paradigm and other existing theories.

Matthews (2006) proposed the Linkage, Leverage and Learning (LLL) framework to conceptualise his observed gaps of the eclectic paradigm and the internationalisation of the 'Dragon Multinationals'. Linkages are the collaborations with foreign firms such as joint ventures and other partnership forms such as within global value chains, which allow the EMNE to have access of resources that it lacks internally. Leverage depicts the exploitation of global linkages and to become a 'latecomer' firm through harnessing their resources and cost advantages to compete at the international stage. Learning is the stage when the EMNE acquires competitive advantage sources and learn how to compete at an international level.

The LLL framework, argues the firm acquires resources over a period of time before the internationalisation process happens and the EMNE becomes integrated in international activities (Matthews, 2006). Research supports that the latecomer position is seen as an advantage in itself as many EMNEs and born global firms were exposed to an international dimension since they started their business operations (Li, 2003) and this has led them to catch up at a faster rate to traditional MNEs in terms of best practices and technologies. Other research that supports the LLL model from different countries include Klein and Wocke's (2007) research on South Africa, Li's (2007) research on China, Pananond's (2007) research on Thailand and Elango and Pattnaik's (2007) study on India. All these studies found that participation of global networks played a vital role in the internationalisation process and the building up of the EMNEs ownerships advantages.

In a contradiction to the OLI framework, where asset exploitation is the attended first motive, according to the LLL model the first phase is likely to be an asset-exploring motive (Matthews, 2006). This is concurrent with other research which argues that the early stage of the firm's ability to internationalise is a consequence of inward FDI activity from the country of origin of the EMNE, where local enterprises that establish into foreign production networks can enhance their capabilities (Luo and Tung, 2007; Li, 2007). Luo and Tung (2007) outline the EMNEs capacity to exploit the advantages from inward FDI (through participation in global value chains) which allows the participating firm to upgrade their capabilities and then they become competitive abroad through experimental learning. However, this depends on the ability of the participating firm, to take advantage of the resources taken though being part of the global value chain and the extent to which they are able and the foreign firm is willing to get access to the resources. It is also dependent of the domestic firm's absorption capacity which is defined by Cohen and Levinthal (1990:p128) "the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends… to its innovative capabilities."

The LLL framework has come under some criticism most notably that it exclusively focuses on EMNEs originating from Asia Pacific region (Narula, 2006). Moreover, there is growing evidence that some latecomer EMNEs, in fact, hold some unique competitive advantages that explain their internationalisation strategies (Dunning, 2006). Dunning and Lundan (2008) accepted that EMNEs lack firm specific O-advantages, but they compensate this through their country origin specific ownership advantages which determines their outward FDI activities. Matthews also argued that being the latecomer in the global scene can be an advantage itself. The reason for this is that the opportunity the latecomer has on imitation of technologies and innovations that will lead to an accelerated catch-up process to other MNEs (Matthews, 2006 and 2007).

While the LLL model has fewer adherers than the eclectic paradigm, the model does put forward some interesting observations and does highlight some key questions that need to be answered. Some of the unanswered questions in the field that need to be answered, include, what are the ownership advantages EMNEs actually hold? There is a large history of research on trying to understand the ownership advantages of MNEs from developed countries, but very little research has been done the ownership advantages of EMNEs. Another important question that needs to be answered is to what extent the changing economic condition that these EMNEs faced determines their internationalisation process? It is important to note that research on MNEs from developed countries was done when markets were less saturated and on MNEs that were early adopters in FDI. To what extent are differences we observe on EMNEs are due to external factors that MNEs did not face when the eclectic paradigm was being developed. Indeed, if one considers the changes in the observations of earlier studies of EMNEs, they are starkly different to the observations academics see today.

2. Theme and Outline of the PhD Thesis

The PhD aims to explore the rise of Latin American Multinationals (LAMNEs) through the lens of the theories developed through the Reading School of International Business. The interest in this topic is sparked by the rise of MNEs from developing countries that suffer from weak institutional infrastructures and home to countries that suffered high levels of poverty only decades before. Research on EMNEs has also turned into an interesting topic due to their phenomenal rise over the last two decades. Indeed, with EMNEs supposedly not holding the characteristics that are seen as a prerequisite to engaging in foreign direct investment (FDI), some of the most fundamental assumptions in international business are now being questioned.

There are contradictory papers, with some suggesting that there is very little difference between EMNEs and MNEs from developed countries, against other papers suggesting that they are completely different. The PhD is interested in tackling this heterogeneity by categorising firms depending on the pace of internationalisation, the time the EMNEs started their internationalisation process and their motivations to engage in FDI, with the aim to offer a better understanding of EMNEs. The PhD also tackled the under researched area of performance of international cross border M&A, particularly in seeing how the internationalisation approach the EMNE takes, impacts the performance of the M&A.

The structure of the PhD is as follows. The introduction will introduce the LAMNEs and why it is important to study the region, followed by a research questions this PhD hopes to address. The next two chapters, Chapters 2 and 3 will look at the internationalisation process of over 136 firms and through categorising firms by the way that they behave when internationalising, hope to offer a new insight of the heterogeneity of LAMNEs and EMNEs as a whole. Chapter 4, is interested in the performance and motivations of LAMNEs who are engaged in cross border M&A. What separates this chapter from other papers in this area is we compare firms who take different global strategies. Finally, we conclude the chapter by offering suggestions for future areas of research.

3. Latin America Context

Latin America has been one of the fastest growing regions in the world, with an average growth of 6.3% per year between 2009 and 2012, higher than the 5.7% of average global growth during the same period (IMF, 2013). The GNI per capita in Latin America as whole has seen a consistent rise over the last 10 years, where a decade ago GNI per capita was less than $4,000 and now it is more than $9,200. Brazil ($14,750), Chile ($15,732) and Mexico ($16,110) represent the upper levels GNI per capita in the region.

Latin America has seen a significant change in its economy, from a closed economic system in the 1970s, where import substitution policies led the way, to the adoption of the Washington Consensus policies in the 1990s that saw widespread economic liberalising of the region. The last decade has now seen an upswing in outward FDI from the region with both inward and outward FDI stock reaching its highest peak in 2013. The region's growth had meant it rebound faster than many developed countries from the global recession in 2008/2009. The region has become more integrated into the global economy, for example, Brazil over took the United Kingdom to become the 6th largest economy in the world in 2011, and although short lived, it is expected that Brazil will be the 5th largest economy in the world by 2028 over taking the likes of France, Germany and the UK (CEBR). Mexico's strong trade relations with USA and Canada through its membership in NAFTA have also seen the country becoming a stronger economic and political player in the last 20 years. While the region has gone through similar economic reforms, some countries, in the region have reverted back to economic protectionism and political populism, such as, Argentina, Bolivia and Ecuador, other countries on the other hand, have embraced more free-market policies, such as Brazil, Chile and Colombia (Brenes & Haar, 2012). With countries within the region has a whole seeing poverty levels drop, a growing middle class and increase levels of both inward and outward FDI, Latin America will become an emerging area of research in international business in the near future.

3.1. Inward and Outward FDI from Latin America

Figure 1: Inward FDI Stock from Latin America (in millions $)

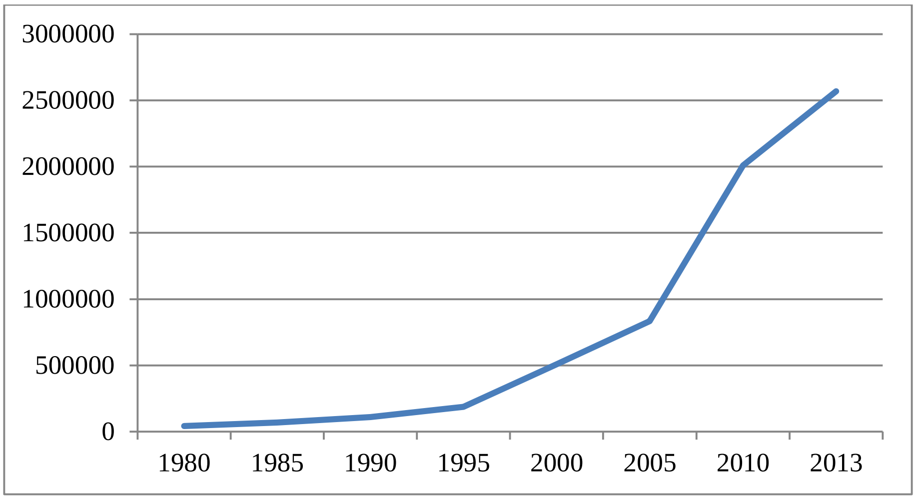
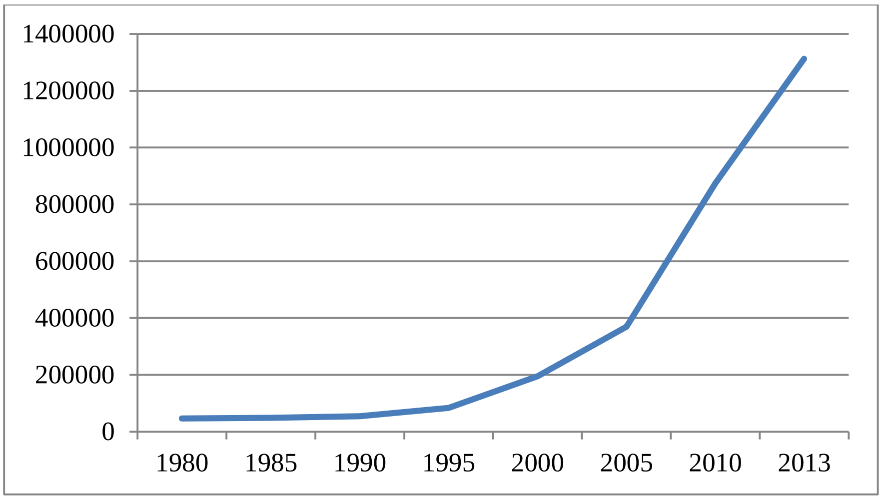


Figure 2: Outward FDI Stock from Latin America (in millions $)



Both inward and outward FDI was practically non-existent 20 years ago in Latin America, as of 2013, inward FDI into Latin America reached $2.568 trillion while outward FDI from the region was $1.312 trillion. Some scholars have branded 2002 the going global era that marks the sudden rise in outward FDI, indeed outward FDI of $255 Billion in 2002 has since increased more than fivefold. More interestingly, the region as a whole was much more resilient to the global financial crisis than other continents and saw FDI increase while other regions saw inward FDI retract.

Figure 3: Latin American Inward FDI Stock in relation to Global FDI (in millions $)

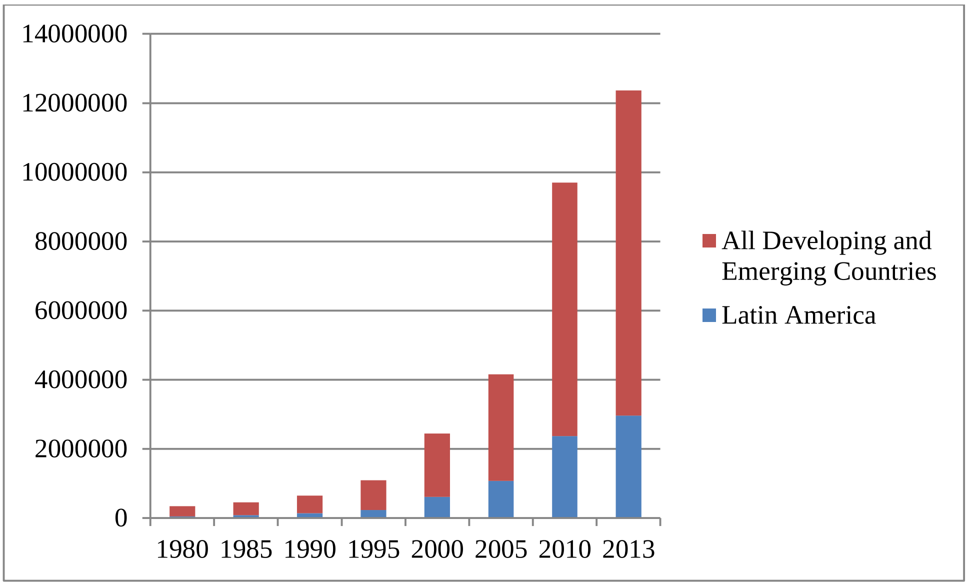


Table 1: The Percentage of Inward FDI Stock from Developing Countries that comes from Latin America

1980	1985	1990	1995	2000	2005	2010	2013
14.1%	20.9%	25.93%	26.47%	33.31%	34.62%	32.37%	31.43%

Figure 3 and Table 1, show the total contribution of inward FDI the Latin American region has made to the rest of the developing and emerging countries. Table 1, shows that in 2013, 31.43% of all inward FDI from developing and emerging countries went into Latin America. This is a substantial increase from 1980, when Latin America only contributed to 14.1% of all inward FDI from developing and emerging countries. As noted earlier, the Latin American region has seen huge economic improvements over the last 20 years and as a result, is increasingly offering more opportunities for MNEs to invest in the region.

Figure 4: Latin American FDI Stock in relation to Global FDI (in millions $)

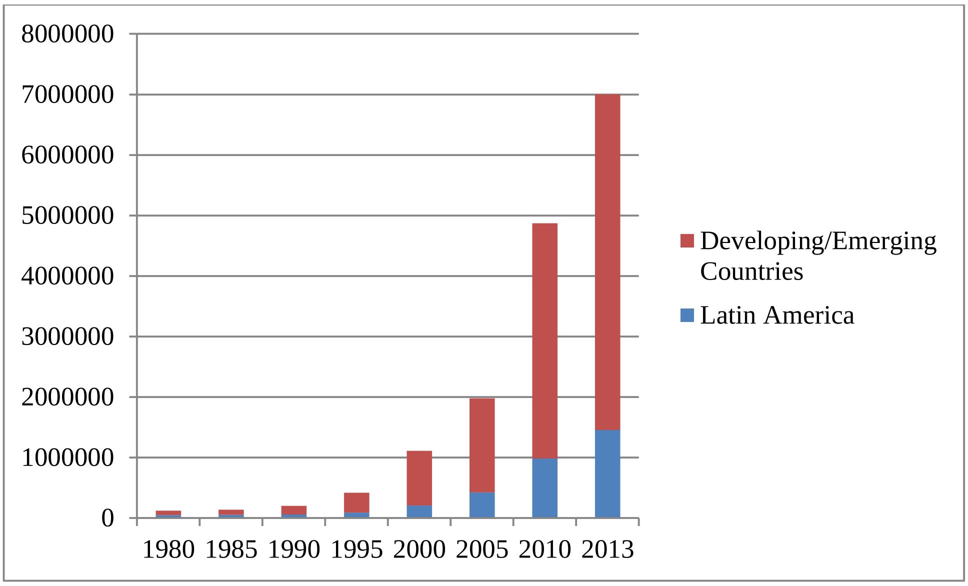


Table 2: The Percentage of Outward FDI Stock from Developing Countries that comes from Latin America

1980	1985	1990	1995	2000	2005	2010	2013
68.20%	60.54%	39.85%	26.5%	22.42%	27.03%	25.32%	26.25%

Figure 4 and Table 2, show the total contribution of outward FDI the Latin American region has made to the rest of the developing and emerging countries. Interestingly, in 1980, the Latin American region contributed 68.20% of all outward FDI from developing countries. However, with the rise of EMNEs from Asia, particularly China and India, we see that LAMNEs now only contribute to 26.25% of outward FDI from all developing and emerging countries. The most significant drop was from 1985, which was 60.54% down to 39.85% five years later in 1990. Despite this, LAMNEs, as a whole, are seeing a huge surge on outward FDI over the last 20 years.

Table 4: Breakdown of the contribution of individual countries on Outward FDI from Latin America (in millions $)

	1980	**1990**	**2000**	**2010**	**2013**
Argentina	12.33%	10.73%	10.38%	3.08%	2.34%
Brazil	79.60%	72.72%	25.51%	19.43%	20.14%
Mexico	3.37%	4.73%	4.06%	11.18%	9.88%

Interestingly, Brazil contributed 79.6% of all outward FDI from the Latin American region in 1980 but as of 2013, only contributes to 20.14%. Argentina also went down from contributing to 12.33% in 1980 to just 2.34% in 2013. With Argentina and Brazil collectively accounting for nearly 92% in 1980, they now contribute to less than 22.5%. On the other hand, Mexico went from only contributing 3.37% in 1980 to now having 9.88%. This shows that despite both Argentina and Brazil seeing large increases in outward FDI over the last 20 years, other countries within the region are increasingly playing an important role within the region.

3.2. The Importance and Opportunities of Studying Latin American Multinationals

Despite the increasing influence of Latin America to the world economy and contributing to over a quarter of outward FDI from developing and emerging countries, the region has garnered very modest attention in international business research. Indeed, in comparison to China and India, very little is known about the internationalisation process of LAMNEs. LAMNEs are dealing with poor infrastructure and expensive logistics, high government bureaucracy, limited skilled work force, illiquidity of capital markets and in some countries, political and economic uncertainty (Brenes & Haar, 2012). Despite these obstacles, there has been a significant rise in outward FDI from LAMNEs. The rise of Brazilian MNEs has been particularly striking, and although they have been late in expanding globally, some are now becoming global champions (Fleury & Fleury, 2009). Latin America is home to some of the largest and innovative EMNEs in the world, such as Embraer, Vale, WEG Industries, America Movil and CEMEX. With research on LAMNEs concentrated on only the largest companies, there is a large scope for more attention to other LAMNEs who are outside the largest EMNEs.

4. Research Questions

In Chapter 2, we are interested in different global strategies LAMNEs employed when they started their internationalisation process. We are also interested in seeing if there is a generational change in internationalisation behaviour depending on the decade the LAMNEs started to engage in FDI. Thus the research questions in Chapter 2 are:

- Does the period in which the EMNE start its internationalisation process impact how they internationalise?
- How do EMNEs internationalise and what strategies do they use?

In Chapter 3, we look at EMNEs through the lens of the Uppsala Model and we are interested in seeing if the psychic distance between the host and home country has an impact on the function of the subsidiary. Therefore, we are interested in the flowing questions:

- What are the international trajectories of LAMNEs?
- Does the function of the subsidiary alter depending on the psychic distance between the home and host country of the LAMNE?

Chapter 4, we are interested in examining the rise of M&A, particularly the performance and the motivation in engaging in them. Thus in Chapter 6, the research questions are

- Does the internationalisation approach impact the performance of firms who engage in cross border M&A?
- What are the motivations for LAMNEs to engage in M&As?

5. Contribution of the PhD thesis

The author hopes the PhD's main contribution will lie in the greater understanding of the under researched area of LAMNEs. The Latin American region has gained very little attention, especially compared to Chinese and Indian MNEs, and it is hoped that this research will spark some more interest in the area. The second proposed contribution lies in infusing global strategies with outward FDI theory, which we believe could give another dimension to understanding the rise of EMNEs as a whole. The third proposed contribution is examining the extent to which psychic distance literature and the Uppsala Model can be used to explain the internationalisation process of LAMNEs. The fourth contribution is looking at the generational difference among LAMNEs who engaged in FDI in different decades. The fifth potential contribution lies in researching the impact of the internationalisation approach to the performance of LAMNEs who engage in M&A. The final contribution is to the wider debate on whether there needs to be a new theory of FDI in the context of EMNEs.

6. Summary and Methodology

This PhD has gathered the internationalisation history of 136 LAMNEs through using five databases, company annual accounts, archival news and company websites and uses a case study analysis. Given the lack of research surrounding LAMNEs, this PhD used partially an explorative research method to broaden our understanding of the field. An exploratory study 'aims to seek new insights into phenomena, to ask questions, and to assess the phenomena in a new light' (Saunders et al., 2007:598). Due to the limited research in the area of LAMNEs, it is hard to make propositions on the behaviour and international strategies LAMNEs will adopt, so such an approach is recommended. As a result, this PhD, in part uses an inductive approach, which is a research approach that involves the development of a field of study from making observations of empirical data (Saunders et al., 2007).

One of the major advantages of using multiple case studies, as we do in chapters 2 and 3, is that it allows for a comparative approach. The comparative case study approach allows us to duplicate the same observations to see if there are similarities in the entire sample to allow us to be more confident in making a generalisation or by examining the variations can lead us to understand the differences within our sample. The 136 LAMNEs in our study was part of a sample of the largest 1000 LAMNEs companies. The sample is much larger than other research projects in the same vain. For example Klein and Wocke (2007) used three case studies, Chittoor and Ray (2007) had 40 case studies, Garg and Delios (2007) in their research had 110 firms and Cuervo-Cazurra (2008), who like in this PhD focuses on LAMNEs, had 20 companies in his research.

While there has been good progress in understanding motivations of Indian and Chinese EMNEs for undertaking M&A, there is only a handful of researchers that have looked at M&A undertaken by firms from Latin America. Even fewer papers have looked at the success of these M&A. This is partially due to the fact that the phenomenon of EMNEs acquiring Western firms is a recent one. In Chapter 6 we use Zephyr to see the largest 100 M&A undertaken by LAMNEs in the last 10 years, and from the business activities the acquired company operates in, we use this as a proxy to see what the motivations for the acquisition are. We then take 10 LAMNES that exhibit, one of two types of internationalisation behaviour, and benchmark them against two of their Western competitors to see how they are performing financially. We use financial ratios, which allow us to examine the long-term financial performance of LAMNEs, as opposed to using the short-term measure of market reaction to M&A through stock prices, which also does not shed light on the efficiency of the firm.

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Chapter Two: The Heterogeneity of Latin American Multinationals: The Diversity in Global Strategies and their Evolution.

1. Introduction

With traditional theories/frameworks on FDI being heavily based on multinationals from developed countries and with scholars arguing the phenomena of outward FDI from emerging markets not being accurately captured by these theories/frameworks, we have seen a drive in research to have a greater understanding of EMNEs. As a result, we have seen some scholars (e.g. Matthews, 2006; Luo and Tung, 2007) attempt to conceptualise a framework or theory to describe the rise of EMNEs in response by others arguing that such a theory/framework is needed (e.g. Child and Rodrigues, 2005). Some have attempted to describe the competitive advantages EMNEs hold (e.g. Goldstein, 2007), describe the antecedents that influence how these firms go abroad (e.g. Peng et al, 2007) and offer generalisations (e.g. Guillen and Garcıa-Canal, 2009) as to how these EMNEs are different from conventional MNEs that originate from developed countries.

It is noteworthy, that EMNEs are a heterogeneous group and no one size fits all theory will be able to describe how all EMNEs are able to internationalise. Moreover, it is unrealistic to make a generalisation on how EMNEs will change the global dynamics, impact development, analyse the opportunities and threats in the host country. As pointed out by Ramamurti (2008), the countries these EMNEs originate from, their ownership structure and their motivations shape how the EMNE internationalises. This chapter argues that the economic era in which these firms have internationalised also has a significant impact on how these EMNEs operate. Using data on the internationalisation process of Latin American Multinationals (LAMNEs), we argue that the era upon which the firm started its international expansion has an impact on the strategies they opt for and their internationalisation process.

By looking at firms that started their internationalisation process at different economic periods and by grouping firms by the strategy they have taken, this chapter hopes to make the following contributions, by helping to give insight into the following questions raised in literature:

- Does the period in which the LAMNE start its internationalisation process impact how they internationalise?

- How do LAMNEs internationalise and what strategies do they use?

The subsequent sections in this chapter will be split into 5 parts; the first section is a literature review introducing the debates surrounding EMNEs, their ownership advantages and international strategies. The second section will be looking at the Latin American context and the research questions surrounding the changing global strategies of LAMNEs. The third section will be the methodology. The fourth section will be the findings and discussions and the fifth section will be the conclusions.

2. Understanding the Dimensions of Emerging Market Multinationals

The contemporary understanding of multinationals is best summed up in Dunning's (1981, 1988) Eclectic Paradigm which is based on three advantages: ownership specific advantages, location specific advantages and internalisation advantages (OLI). While this framework tries to incorporate different theories and while some have argued it is simple in nature, it does provide, arguably, the best framework to understand the multinational. The framework according to some scholars could suffer from contextual weakness when trying to apply it to EMNEs, as traditional theories of the firm are based on observations from multinationals originating from developed countries. Thus the recent stream of research is trying to capture the dimensions of EMNEs with some scholars questioning to what extent the OLI explains their rising phenomenon.

The main issue many scholars have of the Eclectic Paradigm in explaining multinationals from emerging and developing countries is surrounding the ownership advantages. There was a general consensus that multinationals from developed countries had to hold certain comparative advantages, known as ownership advantages, which can include a trademark, superior entrepreneurial skills and production techniques that they own and can harness over the local competitors. Ownership advantage is seen as a prerequisite of an international activity and the ownership advantages have to outweigh the cost of liability of foreignness. Dunning's OLI framework is built upon the work of Hymer's (1960) monopolistic advantages. Hymer 's (1960) work was based on the market imperfections assumption and argued that

MNEs' monopolistic advantages (or unique advantages) which other foreign enterprises do not have are a key motive why MNEs engage in FDI. MNEs have to possess a monopolistic advantage in order to overcome the costs associated with foreign investment, the disadvantaged position they face against the host countries' indigenous firms and to ensure their foreign investment is a profitable one (Dunning and Rugman, 1985). Monopolistic advantage, a term now replaced by ownership advantages, and firm specific advantages (FSA)[1] has had its definition broaden with subsequent work by Dunning (1988) leading to ownership advantage being categorised as either asset type ownership or transaction-type ownership. Dunning's broader definition and introducing two types of ownership advantages was well received without much contest with regards to explaining outward FDI from developed countries (Dunning and Lundan, 2008; Goldstein, 2007).

The main contention among scholars is that EMNEs may not pose the same competitive advantages as traditional MNEs. Moreover, early research on MNEs argued that the FDI is based on 'monopolistic advantages' the firms possess and these monopolistic advantages are akin to the entry barriers of new entrants (Lall 1983). Thus the multinationals deriving from developing countries entering into developed markets had to have monopolistic advantages that the host country firms did not have, which was not the case. This led to the notion that in fact EMNEs in developed markets did not always exploit their assets and in fact, they engage in asset exploration. In this asset exploration perspective, EMNEs internationalise as they need access to strategic resources and the 'learning objectives that allow these firms to overcome the initial resource hurdles arising due to technological gaps and late mover disadvantages in

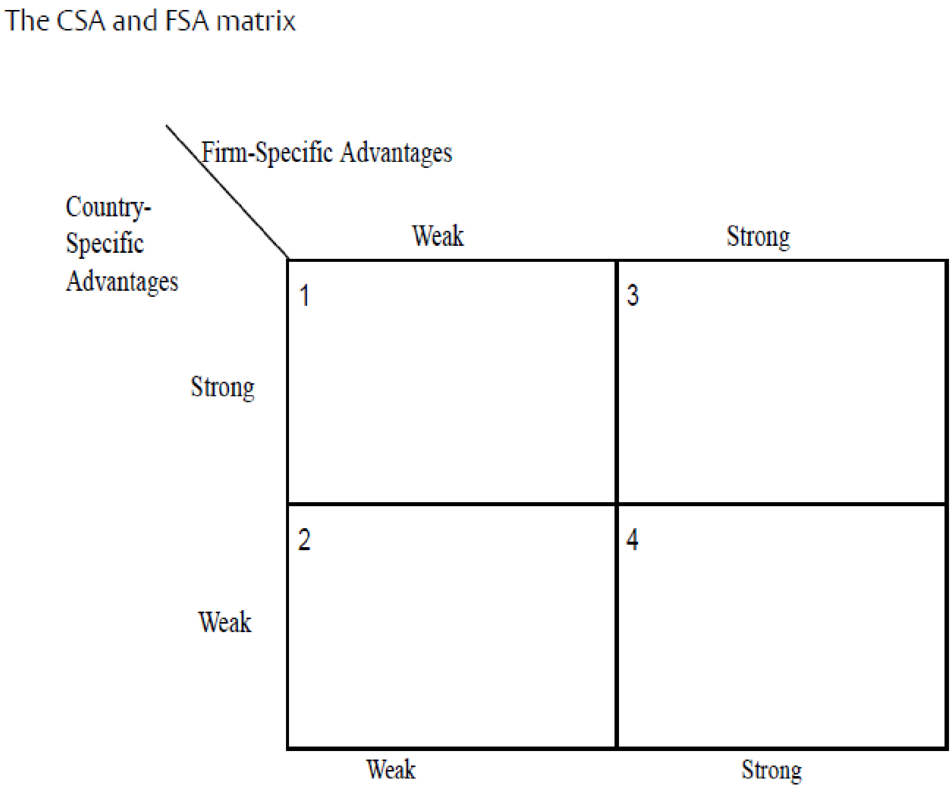
[1] Ownership advantages and firm specific advantages are seen as interchangeable in this paper.

international markets” (Aulakh, 2007: 237). Therefore, the strategy and the motivation of the internationalisation of EMNEs are to strengthen themselves through the addition of resources not available to them in the home country.

However, this generalisation that EMNEs go abroad for asset exploration negates the fact that some EMNEs do compete successfully in developed countries. Moreover, as EMNEs are not a homogenous group, such generalisations are problematic. There is also the issue that the firm’s ability to go abroad and engage in assets exploration requires high level absorption capacity and high level of integration and internalisation advantages. Thus some prerequisite ownership advantage is essential for the firm to engage in this type of FDI.

One framework that can give an insight into how EMNEs are able to engage in FDI is Rugman’s 1981 FSA/CSA Matrix. The matrix shows that the linkages between the MNE’s FSA and their home CSAs, ultimately determines the firm’s international competitiveness advantages (ICA). The FSA is the internalisation of assets such as optimising production and processes and marketing capabilities while home CSAs can include quality of labour, institutions and endowments of natural resources. The firm’s strategy is then developed with the combination of both advantages.

Figure 1: CSA and FSA Matrix



Rugman (1981): Chapter 8

There are situations where the firm holds weak FSAs and thus its competitive advantage is more determined by the CSAs. Through international economics literature we know that the comparative advantage dictates that the flow of goods is determined by advantages of the home market, such as high level of oil reserves, which is depicted in quadrant one in Figure 1. Quadrant four is reflective of the resource based view where the FSA is the driver for the success of the firm. In quadrant three both the FSA and CSA matter and depict the firm's ownership advantage being strengthened through the home country CSA. Those firms that are able to combine the home CSA with the FSA tend to be the most successful firms (Rugman 1996).

As firms have different degrees of FSAs and exploit different aspects of their home country CSAs, it is not surprising that EMNEs are not a homogeneous group.

Furthermore, given that emerging markets and developing markets hold fundamental differences from advanced economies, it is logical that studies of Western MNEs will differ from observations of the rise of EMNEs. Moreover, it is important to look at the current theories on the context and time they were written including research on EMNEs of Japanese and Korean origin, the frontier case studies of "Third World Multinational" in the late 1970s and early 1980s. Outward FDI from emerging countries was of a minuscule amount in the 1990s, but since then we have seen a fundamental change in the global economy. We saw an advancement of liberalising of markets, open policies which were spreading with the creation of the WTO, countries starting to see economic benefits from the collapse of communism as well as the introduction and integration of the internet which led to the harmonising of global boundaries. Thus the changes of the international environment mean that MNEs are dealing with different challenges and are open to different opportunities than MNEs experienced 30 years ago. The heterogeneity of multinational firms and profound changes in the international environment make it difficult to make sweeping generalisation on firms. There are, however, some similarities between EMNEs that make them starkly different from the Western MNEs, in that they predominantly late movers as their home countries had embraced globalisation and free markets later then their Western counterparts.

Research on EMNEs has been based on observations from a few countries, in particular Brazil China, India, Russia and South Africa. These researches have shown and emphasised the impact of the home CSAs on EMNEs' ability to compete internationally. Brazil, Russia and South Africa are countries that are endowed with a large number of resources while in China and India, firms take advantage of their large home market and the low wages of skilled and unskilled labour. The Indian market benefited from the labour force's English language skills and large number of Indian immigrants overseas. Mexico's proximity and their privileged access via NAFTA to the US market gave them an advantage over other countries. Many Chinese and Russian MNEs have long histories and benefited under communist rule which led them to have monopolies in their home market and strong ties to the government.

2.1. The Ownership Advantages of Emerging Country Multinationals

The most common ownership advantages that are attributed to Western MNEs are the tangible assets of technology and strong management and marketing capabilities. Intangible FSAs include brands and knowledge. However, this differs from EMNEs (not all) who usually don't have access to the latest technologies or have strong brands. This has led some scholars such as Matthews to argue that EMNEs do not hold domestic assets which are strong enough to be exploited abroad, which is how traditional MNEs have internationalised: "Rather their international expansion has been undertaken as much for the search for new resources to underpin new strategic options, as it has been to exploit existing resources. This is why they have to expand quickly, to consolidate gains that are fleetingly won. This is why they tend to rely on partnerships and joint ventures, to reduce the high level of risk involved in their leveraged strategies" (Matthews, 2006b: 17). However, it is rightly pointed out by Ramamurti that just because EMNEs do not hold the same advantages as Western MNEs, it is problematic to assume that EMNEs themselves do not hold ownership assets that they can exploit. Indeed, there is long line of research dedicated to searching the advantages Western MNEs hold, yet there has not been much research done in the context of

EMNEs. Ramamurti (2008) introduced some advantages that he identified during the NU-Wharton conference and these advantages provide a good basis for future research.

Products suited to emerging markets**:**

An FSA many EMNEs hold is the ability to develop and adapt technologies and products suited for the developing world, such as making products more affordable or developing products that match the poor conditions in developing countries. An example of this is Tata Cars who have developed affordable cars that can meet the conditions of the roads in developing countries. This is one of the earliest advantages identified by earlier studies on EMNEs (e.g. Wells, 1983; Lecraw, 1973).

Production and operational excellence**:**

A second kind of FSA is the EMNEs' production and process efficiency in emerging markets. EMNEs are able to optimise production processes by using more labour and less capital than their Western counterparts. For some EMNEs the advantage of production and operational excellence was also a result of late-mover advantages, while Western Firms are saddled with obsolete technology, EMNEs were able to purchase up-to-date technologies without the need to reengineer old practices.

***Privileged access to resources and markets*:**

A third kind of FSA is that some EMNEs had/have support from their home government which would include preferential regulation, preferred access to markets and easier access to capital. This was especially the case pre-WTO environment where it was easier for governments to subsidise national champions. While some of these firms may not have as much home government support nowadays, the past support meant they benefited from having monopoly positions in their home market and thus amassed huge capital. Moreover, it is important to note that there is a large number of EMNEs that are state-owned and so do continue to have government support.

***Adversity advantage*:**

The fourth kind of advantage is developed from the EMNEs' experience in dealing with the adverse conditions in their home market. Many EMNEs have had to deal with poor regulatory systems, weak rule of law, political instability, weak educational systems, corruption and so forth. They also had to deal with weak infrastructures. As many Western MNEs have not had to deal with these adverse conditions in their home market, they tend to struggle to compete in these developing countries, whereas the experiences these EMNEs had are transferable to other emerging markets and thus will be able to compete more successfully against local firms. This advantage is becoming less important as home CSA in emerging markets starts to improve.

***Traditional intangible assets*:**

Despite many scholars arguing the contrary, there are EMNEs that possess the same intangible assets that are usually associated with Western EMNEs, such as strong brands and cutting-edge technology. While this tends to be the exception as opposed to the rule, there are successful EMNEs that are in their industry's technology frontier. A prime example of this is Brazil's Embraer, the third largest aircraft maker, who are considered a leader in regional jets, and Brazilian firm Petrobras, which is considered a world leader in deep-sea oil drilling.

2.3. Global Strategies of Emerging Market Multinationals

With the static approach and understanding of what ownership advantages are and a somewhat disregard of some of the ownership advantages EMNEs hold to be able to internationalise, it is important to emphasis three things. Firstly, it is important to stress that firms can leverage their home location advantages, with Rugman (1981) FSA/ CSA matrix showing how the interaction between location and firms can explain the competitive advantages of MNEs. Secondly, it is important to consider that in the early stages of a firm, and particularly in their internationalisation process, they tend to rely more on their home location advantages and as the firm evolves the importance of the home location advantage lessens as the firm builds up its ownership advantage (Kogut, 1985). Thirdly, unlike MNEs from developed economies that rely on strong knowledge bases, EMNEs exploit the home CSAs of access to natural resources and cheap labour. Moreover, the weak institutions in emerging economies also force local companies to be innovative in circumventing institutional voids (Khanna and Palepu, 2006). As discussed earlier, the general consensus is that EMNEs are not a homogenous group. However, Ramamutri (2008) argues that firms ascribe to one of five generic internationalisation strategies. Each of their strategies is leveraged from their CSAs and FSAs, and as a result shapes distinctive internationalisation paths. The five generic strategies are Natural-Resource Vertical Integrator, Local Optimiser, Low-Cost Partner, Global Consolidator and Global First-Mover.

Natural-Resource Vertical Integrator

The Natural-Resource Vertical Integrator comes from either a country richly endowed with natural resources or one with a large domestic need for natural resources. In the former case, the EMNE engages in cross-border forward integration to secure downstream markets, e.g. Vale SA. In the latter case, the EMNE engages in cross-border backward integration to secure upstream natural resources for conversion into end products for the home, e.g. Petrobras. Despite the trend of vertical disintegration in many industries, natural-resource firms continue to place value on being vertically integrated from resource extraction all the way to processing, distribution, and marketing (Ramamurti, 2008:16). Here the ownership advantages these firms hold are privileged access to natural resources and/or privileged access to home markets. Many of these EMNEs operating in these sectors are either state owned, formerly state owned or were national champions. They also benefit from being home to resource rich countries with large populations which leads to high demand for these resources in their home market.

Local Optimiser

The Local Optimiser closely matches what was described by early research on emerging multinationals, particularly the observations of Lall (1983) and Wells (1983). The EMNEs' ownership advantages are derived from optimising production processes and products for the distinctive conditions of the home market, i.e. serving low-income consumers in countries with under-developed hard and soft infrastructures. Domestic firms from Latin America are used to dealing with these under-developed infrastructures by tailoring products that can match the requirements of low-income consumers and are able to cope with the poor and lacking infrastructure. Cuervo-Cazurra and Genc (2008) in their paper argue that EMNEs are home to countries with weak institutions; as a result they have built their business models to serve these institutional voids, and in turn, these EMNEs have built FSAs capable of dealing with adverse conditions in host countries, an FSA that MNEs from developed countries do not have. This allows these firms to be able to internationalise to other developing and emerging countries with their ownership advantages developed from the low-income consumers and under-developed infrastructures experienced in their home market.

Low-Cost Partner

The Low-Cost Partner strategy is likely to be pursued by firms whose home country belong to the category of emerging markets who have low wages but skilled workers to become supplier-partners of companies in high wage countries. The ownership advantage of optimising processes and products is not directed toward their home market but rather in working with overseas partners to maximise their process in the global operations. As emerging markets saw a surge of inward FDI, many firms exploited their home market knowledge to partner with multinationals that struggled with managing the environment, especially human resources, supplier relations and regulation. With a combination of home market improvements and with Western firms developing stronger capabilities in developing and emerging countries, only the local partners who (partially through learning from interaction with Western firms) upgraded their ownership advantages and increased their reputation and brands were able to develop into global players. As a result, their internationalisation path is marked very differently from Local Optimisers, where they target emerging markets. Low-Cost Partners, on the other hand, target advanced countries. While these firms are heavily export oriented, they internationalise for customer support and integration, or to move up the value curve by acquiring local firms with advanced skills or complementary assets, such as customer relations and brands. These firms also invest in other emerging economies, but not so much to serve those markets as to broaden the number of low-cost countries from which they can serve rich country customers. The Low-Cost Partner also differentiates from Local Optimisers, as firms who opt for the Low-Cost Partner specialise only in specific stages of the value chain, whereas Local Optimisers, usually, are functionally integrated firms that design, produce, sell, and distribute products under their own brands.

Global Consolidator

The Global Consolidator strategy is when a firm consolidates an industry globally, most often through the home market, followed by horizontal acquisitions in other emerging markets, and culminating in acquisitions in rich country markets. This strategy is likely to be pursued by firms that build global scale in mature mid-technology industries, such as cement, steel, aluminium, auto parts, personal computers, and beverages. Many (though not all) of these industries use globally standardised products and processes, which make it easier for EMNEs to expand internationally. EMNEs that adopt this strategy benefit from large and rapidly growing home markets and through the dominant positions they hold in their home market, have strong cash flows. This allows these firms to aggressively expand internationally through a high number of cross border acquisitions (usually acquiring poor performing companies) and consolidate them from their sales in their home market. These firms usually target developed markets and are able to leverage their ownership advantages of production and project execution excellence (due to the standardised processes) and late-mover advantages. Many of the Global Consolidators have more up to date organisational processes and technology that they were able to upgrade due to their late comer statuses while early movers are left with obsolete technologies that are hard to replace.

The Global Consolidator strategy is driven by stagnating growth of some industries in advanced economies while emerging markets are seeing a rapid growth. Thus the ownership advantages of Global Consolidators are partially driven from different market momentum. This growth means that companies have to increase their capacity, and thus upgrade to the latest technologies and largest plants which many of the Western firms have not need to do. Moreover, with the lack of demand for these plants and technologies from advanced economies, EMNEs are able to get hold of this machinery at lower prices due to higher bargaining power over suppliers. Many EMNEs that were active during the import-substitution era were driven to improve their production and project skills when emerging markets started to liberalise their markets in order not to be crowded out by the increase in competition by foreign competitors. This, in turn, led some of these firms to be able to compete internationally and as many firms held a monopoly in their home market due to strong government links, or being state owned/formerly state owned, it meant they had large capital to leverage themselves. Their capital source further increased when countries further invested in infrastructure and they were able to capitalise on this, leading to a dominant market position. Firms, particularly from Brazil and Mexico due to the large population size, were able to amass large financial muscle and, moreover, they had access to cheap labour and materials.

Global First-Mover

The Global First-Mover, a rarity among EMNEs, is a firm which is operating at the global technology frontier or one that is a trailblazer in a new emerging industry, rather than a late-mover in a mature industry. As EMNEs tend to be late movers, it is difficult for them to become technology frontiers, unless a new industry or a new section of an industry appears. The Global First-Mover strategy can be driven by three home CSAs in an emerging market. Firstly, if there is a large and growing home market in an emerging industry, which can be used as a springboard to be able to internationalise. Secondly, if there is the educated workforce to help the business to improve technologies and thirdly, the low cost, in comparison to advanced economies, to develop technologies.

There are similarities in the CSAs and FSAs used by both Global Consolidators and Global First-Movers, such as standardised processes and products that can be transferred globally. The difference lies in industry growth; Global Consolidators are usually in industries where the industry is growing in developing/emerging markets while stagnating in advanced economies. On the other hand, Global First-Movers are industries that are enjoying fast growth in both developed and developing countries. Therefore, Global First-Movers are early movers and thus can position themselves as frontiers in the industry, something that global conciliator cannot experience.

3. The Latin American Context

There has been very little research on LAMNEs and much of the research done on them has been based on literature on EMNEs from other countries. Therefore, a contextual issue arises and the question whether LAMNEs internationalisation behaviours can be fully explained by research done on EMNEs outside the Latin American region. This also raises the problem of whether Ramamurti's Generic Strategies, which are derived from observations on the largest EMNEs, can by fully ascribed to LAMNEs.

Taking the five generic strategies, Natural-Resource Vertical Integrator, Local Optimiser, Low-Cost Partner, Global Consolidator and Global First-Mover, one can argue that LAMNEs could fall into some of these categories, while some strategies may not accurately capture the internationalisation process on LAMMEs. For example, the Low-Cost Partner is unlikely to be a strategy that would be prevalent among the largest

LAMNEs and is one that is mainly associated with China and India who have large pools of low-wage, skilled and unskilled workers and thus will be less prevalent in middle-income developing countries, such as Brazil and Mexico. On the other hand, the Local Optimiser would do a good job in explaining the internationalisation of firm such as Marcopolo, who has specifically built products to match their home country's weak infrastructure. They are a Brazilian bus manufacturer founded in 1949, producing the bodies for a whole range of coaches and tailoring their manufacturing to cope with the poor quality of roads. As a result, Marcopolo buses perform better on Brazilian roads than those manufactured in developed countries. Being able to have tailored products designed to cope with poor infrastructure is a location bound-FSA. Thus, Marcopolo has internationalised and exported to developing and emerging countries. The company was able to enter markets with poor infrastructure due to its ownership advantage of designing products to match the conditions of the host countries.

We need to also consider that LAMNEs have internationalised in different economic periods. As noted earlier, we have seen significant changes in the global economy which would impact the behaviour of LAMNEs. Indeed, the Latin American economy has fundamentally changed over the last 50 years and LAMNEs that internationalised in the 2010s are likely to face different challenges than LAMNEs that internationalised in the 1980s. Moreover, when one considers the difference in observations of academics in the 1970s and 1980s of EMNEs compared to recent observation, there is more reason to consider the economic period the LAMNE internationalised in. Research on LAMNEs from Casanova (2007) argues that outward FDI has broadly gone through three significant periods since 1970.

Period one: 1970-1989

The beginning part of period one is described by the Inter-American Bank as the Emerging FDI period that depicts the initial outward FDI activities, mainly market seeking and toward other developing countries, otherwise known as the south-south FDI. This period saw a modest level of outward FDI and many companies opted for export led strategies. The Emerging FDI was during the years of 1970 and 1982. In the 1970s, a number of Latin American multinationals were part of a significant FDI wave from emerging economies.

From 1982 onwards we see what is described as “the lost decade,” the late part of period one, which was started after Mexico defaulted in its debt payments in 1982 and had a ripple effect across Latin America, which led to stagnation in the economy and as a result inward and outward FDI dropped significantly. This also marked a period of import substitution led policies and it was against this historical backdrop that Latin American firms began to emerge from their domestic markets to pursue internationalisation strategies or otherwise face failure due to a fall in consumer spending in their home market.

During both the emerging FDI and lost decade period, the emergence of Latin American multinationals mainly rose into their current status through leveraging their monopolistic/oligopolistic position through international expansion across Latin America. Thus, there seemed to be a homogeneous pattern among the LAMNEs. It has to be noted that the 1980s also saw Latin American governments began to liberalise their economies through lower trade barriers, openness to foreign investment, and relaxed exchange controls. As a result, Latin American firms had an incentive to improve their competitive position and expand into other markets.

Period two: 1990-2002

Period two of the Latin American economy, which was between 1990-2002, is known as The Washington Consensus years. The 1990s witnessed an upswing of both inward and outward FDI in the region due to a number of converging factors. Politically, the set of policies known as "Washington Consensus" brought economic liberalisation, including privatisations in regulated industries such as telecoms, utilities, gas, and steel. As a result of these pressures, many Latin American governments abandoned their importation substitution policies and adopted more pro-market strategies encouraged by the International Monetary Fund and World Bank. Between 1991 and 2001, the number of state-controlled firms in Latin America fell from 20% to less than 9%. Latin American economies were also moving more swiftly towards integration into larger geographic spaces through liberalised trade treaties such as North American Free Trade Agreement (NAFTA).

Period three: 2002-Present

The third economic period, which is identified by Inter-American Development Bank, is the economic activities from 2002 to the present time, known as the Going Global era. This period began with the boom period since 2002. After many LAMNEs have opted to aggressively expand internationally, we have seen a faster evolution from regionally driven companies toward bi-regional/global firms in a relatively short period of time. This is especially the case when you compare the pace in which conventional multinationals internationalised. Moreover, the systematic way in which conventional firms internationalised, first to neighbouring countries and then expanding in an outward pattern, is contrary to how many of these LAMNEs have internationalised in the past.

Therefore, we argue that the economic era upon which MNEs started to engage in FDI has a bearing on the way the firm's internationalisation behaviour and strategy. A firm that started its international expansion in the 1970s will have to deal with a different economic climate than a firm that internationalise in 2010. We also argue that given that LAMNEs operate in different industries; have to deal with different competitors and customers and so forth, that there will be differing internationalising behaviour observed in LAMNEs. Therefore we propose the following research questions that will seek to give an insight to:

What is the evolution process of LAMNEs?
What is the internationalisation behaviour of LAMNEs?
Does the economic period these LAMNEs internationalise, having bearing on their international expansion strategy?

4. Methodology: Multiple Case Study Approach

As noted above, the aim of this chapter is to undercover the different types of international strategies and internationalisation processes LAMNEs undertake and whether the time they internationalise in, had an impact on their internationalisation process. This chapter uses a multiple case study analysis, using 136 Latin American multinationals, through collecting data from secondary sources. The sample used was part of the largest 1000 LAMNEs firms that had at least three foreign subsidiaries abroad. Data was collected using Nexus Lexis, Obis, Osiris and OneSource and company websites and annual accounts. The advantage for taking this case study approach is that it allows us to adopt an exploratory research study, which is recommended when there is very little information on a phenomenon, which in this case, is the under-researched area of LAMNEs. An exploratory study 'aims to seek new insights into phenomena, to ask questions, and to assess the phenomena in a new light' (Saunders et al., 2007:598). Due to the limited research in the area of LAMNEs, it is hard to make propositions on the type of international strategies LAMNEs will adopt, so such an approach is recommended.

There has been a call by scholars in the international business field for more research to adopt a case study method and longitudinal research to examine the changing behaviour of firms. The case study method is a powerful way to question theories and propositions, which is particularly useful given the lack of research on LAMNEs and that many of the propositions about of LAMNEs are based on studies of other EMNEs that are not based in Latin America. Moreover, given our underlying assumption that no one size fits all theory can be adopted to explain the internationalisation process of LAMNEs, this method would be deemed appropriate (Yin 1994). However, while the previous section argues that we are likely to find differing behaviour among firms, we have no clear basis to argue what type of behaviour we will find. As a result, the use an inductive approach is an important step to discover how LAMNEs internationalise. An inductive approach is a research approach involving the development a field of study as a result of the observation of empirical data (Saunders et al, 2007). One of the major advantages of using multiple case studies is that it allows for a comparative approach (Adams et al 2007). The comparative case study allows us to duplicate the same observations to see if there are similarities in the entire sample to allow us to be more confident in making generalisations or by examining the variations can lead us to categorise firms who share similar behaviours.

4.1. Research setting and sample selection

The selection of case studies was taken from a sample of the largest 1000 Latin American firms. In the first round of data collection, we selected the case studies from the list of Latin America firms from 2010 to 2013 from AmericaEconomia, an economic magazine that yearly publishes a list of the largest 500 firms in Latin America. This sample is the same taken by Cuervo-Cazurra 2007 and Thomas et al., 2007 as well as research by the United Nations (ECLAC, various years). We removed subsidiaries of foreign firms and deleted firms that did not have foreign sales which were listed on AmericanEconomia. We then separated state owned enterprises, former state-owned enterprises that have been privatised and firms that have always been non-state owned enterprise. We did this because the internationalisation behaviour is partially determined by the ownership structures and state-owned firm's behaviour is determined by politicians that may not necessarily make decisions on business grounds (Cuervo-Cazurra, 2006a; Vickers and Yarrow, 1988). Moreover, as this chapter is taking a longitudinal research approach, the changing in behaviour exhibited in firms could be shaped by the ownership structure of the LAMNEs and might skew the analysis. From here, we removed all firms that did not have at least three foreign subsidiaries, as any less, would have been hard to assess the LAMNEs behaviour. We then increased the sample size to the largest 1000 firms, we did this for three reasons, firstly, to increase the sample size, as after cleaning the data, the sample size fell significantly and would have led to generalisability problems, secondly because academic studies on Latin American MNEs have looked at firms not listed on the American Economia and finally, because the newer internationalising firms (post 2004), which we are interested in comparing to firms internationalising in the before and after 1992, were not fully represented on America Economia. Therefore, we used Osiris to gather data on the largest 1000 LAMNEs, using the same criteria as noted above. Moreover, as noted by Cuervo-Cazurra (2007), it would offer a better representative to have a larger sample of LAMNEs who are not listed on AmericanEconomia.

4.2. Variables used and the data collection method

We collected several variables that would offer us insight in the internationalisation behaviour of our sample firms. Below is a breakdown of the information we collected, the data collection method, rationale and measurement.

Variable 1: *Collecting the years the company engaged in FDI.* The reason we collected this information was that we were interested if the economic period that the firm internationalised in, Emerging FDI, Washington Consensus or Going Global (see the previous section), had an impact in the firms internationalisation behaviour. Categorising firms in the economic period that LAMNEs internationalised would allow us to make a comparative analysis and also allow us to examine the evolution of these firms. Moreover, by examining the gap of each FDI made by the LAMNEs, would allow us to assess the speed of internationalisation of firms. Data was collected using Nexus Lexis, Obis, Onesource, annual accounts, news articles and company websites.

Variable 2: *The market entry strategies LAMNEs take when going abroad*. Here we are interested if LAMNEs, mainly adopt for M&A, joint ventures, organic expansion or a combination of all three. We collected data from Zephyr, annual accounts and Nexus Lexis. Here we were also interested in linking the pace of internationalisation and destination to the strategy the LAMNEs undertakes. As noted in the literature review, there are arguments that EMNEs will use M&As to speed up their internationalisation process or use M&As in advanced countries to compensate for weak ownership advantages.

Variable 3: *FDI destinations***.** We looked at where LAMNEs engaged in FDI, if it is clustered in one region, in developing countries, developed countries or a combination of the two. This was looked at because we want to make a distinction between firms who exhibit different internationalisation patterns.

Variable 4: *Motivation for the LAMNE to engage in FDI*. Traditionally, MNEs were seen to have gone abroad for three reasons, market seeking, efficiency seeking and resource seeking. The expansion of EMNEs has led more scholars to argue that some firms engage in FDI for strategic asset seeking, which has an impact in their internationalisation behaviour. We, therefore, used the function of the subsidiary to determine the motivation for LAMNEs to engage in FDI. A marketing department/sales department was putdown as market seeking FDI, manufacturing in countries with lower wages or more efficient systems, were classes as efficiency seeking. Extractions, mining and so forth were classed as resource seeking. The hardest to determine was strategic asset seeking. Any R&D activities, particularly those acquired, were classed as strategic asset seeking, so was acquiring companies with high levels of technology ownership advantages. Data was collected using Nexus Lexis, Obis, OneSource, annual accounts, news articles and company websites.

Variable 5: *The firm characteristics.* We looked at the industry, the services they offer, size, ownership structure and age of the firm, as previous studies have widely accepted that these are factors that determine the firm internationalisation behaviour.

4.3. Categorisation of companies

After collecting the data of 136 LAMEs internationalisation behaviour, we categorised firms who share similar patterns in behaviour. As these are quantifiable measurements, this increases the reliability of categorising our sample without falling under the issues of subjectivism when trying to categorising firms. Nevertheless, to increase the objectivity of this, we ranked firms by certain internationalisation patterns, for example, ranking firms by the pace of internationalisation (i.e. the year gap between FDIs), the number of countries they expanded to and the breakdown in the proportion of FDI outside the Latin American region.

After splitting firms that shared similar characteristics, we found that LAMNEs broadly fall into four different categories. After grouping firms, we set clear description of each grouping and did a comparison of every company in each group to make sure they belonged to the group they were allocated in order to increase the reliability of our categorisation. We also cross referenced our sample with other studies that have looked at internationalisation process of firms to make sure there was similarities in the description. Examples of these studies, include Casonova who looked at behaviour of LAMNEs and used a case study approach, Ramamutri examples of firms who adopted generic strategies, Chittoor and Ray (2007) classification of the different types of Indian pharmaceutical companies and Cuervo-Cazurra (2007) who looked at the Latin American companies.

Natural Resource Vertical Integrator

The first grouping we found was LAMNE whose internationalisation process was predominantly motivated because of resource seeking motivations. After examining their internationalisation behaviour, we found them to share identical features to what Ramamutri (2008) calls Natural Resource Vertical Integrator.

Local Optimiser

The second grouping we found were firms that solely concentrated their investments within the Latin American region, or to other developing/emerging countries. Again, we found the description of the Local Optimiser by Ramamutri, coincided with the observations we saw and as a result, we kept that a global strategy LAMNEs adopt.

Traditional Global

The third grouping we found were firms who slowly expanded and increased their international expansion that includes cross border expansions in developed countries. They also traditionally follow the Uppsala Model by first entering into countries that are psychically close to their home market and subsequently enter into further distant countries as they acquire experience. We coined the third group “Traditional Global”.

Accelerated Global

The fourth group were firms that have rapidly expanded globally, mainly through M&A without any clear internationalisation pattern. These EMNEs tend to have very little or no internationalisation experience but over a very short period of time have expanded globally, by targeting several firms or targeting a few firms that have foreign subsidiaries, or a combination of the two. We coined the fourth group, "Accelerated Global".

Table 1: Characteristics that determined the Internationalisation Strategies of LAMNEs

Generic Strategies	**Descriptions**
Natural-resource vertical integrator	Forward integration to downstream markets Backward integration upstream to secure natural resources Government links, state owned or former state owned enterprise Resource driven industry and resource seeking investments
Local Optimiser	Products tailored to emerging countries High concentration of investments in developing countries
Traditional Global	Slow internationalisation pattern, which gradually increases. Follows the Uppsala internationalisation model
Accelerated Global	Fast internationalisation process Large M&A of companies with foreign subsidiaries Quick succession of M&A No clear internationalisation pattern

4.4. Reconciling the classifications of Latin American Multinationals with Ramamutri's Generic Strategies

Papers have rightly noted that some EMNEs are internationalising at a rapid pace without a clear internationalisation trajectory and away from how conventional MNEs internationalised (Matthews, 2006; Luo and Tung, 2007). Ramamutri's (2008) generic strategies do not capture the firm behaviours, but rather the CSA and FSA drivers that allow them to internationalise. We therefore adapt Ramamutri's (2008) generic strategies by keeping both Local Optimisers and Natural Resource Vertical Integrator, but changing Low-Cost Partner, Global Consolidator and Global First-Mover into Traditional Global and Accelerated Global. Traditional Global and Accelerated Global can encompass Low-Cost Partner, Global Consolidator and Global First-Mover. Traditional Global are firms that have internationalised in a conventional way, which is depicted in earlier studies on the internationalisation process. Accelerated Global, on the other hand, are firms that have become global over an extremely short period of time, through a series of international M&As or an M&A of an MNE that has established subsidiaries which essentially make the acquiring firm an MNE overnight.

The reason why we change these classifications is twofold: firstly, the generic strategies do not capture EMNEs that are internationalising at a rapid pace; secondly, there are two types of Global Consolidators. For example, Gerdau internationalised at a slow pace, first starting off as a Local Optimiser before evolving as a Global Consolidator and while making some large M&A, it built a network of foreign subsidiaries over a longer period. In fact its internationalisation process is a refinement of how past literature portrayed the internationalisation of MNEs from developed countries. On the other hand, CEMEX, which also falls under the classification of Global Consolidators, has made large M&As of competitors who already have established subsidiaries in countries where CEMEX had no presence. Gerdau will fall into the Traditional Global category while CEMEX will fall under the Accelerated Global category.

Low-Cost Partners are not a common feature among LAMNEs as noted earlier. Out of the LAMNEs we observed, WEG was the only Low-Cost Partner that had established networks and had subsidiaries in a large number of countries. While it used different variations of CSA and FSA to become a global firm, its internationalisation process fell into an Accelerated Global category. It internationalised first to Belgium before expanding globally, following the location of its customers.

Global First-Movers are also a rarity among LAMNEs given that many of these firms are late movers into the market. Their internationalisation pace and strategies are more determined by the pace of expansion of the industry.

5. Findings and Discussions

5.1. The Global Strategies of Latin American Multinationals in Different Periods

After categorising the internationalisation process of LAMNEs by the global strategies they use, we split the sample into the three periods in which they started their internationalisation process. We then allocate which strategy was used during their initial internationalisation process which is determined by looking at each firm's history, the role of subsidiaries and location which is described in the methodology section above. Table 2 shows the breakdown of the strategies used by firms that started their internationalisation process. It is important to note that this table only shows the global strategies these firms used during their initial internationalisation process, and does not capture their evolution. The three economic periods that the data is split into coincide with the three periods in the previous section; the first period 1970-1990 (during the "Emerging FDI Period and the "Lost Decade"), the second period 1990-2002 ("The Washington Consensus") and the third period, 2002-present time ("Going Global Era").

Table 2: Strategy of firms from different periods

Global Strategy	First Period	Second Period	Third Period
Local Optimiser	59%	52%	46%
Natural-Resource Vertical Integrator	33%	8%	3%
Traditional Global	10%	20%	16%
Accelerated Global	0%	20%	35%

Within the first period, the Natural-Resource Vertical Integrators and Local Optimisers contribute to a majority of the global strategies used by LAMNEs. Firstly, what should be noted is that most of the resource driven firms such as mining and oil companies tend to be either governmentally affiliated (either state owned or formerly state owned) or national champions. Secondly, these natural resource driven firms tend to be older firms with a large access to resources and this allowed them to internationalise earlier in time. It is why most Natural Resource Vertical Integrators internationalise during the first period and less so in the second and third period.

The fact that Local Optimisers are the most common strategy used by firms who internationalised during the first period, is what one would expect. The "first wave" of EMNEs had similar patterns and characteristics, such as only internationalising to neighbouring and other developing countries, their main motivation being resource and/or market seeking. The earlier studies and edited books (e.g. Kumar and McLeod,1981; Lall, 1983; Wells, 1983), all argued that the main differences between traditional MNEs and EMNEs were the latter has weaker institutions in their home market, weaker proprietary advantages and latecomer status and so could only really internationalise to other developing and emerging countries.

When you compare companies that started their internationalisation process during the second period, there is still a dominant amount of firms opting for Local Optimiser strategies; however, there is a divergence with 40% opting for global strategies. There is even more divergence of firms that started their internationalisation process during the third period with a majority of firms opting either for Local Optimiser or global strategies. A possible driver for this divergence is the changing nature of the global environment, with more market saturation and the ease to internationalise compared to earlier periods. Another is the latecomer statuses these LAMNEs have means that they need to aggressively expand to catch up to other MNEs. The high cash flows these firms have amassed in the home country, has allowed them to aggressively expand in a short period of time.

Table 3: Location of subsidiaries[2]

	Period 1	**Period 2**	**Period 3**
Latin America	63%	44%	34%
USA and Canada	13%	14%	14%
Europe	11%	23%	26%
Asia	10%	12%	16%
Africa	3%	5%	7%
Oceania	0%	1%	3%

[2] This data looks at the location of subsidiaries of all the firms in my data set, so period 3 will include firms that started their internationalisation process during the first period

During the first period, we find that firms tend to be regionally based, with a majority of the foreign subsidiaries located in Latin America. Due to the variation of strategies used by firms during the third period, we see that the locations of subsidiaries are falling from a regional basis toward more of global one. Moreover, there is a rise in the number of subsidiaries (as a proportion) that have invested in Africa, Asia and Europe, while the proportion of subsidiaries located in the US and Canada has stagnated.

The data show as time goes by there are more heterogeneity among LAMNEs. This explains why we see an increase in divergence in the location of foreign subsidiaries between period one and period three. The reason for this is that the dynamic of the markets has changed and, as shown by the work by Rugman (1981), the international competitive advantage of an MNE is determined by the combination of their home CSA and the MNE's FSA. As the dynamics of the home CSA change along with changing features of the industry, it ultimately changes the conditions of the international competitive advantage of the MNE.

Table 4: Comparison of Internationalisation Pattern among the three periods

Period 1 Very gradual international process, entering into psychically close countries and other developing countries. The 1st period is dominated by energy/mining companies that enter on resource seeking grounds. There are a few M&A and JV but main entry is via an organic route.
Period 2 The internationalisation process is still gradual and regional, but it is at a faster rate than multinationals that started their internationalisation process in the first period and they are more adventurous. There starts less of a clear pattern with companies

such as WEG having no clear international pattern and having diverse international strategies. Those firms that started their internationalisation process during the first period start accelerating their internationalisation process and gradually start internationalising outside their regional base.
Period 3 LAMNEs that started their internationalisation process in the third period show a much quicker internationalisation pattern with some companies entering into over 15 countries in the last 10 years. There is also a higher proportion of M&A and firms simultaneously entering into different types of countries. Those firms that started their internationalisation process during the first and second period have shifted from a gradual internationalisation process to much accelerated process.

5.2. The Evolution from Local Optimiser to Global Strategies

67% of the Local Optimisers identified during the first period opted for global strategies within the second and third period. The pattern of internationalisation and evolution from Local Optimiser to global strategies is best shown through the examples of Odebrect, Gerdau and Grupo Bimbo.

<u>Table 5: Location of Subsidiaries</u>

Company	**Subsidiaries in the First Period**	**Subsidiaries in the Second Period**	**Subsidiaries in the Third Period**
Odebrect	5 Latin America 1 Europe 1 Asia 2 Africa	6 Latin America 1 USA 3 Europe 3 Asia 3 Africa	2 Latin America 4 Africa 1 Asia
Gerdau	3 Latin America 1 Canada	1 USA 1 Canada	8 USA 4 Europe 1 Asia 4 Latin America
Grupo Bimbo	2 Latin America 1 USA	13 Latin America 9 USA 3 Europe	3 Latin America 1 Asia 2 USA

First Period: The Local Optimiser

The table above shows that during the first period, Odebrecht, Gerdau and Grupo Bimbo opted first for a Local Optimiser strategy, internationalising into emerging and developing countries. The motivations for entry were predominantly for market and resource seeking. It is important to note that there are similarities between Grupo Bimbo, Gerdau and Odebrecht in that they all had monopolistic/oligopolistic positions in their home markets which they benefited from before their home countries liberated their markets. They were thus able to leverage from this position to internationalise abroad.

Odebrecht is a Brazilian conglomerate which operates in the construction, engineering, chemicals and petrochemicals industries. Founded in 1944, the company has global presence across the Americas, Europe, Africa, Asia and the Middle East. According to a study by Fundação Dom Cabral (2011), approximately 37% of its revenue comes from abroad. Odebrecht started its internationalisation process in 1979 winning construction contracts in Peru and Chile and in Paraguay in 1980.

Founded in 1901, Gerdau, a Brazilian multinational, is a leading producer of long steel in the Americas and one of the largest suppliers of special steel in the world. With over 45,000 employees, it has industrial operations in 14 countries - in the Americas, Europe and Asia. It started its internationalisation process in Uruguay in 1980 through an acquisition, after which it acquired another firm in Mexico in 1984 and further expanded its operations organically in 1986. It then made another acquisition in 1989 in Canada. The subsidiaries functions were for extraction and market seeking purposes.

Mexico's Grupo Bimbo, the largest food company in Latin America, is the world's third-largest bakery behind Japanese-based Yamazaki Baking and U.S.-based Kraft Food's Nabisco. It started its internationalisation process in the 1980s expanding to countries in Central America for market seeking purposes. It also internationalised to USA, to serve recent immigrants.

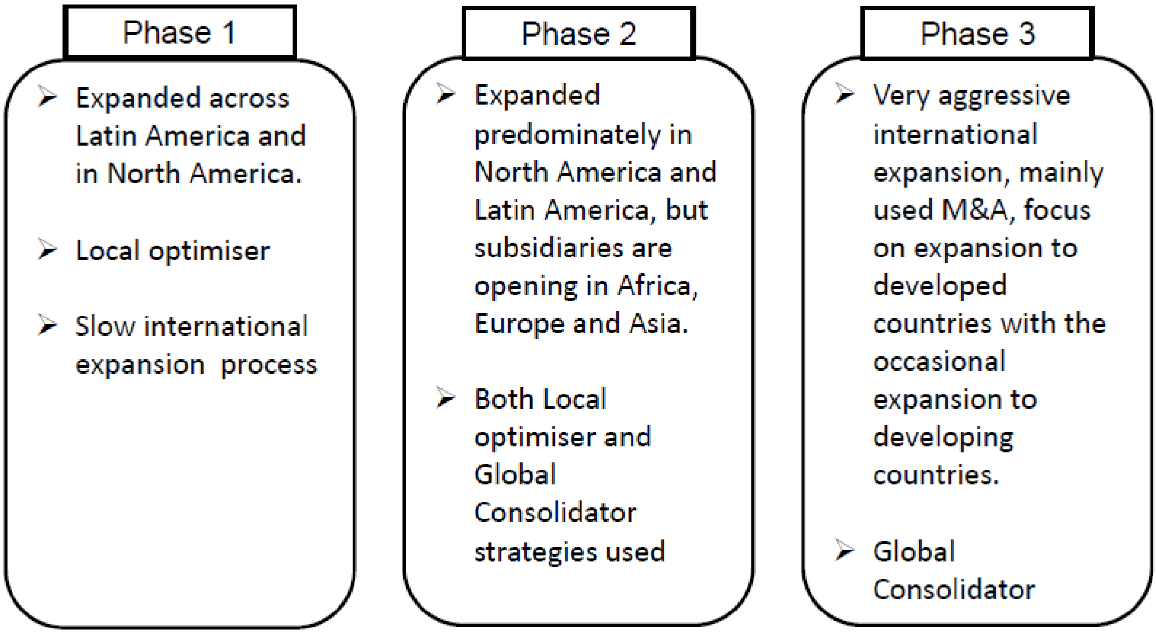
Second Period: A dual strategy

During the Washington Consensus era, while Odebrecht's internationalisation process is still regionally based, its internationalisation pattern started to diversify at a fast pace. Gerdau, on the other hand only expanded abroad in 1995 to Canada via an M&A and USA via M&A in 1999. Grupo Bimbo aggressively expanded its international operations after 1992 with no clear internationalisation path, acquiring or setting up 9 subsidiaries in the USA, 13 across Latin America and 3 in Europe. Therefore, a dual strategy of Local Optimiser and global strategies was being used by Odebrecht, Gerdua and Grupo Bimbo. When applying it to Ramamutri's (2008) generic strategies, they all fall under the category of Global Consolidators, with Group Bimbo being an Accelerated Global and Odebrecht and Gerdua being Traditional Global Firms.

Third Period: Global Strategies

Post 2002, Odebrecht's internationalisation pattern is more diverse, internationalising to Djibouti and Dominican Republic in 2002, Panama in 2004, Kuwait in 2005, United Arab Emirates and Libya in 2006 and Liberia 2007. These countries were developing or emerging countries and the route of entry tended to be organic. Odebrecht was simultaneously opting for a global and Local Optimiser strategy. Bimbo and Gerdau have both shown diverse internationalisation patterns with a higher reliance on M&A as a route to market. We also find that while the early internationalisation pattern of Bimbo, Gerdau and Odebrecht were internationalising at a slower pace during the first period and opting for a Local Optimiser approach, their strategy evolved toward a global strategy as the firm progressed. We argue here that the difference lies in the pace of internationalisation process as opposed to how previous literatures on MNEs have tended to picture it.

Figure 2: Summary of the evolution from Local Optimiser to Global Consolidator



5.3. Accelerated Global

Table 6: Accelerated Global Examples

Stefanini IT Solutions (1996-2011)	9 Latin America, 6 USA, 2 Africa, 3 Asia, 12 Europe
JBS Friboi (2005-2011)	5 Europe, 2 Latin America, 1 Oceania, 1 USA
Marfrig (2006-2011)	14 Latin America, 8 Asia, 4 USA, 2 Oceania, 9 Europe

What is interesting is comparing firms that started their internationalisation process during different periods. It is clear that the global environment has meant that LAMNEs need to internationalise at a much quicker pace to become competitive in the global market.

Stefanini IT Solutions is a service consulting firm within the IT industry, whereas JBS Friboi and Marfrig are both in the food industry, they are all Brazilian MNES. These firms internationalised at a much faster rate (see tables above) than Latin American companies that internationalised before them. Comparing the rate at which these Accelerated Global Firms internationalised to that of EMNEs that started to internationalise in the first period, stark differences are obvious. Firstly, it is important to highlight that the examples used, Grupo Bimbo, Gerdau and Odebrecht, were able to internationalise partly due to their monopolistic/oligopolistic position they acquired by the closed markets they enjoyed before the liberalisation of their home countries in the 1990s and by starting their domestic trading very early in the 20th century. Secondly, there is a huge emphasis by Stefanini IT Solutions, JBS Friboi and Marfrig to overcome latecomer status via a high number of M&A, which was a strategy adopted very late by Grupo Bimbo, Gerdau and Odebrecht.

Overall, we argue that Accelerated Global Firms are more common among EMNEs who internationalised during the “Going Global Era” due to the changing dynamics of the global economy and their late mover position.

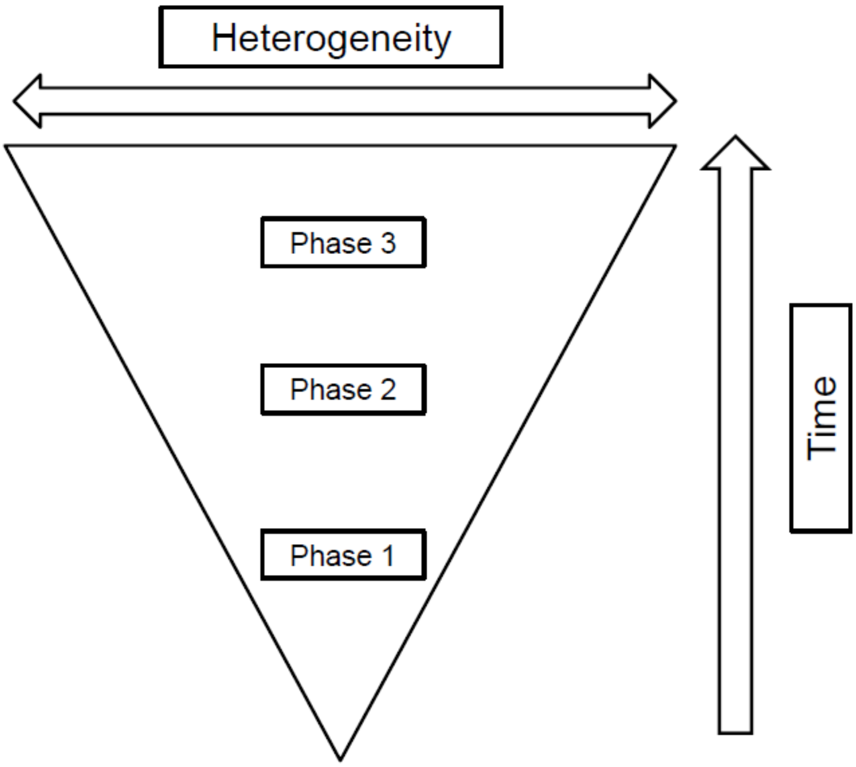
6. Conclusion

6.1. The Importance of Understanding the Heterogeneity of Latin American Multinationals, their Evolution and the Economic Period they internationalised in

Given our findings show that EMNEs are not a homogenous group, the argument that a new theory on FDI is needed to capture the rise of EMNEs is problematic. There needs to be a distinction between different types of EMNEs. In the case of LAMNEs, one could argue that no new theory is needed in the context of Local Optimisers, Traditional Global and Natural Resource Vertical Integrator, as their behaviours are concurrent with what is described by Dunning's eclectic paradigm. Local Optimisers and Traditional Global firms used their experiences and ownership advantages that they developed in their home country to expand to countries where their ownership advantages could be transferred. The transfer of ownership advantages would be successful if they are superior to the domestic firms in the host country and this would be easier to countries that have similar or weaker country specific advantages. On the other hand, the argument that MNEs expand abroad where they can exploit their ownership advantages does not explain Accelerated Global firms.

We show that looking historically at EMNEs internationalisation behaviour, that EMNEs have changed over the last 30 years and thus this should be taken account when trying to understand this new phenomenon. From our examination of LAMNEs, it is clear that the later the firm internationalises, the more likely the firm will aggressively expand. Moreover, there is more heterogeneity.

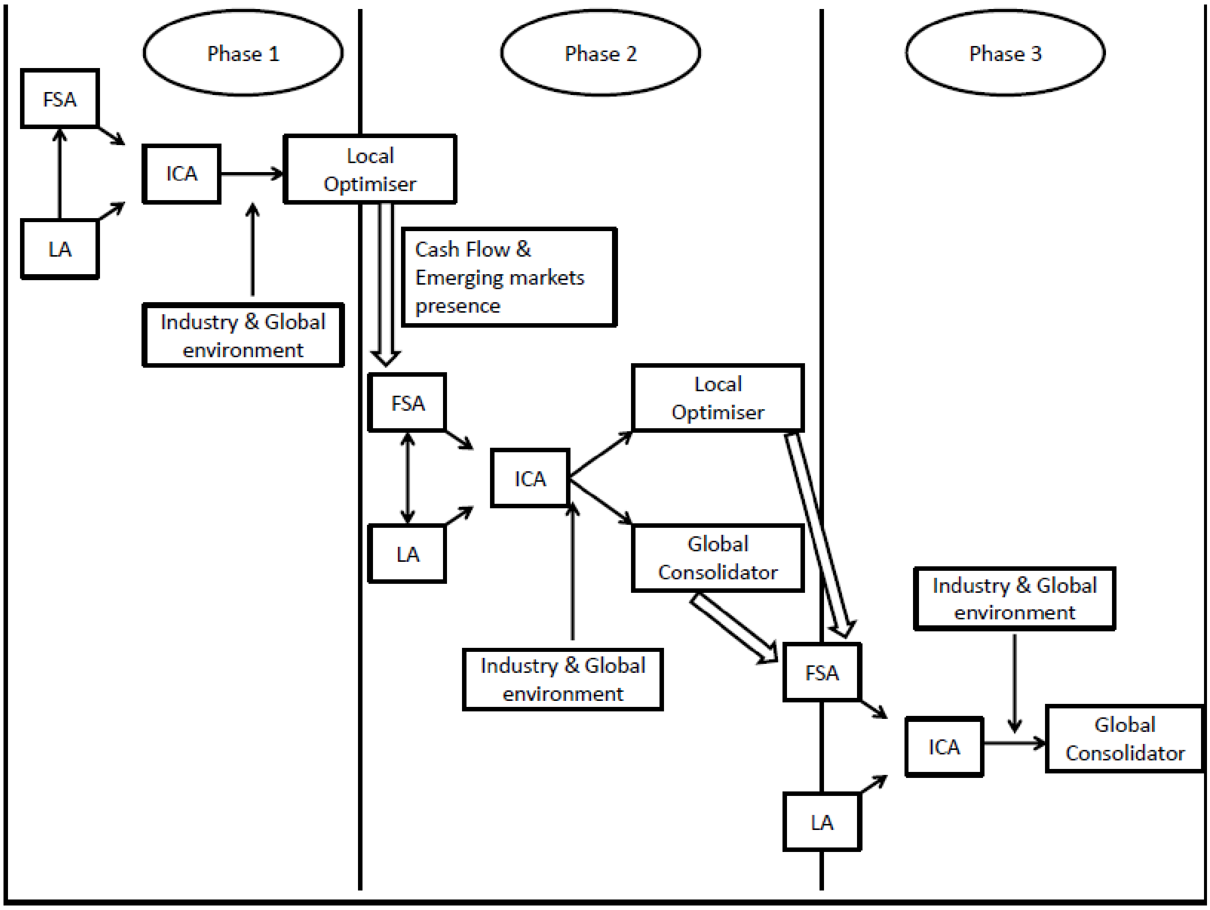
Figure 3: In later internationalising LAMNEs we observe more heterogeneity



Where the issue for academics lies is the argument that fast expanding firms (which we call Accelerated Global) are not fully explained by traditional international business theory. The "why" question has been somewhat neglected in the debate of EMNEs, and one of the "why" questions that could shed light to whether we need a new theory tailored for EMNEs, is "why would a firm, aggressively expand abroad, instead of taking a more gradual internationalisation approach?" Our analysis might be able to provide a solution to this. We know that Accelerated Global firms are a recent phenomenon and perhaps the answer is that the changing global environment has meant that LAMNEs might need to speed up their internationalisation process to catch-up in their global industry. However, what is clear from the analysis in our findings and from the literature review, that we cannot assume that ownership advantages do not matter in the internationalisation process of Accelerated Global firms. In fact, given the changes in the global environment, it may nowadays be more plausible to expand abroad to develop the firms ownership advantages than in the past, where there was more emphasis in developing the firm's ownership advantages from their home country. As we argue earlier on, even if some EMNEs, such as Accelerated Global adopt strategic asset seeking FDI, there needs to be a prerequisite level of ownership advantages for that strategy to be successful. If the EMNE has not got the capabilities to absorb the new assets to their firm, then the strategy would fail. Therefore, it is reasonable to argue that the inclusion of the fourth motivation of FDI as strategic asset seeking FDI in Dunning's Eclectic Paradigm, would in fact explain the FDI of Accelerated Global firms.

Another area that our research under covered was the evolution of firms from Local Optimisers to global strategies. Examining the literature and our observations from our data, in figure 4, we created the following theoretical understanding of the evolution of EMNEs.

Figure 4: A theoretical understanding of the evolution of global strategies



Key: FSA- Firm Specific Advantage

LA- Location Advantages

ICA- International Competitive Advantages

From a theoretical perspective, the evolution of strategies should be expected. The strategy of the firm is determined by number factors, with the international competitive advantages (ICA) of the firm and the industry and global environment being significant drivers. The ICA is a product of the firm's FSA and LA, the stronger the FSA and LA, the stronger the ICA will be (as described by Rugman 1996). During the first period, LAMNEs FSAs would be reliant on home LA and with very little inward FDI during the first period in Latin America, these firms could only internationalise into other developing countries as they did not have strong FSAs. This is a primary reason why the majority of the firms were Local Optimisers (excluding Natural Resource Vertical Integrators). Secondly, the global environment during the first period was at the initial stages of a globally integrated economy, and many developing and emerging countries had not seen any significant inward FDI, meaning there were opportunities for LAMNEs to enter into the markets as early movers.

During the second period, the largest Local Optimisers who had gained financial strength through their monopolistic and oligopolistic positions in their home country now saw an inrush of inward FDI. The increased inward FDI was partially the result of improving LA, which offered more opportunities and threats in their domestic market. As these firms had operated in closed markets, they amassed strong cash flows, which allowed them to acquire companies abroad or, due to strong governmental links, have access to cheap financing to do so. Here these firms adopted a dual strategy of both Local Optimiser and Global Consolidator. The global environment saw a significant increase in global activity and many of these firms were now entering into saturated markets.

During the third period, firms had built a stronger reputation and legitimacy, they were able to leverage their late comer statuses and internationalise abroad. They were also moving away from Local Optimiser to become Global Consolidators. These LAMNEs had benefited from high cash flows due to being early movers entering into emerging markets and gaining legitimacy and experience by entering into developed countries through using a Global Consolidator strategy.

6.3. Contribution

This chapter shows that the strategies firms use are partially determined by the era in which they internationalised. As firms are now operating in a flatter world than was the case 10 years ago, with the global landscape fundamentally different from when Western firms internationalised 30-40 years ago and with markets more saturated, EMNEs are operating in a different world than other MNEs started out in. We find that the later the firms internationalised, the more divergent and more heterogeneity are observed among LAMNEs. Making generalisations is often problematic. However, EMNEs do share a common feature among themselves; they are usually late comers in the global market place. This is due to the fact that their home countries embraced globalisation at a very late stage and this is particularly the case with LAMNEs. As a result, we see some commonalities between EMNEs, in that they share the same weakness in needing to catch up with MNEs in the global market place and upgrading their ownership advantages at a quicker rate.

We also find that EMNEs opt for different strategies despite coming from the same industry; some opt to internationalise within their region and take advantage of their geographical and psychic distance proximity, while others have aggressively expanded in a diverse internationalisation path. This is even further evidenced by looking at the divergence of internationalisation paths opted by Latin American firms in this chapter and the dispersion in the global strategies opted by these firms.

The chapter gives an insight into on the importance of looking at strategy and advocates classing EMNEs by the generic strategies proposed by Ramamurti (2008) of either Natural-Resource Vertical Integrator, Local Optimiser, Low-Cost Partner, Global

Consolidator or Global First-Mover or by using an adapted version as proposed by this chapter, Accelerated Global, Traditional Global, Natural-Resource Vertical Integrator and Local Optimisers which we believe more accurately describe the behaviour of the firms. In doing so we can see the strategies LAMNEs use, but more importantly it highlights some failures in literature. Firstly, EMNEs should be analysed in the context of the time they have started their internationalisation process; secondly, literature has to be careful when offering generalisations. Matthews LLL Model for, example, argues EMNEs become international due to being part of the global production networks, and through a dynamic process of Linkage, Leverage and Learning they upgrade their capabilities and become internationalised. Yet not all EMNEs are part of global production networks and arguably the LLL Model could only really provide a powerful tool for describing some low cost producers. From the sample of LAMNEs, we know that low cost producers are not a significant strategy adopted by firms.

Thirdly, looking at global strategies firms use can give us an insight into the ownership advantages firms hold, which have been a contentious topic in literature. It is important for literature to understand the different types of ownership advantages that EMNEs have and this is reflected in the generic strategies and internationalisation process they take. By classifying EMNEs by the global strategies they use, we are able to mitigate the diversity among the firms and are able to understand how LAMNEs can internationalise. In doing so, we can see that traditional theories and frameworks still do a good job in explaining EMNEs and no new theory of the firm is needed to explain the differences observed between EMNEs and conventional MNEs.

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Chapter Three: The International Trajectories of Latin American Multinationals and the roles of Foreign Subsidiaries, does distance matter anymore?

1. Introduction

Market selection is one of the most important considerations in the internationalisation process. It has been argued that businesses, especially at the start of their internationalisation process, are heavily influenced by psychic distance when it comes to selecting potential markets (Hernandeza and Nieto, 2014; Brewer 2007; Johanson and Vahlne's 1977; Johanson and Wiedersheim-Paul 1975). Psychic distance is a complicated and multi-dimensional concept that is made up of different factors. The higher the differences between these factors, the harder it will be to learn from new surroundings because the flow of information will be distorted, causing the business to become less successful in that environment. Past papers have included religion, education, culture, language, industry development and political systems as such factors that make up the psychic distance concept (Blanc-Brude et al 2014; Dow and Larimo 2009; Shenkar 2001; Johanson and Wiedersheim-Paul 1975).

It is widely accepted that conducting business at an international level inherently leads to more considerations than solely concentrating on a domestic market. By venturing into foreign markets, firms encounter new and more complex types of obstacles which lead to added costs that are not concurrent with a domestic setting (Werner et al, 1996; Miller, 1992, Ghoshal, 1987). These added costs are perceived to increase when companies are operating in countries that have higher psychic distance compared to lower psychic distant markets (Brouthers, 2013). Therefore, it has been argued that firms select markets and start their internationalisation process in countries that have psychic proximity to their home market (Brewer 2007). This idea was derived from a study on the internationalisation of Nordic firms by Johanson and Wiedersheim-Paul (1975). They found that Nordic companies' internationalisation process was taken in incremental stages, first to countries that exhibited low psychic distance compared to their domestic market before expanding into countries that were very different from them. This internationalisation process is known as the Uppsala Model.

According to Eriksson et al (2000), the Uppsala Model is based on the idea that the behaviour of the internationalisation process is path dependent. Path dependence is an evolutionary process which is based on the accumulated knowledge from the firm's past international experience which directs the firm's future trajectory (Eriksson et al, 2000). Despite the high exposure of path dependence in international business literature, De Clercq et al (2014), Johanson & Vahlne (2009) and Hutzschenreuter et al (2007) argue that path dependence is still a promising and emerging concept that should be explored further to gain more understanding of the role of path dependence in the internationalisation process.

Arguably, psychic distance and path dependence go hand in hand in that the firm at first is heavily influenced by psychic distance but after each international venture the firm generates and accumulates experimental knowledge. This means that the firm gains more confidence, capabilities and competencies to deal with the uncertainties that the psychic distance factors generate and as a result further down the internationalisation process psychic distance plays less of a role in the market selection process (Forsgren, 2002).

Despite there being several studies looking into psychic distance and international trajectories, we have found very inconsistent results as to the extent EMNEs follow an Uppsala internationalisation route (see, Luo and Tung, 2007). It is well documented that many factors determine the internationalisation process of the firm. However, we find some considerations have not been taken into account when trying to understand the internationalisation trajectory of EMNEs and many studies are making the mistake of categorising EMNEs into one homogenous group due to the country of origin or region they come from. We argue there should be more of an effort to categorise firms that have shown different international trajectories despite sharing the region/country of origin so we can compare and understand the difference. We believe in doing so we are able to capture the heterogeneity of the firms and help move on the discussion on how EMNEs are internationalising.

While the international business field has focused its research on the determinants of the internationalisation processes, only a limited number of studies have explored the dynamic change these MNEs face over time, while the majority of studies have viewed the internationalisation through a somewhat static lens (Fortanier and Van Tulder, 2009). Secondly, very few studies have explored the extent to which the distance between the host and home country has an impact on the function of the subsidiary.

Therefore, we take a longitudinal approach and categorise the internationalisation process of 136 LAMNEs depending on their international trajectory. To be consistent with other studies in the field, we define the internationalisation trajectories through three criteria: 1) the level of internationalisation, 2) concentration of subsidiaries and 3) the pace of internationalisation. By categorising firms by certain characteristics, we are interested in building a typology of international trajectories to move the debate forward and be able to capture the heterogeneity of the internationalisation process of LAMNEs.

This chapter is split into five parts, first a literature review on psychic distance, path dependence and international trajectories of EMNEs. The second part looks at the methodology and the measurement of psychic distance. The third part compares and contrasts companies that show different internationalisation patterns and, through inductive approach, try to see the characteristics these firms have. The fourth section will look at the roles of subsidiaries in relation to the psychic distance between the host and home country; the fifth section will offer a discussion, contribution and conclusion to the chapter.

2. Literature review

The term psychic distance dates back to 1956 from Beckerman's paper which was analysing the patterns of intra-European trade. However, Beckerman's (1956) paper encompassed a narrower version of what is now a complex concept. Beckerman defined psychic distance in terms of economic distance as a result of transport costs, although the economic distance could be mitigated through acquiring knowledge of the new foreign markets from personal contacts. While subsequent papers such as Leamer (1974) and Linnemann (1966) continued to follow Beckerman's (1956) definition of psychic distance to cover only geographical or transport factors, Gruber and Vernon (1970: 260) argued that there are 'other frictions associated with distance, such as limitations on businessmen's knowledge about sources and markets'. While the general consensus is that Beckerman's (1956) paper coined the theory of psychic distance, the concept did not come into prominence until Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne's (1977) studies of the internationalisation process of Nordic firms which subsequently led to the development of the Uppsala Model.

The most commonly used definition for psychic distance is the one by Johanson and Wiedesheim- Paul (1975:308) who defines psychic distance as 'factors preventing or disturbing the flows of information between firm and market'. It is now widely accepted that psychic distance encompasses a wide range of factors and is not exclusively limited to transport or geographical factors; such factors include religion, education, culture, language, industry development and political systems (Boyacigiller 1990; Dow and Larimo 2009; Johanson and Wiedersheim-Paul 1975; Shenkar 2001). Some researchers (Bell 1995; Brewer, 2007; Pedersen & Petersen 2004) argue that the motive to enter into low psychic distance countries is that it is easier to gain knowledge from them as opposed to entering into high psychic distant countries. This is akin to the thoughts of Nordstrom and Vahlne (1994:42) who offered an adapted definition to the one of Johanson and Wiedesheim- Paul (1975): 'factors preventing or disturbing firm's learning about and understanding of a foreign environment'. Thus, it has been postulated that the greater the perceived dissimilarities, the more unlikely the country in question will be selected, due to the difficulties of transferring knowledge about the market. Therefore, psychic distance has an influential role on market selection, particularly in the initial stages of the internationalisation process (Petersen & Pedersen 1996; Stottinger & Schlegelmilch 1998; Brewer, 2007). Moreover, the Uppsala Model argues that in the latter stages of the internationalisation process, the impact of psychic distance on market selection is reduced as the firm becomes more internationally active (Benito & Gripsrud 1992). If this is true, then arguably the firm does not in fact use objective methods to investigate future markets but depends more on subjective and on non-economic factors to screen markets (Brewer, 2007; Ellis 2000; Tornroos 1991).

The transaction cost theory gives an insight into the role which psychic distance plays in the internationalisation process. According to transaction cost theorists, psychic distance is correlated with transaction costs, with the greater the psychic distance the more transaction costs occuring due to the difficulties the distance presents when a company attempts to transfer their competencies and skills (Sousa and Bradely, 2008; Erramilli and Rao 1993).

Researchers (e.g.: Kogut and Singh 1988) in the past have concluded that firms find it easier to learn from foreign markets and are more likely to enjoy greater success when they enter into countries that are psychically close. However, O'Grady and Lane (1996) argued and found the opposite conclusion. As opposed to firms enjoying greater success when they enter into close psychic markets, they argue that: 'starting the internationalization process by entering a country psychically close to home may result in poor performance and, possibly, failure' (O'Grady and Lane, 1996). O'Grady and Lane (1996) argued through examples of Canadian firms that companies face a psychic distance paradox. The reason for this paradox is that the perceived familiarity causes the firm's decision makers to underestimate the dissimilarities between the domestic market and the new markets subsequently leading them to under prepare for the differences.

Child et al (2003) examined the impact of psychic distance on the internationalisation process of Hong Kong firms through five case studies and found that three of the five companies had first internationalised to low psychic distant countries within South and South East Asia while the other two companies had opted for more psychic distant countries in Anglo-Saxon locations. However, it was made apparent that the latter was due to situations where psychic distance was either a) compressed or b) bridged. Compressing the psychic distance items depicts the narrowing of the perceived distance between the firm's home market and foreign countries. The compressing factors arise from macro developments, for example the influx of immigrants from Hong Kong entering into United States meant that one of the Hong Kong companies found an opportunity to enter into the American market to target the Hong Kong nationals and to have Hong Kong employees. Bridging factors are strategies the business uses to reduce the impact of the psychic distance items such as the use of a local partner to overcome some of the psychic distance uncertainties (Child 2009).

We often find that EMNEs tend to hold characteristics, such as FDI motives, international trajectories and ownership advantages that do not align to that of MNEs from developed countries (e.g. Mathews, 2004; Luo and Tung, 2007; Buckley et al., 2007; Li, 2007). As pointed out by Fortanier and Tulder (2009), there are problems with comparing the large established MNEs from developed countries with the largest EMNEs tending to be smaller than their Western competitors. Dunning et al (2008) points out, it will be more insightful to compare EMNEs that hail from former developing countries, such as the NICs. While conversely, in this chapter, we argue that it would be more insightful to compare EMNEs within the same region and country that exhibit different internationalisation patterns. Ultimately, as a majority of the research in this field is based on MNEs from developed countries, it is unlikely that the findings will accurately conform to how EMNEs behave.

There has also been research that measures different characteristics that impact on the internationalisation strategies of firms, such as experience, firm's ownership advantages and the size of the company (Autio et al., 2000; Peng and Delios, 2006; Tihanyi et al., 2000; Hitt et al., 2006). Other important firm characteristics include whether the company is family-owned (Li, 2007; Elango and Pattnaik, 2007) and if it is part of business groups (Garg and Delios, 2007). Research has also found that the role of the home country government has an impact on the international trajectory of the firm, with governments who are active in the business being an important determinant. Research has found governments have actively pushed for outward FDI through FDI policies such as subsidiaries and cheap financing. Conversely, poor regulation in the domestic market, as well as domestic liberalising, is forcing firms to internationalise to be competitive and to escape strict government policies (Luo and Tung, 2007; Buckley et al., 2007; Li, 2007; Wells, 1977). Furthermore, Buckley et al (2007) found that Chinese EMNEs acquire technology and foreign exchange to avoid market imperfections.

It is important to remember that classic international business research argues that it is the firm's ownership advantages that drive the firm to internationalise. For example there are EMNEs that internationalise based on their ability to manage institutional voids in developing/emerging countries which ultimately dictate their internationalisation strategies and trajectories (Li, 2007; Khanna and Palepu, 2006; Chittoor and Ray, 2007; Luo and Tung, 2007). On the other hand, there are those firms' that possess weak ownership advantages that mean they expand to developed countries for asset exploiting. The differing characteristic between EMNEs and MNEs has led to debate within international business theory. As traditional theory is based on MNEs from developed countries, not all the findings align with EMNEs, which has resulted in new theories being developed, such as by Luo and Tung (2007) who proposed the springboard theory. The theory argues that EMNEs use aggressive high risk strategies and acquire MNEs from developed countries who hold superior assets in order to build their ownership advantages. This allows the EMNEs to catch up with Western firms by using their strong position in their domestic market, as a springboard to "leapfrog" over their competitors. Most research in this field tends to be based on a limited number of case studies and certainly is not reflective of all EMNEs. This is reflected by Chittoor and Ray (2007) and Ram (2008) who found that firms ascribe to different strategies.

While the Uppsala Model is held with high regard, subsequent research has shown contradictory findings. For example, papers by Knight and Cavusgil (1996) and Rialp et al (2005) found that born global firms contradict the notion that firms start their internationalisation process to psychically close markets and, firms that originate from emerging markets tend to 'catch up' and "leapfrog" over their established Western competitors through entering into developed markets that on the surface are psychically distant from their home market in order to build up their core competencies (Child and Rodrigues, 2005; Luo and Tung, 2007). While one could argue that this proves that the stages theory is weak and disproves the concept of psychic distance, Child et al (2009) argue and found that it actually disproves an assumption that businesses are unwilling to tackle the uncertainties that the psychic distance items generate. Thus, Child et al (2009) argue that despite the perceived uncertainties that high psychic distant markets present, businesses are still willing to enter into these markets particularly if the foreign market holds high attractiveness such as a big market size and a high growth rate. This is concurrent with Johanson and Wiedesheim- Paul (1975) who admitted that the size of the market may influence which markets are entered into.

Furthermore, there has not been consistency within the literature of psychic distance; some have found that both cultural distance and psychic distance have a significant influence on the internationalisation process (Sousa and Bradley 2005; Pak and Park 2004; Evans and Mavondo 2002; Barkema and Vermeulen 1997;) and others have not (Sethi et al. 2003; Mitra and Golder 2002; Stöttinger and Schlegelmilch 1998). There are arguments that psychic distance is past its due date (Stöttinger and Schlegelmilch 1998) with the connection between psychic distance and market selection being criticised. Reid (1984) questions psychic distance calling it too deterministic, arguing that firms are dictated through their own personal ways to overcome the barriers of internationalisation. Andersen (1993) sees the argument that firms internationalise through stages as simplistic, overemphasising the role of psychic distance while the emergence of information technology has led some researchers to declare the 'death of distance' (Doz et al., 2001).

Many writers are arguing that from globalisation we are starting to live in a homogenous world where consumer tastes are starting to converge, and as a result the impact of both psychic and cultural distance is starting to dilute. This appears to be plausible due to the ease of information flow, the advancement of the internet and how much easier it is nowadays for international travel (Sousa and Bradley 2008; Levitt 1983). Hofstede (2001) argues that perceived convergence is a superficial appearance, while the values that are embedded in cultures stay stable over time. Barkema and Vermeulen's (1997) study was concurrent with Hofstede's (2001) claim; they did a longitudinal data spanning across three decades and found that cultural distance stays constant over time. Da Rocha et al (2007) found that psychic distance also stays constant over time when they compared two data sets of psychic distance from 1978 and 2005 and found a 0.962 correlation between the two samples. Such findings contradict the notion that psychic distance has passed its sell by date.

3. The Measurement of Psychic Distance

The measurement of psychic distance has caused controversy within psychic distance literature. There is currently no general agreement on how to measure or conceptualise psychic distance (Brewer, 2007). Many papers have emphasised Johanson and Vahlne's (1977) examples of psychic distance factors to postulate their contribution to the measurement of psychic distance. The examples include differences in business practices, culture, education, industrial development and language (Johanson and Vahlne 1977).

While the general consensus is that psychic distance is a multi-dimensional concept and it is made up of different factors, researchers have still assumed that psychic distance could be measured through a single variable (Dow 2000). Past studies have advocated the use of cultural distance to measure psychic distance with Kogut and Singh (1988) and Benito and Gripsrud (1992) being prime examples. Moreover, some researchers see cultural distance and psychic distance as heterogeneous with one another, for example Lee (1998) and Klein & Roth (1990). Sousa and Bradley (2008) put forward that psychic distance is influenced by cultural distance, thus suggesting that culture should have a significant role in the measurement of psychic distance. In other words the higher the cultural distance between the two countries the higher the individual would perceive the psychic distance. This is akin to the thoughts of Nordström and Vahlne (1994) who believe that psychic distance has elements of cultural distance. The logic behind this was due to the assumption that when there is a large cultural distance between two countries, it is harder to access knowledge and thus harder to learn about the new environment. Cultural distance also generates an increased level of complexity, uncertainty and misinterpretation of information which leads to higher levels of misunderstandings in the decision-making process (Eriksson et al 2000). Consequently, when there is smaller cultural distance between two nations, there is more likely to be interaction, whereas this process is hindered when there is a larger cultural distance (Manev and Stevenson 2001). In essence, cultural distance acts as an obstacle for interaction between firms, thus increasing the perceived psychic distance.

Child et al (2009) argue that the use of cultural distance used as a single determinant to measure the degree of psychic distance between two counties, is based on two assumptions: 1) that decision maker's place culture as the most important psychic distance factor and 2) that culture has a close relationship with the other psychic distance factors. While culture arguably distorts the information flow and high cultural distance instils dissimilarity, researchers have still questioned the role of culture in market selection (Mitra and Golder 2002; Benito and Gripsrud 1992; Sullivan and Bauerschmidt 1990). Furthermore, Shenkar (2001) shows the difficulties of arguing that cultural distance has an impact on the direction of the firm. Evans and Mavondo (2002) argue that the indecisive findings generated when only using a single factor to measure psychic distance show that there is a need for more factors to be considered when measuring psychic distance, not only exclusive to culture (Brewer, 2007; Harzing, 2003).

Recent researchers argue that the only way to measure psychic distance is through measuring the individual factors that make up the concept (Child et al 2009). According to Dow and Larimo (2009) psychic distance is a stimulus which is affected by national-level factors, resulting in shaping the perceptions of psychic distance. The national level factors capture the multidimensional side of psychic distance as these factors are: national culture, language distance and institutional distance (legal, political, educational and religious). Dow and Karunaratna (2006) built universal scales to measure psychic distance upon language distance and institutional distance (legal, political, educational and religious). Which were later built into a public database developed by Dow (2007). These national level factors are similar to the variables which Child et al (2009) call, psychic distance items. They also run parallel to Ghemawat's (2001) CAGE which categorises psychic distance as; culture, administrative, geographical and economic factors. Child et al's (2009) study used 12 psychic distance items which are: geographical distance, culture, language, level of education, level of technical development, level of economic development, logistics infrastructure, political system, legal system, regulations, accepted business practices and business ethics.

4. Methodology

In this chapter we analyse 136 LAMNEs case studies, examining their international trajectories. This is a rich sample size in comparison to other papers that have looked as the internationalisation process of firms, such as Cuervo-Cazurra (2008) who used 20 LAMNEs, Maitland et al (2005) who used 40 MNEs and Bonaglia et al (2006) who used three case studies. We study Latin America because the region as a whole has similar characteristics and underwent successions of economic reforms, from import substitution from the 1930s to 1980s to the Washington consensus era from 1992 to 2002 and then the so-called "Going Global Era" since the early 2000s. As a result, these similar development processes have seen commonalities in the behaviour of the MNEs within this region (Cuervo-Cazurra 2008; Chudnosky et al, 1996; Grosse, 2001). Studies examining EMNEs, particularly in case study research, tend to examine the largest EMNEs, this selection criterion leads to generalisation issues. Firstly, the largest EMNEs (particularly in the context of LAMNEs) tend to have routes dating back to over 70 years ago; secondly, many of these firms started their internationalisation process earlier on, so the economic conditions they faced, the competitive dynamics, market saturation and other factors are not concurrent with firms that internationalised in different economic conditions, particularly those who started their internationalisation process in the late 1990s to the present time. As a result, we have a broad range of LAMNEs by having a large sample size of the largest 1000 LAMNEs. In doing so, we believe we be able to capture how different economic conditions impacted on the international trajectories of the firms and offer helpful insights in the field of EMNEs.

To be consistent with the definition of international trajectories and increase the validity of our study, we focus on three variables of the internationalisation process of our case study LAMNEs: firstly, the economic period they started their first FDI activity; secondly, the location of where these firms engage in FDI and thirdly, the pace of internationalisation process as measured by the gap in between each FDI establishment. As these are objective measures, this increases the reliability of our analysis (Saunders et al, 2007).

This chapter will use Dow and Karunaratna (2006) measurement scales and Dow's (2007) database as it is the most comprehensive measurement scale that is inclusive of many of the psychic distance items discussed in literature. Only Dow and Ferencikova (2010) have tested the model in the context of FDI to this author's knowledge. They found that Dow and Karunaratna's scales is a significantly stronger predictor of market selection and FDI performance than the traditional Kogut and Singh index when looking at outward FDI from Slovakia. They measured this distance between different countries using Dow's (2007) scales. Dow's scales measure the differences in languages, religions, industrial development, levels of education and political systems. Dow's scales are available to the public and measure every single country's psychic distance from others.

Dow's (2007) scales neglect culture and so culture will be measured in a similar way to previous papers by Dow (e.g. Dow and Ferencikova, 2010). The distance was based on the four original Hofstede (1980) dimensions and was collapsed into one single index as recommended by Kogut and Singh (1988). However, as Hofstede's scales have been criticised for being too old, narrow and subject to sample bias because they were based only on one company, IBM (McSweeney,2002), Dow and Ferencikova (2010) use a recent meta-analysis and public revised estimates of national cultural distance done by Taras and Steel (2006).

Past papers have used the distance between aggregate averages of distance scores per region: Below is an example of Cyrino et al's (2010) paper

<u>Table 1: Cyrino et al (2010) Psychic distance from Brazil</u>

	Psychic distance in relation to Brazil
Latin America	23,1%
Europe	47,2%
Africa	47,8%
North America	49,8%
Middle East	54,2%
Oceania	54,3%
Asia	59,7%

Cyrino et al: p363

However, we find that this approach as very problematic. For example, India and China are seen as sharing homogenous characteristics. However using the distance indicators by Dow and Karunaratna (2007), we find that in fact they are very different. To analyse the distance between the home country of the LAMNEs and the host country, we created a four categories and spread out the regions into one of four categories. The categories are ranked one to four, the closest countries to Latin America are ranked one, while the countries with the highest psychic distance are ranked four. As a result, we have clustered regions depending on how psychic distant they are from the home market. It is important to note that we aggregated the psychic distance items evenly as there is no general consensus on which psychic distance variables holds more weight in deterring psychic distance. For a more detailed analysis refer to appendix 1.

Table 2: Psychic Distance Rank

Regions	Psychic Distance Rank
Other Latin America Countries Brazil	1
Latin Europe North America Former Africa Spanish Colony Former African Portuguese Colony	2
South Africa Rest of Western Europe	3
India China Russia Middle East and North Africa Rest of Asia Rest of Africa Middle East and North Africa Eastern Europe	4

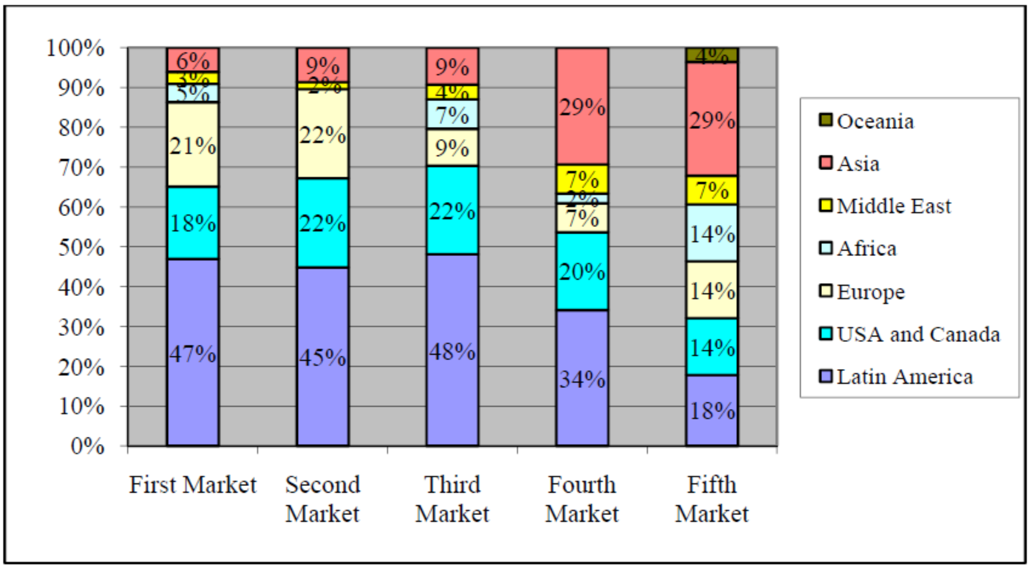
5. International Trajectories of Latin American Multinationals: A tale of different generations?

An interesting issue arises when reviewing literature on the Uppsala Model. The whole model is based on MNEs that started their internationalisation process in the early part of last century. Given the changing dynamics of the global markets, it is unlikely that firms will behave in the same way now as they did during the last century. In fact, it is likely given the changing economic structure, the information age and increased competition; MNEs' international behaviour will be different than it was in the last two decades. As a result, we are interested in making a comparative analysis of the internationalisation trajectories of LAMNEs that have internationalised before 1992, between 1992 and 2002 and after 2002. We chose these eras because they symbolise shifts in the economy of Latin America and FDI patterns. Prior to 1992, we saw the Latin American region as a somewhat closed economy, pursuing import-substitution policies; after 1992 we start seeing Latin America liberalising their economy as many countries in the region entered into financing deals with the IMF and World Bank leading to what scholars call the "Washington Consensus Era". From 2002 onward we start to see an upswing in outward FDI from the region. We are interested in seeing whether LAMNEs that internationalised in different economic condition impacted on the international trajectory of the LAMNEs.

We took the first 5 FDI investments of 136 Latin American Multinationals to see if their internationalisation process follows a sequential route.

Given the changing dynamics of the Latin American Economy, we are interested to see if there is a "generational" change in how firms internationalise. Cyrino et al's (2010) paper used a sequencing table to show that Brazilian firms internationalise in a sequential manner; their results are as follows.

<u>Figure 1: Cyrino et al Brazilian MNEs FDI sequence by region</u>



Cyrino et al: p365

However, there analysis is problematic for two reasons, first this method of categorisation means that India and China are seen to have a similar psychic distance factors as one another in comparison to Latin America, while we know from our methodology, this is not the case. Secondly, it does not distinguish between times when the Brazilian firm started its internationalisation process.

Figure 2: Entrance Sequence pre 1992 LAMNEs

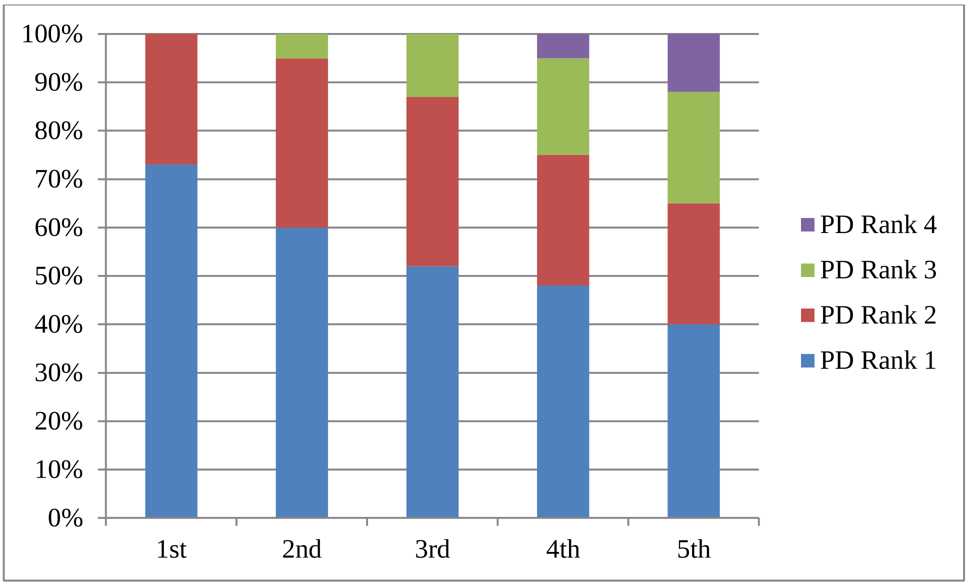
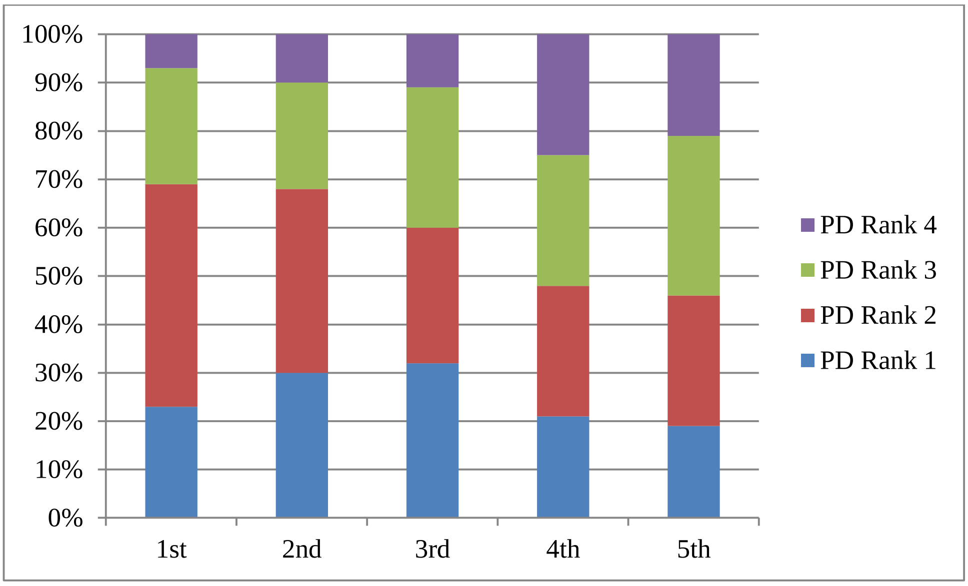


Figure 3: Entrance Sequence post 2002 LAMNEs



The sequence tables which have four ranks, takes into consideration of the heterogeneity within regions (refer to the table 2). We find that while LAMNEs in post 2002 are less impacted by psychic distance, than LAMNEs who internationalised before

1992, we found that they still preferred to enter into countries that were in either rank one or rank two in the psychic distance categories. If we breakdown which countries LAMNEs internationalised into in Africa and Europe, it highlights the issue of papers that cluster countries by continents.

Table 3: Breakdown in first FDI in Europe

Europe	Before 1992- LAMNE first FDI in Europe	Between 1992 & 2002- LAMNE first FDI in Europe	After 2002. LAMNE first FDI in Europe
Spain or Portugal	90%	65%	20%
Rest of Latin Europe	0%	0%	8%
Western Europe	10%	35%	56%
Eastern Europe	0%	0%	16%

Table 4: Breakdown in first FDI in Africa

Africa	Before 2002. LAMNE first FDI in Africa	After 2002. LAMNE first FDI in Africa
Former Portuguese Colony	80%	70%
Former Spanish Colony	10%	5%
South Africa	5%	10%
Rest of Africa	5%	15%

In the tables above we show the first investments in Europe and Africa by LAMNEs. What is interesting is there is a strong colonial link, in where LAMNEs first internationalised to before 1992. The first route to Europe was either Spain or Portugal which some scholars argue is seen by LAMNEs as countries that offer a good foundation to break through into the European market given the historical links and common language and cultures. This is linked to Pla-Barber and Camps (2011)

"Springboard Country" perspective, where Spain is seen as a good springboard for European MNEs to enter into Latin America and vice versa. Interestingly, there was not a strong link for LAMNEs to first enter into "Latin Europe", by LAMNEs expanding into Europe post 2002. Majority of the FDI was concentrated in rest of Western Europe.

Conversely, when we looked at FDI into Africa, we see a strong preference of entering into former Portuguese and Spanish colonies, regardless when the investment was made, before 1992 or after 2002. Some of the reasons for this is that Africa as continent does not have the same market attractiveness as Europe as a whole, to offset the psychic distance between the home and host regions.

Table 5: The time distance between FDI investments

FDI	Year difference between 1st and 2nd FDI	Year difference between 2nd and 3rd FDI	Year difference between 3rd and 4th FDI	Year difference between 4th and 5th FDI
Pre-1992 Internationalising Firms	6 years	5 years	3 years	3 years
Post-2002 Internationalising Firms	Between 1 to 2 years	Less than one year	Less than one year	Less than one year

We also point out that the time distance between the first FDI investment and the second is much shorter for the firms who started their internationalisation process during the going global era, than those who started during the Washington consensus era. However, the latter's internationalisation pace is faster than firms who started during the Emerging FDI period. This is consistent with another finding by Cuervo-Cazurra (2008) that LAMNEs are induced by the home country conditions and through economic reforms which have had an impact on driving these firms to expand internationally.

6. Typology of International Trajectories of LAMNEs

From our analysis we have found that LAMNEs take a long time to internationalise. The largest LAMNEs who have deep routed histories in their home countries, did not really engage in any outward FDI engagement till the late 1970s/early 1980s. This is concurrent with Cuervo-Cazurra's (2008) argument, that LAMNEs' internationalisation process was driven by economic reforms or events in the home country. When the Latin American region started opening up its market and because of the 1982 financial crisis in the region, many LAMNEs were pushed to internationalise. We found that LAMNEs that engaged in FDI before 1990 had internationalised through a sequential manner as described by the Uppsala Model. We also found that LAMNEs entering into Africa, before the 1990s tended to prefer to internationalise, or first internationalised to, former colonies of Spain or Portugal, the same as the home countries these LAMNEs came from.

Conversely, we found that companies who started their internationalisation process after 2002, showed more divergent internationalisation trajectories, including firms who did not conform to how the Uppsala Model described they would. We found that firms that internationalised before 1990, when compared to firms that internationalised after 2002, had a slower internationalisation process.

After looking at the internationalisation trajectories of LAMNEs, we found four groups: conventional, non-conventional, static and resource driven. Below we show examples of firms who have differing international trajectories from EMNEs who internationalised before 1990, to show their evolution and LAMNEs who only just recently internationalised.

6.1. Conventional

The "conventional" international trajectory describes firms that have the same international trajectory as described by the Uppsala Model. We found examples of firms operating in the FMCG industry that follow a conventional international trajectory. This is perhaps driven by the fact consumer goods products tend to be more impacted by psychic distance and have to adapt their products to fit the cultural difference in host countries. As a result, it makes more sense for FMCG companies such as Gruma to expand first to countries with similar cultures, languages and history, as they do not have to adapt their products as much as if they entered first into a high psychic distance country such as China. It is important to note, it is not only consumer facing products that internationalise in a conventional way and nor do all FMCG companies follow a conventional international trajectory. Business groups such as

Camargo Correa, who focus on construction industries, expanded first within Latin America and then to former Spanish and Portuguese colonies in Africa.

6.2. Non-Conventional

Non-conventional, are firms that internationalise differently from how traditional theory described they would. Sometimes these firms would first internationalise to high psychic distance countries or to countries with much higher economic development levels than their home country. WEG Industries, for example, first internationalised to Belgium and Nemark first internationalised to Canada and then the Czech Republic and Germany. These firms either internationalised to set up sales offices, for market seeking services, or used an M&A to gain access to superior technologies that they did not have themselves, to help improve their businesses. Some companies acquire already established firms with international subsidiaries, even if they did not have any international subsidiaries themselves. An example of this is Magnesita, a domestic player, who acquired a German company with several international subsidiaries, including in China and the USA. This gave them an instant international presence and with subsidiaries operating in different functions in different countries.

We found that non-conventional LAMNEs only appeared post 1990 and became more frequent after 2002. We argue this is due to the latecomer status of LAMNEs, changing dynamics of industries and more globalised economy making it easier for LAMNEs to internationalise.

6.3. Static

These are firms that have only internationalised to one or two countries within their region with no real plans to internationalise further or firms who carry on expanding within only one or two countries. An example of this is FAMSA, a consumer products company from Mexico, who made over five FDI investments in the USA and is planning to expand only there. What is interesting about FAMSA, is while Mexico is culturally different to the USA, FAMSA is targeting Americas growing Hispanic community. We found that all the static LAMNEs tended to focus exclusively on market seeking FDI.

What we found from our sample, that majority of Argentinian firms fell into this category. In our sample, there were 20 Argentinian firms, of which 15 were static and two of the other five only invested within their region. Secondly we found that there was very similar internationalisation behaviour regardless on the decade that they internationalised in, which was contradictory of the other LAMNEs, who originated from different countries within the region.

6.4. Resource driven

We can see that firms that are resource driven (e.g. mining and oil companies) do not share the same internationalisation patterns nor do they follow an Uppsala Model route of internationalisation. They tend to be scattered across different countries. Many of these firms are either government owned or have strong government links and tend to internationalise to countries that are resource rich.

Petrobras is a semi-public energy multinational and is the largest company in Latin America in terms of revenues. Founded in 1953, Petrobras started its internationalisation process in 1972 when it internationalised to Colombia. It ventured into Angola in 1979 and then set up a finance and trading department in the USA in 1987. Petrobras' move to USA early in its internationalisation history would have been motivated by the fact that New York is one of the most important financial centres in the world and its intention to set up a trading company. Its early expansion to Africa was via a former Portuguese colony, Angola. Petrobras, during the 1990s, was very much regionally driven, entering into Colombia in 1990, Argentina in 1993, Bolivia in 1995, Ecuador and Peru in 1996 and in 1998 it internationalised to Cuba and Nigeria. We then see a completely different internationalisation approach post 2000, when it expanded its operations in Europe by entering into Netherlands in 2001, while continuously expanding its operations in Latin America, to Mexico, Argentina and Venezuela in 2003. In 2004, Petrobras started to operate in China, Tanzania and Uruguay. In 2005, it entered into Japan and Libya, and in 2006 it started projects in Paraguay, Singapore and Turkey. Between 2007 and 2011 it has entered into Portugal, Chile, Japan, Namibia, Australia, New Zealand, Benin and Gabon.

Another company that has shown a divergent internationalisation pattern is Vale, a mining company originating from Brazil. Vale is one of the world's largest mining companies with a global leadership position in iron ore and worldwide operations in nickel, copper, bauxite, manganese, potassium, and other non-ferrous metals. Founded in 1942, it is one of the older mining companies; although a private company, it holds strong government links. Vale internationalised to Argentina, Liberia, Peru and completed a large acquisition of a Canadian mining company. Vale internationalised to Indonesia (1968), China (1973), Taiwan (1982), Japan (1984) and South Korea

(1987). It further internationalised to Thailand and Austria before aggressively expanding in Asia, Latin America and Africa.

While one would be surprised at prima facie with such divergent internationalisation patterns, when one considers that allocation of resources are the main driver for internationalisation, then these pull factors tend to be limited to only a few countries. Moreover, one of the determining reasons why firms entered to countries that are close to their home country was to overcome country differences. However, this is less of an issue when your motivation is away from dealing with foreign customers.

What is perhaps different between resource driven international trajectories and the other categories, is that their internationalisation process is consistent, regardless of the economic reforms in the home market.

7. The relationship between home and host country distance and the functions of foreign subsidiaries

In this part of the analysis we explored the function of the subsidiary, depending on its location. Here we were interested in the extent to which the function of the subsidiary is dependent on the distance between the home and host country. We decided to use a matrix which categorises the subsidiaries into two dimensions, namely cultural and development distance.

We picked these two dimensions for two reasons. First, we found that the Latin America region, shares similar cultural traits with "Latin Europe", while that region has a better development score from various economic indicators. Secondly, given the diversity of subsidiaries, we believed that these dimensions would cover a broad range of countries.

Table 6: Culture-Economic Development Matrix

	Similar or Lower Economic Development Level	**Higher Economic Development Level**
Culturally Similar	Market Seeking 71% Efficiency Seeking 17% Resource Seeking 12%	Market Seeking 78% Efficiency Seeking 11% Strategic Asset Seeking 11%
Culturally Different	Market Seeking 49% Efficiency Seeking 26% Resource Seeking 25%	Market Seeking 63% Strategic Asset Seeking 37%

From a sample of 20 companies, we found that the distance between the host and home countries of LAMNEs with full scale global operations, had some impact on the function of the subsidiary. We found that in host countries with higher economic levels and high cultural distance from the home country, roughly a third were for strategic asset seeking, while two-thirds were for marketing seeking, whereas in the subsidiaries in low cultural and economic distance countries, we found that 71% subsidiaries were marketing seeking, 17% efficiency seeking and 12% were resource seeking. By contrast, in culturally different countries with similar economic conditions, we found 49% marketing seeking, 26% efficiency seeking and 25% resource seeking.

The findings show that the majority of the FDI was driven for market seeking, and while a third of FDI in advanced countries (with high cultural distance) was strategic asset seeking, it was not the dominant motivation as many papers in the past suggested. The findings also show that LAMNEs are interested in building fully integrated businesses that exploit the host country is CSAs, from cheaper labour in developing countries to access to more advance technologies in developed countries.

8. Analysis

The findings show that LAMNEs take a long time to internationalise. In fact, FDI from the sample was very rare prior to 1970, which is consistent with the argument that LAMNEs internationalisation process was driven by economic reforms in the home country. LAMNEs, international trajectories fell into one of four groups, conventional, non-conventional, static or resource driven. Examining LAMNEs within these four groups, it was clear to see the systematic international trajectories of static and conventional internationalisation processes. On the other hand, non-conventional internationalisation trajectories did not follow any clear path. There was a generational difference, in that LAMNEs that internationalised before 1990 tended to expand globally through a sequential manner as described by the Uppsala Model. This was less the case after 2002. Interestingly, companies such as Vale, who operate in resource driven sectors tended to have a consistent internationalisation process regardless of the changing economic conditions, whereas this was not true for LAMNES in other sectors.

Consistent with Aleksynska and Olena (2013) findings, there was a link between sharing former colonies and FDI investment.   LAMNEs when entering into Africa, before the 1990s and after 2002 tend to prefer to internationalise, or first internationalised to former colonies of their home countries. An example Odebrecht, a Brazilian company, first FDI investment was the former Portuguese colony Angola. Indeed, the results show that before the 1990s, majority of LAMNEs preferred to enter into former or sharing former colonies as their first FDI in that region, however, that was less the case post 2002 (apart from FDI investments in Africa). There seems to be less of a link of FDI investment and colonial link. From a literature point of view, it makes sense that colonial links would more likely lead the MNE to make an FDI investment, because colony legacies reduce some of the psychic distance elements.

9. Conclusion

We believe our contribution lies in our measurement of international trajectories, offering a more dynamic view of the topic area and helping to classify LAMNEs' international trajectories more succinctly. In doing so, we believe that this chapter can help move the debate away from viewing LAMNEs and EMNEs as one homogenous group, but to encourage more research to examine the differences among EMNEs who come from the same region and at times, the same industry.

We also believe that given the stark difference in international trajectories of LAMNEs that internationalised in different decades, there should be more comparative research looking at EMNEs who are from different generations.

We ended the title of this chapter with the question, does distance matter anymore? Given that lesser firms are internationalising in a sequential or conventional way, it is understandable that many scholars argue it does not. On the other hand, some scholars have rightly pointed out that, in fact, most EMNEs, including LAMNES, are still mainly regional. We argue that while more firms are opting for non-conventional international trajectories, it is premature to argue that distance does not matter anymore. Indeed we argue that given the categories LAMNEs fall into, a more reflective answer would be that for some LAMNEs, distance still matters, but it is increasingly playing lesser of a role in determining market selection.

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Appendix 1- How distance is measured

The measure of difference in language	**Notes**
L_1 is a 5 point scale which quantifies the difference between the dominant languages of any two countries, ***i*** and ***j***,	The distance between the two closes**t** major languages for each pair of countries is based on the preceding classification system and is coded as follows: 5 - Different families 4 - Same family but different branches 3 - Same branch but different at the 1st sub-branch level 2 - Same sub-branch at the 1st level but different at the 2nd level 1 - Same language
L_2 is a 5 point scale based on the incidence of country ***i***'s dominant language(s) in country ***j***	The second and third language indicators measure the proportion of the population in one country that are able to speak the major language(s) of another country. L_2 concerns the incidence of the country ***i***'s major language(s) in country ***j***, and L_3 concerns the incidence of the country ***j***'s major language(s)

	in country ***i***. The indicators are coded as follows: 5 - Less than 1% 4 - Greater than or equal to 1% but less than 5% 3 - Greater than or equal to 5% but less than 50% 2 - Greater than or equal to 50% but less than 90% 1 - Greater than or equal to 90%
L_3 is a 5 point scale based on the incidence of country ***j***'s dominant language(s) in country ***i***.	Same as above

The measure of difference in religion	**Notes**
R_1 is a 5 point scale which quantifies the difference between the dominant religions of any two countries, ***i*** and ***j***,	The distance between the two **closest** major religions for each pair of countries is based on that classification system and is coded as follows: 5 - Different families of religion

	4 - Same family but different religions 3 - Same religion but different division 2 - Same division but different denomination or sect 1 - Same denomination or sect
R_2 is a 5 point scale based on the incidence of country ***i***'s dominant religion(s) in country ***j***,	The second and third religion indicators measure the proportion of the population in one country that belong to the same religion as a significant proportion of another country. R_2 concerns the incidence of country ***i***'s major religion(s) in country ***j***, and R_3 concerns the incidence of country ***j***'s major religion(s) in country ***i***. The indicators are coded as follows: 5 - Less than 1% 4 - Greater than or equal to 1% but less than 5% 3 - Greater than or equal to 5% but less than 50% 2 - Greater than or equal to 50% but less than 90% 1 - Greater than or equal to 90%

R_3 is a 5 point scale based on the incidence of country ***j***'s dominant religion(s) in country ***i***	Same as above

The measure of difference in industrial development
I_{1ij} is the difference in US$ GDP per capita between countries ***i*** & ***j***
I_{2ij} is the difference in energy consumption (equivalent kg coal pc) between countries ***i*** & ***j***
I_{3ij} is the difference in the number of cars per 1,000 people between countries ***i*** &***j***
I_{4ij} is the difference in the % non-agricultural labour between countries ***i*** & ***j***
I_{5ij} - the difference % of GDP in manufacturing between countries ***i*** & ***j***
I_{6ij} is the difference in the % urban population between countries ***i*** & ***j***
I_{7ij} is the difference in the # of daily newspapers per 1,000 people between countries ***i*** & ***j***
I_{8ij} is the difference in the number of radios per 1,000 people between countries ***i*** & ***j***
I_{9ij} is the difference in the number of telephones per 100 people between countries ***i*** & ***j***
I_{10ij} is the difference in the number of televisions per 1,000 people between countries ***i*** & ***j***

The measure of difference in education
E_{1ij} is the difference in the % of literate adults between countries ***i***

E_{2ij} is the difference in the % of population enrolled in 2nd level education between countries ***i*** & ***j***
E_{3ij} is the difference in the % of population enrolled in 3rd level education between countries ***I*** & ***j***

The measure of difference in industrial development
I_{1ij} is the difference in US$ GDP per capita between countries ***i*** & ***j***
I_{2ij} is the difference in energy consumption (equivalent kg coal pc) between countries ***i*** & ***j***
I_{3ij} is the difference in the number of cars per 1,000 people between countries ***i*** &***j***
I_{4ij} is the difference in the % non-agricultural labour between countries ***i*** & ***j***

The measure of difference in political systems
D_{1ij} is the difference in the POLCON V scale between countries ***i*** & ***j***
D_{2ij} is the difference in the Modified POLITY IV scale between countries ***i*** & ***j***
D_{3ij} is the difference in the Freedom House Political Rights scale between countries ***i*** & ***j***
D_{4ij} is the difference in the Freedom House Civil Liberties scale between countries ***i*** & ***j***

Chapter Four: Rethinking the Firm Level Analysis of the Motivations and Performance of Cross Border Mergers and Acquisitions by controlling for Global Strategies

1. Introduction

The last two decades have witnessed a rise in cross border mergers and acquisitions (M&A) undertaken by EMNEs. Some commentaries have argued that emerging countries have entered into a “Going Global” stage which marks the aggressive and fast international expansion of EMNEs (Casanova, 2009). As a result, we have seen an increase in the number of research papers trying to understand the drivers of EMNEs acquiring firms, especially those acquiring firms from developed markets. This phenomena has not only led to a debate among academics, but policy makers (WIR, 2012) and practitioners (BCG, 2006) due to the lack of understanding of how countries that were home to very few firms who engaged in international business, are now home to firms that are aggressively expanding via M&As. Moreover, considering the amount of empirical research that has looked at M&A undertaken by developed country MNEs, which found that less than a third of all mergers are financially successful (Hudson and Barnfield, 2001), it seems counterproductive for there to be a sudden surge in M&A activities by EMNEs. This has also led some academics to question the validity of some of the most well regarded international business theories in the context of internationalisation activities from EMNEs.

A synthesis of the current literature on EMNEs M&A by Du and Boating (2012) found that current research on M&A has fallen into two categories, 1) what are the motivations for EMNEs to opt for M&A? 2) Are EMNEs who engage in M&A successful?

To the author's knowledge, there has not been a paper that has controlled for the firm's global strategies when evaluating the firm's performance and motivations to engage in M&A. The chapter starts with the premise that the firm's global strategy impacts the performance of the M&A. The aim of this chapter, therefore, is to infuse global strategies of firms into the debate of M&A motivations and performance. In this chapter, we will distinguish between four types of firms: Natural-Resource Vertical Integrator, which are firms that are in resource seeking sectors; Accelerated Global, which depict firms that have become global over a very short period of time; Traditional Global, which are EMNEs that have internationalised at the same pace as developed country MNEs and Local Optimisers that only acquire or internationalise to developing countries. We are interested in answering two questions. Firstly, do motivations of EMNEs vary according to the global strategies these firms are using? Secondly, does the global strategy the firm uses have an impact on the performance of the firms, in reference to EMNEs that undertake M&As?

The chapter will look at Latin American MNEs (LAMNEs) because of the diversity found in the largest LAMNEs that are internationalising and because of the lack of research in the region. The chapter is split into five parts; first, will be a literature review on the motivations of M&A and internationalisation in general and the relationship between M&A and performance. The second will introduce the methodology used to tackle the research questions proposed in this chapter. The third section will we look at the relationship of the global strategies of 44 LAMNEs and their motivation to engage in M&A. The fourth section will compare the performance of Accelerated Global firms who have aggressively expanded internationally via M&A

with Traditional Global and Local Optimisers that have internationalised via M&A but at a slower pace. The fifth section will conclude the chapter.

2. Literature Review

2.1. Literature Review on the Motivations of Cross Border M&A

Research looking at the motivations for multinationals to engage in outward FDI, falls broadly into four categories: marketing seeking, efficiency seeking, resource seeking and strategic asset seeking. The two most common advantages cited in literature in the context of EMNEs, are strategic-asset seeking and market-seeking/financial motives. Boateng et al (2008) looked at M&A by Chinese MNEs and examined their motives. They found that there were a number of factors that drive Chinese firms to undertake international takeovers, with the main motive being diversification and expansion. Other motives included increasing market share, strategic asset seeking, and overcoming trade barriers. Pradhan (2010) looked at strategic asset-seeking M&A by Indian pharmaceutical MNEs. Pradhan found that host country characteristics were a big driver for the geographical distribution of their target markets, with a large market size, high concentration of patenting and liberal FDI policies as key determinants. Knoerich (2010), through interviews of five case studies of German companies that were acquired by Chinese companies, found the motivation was to enter into tough market segments, vertical expansion and increase their geographical presence. Nayyar (2008), who was examining M&A by Indian firms, found that liberalised policies by the home country and potentially greater access to financial markets were the driver for rapid expansion of M&A. Rui and Yip's (2008) paper used in-depth interviews on three case studies, Lenovo, Nanjing Automobile and Huawei Technology, in which they found Chinese firms look to offset their competitive disadvantages to gain strategic capabilities through international takeovers. They also found that institutional support lowered institutional constraints of M&A. Zhang et al. (2011) found that Chinese M&A were more likely to opt for strategic asset seeking when the host country had superior institutional quality and the industry in the host country was not state-owned.

Das and Kapil (2011) also found that Chinese EMNEs undertake M&A to overcome their weak assets by leveraging the target company's assets. They found that many of these Chinese firms were able to do so through the economic support they were offered by the Chinese government. Furthermore, when looking at Rui and Yip's (2008) paper, they argued that the Chinese EMNEs would even offset the financial and strategic difficulties just so they can gain stronger assets and gain market access. Indeed, one can conclude that Chinese EMNEs engage in M&A into developing countries to exploit their assets while they enter into advance nations to explore new assets (Das and Kapil, 2011).

A very important paper that shed light on Indian EMNEs within the pharmaceutical sector that use M&A is by Chittoor and Ray (2007), who, through a cluster analysis, identified five different strategic categories that their firms broadly fall into. The categories identified are: exploiters, outsources, explorers, emerging global firms and global firms. Broadly, the first two strategies are seen as asset exploitation motives, which enter into other developing countries and tend to favour greenfield investments over M&As. These firms also tend be in traditional manufacturing industries and have low intensive R&D activities. The third strategy identified, explorers, as the name suggests tends to be driven on exploration motives; they usually have high R&D activities and aim to develop their capabilities by targeting firms with stronger assets or those who engage in different industries. They acquire firms in both developing and developed economies. Furthermore, Chittoor and Ray (2007) found that there was a correlation between profitability of the Indian EMNEs and the category they belonged too.

Cuervo-Cazurra (2007) looked at LAMNEs, in which he distinguished between three categories: LAMNEs that are only opening marketing subsidiaries in a wide range of countries; LAMNEs that are only opening production subsidiaries and LAMNEs that open a mix of production and marketing subsidiaries. The group of LAMNEs that only open marketing subsidiaries usually benefit from strong location advantages and operate in raw material sectors and other primary sectors. These marketing subsidiaries tend to be greenfield as opposed to M&A. Conversely, firms in the second group that predominantly open production subsidiaries, want to exploit the location advantages of the host country and undertake resource seeking, market seeking and strategic assets seeking investments. Moreover, Cuervo-Cazurra (2007) found that resource seeking and marketing seeking investments tended to be directed towards developing countries while asset seeking investments tended to be directed towards developed countries. Finally, the third group of LAMNEs had a mixture of the characteristics of the first and second group of LAMNEs.

Madhok and Keyhani (2012) conceptualise M&A as a form of entrepreneurship to overcome what they call “liability of emergingness”. They argue that traditional theories have posited that the acquirer has benefited from their home market advantages and that they use these advantages in combination with their firm specific advantages to overcome liability of foreignness when entering into the host country. Whereas EMNEs suffer from weak domestic markets and when going abroad they are seen as weak and limited and have an institutional deficit which makes them less competitive (Luo and Tung, 2007). Madhok and Keyhani (2012) coined this as liability of emergingness. They propose that EMNEs acquire MNEs or domestic firms from advanced countries to help them to be perceived as a stronger firm. Moreover, these firms can upgrade their capabilities and can benefit from higher rents and thus overcome their liability of emergingness.

Reviewing the literature on motivations has shown that there has been little consideration on the heterogeneity we find among firms. Research in this field has tended to classify firms by their country of origin or by industry with the exception of Chittoor and Ray (2007) who have shown that the type of firm has an impact on the motivations to engage in FDI and their performance. Indeed this concurrent with the arguments put forward by Ramamurti (2008) that EMNEs are not a homogenous group and should be analysed by the wider internationalisation behaviour and strategies these firm's adopt. Therefore, one could argue that the motivations of M&A by EMNEs could be more depended on their wider global strategy they use. Therefore, we postulate that:

The motivations of LAMNEs will differ in accordance to the international strategies they adopt

2.2. Literature Review for Performance

Research on the performance of M&A has been drawn from two streams of literature. The first stream is closely aligned with finance literature where performance is measured through the issue of shareholder wealth creation. This is measured mainly through the stock market's reaction to M&A, with the main argument being that the market is the best predictor for success of an acquisition. The second stream of literature is through a multiple-case approach and a cross-sectional analysis ranging from just one factor to several factors that can impact on post-acquisition performance (although the latter is a rarity).

Research that has looked at the value creation of M&A undertaken by EMNEs, though looking at stock market-based performance measures (e.g. Bhagat, Malhotra and Zhu 2011; Kohli and Mann, 2011; Gubbi et al., 2010; Aybar and Ficici, 2009; Boateng et al., 2008) has mostly found that there is a significant positive return by the acquiring firms. By contrast, Aybar and Ficici (2009), found a negative return. Boateng et al. (2008), from a sample of 27 Chinese firms that had recently engaged in M&A, found that the higher the experience, the higher the likelihood that there will be positive return for shareholders. Bhagat et al (2011), looked at 678 EMNEs from Brazil, China, India, Malaysia, Mexico, Philippines, Russia and South Africa and found that there was a positive return for the firm's acquisitions. On the other hand, Aybar and Ficici's (2009) study, which looked at 443 M&A from 14 emerging countries, found that these M&A lowered the value of the firms.

Studies have looked at what factors impact the performance of EMNE's M&A. Firm level factors include the size of the firm, past international experience, the size of the target company and absorption capacity. Smaller and larger firms' holding differing characteristics has an impact on the performance of their M&A activities. Larger companies are able to benefit from operating economies which leads to economies of scale in distribution, management, marketing and production. Larger firms, however, are also more likely to suffer from agency costs than smaller firms. Moeller et al. (2004) found that larger firms over pay in M&A in comparison to smaller firms. There does not seem to be a general consensus on whether larger or smaller firms bear a more advantageous position when it comes to M&A performance, Aybar and Ficici (2009) found that large size has a positive influence, whereas Kohli and Mann (2011) found that SMEs tend to create higher value when compared to larger firms.

International experience is also seen as one of the stronger factors that has an impact on the performance an M&A. The higher the international experience, the more experience the firm has in dealing with "liability of foreignness" and thus the higher the survival rate (Delios and Beamish, 2001). This is consistent with psychic distance and path dependence literature. Research by Gaur and Delios (2007) looked at the survival rates of Indian foreign affiliates in which they found that EMNEs that are part of a business group are more likely to survive in developing countries. They argue that Indian EMNEs are less successful in developed nations as they don't have the experience of operating in rule and market based systems, whereas they have experience in dealing with weak institutional environments. Furthermore, they found those EMNEs prefer to enter into other developing countries that share cultural similarities and have more informal exchanges.

Another firm factor impacting on the M&A performance is the absorption capacity of the acquiring firm. There needs to be a prerequisite amount of internal knowledge is needed to be able to absorb and commercialise external knowledge. Without some internal knowledge the firm will not have the ability to use the new assets from the acquiring firm and use that successfully (Cohen and Levinthal, 1990; Zahra and George, 2002). Deng (2010) used a comparative analysis of two M&A deals to check to what extent Chinese firms' performance is dependent on the level of its absorptive capacity. The conclusion was that the differences in absorptive capacity provide an explanation as to why firms in the same industry will have different outcomes.

The host country environment and institutions are seen as an indicator of the success of a M&A; Gubbi et al (2010) found from a sample of 425 Indian M&As between 2000 and 2007, that the higher the economic level and advanced institutional environment, the higher the market expects the acquisition to be successful. The cultural and psychic similarities between the host and home country is also said to have an impact on M&A performance. The closer the geographic and cultural proximity, the less information acquisition costs are incurred (Barkema et al.1996). This is consistent with transaction cost literature that contends that the larger the distances between the target firm and the acquirer, the higher the transaction costs will be.

One of the major neglected areas in M&A literature in the context of EMNEs is examining performance over a long period. While on prima facie, the observation of a rapid increase in M&A undertaken by EMNEs has gone against the conventional understanding of how firms internationalise, it is premature to assume that the EMNEs are performing equally as well against their global competitors. Yet scholars have made claims that EMNEs have "successfully internationalised" by aggressively expanding internationally via M&A without any evidence to back such claims (e.g. Mathews 2006). There are very few studies that have questioned to what extent these EMNEs are successful when they have opted for expansion via M&A, which is worrisome considering that the academic field of international business should ultimately be concerned with the performance of a firm. Rugman and Nguyen (forthcoming) have rightly argued that we need to move the debate to the performance of the firms and it has to be benchmarked against their Western counterparts to give an idea of how successful the M&A strategy by EMNEs is. In their paper they compared some of the most quoted EMNE case studies (e.g. Tata Group, Lenovo, Embraer and AVIC) with Western Multinationals. Their results (via often used selected case studies) showed that EMNEs, in fact, perform poorly when you compare their financials to Western MNEs. Moreover, when you compare performance ratios, EMNEs at times are way behind their Western counterparts. For example, Rugman and Nguyen (forthcoming) compared the return of assets of AVIC China and Embraer with Canadian Bombardier. All of these companies operate in the regional jet business market. They found that Bombardier's return of assets was around 3 times higher than that of both AVIC China and Embraer.

The basis of the "Reading School" understanding of how MNEs internationalise is the combination of home CSA and FSA interacting together. It has been argued that EMNEs' ownership advantages are more depended on the home market CSA. The work by Cuervo-Cazurra & Genc (2008) argues that the home country "disadvantages" mean that they are able to transfer these experiences to host countries that face similar disadvantages. As a result one could postulate that EMNEs who predominately undertake M&A in developed countries will be less successful then firms who undertake M&As in developing countries. Furthermore, the literature on psychic distance would suggest that EMNEs who lacked experience in entering into these countries prior to their acquisition would be less successful then firms who had prior activities in the host country. Moreover, firms that are entering into countries with a similar environment are, in theory, more likely to be able to transfer their ownership advantages to the host country. Thus our main hypothesis is:

Accelerated Global Firms are less likely to be successful than Local Optimisers and Traditional Global Firms.

The basis of our argument is twofold; firstly, that the firm's ability to successfully internationalise is due to the firm's FSA which has been developed through a cumulative learning process; secondly, that as many of these firms are entering into host countries that exhibit huge differences to their home countries, transaction costs of going to these countries without any prior experience increases and thus it is harder to perform strongly. We argue that Local Optimisers would be able to transfer their non-location bound FSA with more ease, as competition against domestic firms is less in developing countries in comparison against developed country firms (Narula 2010). With regards to Traditional Global, these firms have accumulated internationalisation knowledge through their previous internationalisation experience and thus are likely to have benefited from these experiences.

3. Methodology

This chapter uses a comparative case study analysis to examine the motivation and performance of LAMNEs, who engage in M&A. The analysis is based on splitting LAMNEs, who fall into one of four categories, Natural-Resource Vertical Integrator, Accelerated Global, Traditional Global and Local Optimisers. To examine if firms who fall in different global strategies has an impact on the motivation they use, we take the function of the foreign subsidiary as a proxy to measure what motivated the firm to engage in M&A. Measuring the performance, is based on comparing LAMNEs financial performance through using an accounting based approach against two of their Western competitors, this benchmarking technique is frequently used by accounting professionals.

3.1. Categorising Latin American Multinationals

In this chapter, we distinguish between four types of global strategies that are common among the largest LAMNE M&A that we had observed in Chapter Two of this thesis. The first strategy is the “Natural-Resource Vertical Integrator” which comes from either a country richly endowed with natural resources or one with a large domestic need for natural resources. In the former case, the EMNE engages in cross-border forward integration to secure downstream markets, e.g. Vale SA. In the latter case, the EMNE engages in cross-border backward integration to secure upstream natural resources for conversion into end products for the home, e.g. Petrobras (Ramamurti, 2008:16). The second strategy, the “Traditional Global” is used to classify firms who have slowly expanded and are increasing their international expansion which includes cross border expansions in developed countries. They also traditionally follow the Uppsala internationalisation model by first entering into countries that are psychically close to their home market and subsequently enter into further distant countries as they acquire experience. The third group, “the Local Optimisers”, are firms that are internationalising to other developing countries, sometimes at a very rapid pace. Like the Traditional Global, the Local Optimisers tend to internationalise in an Uppsala Model route. The fourth group, what this chapter calls, the "Accelerated Global", are firms that have rapidly expanded globally, mainly through M&A without any clear internationalisation pattern. These EMNEs tend to have very little or no internationalisation experience but over a very short period have expanded globally, by targeting several firms or targeting a few firms that have foreign subsidiaries, or a combination of the two. Table 1 has an overview of the variable we used to determine what global strategies LAMNEs use:

Table 1: Variables used to determine the Global Strategies used by LAMNES

Variable	**Data Collection Method and Rationale**
Collecting the years the company engaged in FDI.	Examining the gap of each FDI made by the LAMNEs, would allow us to assess the speed of internationalisation of firms. Data was collected using Nexus Lexis, Obis, Onesource, annual accounts, news articles and company websites.
The market entry strategies LAMNEs take when going abroad	Here we are interested if LAMNEs, mainly adopt M&A, joint ventures, organic expansion or a combination of all three. We collected data from Zephyr, annual accounts and Nexus Lexis.
FDI destinations	We looked at where LAMNEs engaged in FDI if it is clustered in one region, in developing countries, developed countries or a combination of the two. This was looked at because we want to make a distinction between firms who exhibit different internationalisation patterns. Data was collected using Nexus Lexis, Obis,

	Onesource, annual accounts, news articles and company websites.
The firm characteristics	We looked at the industry, the services they offer, size, ownership structure and age of the firm. Data collected was through Obis, annual accounts and company websites

3.2. Methodology to assess the Motivation of Latin American Multinationals to engage in M&A

The sample used in this chapter was the largest 100 M&A undertaken by LAMNEs that are present on the Zephyr database over the last ten years. We excluded M&A by banks and investors to be consistent with other researchers. At the end, we had 44 companies that were involved in the largest 100 M&A and grouped them into the four categories: Natural-Resource Vertical Integrator, Local Optimisers, Traditional Global and Accelerated Global. Table 2 shows the global strategies the 44 companies in our sample use.

Table 2: Global Strategies of Acquiring LAMNES

Natural-Resource Vertical Integrator	**Local Optimisers**
Vale S.A (Brazil) Ecopetrol SA (Colombia) CODELCO (Chile) CPFL (Brazil) HRT Participações em Petróleo S.A. (Brazil) Empresas Públicas de Medellín (Colombia) Petroleo Brasileiro SA (Brazil) Interconexion Electrica SA (Colombia) Compania De Petroleos De Chile Copec SA (Chile) Pampa Energia (Argentina) ***Parati SA Participacoes em Ativos de Energia Eletrica (Brazil)*** PETROPAR SA (Brazil)	FEMSA (Mexico) America Movil (Mexico) Grupo Elektra (Mexico) Empresas CMPC (Chile) Salfacorp SA (Chile) ***Cencosud (Chile)*** Grupo Casa Saba (Mexico) Grupo Exito (Colombia) Grupo Folha (Brazil) Carvajal Empaques SA DE CV (Colombia) Entel (Chile) Synergy Group (Brazil) Terpel (Colombia) Global De Pinturas S.A. (Colombia) Embratel (Brazil), ***Masisa (Argentina)***
Traditional Global Gerdau (Brazil) Cementos (Colombia) TUPY (Brazil) Companhia Siderúrgica Nacional (Brazil) Sigdo Koppers SA (Chile) ***Votorantim*** Group (Brazil) Marcopolo (Brazil)	**Accelerated Global** CEMEX (Mexico) Ambev (Brazil)* Grupo Bimbo (Mexico) Braskem (Brazil) Marfrig (Brazil) Magnesita Refratarios (Brazil), Mexichem SA DE CV (Mexico) Vina Concha Y Toro SA (Chile) Contax S.A (Brazil)

*Ambev was a Brazilian company but is now owned by Anheuser-Busch InBev

After categorising these firms, we took the function of the foreign subsidiary as a proxy to measure what motivated the firm to engage in M&A. Moreover, we used news articles and company press releases which at times enclosed information on the future of the acquired company. It is relatively easy to determine if an M&A was market seeking, efficiency seeking or resource seeking, however, the difficulties lies in determining if it is strategic assets seeking. We assessed the latter motivation if whether the firm acquired had superior ownership advantages in terms of technology and marketing measured through expenditure which is a common method in the international business field or large part of their business function was on R&D. Finally, if the acquiring firm, had multiple subsidiaries that had different functions, for example, a sales department in China and R&D plant in Germany, we would say that the firm had a dual motivation to acquire the firm, namely, market and strategic asset seeking.

3.3. Measuring the Performance of Latin American Multinationals to Engage in M&A

Our methodology for assessing the performance of LAMNEs was based on a comparative case study analysis using 10 LAMNEs and 20 Western MNEs. From the 10 LAMNEs used, we selected three Local Optimisers, two Traditional Global firms and five Accelerated Global firms. Each LAMNE selected was then benchmarked against two Western competitors to assess their financial performance. The way we selected the Western firms was based on them having similar size in terms of assets, employees and sales, who operate in the same or similar countries that the LAMNEs has subsidiaries in and are serving the same cliental. In all cases, the LAMNE and their two competitors selected, tended to be near to each other in industry rankings in terms of size and were listed as main competitors on the Osiris database. Moreover, as Accelerated Global firms have tended to be a more recent phenomenon, the three Local Optimisers and two Traditional Global firms we have selected are firms that have aggressively expanded via M&As during the “Going Global” era (i.e. post 2004) so to be comparable to the five firms we selected for the Accelerated Global. This allows us to compare how Local Optimisers and Traditional Global fair against their Western competitors in relation to how Accelerated Global firms fair against their Western counterparts. Our approach to compare financial performance ratios is similar to that of Rugman and Nguyen (forthcoming) who also argued that performance of EMNEs has to be benchmarked against their Western competitors.

While sales and profit are the preferred variables to measure financial success, financial literature has emphasised the importance of measuring financial efficiency and the extent to which these firms are making use of their capital. As a result, we have used the return of capital employed (ROCE), the return of asset (ROA) and profit margin to measure how efficient these firms are in comparison to their Western competitors. We use the profit growth, sales growth and asset growth to look at how fast the company is growing. We also enclose the gearing ratio to look at their debt and liquidity standing. Below are the list of ratios used, the calculation method and the rationale behind their selection.

ROCE is calculated as, earnings before interest and tax (EBIT) / capital employed. Capital employed was in turn calculated as the total assets – current liabilities. A higher ROCE shows that capital has been utilised more efficiently and shows analysts for every pound/dollar spent by investors on capital, how many pounds/dollars the company generates. The ROCE is a long-term profitability ratio, which is important for this research as we are interested in looking at the long-term financial situation of LAMNEs, who adopt M&As as a prominent strategy when expanding abroad.

ROA shows how profitable the firm is comparable to its total assets and gives an idea of how efficiently the management of the company is using its assets to create earnings. ROA is calculated by net income/total assets. The higher the ROA, the more efficiently the management is using its assets

Profit margin is calculated as net income divided by revenues. It measures how much out of every dollar of sales a company keeps in earnings. Profit margin is very useful when comparing companies in similar industries. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors.

Gearing Ratio is calculated as (long-term debt + short-term debt + bank overdrafts) divided by shareholders' equity. It shows how much of the firm's activities are funded by the shareholder as opposed to creditor's funds (i.e. debt). The higher the gearing ratio, the more debt the company holds.

In our analysis, we look at the financial ratios over 5 to 8 year period. We don't take an average of this financial period, for three reasons. The first reason is that the LAMNEs in our sample have grown significantly over certain years, and this will skew the analysis, for example, Magnesia, a Brazilian company operating the refractory materials industry, has an average 5 year profit growth figure of 95.1% between 2007 and 2012. However, this is unreliable as the data is skewed due the fact there was a 461% profit growth in 2008 due to large scale M&A and there was a 17.06% drop in 2012 after a slowdown in expansion projections. Secondly, the period we are assessing also happened during the financial crisis, where some of our sample firms saw losses due to the global recession, and again, taking an average over the period, will be skew our analysis. Thirdly, we can assess the impact of strategic decisions on financial ratios on a yearly basis.

The advantages of using the financial approach we use, compared to other papers, are threefold. Firstly, the accounting ratios used are a way financial analysts measure their firms' performances and use them to benchmark against their competitors. Secondly, the biggest criticism of using stock prices is that they only look at the market reaction to a deal in the short term. We, on the other hand, have compared the financials for five-eight years to capture the long term performance of the firms. Thirdly, using the ratios removes us from using a singular variable, namely profit or shareholder return to measure performance that can often be misleading. Indeed, the biggest criticisms of using market base indicators (such as stock market prices) are that they only capture the short term financial gain and do not give any indication of how efficient the firm is.

4. Findings

4.1. Global Strategies and Motivations of Cross Border M&A

Reviewing the literature on motivations has shown that there has been little consideration on the heterogeneity we find among firms. Research in this field has tended to classify firms by their country of origin or by industry with the exception of Chittoor and Ray (2007) who have shown that the type of firm has an impact on the motivations to engage in FDI and their performance. We examined the motivations of

M&A by LAMNEs depending on which global strategy they fall into: Natural Resource Vertical Integrator, Accelerated Global, Traditional Global or Local Optimiser.

Table 2: M&A Motivations by Global Strategies

Natural Resource Seeking Resources Seeking Marketing Seeking	**Accelerated Global Firms** Expand Global presence Emerging Foreigness Strategic Asset Seeking Resource Seeking Market Seeking Establish Global Network
Traditional Global Firms Market seeking Efficiency seeking (only to developing countries) Resource seeking	**Local Optimisers** Market seeking Efficiency seeking Resource Seeking

When it came to looking at the target firms being acquired, we came to a very similar conclusion to Cuervo-Cazurra (2007) who also looked at LAMNEs. Among the Traditional Global and Local Optimisers, there were some who acquired marketing or production companies or a combination of both. A majority of the M&A were market seeking or resource seeking; very few were to do with efficient seeking (but it did exist when entering into developing countries) and, moreover, the majority of the main Traditional Global and Local Optimisers in our sample, were not involved in knowledge intensive industries, so it was unlikely that many of them were involved in strategic asset seeking. However, press releases of Gerdau's recent acquisition in the United States and Marcopolo's acquisition in Australia, suggest that part of the M&A was motivated by strategic asset seeking reasons, but these were exceptions and not the rule.

When it came to Accelerated Global EMNEs, we found that many of these firms brought companies that gave them international presence with subsidiaries focusing on marketing distribution channels, production sites, R&D plants, manufacturing sites and so forth. Here, strategic-asset seeking was more common, with Braskem and Mexichem both heavily involved in M&A to companies with much stronger knowledge assets. As pointed out by Boateng et al. (2008), many M&A are not undertaken for single reasons, but rather a set of reasons. From reading press releases, it would seem that the advantages listed for the M&A, were to "established distribution channels", "strong knowledge base" "international presence" and "strong brand". The latter two phrases could coincide with Madhok and Keyhani's (2012) argument that EMNEs M&A of an advanced market firm can help the EMNE to overcome "liability of emergingness." Many of these companies have come from obscurity to having a readymade global network of foreign subsidiaries and are now established players.

Ultimately, we can find companies that have engaged in market seeking, resource seeking, strategic asset seeking and efficiency seeking. However, we find that there is neglect at looking at EMNEs that have bought out established firms with foreign subsidiaries. Such acquisitions could be explained in several ways, including a combination of market seeking, resource seeking, strategic asset seeking and efficiency seeking. We find that Accelerated Global EMNEs often have more than one motivation for an acquisition, and we propose the reason for this is to speed up their internationalisation process.

4.2. Performance of Latin American Multinationals

4.2.1. Case Studies of Accelerated Global Firms

We looked at the financial ratios of five Accelerated Global firms over at least a five year period; the companies selected have aggressively expanded over the last 10 years. The case study examples are Marfrig, Magneista, Bimbo, Braskem, and CEMEX. With the exception of CEMEX the case study companies had no or very little international experience before 2002, but since have international subsidiaries in at least 3 continents. CEMEX, on the other hand, was a stereotype semi Accelerated Traditional Global; however, it shifted its internationalisation strategy to aggressive M&A, acquiring RMC Group and Rinker Group which had established subsidiaries in countries that CEMEX had no experience in and who were comparable in size. CEMEX offers a great insight into performance of a Traditional Global which shifted to an Accelerated Global strategy.

Magnesita Refratarios

Magnesita is a Brazilian company operating in mining, production and marketing of a broad range of refractory materials. It was founded in 1939 after the discovery of magnesite deposits and started its industrial activities in 1944. Its products are usually sold to cement, glass and steel manufacturers. It has 12 industrial and mining units outside of Brazil. One in Argentina, Belgium, United States and Taiwan, two in France and three in China and Germany. As well as those12 units, it also has 16 units in Brazil. Magnesita started to export its products in the 1990s, but did not have international units until 2006 when it aggressively started to undertake M&A. A report by Ernst & Young used Magnesia as a case study and noted its inorganic international growth was a tough strategy to follow, especially since it had become a global player in just five years. Magnesita M&A of LWB Refractories GmbH, was the third largest acquisition in 2008 from a LAMNE (WIR 2009). This acquisition made Magnesita a global company over night, giving them a full network of subsidiaries, ranging from production to marketing divisions and from countries ranging from Germany to China.

We compared Magnesita with RHI AG and Imerys. RHI AG is an Austrian company specialising in producing heat-resistant refractory products for the steel, cement, glass, lime and non-ferrous metals industries. The company has an annual producing capacity of 2 million tonnes of refractory products, making it the largest company in the world in this field of activity. The company employs around 7,700 people in 32 locations in 14 countries, with an annual turnover of approximately EUR 1.6 billion. Imerys S.A. is a French multinational company which specialises in the production and processing of industrial minerals. Imerys has operations in 50 countries and has more than 16,000 employees. It extracts and processes rocks and minerals on behalf of customers in the manufacturing and construction industries.

Comparative Analysis of Magnestia with competitors.

Date:	2012	2011	2010	2009	2008	2007
Magneista Refratarios						
Sales Growth	2.83	2.78	18.46	28.74	399.59	N/A
Profit Growth	-17.06	-5.33	20.77	16.21	461.12	N/A
Asset Growth	6.55	7.30	0.10	-10.74	139.81	N/A
Profit Margin	1.70	7.10	6.34	0.03	-4.44	-15.77
ROCE	4.30	7.72	8.42	6.69	4.17	-1.67
ROA	0.74	3.19	2.97	0.01	-1.22	-2.08
Gearing Ratio	81.55	80.79	107.81	106.13	140.61	161.68
Competitors Average						
Sales Growth	5.05	12.64	21.89	-21.06	4.43	N/A
Profit Growth	9.32	6.09	20.28	-13.15	-1.01	N/A
Asset Growth	0.21	14.73	15.26	-7.38	7.49	N/A
Profit Margin	11.03	12.89	12.82	5.10	12.07	14.91
ROCE	14.00	14.37	14.12	7.04	14.69	17.69
ROA	8.46	7.82	7.48	1.99	7.07	9.58
Gearing Ratio	141.65	141.71	151.20	210.46	309.64	59.56

We see a huge surge in sales and profit growth between 2007 and 2009. This is due to the rapid expansion of Magnestia via M&A that led it to become an instant global firm. However, this is a misleading picture; even though Magnestia grew faster than the industry leaders, in 2008, its profit margin was 16.51% worse off, its ROCE was 10.52% and ROA was 8.29% worse off, which shows that the company itself was not running as efficiently. In fairness, one would not expect a business to be able to integrate so quickly after M&A. In 2012 we see the shortcomings of using short term indicators to measure the success of M&A. As of 2012, the profit margin of Magnestia in comparison to its competitors was 9.33% worse off, its ROCE was 9.7% worse off and ROA was 7.72% worse off. Moreover, we find that while five years ago profit growth and sales growth of Magnestia was performing better than the industry leaders, we now see a negative 2.22% sales growth and negative 26.38% profit growth, in comparison to RHI AG and Imerys.

CEMEX

CEMEX would be classed as a Traditional Global until its recent acquisitions have led it to nearly double its foreign subsidiaries in such a short period of time. CEMEX is a Mexican MNE and one of the world's largest cement producers and building materials suppliers. Founded in 1906, CEMEX operates globally with production facilities in 50 countries spanning across in the Americas, Asia, Europe and Africa. CEMEX international expansion started in 1992 via M&A of the largest Spanish cement company, and then acquired the largest Venezuela cement company in 1994. It went on to make acquisition in the United States, Panama, Dominican Republic, Colombia and by 1996, CEMEX was the third largest cement company in the world. The late 1990s saw CEMEX internationally expand to Africa and Asia, with M&A in Egypt, Indonesia and Philippines. In 1999, via the M&A of Southdown, CEMEX became the largest cement company in North America. CEMEX continued to expand its operating across the Americas and Asia via a series of M&A.

2005 saw CEMEX undertake a gigantic $5.8 billion M&A of RMC Group, which gave CEMEX instant presence across the European markets. CEMEX then went on to complete Rinker Group for 14.2 billion in 2007. With the devaluation of the Mexican

Peso and high debt, CEMEX sold its Australian operations to Holcim for $1.75 billion just two years after the M&A of Rinker Group.

We compared CEMEX with HeidelbergCement and Holcim. Holcim is a Swiss building materials and aggregates company who supply ready-mix concrete and asphalt. The Holcim Group has interests in over 70 countries and is present in all the continents. HeidelbergCement is a German MNE operating in the building materials industry. It is the third largest cement producer in the world and supplies ready-mix concrete and asphalt. The company is present in over 40 countries.

Comparative Analysis of CEMEX with competitors.

Date:	2012	2011	2010	2009	2008	2007	2006	2005
CEMEX								
Sales Growth	-1.50	8.50	-3.60	-38.40	-3.60	18.80	19.10	86.9
Profit Growth	3	9.50	-8	-33.20	-9	10.80	9.10	60.6
Asset Growth	-4	-5	-8.20	-2	-8.60	65.70	12	13.40
Profit Margin	-2.6	-8.4	-6.72	-2.35	-8.73	13.41	15.7	15.76
ROCE	3.11	0.42	0.94	1.66	-2.34	8.84	13.17	12.98
ROA	-1.07	-2.89	-2.33	-0.8	-3.41	5.85	9.57	9.02
Gearing Ratio	173.5	157.72	136.95	152.88	198.71	203.48	108.38	142.02
Competitor Average								
Sales Growth	6.27	2.75	4.14	-18.82	11.80	15.25	24.07	
Profit Growth	6.60	0.66	1.23	-16.51	3.57	21.20	23.92	
Asset Growth	-3.07	1.08	-1.36	2.96	-8.12	72.45	10.26	
Profit Margin	3.66	2.75	5.18	6.05	5.77	10.26	7.96	7.30
ROCE	3.58	3.26	4.26	4.26	5.56	8.63	6.84	5.79
ROA	3.00	2.70	3.45	2.60	5.10	9.98	10.09	6.75
Gearing Ratio	107.85	116.49	113.05	128.70	186.71	202.49	132.66	163.84

From 2008 onwards we have seen a drop in both sales and profit, and while the industry as a whole has seen a negative impact by the global financial crisis in 2008, the table above shows how much worse CEMEX has fared against its main competitors. CEMEX is consistently performing below its competitors on profit margin, ROCE, and ROA. While we see that in 2011 CEMEX rebounded more strongly than its competitors, in terms of its sales and profit growth (5.75% and 8.84% better respectively), we find that this surge was short lived. The comparative ratios give an indication of how in 2005 when CEMEX was performing more strongly than its competitors, but had difficulty in maintaining its strength when it opted to make two big M&A is shown by the financials post 2007. Moreover, when you compare the gearing ratio of CEMEX with its competitors, you see that CEMEX has higher debt ratio than its Western competitors.

Braskem

Braskem is a Brazilian petrochemical company founded in 2002 as a consolidation of Copene, OPP, Trikem, Nitrocarbono, Proppet and Polialden. Thus by the time Braskem was formed, it was already an established petrochemical company, which had commercial offices in Argentina and the United States. In 2006 Braskem acquired Politeno, a Brazilian producer with international subsidiaries and in 2007 Braskem joined forces with Petrobras and Ultrapar when the three companies acquired Grupo Ipiranga for S$ 4 billion. As part of the deal, Ultrapar and Petrobras shared the fuel distribution while Braskem took over the petrochemical operations. In 2010, Braskem brought US-based Sunoco Chemicals' polypropylene assets which led to Braskem internationalising its R&D and manufacturing plants. In 2011, Braskem further extended its operations by acquiring the polypropylene assets of Dow Chemical. This gave it two more knowledge based plants in Germany and two plants in the United States.

We compared Braskem with Bayer AG and Dow Chemical. The Dow Chemical Company is an American chemical MNE. It is one of the largest chemical manufacturers in the world and is present in over 160 countries. Bayer AG is a German chemical MNE with subsidiaries across the world and is one of the largest chemical companies in the world. Both MNEs are global competitors to Braskem

Comparative Analysis of Braskem with competitors.

Date:	2012	2011	2010	2009	2008	2007	2006
Braskem							
Sales Growth	0.08	0.25	0.72	-0.15	0	0.38	N/A
Profit Growth	-0.01	-0.16	1.4	-0.33	-0.13	0.5	N/A
Asset Growth	0.1	0.08	0.56	-0.03	0.09	0.28	N/A
Profit Margin	-0.05	-0.03	0.07	0.12	-0.15	0.07	-0.01
ROCE	0	0.04	0.14	0.25	0.11	0.1	0.11
ROS	0.1	0.11	0.18	0.1	0.13	0.16	0.16
ROA	-0.04	-0.02	0.05	0.08	-0.12	0.06	0.01
Gearing Ratio	2.5	2.05	1.62	2.44	3.69	1.79	1.66
Current Ratio	1	1.12	1.04	0.97	1.02	1.11	1.08
Competitors Average							
Sales Growth	1.76	7.93	16.1	-13.55	4.56	10.25	
Profit Growth	5.26	4.48	20.39	3.5	-7.23	5.75	
Asset Growth	-1.08	0.96	3.16	21.19	-2.31	-0.51	
Profit Margin	5.46	7.52	5.02	3.46	4.63	7.315	8.43
ROCE	8.2	10.32	7.5	6.24	8.11	11.38	12.56

ROS	14.32	14.79	14.68	14.68	13.08	14.7	15.68
ROA	4.36	5.79	3.69	2.19	3.65	6.47	7.23
Gearing Ratio	151.26	142.98	144.52	146.6	158.83	116.25	178.14
Current Ratio	1.76	1.61	1.715	1.69	1.235	1.54	1.46

Braskem had a stagnating growth from 2007 to 2012 with profit growth ranging from a high of 1.40% profit growth to a drop of -0.33%. By contrast, Dow Chemical Company has been less consistent with a high growth of 19.61% in 2010 to a growth decline of 21.77% in 2009. The main performance indicators point to the lack of efficiency of Braskem. From 2006-2012 we have seen Braskem out performed on the performance ratios of profit margin, ROCE and ROA. Even when Dow Company witnessed a sudden drop in profits, we still see a consistency in how efficient its operations are run in comparison to Braskem.

Bimbo

Grupo Bimbo is the largest Mexican baking company with international presence in the Americas, Asia and Europe. Founded in 1945, it is now the largest bread manufacturing company in the world. With the majority of it sales outside its home country and with 112 out of 152 plants overseas, Grupo Bimbo is truly a global company. Grupo Bimbo has become a global player through a series of M&A. This includes the M&A of Dunedin from Weston Foods in 2008, Sara Lee's North America division in 2010, Sara Lee's Spanish and Portuguese businesses in 2011 and, later, the M&A of Hovis in the UK. In 2014, Groupo Bimbo agreed to buy out one of its key rivals, Canada Bread for $1.8 billion

We compared Grupo Bimbo with Lotus Bakeries and Canada Bread Company. Lotus Bakeries is a Belgium baking company with a strong presence across Europe with production subsidiaries in France, Netherlands and Sweden and sales subsidiaries in 10 foreign European countries. As well as its strong presence in Europe, it has subsidiaries in Chile, China, Hong Kong and the United States and exports to wide range of countries. Canada Bread is the Bakery Products Group which was established in 1911 after independent bakeries of, Bredin Bakery Company, Boyd's Bakery, Model Bakery, Toronto Bakery and Stuart's all merged together.

Comparative Analysis of Bimbo with competitors.

Date:	2012	2011	2010	2009	2008	2007	2006
Bimbo							
Sales Growth	29.49	14.12	0.7	41.35	13.86	13.61	13.42
Profit Growth	28.3	10.84	0.57	46.44	10.11	12.19	12.05
Asset Growth	-3.07	42.81	2.44	65.3	29.32	8.2	12.92
Profit Margin	2.67	6.53	6.75	7.66	7.7	8.08	8.93
ROCE	7.13	9.42	12.62	14.18	14.58	18.35	19.66
ROA	3.37	6.17	7.98	9.21	10.83	12.91	13.62
Gearing Ratio	140.44	145.47	93.73	109.01	42.12	32.32	48.77
Competitors Average							
Sales Growth	1.46	2.26	-2.72	0.78	13.61	19.31	8.40
Profit Growth	0.38	-1.65	-0.82	7.05	58.89	18.85	9.35
Asset Growth	7.17	5.75	-4.03	-0.82	8.18	2.96	55.54
Profit Margin	9.08	7.94	8.55	9.24	7.75	9.20	8.23
ROCE	16.59	14.73	17.88	18.56	17.20	19.22	13.95
ROA	11.53	10.19	11.71	12.69	10.50	12.09	9.59
Gearing Ratio	32.34	30.37	38.04	45.09	61.63	77.46	113.80

Grupo Bimbo has seen huge sales and profit growth, and in comparison to its main competitors, saw in 2012 a 28.04% higher profit growth rate. From a single sighted view of performance based only on profit, this would imply that Grupo Bimbo was a successful company. However, when you compare their profit margin, ROCE and ROA, you can see that Grupo Bimbo is performing poorly. Moreover, we find that Grupo Bimbo is highly geared, which is an indicator of how much of its capital is debt. To put into context, Canada bread company, the latest acquisition of Group Bimbo, has a gearing ratio of 12.48% in 2012, while Grupo Bimbo has 11 times higher gearing ratio at 140.44%.

Marfrig

Marfrig is a Brazilian food processing company. In 2006 Marfirg started its internationalisation process and after just five years, had 14 subsidiaries in Latin America, eight in Asia, four in the USA, two in Australia and nine in Europe and now exports to over 100 countries. It is now the fourth largest beef producer in the world and the third largest in Brazil. Marfrig expansion is driven by a series of M&A, including a $1.26 Billion acquisition of the largest privately held US meat products company, Keystone Foods in 2010. Keystone Foods was the main supplier to many restaurants including McDonalds and Subway. It served more than 28,000 restaurants in 13 different countries in the Americas, Europe, Asia, Oceania and the Middle East.

We compared Marfrig to Tyson Foods and General Mills. Tyson Foods is an American MNE operating in the food industry. It is the world's second largest processor of beef, pork and chicken and is the largest exporters of beef in the United States. According to

Forbes, Tyson Foods is one of the largest 100 companies in the United States. General Mills is a food products company and an American Fortune 500 corporation; working across the food industry, it has a significant proportion of its business selling meats.

Comparative Analysis of Marfrig with competitors.

Date:	2012	2011	2010	2009	2008	2007	2006
Marfrig							
Sales Growth	8.41	37.83	65.13	55	191.19	0	
Profit Growth	10.81	16.85	102.4	14.8	219.06	6.78	
Asset Growth	7.41	5.42	97.35	25.08	111.4	152.1	
Profit Margin	-3.86	-5.79	-1.68	5.86	-3.81	3.84	3.17
ROCE	5.25	3.79	6.54	16.06	3.38	11.41	25.24
ROA	-3.59	-5.36	-1.2	4.96	-2.58	1.89	3.93
Gearing Ratio	411.6	238.83	191.2	137	177.96	177	540.7
Competitors Average							
Sales Growth	7.57	7.17	3.505	3.015	7.065	5.435	
Profit Growth	2.405	-4.095	44.52	0.44	-0.885	19.65	
Asset Growth	10.21	4.3	0.19	-4.24	5.405	-3.72	
Profit Margin	8.095	9.845	9.645	5.655	6.985	7.35	6.11
ROCE	14.74	16.855	18.32	6.95	10.065	12.42	8.315
ROA	9.295	11.37	11.83	2.87	5.515	6.49	3.11
Gearing Ratio	119.8	103.54	113	143.1	104.97		

Due to the rapid expansion of Marfrig (via a series of M&A), we see that it has experienced a much higher profit and sales growth rate than its competitors. The main issue of concern is that the gearing ratio in 2012 of Marfrig is an astonishing 411.55, compared to the 59.37 of Tyson Foods and the very high 180.22 by General Mills. Moreover, like the other Accelerated Global firms, we see that it has consistently performed poorly compared to its competitors. Its profit margin is nearly 12% lower and its ROCE is nearly 10% worse than its competitors. What is very interesting is that prior to its series of M&A, the ROCE of Marfrig was at a much better standing than its competitors. Overall comparing the ratios of Marfirg with Tyson Foods and General Mill, shows that prior to its abrasive M&A international expansion, Marfrig fared better on the key ratios.

4.2.2. Case Studies of Local Optimisers and Traditional Global Firms

Companhia Siderúrgica Nacional and Gerdau

Founded in 1901, Gerdau, a Brazilian multinational, is a leading producer of long steel in the Americas and one of the largest suppliers of special steel in the world. With over 45,000 employees, it has industrial operations in 14 countries - in the Americas, Europe and Asia. It started its internationalisation process in Uruguay in 1980 through an acquisition, after which it acquired another firm in Mexico in 1984 and further expanded its operations organically in 1986. It then made another acquisition in 1989 in Canada. While it has used M&A to expand internationally, it has been at a very gradual pace and it has been in a sequential path. More recently, Gerdau made a $1.67 Billion acquisition of Quanex in 2007; what differed from a Traditional Global such as Gerdau, was that it was an already established player in the steel industry and had operations in United States, while Accelerated Global firms tend to make M&A with limited amount of experience and at a much rapid pace.

Founded as a state owned enterprise in 1941, Companhia Siderúrgica Nacional (CSN) began operations in 1946. It was privatised in 1993 and today is one of the largest steel companies in the world. It has operations across the Americas and Europe and recently acquired German steel producer, Stahlwerk Thüringen GmbH, for 482.5 Million Euros.

We compared Gerdau and CSN with ArcelorMittal and United States Steel Corporation (US Steel). ArcelorMittal S.A. is a Luxembourg based Steel MNE that is a fortune 500 company. It was formed in 2006 after the merger of Arcelor and Mittal Steel. It is one of the largest steel producers in the world. US Steel, is a United States MNE which is one of the largest integrated steel producers in the world and one of the leading steel production companies in North America and Central Europe.

Comparative Analysis of Gerdau with competitors.

Date:	2012	2011	2010	2009	2008	2007	2006	2005
Gerdau								
Sales Growth	7.27	12.78	18.29	-36.67	36.89	30.18	10.69	
Profit Growth	-3.62	-7.15	19.66	-51.44	47.05	18.31	12.56	
Asset Growth	6.22	16.53	-3.8	-24.5	42.37	54.02	23.08	
Profit Margin	4.08	6.6	9.36	3.86	13.95	17.13	18.38	20.28
ROCE	5.55	7.69	10.71	5.83	14.86	18.53	22.8	27.23
ROA	2.94	4.7	6.9	2.31	9.98	12.69	16.07	19.81
Gearing Ratio	65.27	79.7	102.6	122.19	117.1	194.1	134.8	136.5
Competitor Average								
Sales Growth	-6.58	17.42	42.57	-52.33	29.76	50.24		
Profit Growth	-8.45	17.68	-123.97	-89.90	40.29	-50.73		
Asset Growth	-5.67	-1.09	1.02	-4.12	1.28	86.98		
Profit Margin	1.42	21.29	-150.36	-60.30	44.63	-2.15	12.30	2.67
ROCE	-0.84	1.91	-4.75	10.72	11.74	20.08	18.11	

ROA	-2.44	-0.16	-5.27	7.68	7.91	13.71	11.28	
Gearing Ratio	169.70	150.19	124.27	125.45	115.58	88.24	100.46	
Gearing Ratio	83.85	77.88	71.23	77.36	100.84	93.98	80.64	

Comparative Analysis of Companhia Siderúrgica Nacional with competitors.

Date:	2012	2011	2010	2009	2008	2007	2006	2005
Companhia Siderúrgica Nacional								
Sales Growth	2.28	14.32	31.63	-21.6	22.39	26.55	-9.93	
Profit Growth	-27.8	9.45	14.65	-46.57	102.3	28.34	-13.16	
Asset Growth	5.175	23.99	29.602	-7.398	16.43	8.087	2.375	
Profit Margin	-7.99	21.76	21.79	26.6	36.09	33.57	17.13	28.48
ROCE	2.9	16.43	16.1	26.93	44.69	22.29	14.7	21.87
ROS	11.09	40.59	42.75	40.41	74.61	41.24	40	46.05
ROA	-2.74	8	8.38	11.57	21.36	14.55	6.74	11.76
Competitors Average								
Sales Growth	-6.58	17.42	42.57	-52.33	29.76	50.24		
Profit Growth	-8.45	17.68	-123.97	-89.90	40.29	-50.73		
Asset Growth	-5.67	-1.09	1.02	-4.12	1.28	86.98		
Profit Margin	1.42	21.29	-150.36	-60.30	44.63	-2.15	12.30	2.67
ROCE	-0.84	1.91	-4.75	10.72	11.74	20.08	18.11	
ROA	-2.44	-0.16	-5.27	7.68	7.91	13.71	11.28	
Gearing Ratio	169.70	150.19	124.27	125.45	115.58	88.24	100.46	
Gearing Ratio	83.85	77.88	71.23	77.36	100.84	93.98	80.64	

Both CSN and Gerdau are established companies and are more comparable in performance to their Western competitors than the Accelerated Global firms were.

When you look at Gerdau's performance you see that they have outperformed their Western competitors in terms of growth and performance ratios. Moreover, despite undertaking some significant M&A, Gerdau is less financially geared which suggests they are more financially stable. However, CSN is increasingly much more highly geared than their Western competitors. While CSN has been more adversely affected from changing commodity prices and the global financial crisis, it is preforming comparably well, excluding financial years 2009 and 2010. It has a better profit margin and its ROCE is only .84 worse off than its competitors. Comparing the history of both Gerdau and CSN, shows while both are Traditional Global firms, Gerdau, despite having more global presence, had a more gradual internationalisation process. CSN in recent years has expanded faster, by virtue of the fact it started its main internationalisation process at a later date and which can perhaps be an explaining factor as to why they are not performing as well as Gerdau.

America Movil

América Móvil is a Mexican telecommunications company which was founded in 2000. It has expanded rapidly via M&A and is now the fourth largest mobile network operator and a Forbes Global 2000 company. It is present in over 18 countries and has more than 246 million mobile subscribers. America Movil is a Local Optimiser that has only expanded within the Latin American region and while it has internationalised very quickly, has only internationalised to countries with similar economic development levels and similar cultures.

We compared America Movil with Orange and Telefónica. Orange is a French telecommunications MNE that has over 230 million customers worldwide. Telefónica, S.A. a Spanish telecommunications MNE which operates in Asia, Europe and the Americas and is the fifth-largest mobile network provider in the world.

Comparative Analysis of America Movil with competitors.

Date:	2012	2011	2010	2009	2008	2007	2006
America Movil							
Sales Growth	16.5	9.45	54	14.19	10.94	32.76	28.84
Profit Growth	15.28	5.64	54.31	10.9	15.57	43	34.9
Asset Growth	6.2	7.9	93.5	4	25	8.9	39.43
Profit Margin	17.87	19.32	22.23	25.15	22.99	26.05	25.41
ROCE	21.76	21.87	22.67	34.75	30.74	39.47	35.23
ROA	13.8	13.59	15.41	21.91	18.25	23.24	18.6
Gearing Ratio	144.83	148.39	121.42	81.7	117.92	100.7	105.49
Competitors Average							
Sales Growth	-2.33	1.48	4.27	-4.04	2.55	-1.62	23.59
Profit Growth	-2.47	-2.75	8.84	-2.09	2.38	1.46	7.47
Asset Growth	-3.12	0.90	11.86	2.08	-5.72	-2.67	21.65
Profit Margin	7.23	11.35	16.47	14.89	16.53	17.71	9.91
ROCE	8.42	10.96	14.43	14.22	17.22	16.26	11.18
ROA	3.56	5.59	8.31	7.80	9.15	8.97	4.92
Gearing Ratio	242.91	278.43	234.89	245.89	282.72	257.54	321.71

America Movil, despite making a series of M&A, has outperformed its main Western competitors. We see that its growth rate is above the average of both competitors ranging from 8.39% in 2008 to 49.74 in 2010 (measured by sales growth). Its profit margin, ROCE, and ROA are also much higher. Its strong performance could be due to the fact it was an early mover to the market (in Latin America), that it is operating in markets with a growing middle class and in countries where the population is gaining more access to technology. It is also operating in countries that share the similar institutional and cultural ties meaning that it is easier to adapt. Moreover, its gearing ratio is at a better level than that of Orange and Telefónica, despite its heavy investments in the last 10 years.

FEMSA

FEMSA is a Mexican MNE and the largest beverage company in Latin America. In 2011 it became the largest independent Coca-Cola bottler in the world. FEMSA has subsidiaries across Latin America and has made significant M&A. It only operates within the Latin American region, and while its internationalisation process has been relatively rapid, it has internationalised in a systematic way.

We compared FEMSA with Rexam PLC and Owens-Illinois. Rexam PLC is a British MNE which focuses on consumer packaging. A FTSE 100 company, it is the largest manufacturer of beverage cans in the world. It has a global presence in 25 countries In the Americas, Asia and Europe. Owens-Illinois is a US Fortune 500 company that operates in container glass products and is one of the largest manufacturers of packaging products with subsidiaries in the Americas, Asia and Europe. Approximately half of the worldwide glass containers are made by Owens Illinois or one of its licences.

Comparative Analysis of FEMSA with competitors.

Date:	2012	2011	2010	2009	2008	2007	2006
FEMSA							
Sales Growth	18.23	19.65	-13.87	17.27	13.87	16.71	19.74
Profit Growth	21.14	19.75	-23.47	16.61	12.95	14.76	23.49
Asset Growth	7.73	22.87	5.92	14.08	11.61	14.03	15.39
Profit Margin	18.06	13.97	13.93	9.64	8.03	11.44	11.07
ROCE	18.53	13.26	13.93	14.63	13.07	16.19	15.03
ROA	14.65	10.33	10.57	9.00	7.29	10.18	9.63
Gearing Ratio	21.87	80.90	67.34	113.36	121.73	119.51	132.36
Competitors Average							
Sales Growth	-4.43	2.19	0.03	-1.10	-0.01	0.73	1.55
Profit Growth	-0.07	-1.54	-0.23	-0.78	-0.05	1.29	0.27
Asset Growth	-0.54	-4.25	-25.59	-0.30	-0.18	0.00	-0.69
Profit Margin	0.59	-0.30	0.44	-1.33	0.56	0.47	0.15
ROCE	0.66	-0.06	0.48	1.84	0.78	0.69	0.32
ROA	0.64	-0.31	0.39	-1.27	0.82	0.54	0.14
Gearing Ratio	2.29	2.73	1.33	1.36	1.59	0.86	

In the case of FEMSA, we find that between 2007 and 2012, it had stronger performance ratios than its Western competitors. It had 17.87% higher ROCE, 14.01% higher ROA and 17.47% higher profit margin when benchmarked against its Western competitors. Moreover, during this period its profit, sales and asset have grown more quickly than Rexam PLC and Owens-Illinois with the exception in 2010, when it saw a dramatic fall in both profit and sales growth. What is most surprising is that despite making high number of M&A, it had a lower gearing ratio than their competitors.

Marcopolo

Marcopolo S.A. is a Brazilian bus manufacturer founded in 1949. It manufactures the bodies for coaches and produces over 50% of the bus bodies made in Brazil. It currently has a global presence in Latin American (Argentina, Colombia and Mexico), Australia, Canada, China, Egypt, India, South Africa, Russia and United States. It has a joint-venture with Tata Motors and currently exports to over 60 countries. One of its most recent M&A was Australian company Volgren at the end of 2011. Marcopolo is a Local Optimiser, but with recent international expansion to United States, Canada and Australia, it is shifting to a Traditional Global firm.

We compared Marcopolo with Navistar and Scania AB. Navistar is a United States manufacturer of commercial trucks and commercial buses. Its revenues are around five times greater than Marcopolo and its products are sold to more than 90 countries. Scania AB, is a Swedish automotive industry manufacturer, specialising in commercial vehicles, particularly heavy trucks and buses. It has production facilities in Argentina, Brazil, France, Netherlands, Poland, Russia and Sweden. It also has assembly plants in ten countries across Africa, Asia and Europe.

Comparative Analysis of Marcopolo with competitors.

Date:	2012	2011	2010	2009	2008	2007	2006
Marcopolo							
Sales Growth	13.31	13.64	44.07	-18.74	18.93	21.65	2.41
Profit Growth	11.17	7.18	58.87	-19.27	33.71	11.76	25.56
Asset Growth	2.47	7.39	111.86	-32.49	56.91	6.33	47.37
Profit Margin	10.72	14.72	14.78	9.3	7.33	8.78	9.78
ROCE	24.43	27.96	27.52	16.26	30.12	27.38	36.48
ROA	11.65	14.67	14.59	7.68	7.67	9.17	11.9
Gearing Ratio	1.49	1.74	2.1	1.96	1.53	1.65	2.06
Competitors Average							
Sales Growth	-8.23	13.56	15.46	-25.84	12.54	3.01	14.41
Profit Growth	-29.43	5.78	39.03	-31.50	17.05	4.53	18.66
Asset Growth	-11.23	18.69	-1.50	-7.01	5.54	-3.47	15.78
Profit Margin	0.63	8.33	9.18	2.84	7.36	6.73	7.44
ROCE	-1.72	15.85	17.00	10.62	19.17	17.24	16.57
ROA	-2.84	7.07	7.86	2.61	6.37	6.19	6.41
Gearing Ratio	82.23	76.87	78.64	124.33	149.16	91.91	84.58

With Marcopolo we find that for the last 8 years, it had stronger ROA and ROCE when benchmarked against their Western competitors and with the exception of 2008 had a better profit margin. Moreover, when you look from 2008 to 2012, you see an increasing gap of superiority in ratio performance of ROCE and ROA by Marcopolo, compared to Navistar and Scania AB. It had 14.49% higher ROA, 26.15%% higher

ROCE and 10.09% higher profit margin when benchmarked against their Western competitors in 2012. Furthermore, over the last six years we have seen its profit and sales growth grow more quickly than Navistar and Scania AB.

5. Discussion of Accelerated Global vs Traditional Global and Local Optimisers

While financially we can see Accelerated Global firms experience rapid increase in profit and sales growth, we conversely see that many of them are highly geared and are running less efficiently. It is hard to envisage the long term success of these firms. We know from financial literature that the more highly geared companies are and the less efficiently run, the more likely they are to fail. On the other hand, we have only seen the emergence of Accelerated Global firms in the last decade and it could be that the next stage that these firms go through is consolidating and synergising subsidiaries. This process would take a long time, particularly as literature shows that the international learning curve is steep during the early periods of internationalisation, but long term benefits could include economies of scale and scope that would allow these firms to run more efficiently. What the results do show, however, is that the mantra of firms engaging in M&A, learning from the acquisitions and leveraging their position is not as simple as theories such as the LLL Model imply, especially when you compare their performance with Traditional Global firms and Local Optimisers.

The Local Optimisers and Traditional Global firms from our five selected case studies show remarkable performance in comparison to the Accelerated Global firms. Not only do you see stronger performance on the ratios and higher growth rates when benchmarked against their Western competitors, but some of these firms also exhibited better gearing ratios. This can imply that Local Optimisers and Traditional Global firms are more likely to make M&A via cash while Accelerated Global firms are more likely to use debt to finance their M&A and other expansion projects.

The results of the case studies are consistent with current international business literature. Firstly, firms entering into countries through a cumulative process are able to benefit from international experience and, in fact, research shows that international experience is a determinant for M&A performance. Given that Traditional Global firms have a longer international experience, they are more likely to be successful than Accelerated Global firms that have global networks in a very short period of time. Secondly, we know that companies entering into countries that exhibit similar institutional conditions, are more likely to be able to transfer their non-location bound FSA and thus perform more strongly than an MNE who enters into a host country with different conditions to its home market. With Accelerated Global firms entering into several countries with lack of international experience and coupled with the fact that they enter into countries with vastly different institutional settings than their home market, it would be hard for them to transfer their non-location bound FSA and perform strongly.

6. Conclusion

Often neglected in studies is the impact the global strategy has on the performance of the firm. One of the arguments within literature is that EMNEs acquire firms, learn from them, leverage this new knowledge and assets, and leapfrog over their Western competitors. However, we find no evidence to suggest that these firms are functioning any better than their Western competitors. Conversely, we find that the firms that have internationalised in a conventional way, are more likely to be successful than firms that have aggressively expanded abroad via M&A to have international operations overnight. These findings are consistent with classical international business theories, especially in the field of path dependence and learning, liability of foreignness and the Eclectic Paradigm.

The advantage of using case studies in this paper is that it allows us to examine and compare the impact on performance among firms who use different global strategies. However, the drawback of using case studies is a generalizability issue and thus more research has to be done to see the extent to which the performance of M&A is influenced by the global strategies the firms take.

We also argue that we should stay away from the notion that an M&A is for a singular motivation. Many of the firms acquired by LAMNEs offer the target company an array of advantages; however, we often see literature deduce M&A for a singular motivation. Moreover, literature neglects to look at the motivations of M&A of firms with several international subsidiaries. Furthermore, one motivation that is often not mentioned is latecomer status; many of the accelerated firms are operating in already globalised industries and thus have to acquire firms that already have international subsidiaries so they can compete internationally.

Ultimately, we contend that at the very least, it is premature to argue that the new waves of EMNEs who have expanded aggressively via M&A have somehow leapfrogged over their competitors when their financials tell us a different story.

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Chapter Five: The Conclusion and Discussion of the Thesis

1. Overview

This PhD has three empirical chapters, chapter 2, The Heterogeneity of Latin American Multinationals: The Diversity in Global Strategies and their Evolution. Chapter 3, The International Trajectories of Latin American Multinationals and the roles of Foreign Subsidiaries: Does Distance Matter Anymore? Chapter 4, Rethinking the Firm Level Analysis of the Motivations and Performance of Cross Border Mergers and Acquisitions by controlling for Global Strategies

In the second chapter, "The Heterogeneity of Latin American Multinationals: The Diversity in Global Strategies and their Evolution", we were interested in the following research questions: 1) Does the period in which the EMNE start its internationalisation process impact how they internationalise? 2) How do EMNEs internationalise and what strategies do they use? We found that LAMNEs that internationalised before 1990, i.e. before the Washington Consensus era, were more likely to adopt a Local Optimiser strategy, i.e., firms that tend to only internationalise within their region or to other developing countries with similar economic development level. Indeed, we found these firms to be akin to that described by Lall (1979) and Wells (1979). The exception to this observation was resource seeking EMNEs that engaged in FDI in more diverse areas and tended to internationalise to host countries that had high levels of resources. We saw that post 1990, and especially after 2002, the majority of the Local Optimisers during the 1980s, had opted for global strategies and followed what is described in the Uppsala Model. We argued that changing conditions in the home market, industry dynamics and improvements in FSAs, led to the change in international strategy.

We found that there was more diversity of global strategies used by EMNEs that started their internationalisation process post 1990, and even more diversity post 2002. Indeed we argue that there was an emergence of Traditional Global firms, i.e. those that internationalised at a gradual pace to a diverse number of countries, and Accelerated Global firms, those who have rapidly internationalised in a short period of time, and become global overnight via one large M&A of a global company, or, M&A of several cross border acquisitions. We concluded the chapter by arguing that the heterogeneity among EMNEs can be controlled by categorising firms by the global strategies they adopt, as opposed to the country they come from. We continued by proposing that integrating global strategy with FDI theory will lead to a better understanding of the firms' motivations and the FSAs that allow them to internationalise.

In the third chapter, The International Trajectories of Latin American Multinationals and the roles of Foreign Subsidiaries: Does Distance Matter Anymore?, we were interested in building a new typology to explain the divergent internationalisation trajectories of EMNEs and to examine the extent to which the distance between the host and home country has an impact on the function of the subsidiary. We argued that we should move the question away from "what are the EMNEs international trajectories?" to accepting that different EMNEs show different internationalisation trajectories. Secondly, we argue that it is important to look at the dynamic changes of the internationalisation process, which has garnered very little research. We found that, when you compare the international trajectories of first wave EMNEs with second wave EMNEs, you find the former conformed with psychic distance literature, while the latter did not. We attribute this to the latecomer statuses of LAMNEs. The chapter introduced four types of international trajectory groups: conventional being those who conform to the findings of the Uppsala Model; non-conventional being those who internationalised to high psychic distant countries without first internationalising to neighbouring countries; resource driven, are those EMNEs that are less impacted by psychic distance but are attracted by the host countries' resources and, finally, static, being those firms whose internationalisation process tends to be limited in one part of the world without any signs of internationalising outward. We found that the distance between the host and home countries of EMNEs with full scale global operations, had some impact on the function of the subsidiary. We found that in host countries with higher economic levels and high cultural distance from the home country, roughly a third were for strategic asset seeking, while two-thirds were for marketing seeking, whereas in the subsidiaries in low cultural and economic distance countries, we found that 71% subsidiaries were marketing seeking, 17% efficiency seeking and 12% were resource seeking. Whereas, culturally different countries with similar economic conditions, we found 49% marketing seeking, 26% efficiency seeking and 25% resource seeking.

In the fourth chapter, "Rethinking the Firm Level Analysis of the Motivations and Performance of Cross Border Mergers and Acquisitions by controlling for Global Strategies", we were interested in examining motivations and performance of international M&As through the lens of global strategies. Drawing on our classifications on previous chapters, mainly Accelerated Global Firms, Traditional Global Firms and Local Optimisers, we wanted to see if the firm's global strategy had an impact on motivation and performance of the cross border M&A. We found that previous papers have examined the strategy and performance of firms, without accounting for the strategy they take. In fact, we found that Accelerated Global LAMNEs perform worse than Traditional Global LAMNEs and Local Optimisers. We argued that this is because Accelerated Global firms do not have the international experience or the FSA capabilities to fully integrate M&As successfully. We also show that, accelerated LAMNEs, are motivated to acquire firms that have already established subsidiaries in many countries to speed up their internationalisation process, while Traditional and Local Optimisers were more motivated for market seeking and efficiency seeking. Indeed, we saw little evidence that Traditional Global firms exhibited a tendency for strategic assets seeking, whereas Accelerated Global firms were motivated to acquire firms for that reason.

2. Do we need a new theory for EMNEs?

The direction of this research was shaped by the question, "Do we need a new theory to explain outward FDI from EMNEs?" Given the rise and the changing dynamics of EMNEs in the last two decades, and the apparent differences in behaviour between MNEs from developed countries and EMNEs, international business scholars have rightly questioned existing theory.

Broadly, there are three schools of thought on the subject matter. The first school of thought proposes that we need to extend the ownership advantages within classic international business research. An underlying assumption in international business theory is that the firm who engages in outward FDI is likely to hold some strong ownership advantage to overcome the costs associated with doing business in a foreign country. Some of the ownership advantages proposed include political skills and the ability to compete in unfavourable conditions (Ramamurti and Singh, 2008; Garcia-Canal and Guillen, 2008). This does have a drawback in that, the ownership advantage in Dunning's eclectic paradigm already distinguishes between asset advantages and transaction advantages and adding more variables will potentially mean that everything becomes an advantage in itself, thus making the theory too broad (Gammeltoft et al, 2010). In the chapters "The Heterogeneity of Latin American Multinationals: The Diversity in Global Strategies and their Evolution" and "The International Trajectories of Latin American Multinationals and the Roles of Foreign Subsidiaries: Does Distance Matter Anymore?," we argue that differing ownership advantages the firms hold, dictate the strategy and the international trajectory of EMNE. Therefore, we argue that there needs to be more of an understanding of which ownership advantages dictate the strategies these firms take, which will ultimately help shed more light on the firm.

Secondly, there is the option of just extending the current theory beyond the scope and to re-examine the relationships, concepts and causalities. Buckley et al. (2007) believe that rejecting mainstream FDI theories is not necessary and only modifications are needed so they fit better for EMNEs. They continue to add that institutional factors, such as government support and capital market imperfections that include preferential lending could be incorporated in existing theory. Child and Rodrigues (2005) concluded in a similar way to Buckley et al (2007) in that theories need to be extended as opposed to replaced and introduced four potential extension areas. These were to accommodate EMNEs internationalising to compensate for their competitive weakness as opposed to taking advantage of their competitive advantages, government supporting internationalisation of EMNEs, the EMNEs ability to compete in heavily government involved countries and their ability to adapt their business practices to be able to deal with the institutional conditions of the host countries. Ramamurti (2008) argued that mainstream theory does explain why EMNEs internationalise, but an extended theory is needed to understand the competitive advantages of EMNEs and how they are developed and how they are able to compete with MNEs from developed countries. We argued, though, that there is a lot of heterogeneity among firms, and no one size fits all model will work. We accepted that there are firms that do engage in outward FDI to acquire stronger assets to compensate; however, as we argued before, the motivation to exploit advantages, requires some form of absorption capacity advantage. Indeed, if an EMNE acquired a foreign firm for strategic assets seeking reasons, the EMNE has to have prerequisite advantages to be able to integrate with the firm, and use these advantages to compete successfully. We found in the chapter "A Firm Level Analysis of the Motivations and Performance of Cross Border Mergers and Acquisitions undertaken by Latin American Multinationals.", that EMNEs that engaged in several M&As quickly, or engaged in a large international M&A, with little international experience, were less financially successful than their Western counterparts, which is most likely due to the fact that these EMNEs lacked the international experience to be able to fully integrate its new assets. As a result, we argued that the firms that engage in strategic assets seeking FDI, do in fact have to hold the right ownership advantages to do so, otherwise, the motivation for the EMNE to engage in FDI to acquire stronger assets would ultimately fail.

The third school of thought would be to start a new theory completely. Luo and Tung (2007) introduced the concept 'springboarding' and Matthews (2002) introduced 'linkage, leverage and learning' (LLL Model). However, some scholars have argued that such a radical position is ultimately 'throwing out the baby with the bathwater'; this was most notable in Narula's (2006) commentary on Matthews' LLL Model. Indeed a recurring theme throughout this PhD, is that no one size fit all model will be able to accurately capture all EMNEs. We argue that while the LLL and springboard model are novel ideas, they only capture certain types of EMNEs. Moreover, in the paper, “A Firm Level Analysis of the Motivations and Performance of Cross Border Mergers and Acquisitions undertaken by Latin American Multinationals”, we show that EMNEs that acquire firms to become global player overnight, are more highly geared, less financially efficient and, thus, are more likely to fail in the long run.

We argue that the Reading School of International Business does the best job in explaining outward FDI from EMNEs and that no new theory is needed. In the case of LAMNEs, it is likely the vast majority of scholars would agree that Local Optimisers, Traditional Global and Natural Resource Vertical Integrator are already explained by Dunning’s eclectic paradigm. Where the issue lies, is in explaining Accelerated Global firms. We argue that from our findings and other research, that we cannot neglect the importance of ownership advantages of Accelerated Global firms. We, in fact, postulate in chapter 2 that given the changes in the global environment, it would be easier for firms to expand abroad to develop the firms’ ownership advantages given the pace of globalisation over the last 20 years. So while firms internationalising in the 1980s and 1990s, had to rely more on their home country to develop their ownership advantages, firms’ internationalising in the 2000s have more opportunity to develop their ownership advantages abroad. Therefore, the fourth motivation of Dunning’s eclectic paradigm, strategic asset seeking FDI seems to explain the accelerated process in expanding abroad. Moreover, we argue in chapter 2 and 4 that for strategic asset seeking FDI to be successful, there needs to be a prerequisite level of ownership advantages for the EMNEs to absorb the new assets to their firm. We know from our analysis of M&A by Accelerated Global firms, that very few of them have been able to fully integrate post M&A of a foreign firm and it is likely it will take time for their strategy to be successful. This leads to a second point that Accelerated Global firms, while expanding quickly, is likely to be taking a more long-term perspective and may be willing to run less efficiently in the short run until they develop their capabilities. However, none of this is contradictory to the Reading School of International Business and the three pillars of the Eclectic Paradigm, ownership, location and internalisation advantages are still important in explain the rise of Accelerated Global firms.

3. Contribution to Academia

The PhD's main contribution is in understanding the under researched area of LAMNEs. The Latin American region has gained very little attention, especially compared to Chinese and Indian MNEs, and it is hoped that this research will spark some more research in the area. As a result of this research, we know that LAMNEs are not a homogenous group and when assessing the firm's ownership advantages, internationalisation behaviour, motivations and so forth, it is important to distinguish between different types of LAMNEs there are.

The second contribution lies in infusing global strategies with outward FDI theory, which we believe will be the key in understanding the rise of EMNEs as a whole. Classifying LAMNEs into one of the four different global strategies we observed makes it easier to control for the heterogeneity we see in LAMNEs.

The third contribution is examining the extent to which psychic distance literature and the Uppsala Model can be used to explain the internationalisation process of LAMNEs. While many papers ask the question, does psychic distance have an impact on the internationalisation process of EMNEs, we draw caution on arguing either way. Instead we take the position that, for some LAMNEs and EMNEs, psychic distance does still have an impact in their internationalisation behaviour, but especially in later internationalising firms, it plays less of an important role.

The fourth contribution is emphasising the importance of looking at the decade from which the EMNEs internationalised. We argued that the changing dynamics of the global economy and the late comer statuses of EMNEs have had a significant impact on the LAMNEs internationalisation process.

The fifth area of contribution is the discovery that Accelerated Global Firms, or firms that internationalised rapidly, are less likely to be financially successful, at least in the short to medium run, and are less successful in integrating when they engage in cross border M&A, especially in comparison to Traditional Global Firms and Local Optimisers.

Our final contribution is to the wider debate on whether there needs to be a new theory of FDI in the context of EMNEs. Where we argue that, in fact, Local Optimisers, Natural Resource Vertical Integrators and Traditional Global firms, already conform to how traditional FDI theory would argue they would internationalise. The main issue is that traditional theories have less to say about the rise of Accelerated Global firms. However, we draw caution in chapter 4, not to assume they are successful in implementing their strategy and consider that the firms tended to have only internationalised aggressively in the last decade, so the global environment could have an impact that is often neglected in international business theory.

4. Contribution to practitioners and policy makes

We believe that this PhD makes three contributions to practitioners and policy makers. Firstly, showing EMNEs are not a homogenous group. Past papers have given the impression that the firms that come from the same country/region of origin are more likely to behave the same way, while we, on the other hand, show that LAMNEs adopt one of four different strategies. From the practitioner's perspective, this is an important consideration, from the competitor side, the new arrival of an EMNE into the market place, the knowledge of which global strategy they use when expanding abroad could help them understand the new competitors better. From the LAMNEs side, it gives them an understanding the different routes LAMNEs used in the past when expanding abroad and allows them to assess which strategy best suits them. From a policy side, often policy papers on MNEs (e.g. the World Investment Report) write about EMNEs broadly without distinguishing them from the strategies they take. We argue that it would be better to assess the policy implication of EMNEs by the strategies they use, as an Accelerated Global will offer different considerations than EMNEs who adopt Local Optimiser or Traditional Global strategies. The rise of EMNEs is seen by organisations such as UNCTAD, as an important financial resource for economic development, especially for EMNEs investing in developing countries. It, therefore, could be a good idea to make sure all the global strategies LAMNEs and EMNEs as whole adopt is a good thing for the host country.

The second contribution we make for both practitioners and policy makers is increasing the understanding of the changing behaviour of EMNEs over the last ten years. An MNE that is used of competing against firms in the 1980s, who expanded slowly, are now competing against EMNEs that are expanding aggressively. This means firms have to be aware of the different strategies these late internationalising firms adopt. For a director joining a company planning to adopt an Accelerated Global firm strategy after being at a Traditional Global, they have to be aware of the differences in international strategies, motivations to expand abroad, the rapid and aggressive pace of internationalisation and changing global dynamics. From a policy side, it is important for policy makers to understand the changing shift in the behaviour of firms. Many reports on MNEs, from the OECD, World Bank and UNCTAD, don't distinguish between newer and older EMNEs. It may be important to understand the difference in international behaviour, as this may lead to consequences on the impact on the host country.

The third contribution for both practitioners and policy makers is to understand the relationship between global strategies and M&A performance. Through our study, we know Accelerated Global are running less efficiently than their competitors, whereas Traditional Global firms, who expanded more slowly, are performing as well if not better that their Western competitors. This is something for LAMNEs who expand quickly need to take into consideration, as this could lead to problems, especially in the short-term. From the policy side, there is a concern that if these firms are not performing efficiently, that there is a higher risk that these firms will fail in the long-run and so it is important for policy makers to be aware that while these firms are expanding rapidly, it nevertheless, does not mean they are performing successfully.

5. Limitations and Future Research

Due to the difficultly in collecting data on EMNEs as a whole, there has been a need to use case study examples. This does lead to some generalisability issues. An example can be seen in chapter four, where we used only 10 case studies to illustrate the relationship between global strategies and M&A performance, due to the difficulty of getting financial data for a larger sample which would have allowed us to check our hypothesis robustly through econometric analysis.

While the Latin American region has a lot of similarities between the countries, there are also many differences that need to be taken account. The general consensus is that the location advantages of the home country play an important role in determining their domestic firms' ownership advantages and the success of the domestic firms' ability to engage in outward FDI. This is apparent when you compare countries who don't engage in FDI tend to have weaker levels of infrastructure, low level of education, a poor quality workforce, low income per capita and, at times, economic and political instability. This is grounded in Rugman's 1981 FSA/CSA Framework, which shows the ability of the firm to internationalise is partly driven by the firm's home country's location advantage and therefore, this needs to be taken in consideration. Countries such as Peru and Venezuela, who have lower levels of outward FDI in comparison to Mexico, Chile and Brazil also, have weaker knowledge bases in their home country (OECD, 2012). Moreover, Argentina reverted to some restrictive economic policies, which we pointed out in chapter three. We argued this might be an explanatory factor in seeing a higher number of Argentinian MNEs tending to opt for Local Optimiser strategies as opposed to more global strategies. Moreover, the sample we used tended to be more skewed toward Brazil and Mexico, which could offer some generalisability issues when applying it to Latin America as a whole.

While Latin America has exhibited signs of being a textbook emerging region, i.e. growing middle classes, liberalising of economic conditions and so forth, the region is also grounded in its historical and cultural roots that are unique to the region as a whole, which means that it may be hard to generalise to other regions. Indeed, we found that many of the arguments put forward by scholars on EMNEs, who based their reasoning on Chinese and Indian MNEs, did not always match what our data told us about LAMNEs.

We have five proposals for potential research avenues: first, a comparative study of EMNEs from different countries. We found that not all our findings matched what has been written about EMNEs from different countries. In fact, we pointed out that emerging countries have different levels of location advantages and economic factors, which has an impact on the competitiveness of the domestic firms.

Our second proposal is that there should be a categorisation of the largest EMNEs into the global strategies they use, and empirical studies to see to what extent global strategies have an impact on firm performance.

Our third proposal is that there should be more research that examines the difference of EMNEs who internationalised in different decades to properly examine the impact of global conditions on firm strategy.

Our fourth proposal is to examine what are the ownership advantages EMNEs hold to allow them to compete successfully against Western MNEs. We found that there is an underlying assumption that the ownership advantages proposed three decades back are the only advantages these firms can hold. We believe by uncovering more ownership advantages, we will be able to understand more about how EMNEs are internationalising.

Our fifth proposal is that there should be more longitudinal studies that capture the evolution of EMNEs. We believe this is a logical progression, and will shed interesting findings that will help to progress the field, and, ultimately, answer the call by Buckley et al. (2006), to find new areas of research for the international business field.

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