The Role of Network Relationships in the Internationalization of Peruvian Firms

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Title: The Role of Network Relationships in the Internationalization of Peruvian Firms

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Research question: What does the internationalization process look like for a Peruvian Multilatina?

Purpose: To offer a deeper understanding of how Peruvian firms internationalize. This paper aims to throw in an acknowledged theoretical gap in international business research by giving a contribution towards the internationalization of Multilatinas based on a network perspective. The purpose is to investigate what drives Peruvian Multilatina's to internationalize, what market they select, how they enter these markets, and how different network relationships can influence their internationalization.

Method: Includes a qualitative research method with the use of semi-structured interviews. A multiple case study was utilized to gain comparative insights into how Peruvian Multilatinas internationalized through their networks relationships. For the analysis, the theoretical framework consisted of: internationalization drivers, market selection, choice entry mode, and importance of networks.

Conclusions: The results conclude that Multilatinas do not follow a unique pattern of internationalization, but follow an accelerated expansion strategy based on the context of their political and economic environment. The Multilatinas studied started off by exporting to markets that had similar characteristics to their own. Once they had adequate experience and knowledge of operating there, they followed up with contractual and investment entry modes. The Multilatinas relied on different network relationships in order to internationalize. The most important being the business relationship and institutional relationship in order to gain insidership.

Key words: Internationalization, market selection, entry mode, network position, business networks, institutional networks and social networks.
To our families, both near and far!

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LIST OF ACRONYMS

IMF International Monetary Fund
OECD Organization of Economic Cooperation and Development
OFDI Outward Foreign Direct Investment
PA Pacific Alliance
UM Uppsala model
1. INTRODUCTION

This chapter introduces the background of the Peruvian economy, its capacity for growth and the emergence of Multilatinas. It introduces the importance of network relationships for the internationalization of firms. Following, the specific focus of this thesis is expressed through the research question, and the purpose. At the end of this section, the disposition of the thesis is presented.

1.1 Background

Latin America is emerging with strong business actors in the international arena. This can be partly due to the economic policy that was in place for much of the 1980s and early 1990s, in which their markets were influenced by neo-liberal theories to promote the free market (Cuervo-Cazurra, 2007; Casanova 2010; Guillen & García-Canal, 2009; Alcaraz & Zamilpa, 2017). Most of the Latin American regions embraced the changes put forth by the Washington consensus and began to privatize corporations that were previously held in public hands” (Burki & Perry, 1999). Peru is an example of this, as they began to open their doors to external capital in the early 1990s, which influenced a significant economic recovery, and created opportunities for the expansion and internationalization of Peruvian firms (Alvarez & García, 1996). Since then, Peru has become Latin America’s seventh largest investor abroad and its current economic environment, and its capacity for growth in the upcoming years will influence the emergence of more large companies within the country (Blanco Estévez, 2015; Filipova, 2017).

According to Cuervo Cazurra and Ramamurti (2014, p. 2) the terms third-world economies or developing countries have become obsolete. They are now considered “emerging economies”, which include all countries except the 28 OECD countries that the IMF classified in 2000 as developed countries (Funke, 2000). So, how is an emerging economy identified? Emerging economies have two main characteristics: (1) rapid economic growth and (2) government policies of free market. In the last few decades, Latin American Multinationals so called Multilatinas have showed signs of considerable international growth (Casanova, 2009; Ciravegna et al., 2016; Rougier & Combarrous, 2017).

Guillén and García-Canal (2009) and Santiso (2006) states that Latin American multinationals or Multilatinas have been central in the rise of emerging economies in the last decades, and their

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1 The term “Washington Consensus” was coined in 1989. It was a set of ten policy instruments forming the basis of recommendations for economic reforms promoted by the International Monetary Fund, the World Bank, and the United States government for less developed countries. It advocates, free trade, floating exchange rates, budgetary discipline, financial liberalization, market deregulation, privatization of priority sectors, free markets and macroeconomic stability (Hannabuss A Dictionary of Economics, 2017).
development comprises part of the global shift of wealth and power between nations.

The rise of Multilatinas and their development is due to several heterogeneous factors; such as: political, institutional, economic, and financial factors (Cuervo-Cazurra, 2008; Guillén & García-Canal, 2009; Dakessian & Feldmann, 2013). The political institutional and macroeconomic stability not only produced high growth rates sustained over time (Grosse & Mesquita, 2007), but also paved the way for Latin American companies to decide to invest in the region to take advantage of business opportunities stemming from the economic expansion (Botello, 2014; Blanco Estévez, 2015, p.5). Both public and private domestic institutions compel firms from emerging economies to engage in outward internationalization (Radlo, 2012; Hennart, et al., 2017). Taotao et al., (2016, p. 234) argue that greater institutional open access in a region of a home country leads to greater outward internationalization. In this study we will focus specifically on Multinational companies from Peru Peruvian Multilatinas.

The internationalization of Peruvian Multilatinas has primarily been performed as exports, but in recent decades, they have internationalized through outwards foreign direct investment (OFDI), as they have undergone acquisitions and alliances, mostly in neighbouring countries (Aguilera et al., 2017; Cuervo-Cazurra, 2010; Dakessian & Feldmann, 2013; Lu, Liu & Wang, 2010; Radlo, 2012). One of the most classic theories of internationalization, the Uppsala theory, describes internationalization as being an incremental and continuous process firms undergo (Johanson & Vahlne, 1977, 1990). Johanson & Vahlne (1977) theorise that firms internationalize by investing resources into a close market, learn through experience, and start increasing their commitment as the uncertainty of the firm decreases. This process can be referred to as learning by doing.

In later years, several scholars found that markets were structured as networks in which they are exchange relationships which connect firms to each other (Johanson & Vahlne, 1990; Coviello & Munro, 1997; Hilmersson & Jansson, 2012). So, business researchers in the internationalization field began viewing relationships and networks as pivotal aspects in the internationalization process of firms (Oviatt & McDougall, 2005). The firm access networks to internationalize and through these networks it “offers benefits to firms where individual partnerships interact with one another” (Gomes- Casseres, 1994, p. 67). In 2009, Johanson and Vahlne revisited the Uppsala model and argued that firms need to become insiders of relevant networks in order for them to establish themselves in foreign markets. Thus, the power of relationships within networks facilitates firms with their market selection and their entry process.
1.2 Problem discussion

It is believed that the internationalization of emerging economies differs from that of developed countries as they contrast in organizational and environmental characteristics (Casanova, 2009). Firms from Latin America have different political, institutional, economic, and financial factors which may show distinct patterns of internationalization in contrast to other countries which have been researched more intensely (Casanova et al., 2009). Multilatinas are also proven to have uniqueness to traditional MNEs which will be mentioned more in chapter two. The two main difference points are that Multilatinas are relatively new to international operations, so their pattern of internationalization may Differ (Ciravegna et al., 2016). Another factor is the political environment in which these firms operate (Guillén & García-Canal, 2009). The political environment was considered unstable pre-Washington Consensus, as the Peruvian region was under military rule (Schmitter, 1973). For these reasons we find the research of Peruvian Multilatinas to have certain unique characteristics and find it to be an interesting and important research area.

The recent increase in the international expansion of Multilatinas makes it an important and interesting research area for policy makers, business practitioners, researchers and society in both developed and emerging economies (Casanova et al., 2009; Cuervo Cazurra, 2016; Gammeltoft et al., 2010; Luo & Tung, 2007). This research paper can contribute to the network perspective of internationalization of Multilatinas by providing new insights into their internationalization. The paper also has important managerial implications as the development of the Peruvian economy makes it especially important for firms to understand the dynamics of their internationalization. Therefore this paper focuses on the internationalization of two prominent Peruvian Multilatina firms. Both firms operate in the food and beverages industry. For requested confidentiality, we shall refer to them as Alpha and Beta.

This leads us to our research question:

What does the internationalization process look like for a Peruvian Multilatina?

There has been little to no research done regarding the drivers that facilitate the internationalization process of Peruvian Multilatinas. Therefore we focus on understanding (1) the drivers of internationalization (2) their market selection and entry mode and (3) the influence of network relationships in their internationalization. So, in order to contribute to the mentioned gap, we conducted a multiple case study so as to comprehend the internationalization of these firms with a specific focus on their network relationships.
1.3 Purpose

The purpose of this paper is to investigate how, Peruvian Multilatinas enter foreign markets, and how network relationships influence their internationalization process.

1.4 Thesis Structure

The structure of this thesis is divided into six chapters. The first chapter is an introduction of the topic in which the background of the thesis is presented, followed by the problem formulation and the discussion, which highlights previous studies within the internationalization field. Then the purpose of the thesis and the research question(s) are described as well as the delimitation regarding the area of research. The second chapter includes a literature review about the relative theories that will be used in this thesis, which will work as the foundation for the analysis and conclusion. The most relevant theoretical areas include research on internationalization processes and network relationships in order to build a theoretical framework that will support the analysis, and the conclusions. The third chapter explains which research methods and strategies were used and analytically discusses why they were chosen to collect and process primary and secondary data. It includes information regarding the case study that will be employed to achieve the purpose of the thesis. The limitations and ethical considerations are also presented, as is the trustworthiness of the study.

The fourth chapter introduces information regarding the case study along with empirical findings on the firms through the presentation of our primary and secondary data. The fifth chapter, the analysis, combines the theoretical framework with the empirical findings aiming to answer the research question and fulfill the purpose of the thesis. Finally the sixth chapter discusses and addresses the result of the thesis, as well as the contributions, the limitations and suggestions for further research. The paper pursues the following format:

**Figure 1: Thesis Structure**

![Thesis Structure Diagram](source: Own design)
2. LITERATURE REVIEW

In this section the theoretical framework for the thesis is presented. This section introduces the reader to the research fields of internationalization and network theory and within these fields the concepts and theories central to this specific study are presented. This section then introduces the reader to different network relationships such as business, social and institutional ones, stating how they can influence a firm's internationalization. It then introduces different entry modes, and sums up the most important theories into the conceptual framework.

2.1 Multilatinas

Peru is currently considered one of the most important countries in the Latin American region, showing signs of being one of the fastest growing economies in the past decade. Its economy has grown by an average of around 6.4 percent since 2002 and it is expected to continue to grow in the same fashion in 2017 (Filipova, 2017; Cuervo Cazurra, 2016). Recently, Peru has been seeing a great increase in their commodity exports. The openness of Peru's market, in combination with free trade agreements have given way to an increase in export products and exporting firms (Alcaraz & Zamilpa, 2017).

There are different incentives to facilitate business interactions and to stimulate the Latin American economy which be seen with the Pacific Alliance (PA). The PA is a regional trade integration initiative in Latin America signed in 2011 as Lima Declaration by four countries which all border the Pacific Ocean; Mexico, Colombia, Peru and Chile, with Costa Rica and Panama as candidates to become full members (Ortiz Morales, 2017; alianzapacifico.net). “The purpose of the Pacific Alliance is to facilitate regional integration and generate joint cooperation among its member countries, in diverse areas and economic activities including tourism, environmental matters, education, trade, business initiatives, investment opportunities, etc” (Villareal, 2016: p. 1; alianzapacifico, 2015). With these developments, Peru is emerging as strong international business actor (Castro, 2013) and amongst the top 100 ranking Latin American Multilatinas, five of them are from Peru. This country is ranked 6th in terms of the largest number of Multilatinas (AméricaEconomia, 2016; Forbes. 2017).

Cuervo-Cazurra (2010) and Casanova (2009) state that Multilatinas have certain advantages compared to multinationals from developed countries, as they have the unique capability of know-how to operate in challenging institutional environments, and by having the know-who, Multilatinas are said to have the ability to manage tough situations because of their social contacts. According to Rivera and Soto
(2010) Multilatinas have unique characteristics which include (1) most of them are family-owned firms, (2) they have strong and dynamic leadership (3) they have internationalized to diversify the risks of their operations, (4) they have gone abroad due to a saturated domestic market, (5) they have common market conditions and free trade agreements, (6) they have been able to make quick decisions and to innovate in order to seize international opportunities (7) they grew in difficult local environments and were able to overcome the unstable financial systems, the inadequate logistic and infrastructure systems from their countries of origin. Thus, this progressive path of Multilatinas reflects the gradual and systematic learning processes that they undergo (Rivera & Soto, 2010; Losada-Otálor & Casanova, 2014).

2.2 Internationalization

Internationalization has been research for many years under many different perspectives, and there is no consensus on the way it is defined. In this paper we will define it as “the process of increasing involvement in international operations across borders” (Welch & Luostarinen, 1988: p. 36).

2.3 Internationalization strategy

Internationalization strategy is an important concept regarding a firm's internationalization as it aims to describe how, when, where and why an firm internationalizes. Simply put, it is a plan formulated by organizations when expanding into foreign countries (Coviello & McAuley, 1999). There are three main concepts that can be measured when a firm goes international. When a firm chooses where to internationalize, market selection can be studied. When a firm chooses how they should internationalize, market entry can be studied, and when it chooses why, drivers for internationalization can be studied. These three concepts form the processes that firms undergo when they enter into new foreign markets. For a firm, to enter a foreign market there has to something that drives them to establish their business abroad; this is referred to as drivers of internationalization (Welch & Luostarinen, 1993). Once they have decided to go abroad, they then must select a target market to enter. It will be decided which can be considered market selection. Once they have decided to go international, and have chosen their market, they must then choose an entry strategy which they see to be the best fitting (Coviello & McAuley, 1999; Surdu et al., 2018).
2.4 Internationalization theories

2.4.1 The Uppsala model

The original Uppsala model (UM) coined by Johanson and Vahlne (1977) is a theory that explains a firm's internationalization process. It explains that a firm's international expansion is incremental, and their commitment to a foreign market increases because the knowledge of that market grows over time. The UM clarifies that firms first expand into markets which have closer psychic distance, as they will have less liability of foreignness. The liability of foreignness can be language barriers, a lack of knowledge about the market, and other factors which may have additional social and economic costs for the firm. Johanson and Vahlne (1977) observed that entry modes which had little investment commitment and risk, such as exports, were used in the early stage of firm's internationalization, and as the uncertainty of the firm decreased, and the knowledge of the foreign market increased, more investment heavy entry modes were used. With countries with closer psychic distance, the firm has enhanced knowledge of the market, therefore a higher control of resources, meaning they gradually become more experienced and acquire better resources, and as the uncertainty of the firm decreases, they will gradually expand to more distant markets (Johanson & Vahlne, 1977).

Jones and Coviello (2005) have a similar view, as they explain that firms must gain experience from their domestic market before internationalization. Once they have the adequate experience, they gain information on how to export, and once knowledgeable, start exporting in a gradual process which they describe as learning-by-exporting.

Drivers for internationalization

Johanson and Vahlne (1977) explain that the main driver for the internationalization of a firm is knowledge. With this idea in mind, they developed a model to illustrate the connection between market knowledge and market commitment. This can be seen as the “basic mechanism of internationalization: state and change aspects”, in figure 2 below.

**Figure 2: Uppsala Internationalization Process Model:**

![Figure 2: Uppsala Internationalization Process Model](source: Johanson & Vahlne (1977: p. 26))
Johanson and Vahlne (1977) argue that when firms gain experience in foreign markets, they also gain knowledge. This market knowledge has an influence on the commitment decisions of the foreign market, which in turn increases their learning, which further increases the commitment decisions to this market. This is a cyclical flow of commitment through experience and learning. The authors note that market commitment is both resource commitment and the commitment to other uses of their resources (Johanson Vahlne, 1977).

**Market Selection**

As aforementioned, the basis of the Uppsala model explains that firms expand to countries that have low psychic distance to their own. Once they have gained enough knowledge and experience in their initial markets, they incrementally expand into countries with higher psychic distance. With this idea in mind, they highlight the importance of experiential learning and knowledge as a catalyst for initial and future market selection (Johanson & Vahlne, 2009).

**Market Entry**

Johanson and Vahlne (1977) explain that firms enter foreign markets in a step-by-step manner. Firms begin to increase commitment to a certain market once they have adequate knowledge and experience from operating there. The Uppsala Model explains that firms start off by exporting, and once they know the conditions of the market, they will commit to that market with more investment heavy entry modes, such as, fully owned subsidiaries. The firm may start up an office or enter the foreign market through acquisitions or joint ventures. This is a crucial step as opening a physical location in a foreign market requires a considerable amount of commitment and risk (Figueira-de-Lemos et al., 2011).

2.4.2 The Business Network

Johanson and Mattson (1988) had criticised the traditional Uppsala model, as it undervalues the importance of network positions in the internationalization process of a firm. Johanson and Mattsson (1988) investigated the internationalization of the firm in terms of how it establishes and develops itself in a foreign network. Through international extension, they explain how a firm establishes itself in the network relative to other actors. Through network penetration, they explain how a firm develops their position and increases resource commitment in that network position and through international integration, they explain how firms increase coordination between positions in different national networks.
Johanson & Mattsson (1988) measure a firm's degree of internationalization on the relationships in a foreign network; as numerous, strong relationships indicate a high degree of internationalization, whereas a low degree of internationalization means that national networks have a small number of relationships. Coviello and Munro (1997) explained that integration of the incremental models such as Uppsala model with the updated network models can improve the comprehension of the internationalization process of firms. In 2009, Johanson & Vahlne updated their traditional internationalization model, in which they have put a greater focus on the importance of business networks in the internationalization of firms (Johanson & Vahlne, 2009: pp. 1411-1413).

According to Vahlne and Johanson (2013), internationalization is an aspect of developing opportunities that emerge in the ongoing interaction in one or more relationships. This network model of internationalization puts more emphasis on a firm's network and its structure in the foreign market, in which they view internationalization as a multilateral network development process (Johanson & Vahlne, 2009). Johanson and Vahlne (2009) stress the success of a firm to be in its network position in a foreign market, and they change the liability of foreignness to the liability of outsidership. They explain that a firm will suffer from the liability of outsidership if it to establish itself in a foreign market without a relevant network and will therefore be considered an outsider. This liability is because relationships are exceptionally important for firms in order to learn, build trust and increase commitment in foreign networks, the three key elements of internationalization (Johanson & Vahlne, 2011; Vahlne et al., 2012; Yamin & Kurt, 2018).

**Figure 3: The Business Network Internationalization Process Model**

![Figure 3: The Business Network Internationalization Process Model](source: Johanson & Vahlne (2009: p. 1424))

In the figure 3 above, we see some additions to the original model. In this model, they have added the recognition of opportunities to the knowledge sector in the top left corner, as they view opportunity to be a part of the body of knowledge. With this addition, they acknowledge that opportunity is the most important element of knowledge, whilst also recognizing that the knowledge sector consists of other
important factors such as needs, capabilities, strategies, networks of directly or indirectly related firms in their institutional context.

The next state variable is now labelled network position. They see a network position being built on processes which are rewarding, giving a desirable outcome of learning, trust and commitment which are enabled through relationships. Johanson and Vahlne (2009) claim that if a relationship is successful, it will increase the learning and trust in the given network, which will then solidify the network position of the firm. In the change variables, they relabelled “current activities” to “learning, creating and trust building” in order to add more detail to the current activities. They make these concepts more explicit, as they view them to have more of an influence on a firm’s activities in a foreign network.

They view a higher level of knowledge, trust and commitment in a relationship to create more of an efficient creative process. In the relationship and commitment decisions section, they added relationships to clarify that commitment is to relationships or to network of relationships, as the firm can choose to expand or reduce its commitment to relationships. Essentially, Vahlne and Johanson (2013) view the internationalization process as consisting of two intertwined sub-processes: learning, mainly experiential learning and commitment building (from internalization to coordination of networks). Johanson and Vahlne (2009) state that, firms create knowledge through exchanges in its network of interconnected relationships. This knowledge does not only stem from its own activities, but from the activities of its partners, who also have other relationship partners in which their activities are coordinated. In this perspective, firms are indirectly involved in a knowledge creation process that extends beyond what they could achieve from their own activities. Therefore, a network of business relationships provides a firm with an extended knowledge base (Johanson &Vahlne, 2009).

**Market Selection**

According to Johanson and Vahlne (2009), relationships are said to have an influence on a firm’s market selection. Vahlne et al., (2012) affirm that outsidership is now the key element as opposed to psychic distance; so, the uncertainty of foreign markets is based on a network position rather than cultural or geographical proximity. Johanson & Vahlne (2009) state that, firms are more likely to enter a market where they have a stronger network position. As an example, if a Peruvian firm has more network relationships in Argentina, it would be safe to assume that this connection would give them more incentive to enter the Argentinean market. But in light of this, Johanson and Vahlne (2009) do still agree that psychic distance is still relevant, as it can make it more complicated for firms to build relationships.
Market Entry

In the updated model from 2009, Johanson and Vahlne state that market entry is becoming less relevant, and that problems and opportunities in international business are becoming less a matter of country-specificity and more one of network-specificity. This implies that overcoming borders when expanding into foreign countries is not as important for firms as it used to be. The network position a firm attains in a foreign market is now considered to be more important than the type of entry mode used. Because relationships are crucial to a firm's internationalization, they have become an important determinant to where and how they will enter that market (Gallego et al., 2009). So, in light of this, current relationships and network ties have an impact on a firm's market selection and entry mode (Root, 1987; Johanson & Vahlne, 2009).

2.4.3 Criticism to Uppsala Model

Forsgren (2016) has criticised the Uppsala business network model in a number of ways. He views outsidership to concern a firm's position in every network, be it domestic or foreign. So, he views the exclusion of a firm to a foreign network, in contrast to a domestic one to still be based on the liability of foreignness. He adds that “the liability of foreignness is still the cost of doing business abroad, and the liability of outsidership to be a continuous distance effect” (Forsgren, 2016: p. 1137). Furthermore, Forsgren (2016) looks at the structure of a firm's existing network, the characteristics of the relationships firms have with different actors in its network, and the structure of the foreign network. He concludes that an open network will reduce a firm's liability of outsidership in accordance with the ability to discover business opportunities in a foreign network. Blankenburg Holm, Johanson and Kao (2015) argue that it could increase the liability of outsidership regarding the possibility to develop these opportunities. As open network grants diversified information by bridging otherwise disconnected actors. On the other hand, a closed network has more access to social capital, and the more social capital available, the more it can dedicate to building business relationships in that network through trust and cooperative exchanges (Forsgren, 2016).

Institutional networks

Other criticism of the network model has stated that traditional business network approach has given little consideration to actors outside the production network. Different researchers have found that governmental trade promotion agencies can grant legitimacy that a network needs by having a positive impact on its growth (Johanson & Kao, 2010). Other types of relationships can be found linking commercial agencies such as governmental agencies, banks, law firms and other organisations. These institutional networks are said to also have an influence on the focal firm and their network and the
institutional actors can be separated into two groups; profit driven actors such as traditional suppliers and customers, and other actors that belong to the authorities such as trade agencies, unions and chambers of commerce. The research has shown that firms from emerging economies use their networks to gain acceptance from political actors and be legitimized by interacting with international institutional actors (Johanson and Kao, 2010). Also, the institutional network perspective is relevant as it can provide a more detailed explanation of how various institutions support and network resources used by Multilatinas (Cuervo-Cazurra, 2011; Casanova et al., 2009). Radlo (2012) argues that home country public and private institutions compel firms from emerging economies to engage in outward internationalization and Taotao et al., (2016: p. 234) argue that “greater institutional open access in a particular region of a home country” in the areas of legal environment openness and financial market openness leads to greater outward internationalization”. Johanson & Kao (2010) and Luo & Tung (2007) state that institutional relationships are more common among firms from or entering emerging markets. They are said to eliminate uncertainties and information asymmetries, which stem from lack of knowledge of how things run there. Institutional relationships not only help firms to gain contacts and connections in the early stage, but also provide legitimacy for establishing the firm (Cuervo-Cazurra et al., 2018; Huang et al., 2017).

2.4.4 Types of network relationships

The two types of network relationships for entering foreign markets include formal and informal networks (e.g. Coviello & Munro, 1997; Coviello & McAuley, 1999; Ojala, 2009). Formal relationships are related to business activities between two or more actors in the network. Informal relationships on the other hand, are related to personal relationships such as friends and family (Ellis, 2000; Granovetter, 1973; Wilson & Jantrania, 1995).

The Social Network

According to Granovetter (1985: p. 490) social networks are defined as webs “of personal connections and relationships for the purpose of securing favours in personal or organizational action, which lies at the core of network resources for the organizations involved”. Social networks can offer contacts and critical information that grant entrepreneurs access to foreign markets, and these social network relationships are a fundamental concept for international entrepreneurship in which entrepreneurship can be understood as a networking activity (Dubini & Aldrich, 1991; Yamin & Kurt, 2018). That is, entrepreneurship is located in a network of social relations, and it is carried out by connecting entrepreneurs to resources and opportunities that exist in that network (Aldrich & Zimmer, 1986).
Therefore, social networks lead to superior internationalization performance (Zhou et al., 2007: p. 685). Salmi (2010) highlights that, all relationships initiate with interaction between people through personal contacts. Thus, personal contacts can also be enablers when building business relationships. However, the mentioned authors have criticised that personal contacts might also hinder the relationship development due to direct influence when the friendships are too powerful; e.g. when a partner choose first to gather their “friend’s” needs deviating from their firm's loyalty (Halinen, Salmi & Havila, 1999).

2.4.5 Foreign entry modes

According to Root (1987, p. 5) an entry mode is defined as “an institutional arrangement that makes possible the entry of a company’s products, technology, human skills, management or other resources into a foreign country”. Blankenburg (1995, p. 379) explained that foreign entry as the result of the “interactions between the actors of the firm and the network” In other words, their business and social ties (Ellis, 2000).

Similarly Johanson & Vahlne (2009) consider a foreign entry mode to be a position building process in a foreign network. Furthermore, Johanson & Vahlne (1977: p. 29) states that “the decision on what entry mode to implement is due to a companies‘ current state, companies past experiences, stability, access to resources and structure of the target market”. Also, when a firm decides on its entry mode, it also uses to choose the level of “resources, commitment and risk” involvement (Chung & Enderwick, 2001: p. 443).

In the process of internationalization, the most important decisions are the choice of foreign market selection and the entry mode, because of its repercussions for performance and its long-term consequences for the firm (Werner, 2002; Shen & Puig, 2018). Moreover, there are two manners to select a foreign market: (1) a proactive approach when the firm, in a formal way, chooses markets; (2) a reactive approach is when the firm takes action when opportunities emerge (Albaum et al., 2005). In addition, both formal and informal network relationships can influence the firm's foreign market selection and mode of entry. Raff, et al., (2009) and Root (1994: pp. 5-6) state that, firms can choose from a variety of entry modes when they want to enter a new market.

They are divided in three groups (1) export modes which include direct and indirect exporting, direct distribution /agent, and direct branch subsidiary; (2) contractual entry modes; franchising, licensing, technical agreements, management contracts, service contracts, construction/turnkey contracts, co-production contracts; (3) investment entry mode includes greenfield, strategic alliances, sole venture: merger & acquisition, brown field, joint venture: new establishment/acquisition, etc. In this thesis, the
most common entry modes to Multilatinas are: exports, greenfield investments, acquisitions; and licensing.

**Exports**

Exports are considered the lowest risk, and least capital intensive of entry mode, and it is easier to enter or exit a market. They are considered the first type of entry mode a firm chooses to do when they have uncertainty of a foreign market. As the firm's uncertainty decreases, they generally follow up with a more investment heavy type of strategy as they increase their commitment (Johanson & Vahlne, 1977). In addition Bradley (2005: p. 226) argues that exporting could be a part of “continuum of increase commitment to internationalization”. Exports from a networking perspective can introduce firms to active actors in the foreign market, granting them experience through their operations with them (Leonidou, 1995).

**Greenfield investment**

Greenfield investment is a project in which a firm builds the entirety of its operations in a foreign market from the base. It is a type of foreign direct investment in which it provides the firm the highest degree of control. This type of investment is also said to have the highest risk and be the most commitment heavy as they must allocate a lot of resources to get it initiated (Malhotra et al., 2003; Raff et al., 2009).

**Acquisition**

Most of the Multinational firms that expand into emerging markets choose to enter through horizontal and/or vertical acquisition² (Cuervo Cazurra, 2007; Meyer & Estrin, 1999). This facilitates speedy entry into international markets, with one the goals being to obtain a firm’s already established production, marketing, and distribution networks, while benefiting from instant access to the market (Zaefarian, et al., 2011). In addition, it allows the access to networks of actors where resources are acquired via the interaction of local activities (Johanson & Kao, 2010). However, the acquired firm does not necessarily match the style of management of the organization that has invested, and problems may arise from this (Forsgren, 1989).

² Firms’ horizontal acquisitions strategy is to take over competitors that are in a similar market sector to have additional products or services. On the contrary firms’ vertical acquisitions strategy is to acquire suppliers or members of the distribution channel to secure the access to essential supplies, components and distribution channels (Herger & Mc Coriston, 2016)
**Licensing**

Brand licensing means renting an intangible asset. It is the creation and management of contracts between a firm and an individual who wants to use the brand in association with a product for an agreed amount of time within an agreed location. Licensing is used by brand owners to extend a trademark, by giving to someone permission to drive businesses (Hornick, 2002; Malhotra et al., 2003).

**2.5 Conceptual Framework**

Presenting an overall view of this study, a framework has been created that describes the literature review into an applicable conceptual framework model. By conceptualizing the theories, we put emphasis on how the theories are interrelated to each other, and how combined, they can create an understanding regarding the internationalization process of *Peruvian Multilatinas*. The conceptual design aims to simplify the internationalization of Peruvian firms through the use of network relationships, and by looking at their choice of market selection and entry modes. It is said that different network relationships have a different influence on a firm's operations, so we set out to study their influences and impacts on their foreign expansion operations.

**Figure 4: Conceptual Design**

*Internationalization process* --*--------------------->*

![Conceptual Design Diagram](Source: Own design)

The conceptual design in the Figure 4 above aims to illustrate and explain the internationalization process of Peruvian firms. The design illustrates the firm’s internationalization process by taking into account certain factors. The process is determined by their domestic position before internationalization, their main drivers of internationalization, their choice of markets and market entry modes, and the foreign network position that they attain through their network relationships. The internationalization process above also takes into account how different network relationships can influence a firm’s internationalization process.
3. METHODS

In this section, we explain which methods we used in our research and analytically discuss why we chose those methods. As well as presenting the strategies and design used in the data collection, we explain how we collected our data. The analysis method used is addressed, and finally, the trustworthiness of the study is evaluated.

3.1 Research Method

To answer the research question, we compared different Multilatina firms and their internationalization process. Bryman & Bell (2011; 2015) state that it is necessary to utilize a qualitative approach when the collection of data is based on stories or words, rather than on a quantitative data set where statistical analysis may be called for. Therefore, we selected qualitative method which in general intends to analyse “soft data” from interviews in forms of words instead of figures from questionnaires (Bryman & Bell, 2015: p. 249).

This research area is new and rather unexplored, so an exploratory research approach was used with the aim to get a deeper understanding of our topic of interest. Saunders et al., (2009) argue that an exploratory study can be useful in studies as these, as the goal is to gain new insights into a certain phenomenon. Since there is a limited amount of information regarding the internationalization of Peruvian Multilatinas, especially from a network perspective, the study gains a deeper understanding of how they internationalize through their different network relationships. Exploratory research is nearly always conducted through qualitative research methods as there are possibilities of gaining an in-depth understanding of the research area (Saunders et al., 2009). Furthermore, Saunders et al., (2009) affirm that this approach opens the possibility for future research.

The qualitative analysis was carried out in the following order: (1) The formulation of interview questions. (2) Choice of relevant respondents. (3) Collection of data. (4) Interpreting the data. (5) Analysing the data and theories simultaneously, and (6) Drawing conclusions and suggestions achieved through the analysis of our empirical findings.

3.2 Research design - Case study

A case study research method allows investigators to focus on a case and retain a holistic and real-world perspective through an empirical investigation (Yin, 2012: p.4; Saunders et al., 2009). It can be used to gain a rich understanding of the research area, while answering questions such as “who” and
“how” (Yin, 2009).

According to Saunders et al., (2009: p. 140) a case study can be worthwhile when exploring an existing theory, and a well-constructed multiple case study strategy can allow to confront an existing theory and provide a source of new research topics. In line with (Yin, 2009; Saunders et al., 2009), a multiple case strategy was chosen as it will provide comparative insight of the internationalization of the firms within the same industry.

3.2.1- Case Selection

To gain valuable information in accordance with the research question, we found focal firms which matched the criteria of our study. The selection criteria were based on (1) The company must be founded in Peru; must be indigenous, domestically owned, so that they were bounded by similar environment (e.g., government and inter alliances regulations & culture. (2) Must have internationalized to several geographical locations. (3) They must operate in the food and beverage industry. With these criteria in mind, we found three Peruvian Multilatinas that followed our description, and set out to investigate their internationalization.

3.2.2 Case firms

Two case firms were selected to gain a deeper understanding about their internationalization through a network perspective. The focus firms are two prominent Peruvian Multilatina firms: Alpha and Beta which operates in the food and beverage industry, and who are especially notable for their OFDI. (For purposes of confidentiality, the actual names of the firms were disguised).

Alpha was founded in 1978, but they started to internationalize in 1993 by entering the Bolivian market. Today, it is positioned as one of the main producer of processed milk in Peru due to their technologies and their foreign acquisitions (General Manager Sergio Alvarez, telephone interview, 2017-04-26).

Beta began its operations in Peru in 1988 by selling their soft drinks door-to-door, but the company was founded in the 1991. The success that was achieved by them in small cities in Peru after permitted the firm to develop through their exports and green field operations since 1999 in Latin America (Beta annual report, 2009: p. 7).
3.3 Data Collection

We collected a mix of both primary and secondary to gain insights into how Peruvian firms internationalize. In the initial stages of our study, we gathered the relevant secondary data by collecting information from the internet; databases; the focal firm's homepage, government's trade institutions; international trade data; chambers of commerce, annual reports, and other written sources of information. This data provided us with additional information in understanding the background of the focal firms and their activities.

The primary data on the other hand was collected through semi-structured telephone interviews with the persons in the focal firms who had knowledge about their national and international operations. The primary data from the telephone interviews was supported by the firms' homepages, annual reports and other business data. We interviewed key actors in the respective Multilatinas and institutional agencies to gain insight into their operations by using our interview guide (see Appendix 1).

The choice of interview was semi-structured, and it is considered non-standardized, and relies on open-ended questions that can give more freedom to the interviewee. Yin (2012: p. 259) argues that “open questions provide the respondent to give own terms and descriptions, even if it is time consuming and difficult to analyze, but its use gives more room for flexibility”. For purposes of confidentiality, we used fake names for both respondents and the different firms involved, including their subsidiaries.

3.3.1. The Interviews Guide

When designing the interviews guide, our theoretical framework was broken down into different topics/themes which we then formulated questions in order to link to the respective topics. Even if they are semi-structured questions, they must be based on a logic foundation, so it can answer the research question. Our aim was to be open, without asking leading questions, in line with Saunders et al., (2009: p. 321).

The interviews were conducted in two stages. In the first stage, pilot interviews were conducted with unstructured questions aiming to let respondents speak freely about the history of their firm, its background, their domestic operations.

The pilot interviews were conducted via messenger and Skype and phone calls to get in touch with the focal firm's representatives with the aim to learn more about them. In the second stage, e-mails were sent out in order to schedule follow-up interviews. The second interviews were based on semi-
structured questions aimed at finding out about the firm’s relationship ties and their network position in international markets.

3.4. Analysis Method

To present the empirical data we have combined all interviews to ensure a clear and visible structure. We separated the findings from each Multilatina firm to strictly follow our key themes/topics. Since, it could have had an impact on how freely we could interpret the data; thus, it is of greater importance for the reader to easily follow our presentation. In our analysis we have used the themes/topics from our theoretical framework and the empirical findings to compare differences and similarities between Peruvian Multilatinas firms.

We marked each topic with a colour, and every question/answer that was in relation to the topic was marked with the same colour. This way we could ask about the relevant areas, whilst also simplifying our transcription process through colour coding. In the analysis however, we structured it mainly according to our operationalization chart below in order to facilitate the argumentation of the paper.

3.5 Ethical Considerations

We followed guidelines by Bryman & Bell (2011) to ensure that we carry out our research in an ethical manner. We made sure that each respondent had full consent of our interviews, and knew the purpose of our study, and we informed that they could remain anonymous if they wished to. Therefore, to maintain the promised anonymity, we have fictitious names for the firms and their respondents. We informed them in an honest and transparent way what our research was about, and that they could inquire about the purpose of our research if they wished. We avoided offensive, discriminatory or other unacceptable language in the formation of our question guide. We did not alter any of the results and tried to maintain the highest level of objectivity in discussions and analysis.

3.6 Validity

Validity concerns if the researchers were able to measure what they set out to measure (Zikmund, 2000). Considering the researchers based the research off previous theories, it is argued that high validity was achieved. In order to ensure that everything that was expressed in the interviews was as intended, the transcribed results were sent back to the interviewees in order to confirm that the results were accurate. One limitation that this type of research could have is external validity, which means the representativeness, as it can be a common problem in case studies. This limitation includes the
generalisability, as we have only focused on two firms, the results cannot entirely paint the picture for every Multilatina. In light of this, the mission of the research was not to draw generalizable results, but to draw relevant conclusions from the research area, while connecting them to earlier research in this area.

3.7 Reliability

Reliability regards the question, if another person were to repeat the study, would the same results emerge (Zikmund, 2000). The main concern for this type of research is to keep biases and errors from interfering with the results (Yin, 2009). Reliability generally concerns quantitative research, as it can be defined as a stability of a measurement (Bryman & Bell, 2015). Regardless, we still found it to be important to discuss how reliability is taken into consideration. Considering a qualitative study, due its complexity, and human interaction, is hard “to achieve high reliability” (Bryman & Bell, 2011: p.80). There are some things that could be repeated, but of course, we cannot deny the fact that slightly different results would also emerge if the study were to be replicated. As aforementioned, the interviews were held in Spanish, and then translated and transcribed. Always, in qualitative studies, the analysis is more subjective than a quantified measurement, so one could also question its reliability in that regard (Bryman & Bell, 2011: p. 116). All in all, attempting to have a clear connection between the different chapters in the thesis can also provide the paper with higher reliability.

3.8 Limitations

There could also be certain limitations to our research method. The data collection technique was done through interviews, which may have a bias effect due to the interaction of the interviewer and the interviewee, essentially affecting the reliability of the data collected (Saunders et al., 2009). We also conducted the interviews over the phone in both Spanish to eliminate language barriers. The collected interviews were then translated into English in an accurate and thorough way. However, there is always some languages nuances, since loss of precision will generally always happen during the translation and transcription process. Furthermore, when conducting interviews over the phone, one may lack the recognition of body language cues in order to follow up with more detailed questions regarding their activities. It also lacks the chemistry that you get when you have face-to-face interviews, at times making the interview feel like it has to be rushed.
3.9 Operationalization

Ghauri and Grønhaug (2005) argue that the operationalization is one of the most important aspects of doing business research. The operationalization is a set of procedures telling what to do and what to observe by answering the research question - What does the internationalization process looks like for a Peruvian Multilatina?

The procedure started with breaking down the theoretical concepts from the literature review and transforming them into question for our interview guide. These concepts bridge the theoretical framework, which was generated from the synthesis of the literature review; to create relevant questions regarding their internationalization. In the first part, questions were aimed towards portraying a general understanding of the focal firms’ domestic operations and their initial phase of internationalization.

Regarding the early stage of internationalization, we inquired about the markets they entered, and the entry mode they used. We ask questions about their investment-based entry modes in their later stages of internationalization to see if network relationships played a role. These questions regarding their equity-based entry modes intend to describe their entry mode as a position building process in a foreign network. In accordance with the network model, we want to find out the position these firms attained in foreign markets through their network relationships. After that we wanted to investigate if institutional or social networks had any impact on their internationalization, and how it affected their process.
<table>
<thead>
<tr>
<th>Concepts</th>
<th>Theory/Model</th>
<th>Topics / Issues</th>
<th>Questions n*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1) Preparing the Growth</strong></td>
<td><strong>Domestic operation before Internationalization</strong></td>
<td></td>
<td></td>
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<tr>
<td>-Drivers for internationalization into new markets</td>
<td>UM Johanson &amp; Vahlne (1977)</td>
<td>Reasons to Internationalize</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Cuervo-Cazurra &amp; Ramamurti (2014)</td>
<td>Market knowledge &amp; Market commitment</td>
<td>3</td>
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<tr>
<td></td>
<td>Jones and Coviello (2005)</td>
<td>Domestic market conditions</td>
<td>4</td>
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<tr>
<td></td>
<td>Blankenburg (1995)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coviello &amp; Munro (1997)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2) Planning the market entry</strong></td>
<td><strong>Market selection (Where)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Mode of entry (How)</td>
<td>Johanson &amp; Vahlne (1990)</td>
<td>Market selection based on the development of knowledge from previous experiences.</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Cuervo Cazurra (2008, 2010)</td>
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<td>6</td>
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<tr>
<td></td>
<td>Johanson &amp; Mattsson (1988)</td>
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<td>Forsgren (2013)</td>
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<td>Hornick (2002)</td>
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<td></td>
<td>Root (1987)</td>
<td></td>
<td></td>
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<tr>
<td><strong>3) Establishing the presence</strong></td>
<td><strong>Network positioning</strong></td>
<td></td>
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<tr>
<td>-Influence of network relationships</td>
<td>Granovetter (1985);</td>
<td>Network penetration,</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Johanson and Kao (2010);</td>
<td>International integration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Blankenburg (1995)</td>
<td>institutional networks and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Zhou et al. (2007);</td>
<td>social networks</td>
<td></td>
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<tr>
<td></td>
<td>Dubini &amp; Aldrich (1991)</td>
<td>Key players within social</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Halinen, Salmi &amp; Havila (1999)</td>
<td>relationships</td>
<td></td>
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<tr>
<td></td>
<td>Werner (2002)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Vahlne &amp; Johanson (2013)</td>
<td></td>
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<tr>
<td><strong>4) Improving the market position</strong></td>
<td><strong>Committing to the market and network.</strong></td>
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<tr>
<td>-Adapting to market</td>
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<td>Source: Own design</td>
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</table>
4. EMPIRICAL FINDINGS

To understand the internationalization process of Peruvian firms; we have focused on (1) their drivers for internationalization (2) their choice of market and entry mode and (3) the influence of network relationships. The collected background information, of both the respondents and the company, allows us to establish a better understanding of the focal firms and their international operations.

4.1 Firm - Alpha

Alpha is a Peruvian industrial conglomerate; their activities range from dairy and food to cement, paper production, transportation and services. In this paper, we focus solely on Alpha’s food sector. This sector operates as a producer and supplier of milk products and beverages. It offers evaporated and ready to drink milk yogurt. It was established in 1978 and is based in Lima, Peru. The diversity and quality of the products the Group manufactures and sells, and the effective distribution and transport capacity enables the firm to create synergies that ensure a diversified business structure capable of achieving a successful performance in a competitive environment. Alpha is currently active in 40 countries in Latin/Central America, the Caribbean, the Middle East and Africa. It exports to these regions, and has fully owned subsidiaries in Peru, Bolivia, Puerto Rico, Colombia, Ecuador, Argentina and Uruguay. Alpha participates in 4 large businesses segments: Milk, Dairy products, Beverage and others (Alpha’s homepage).

4.1.1. Drivers for internationalization

An interview was conducted with the General Manager Sergio Alvarez in which we inquired about their domestic operations before internationalization. Alvarez informed us that from the firm’s inception, they started off by cooperating with local businesses and producers. Their main strategy in the early stage was to build alliances with key actors by providing a high-quality product to their customers. They grew to attain a strong domestic market position thanks to their collaborations and their key domestic investments. The pro-market reforms in the 1990’s had influenced the firm to go international, as the new business landscape had enabled them to become international players. This matched the firm’s vision to increase their growth, and they started exporting to intermediaries in neighbouring countries shortly after the reforms in Peru. Their brand quickly became recognised in parts of Latin American, and according to Alvarez, the name became associated with affordable quality. Reflecting on this, Alvarez stated that they saw an opportunity to expand into neighbouring countries, and when they had the necessary capital, Alpha decided to acquire a firm in Bolivia in 1993, granting it access and control of their operations in that market. The purpose of this acquisition was aimed at improving their product quality and processing, and in business matters, creating a
specialized team in the sale of dairy products and their by-products. This acquisition proved to be a success as they attained 60% of the Bolivian dairy market share. Alvarez mentioned that before and during their early internationalization, setting up strong logistic partnerships was their main strategic priority (telephone interview, 2017-04-26).

4.1.2. Market selection

According to Alvarez, Alpha exports to 40 countries, all of which can be classified as emerging economies. Their choice of country for acquisition is also in countries in the Latin American region. The choice of market is due to the potential opportunity that the market may provide, but also because of their geographical and cultural proximity (telephone interview, 2017-04-26).

4.1.3. Entry mode

Alpha started exporting in the early 1990’s, and they currently export to 40 countries in Latin/Central America, the Caribbean, the Middle East and Africa. The firm has also undergone numerous acquisitions, making it their main international entry mode, ranking second in Peru as the amount of international acquisition undergone. Alpha has acquired numerous different international brands and has nine fully owned subsidiaries in numerous geographical markets. They have three in Puerto Rico, two in Peru, and one in Bolivia, Argentina, Colombia, and Ecuador. Below is a timeline of the international acquisitions that undergone until 2012 (Alpha’s annual report, 2016).

Figure 6: Alpha Internationalization via Acquisitions

<table>
<thead>
<tr>
<th>ALPHA AQUISITION</th>
<th>YEAR AQUISITION</th>
<th>COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAIRY PLANT</td>
<td>1998</td>
<td>BOLIVIA</td>
</tr>
<tr>
<td>DAIRY PLANT</td>
<td>1999</td>
<td></td>
</tr>
<tr>
<td>DAIRY PLANT</td>
<td>2002</td>
<td>PUERTO RICO</td>
</tr>
<tr>
<td>BEVERAGES MANUFACTURING</td>
<td>2002</td>
<td></td>
</tr>
<tr>
<td>EXCL. DISTRIBUTOR</td>
<td>2003</td>
<td>PERU</td>
</tr>
<tr>
<td>DAIRY PLANT</td>
<td>2004</td>
<td>COLOMBRA</td>
</tr>
<tr>
<td>DAIRY PLANT</td>
<td>2005</td>
<td>ARGENTINA</td>
</tr>
<tr>
<td>DAIRY PLANT</td>
<td>2005</td>
<td>ECUADOR</td>
</tr>
<tr>
<td>MILK PLANT</td>
<td>2006</td>
<td>ARGENTINA</td>
</tr>
<tr>
<td>DAIRY PLANT</td>
<td>2012 (55%)</td>
<td>URUGUAY</td>
</tr>
</tbody>
</table>

Source: Own design
When inquired about acquisition as their main international entry mode, Alvarez explained that it was the quickest way to seize a potentially rewarding opportunity. The acquisitions granted them access to the brand, the production facilities, the foreign market and its network and granted them experienced knowledge of operating there. Through these acquisitions, they have added more products to their product portfolio, and have been able to upgrade their technology and to adapt to the specific market needs of their markets (telephone interview, 2017-04-28).

In 2003, Alpha had also acquired an important distributor which gave them control of their own distribution activities both nationally and internationally. The vertical acquisition of this firm provides Alpha with the commercial services of national sales, export, marketing and distribution and includes the management of the warehouses of their finished products. Both the horizontal and vertical acquisitions ensure that they reach economies of scale, whilst being able to ensure that their supply chain is both efficient and effective (telephone interview, 2017-04-28).

4.1.4. Network relationships and position

When asked about how business networks influenced their internationalization, Alvarez informed us that initially, there was no systematic approach to building relationships, and that opportunities arose as the firm grew. He states that when a firm has incentive to go international, the appropriate partners and collaborations must be sought out. He further explains; now that the company has reached this magnitude, the business model has changed, and things have become more complex to organize. With the firm in its current state, steps need to be taken more carefully and systematically. He mentioned that there are numerous risks when entering geographical markets, so researching the market and collaborating with key actors is a priority. He states that transparency becomes an important factor for business, so open and frequent communication is essential to maintain high levels of synergy. This synergy is important as it increases effectiveness by sharing perceptions, experiences, insights and knowledge (telephone interview, 2017-04-28).

We followed up on questions regarding their customers and suppliers. Alvarez informed us that one of Alpha‘s most important business partners is their customers. He describes their main customer base as Business-to-Business customers, in which they maintain frequent levels of communication with Alvarez explains that communication in these types of partnerships is important as it essentially streamlines their supply chain whilst averting any risks or complications. Alpha currently has three main customers which they work with; distributors (43%), supermarkets (14%) and wholesalers (5%).
Alpha also has two main national raw material suppliers which consist of farmers from the south and dairy basins in the North. They also import raw materials from international suppliers from Bolivia, Japan, New Zealand and the United States. Alvarez mentions that if there is ever a problem with one of their suppliers, the firm is always there to help them find a solution. He explains that communication is beneficial for all parties, and good and constant communication is fundamental to improve the price, quality and service of the product (telephone interview, 2017-04-28).

We wanted to know more about the influence of social contacts, as we asked how they had influenced the firm’s internationalization. Alvarez explained that the company was inherited, and as it was a small local company, and due to the evolution of technology and communication, it gave them a strong position because of the loyalty that they had built from the family firm structure. He continued, *nowadays, due to social platforms, we can keep in touch with our social contacts, which all in all can influence both our domestic and international operations.* He also regarded social capital as an important determinant of their success, as within in Peru, knowing the right people can get you a long way. He describes the people of Peru as having a giving and caring nature, so the people you encounter can surprise you in what they can provide. In terms of social connections, Alvarez mentioned that a friend of his became the head business attorney of Alpha, and he is considered an asset in their international operations as he tackles the legal procedures when expanding into foreign markets. Alvarez found it interesting that we inquired about social relationships, because he finds them to be a big part of his business life. He explains that when you want to build an enterprise, you are always in “network-mode”, so anyone you meet can influence your business. According to Alvarez, every conversation he has could impact his business, so he always approaches people with an open mind. With this, he explains that he is open to people's opinions and views, as they can grant you with an opportunity, or their idea could develop into something bigger (telephone interview, 2017-04-28).

When we asked about, if he distinguishes between people who can be part of their multinationalization, he explained “*As mentioned previously, we (as humans) have social encounters from a day to day basis and because i consider this company my own, any opinion can be intriguing. Sometimes there can be events which are planned on a more entrepreneurial basis, and others can be based on social encounters. Inspiration is something that just clicks, you can’t look for it. Someone can present you an idea, and you go for it if it feels right. You cannot give it a precise measurement*”.

Regarding institutional relationships, Alvarez explains that they are considered an asset to the firm. With the adaptation of the Washington-Consensus, the Peruvian Government has created incentives for firms to go international, and they have aided them in their internationalization process. He explains that Latin America is holding, on annual basis a “Foro Multilatinas” in which different
companies that are planning to internationalize present global ideas and opportunities. One of the main missions with this is to connect business actors with each other. *The Peruvian ministry of foreign affairs* is a direct partner to this event, and they have strong incentive to help firms from the Latin American region. Other institutional relationships involve governmental bodies in countries which attempt to promote foreign investment. In Colombia for an example, ProColombia\(^4\) had helped them in several different ways by granting them information regarding how to invest and linked them with relevant Colombian partnerships. He explains that the Latin American region witnesses the benefit of mutual development, so the dedication they give to the growth of the economy is shown in the way they help established firms and startups alike (telephone interview, 2017-07-14).

When we asked about their current network structure, and position, trying to find out if it will influence future internationalization, he explained, *the market is ever-changing, evolving, new competitors emerge, our business model attempts to be as fluid as possible. In this current moment, the international strategy we are using has been found to work. We have hit walls along the way, and we will continue to hit walls along the way. We don’t see it as a solid or fixed structure, its all dependant of the market, the demands of the people, and other situational changes that can change at any given moment. Of course, the network in which we currently operate has great importance, but building new network relationships must always be considered a key strategy when getting established into new regions or markets.* Following up on that thought, we inquired about their current network position. He explains that their current position is the determinant of every decision they have made leading up to this point. The success of the company in international markets is based off the commitment they have shown to different partners they have created through their expansion process. The success of their brand indicates how their international expansion has undergone. As far as he sees, commitment to a legitimate business relationship is a win-win situation for all parties if conducted appropriately (telephone interview, 2017-07-14).

### 4.2. Firm 2 - Beta.

According to their website, Beta started out selling with the humblest of business models: selling a homemade cola drink door to door. Their main expansion strategy was to build factories in small cities where they could offer cheap prices, whilst cooperating with local actors who distributed their products. In their domestic market, they underwent a series of acquisition in to take control of their

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\(^3\) Ministerio de Relaciones Exteriors del Perú

\(^4\) ProColombia is the entity in charge of promoting Tourism, Foreign Investment, Exports in Colombia and the image of the country.
business activities. According to the firm's website from 1999 to 2004; the sales of Beta's soft drinks multiplied by twenty. At the end of 2008, Beta was present in, Costa Rica, Guatemala, El Salvador, Honduras, and Nicaragua. At the present, it has 23 bottling plants, 120 distribution centers, and around 10,000 direct and indirect workers.

4.2.1 Drivers for internationalization

Beta started to export their products in 1997 and realized that they had instant success internationally. Their success through exports enabled them to start establishing partnerships and to seek alliances to further penetrate foreign markets. Beta uses its export operations to learn about a potentially interesting host market, and if the host market shows indication of providing an advantage, they follow up by investing through greenfield, acquisition or licensing the production of their products. Their first international expansion was into Venezuela in 1999 and to Ecuador in 2000. One of their most successful expansion decisions was to enter the Mexican market in 2002 (Beta’s homepage).

Carlos Yerik, managing director states “We thought that if the business model we had designed in Peru was sustainable in Mexico, then it was sustainable anywhere” (telephone interview, 2017-07-05). With their success both home and abroad, they intensified their international operations and entered Costa Rica in 2004, Guatemala, Nicaragua and Honduras in 2005. The firm then established a corporate office in Spain in 2006, launched operations in Colombia in 2007, Panama 2009, Indian, Vietnam and Indonesia in 2010, and Brazil in 2011. Their international strategy in 2013 revolved around opening themselves up to local partnerships in developing countries. Below we can see a timeline of Beta’s internationalization path (Interview / Beta’s homepage).

Figure 7: Beta Main Milestones of Internationalization:

![Beta Main Milestones of Internationalization](source; Own design)
4.2.2. Market selection

Beta’s international strategy revolves around getting established in emerging economies, and their distribution model is adjusted to answer the specific needs of those markets. Their main goal is to find opportunity in these markets as they have high growth potential in the beverage industry (Yerik, telephone interview, 2017-07-05). Beta has production facilities in 23 emerging countries, and their business model has enabled them to have full ownership and control of their own operations (Beta’s homepage).

4.2.3. Market entry

According to Yerik Beta initially relied on exports, greenfield investments and acquisitions as their international strategy, but adapted to licensing once they had established production facilities abroad. The products they produce in foreign markets is generally the same for the whole group, but they will also make a product that is exclusive to a certain region. In 2013, Beta adapted its international strategy and opened themselves up to international partners who manufacture and distribute their products. Through these partnerships, they ensure that they provide global brand management; stating that a new license would typically require an investment in manufacturing equipment and distribution capacities. This strategy has proven to be successful, and the licensing of their brand is proving to gain market share in their target regions “As part of our growth and expansion strategy, we consider working with strong local partners in emerging countries in Latin America, Asia and Africa with high growth potential in the drinks sector. Our local partners - who are Beta’s local franchisees - contribute strong local expertise and market insights to the growth of our brands. Beta wants to grow together with its franchise partners and expand the beverage market into new markets”. When inquired about who was important in the development of their business, Yerik explained that people inside and outside the firm. Their main approach is through partnerships, so it's the constant development and maintenance of relationships that continually adds to the success of the brand. Beta is attempting to launch new products to different markets to match the needs of the end consumers (telephone interview, 2017-07-05).

For an example, Yerik affirms that in Asia, the company released a product without caffeine which suited the local market needs. They also gained 40% of the market share in Indonesia, after having reduced the price of their 300ml pack by remaining attractive to their target consumers. In a follow up question, we inquired how they know which products match the consumers. He stated that it's based on market research, experience operating there, and working closer with people who are knowledgeable about their local market. The success of the company is not only in their lower costs compared to
competitors, but also from the adaptations they have to specific markets (telephone interview, 2017-07-05).

4.2.4 Network position and influence of network relationships

When we asked Beta’s network relationships, and if they had undergone a systematic approach to finding business partners, Yerik explained that every step a firm takes must be calculated. For a firm to get established abroad, it must coordinate their main activities to ensure they have an efficient supply chain. Their supply chain must be constantly maintained and monitored in order to increase efficiency.

In this type of industry, the main concern is producing a high-quality product with an efficient production and distribution line. Beta has 92% of the firm’s sales are to third party distributors and small retailers, and around 8% to wholesalers. The type of micro partnerships has enabled them to maintain a lower price than their competitors, essentially out-competing them in certain strategic locations. Beta has incorporated numerous micro companies into its distribution network, which all have the means of their own transport, and are responsible for distributing their products to different assigned areas. This distribution network contributed to the rapid growth of sales since they did not have to invest in their own distribution infrastructure. At this given time, Beta has more than 100 distribution centers around the globe (Beta’s homepage).

When we asked about family and friends in their international affairs, Yerik explained that the company itself is family run, so the decision always came from the closest of the family. With a family firm, the scope of friends and acquaintances is large, and they can all contribute to the success of the firm. The home-base social structure is considered an asset to Beta, and some of their contributions to the firm's international performance can be “invisible”. When you are closely knitted into a strong and extensive social network, information goes around quickly. This can be advantageous as people can understand the direction and vision of the firm, and they can supply you with certain ideas which can develop into something potentially rewarding. Interestingly, Beta saw an accelerated growth rate in the period from 2002 to 2004 which led to the reorganization of their business structure. Beta needed to respond to needs of the market and the growing demand for their products. In order to tackle this, Beta changed from a family business structure to a centralized business structure in which a corporate core became responsible for strategizing and implementing necessary action. This reorganization came to fruition in 2006 when they changed their corporate office to Spain. This office allowed the firm to adapt to different time zones in both Asia and Latin America, making them more responsive to their international markets.
around the globe (Beta homepage). Regarding institutional relationships, Yerik finds them to be key partners in the development of their international affairs. He states “In our early years of internationalization, we were unsure of how to proceed with acquisitions in Venezuela. We consulted PromPeru\(^5\) on how to approach this market. When working closely with them, you sensed the mutual engagement in the formation of our international affairs. They supplied us with important information and connected us with other agencies in Venezuela. Even to this day, we work closely with governmental bodies that look out for our best interest”.

Yerik explained the current changes in the Peruvian economic and regulatory environment, and states that some governmental bodies seek to promote growth within the region (telephone interview, 2017-07-14). Moreover, according to the firm’s website la Multilatina, Beta’s infrastructure is spread out across Latin America. The major growth of market these days is in Mexico, where the company does a full 45 percent of its business. Five plants are located in Mexico, as well as a portion of its management. David Llanos marketing manager explained that “it was ProMexico\(^6\) which supported us to enter into the Mexican market. They supplied us with the adequate information on how to get established there. With their help, we could essentially overcome the early entry barriers and solve all the legal requirements that surrounded our entry. They were especially relevant as they gave us access to all the important information regarding our entry, and assisted us in many ways before, during and after our expansion there“ (telephone interview, 2017-07-11).

When we inquired about their current network position, and if it influences future internationalization, he explained that the current atmosphere within and outside the firm is visioned for growth. The partnerships they currently have and seek, aim to reach economies of scale in several geographical markets. Without partnerships, Beta would not have made a name for itself in the international scene. Llanos states that “we value our business relationships as much as the core of our main business unit. Coordination and maintenance with partners, that provides us with opportunities and capacity for growth”. In recent years, they have been open to brand licensing, so we inquired how they manage to coordinate these partnerships. He explains that they research a potential partner, and then send a company official to have a meeting with them. If they share the same vision and values, a potential partnership is will be established. “We put a lot of trust into people who want to make the best out of our brand, and we try to work closely with them, so we can meet each other's needs” (telephone interview, 2017-07-11).

\(^5\) Peru Export and Tourism Promotion (PromPeru)

\(^6\) Promotes international trade and investment in Mexico
5. ANALYSIS

In this section, the analysis and interpretation of the findings of the empirical study (primary data and secondary data) were collected with the aim to provide answers to our research question. We set out to investigate the internationalization patterns of Multilatinas with a specific focus on their (1) drivers of internationalization (2) market selection, market entry strategy and (3) influence of network relationships.

5.1 Domestic market and early internationalization

Through analysing the data from the empirical findings, we found that both focal firms had a similar domestic position before internationalization and followed a similar pattern of expansion in the early stages of their internationalization. There are certain characteristics to each firm which is mentioned below.

**Alpha**

- Created a solid domestic business structure through key investments and collaborations.
- Expanded to other regions in Peru
- Started exporting to neighbouring countries through intermediaries.
- First international acquisition to penetrate Bolivian market in 1993.

**Beta**

- Started locally.
- Cooperated with local actors and expanded to other regions in Peru.
- Numerous domestic acquisitions prior to internationalization.
- Started exporting to neighbouring countries through intermediaries.
- Set up production facilities in key emerging economies through acquisition and greenfield investments.

We can see that both firms followed a similar pattern of learn-by exporting as described by Jones and Coviello (2005). The authors explain that firms must first gain domestic experience before internationalizing. Once they have the adequate domestic experience, they gain information on how to export, and when knowledgeable, start exporting in a process which they describe as learning-by-exporting. Similarly, they follow a pattern of internationalization as described in the original Uppsala
model (Johanson & Vahlne, 1977), as the firms, in the early stages of internationalization expanded to markets that were similar to their own through the use of exports.

5.2. Market Selection

As aforementioned, both Multilatinas expanded to markets that were similar to their own. Both firms decided to enter these markets as they saw it to have better opportunity for growth, whilst also explaining that they are more accustomed to operating in such environments.

5.3 Entry mode

These Multilatinas, perhaps due to the nature of their products, still rely on export as their main source of international revenue. But, the firms do use distinct entry modes to penetrate their target markets. There are distinct characteristics to both firms which can be seen below.

Alpha:
• A history of exporting to emerging economies.
• Penetrate neighboring markets through acquisition.
• Takes control of their own international distribution activities through vertical acquisition.

Beta:
• A history of exporting to emerging economies.
• Invested through Greenfield and acquisition in the early stages of their internationalization.
• Aims to establish global partnerships with the aim to get their products licensed.
• Cooperates with third party distributors and local retailers to cut costs and improve efficiency.

Both Multilatinas had an accelerated rate of international expansion as they began to penetrate numerous geographical regions after their first foreign market entry. Both the firms use entry modes which matched their business structure. Alpha relies on the acquisition of competitors and gains access to geographical regions through their established operations and business network. This is an efficient way to penetrate a foreign market while granting the firm new technologies, resources and knowledge. Beta, on the other hand, in the early stage, acquired and built production facilities in key geographical locations. Beta then started to create partnerships with firms that want to use their brand through a licensing agreement. Both entry modes follow the business network model as presented by Johanson &
Vahlne (2009) states how firms aim to become insiders in relevant foreign networks through their choice of entry modes.

5.4 Network relationships (Social and Institutional)

Through our empirical findings, we can propose that Institutional networks proved to incentivize the internationalization of firms and aid in penetrating markets by supplying information and bridging the firm with potentially rewarding actors. Social networks, on the other hand, were observed to be sources of information and opportunity recognition and have shown to bridge actors within a network. Below, we explain the distinct characteristics of each of the firms

**Alpha**
- Institutional relationships supported its internationalization
- Support from home and foreign governmental institutes to get established abroad.
- Institutional relationships bridged the firm to relevant actors.
- Social contacts are important for information transfer.
- Social contacts have shown to influence market selection.

**Beta**
- Institutional relationships supported its internationalization.
- Support from home and foreign governmental institutes to get established abroad.
- Institutional relationships bridged the firm to relevant actors.
- Changed from family business structure - centralized business structure
- Social relationships have provided the recognition of opportunities

So, Alpha and Beta emphasized the relevance institutional relationships had on their international expansion as these bodies supported their foreign market penetration. They gave advice on how to get established and continued to help them with their ongoing expansion strategies. This is in line with Radlo (2012) as he explains that institutional networks compel firms in their outwards direct investment.

Institutional Relationships seem to have a different influence on a firm's internationalization than business and social relationships, as they can help directly help a firm with their foreign direct investment. These institutional relationships also bridge firms to relevant actors. One major partner to the Foro for Multilatinas is Peruvian ministry of foreign affairs, who have proven to help companies with their investment decisions by providing information on business and legal matters. This is in line
with Johanson and Kao (2010) as they explain that institutional relationships reduce uncertainty in the initial stages of internationalization, and supply firms with potentially relevant connections.

Social contacts can provide important information when developing opportunities and can grant firms access to information in terms of market selection. Through the findings, some respondents relied on social contacts to bridge them to essential information and relevant actors in these markets. This is in line with Aldrich and Zimmer (1986) view, as they state that social relations connect entrepreneurs to resources and opportunities that are existent within their network. Alpha's respondent explained that any form of social interaction may prove to be beneficial for the firm, so having an open mind can sometimes lead to the development of an idea. With that mindset, any form of social contact can benefit the firm. Yerik stated that the dealings with social relationships can be somewhat invisible in business proceedings as they are not done in contractual form. It can essentially revolve around favour exchange, in which both sides of the social relationship help each other when in need. Even though not a strong factor for their internationalization, they could have some influence in recognizing international opportunities and expanding their business networks.

5.5 Network position

Drawing theoretical foundation from the latest Uppsala Model (Johanson and Vahlne 2009), we propose, based on our conceptual framework to explain that opportunity is developed within a firm's respective network. Johanson and Vahlne (2009) argue that —opportunity development in the network consists of recognition and exploitation of opportunities; the latter is done very much by building business relationships in the foreign market, and thus developing a network position and becoming an insider. Below we can see the characteristics of the firm’s network position.

**Alpha**
- Learning through partnerships and expansion.
- Synergize and knowledge development through acquisition.
- Collaboration is key - find the right partners with mutual goals.
- Work closely with B2B partners to ensure an efficient supply chain.
- Horizontal and vertical acquisition to control their own operations.
- Seek opportunities and adapt to local needs through insiderness.
- Follow partners or acquire firms which have solid network position (high knowledge base).

**Beta**
- Learning through expansion and partnerships.
- Coordination of activities through supply chain management.
• Business model allows entry to emerging markets and establish effective distribution systems.
• Main strategy is to seek partners to license their products.
• Key focus on coordination and maintenance of partnerships.
• Seek opportunities and adapt to local needs through insiderness.
• Follow partners or acquire firms which have solid network position (high knowledge base).

This point can be seen with both firms. Alpha’s main strategy to enter markets was through acquisition, which granted them access to the market, but also granted them specific knowledge of that market. This strategy also allows firms to upgrade or merge technologies and make use of new resources. This is in line with Johanson & Vahlne (2009) as they explain that a focal firm is likely to follow a partner abroad if it has a valuable network position as there is a higher likelihood of finding new business opportunities. Betas strategy seeks opportunities through licensing partnerships in foreign countries. They state that their product portfolio had been adapted to certain markets due to the experience and knowledge of the partners that were involved. The success of their brands in foreign markets is a determinant of the network position they attained, as through the use of these key partnerships, they were able to enter and adapt to different markets at a quicker rate.

Further, it can be said that a network position makes up the foundation for which opportunities the firm recognizes, and that there is a path dependence between opportunity recognition and exploitation. Outsidership generally rely on opportunity discovery, while insidership increases the chances of creating opportunities by enabling the Multilatinas to develop new business operations through engagement with actors within the network. The knowledge base is always stronger when engaged in a network as knowledge creation extends far beyond the horizon of what a firm can develop on its own. The commitment to business relationships was a key strategy for the Peruvian firms that internationalized, as it supplied both the firms with access to geographical markets, access to key resources, new partnerships and technologies.
6. DISCUSSION AND CONCLUSION

In this section we discuss the internationalization process of Peruvian firms and how different types of relationships can affect their internationalization. We finish up by concluding what the empirical results signify.

Both case firms began their international expansion after the pro-market reforms. The market reforms enabled them to become international competitors, and their government had given them incentive to go international. Both firms had attained a strong domestic position and were pushed to internationalize due to the pro-market reforms and pulled due to potential growth and opportunity.

Both firms had an accelerated expansion path as they quickly expanded to multiple geographical regions after their initial internationalization. The evidence suggests that the Multilatinas in our study do, in fact, follow the Uppsala model (Johanson and Vahlne, 1977), as they enter neighbouring countries because of their geographical and cultural proximity. Once the firms had gained adequate knowledge of the markets in which they operate, they increased commitment through contractual and investment-based entry modes. Below we can see the conceptual framework which summarizes the analyzed empirical results.
The evidence suggests that Multilatinas follow Johanson and Vahlne’s (2011) updated model as they rely on different network relationships to penetrate foreign markets. The firms had entered different markets through both reactive and proactive approaches as explained by Root (1994). In their early stages, the economic and regulatory environment had given them incentive to go international, and the firms reacted as opportunities arose. In the later stages, they adapted a proactive approach to internationalizing as their network relationships had influenced their market selection and entry mode. Both firms gained insidership into relevant networks and increased their knowledge base of the foreign region because of the entry mode they had chosen.

The focal firms rely on business networks as they granted the necessary information, resources and knowledge in their internationalization process. The business networks that they established provided the firms with enhanced knowledge of the market and allowed them to adapt the needs of their customers over time. The development of new partnerships and the maintenance of current ones has been seen to be a key strategy for the focal firms as they have an extensive network in each region in which they operate. This is in line with the updated Uppsala model (Johanson and Vahlne, 2011) as it explains that business relationships are important intangible assets of firms, and time and resources need to be invested to develop them. Through these partnerships, they ensure that they minimize costs and improve efficiency due to a well-established supply chain. The commitment constitutes an important medium through which the Multilatinas gain access to a variety of valuable resources which encourage and facilitates their internationalization. The Peruvian Multilatinas, through networks and external alliances were able to overcome inadequacies in terms of resources, international exposure and external connections. Moreover, networks provided the Multilatinas with (1) the recognition of foreign market opportunities; (2) information and experiential learning; and (3) referral trust and solidarity.

Throughout the analysis, it was confirmed that other types of network relationships influenced the firm’s internationalization process in unique ways. Institutional relationships granted a mix of relevant connections, resources, and knowledge, as they understood the legal procedures in the respective markets and provided the firms with support in overcoming international barriers. Institutional relationships are exceptionally relevant for firms in the Latin American region, as they have proven to have great incentive in helping firms with their long-term international investment plans. Social networks on the other hand, seemed to be important in accessing information, bridging firms to other important actors within a network. Social networks can offer contacts and critical information that grant entrepreneurs access to foreign markets. The social networks in our study seemed to be the least
important in the internationalization process, but the key representatives did mention that they can benefit the firm with ideas or opportunities.

6.1 Limitations and Future Research

Since we have applied a network approach to internationalization, we have excluded other internationalization theories which may fit the internationalization process of Peruvian Multilatinas. The internationalization of Peruvian Multilatinas could be researched based on other internationalization theories such as the Eclectic paradigm. We also focused on Multilatinas within a similar industry; the food and beverage, thus possibly excluding the internationalization patterns of Multilatinas in other industries such as automobile, technology, energy, and so on. Firms in other industries could be studied by using the network perspective of internationalization to see if they follow a similar internationalization process. Since we discovered that Peruvian firms have successfully positioned themselves within the international markets due to their network relationships, it could be of interest to research “How trust factors affect business relationships” more intensely.

Future research can also focus on how already existing relationships are used to form new ones. This approach could be based on a longitudinal research to see how they develop over time. Since we use informal relationships as a part of our core in this research, it could also be interesting to deepen on how informal relationships can influence the creation of formal ones.

6.2 Contribution

This study finds that Multilatinas follow a similar pattern of internationalization to that of the theories presented and may provide a better understanding of how firms from emerging economies internationalize. We had a key focus on how network relationships influenced the Peruvian firms in their internationalization process. The study supports the need for business, social and institutional relationships as they all contribute to a firm’s international expansion in different ways. There was a direct link between opportunity recognition and exploitation through network relationships.

Managers need to understand that creating and maintaining relationships should be a key strategy in their international operations. These cooperative relationships have important implications for their market selection and market entry. From our study we realize that trust and commitment is an
important aspect in maintaining partnerships as it grants firms the possibility to exchange and share valuable resources, knowledge and information. Through trust and commitment, interdependencies are created amongst the members of a given network. The firms network position is also of much importance as is can essentially allow a firm to access another firm’s internal assets. One thing to also note is the fact that informal relationships outside of the business network also have an influence on a firm’s business network. This is because, for formal business networks to become successful, it is also crucial for informal relationships to develop, and to exchange knowledge and share other resources that they would not be able to attain alone. This research paper is beneficial to governmental agencies as it proves that they can benefit in the promotion of foreign and domestic investment. Both firms highlighted the importance of governmental bodies’ incentives as they had them aided in their internationalization process.

Finally, the paper also has important managerial implications as the development of the Peruvian economy makes it especially important for firms to understand the dynamics of their internationalization.
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INTERVIEWS

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Beta’s Managing Director Carlos Yerik, telephone interviews (2017-07-05 & 2017-07-14)

Beta’s Marketing Manager David Llanos, telephone interview (2017-07-11)

Note: Alpha’s and Beta’s homepage and annual report cannot be part of the references due to the requested of confidentiality requested by the managers of both Peruvian Multilatinas.
Appendix 1: Letter & Interview Guide

Letter sent out to potential respondents’, to communicate about the realization of the field study.

Uppsala, 20 March, 2017

Dear Sir / Madame,

We are two students, María Isabel Gonzáles and Ian O‘Donoghue that are attending the Master program in Marketing at Uppsala University. We are currently writing our master thesis regarding how do relationships within networks influence Peruvian firms when they internationalize.

We would like to suggest that we could have a phone or Skype interview with you, regarding the firm where you work. We send by e mail in beforehand that you can be informed and can take part of the questions that covers: how you have internationalized; which entry mode have you used; which social and business relations has the firm before you enter to a specific market and how you as the manager of the firm has been positioned within foreign networks. The interview takes about 30 to 60 minutes as maximum. Please we can have an interview over both Skype and telephone. After, we can send to you the transcribed version of the interview to have your approval before adding it to our thesis. You can also get the last version when it is published.

Looking forward hearing from you!

Best regards,

Maria Bengtsson Gonzáles de O & Ian O’Donoghue

Uppsala University
INTERVIEW GUIDE

Research question What does the internationalization process look like for a Peruvian Multilatina?

PURPOSE OF INTERVIEW GUIDE

The purpose of the master thesis is to gain an understanding of how the social and business networks influence in the multinationalization (internationalization) process of the Peruvian Multilatinas to the emerging economies in Latin America. This interview guide aims to accomplish the purpose of answering this research question by gathering qualitative data in terms of interviewing decision-makers such as key person’s focal firms; Peruvian international trade institutions and free trade agreements representatives who were involved in the multinationalization of the focal firms. In addition to answer the above mentioned research question; the interview guide covers pertinent concepts such as internationalization, market selection, entry mode, network position, business networks, institutional networks and social networks.

Questionary

Q 1: Could you explain your domestic operations before internationalization, and tell if they were important for your internationalization?

If you think back to the time when your firm internationalized, how it was done? What contacts did you and your colleagues have that were especially important for you and your firm? How did you decide where to go and which entry mode did you apply?

Q 2: How did you start to Internationalize? Which entry mode did the firm use? Why was that entry mode chosen?

Q 3: How many contacts did you have e.g. actual number of people involved in your network(s)?

Who were they? How did you know these persons e.g. how these persons came into your network?

Q 4: Do you think there have been other people important to you who played an important role in the development of your business?

Q 5: Did you take a systematic approach to network building e.g. you purposefully selected your network of close relationships? Or did you meet some randomly?
Q 6: What was the role of social relations such as family or friends in your relationship abroad? How did the managers of the firm get in the international network(s)?

Q 7: Have any acquaintances had any impact on the internationalization of your firm? In what ways did they supply you?

Q 8: Do you distinguish between people who could assist during your multinationalization/internationalization and those who could not?

Q 9: How do you perceive or assess your network relationships? e.g. high degree of similarity in actors identities, either experienced entrepreneur or and having the vision/spirit/mentality of entrepreneur?

Q 10: How much of a role did institutional relationships have on your internationalization? (non-profit business actors, governments, banks)

Q 11: How important do you think it is overall, to have access to the right people when establishing your business abroad?

Q 12: For future internationalization, do you think that the network structure in which you are currently embedded will have an influence on how you will continue to internationalize?

Thank you!