TOWARD A 7-P FRAMEWORK FOR ENTREPRENEURIAL INTERNATIONALIZATION

KEY WORDS

Internationalization, Latin America, Globalization, Emerging Markets, Entrepreneurial

ABSTRACT

The purpose of this paper is to develop a generalized 7 P-theoretical framework for entrepreneurial internationalization (Potential, Path, Process, Pace, Pattern, Problems and Performance) of a firm with testable propositions based on the systematic review of literature on internationalization of Latin American firms. We present 7 P-framework as a benchmark typology for internationalization of firms from any similar geographical regions, cultures, or industries. We found that firms from emerging markets, in particular, Latin America face many challenges such as Cognitive Bias, Liability of foreignness and Resource constraints, while internationalizing their operations. We propose P-framework to carry out firm/industry level analysis while going international. Finally, we provide several recommendations for future research.

INTRODUCTION

Social structure, historical and institutional factors such as government regulations determine the degree of success of a firm in a typical developing country (Dana, 2001). A firm increases its probability of survival when it goes international (Puig, Gonzalez-Loureiro & Ghauri, 2014; Jones et.al, 2011; Fernhaber, 2013). With the volume of international business transactions traditionally stemming from developed, Triad nations (North American, European Union, and Japan) it is not surprising that research focused more on North American and European firms operating in other countries. Many researchers have habitually discussed the entry and business strategies of the world's largest MNEs. However, firms from emerging markets have become far more competitive than traditionally, and are now far more likely to compete internationally than in the past (Bianchi, 2009).

With the relatively recent liberalization of several, previously closed, emerging economies (Aulakh et al., 2000), we now see that much research has been oriented towards the internationalization of firms, stemming from these emerging economies, called EMFs (Emerging Market Firms). However, there's a gap in the literature regarding a focus on the internationalization of firms outside of Asian countries, such as China and India. Also, research on entrepreneurial firms from Latin America (LATAM) is somewhat scarce in premier journals (Nicholls-Nixon et al., 2011; Fastoso and Whitelock, 2011). Thus, we seek to fill this gap by providing evidence of successful internationalization efforts from LATAM firms and provide a useful and effective framework for managers to follow during the internationalization process.

LATAM countries constitute 8 percent of the world economy and population. Therefore, we aim to make a number of important contributions to the scholarship. First, we develop a comprehensive overview of internationalization of LATAM firms, and position it within the broader areas of emerging market firms and international business literature. Although two literature reviews (Nicholls-Nixon et al., 2011; Fastoso and Whitelock, 2011) enhanced the knowledge of research on Latin American management, this is the first comprehensive review integrating all the studies published in well recognized journals focusing on the internationalization of LATAM firms. Second, even though we have robust theoretical frameworks such as the Uppsala model of gradual internationalization (Johanson & Vahlne, 1997; 2009), Born Global (Cavusgil & Knight, 2015; Efrat & Shoham, 2012; Knight & Cavusgil, 1996/2005/2006; Knight, Madsen & Servais, 2004;), Cultural, Administrative, Geographic & Economic (CAGE) distance model (Gemawat, 2001; 2003), and Learning, Linkage and Leverage (LLL) model (Mathews, 2006) to discuss the internationalization of firms. Also, there has been calls for an exploratory approach to the decisions and the processes involved (Kim & Aguilera, 2015). Third, following the recent calls for developing new frameworks, extending the theories and suggestions for future research in the area of internationalization (Buckley, 2002; Shapiro, Von Glinow & Xiao, 2007; Ulg, Ghauri & Schaumann, 2014; Paul & Gupta, 2014; Kim & Agulera, 2015; Knight & Liesch, 2015) we propose a "7-P framework" with testable theoretical propositions, (based on potential, path, process, pace, pattern, problems and performance) extending the available models dealing with the internationalization phenomenon of firms, to learn more about the mechanism of creating and capturing capabilities and opportunities across the national borders. Fourth, the 7-P framework seeks to explain the success and failure of the internationalization of a firm from an emerging market economy. Therefore, we argue that a firm from an emerging economy should carry out an analysis based on the first six Ps from our framework before going global, so that they can perform better after internationalization.

Consequently, the scope of this article is building a better framework for internationalization grounded in extant literature as well as explaining the insights for managers.

This article proceeds as follows: first, we discuss the business environment and importance of the LATAM market to build base for this study. This is followed by the research methods used to conduct this investigation. The subsequent section provides country-wise information about internationalization of LATAM firms, followed by proposed 7 P-Model as a framework for future research of industry- and firm-level, for managerial decision-making. Finally, in the last sections we provide a brief description of the limitations encountered in our research, directions for future research and concluding remarks.

METHOD

Our research began with a review of available literature directly related to the topic of the internationalization of Latin American Enterprises, for the period 1996 to 2017. We selected the time-frame of two decades, to be representative of recent trends in international business and marketing activities, as more than two decades would reveal somewhat outdated information, and less than this would overlook important international activity of the late 1990's. Following the method followed in prior literature review papers (Paul & Benito, 2017; Deng, 2012; Fastoso & Whitelock, 2011), we introduce a new conceptual framework to carry out this comprehensive review. Fastoso and Whitelock (2011) found that only twenty-two (22) research papers studying internationalization of LATAM firms had been published in leading academic journals, in the decade leading up to the time of their research.

We included articles from the journals included in the Social Science Citation Index which is also known as Journal Citation Report (JCR) list to make sure that we review articles that are published in journals with an impact factor for quality reason. The journals selection came from the General Management, Marketing, Entrepreneurship and Small Business Management, and International Business list. In our search, using online databases (following Keupp & Gassman, 2009; Newman et.al, 2014; Terjesen, Hessels & Li, 2013) such as EBSCO, ProQuest, Science Direct, and Google Scholar we included the following keywords, in numerous combinations: *Internationalization of firm from South America, Internationalization and LATAM, Internationalization and South America, Multi-latinas, SMEs/MNEs from LATAM, International entrepreneurship from Latin, LATAM, Latin America, South America, Central America, Internationalization of Latin, Internationalization of South American, and Internationalization of firms from Chile/Brazil/Mexico/Argentina/Columbia*. This search produced a total of forty-nine (49) articles, from sixteen (16) journals, related to the internationalization of LATAM firms, which we included in our sample.

Then, following the approach in prior review articles (Kastikeas, Leonidu & Morgain, 2000; Jormanainen, & Koveshnikov, 2012; Paul, Parthasarathy and Gupta, 2017), we reviewed and analyzed the referenced articles to identify similarities between the internationalization processes, potential for international marketing and the problems of internationalization of several firms from LATAM countries. This included findings on the favorable conditions of creating potential for market entry in the new host country, strategies employed by the different enterprises (with reference to path and process), markets selected (pattern), speed of internationalization (pace), problems faced, and lastly the performance, which generates the growth of firms. This is the basis of our 7 P-Model. Supporting content from the sample articles was organized into seven (7) main categories, as they pertained to each of the Ps from our model.

This content was then processed by the authors and used to further develop and explain the phenomena discussed in the 7 P-Model.

BUSINESS ENVIRONMENT AND INTERNATIONALIZATION

The globalization of production and consumption has brought about a number of challenges, as the pace of globalization is different across markets (Buckley & Ghauri, 2004). Globalization has made firms' search for foreign market opportunities necessary in order to survive (Brenes, 2000). As a consequence of globalization, there has been rapid increase in international business transactions taking place at the beginning of this century (Jormanainen, & Koveshnikov 2012). As growth has picked up in emerging markets and slowed down in advanced economies, firms have had to rethink their global strategies (Ramamurti, 2012). As a result, research in the area of internationalization has increased significantly in the past two decades.

LATAM is composed of countries in the American continent where the primary or official language is from the Latin family (Spanish, Portuguese or French). Thomas (2006) notes that LATAM firm's strategies and resulting performance have never been a major focus for researchers. The importance of LATAM stems far beyond the economy of a single country, but rather covers the economies of over twenty (20) sovereign nations. While independent, the economies of these nations have both direct and indirect impacts on each other. In the 1990's, LATM countries opened their economies to international competition and privatized their State Owned enterprises. In pursuit of their nationalistic objectives, some LATAM states have selected and nurtured some domestic firms to become multinational enterprises (Hennert et.al, 2017). West et al. (2008) discuss how the development of entrepreneurial economies, which eventually lead the way to the internationalization of firms, leads to overall economic growth of a nation.

Given the cultural and economic ties between LATAM nations, it is implied that further growth and internationalization will stimulates the economy of the region, as a whole. This will in turn have a major impact on the global economy, given that the population of the region is greater than 5 percent of the world's population (World Population Statistics, 2014).

Lopez, Cirevagna and Kundu (2009), demonstrate the tendency of Costa Rican information technology firms to expand regionally within the Latin American continent, before globally, despite the fact that the U.S. is normally considered the most attractive and stable foreign market to penetrate. This is partly due to the geographic proximity, but can also be attributed to the cultural similarities shared by LATAM countries. Similarly, Lenartowicz & Johnson (2002) explain that the values of company managers will vary from one country to another, thus we should not be so hasty to generalize LATAM managers into a single culture. Cultural proximity may vary between LATAM countries to different degrees (i.e. some LATAM countries share more cultural similarities than other). However, it is important to understand that there are cultural similarities between the countries in this region. The reason behind this lies on the Spanish colonial empire that ruled for centuries most of the countries that we call Latin America today.

Brazil, Chile and Mexico seem to be the markets drawing the most attention of researchers, as they are the top developing countries in LATAM (Kotabe et al., 2000). According to Brenes et al. (2009), these three markets (plus Colombia) were responsible for attracting nearly $600 billion USD in foreign investment, as from the years 1999 to 2009. In the case of Mexico, the country is responsible for the creation of the second largest cement manufacturer worldwide – Cemex. Nicholls-Nixon et al. (2011) make note of Argentina, Brazil, Colombia and Mexico (four of the five (5) largest economies in Latin America, based on total GDP) in their study. They mention that the top two (2) economies – Brazil and Mexico – outperform over half of the world's economies, in terms of their global competitiveness. See Table 1 for a listing of LATAM countries, in terms of total GDP, per capita GDP, and average annual growth of per capita GDP.

Insert Table 1 about here

7-P FRAMEWORK FOR INTERNATIONALIZATION

Although multinationals are highly internationalized by definition, their organizational control practices are primarily determined by their country of origin (Harzing & Sorge, 2003). Based on the prior studies and the recent attempts to develop theories (Harzing & Sorge, 2003; Cavusgil & Knight, 2015; Kim & Aguilera, 2015; Pederson & Shaver, 2011; Stucchi, Pederson & Kumar, 2015) and providing directions for future research (Liesch & Knight, 2015; Paul, Parthasarathy & Gupta, 2017), we found that there are common contextual and theoretical attributes that explain internationalization of firms, particularly from an emerging economy. For instance, different institutional factors promote firms internationalization in a context characterized by dynamic change (Stucchi, Pedersen & Kumar, 2015). Kim and Aguilera (2015) developed a model, arguing that firms internationalize through the interplay among three mechanisms: (1) intra-regional exploitation; (2) intra-regional reconfiguration; and (3) inter-regional exploration. They also noted that opportunities and constraints arise at regional level in this semi-globalized world. Thus, we take an effort to extend the theoretical advancements and progress in the area of internationalization and introduce the 7 P-Model: Potential, Path, Process, Pace, Pattern, Problems, and Performance; as mentioned before. This serves as a benchmark model to study the internationalization phenomenon and conduct an analysis of firms from emerging economies, in particular LATAM, in this paper. We classify key papers reviewed with reference to different Ps in Table 2. Additionally, Figure 1 shows the basic structure of the proposed model, which demonstrates the normal order in which the Ps take place in the internationalization phenomenon, as described in the following sections. All arrows in the Figure are of the exact same size because each one leads to the next, in the order of which the event or firm's decision takes place. Process and Pace are stacked because they are very similar and can occur simultaneously.

Insert Table 2 here

Insert Figure 1 about here

Potential

Potential, considers the opportunities and activities in the host market that create a favorable or unfavorable position for incoming firms. Identifying the best and most appropriate potential market is crucial for the success of a firm from an emerging market. Timing is also an imperative aspect to consider in the growth process of a firm. Internationalization is both time based and time dependent (Jones & Coviello, 2005). This is crucial, as political and economic activities can either facilitate, or hinder the internationalization process, regardless of the level of planning on behalf of firms with regards to the subsequent Ps: Path, Process, Pace, Pattern, and Problems. Cuervo-Cazurra and Dau (2009) note that foreign subsidiaries often receive the most benefits from the host market's political structural reforms, in favor of international trade. Private domestic firms of the host country, and lastly domestic state-owned firms – who often suffer a negative impact on their exports – follow these foreign firms. Thus, structural reforms prove to be quite favorable for the firms in their process of internationalization.

The structural reforms and opening up of Less Developed Countries (LDCs) worldwide, give the firms from emerging countries a competitive advantage (Cuervo-Cazurra and Genc, 2008). This is because the EMFs have developed the knowledge of operating under higher levels of corruption and inefficient legal and political structures in their own market, allowing for a competitive advantage over the MNEs that have not experienced these difficulties domestically. It is also likely that LATAM enterprises from developing economies would have more resources available than local competitors from the underdeveloped host market. For this reason, they tend to find more success in LDCs. Therefore, it is our recommendation to target these markets first, in order to exploit the competitive advantage. In those markets, often, there is lower levels of competition from larger MNEs with larger resources. Thus, we posit first testable proposition;

Proposition 1: Firms from emerging countries such as LATAM could find high probability of success in other developing as well as Less Developed Countries.

Path

Once the potential of success is identified, the path of growth must be defined. Teece (2014) defines a path in the context of strategy. Strategy, when developed successfully, involves deploying the firm's scarce assets to support market needs, while recognizing market and technological opportunities and any constraints imposed by the firm's historical path of evolution (Teece, 2014). Blending his definition with the insights from other literature reviewed, we define Path within the context of the basic questions: "Who?" and What?". Path is more static dealing with the questions 'who' the firm is and 'what' the firm does? The question "Who?" can be answered with reference to the type of firm, source of funds (ownership structure), and their country of origin.

Research on exporting frequently stresses the role of managerial characteristics as they influence on the export behavior of the firm (Leonidou, Kastikeas and Piercy, 1998). Similarly, Anand et al. (2006) discuss the phenomenon of firm internationalization noting that LATAM firms often begin expansion using out-of-pocket capital. As these firms continually grow and see the need for further funding, it's likely that they begin to seek loans in foreign banks or foreign equity investments via stock markets and joint ventures. Joint ventures and strategic alliances prove to have the benefit of local market knowledge and experience, which enhance competitiveness for the EMFs. Kotabe et al. (2000) demonstrate this with evidence that LATAM enterprises operating in the U.S. with local partners showing average foreign sales of 32.8 percent, while LATAM enterprises operating in the U.S. with non-U.S. partners showing average foreign sales of 24 percent.

Costa Rican Firms usually first expand to neighboring countries of their region that are geographically and culturally close to them (Lopez et al., 2009). This is not in accordance with the Born global concept envisaged by researchers during the last decade (Efrat & Shoham 2012; Knight & Cavusgil 2004; Knight, Madsen & Servais, 2004; Knight & Cavusgil, 2005; Oviatt & McDougall, 1994; 2005) as most firms lack organizational capabilities to create entrepreneurial opportunities to create opportunities across the national borders. Often times, establishing local subsidiaries will help to ensure sustained growth and profitability in the long-run (Brenes, 2000). Cuervo-Cazurra (2007, 2008) notes that LATAM multi-latinas traditionally begin internationalization using exporting as their first mode of entry, then set up subsidiaries later. This is in line with the process of Swedish multinationals reported in Uppsala model of internationalization (Johanson and Vahlane, 1977). Depending on where the location-based advantage lies – stemming from the available resources – the foreign firm will select to invest in either a sales & marketing subsidiary, or a production subsidiary when internationalizing in a new market. This was the case of Marisol in Brazil, which established manufacturing subsidiaries in Argentina, Italy, and Mexico; as well as sales subsidiaries in countries such as Chile, Colombia, Spain, and the US (Sanglard et al., 2014). A firm that can achieve lower costs via resources in the home market should establish sales and distribution in the host market, whereas firms that may find low-cost natural resources as inputs for production would prefer to manufacture the products in the host country – saving on the resources and export costs. Similarly, if transportation of goods across borders proves to be very difficult, the firm will establish production subsidiaries in the host countries.

Tarziján (2013) found that Chilean firms (Falabella, Arauco and Lan Airlines) have proven to find more international success through the integration of their business operations, despite being an environment of deregulation and global competition. Vasquez-Parraga & Felix (2004) encounter similar findings in their study of the internationalization of Mexican enterprises. Their research shows that most Mexican firms included in their study internationalize via the use of subsidiaries, strategic alliances, sale of stock in capital markets, and building business networks. Furthermore, the majority of these firms (54 percent) focus their marketing efforts on the quality of their products, while a large portion (38 percent) use a mix of price and quality competition. The rationale behind the quality focus is to overcome the Country of Origin (COO) effect – where consumers make positive or negative inferences on the quality of products based on the country that they come from. These firms studied were more likely to penetrate the United States, particularly in the states of California and Texas, first, where the COO effect does not pose a disadvantage, but rather an advantage due to the large Mexican population living in these states.

When the host country has a positive COO perception of products from the incoming firm's home country, the firm's ethnic identity can be used as a competitive advantage, as discussed by Miller et al. (2008). This is because of the difficulty in imitating ethnic identity, if competitor firms are domestic or from different home countries, of course. For a domestic firm to adopt this ethnic identity, it would be very costly, if not impossible. This advantage is contingent upon the ethnic fit between the host market and the firm entering said market, which is facilitated by a close cultural distance.

When a firm has established a subsidiary in a foreign host country, it is important that they replicate resources from the domestic market that are specific to the firm (Miller et al. 2008). These resources include partnerships, knowledge, management etc. (Bianchi, 2009). This will bring familiarity to the firm abroad, allowing them to tap into their core competencies established in the home market, in order to combat the challenges of internationalization, and increase chances of success abroad.

Firms, in particular from LATAM, that internationalize with the intent of gaining access to new resources in the host country demonstrate more probability in focusing their efforts on building solid relationships with the local government, supplier firms, or key employees, as opposed to with their customers. The reason being that governments, suppliers, and employees may have the ability to provide access to the sought-after resources that may help improve the firm's ability to produce efficiently (Cuervo-Cazurra et al. 2007).

A strategy that has proven successful for LATAM firms that has been studied is the initial penetration of the U.S. market, in order to gain respect as a multinational contender, using this as a catalyst to enter into other markets abroad (Vasquez-Parraga & Felix, 2004). This is especially true for Mexican enterprises, which form part of North American Free Trade Agreement (NAFTA), which facilitates free trade between Mexican and U.S. firms, by removing trade barriers between these countries (Kotabe et al., 2000). Brenes (2000) points out that strategies employed by firms in search of an international competitive advantage, as opposed to domestic protectionist measures, will provide true long-term sustainability for the firm. Thus, we posit:

> Proposition 2: Firms from emerging countries (such as LATAM countries) needs to formulate specific strategies to expand into developed countries.

Process

After the path of internationalization is set and establish, the process must be taken into account. We further develop the 7-P Model by defining “Process” within the context of early or accelerated vs. gradual internationalization theory, which address the speed at which firms internationalize. Brenes (2000) studies the regional and global expansion of LATAM firms that expand in order to maintain competitiveness. These are pre-existing firms that gradually internationalize, as opposed to doing so from inception. Evidence from Da Rocha et al. (2012) shows that the small Brazilian entrepreneurial firms studied were “late” in internationalizing their businesses. As Latin American companies continue to face increased competition in the domestic market, they realize the need to expand internationally in order to maintain their business afloat. Results from Anand et al. (2006) show that LATAM are often slow to tap into the potential of regional and international expansion, despite the potential for speed given the language that is common throughout the region, for the most part. Although they may be very aware of the importance of internationalization, they are likely to adopt a strategy of becoming highly competitive in current markets, prior to additional expansion. In the case of the Costa Rican enterprises in the software industry, Lopez et al. (2009) show evidence that many firms prefer to be born regionally (within LATAM), rather than globally. This also validate with the findings of Mohr, Fastosa, Wang and Shirodkar (2014). Once they have gained sufficient competitiveness in their own domestic and regional markets, they gradually make the decision to expand further abroad – focusing mainly on the U.S. On the other hand, there is evidence of some exceptions that go global within the first few years of operations. These are considered born global enterprises. Dib et al. (2010) mention Brazilian software firms and their propensity to be born global, while Bonaglia et al. (2007) discuss how latecomer firms from emerging markets are often forced to internationalize early, thus being born global, as part of a catch-up strategy. Hence, we propose that:

Proposition 3: Firms from developing (emerging) countries (such as LATAM), in general, do not have the propensity to be born global, as they are primarily regional.

Pace

Next, we define “Pace” as an extension of path and process, within the context of speed of internationalization, with respect to new business environment and the speed of switching entry modes. The question “How” can be answered with the help of pace. We assume that firms will progress from less, to more involved entry modes, as the business mature and solidify in the new markets. Factors such as technology, competition, mediating perception of entrepreneurs, the moderating forces of knowledge and network collectively determine the pace/ speed of entrepreneurial internationalization (Autio, Sapienza, & Almeida, 2000; Oviatt & McDougal, 2005; Musteen, Francis & Datta, 2010).

Buckley and Ghauri (2004) observed that the pace of globalization could vary across the markets. In this context, we discuss two aspects: (1) business environment that facilitated internationalization, and (2) the speed at which a firm’s international expansion by switching from one entry mode to another. For example, pace refers the speed at which a firm switching entry mode from exporting to joint ventures or subsidiaries in the form of foreign direct investment. This can be measured in terms of number of years or months that the firm takes to make the switch. Pace can also be measured in terms of how many countries a firm enter per year.

In the early 1990's, much of the Latin American region began deregulating the economy (Ickis, 2000). This opening up of LATAM economies provided opportunities for both foreign business ventures in Latin America, and outbound LATAM ventures (Anand et al., 2006). Thus, the region is now presented with both potential business opportunities, and the threat of potentially formidable competition. Dominguez and Brenes (1997) point out the strong link between the liberalization of these emerging markets and likelihood of internationalization of the firms based there. Finchelstein (2017) examined how the government actions shape the internationalization process of firms in Argentina, Brazil and Chile and found that direct actions produce a more diversified internationalization by sector and a faster internationalization pace. He argues that a state induced internationalization pace is central for understanding the internationalization phenomena of LATAM firms.

Normally firms begin with straight exports of their products abroad. Additionally, firms in countries who compose part of trade regional blocs, such as NAFTA or MERCOSUR (Kotabe et al., 2000), find that the process of internationalization is normally expedited, as international trade is facilitated through the trade bloc. Cuervo-Cazurra and Dau (2009) discuss the effect of political structural reform and the impact that this has in increasing firm exports from the home country, by reducing transaction costs, allowing for higher price competitiveness of the firm abroad. Once this expansion has proven to be profitable, the now international enterprise may proceed to production abroad in the host market. This can be carried out through the arrangement of a licensing agreement, joint ventures, or greenfield investments.

Many firms switch from one entry mode to another over the time as was the case of the Chilean electrical company, Endesa which began their internationalization within the LATAM region (Brenes et.al. 2000). Between the 1940's and early 1990's, the management of the firm established themselves as leaders in the energy sector and was called upon by neighboring country Argentina's power companies for consulting services. It was not until the early 1990's that the company decided to participate in FDI in Argentina. On the other hand, Parraga and Felix (2004) demonstrate how a sample of Mexican firms entering the U.S. normally began their internationalization process with an export strategy via a third party. This was done with the purpose of fine-tuning their product offering in the new market for a few years (normally less than a decade). Once the expansion was proven to be profitable, the sample firms from the study shifted to FDI in the form of joint ventures, mergers or acquisitions, or strategic alliances. Thus, we posit the following proposition:

> Proposition 4: Firms from developing (emerging) countries, particularly, LATAM Firms use exporting as an entry mode to begin the process of internationalization and use more than one entry mode or switch entry modes over the years.

Pattern

After considering the speed at which a firm will internationalize, a pattern of internationalization must be established. We define "Pattern" with reference to "what" and "where" (what product or service is sold internationally, and where it is sold). For instance, Mexican firms tend to internationalize and penetrate the neighboring U.S. market (Kotabe et al., 2000; Vasquez-Parraga and Felix, 2004). The bulk of FDI from LATAM countries is from manufacturing sector. Evidence from Vasquez-Parraga and Felix's (2004) study shows that the main exports are food, beverages, raw materials, and agriculture with various services and holding companies trailing behind physical goods. In terms of the services rendered, we see that construction, financial, and knowledge intensive software and technology firms (Dib et al., 2010; Lopez et al., 2009) are the main industries from LATAM seen abroad. Vendrell-Herrero et.al

(2017) studied the internationalization of SMEs located in Latin America and argued that foreign market focus (FMF) as well as Outward Looking Competencies (OLC) are important factors in enhancing productivity and a sustainable competitive presence abroad.

The fertile land and agricultural expertise that can be found in many parts of LATAM nations makes the region very rich in natural resources and production potential, at a low cost. Thus, agricultural exports from LATAM countries are very high. Requier-Desjardins et al. (2003) discuss the importance of small argic-food processing operations in LATAM, and the competitive advantage held because of the rich soil – suited for agriculture. They explain the success of these small food-processing firms, who gain a competitive advantage because of the rich natural resources of the region and a lack of strong competition from external markets. Thus, we propose:

> Proposition 5: Firms from Developing countries, particularly LATAM firms tend to succeed primarily in exporting agricultural items rather industrial products.

Problems

The next P from our model- Problems- discusses issues faced once internationalization has begun. Katsikeas and Morgan (1994) provide a comprehensive review of export literature and put export problems into four groups: internal, external, operational and informational. Similarly, Buckley and Ghauri (2004) found that globalization of production and consumption has led to a number of problems. In order to ensure that the internationalization process is a smooth one, firms must account for issues that may be encountered along the process, and thus we recommend firms to consider all potential problems that may arise while planning the: who, what, where, how, and speed of internationalization, taking into account the meaning of what

Gemawat (2003) noted - the world is, and is likely to remain, only semi-globalized. Moreover, the firms from emerging countries might face more challenges, bias and unethical issues than their counterparts in the developed countries.

Focusing on the international trajectories of four Brazilian multinational firms, Parente (2013) analyzed internationalization strategies and managerial processes during and after the economic crisis in Brazil and found that all four companies shared a strong entrepreneurial spirit and motivation to internationalize despite the crisis and obstacles they face. Cardoza et.al (2016) found that Latin American SMEs in Brazil, Colombia and Peru that belong to larger institutions possess a stronger position to expand internationally. They found that the domestic regulations, economic environment and poor information on external markets are barriers to successful international marketing of LATAM SMEs. On the other hand, Cahen, Lahiri and Borini (2016) identified the external institutional barriers, internal capability barrier and human resource barriers as the main issues of internationalization of new technology based firms from Brazil based on a survey of top executives of those firms using institutional theory, resource-based view and human capital theory.

Despite the cultural proximity enjoyed by Latin American enterprises expanding across national borders (whether the expansion is within the region, or to further, more developed economies), enterprises seeking to internationalize tend to face many difficulties in the process. Some of these difficulties include: a cognitive bias (Thomas, 2007), “liability of foreignness” (Miller et al., 2008; Mudambi & Zahra, 2007; Thomas, 2006), and resource limitations (Cuervo-Cazurra et al., 2007; Miller et al., 2008; Thomas et al., 2007). These problems are summarized in Figure 2, which provides a visual of the major problems faced by EMFs. This is true, even for firms internationalizing to geographically close countries of the region, as was the case of

Endesa, who decelerated their efforts to further internationalize in entering the Argentinean market in order to focus on the domestic market- Chile (Brenes et al., 2000).

Insert Figure 2 about here

Cognitive Bias. Firms from emerging markets also often face cognitive bias. This is the perception in the host market that the foreign firm's product is inferior based on country of origin (Thomas et al., 2007). There is a relationship between materialism, country image and product preference (Demirbag & Mellahi, 2010) although it could be contingent upon the type of product. The impact that this bias can generate on a firm's performance could potentially lead to failure, if the firm is unable to overcome this bias. Meaning that the product must be positioned properly to combat the negative implications on product quality. Thomas et al. (2007) discuss the difficulties of cognitive bias faced mainly by firms expanding out of their own region, especially when their product quality is not globally recognized, as was in the case of the Venezuelan chocolate producer: Chocolates El Rey (Dominguez & Cirigliano, 1997). Vasquez-Parraga & Felix (2004), also discuss this topic in their research on Mexican enterprises.

Liability of Foreignness: Liability of foreignness refers to social costs associated with a lack of knowledge and experience in a foreign country (Miller et al., 2008; Mudambi & Zahra, 2007; Thomas, 2006). This includes an additional cost incurred, due to entry barriers such as taxes, and other government imposed regulations such as labor, environmental, safety and health laws (Brenes et al., 2009). Liability of foreignness also describes and express the difficulties faced by EMFs when negotiating with MNEs from developed economy markets. The emerging market firms are typically more accustomed to business transactions in a closed economy, and thus the experienced firms from developed nations would normally have the upper hand in negotiations. Being an underdeveloped topic, there is very little research available to help the EMFs, leaving them to learn the hard way – via first-hand experience (Husted, 1996). These additional costs are typically particular to the foreign firm who has internationalized, and thus do not affect domestic enterprises of the host market (Miller et al., 2008).

Resource Limitations. EMFs normally have less resources available than their counterparts from more developed economies. This often includes available capital, managerial talent, technology, and brand equity, among others. Thus, EMFs face two major challenges affecting their limited resources: the elevated costs of liability of foreignness, and their resource limitations (Miller et al., 2008). Cuervo-Cazurra et al. (2007) identified three major classifications of internationalization difficulties, related to resources: (1) loss of an advantage of resources transferred abroad, (2) creation of a disadvantage by resources transferred abroad, and (3) lack of complementary resources required to operate abroad. Also, Miller et al. (2008) cautions that the over expansion of a firm in international markets, could put a strain on the company, by spreading resources too thin.

With the growth of Chinese and Indian companies in the global market, LATAM firms must be wise with their resources, minimizing costs and maximizing efficiency (Brenes et al., 2009). This will allow firms from the region to compete with their Asian competitors on a cost basis. This is difficult, however, given that most LATAM firms have limited options for financing their operations. When sourcing locally they also encounter higher than usual input costs, affecting their pricing and making them less competitive – on a price basis at least (Brenes et al., 2009).

We see that it is very likely for emerging market firms to experience an initial loss in the internationalization process, because they normally seek to utilize new sources of resources, which causes an initial increase in costs. However, over time and with experience, emerging market firms are likely to succeed, as was the case of the Mexican firms studied in Thomas' (2006) research.

It is important to note that these difficulties experienced by LATAM firms are likely to be even greater, when the enterprises make the strategic decision to expand even further, outside of Latin America. Thus, we posit our next testable proposition:

> Proposition 6: Firms from Developing (emerging) countries (in particular, SMEs from LATAM countries) often face problems such as Cognitive bias, Liability of Foreignness and financial constraints while trying to internationalize their business.

Performance

The final "P" addresses whether or not internationalization favorably affects the performance of firms, and assumes performance as a function of the previous Ps. The more prepared firms are to answer the questions – of who, what, where, how, and plan the speed of internationalization – the more likely they are to achieve higher levels of performance. Prior studies have explored the link between entrepreneurial internationalization and performance using the information and data from different countries in the world (De Clercq & Zhou, 2014; Efrat & Shoham, 2012; Fernhaber, 2013; Li, Qian & Qian, 2012; Mudambi & Zahra, 2007; McDougal & Oviatt, 1996). Brenes (2000) discusses the necessity to expand internationally, whether it be within the Latin American region or truly global, in order to sustain the business. Internationalization has effectively gone from being a growth strategy to a survival strategy. Internationalization increases the likelihood of survival of firms (Fernhaber, 2013; Pulg, Gonzalez-Loureiro & Ghauri, 2014). Da Rocha et al. (2012) discusses the importance of the EMF's commitment to the internationalization process. As commitment to this process increases, further opportunities are expected to open for the firm, as well as knowledge in each market that has been successfully penetrated. It is likely that the increased commitment leads to further risk acceptance and international investments, which prove to increase levels of success.

Research has shown a positive relationship between change in operational strategy and firm performance (McDougall & Oviatt, 1996). Musteen, Datta and Butts (2013) found that firms with chief executive officers who had developed strong and diverse international networks exhibited greater knowledge of foreign markets. Their findings are based on the data from small and medium enterprises in the Czech Republic indicate that foreign market knowledge prior to the first international venture had a positive impact on venture performance. Furthermore, a management team that is focused on learning intensity (De Clercq & Zhou, 2014) and research and development (Li et al., 2012), may be more likely to find success.

In their study, Kotabe et al. (2000) surveyed managers from LATAM firms and reported that managers find that strategic alliances are successful as entry modes. However, the specific metrics identified by these managers as important for an international business venture (access to new markets, technological knowledge, and increased sales and market share) were analyzed on a one-by-one basis. This doesn't mean that the internationalization of these firms has proven unsuccessful, but rather, these are the areas that require improvement in order to ensure long-term success in the foreign markets. The authors note that in forming a strategic alliance, mutual ownership of the enterprise, by both host and home enterprises, normally provides increased levels of trust, which provides much greater potential for success. Furthermore, building strategic alliances with vertical partners in a host market, as opposed to horizontal competitors, reduces the concern of knowledge and market share loss and increased competitiveness. Therefore, we posit:

Proposition 7: Internationalization positively affects the performance of the firms from developing (emerging) countries such as LATAM.

LIMITATIONS

We found that there are not many studies on internationalization of LATAM firms published in top journals. This is the most significant constraint that we found while conducting our research, given that this paper is an attempt to develop a model towards internationalization of firms, based on a literature review. Two main points can explain this. First, most research conducted on internationalization stems from MNEs from developed economies, expanding to either other developed economy countries, or developing economy countries. The other reason causing this limitation in through this paper is that the majority of the research that does cover EMFs focuses on the two largest emerging economies in the world: China and India.

There are some robust theoretical frameworks and models to explain the internationalization of emerging market firms such as the Linkage, Leverage and Learning (LLL) framework by Mathews (2006), Springboard perspective by Luo and Tung (2007). We have not used those frameworks in our study, as we focused on literature review and development of new model based on the review. Another limitation to this study is the fact that the journals listed on ABS, and the majority of the reputable journals recognized worldwide are published in English. Meanwhile, the internationalization of LATAM firms covers a sequence of events that occurs mainly in non-English-speaking countries. Thus, it is quite likely that significant research of

LATAM scholars publishing in other languages (mainly Spanish and Portuguese) has been overlooked.

DIRECTIONS FOR FUTURE RESEARCH

The main contribution of our study is the introduction of 7-P integrative framework with seven testable propositions for undertaking future research related to internationalization of firms to analyze the potential, path, process, pace, pattern, problems and performance. We found that researchers have not yet done comprehensive research integrative more than two Ps. Most of the studies have focused on just one of these Ps (for instance, process). Therefore, we argue that there are more opportunities to study using two, three or four out of seven propositions as hypothesis in future studies. Researchers may carry out comparative and integrated studies based on one of the seven propositions too.

In order to ensure sustainability and growth, firms are oriented towards a process of internationalization, which opens up potential for new markets to serve. We found that LATAM Firms first tend to internationalize into regional markets, rather than global markets. While there is an abundance of studies in the area of process of internationalization of European and Asian firms, we, as well as several of the papers included in our sample, mention the lack of available research covering the topic of internationalization of LATAM enterprises in top and distinguish journals. Thus, we invite future researchers to expand on our research in two aspects: both in theoretical development and applied theory (for instance, Internationalization process of Mexican firms, or Internationalization process of Brazilian firms, using the framework such as Uppsala Model (Johanssen & Vahlane, 1977), Born Global (Knight & Cavusgil, 1996; 2005), Non-Sequential internationalization model (Cuervo-Cazurra, 2011). Researchers may use other available frameworks such as CAGE (Cultural, Administrative, Geographical & Economical) distance model (Ghemawat, 2001) to carry out their studies related to antecedents, decision characteristic features and outcome of internationalization from Latin American countries. There is scope for cross-country comparative studies selecting a specific industry from two or more countries too. Since we did not find notable studies on firm performance after internationalization, we call for research in that area from Latin American countries. We envisage that firms can use either the entire 7-P model or part of the model to carry out impact/performance analysis, while crafting their strategies to strengthen their business portfolios in international markets. Part of our framework such as Potential, Path, Problems, and Pattern can be analyzed as part of feasibility analysis, while firms have to decide how to enter into foreign markets and for making decisions on entry modes. In other words, this framework will help firms to make intelligent, well informed decisions on what new markets to enter (with reference to Potential and Pattern), how to enter (with reference to Path, Process) and the speed of operations (with reference to Pace).

By further developing the 7 P-Model of Internationalization, we suggest the researchers adding to the theoretical framework of the Potential, Path, Process, Pace, Pattern, Problems, and Performance of LATAM enterprises expanding their operations into new, international markets. This would entail providing new strategic recommendations, and can be viewed on both a basis of markets, and products or services sold. Future studies may include strategic implications based the domestic and host market, which have specific cultural implications. For example: LATAM firms penetrating Southeast Asian markets.

From a product/service perspective, future research may provide strategic recommendations for best practices of how a technology firm may internationalize differently than a non-tech firm such as an agricultural firm. We also envisage that business analysts and researchers worldwide could use our framework while making decisions on country selection, foreign market entry modes, and marketing strategies at a micro level. We urge future researchers to conduct impact analysis on the performance of firms from developing countries, using firm level data within the framework of our 7 P-Model in their internationalization process, based on our proposition 7. This will provide valuable information on best practices to follow, and may also be applied in terms of both markets and products or sectors.

We call for researchers to examine implications of internationalization on firms using different Ps and propositions outlined in this study. Eventually the theory may be developed enough by extending this framework to encompass the internationalization of any enterprise, regardless of whether they come from developed or emerging economy markets. We also suggest that our framework, partly or fully can be used for studying the internationalization phenomenon of an industry from countries in other regions such as Asia, Eastern Europe, Africa, etc. It is also possible to use this framework in the context of multinational enterprises from developed countries.

Finally, as this study has demonstrated that there is such a void of LATAM studies in top rated international business journals, we recommend that future research cover additional areas of LATAM international business. Some topics to consider are: adaptation of marketing strategies of LATAM enterprises in foreign markets, strategies to sustain long-term growth within a foreign market, factors for LATAM enterprises to consider when selecting overseas markets, or comparisons of successful and failed attempts at foreign market penetration using this 7 P typology as a framework.

CONCLUSIONS

Over the past 20 years, we have seen an increase in research focusing on internationalization and related topics, since the process of globalization has gained momentum. Despite the rapid growth of many developing economies worldwide, we find that LATAM firms have not been studied as much as firms from other emerging markets. We reviewed forty-eight (48) articles and make note of several common contextual and theoretical attributes that explain the internationalization of LATAM firms. This was used as a basis for 7 P framework (Potential, Path, Process, Pace, Pattern, Problems, and Performance of the internationalization) of firms, particularly firms from emerging markets.

After reviewed literature we discuss potential or simply likely market potential in a new market. Firms need to identify the opportunity in terms of potential. There are indices such as Market Potential Index (country-wise) available to compare the potential. It was demonstrated that the Path of most LATAM firms use out-of-pocket capital to fund expansion to foreign countries. Additional growth leads them to borrow funds or engage in equity investments, such as the sale of stock or joint ventures and strategic alliances. Further growth may take a firm to invest in the establishment of subsidiaries, making them more vested in the internationalization process.

Process covers the speed of internationalization of LATAM firms (Gradual versus Accelerated), which are normally slower at internationalizing then developed country MNEs, and often do so to sustain growth and maintain competitiveness. In this context, we found that

LATAM firms often prefer a born-regional approach. The speed of switching from one entry mode to another, often more involved one is covered by the concept of Pace. Once operations in a new market prove safe and profitable, firms are likely to continue to invest there to increase their potential earnings. This is used as a way for a firm to test the waters prior to completely submerging themselves in a new market. Similarly, the Pattern discussed show that LATAM firms are mainly involved in manufacturing, food, beverage, raw materials, and agriculture within the LATAM region and North America – mainly in the U.S.

Otherwise, with regard to problems, we found that they are mainly cognitive bias (negative perceptions of products, based on their country of origin), liability of foreignness (the effect of a lack of knowledge and experience in the host country), and resource limitations. LATAM firms are normally faced with the problem of having less available resources than developed country MNEs. These factors discussed have become imperative to firm Performance in recent times, with increased international competitive threats. Based on our findings in this research and the model we have developed, we suggest that EMFs follow 7 P-Model approach to create and capture international entrepreneurial opportunities preferably in other emerging and predictable markets, in the initial years, taking advantage of cheaper resources (such as labor and loans) and exploiting the competitive advantage gained by foreign market inefficiencies that developed economy MNEs are unfamiliar with. This will also help them to avoid the problems such as cognitive bias, liability of foreignness and resource constraint. Probably, firms from developing countries could use these Ps to carry out analysis of their foreign market entry including that of developed economies. They could also consider using first 4 Ps to carry out feasibility analysis.

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TABLES

Table 1: Latin American Countries by GDP

LATAM Country	Total GDP at current prices: Millions US dollars (2016)	Per capita GDP at current prices: US dollars (2016)	GDP per capita average annual growth rate (1990 - 2016)
Brazil	$ 2,252,664.12	$ 11,346.80	1.6%
Mexico	$ 1,178,126.18	$ 9,794.62	1.3%
Argentina	$ 475,501.68	$ 11,610.22	2.3%
Venezuela	$ 381,286.24	$ 12,766.72	0.4%
Colombia	$ 369,606.33	$ 7,752.17	1.6%
Chile	$ 269,869.34	$ 15,363.10	3.4%
Peru	$ 203,790.27	$ 6,825.46	3.2%
Puerto Rico (USA)	$ 101,495.81	$ 28,020.90	N/A
Ecuador	$ 84,039.86	$ 5,647.64	1.5%
Dominican Republic	$ 59,047.20	$ 5,731.24	3.9%
Guatemala	$ 50,233.75	$ 3,340.03	1.3%
Uruguay	$ 49,919.73	$ 14,702.51	2.1%
Costa Rica	$ 45,103.96	$ 9,387.02	2.6%
Panama	$ 36,252.50	$ 9,534.41	3.4%
Bolivia	$ 27,035.11	$ 2,575.68	1.6%
Paraguay	$ 25,502.06	$ 3,878.15	0.3%
El Salvador	$ 23,864.40	$ 3,789.57	2.4%
Honduras	$ 18,434.02	$ 2,339.29	1.6%
Nicaragua	$ 10,507.36	$ 1,753.70	1.9%
Cuba	N/A	$ 6,300.84	3%

Source: United Nations Statistics Division. (n.d.). Retrieved September 27, 2016, from https://data.un.org/Search.aspx?q=gdp

**N/A: Data not provided by UN Statistics Division*

Table 2: P- construct of the Referenced Articles in 7 –P Framework

Article Theme (P construct)	Author Names	Article Title
Pace	Aulakh, P. S., Rotate, M., & Teegen, H. (2000)	Export strategies and performance of firms from emerging economies: Evidence from Brazil, Chile, and Mexico.
Pace	Brenes, E. R., & Dominguez, L. V. (1997)	Prologue to this special issue: Strategic choices in the new international enterprise in Latin America.
Pace	Dominguez, L. V., & Brenes, E. R. (1997)	The internationalization of Latin American enterprises and market liberalization in the Americas: a vital linkage.
Pace	Ickis, J. C. (2000)	Implementing globalization strategies in Latin America.
Pace	Jormanainen, I., & Koveshnikov, P. C. A. (2012)	International activities of emerging market firms.
Pace/Potential	Cuervo-Cazurra, A. P. A., & Dau, P. D. C. L. A. (2009)	Structural reform and firm exports.
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Path	Sanglard, A., Carneiro, J., Baiocchi, A., Freitas, P., & Schiavo, M. (2014)	The Marisol case: Challenges of international growth for a successful Brazilian designer

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Path/Pace/Pattern/ Performance	Kotabe, M., Teegen, H., Aulakh, P. S., Coutinho de Arruda, M. C., Santillán–Salgado, R. J., & Greene, W. (2000)	Strategic alliances in emerging Latin America: a view from Brazilian, Chilean, and Mexican companies.
Path/Pattern/ Problems	Vasquez-Parraga, A. Z., & Felix, R. (2004)	Investment and marketing strategies of Mexican companies in the United States: Preliminary evidence.
Path/Problems	Brenes, E. R., Haar, J., & Requena, B. (2009)	Latin America: environmental and firm-level challenges.
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Path/Problems	Miller, S. R., Thomas, D. E., Eden, L., & Hitt, M. (2008)	Knee deep in the big muddy: The survival of emerging market firms in developed markets.
Path/Process/ Performance	Brenes, E. R. (2000)	Strategies for globalizing Latin American business.
Pattern	Requier-Desjardins, D., Boucher, F., & Cerdan, C. (2003)	Globalization, competitive advantages and the evolution of production systems: rural food processing and localized agri-food systems in Latin-American countries.
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Problems	Dominguez, L. V., & Cirigliano, M. (1997)	Chocolates El Rey: Industrial modernization and export strategy.
Problems	Husted, B. W. (1996)	Mexican small business negotiations with US companies: challenges and opportunities.
Problems	Thomas, D. E. (2006)	International diversification and firm performance in Mexican firms: a curvilinear relationship?
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Process	Angela da Rocha, Renato Cotta de Mello, Henrique Pacheco, Isabel de Abreu Farias, (2012)	The international commitment of late-internationalizing Brazilian entrepreneurial firms.
Process	Bonaglia, F., Goldstein, A., & Mathews, J. A. (2007)	Accelerated internationalization by emerging markets' multinationals: The case of the white goods sector.
Process/Pattern	Dib, L. A., da Rocha, A., & da Silva, J. F. (2010)	The internationalization process of Brazilian software firms and the born global phenomenon: Examining firm, network, and entrepreneur variables.
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Path /Pattern	Barletta, F., Pereira, M., & Yoguel, G. (2014)	Schumpeterian, Keynesian, and Endowment efficiency: some evidence on the export behavior of Argentinian manufacturing firms.
Path	Brenes, E. R., Madrigal, K., & Molina-Navarro, G. E. (2006)	Family business structure and succession: Critical topics in Latin American experience.
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Path, Problems and Process	Fabian, A. P. F., & Molina, H. (2009)	Understanding decisions to internationalize by small and medium-sized firms located in

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Pattern	Hatum, A., & Pettigrew, A. M. (2006)	Determinants of organizational flexibility: a study in an emerging economy.
Pattern	Lenartowicz, T., & Johnson, J. P. (2002)	Comparing managerial values in twelve Latin American countries: An exploratory study.
Pattern and Problems	West, G. P., Bamford, C. E., & Marsden, J. W. (2008)	Contrasting Entrepreneurial Economic Development in Emerging Latin American Economies: Applications and Extensions of Resource-Based Theory.
Problems	Cardoza et.al (2015)	Barriers and public policies affecting international expansion of LATAM SMEs
Problems	Cahen, Lahiri & Borini (2016)	Managerial perception of Barriers to internationalization

FIGURES

Figure 1: 7 Ps for analyzing the Phenomenon Internationalization and International Marketing

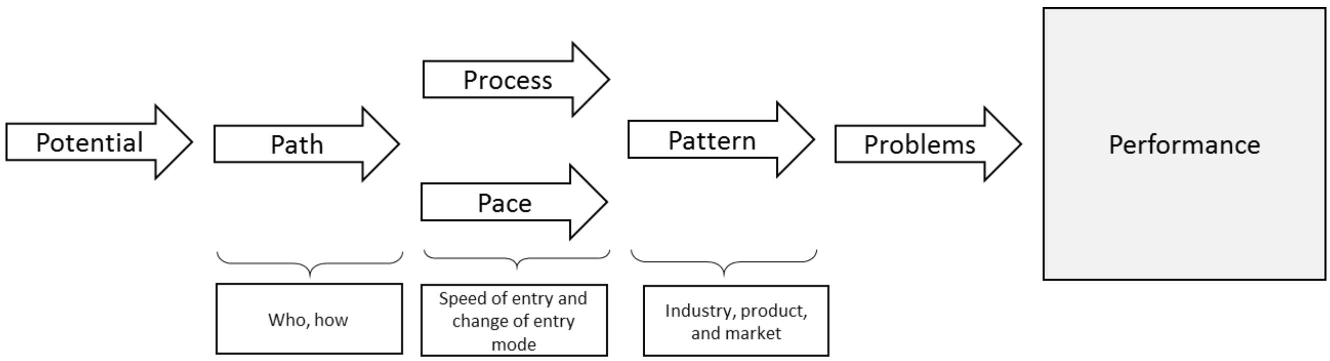

Figure 2: Problems of Internationalization for Emerging Market Firms (EMFs)