ISCTE Business School
Instituto Universitário de Lisboa

THE LATIN AMERICAN INTERNATIONAL MANAGEMENT STRATEGY
THE FOOD INDUSTRY CASE

Nuno Tiago Pimenta Ferreira

Project submitted as partial requirement for the conferral of

Master in International Management

Supervisor:
Prof. António Vieira da Silva, Visiting Professor, INDEG/ISCTE Business School,
Department of Marketing, Operations and General
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ABSTRACT

A expansão histórica do capitalismo conheceu um alargamento no espaço e no tempo desde os finais do último século. A partir de um conjunto de valências positivas da globalização, gerou-se uma maior integração e interdependência da economia mundial dando origem à fusão de mercados historicamente distintos e separados num imenso mercado global, fazendo simultaneamente as empresas atravessarem fronteiras e facilitando-lhes a produção e venda global de produtos e serviços.

Desde então, diversos autores têm-se dedicado à teorização de diferentes estratégias de gestão internacional. Apesar dos numerosos artigos científicos existentes, a sua grande maioria incide apenas sobre as experiências de empresas provenientes de mercados desenvolvidos. Todavia, no começo no novo milénio, os mercados emergentes tornaram-se os motores do crescimento da economia mundial e muitas empresas multinacionais destes países começam a globalizar-se e a assumir presenças estratégicas fora dos seus mercados naturais, experienciando os mais diferentes processos de internacionalização.

Este estudo pretende analisar essa tendência, olhando especificamente para o trajeto das empresas provenientes da região da América Latina, e perceber que estratégia é que estas têm seguido para se tornarem globais. Baseando-nos nos modelos e perspetivas de estratégia internacional existentes, partimos para a análise de sete estudos de caso de empresas latino-americanas no sector alimentar que nos permitirão conhecer qual a estratégia internacional seguida por cada uma delas, qual a organização multidivisional utilizada nas suas operações internacionais, qual o papel dos recursos humanos nos seus processos de internacionalização, e como olham os seus parceiros financeiros para esta nova realidade.

Palavras-chave: Estratégia Internacional, Processos de Internacionalização, Empresas Latino-americanas, Sector Alimentar.

JEL Classification System: F23, M16

ABSTRACT

The historic expansion of capitalism knew an enlargement in time and space since the end of the last century. Combining a set of globalization advantages, it generated a deeper integration and interdependence in world economy which lead to the merger of historically distinct and separated markets into an enormous global market. And, at the same time, making it more favorable for firms to cross borders and facilitating their global production and sales of products and services.

Since then, many authors have been working on different international management strategies theorization. Despite the existence of many scientific articles, the vast majority of these only cover the companies' experiences from developed markets. Otherwise, since the beginning of this new millennium, the emerging markets form the engine of world economic growth and a lot of multinationals from these countries begun to go global and assume strategic presences outside their natural markets, experiencing the most different internationalization processes.

This investigation intends to analyze this tendency, looking specifically to the companies' path from Latin American, and to understand which strategy these companies have been following to become global. Based on existing international strategy models and perspectives, we set out the analysis of seven case studies about Latin American food industry companies which will allow us to recognize which is the international strategy followed by each firm, how they organize their operations abroad in terms of multidivisional structures, what is the role of people in their internationalization processes, and how their financial partners look to this new reality.

Keywords: International Strategy, Internationalization Processes, Latin American Firms, Food Industry.

JEL Classification System: F23, M16

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ABREVIATION INDEX

ADM – Archer Daniels Midland

ARS – Argentinean Peso

ASEAN – Association of Southeast Asian Nations

BBVA – Banco Bilbao Vizcaya y Argentaria

BNDES – Banco Nacional de Desenvolvimento Económico e Social

BNP – Banque Nationale de Paris

BRF – Brasil Foods

BRIC – Brazil, Russia, India and China

BRL – Brazilian Real

CEO – Chief Executive Officer

CIO – Chief Information Officer

CMI – Corporación Multi Inversiones

EAGLE – Emerging And Growth-Leading Economies

ECLAC – Economic Commission for Latin America and the Caribbean

ESIB – Espírito Santo Investment Bank

EU – European Union

EUR – Euro

FDI – Foreign Direct Investment

FOM – Foreign Operation Methods

GATT – General Agreement on Tariffs and Trade

IMF – International Monetary Fund

IPO – Initial Public Offer

JEL – Journal of Economic Literature

KFC – Kentucky Fried Chicken

M&A – Merger and Acquisition(s)

MXN – Mexican Peso

NAFTA – North American Free Trade Agreement

R&D – Research and Development

SBU – Strategic Business Unit(s)

UK – United Kingdom

UN – United Nations

US – United States

USA – United States of America

USD – United States Dollar(s)

VISTA – Vietnam, Indonesia, South Africa, Turkey and Argentina

WTO – World Trade Organization

SUMÁRIO EXECUTIVO

A investigação dos padrões de internacionalização das empresas provenientes dos mercados emergentes não tem sido uma área de interesse muito explorada pela literatura económica. Não obstante, a relevância deste assunto tem vindo a revelar-se cada vez maior no começo do novo milénio em virtude do crescimento da economia mundial se concentrar maioritariamente nos países emergentes. A este nível, os modelos de gestão internacional das empresas multinacionais, que se haviam centrado na experiência das empresas provenientes dos mercados desenvolvidos, ganham um novo interesse na medida em que se deparam com a análise de novas realidades vindas das empresas nas economias emergentes.

Partindo deste ponto, esta investigação propõe-se a obter uma visão sobre quais as estratégias internacionais seguidas pelas empresas mais internacionalizadas na região latino-americana, tendo por base a literatura existente. Uma vez que a indústria mais predominante é a alimentar, a investigação será feita através do estudo de caso destas multinacionais presentes no top 50 do ranking *Multilatinas* da revista *América Economía*, que lista as empresas mais globais da região.

Assim, propomo-nos estruturar o trabalho da seguinte forma:

Introdução: Onde será feita uma abordagem inicial do problema e fundamentada a pertinência dos temas a abordar, justificando simultaneamente a razão pela qual este estudo é diferente dos demais.

Enquadramento teórico: Num primeiro bloco é feita a revisão da literatura existente sobre os modelos e perspetivas de estratégia internacional existentes aplicados à gestão de operações internacionais. Neste ponto, ganha particular relevância a perspetiva de Bartlett e Ghoshal que nos aponta quatro modelos de estratégia internacional (Multinacional, Internacional, Global e Transnacional). É a partir dos quais se desenvolverão novas matrizes sobre as motivações para a escolha dos modos de operação, o papel e coordenação das subsidiárias, e a organização multidivisional das subsidiárias. Num segundo bloco, será complementado este enquadramento com o contributo de autores que se debruçaram sobre o fenómeno das empresas multinacionais latino-americanas nos seus processos de internacionalização mas também daqueles que estudaram a evolução das empresas presentes neste trabalho.

Definição de BRICs, EAGLEs, e Nest: Pretende-se efetuar uma análise transversal aos mercados emergentes, distinguindo as economias que dentro desta categoria mais se destacam. Acrónimos como BRIC, EAGLE, Nest ou VISTA serão detalhados. Simultaneamente, interessa ter em conta o contributo das empresas latino-americanas face às demais no contexto do crescimento da economia mundial.

Fatores de sucesso das empresas latino-americana: A ascensão de multinacionais latino-americanas nos diversos rankings que medem o grau de internacionalização das empresas tem por base um conjunto de características que devem ser analisadas, uma vez que as distingue das restantes multinacionais. Estes fatores passam pela visão de longo prazo dos gestores, pelo forte instinto de sobrevivência destas empresas, pela sua capacidade para *navegar* em águas turbulentas, pela aposta na internacionalização como meio de diversificação de risco, e pela inovação dos modelos de negócio.

A indústria alimentar no contexto regional latino-americano: Enquanto as empresas latino-americanas vão emergindo no contexto dos mercados externos, recentemente a indústria alimentar tem apresentado oportunidades que têm acelerado o crescimento destas multinacionais. Estes fatores, junto com as novas tendências deste sector, têm tido e continuarão a ter uma relação de causa-efeito próxima da expansão das empresas que analisaremos.

Metodologia: Neste capítulo iremos justificar as razões pelas quais a nossa escolha incidiu numa abordagem construtivista e estudo qualitativo. Assim, depois de levantadas as hipóteses, realizamos o estudo de caso de cada uma das empresas selecionadas (Arcor, Bimbo, Gruma, JBS, Marfrig, Nutresa e Pollo Campero). Para isso, foram efetuados três questionários dirigidos a gestores destas empresas, parceiros financeiros, e *headhunters* que têm acompanhado estas multinacionais, no sentido de posteriormente possibilitar a triangulação de dados obtidos.

Em seguida, apresentaremos os **Estudos de Caso**. Aqui, em cada uma das multinacionais selecionadas para este estudo será analisado o seu percurso desde a fundação até à atualidade, bem como dada particular atenção aos processos de internacionalização que têm orientado a expansão internacional no tempo e no espaço. Esta análise será complementada com a descrição do modo como as empresas organizam as operações internacionais ao nível multidivisional, qual o papel dos recursos humanos nos processos de internacionalização, como vêm os parceiros financeiros o esforço de internacionalização levado a cabo pelas multinacionais e, por fim, qual a estratégia internacional que mais se aproxima de cada uma destas empresas. Assim, ser-nos-á possível entender as razões pelas quais empresas como a Arcor têm optado por processos como alianças estratégicas, ou como as brasileiras JBS e Marfrig têm feito a sua internacionalização à custa de fusões e aquisições internacionais, mas também porque todas elas têm olhado para a China como um novo mercado-alvo.

A **apresentação e discussão de resultados** serão realizadas no capítulo seguinte. Aqui, fazemo-las de forma esquematizada e recorrendo aos quadros e matrizes analisados aquando a revisão da literatura, relacionando, simultaneamente, os resultados obtidos com os fenómenos que condicionam os processos de internacionalização das multinacionais alimentares latino-americanas.

Começamos por evidenciar a importância que as relações familiares têm na gestão destas multinacionais e suas subsidiárias, mas também as razões organizacionais para a expatriação de recursos humanos e constatamos que estas se prendem mais com a necessidade de transferir *know-how* para as subsidiárias, com a falta de recursos humanos locais e com a necessidade de transmitir os valores da multinacional. Neste ponto, para sustentar a relação entre as razões organizacionais para a expatriação com a necessidade de integração e/ou adaptação local, tomamos a liberdade de construir uma matriz relacionando problemáticas para suporte dos resultados obtidos.

Em seguida, veremos porque se dividem as empresas entre a organização multidivisional cooperativa e em unidades de negócio estratégicas nas operações internacionais, bem como porque tem sido fundamental o apoio governamental aos *National Champions* na sua estratégia de crescimento através de fusões e aquisições. Por fim, faremos o debate da estratégia internacional que cada multinacional tem vindo a seguir e estabeleceremos as razões pelas quais existe uma predominância pelas estratégias Internacional e Multinacional em detrimento da Global e Transnacional.

Conclusões do estudo: Principais ideias a retirar da investigação e algumas pistas para o futuro da expansão internacional das empresas latino-americanas do sector alimentar.

INTRODUCTION

We may say that globalization exists because capitalism has always aspired to be a global system. Since the late 1980s, trends such as the deregulation of financial and international markets pushed by the USA and the UK, the progressive trade liberalization (GATT, WTO), the proliferation of regional agreements (NAFTA, Mercosul, ASEAN, EU), or the exponential development of information and communication technologies, stepped up the integration and interdependence of world economy and narrowed the distance between different and historically separated markets. Therefore, companies begun to cross borders and choose the best locations regarding where to place many value chain activities.

Accordingly, the first perspectives and frameworks about international management strategies started to exist. Even if they were concerned about the coordination and configuration of activities level, or about the need for integration and for responsiveness, the vast majority of related corporate experiences were coming from developed economies. For instance, whereas Bartlett and Ghoshall pointed out the International strategy (as the most experienced by the US companies when they went abroad), the Multinational (frequently used by the European firms in their internationalization), and the Global strategy (quite practiced by the Japanese firms worldwide), none of these strategies were regularly attributed to experiences of firms coming from emerging economies.

Nonetheless, the beginning of the current decade is presenting a sustained global economy growth based on the emerging economies performance. In this regard, Sharma (2012: 3) mentions that “the mania at the start of 2010s was the big emerging markets, in particular the belief that the economies of China, India, Brazil, and Russia would continue growing at the astonishingly rapid pace of the previous decade”. As a result, a significant phenomenon is redesigning the forces at work of the world economy: the rise of multinational firms from emerging markets and their global positioning.

In view of the above, we had noticed that the academics don’t associate a particular strategy to the Latin American companies operating abroad. Nevertheless the emergency of these multinationals should stimulate its debate. Hence, we will go into further analysis of the international management strategies followed by the Latin American firms but, at the same time, we will investigate the role of people and the positioning of their financial partners about the internationalization processes of Latin American food industry companies.

As far as the structure of our work is concerned, we will begin with a revision of related economic literature according to two major blocks. First, the existing models and perspectives of international management strategies will be explored in order to define which matrixes and frameworks are going to be used when presented and discussed the results. Next, we must bring together the theoretical background of those authors which have been studying the rise of the Latin American multinationals phenomenon in recent years, as well as the inputs provided by managers who worked for and wrote about the companies which the following case studies will be presented.

Afterwards, we intend to analyze the current dynamics of emerging markets, distinguishing which economies are growing, using, at the same time, the definitions of BRICs, EAGLEs, Nest, CIVETS, MINT, and VISTA, and the contribution of Latin American region for these forces at work. In the same way, the rise of Latin American multinationals has to do with a set of configurations that will be detailed. While these firms have been emerging in external markets, recently the food industry has been presenting some opportunities which enhanced their growth. These influences and new trends have a close cause-effect relationship within companies' expansion which we will point out.

In the next chapter we will define the methodology to be used in this investigation and the hypothesis to be tested. In the same way, the reasons which justify the selection for the case studies' approach will be explained, as well as the companies chosen for this research.

Then, we will present seven case studies. At this stage, in each selected firm will be detailed its path since the establishment to the present time, as well as focusing on its internationalization processes in time and space. This analysis will provide the description of how the companies organize their operations abroad in terms of multidivisional structure, what is the role of people in the companies' internationalization processes, how the financial partners look to the internationalization of these multinationals, and, finally, what is the international management strategy closer to each of these multinationals.

The discussion and presentation of results come in the following chapter. Here, in accordance with the supervisor, we present it in a schematized way bearing in mind the matrixes and frameworks analyzed during the literature review. Simultaneously, we relate those results with the phenomenon which hamper the internationalization processes of Latin American food industry companies.

In the concluding part of the work we will reinforce the main ideas projected by our results, and develop some relevant ideas about what the future can bring to the internationalization the studied multinationals.

Henceforward, the formal construction of the investigation will be as following: 1. **Literature review**, where we revise the main economic theoretical background of the present work; 2. **The emerging economies and the increasing importance of Latin America in world GDP**, where we observe the forces at work in the current world economy; 3. **Methodology**, where the explanation about the case studies approach and selected companies for this investigation will be provided; 4. **Case studies**, where we will present the path and the internationalization processes of the selected companies for this study; 5. **Results**, where we will present and discuss our investigation findings about the human resources policies to support the internationalization processes, the importance of funding, and the multidivisional structure followed, as well as the international management strategies tracked for each company; and finally **Conclusions**, where the main conclusions and ideas for the future will be put forward.

1. LITERATURE REVIEW

The study of the Latin American management strategy posits two essential blocks for the literature review. The first one is about the international management strategies existing theory, and particularly how the perspective of Bartlett and Ghoshal influences the followings. The second focus on the emergence of Latin American multinationals and their internationalization patterns. Emphasis will be placed on the food industry examples.

1.1. The international management strategies theory

The concept of strategy is widely discussed in economic literature. Research by Porter (1996) has provided that general management’s core activity was strategy: defining a firm’s position, making trade-offs, and forging fit amongst activities. However, there is no universally superior internationalization strategy accepted and we might say there are a huge diversity of factors which influence the suitability of distinct strategies. In fact, the patterns of international competition between different firms change from industry to industry and some of these factors stimulate integration and others promote responsiveness. Or, in other words, cross-border coordination and country by country emphasis.

However, Porter (1986) established a single diagram differentiating types of international strategy according to the intensity of activities coordination and value activities, as well as the geographical dispersion or concentration of activities configuration. As a result, he found out four different types, such as illustrated in the attachment 1.

To explain the differences between the types of international strategies, Porter starts with the domestic firm that only operates in only one country as the extreme case of a country-centered strategy. However, defines a *Multidomestic* strategy as the one which competition occurs on a country-by-country basis, once a firm is present in many countries. At this point, the competitive advantages depends in each country due to the modifications and adaptations taken by the multinational there. The term *Multidomestic* is justified by the collection of domestic industries owned by a multinational and the competition is completely independent amongst them. In an historical perspective, Porter sees its beginning during the interwar period, mostly perceived by European multinationals which established self-contained and quite autonomous subsidiaries in many countries.

On the contrary, the purest global strategy is defined as the one which concentrates the major number of value chain activities in the home country as possible, serving the world and coordinating the activities from its headquarters, and using the subsidiaries to perform the firm's orientations near the customer. The spirit of a firm which outlines a pure global strategy is about to obtain competitive advantage through both concentrating and coordinating activities. And the best example of a pure global strategy practices was adopted by the Japanese firms around the 1960s and 1970s. For instance, Porter talks about Toyota, a car manufacturer which concentrated the production in Japan and used its subsidiaries to deliver cars and sell them directly to the customers.

Similarly, in the middle of these types, there are different kinds of strategies. Once again, Porter uses an example to explain it. In copiers industry, the North American Xerox made the choice to concentrate the Research and Development (R&D) in the USA and disperse other activities to execute them. Nonetheless, the coordination on dispersed activities kept quite high, and the Xerox case can be seen in many other North American firms worldwide which followed a centralized model, focused in learning and sharing.

Therefore, Bartlett and Ghoshal (1989) bring into discussion the concept of *Transnational* firms in their book *Managing Across Borders: the Transnational Solution*, revising the perspectives of Porter's matrix previously explained. They start their analysis using nine different firms from three distinct industries (consumer electronics, branded package goods and telecommunications switching): three from the USA (General Electric, Procter and Gamble and ITT), three from Europe (Philips, Unilever and Ericsson) and, three from Japan (Matsushita, Kao and NEC).

First, they consider as imperatives to obtain competitive advantage in international business the global efficiency, the multinational flexibility and the capability of learning around the world. And once again, they notice that the North American firms are likely to look for exploiting parent company knowledge and capabilities through worldwide diffusion and adaptation, the European firms are more used to build strong local presence through sensitivity and responsiveness to national differences, and the Japanese are expected to build cost advantages through centralized global-scale operations.

Recognized the differences between the mentalities of European, North American and Japanese firms, we might say they carry within three different strategies we will start to briefly explain one by one from now, according to Bartlett and Ghoshal perspective.

First, the *Multinational* strategy, which the paradigms are the European firms, points out the product differentiation in order to answer the national differences. In other words, the factor costs, the natural resources access, the qualified human resources access, the sense of tastes differences, the differentiated legal frameworks and the distribution systems differences. The *Multinational* approach promotes local innovations and the autonomy of subsidiaries. We should state that the developed knowledge is kept in each subsidiary the most of times. What a company does in a specific country is specially designed to meet the particular needs and demands in that country. Here, the importance of arbitration and management of interactions and time to identify and take advantage from national differences is totally differentiator from the following strategies.

Next, the *International* strategy is characterized by the separation of management and ownership. Its paradigm is the North-American companies. The parent company domestic market is the basic reference and their innovations are replicated internationally. The headquarters power is unquestionable: the nuclear competences are centralized and the subsidiaries role is about adapt and take advantage of parent company competences, once the knowledge is home developed and later transferred to the affiliates. Of course there are coordinated reporting systems, which allows the internationalization process *a posteriori*.

Finally, the *Global* strategy is the one most followed by the Japanese firms. These use to see the world as the unit of analysis, and the main goal is to reach out the global efficiency through the products standardization. The old saying of *Global* strategy is "the same thing, the same way, everywhere", which means a centralized assets and capabilities configuration to global scale and the same products wherever. The knowledge is developed and kept in the headquarters, and the foreign subsidiaries role is to implement the parent company strategy, acting in this way as pipelines of delivery in a logic of group.

To sum up, these authors notice that a single-dimension adequacy is not enough. The *Multinational* strategy encourages flexibility but is not available to promote the global efficiency and learning. The *International* brings some local adaptation, limited efficiency and one-way learning, but does not allow to answer simultaneously to three necessities. And the *Global* approach is unable to promote flexibility and learning, even though stimulate global efficiency.

Despite the adjustment of Porter's proposals, Bartlett and Ghoshal suggest a new strategy as the one the major multinationals should track due to the need to answer simultaneously to the three identified goals: efficiency, flexibility and learning. The *Transnational* strategy is an idealized approach based in what the authors learned studying both losers and survivors' firms. It is a "new management mentality (Bartlett & Ghoshal, 1989)". Within, there is a differentiated assets and capacities configuration, spread, independent and specialized. The role of subsidiaries is strengthen and there is space to different kinds of contributions in terms of integrated worldwide operations, which allows the development of common knowledge shared around the world. The *Transnational* solution listen to the diverse internal stakeholders, avoiding specific groups' dominance, balancing the different product, functional and geographical areas, and understands the advantages of distinct perspectives integration. Or, in other words, balances integration and local adaptation within all activities in order to meet customers' demands in the best possible way. It works like an integrated network, that is to say, connecting capabilities and sharing knowledge, taking advantage of affiliates geographical spread, and offering an open minded perspective of international management.

Based on Bartlett and Ghoshal framework, Miranda and Simões elaborated the strategies typology cube showed in the Figure 1. The image represents a distinct perspective about the four strategies and shows the real distance from one to each other's in a three-dimensional figure (need for global integration/coordination, need for local responsiveness and innovation capacity/learning worldwide).

Moreover, Doz, Santos & Williamson (2001), added a similar concept of Barlett and Ghoshal approach of *Transnational*: the *Metanational* Company. It starts from the need for innovation and learning from the world and establishes three different goals and six capabilities the *Metanational* companies will need to build. First, the firms should be *sensing* new knowledge faster and more effectively than competitors through develop prospecting and accessing capabilities. This means, the company ought to be good in identifying new sources of innovative technologies and new market needs through its existing customers and supplier's network worldwide. Then, the firms have to be *mobilizing* dispersed knowledge to innovate more creatively than competitors. In order to do this, it is very important to develop moving and melding capabilities: need for a set of structures to translate new knowledge into innovative products or specific market opportunities. And finally, the *Metanational* Company will need to be *operationalizing* innovations more efficiently than competitors, pushing for relaying and leveraging capabilities. That is to say, to transfer newly created solutions into daily operations and leverage it all the way through the supply chain.

Adopting a different kind of strategies' conception, Rugman and Verbeke (2004) tried to create a new definition for regional and global strategies of multinationals. After identifying the importance of the triad power concept (North America, Asia and the European Union, to be precise) due to be the three largest markets in the world and home of major industry innovations, the authors indicate the fact that the most multinationals sales are unequally worldwide distributed and their products are not accessible to consumers all around the world. So, this justifies the need for regional and global strategies.

Despite the majority of world's largest firms being multinationals, very few are able to sell those products globally. As a consequence, Rugman and Verbeke pointed four different strategies. The first is the *Home Region Oriented*, i.e., those which have 50% of their sales in the home region of the triad. In this case, we may consider the home region as a pressure in the multinational decision-making process, which involves a concentration of the multinational's specific advantages in that region. Next, the *Bi-regional* firms are those which have two regional markets, but each one representing one fifth of their total sales. This should reveal market success due to widespread downstream firm specific advantages in those two markets. Then, the *Host-region oriented* are those firms which have more than 50% of total sales in a triad market excluding their home region. Finally, the *Global* firms represent those which have "sales of 20% or more in each of the three parts of the triad, but less than 50% in any one region of the triad (Rugman & Verbeke, 2007)". These companies should be seen as an example of successful positioning of downstream firm-specific advantages in three different markets.

All the analyzed perspectives suggests distinct strategies according to the multinationals presence across the world. However, it is crystal clear that one of the most implemented strategy by multinationals is to growth through mergers and acquisitions processes (Haspelagh & Jemison, 1991). And this strategy is justified because it can be a contribution for the business strategy in three different ways. First, a multinational can have a strategy but be unable to develop specific capabilities to reach its goals. In this case, the acquisitions can contribute to have that capability. For instance, Acer, the biggest Thai and one of the major world personal computers manufacturers, acquired some small and medium American companies in order to get small technologies.

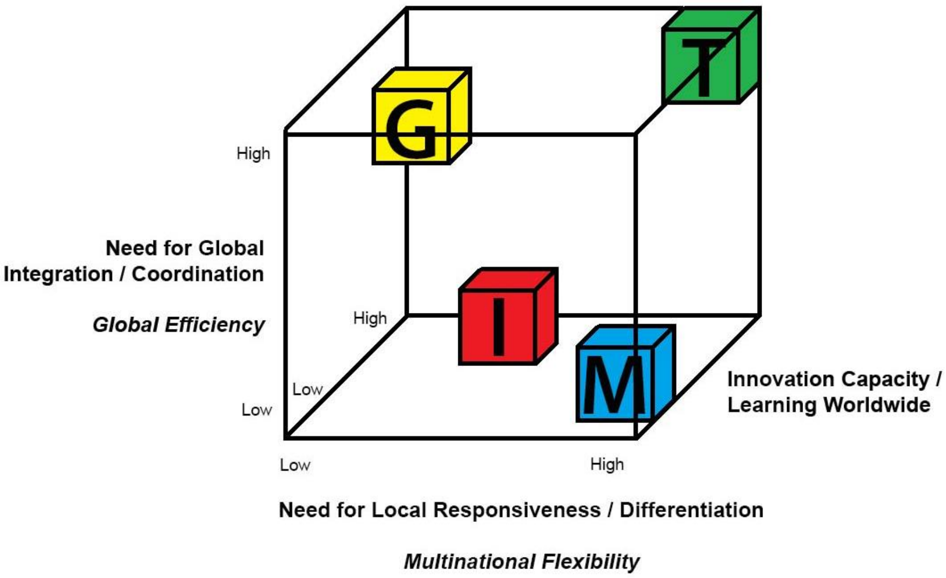
Second, acquiring a platform can work as a strategy too. To be precise, the acquisition of a strong local or national firm can be seen as a step to a multinational join a specific market or increase its own market share in a certain geography. Nevertheless, it only makes sense when the buyer firm is disposed to increase the investment in that specific market.

And third, the acquisition process can exist when a company is available to acquire an existing business position. It happens when the business itself fulfills the whole strategy. Nonetheless, an existing business position acquisition can be a high risky step because if it fails can compromise the entire company.

Whereas some different strategies from the already presented do exist, the perspective of Bartlett and Ghoshal still remains the most cited in terms of international strategy types. And that's the reason why their matrix is going to be presented in discussion of results, according to the studied companies' findings. Furthermore, it will influence the existing proposals to manage the multinationals' subsidiaries across borders. For instance, Jarillo and Martinez (1990) proposed a study about strategy and coordination at the subsidiary level which discussed the existence of three kinds of subsidiaries (attachment 2) along the dimensions of location (value chain activities done in a certain country) and integration (value chain activities done in a certain country which will serve other subsidiaries in distinct countries). So, they found out the *Autonomous* strategy as followed by those subsidiaries which do the major part of their value chain activities, independently from the other units. This strategy will be classically performed by the subsidiaries of multinational companies competing in *Multidomestic* industries. Then, the *Receptive* strategy is the one accomplished by a subsidiary which does few activities – typically sales and marketing – but is highly interconnected with the rest of the multinational. We may say this strategy is applied by *Global* companies competing in *Global* industries. Lastly, the *Active* strategy is tracked by those subsidiaries which do a lot of activities and are extremely integrated with the rest of the multinational. Once again, there is a connection with the Bartlett and Ghoshal *Transnational* solution.

In the same way, Sanchez-Bueno and Suarez-Gonzalez (2010) reflected how the companies organize their operations abroad. To reach this intention, they considered both traditional organizational categories and new multidivisional forms, such as competitive, cooperative and the internal work (which links with the classification of Strategic Business Units). Whatever the multidivisional form is followed by firms in their overseas operations, the strategic control allows operating divisions' functions as separated businesses or profit centers, and top corporate officer can delegate responsibilities to division managers. Therefore, these new organizational forms shall differ in many aspects like the integration amongst divisions and decision-making processes. This framework will be used in discussion of results and explained during the explanation of the companies' case studies.

Figure 1: The strategies typology cube



Source: Joint development of Miranda and Simões based on Barlett and Ghoshal (1989)

1.2. The internationalization of Latin American multinationals

Only typical international strategies were observed so far. However, for this study we may proceed to the literature review of what has being written about Latin American companies which are operating abroad over the years. This is something quite new and there aren't many authors who investigated the internationalization patterns of Latin American companies. One of the most important investigations was done by Santiso (2008), who analyzed the FDI flows

South-South and South-North of emerging *Multilatinas* (Latin American multinationals) and found out that between 1991 and 2001 the ownership of the largest firms in Latin America changed significantly with non-Latin multinational ownership decreasing. In the same way, the most ambitious (especially from Mexico and Brazil) were aiming to compete with the world's largest companies beyond Latin America. The way to become a large *Multilatina* usually begun securing a top position at home countries and starting to increase exports to neighbor countries. Therefore, creating strategic alliances to access distribution channels and, then, starting *greenfield* investments or making acquisitions overseas. Nonetheless, this last step is the most difficult to achieve, due to the high costs of capital to expand the operations globally.

For her part, Casanova (2009) made an investigation about a small set of ten emerging Latin American multinationals which she decided to call *Global Latinas*. This become an authority on Latin American multinationals study. About food industry case, Casanova pointed out the example of Bimbo, the world's largest bread manufacturing company, JBS Friboi, the world's largest beef producer, and Marfrig, the global leader in fresh and processed food. Besides Latin America being the usual playground for *Global Latinas*, these firms became global due to their aggressive strategies to expand their activities to developed markets, such as Europe and the USA, and other emerging markets like Africa and Asia. Nonetheless, the establishment of NAFTA helped the Mexican firms to join the US market and develop their internationalization processes, becoming the new *Jaguars*. Moreover, there are other reasons to spread the internationalization processes, such as the Brazilian support of BNDES bank to finance the food companies' projects, which allowed an acquisitions strategy and permitted the emergence of the so called *National Champions*.

On the other hand, the author underlines three difficulties felt by Latin American companies when they go global. The first one is branding, something that the so called *Global Latinas* are missing but is being achieved by the Indian IT firms, for instance. The second is the mismatch between the financing capabilities of Latin American companies and their competitors, and the Brazilian companies interest rates up to 12% can be seen as the perfect example. The third major problem is the lack of qualified human resources, which is seen as the highest business concern for the most of Latin American CEOs.

Another important study about the competitive environment faced by Latin American firms was done by Grosse and Mesquita (2007). In their investigation the authors identify singular challenges, such as a never ending rise and fall of economies, large presence of the States in the economies, poor human and physical capital performance markets, and unstable and underdeveloped political environments in what finance and justice is concerned. Nevertheless, this investigation will be appropriated to our study because of their findings about Latin American companies' experience in China. Grosse and Mesquita' findings focus on the importance of managing institutional relations, supply chains, boundaries of the firms, and the crystal clear and articulated global vision of the companies' top management. Some of these companies decided to go global during their domestic growth. Joining proactively the emerging markets, such as China, these firms achieved quality patterns earlier than those that were obliged to adjust rapidly to local competition environment. Consequently, these companies became familiar with governments and institutions and it can be an advantage, even if they still have to face the same problems as other companies about governance, human resources management, technology or finance.

Although, Casanova and Grosse and Mesquita analyze the global business strategy of leading Latin American multinationals, the corporate social responsibility, the challenges they face as they learn to navigate international markets, and the potential that they represent, there are other literature focused in each companies' experience.

For instance, one of these studies is *Bimbo: estratégia de éxito empresarial* of Bimbo's former CEO Roberto Servitje (2009). In this study, the author explains the roots, factors and philosophy that boosted Bimbo's growth turning it in a successful company, as well as its experience and knowledge behind administrative theory in the moment of strategy definition. Servitje defines four major factors that influence the company' strategy. First of all, *subsidiarity* can be established as everything that anyone can do by himself. That will lead to a lower society and doesn't represent an elevated body. Then, the *human resources* cannot be used only for our own ends. It is very important to trust in what they do and believe it will be fine consequences in the future. Relating the *investments*, Servitje argues is Bimbo available to reinvest 80% of its profits because the company doesn't like to invest in other thing unless itself and their human resources. Finally, there is a word for the *customers (service)*, which the company must take care, because they are the reason why their employees are organized in different schedules and their trucks leave the company everyday early in the daybreak in order to deliver fresh products. And he adds that those products the company doesn't sell are sold as waste for livestock feed.

Furthermore, according to Servitje, Bimbo's marketing looks for inform the customers about their products according to their own convictions. Their marketing portfolio has more than 800 products but only three or four don't have competition. Despite the Mexican economic crisis background the company has passed over the years (which influenced their internationalization processes), Bimbo continues to place its headquarters in Mexico and its mindset in Latin America.

Another example of a company case study is the Argentinean Arcor, the world's candies manufacturer leader. Kosacoff *et al* (2002) coordinated a study about the growth and development of one of the most successful Latin American food companies operating abroad, since it was a humble warehouse in Córdoba until became a well-known multinational without taking part neither a merger and acquisition nor a venture with foreign capital.

So, the firm history is told in five different parts steps. First, since the company foundation on 1951 until 1960, or in other words, from the very beginning in countryside to the expansion for the major cities. Then, from 1970 to 1980, the company started to export and diversify its production. Later, in the 1980s, the firm become a business group oriented for food production. Far ahead, in the decade of 1990, Arcor started to consolidate its presence in neighbor markets and looked for an international strategy for the first time. That was possible due to incorporation and generation of technological capabilities, as well as the sales and distribution processes had improved. Likewise, the importance of human resources and financial developments were key factors for the success of Arcor's international projection.

Finally, after identifying the challenges of the new century in emerging markets context, Kosacoff points out the successful adaptation to a new business environment in Argentina and Latin America, and the rules of the game change that leads to the development of new competitive capabilities. These challenges should be faced by the *fifth* Arcor, that is to say, by a global enterprise (attachment 3).

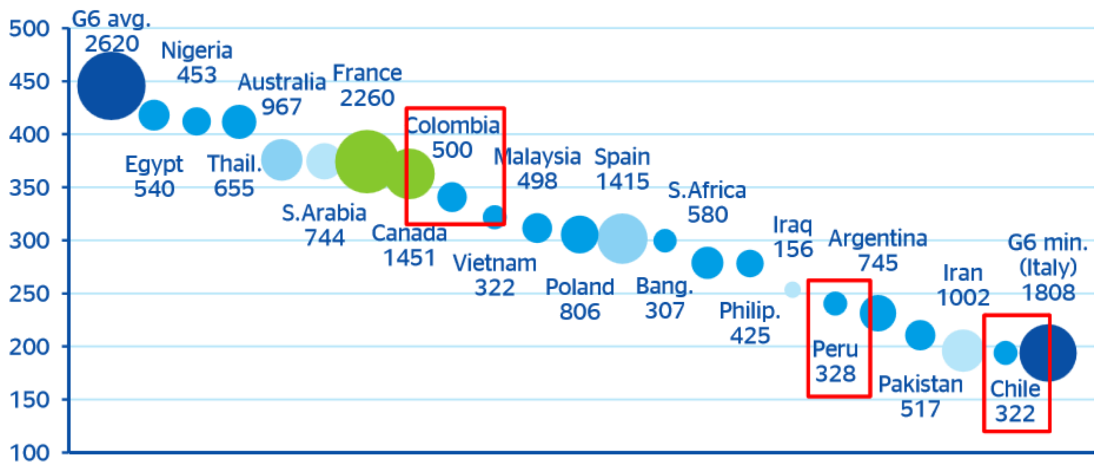
2. THE EMERGING ECONOMIES AND THE INCREASING IMPORTANCE OF LATIN AMERICA IN WORLD GDP

In 2007, *América Economía* published for the very first time the ranking called *Multilatinas*, a Top 80 table which classifies the Latin American developments in terms of globalization, i.e., their capability to go abroad and spread their influence worldwide, their foreign sales (exports and sales overseas), human resources, FDI, geographical coverage, or financial liquidity factors. This initiative became a sign of Latin American multinationals emergence in the world economic context. Extending the range of questions that can be addressed, the recent decades brought the convergence of the share of world GDP among developed and emerging countries (attachment 4).

The so called BRICs (a grouping acronym that refers to Brazil, Russia, India and China coined by O'Neill [2001] to point out the major newly advanced within emerging economies, which South Africa joining in 2010) have been representing over than 20% of World GDP (attachment 7 and 8). However, considering the current dynamics within the emerging economies, some agents are outspreading the BRICs analysis to a new range of growth-leading economies. For instance, BBVA adopted the concept of EAGLEs for those emerging economies which will be responsible for 60% of total world GDP growth in the next 10 years (China, India, Brazil, Indonesia, South Korea, Russia, Mexico, Turkey and Taiwan), and a watch list of countries that have potential to become part of EAGLEs in the following 10 years as well, called *Nest* (Egypt, Nigeria, Thailand, Colombia, Vietnam, Malaysia, Poland, Bangladesh, South Africa, Philippines, Peru, Argentina, Pakistan and Chile). In the same way, there other concepts, such as N-11, or Next Eleven countries, and other candidates including the VISTA economies (Vietnam, Indonesia, South Africa, Turkey and Argentina), the CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), the MINT (Mexico, Indonesia, Nigeria and Turkey), and the *frontier markets*. These *frontier* consist in developing economies which are growing at high rates, but are not yet part of emerging economies (Hong, 2014). For all concepts, the Latin American economies occupy a prominent position and we should pay attention to the emergent countries such as Colombia, Chile or Peru and their contribution to the region's future (Graphic 1).

The increasing importance of Latin America in world GDP growth is not separated from the expansion of multinationals and its global mindset. Nowadays, the Latin American multinationals and entrepreneurs recognize the importance of operating outside their region and they are escalating places in the most significant ranks worldwide. For instance, just to mention a few indicators, in the *Forbes* magazine *2000 World's Biggest Companies* ranking of 2013 there are already 71 Latin American firms, comparing with 58 from Middle East or 25 from Africa. In the same magazine, the Mexican telecom entrepreneur Carlos Slim has reached the 1st position of world's richest man, which he keeps for the fourth year in a row, due to an estimated fortune of up to 4 billion USD. This may be seen as the success of the region and its multinationals.

Graphic 1: Nest vs G6: current size (2012, circle size) and contribution to world growth in 2012 and 2022 (billions of USD)



Source: BBVA Research (2013)

2.1. The food industry in Latin American multinationals context

Once again, looking for the 2013 *Multilatinas* ranking (Attachment 9) we can observe the presence of 13 food companies within this Top 80 table. And if we sum up related industries, such as beverage (that we will not consider in this study), this number rises to 19 companies. At the top, we find Cemex (a Mexican cement industry firm) but, in second place is JBS, a Brazilian company operating in food processing industry. This company became the largest company in the world processing beef, pork and chicken, and it was the *Multilatinas* leader in 2012, which allow us to say that one of the most important companies in Latin America is a food company. In the 12th position is the Mexican group Bimbo, in the 20th is positioned the Brazilian company Marfrig, and in 30th Gruma, a Mexican firm, just to name some representative examples. In addition to this, no other activity is more representative than food industry, the reason to select it for this study. Moreover, the same ranking presented other successful food industry companies from distinct countries just like Guatemala, Peru, Colombia or Argentina, what allows an expression of different economic realities inside the region and will help us to understand different internationalization processes.

Within this scope, Casanova (2009) identifies 5 success factors for the emergence of Global Latinas. The first is the *Long-term visionary leaders*. Besides the fact it is being not exclusive from this region, we can see a huge number of family based companies. Their growth over the years became mixed with their leader's action and developed with their own money. They were forced to survive many regional economic crisis over the years and some of them are not listed on stock markets yet due to their family heritage. The role of the founder, become the role of his son in many cases, who worked his whole life in the company.

The second success factor is the company's *strong survival instinct*. If this was a time where the Latin American companies benefited from their government's protectionisms, the advent of free market forced some of them to be privatized and compete with multinationals from the developed world. In the same way, this became an opportunity to improve their skills and innovate.

The third was the *ability to navigate through turbulent waters*. The economic history of Latin America is full of challenging times. From the debt crisis of 1980s to Argentinean default in 2001 for instance, the Latin American multinationals deal with currency devaluations or crash of commodity prices and this made them become resilient and agile, turning out to be a major competitive advantage to them when operating abroad. Casanova argues that "Agility often includes being able to snap up bargains in tough times". This allowed some firms to follow an acquisition based strategy, as we will notice in the following chapters.

The fourth success factor was to look for the *internationalization as a way to balance risk in the home market*. For the Latin American companies, internationalization was not only a way to acquire knowledge and technology. It became a line of attack against fluctuations at home market and grow fast through acquisitions.

Finally, the fifth was their *business model innovation.* The fast acquisitions taken by Latin American companies bring the need to develop it. Despite the importance of innovating products, these multinationals took advantages in their business models, integrating acquisitions quickly and efficiently and applying new technologies to a commodity business, spread best practices globally, and fostered constant organizational learning, as something for others to follow.

However, we should keep in mind the reasons which justify the prominence of this sector in the referred ranking.

First, despite being China the nº1 supplier of world's agricultural goods producers, Brazil, Argentina and Mexico all feature importantly in this ranking (attachment 10). Likewise, Brazil (29%) and Argentina's (20%) soybeans production represent almost half of world's share. Brazil is also a heavy-weight in other indicators: it is the world leader in sugarcane and green coffee production, the top exporter of poultry and one of the world's top 5 beef exporting countries.

Second, it is estimated that the world currently produces enough to feed the 7 billion people existing on our planet and commonly agreed that it is possible to expand the food production to over 9 billion, even though we have been assisting simultaneously to increasing population and reducing the available land for production. So, if the world population is growing, it represents an additional demand for food products and an opportunity for food companies.

Third, as food consumption in developed economies is stabilizing (or perhaps falling), the demand for food products are coming from emerging countries. Thus, more meat and dairy products are expected to be produced, as well as grain, once livestock competes with humans for cereal consumption.

Fourth, there is an additional driver of trends from emerging economies consumers. The consumption of prepared meals, processed food and fast food - usually cheaper than healthy food - is increasing. For instance, global sales of packaged food in BRICs have increased three to four times over the last decade, while the consumption of fruit and vegetables is decreasing. Moreover, the globalization of tastes is leading to open even more western-style fast food chains and supermarkets in these emerging economies.

Fifth, a new urban middle class have been the key consumer. Therefore, the potential of dining out business is huge in countries like Brazil where the change of food habits and consumption is seen as significant part of expenditure. Rather than cooking in their homes, the Brazilians are dining out more and more.

Sixth, despite being one of the top agriculture goods producers, countries like India are facing huge problems of discrepancy in health distribution and access to food by their citizens. For instance, in order to face those problems, the Indian government passed in August 2013 the *National Food Security Bill*, a law which will allow that 75% of rural population and 50% of urban population (almost 800 million of Indians) have access to, at least, 5 kg of cereals per month at subsidized prices. It is estimated that it will cost 360 million EUR to Indian government, but it's the way the country had to "not turned its back on the poor, and that the have-nots continue to have a claim on the collective resources, and that they have not been left to their own devices or to the market's curative potency" (Khare, 2013). Once again, this might be seen as an opportunity for those Latin American companies which are looking to internationalize in new markets at that region.

Seventh, as long as the process of improving quality standards in all of Chinese products remains, this represents a competitive advantage for the Latin American food industry multinationals. As previously mentioned, even though being a great global producer, it is quite common to assist to Chinese imports rejections because of the bad quality food products. Just to quote a few examples, the EU rejected in 2012 the entry of Chinese products because of antibiotics in shrimp, arsenic in frozen calamari or salmonella-infected powdered ginger.

Eighth, the Latin American food industry is taking advantage of additional opportunities, such as storage, transportation, wholesale and retail of goods, once its companies are paying attention to this and spreading their range of businesses as we will explain later.

As a final point, it is very important to mention that today's financial liquidity of some Latin American countries is potentiating the emergence of the *national champions*, due to the low-interest credit facilities of public investment banks and its shareholders positions' in those companies.

3. METHODOLOGY

Our goal with this study is to compare with the existing theory about internationalization processes of Latin American companies in food industry and the way they manage their operations abroad, in order to find which international strategies they commonly follow. So, the sample used as a basis for our analysis consists on the first seven Latin American food companies present in the *Multilatinas* ranking of 2013 (Attachment 1). Brasil Foods – the Brazilian food company created from the 2009 merger of Perdigão and Sadia – was left out from this investigation because it was not possible to analyze its internationalization processes, in the same way as the followings, due to being a recent firm.

According to *América Economía*, the *Multilatinas* index measures the developments of Latin American firms in their internationalization processes. It contains four sub-indexes till 100 points (in some cases the table only shows the gross threshold) which expresses distinct phenomena inside the multinationals capability to go global and spread their influence in the world: (1) threshold of foreign sales, that is to say, exportations and foreign subsidiaries (10%) threshold of human resources operating abroad; (2) investment, a sub-index for volumes and thresholds of total investments, including those made outside the home country (30%); (3) geographical coverage, which measures the multinationals presence' in countries and regions with difficult entrance (20%); and growing potential, a sub-index which evaluates the financial liquidity and market share of those firms as primary conditions to join new internationalization processes (30%).

Subsequently, we seek to answer to the following questions: first, which are the internationalization processes more used by Latin American companies when they go abroad?; second, how they set up and manage their portfolio of subsidiaries and activities abroad?; and third, what is the international strategy more followed by those firms and if there is a common pattern amongst them, according to the Bartlett and Ghoshal matrix?

This study will follow a constructivism perspective. In fact, knowledge will be suggested to realize the results. We will use the previously established International Business theories and frameworks to predict what we would expect to find if such firms internationalize more or less in the same manner according to existing strategies. The methodology used in this study will be case studies. This methodology is used as an investigation strategy for knowing information about the units of analysis. The case studies allow showing empirically the theory studied in literature review and face the investigator ideas with companies' reality.

For the case studies development a selection of the most important issues was used for evaluation, and then three different surveys. Due to the geographical distance from the investigator's provenance to the places where the firms develop their activity, this was the major instrument to collect the most significant data we could not obtain in any other way. So, the first was destined to be answered by the units of analysis, the companies, and it was divided in five different parts. The first part was done in relation to the company, industry, ideologies and overall history, in order to clarify and obtain further understanding on past and current challenges. The second was intended to gain an understanding of the main processes, decision trees, responsibilities and methodologies that reign within the organization. The third was focused on company's strategy, that is to say the different elements of corporate and local strategy. The fourth was an attempt to understand the company's decision to move abroad and the reasoning and experiences behind. And finally, the idea of the fifth part was to identify the relationship that the company holds with governments in both home and host country.

The internationalization processes of every company needs, at least, three major dimensions: markets, money, and human resources. Consequently, in order to make the triangulation between the different perspectives, we prepared a survey for the financial partners and headhunters which have been working with the selected firms. The obtained answers will be discussed and evaluated comparatively with the companies' internationalization reality, and presented according to the appropriated schemes and matrixes. Similarly, the investigation was done taking into account the company's reports, press releases, articles, papers published in international journals, magazines, books written by past managers, and interviews as well.

During this study it was not our intention to quantify the impact of food industry in Latin American economies, or in foreign economies where these firms are operating. In the same way, despite the importance given to the emerging economies during this study, we do not intend to join any association with the internationalization patterns of firms from other regions outside Latin America. Our purpose is to investigate the internationalization patterns of Latin American food industry companies in order to answer the identified questions, but not at any moment to generalize the results as representative of other Latin American firms or industries.

4. CASE STUDIES

This investigation focuses on internationalization processes of the following Latin American food industry companies: Arcor, Bimbo, Gruma, JBS, Marfrig, Nutresa and Pollo Campero.

4.1. Arcor

Arcor is the world's largest producer of sweets and the major food company operating from Argentina. At the same time, Arcor is the biggest delicacies exporter in Argentina, Brazil, Peru and Chile, and one of the major cookies company in these markets. The food industry multinational is specialized in sugar confectionery, chocolates, cookies, crackers and icecreams. According to Merco (a business monitor of corporate reputation, a tool for evaluating companies' reputation), Arcor was the first placed in corporate reputation in Argentina in 2013. Located in Córdoba, Argentina, it has 39 industrial factories in Latin America and develops leading trademarks in those products. The Group bases its activity in a world-class retail distribution model and is composed by the following companies: Arcor, Bagley, La Campagnola, Cartocor and Converflex.

Arcor was established in the 5th July 1951 when a group of entrepreneurs, with the presence of Fulvio Salvador – the son of Amos Pagani, an Italian immigrant which opened a bakery when he arrived in Argentina in 1924 –, opened the first candy factory in Arroyito. The name of Arcor is an expression mixing the first letters of Arroyito and Córdoba. In 1958, Arcor reached 60.000 kg of sweets production and six years later, the firm started to export to the USA and Europe, and began to participate in international events. Nevertheless, the company's production was almost absorbed by domestic market. So, in the 1970's, Arcor decided to consolidate its vertical integration building new factories in order to satisfy the company's value chain needs. Simultaneously, these were the first years of Arcor's internationalization process.

The joint-venture formed with Danone in Latin America - Bagley Latinoamericana S.A. - for cookies, alfajores and cereal businesses, is one of the leaders in the region as well as Arcor is the first exporter of sugar confectionary in Argentina, Chile, Brazil and Peru. The Group has also 13 commercial offices located in America, Europe, Asia and Africa, 19 distribution centers in Latin America, a 20.000 people workforce, and 12.700 SME's as suppliers.

4.1.1. The internationalization processes and the choice of foreign operation modes

a) North America

The internationalization process of Arcor began with few exports of candies to the USA in 1968. The idea was to test the competitive and logistic skills as well as to develop its quality service and demand. The company sent two containers of milk sweets in ordinary boxes which deteriorated when they passed around Ecuador. Despite the high losses, Fulvio Pagani decided to pay the bill of Arcor' importers. As a result, the company gained reputation and the American partners visited Arcor in Arroyito personally. The North American market begun to be a priority to Arcor.

In the following years, Arcor turned into an economic group which diversified and decentralized its production. At this time, the company increased its market share in Argentina and began to expand its operations as a condition to increase its sales abroad. Consequently, Arcor's exports in 1980 were 7.067 thousand USD, compared with 1.238 thousand USD in 1974. The regular exports to the USA carried on during the 1980's and, at the beginning of 1993, Arcor opened a small trade unit in Miami specialized in private label, value added products through the use of licenses, branded products, and manufacturing contracts for third parties. The business model is still based on imports from Arcor's facilities which are delivered to key stone chains, such as Walmart, Costco, Kmart, Dollar Tree, Sam's, or Family Dollar for instance. The same process was replicated in Canada, where the company opened a trade office in Ontario, in 2003.

The recent sales in the US and Canadian markets continue to be constant. Despite Argentina custom tariffs sanctions inside the Generalized System of Preferences, the upward price effect is contributing to increase profitability and financial margins. In this way, the US market remains as the world's largest biscuits market, so the company takes a keen interest in North America for strategic reasons. Furthermore, Arcor launched its main product Bon o Bon in Florida and southern states in 2012 and it became a success.

b) Latin America

If Arcor's internationalization process began in the USA, we shall say that the productive internationalization began in the Southern Cone countries in the late 1970's and early 1980's.

In fact, Arcor invested in Paraguay with a *greenfield* project (Arcorpar, in 1976), and also in two existing societies in Uruguay (acquiring a 50% shareholder position of Van Dam, in 1980) and Brazil (Nechar, a candies factory, in 1980). This expansion was later consolidated after the signature of the Asunción Treaty, which founded Mercosul in 1991, a free trade association between Argentina, Brazil, Paraguay and Uruguay (Venezuela joined Mercosul in 2012). In the same way, Chile became part of this process due to the acquisition of Dos en Uno. Besides the productive internationalization, Arcor strengthened its commercial workforces in these countries. Consequently, the exportations from those markets begun to be destined to other geographies.

At the same time, the company diversified its food products' portfolio and invested in marketing. Kosacoff *et al* (2002: 140) explains that: "Arcor established its branches abroad its principal ownership advantages derived from its skills in technology and production and its experience in distribution. In the area of technology, the company was capable of supporting productive developments in favorable conditions compared to local competitors, and in the commercial area, it had a long-lasting experience in exporting and a well-oiled distribution network in Argentina which served as a model for those countries towards which investment was channeled".

The decade of 1990 accelerated the importance of Arcor's overseas operations. The company faced an internal restructure which compromised the creation of the International Division, a department to coordinate Arcor's presence in foreign markets and responsible for the supply chain management in each region. Meanwhile, the Latin American markets increased its significance in Arcor's total sales, due to direct distribution systems in the Brazilian main states, the acquisition of plants in Brazil, Peru and Chile, and the increasing presence in other such as markets Mexico, Ecuador and Colombia through the opening of new branches, and strengthening the commercial configuration at regional level.

If there is something that really distinguishes Arcor from many other companies, we shall say that's the ability to deal with frequent economical and financial crisis. In fact, Arcor had to face a context of crisis during the 1980's. The low cost credit stimulated the indebtedness of Latin American countries over the previous decade, but their economies were still vulnerable and highly dependent from the US economy. In countries like Mexico, for instance, the major part of trade relations were done with its neighbor from the north. However, problems began with oil crisis, and generated into increase interest rates and hyperinflation. Then, the economic downturn in the USA precipitated the price decline of commodities exported from the Latin American countries. In 1982 Mexico suspended its debt payments and the difficult international markets access motivated a serious liquidity crisis. Arcor remained unable to fund its investments outside, and the Argentine government took the public and private debt until 1983. As a consequence, the inflation jumped, the economy became stagnant, and the discredited Argentinean Peso currency was replaced by the Austral. In the following years, the IMF was forced to assist financially not only Argentina (1987), but countries such as Brazil (1983), and there were formulated solutions like the Baker Plan (1985), substituted by the Brady Plan in 1989, but insufficient to prevent another crisis in Mexico (1994) and Argentina (2001).

The investment strategy (almost 1 billion USD), as well as the technical, productive and organizational constant improvements, allowed Arcor to consolidate its position as an international player. Arcor was one of the few firms “that were able to come through the crisis, recover and even increase sales levels in relation to the late 1990s” (UN – ECLAC, 2005: 138). As a result the company became less dependent on the Argentinean market performance and defended itself from the longstanding crisis, reaching from the opportunity to diversify markets and risks. Due to its past, Arcor took the learning and flexibility to face distorted economic scenarios, in both financial and commercial terms. Another important element was the company’s focus on massive consumption products, in the meantime it was restructuring its value chain selling the non-important assets.

On one hand the Argentinean crisis was a hard test overpass by Arcor, on the other hand the company benefited from the fall of many competitors. For instance, Unilever closed its ice cream operations and Arcor increased in 50% its market share in this business. The company took a financial restructuring, the consumption patterns changed, and Arcor had to look for new kinds of agreements. In this way, the firm celebrated in 2004 a joint-venture with the French group Danone which turned into the largest cookie company in South America, due to taking a leading market share in Argentina, the second-largest share in Brazil and the third largest in the Chilean market. Arcor controlled 51% and took the management control of the venture. Danone, on the other hand, owned 49% and its intention was to benefit from Arcor's extensive distribution networks in South America (The Wall Street Journal, 2004). This joint-venture was extremely important in the Brazilian operations. Arcor had inaugurated the modern plant of

Bragança Paulista in 1999, but the agreement with Danone allowed the integration of two new plants (Campinas and Contagem), 2.000 new workforce, and a wide range portfolio. Then, due to the venture's good performance, Arcor invested 40 million USD in a new plant in Recife in 2007, in order to increase its production capacity, develop new technology, products, marketing and customer service. Meanwhile, other investments were done during 2005: Arcor acquired the centenary firm Benvenuto and its recognized brand *La Campagnola*, and invested 20 million USD to build its own port in San Pedro, Buenos Aires, with an annual capacity of 50.000 containers and 1 million tons of grain.

The joint-ventures carried on in 2006, this time with an agreement with the Mexican food industry company Bimbo. The contract provided an investment of 60 million USD from both sides for the establishment of Mundo Dulce, a confectionary based in Mexico which produced 150 different products for both Riccolino - a Bimbo's candy producer subsidiary - and Arcor (Hernández, 2007). The Argentinean firm expanded its operations to Mexico and, since then, had no need to export there. For its part, Bimbo benefited from Arcor's candy manufacturing know how and technology, and used it to improve its operations in the USA, Canada and Latin America. Nevertheless, the companies kept their own brands in their own distribution networks.

In 2010 it was the turn of the strategic alliance with the world beverage giant The Coca-Cola Company for product development at a regional level. If for Arcor it was an opportunity to expand its operations overseas, Coca-Cola demonstrated interest in Arcor's innovation skills in order to diversify its product portfolio. So, this venture started to develop *Menthoplus Powerade*, an innovative caramel with different flavors used as an energy metabolism which combined dextrose and optinergy (vitamin B and magnesium). We might say these new kind of agreements, such as the joint-ventures with Danone and Bimbo, and the strategic alliance with Coca-Cola, allowed Arcor to double its total sales between the period of 2005 to 2012 (attachment 11).

c) Rest of the world

The decade of 2000's assisted to what Kosacoff *et al* (2002) called as the beginning of the *Fifth Arcor*, that is to say a global company. This Fifth Arcor should be a regional leader (especially in the Southern Cone), which is committed to build a significant position in the world markets, throughout the improvement of a management control system from the Argentinean headquarters to the rest of its subsidiaries, attracting – at the same time – the best human resources worldwide.

In this way, Arcor joined the European market in 2002 opening a commercial office in Barcelona, in order to coordinate its operations in Europe and Middle East. From Portugal to India, Arcor commercializes its main products, and both regions are also important to the whole company because they became a place to develop important marketing and communication campaigns. Nevertheless, the company suffered with the high taxes imposed by the EU on Argentinean goods.

Arcor joined the Chinese market in 2006, following the trend of the main Latin American food industry companies to gain a foothold in a 326 million residents under the age of 15 market. The company had been preparing its establishment since 2000, through market researches, trips to the country, and taste tests. That resulted in opening a commercial office in Shanghai, later upgraded under the figure of wholly foreign owned enterprise in 2011, in order to control the commercial transactions of the Southeast Asian region. After an initial investment of 600.000 USD in television advertisements to announce its product Butter Toffee, the company started to face the Chinese children resistance to eat its products year round. Traditionally, they use to eat toffees and candies manly in the last three months of the Chinese year. To overpass this cultural aspects, Arcor has been searching to be present in the Chinese most important festivities. For instance, the company prepares packaging and special presentations for some products, redesigning and incorporating Chinese texts and graphics, in order to avoid bulk buying.

The uniqueness of Arcor is also found as the only company present in Africa nowadays from the small set of case studies presented. In fact, Arcor opened a commercial office in Durban, South Africa, in 2005 to explore opportunities in the Southern African region and compete with local players, commercializing its main products. Similarly to Europe, Arcor uses these markets to develop marketing actions, such as consumer-oriented promotions at different points of sale. In this way, the company filmed a TV commercial in Angola in 2009 addressed to the neighbor markets in accordance with African traditions and habits. Furthermore, Arcor is looking to expand its operations in the region but faces difficulties in order to retrieve talents due to the lack of interesting profiles, as notices Umberto de Eccher, Consultant from Michael Page Engineering:“for example in Mozambique where the company has been re cruiting top local positions for the recent start-up of activities in the country" (U. Eccher, interview, 26th December, 2013).

4.1.2. How Arcor organizes its operations abroad

According to the 2011 Annual Report, Arcor is composed by 41 firms dispersed by 14 different countries. The group is internally organized into four different primary reportable segments which corresponds to those geographical areas where Arcor has its main manufacturing operations: (1) Argentina, (2) Brazil, (3) Andean Region (including Chile, Peru, and Ecuador), and (4) Mexico and all other countries. There is also a secondary reportable segments, which obeys to the following structure: Confectionery Argentina, Packaging Argentina, Foods Argentina, Cookies Argentina, Cookies Chile, Cookies Brazil, Confectionery Andean Region, Packaging Chile, Confectionery Brazil, and Confectionery Mexico. The other operations compose other different reportable segment. The competition abroad is quite similar, the players have the same level of specialization, and it is adapted to each market conditions.

In accordance with Kosacoff, the company centralizes the decisions at the headquarters (B. Kosacoff, interview, 28th January, 2014). The board of directors is responsible for the company's strategy and the reason to internationalize was to gain new customers abroad, to a certain extent which helped the company to overcome the economic and financial crisis. Arcor begun its internationalization processes with exportations, then with FDI and M&A to penetrate in foreign markets with differentiated products, but in the past decade the company experienced joint-ventures and strategic alliances. The company was not influenced by the government and never received any kind of governmental aid. In fact, Kosacoff considers the foreign trade administration the most complex bureaucratic processes the company faced overseas.

To conclude, the Professor argues that Arcor follows the Cooperative form, which favors the structural integration devices creating tight links among all segments. Corporate headquarters highlights strategic planning, marketing, and human resources to promote cooperation among the segments. Arcor's culture emphasizes cooperative sharing.

4.1.3. The role of people

In accordance with Umberto de Eccher, Arcor can be called as an *Employee Champion,* that is to say, a company centered on people and operationally focused. In his opinion, Arcor's success factor "is the willingness to maintain corporate alignment and cultural integrity by recruiting similar profiles of talent (including soft skills and experience) in the international context" (Umberto de Eccher, interview, 26th December, 2013). Kosacoff, for his turn, remembers that human resources management is ensured by the headquarters in Córdoba and, in case of M&A, the company appoints a new home-country based executive committee. In fact, Arcor's internationalization is forcing the company to expatriate human resources because it is starting new operations with foreign countries and should have transfer know-how and skills. This is the reason to recruit in-house mostly. Moreover, Arcor faces the lack of local talent in some geographies.

In reality, the Argentinean firm is recruiting local talents abroad, with local passport and specific competencies, and defined experience in line with the company's standards. Due to the lack of such profiles it took strong effort and difficulties in order to retrieve the talents. The most frequently demanded human resources are Business Managers and Subsidiaries Managers. As a matter of fact, the expatriation is an important issue for Arcor. In order to match the expatriates' expectations in foreign countries, the company created repatriation and international movement career plans, still putting emphasis on local focus. By setting up local company and focusing on hiring local employees, it reduces country risk and automatically sets contingency plans for the exit from the country.

4.1.4. Financial partner perspective

In the early 1990's the hyperinflation of 10 to 20% per month were causing riots all over Argentina. The financial crisis only would stop after the designation of Domingo Cavallo as the Argentine economy and public works minister by the President Carlos Menem in 1991. Cavallo's stabilization plan included he implementation of the crawling peg program, which fixed the parity of the Argentinean Austral and the US Dollar (10.000 Austral = 1 USD), and a 1 billion USD standby agreement with the IMF (Latin Finance, 2013: 35). Consequently, the price stability was achieved and the quality of life and purchasing power of the Argentineans increased.

Meanwhile, Argentina had to pay the external debt and, to do that, the government had to ask for more loans internationally increasing the total debt. Imports became cheaper and the country gradually ruined its industrial base, contributing for an explosive unemployment rate. After 1999, both Mexico and Brazil devaluated their currencies and the USA did the opposite with the USD, dragging the Argentinean economy for a difficult situation. The consequences of the crawling peg policy resulted in a 25 billion USD rescue from IMF, seen as the only way to avoid a debt default that would possibly affect the region.

With reference to Arcor, huge losses were expected, but the company's strong orientation to overseas operations drove it to an unwavering situation. In fact, Arcor does not have a privileged financial partner, nor even had been favored by any kind of governmental aid. The Argentinean firm has a financial relationship with Deutsch Bank and, according with Juan Cruz Dieguez, Sales Manager, Arcor usually searches for funding in its home country when they go abroad. However, it does not necessarily mean a conservative approach by the company. Deutsch Bank provides trade finance solutions to the company, once Arcor operates in many different regions worldwide. In Juan Cruz opinion, the main problems Arcor has been facing throughout its internationalization processes is "the lack of knowledge about foreign countries law, the particular requirements of each importer country, as well as lack of clear regulation in Argentina" (J. Cruz, interview,13th February, 2014). Nevertheless, he believes that Arcor has been adapting to all the market changes.

4.1.5. The international strategy followed

Arcor is on road to be a worldwide company. Since the middle 2000's, when the firm opened its subsidiaries in Shanghai and Durban, Arcor joined new emerging markets that will be responsible for the diversification of operations. In this way, Arcor has been replicating the same international strategy abroad, which is firstly introducing its main products (such as Bon o Bon) and later, if necessary, adapting its products to local tastes, like what they did in the USA and Brazil. Probably, the only exception was the entry in the Chinese market that forced Arcor to make flavor tastes and experience new projects to promote its products among the consumers.

So, following the Bartlett and Ghoshal matrix, the closest approach to define Arcor is the *International* strategy. In accordance with Kosacoff, the role of overseas units are about exploiting parent company knowledge and capabilities through worldwide diffusion and adaptation. For instance, the joint-venture with Bimbo in Mexico should be seen as a perfect example of this strategy.

4.2. Bimbo

The Mexican company Bimbo is the world's most important baking company on the basis of brand positioning, production volume and sales. This position is supported in by its 173,139 billion MXN total sales registered in 2012, as well as its market capitalization of more than 12.000 million USD. Moreover, Bimbo is present in 19 countries in America, Asia and Europe and has over 10.000 products, 125.000 associates and 100 brands of acknowledged prestige.

The idea of creating a new baking company in Mexico led to the foundation of Bimbo in 1943. Grupo Bimbo was established on December 2nd 1945, by Lorenzo Servitje, Jose T. Mata, Jaime Jorba, and Jaime Sendra, but its first name was Super Pan S.A.. The name Bimbo was coined in 1945 and the idea behind it was to mix the words *Bambi* and *Bingo,* giving the perception of childhood and innocence to its products. The *Bimbo Bear Cub* became the company's logo, and the first products launched into the market were cellophane wrapped large and small white loafs of bread, rye bread and toasted bread.

The first depot outside Mexico City was inaugurated in the city of Puebla in 1949, but it was the decade of 1950 showing the first Bimbo's capacities for innovation. The 38, a vehicle decorated with loudspeakers, a record player and microphones to announce the product in small towns and rural settlements, made its appearance in 1950, and the production of the *Donas del Osito* (Bear Cub's doughnuts) started in 1951.

Bimbo's growth was through M&A first happened in 1964, when the company acquired the rights for the Sunbeam brand in Mexico from Quality Bakers of America. In 1971, Barcel started its operations with the acquisition of a small chocolates plant in Mexico City, and in 1972 Bimbo installed the largest bakery in Latin America and one of the ten largest in the world in Azcapotzalco, Mexico City. By the end of 1979, Roberto Servitje was appointed General Director and Bimbo comprised three enterprises, 12 plants, 15.000 associates and its capital increased over 60.000 times. In the following year, Bimbo started to trade 15% of its shares at the Mexican Stock Exchange (BMV).

4.2.1. The internationalization processes and the choice of foreign operation modes

a) North America

According to Servitje (2009: 7), Bimbo decided to go abroad in 1969 but didn't know where to go and how. Initially, the company tried to export to the USA but "we failed a lot of times because we certainly didn't have a full quality approach which we have now. Then, our goods didn't accomplish their standards and they used to return it".

Due to the increasing of its product line, in the middle of the 1980's a new organizational structure was created with which a single industrial group emerged as a food distribution firm and not a bakery company anymore. As a result, Bimbo started its internationalization process exporting to the USA by the end of 1984, using its affiliates in Houston and Los Angeles to distribute products. But the company would enter effectively the US market through the acquisition of Wonder Bread in 1986, a Mexican Continental Baking subsidiary. This agreement previewed the purchase of a Continental's flour mill in Mexico City which contributed for a rapid expansion of Bimbo within national boundaries.

The NAFTA signed by Mexico in 1994 with the USA and Canada, played a significant role in Bimbo's expansion to the northern neighbor, facilitating the trade between these countries. In this way, the company started to follow the potential customers from the huge Hispanic community in the States and tried to reach the opportunities without a large number of national bakeries (the US market is characterized by regional players instead of national ones).

The M&A strategy begun in the early 1990's. Bimbo always focused on the market's biggest players to conquer a respectable market share in geographical destinations. But those which Bimbo though did not have enough size to acquire became the object of a joint-venture or a strategic alliance. The first significant acquisition in the US was the tortilla producer Orbit Finer Foods, in 1992.

Therefore, Bimbo agreed on a joint-venture with Mrs. Baird's - called QFS Foods - to distribute tortillas. The Mexican firm was forced to build a plant in Houston but got the right to sell its brands using Mrs. Baird's channels in Texas, New Mexico and Louisiana. However, in 1998

Mrs. Baird's executive committee decided to go ahead with the stock offering of the firm to increase liquid assets and Bimbo took the opportunity to acquire the centenary firm Mrs. Baird's. Meanwhile, Pacific Pride Bakeries, another prestigious brand from San Diego, was purchased in 1996.

In 1998 Bimbo Bakeries USA was formed and its headquarters were established in Fort Worth. The company reached a huge geographical coverage, but it would take time to be profitable. Bimbo faced some problems with unionized employees and had to adopt some efficiency measures, such as to promote fiscal bonuses to its truckers operators, in order to restructure its own operations. Another problem was the huge brand portfolio resulted from the acquired companies that had to be reduced and substituted by the Bimbo brand. And finally, the grocery price control was troubling Bimbo's earnings.

Though, the most remarkable Bimbo acquisition ever took place in 2002 with the strategic purchase of the US operations of the Canadian food company George Weston Limited for 610 million USD. This agreement allowed Bimbo to cover the western states, take five new plants, and double its revenue in the USA. Nonetheless, Bimbo concluded Weston Foods, the US bakery division of George Weston Ltd, in 2009 for 2,38 billion USD.

In the end of 2011, Bimbo acquired Sara Lee Corporation's North American Fresh Bakery business for 959 million USD. With this process, the company strengthened its geographical coverage, with bakeries in every region of the country, and kept a timeless license for bakery products production worldwide. It would be a strategic step in order to join new markets for the company, particularly in Europe.

Bimbo registered 78.927 million USD in net sales and an operating income of 1.118 million USD (2012). In December 31st 2012, the firm had 72 plants across the USA.

b) Latin America

After the internationalization in North America, Bimbo considered as a strategic next step to join the South. In this way, the first stop was in Guatemala in 1990, when the company purchased a local cakes producer which become the following Bimbo Latinoamerica Centro.

Next, Bimbo joined Chile due to the invitation of two local operators: Alesa and Ideal. After an initial doubtful reaction, the firm sent their executives to Chile and, later on, they agreed to participate in what seemed to be a joint-venture. Conversely, the plan failed because "after a few years we had to close our old and inefficient installations and build a modern bread plant. But our partner didn't want to invest and we had to close the agreement" (Servitje, 2009: 7).

Then, in 1993, it was the time to enter in Venezuela and El Salvador. In the first one, it took place after a plant offer from Polar to make Bimbo products, but in the same year Bimbo acquired Panificadora Holsum, the most important Venezuelan bakery. In El Salvador, Bimbo purchased a small production plant in order to fulfill the Central American markets. Following this way, the Mexican company did the same procedure in Costa Rica with Cinta Azul plant some years later.

The Andes were joined in 1996-1998 period using strategic alliances. After an agreement with Grupo Nöel de Medellín, Bimbo inaugurated a new plant in Colombia in 1996, and in 1998 the company did the same in Peru with Alicorp. These operations abroad were thought as a long term strategy to reach synergies from this region growth in the new millennium. It is important to remember that Bimbo is still the exclusive supplier of hamburger buns to McDonald's in Venezuela, Colombia and Peru (Casanova, 2009: 92).

In 2001, Bimbo entered in Brazil due to the acquisition of three Plus Vita plants in Rio de Janeiro, Recife and São Paulo in order to expand to towards the South American but, at the same time, to be on the road to reach Panamá, Uruguay and Paraguay.

Nevertheless, Bimbo's most significant experience in Latin America has been in Argentina. In 1997, the firm started to invest 30 million USD in a plant in order to produce almost its product portfolio. The factory was an example of innovation and modernization, the most advanced inside Bimbo Group, but it didn't return the expected results. The first reason was cultural or, in other words, Bimbo tried to replicate the *mom n' pop* corner stores distribution efforts, but in Argentina, in South American countries, people are used to buying fresh bread in supermarkets instead of processed bread in those stores (Casanova *et al*, 2009: 94-111). Another reason was the high cost of the Argentinean workforce. Due to the crawling peg of ARS currency with the USD, the cost of each employee in Argentina was seven times more expensive than in Mexico. Consequently, the company wasn't able to accomplish the sales benchmarks and had to rethink its local strategy. So, in 2011, Bimbo decided to acquire 70% of Fargo. After selling some facilities, due to the local authorities' obligation, Bimbo guaranteed five new plants and a 500.000 workforce, as well as a huge distribution retail and grocery network.

According to Hellen Fellner O'Toole, Consumer and Market Manager at Bimbo Latin Sur, "comparing Mexico with Bimbo Latin Sur, the competition is quite diverse. In Mexico we are the only bread brand, meanwhile here in Latin Sur the market has other bread companies. Mexico's sweet baked goods is our top sale unit; here in Latin Sur our pan bread unit is the number one". In the end of 2012, Bimbo net sales in Latin America (excluding Mexico) were 22.674 million USD. The Group had 30 plants all over Latin America, the most extensive distribution network in Mexico and one of the largest in the American Continent, with more than 51.000 routes (Bimbo, 2012: 7).

c) Europe

In 1963, Jaime Jorba, one of Bimbo's founders, decided to return to Spain and established a Bimbo branded plant in Barcelona. In the early 1970's there were five across Spain, but the Mexican Bimbo decided not to invest outside its home country. At that point, the European firm started to face some trouble due to the political and social changes in Spain and the shareholders decided to sell it to a North American corporation.

After two decades out from the old continent, Bimbo reentered in 1999 through the acquisition of German Park Lane facilities in Austria, then moved away to the Czech Republic. The strategy was quite simple: to take advantage of cheaper labor costs, increase the company's profit in Eastern European economies and prepare, at the same time, the expansion to Russia and Western Europe. With this acquisition, Bimbo got access to new innovation and know-how in candy-making technology which supported its internationalization over the 2000's worldwide. But, on the other hand, Roberto Servitje used the arguments of eastern economies contraction due to the USSR collapse, the European competitive environment and high operating costs to justify the closing of European operations in 2003.

Bimbo would have a date with history again in 2011. Two decades past from selling its operations to Campbell Taggart Inc., the Mexican company completed a second transaction of Sara Lee's baking business in Portugal and Spain for 154 million USD, after the North American corporation had informed about its intention to sell the struggling Iberian operations.

Daniel Servitje, CEO of Bimbo, said “we looked at that opportunity for many years”. After the acquisition by Campbell Taggart Inc., the Iberian-based business had been sold to Anheuser-Busch, then spinoff into The Earthgrains Co., and finally purchased by Sara Lee in 2011 for 400 million USD. But the company kept always the same brand name, symbols and philosophy since its foundation. The dealing integrated more than 1.900 employees, seven production facilities and more than 800 distribution routes. Even so, the business wasn’t succeeding, Sara Lee’s registered 371 million USD in losses and didn’t consider a long-term growth. So, Daniel Servitje presented the case to the board of directors, and the reaction was positive: “Yes, the brand helps. It allows us to reunite our largest brand on a global basis. We found there are opportunities to add value in Portugal and Spain and get new ideas from the Iberian team for other markets. It’s a terrific team, open to learning new things”, he said. The acquisition was ahead, because “if we [Bimbo] want to be an international company, having a foot in Europe is important for us”. According to José Hinojosa Ibáñez, Bimbo Iberia Vice-President, “the major difference from our home country is related with the white labels or distributors branding, who has the biggest market share” (J. Hinojosa, interview, 17th January, 2014). In 2012, Bimbo’s net sales in Iberia were 5.182 million USD.

d) China

Looking for being the world’s largest bakery company in 2010, CEO Daniel Servitje decided that Bimbo would be the first Latin American food firm to join China. The way he managed it was throughout the acquisition of the Spanish Panrico subsidiary Beijing Panrico Food Processing Center in 2006 for 11 million USD. Panrico had been registering disappointing results in their Chinese nine years’ experience, and left 800 workforce, one production unit, a 190 routes distribution network in Beijing and Tianjin, and more than 4.000 points of sale. On the other hand, Bimbo joined China after an extensive due diligence which included the participation of the Chinese community in Mexico, as well as a high investment in marketing.

The challenges were promptly identified. The western consumption standards weren’t appropriated to China, especially in bakery and pastry. Moreover, some of these products are still new in Chinese diet. For instance, the *per capita* bread consume is still 2kg, which compares with those 106kg consumed in Germany. Also, the Chinese market is characterized for its fragmentation. Besides its huge potential, there are a lot of regional players and no one has more than 2% of national market share. Bimbo found out it wasn’t quite new because the company had to deal with the same question during the Latin America expansion. According to Jorge Zarate, head of Asian desk at Bimbo, “there aren’t small or weak competitors. This is something we learnt in Latin America, in countries such as Peru or Colombia, when we started to develop our products. The markets were fragmented and there were regional leaders, not national ones. This is something we saw again in China”, he said.

Nevertheless, Bingbao – the name of Bimbo in Mandarin – started its market approach launching its main product *Gansito*. Research studies indicated that it would work. But, in fact, it wasn’t enough to convince the tough Chinese consumers. Consequently, it was crystal clear that to operate in China Bimbo had to act like Chinese and produce Chinese products. Without disinvest in its traditional sliced white bread, the company created less sweetened products, more closed to Chinese tastes. The CEO realized that “We [had to] spend time learning and adapting. It’s a tough market. It’s a market where you have to come out with a lot of innovation. You see others coming out with similar products and different products than yours all the time”. Hinojosa explains that Bimbo is aware of the market and consumers in order to detect what exactly moves them to prefer their brands. In the same way, Bimbo improved its distribution network, even though the high distances across the small *mop n’ pop* shops and supermarkets in China. So, the company created a fleet of 187 of its own trucks and 38 bicycles in order to fulfill their 30.000 customers widespread over Beijing. Daniel Servitje noticed that Bimbo is “basically a Beijing and northern China baker. We certainly aren’t serving the entire nation. We bake some long-shelf-life items and some fresh products. The population is about 100 million in our market, but with a tiny per capita. Overall, the Chinese market is very small on a per capita basis in our industry compared with others. Second, we’re small in our industry. We’re not the leading baker in China“.

Nowadays, China’s sales represents 35 million USD, which means 2% of Bimbo’s annual revenue, although an increase of 300% since its beginning (Yuwei, 2012). Bimbo has two plants in China, 11 distribution centers (which six are located in Beijing) and a 1.500 workforce. This allows the support of two Chinese brands (Jinhongwei, a processed foods company, and Million Land, a pastry manufacturer), more than 100 products in 27 cities, including Jinan, Harbin, Taiyuan, Shanghai and Tianjin, and 7.300 points of sale. Despite the marketing strategy followed, Bimbo still has to face the market complexity in a culture which is not used to consume bread. However, Daniel Servitje positions the company’s perspective for China: “I would say we believe this is a great opportunity for us to keep learning and expanding our capabilities to be an international company. We are in the middle of the road there". Besides their immaturity in this country, the business is growing and it is expectable for Bimbo to start a future M&A process.

4.2.2. How Bimbo organizes its operations abroad

The Grupo Bimbo operations abroad are divided in six major regions. The first one is Mexico, where are operating Bimbo, S. A. de C. V. in bakery activity, Barcel, S. A. de C. V. in candies and snacks, Gastronomía Avanzada Pastelerías, S.A. de C.V. (or *El Globo*) in pastry, and Moldes y Exhibidores, S.A. de C.V, an equipment support unit.

Next, the USA region integrates Bimbo Bakeries USA and one plant managed by Organización Barcel. The third is Organización Latino Americana, which is subdivided in Latin Sur – coordinates the operations in Argentina, Brasil, Peru, Paraguay, Uruguay, and Chile – and Latin Norte – manages the operations in Colombia, Venezuela, Panama, Guatemala, Costa Rica, Honduras, El Salvador and Guatemala.

The Iberia corresponds to Bimbo's presence in Europe and manages its operations. And finally, there is the Organización Ásia, which coordinates the operations in China. In every overseas' unit there is the trend to integrate its processes into headquarters model.

According to O'Toole, the strategy conception is managed by the board of directors: "Mexico determine the general guidelines, our backbone and each region adapts it to their local market". That is to say, the organization of Bimbo's operations abroad follows a SBUs form. Divisions within SBUs develop economies of scope and/or scale by sharing product or market competencies. Following this, each SBU is a profit center controlled and evaluated by the headquarters office. Can be complex due to an organization's size and diversity in products and market and it's quite common to be used in large firms.

4.2.3. The role of people

It is generally agreed that Bimbo is perceived as an *employee champion*, that is to say, considered to keep the employees committed toward the company. Bimbo train line management about the importance of high employee morale and how to achieve it, and according to Hinojosa, the firm doesn't call them *human resources* but *personnel area*.

Bimbo divides its own management between the board and executive managers. The executive committee is composed of 15 executive managers, including the CEO of Grupo Bimbo. The role of the executive committee is to manage the annual business strategy and the strategy is reported to the Board of Directors in order to be approved for implementation. In accordance to the Iberia Vice-President, Bimbo keeps the executive committee in case of a foreign company acquisition.

This became a strategic advantage in Bimbo's operations abroad. The company has been recognized for its understanding of Latin American work values and implemented a humanistic successful human resources program abroad, which obtained a long-term commitment and employee loyalty. For instance, Servitje (2009: 126) refers that "money is very important for the employee, but it's not the major reason. The work doesn't provide only money to the employees, and they don't work only for the money. Who thinks like that is restraining the employees, is isolating them in many aspects". Besides the moral agreement to their human resources, Bimbo strengthens its own international reputation because the firm usually recruits mostly local employees. In the end of 2012, Bimbo had more than 125.000 associates, which around 40% were operating outside Mexico.

4.2.4. Financial partner perspective

In 21st January 2009, Bimbo closed the transaction for the acquisition of Weston Foods, Inc. for 2,38 billion USD and its related financial assets for 125 million USD. Seven banks financed the transaction through a 1,9 billion USD dual currency term facility. One of those banks was BBVA, which keeps a strong relationship with Bimbo once they share a presence in common markets, such as Latin America and Iberian Peninsula, and supported Bimbo's internationalization in Europe and Americas. In accordance with Edgar Cruz, BBVA Credit Research Vice President, the company uses to search for funding its operations abroad both in home-country and international credit markets.

It's commonly accepted that Bimbo has a conservative financial approach, keeping its debt to a lowest amount level. Casanova (2009: 53) explains that "this has helped it weather some difficult storms. For example, during the Mexican Peso Crisis of 1994 it did not have large interest payments to make on debt borrowed in dollars when the latter was much stronger against the *peso*". Also, Cruz agrees that: "Bimbo has a strong Free Cash Flow generation, conservative dividend policy and leverage lower than 3.5x even when during LBO" (E. Cruz, interview, 20th February, 2014). The bread industry has been living a consolidation process and nowadays there are only three names that control most of the market, which the first one is Bimbo. However, the Mexican company has been facing the economic crisis in the USA during 2008-09 and, consequently, a slow recovering process. According to Cruz, the only concern they should fear is "only if they plan to grow more rapidly and with more debt".

Despite its own degree of internationalization and size, Bimbo was nor favored with any kind of governmental aid, neither influenced by the government to expand abroad. Hinojosa believes it could be important, but the company learnt to deal with the most different legislative bureaucracies and protocols worldwide, and the most important learning experience became "the ability to run differently their sales".

4.2.5. The international strategy followed

OTolle agrees on *International* as the most closed approach followed in overseas operations by Bimbo. Hinojosa, for his turn, explains that Bimbo's knowledge is developed at the headquarters and transferred to overseas units. In fact, there are, at least, two perfect examples which sustains these perceptions.

The first happened when the firm joined the Argentinean market. Bimbo concentrated its distribution efforts in the *mop n' pop* corner stores, as it was being done in Mexico. It revealed to be a mistake because the Argentineans are likely to buy bread often in the supermarkets. Nonetheless, this episode indicated a perfect attempt to transfer to its subsidiary the knowledge developed at the center, as befits the Bartlett and Ghoshal *International* strategy approach.

The second was quite similar. Besides all the due diligence done in Chinese market, Bimbo launched its main product *Gansito*, but it didn't convince the consumers. Consequently, they were forced to change and adapt its own product in accordance with Chinese tastes. So, even though Bimbo is closer to the *International* strategy, we might say the company may see a small proximity to a *Multinational* strategy.

4.3. Gruma

Gruma is a Mexican based firm, located near Monterrey, nowadays the leading firm in the production, distribution, marketing and sales of corn flour and tortillas globally. The company has 101 plants and a 20.000 workforce, distributed over the five continents. Established in 1949 by Roberto González Barrera, Gruma operates in Mexico, Venezuela, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Ecuador, the USA, the United Kingdom, the Netherlands, Ukraine, Italy, Turkey, Australia, Malaysia and China. Its brand names include *Maseca*, *Guerrero* and *Mission* and its customers are spread from the supermarkets and restaurant chains to food service distributors, schools, mass merchandisers or smaller independent stores. In 2012, Gruma's generated 64.316.632 million MXN in net sales.

The company traces its origins back to the decade of the 1940's, when González Barrera discovered a rustic machine for grinding dry-cooked corn to be made into tortillas on a business trip. The entrepreneur benefited from the economic Mexican growth and modernized the corn flour industry founding Molinos Azteca, later renamed as Grupo Maseca, and nowadays Gruma. The domestic growth is partially explained by the acquisition of its competitor Agroinsa in October 2005. From that moment, Gruma's market share increased from 65% to 75%.

Gruma is also recognized for its focus on R&D. Today, while its competitors mainly have a production capacity for 30 to 50 wheat tortillas per minute, Gruma's machines produce up to 400 wheat tortillas or 1.200 corn. Due to the Mexican market growth and increasing population, as well as the fast food chains' needs over the last years, Gruma felt the need to expand its operations overseas earlier than the other major Latin American food industry companies. In addition to this, markets such as Europe started to increase its appetite for Mexican food products, and the classification of traditional Mexican cuisine as *Intangible Cultural Heritage* by Unesco in 2010 contributed to Gruma's products demand.

4.3.1. The internationalization processes and the choice of foreign operation modes

a) Latin America

If the small set of Latin American food industry companies we are analyzing with this study begun, in general, its internationalization processes after the 1990's, Gruma was an exception. In fact, the company went abroad for the first time when it was invited in 1973 by the Costa

Rican government to build a plant there. Gruma followed this FDI mode all the way through the entire Central America over the decade, where the corn consumption patterns were similar to Mexico, which allowed an organic growth strategy. The company always pursued to expand its production and distribution, pointing on the construction of plants. Another important trigger was the emerging demographic characteristics of these countries. Consequently, the company opened subsidiaries in Honduras (1987), and Guatemala and El Salvador (1993).

Gruma also joined Venezuela in 1993 due to an acquisition of 50% of Derivados de Maíz Seleccionados C.A., and Molinos Nacionales C.A. for 94 million USD in 1999. The strategy in this country was to increase the turnover leveraging its distribution system while Gruma was taking advantage from different tastes more related to products such as rice, oats, and wheat. In the middle of the decade of 2000, Gruma had five plants producing maize flour, four plants producing wheat flour, and another four producing oats and rice. The company became the second largest food producer in Venezuela and its local sales contributed with 18% of its total sales in 2009 (Latin American Herald Tribune, 2009).

Nevertheless, the Mexican firm always had a disinvestment perspective about growing in Latin America. For instance, in 2001 the company sold its bread production facilities in the USA, Costa Rica, and Mexico to Bimbo for 70 million USD, in order to focus on its core business. Another example happened when Gruma sold part of Molinos Nacionales, when the firm increased its shareholder position at Derivados de Maíz Seleccionados, paying 0,60 USD per share. On the other hand, the Venezuelan experience ended dramatically for Gruma. In 2012, the local government decided to expropriate some foreign food industry firms, including Molinos Nacionales, accusing them of price speculation and engaging in hoarding. This measure was taken due to the leftist administration as part of national plan to achieve food sovereignty. Gruma's managers kept their position arguing about the special status of the Spanish companies in Venezuela, due to its joint-venture Valores Mundiales – which runs the brand of *Monaca* – but the result was the exit of Gruma from this country in 2013.

b) North America

To follow the Hispanic community in the USA has been always a strategy for the internationalization of the Latin American food industry firms. However, we can say that Gruma was probably the first major company to do it. In 1977 Gruma acquired its first tortilla company in Los Angeles in order to supply the growing demand for this product in one of the major Hispanic resident community in the USA. Many economists agree on the moment chosen for Gruma to join the US market was perfect due to the inexistence of dominant national brands. The Mexican company initiated a dynamic expansion strategy which involved acquiring, modernizing and vertically integrating into corn flour producers, increasing at the same time its tortilla presence coast-to-coast. Consequently, firms such as Cargill, ConAgra Foods, and Archer Daniels Midland (ADM) started to position themselves in the maize flour segment. The same happened within the tortilla market, with the emergence of Tyson Foods, Fiesta Foods, General Mills and the Mexican-based Bimbo.

In 1996, after an M&A strategy which included mainly the purchase of local tortilla plants in Border States, Gruma celebrated a joint-venture with ADM. The terms of this contract allowed Gruma to access to maize refining, maize oil processing, and wheat flour expertise, and later joining the Mexican wheat flour market. In exchange, ADM acquired 20% of Gruma's maize flour US operations and 22% of Gruma's shares. As a result, this joint-venture took 82% of the US market and Gruma became the leading supplier of tortillas to Taco Bell. Additionally, Gruma's own brands begun to be sold in the supermarkets nationwide.

During the early 2000's the competition in the US and Gruma's dominance resulted in competitors' allegations in court against a monopoly establishment by the Mexican firm. They claimed also that Gruma was forcing other brands to be taken off the supermarkets shelves by paying retailers for prime shelf space, and this procedure mislead consumers causing confusion about their alternative choices in tortillas (Pride & Ferrell, 2004: 19). The case was dismissed and Gruma's sales increased: in 2002 the US market became responsible for 43% of consolidated revenue and growing 5% (Robles, Simon & Haar 2003: 191). In 2011 the company carried on with its acquisitions agenda, this time in the Mid-West region: Casa de Oro Foods was purchased for 20 million USD and Albuquerque Tortilla Co for 8,8 million USD. The focus kept the same, or in other words, expanding its tortilla business in the USA, and increasing its production of tortillas and corn chips and supply of fresher products taking advantage of opportunities and synergies.

Nowadays, the USA is the company's first market place where prepackaged tortillas are particularly popular. Gruma became the market leader with 22 tortilla plants, six flour mills, and a countrywide distribution system. The firm believes that the Hispanic population will grow in the USA and keeps the focus on organic growth strategy offering a competitive price strategy in the tortilla market.

c) Europe

Stimulated by the North American successful experience, Gruma decided to expand its operations to Europe, where there is also an increasing popularity of Mexican food among the Anglo population. Accordingly, in 2000 its US branch opened Gruma's first European subsidiary in the UK. This was the first point established to distribute tortillas throughout continental Europe and Scandinavia.

The importance of joining the European market was, most of all, strategic. The M&A policy carried on in 2004 when Gruma acquired the Dutch tortilla plant Ovis Boske and 51% of the Italian firm Nuova De Franceschi & Figlu, a maize flour business. In the same way, Gruma purchased in Ukraine - a very important market to assure feedstock - the tortilla manufacturer Altera in 2010, and one year later, expanded its operations in Russia acquiring the leading tortilla firm Solntse for 7 million USD, where the Mexican company expects to sell 500 to 600 million USD in the following five years. Russia has a 143 million population and its food is very high in calories, due to its low temperature in the winter, and consequently demands for healthier food. CEO Raúl Peláez said that "this acquisition put Gruma where there is a huge demand for its products, where is possible to produce them at low costs and, the most important, close to the customers where we can spread this growth that is happening" (Ugarte, 2011). The company keeps its core values of proximity to raw materials and markets. Cuahtemoc Lopez, Gruma's Corporate Treasurer, explains that the strategic plan of the company for the following years is to "continue growth in the US market by means of expanding capacity, and in Europe by means of strategic acquisitions" (C. Lopez, interview, 7th February, 2014).

Despite gaining market share in Europe, these new operations were destined to be a gateway to the Middle East and Asia. The plan followed has been to search companies under 25 million USD in order to spur its growth. For example, in 2011 Gruma purchased the leading Turkish cereal company Semolina for 17,5 million USD, following its expansion strategy in small scale (Casas, 2011). As a result, Gruma begun to export to countries like Egypt, Lebanon, and Israel.

d) Asia

Gruma's first experience in the Asian markets was handled by maize flour exportations to countries such as Japan, South Korea, and Indonesia, where the demand for wheat tortillas and nachos were increasing in the beginning of the new century. Nevertheless, Gruma started to build a new plant in Shangai in 2006 to join the Chinese market, on an estimated investment of 100 million USD.

Using the Mission Food Shangai brand, Gruma's presence in China is looking for reach Chinese new trends, such as a decrease in home cooking among dual-career professionals, an increasing of cold storage in supermarkets, a growing penetration of fast-food chains, and quick developments in the logistics and distribution channels. In this way, the Shangai facility begun to supply corn chips and ingredients to supermarkets, convenience stores, hotels, and fast-food chains like McDonald's, KFC or Pizza Hut. Something that Lopez sees as natural: "[Gruma decided to expand abroad] knowing food habits of different regions of the world and following international clients" (C. Lopez, interview, 7th February, 2014).

Gruma is also developing its ability to adapt its products to Asian consumers' tastes. In India most people don't eat corn tortillas, but they buy a flatbread called *naan* made from wheat. The Chinese people don't know tortillas, except younger people. Bread is not eat for breakfast in China yet, but Gruma is selling wraps for pecking duck. Another step taken to increase sales by the Mexican company in China was the introduction of its exotic products via online menus and cookbooks, stimulating the interest for its nutritional healthy properties.

Thus, the company is planning to expand its Chinese operations building new plants in the main cities nationwide. This is a consequence of growing demand for packaged foods. Nowadays, China's operations represent almost 4% of Gruma's global sales (Wharton School of the University of Pennsylvania, 2013). After establishing its business in China, the goal has been to reach countries such as Malaysia (where the company established a subsidiary in 2006), Singapore, Thailand, Indonesia, India and the Philippines.

4.3.2. How Gruma organizes its operations abroad

Gruma is divided in five major regional divisions. The first one is the USA and Europe and includes Gruma Corporation (based in Nevada and responsible for the European operations too), and Azteca Milling (located in Texas). The second division concentrates all the Mexican operations and takes account of Grupo Industrial Maseca (GIMSA) and Molinera de México (this firm is owned only in 83%). The third division is called Gruma Centroamérica and comprises Gruma de Gutaemala, Alimentício S.A., Industrializadora y Comercializadora de Palmito S.A., Derivados de Maíz de Guatemala S.A., Tortimasa S.A., Derivados de Maíz de El Salvador S.A., and Derivados de Maíz de Honduras S.A.. The fourth had the purpose to control the Venezuelan operations, that is to say Molinos Nacionales and Derivados de Maíz Seleccionado. And finally, the fifth exists to take control over the Asian businesses, such as Shangai Mission Foods, Gruma Oceanía, and Mission Foods Malaysia.

In accordance to Lopez, the "most important decisions are made at the headquarters, but subsidiaries are, nonetheless, given ranges within they can make some decisions". In the same way, the multidivisional structure followed abroad is the SBU. That is to say there is a structural integration among divisions within SBUs, but independence across those SBUs. Strategic planning may be the most prominent function in headquarters for managing the strategic planning approval process of SBUs for the president.

4.3.3. The role of people

In the end of 2012 Gruma had 21.974 associates, but 60% were operating overseas. This means that Gruma is the second company presented in this investigation with more human resources abroad (the first one is Pollo Campero). That bring us to the issue of the capacity to locate associates abroad. If the vast majority are recruited locally, the executive managers in top management abroad became necessary. According to Lopez, in case of an acquisition overseas, Gruma is used to appointing a new local executive committee. So, the fact suggests the importance of leadership abroad.

Research by Servitje (2009: 133) has provided that Mexico is a country where the productivity is poor, but: "the reality is that the leaders, those who take decisions, haven't been able to organize the work in an efficient way". This strengthens the importance of having well salaried executive managers overseas. In some cases, due to the lack of Mexican talent, the rewards paid to the executive managers abroad are significantly higher than the honorary fees paid to directors of the board. Nonetheless, the importance of salaried executive managers is also their possible withdrawal can be considered as a risk for local business. Despite being a pragmatic way to solve the local governance question overseas, the fact is that Gruma is seen as a good company to work for, as it was considered as the 1st placed in the 2012 *A Great Place To Work*' ranking in Mexico.

4.3.4. Financial partner perspective

An internationalization process almost based on M&A and FDI, such as Gruma has been put in practice, requires a strong financial capacity. The company IPO was taken in 1994 and the González Barrera family owns the major part. The company purchased the ADM shareholder position in 2012 for 450 million USD. However, almost 27% outstanding shares distributed by other shareholders (including public sector). As a result, Gruma has been following a conservative approach in terms of funding and the company's investments has been followed by cash-flow generations. Nonetheless, according to the Mexican representative managing director of ESIB Hugo Villalobos, Gruma usually searches for funding its operations abroad in international markets. The loan of 50 million USD contracted with Rabobank for five years is a good example (Gruma, 2012: 58). However, there is a privileged relationship with Banco Nacional de Comércio Exterior. That is to say, the company uses Subsidized Credit Facility with governments' support in order to fund its internationalization processes, even though Lopez considers "local Mexican bureaucratic process to have access to subsidies" as the most complex part (C. Lopez, interview, 7th February, 2014).

Nowadays, the internationalization of Gruma does not worry its financial partners. Villalobos states as they continue to focus on acquisitions in relating only to their core business, there is no reason to be concerned about Gruma's international activity. However, he says that "the main problem they have faced in recent years stemmed from their foreign currency hedging strategy at the time of the financial crisis of 2009, when they required government support to cover their significant losses" (H. Villalobos, interview, 20th January, 201).

4.3.5. The international strategy followed

Besides following the Hispanic communities worldwide, many economists agree the company's strategy in recent years has been to follow emerging markets which presents similarities and the same consumer patterns demand. Subsequently, Gruma's secret success has been its ability to observe the lifecycle of emerging economies worldwide and proficiently time its entry into these markets.

However, the internationalization of Gruma has not followed always the same foreign operation modes. The ability to adapt its products to local market tastes – as happened in China or India, for example – became Gruma's key competitive advantage. Diet and food consumption patterns change from southern to northern hemisphere populations, therefore Gruma has been focusing in different businesses according to national preferences. The use of Mission Foods brand in Malaysia and China should be noticed in this analysis. In addition to this, Gruma established a strategy of market's supply in regional base opportunities, in other words, products for India have to supply by the UK and products for Thailand have to be supply by China. So, according to Bartlett and Ghoshall matrix, we shall consider the international strategy followed by Gruma is the *Multinational*. In fact, Lopez considers as Gruma's key learning experience: "[to] get knowledge about different consumption habits throughout the world and thus make processes more flexible" (C. Lopez, interview, 7th February, 2014). The company looks for building strong local presence through sensitivity and responsiveness to national differences. In 2007, CEO Jairo Senise referred that "another basic element to approach a new country is the responsiveness of the local market. We go to the street, the suburbs, the markets; we observe what people eat and separate the flavors […] and in these visits we find a lot of surprises. For example, in the border between Russia and China we found out people eat chimichangas and corn tortillas. They eat these because they are affordable and there is a lot of poverty in the region. That made me realize that, even if today they do not buy our products, someday they will because of our quality and prices" (PriceWaterHouseCoopers, 2007: 21).

Nevertheless, the company is becoming smooth closer to the *International* strategy, too. After using different information systems in each country where Gruma was present, the company realized that its Mexican system could not support the purpose to meet the primary goals and strategic plans of business worldwide. Gruma needed a flexible and centralized system to adapt the economic requirements from different countries. As a result, the company contracted a system to integrate country-specific variances for taxes, currencies, product requirements, languages, and cultural differences. After a successful test process in its headquarters, the new system was adopted by Gruma's subsidiaries globally.

4.4. JBS

The Brazilian JBS is the world's largest company of processed beef, pork and chicken. Moreover, JBS businesses include hygienic products, metal packaging, biodiesel and collagen filling, in this way, almost its entire value chain. The company has over 280 facilities worldwide and its platforms are on the five continents. The JBS workforce is composed by 135.000 employees that lead the company to the 3rd place in the Brazilian largest companies ranking.

The company reached the 1st position in 2012 *Multilatinas* ranking of *América Economía* magazine and the 2nd position in 2013. In 2012 JBS revenue was 75,6 billion BRL and profited 718,9 million BRL. This income increased 22,5%, comparing with 61,7 billion BRL of 2011. Nevertheless, almost 75% of JBS sales were obtained where JBS is present. The exports to other countries were 9,85 billion USD (Arab Brazilian Chamber of Commerce, 2013). The company is represented in 21 countries in all five continents (attachment 14). JBS is the 225th classified in Fortune Global 500 and the only company present in this study figuring in the same ranking.

JBS was born in 1953 at Anápolis, Goiás, as a slaughterhouse capacity of five heads per day. During the 1950's the Brazilian government decided to locate the new capital at Brasília and this became an unexpected opportunity for JBS growth. The company's founder, José Batista Sobrinho, started to commercialize meat for the large construction companies which were developing the new buildings there.

In 1968, JBS knew its first acquisition experience purchasing the slaughtering plant in Planaltina, Federal District. Two years later, it was Luziânia, Goiás, which represented a slaughterhouse capacity of 500 heads per day. This was the beginning of a mergers and acquisitions strategy which allowed a huge expansion of JBS. The company developed an industrialized and *in natura* meat production, and invested a lot in new slaughtering units. The result was the capacity for 5,8 thousand heads per day production.

The disassembly of livestock is where JBS profits come from. There are no machines doing it and replacing humans. In this business the profit margins are low and the search for economies of scale is intensive. All the competitors buy the same livestock and feed it with the same foodstuff. The efficiency becomes from batches of beef, cutting stage to trimmings, and this is the strategic advantage of JBS comparing to its competitors.

4.4.1. The internationalization processes and the choice of foreign operation modes

JBS became famous for its M&A strategy. Since 1996, when the company started its internationalization, JBS acquired more than 12 companies for 14 billion USD thanks to prompt payment, stock and debt. The strategy is to search for buy cheap and money losesing companies, turning them efficient in order to grow. Still, the competition abroad depends on the geographic region. The main export market is North America and JBS competition is other North American beef processors. Secondarily, JBS competes in Asia with North American and Australian beef processors.

a) South America

In 1996, JBS started its internationalization exporting rump roasts, rib-eyes, and tripe. Two years later, Wesley Batista and Jerry O'Callaghan (JBS Investor Relations Director) visited beef slaughterhouses in Iowa, Nebraska and Winsconsin. They felt absorbed with US meat processing expertise and reduced costs of production, very different from the slow and careful used by JBS in Brazil at that time.

Nevertheless, the first market which JBS invested was the neighbor Argentinian acquiring Swift Armour S.A. in 2005, the biggest beef and veal producer and exporter in the country. With the intention of reach the substantial 28.000 tons of Hilton Quota – the beef import quota for reduce import tariffs created by the EU – JBS tried to anticipate the control official measures. In this way, in 2006 the company acquired two more Argentinean firms: Venado Tuerto and Pontevedra. At that time, JBS held 21 plants in Brazil and five in Argentina.

In 2007, JBS became the first Brazilian meat company launching an IPO on the Bovespa stock exchange. All the same, JBS acquired Berazategui and Colonia Caroya in Argentina. However, in 2010 JBS closed five units in Argentina. One of those was sold to a local consortium and nowadays, from the beginning of JBS operations in the country, only one is still operating. This breakdown was justified by the sector crisis in 2008 and 2009, but the malfunctions started with the government decision to impose exports quotas, high taxes and controlled prices one year before. Then, the drought period became and the pastoralists were forced to kill the female livestock in reproductive age, decreasing the national cattle volume, and the major part changed to soya plantations.

On the other hand, in 2013 JBS negotiated with its Brazilian main competitor Marfrig the exchange of 5,85 billion BRL in debt for the Zenda tannery unit in Uruguay and the Seara pork and poultry unit in Brazil.

b) North America and Australia

In 2007 JBS entered the North American and Australian markets and became the world biggest beef and veal producer and the major food industry company in Brazil. The acquisition of Swift Foods Company (later renamed as JBS USA) for 1,4 billion USD is paradigmatic of JBS business model. When the Batista family acquired Swift, this company was ten times the size of JBS. As soon as the deal was settled, the founder José Batista Sobrinho visited the slaughterhouse and became surprised to see the butchers letting muscles and skin in the animal's bones, from knee down (BusinessWeek, 2013). In the same way, Joesley, the youngest of Batista three brothers, noticed that trucks were going only half load of meat by the morning because the purpose was to ensure the beef was delivered on time. If in one hand it provided a good level of customer service, on the other it wasn't profitable.

They started to focus on beef and forgot poultry. In the same year, his son Wesley became the JBS USA CEO, not even speaking English (Sobral, 2011). Innovation became essential. JBS invested in training and equipment, such as knife sharpeners put next to each line worker, in order to increase productivity.

The M&A strategy continued in the USA and Australia with the acquisition of Smithfiel Foods Inc., the biggest pork producers in the USA. In the same year, the acquisition of Tasman turned JBS handling 21% of Australia's beef production. At the end of 2008, JBS had spent an overwhelming 1,75 billion USD picking up companies from the USA to Australia. In 2009 it was the time to purchase 64% of the giant Pilgrim's Pride Corp. capital – the world's biggest poultry company – for 800 million USD and 2 billion USD in debt deal (in January 2013 JBS owned 75,6%). Then, JBS joined the leather industry, and Tartiara Meat Company was acquired in Australia.

To acquire Pilgrim's was justified by JBS ambition to add the poultry activity to its business portfolio. Chicken is usually cheaper than beef or pork and the emerging markets are likely to consume more. Once again, the Batista family saw Pilgrim's Pride Corporation as a poorly managed firm which was asking for bankruptcy protection. After purchasing it, they applied the same beef industry secret of success. Current Pilgrim's Pride Corp. CEO Bill Lovette told that they returned to debone breasts by hand: "I'm very passionate about deboning a chicken. I have a very, very specific philosophy about how to do it" (Gruley & Kassai, 2013).

After the first poultry experience with Pilgrim's Pride Corp. which allowed JBS to enter in Mexico and Puerto Rico, the company acquired in 2012 Frangosul, Agrovêneto and Tramonto in Brazil, and – as previously referred – the assets acquisitions from Marfrig in 2013 turned JBS the world's largest chicken producer.

Finally, from the USA the company entered in Canada acquiring XL Foods facilities in 2013. The JBS wholly owned subsidiary completed the acquisition transaction of XL Lakeside beef packing plant, a beef packing plant in Calgary, a feedlot in Brooks and the adjacent acreage supporting the feedlot operation. Furthermore, the takeover was so well succeeded that JBS also assumed US operations of XL Foods.

c) Europe

In order to join the European market JBS decided to participate in the Italian Cremonini 2007 capital increase with 225 million EUR. A 50% position was negotiated in a joint-venture with Cremonini called Inalca. Even so, the agreement didn't work. We may say it was a typical case of mistrust between partners. According to the Italians, the local legislation didn't allow JBS to name directors to manage the company. But, in fact, the reason behind should had been the lack of confidence of Cremonini in their Brazilian partner due to Bertin – a Brazilian beef company merged with JBS in December 2009 – developed activity in markets where it was supposed to be Inalca exclusive. Consequently, three years later JBS gave up from Inalca and acquired 100% of Rigamonti, the beef leading company in Italy (Época Negócios, 2011).

Not everything had gone so bad for JBS in the Inalca joint-venture. First of all, JBS benefited from access to the technology used by Cremonini in its productive system. But the most important was the opportunity for JBS to join the Russian market. In February 2010, Inalca launched a new hamburger production and distribution complex in Odinzovo, in the outskirts of Moscow. The project cost 80 million EUR and was destined to supply the North American McDonald's fast-food chain in Russia (Gruppo Cremonini, 2010). Furthermore, JBS started to get scale to compete directly in Russia, where high prices are paid for beef. In the same way, the company found a new scheme to overcome the Russian beef ban to Brazilian products.

d) China

JBS doesn't seem to look for this strategic market in the same way as its competitors Marfrig and Brasil Foods. For JBS business leadership team, joint-ventures are not an option, but *greenfield* investment is being considered. The chicken and beef sales are increasing. Joesley Batista said in the end of 2011 that "JBS is going to walk alone. China is a very big country and demand is increasing in every sector. I think the meat industry will not be different" (Inhesta, 2011).

In the very beginning of 2014, JBS has one industrial leather unit and two commercial offices in China. The leather division was created in 2009 due to the merger with BMZ and Bertin, and the leather plant in China remained as the only point of contact of JBS with the *Middle Kingdom*. The strategic plan for the next years is to improve base business and look for growth opportunities.

4.4.2. How JBS organizes its operations abroad

JBS S.A. is divided in two major business units. The first one is JBS Mercosul, which includes beef production in Brazil - including JBS Foods, a new company created to run the Seara business acquired in the end of 2013 –, Argentina, Paraguay and Uruguay. The second is JBS USA Holdings Inc., which compromises the operations in the USA, Australia, Canada, Mexico and Puerto Rico. Nonetheless, it exits different subsidiaries considered as collateral business such as leather (JBS Couros), hygiene and cleaning products, collagen, and biodiesel fuel.

The subsidiary level of decision-making is autonomous, but accountable to each CEO of JBS S.A. and JBS USA. In the same way, the multidivisional structured followed abroad is the Cooperative form for implementation of a related constrained strategy. In other words, corporate office emphasizes centralized strategic planning, human resources, and marketing to foster cooperation between divisions.

The strategy conception is managed by the business leadership team. Bill Rupp, President of JBS USA considers hedge strategy as the logic behind JBS expansion. In his opinion, it has been a positive experience as it aids in developing core competencies which are expandable, and the key learning experience is that people in each geographic location must own the business.

4.4.3. The role of people

As previously mentioned, the human resources occupy a very important role in JBS business much because they can’t be substituted by machines or other kind of equipment. In fact, they are part of JBS strategic advantage, even in its internationalization process. For instance, an employee contribution is measured using the animals’ bones: the white and clean fragments are put in baskets behind the disassembly line where supervisors occasionally report how much each employee is separating. The biggest contributors use black hats and are the well-paid. Also, there are screens at JBS plants showing the employees productivity: green numbers show they are accomplishing the objectives, while red numbers show they are still under. Bill Rupp defends that JBS invest in the development of human talent as a priority.

According to 2012 Sustainability Report, JBS has 135.000 employees, but only 44% are working in Brazil. Thus, the same threshold exists in the USA and the remainder is distributed by other countries in which the company is present. JBS is the largest human resources employer outside its home country from this small set of studied companies.

In the same way, we should notice what happened with the executive committee of Swift Foods in the USA. Wesley Batista, moved from São Paulo to Texas in order to transmit the administrative heritage of JBS without any knowledge of the English language. He turned around the obstacles and sometime later he was invited to Barack Obama’s welcome dinner in Brazil, offered by the President Dilma Rouseff in Brasília, to present JBS USA results of 2010. In the same way, JBS faced a longstanding battle with Cremonini to indicate the name who would manage Inalca. Those examples show how JBS manages its human resources abroad. They search for taking the management control of its purchased subsidiaries and joint-ventures, and only after a primary stage is appointed a new local executive committee.

4.4.4. Financial partner perspective

JBS total sales in 2012 was 34.856 million USD and the threshold of foreign sales was 84%. Few Latin American companies have such a high proportion of sales overseas. In the same way, JBS is also present in every continents. According to Flavio La Camera, Director of BNP Paribas in Brazil, "JBS has been looking to acquire new clients and market share in other geographies" (F. Camera, interview, 4th January, 2014), something which Catarina Pedrosa, the Brazilian Head of Research for Commodities, Food and Beverage of ESIB, agrees with: "they are buying when the opportunity arises both internationally and domestically [and] they are expanding existing operations" (C. Pedrosa, interview, 23rd January, 2014).

But how can such a huge internationalization like this be explained? Both bankers agree with the strength behind this process is called BNDES. In fact, the stock holding information of JBS main shareholders shows that BNDES has 22% of stock capital (Information as of October 16th, 2013) and the development bank has mandatory convertible bonds. This means BNDES has been supporting the international strategy of JBS worldwide. As a consequence, Pedrosa refers that JBS is aggressive in all markets where they are active, and the most recent remarkable acquisition was the 3rd industrialized food brand in Brazil (Seara was acquired in 2013 to Marfrig, one of JBS' major competitors in Brazil). Furthermore, JBS usually searches for funding its overseas operations wherever they can get the better rate (including the subsidized credit facilities with governments support).

Nevertheless, the Brazilian company has been facing some problems throughout its internationalization. In accordance with La Camera, the company has been reaching "lower than expected profitability, operational difficulties and a somewhat higher than desirable indebtedness". Pedrosa, for her turn, lists JBS' problems as "the price of grains in the USA has gone up making cattle raising expensive and the draught in Australia". Finally, there is a perspective that the company needs to be professionalized at some point.

4.4.5. The international strategy followed

The perception of Batista family about leveraging the operations in the Pilgrim's or Swift for instance, should be the perfect example of how JBS reproduces its international strategy. The secret of JBS success is in the disassembly of livestock or, in other words, to extract the most out from the animal. Knowledge is developed and retained at the center, but replicated in each subsidiary. So, according to Bartlett and Ghoshall matrix, we may consider the international strategy followed by JBS is the *International*. This is also the perception of Rupp, which agrees with sources of core competencies being centralized, and others decentralized.

4.5. Marfrig

Marfrig is a Brazilian based firm, nowadays one of the largest beef world manufacturers and the largest South American lamb producer. It is, also, food service leader, whit a huge presence in São Paulo and Rio de Janeiro, as well as in south and northeast Brazil, throughout a huge range of products, such as lamb, beef cuts, poultry, fish, olive oil and pre-cooked potato chips. The company serves more than 50.000 clients spread over 160 countries, with operations in 18 countries and approximately 91.000 employees.

Established in 2000 by Marcos Molina Santos when he was 30 years old, the Marfrig Group became a global company due to his particular management style. Molina had learned everything about beef production in his father's butcher shop in Mogi-Guaçu, São Paulo, and he founded his first business when he was only 16 years old in order to supply local commerce and grill restaurants. He is described as an inspiring leader with great commercial skills.

Since its foundation, Marfrig operation revenue grew from zero to nowadays 23,8 billion BRL and 2,13 billion BRL consolidated EBITDA (Marfrig, 2012: 21). The IPO was launched in 2007 and since then, until the end of 2010, the company acquired 38 other firms. This become the strategy to turn a local firm into a global one, and the participation of Brazilian development banks played a very important role to fit Marfrig as a *National Champion*. Nowadays, Marfrig is also a supplier of other important retailers, such as McDonald's, Subway and Fogo de Chão. Its main competitors are JBS, BRF (Brazil Foods), and Minerva Foods.

4.5.1. The internationalization processes and the choice of foreign operation modes

a) Latin America

Marfrig started its fast internationalizations processes through M&A in its neighboring countries: Chile, Argentina and Uruguay. Traditionally perceived as key producers of livestock, these markets were seen as strategic for the company's international expansion. So, between 2006 and 2007, Marfrig acquired ten firms there. All these transactions were supported by a bond emission financial operation supported by BNDES, the Brazilian public development bank. In the end of October 2007, Marfrig had paid once more 39,3 million USD for two other Argentinean firms: Best Beef S.A. and Estancias del Sur.

From all those companies, Tacuarembó was probably the most interesting. Founded in 1960, it was the largest private company in Uruguay, but it was operating in Chile as well. Tacuarembó was a frozen and cooked beef producer, beef jerky, and lamb exporter. The Uruguayan sanitary good conditions allowed Marfrig to feel free as a beef exporter from South America to any place in the world. In 2010, Tacuarembó exports represented almost 30% of meat exports in Uruguay.

Nevertheless, the most strategic acquisition in the Southern American markets was Quickfood S.A. in 2007, the owner of the leader hamburger brand Paty, listed in Buenos Aires stock index. Its market share in processed meat in Argentina was around 66%. In the same way, the company had a very important experience in fattening stock for slaughter and later export, and played a significant role in developing local programs such as *Impulso Recría* or *Impulso Granadero*.

If Marfrig had previously purchased Colonia for 85,531 million USD, this deal for Quickfood was settled for 140,875 million USD for 70% of total shares. The Bameules family, the owners, received 226,406 million USD for the double agreement. These acquisitions increased Marfrig's slaughterhouses to four in Argentina, three in Uruguay and nine in Brazil. Nevertheless, Marfrig's expansion throughout Mercosul markets faced a downturn because the activity struggled in the following years. The Argentinean government decided to control prices and ban some beef cutlers, as well as suspended meat exports. Consequently, Marfrig feared the repatriation of profits process and, in the middle of 2013, closed two plants in this country. Along the way, Marfrig sold Paty to its competitor BRF (Brazil Foods). Margfrig decided it was time to look for new opportunities in the north.

b) North America

One of the most important lessons learnt by the company in Argentina was that an M&A could introduce Marfrig in different markets worldwide. The acquisition of Mirab, the world leader of jerky beef which exports almost its production to the USA, answered the purpose of joining

NAFTA in the end of 2007. So, the relationship between Marfrig and the USA started with exports.

However, the company developed new synergies in North America and purchased the giant Keystone Foods for 1,26 billion USD in 2009. Meanwhile the opening in the same year of Marfood USA, a Marfrig's subsidiary for the distribution of beef jerky (such as Pemmican in the USA and Pecos Bill's in Canada), this acquisition represented 28.000 restaurants as new customers, 54 new facilities, a new 12,9 thousand workforce, and allowed Marfrig to pass from a 2007 revenue of 3,1 billion USD to 28 billion in 2009. At the same time, the Brazilian company integrated new operations from 13 different countries. Doing so, Marfrig managed to untie sanitary and trade barriers against Brazilian meat. Marfrig' CIO Ricardo Florence told that the company "will increase its international business using the Keystone global platform", which means using its subsidiaries in the Middle East and Asia. The integration of Keystone Foods was a clear sign that Marfrig was not a regional company anymore.

c) Europe

In the end of 2000's there was no way to avoid risky wagering as far as Marfrig' overseas expansion is concerned. In the end of 2010, the company had acquired 40 other firms and the strategy for Europe was not so different. Despite the remarkable purchase of Keystone Foods, Marfrig only replicated in the USA what it had done one year earlier with Moy Park, the Northern Irish largest private company and one of the European poultry leaders.

Before the acquisition of Moy Park, Marfrig used to supply corn beef to an importer. Consequently, this importer sold to a manufacturer, which then sold to Tesco. The acquisition of Moy Park in 2008 was strategic in order to reduce the influence of sales agents. Nowadays, Marfrig sells directly for customers such as McDonald's, Campbell's, Subway, Chipotle, Yum Brands, or KFC for instance. CIO Florence said that "the investment [in Moy Park] strength Marfrig strategy to access directly the international markets, diversifying and increasing its action with a wide animal protein product portfolio. The acquisition will bring significant benefits to our businesses once, on one hand will allow our potential expansion in processed food in Brazil and, on the other hand, will open a direct way to the European market" (Marfrig Group, 2008).

Furthermore, the Brazilian company decided to strengthen its presence in the United Kingdom acquiring the Northern Irish poultry company O'Kane for 37,2 million USD by Marfrig Holdings BV (Europe) and Moy Park. This investment was done with Moy Park's profits and allowed this firm to expand its product portfolio to chicken and roast. Nowadays the European operations represent almost 25% of Marfrig's total revenue.

d) China

One of the most desired markets for Marfrig is, obviously, China. Curiously, Marfrig didn't purchase any company there until today. Since 2011, Marfrig has a joint-venture with Chinwhiz, a Chinese poultry industry company located in Shandong, due to Keystone Foods activity in this country, called COFCO Keystone Foods Supply Chain Investment Company. In fact, Keystone Foods has been present in this region for 20 years and has five plants in China, Thailand, Malaysia and South Korea, besides distribution centers, while Chinwhiz is the largest food manufacturer in China. Since 1994 the company has been listed in Fortune 500 and this is one of the 53 Chinese biggest companies owned by Chinese State Council.

This joint-venture has the purpose of exploring food supply opportunities and answering to the increasing Chinese demand (Marfrig Group, 2011), through logistics and food distribution facilities. The planned investment is around 252 million USD over 10 years. The competition reality there is slightly different from the western countries. That is to say that the biggest retailer stores are competing directly with small local businesses, for instance. Otherwise, despite the initial difficulties felt in the relationship with the Chinese government, the local administration believes that the most part of the constraints are surpassed.

In 2010 Marfrig made the extraordinary acquisition of Seara, one of the most recognized food brands in Brazil, as well as one of poultry and pork world's largest exporters. Quickly Seara became the main brand of Marfrig Group and Molina took all the marketing processes to turn Seara into a worldwide recognized brand, including sponsoring the FIFA 2014 World Cup.

With this acquisition, the company wanted to boost their products over the Chinese market, where the company begun to be accepted and recognized by the consumers as the *Hong Tai Yang* or, in other words, the red sun brand due to its logotype which promoted happiness, health and luck. Following this way, Marfrig was also exporting poultry to China using its Brazilian producing plants. The company expected to grow in the food service market using its Chinese operations as a base to spread its distribution channels over the Asian countries, besides investing in product development and marketing.

However, even though Seara had a great strategic importance to operate in Asian markets, Marfrig had to sell Seara to its main competitor JBS in 2013. Four years after its acquisition for 900 million USD, Marfrig was forced to balance its debt and sold Seara for 5,9 billion BRL, three times more than it cost when Molina bought it from the North American Cargill. Nowadays' CEO Sérgio Rial agrees that Marfrig "growth came too fast, which compromised the operational focus" (Ondei, 2013).

Nevertheless, Marfrig is keeping the same emphasis in China. According to Molina's perspective, "the main strategy was to promote the local executive committee engagement and empowerment through adopting a global strategy focused in local execution" (China-Brazil Business Council, 2012: 21). Marfrig has a research specialized team responsible for new concept development for its main costumers in China. With those consumer patterns' studies the company develops and commercializes exclusive products for Chinese consumers, once these consumers enjoy animal innards which are less demanded in western countries, for instance.

4.5.2. How Marfrig organizes its operations abroad

According to Mathias Almeida, Sustainability Manager for Marfrig Global Foods, the company "acquired local operations internationally and promoted local management to run the business. We have competition in all international operations, although we are specialized in meat production. Competition in some cases is the same in different countries, as food industry has been consolidating over the years" (M. Almeida, interview, 27th January, 2014).

The holding Marfrig Alimentos S.A. is divided in three major business units. The first one is Marfrig Beef, which includes two main operational units: Brazil and Southern Cone (Argentina, Chile, Uruguay, Rio Grande do Sul and Pampeano). Each one of these structures has his own CEO, but both report to Marfrig's CEO. In turn, Marfrig's CEO is working together with the Chairman on daily management and strategy. At the same time, Keystone Foods is responsible for both US operations and APMEA (Asia, Pacific, Middle East and Africa), and Moy Park coordinates the operations in Europe. Still, there are two main divisions: beef, and poultry, pork elaborated and processed foods.

In terms of multidivisional structured followed abroad, Almeida points out the SBUs as the ones implemented by Marfrig worldwide. That is to say, there are divisions within SBUs which develop economies of scope and/or scale by sharing product or market competencies. Each Marfrig' SBU is a profit center controlled and evaluated by the headquarters. We also consider that it may be a complex structure due to the company's size and diversity in markets. In accordance to Almeida, this is also a way to adopt regional cultures aspects and respect it for local operations, despite being "difficult to set a culture globally" (M. Almeida, interview, 27th January, 2014).

4.5.3. The role of people

Nowadays Marfrig has around 90.000 employees, which 42% are working abroad. The approach of the Brazilian company towards the role of people in its internationalization process has been very inward looking and Marfrig is used to recruiting in-house for their operations abroad. This process brings a lot of positive impact in terms of human resources skills improvement. For instance, there was an increase of technical programs and language courses in order to lead middle management to senior executive level business units in a foreign country. According to BNDES, these business units receive around four to eight expatriated employees coming from Brazil (Dias, Caputo & Marques, 2012: 139-180). Nevertheless, Marfrig felt the need to recruit senior executives to face the fast growing international activity, as well. In terms of business administration abroad, Marfrig doesn't have a preference about Brazilian human resources. Due to its M&A policy (it's important to remember that Marfrig never joined *greenfield* projects), most of the key positions remained held by the executives who were already in the acquired companies.

4.5.4. Financial partner perspective

It is known that Marcos Molina keeps a special relationship with Márcio Cypriano, ex-President of Bradesco and Carlos Langoni, ex-Presidente of Brazilian Central Bank. However, the deepest connection with the Brazilian financial sector is maintained with BNDES, a Brazilian development bank which is the second biggest shareholder with 22,99% of stock (Information as of October 16^{th}, 2013). The development bank has been funding the internationalization of Marfrig. That's what happened with the acquisition of Keystone Foods when the bank supported the company issuing mandatory convertible bonds, Later, when Marfrig bought Seara, the strategy was similar. Almeida explains this experience as "positive as per business diversification and source of resources, [but] it was negative because of the entire debt problem we have been facing".

Based on revision of strategy and consolidation movement within food industry globally, Marfrig has an aggressive financial approach and is expanding into growing markets in Asia. According to Catarina Pedrosa, from ESIB Commodities/Food and Beverage Equity Research, the company usually searches for funding for its operations abroad "wherever they can get the better rate". The IPO in 2007 granted power to fund its internationalization and increase its revenue in 178% in the following three years. The idea was to purchase other companies, integrate them, and generate cash-flow in order to pay the existing debt. Since then, "their main problem has been financial. The reason is not the internationalization but the nonstop acquisitions they made lately".

Pedrosa explains that "they have recently changed their strategy. They have bought not only industrialized products but also the logistics, which they have recently sold. Additionally they were focused on expanding their industrialized products in the domestic market also recently sold. Now they are concentrated on expanding their Asian industrialized production to service fast food chains". For this reason, Marfrig was forced to sell Seara to its main competitor JBS. Marfrig's total sales in 2013 were 11.227,9 million USD, and 35% were obtained in foreign markets.

4.5.5. The international strategy followed

The fast growth of Marfrig's operations abroad doesn't allow us to conclude very clearly what kind of international strategy has been followed. According to Almeida, it's a fact that the company stimulates "differentiated contributions by national units to integrated worldwide operations" (M. Almeida, interview, 27^{th} January, 2014), resulting in a strategy where some sources of competencies are centralized and other decentralized.

However, the history of Marfrig shows that the company's entry in the USA was a replication of Moy Park's example. That is to say, Marfrig adopted the best practices of reducing the influence of sales agents and started to sell directly for the most strategic restaurant chains worldwide, benefiting from its units overseas. This means that there was an exploitation of knowledge and capabilities through worldwide diffusion and adaptation.

On one hand, in accordance to Bartlett and Ghoshall matrix, we should consider the international strategy followed by Marfrig as the *International*. On the other hand, taking the Chinese experience, we can observe an approximation to the *Multinational* approach, once the company is looking for the conception of local products to answer the native consumer preferences.

4.6. Nutresa

Nutresa is a Colombian firm, the fourth largest food company in Latin America in terms of market capitalization, and with almost 100 years of history. Established in 1920 in Sonsón, Antioquia, it was founded as the chocolate factory of Cruz Roja, later changing its name to Compañía Nacional de Chocolates, and Nutresa since 2006. The company has a very well diversified portfolio with more than 120 brands and operates in six different segments: chocolates, biscuits, cold cuts, coffee, ice cream and pasta. Its workforce is about 30.000, but 6.100 of those are operating abroad. Although the largest part of its turnover is coming from its national operations, today Nutresa is present in the USA, Malaysia, Mexico, Belize, Guatemala, El Salvador, Honduras, Costa Rica, Panama, Venezuela, Colombia, Ecuador, Peru, Chile, Argentina and the Dominican Republic.

Its expansion and diversification of businesses, like coffee and chocolate, has been allowing to Nutresa to strengthen its position in Andean and Central American markets. In the same way, the company has a significant presence in the USA due to the Hispanic community demand, and its products are sold in 65 countries worldwide. Despite being the leading distribution company in Colombia – covering around 85% of the country –, Nutresa has the ambition to double its sales in 2020. Nowadays, near 35% of Nutresa's total sales are coming from abroad. The company also has a 40% shareholder position in Bimbo Colombia S.A. and has a joint-venture with Alpina, which has 30% of La Recetta Soluciones Gastronómicas Integradas S.A.'s shares.

4.6.1. The internationalization processes and the choice of foreign operation modes

a) South America

We can say that Grupo Nutresa begun its internationalization process during the 1960's. From those days to the 1990's the company used to export surplus only. Just around the early 1990's Nutresa begun its strategic alliances. In 1993, the Compañía Nacional de Chocolates signed for the very first time an agreement with Margarinas de Venezuela (Mavesa) in order to take advantage of Mavesa's distribution facilities. The Colombian firm had always its focus in home-country and the only exception was the exports of surplus productions to foreign countries. The deal with Mavesa proposed the distribution of Nutresa's products in Venezuela; meanwhile the Colombian firm had to sell Mavesa's mayonnaise in its country. Another strategic alliance was celebrated with the Chilean group Lucchetti in 1994. This agreement was settled for the import of soups and concentrated broth by the Colombian firm, but included the trade of Nutresa's products in Chile as well.

The strategic alliances were not long-lasting but allowed to Nutresa to obtain international skills and develop knowledge about South American markets. In 1995, Nutresa started new distribution operations in its neighbor countries, such as Ecuador and Venezuela, creating Cordialsa. However, *greenfield* was replaced as foreign operation mode in the following year when Nutresa acquired Industrias Alimentícias Hermo de Venezuela S.A.. For the first time a company outside Colombia was purchased by Nutresa – in this case a production plant – in order to expand the regional coverage of processed meat division.

After almost a decade of interruption, Nutresa's M&A turned in action from the middle of 2000's to onwards. In 2007 the assets of Good Foods were purchased, giving rise to the Compañía Nacional de Chocolates de Perú, which is now part of the group´s chocolate, cookies and confectionery business. But the most significant acquisition was taken in Chile when Nutresa integrated Tresmontes Lucchetti, a 120 year-old food and beverage company, in 2013. Advised by its financial partner BTG Pactual, a Brazilian-Chilean investment bank, the company moved fast and paid 758 million USD for Tresmontes Lucchetti. This acquisition allowed an expansion of Nutresa's borders to Chile and strengthens its positioning in Peru, Mexico and Central America. *Tresmontes Lucchetti* brings eleven plants to Group Nutresa: nine in Chile, one in Peru and one in Argentina. It also has 15 distribution centers: 10 in Chile and five in Mexico. CEO Carlos Enrique Piedrahita noticed that this acquisition "gives us key elements, such as entry into the Chilean market, participation in new categories, with the leadership in cold instant beverages. In turn, we will enhance our international activities with particular strength in Mexico" (Grupo Nutresa, 2013).

b) Central and North America

Besides de acquisition of Tresmontes Lucchetti, the expansion across Central and North America had carried on in 2001, when the company created Cordialsa Mexico, in order to reach the consumers' preferences of cookies, chocolates, and soluble coffee. From 2001 to 2005 Cordialsa expanded its operations to Panama, Costa Rica, Honduras, El Salvador, Guatemala, and the USA. The company was forced to adapt its products for local tastes. For instance, in Mexico it had to produce chocolate bars with tamarind and chili and sell it all through multicultural sales workforces. Despite the manufacturing of these products was being made in Colombia and sold abroad, the company had to open its mind. CEO Carlos Enrique Piedrahita used to say to "see the foreign markets not as secondary priority. Give them the same importance which the national market has always had for the past 80 years" (Dinero, 2013).

The internationalization of Nutresa knew progresses and failures through the experimentation of its products in certain markets. The most successful experiences happened with Nacional de Chocolates, Noel and Colcafé in Mexico and US Hispanic markets. As a result, Nutresa strengthened its presence there through a new strategy of M&A, reaching the synergies given by the free trade agreements signed between Colombia with Mexico and Central American countries, which provided good ports, efficient workforce and a friendly investment environment. "Each time we acquire a company, we merge it, and consequently we consolidate our positions in those markets. We are already all over the American continent", said Piedrahita (Dinero, 2013).

In fact, Nutresa expansion has received a new impetus in recent years. From 2004 to 2011 Nutresa integrated nine companies in the region, but the most remarkable was the acquisition for 68 million USD of Fehr Holdings LLC, a cookies' manufacturer with two plants in Oklahoma and Texas located near wheat plantations. Piedrahita explained that "[Nutresa] used to buy this cereal in the USA to produce cookies in Colombia or Costa Rica. We had to pay transportation and taxes, and later return it into cookies exports. Now we buy [the wheat] close to the plant, produce the cookies with our brands Noel and Pozuelo" (América Economía, 2011). This 2010' acquisition concluded a decade where the Colombian firms invested 4.773,5 million USD in the USA.

Nonetheless, Nutresa has been profiting from the Free Trade Agreement signed between Colombia and the USA in many different ways. The firm has partnered with Starbucks Coffee Company and the leading Mexican restaurant operator Alsea to manage Starbucks coffee stores in Colombia, with a participation of 30%. In this way, Colcafé – a subsidiary of Nutresa – became in 2014 the first Latin American producer and supplier of roasted coffee to Starbucks stores.

c) Asia

Nutresa has been successful in creating synergies with its new acquisitions. While there is no major threat of losing market share in home-country given its leadership and the competitive advantage in terms of distribution, Nutresa is looking to new opportunities to penetrate bigger markets. Further M&A are part of Nutresa's future expansion plans. Its high level of cash and low debt could help consolidate more of these operations in the short term.

As a result, the Colombian group joined the Asian market through the acquisition of 44% of Dan Kaffe Sdn. Bhd. (DKM), in Malaysia. Established in 1994, DKM is one of the leading roasted coffee producers in Malaysia with a plant located in Johor Bahru, close to Singapure. On one hand, Nutresa sees this country as an important platform to do business which allows competitive raw materials access, good logistics networks, qualified workforces, political stability and an attractive legal system. DKM also has an important shareholders' structure: the world recognized Japanese multinational Mitsubishi Corporation has 30% shares, and Takasago International Corporation – a world leading in tastes and flavors – owns 26%. The company closed 2012 with 25 million USD in sales and developed recently the expansion of its plant in order to double roasted coffee production capacity to 6.000 tons per year (Grupo Nutresa, 2012). Colcafé looks for this transaction as a huge step to benefit from its coffee expertise and Japanese knowledge to grow in Asia. The company named two managers to join the Malaysian consortium. DKM can be the perfect vehicle to develop Nutresa's technology and commercial skills in the region.

4.6.2. How Nutresa organizes its operations abroad

According to 2012 Annual Report, Grupo Nutresa is composed by 55 firms distributed by six main activities: biscuits, chocolates, coffees, pastas, cold cuts, and ice creams. These 55 firms are also dispersed into nine production countries, and 13 distribution countries. In accordance with Alejandro Jiménez, Investor Relations Director of Nutresa, the company competes with the main industry players in the markets where Nutresa is present. He classifies the competency "as diverse and aggressive like in the domestic market" (A. Jiménez, interview, 27th January, 2014). Nevertheless, regional divisions are not used in the Grupo Nutresa. The reason could be the fact of more than 70% of Nutresa's total sales is still coming from Colombia.

The strategy conception for the overseas markets is managed by the executive committee, and the logic behind the international expansion was to sell more and gain new customers, due to its domestic growth limitations. Jiménez considers that the experience has been positive and the key learning experience is to act local with global skills. Grupo Nutresa has no preference about a specific foreign operation mode: the Colombian food industry company has experienced already agent/intermediaries, export sales forces, wholly-owned subsidiaries and M&A processes.

Moreover, Jiménez refers that Nutresa follows a Strategic Business Unit. There is a structural integration among divisions within SBUs, but there is also independence across the units. Strategic planning should be the most prominent function in Nutresa' headquarters for managing the strategic planning approval process of SBUs for the president. Each Nutresa's SBUs may have its own budget for staff to promote integration.

4.6.3. The role of people

In accordance with Álvaro Arango Restrepo, Vice President of Grupo Nutresa' Sales and Marketing, there are three main strategic pillars for Nutresa's success: commercial networks, brands, and human resources. In the latter case, he argues that "human resources are those who make possible things happen, and to do what has to be done, they must be respected; the talent development turns into competiveness" (Méndez Ramírez, 2013). In the same way Ana

Landucci, Principal and Office Manager of Korn Ferry at Medellin, considers as the critical factors of Nutresa' success the identification of necessary skills to meet the challenges of businesses, the creation of the new and different and, finally, the diversification and inclusion. In fact, Landucci classifies Grupo Nutresa as a Strategic Partner, centered in processes and strategic focused.

In the end of 2012, Grupo Nutresa had a workforce of 31.650, which 7.446 were operating outside Colombia. Even though, the ratio of local vs. foreign employees is mostly home-based employees. Landucci explains that for the operations abroad is used to recruit in-house and export home-based managers to foreign subsidiaries, because their needs are frequently about subsidiaries managers: "we have a close relationship with Grupo Nutresa and all its businesses (meat, biscuits, direct sales, ice cream and pasta). We have led process of search and selection of executives for different areas and businesses. Also, we participated in management assessments for individual projects and team" (A. Landucci, interview, 12th October, 2014).

The reason behind the expatriation of human resources, according to the Korn Ferry Consultant, was to start operations with foreign countries transferring know-how and skills from Nutresa's headquarters. Nonetheless, the major challenges the human resources have been facing overseas are related with knowing how to work in different local cultures, such as the USA, Mexico, Peru or Costa Rica, the cross-cultural sensitivity, or to understand the business on a global scale. To deal with it, according to Jiménez, Nutresa tries to keep the Executive Committee in case of an M&A by the Colombian firm (A. Jiménez, interview, 27th January, 2014).

4.6.4. Financial partner perspective

Grupo Nutresa's total sales have been growing over the past decade, with an average rate of 14% in the period between 2005 and 2011. This was justified by the development of Nutresa's business model, which was reflected also in the increase of its profit margins, nearing historical levels. A lower cost in commodities has been contributing to the good financial performance too.

Bancolombia is the privileged financial partner of Nutresa, despite other relations with banks such as BBVA or Royal Bank of Scotland. Nutresa uses to search for funding its operations overseas in its home-country, and Bancolombia has accompanied the firm in its internationalization processes in Central and South America, as well as in their financial necessities, investments, and cash management. Andrés David Ayala, Bancolombia's banker, considers that "Nutresa has a moderate approach, their strategy is to internationalize and grow, however they analyze deeply each acquisition and they do not take hasty decisions" (A. Ayala, interview, 3rd February, 2014). Moreover, Jiménez considers that the government influenced Nutresa's decision to expand abroad, but the company didn't receive any kind of governmental aid in its internationalization process (A. Jiménez, interview, 27th January, 2014).

In fact, Grupo Nutresa has a lot of experience in acquisitions and taking control over new companies. According to Ayala, "the corporative strategy has defined its interest to go global, Nutresa has analyzed the regions where they want to be, and then the company looks for good opportunities to take advantages in every country it has in its radar. More than the same strategy, Nutresa analyzes every step and waits for the best moment and opportunity for an acquisition. Then, they make a deal with the counterparts and when they take control over new companies, Nutresa does not change the original structure of the [acquired] company. They prefer to look for efficiencies." For this reason, Nutresa takes enough time to analyze every decision in advance. Consequently, Bancolombia doesn't have any concern about Nutresa's internationalization process: "we believe in their strategy […] they do not exceed their capacities and they achieved good results during this process", Ayala argued (A. Ayala, interview, 3rd February, 2014).

4.6.5. The international strategy followed

Nutresa should not be seen as a global company yet. In fact, the firm has been following an interesting internationalization process, but still too focused on the Americas for the moment. As we observed, the only exception was about DKM consortium in Malaysia. Thus, Jiménez considers as the most important issue to Nutresa succeed overseas "the definition of clear and stable politics about multinationals in the long-term" (A. Jiménez, interview, 27th January, 2014).

On the whole, there are few indications which allow us to obtain a classification about the international strategy followed by Nutresa. Nonetheless, in accordance with Bartlett and Ghoshall matrix, we shall say that strategy followed is the *Multinational*. Jiménez agrees that Nutresa is still building strong local presence through sensitivity and responsiveness to national differences. Furthermore, there is a main experience which supports this classification. For instance, as far as Nutresa's presence in Mexico is concerned, the company was forced to adapt its products for local tastes when it had to produce chocolate bars with tamarind and chili and sell it all through multicultural sales workforces, which supports the *Multinational* strategy the company has been following.

4.7. Pollo Campero

Pollo Campero is a Guatemalan based firm, nowadays the world's largest Latin chicken restaurant chain and serves more than 100 million customers per year. Established in 1971 by Juan José Gutiérrez, this family-owned company operates 369 restaurants (Franchise Times, 2013: 14) in Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Ecuador, USA, Spain, Italy, Bahrain, India and Indonesia. According to 2013 *Franchise Times Top 200*, Pollo Campero is the 162nd world's biggest franchise concept, with worldwide sales of 385 million of USD in 2012 and only 26% of its outlets are franchised. The concept of Pollo Campero is described not as fast-food but a quick-casual chain which provides a high-quality Latin flavor in a familial gathering place. It belongs to Corporación Multi Inversiones (CMI), a Central American and Caribbean Group which operates in grind, fast-food restaurants, poultry and pork industry, renewable energy, infra-structures, and finance sectors.

The company traces its origins back to beginning of the XX century, when Juan José Gutiérrez left its birthplace at Campiellos, Spain, to start his milling business at Guatemala selling flour to bakeries. One day, one baker could not carry on paying out and proposed to offer a 2.000 chicken farm to cover his debt. At that moment, Gutiérrez decided to start the processed chicken distribution business and what nowadays is known as CMI was born.

4.7.1. The internationalization processes and the choice of foreign operation modes

a) Americas

Pollo Campero launched seven restaurants in Guatemala from 1971 to 1974, but its internationalization started in the neighbor country of El Salvador with the opening of two more restaurants in the same period. Despite starting with FDI, the foreign operation modes chosen by Pollo Campero could be seen as sticky but that was not as irreversible as the future proved to be.

There were three major reasons to support the internationalization of Pollo Campero. The first was to reach more customers overseas with the same characteristics and tastes of Guatemalan consumer profile, increasing sales with a sustained product and a consolidated business model already tested in domestic market. The second was to escape from the siege of Kentucky Fried Chicken attempts in Guatemala (Casanova, 2009: 113). And the third was to reduce the dependency of a single and small market such as Guatemala. Spreading their restaurants number over Central and North America would reduce economic instability and the operations' risk and, at the same time, would be a gateway for managing their assets in USD.

The next big step towards the internationalization process took place in 1986 in the USA. Following the large Hispanic community in Florida, usually seen as natural customers, the company decided to open a restaurant in Miami. However, this project failed because Pollo Campero didn't understand the North American market forces at work. In other words, the company felt the necessity to standardize operational processes in restaurant outlets, and consequently the U.S. restaurant was forced to close down.

Even with the failure of joining the U.S. market, the expansion abroad carried on in Honduras (1992), Nicaragua (1996), Costa Rica (1997), Ecuador and Panama (1998) and, lastly, in Mexico (1999). Pollo Campero expansion in Mexico was not a successful story, too. After launching in 2003 19 home delivery services due to the agreement with Telepizza, the concept didn't work out and at the end of 2013 there was not any outlet at this country.

At this time, the company was already launched the Franchising program (1994) sustained with the creation of CMI's financial division in order to fulfill the company's funding needs. This meant a new pattern of internationalization of Pollo Campero: for the very first time, the Contractual Modes were substituting the Foreign Direct Investment.

And it would be due to a franchising deal with Adir Restaurant Corporation that Pollo Campero came back to the US with a restaurant in 2002 in Los Angeles, sixteen years after the first attempt to join this market. The contract was negotiated due to the potential shown by the increasing sales of Pollo Campero restaurants at El Salvador and Guatemala City Airports, and the location was chosen in order to be the closest possible to the largest community of Guatemalans in the USA (in 2007 it was estimated that 1,3 million Guatemalans live in the USA. The El Salvadorian community was up to 2,5 million.).

If before 2002 the North Americans used to visit Pollo Campero to bring a cookery *souvenir* to their families, from that year onwards they got familiar with the brand. The Los Angeles restaurant generated 1 million USD turnover in the first 22 days and 850 million USD in the first year (Arndt, 2010). The potential of the US expansion was perfectly understood by the firm, and Pollo Campero settled its North American headquarters Campero USA Corp at Dallas, Texas. The firm started to close new franchising deals. By the beginning of 2010 there were 53 restaurants in 15 states. And in 2011, the company launched a new restaurant setup from Houston to the other cities. The Pollo Campero' achievement in the US market is admirable not only because of North American fast-food chains competition but also to the other Latin-based multinationals competitors, such as the Brazilian chain Fogo de Chão for instance.

Nevertheless, to franchise was not the only way the company managed their Contractual Modes. In fact, Pollo Campero developed an important Strategic Alliance in the US market. Despite being perceived by the North American consumers not as a fast-food but a family restaurant chain, Walmart – the retail giant corporation that runs chains of large discount department and warehouse stores in the USA – celebrated a long term agreement with Pollo Campero in order to locate their outlets in Walmart's stores.

b) Europe

The recognized success with the US strategic alliances drove the company to expand through Europe, but always keeping the same strategy: to seek the Hispanic consumers in order to establish the first restaurants and spread over the brand potential amongst new consumers over the years. It was not a surprise that the first market Pollo Campero joined in Europe was the Spanish.

Once again, the foreign operation mode chosen was the strategic alliances with the renowned Telepizza in 2000, and Eat Out in 2009. In the first case, both Pollo Campero and Telepizza agreed on sharing their forces and physical spaces to promote their products. This meant Telepizza included Pollo Campero places at their restaurants and delivered their products at customers' homes, as well as Pollo Campero did the same with Telepizza at their Latin American outlets. Concerning the deal with Eat Out, Pollo Campero received support to expand it brand in Europe in exchange of opening the first five franchising Pans & Company' restaurants in Guatemala and El Salvador. In 2006, the company started the franchising contracts in Europe. First, it was in Spanish territory. Then, in 2011, the franchising licenses carried on with Commercialunione Prima in Italy. In accordance with Gianluca Ercolin, Pollo Campero Business Development Manager in Italy, the competition outside Guatemala is extremely different. "In 40 years Pollo Campero lived in Central America with no competition at all, while in Europe the market is mature, extremely developed and with fierce competition" (G. Ercolin, interview, 9th January, 2014). Nowadays Pollo Campero has 33 restaurants in Spain and five in Italy.

c) Asia

The expectations of Pollo Campero's entry in Asian markets were huge. For the very first time, a Latin American restaurant chain was entering in the continent. The company opened a restaurant in Jakarta, Indonesia, at February 1st 2007 settled by a franchising deal with PT Prima Multi Rasa of 1 million USD. The contract was signed to open 30 outlets till 2012. In the beginning of 2014 there was only one restaurant yet.

Joining Indonesia was part of a strategy where China would be the biggest challenge to the company. Although the main competitor was already there with more than 1.500 restaurants and Campero overdue in the context of the food chains, the major part of Chinese consumers preferred Pollo Campero chicken to KFC. "The Latin concept is well recognized and our chicken' taste fascinates the Chinese consumers. If, over the coming five years, we do not open up 500 outlets at least, the best thing to do is to return home" declared CEO Gutiérrez at the restaurant opening at Shanghai (Alvarado, 2007).

Both in Jakarta and Shanghai Pollo Campero tried to adapt the menus to consumer's typical flavors. But if the acceptance in Indonesia was reasonable, in China the things didn't work out as expected. In the middle of 2007 there were four outlets there. At the end of 2013 there was not even one.

In fact, there were two different reasons to justify the company's failure in China. First, the firm was not prepared to understand the market dynamics. Chinese consumers demanded innovation more that any others. Gutiérrez declared later that "the same characteristic which leads Chinese to change mobile phone every three months is the same which motivates the demand for new products and cooking recipes permanently. And we were not ready to do that" (Tromben, 2011). Second, according to local legislation, Campero had to operate in China two years before starting to launch franchises. In these two years, the local authorities were supposed to evaluate the business standards and its benefits to the community. After this period, the Chinese entrepreneurs asked for two more years of grace period in their franchising contracts, without paying anything for royalties and Pollo Campero's recipes. The company suspected of Chinese intentions about copying their business model and gave up. The firm kept its project in China for two years to accomplish local requirements in order to come back in the future, when they feel prepared to face the Chinese market, and outlined new destinations.

At the end of 2009, Pollo Campero joined the Middle East. Due to a new franchising deal with the leading group J.A. Holding owned by Jamal A. Hazeem, an experienced local entrepreneur, Campero opened in Bahrein its first outlet in the region, but the agreement foresees the setting-up of 36 more outlets in a 10 year period across Kuwait, United Arab Emirates, Oman, Qatar and Saudi Arabia (El Periódico, 2009).

Finally, in 2010, the firm selected Lite Bite Foods Pvt. Ltd as its master franchisee for the Indian market to launch its first restaurant there. Lite Bite Foods Pvt. Ltd was one of the leading food and beverage players in India and operated brands such as Pinos Pizza, Baker Street, Fresc Co, Asia7 or Punjab Grill. Once again, the company adapted their menus at Indian consumer's profile. In the beginning of 2014, India had three Pollo Campero restaurants.

4.7.2. How Pollo Campero organizes its operations abroad

Campero International S.A. makes part of CMI, also known as Grupo Gutierrez, one of the most important conglomerate groups in Central America and Caribe. This group is divided in six different divisions but all the companies included in this conglomerate strongly benefit with its vertical integration. In this case, Pollo Campero has the advantage of accessing to livestock industry and milling inside CMI Group. And even though M&A transactions are not very common, the company finds in its holding a heavy-duty supporter which allows Pollo Campero to specialize on its daily operations.

As previously identified, despite the privileged expansion over franchising agreements, there are strategic markets where the firm has local subsidiaries, such as the USA with Campero USA Corp. Nevertheless, the subsidiary level of decision-making starts in Pollo Campero's CEO, assisted by two presidents for own operations and for franchising. For the franchising division there are two vice presidents (the USA and the rest of the world). Then, there are the country managers for each market.

Both Ercolin and Aguilar agree on Cooperative form as the followed by Pollo Campero. That is to say horizontal integration is used to bring about interdivisional cooperation, and sharing divisional competencies facilitates development of economies of scope. To foment divisional cooperation, the corporate office accentuates centralization, such as strategic planning, marketing, and human resources.

4.7.3. The role of people

One of the biggest challenges faced by Pollo Campero during the first US market attempt was the team building meaning. The company registered high turnover costs and it became impossible to keep 10 to 15 employees trained every quarter. Campero hadn't a developed model, and only on the second attempt it became possible to overcome this problem. One of the lessons learnt by Pollo Campero was to select locally, instead of recruiting in-house. For instance, Roberto Denegri (former CEO and President of Campero USA Corp) declared in 2007: "We came to the U.S. and we hired a U.S.-based team. [Now] we're growing internationally" (Ibarra, 2007).

In the beginning of 2012, Campero had a 28.000 workforce which 77% is operating abroad (is the presented company in this investigation with more associates operating abroad). Despite the Human Resources management challenges the company had to face during its first attempt to internationalize, Pollo Campero started to pay wages above those registered in the market in order to match the expatriations' expectations at home and in foreign countries.

4.7.4. Financial partner perspective

Pollo Campero, as part of the CMI Group, a diversified privately owned group with interests including finance, real estate, construction and agriculture, does not post earnings. But, according to Maria Aguilar, in 2013 the total annual income was about 400 million USD. That is to say that is almost 1,2% of Guatemala's GDP (Financial Times, 2008).

Banco Industrial keeps a good relationship with CMI due to being one of their best clients. In accordance with Jacqueline Pivaral, Relationship Manager at Industrial, the bank has been supporting Campero’s internationalization processes in granting loans. She argues that “their strategy has been to penetrate emerging markets and always have low prices. They access new markets and internationalize with our main trade partners”, therefore “their strategy is very conservative in order to keep growing organically” (J. Pivaral, interview, 20th February, 2014). Consequently, Banco Industrial completely relies on their strategy and their strengths.

CMI doesn’t have a privileged financial partner. As a result, they usually search for funding its operations overseas throughout the whole banking system and their own organic growth. However, Pivaral notices that Pollo Campero does not use any kind of subsidized credit facilities with government’s support to fund its internationalization processes, a fact shared by both Ercolin and Aguilar testimonials. Nevertheless, in terms of lessons learnt, Ercolin says that “to invest in own operations abroad is essential in order to develop a new country [business operations]. Growing with master franchise agreements, where the master franchisee makes all the investments, is not a long term good choice for entering a new market” (G. Ercolin, interview, 9th January, 2014).

4.7.5. The international strategy followed

Besides following the Hispanic communities worldwide, the secret of Pollo Campero success abroad has been its franchise business model. This type of agreements allowed to share the risk of operations with the local partners in many different regions, and to generate the revenue due to licensing rights, royalty fees and base rents. This kind of foreign operation mode has been replicated worldwide. The company’s knowledge is obviously kept at the headquarters and everything related with flavoring is directly imported from the Americas and transferred to overseas units, because taste is perceived as a strategic advantage (Casanova et al, 2009: 158-168).

So, according to Bartlett and Ghoshall matrix, we may consider the international strategy followed by Pollo Campero is the *International*. For instance, the Chinese experience show that. In the *Middle Kingdom*, the company refused to outsource operations as the same time it protected itself from intellectual property abuses. This is also Aguilar's perception, hence she classifies the role of overseas operations as implementers of parent company strategy.

5. RESULTS

Notwithstanding the existence of significant literature about the emergence of Latin American food industry companies, the focus is not only on what they found out in such markets but also where they expand abroad. Most of the times it doesn't refer the importance of the internationalization strategy of these companies nor the role of people and banks in this process. Then, a company's international strategy is something not easy to understand when we analyze its growth over the years. For instance, the moment to go global can determine the internationalization process of each company, but the strategy can change in the following years (Figure 2).

Figure 2: Internationalization timeline of Latin American food industry companies

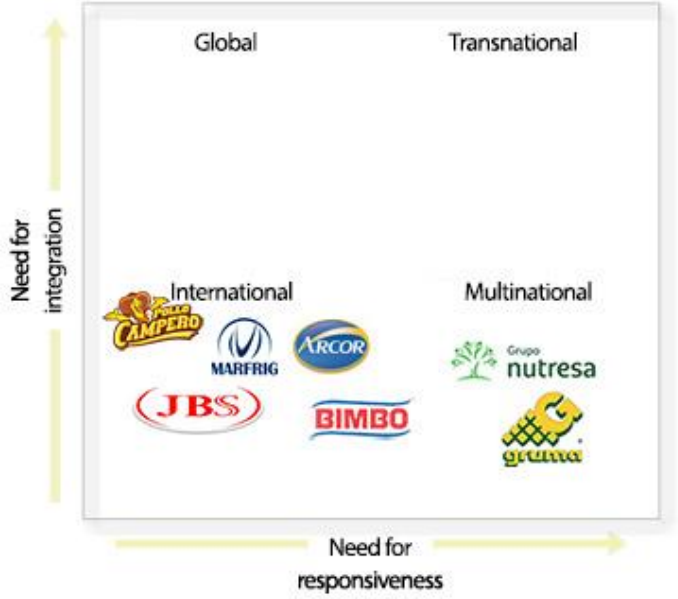
The theoretical background we tried to define was very important to guide this study and to use an adequate scientific common thread. This study provided an important insight into the relationship between companies, human resources, and finance. From the discussion and analysis of data it is possible to reach the following results.

5.1. The Latin American international management strategy

The main question we shall answer with this study is: what is the most followed international strategy agreeing to the Bartlett and Ghoshall matrix? In accordance with the interviewees and our research, the findings can be seen on Figure 3.

It is possible to affirm that the major part of the companies presented in this study use to follow the *International* strategy when operating abroad. Firms such as Pollo Campero, Marfrig and JBS, for example, feel the need to search for economies of scale, standardization, reproducing their know-how worldwide and looking for comparative advantages. The management of these firms look overseas operations as additions to a central domestic organization. Many responsibilities, resources, assets, and decisions are decentralized but coordinated from headquarters. Nevertheless, some other firms like Bimbo and Arcor, despite following this strategy tend to be closer to the *Multinational* strategy, too. This perception is observed through their presence in markets with different languages, culture, preferences, local tastes, and distribution or transportation systems. The most obvious market is China. Due to the recent attempts by the Latin American food industry companies to join the Chinese market it is possible to find out some examples of product and marketing adaptation to a quite different reality.

Figure 3: International Strategies



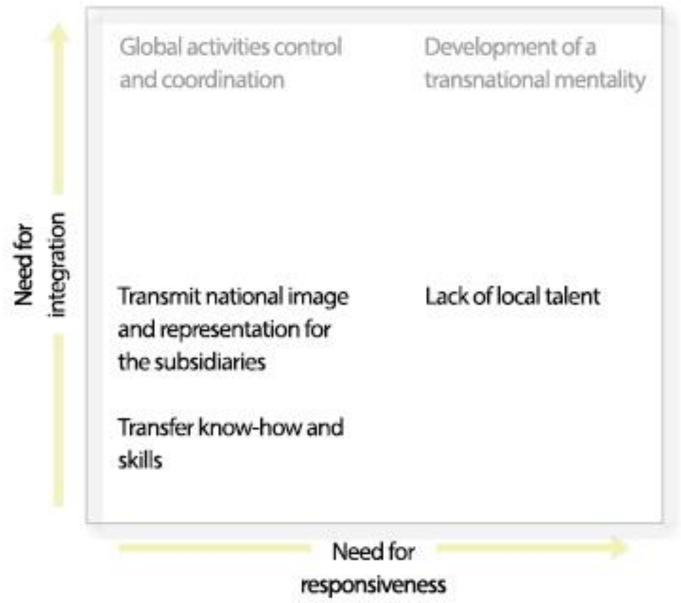
On the other hand, firms like Gruma or Nutresa have been following the *Multinational* strategy not only in their natural markets, but in distant geographies too. These are companies which differentiate their products to answer to the national differences, which promote local innovation and autonomy amongst divisions abroad. The integrated management of these companies demands flexibility but they are, at the same time, more likely to explore opportunities from the overseas environment. That is to say, management looks overseas operations as a portfolio of independent business, and key assets, responsibilities and decisions are decentralized.

None of these companies were classified as a *Global* or *Transnational* strategy follower. In the first case, not a single interviewee agreed to see the overseas operations of his/her own company as delivery pipelines to a unified global market, or agreed that there was a tight central control of decisions, resources, information, and know-how. At the same time, nobody recognized to work for a *Transnational* company which develops and shares knowledge jointly, or promotes dispersed, interdependent and specialized configuration of assets and capabilities. In spite of that classification, even not being a recent phenomenon, Latin American food industry companies' internationalization is gathering further highlight and it can involve a strategy change according to their internationalization processes and decisions.

5.2. The human resources policies to support the internationalization processes

The Latin American food industry companies – although being stock corporations – still maintain its own familiar influence on domestic governance, but few are those current board members who were involved in the management of overseas operations. Still, the role of family on overseas operations had always been important. Just to give one example, Bimbo developed its Iberian operations due to the initiative of Jaime Jorba, one of the founders of Bimbo in Mexico, which came back to his land of birth in the 1960's.

Figure 4: Organizational reasons for expatriation



The role of people is absolutely significant in the internationalization process of the Latin American food industry companies. The participants in this study agreed on two major reasons to motivate the expatriation process: to transmit national image and representation amongst their subsidiaries and, at the same time, to transfer know-how and skills. Still, the lack of local talent is also an appointed reason to justify the expatriation allowance. Consequently, we built a new matrix grouping these reasons according to the need for integration and the need for responsiveness, and we may conclude these motivations are close to the *International* and *Multinational* models.

It begins to exist some cases where an international workforce is bigger than the domestic. Firms such as Pollo Campero or Gruma, which started its internationalization process in the 1970's (Figure 2), have nowadays more than one third of its own employees working abroad. Another good example about the importance of human resources in the internationalization processes is the concern of companies, such as Arcor, which are developing contingency plans for the exit from the countries in risky situations and international movement career plans amongst its employees.

5.3. The organization of foreign operations

One of major concerns doing this study was to understand how the companies in reference use to organize their operations abroad. The multidivisional structure is the one selected by the Latin American food industry companies. In a multidivisional structure, there's one parent company that involves different divisions operating separate businesses. In fact, the parent company holds all of the divisions, but provides the divisions' significant autonomy, which allows them to function autonomously as a separate profit centers. That's a way the headquarters follow to keep the strategic control over the operations abroad. In the multidivisional organization, the top corporate officer delegates responsibilities to division managers' for daily operations and business-unit strategy.

To understand how the Latin American food industry companies organize their operations abroad, consideration has been given to new organizational forms, such as cooperative multidivisional, competitive multidivisional, and the strategic business units (identified at this matrix as *internal network*, a definition used by Sanchez-Bueno and Sanchez-Gonzalez [2010]).

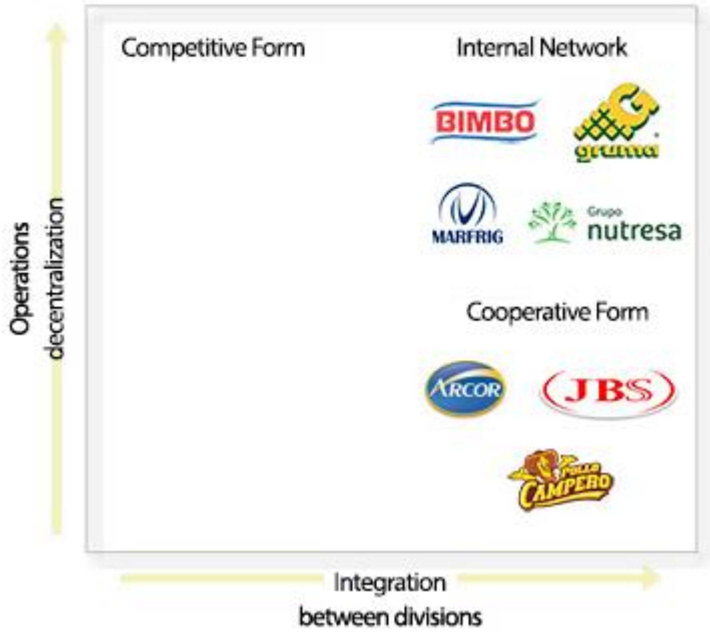
As far as the differences among these organizational forms is concerned, such as the decision-making process and integration between divisions, we have already seen in the previous chapter. Nevertheless, the Latin American food industry companies are able to follow the multidivisional structures mainly because of three benefits:

- Corporate officers are able to more precisely monitor the performance of each business, which facilitates the problematic of control;

- Encourages managers of poorly performing units to look for ways of improving performance;
- Simplifies evaluations amongst divisions, which improves the resource distribution process.

The results show that the Latin American food industry companies don't have any privileged multidivisional structure form. In other words, they are quite distributed between the SBUs (internal work) and Cooperative Form. Arcor, JBS and Pollo Campero show more need for integration amongst divisions and less decentralization. On the contrary, Bimbo, Marfrig, Gruma and Nutresa need to decentralize operations and integrate them as well. No one from the participants in this study classified his/her own company as a Competitive Form follower.

Figure 5: Multidivisional Structure



One more finding was the disconnection between the companies' origin and the multidivisional structure followed, even if they are positioned in the same industry. For instance, the Brazilian firms Marfrig and JBS are global companies which follow different organizational forms.

Finally, another important question is the justification of Pollo Campero's classification as Cooperative. As previously explained, the company established franchising FOM as the main strategy to operate abroad but keeps its wholly owned operations as well. It is about this last FOM that the authors classified Campero's.

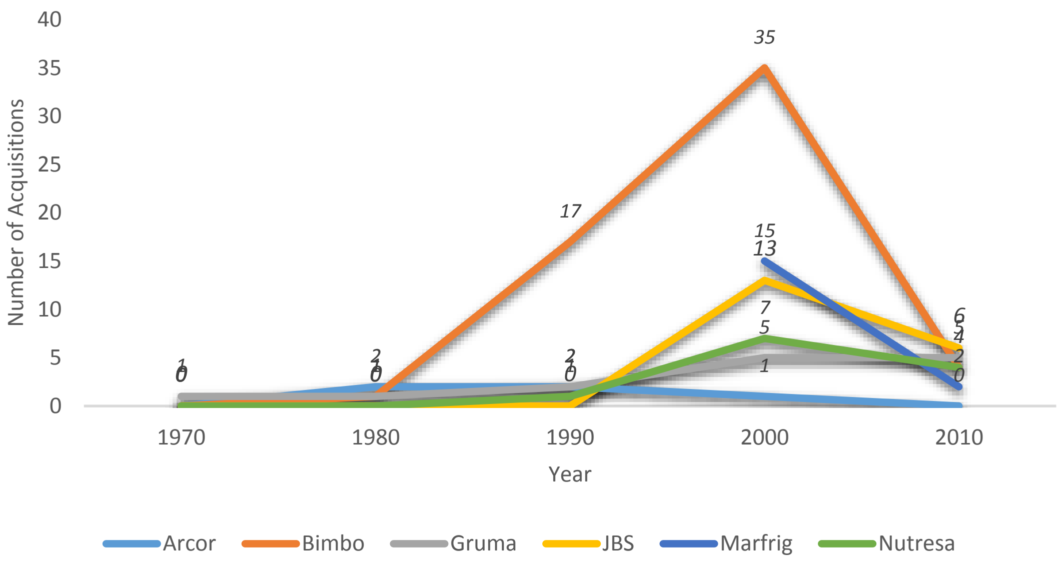
5.4. The funding for the internationalization processes

The financial support of any company to operate abroad is always an important issue. The question is not different about the studied companies and opens the scope for the discussion about the governmental support in their internationalization processes.

As the most followed FOM by the Latin American industry companies has been the M&A, we shall observe that those acquisitions by the Latin American food industry companies generally soared from the 1990's onwards.

In 1980 Bimbo went public, and in 1994 Gruma made its IPO. Later, in the middle of 2000's, it was the time for the Brazilian firms JBS and Marfrig do the same process. This procedure brought a lot of advantages, such as raised primary capital to fund the acquisitions, increased liquidity and enhanced benefits for employees, repay debt, and promoted the company through media coverage. In the same way, it became an opportunity for the institutions like the national development banks to join the capital of these companies.

Graphic 2: Number of acquisitions over the years (1970-2010)



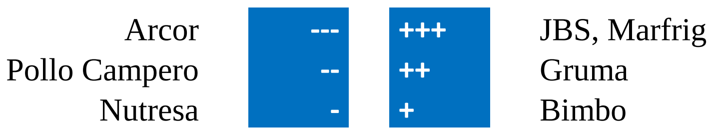
According to, the graphic's results we cannot ignore that these companies with state-owned shareholders in its capital were more able to invest on acquisitions overseas, using governmental aids or being favored with this sort of agreements. Gruma acquired 15 companies abroad, with special focus on the beginning of the present decade. And Bimbo, as Servitje

(2009: 159) refers, "… has always received a strong support by different governments from the different countries where we are working. Since assessors that speak our language, to grants for the purchase of land with a preferential price, exemption or tax reductions, etc". As a result, Bimbo became the biggest purchaser with 59 acquisitions overseas since its establishment.

The results show that there is a strong connection between the use of governmental funds and the number of acquisitions overseas. This kind of governmental support leads to what Casanova (2009:15) relates as the Brazilian *National Champions*, that is to say "state-sponsored firms protected from competition and benefiting from government support for exports, and the designated vehicles for national industrial policy objectives such as employment, economic growth and international prestige". In the same way, both Brazilian firms Marfrig and JBS became *National Champions* and acquired 29 companies abroad in less than 30 years. While Casanova focuses on three Brazilian firms (Vale, Petrobras and Embraer), similar stories have played out in other activities also, such as with JBS and Marfrig in food industry.

On the contrary, some companies like Arcor, due to the inexistence of governmental incentives for investments on its home-countries, privilege other kinds of FOM such as joint-ventures and strategic alliances. Only on very special cases, Arcor goes ahead on an acquisition overseas as the number of acquisitions (4) since the 1970's prove. Finally, Pollo Campero FOM is not fully compatible with M&A. Consequently, there are no results about this firm. To sum up, in the light of the above, the governmental support for each company can be found in the Figure 6.

Figure 6: Governmental support



CONCLUSION

Coming back to the initial challenge, is it possible to realize there is no common strategy followed by the Latin American food industry companies. However, our investigation concluded that the international strategy closer to the reality of Latin American food industry companies, according to the Bartlett and Ghoshal matrix, is the *International*. These companies are concerned in developing knowledge at the headquarters and transfer it to overseas units, replicating their business model in other geographies. The subsidiaries' role is to adapt and exploit parent-company's abilities, and this is quite evident in companies such as the Brazilians Marfrig and JBS, for instance. Still, the food industry evidences the need for responsiveness and local adaptation, so it's not strange to have companies like Gruma or Nutresa which follow a *Multinational* approach, more concerned about sensing and exploiting local opportunities, as well as adapting their products to local tastes. This tendency happens frequently when the Latin American multinationals begun to join the Asian markets.

The world has no longer center or peripheral areas, nor North or South anymore. The rise of the multinationals coming from the emerging markets is nowadays a practically unavoidable fact and the Latin American companies begun to invest outside. These multinationals have been acquiring other firms overseas and beginning their expansion abroad. This phenomenon crosses borders and includes both commodities and technological industries.

Besides the *boom* of Latin American multinationals, these firms present different kinds of strategic advantages. On the one hand, Brazil seems to be the most projecting economy to expand its companies over the world. In view of this, it is not strange the governmental and financial support of BNDES to the internationalization processes of companies, such as Marfrig or JBS, which frequently participates in their shareholders' structure. On the other hand, the Mexican firms are those better prepared to begin internationalization in the US market, due to the advantages of being part of the NAFTA. These last two points seem to justify the prominence of both Brazil and Mexico to play a front-runner role in the most internationalized Latin American firms' rankings.

The internationalization paths of these Latin American food industry companies present some similarities between all the studied companies. History shows that firms like Pollo Campero, Gruma, or Bimbo, began to internationalize in the Hispanic markets following their natural clients, especially in the south of the USA, where the largest communities of Latin American citizens are living in that country. Similarly, there are companies trying to explore other strategies. For instance, Arcor or Bimbo became internationally competitive because they have specialized in regional markets and niche economies.

In this way, it is important to note that all the Latin American firms are joining the Chinese market. The entry in China does not only represent the possibility of sales increasing in a huge market, but also a possible platform to join new markets such as Indonesia or Middle East. Nevertheless, as the lesson learnt by Pollo Campero experience, China signifies the need for responsiveness. The consumption patterns are different and local tastes, too. In China, the consumers are really demanding and require new products all the time. The economic landscape leads to the erection of regional players and the Latin American companies should be aware for fierce competition.

Despite the M&A being the most used FOM for the Latin American firms to operate abroad, one of the most interesting methods to join other markets is also the strategic alliances. For instance, Pollo Campero alliance with Walmart allowed the Guatemalan firm to expand the number of restaurants in the USA coast-to-coast. Similarly, the strategic alliances can be used to manage economic crisis such as Arcor has been successfully doing during the last two decades. The agreements with Danone and Coca-Cola not only allowed the firm to develop its business and expertise, but it also brings recognition and prestige to the Argentinean multinational. Nevertheless, strategic alliances should be used carefully and for a win-win relationship, otherwise it will fall short. The alliance between Campero and Telepizza showed that when there is a partner that has more to win than the other the alliance fails.

The choice of FOM is critically important for the Latin American food industry companies when they go global. This industry is characterized by small profit margins and these firms shall look to internationalize in order to reach economies of scale. All the same, the secret of food industry success is in logistics. When it is well planned it allows reaching competitive advantages and a larger market share, because it became essential to manage, store, move, purchase, and control goods, reducing, at the same time, total costs.

In the same way, the role of people in the Latin American food industry companies' internationalization is increasing its importance. Our research provided that the major organizational reasons to expatriate human resources are the lack of local talent, the need to transfer know-how and skills, as well as the need to transmit national image and representation for the subsidiaries. All the way, these reasons seems to be concerned with the companies' needs for local adaptation and responsiveness, which is something that is present in other analysis. In addition to this, the presented companies divide their multidivisional structure abroad between cooperative form and internal work (strategic business units).

Finally, all these points show clearly the modernization of the Latin American entrepreneurship. But, despite all the presented companies went public in the Stock Exchange, they remain generally family-based. In most cases, the leadership is taken by the descendants of the founders, which is something well seen by the financial partners and make them trust in their internationalization strategy. However, although the internationalization project of the Latin American food industry companies may be interesting, these companies are still an attractive target for acquisitions from other multinationals due to their regional skills and expertise.

It is important to mention also that this study was done taking in consideration the natural limits of what represents an investigation about Latin American economic environment. For instance, companies such as Pollo Campero don't publish annual reports, financial statements, nor press releases. Arcor didn't allow anyone who works currently for this Argentinean firm to participate in our surveys. The vast majority of headhunters which were contacted to contribute to our investigated rejected the invitation due to their privacy policies. And some of the studied companies didn't publish the 2013 results until the conclusion of this investigation.

Nonetheless, this investigation can open a new scope for further research about the Latin American emerging multinationals. We believe that food industry companies such as Brasil Foods, Minerva, Alicorp, Grupo Gloria, Alsea or Carozzi shall become the next Global Latinas, according to the current internationalization processes they are developing nowadays. In the same way, other related industries like beverage presents interesting firms which can be the ideal object for an investigation about their internationalization forces at work. In any case, we believe that Latin American multinational dynamics will present an effective range for further research in the following years.

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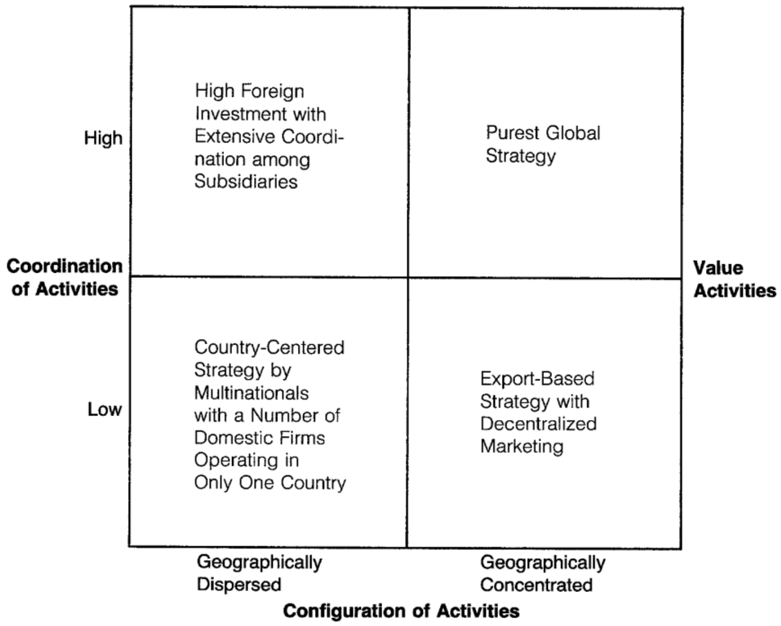
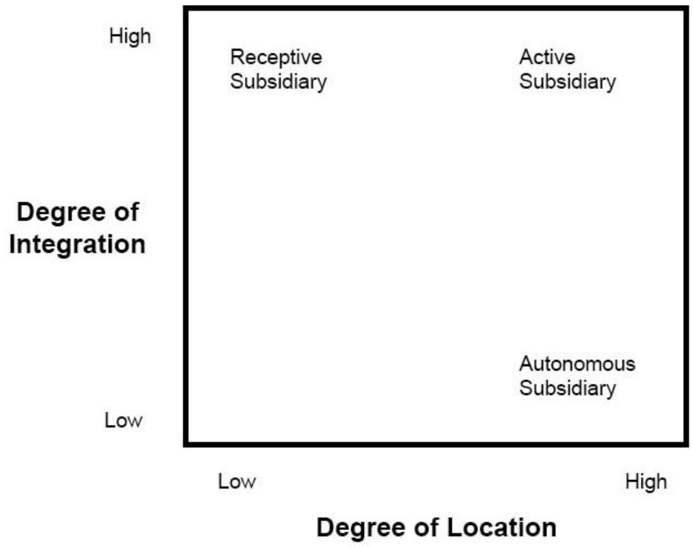
ATTACHMENTS

ATTACHMENT 1: Types of International Strategy



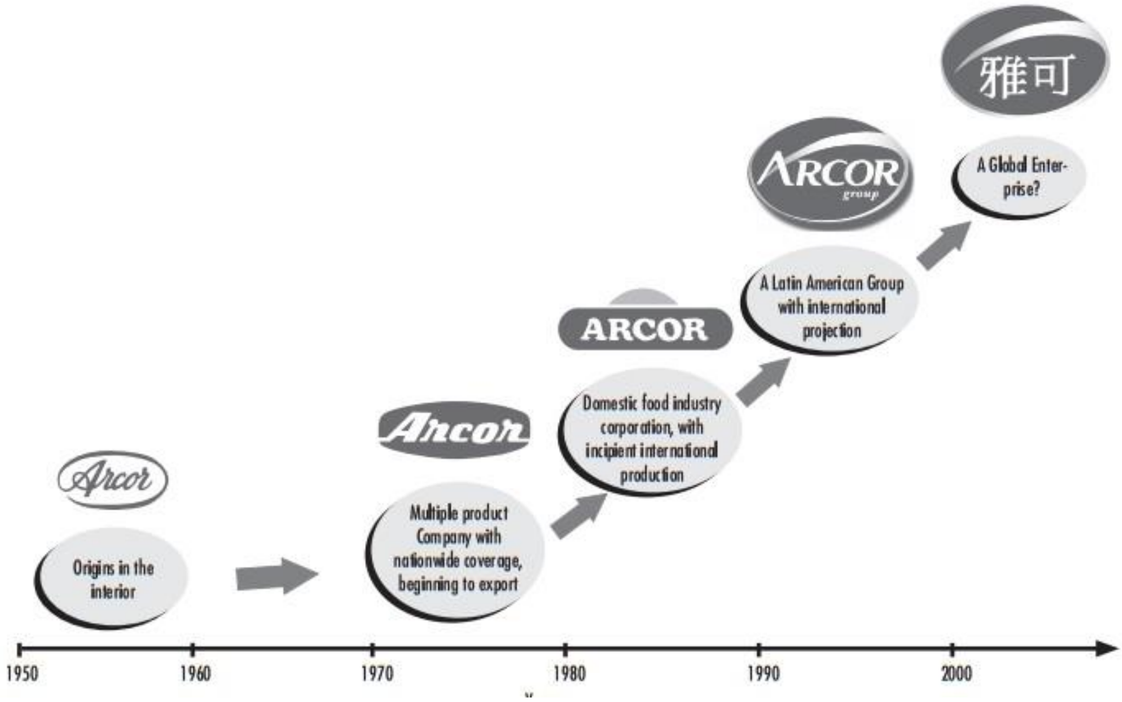
Source: Porter (1986)

ATTACHMENT 2: Different Types of Subsidiary Strategy



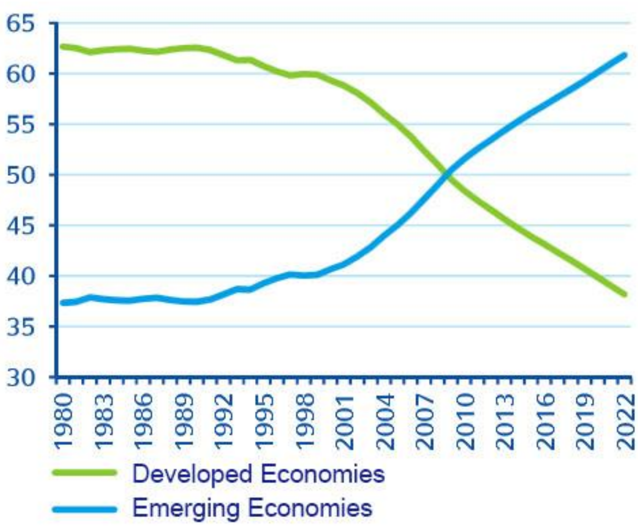
Source: Jarillo & Martinez (1990)

ATTACHMENT 3: The evolution of Arcor



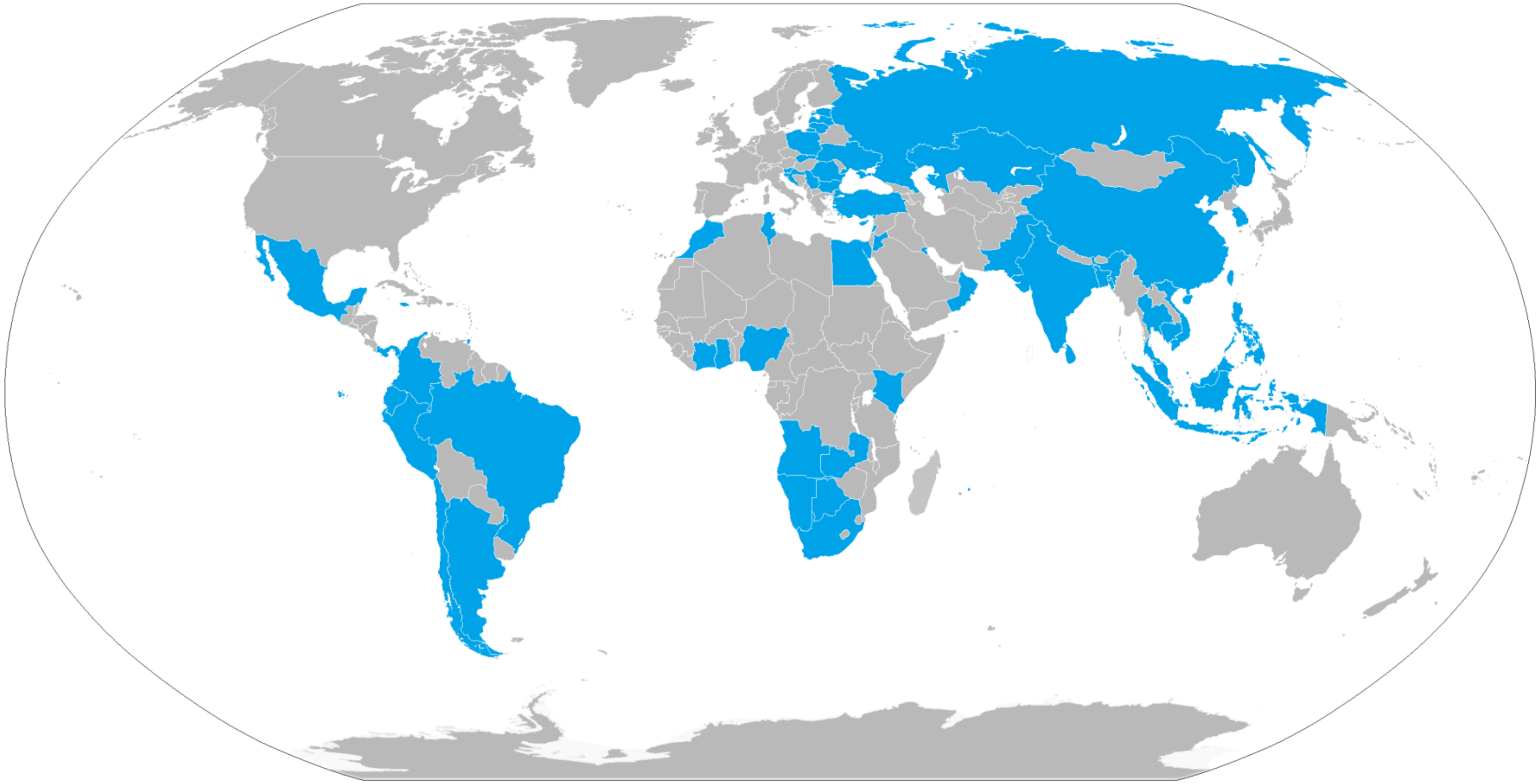
Source: Kosacoff (2002)

ATTACHMENT 4: Share of Global GDP: Developed and Emerging Economies (%)



Source: BBVA Research (2013)

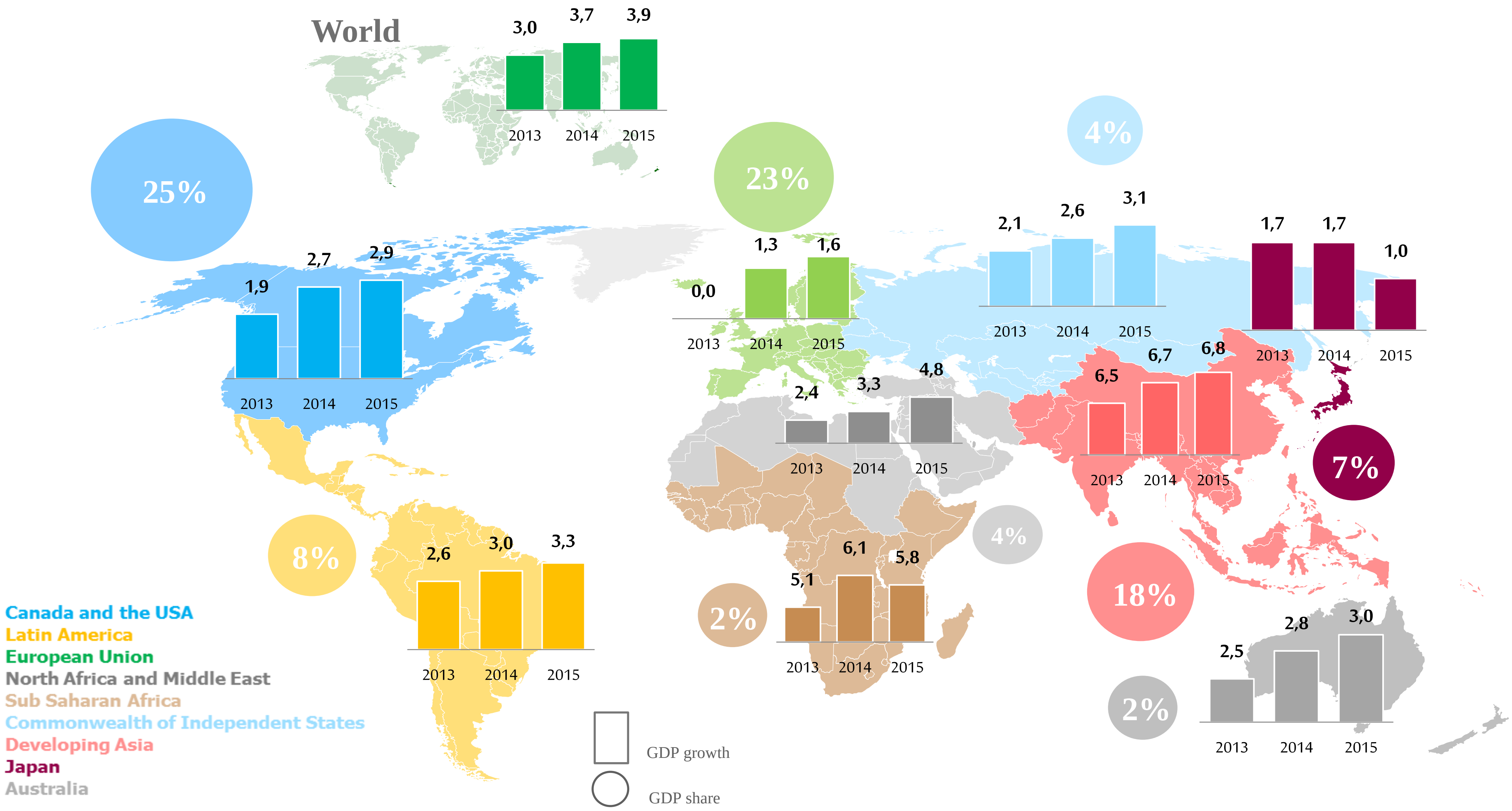
ATTACHMENT 5: Emerging economies map



BRICs – Brazil, Russia, India, China and South Africa
EAGLEs – China, India, Brazil, Indonesia, South Korea, Russia, Mexico, Turkey and Taiwan
VISTA – Vietnam, Indonesia, South Africa, Turkey and Argentina
CIVETS – Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa
MINT – Mexico, Indonesia, Nigeria and Turkey

Frontier Markets – Jamaica, Panamá, Ecuador, Trinidad and Tobago, Argentina, Morocco, Tunisia, Ivory Coast, Ghana, Nigeria, Angola, Namibia, Botswana, Zambia, Kenya, Mauritius, Oman, Kuwait, Jordan, Lebanon, Cyprus, Bulgaria, Romania, Ukraine, Serbia, Croatia, Slovenia, Slovakia, Lithuania, Latvia, Estonia, Kazakhstan, Pakistan, Bangladesh, Cambodia, Vietnam and Sri Lanka

ATTACHMENT 6: World's GDP growth (2013-2015) and share by region



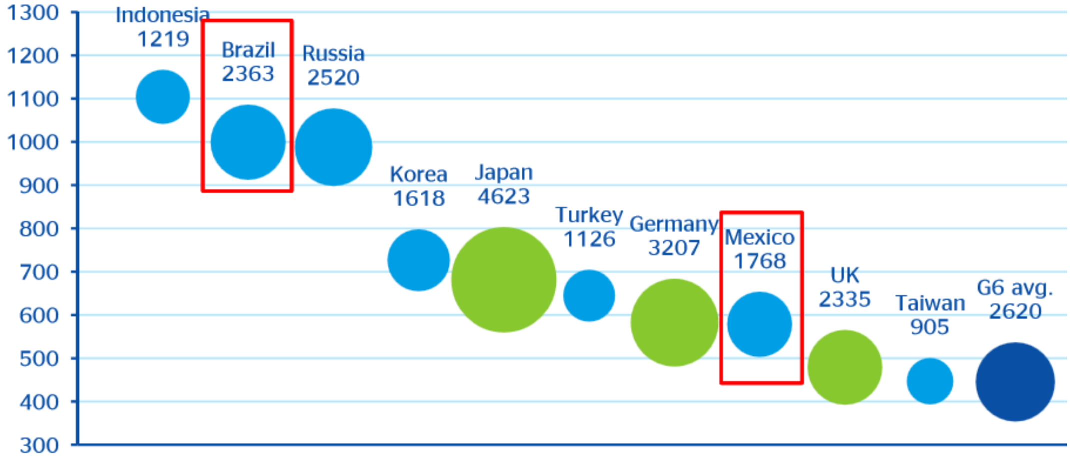
Sources: International Monetary Fund (2013), ES Research (2014)

ATTACHMENT 7: GDP Top 10 – Current USD

Country	2009	2010	2011	2012	%
USA	13,898,300,000,000	14,419,400,000,000	14,991,300,000,000	15,684,800,000,000	21,81
China	4,991,256,406,735	5,949,785,721,835	7,314,432,078,360	8,358,363,135,690	11,62
Japan	5,035,141,567,659	5,495,379,357,485	5,896,794,887,859	5,959,718,262,199	8,29
Germany	3,298,635,952,562	3,284,473,684,211	3,600,833,333,333	3,399,588,583,183	4,73
France	2,619,685,000,757	2,548,315,434,211	2,779,719,500,000	2,612,878,387,760	3,63
UK	2,183,862,761,501	2,256,260,000,000	2,444,883,870,968	2,435,173,775,671	3,39
Brazil	1,620,165,226,994	2,143,035,333,258	2,476,652,189,880	2,252,664,120,777	3,13
Russia	1,222,648,134,225	1,524,915,341,870	1,899,086,233,312	2,014,776,311,555	2,80
Italy	2,111,148,008,712	2,041,954,747,600	2,192,357,094,735	2,013,263,114,239	2,80
India	1,365,372,912,989	1,710,917,218,018	1,872,845,406,805	1,841,717,371,770	2,56
WORLD	1,337,577,639,752	1,577,040,082,218	1,777,788,888,889	1,821,424,139,311	100

Source: The World Bank (2013)

ATTACHMENT 8: EAGLEs[1] vs. G6: current size (2012, circle size) and contribution to world growth in 2012 and 2022 (billions of USD)



[1]Excluding China and India

Source: BBVA Research (2013)

ATTACHMENT 9: Ranking Multilatinas 2013

Rank 2013	Rank 2012	Company	Country	Industry	Sales 2012 (million USD)	Sales Variation 11-12	Number of countries	Number of regions	% Foreign Sales 2012	% Human Resources abroad 2012	Investment	Geographical coverage	Growing Potencial	Multilatin Index
1	4	CEMEX	MX	cement	15.196,6	12,2	50	8	77	69	60	100	91	81,0
2	**1**	**GRUPO JBS**	**BR**	**food**	**34.856,9**	**5,8**	**15**	**8**	**84**	**56**	**66**	**77**	**99**	**79,8**
3	2	BRIGHTSTAR	USA/ BO	telecom	4.448,6	-	46	9	55	67	65	97	93	79,7
4	5	TENARIS	AR	steel	10.834,0	SD	11	5	86	74	82	75	75	79,1
5	7	GRUPO ALFA	MX	multisector	13.053,1	18,6	17	6	60	28	77	84	93	77,0
6	-	LATAM	CL/BR	airlines	13.379,6	S.D.	16	5	57	25	80	80	91	76,0
7	11	IMPSA	AR	energy	1.442,8	S.D.	30	7	67	50	82	94	64	75,1
8	6	TELMEX	MX	telecom	10.109,2	43,3	8	3	96	91	51	60	92	75,0
8	10	AJEGROUP	PE	beverage	1.666,7	-	16	4	80	78	68	76	75	75,0
10	0	TERNIUM	AR	steel	8.734,7	S.D.	10	4	74	70	70	59	84	73,2
11	12	ODEBRECHT	BR	construction	49.892,9	-	35	7	42	31	55	91	97	71,4
12	**13**	**GRUPO BIMBO**	**MX**	**food**	**13.353,4**	**39,3**	**19**	**6**	**46**	**40**	**70**	**77**	**79**	**69,3**
13	9	GERDAU	BR	steel	20.346,0	7,3	14	6	63	50	58	72	83	68,9
14	18	ISA	CO	energy	2.438,0	8,8	8	2	70	66	87	53	57	68,6
15	8	VALE	BR	mining	45.760,5	-16,8	36	9	17	22	52	92	100	68,1
16	25	MEXICHEM	MX	petrochemical	4.889,6	44,2	18	6	61	72	35	76	87	66,0
17	15	SIGDO KOPPERS	CL	construction	2.786,4	31,0	25	9	41	20	65	89	71	65,0
18	-	GRUPO BELCORP	PE	chemicals	2.000,0	-	17	5	80	72	60	73	52	64,3
19	21	AVIANCA-TACA	CO/SV	airlines	4293,7	S.D.	22	4	78	71	30	74	80	63,9

20	**20**	**MARFRIG**	**BR**	**food**	**11.227,9**	**-3,8**	**21**	**8**	**35**	**42**	**40**	**85**	**88**	**63,7**
21	23	SUD. DE VAPORES	CL	shipping	3.431,8	-33,4	5	5	93	63	45	58	72	63,3
22	17	PETROBRAS	BR	oil	137.694,9	5,8	25	7	37	9	40	84	99	63,2
23	14	LAB. BAGÓ	AR	chemicals	1.500,0	-	22	6	23	45	70	77	63	62,6
24	16	AMÉRICA MÓVIL	MX	telecom	59.778,0	14,0	18	4	39	55	34	70	94	62,3
24	-	ANTO. MINERALS	CL	mining	6.469,9	-20,1	7	7	94	26	40	63	83	62,3
26	24	INTEROCEÁNICA	CL	shipping	970,4	3,3	5	5	93	54	59	59	56	62,0
27	29	CENCOSUD	CL	retail	19.116,3	31,7	5	1	59	54	50	44	87	61,9
28	31	SONDA	CL	technology	1.423,3	25,2	10	3	57	72	43	58	66	58,2
29	-	SQM	CL	chemicals	2.429,2	13,2	11	5	86	4	25	74	87	58,0
30	33	**GRUMA**	**MX**	**food**	**4.960,5**	**20,0**	**18**	**7**	**66**	**63**	**20**	**84**	**71**	**57,9**
31	-	RECALCINE	CL	chemicals	575,9	17,3	16	4	76	69	32	66	64	57,5
32	26	BRASIL FOODS	BR	food	13.955,2	1,8	20	6	40	16	21	86	93	57,4
33	30	WEG	BR	manufacture	3.021,2	9,2	38	8	44	20	25	91	82	57,1
34	22	**GRUPO NUTRESA**	**CO**	**food**	**2.950,6**	**S.D.**	**15**	**5**	**23**	**23**	**75**	**62**	**57**	**56,8**
35	27	FIBRIA	BR	cellulose	3.021,5	S.D.	8	4	51	4	30	73	90	56,5
36	39	VOTORANTIM	BR	cement	12.115,3	-	10	4	24	24	50	67	76	56,3
37	32	ARAUCO	CL	cellulose	4.280,3	-3,8	10	6	90	24	24	64	76	54,8
37	44	FALABELLA	CL	retail	11.297,1	21,9	4	1	33	44	45	40	84	54,8
39	38	GRUPO MODELO	MX	beverage	7.658,4	17,1	22	3	53	5	16	82	90	54,3
40	34	V. CONCHA Y TORO	CL	beverage	938,5	15,8	12	6	80	21	20	77	69	52,8
40	-	MASISA	CL	cellulose	1.349,3	7,8	5	2	81	81	15	45	73	52,8
40	42	EMBRAER	BR	aerospace	5.885,3	12,0	6	4	83	7	27	66	74	52,8

43	40	**CMI (P. CAMPERO)**	**GT**	**food**	**2.247,2**	**-**	**12**	**7**	**75**	**77**	**13**	**70**	**61**	**52,3**
44	37	GRUPO ARGOS	CO	cement	323,5	68,7	3	3	52	41	33	44	79	52,2
45	35	CMPC	CL	cellulose	4.848,8	S.D.	9	2	33	44	31	57	77	52,0
46	-	EMB. ANDINA	CL	beverage	2.449,4	30,0	4	2	66	73	25	40	70	51,5
47	-	XIGNUX	MX	steel	2.523,1	-1,5	5	4	54	22	30	54	78	51,3
48	43	TIGRE	BR	construction	1.514,4	3,7	9	2	24	27	44	61	62	49,5
49	53	FEMSA	MX	beverage	18.379,8	26,3	9	3	42	43	20	53	79	49,2
50	47	**ARCOR**	**AR**	**food**	**3.500,0**	**S.D.**	**16**	**6**	**15**	**35**	**27**	**75**	**68**	**48,8**
51	46	METALFRIO	BR	refrigeration	343,4	S.D.	6	4	42	32	42	67	49	48,6
52	41	PDVSA	VE	oil	124.754,0	S.D.	10	5	95	5	5	70	75	48,4
53	52	G. CAMARGO CORREA	BR	multisector	8.453,3	S.D.	17	4	18	18	15	83	78	48,3
54	50	GRUPO ELEKTRA	MX	retail	5.388,3	44,5	9	4	21	15	29	58	80	48,0
55	-	ALICORP	PER	food	1.754,4	10,6	6	1	33	23	30	48	77	47,6
56	48	SUZANO	BR	cellulose	2.491,0	-3,6	10	3	51	3	10	82	74	47,3
57	49	GRUPO TELEVISA	MX	media	5.344,1	19,1	5	5	16	100	23	59	85	47,0
58	19	G. CASA SABA (FASA)	MX	retail	3.601,0	7,9	2	2	41	33	50	27	61	46,7
59	-	CIA. SID. NACIONAL	BR	steel	8.109,1	-7,9	3	3	13	9	30	53	82	46,4
59	54	A. GUTIERREZ	BR	multisector	7.949,2	S.D.	38	8	25	15	8	89	73	46,4
61	59	VITRO	MX	glass manuf.	1.797,8	14,8	9	5	39	18	16	63	76	46,3
62	56	COPA AIRLINES	PA	airlines	2.249,3	S.D.	8	4	81	24	15	59	63	46,2
63	-	GCC	MX	cement	640,9	24,2	2	2	65	41	25	41	58	44,3
64	60	MARCOPOLO	BR	manufacture	1.867,9	4,0	18	6	36	22	11	69	67	43,4
65	-	MINERVA	BR	food	2.100,8	-0,9	3	1	70	17	18	34	73	43,3

65	61	NATURA	BR	chemicals	3.105,3	4,2	8	2	9	18	8	59	87	43,3
67	62	GRUPO GLORIA	PE	food	1.100,7	S.D.	7	2	21	26	16	51	76	42,8
68	57	ARTECOLA	BR	chemicals	236,4	S.D.	6	2	28	20	30	49	60	41,9
69	66	CINÉPOLIS	MX	entertainement	715,6	S.D.	11	5	10	36	25	62	52	40,6
70	65	LUPATECH	BR	manufacture	351,3	7,3	5	3	45	25	20	53	55	40,5
71	64	MADECO	CL	manufacture	423,1	-3,1	4	1	38	60	20	40	53	40,3
72	-	ALSEA	MX	food	1.042,7	36,3	4	2	26	16	20	41	71	39,7
73	51	TOTVS	BR	technology	691,9	1,5	12	5	47	9	3	63	66	39,2
74	63	RIPLEY	CL	retail	2.390,3	17,3	2	1	29	35	28	26	62	39,1
75	-	CAROZZI	CL	food	1.152,0	25,2	2	1	1	27	32	26	71	38,9
76	-	CCU	CL	beverage	2.247,6	20,9	3	1	17	18	22	34	72	38,8
77	55	DHB	BR	manufacture	132,6	-18,2	22	7	19	2	4	83	57	37,0
78	-	ENAP	CL	oil	8.562,0	3,4	5	2	11	12	10	43	76	36,9
79	-	GRUPO FAMSA	MX	buying&selling	1.080,0	-1,5	2	2	12	12	8	41	72	34,6
80	58	BEMATECH	BR	technology	160,7	2,2	4	3	9	9	15	53	50	31,8

Source: America Economía (2013)

ATTACHMENT 10: Production of selected agricultural goods

(millions of tones, 2010)

Cereals		Meat		Fruit	
China	498	China	81	China	122
USA	402	USA	42	India	85
India	235	**Brazil**	**21**	**Brazil**	**39**
Indonesia	85	Germany	8	USA	25
Brazil	**76**	Russia	7	Italy	17
France	66	India	6	Philippines	16
Russia	60	France	6	**Mexico**	**15**
Bangladesh	51	**Mexico**	**6**	Spain	15
Argentina	**46**	Spain	5	Indonesia	15
Canada	45	**Argentina**	**5**	Turkey	14

Source: Economist Intelligence Unit (2011)

ATTACHMENT 11: ARCOR - KEY POINTS

Arcor SWOT Analysis

SWOT Analysis

ARCOR

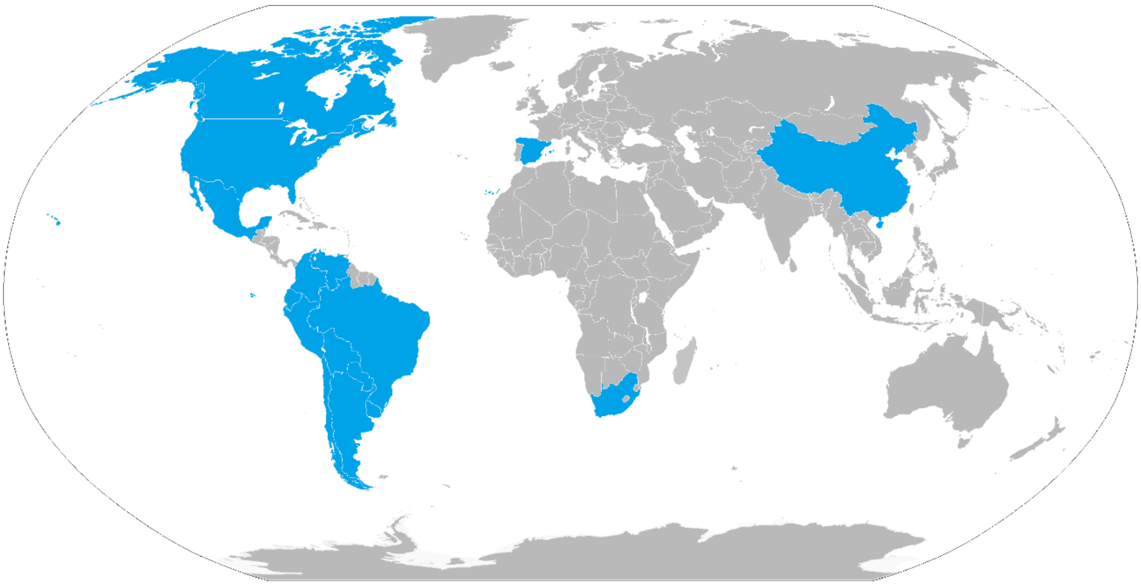
STRENGHTS
- Reduced labor costs
- Monetary assistance provided
- Existing distribution and sales networks

WEAKNESSES
- Small business units
- Possible high loan rates
- Investments in research and development
- Future competition
- Future profitability

OPPORTUNITIES
- New products and services
- Growing demand

THREATS
- Domestic business risks
- Growing competition and lower profitability
- Increasing rates of interest
- Increase in labor costs
- Tax changes

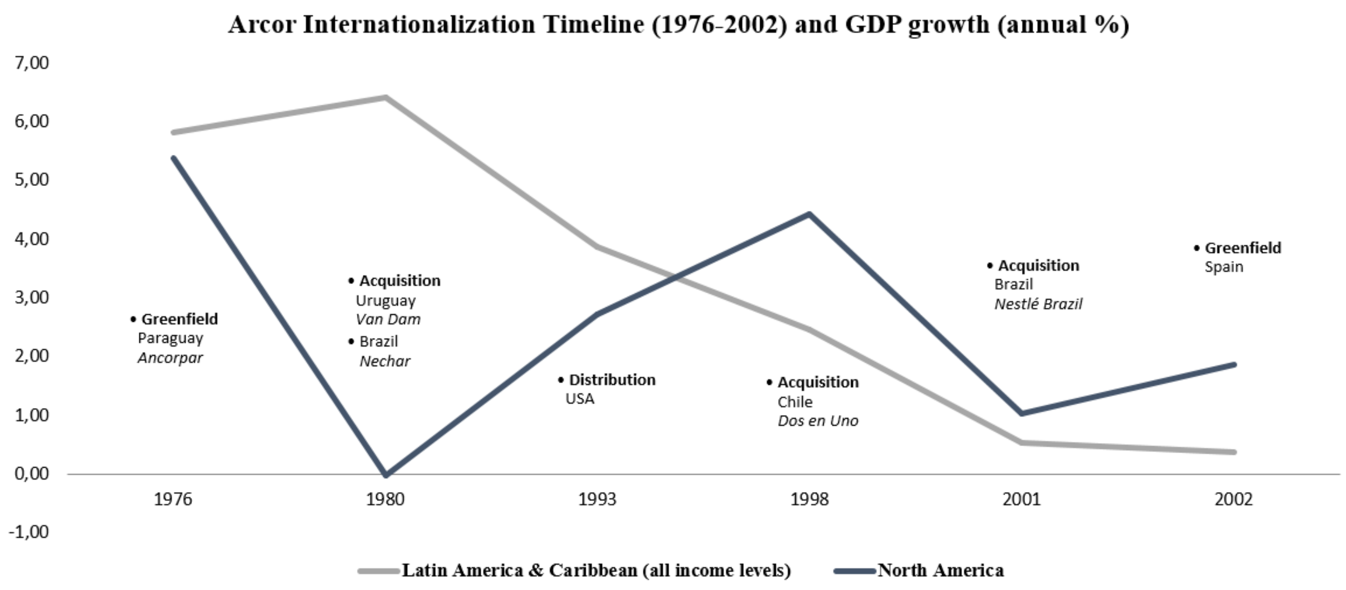
Geographical presence



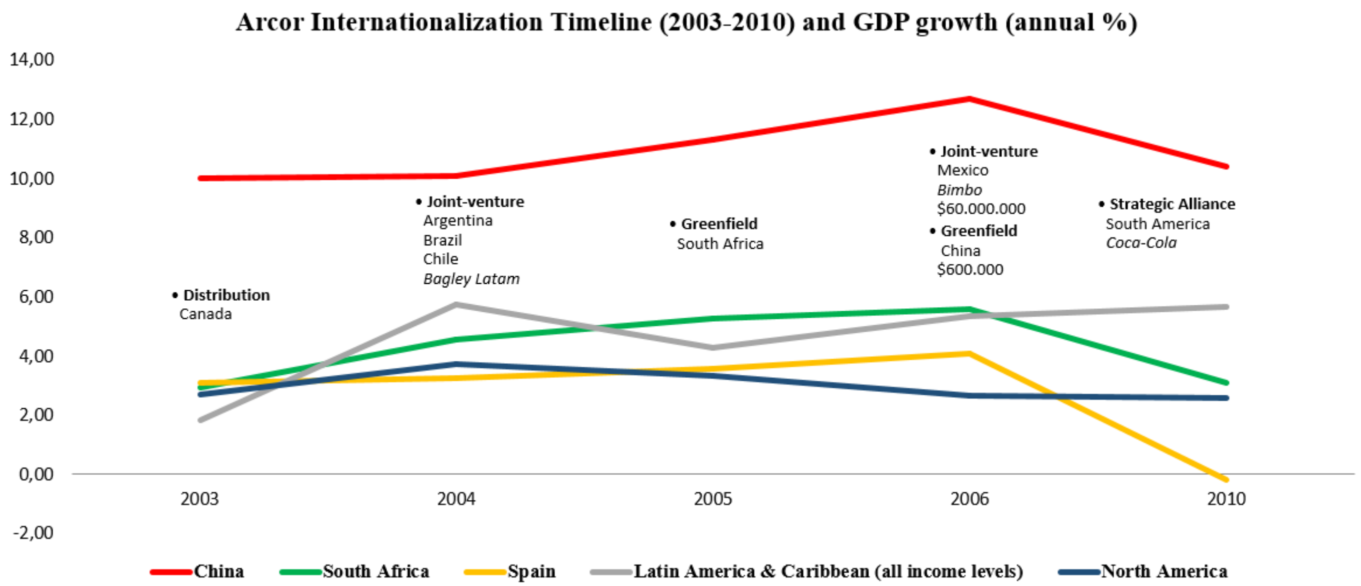
Organizational structure

Changes in consolidated sales 1950-2012 (Millions USD)

Source: Kosacoff (2002)



Sources: The World Bank (2014), Arcor (2014)



Sources: The World Bank (2014), Arcor (2014)

ATTACHMENT 12: BIMBO - KEY POINTS

Bimbo SWOT Analysis

SWOT Analysis

BIMBO

STRENGHTS

- Skilled workforce

WEAKNESSES

- Costs
- Future competition
- Small business units
- Possible high loan rates

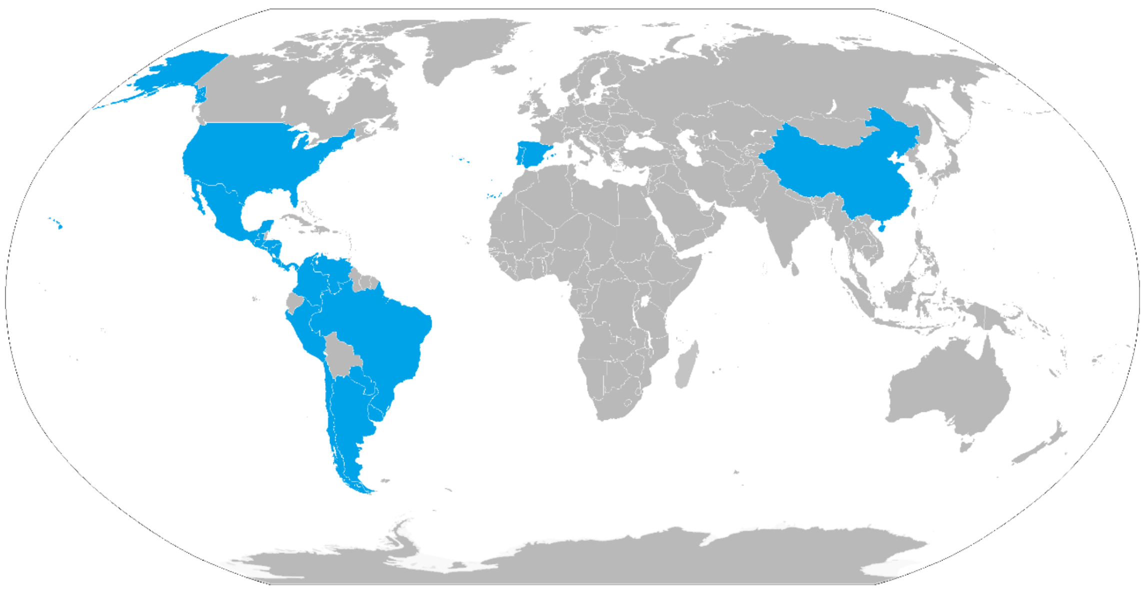
OPPORTUNITIES

- Growing economy
- New products and services
- Income level is at a constant increase
- New acquisitions
- Growth rates and profitability

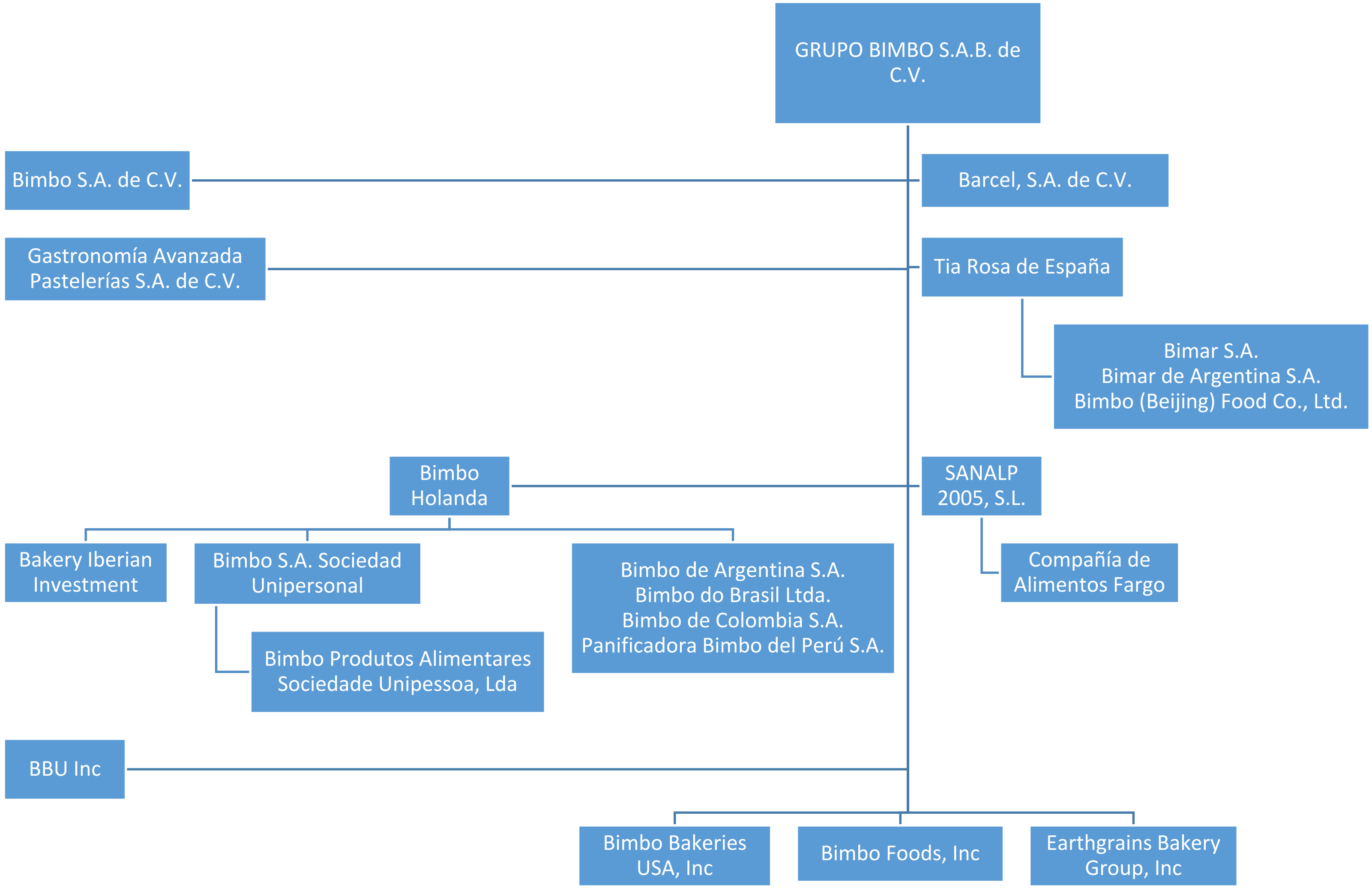
THREATS

- Growing competition and lower profitability
- Increase in labor costs
- Global economy
- Tax changes

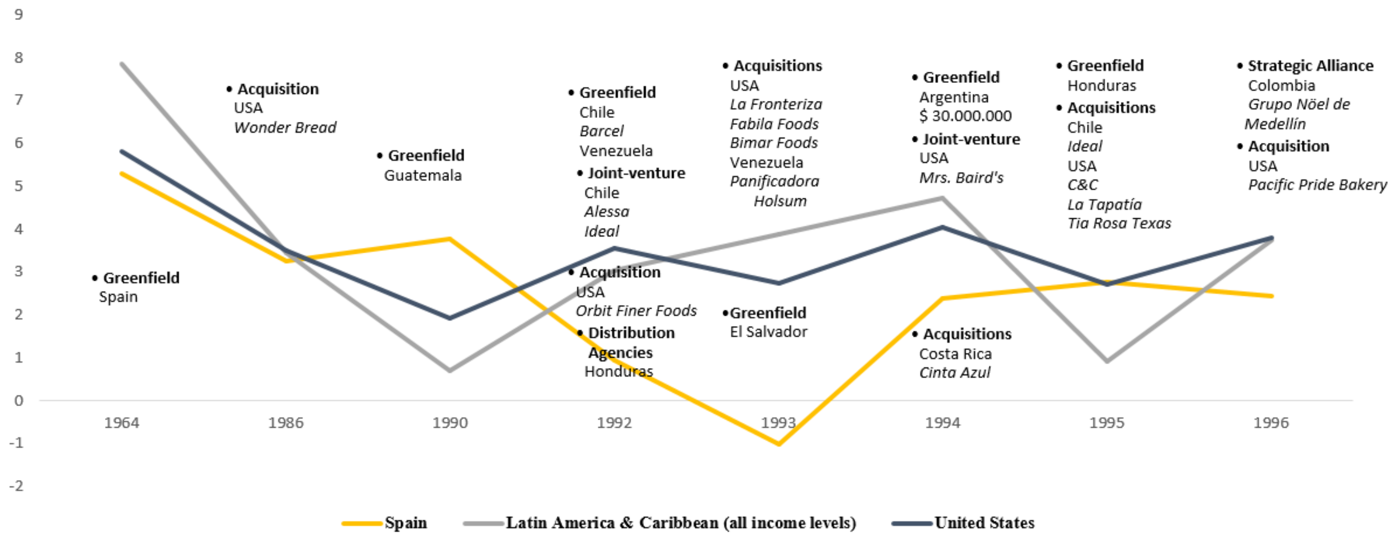
Geographical presence



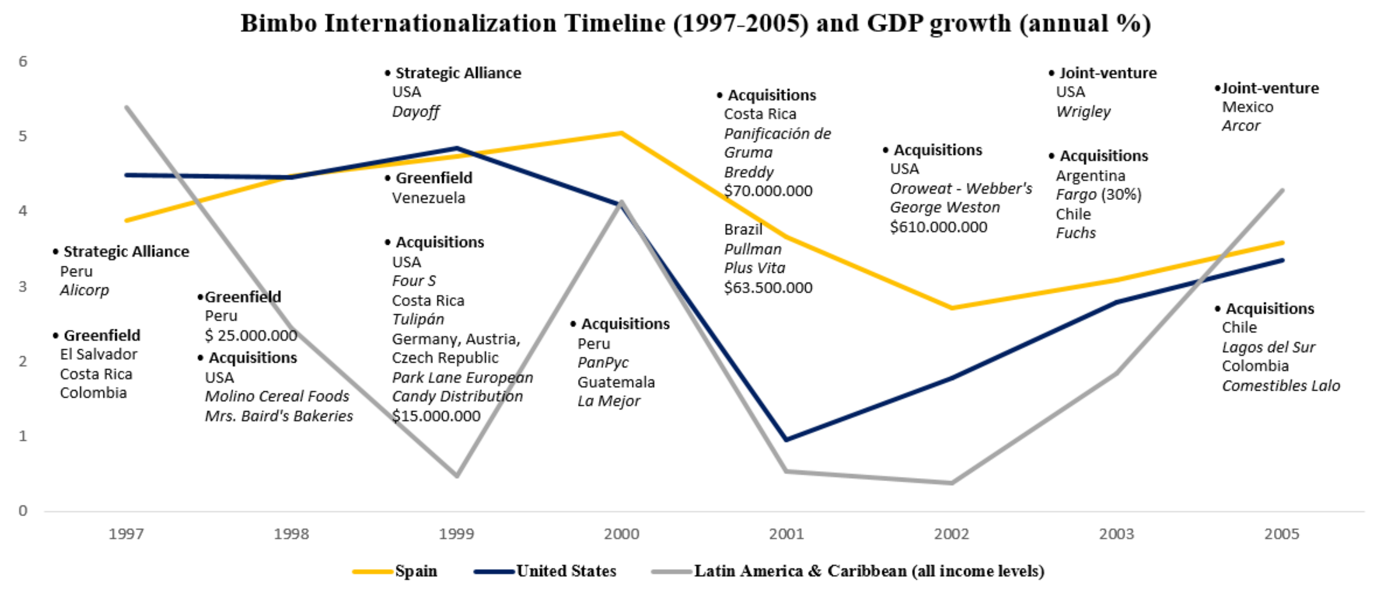
Organizational structure



Bimbo Internationalization Timeline (1964-1996) and GDP growth (annual %)

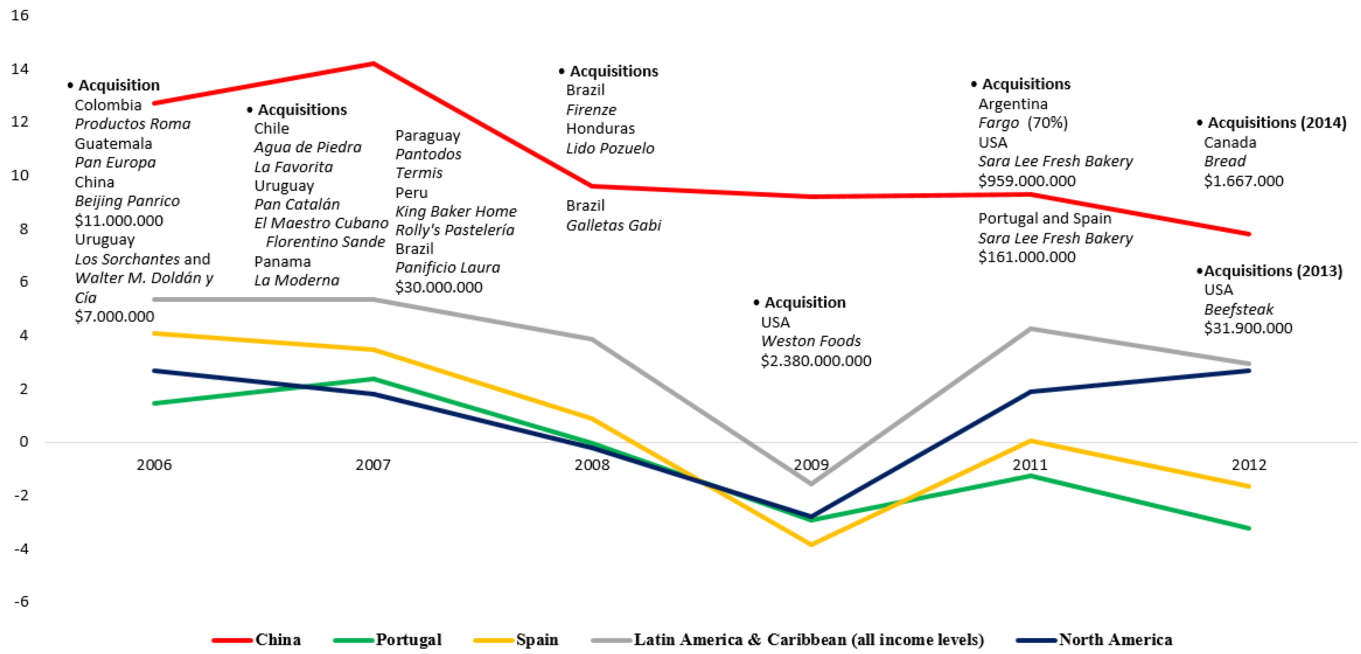


Sources: The World Bank (2014), Servitje-Sendra (2009), Bimbo (2014)



Sources: The World Bank (2014), Servitje-Sendra (2009), Bimbo (2014)

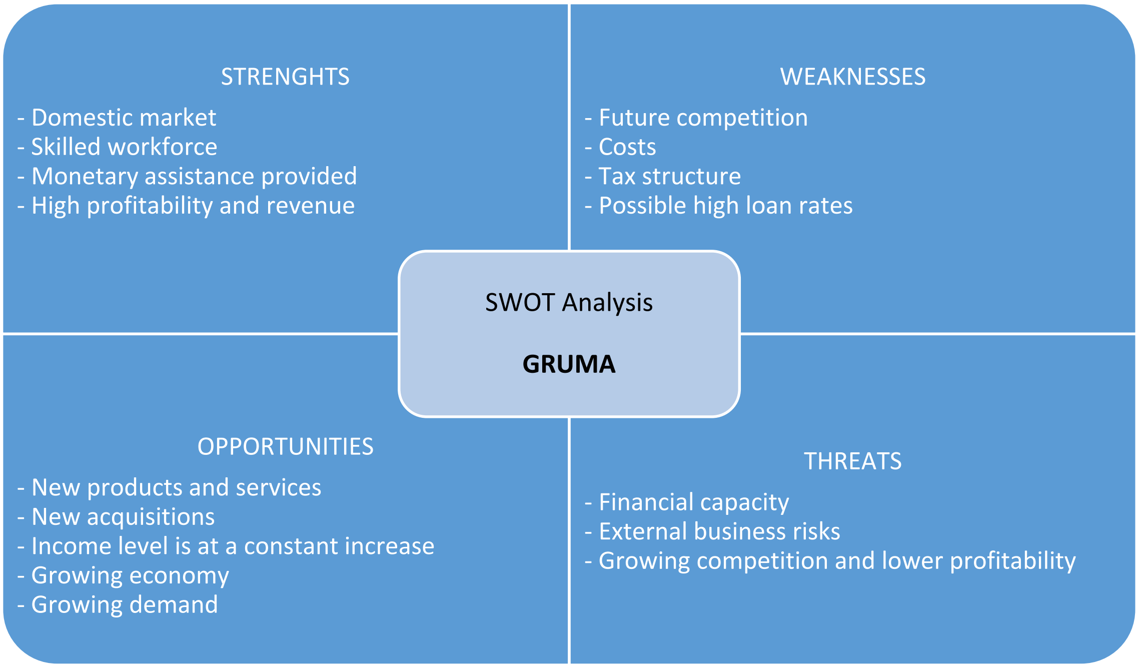
Bimbo Internationalization Timeline (2006-2014) and GDP growth (annual % [2006-2012])



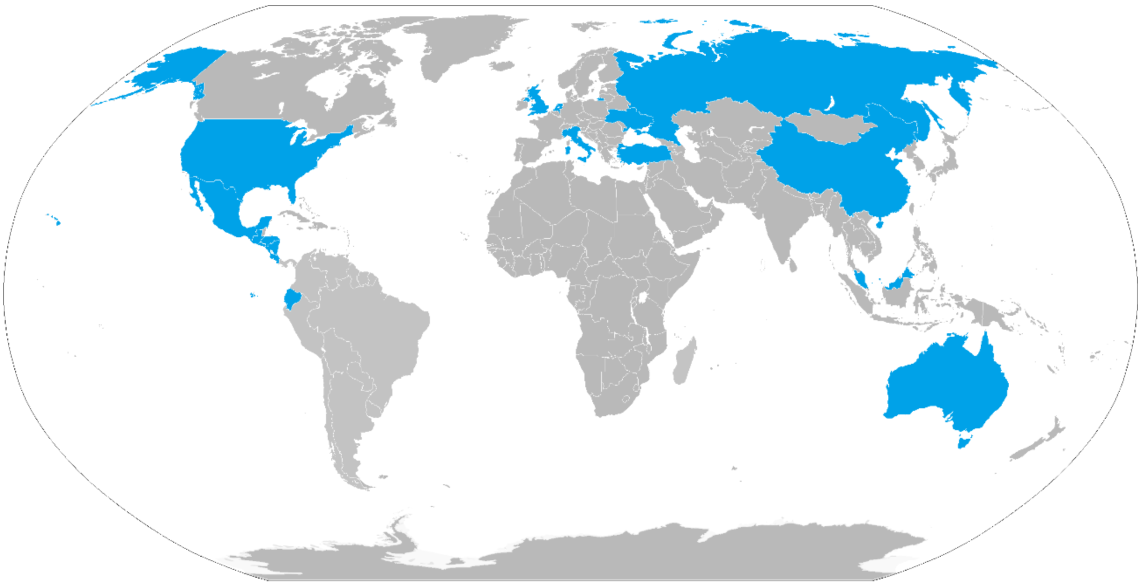
Sources: The World Bank (2014), Servitje-Sendra (2009), Bimbo (2014)

ATTACHMENT 13: GRUMA - KEY POINTS

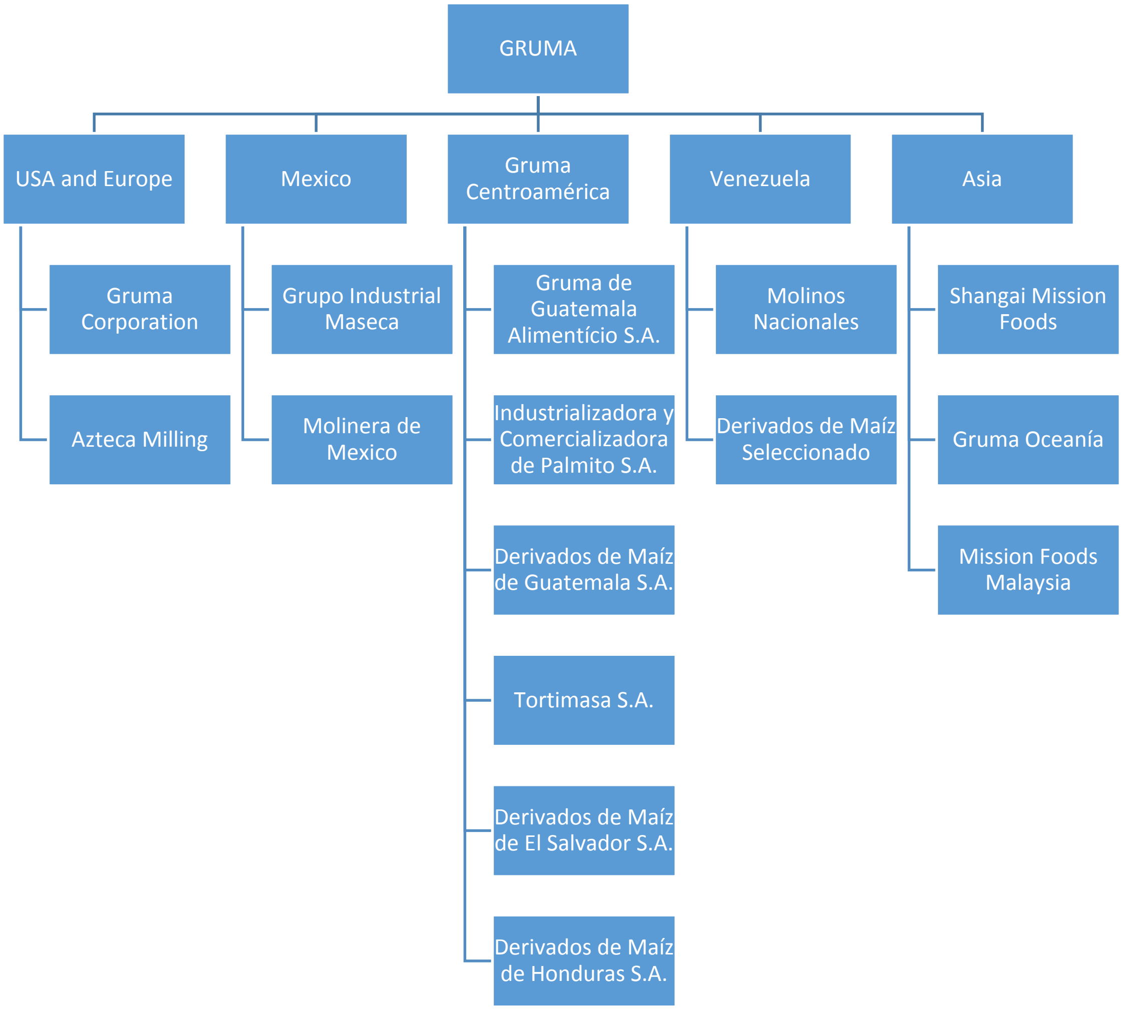
Gruma SWOT Analysis

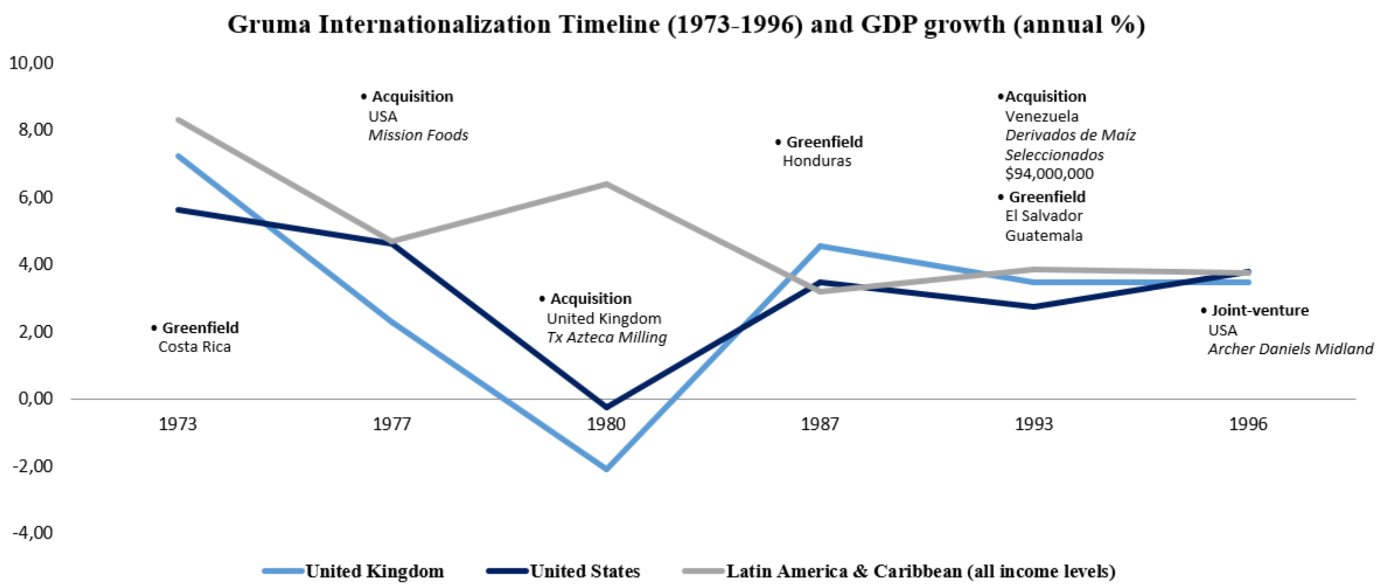


Geographical presence

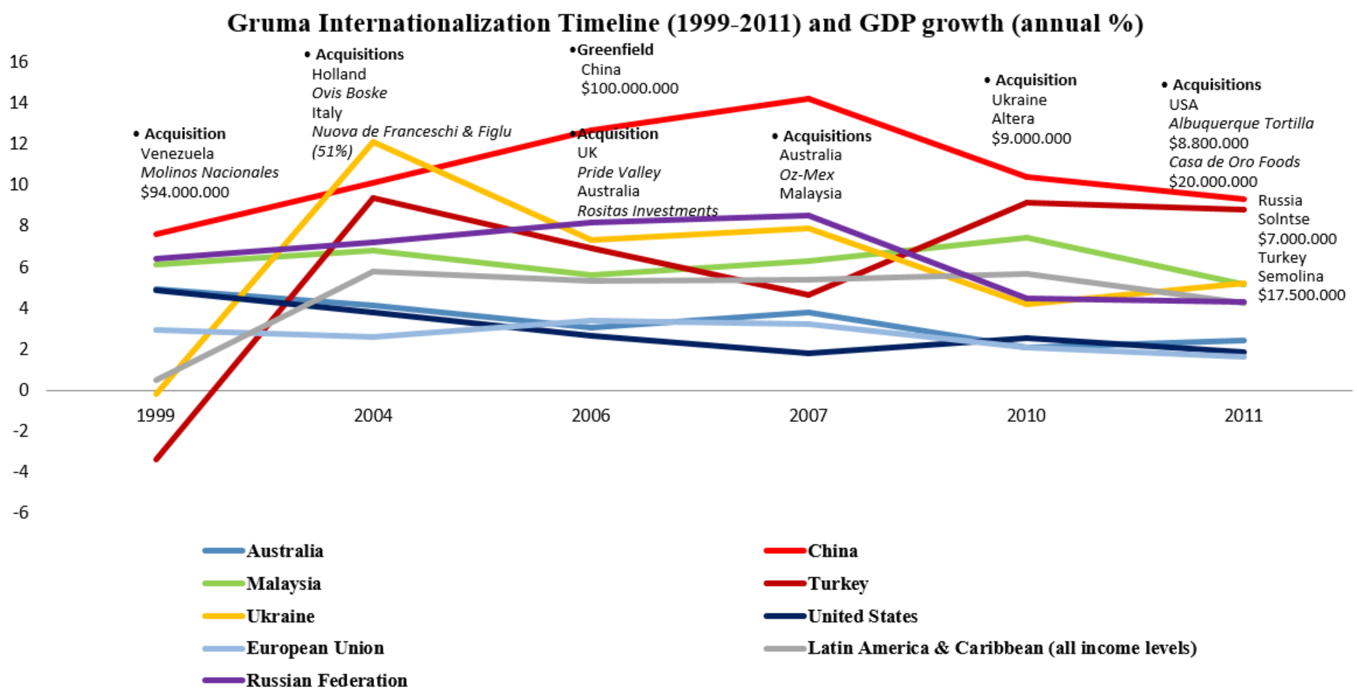


Organizational structure





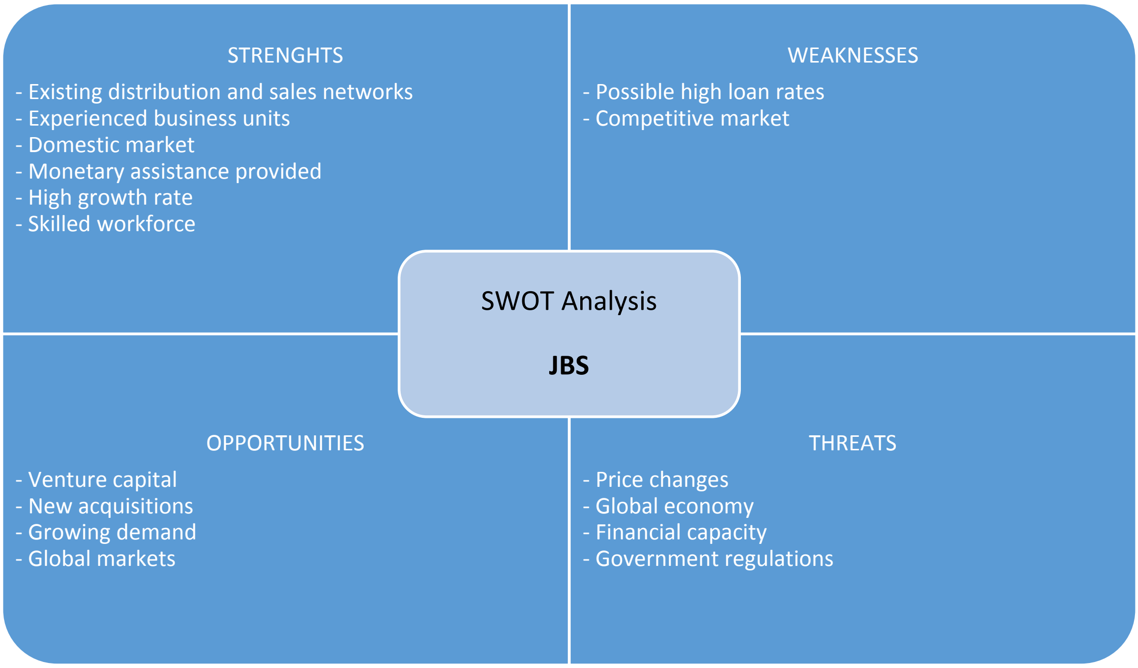
Sources: The World Bank (2014), Gruma (2014)



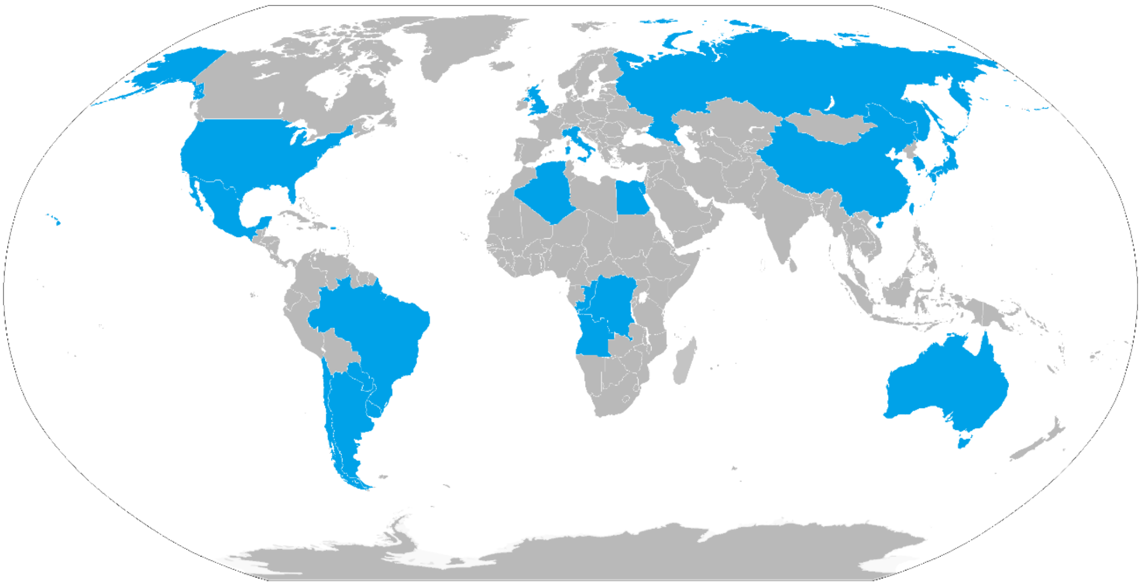
Sources: The World Bank (2014), Gruma (2014)

ATTACHMENT 14: JBS - KEY POINTS

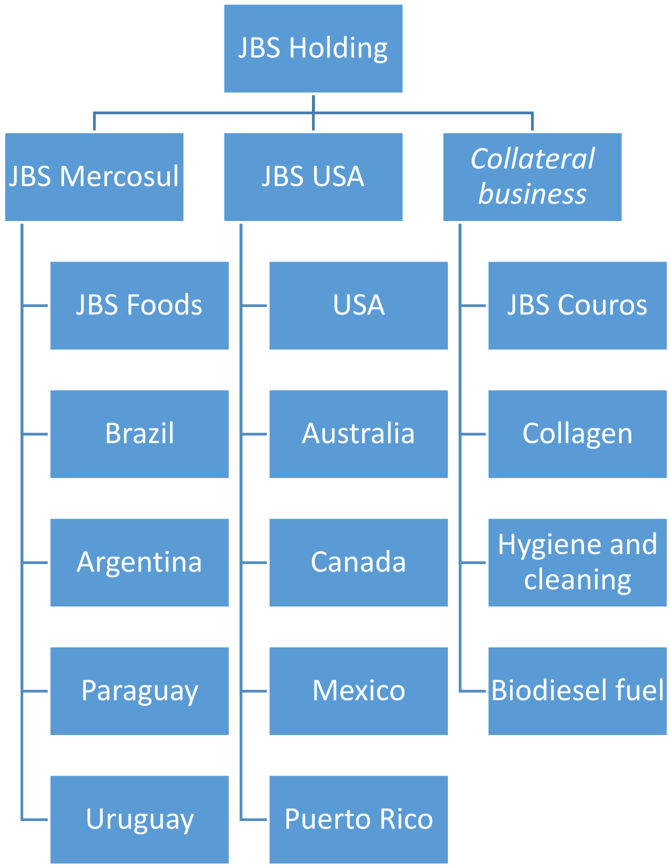
JBS SWOT Analysis

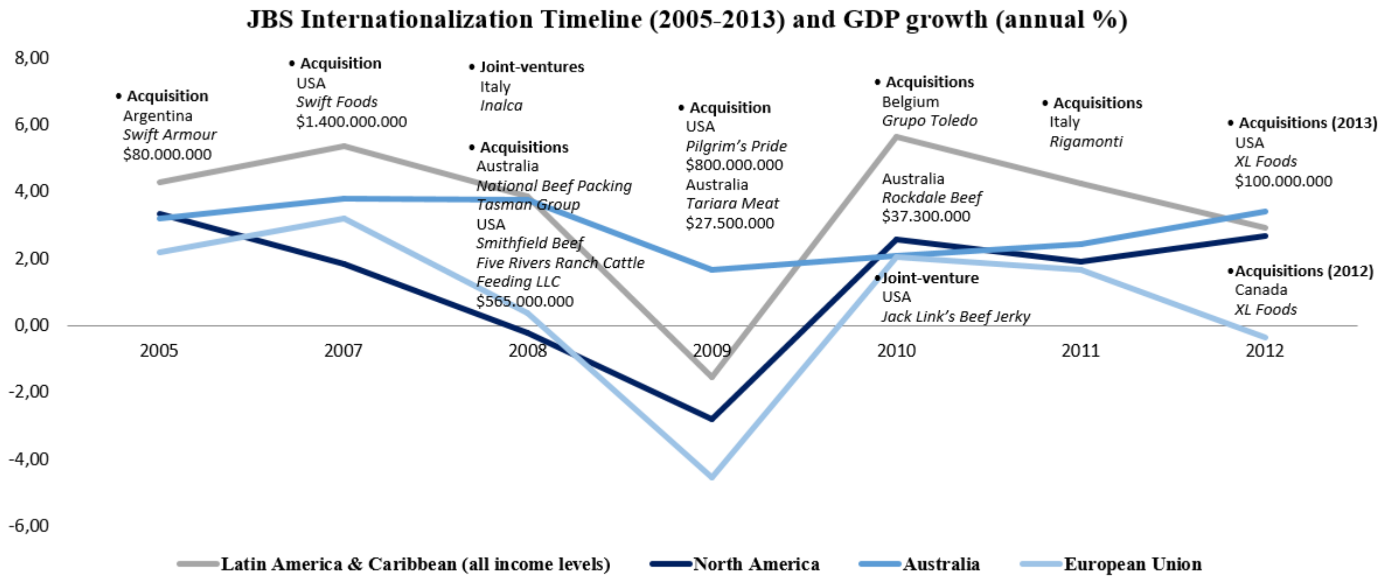


Geographical presence



Organizational structure





Sources: The World Bank (2014), JBS (2014)

ATTACHMENT 15: MARFRIG - KEY POINTS

Marfrig SWOT Analysis

SWOT Analysis

MARFRIG

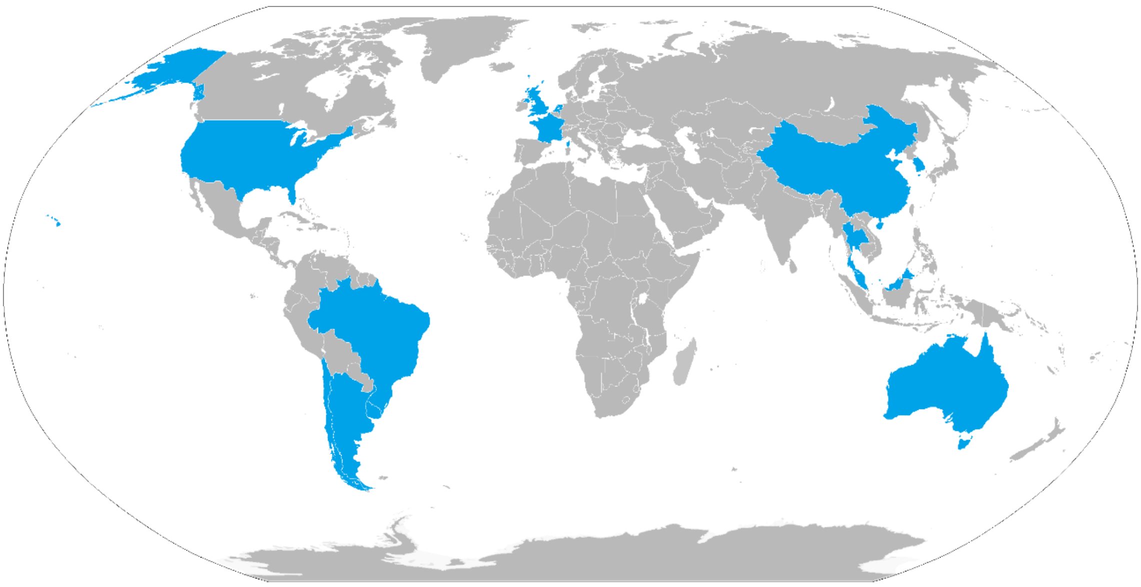
STRENGHTS
- High growth rates
- Domestic market
- High profitability and revenue

WEAKNESSES
- Future profitability
- Small business units
- Future competition

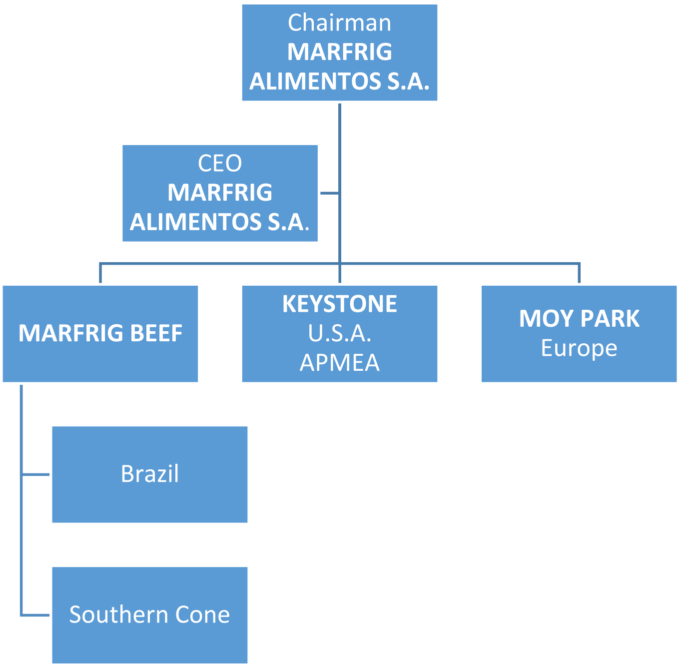
OPPORTUNITIES
- New products and services
- New markets
- Growing economy
- Growth rates and profitability
- Growing demand

THREATS
- Government regulations
- Increasing costs
- Global economy
- Increasing rates of interest
- Financial capacity
- Growing competition and lower profitability
- Rising cost of raw materials

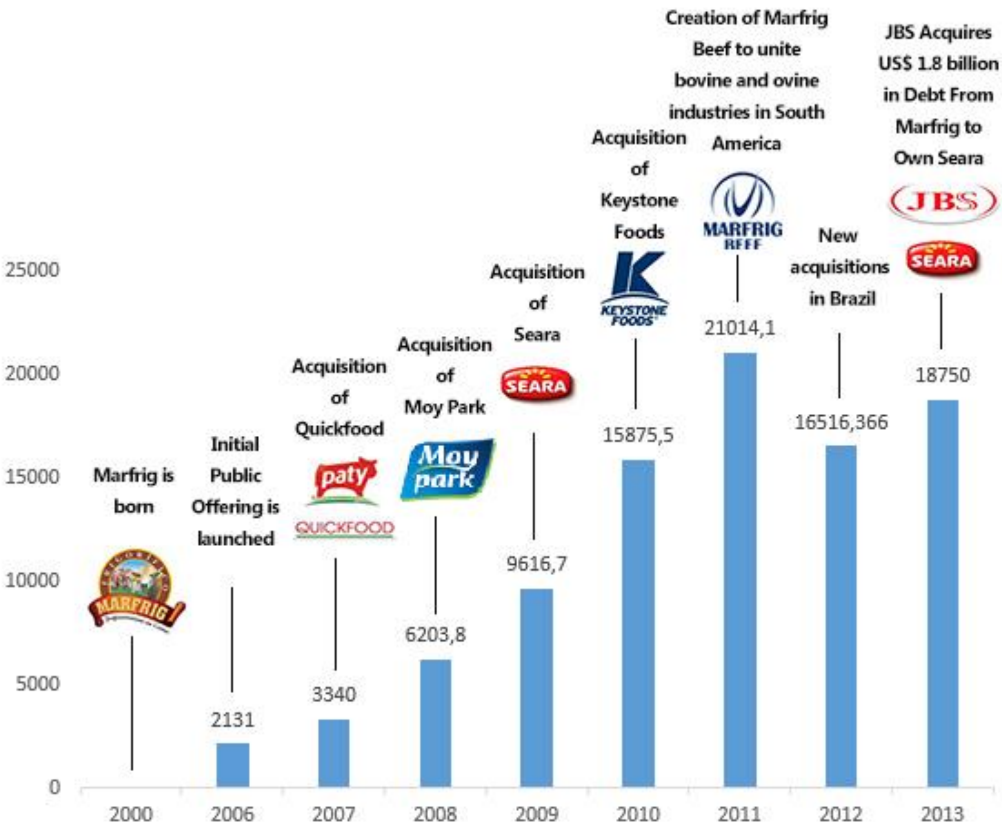
Geographical presence



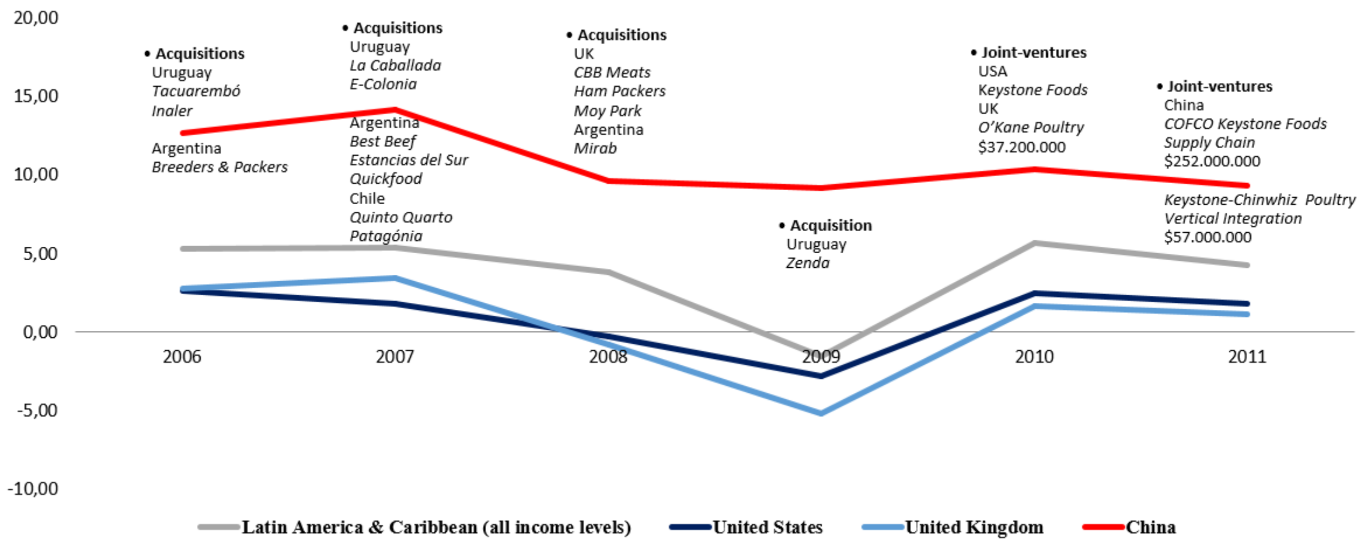
Organizational structure



Changes in Revenue 2000-2013 (Millions BRL)



Marfrig Internationalization Timeline (2006-2011) and GDP growth (annual %)



Sources: The World Bank (2014), Marfrig (2014)

ATTACHMENT 16: NUTRESA - KEY POINTS

Nutresa SWOT Analysis

SWOT Analysis

NUTRESA

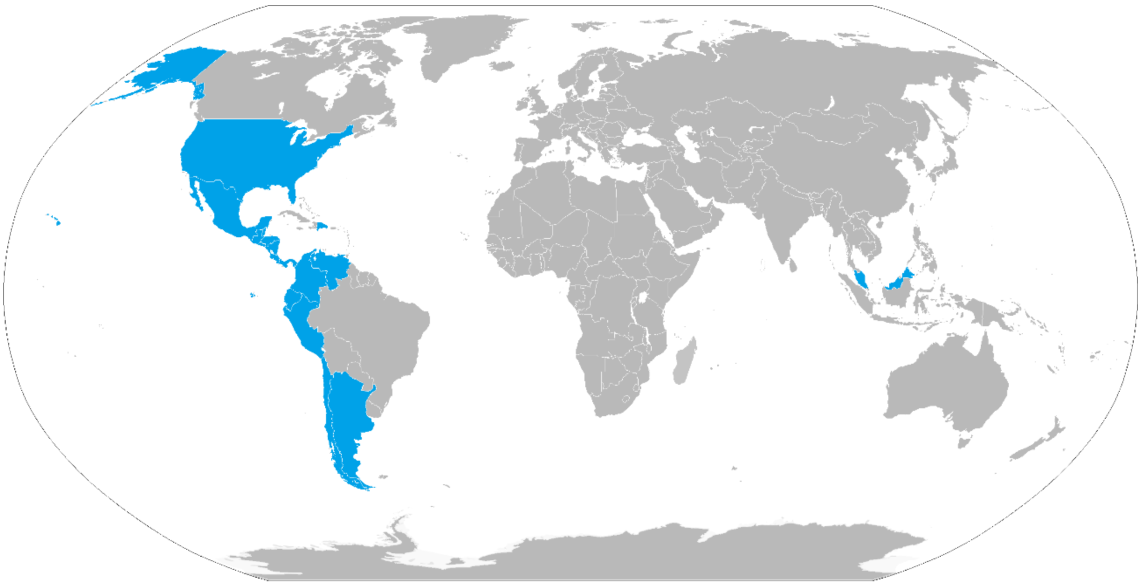
STRENGHTS
- High growth rate
- Reduced labor costs
- Existing distribution and sales networks
- Monetary assistance provided
- Barriers of market entry
- Experienced business units

WEAKNESSES
- Future competition

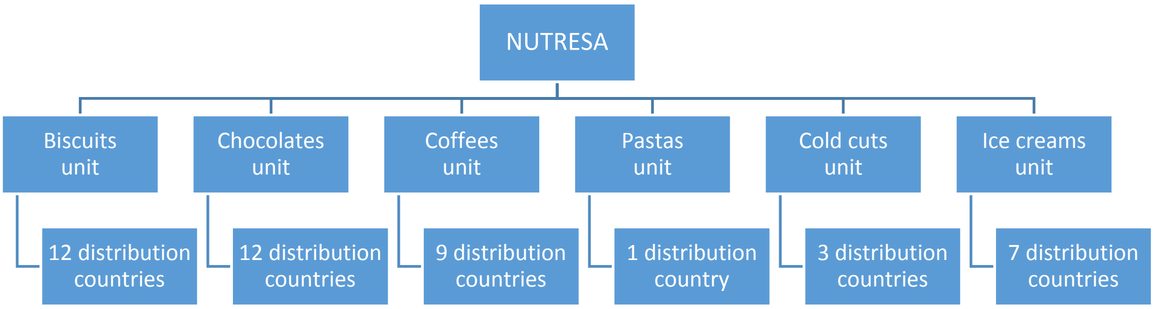
OPPORTUNITIES
- Income level is at a constant increase

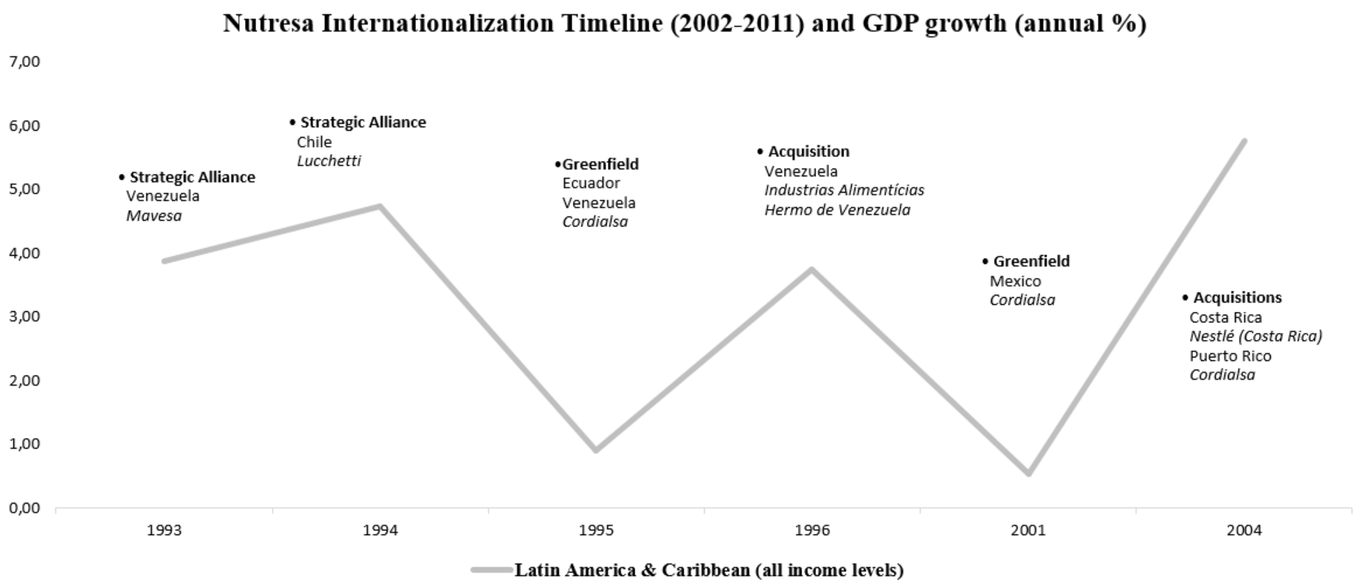
THREATS
- Increase in labor costs
- Financial capacity
- Increasing costs
- Increasing rates of interest
- Tax changes

Geographical presence

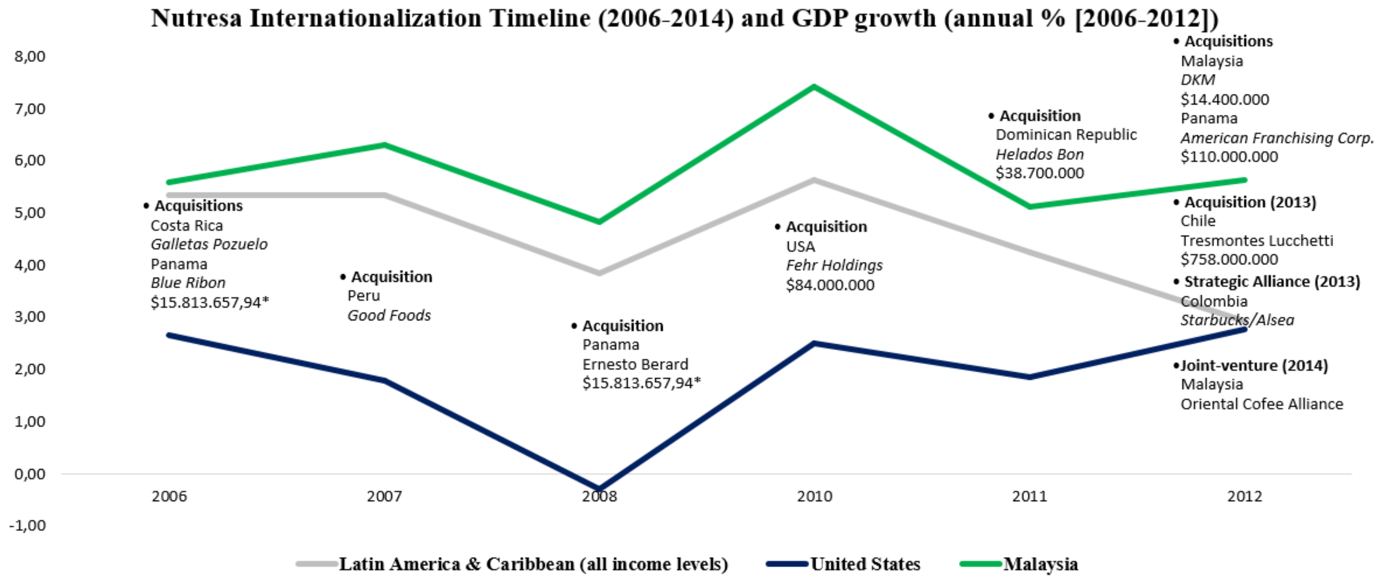


Organizational structure





Sources: The World Bank (2014), Nutresa (2014)



Sources: The World Bank (2014), Nutresa (2014)

ATTACHMENT 17: POLLO CAMPERO - KEY POINTS

Pollo Campero SWOT Analysis

SWOT Analysis

POLLO CAMPERO

STRENGHTS

- Existing sales networks
- Brand loyalty
- Monetary assistance provided
- Low-cost competitors responsiveness

WEAKNESSES

- Future competition
- Costs
- Possible high loan rates

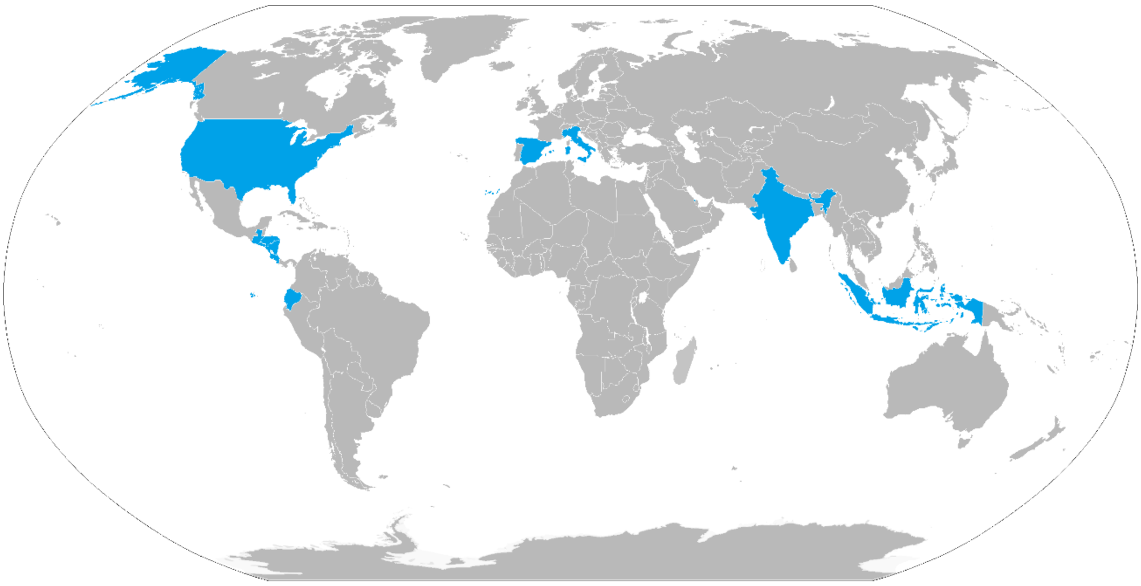
OPPORTUNITIES

- Growing Hispanic immigration
- High consumption
- Regional agreements
- Growing economy
- Loosening of barriers for FDI

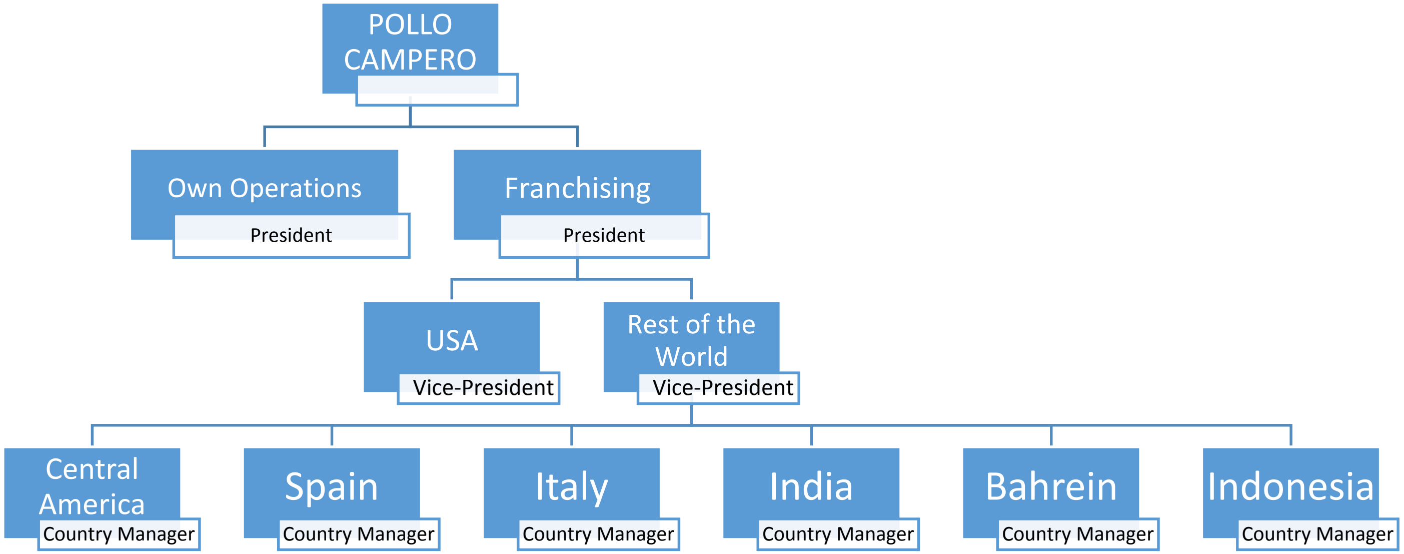
THREATS

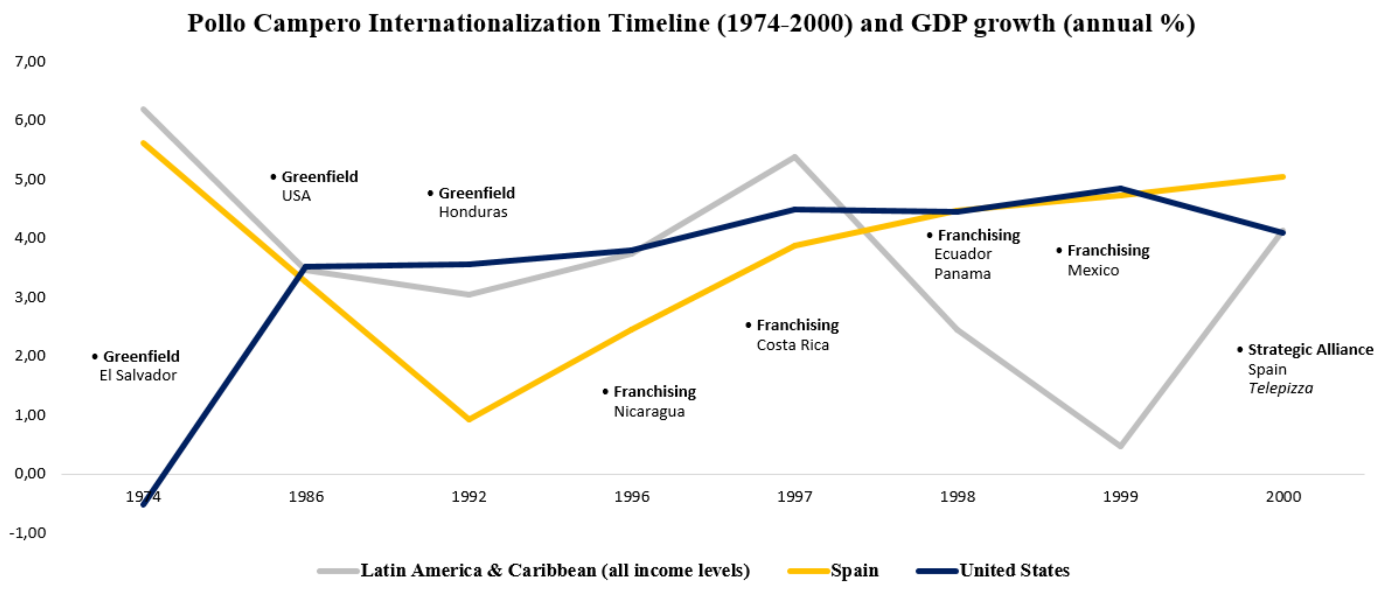
- Sanitary laws
- Commodity prices changes
- Healthy eating abd obesity awareness
- Organic food trend

Geographical presence

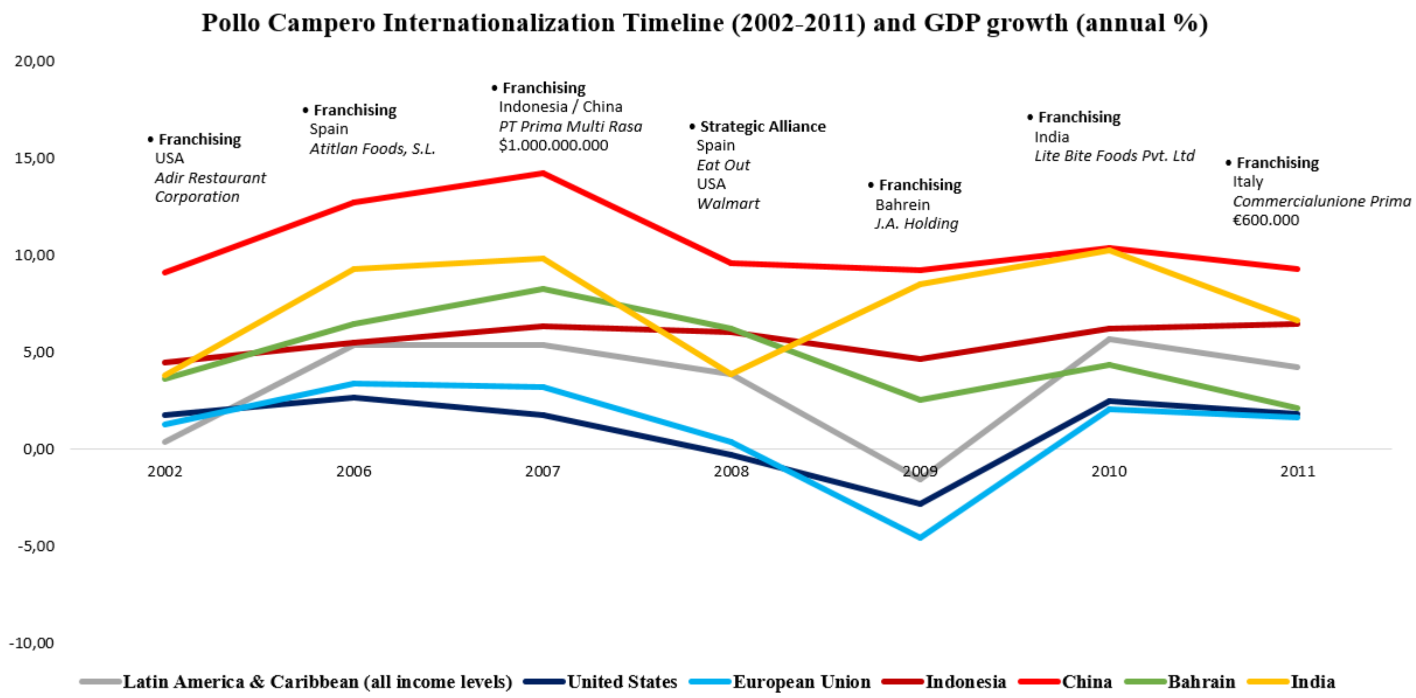


Organizational structure





Sources: The World Bank (2014), Pollo Campero (2014)



Sources: The World Bank (2014), Pollo Campero (2014)