A Theoretical Approach to the Internationalization in Emerging Economies: Study Case of the Banking Sector in Latin America

Abstract: A strategic model for financial companies desiring to internationalize regionally is proposed based on academic research addressing five of the leading banks in South America and on different theories of the internationalization process. Key competence strategies of the Colombian financial sector were identified including service quality, interest rates, administrative costs, number of branches and different channels of attention. Several actions have caused a high degree of overcrowding requiring market share increases in different countries within the region to increase profitability. These institutional strategies were identified as mergers and acquisitions and appear as the most successful strategies.

Key words: Internationalization, Internationalization Models, Internationalization Paths

Introduction

In 2013, the financial sector was established as one of the most important ones within the Colombian economy. According Asobancaria (The Colombian Association of Banks and Financial Entities), the sector overpassed profits by 11% over national GDP during the same period of time. Positive forecasts regarding liquidity, growth and positioning of the companies within the sector are also predicted. Given the importance of this industry and the need for organizations to venture into international markets in a globalized economic environment, Colombian banks should follow strategic guidance. The first steps of the internationalization of Colombian Banks begins in the Andean Community and in a few Central American countries (Oliveira, 2011); this process has been carried out gradually in different countries and within different production sectors.

Colombian Banking has become one of the strongest in the region. However, very few domestic banks have been given the opportunity to venture into a foreign market. Moreover, Colombia has signed several international treaties with South American countries over the past decades. These treaties facilitate the internationalization of any company and the free movement of goods, services and production factors among nations. Given the maturity of this sector, it is important that the nation clearly defines its horizons regarding exporting financial services.

The main objective of this study is to determine a robust strategy for all Colombian banks that are willing to expand their services to a South American country. Initially, and in order to determine the pattern of internationalization, a literature analysis of theories of internationalization (Networks , Processes and Economic), its key characteristics, and their relationship with the Colombian and Latin American financial sector will be carried out. Once the features of each internationalization strategy and the current characteristics of the financial sector within the region are analyzed, it will be possible to establish which theory is better positioned to promote the expansion of the Colombian financial institutions in South America.

Literature Review

Beginning in the sixties, scholars from the Nordic School of Uppsala studied the international behavior of multinationals in this area of Europe. Yet to date, models that in theory bring closer together the companies' internationalization process are so diverse that some critics have questioned its definition as a "process". What is the real way companies pursue a process of internationalization? It seems that it's always the same, according to the economists from the Uppsala School. They posit that internationalization is a gradual process that looks for close markets first before approaching cultural contexts and trying to reach more distant markets. Critics question whether international companies are perhaps not embedded in complex market systems where their changing nature requires adjustment. This relates to a process that opens international markets also known as the globalization phenomenon. But instead of defining globalization as the percentage of trade that is handled through domestic or international borders, or by any other economic or social means, globalization can be understood as the understanding of such complexity (Lane & Maznevski Menderhall, 2004). Understanding the processes that are needed to deal with the complexity contributes to the understanding of the necessary elements to globalize an organization.

Starting with the concept of internationalization, some theories suggest that organizations first use low commitment formulas as indirect exports, engaging in ways that are more "loaded" from the investments point of view while at the same time the foreign market becomes more known and in consequence more predictable. As a result of the combination, a path to minimize the risk associated with international markets is defined. This whole process is often left to the theory of transactional costs where only the economic return on investment and the assumed market risk are evaluated; which ultimately results in inefficiencies that favor the organization's vertical or horizontal integration. This risk is one of the pillars of the eclectic international trade theory proposed by Dunning (1988), which explains the internationalization of businesses through a balance between those companies and the benefits of localization in foreign markets and the outsourcing of activities abroad. It is possible though, that this balance generates a dormant company as defined by internationalization that would fail to adapt to changing conditions. Furthermore, it could be stated that the company could really find itself on a chaotic globalization process with an excessive level of control in order to balance out within the external market, which ultimately brings the company on the brink of chaos.

These explanations collide with proposals from other schlars that introduce the human element in the process: It is not the actual situation on the international market, but the individual perception who decides the internationalization path. The degree of internationalization could be caused by internal barriers, rather than environmental aspects generating a body of research focused on the role that management has in the internationalization of their businesses. Likewise, it can impact decisions that involve the start of international operations, progress on the internationalization path, taking an active role in exports or achieving higher yields in foreign markets. In any case, the analysis in this field does not have a systemic character yet, and arrives from different areas: (1) industrial or manufacturing SMEs, which responds better to a model of sequential internationalization (Barkema, Bell & Pennings, 1996; Delios & Beamish, 2001; Li, 1995; Luo & Peng, 1999); (2) high-tech enterprise "Born Global" to which the international market is natural since its inception and is linked to the narrower concept of "international entrepreneurship" (Aguilera & Flores, 2007; Mansfield, 2003); (3) explanations of international business performance based on the theory of resources (Dunning, 2009; Gande, Schenzler & Senbet, 2009) and (4) contributions from theories that explain the export phenomenon from a network perspective. The theoretical richness that provides this diversity would be higher under a single comprehensive and flexible conceptual model, which combines the rigor and consistency in the use of terms and measures.

Internationalization Theories

Internationalization as a concept, according to some researchers, is defined as a set of operations that facilitate links between business and international markets (Root, 1994; Scepter 1999). Hymer (1976) suggests that the process of internationalization, particularly in the case of a multinational, starts precisely from the unsatisfied need to build a unique competitive advantage in foreign markets. It also focuses on optimal infrastructure location, comparative market advantages, competitive technology or investment development for foreign companies. The motivations for a Colombian company to become a multinational lie in various challenges that involve entering international markets such as market (commercial), savings in operating costs and technological access (administrative), and those related to taxes, incentives and conditions in the target market (political). These are reflected in investments made by Colombian companies in Ecuador, Peru, Mexico and Venezuela (Franco, 2000).

Internationalization from the Economic Point of View

The economic theory of internationalization is the first one to offer a point of view from the concept of internationalization. It tries to explain the existence of the MNE considering internationalization as a strategic and rational decision which is based on the costs and benefits that a company can accomplish by developing activities abroad (Dunning, 1993; Hymer, 1976; Williamson, 1975; Kojima, 1982). Theories such as "monopolistic advantage theory" and "Macroeconomic Theory" regarding internationalization are based on this context. These theories suggest that the internationalization process begins with a cost analysis in order to identify which market is the most appropriate for the organization to internationalize its activities (Castro, 2009). In other words, firms choose the optimal way to enter a market by analyzing costs, risk and their own resources (Hood & Young, 1979). Based on a microeconomic perspective, some authors consider the concept of internationalization as a rational decision firms make in order to enter foreign markets and contribute to the concept of transaction costs. This is based on the idea that in a perfect market there is no control, leading to need to be more efficient (Dunning, 1988, Williamson 1975). The control developing cost to maintain or improve the efficiency is quite high, causal for seeking benefits abroad especially for multinational companies (Anderson & Gatignon, 1986; Dunning, 1992; Whitelock, 2002).

The transaction costs analysis will make the company internationalize when asset specificity is high. This idea is related to current concepts such as maquilas and outsourcing, suggesting that companies focus on the activities that generate economic value and outsource those that are easily replaced in the international market on a small supplier base (Buckley & Casson, 1976; Erramilli & Rao, 1993). Hymer (1976), Buckley and Casson (1976) also emphasize the ability to innovate as a specific advantage that leads to internalization through borders (Henisz, 2003). In fact, unlike companies that are expanding in search of resources (natural, efficiency or strategy) to transfer back into the existing operations, companies seeking markets are facing new competitors and new consumers (Raven-Cazurra Maloney & Manrakhan, 2007). According to Crow, and Manrakhan Maloney (2007), the firm is able to transfer some resources to internationalize across borders through product customization (Penrose, 1959) or Foreign Direct Investment (Dunning, 1993).

The decision to reach foreign markets should be a consistent and coherent decisions with the business strategy. The importance of internationalization highlights the company development in the long run (Buckley, 1988; Rugman, 1980; Melin, 1992). The approach to the eclectic paradigm guided by specific globalization conditions from an economic perspective is an effort by Dunning to reconcile the major theories in the economic field. In another context, Dunning (1992) proposed that the concept of internalization is relevant depending on the choice between licensing or foreign direct investment. According to this paradigm, in the absence of market imperfections, firms may rely on exports as the only entry mode into foreign markets (Calvet, 1981; Hymer, 1976; Eriksson, Johanson & Majkgârd, 1997). In fact, the benefit generated is relative according to the competitive environment in which the company operates (Tallman, 1992; Amit & Schoemaker, 1993; Brush & Artz, 1999, Raven-Cazurra, Maloney & Manrakhan, 2007).

Other authors suggest ways to establish a Foreign Direct Investment project can be classified into three types: (1) Greenfield, (2) Acquisitions and (3) joint ventures (Kogut and Singh, 1988; Anand and Delios, 2002; Elango and Sambharya, 2004). Joint Ventures and Acquisitions provide access to the resources offered by local companies. Joint Ventures with local resources partially selected a local partner and Acquisitions when a local acquired company integrates operations. A Greenfield project has no direct access to a local company through a union but though a purchase of resources such as real estate or contract of labor (Meyer, Estrin, Kumar and Peng, 2009). The environment is also a vital aspect to begin this internationalization process. The environment in a new country may differ from the original country in terms of physical characteristics such as geography or climate, or in the characteristics of its people and institutions such as government, business, religion, language, wealth or even culture (Bartlett & Ghoshal, 1989; Ghemawat, 2001; Prahalad & Lieberthal, 1998; Tallman, 1992). In fact, the advantage of locating production in a foreign market is a key motivator in the decision of Foreign Direct Investment by the organization (Dunning, 1988, 1993; Dunning & Lundan, 2008; Rhee & Cheng , 2002).

Previous studies have also presented that there is a growing number of small multinationals due to the implementation of "focus" strategies exploiting untouched segments by their competitors (Adler, 1984). Research in the eighties showed that subsidiaries can survive on their own and resist headquarter control activities as a first step to implement a comprehensive integration strategy (Doz & Prahalad, 1981). That way internationalization becomes a larger dimension of the progressive strategy for most organizations. The strategy process determines the development and progressive change in the international business based on the scope, the business idea, actions orientation, organizational principles, the nature of managerial work, corporate values and standards convergence (Melin, 1992). Given that the most critical aspect of economic theory is the fact that restricting the internationalization of economic variables related to the opportunity cost and benefit associated with this, it is logical to expect a new school of thought that saw this concept of internationalization from a broader perspective based solely on a rational decision on transaction costs or location. Yet resource advantage is not the only way to internationalize a firm. International activities require both general and market specific knowledge. Market specific knowledge is assumed to be gained mainly through experience in the market, whereas knowledge of the operations can be transferred from one country to another; the latter will thus facilitate lateral growth. Consequently, the better the knowledge about a market, the more valuable the resources and the stronger the commitment to the market (Andersen, 1993). Andersen (1993) suggests that the internationalization decision is considered as an innovation for the firm according to the learning process of the market.

Internationalization from the process point of view

The internationalization as a process perspective explains how and why a local firm can be converted in an international firm and when it is prepared to move to the next stage in the internationalization levels. The models related with this perspective are focused in the internationalization decisions considered by a process in which the firm is obtaining experimental knowledge in the foreign market. Accordingly, the Internationalization Process Theory emerges leaving behind the concept from an economic point of view as a decision and sees it as a complex process that goes beyond economic advantages or disadvantages that can lead to initiate activities abroad (Canals, 1994). Therefore the initial step that business in foreign markets comes from exports is questionable looking to two major aspects: one, as part of activities pre - export and two, as an approach to close countries in psychological distance (Bilkey 1978; Cavusgil, 1984; Ciznkota and Tesar, 1982; Johanson & Valhne, 1977, 1990, 2009; Olson & Weidersheim-Paul, 1978; Young, 1987). Johanson and Vahlne (1977) proposed that market knowledge is something which is generated gradually through experience in foreign markets. New market opportunities will appear when increasing this experience, providing the firm better knowledge about the environment. On the other hadn, some studies explain that the internationalization process model proposed by Johanson & Valhne does not pay enough attention to the acquisition choice as a route of internationalization, a shortcoming shared with the mainstream of the Economic theory (Forsgren, 1990).

In the internationalization model, two dimensions of international expansion are identified: psychic distance and establishment chain. The model postulates that as the psychic distance between markets increases, the more difficult it becomes for firms to collect and interpret incoming information properly (Eriksson, Johanson & Majkgard, 1997). This process had its origin in the liability of foreignness, a concept that originally explained why a foreign investor needed to have a firm-specific advantage to more than offset this liability (Hymer, 1976; Zaheer, 1995). In fact, a central tenet in the studies of regional multinationals is that international expansion and cross border integration is more costly across regional blocks (Geisler, 2009). The Nordic School of Uppsala, mainly affirms that when a firm decides to develop international activities it should consider that interaction with foreign markets will increase gradually while it acquires experience on it. Accordingly, internationalization is a four stage process of interaction with the foreign market that moves from the development of indirect activities until arriving at direct involvement with the market (Johanson & Vahlne, 1977). This stages are: (1) Development of sporadic activities or not regular exports, (2) Exports through independent representatives, (3) Establishment of a subsidiary in the foreign market and (4) Establishment of a production plant abroad.

Johanson & Vahlne's (1990) model can explain both the pattern of the establishment chain in a specific country market, and the empirical pattern according to which those firms enter new markets with successively greater psychic distance. The authors do not rule out the fact that the firm can jump from one stage to another in this chain, but they emphasize that the firm should obtain experience through a process of interaction with the foreign market in order to achieve a more satisfactory establishment on it. (Johanson & Vahlne, 2009). Finally, the school of Uppsala, greatly contributes to the introduction to the concept of psychic distance, according to which the entry to foreign markets tends to be in similar markets to the local one, because there's where the firm has greater knowledge and diminishes risks thanks to facilitating international learning. Some authors suggest that the compatibility between a firm's existing resources and those needed in a particular foreign market is critical. Knowledge about the market and the firm is required, which leads to a new concept called "internationalization knowledge", and knowledge of the selected market which is called "Foreign Business Knowledge" (Johanson & Valhne, 1977; Madhok, 1996, 1997; Eriksson, Johanson & Majkgard, 1997).

Nonetheless, Johanson and Vahlne (2009) made a special review of their model proposed and confirm that the Uppsala model explains the characteristics of the internationalization process of the firm. They explain that when the model was constructed, there was only a rudimentary understanding of market complexities that might explain internationalization difficulties argued before, but subsequent research on international marketing and purchasing in business markets provides them a business network view which will be explained further on. In fact, some studies confirm the incremental process by demonstrating successive establishment of operations in small steps, typically starting with exports followed by sales subsidiaries and eventually manufacturing subsidiaries (Johanson & Wiedersheim-Paul, 1975; Juul & Walters, 1987). However, other studies suggest alternatives to incremental behavior (Bonnaccorsi, 1992; Knight & Cavusgil, 1996; Loane & Bell, 2006; Luostarinen & Welch, 1990; Millington & Bayliss, 1990; Oviatt & McDougall, 1994; Turnbull, 1987; Zahra, Ireland & Hitt, 2000).

Other authors suggest that different types of organizations follow different processes of internationalization (Malhotra & Hinings, 2010). Malhotra and Hinings (2010) argue that in order to understand why internationalization processes proceed in a certain way, it is necessary to keep in mind the different organizational types, focus on what these organizations do to organize the creation and delivery of a product or service in a foreign market. Adding to the Uppsala model, Vernon (1966) explains that the competitive advantages are given by the endowment factors and market complexity, concepts such as innovation and uncertainty play an important factor at the start of the internationalization process. The firm should seek a deeper and specific perspective, because these are not equals. Searching a more specific perspective implies involvement in production location decisions, since competitive advantages can be lost to more competitive firms in other countries focusing in production of the same type of goods. Vernon develops a model based on product, because depending on the degree of product development, the firm will decide its location. Based on the product life cycle, Vernon's model can be included in the internationalization model.

On a different take, Canals (1994) based his theory on how the firm decides to enter a foreign market depending on the expectations of the market's level of globalization. According to this concept based on the model of international strategies proposed by Porter, he argues that four types of business exist: (1) Exporting, (2) Multinational, (3) Global and (4) Transnational. Each business type has a strategy based on two main variables, costs pressure and local market sensitizing:

• Exporting Business – International Strategy: the low costs to export and the access to the market facilities.

• Multinational Business – Multinational Strategy: the interaction difficulty with the market in an indirect way and the lower costs of entry give a favorable space to decentralize the operations of the firm in subsidiaries not only productive but also commercial.

• Global Business – Global Strategy: the high costs of entry, including facility of access to the market, make a favorable environment that permit to the firm centralize its added value activities and outsource the activities in which the firm is not dynamic, taking advantage of the facilities in the foreign market.

• Transnational Business – Transnational Strategy: it is the new challenge of the firm, trying to find an effective balance between the profitability and economic efficiency (by the high prices of entry) and an adaptation capacity to the market in a flexible way (by the high access barriers to the market).

Internationalization from the network point of view

Even though the process theory analyzes internationalization in a more extensive way focusing on the organization rather than the nation, new theories are becoming more popular. One of these theories is the Network theory, which explains that a firm is in a specific internationalization level depending on the network in which it interacts. Therefore, if the network has constant interaction with markets abroad it is very probable that the firm has been prompted to these markets by an impulse that is carried out inside the network. The network model addresses one of the critical institutional contexts of emerging markets, the influence of external network members on firm internationalization (Elango & Pattnaik, 2007). Johanson and Mattson (1988) developed a network model of internationalization based on business network research. Their study discusses the internationalization of firms in context of both the firm's own business network and the relevant network structure in foreign markets. In contrast to many other network studies, this model highlights the importance of the network structure outside the firm's own business network. Business network coordination suggests that learning how to coordinate sets of relationships is important. Such learning may develop relationships between partners that are located in different countries – for instance, suppliers in some countries and costumers in others (Johanson & Vahlne, 2003, 2009). There is nothing in the model proposed by Johanson & Valhne on the process theory explained before that indicates that international expansion cannot be done quickly. In fact it can, as long as there is sufficient time for learning and relationship building (Valhne & Johanson, 2002). It also suggests that as the firm has contacts with different networks, it can use them as a tool. Through fairs and social events, the firm can acquire and exploit its relations with network members, and participate in international activities establishing relations with new markets abroad.

In other studies, Petersen and Pedersen (1997) found that firms motivated by market seeking displayed incremental behavior. Also Erramilli and Rao (1990) findings suggest that firms that followed existing costumers exhibited significantly greater aggressiveness in choosing entry modes than when seeking new costumers. In other words, as a firm internationalizes into a host market, an important element of the internationalization process is whether the firm's focus is on the whole market or on a specific costumer (Malhotra & Hinings, 2010). The networks mainly seek that the firms develop international activities through strategic alliances and the propagation of franchises. As a firm internationalizes, it faces complex choices among a variety of institutional arrangements, such as wholly owned ventures, joint ventures, and non – equity arrangements (e.g. licensing, franchising, management service contracts and subcontractual forms) (Anderson & Gatignon, 1986; Contractor & Kundu, 1998; Hennart & Reddy, 1997; Hill, Hwang & Kim, 1990). The firm may create new knowledge through exchanges in its network of interconnected relationships. Knowledge creation is an outcome of the confrontation between producer knowledge and user knowledge (Johanson & Vahlne, 2009).

The Colombian Banking Case Analysis

In Colombia, the most common phenomena in international activity is Mergers and Acquisitions of domestic and foreign companies. These represent financial constraints faced by local companies which resort to seeking strategic partners to generate an economic recovery, sacrificing in some cases brand name recognition achieved in the local market (Castro, 2009a). The internationalization of a number of Colombian companies has followed a combination of Dunning's eclectic theory and the relationship as a process under the model established by the Nordic School of Uppsala. This combination is the culmination of the process of internationalization after completing some previous stages (licensing, exports through distributors, subsidiaries or representatives, or production and foreign assembly). In this context, there was a significant number of strategic alliances between Colombian Multinational Enterprises with other national and international companies aimed to consolidate, strengthen and deepen the internationalization strategies, and provide a more stable environment of their international business above what they can reach through exports, as seen with the previous models. Some of these firms belong to the banking industry. The following banks are examples of such transactions:

Citibank is an American bank with over 200 years in the financial sector. The internationalization of Citibank has been one of the most successful in the financial sector and today has presence in more than 160 countries worldwide. This process in the region has three basic strategies, (1) incursion into a market without intermediaries as in Argentina (1914) followed by Peru (1920) and Colombia (1929), (2) licensed to start operations in Guatemala (1974) leading to the official opening of Citibank Guatemala in 1990 and (3) established strategic alliances with local banks and firms to increase service quality and network coverage in offices and ATMs. For example, FASA – a company in Peru. Citibank has managed to diversify its products throughout the continent, however the operations in South America have the presence of traditional products. In the United States and Central America, the bank has a dedicated business advisory services to support small and medium enterprises that do not have the expertise to dabble in different economic sectors. It is noteworthy that due to the economic crisis of 2008, Citibank has entered a period of contraction, deciding to close several offices in the world that do not represent significant gains for the parent company. Citibank has the necessary strength to carry out these processes of internationalization, which has always been a fundamental part of its strategic vision.

HSBC Hong Kong is a financial group with more than 149 years in the financial sector. HSBC is one of the largest financial groups in the world with excellent results in their internationalization process. The internationalization process has three basic strategies: (1) the creation of licenses to operate and seven years later live trading as HSBC - the cases in San Francisco in 1875 and New York in 1880, (2) the expansion operations without intermediaries such ezel case branch in Vancouver in 1981, and (3) how most of the subsidiaries have been initiated - through strategic alliances with local banks and then a final purchase: Banco Roberts SA in Argentina (1987), Midlnad Marine Banks in the USA (1980), Bamerindus (1999) in Brazil and financial group Bital (2002) in Mexico. HSBC has understood market the needs, which is why they have focused on a diversified portfolio of products to meet the local demand. They offer everything from financial advisory and trade up product lines designed exclusively to serve the Agro sector. HSBC will continue its internationalization process, which has always been among their vision. However in recent years HSBC closed several offices in the world that were not representing significant gains for the parent company.

Davivienda has over 42 years of experience in the financial sector. The decision process of increasing market share was linked to the objective of increasing company revenues. The Panamanian commercial operation started in 1972 following market research and a feasibility study. Trust services and consultancy in foreign trade led operations just like the 2012 acquisition of HSBC in Costa Rica, Honduras and El Salvador. Note that the operations were not developed under any license instead, each office abroad operated directly from the time of purchase. There is a differentiation of services offered in each country related to the current market situation. For example, Miami and Panama offer foreign trade consulting service which is not found in all Davivienda branches. The internationalization process has been part of the strategic bank's vision, property embodied in Dunning's theory. Furthermore, Davivienda is currently the third largest bank in Colombia, reason why it has the experience and capital to continue its internationalization process.

Bancolombia is a Colombian bank with more than 69 years of experience in the financial sector. Bancolombia started its expansion in order to increase their income. It's the largest financial institution in Colombia. To facilitate their business activities, Bancolombia has used two strategies: (1) opening of a branch without intermediaries such as occurred in 1973 when the international financial center of Panama authorized opening Bancolombia Panama and in 2003 when Bancolombia Miami opened under the Sufinanciamiento agency; and (2) the creation of strategic alliances with local banks to learn more market operation and then move to procurement such as acquiring Banagrícola in 2007 and the acquisition of 40 % of Mercantil Agro Holding Group in Central America. Bancolombia has differentiated services in all countries where it operates. In Peru, for example, exclusive leasing and investment services are offered. In Panama, it has specialized in investment in capital market agency. The company has been adapting gradually to market demands and offering products and services that meet these needs. The internationalization process has been part of the bank's strategic vision.

CorpBanca is a Chilean bank with over 143 years of experience in the financial sector. Despite being one of the oldest institutions of the continent, CorpBanca started its internationalization process in 1996 with the aim of increasing their income. Before starting financial operations in countries where it operates now, the bank made strategic alliances with local banks to meet future market penetration. Furthermore, CorpBanca has also acquired financial institutions without intermediaries, such as the acquisition of the Venezuelan Banco Consolidado in 1996 and Banco del Orinoco in 1998. In 2011 it purchased 95% shares of Banco Santander and Santander Investment in Colombia. CorpBanca is one of the most important entities in Chile, which allows it to have the necessary strength to continue its internationalization process which is also part of its strategic vision in the short term.

Conclusion and recommendations

The following findings can be made from the analysis of the different theories of internationalization proposed by several authors as well as the cases of the five financial institutions that have expanded business operations outside their country: A single theory of internationalization has not been applied to the case of the Colombian financial sector. While the five steps of the eclectic theory of Dunning are evident in all the processes of the internationalization, the model of Johanson & Matson addressing long-term relationships by all financial institutions is also seen. This network theory that mentions the importance of linking institutions to share knowledge and achieve commercial agreements among network members is also seen.

Before starting the internationalization process, any financial institution in the region needs to analyze the host country conditions. The influence of local government in the financial sector is a priority given that this sector controls entities which provide stability and reduce operational risks. Additionally, it is important to analyze the cultural factor and the level of financial education of the country. Financial institutions with operations in different countries have a diversification of products and services offered to customers. Considering consumer needs and the current conditions of different sectors in each country can be exploited, for example a focus on products for the livestock sector.

The creation of strategic alliances with local banks may be the first step of internationalization. Most banks currently operating in different countries have used this initial strategy followed by the acquisition of smaller banks. An analysis of the administrative costs that can be charged in each country depending on regulation must be performed. It's also important to have clarity on regulation of interest rates. The development of post sales service a strategy is also important considering is a key differentiator in the sector. When a merger occurs, customers from the acquired entity could suffer from the internationalization process. Establishing long-term strategies with customers is essential to ensure the sustainability of the financial institution in the market.

Lastly, several recommendations for future research in the internationalization of the Colombian financial sector in South America include conducting a detailed study of the behavior of the financial sector in each of the countries in the region to have greater clarity on potential target markets, demand characteristics, economic stability, the importance of government in the performance of the sector, strategies to attract foreign investment. Also, to determine the impact degree caused by various financial crises around the world to the internationalization of the Colombian financial institutions, as well as the economic and financial stability of each of the countries in the region may be of interest. Additionally, an analysis of the conditions offered to financial institutions by the countries in the region and the strategies that have been or will be developed by the governments of each nation to attract foreign capital investment would is suggested.

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