International Entrepreneurship in Small Economies:

Analysis of Internationalization Dynamics

Abstract

In recent years the literature on international business has started to use frameworks and concepts from the entrepreneurship literature to have a better understanding of how businesses conduct their internationalization process. However, most literature has focused its efforts in research on multinational firms in more developed. This has generated significant gaps about emerging economies such as Latin-America where SMEs play a key role on the emerging markets economic growth.

This study is focused on the initial stage of the internationalization process of a sample of small South American countries SMEs. The aim is to understand how location affects the different dimensions of internationalization process. A growing body of empirical evidence has illustrated that industry and institution-level factors have significant effects on internationalization. However, we still know very little of the effect of SMEs' country location for their internationalization process in the emerging markets context.

Results supported our hypotheses about the influence of location on the dimension of scope, an under-research area of the international entrepreneurship literature. We invite scholars to further research about industry and institution-level effects in the internationalization process in Latin-America.

1. Introduction

During the last two decades, the interest on International Entrepreneurship (IE) has increased rapidly due to the acceleration of the globalization process in the world economy (Zahra & George, 2002). Several scientific contributions to this field have emerged from the disciplines of International Business and Entrepreneurship (Autio, 2004; M. Jones & Coviello, 2005;

McDougall & Oviatt, 2000; Shaker A. Zahra, 2004), but also from interrelated fields such as Strategic Management (Meyer at al., 2009; Peng, 2004), Developmental Economics and Public Policy (Acs et al., 2008; Bannò et al., 2013). This has increased the understanding of the relevance of IE at the firm and government level.

Prior research has focused mainly on large-sized firms and multinationals from developed economies, primarily using a single theoretical perspective, and without providing deeper insights about the effect of the business environment and the role of institutions on emerging markets SMEs (Jones at el., 2011; Oviatt & McDougall, 2005). This gap could jeopardize IE's research for two main reasons. First, SMEs are particularly significant for research, because (i) they are the most numerous firms across the world (Ayyagari, Beck, & Demirguc-Kunt, 2007); (ii) globalization has progressively removed international trade barriers, increasing competitiveness (Porter, 2008); and (iii) they play a key role for economic development catching gradually more attention from policy makers across nations (Acs, et al., 2008). Second, emerging economies are increasing their position in the world economy, mainly because their rapid pace of development and economic liberalization (Wright et al., 2005), and consequently gaining importance in the management research agenda (Meyer, et al., 2009).

Latin America has not been the exception of this situation. IE research in Latin America is still under-represented in the IB literature (Dimitratos et al., 2014; Perez-Batres et al., 2010).Thus, this study seeks to contribute to fulfill this gap by conducting a cross-country research with a sample of South-American SMEs with emphasis in the effect of the location in the scope, of the Initial Internationalization Stage (IIS).

A survey was design and validated using a multi-step protocol (Dillman, 2011), then distributed directly by email to 2.527 firms, and indirectly to an undetermined number of firms by requesting 842 public agencies, business associations and universities to forward the survey invitation. 195 responses were gathered with 81 (42%) valid and complete surveys from SMEs originally from Latin-American countries. Probit econometric models were conducted using a set

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of independent variables to measure institutional development of the country of origin (location), controlling by firm and local-industry variables, and binary dependent variables for the IIS dimensions.

The paper is structured as follows. Section two presents the literature considering main concepts, constructs and hypotheses. Section three presents a brief analysis of the methodology. Section four explains results and discussion. Finally, we conclude with theoretical and practical implications for policy makers.

2. Literature and Hypotheses

2.1 International Entrepreneurship and IB perspectives

The rapid pace of globalization has changed entrepreneurs' focus from local to international markets, also pushing scholars to erode the frontiers of IB and entrepreneurship in order to understand the multidisciplinary nature of this process (Oviatt & McDougall, 2005).

During the recent decade, insightful multidisciplinary research on IE has been drawn upon theories and frameworks from international business, entrepreneurship, strategic management and sociology (Jones, et al., 2011; Kiss, et al., 2012). New phenomenon such as "Born Globals" (Crick, 2009) , "Micro-Multinationals" (Dimitratos et al., 2014; Ibeh at al., 2004), and Internationalization from Emerging Economies (IEE) (Peng, et al., 2008) have gained attention from scholars, increasing the scope of the field. Moreover, the application of different frameworks, for instance the Institutional Based-View (Peng, et al., 2008), has opened new multidisciplinary research questions, such as the effect of institutions in the internationalization dynamics of SMEs from EE. Considering this evolution, this study considers as theoretical framework an integrative and multidisciplinary approach from International Business & Entrepreneurship and the Strategic Management literature.

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The roots of IE are deeply connected to the seminal internationalization studies conducted during the 70's by Johanson and Vahlne (1977, 1990). Their model, called 'The Uppsala Model', explains how firms become international in a gradual process, which starts using less committed modes of entry and targeting psychically close markets. Nevertheless, their analysis focused only on traditional internationalization, neither entrepreneurial internationalization nor accelerated behavior. Thus, IB scholars started a new research agenda on the topic of IE, which was initially considered as (i) the comparisons of entrepreneurial behavior across nations and cultures, and (ii) organizational behavior that extends across national borders and is entrepreneurial (Wright & Ricks, 1994).

As part of the evolution on IE's research, Zahra and George (2002) presented an insightful review of the IE concept, developing an integrative framework that ties the concepts of organizational, strategic and environmental factors influencing the internationalization process of SMEs. In this framework, organizational factors are associated with the effect of firm related variables, such as top management teams, resources, size, age and origin. Strategic factors consider the effect of company's competitive strategy on IE. Environmental factors are external variables, such as domestic market competition and growth, government policies, industry and institutional environment. In addition, they suggested three dimensions for the internationalization process: (a) extent or degree, as the proportion of firm's sales generated by foreign markets; (b) speed, defined as the length of time that elapsed between the firm was created and its first foreign sale; and (c) scope, measured as the number of countries or the geographical scope – regional or global - of the countries where the firm generated sales. This framework is especially relevant for this research.

2.2 Strategic Management Perspective

During the last decade, the evolution of the discipline and intersections with IB has generated new insights about IE. Firstly, strategic management has contributed to a better understanding of the impact of internationalization on the firm's performance, finding positive results (Lu & Beamish, 2001, 2004). Secondly, the intense debate about the factors that explain profits has

fostered the analysis from the classic industry-based view (McGahan & Porter, 1997, 2002; Porter, 1990) and resource-based view (Barney, 1986, 1991, 2001; Eisenhardt & Martin, 2000), to a systemic approach that includes the effect of the firm's environment, known as the institution-based view (Peng, et al., 2008).

The resource-based view, exemplified by Barney (1991), suggests that it is firm specific differences that drive strategy and performance. An industry-based view, represented by Porter (1980), argues that conditions within an industry, to a large extent, determine firm strategy and performance (Peng, et al., 2008). Both theories were profoundly valuable for IE's research, although they were both profoundly criticized for ignoring the formal and informal institutional underpinning that provides the context of competition among industries and firms studied with these lenses (Kogut, 2003). Thus, it is necessary to push the analysis further tackling the concept of institutions.

Institutions, also known as "rules of the game" (North, 2006). Scott (1995), defined institutions as "regulative, normative and cognitive structures and activities that provide stability and meaning to social behavior". From these definitions, we can classify institutions as formal or informal (Felzensztein et al 2010)**.** Based on these concepts, the institution based-view defends the idea that institutions govern societal transactions in the areas of politics, law and society (Peng, et al., 2008). Consequently, institutions play a fundamental role analyzing firm performance of firms, especially in emerging economies where the absence of strong formal institutions is conspicuous (McMillan, 2007; Meyer, et al., 2009). Furthermore, several studies have shown that institutions significantly shape the strategy of firms (Hoskisson, et al., 2000).

Peng, et al. (2008) noted that the lack of an institutional focus on prior research is not surprising, as resource and industry-based views arise primarily out of research on competition in the United States, in which market-based institutional framework can be used. Nevertheless, differences on how competition is organized differ among countries and significantly shape the strategy and performance of firms – both domestic and foreign – in emerging economies (Wright

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et al., 2005). Therefore, it is research on emerging economies that has pushed the institution-based view to the cutting edge of IE research. This is because the profound differences in institutional frameworks between emerging economies and developed economies force scholars to pay more attention to these differences.

Governments have become aware of the inevitability of fostering IE, not only to enhance their economic development, but also to increase their nations' competitiveness in an increasingly globalized world-market (Porter, 2008). Thus, different public policies have been developed to contribute to this purpose, enhancing formal and informal institutions to promote IE (Acs, et al., 1997). Public initiatives, such as (i) supporting firms' internationalization by specialized public agencies, (ii) promoting and facilitating outward-foreign direct investment (FDI), (iii) strengthening the financial access for SMEs, (iv) fostering international commerce by free trade agreements (FTA), and the (v) liberalization of economies, are common practices in modern emerging economies.

Furthermore, several studies have been conducted to understand the role that institutions have had enhancing IE in EE (Acs, et al., 2008; Bengoa & Sanchez-Robles, 2003; Luo, Xue, & Han, 2010; Trevino, et al., 2008). These studies provided complementary concepts and methodologies, such as institutional-level proxies (Bengoa & Sanchez-Robles, 2003), and industry-level proxies (Barrell & Pain, 1996), to build a multi-level approach to comprehend the effect of location in IE. The observed relevance of business-government interactions in EE suggested indeed that policy makers and entrepreneurs need a broader comprehension of the role of each other at the different levels of IE – firm, industry and institutions. As we can see, these analyses coincide and are aligned with some of the basic arguments exposed in the IE and SM perspectives.

2.3 Hypotheses

Considering the need for research in EE, especially across under-represented regions such as Latin-America, and the use of a multi-level approach based on recent developments from SM literature. This study seeks to understand the relative effect of location, in the scope dimension of

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the initial internationalization stages. In our study, the firms' location is considered especially relevant for institutional level factors as well as industry-level factors (Sharp et al., 2013; Yi et al., 2013)

For the scope dimension, the literature from SM has shown a positive effect of institutional development on the scope of the initial internationalization stage (IIS) (Acs, et al., 2008; Arregle et al., 2013; George & Prabhu, 2000; Hessels & Parker, 2012; Yi, et al., 2013). However, the industry-level the attractiveness could have a negative effect on the scope of the IIS. This because it pushes firms to set more managerial efforts for their local markets (Lu & Beamish, 2001; Yiu, et al., 2007). The above discussion leads to the following hypothesis:

Hypothesis 1a: Institutional development is positively related to the scope of the initial internationalization stage of SMEs.

Hypothesis 1b: Local-Industry attractiveness is negatively related to the scope of the initial internationalization stage of SMEs.

Hypothesis 2a: Institutional development is negatively related to SME's propensity of internationalization from emerging to developed economies at the initial internationalization stage.

Hypothesis 2b: Local-Industry attractiveness is positively related to the SME's propensity of internationalization from emerging to developed economies at the initial internationalization stage.

3. Context: IE in Latin-America

Sachs and Vial (2002) argued that a century ago this region seemed prepared to become a serious actor in the world economy. Nations such as Argentina, Brazil, and Chile were intense international traders. However, the disappointing performance of overall economic progress truncated their development process, and now set most Latin-American countries still ranking consistently low in competitiveness and development indexes, as Table 1 shows. One of the most plausible hypotheses is that simply institution failed and consequently entrepreneurs faced unstable environments for business.

Today Latin-America is considered an emerging region, which has been under-represented on the IE and strategy literature (Perez-Batres, et al., 2010). Nations from this region are especially attractive for analysis as have a history full of institutional and economic turndowns, although currently they have a period of intense economic reforms to increase institutional development to improve their business environment (Bittencourt, 2012; Bulmer-Thomas, 2012). Thus, research in this region could be useful for deepening our knowledge in IE as can provide useful insights to new factors that affect the internationalization process of SMEs.

As the Table 1 shows, Latin-American countries rank (i) between 37th and 180th among 185 countries in the Doing Business 2013 Ranking; (ii) between 7th and 174th among 177 countries in the 2013 Index of Economic Freedom (Heritage Foundation) ; and (iii) between 33th and 126th among 144 countries in the overall index at the Global Competitiveness Report 2012 – 2014. Such heterogeneity enriches this research as industry and institutional-level factors have significant differences among LA countries.

4. Research Methodology

4.1 Data

A survey was designed to overcome geographical distance, as well avoid interviewer-bias (Evans & Mathur, 2005). Next, a multi-step protocol was used to validate the survey, including an initial pilot with six experts: four Latin-American international entrepreneurs from Chile, Argentina and Perú, and two Latin-American scholars. After their feedback, the survey was improved to increase its validity. The survey was sent to (i) a database of 2527 South-American firms, and (ii) a database of 842 Latin-American public agencies, business associations and universities. The first was developed by the authors and the collaboration of several institutions such as Adolfo Ibánez University, the Japanese International Cooperation Agency, and Start-Up Chile. The later, was developed by obtaining support from several institutions such as INCAE Business School, Universidad Javeriana, and the Peruvian Association of Entrepreneurs, among

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others. Then, 195 responses were collected, and 81 (42%) were valid responses from SMEs that have become international. We consider SMEs with less than 250 employees as suggested by European Commission (2005).

The survey asked general managers about the (i) firm-level characteristics at its foundation and the start of the internationalization process; (ii) the dimension of scope of the IIS. Secondary sources were needed to obtain data about the industry and institution-level factors at the time that each firm started its internationalization process. This represented a strong challenge as many used international rankings and indexes have been developed only in the last decade. Thus, after a review of several public databases, the Economic Freedom index developed by the Fraser Institute, and the World Bank Database were selected to obtain this secondary data.

4.2 Sample Characteristics

The number of collected responses were less than expected because of difficulties of conducting surveys in South America due to the lack of trust and cooperation among managers as part of their cultural and competitive environment (Felzensztein et., 2010; Felzensztein et al., 2012, 2014). Table 2 shows that firms were mainly from Chile (54.3%), followed by Perú (22.5%), Colombia (12.3%). Firms from Argentina, México, Paraguay and Ecuador represented only 9.9% responses. Therefore, for the following analysis the last group of firms is labeled as "Others". Table 3 presents an overview of the main characteristics of the firms in the sample, which are mainly micro and small-enterprises (85.2%); professional services or retail industry (63%); mostly founded in the last twenty-five years (88.9%); and essentially started their internationalization process during the last fifteen years (80.2%).

Table 4 shows characteristics of the internationalization process at their initial stage. On average, firms took seven years to start their internationalization since their foundation, and reached three international markets. For the scope dimension, the sample included a balanced mix between firms that initially reached regional or global markets, 49.4% and 50.6% respectively,

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and emerging or developed economies, 53.1% y 46.9% respectively. However, firms mainly targeted multiple-markets (60.5%).

4.3 Variables

4.3.1 Dependent Variables

The internationalization-decision-makers in each firm were asked to detail the country of active business when the firm began to internationalize. From such answers, indirect measures were developed. First, a binary variable called "Global" was created, to indicate if the firm targeted global (1) or regional markets (0), which was defined as Latin-American markets due to prior similar works in the region (Felzensztein, et al., 2013). Second, the variable "Developed" was defined as a binary variable that differentiates firms that targeted developed (1) or just emerging economies (0). Next, the binary variable "Multi-Markets" was defined to discriminate between firms that initiated its internationalization process in just one (0) or multiple international markets (1).

4.2.2 Independent Variables

Independent variables were defined at industry and institutional levels. At the institution-level, a wide research was conducted to find validated indexes that measure institutionalization levels in Latin-American countries between 1975 and 2013. The best index found was the Economic Freedom level developed by the Fraser Institute (Canada). The main advantages of this index were (i) the availability of historical data for all the countries in the sample, and (ii) validated constructs that consider all dimensions of formal institutions for business (Easton & Walker, 1992). Therefore, using their Economic Freedom level as a proxy of institutional development it is possible to capture five dimensions: (i) government size; (ii) legal system and property rights; (iii) monetary and financial institutions; (iv) freedom to trade internationally; and (v) regulations, which include credit market regulations, labor market regulations and business regulations. Additionally, dummy variables for the firms location (Chile, Peru and Colombia) were considered in order to capture informal-institutions effects that are not measured with the

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prior variable. Therefore, "other countries" group is captured by the constant of the regression models.

For the industry-level, literature suggest considering measures as market size and market attractiveness, labor supply, competition and scale economies among other (Sharp, et al., 2013). Therefore, using the World-Bank database (2013b), initially three proxies were considered: (i) market size, defined as the logarithm of the total GDP of each country; (ii) market growth, estimated with the GDP growth percentage of the economy; and (iii) labor supply, defined as the annual unemployment rate. Time series were constructed for each country of origin and each year when a firm of the sample started its internationalization process. However, only market growth was used in the later models, because market size and labor supply had a strong multicollinearity by design with the Economic Freedom index (Easton & Walker, 1992).

4.3.3 Control Variables

Three control variables were considered: (i) *"size",* measured as the number of employees at the initial internationalization stage; (ii) *"industry",* defined as a binary variable to classify between professional services and retail and primary resources and manufacturing; and (iii) *"psychic distance"*. The last one is a proxy defined as an ordinal variable, which measures the biggest psychic-distance between the country of origin and the international markets reached in the IIS. The variable takes the values of 0 if the firm reached only Latin-American markets, 1 for Europe, Canada or USA, and 3 for others foreign markets (mainly Asia). This follows the methodology used in prior similar studies (O'Gorman & McTiernan, 2000; Pangarkar, 2008). Pearson's correlations for the selected variables are presented in Table 5, presenting expected correlations from hypothesis and how variables were defined.

4.4 Regression Models

Three groups of nested probit econometric models were developed for the dependent variables for IIS dimensions: (i) scope – global markets, (ii) scope – multiple market, (iii) scope –

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developed economies. Non-linear regression models present difficulties for interpreting the coefficients and measuring the goodness-of-fit. Therefore, significant marginal effects were considered to confirm the significance of each variable, and log-pseudo likelihood coefficients and Wald test are presented as illustrative, rather conclusive, measures of badness-of-fit (Aldrich & Nelson, 1984). Econometric and descriptive analyses were conducted using Stata 11 and SPSS Statistics 20.

5. Results and discussion

Table 6 presents regression models for the scope dimension of the IIS. Models for "global scope" and "developed markets" variables were significant, but not for multiple markets. However, these two significant models provide strong support for hypothesis 1 and 2. These findings are not only useful for academic purposes, but also for policy makers.

For the "global scope" regressions, size and industry were significant predictors, negatively related to the scope. Moreover, industry had a stronger marginal effect suggesting that primary resources and manufacturing firms are more likely to reach global markets. This is coherent with prior studies that suggest that manufacturing firms tend to reach more international markets (Becheikh, Landry, & Amara, 2006).

In addition, for the "developed economies" regressions, size was highly significant, although had a low negative marginal effect. This suggests that small firms are more likely than larger ones to reach developed economies during the IIS. This is a captivating finding as suggests a new research stream to understand why smaller teams can be more likely to reach developed economies, which are much more competitive than emerging ones. Prior works suggest that it could be a hidden reason in such small teams, which could be led by entrepreneurs who have internalized the value of internationalization to developing economies because of prior experiences or younger age (Yamakawa, et al., 2008). This was noted also in prior research that

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concluded that senior managers' international experience is positively related to some indicators of firm performance (Carpenter, Sanders & Gregersen, 2001).

The effects of firms location (country of origin) related to the scope of the IIS is a promising finding. At the end, the ways competition is organized and market institutions are established can be defined as an institutional development that facilitates the internationalization process. In addition, at the industry level analysis, our study suggests that more attractive local markets should change the managerial focus from international to more local efforts.

Why institutions matters? Governments play a crucial role for business, as they develop institutions that can support the growth of firms and lately for the entire economy. Furthermore, the institutional development of a specific country can affect more domestic business behavior such as trust, which is low in the Latin-American business context (Crossland & Hambrick, 2011).

Our sampled countries are engaged in processes of liberalization of their economies, therefore being in constant change of the institutions that forge or impede competition. One of the most important objectives of this process of liberalization is that these countries have engaged in inserting their economies to the process of globalization for being serious actors of the world economy. Hence, promoting IE should be a crucial part of this process, and public policy that intends to tackle this issue is extremely necessary.

Public policies of emerging economies focused on IE must develop an institutional context that supports national entrepreneurships that decide to internationalize their operations and sales. These institutions can gather information about the industry and potential foreign markets that can spur international entrepreneurship. Evidence indicates that the exposure and ability to gather information from foreign markets is positively associated with internationalization (Autio et al. 1997). According to our results, it is important that programs like the ones implemented in Chile by ProChile: Contact & Start-Up consider the *scope* of the internationalization that is aimed for

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the EE that are supported: particularly, if the IE is aimed to reach developed or emerging Latin American economies, as firms' strategies could differ depending on the market.

The second direction that public policies should encounter is to attract IE from different and diverse countries to foster economic growth. In this sense, initiatives in Latin-America such as Start-Up Chile aim to follow this purpose, attracting global entrepreneurs to start from Chile, and thereafter generating spillovers and new networks with foreign customers, investors and suppliers across the global, which could also be exploited by domestic firms and agents (Economist, 2012). There is much to be gained from conducting comparative analyses of international entrepreneurship in new ventures and established companies. These analyses can improve our understanding of the role of national cultures, national institutional environments, and cluster of innovations in promoting and shaping international entrepreneurship activities.

7. Conclusions and Implications

Our findings supported the two propositions about the initial stage of internationalization for SMEs from emerging small economies of Latin America. First, at an institutional level a positive relationship between institutional development and the internationalization scope was found. At an industry level, a negative relationship between the attractiveness of the local-market and the internationalization scope was found.

Our study suggests that institutions are important for IE. Moreover, our study has suggested that an analysis at the industry level is important too. Our hypothesis show that more attractive local markets should change the managerial focus from international to more local efforts has important consequences in the development of public policies for IE. Hence, public resources that support IE should be allocated to industries that have profound interests and motivations in internationalizing their activities.

The importance of non-financial outcomes of international entrepreneurship suggests a need to apply multiple measures to further improve future research in this area. These could lead

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to differentiated public policies for IE depending on the industry. Even if firms of an industry have a local attractive market, the non-existence of the same industry in some international markets could encourage them to engage in a process of internationalization. The dynamics of these processes of internationalization could be different from others that have been analyzed. Future research in this area could be valuable as can help policy makers in the construction of institutions that shape the internationalization of firms.

Our study shows, focusing on the importance of industry and institutions for IE can contribute to both: new theory development in IE and the formulation of new public policies for the emerging small Latin American economies. In this sense, new trends on research have shown that IE benefits are much higher and complex than the classic literature thought. Such complexity is associated with more specialized and knowledge-intensive firms that start to seek international markets to sell their products, and then spillovers start to have an exponential effect within the firm, and also in their value-chains and the entire entrepreneurial ecosystem.

8. Limitations and Further Research

The first limitation is related to the sample size which limits the predictive power of the econometric model. In addition, it considered mainly firms from Chile, Perú and Colombia, which are the most liberalized economies in Latin-America. Therefore, a larger and more heterogeneous sample is required to have stronger conclusions. At the firm-level data, questions for decision-makers gathered information about the initial stage of internationalization. Further research with more objective information about the internationalization process would increase the empirical robustness. Moreover, the institution-level proxy and economic freedom, was tested in only an aggregate way. With a larger and more heterogeneous sample, it could be feasible to test the effect of specific dimensions of the economic freedom construct, such as government size or credit market regulations among others. Longitudinal studies are also advice for future research.

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6. Appendix

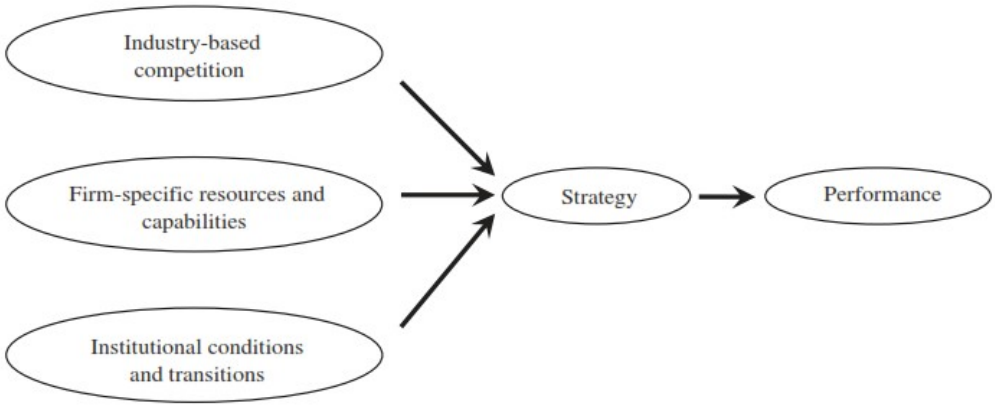

Figure 1. The institution-based view: a third leg on the strategy tripod.
Source: Peng, M.W. (2006) Global Strategy (p.15). Cincinnati: South-Western Thomson

Country	Development Stage - Global Competitiveness Report 2012 2013
Argentina	Transition from stage 2 to stage 3
Bolivia	Transition from stage 1 to stage 2
Brazil	Transition from stage 2 to stage 3
Chile	Transition from stage 2 to stage 3
Colombia	Stage 2: Efficiency-driven
Costa Rica	Stage 2: Efficiency-driven
Dominican R.	Stage 2: Efficiency-driven
Ecuador	Stage 2: Efficiency-driven
El Salvador	Stage 2: Efficiency-driven
Guatemala	Stage 2: Efficiency-driven
Honduras	Transition from stage 1 to stage 2
México	Transition from stage 2 to stage 3
Nicaragua	Stage 1: Factor-driven
Panamá	Stage 2: Efficiency-driven
Paraguay	Stage 2: Efficiency-driven
Perú	Stage 2: Efficiency-driven
Uruguay	Transition from stage 2 to stage 3
Venezuela, RB	Transition from stage 1 to stage 2

Table 1b. Development stages of Latin-American economies.
Source: World Economic Forum, 2013.

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			Global Competitiveness Report 2012 – 2013				
Country	Doing Business 2013	Economic Freedom Rank 2013	Overall Index Rank	Institutions Rank	Infrastructure Rank	Macroeconomic Environment Rank	Health and primary education Rank
Argentina	124	160	94	138	86	94	59
Bolivia	155	156	104	119	108	49	97
Brazil	130	100	48	79	70	52	88
Chile	37	7	33	28	45	14	74
Colombia	45	37	69	109	93	34	85
Costa Rica	110	49	57	53	74	65	57
Dominican R.	68	87	105	126	105	105	106
Ecuador	139	159	86	131	105	105	106
El Salvador	113	53	101	134	72	103	90
Guatemala	93	85	83	124	75	77	95
Honduras	125	96	90	118	101	80	96
México	48	50	53	92	68	40	68
Nicaragua	119	110	108	114	106	101	89
Panamá	61	71	40	69	37	53	69
Paraguay	103	80	116	135	37	53	69
Perú	43	44	61	105	89	21	91
Uruguay	89	36	74	36	49	63	50
Venezuela, RB	180	174	126	89	49	63	50
Number of Countries	185	177	144	145	146	147	148
Average	99	86	80	100	76	65	80
Standard Deviation	40,37	47,87	26,65	33,42	24,00	27,88	17,80

Table 1a. Relative position of Latin-American economies.
Sources: World Bank, 2013; Heritage Foundation, 2013; World Economic Forum 2013,

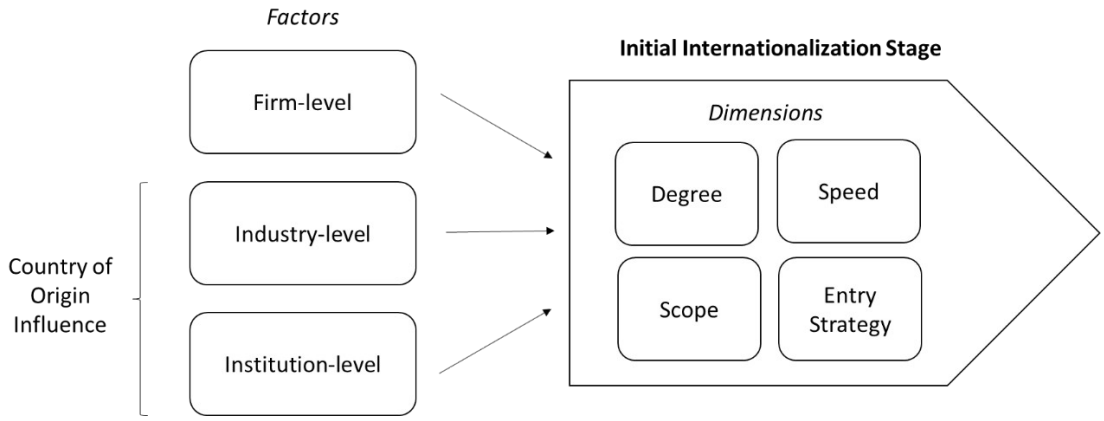

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Figure 2. Theoretical Model

	Frequency	Percent	Frequency	Percent
Chile	44	54.3	44	54.3
Colombia	10	12.3	10	12.3
Perú	19	23.5	19	23.5
Argentina	3	3.7	8	9.9
México	3	3.7		
Paraguay	1	1.2		
Ecuador	1	1.2		
Total	81	100.0	81	100.0

Table 2. Countries of Origin

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		Location: Country of Origin									
		Chile		Colombia		Peru		Others		Total	
		n	%	n	%	n	%	n	%	n	%
Size of Firm	Micro	27	61.4%	6	60.0%	13	68.4%	6	75.0%	52	64.2%
	Small	12	27.3%	3	30.0%	1	5.3%	1	12.5%	17	21.0%
	Medium	5	11.4%	1	10.0%	5	26.3%	1	12.5%	12	14.8%
	Total	44	100.0%	10	100.0%	19	100.0%	8	100.0%	81	100.0%
Industry	Primary Resources or Manufacturing	18	40.9%	1	10.0%	8	42.1%	3	37.5%	30	37.0%
	Professional Services or Retail	26	59.1%	9	90.0%	11	57.9%	5	62.5%	51	63.0%
	Total	44	100.0%	10	100.0%	19	100.0%	8	100.0%	81	100.0%
Decade of Foundation	1920	0	0.0%	1	10.0%	0	0.0%	0	0.0%	1	1.2%
	1930	1	2.3%	0	0.0%	0	0.0%	0	0.0%	1	1.2%
	1960	1	2.3%	0	0.0%	0	0.0%	0	0.0%	1	1.2%
	1970	1	2.3%	0	0.0%	0	0.0%	0	0.0%	1	1.2%
	1980	2	4.5%	0	0.0%	2	10.5%	1	12.5%	5	6.2%
	1990	11	25.0%	1	10.0%	5	26.3%	1	12.5%	18	22.2%
	2000	21	47.7%	5	50.0%	8	42.1%	4	50.0%	38	46.9%
	2010	7	15.9%	3	30.0%	4	21.1%	2	25.0%	16	19.8%
	Total	44	100.0%	10	100.0%	19	100.0%	8	100.0%	81	100.0%
Decade of Internationalization	1970	1	2.3%	0	0.0%	0	0.0%	0	0.0%	1	1.2%
	1980	1	2.3%	0	0.0%	1	5.3%	0	0.0%	2	2.5%
	1990	8	18.2%	0	0.0%	3	15.8%	2	25.0%	13	16.0%
	2000	11	25.0%	2	20.0%	6	31.6%	2	25.0%	21	25.9%
	2010	23	52.3%	8	80.0%	9	47.4%	4	50.0%	44	54.3%
	Total	44	100.0%	10	100.0%	19	100.0%	8	100.0%	81	100.0%
		Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.
Size: Employees		31	56	20	23	31	50	17	25	28	49

Table 3. Firm – Industry characteristics of the sample.

	Location: Country of Origin				
	Chile	Colombia	Peru	Others	Total

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		Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.
Speed of Internationalization [Years of delay]		6	10	14	23	5	5	4	6	7	12
Scope: Number of Countries		2	2	2	1	4	4	4	4	3	3
		n	%	n	%	n	%	n	%	n	%
Scope: International Markets	Latin-America	20	45.5%	7	70.0%	7	36.8%	4	50.0%	38	46.9%
	USA. Canada and Europe	17	38.6%	3	30.0%	9	47.4%	1	12.5%	30	37.0%
	Rest of the World	7	15.9%	0	0.0%	3	15.8%	3	37.5%	13	16.0%
	Total	44	100.0%	10	100.0%	19	100.0%	8	100.0%	81	100.0%
Scope: Regional or Global	Regional Scope	20	45.5%	6	60.0%	10	52.6%	4	50.0%	40	49.4%
	Global Scope	24	54.5%	4	40.0%	9	47.4%	4	50.0%	41	50.6%
	Total	44	100.0%	10	100.0%	19	100.0%	8	100.0%	81	100.0%
Scope: Developed Economies	Emerging Markets	22	50.0%	7	70.0%	8	42.1%	6	75,0%	43	53,1%
	Developed Markets	22	50,0%	3	30,0%	11	57,9%	2	25,0%	38	46,9%
	Total	44	100,0%	10	100,0%	19	100,0%	8	100,0%	81	100,0%
Multiple Markets	Single Market	21	47,7%	4	40,0%	4	21,1%	3	37,5%	32	39,5%
	Multiple Markets	23	52,3%	6	60,0%	15	78,9%	5	62,5%	49	60,5%
	Total	44	100,0%	10	100,0%	19	100,0%	8	100,0%	81	100,0%
Entry Strategy	Low Equity Entry Strategy	10	22,7%	1	10,0%	4	21,1%	3	37,5%	18	22,2%
	High Equity Entry Strategy	34	77.3%	9	90.0%	15	78.9%	5	62.5%	63	77.8%
	Total	44	100.0%	10	100.0%	19	100.0%	8	100.0%	81	100.0%

Table 4. Characteristic of the Sample – Internationalization Dimensions.

	1	2	3	4	5	6	7	8	9	10	11	12	13
1.Born Global	1.0000												
2.Multi Market	0.0733	1.0000											
3.High Equity	-0.0267	-0.0675	1.0000										
4.Developed Economy	0.0203	0.1524	-0.0331	1.0000									
5.Global Scope	0.0896	0.1110	-0.1122	0.7306 *	1.0000								

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6.Psychich Distance	0.0853	0.1079	-0.1038	0.5323*	0.7653*	1.0000							
7.Size	-0.2980*	0.1361	0.0489	-0.3881*	-0.3492*	-0.2702*	1.0000						
8.Industry	-0.0729	0.0077	-0.1640	-0.1499	-0.1439	-0.1140	-0.2185	1.0000					
9.Growth	-0.0620	-0.1378	-0.0916	-0.0803	-0.1324	-0.0572	-0.0937	0.0204	1.0000				
10.Economic Freedom	-0.0663	-0.0764	0.0330	0.2519*	0.2269*	0.0707	-0.0399	0.427	0.1319	1.0000			
11.Chile	-0.024	-0.1834	-0.132	0.0674	0.0857	0.0187	0.0630	-0.0874	-0.0373	0.4959*	1.0000		
12.Colombia	-0.1671	-0.0038	0.1103	-0.1272	-0.0797	-0.2009	-0.0683	0.2101	0.0029	-0.3199*	-0.4093*	1.0000	
13.Perú	0.0605	0.2090	0.0156	0.1218	-0,0360	0.0743	0.0340	-0.0581	0.0321	-0.1328	-0.6037*	-0.2078	1.0000

* significant at 0.05

Table 5. Pearson correlations

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	Global Scope				Multiple Markets			Developed Markets		
	Model 1a	Model 1b	Model 1c	Model 1d	Model 2a	Model 2b	Model 2c	Model 3a	Model 3b	Model 3c
Constant	0.878***	-3.637*	-2.353*	-1.822708	0.101	0.631	0.395	1.074***	-3.77**	-2.658*
	(2.82)	(-1.93)	(-1.77)	(-1.18)	(0.37)	(0.57)	(0.37)	(3.15)	(-2.49)	(-1.64)
Control										
Size	-0.020***		-0.018***	0.004	0.004		0.004	-0.040***		-0.039***
	(-2.96)		(-3.20)	(0.12)	(1.16)		(1.01)	(-3.80)		(-3.56)
Industry	-0.677**		-0.733**	-0.701**	0.087		0.105	-0.752**		-0.712*
	(-2.04)		(-2.04)	(-2.01)	(0.29)		(0.33)	(-2.13)		(-1.86)
Predictors										
Economic Freedom		0.644**	0.590***	0.445**		0.008	0.019		0.540**	0.537**
		(2.19)	(2.81)	(2.13)		(0.05)	(0.12)		(2.39)	(2.20)
Growth		-0.108*	-0.116**	-0.106**		-0.072	-0.065		-0.089	-0.082*
		(-1.92)	(-2.43)	(-2.28)		(-1.56)	(-1.43)		(-1.46)	(-1.91)
Chile		-0.709	-0.634			-0.310	-0.361		.050	0.017
		(-1.08)	(-0.97)			(-0.57)	(-0.68)		(0.08)	(0.02)
Peru		-0.465	-0.427			0.502	0.449		0.642	0.823
		(0.75)	(-0.67)			(0.91)	(0.83)		(1.06)	(1.15)
Colombia		-0.181	-0.142			-0.096	-0.124		0.273	0.253
		(-0.29)	(-0.20)			(-0.16)	(-0.20)		(0.41)	(0.32)
Interactions										

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Size*Ec. Freeedom				-0.003 (-0.75)						
Log pseudo-likelihood	-47.08	-51.79	-41.94	-43.34	-53.48	-51.22	-50.56	-42-04	-50.97	-37.29
Wald test	11.89***	7.68	25.90***	25.54***	1.36	7.92	8.31	16.76***	9.25*	20.84***

*** significant at 0.01; ** significant at 0.05 ; * significant at 0.10

Table 6. Regression models for Scope dimension.

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