Targeting one's own region: internationalisation trends of Colombian multinational companies

Maria Alejandra Gonzalez-Perez
School of Business, Universidad EAFIT, Medellin, Colombia, and
Juan Fernando Velez-Ocampo
Department of International Business, Institución Universitaria Salazar y Herrera – Universidad EAFIT, Medellin, Colombia

Abstract

Purpose – This paper aims to provide an examination of the ongoing internationalisation processes undertaken by 30 major multinational Colombian-owned firms. It also presents a theoretical overview and a conceptual framework for the understanding of internationalisation patterns from emerging countries' multinational enterprises.

Design/methodology/approach – This study is built based both on the results collected from comparative case studies based in the literature and empirical observations of Colombia's patterns. This study observed the evolution in terms of commitment and investment decisions that 30 major Colombian companies have undergone specially within the past decade.

Findings – Although, it was found that direct exports is the widespread entry mode of Colombian companies to foreign markets, most of the observed firms preferred the consolidation in host markets through Mergers & Acquisitions instead of using Greenfield investments or joint ventures. These observations might suggest similarities with the process of internationalisation of Asian tigers multinationals, which means that they are consolidating their internationalisation process based on their learning, linkages and leverages capabilities. Furthermore, Colombian companies are following the internationalisation pattern of other multilatinas. These companies have first explorer natural markets for them; in other words, they have first attempt to be established in markets that share psychic features, and similar institutional environments, as psychic and physical proximity reduces risk and facilitates foreseen return of investments, and therefore long-term capital accumulation.

Research limitations/implications – This study has some limitations that suggest further research. First, although the observed firms share one main characteristic: being Colombian-owned multinationals, they belong to diverse fields, so this might pose difficultly for the creation of a framework that explains other multinationals drivers to internationalise. A second limitation is that this analysis does not deepen into the internationalisation patterns of multilatinas from countries other than Colombia; this leaves room for further research questions that might deal with the issue of analysing advantages and disadvantages in the internationalisation process of developing country multinational corporations (DCMCs). A third limitation is that this study does not have a longitudinal approach, so this paper does not intent to provide definitive information about cause-and-effect relationship regarding the drivers for DCMCs to internationalize, instead, this study is intended to provide an analysis of the outward foreign direct investment decisions of Colombian multinational firms.

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Practical implications – There is limited research based on primary data on accessing the internationalisation process of Colombian multinational companies. This paper offers a research framework and results which could be replicated in other Developing Country Multinational Corporation (DCMNC), and could also be studied longitudinally. This study includes relevant information on the drivers for international expansion, market selection, perceived obstacles, entry modes and consolidation in host markets via acquisitions that could possibly support managerial decisions.

Originality/value – There is limited research based on primary data on accessing the process of internationalisation of Colombian multinational companies. This paper offers research framework and results which could be replicated in other DCMNC, and also could be longitudinally studied. This study includes relevant information on the drivers for international expansion, market selection, perceived obstacles, entry modes and consolidation in host markets via acquisitions that could eventually support managerial decisions.

Keywords Internationalisation, Latin America, Colombia, DCMC, LLL, Multilatinas

Paper type Research paper

Introduction

Despite the interdependencies of international financial crises, Latin American countries have not been as dramatically affected by the 2008-2009 international financial crisis as many countries on other continents (UNCTAD, 2012a). Furthermore, regional access to natural resources and a commodity-led price boom (Brenes *et al.*, 2009) have also represented capital accumulation and investment opportunities for Latin American countries, companies and individual large capital owners.

Although regional economic integration in Latin America began in the 1950s, it is only since 2003 that the region has started experiencing economic growth linked to open interregional economic relations (Celli *et al.*, 2010; Cohen, 2012). As observed in Table I, there are a vast number of intraregional trade initiatives involving Latin American and Caribbean countries.

The establishment of these trade agreements has contributed to an increasing level of economic openness in Latin American countries, the adoption of policies and the implementation of practices for capital market and investment liberalisation, the insertion into global value chains, as well as the stimulation of exports and promotion of privatisation (Contreras and Carrillo, 2012; Williamson *et al.*, 2013). Furthermore, since the 1990s, the region has been experiencing an encouraging socio-political stability and a healthy economic growth, as well as relatively good international relations. These elements were favourable for regional cooperation.

Recent reports have demonstrated the increasing importance of South–South investment and cooperation for sustainable development (Casanova *et al.*, 2009; Stal and Cuervo-Cazurra, 2011; UNCTAD, 2011; UNCTAD, 2012a, 2013). In the period of 1995-2003, foreign direct investment (FDI) from emerging economies tripled, moving from USD15,000 million in 1995 to USD45,000 in 2003 (Santiso, 2008). Also, international production and multinational enterprise (MNE) activities have been increasing to reach a quarter of the global GDP in 2010. UNCTAD's (2011) World Investment Report pointed out how, for the first time in history, developing countries as a whole attracted half of the global inward FDI (UNCTAD, 2011). However, the most significant change has been the increase in the importance of emerging economies as FDI outward investors, accounting for 29 per cent of global FDI outflows in 2010 (Idem). Latin American countries have experienced an unprecedented level of inward FDI from

Date of creation	Initiative	Member countries
1951	Organisation of Central American States	Guatemala, Costa Rica, Honduras, Salvador
1960	Central America Common Market (MCCA)	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua
1969	Andean Nations Community (CAN)	Bolivia, Ecuador, Colombia, Peru
1973	Caribbean Community (CARICOM)	Antigua and Barbuda, Bahamas, Belize, Dominica, Granada, Guyana, Haiti, Jamaica, Montserrat, St. Christopher and Nevis, St Lucia, St. Vincent and the Grenadines, Surinam, Trinidad and Tobago
1975	Latin America and Caribbean Economic System	Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Granada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Surinam, Trinidad and Tobago, Uruguay, Venezuela
1980	Association of Latin American Integration (ALADI)	Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Nicaragua, Panama, Paraguay, Uruguay, Venezuela
1981	East Caribbean States Organisation	Antigua and Barbuda, Dominica, Granada, Guyana, Montserrat, St. Lucia, St. Vincent and the Grenadines
1991	South Common Market (MERCOSUR)	Argentina, Brazil, Paraguay, Venezuela, Uruguay
1993	Central American Integration System	Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama
1994	Caribbean States Association (AEC)	Antigua and Barbuda, Bahamas, Belize, Colombia, Costa Rica, Cuba, Dominica, El Salvador, Granada, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Dominican Republic, St. Christopher and Nevis, St. Lucia, St. Vincent and the Grenadines, Surinam, Trinidad and Tobago, Venezuela
2004	Bolivarian Alliances for Our America's People (ALBA)	Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Nicaragua, St. Vincent and the Grenadines, Venezuela
2008	Union of South American Nations (UNASUR)	Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela
2010	Community of Latin American and Caribbean States (CELAC)	Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Granada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republican, Surinam, Trinidad and Tobago, Uruguay, Venezuela
2012	Pacific Alliance (AP)	Chile, Mexico, Colombia, Peru

Table I.
Latin America's intraregional trading blocs

emerging countries since 2002, some of it coming from countries such as Brazil, Mexico, Argentina, Chile, Colombia and Peru) (Amal *et al.*, 2010; Amal, 2011; Pla-Barber and Camps, 2012; UNCTAD, 2012a). Besides FDI, flexible arrangements to facilitate MNEs' international production coordinated via non-equity modes such as outsourcing, contract manufacturing, franchising and licensing have been also increased in recent years (Idem). As it can be observed in Table II, Latin America's main trading partner regions are North America and Asia–Pacific. Intraregional trade accounts for approximately 20 per cent of total trade flows, as summarised in Table II.

As pointed out by Gammeltoft *et al.* (2010), the term "emerging multinationals" has a positive connotation, as it reflects the insertion of developing country multinational corporations (DCMC) in the global economy. Santiso (2008) observed how the countries of origin of the leading companies in traditional sectors, such as steel and cement, are no longer traditional developed countries. DCMCs from Latin American countries are currently known as *multilatinas*. *Multilatinas* such as the Mexican-owned Cemex (Lessard and Lucea, 2009) in the cement industry and the Brazilian-owned mining conglomerate *Companhia Vale do Rio Doce* –Vale – (Casanova, 2009; Fleury and Leme Fleury, 2009) are currently competitive global players in these two industries.

This paper aims to present an analysis of the national and international factors that are positively influencing the competitive advantages of 30 major Colombian multinationals, especially regarding issues like market selection, entry modes selection, drivers for international expansion and international threats perceived by headquarters. This study also observes the changes in terms of commitment and investment decisions that Colombian multinationals have made over the past two decades and how companies have opted for fully owned acquisitions to establish in host countries.

Literature review

Developing country multinational companies and multilatinas

The competitive context within emerging countries differs in many aspects in comparison with developed countries, for example, in terms of regulations, laws related to the acquisition of property, the licensing of new businesses, the protection of intellectual property and corruption, among others (Henisz and Zelner, 2003). Therefore, both political and legal risks in emerging economies are major threats for both domestic and foreign companies (Henisz and Macher, 2004). In addition, emerging economies have weak economic structures that rely mainly on few sectors, particularly in industries such as mineral and agricultural commodities (Hermelo and Vassolo, 2012); this limited diversification heightens the impact of these few products' volatility in the

Table II.
Latin American regional's exports and imports (2012)

Major export destinations	2012 share (%)	Major import sources	2012 share (%)
North America	42	North America	33.5
Asia–Pacific	19.1	Asia–Pacific	25.3
Latin America	18.4	Latin America	19.8
Europe	14	Europe	15.5
Africa and the Middle East	3.7	Africa and the Middle East	2.8
Other countries	2.4	Other countries	2.7

Source: Euromonitor GMID Passport (2013) economy. Hence, there are three factors that interact and even reinforce each other: volatility, simple economic structures and weak institutions (Calvo and Mendoza, 2000; Hermelo and Vassolo, 2012; Meyer *et al.*, 2011; Williamson *et al.*, 2013).

Due to the existing diversity in social structures, culture, economic institutional environments, governmental roles, political and managerial diversity within developing countries (contrasting more importantly amongst them than amongst their developed counterparts), specific attention must be paid in this regard before establishing generalisations at the micro- and macro-level (Gammeltoft *et al.*, 2010; Goldstein, 2009; Kaynak *et al.*, 2000; Matthews, 2006; Ramamurti, 2004; Ramamurti and Singh, 2009; Williamson *et al.*, 2013). Theories linked to cautious observations offer explanations that highlight some common characteristics. For instance, Dunning and Narula (2004) explain how emerging economies are often more dependent on relational assets such as social networks based on cultural affinities. Cuervo-Cazurra and Genc (2008) analyse the competitive advantage of DCMCs when operating in emerging markets due to their experience operating in countries with underdeveloped institutions. Ferreira de Silva and de la Rocha (2009) argue that DCMCs cannot be seen as a homogenous group. Ramamurti and Singh (2009) identified that DCMCs tend to focus on cost-competitive costs. Rugman (2009) observes that the competitive strategic advantages of DCMCs have a tendency to count on access to cheap labour and ownership of natural resources at home markets. Casanova (2009) elucidates that the fact that many DCMCs are either state-owned or family-owned companies implies a long-term coherent decision planning. Also, Tan and Meyer (2010) found that business groups are the dominant organisational form in many emerging economies. A review by Kiss *et al.* (2012) found that internationalisation efforts in emerging economies are prone to reliance on less technologically intensive sectors with lower production costs. Furthermore, Matthews (2006) argues that the successful internationalisation of MNEs from the emerging world, could be attributed to linkages, leverage and learning (LLL). This means that the leaning capacity in adapting to new environments and the development of innovative inter-firm linkages of developing countries MNEs provide them with specific competitive advantages.

FDI in Latin America has undergone three MNEs development "waves":

- the first period covers up until the mid-1980s;
- the second one from the mid-1980s to mid-1990s; and
- the third one from the mid-1990s until today (Gammeltoft, 2008).

The current wave is a token of more advance organisational and structural forms of DMNCs; Latin America has overcome import substitution strategies, and even export-oriented strategies. This last wave leaves room for DMNCs to become global players rather than merely international; besides, these companies have developed a more advanced and elaborate geographical division of labour. Furthermore, most economies in Latin America accessed the World Trade Organization (WTO) in the 1990s, which triggered the process of liberalisation, privatisation and institutional reform (Gammeltoft *et al.*, 2010).

DCMCs from the Latin American region (*Multilatinas*) have natural advantages when operating within the region. Low psychic, geographical and institutional distance, similar consumer purchasing power, comparable levels of economic and social development, shared colonial history and therefore significant cultural similarity define shared characteristics of their markets (Casanova, 2009; Cuervo-Cazurra, 2007a, 2007b; Cuervo-Cazurra, 2008a; Cuervo-Cazurra, 2010; Lessard and Lucea, 2009; Narula, 2011; Ramamurti, 2004; Ramamurti and Singh, 2009; Rivera and Soto, 2010). Despite the rapid internationalisation process of *multilatinas*, Cuervo-Cazurra (2008a) draws attention to the fact that although Latin American companies have a long exporting tradition, they have added value to their operations abroad only very recently, especially through mergers and acquisitions, which seems contradictory to what Aybar and Ficici (2009) argue: on average, the international expansion of emerging markets multinationals through acquisitions do not create value. Nevertheless, the existing internationalisation literature favours the assumption that the resulting returns from investment abroad are expected to be capitalized and considered a higher value of the firm, especially when the firms-specific assets cannot find comparable value elsewhere (Buckey and Casson, 1976; Caves, 1971, 1998; Cuervo-Cazurra, 2011; Hymer, 1976; Narula and Dunning, 2010; Narula, 2011; Williamson, 1979).

Internationalisation strategies of multilatinas

Cuervo-Cazurra (2007a, 2007b, 2012) uses Dunning's (1977) eclectic paradigm as a framework of analysis to suggest that the internationalisation of *multilatinas* has three possible sequences:

(1) marketing subsidiaries in all countries of operation;
(2) production subsidiaries in all those countries; or
(3) a combination of marketing subsidiaries in some countries and production facilities in others.

Ramsey *et al.* (2010) hold that *multilatinas* have focused their positioning in international markets by investing in strengthening locational advantages. Cuervo-Cazurra (2007a, 2007b, 2011, 2012) further argues that location advantages in the country of origin increase the likelihood of internationalisation via the establishment of marketing subsidiaries abroad. When companies have either perceived advantages in the host country, or when companies encounter cross-country limitations in transferring products or services, it is foreseeable that they will begin their internationalisation by setting up foreign production operations.

Vernon-Wortzel and Wortzel (1988) state that it is usual for developing country firms to focus their production in their home country and then to export, rather than produce, in different countries. This is further explained by Cuervo-Cazurra (2008a) who argues that Latin American MNEs were usually involved in exporting long before they became MNEs and suggests that the knowledge needed to enter markets by exporting differs from the required knowledge to enter markets by engaging FDI. This means that FDI requires more detailed and specific knowledge on how to operate across borders, how to compete abroad and how to operate in unknown institutional settings (Cuervo-Cazurra, 2008a, 2011, 2012; Eriksson *et al.*, 1997; Goldstein, 2009). Furthermore, engaging FDI demands to solve issues other than the lack of knowledge regarding foreign operations (Beamish, 2013; Cuervo-Cazurra and Un, 2004; Cuervo-Cazurra *et al.*, 2007; Kotabe *et al.*, 2011; Meyer *et al.*, 2011; Narula, 2011). For instance:

- the company needs to find an efficient way to transfer productive resources to the country, which involves dealing with physical or legal constraints (Kwon and Hu, 1995 and Rugman and Verbeke, 1992);
- the firm needs to transfer the advantage related to the resources to its new market abroad;
- the firm needs to prevent transferring disadvantages to its new investment; and
- the firm may lack assets to compete in the new market, at a larger scale and in a new institutional environment, which generates liabilities of newness, expansion and foreignness (Cuervo-Cazurra *et al.*, 2007; Eriksson *et al.*, 1997; Tallman, 1992).

Cuervo-Cazurra (2011) identifies that some firms choose a non-sequential internationalisation, if they have domestically acquired experiential knowledge in managing complexity, broad competitive conditions and different institutional environments.

Internationalising through acquisitions is a common strategy for Latin American multinationals (Aybar and Ficici, 2009), as this mode of international expansion offers relevant value-creation opportunities for firms; however, difficulties post-acquisitions represent several risks such as "liability of foreignness" and "double-layered acculturation" (Barkema *et al.*, 1996; Eden and Miller, 2004). These risks deal with issues like the differences in natural culture, business practices, institutional forces and customer preferences, and these prevent companies to completely fulfil their strategic objectives (Aybar and Ficici, 2009).

Internationalisation of Colombian companies

In 1985, Colombia began a progressive trade liberalisation and, in 1990-1991, implemented a trade reform based on radical tariff and non-tariff reductions, labour flexibility and the facilitation of financial movements with the purpose of exposing domestic producers to international competitors (Attanasio *et al.*, 2004).

Colombia's presence in international markets was dependant on primary commodities exports (Mayer, 1983). From the 1960s, the foreign operations of Colombian companies were solely in the coffee industry-related consumer markets. Since the 1930s, Colombia has developed a strategy of country branding to position "*café de Colombia*905 (Dube and Vargas, 2013; Gonzalez-Perez and Gutierrez-Viana, 2012). Nowadays, there is a high dependency of exports related to commodities, especially those related to petroleum, coal and briquettes.

Since 2005, some major Colombian companies have been acquired by foreign-owned business conglomerates, such as the beer company Bavaria, which was acquired by the South African SABMiller; *Coltabaco*, which was acquired by Philip Morris; *Almacenes Éxito*, which was acquired by the French company Casino; the banking services companies *Granahorrar* and *Banco Ganadero*, which were acquired by the Spanish bank BBVA; and the bank C*olpatria*, which was acquired by GE Money.

Although literature about the effects of international trade promotion on the distribution of export outcome is heterogeneous in terms of its results (Cristea, 2011; Czinkota, 2010; Lederman *et al.*, 2010; Martincus *et al.*, 2011), in the case of Colombia, export promotion and diversification have been associated with accelerated gross domestic product (Gutiérrez de Piñeres and Ferrantino, 1999; Mejía, 2011).

The internationalisation of Colombian firms is a very recent phenomenon; besides, exports belong mainly to the primary sector, with a high dependency on a few commercial partners (Mejía, 2011). Nevertheless, since 2002, companies from emerging markets, including Colombian MNCs, have entered into a phase of foreign expansion and have established operations in host countries. Their outward FDI has risen considerably faster than developed countries (Gammeltoft *et al.*, 2010; UNCTAD, 2012a, 2012b, 2013).

International business research is still incipient in Latin America (Fastoso and Whitelock, 2011); especially in Colombia, there is a lack of international business research groups, and faculty with doctoral studies in International Business-related fields (Fuerst, 2010). Furthermore, there is a scarcity of papers published in international business journals that contribute to the understanding of the internationalisation of Colombian MNCs. Hence this paper contributes to the understanding of the internationalisation patterns of Colombian MNCs using primary and secondary data within the framework that Eisenhardt (1989) put forward. This analysis provides academic and business practitioners with a descriptive overview of the drivers for international expansion of Colombian *multilatinas*, which could possibly support managerial decisions and further research.

Research design and methodology

There is an increasing interest in studying DCMCs, partly due to the fact that DCMCs have undergone a rapid catching-up and internationalising process (Amsden, 2001; Cuervo-Cazurra, 2007a, 2007b, 2008b; Wright *et al.*, 2005). This paper aims to analyse primary and secondary data on Colombian-owned firms that have on-going international operations, as well as to provide description of their operations overseas. The focus is to carry out an exploratory study of 30 Colombian companies from the perspective of headquarters studying the internationalisation strategies of the sampled firms.

This inductive research was designed based on previous research results (Gonzalez-Perez and Velez-Ocampo, 2012), literature review and empirical observations. Yin (1981, 1984, 2011) and Eisenhardt (1989) frameworks were used for the case studies design with the aim to obtain testable and empirically valid data. The sample was chosen theoretically rather than randomly to fill conceptual voids (Strauss and Corbin, 1994). The data were collected over a period of three months during 2012, and it was systematically analysed using cross-case pattern search (Ghauri, 2004; Yin, 2011).

A target population of 100 Colombian companies with international operations abroad was identified. An exhaustive desk research was conducted for each of the chosen firms. This step was followed by an online survey taken by 30 senior managers of the 100 targeted companies (30 per cent response rate). This response rate is consistent with findings by Baruch and Holton (2008) regarding studies published in US journals in which the average response rate for studies using data collected from organisations in 35.7, with a standard deviation of 18.8.

For this study, an online survey was chosen, aiming to gain access to managers who would be difficult to reach through personal or telephone interviews (Wright, 2012). The descriptive analysis presented in this paper is based on the collected information for the 30 analysed companies, and a deeper analysis on the internationalisation of a theoretical sample (rather than statistical) of ten selected cases to illustrate different sectors aiming for possibilities of replication in the future to extend emerging frameworks of analysis (Reynolds *et al.*, 2002; Scandura and Williams, 2000). Subsidiaries abroad were not sampled, instead, data were collected through both primary and secondary sources, the former using structured interviews with chief executive officers and top international business executives, and the latter through both official financial statements and databases such as Legiscomex[1] and BACEX[2]. Secondary data from annual reports, published sources, including managerial magazines (LatinTrade.com; América Economía, Dinero.com) and companies' official websites were used as a support of primary information; reliability was ensured through the triangulation of sources and data cross-checking (Hussein, 2009; Patton, 2002).

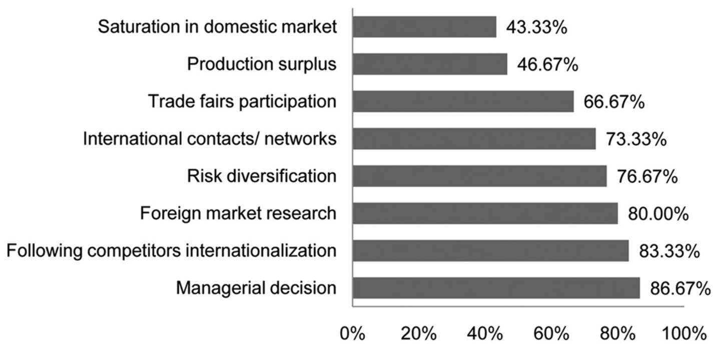
Findings and discussion

This section summarises cross-case internationalisation patterns found in the studied Colombian companies. These patterns were identified via descriptive statistics of the available quantitate data and are illustrated with quotations extracted from interviews and open-ended questions, looking at subtle similarities and differences in their internationalisation process.

Regarding the primary reasons for internationalisation, this research found that the role of top management in all surveyed companies is crucial; 86.67 per cent of the sampled firms reported that internationalisation obeys mainly to a unilateral decision by the senior management. In addition, another decisive factor is to have a reactive internationalisation, which means following domestic and international competitors to the countries in which they have decided to operate internationally. For the majority of the companies, having access to detailed information on foreign market via formal market research is another critical factor. See Figure 1 for discriminated factors.

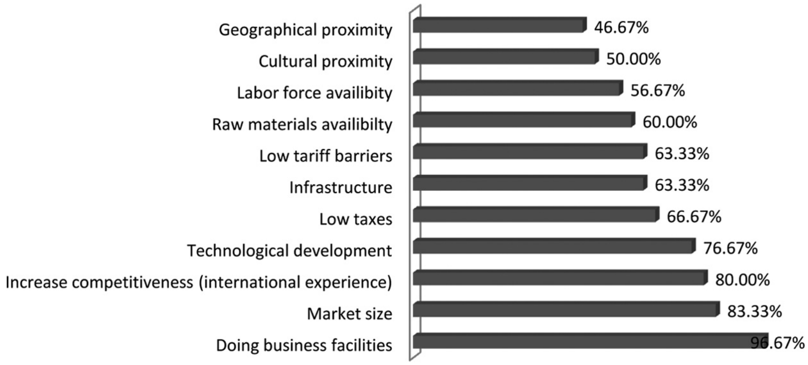
Figure 2 shows the most common factors that influence internationalisation decisions made by the Colombian companies surveyed. Offered facilities to do business in foreign countries, market size and the possibility of gaining experiences in international markets and technological development in the host country are the main factors influencing the decision of targeting a market in a foreign country.

Surveyed managers have indicated that the main barriers to internationalisation are difficulties in payment of foreign taxes, political risks and certification requirements. This can be observed in greater detail below (Figure 3).



Note: $N = 30$

Figure 1.
Reasons for internationalisation



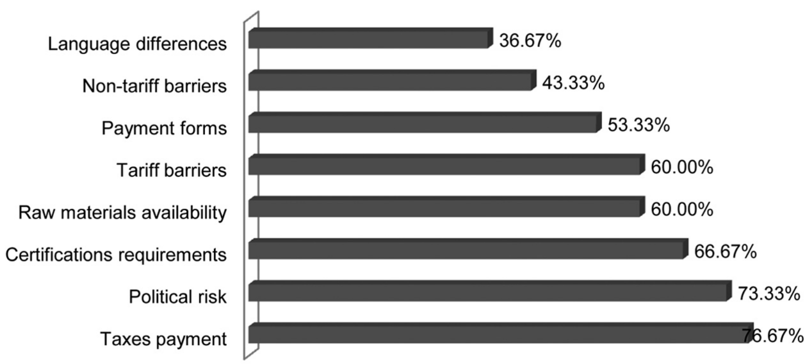
Note: $N = 30$

Figure 2.
Most common factors that positively influence international market decisions

The most common foreign operation methods for surveyed Colombian companies are exports. Over 80 per cent of the sample reported that their most frequent method for international market participant is exports (almost 60 per cent uses direct exports). Exports is the most common entry mode for SMEs willing to internationalise, although the amount of SMEs with international operations is particularly low, just 28 per cent of the industrial SMEs and 18 per cent of the SMEs in the service sector have some sort of international presence according to ANIF (2012). Outward FDI is not very common for Colombian SMEs, unlike the situation of larger Colombian firms, as stated by the president of a chemical Colombian *multilatina*:

> Due to the high freight and logistics costs and the customs procedures, our company prefers to establish wholly owned subsidiaries abroad rather than exporting.

Over the past two decades, the larger Colombian *multinatinas* have decided to internationalise, especially through mergers and acquisitions (Table IV) in the Latin American region undertaking a multi-domestic approach as stated by a chief financial officer at a cement Colombian multilatina:

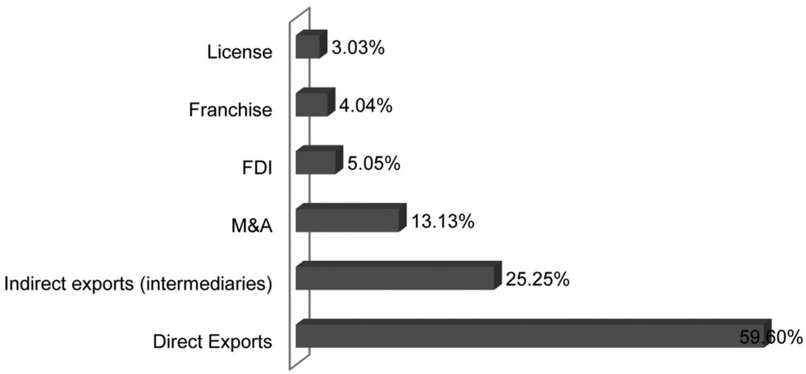


Note: $N = 30$

Figure 3.
Main barriers for internationalisation

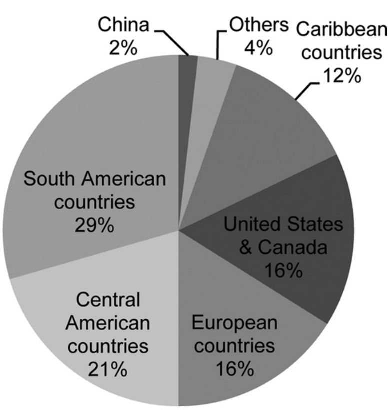
> As a multi-domestic firm that produces and trades cement with outstanding financial results in every country in which we operate, we are ready to take advantage of any acquisition opportunity that might arise […] In our company we are constantly looking organic and inorganic growth within the region we have targeted, that expands from the north of South America until the USA, including Central American and the Caribbean (Figure 4).

As Figure 5 shows, the surveyed companies have indicated that their target country markets are within its region. It was identified that over 60 per cent of the companies either operate or aim to operate in South America, Central America and the Caribbean. Top managers perceive that increasing commitment in the Latin American regions brings advantages regarding the low institutional, cultural and geographic distance, which implies less costly adaptations and eases technology and knowledge transfer. The main Colombian *multilatinas* see Latin America as a springboard for the globalisation of their operations as expressed by the president of a food Colombian company with FDI in eight Latin American countries:



Note: $N = 30$

Figure 4. Frequency of foreign operations method



Note: $N = 30$

Figure 5. Targeted countries for foreign operations

> Our main challenges in terms of growth and expansion are to reach the productivity and competitive standards of the best food companies worldwide and increase our international presence through acquisitions […] We are assessing acquisition opportunities throughout the Latin American region, especially in those countries in which we already have operations.

Additionally, according to UNCTAD (2012b), although FDI outflows in major Latin American countries (Brazil, Chile, Colombia and Mexico) have decreased to −29.3 per cent in the period of 2010-2011, Latin American companies have increased Mergers & Acquisitions (M&As) in 17.9 per cent during the same observation period. Colombia has increased 34.4 per cent cross-border M&As purchases in the same period, while Brazil has decreased to −34.6 per cent (UNCTAD, 2012b). Colombian *multilatinas* are constantly looking for M&As opportunities, especially in the region. This is illustrated with the following quote by the vice-president of business development at a chemical products manufacturing Colombian multilatina:

> We are assessing several opportunities abroad and considering expansions in terms of geography and commitment. There are some differences in financial outcomes in the markets where we have presence, generally speaking, Central America is doing well, we acquired a company there last year and everything has gone as expected; in spite of the economic difficulties in Venezuela, our operations there are over our expectations; whereas Brazil has presented some ups and downs.

As observed in Tables III and IV, nine out of the ten studied companies have an internationalisation strategy that focuses only in the Latin American region. Only Nutresa (food sector) currently has operations in regions outside the continent (Asia). Ten out of the ten chosen companies have acquired companies overseas that are already established and are positioning brands within host markets. As it was presented by senior managers both in Bancolombia (financial services and banking) and Nutresa, these companies have a focalized strategy in which they acquire high-quality assets abroad: well-managed and positioned firms, with an outstanding brand management which makes them very likely to succeed internationally rapidly.

Early FDI through mergers and acquisitions relies mainly on investment banks; however, companies have gained experimental knowledge that has allowed them to act more independently. Within the past years, the observed Colombian firms have favored M&As over other entry modes, a rationality behind these decisions that is analyzed using the framework proposed by Cuervo-Cazurra (2007a, 2007b).

When faced with the inability to transfer an advantage, companies like Nutresa, Cementos Argos, Carvajal and Almacenes Éxito have developed advantageous resources locally and allowed foreign subsidiaries to create their own strategy and advantage, with the control and supervision of headquarters. Interconexión Eléctrica SA (ISA) has dealt with the liability of foreignness by transferring complementary resources from the home country because they argue that transaction costs are not that high on that particular industry, and this allows them to transfer their local ownership advantages to their foreign subsidiaries with ease. Over the last years, most of the observed firms have preferred the consolidation in foreign markets through M&As instead of using Greenfield investments or joint ventures. These companies have developed and implemented management and information systems in foreign subsidiaries as a way to solve the liability of expansion.

Company name	Creation date	Industry	Countries of operation
Empresas Públicas de Medellín (EPM)	1955	Energy, water, telecommunications	Colombia, Panama, Mexico, Guatemala, Salvador, Costa Rica, Peru, Chile, Brazil, Caribbean countries
Cementos Argos	1934	Cement	Colombia, United States, Haiti, Panama, Dominican Republic, Suriname
Compañía Nacional de Chocolates (Nutresa)	1950	Food	Colombia, Ecuador, Venezuela, Costa Rica, Panama, Honduras, Salvador, Nicaragua, Guatemala, Mexico, Peru, Japan, Malaysia, Korea
Avianca - Taca	1919	Airline	Colombia, Brasil, Ecuador, Salvador
Grupo Suramericana (Sura)	1944	Insurance, pension funds	Colombia, Chile, Mexico, Peru, Uruguay
Organización Terpel	1968	Oil	Colombia, Ecuador, Chile, Panama
Grupo Carvajal	1904	Packing, publishing and communications	Colombia, Peru, Salvador, Mexico, Venezuela
Almacenes Éxito	1949	Retail	Colombia, Uruguay
Interconexión Eléctrica S.A (ISA)	1967	Energy	Colombia, Brazil, Peru, Chile, Bolivia, Ecuador, Argentina, Panama
C.I Banacol S.A	1983	Fruits	Colombia, United States, Costa Rica, Netherlands

Notes: Although each company has undergone its own process of internationalisation, the intensification of all these processes was strongly influenced by the opening of the Colombian economy in the early 1990s, when most Colombian enterprises started their expansion mainly through exports. It was only in the 2000s that the major Colombian firms decided to increase their commitment abroad through M&As and joint ventures, nevertheless, due to their inexperience in international operations, top investment decisions relying on consultancy of investment banks; but once the companies developed managerial skills, they became more independent in terms of their internationalisation strategies, negotiation with foreign partners and implementation of subsidiaries

Table III. Selected Colombian *multilatinas*, their industries and current countries of operation

These observations might suggest similarities with the internationalisation process of Asian tigers multinationals. As observed by Matthews (2006), emerging countries' MNCs based their internationalisation process based on their LLL capabilities. Furthermore, Colombian companies are following the internationalisation pattern of multilatinas (Casanova *et al.*, 2009; Castro Olaya *et al.*, 2012; Fleury and Leme Fleury, 2011). These companies have first explored natural markets for them; in other words, they have first attempted to establish and gain experiential knowledge in markets that share psychic features, and similar institutional environments; as suggested in Johanson and Vahlne (2009), psychic and physical proximity reduces risk and facilitates foreseen return of investments (ROI) and, therefore, long-term capital accumulation.

Summary and conclusions

The purpose of this paper is to provide an understanding of the ongoing internationalisation processes undertaken by 30 major multinational Colombian-owned

Company name	Before 1980	1981-1990	1991-2000	2001-2005	2006-2013
Empresas Públicas de Medellín (EPM)				**&**	**&**
Cementos Argos				**&**	**&**
Compañía Nacional de Chocolates (Nutresa)		**E**	**MG**	**&EM**	**&**
Avianca - Taca				**&**	**&**
Grupo Suramericana (Sura)					**&**
Organización Terpel					**&**
Grupo Carvajal					**&**
Almacenes Éxito			**&**		**&**
Interconexión Eléctrica S.A (ISA)					**&**
C.I Banacol S.A		**&M**		**&**	

Notes: E: Exports; **S:** Sales/Marketing agents; **&**: Mergers & Acquisitions; **G:** Greenfield investment; **M:** Manufacturing subsidiary

Table IV.
Stages of internationalisation of 10 Colombian *multilatinas*

firms. Additionally, it presents a theoretical interpretation and a conceptual framework for the understanding of internationalisation patterns from DMNCs.

This study was conducted based on the analysis of results obtained from the collected data and from comparative case studies based in the literature, as well as empirical observations of Colombian's cross-case patterns of firm internationalisation. This study observed the evolution in terms of foreign market commitment and foreign investment decisions that 30 major Colombian companies have undergone particularly within the past decade.

Although it was found that direct exports correspond to the widespread entry mode of Colombian companies in foreign markets, most of the observed firms preferred the consolidation in host markets through M&As instead of using Greenfield investments or joint ventures. These observations might suggest similarities with the internationalisation process of Asian tigers multinationals, which means that they are consolidating their internationalisation process based on their experiential knowledge acquired domestically. Furthermore, Colombian companies are following the internationalisation pattern of other multilatinas. These companies have first explored natural markets for them; in other words, they have first attempted to establish themselves in markets with low distances (economic, financial, political, administrative, cultural, demographic, global connectedness and geographical distance) (Ghemawat, 2013) that share psychic features and similar institutional environments, as psychic and physical proximity reduces risk and facilitates foreseen ROI and, therefore, long-term capital accumulation.

This study presents some limitations that suggest the need for further research. First, although the observed firms share one main characteristic – being Colombian-owned multinationals – they belong to diverse fields, so this might make the creation of a framework difficult to explain other multinationals drivers to internationalise. A second limitation is that this analysis does not deepen into the internationalisation patterns of multilatinas from countries other than Colombia; this leaves room for further research questions that might deal with the issue of analysing advantages and disadvantages in the internationalisation process of DCMCs. A third limitation is that this study does not have a longitudinal approach; so this paper does not intent to provide definitive information about cause-and-effect relationship regarding the drivers for DCMCs to internationalise, but is rather intended to provide an analysis of the outward FDI decisions of Colombian multinational firms.

Implications for practice

There is limited research based on primary data on accessing the internationalisation process of Colombian multinational companies. This paper offers a research framework and results which could be replicated in other DCMNC and could also be studied longitudinally. This study includes relevant information on the drivers for international expansion, market selection, perceived obstacles, entry modes and consolidation in host markets via acquisitions that could possibly support managerial decisions.

Notes

1. Database containing Colombia's exports and imports. It is available online at: www.legiscomex.com/
2. Database of Colombian foreign trade developed and administered by the Colombian Ministry of Trade, Industry and Tourism.

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About the authors

Maria Alejandra Gonzalez-Perez (PhD, MBS) is Full Professor of International Business, Director of the International Studies Research Group and, in the period August 2009- January 2013, was the Head of the Department of International Business at Universidad EAFIT (Colombia). Professor Gonzalez-Perez is also the coordinator of the Colombian universities in the virtual institute of the United Nations Conference for Trade and Development (UNCTAD), Editor-in-Chief of the business journal AD-minister and the Editor-in-Chief of Revista de Negocios Internacionales. She holds a PhD in globalization and corporate social responsibility (International Business) and a Master's degree in Business Studies in Industrial Relations and Human Resources Management from the National University of Ireland, Galway. She did postdoctoral research at the Community Knowledge Initiative (CKI) in NUI Galway. Prior to her position in Colombia, she worked as a researcher in various organizations such as the Centre for Innovation and Structural Change (CISC), Irish Chambers of Commerce and the Economics of Social Policy Research Unit (ESPRU) in Ireland. Dr Gonzalez-Perez has published several academic papers and book chapters in the areas of internationalisation, corporate social responsibility and international migration. Maria Alejandra Gonzalez-Perez is the corresponding author and can be contacted at: mariaalejandra.gonzalezp@gmail.com

Juan Fernando Vélez-Ocampo (MIB) (IB, MIB) is an Assistant Professor of International Business at Institucion Universitaria Salazar y Herrera (Colombia) and a researcher within the International Studies Research Group at Universidad EAFIT. Professor Velez-Ocampo received his Bachelor's degree in International Business at Institucion Universitaria Esumer in Medellin, Colombia, and his Master in International Business at Universidad EAFIT, Medellin, Colombia.