

# Chapter 8

## Emerging MNEs Successfully Operating in International Markets: The Cases of Some Mexican MNEs

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### ABSTRACT

*The purpose of this chapter is to describe the most important theories that explain the possible motivations of some enterprises to compete in the international arena. Besides describing and summarizing the internationalization theories of an enterprise, the cases of some Mexican firms, which have grown successfully internationally, will be presented and compared with all the elements established in the different theories. This chapter starts by describing the different characteristics of firms competing in international markets. After that, the most important theories of MNEs are explored. The chapter ends with the discussion of the internationalization process followed by CEMEX, GRUMA and TELMEX (America Movil), Mexican enterprises that have successfully grown in the international spectrum.*

### INTRODUCTION

The purpose of this chapter is to explain the internationalization process with a particular focus on emerging MNEs. Here, the need for new theories that explain the factors which make it possible for these Emerging MNEs to extend their operations to international markets is accepted. Therefore, this chapter briefly describes how a firm's internationalization process has been explained. This is done by analyzing the circumstances that allowed some Mexican MNEs to compete internationally for decades, many of which became global benchmarks in their industries.

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The first part of this chapter describes the evolution of theories, explaining the motivations for companies to internationalize and then compares those drivers with several Mexican Multinational Enterprises (MNEs) that successfully operate in the international arena. Three Mexican MNEs are analyzed in the second part of this chapter. The MNEs analyzed guide and provide a theoretical basis for practitioners and decision makers to understand the most relevant motives for companies from emerging markets to internationalize.

The relevant aspect of this chapter is its focus on emerging markets since the dominant theory on internationalization explains that process considering mainly firms from developed countries.

The chapter is organized as follows: the background section includes a broad description of the most important theories that explain the internationalization process of an enterprise; the main focus of the chapter emphasizes the analysis of three Mexican MNEs that operate successfully in international markets. The closing section comprises relevant findings resulting from comparing classical theories and models of the internationalization process and elements that motivated some Mexican MNEs to go international.

## **BACKGROUND AND LITERATURE REVIEW**

The increasing participation of companies from emerging markets in the international arena poses new questions and dilemmas for academic and scholars (Wells 2009). This is relevant given that most of the theories that explain the internationalization process have been developed considering mainly firms from developed countries. Thus, the understanding of the motives for MNEs from underdeveloped countries creates an opportunity to enlarge and develop new theories.

Since the 1960s, scholars have tried to explain the internationalization of firms. Hymer (1960) and Johanson & Vahlne (1977) are among the most notorious researchers seeking to explain the internationalization process. Their first theories are about the multinational enterprise and provide elements to understand a particular reality faced by companies mainly from the USA and Western Europe which had operations in international markets. In this context, the international expansion pattern of those companies is mainly explained as a result of the differences in the quality of the institutional environment and markets between the firms' country of origin and their international destination. Frequently, the countries of destination of such initiatives were developed economies. It was not until the early 1980s that some authors (c.f. Wells 1983) noted the international expansion experienced by a number of companies from developing economies. In that direction, Wells (1983) and Yeung (1994) propose theories explaining how firms born in underdeveloped environments are also able to compete in developed markets. Among the drawbacks they considered for MNEs from developing countries are the problems their own countries face, such as weak regulatory systems, limited rule of law and judicial issues. Other pondered problems faced by those MNEs are credit restrictions, high levels of corruption, and limited technology. Despite all that, MNEs from underdeveloped countries compete in international markets similar to those from developed ones.

Theories including MNEs from underdeveloped economies are divided into three categories. The first one is based on the so called country-specific advantages (CSAs). These theories were proposed by scholars such as Dunning (1989), Porter (1990), and Buckley & Casson (1998), among others. According to this perspective, the existence of Emerging MNEs is a consequence of the privileged access that these companies have to internationally scarce natural resources or the abundance of generic production resources (usually a cheap labor force) in their domestic markets. Privileged access to scarce natural

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