

Entrepreneurship and SME internationalization in Latin America

This special issue comes to life after the First Global Entrepreneurship Development Centre Conference at Kingston Business School London in October 2016, which was attended by participants from five continents. We announced at the conference the possibility for this special issue followed by an open call for papers. The issue contains seven articles on the topic of entrepreneurship and small- and medium-sized enterprise (SME) internationalization in Latin America.

Entrepreneurship and small firms are becoming an ever more important topic for academics, policy-makers, and universities around the world. One of the reasons is the way they contribute to the growth of local and often deprived economies. It is well-known fact that smaller firms are forced to extend the scope of their business because they face a large number of international competitors in their home market (Felzensztein, 2016). Competition in today's environment not only means local competition, but mainly international, where with the new use of technologies SMEs can have the chance to compete with multinationals if they are able to achieve a differential strategy. Many SMEs have advanced in their internationalization processes and many Latin American countries are adopting specific policies to enhance SMEs' internationalization potentials to encourage their further participation in global markets (OECD, 2018) and develop active formal and informal networks for their internationalization, considered a key for reaching global customers (Felzensztein *et al.*, 2015; Fuerst and Zettinig, 2015).

Felzensztein *et al.* (2015) examine the issues of networking for the internationalization process of SMEs and the effects of both the network and entrepreneurial orientation on the scope of small firm internationalization. Findings suggest that the greater the number of networks utilized, the more entrepreneurs are likely to target markets based in diverse regions of the world. This may have a real impact for SMEs from Latin America expanding abroad and the support public policies they need for their internationalization into global competitive markets.

More recently, Felzensztein *et al.* (2018) compare SMEs in New Zealand vs South America and found that small firms in regional clusters located in the southern hemisphere use local informal networks for their internationalization. Understanding the use of informal networks, Dimitratos *et al.* (2014) provide important insights for entrepreneurs in Latin America that are choosing their internationalization strategies as well as for the institutions that may support them, such as export promotion agencies and trade associations.

According to the Global Entrepreneurship Monitor, Chile and Colombia have large percentages of entrepreneurs (more than 80 percent) that exhibit some degree of international orientation (Amorós *et al.*, 2015; Felzensztein, 2016). From this perspective, it is interesting to analyze, learn, and explore some results in greater detail related to the internationalization process and the role of SMEs in the Latin American context, topics that this special issue covers in seven interesting articles.

The articles included in this special issue

Two out of the seven contributions are conceptual by nature, four articles provide empirical contributions, whereas one article offers a literature review on entrepreneurship and international entrepreneurship in Latin America (see Table I for an overview of the articles included in this special issue).

Lopez and Alvarez (2018) contribute the first systematic literature review on the state of research in (international) entrepreneurship in the context of Latin America. The authors



Author(s) article title	Article type	Research question(s)	Country focus of empirical sample(s)
Baier-Fuentes, Hormiga, Amorós, and Urbano The influence of human and relational capital on the rapid internationalization of firms: a comparative study between Spain and Chile	Empirical	What is the influence of the human and relational capital of entrepreneurs that own firms in two economically different countries on the rapid internationalization of their ventures?	Spain and Chile
Brache The cooperation mechanisms of trade associations	Conceptual	What are the cooperation mechanisms explaining the effects of trade associations on export performance? How can we categorize such mechanisms? Are the effects of co-location and cooperation through trade associations related? If so, how? What explains the sign of the trade association effect on export performance?	Any Latin American economy
Etchebarne and Torres Export behavior in Chilean exporters in service sector	Empirical	What is the impact of market diversification on the export process of Chilean service firms?	Chile
Larios-Hernandez Patterns in international ICT entrepreneurship: Mexico's case	Empirical	What are the antecedents that influence the internationalization patterns of SMEs in the ICT value-added chain in Mexico?	Mexico
Lopez and Alvarez Entrepreneurship research in Latin America: a literature review	Literature review	What is the state of research in (international) entrepreneurship in the context of Latin America?	Articles that thematically focus on countries in Latin America
Pino Soto Innovation and internationalization on the competitiveness of exporting firms: lessons from South American emerging economies	Conceptual	How can we explain the development of innovations that small South American firms generate in its internationalization process?	Any Latin American economy
Torkkeli and Fuerst Country institutional profiles: evidence from Colombian Software exporters	Empirical	What dimensions of a country's institutional profile comes to determine the export performance of SMEs?	Colombia

Table I.
Overview of the articles included in this special issue

show that most research in (international) entrepreneurship is published in journals affiliated with universities in Colombia whereas the most active researchers are affiliated to universities in Brazil. They furthermore confirm the necessity for more qualitative and mixed-methods research. Also, most research seems to be disconnected from the particular socio-economic challenges of Latin America like social inequality and poverty. Moreover, the majority of studies focus on the individual level of the entrepreneur, and more multi-level studies are needed. There is no representative author publishing consistently about (international) entrepreneurship in the context of Latin America. Consequently, the published articles receive very few citations.

This special issue tries to tackle some of the deficiencies currently encountered on research on international entrepreneurship in Latin America. First, most SMEs in Latin America face serious challenges for participating in international business activities. Research that tackles the internationalization challenges of SMEs in Latin America is scarce. This issue, therefore, contributes to a better understanding of how to promote international entrepreneurship and

SME internationalization in the context of Latin America. Second, the conceptual and empirical articles presented in this special issue relate to different thematic areas currently researched in the literature on international entrepreneurship (Jones *et al.*, 2011). This facilitates their comparison to other studies undertaken by researchers in other regions of the world. Joining ongoing discussions within the same research streams makes the dissemination of their findings easier and hopefully contributes to an increase in the level of citations. The majority of the articles are concerned with internationalization influences researching the impact of the industry, knowledge, and the institutional environment on internationalization (Larios-Hernandez, 2018; Pino Soto, 2018; Torkkeli and Fuerst, 2018), others take on a network perspective to study the internationalization outcome (Brache, 2018; Baier-Fuentes *et al.*, 2018), while one article is concerned with the dynamics of internationalization researching the factors promoting a continued export process over time (Etchebarne and Torres, 2018). Third, publishing the articles in English and through *Academia Revista Latinoamericana de Administración* which is indexed and ranked by the Social Science Citation Index (SSCI) (Clarivate Analytics) and Scopus, we hope the articles presented within the special issue reach a wider audience on a more global scale which equally contributes to a better dissemination of the research results stemming from Latin America.

In the following sections, we provide a description of the articles and how their findings contribute to the particular stream of research within the literature on SME internationalization and international entrepreneurship.

Internationalization influences

Much research in international entrepreneurship focuses on the internal and external factors that influence internationalization (Rialp *et al.*, 2015). The external environment can have a significant impact on the internationalization of the venture (Porter, 1980; Oviatt and McDougall, 1994). The industry the firm is embedded is an important element of the external environment. However, the influence of industry on internationalization remains under researched (Andersson *et al.*, 2014). Research on the role of the industry for internationalization puts emphasis on the structure of the industry (Bloodgood *et al.*, 1996; Evers, 2010), the life-cycle of the industry (Dean and Meyer, 1996), the knowledge intensity of the product such as high-technology industries, and industry clustering (Fernhaber *et al.*, 2007). Larios-Hernandez (2018) in this special issue adds an additional dimension to this particular area of research, namely, the role of the position of the SME in the information and communication technology (ICT) value chain and its influence on the firm's market choice for internationalization. The author argues that SMEs located on both sides, closer to the extreme ends of the smiling curve, add a higher value to their product offer and find better opportunities in international markets compared to firms located in the lower parts of the smiling curve. Particularly the firms that focus on ICT consulting services, integration, and software customization (upper, right-hand side of the smiling curve) tend to target the North American markets, whereas SMEs that focus on the creation of packaged software (upper, left-hand side of the smiling curve) rather sell to markets in Latin America. Hence, the SMEs' potential for internationalization and choice of market is greatly influenced by its value-added position in the smiling curve. Grouping SMEs into their subsectorial position also adds a non-geographic dimension as an explanatory causal condition for SME internationalization which complements extant research that mainly focuses on locational influences (Fernhaber *et al.*, 2007).

Whereas Larios-Hernandez (2018) focuses on the influence of industry on internationalization, Pino Soto (2018) examine knowledge influences and their role for internationalization. Knowledge is an important predictor for early and rapid internationalization (Jones *et al.*, 2011). Since the pioneering work of Oviatt and McDougall (1994), knowledge is considered a key aspect for internationalization in order

to explain the internationalization of the new venture (Autio *et al.*, 2000; Fletcher and Harris, 2012; Freeman *et al.*, 2010; Fuerst and Zetting, 2015). Knowledge about international markets comprises three dimensions (Eriksson *et al.*, 1997): foreign business knowledge (customers, competitors, distributors), foreign institutional knowledge (business laws, cultural norms, regulatory standards, language skills), and internationalization knowledge (ability to develop and implement an internationalization strategy, how to knowledge). Pino Soto (2018) consider markets in Latin America a fertile ground for researching institutional knowledge influences due to the volatility of institutional factors in many of these countries. The authors link the development of innovations in small South American firms to the acquisition of institutional knowledge gained by doing business in international markets. As the authors argue, international entrepreneurship literature provides an interesting perspective for linking the two streams of research on the internationalization process and innovation. This echoes others who recently called for a more integrated view of internationalization, entrepreneurship, and innovation (Onetti *et al.*, 2012).

Institutions in the home and host country are considered important elements that determine activities of entrepreneurship as well as internationalization (Kiss *et al.*, 2012; Lim *et al.*, 2010; Ferreira *et al.*, 2009). Few research exists that examines the institutional influences on international entrepreneurial activities in the context of Latin America (Cardoza *et al.*, 2016; Ferreira Ribeiro *et al.*, 2014). Torkkeli and Fuerst (2018) within this issue contribute to our understanding about the relationship between the country's institutional profile and the export performance of SMEs. Their study with Colombian software exporters shows that the normative dimension of the institutional environment (how entrepreneurship is accepted and admired in society) comes to determine the export performance of the SMEs. Conversely, the cognitive (knowledge about how to start a business) and regulatory dimensions (government regulations and support) of the institutional forces do not show a significant effect. This study is one of the first to apply the Busenitz *et al.*'s (2000) scale on the institutional country profile to entrepreneurs.

Network perspective

Business and social networks are considered important mechanisms for internationalization (Coviello, 2006; Johanson and Vahlne, 2009). Networks do not only facilitate access to international markets but also knowledge about these markets (Coviello and Munro, 1997). This is not different for SMEs in Latin America. Extant research has shown that networking provides an important mechanism for successful internationalization of the SME in Latin America (Felzensztein *et al.*, 2015; Fuerst and Zetting, 2015). Baier-Fuentes *et al.* (2018) within this issue contribute with a country-comparative study on the influence of human and relational capital on the rapid internationalization of ventures in Spain and Chile. Their study indicates that Chilean entrepreneurs rely more on their formal education or experience to rapidly internationalize their firms. In contrast, Spanish entrepreneurs complement their formal education with their relational capital to conduct international entrepreneurial activities. The authors attribute the lack of relational capital in the case of the Chilean entrepreneurs to socio-economic differences between the countries. In the case of Chile, the pronounced socio-economic differences between various segments of society hamper networking between entrepreneurs from different socio-economic groups. Hence, institutions, culture, and socio-economic conditions of a country might greatly influence the networking activities of the international entrepreneur (Kiss and Danis, 2008).

Brache (2018) within this journal introduces a cooperation view from biology to the discussion about networking in the context of Latin American exporters. The author argues that contextual factors and behavioral cooperation mechanisms influence the effect of trade associations on export performance of SMEs. Introducing a behavioral cooperation mechanisms provides a novelty for studies on SME export performance and networking.

Furthermore, extant research on internationalization emphasizes on the role of trust for successful inter-firm partnerships to develop (Freeman *et al.*, 2010; Johanson and Vahlne, 2009). Brache (2018) attenuates the role of trust putting more emphasis on the four behavioral cooperation mechanisms of his proposed model.

Dynamic view of internationalization

Researching the dynamics of internationalization is important in order to derive meaningful insights into managerial practice but scarce in its application (Welch and Paavilainen-Mäntymäki, 2014). Longitudinal research designs are continuously asked for in order to deliver insights into internationalization as a dynamic, time-sensitive process but few empirical works have progressed in this respect (Welch *et al.*, 2016; Rialp *et al.*, 2015). The contribution of Etchebarne and Torres (2018) within this issue provides a refreshing view on the role of market diversification for export firms in the service sector. The authors analyze export data spanning a ten-year period which leads to the conclusion that scarce market diversification promotes a discontinual export development process in Chilean service sector exporters. The authors therefore contribute an important element to research on the discontinual exporting process that mainly considered added costs and competitiveness as the main barriers for a continued exporting process.

Concluding thoughts

Research, published in English in internationally indexed and ranked scientific journals, about the internationalization of SME or internationally oriented new ventures in the context of Latin America is scarce (Jones *et al.*, 2011; Kiss *et al.*, 2012; Lopez and Alvarez, 2018). This issue tries to make a contribution for the dissemination of research findings on entrepreneurship and SME internationalization in Latin America. This allows for comparing results from the findings in this region with extant research from other regions in the world and, hence, contributes to stronger theory-building and better-informed recommendations for managers and policy-makers alike. We encourage scholars to continue researching about the phenomenon of entrepreneurship and SME internationalization in Latin America. The region provides a fruitful ground for testing extant theory and also developing new concepts rooted in the socio-economic realities of Latin American countries. We hope this special issue makes an interesting contribution to the dissemination of research findings from the region and is of use for the interested reader.

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