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# Competitiveness of Latin American born globals: The case of Digital Partners Group

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Dissertation written under the supervision of Laure Leglise

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## ABSTRACT

**Dissertation Title:** Competitiveness of Latin American born global: The case of Digital Partners Group.

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Nowadays a globalize world is demanding more competitiveness from the international companies, as entrepreneurs are going more and more international. However, every continent like each of their countries are not giving their companies the same advantages to compete; through time every nation has developed their own cultural, social and economic characteristics, which allow their companies to compete in international markets.

Following above paragraph, this thesis will aim to explore how competitive are the Latin America born globals in comparison other international SME; Based on internal capabilities and environment factors as social, cultural and economic characteristics. For this purpose, this thesis directed its effort on reviewing the internationalization of a Colombian SME, company called “Digital Partners Group”, which as a Latin American born global has confronted some difficulties in terms of international performance. Thus, with the aim to direct this research, were conducted some interviews with the chief executive officer, chief technology officer and one of the experts of the Colombian team. From the findings gathered, it was conceivable to find difference between the international performance between the Latin companies and firms in developed regions. Furthermore, the study highlight that the main factors of the differences between performance come from more from external factor than internal capabilities. Nevertheless, the research concludes that even if Latin America has talented work capital, the main reason of lack if competitiveness came from social, political and cultural factors.

## RESUMO

**Título da Dissertação:** Competitividade do latino-americano Nascido global: O caso “Digital Partners Group”

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Hoje em dia, um mundo globalizado exige mais competitividade das empresas internacionais, à medida que os empresários vão cada vez mais internacionalmente. No entanto, cada continente como cada um de seus países não está dando às suas empresas as mesmas vantagens para competir; Com o passar do tempo cada nação desenvolveu suas próprias características culturais, sociais e econômicas, que permitem a suas companhias competir em mercados internacionais.

A seguir o parágrafo acima, esta tese terá como objetivo explorar quão competitivos são os “born globals” na América Latina em comparação com outras PME internacionais; Baseado em capacidades internas e fatores ambientais como características sociais, culturais e econômicas. Para este efeito, esta tese dirigido seus esforços na revisão a internacionalização de uma PME colombiana, companhia chamada "Digital Partners Group", que como um latino-americano “born global” tem confrontado algumas dificuldades em termos de atuação internacional. Assim, com o objetivo de direcionar esta pesquisa, foram realizadas algumas entrevistas com o chefe executivo, diretor de tecnologia e um dos especialistas da equipe colombiana. A partir das constatações reunidas, era concebível para encontrar a diferença entre o desempenho internacional entre as companhias latinas e empresas nas regiões desenvolvidas. Além disso, o estudo destaca que os principais fatores das diferenças entre o desempenho provém de mais de um fator externo que capacidades internas. No entanto, a pesquisa conclui que, mesmo que América Latina tem capital trabalho talentoso, o principal motivo da falta se competitividade veio de fatores sociais, políticos e culturais.

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**CONTENT**

- 1. INTRODUCTION..... 6
- 2. LITERATURE REVIEW ..... 8
  - 2.1 DEFINITION OF INTERNATIONALIZATION AND SMALL MEDIUM ENTREPRISES .... 8
  - 2.2 CONTEMPORARY TRENDS IN INTERNATIONALIZATION..... 10
  - 2.3 INTERNATIONALIZATION, INTERNAL AND EXTERAL FACTORS..... 12
    - 2.3.1 INTERNAL ANALYSIS ..... 13
    - 2.3.2 EXTERNAL ANALYSIS ..... 14
- 3. METHODOLOGY ..... 17
  - 3.1 METHODOLOGICAL APPROACH ..... 17
  - 3.2 CONCRETE APPROACH..... 17
    - 3.2.1 DATA COLLECTION..... 17
    - 3.2.2 DATA ANALYSIS ..... 19
- 4. CASE STUDY: DIGITAL PARTNERS GROUP (DPG)..... 21
  - 4.1 DESCRIPTION OF THE COMPANY ..... 21
  - 4.2 PRODUCTS (BUSINESS)..... 21
  - 4.3 INTERNATIONALIZATION ..... 23
    - 4.3.1 EXPANSION AND CONSTRIANS..... 23
    - 4.3.2 DIFERENTATION AND HUMAN RESOURCES..... 24
    - 4.3.3 LATIN AMERICA AND COMPETITION ..... 25
    - 4.3.4 SUCCESS FACTORS..... 25
    - 4.3.5 PRESENT DAYS AND FUTURE..... 26
- 5. FINDINGS AND DISCUSSION ..... 27
  - 5.1 DIGITAL PARTNERS GROUP: INTERNAL ANALYSIS ..... 27
    - 5.1.1 INNOVATION..... 27
    - 5.1.2 COMPETITION ..... 28
    - 5.1.3 TECHNOLOGY ..... 29
    - 5.1.4 COMPANY SIZE..... 29
  - 5.2 DIGITAL PARTNERS GROUP: LATIN AMERICA – EXTERNAL ANALISIS ..... 30
  - 5.3 CONCLUSIONS OF THE FINDINGS..... 31
  - 5.4 SOLUTIONS TO IMPROVE THE INTERNATIONALIZATION OF LATIN-AMERICAN BORN GLOBALS ..... 32
    - 5.4.1 IMPORTANCE OF NETWORKING FOR DPG ..... 32
    - 5.4.2 ALLIANCES VIA CLIENTS ..... 33

6. CONCLUSION .....	34
7. LIMITATIONS AND FURTHER RESEARCH.....	35
7.1 LIMITATIONS .....	35
7.2 FURTHER RESEARCH.....	35
BIBLIOGRAPHY .....	36
APPENDICES.....	41

## 1. INTRODUCTION

The theory or concept of Internationalization as many others in the management field is not new, in fact, it has been existing around 50 years, and since its creation, it has been evolving allowing the adaptation of it in so many fields and different type of companies around the world (Räisänen, J. A. S, 2003). Owing to globalization, the applicability of theory has reached the most recondite places of the world, given entrepreneurs the chance to expand beyond the local markets(Axinn & Matthyssens, 2002).

As a strategy, Internationalization is considered one of the most important channels to achieve global growth, expansion and competition (Johanson & Vahlne, 1977,1990). But when we have the opportunity to analyze the implementation of the different theories about this topic, we found that most of the companies struggle and face different difficulties when they want to go abroad. Most of these complications emerge from technological factors, adaptation to commercial policies, governments protectionism and global competitiveness(Amorós, Etchebarne, & Felzensztein, 2012b). Nevertheless, the ability to overcome these issues can determine how successful is the internationalization from one company to another one.

The capability to success in international markets can be biased by the territory where a company was founded, as an example *“in the European Union there is a concern for developing public policies to provide incentives for the internationalization process and the entrepreneurial ability, it is stated that the internationalization is a way of obtaining far-reaching competitiveness in the value stream and generate a sustainable competitive advantage”*(Amorós, Etchebarne, & Felzensztein, 2011). Meanwhile in Latin America, the concern for internationalization is not a fundamental step forward for most of the entrepreneurs, even though the interest to explore foreign markets have been growing in early stages of entrepreneurship in the last years, but it is still necessary to create an international focus in new entrepreneurs(Kelley, Bosma, Amorós, & others, 2011).

Based on these previous examples, we can notice that there is a relevant difference in the approach towards internationalization, between Europe and Latin America, which drives a higher creation and better performance of international companies in the old continent. Since there hasn't been supported studies about these differences, the main objective of this thesis is to comprehend and acquire a depth knowledge about the challenges and difficulties, of being a “born global” in Latin America.

The objective of this study is to clarify what are the variables, factors or reasons, why Latin American SME don't compete at the same pace than developed countries SME in a globalize market. By going through the analysis of externals factor such as politics, country economy and level of development, or internal capabilities as innovation, sector, technologies or human resources.

Hence, our main research question is: why are Latin American born global less performant than other firms?

The competitiveness in the international markets is growing every day, and Latin America must acknowledge the SMEs ability to provide employment, improve the income distribution, introduce more innovation in the markets and generate more competitiveness (Anderson and Wiktor, 2003), their international growth will incentive the economic growth and dynamism of the region, that's why for us is important to analyze born global and their potential to boost emerging economies.

The case study method is going to be our most important tool to explore this subject, it will allow us to gain a profounder understanding about this topic and at the same time, give us the opportunity to highlight some suggestions in order to overcome the difficulties presented by the case (Yin 1984). Therefore, we will divide the research in two parts: First we will go into a deep internal analysis of our case study, with the aim to identify issues inside the company that might be affecting the international performance of our case. Second, we will go through an environmental analysis, to find external factors that might be affecting the competitiveness of the Latin American born global in the international markets; as commercial policy, region economics, social development and national culture.

Concerning the structure of the Thesis our second chapter will focus on the literature review, delve into the most important theories associated to our subject of study, explicitly the main concepts of internationalization, new trends of internationalization, defining born global, variables for the internal analysis and understanding of the Latin America's general situation regarding the topic. Bearing this in mind, chapter three will be focused in our methodology explaining the methods and tactics used to handle this research. The next chapter, we will present our case study and the reason of why is so important for our research, following with the 5<sup>th</sup> chapter, where it will be presented our findings about the case against the literature review. After this part, we will be able in chapter six to generate our conclusions, with the aim to close in the last chapter with the limitations and suggestions for further research.

## 2. LITERATURE REVIEW

This Chapter will explore the most important concepts studied in previous researches and included in exiting literature, with the aim to facilitate the study of our research question and sub-research questions. Hence, since this study will focus in the thesis that Latin America don't internationalize at the same rhythm of North American or European enterprises (Area of developed countries), we will direct this revision with the aim to highlight the difficulties and challenges face by Latin American SME when, they want to internationalize, and based on the example of Europe and North America, how the LATIN AMERICA SME can overcome these challenges.

### 2.1 DEFINITION OF INTERNATIONALIZATION AND SMALL MEDIUM ENTREPRISES

Defining “What is internationalization?” it is not an easy task. For several years, this concept has been changing and evolving. Several Authors have studied this idea, but we are going to explore the approaches that better fit in our study and gives a better understanding of the topic.

“At the very outset it is difficult to discuss a ‘Theory of Internationalization’ because even the term itself has not been clearly defined” (Welch & Luostarinen, 1988), but we can define it as ‘ the process of involvement in international operations’ (Peter J Buckley & Pervez N Ghauri, 1999, p. 84). But complementary to this definition Welch and Loustarien (1988) stablished that, internationalization process is seen as the gradual and sequential, through which firms become increasingly committed to, and involve in, international market.

Some authors define internationalization, as the adaptation of firm operations to international environment (Calof & Beamish 1995), or as Oviatt & Mac Dougall set the “use of resources and sale of outputs in multiple countries”. But other authors mention the importance of the commitment with foreign markets, beyond the operations activities, as an illustration we can find the Uppsala model. The model highlight the importance of resources commitment to foreign markets and decisions to commit the performance of current business activities, by two big issues in international business, foreign market entry and foreign market expansion. (Johanson & Vahlne, 1977,1990).

“According to the Uppsala model, internationalization of the firm is a process driven by an interplay between learning about international operations, on the one hand and commitments to international business on the other” (Jan Johanson & Jan-Erick Vahlne, 2003). This model highlights the importance of knowledge about foreign markets and operations, as a key to overcome difficulties when companies go abroad, and this knowledge can be developed through the interaction and experiences in the aimed markets. (Jan Johanson & Jan-Erick Vahlne, 2003)

One of our focus in this thesis is where the geographic expansion happens, based on the capabilities and shared characteristics of the aimed market (Ex. Latin America) how this had influence the performance of internationalization. “Geographic expansion is one of the most important paths for a firm to growth”(Lu & Beamish, 2001). Because by broadening customer bases through entering into new markets, firms are able to achieve a large volume of production, and growth. Further, there are differences in market conditions across different geographic areas. (Lu & Beamish, 2001). Zahra, Ireland, and Hitt, (2000), say that by logical step forward sooner or later, enterprises in the pursuit of growth and higher return to resources, they will adopt a geographic expansion strategy, with the aim to pursue new opportunities to leverage core competences across a broader range of markets.

For our study, the understanding of Small Medium Enterprises (SME) is crucial, when we want to measure the performance of Latin American born global. As the SME have been studied by several researchers through time, creating numerous definitions about it. But since each definition created is attached to the economy of the country and sector of activity, it might vary from across countries (Buculescu & others, 2013).

As an illustration, we can find that in the United States, the Small Business Administration’s Office (SBA) is the one in charge to regulate this definition of SME. The parameters established by them are according with the type of economic activity: Manufacture (Maximum 500 employees), commerce (maximum 100 employees), mining (maximum 500 employees) and others follow the same standards. Regarding revenue we can find parameters for economy sectors as: construction ( less than 31 million dollars), architecture ( less than 4.5 million dollars), agriculture (less than 750.000 dollars) and others (Caruso, 2015).

Hence, in order to follow up with our study and disregarding several existing definitions, we are going to use the definition provided by the European Commission (2003) which defines SME as “The *category of micro, small and medium-sized enterprises (SMEs) is made up of*

*enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro”.*

The concept of internationalization has been shifting, with the aim to be adapted in medium and small companies. But as these SME's don't count with the same resources as large multinational companies, new way of internationalization has been appearing based on the modern technologies as internet, globalization and education.

## 2.2 CONTEMPORARY TRENDS IN INTERNATIONALIZATION

Based on the increase of awareness about innovation related with internationalization, we can find innovative approaches and concepts that will help us to understand the creation of international SME (Born global). Mac Dougall & Oviatt (2000) define international entrepreneurship as a combination of innovative, proactive and risk-seeking behaviour that cross national borders and is intended to create value in organisations. At the same time, some classic definitions appoint that internationalization is an example of strategic change that can be defined as an entrepreneurial action. (Schumper 1934).

For our study, it is important to have an approach towards SME or born global, because, they are fundamental generator of innovation, culture and job opportunities in their national markets, especially in emerging countries (Knight & Cavusgil, 2004).

First, Oviatt and McDougall (1994) define a born globals as firms that seek to derivate significant advantage from the use of recourses from or the sale of outputs to multiple countries right from their legal birth. That's why we attempt to understand the entrepreneurship theory, which is used to analyze the firm's international behavior. The entrepreneur concept is used to link the structure concepts of macro, meso, and firm top the process concepts of strategy and internationalization (Anderson 2000).

The role of the entrepreneur is significant, because the outcome obtained by internationalization must be wanted and triggered by someone (Boddewyn, 1988). The responsibility of the entrepreneur is represented as an arrow that goes from the structure side to the process side (Anderson 2000). And this leader is shaped or influenced by his environment, but he also influences his environment through the process he creates. Anderson (2000). The

entrepreneurs' intentions and persistence in carrying out different strategies are decisive for the firms' early internationalization. (Dimitratos & Plakoyiannaki, 2003)

## INTERNATIONAL ENTREPRENEURS AND NETWORKING.

(Sigfusson & Harris, 2013) proposed that international entrepreneurs are created by the absence of a domestic market that led them to a greater international relationship development activeness and to rapid development of international relationship development capabilities. Hence, international entrepreneurs use their relationships to grow their business and also are committed to develop new relationships with people who are embedded in foreign markets (Sigfusson & Harris, 2013).

As we established in the previous paragraphs, the role of the entrepreneur is crucial, especially at the moment to lead a born global company, in order to do so effectively, one tool that is becoming more important through time is networking. Axelsson and Johanson (2001), define network as "*the relationship between a firm's management team and employees with customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities*". These networks have been useful tools for several firms to allow their global expansions (Johanson & Mattsson 1988). Moreover, Johanson and Vahlne (2009), highlight the value of networks to overcome barriers of knowledge and physical distance.

In the past, some researchers have supported this approach by pointing how enriched can be the internationalization processes of entrepreneurial firms, when they expand the analysis beyond the individual firm's actions and address the impact of a firm's role and position within a network of relationships (Coviello & Munro, 1995). As a result, Coviello and Munro (1995) conclude that foreign market selection and entry initiatives come from opportunities created through network contacts, rather than solely from the strategic decisions of managers in the firm.

## ALLIENCES

Internationalization required a high investment, especially if entrepreneurs want to adapt the firm operations to international environment (Calof & Beamish 1995). That's why Lu and Beamish (2001) explore and find that the effect of alliances on profitability is positive when SMEs pick a foreign local partner. Since alliances with a local foreign firm in a certain country can supply a certain amount of benefits for the firm that wants to internationalize, such as helping to

generate a market reputation by creating trust among costumers that don't believe in foreign SME (Li & Quian, 2007).

Also, nowadays international alliances are becoming vital to reach new markets, because the firm's accumulated experience with foreign partners can help the company to recognize national differences, cultural bridges, geographical, institutional and economic differences, by identifying valuable network resources and leverage ties to national distant partners (Lavie, D & Miller, S. R., 2008). As an illustration, in the digital and technological sector, alliances can bring innovation through international cooperation alliances by accessing a wider range of solutions to technological problems (Carlsson, 2006). Moreover, this cooperation allow to create cross-border alliances thus may be one of the most important means for companies to connect their innovative capability, underscoring the growing significance of the inter-firm partnering in the new age of alliance (Carlsson, 2006).

## INTERNATIONAL NEW VENTURES

International new venture is define as “*a business organization that, from inception, seeks to derivate significant competitive advantage from the use of resources and the sale of outputs in multiple countries*”(M Oviatt & McDougall, 2005). The approach defined by new ventures goes towards start-ups with an international origin, but mainly focused on the age of the firm when they become international and not in their size, consequently, these new ventures don't owe any foreign asset (no foreign direct investment); they pursuit more strategic alliances for the use of foreign resources such as manufacturing capacity or marketing.(M Oviatt & McDougall, 2005). Moreover Casson (1982) relates international new ventures with value added, rather than asset owned.

## 2.3 INTERNATIONALIZATION, INTERNAL AND EXTERAL FACTORS.

Being successful in an internationalization process is not an easy task. For that reason, in this study we are going to explore variables that can determine whether a firm is successful in its internationalization process or not. So, in order to define these variable, we are going to split the research in the analysis of internal variables and external variables. For internal variables, we understand those factors inside of a company that can distress the performance of the company itself (Internal capabilities). Regarding external variables, we are considering the general environment where the company perform, as it can be the country where the headquarters are located or the culture of the region in general.

### 2.3.1 INTERNAL ANALYSIS

To measure the international level of a certain Latin American Company. Amaros (2010), test 4 internal variables, and choose 4 as significant in the internationalization process, that will help us to find the export intensity, which considers the exporting potential of a certain firm. This internationalization measure has been closely related to other internationalization measured activities of new ventures (McDougall, 1989).

Variables:

- Innovation: We can define its importance based on Amaros (2010) that states *“Technology and innovation capacity are essential factors to assume globalization challenges and turbulent changes. Companies can develop two kinds of innovation: product innovation (that allow them to offer better products than their competitors) and process innovation (that allow them to reduce production costs and compete with better prices).”*
- Competition: In order to define the importance of competition, Gandall N (1994) establish three environmental categories: a) dynamism (uncertainty) characterized by exchange rate and industry innovation as well as by uncertainty and lack of foresight of competitors and client actions (Miller et al., 1988); b) hostility (threat) presented by the nature and intensity of competition, changes and multiple improvements in the firm’s industry (Covin and Slevin, 1989); c) heterogeneity (variations) of firm’s markets that need diversity in production and marketing orientation. (Amaros, 2010)
- Technology: This variable is relevant due to, in the field of internationalization processes, technology acquisition has an effect on the strategic competences of the firm and on international development (Knight 2001).
- Company Size: Bloogood et al. (1997) established the importance of strategies and structural characteristics (international experience, innovation, size and competitive advantage) when we want to define the internationalization’s results firms. So, these results might suggest that a greater international experience of managers, product differentiation and large size of the firm are closely linked to a greater internationalization of new ventures. (Amaros 2010)

### 2.3.2 EXTERNAL ANALYSIS

As we can define internal factors that every company has, and influence their internationalization level, Latin America has several external conditions that each country in this part of the continent can share or not relate. Which in the last 100 years has influenced the performance of the corporations when we are speaking about internationalization. The aim of this study, is to seek at what level LATIN AMERICA companies can be influenced by external factor as Economy, Social, Political and Cultural.

Since last 3 decades Latin America has been shifting. Political scientist have directed their attention to the processes of democratic transition and consolidation taking place in a large number of countries(Gwynne & Cristobal, 2014). Also during the same period economics have focused in analyzing the policies of macro-economic adjustment and trade liberalization implemented in order to regenerate economic growth across the continent (Gwynne & Cristobal, 2014). As well, sociologists and social anthropologist have begun, in recent years, to examine the nature of the social and cultural transformation due to modernization and the increasing globalization of Latin America societies(Gwynne & Cristobal, 2014).

The role of the state has had a relevant participation over the development of Latin America in the past decades. But governments have failed encouraging the industrial exports (Gwynne & Cristobal, 2014), which is understood as the first face of internationalization (Calof & Beamish 1995). In the sense that they did so poorly to act and other tried to diversify into manufacturing exports, but they were hampered in their efforts by protectionist measures from the US government (Gwynne & Cristobal, 2014). Which shows the huge dependency that the region has towards the US.

Latin America, *“With the vast increase in capital mobility and its availability in the world economy since the 1970, the economies of developing countries have become more and more dependent on foreign capital”*(Gwynne & Cristobal, 2014). So, Gwynne & Cristobal (2014) highlight how important this issue was to increase their exposure and vulnerability to changes in world capital markets and substantially reduced their room for policy manoeuver.

Based on previous crisis suffer by the continent during the last part of the twenty century, Latin America has been looking forward to change their export structure to higher value-added commodities and services rather than keep exporting basic primary commodities, which have caused negative environmental consequences (Gwynne & Cristobal, 2014).

During the first decade of the 21<sup>st</sup> century the exports in the region were boosted by the rising of commodity prices. As we can appreciate in the figure 1, the decomposition of value in prices and volume of exports of the region during the decade of 2000 reveals the great push of the prices, that favored to a great extent the producers of raw materials; this is the specific case for countries that produce commodities as oil and mineral-products, especially in South America (Rosales & Kuwayama, 2012).

Between 2000 and 2008, the average export price grow rate for these countries was 7.6% while the volume of exports was only 4.2%; The products who prices had the highest growth rates were crude, oil, cooper, iron ore, soybeans, natural gas, meat and offal, among others (Rosales & Kuwayama, 2012).

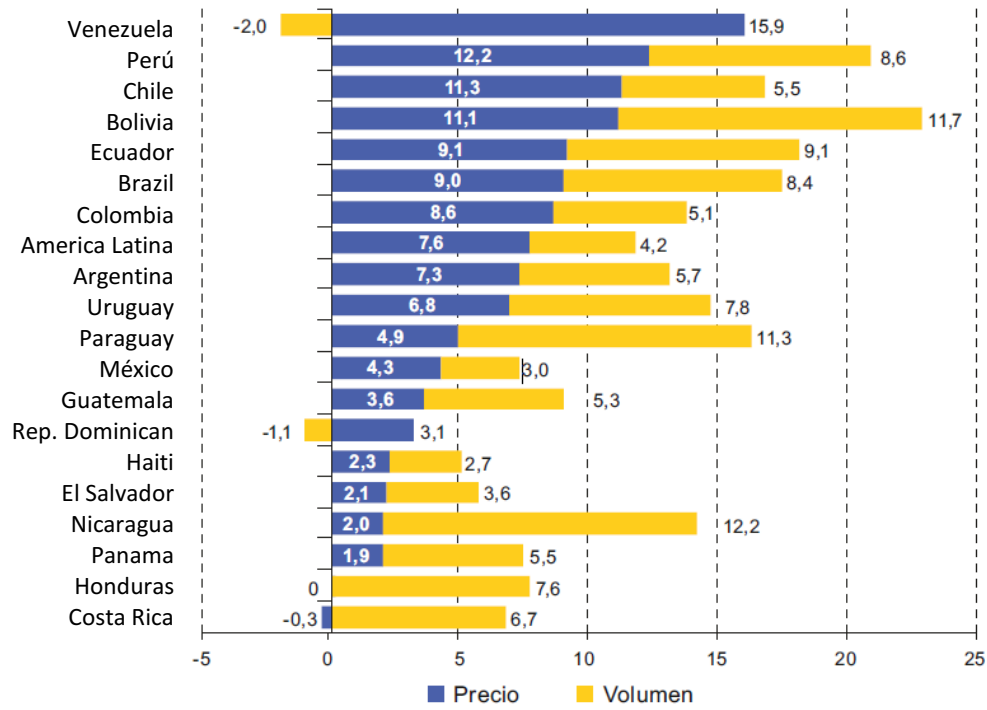
Another social and infrastructural theme relate with the development of Latin America is technology. The region hasn't been pointed as the strongest compare in this issue to the other in the world, due to the difficulties it was experiencing in moving from the costumer goods industries to the capital goods industries, which are source of some of the new technologies (Gwynne & Cristobal, 2014).

Nevertheless, Brazil and to some extent Mexico have acquired some competitive technological capacity largely as a consequence of a deliberative industrial policy (Gereffi, 1994). But as all region compare with the more advance economies, in topics like biotechnology, electronics and communications revolutions, it has been losing competitive advantage in a generation of new technologies.

In Latin America, we also can find countries with internal limited market (eg. Chile, Uruguay, Central America )(Amorós, Etchebarne, & Felzensztein, 2012a), Where the most logical alternative for companies or SME is to look for markets beyond their national borders. In this terms, Chile has been the country with the major success in comparison with the countries with limited market, this is especially for the support and liberal policies of its government, towards education and free trade, also in its economic based on commodities as minerals and cooper (Gonzalez-Perez, 2016).

Figure 1

AMERICA LATINA: DECOMPOSITION OF THE GROWTH RATE OF THE VALUE OF EXPORTS IN PRICE AND VOLUME, 2000-2008



Source: Comisión Económica para América Latina y el Caribe (CEPAL). Based on official information

Concluding, having an idea of which are the most important external and internal factors that can affect the competitiveness of an SME in the international market. Our mission in the next chapters is to explore the case study to generate some findings, which can allow us to find the main factor that affects the competitiveness of the Latin American born global.

### 3. METHODOLOGY

In this chapter, we will explain the methodological approach used in this study. First, we will explore the main reason to use a qualitative approach and a case study. Second, the concrete approach we have followed during this thesis.

#### 3.1 METHODOLOGICAL APPROACH

Since we want to investigate and earn a deeply knowledge about the factors that are affecting the competitiveness of Latin American born globals, This research will be conducted by a qualitative research approach, as *“it plays a critical role to interpret and understand plurality of contexts – institutional, cultural, organizational and so on, brought about by globalization – and the linkages between them and the firms that transact business across international boundaries”*(Birkinshaw, Brannen, & Tung, 2011).

Corresponding to Yin (1984), a case study is a method which employs empirical inquiring by investigating a contemporary phenomenon; specially when the boundaries between phenomenon and context are not obviously evident and also numerous sources of evidences are used.

As a case study, the company to be selected had to have the next 2 criteria (according to the physical distance based on the topic to be studied and the size of the company): being located in the Latin American region with an international approach and meeting the criteria to be an SME based on the European Commission standards exiting in the present literature. Thus, the company selected was a Colombian company called “Digital Partners Group”. Which has 50 employees located in different markets around the Latin American region and some in Europe.

#### 3.2 CONCRETE APPROACH

##### 3.2.1 DATA COLLECTION

As we rely on both primary and secondary source of data. Below is presented a data source and use table, presented by Corley and Gioia (2004), with the aim to report our data base and some comments about it.

<b>Data Source</b>	<b>Type of Data</b>	<b>Use in the Analysis</b>
<b>Archival Data</b>	<i>Company-related documents:</i> Brochures, company presentations, maps of internationalization.	Familiarize with the organizational context.
	<i>Project-related documents:</i> Clients: presentation, project presentations, product presentations.	Support the construction of each product. Support integrate, and triangulate evidence from observations and interviews.
<b>Direct Observations</b>	<i>Pictures or visual:</i> Recorded lectures from the CEO.	Familiarize with practices that managers engaged during projects.
<b>Interviews</b>	<i>Semi-structure interviews:</i> With the CEO and CTO to investigate Digital Partners Group's history, culture, and internationalization process	Familiarize with the organizational context, strategies and international background.
	<i>Informal conversations:</i> Informal discussion with manager, experts and engineers, brief exchanges before interviews.	Familiarize with the organizational context, gain trust of the managers and discuss insights from observation

Regarding the interviews, the first one was conducted individually with the CEO and one of the founders of the company Dario Palacios, it had a duration of 1h12 minutes; during this process, it was possible to follow and structure line and by the end of the interview was possible to had an open conversation to cross the information gathered in the interview.

The second interview was with the CTO of the company and the other founder of the company Camilo Usuga, this interview was also conducted personally, it helps to get another perspective about the process and internationalization.

We conducted some informal conversation with the engineers of the company, in their free hours, in order to get some insides about the job quality and their perspective about the company.

*3.2.2 DATA ANALYSIS*

Regarding the analysis of the data, first we wrote the story of the case (See Figure 2 – Appendices; made by Office Timeline) with the aim to transcribe the context and find out interconnections of events in the time, by using a timeline with a chronological sequence of events, gathered via archival data, observations and interviews. As Pettigrew (1990) states the case history is characterized by temporal presentations, which as an analytical chronology reach towards theory presentation but are prepared to get on top of the data, to clarify sequences across the levels of analysis, suggest casual linkages between levels and stablish early analytical themes.

We analyzed the data employing an open-coding approach (Strauss & Corbin, 2008), which included selecting, categorizing, and labeling direct statements (as an illustration below will be presented a coding table for this study) that we are able to assemble into more theoretical concepts

Code	Dario Palacios Interview	Camilo Usuga Interview	Informal conversations	Company’s presentation
<b>Adaptation</b>	“We growth in the most organic way to adapt successfully”	“We understand our clients cultural difference”	“It is always interesting to interact and learn form other cultures”	“We know the ecosystem of each region”

<b>Networking</b>	“Based on my previous relationships in Brazil we open the market”	“Our extensive network allows us to understand better the market”	“For us in always challenging working with other nationalities”	“Our team of experts, study and advise as needed by our international clients”
<b>Quality of Work</b>	“We are proud to offer a quality of life to our workers”	“We have to offer more extrinsic benefits to our human resource”	“We are happy to work here”	“We are talented team of friends, that we have supported each other.”
<b>Government inefficiency</b>	“The government is full of good intentions, but they are not efficient”	“We cannot perceive our taxes in the cities”	“Our quality of life is affected by the city infrastructure”	“We want to be part of the change in Latin America”

To sum up, we also will compare the findings gathered through the study case with the present literature, with the aim to confirm whether the concepts from previous studies might clarify the case of Digital Partners Group and if they are contradictory.

## 4. CASE STUDY: DIGITAL PARTNERS GROUP (DPG)

This chapter will exhibit the most relevant data of our case study. This information was gathered mostly through interviews, material shared by the company and academic research. The structure defined in this chapter will allow us to explore the company's background with the aim to mainly focus in the internalization process.

### 4.1 DESCRIPTION OF THE COMPANY

Digital Partners Group is Colombian company based on Medellin. Founded in 2008, it is a network of experts focused in the development of digital strategies towards mobile technology in Latin America and internet. Their mission is to follow and guide startups in the development of the most appropriate strategy, product or service with a digital content (To be briefly described), concentrated in implementation and execution.

They have been building and extensive network of engineers for over 10 years, with partnerships in Argentina, Brazil, Mexico, Chile, Peru, Colombia, Spain, Uruguay, Venezuela and USA. During this process, they have been involved in more than 300 technological projects, by defining, building, optimizing and commercializing digital products, working closely with companies, brands and people to develop and implement their strategies effectively and efficiently; spreading innovation and creativity over their organizational environment.

### 4.2 PRODUCTS (BUSINESS)

Digital Partners Group, since its creation has developed various products and service to support their mission.

First, we find "Startups Academy", this service is focused in the creation, training and strengthen of technology-based entrepreneurs to turn them into business generator with growth potential and sustainability. Startups Academy is an entrepreneurs training space concentrated on the creation and validation of business models. The learning process is centered on people in their pre-incubation stage, in order to define the individual and his idea, to create a Startup.

They prepare entrepreneurs in their industry and dynamics, define value proposition, business fundamentals and tactics, digital marketing, product management, metrics and user experience design. The main idea of this services is when the participants culminate the process, they acquire a highly demanded strategic knowledge that will allow them to improve their working conditions and possibilities.

Likewise, Digital Partner Group count with “Robotina”. It is a bot (A bot is a computer program, imitating the human behavior), define by them as a person but not that intelligent, made to do the work that nobody wants to do. The key role of this product is to: receive specific questions and answer them; share relevant information, communicate locations and schedules; and reveal especial promotions. It works as an app on Facebook, installed in a Fan Page, programmed with key words and respective answers to questions. As an illustration, Robotina will oversee the customer service of the client Fan Page, channeled by Facebook messenger, answering doubts or concerns that any final client might have. Starting by simple commands like greeting costumers, going through giving recommendations of a certain variety of products (Ex. Menu – Restaurants), helping with schedules of service, giving locations, providing promotions and in any case contacting call centers.

As a part of the portfolio, they also have “UNDATO”, which is a device that allows the generation of statistical information about any vehicle, allowing service providers to get an accurate view of every area of the car, with the aim to follow up with the maintenance.

“SINDYK” it is also part of the products that Digital Partners Group has. It is basically a tool that help to easily build a mobile site with robust content and manageable experience. It is especially offered for companies that generate a large volume of content steady in the day, as newspapers or blogs. It also permits the creation of mobile ad campaigns, mobile landing page and/or mobile mini-sites.

Finally, they have “Multiplica”, it is a service focused in increase the sells based on usability and conversion rate increase. Concentrating in banking, insurance, retail, tourism and telco sectors. It basically helps in the creation of multichannel digital experiences, optimizing the existing digital channels, gives user insight for digital business, business models and ROI analysis.

Bearing in mind Digital Partners Group products, will help us to understand the market where they are operating and competing, in order to understand their internationalization strategy and

the challenges that they had as a Latin American company internationalizing its products and services.

#### 4.3 INTERNATIONALIZATION

Since “Digital Partners Group” was created in 2008, they have had an international approach. As an illustration, the CEO Dario Palacios says that *“as a digital company in Latin America, the only way to be successful with a digital product or service and reach more clients, is to look outside of our national borders; but one of the main constraints to face, is that the Colombian market limits our ability to adapt, culturally as Colombians, it is not in our DNA to conquer other markets”*. Nonetheless, with several difficulties faced in the local market, they were able to start their internationalization process 7 months after the company was created.

The internationalization process was sustained, because the founders were able to raise capital, by promoting an E-Commerce service. The company managed to raise a total amount of 500.000 USD among the international network they created through time.

Based on the information provided by the CEO of the company the main factors of their internationalization process are defined by: first, their sympathy and confidence, which are cultural characteristics; second, based on their international experience and relations through time, they were able to open new markets; third, the global and international vision, letting the firm’s entrepreneurs understand the dynamism and demand of the markets in real time; fourth, based on the international approach since the company was created, the firm has been able to adapt and being flexible in the international markets; fifth, the confident relationship created with clients, has empowered the company to meet most of their client’s needs, and how to approach them; sixth, their differentiation strategy towards products and service have given them a competitive advantage, with excellent feedback among their clients.

##### 4.3.1 EXPANSION AND CONSTRAINTS

After, DPG were able to raise capital for their expansion and at the same time they have their international key factor well defined. The firm decided to accelerate their expansion process,

so, they moved from being 3 people to 30 employees, with the objective to attack the further markets: Mexico City, Porto Alegre, Barcelona, Berlin and Singapore.

The decision to open these markets were based on the networks located in the target cities. After they managed to expand into mention markets, the outcome wasn't the expected; the founders discovered that starting the internationalization at a very early stage with targets so opposites as Singapore, was affecting the stages of communication, assertiveness and process homologation, because the Colombian human resource wasn't ready to assume this challenge. Hence, in the end the best decision was to drop the market because they weren't able to respond their client's needs with the same speed as the local market, losing their competitive advantage.

After this experience, Dario concluded that *“First world companies have a better perception of what is internationalization and how to do it globally, meanwhile as Latinos is better to start moving in our region and take advantage of our proximities”*.

#### *4.3.2 DIFERENTIATION AND HUMAN RESOURCES*

After the learning earned through the early and accelerated internationalization experience, the firm decided to structure a more efficient strategy, which was more focused in the way how they will approach every market; as an illustration, they knew that countries like USA or European nations, they have different point of views and towards that they will hired a local partner, who could open the market and create a business there that could follow the specific demand of the clients towards service. In the case of products (Like Robotina or UNDATO), they wanted to create the most standardize product for all the markets. The approach also followed a comparable price strategy where if in the selected market is a service which is going to be provided, it will adapt to all the local conditions as currency and legislations; but regarding the products they will use a standard price based in dollars and defined from the headquarters.

Nonetheless, the key for this strategy was to be measured by quality and capacity of generate value, they wanted to achieve it by growing the most organically possible way to give quality of life to their employees, who are the most important generator of value. The CEO Dario highlight that *“the quality of life we give to our employees is very difficult to match, as an example a lot of our workers have received job offers from banks, digital super agencies and bigger companies than ours, but in the end of the day they remain with us, because of the*

*benefits we offer.*” For DPG, the quality of work is a success factor to manage their business unities, for them their most important value is their work capital.

#### 4.3.3 LATIN AMERICA AND COMPETITION

With the international strategy re-structured, they directed it just to Latin American countries, bearing in mind that in the region, the human talent is presented and is worldwide competitive, this is because the technological sector in Latin America has been growing, but there are countries with a higher growing rate than others.

As an example, The CEO Dario consider Brazil, as the biggest market and more innovative of the region, nonetheless they are focused in their inner market regarding digital products. Another big player in the continent is Chile, they have developed great capabilities regarding digital services, but their internal market is small, which their only opportunity is to look abroad their national borders, but culturally they have great differences with countries in the region like Bolivia, Peru and Argentina, which in both cases was a terrific opportunity to attack the different markets in Latin America.

Accordingly, in 2013 DPG focused their efforts in Argentina, Mexico, Peru, and Uruguay. These markets consume different than Colombia but the local partners there allowed to adapt and offer their portfolio of products and service successfully.

#### 4.3.4 SUCCESS FACTORS

For the founders of DPG, the fact to be a Latin company has a negative and positive factor. They took advantage that being a Colombian company can help them to develop relationships in commercial fairs or technology congress, trough empathy and more recently the curiosity about the country because the late advances in terms of security and economic growth.

After, developing relationships and possible business clients. According to the CEO their formula of success was based on 2 aspects:

1. *“Our first step is to cultivate the contacts and possible business partners we find in different fairs. For instance, we like to keep a constant contact with them by having key*

*details (Presents, birthday greetings and regular visits) that might generate a better environment when we want to develop business. For us international contacts are our biggest asset and treasure, and by cultivate them we create trust and help us to overcome problems easily.”*

2. *“After we cultivate our contacts, for us it is also important to explore their cultures, not only by research, but also through experience, as travelling to the target market and learn as much as we can from it. This benefits the communication and relationship we want to create with clients and local partners. This is a competitive advantage for our company, because the Colombian has difficulty adapting, which is our main capability”*

In 2014, after they managed to build a solid presence in the target markets in 2013. They decide to follow the same strategy to target Brazil, Chile and USA(Miami). In order to seek for more competitive markets that can create innovation, which might improve the quality of their products and services, for their clients in the other countries.

#### *4.3.5 PRESENT DAYS AND FUTURE*

Nowadays the company thanks to a more organic growth managed to have an importance presence in Argentina, Brazil, Mexico, Chile, Peru, Colombia, Uruguay, Venezuela and USA. Their next strategy is to look for a more relevant space in the USA market, open Europe through local partners in Spain, traveling to Portugal to find allies and potential clients.

According to the CEO, they have trust in the talent that Latin America is able to produce and export, but sadly the governments are not able to support the talent and improve the quality of life for their cities. This is due to cultural and political factors. As an example, Colombia is suffering a big political polarization among the population, has huge linguistic barriers and their financial system has so many bureaucratic barriers. All these factors are affecting the performance of different entrepreneurial supports and international investment, which culturally can bring a lot of financial capital, knowledge and innovation.

The lack of these factor is pushing in the near future, the founders to move their headquarters to Miami or Lisbon, looking for more an innovate and supportive (legal, social and financial) environments.

## 5. FINDINGS AND DISCUSSION

The purpose of this chapter is to expose, the main findings of the case study, with the aim to discuss and analyze them in comparison to the exiting literature. In order to so, we are going to use the literature for contemporary trends of internationalization, internal and external factor to influence internationalization competitiveness. We will discuss the methods used by the company to internationalize and how the internal and external factors have influenced their internationalization process, by using the gathered data. Furthermore, some new findings will be also presented besides the ones related in the existing literature.

For Digital Partners Group, the fact that their founders have an innovative, proactive and risk-seeking behaviour that cross national borders, define it in the existing literature as a tendency for international entrepreneurship, allowed them to reach a broad market in Latin America with an extensive network and local partners in different countries.

Based on their experience, we are going to analyse the internal capabilities of DPG and their environment, in order to find out the reason why their performance was not the optimal in the international markets, and cross this information with the existence literature.

### 5.1 DIGITAL PARTNERS GROUP: INTERNAL ANALYSIS

As shown in the existing literature, some researchers have established 4 variables to measure the internationalization process of a SME in terms of competitiveness and value added; based on these variables, we are going to analyze DPG internal capabilities towards internationalization.

#### *5.1.1 INNOVATION*

For DPG innovation is one of their key success factors, especially if they are competing in a region like Latin America, where the digital companies faces some difficulties regarding innovation. But regardless the firm itself, CTO of the company consider than their products and services are innovative, due to neither of them have more than 4 years old, and they are in constant renovation based on their client's feedback. As an illustration, the CEO emphasize in

the positive perception that “Robotina” has had among their partners and some clients in the Silicon Valle. This case enhance with some researches approach, when they stablished that innovation capacity is an essential factor to assume globalization challenges and turbulent changes, as DPG looked forward to innovate by product innovation, which allow them to offer better products than their competitors. As an example, The CTO of the company says, *“Our products are so specialized that it is hard to find a product with the same characteristics to compete in the region”*. Hence, according to our data, innovation does not contribute to explain the unsteady performance during internationalization.

### 5.1.2 COMPETITION

Regarding the competition for DPG, the firm is performing in a sector which has been growing in Latin America, but not as fast than North America, Europe and Asia. But to define how vital is this competition for the performance of the company, we will follow the existing literature, which offer us three environmental categories:

- a) dynamism (uncertainty): in the existing literature is characterized by exchange rate and industry innovation as well as by uncertainty and lack of foresight of competitors and client actions, for DPG is a challenge to overcome in order to have a competitive advantage over their competitors, as the CTO Camilo Usuga mention *“we have to adapt to every market we target, otherwise the lack of information about our clients preference and characteristics, will make us lost them, because this sector is so unpredictable and dynamic that we would need all the possible information to have a quick response”*
- b) hostility (threat): In some studies, this category is represented by the nature and intensity of competition, changes and multiple improvements in the firm’s industry. In our study, the digital and technological sector is one of the more attractive for entrepreneurs, which means that the intensity of competition is high. But is for the CEO, this environmental category allows the flow of innovation and constant improvement, he states *“Good competition is always good to improve our services and products”*.
- c) heterogeneity(variations): In the presented literature, this is how firm’s markets needs diversity in production and marketing orientation. Therefore, the CTO of the company stress how important is heterogeneity in the development of complementary products than can boost or improve our recent offer.

Consequently, according to the gathered data, competition does not influence to explain the instable performance during internationalization.

### *5.1.3 TECHNOLOGY*

Some researchers mention how this variable is relevant due to, in the field of internationalization processes, technology acquisition has an effect on the strategic competences of the firm and on international development. DPG has faced some difficulties due to their location, Colombia is not the most competitive country of the world regarding technologies, in comparison with North American countries or Europe, the region is a lay back. Consequently, some processes are affected by not having the most advance technology to compete. Therefore, based on the data collected, technology has an impact to explain the hazardous performance during internationalization.

### *5.1.4 COMPANY SIZE*

Bloogoodet (1997) established the importance of strategies and structural characteristics (international experience, innovation, size and competitive advantage) when we want to define the internationalization's results firms. The size and organization of DPG, has allowed the free flow of information and communication, as result of having and horizontal structure, because of this they were able to compete in a more effective way in the digital sector by addressing their clients demands faster and efficiently. Correspondingly, the founders of the company before creating it, they had an important international experience, as an example The CEO Dario Palacios, had worked in a company in Brazil, which allowed him to strengthen his network in that country, resulting in future partners for DPG. So, these results might suggest that a greater international experience of managers, and product differentiation are closely linked to a greater internationalization, as some researchers suggest. But not always a large size company has a greater advantage regarding internationalization, like in the digital sector is more valued the flow of importation, which can be easily achieve by smaller companies than large organization. For this reason, according to our data, the company size has been a main factor to explain the shaky performance in the internationalization process of DPG.

## 5.2 DIGITAL PARTNERS GROUP: LATIN AMERICA – EXTERNAL ANALYSIS

The company since its existence has been operating in Colombia, but for DPG being a Colombian company operating in international markets, has brought more disadvantage than advantages.

Some political scientists have directed their attention to the processes of democratic transition and consolidation taking place in a large number of countries in last 3 decades in the region (Gwynne & Cristobal, 2014). This process has affected the performance of companies, because of high polarization between governments, meaning that adapting to new administrations and policies has a cost and brings always changes in process. But DPG as an SME with no more than 10 years of existence, is located in a country where nowadays is existing a high political polarization, corruption rates and lack of the presence of the government to support entrepreneurial projects, based on CEO Dario Palacios experience. As an example, Dario states that *“Even if Colombia is a democratic country and has some initiatives, to access to these state support is not an easy task. The Colombian state is full of good intentions, but it is clumsy, slow and bureaucratic. As a personal experience when I face dynamics of a government like this, it is impossible to move at the same pace of a developed country competitor”*. Like some studies suggest the Colombian government like others in Latin America did so poorly to act and tried to diversify outside manufacturing exports. Therefore, this had an impact on the internationalization process of DPG.

In the existing literature, economists have focused in analyzing the policies of macro-economic adjustment and trade liberalization implemented in order to regenerate economic growth across the continent. Even if the growth in the region was perceived in the first part of the 2010's, the corrupt management didn't allow to take advantage of this wave, to boost the development of the country. As an illustration, the CEO draws attention to the financial policies, because they are completely archaic, closed and very distrustful. The main reason of this is the huge amount of security filters and paper work. Therefore, even if the economy is growing, a corrupt government is not able to support the talent and the SME internationalization.

Correspondingly, researchers found that during the first decade of the 21<sup>st</sup> century the exports in the region were boosted by the rising of commodity prices. However, if the economy manages to grow due to international business, it was because of the region rich lands, which makes Latin America the biggest exporter of raw materials. Consequently, this generates slack

in the exporting countries, which produce lack of innovation and support to digital sectors. This is manifest by the CTO, when he states that *“Selling commodities from to Colombia to the world is way easier than selling a digital product, so he country is not interested to invest the same amount of capital in technological sector than commodities as petrol and mining”*.

Some sociologists and social anthropologist in the existing literature, have begun in recent years, to examine the nature of the social and cultural transformation due to modernization and the increasing globalization of Latin America societies(Gwynne & Cristobal, 2014). But this modernization has also carried some historical cultural factors that identifies the Latin culture, Dario Palacios the CEO says that *“As personal experience no country in Latin America is able to follow rules, because of cultural factors; in the region, there are some examples as Argentina change of government and lack of support of the other powers, Colombian peace agreement, which brought a huge polarization and Brazil changes of government by coup”*. As a result, there is escape of talent because *“The entrepreneur wants to be where he can have quality of life, where can perceive that taxes are reflected in a certain way, in Colombia is difficult to achieve this quality of life, due to it has problems of security, infrastructure and corruption.”*. Hence, social factors and cultural transformation has contributed to the unsteady performance of DPG in internationalization.

### 5.3 CONCLUSIONS OF THE FINDINGS

To sum up, we can conclude that the findings obtain from the case study are consistent with the literature review studies and identified findings which means that most in the information gather can applicable to some born globals, which shared similar conditions and compete in a similar sector in Latin America, obviously with some contradictions and complements.

Based on the data collected, from empirical findings that Latin American born global competitiveness can be affected mostly by external factors as politics, social and cultural. The environment for the entrepreneur to lead a company is crucial, as it is manifested in the findings of the case study, and established existing literature. But despite the economic growth shown in the literature, by empirical knowledge we found that the bureaucracy and politics, has relegated Latin America, which does not generate confidence in the Latin American talent, which is very capable. But unlike the developed countries, nobody support them to be more competitive. That’s why even if they are talented, they have the atmosphere against them.

## 5.4 SOLUTIONS TO IMPROVE THE INTERNATIONALIZATION OF LATIN-AMERICAN BORN GLOBALS

DPG faced several difficulties at the beginning because of the lack of empathy with the targeted markets and absence of support from the local organizations. Their first internationalization was so accelerated, that the firm wasn't able to adapt to so culturally -different countries they targeted. Consequently, they firm lost part of the capital they were able to raise among their network and they had to drop several markets (ex. Singapore). After this experience, they had to re-structure the strategy and grow more organically. As stated by the CEO, even though as a digital company in an emerging country the need to expand abroad is almost mandatory, this first experiences show them that the acquisition of local knowledge and the steady immersion in the target country is so important to be successful at internationalizing.

### 5.4.1 IMPORTANCE OF NETWORKING FOR DPG

Previous researchers highlight the importance of relationship between a firm's management team and employees with customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities. For DPG, this statement is so valid, because based on it, they have developed their international strategy. Since the CTO Camilo Usuga specified *"We require to adapt to the necessities of the targeted country, not all the markets react at same rhythm and customs of our local market, that's why we look for local partners to help us to understand the market and as local partners we can consider designers, engineers and market researchers."*

Moreover, for DPG the foreign market selection and entry initiatives come from opportunities created through network contacts, rather than solely from the strategic decisions of managers in the firm, as is established in the existing literature. As an illustration, based on the relationships created by the CEO in his working life in different countries of the continent and before DPG, they were able to reach markets as Brazil and Argentina. Indeed, these networks has been useful tools for several firms to allow their global expansions, overcome barriers of knowledge and physic distance, as some previous studies have presented.

#### *5.4.2 ALLIANCES VIA CLIENTS*

Meanwhile DPG was opening market with local partners in a foreign country, they also were creating alliances with the new costumers, by this the CTO says that through clients the firm was able to gain knowledge about the country by data bases, previous market research, and at the same time some clients allow them to use their fixed assets to improve their performance. So, they were capable of use foreign resources without compromising big amounts of capital.

Regarding the present literature, we can see how this experience is a complement to the previous studies presented, by adding how the client can be an important ally if company wants to conquer a market. Also, suggesting that a client as an ally can supply a certain amount of benefits for the firm that wants to internalize, such as helping to generate a market reputation by creating trust among costumers that don't believe in foreign SME, as Li and Quian (2007) stated.

At a local level, they have created alliances with private associations of entrepreneurs and "ANDI" and "ANDI future", with the aim to expand their network and work with another SMEs and born global. This cooperation has a different approach from the one proposed in the verified literature, but also it is providing cross-border alliances through sharing clients and market information; thus, may be also one of the most important means for companies to connect their innovative capability, underscoring the growing significance of the inter-firm partnering in the new age of alliance.

For DPG potentiating the local market, allow to have a strongest base to sustain the international operation and have a strong international perception.

In the upcoming they are strengthening the relation with "MULTIPLICA" and their partners in Spain, in order to expand their market in the European continent; by doing this they are looking for the all the intangible assets, as information, market dimension and marketing. Hence, some researchers can relate this relation as international new ventures with value added, rather than asset owned.

## 6. CONCLUSION

Based on the present case study we are able to entirely deliver the research question proposed in this study. The findings gathered have given us important insights of the most crucial factors faced by SME in Latin America, when they are in the internationalization process.

To sum up, thanks to the presented literature and the findings that were looked at carefully, the research thrown us the following conclusions.

The Latin America region is capable of giving birth to talented and value added SME. In spite of this, these SME faced several challenges they want to compete in international markets, against companies in the same sector but with first world nationalities. Most these challenges are basically connected with environmental factors given by country where the company is leading the operations, as politics, social cooperation and culture. In the other hand, we were able to identify how competitive can be the region in terms of internal capabilities, by internationalizing using networking and adaptably; at the same time generating value through excellent working capital, organic growth and horizontal organization. Consequently, it can be concluded that Latin American born globals have a brilliant potential, which it has been truncated by external factor given by their countries.

To wrap up, factors as corruption, lack of quality of life, absence of trust to the government and negligence toward the rules; are slowing down the success regarding internationalization for SMEs in Latin America.

## 7. LIMITATIONS AND FURTHER RESEARCH

### 7.1 LIMITATIONS

Even so, this research has some limitations, presented below:

- First, the case study is limited to one country over 20 countries in the region, which shared most of the characteristics, but also differ in some cultural and historical dimensions. According to the CEO of the company, to be a Colombian company allow them to adapt easily to other Latin American markets, because in most of them we shared a similar culture and language; however, that does not mean that all the countries are the same.
- Second, an important limitation for this thesis was the lack of information presented in the literature about developed countries SME and their differences regarding Latin American companies. As a result, we weren't able to compare the specific difference between regions.

### 7.2 FURTHER RESEARCH

With this study, we want to incentive future researchers to generate more perceptions and insights about this topic to contribute with the development of emerging countries like the ones located in Latin America. For instance, we would like to have the chance to incentive research about the difference between the oriental cultures against the Latin American, and how they can develop alliances to overcome difference and being more competitive in international markets.

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APPENDICES

Figure 2

Digital Partners Group – Timeline

