



**BECOMING A MULTILATINA: STRATEGIC CAPABILITIES AS NECESSARY CONDITIONS FOR THE INTERNATIONALIZATION OF LATIN AMERICAN FIRMS**

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3 **BECOMING A MULTILATINA: STRATEGIC CAPABILITIES AS NECESSARY**  
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5 **CONDITIONS FOR THE INTERNATIONALIZATION OF LATIN AMERICAN**  
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7 **FIRMS**  
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16 **Design/methodology/approach**  
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18 International business research suggests a positive association between strategic capabilities  
19 and firm internalization. However, it remains unclear what specific capabilities are necessary  
20 and when they are necessary. These questions are particularly important in the context of  
21 internationalization of firms from emerging economies, such as Latin America. We apply  
22 Necessary Conditions Analysis (NCA) on a sample of Latin American firms at different  
23 internationalization stages to test what strategic capabilities represent necessary conditions  
24 for becoming a Multilatina.  
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36 **Purpose**  
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38 We challenge the generic interpretation of Multilatinas as Latin American firms that have  
39 been able to internationalize because of highly competitive strategic capabilities. We test  
40 whether capabilities that IB researchers commonly associate with internationalization are  
41 necessary at different stages of the internationalization process, to better understand the  
42 extent to which emerging market (EM) firms need to develop them.  
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## Findings

Our findings suggest that only a few strategic capabilities are necessary for Latin American firms to become 'Multilatinas'. While entrepreneurial orientation and marketing and sales capabilities represent necessary conditions, EM firms may internationalize even though other capabilities are developed to a lesser extent. We reflect on how shifts in local markets and technology drive the emergence of different types of Multilatinas.

## Research limitations/implications

Measuring strategic capabilities across multiple EM firms implies a risk that firm-specific aspects are not fully captured. While we focused on comparative competitive strength of capabilities and took great care to minimize measurement error, we acknowledge possible bias. Also, while NCA does not require a minimum sample size, findings from our sample of firms from four countries may not generalize to the region or other emerging markets.

## Originality/value (limit 100 words):

As a relatively new statistical technique, the use of NCA has spread rapidly. To our knowledge, the linkage between organizational capabilities and firm internationalization has not been tested from a necessary conditions perspective yet. Our reflections on the 'Multilatina' concept based on the notion of EM firms as configurations of strategic capabilities inform current debates on emerging market multinational enterprises (EMNEs).

## Keywords:

Multilatina; Emerging Market Multinational Enterprise (EMNE); Organizational capabilities; Firm internationalization; Necessary Conditions Analysis (NCA); Latin America

## 1. INTRODUCTION

The growth of both the number and competitive relevance of Multilatinas, defined as Latin American multinationals (Aguilera *et al.*, 2017; Martínez *et al.*, 2005), emphasizes the need for explanations of how emerging market (EM) firms that have historically lagged their counterparts from developed economies can compete in international markets (Hernandez and Guillén, 2018; Meyer and Peng, 2016). Departing from resource-based theory (RBT) perspectives on internationalization and challenges applying the theory in international contexts (Wernerfelt, 1984; Cuervo-Cazurra *et al.*, 2007; Peng, 2001; Zahra *et al.*, 2022; Teece, 2014), researchers have found positive associations between a firm's strategic capabilities and its degree of internationalization (Kahiya and Warwood, 2022; Jie *et al.*, 2023). These findings could suggest a process where firms develop resources in their home markets and then utilize them to enter foreign locations (Wernerfelt, 1984). However, EM firm internationalization challenges this view. For example, springboard EMNEs may not have internationally competitive capabilities but develop them as a result of internationalization (Luo and Tung, 2007; 2018). Hence, we need a more refined understanding of when and to what extent EM firms need to develop strategic capabilities to sustain their internationalization strategies. This is especially important in the context of Latin American countries, where high degrees of economic and institutional volatility render decision-making regarding strategic capability development critical to becoming a Multilatina.

In this study, we draw on resource-based theory (Barney, 1991; 2011) and the derived notion of strategic capabilities (Helfat and Peteraf, 2003) as necessary conditions for becoming a Multilatina. Scholars have highlighted the importance of globally competitive strategic capabilities for internationalization (Knight and Cavusgil, 2004; Williamson *et al.*,

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3 2013; Cuervo-Cazurra *et al.*, 2020), and early Multilatinas have generally followed this path  
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5 (Borda *et al.*, 2017; Aguilera *et al.*, 2017). However, the growing heterogeneity in the  
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7 internationalization trajectories of Latin American firms suggests that different levels and  
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9 combinations of strategic capabilities may allow for becoming a Multilatina. We test this  
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11 general hypothesis focusing on a set of specific strategic capabilities for which researchers  
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13 have found broad evidence that they are associated with firm internationalization (Jie *et al.*,  
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15 2023; Kahiya and Warwood, 2022). By assessing whether and when these capabilities  
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17 represent necessary conditions for Latin American firms at different stages of  
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19 internationalization, we aim to inform the debate on capability development of EM firms in  
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21 general, and specifically on how to become a Multilatina. Within a sample of 27 firms from  
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23 Mexico, Colombia, Peru and Argentina, we apply Necessary Condition Analysis (NCA)  
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25 (Dul, 2016a; 2016b), a data analysis approach that estimates the necessity effect size of a  
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27 condition X for an outcome Y. We find that only a few strategic capabilities represent  
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29 necessary conditions for Latin American firms' internationalization and discuss the  
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31 implications.  
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38 We consider that our study makes three contributions. First, EM firm  
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40 internationalization does not necessarily fit the theoretical frameworks that were developed  
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42 to explain the international expansion of firms from developed economies. The development  
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44 of adaptations or alternatives, such as a shift from a liability focus to forming networks  
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46 (Johanson and Vahlne, 2009), the Linkage-Leverage-Learning perspective (Mathews, 2006),  
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48 or springboard theory (Luo and Tung, 2007; 2018), attest to this. We build on Teece's (2014)  
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50 suggestion to draw on capabilities-based perspectives to study EMNEs, considering both the  
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52 boundaries of the internationalizing firm *and* (emphasis in original manuscript) seeking to  
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54 understand the role of competitive advantage. More specifically, our study responds to recent  
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3 calls for research on what strategic capabilities are necessary at different stages of the  
4 internationalization process (Jie *et al.*, 2023; Kahiya and Warwood, 2022).  
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8 Second, regression-based research on strategic capabilities focuses on associations  
9 between variables based on average effects of multiple predictor variables on a dependent  
10 variable. Findings from such research respond to sufficiency logic but are less informative  
11 as to whether having a particular strategic capability is necessary to pursue a particular  
12 internationalization strategy, or if the EM firm can rely on other strategic capabilities to  
13 achieve the same outcome. Aguinis *et al.* (2020) observed that understanding which variables  
14 are critical to the presence of a desired outcome, helps scholars to better grasp causal effects  
15 when examining a particular outcome. By testing whether certain strategic capabilities are  
16 necessary for pursuing a particular internationalization strategy, we complement extant  
17 international management research.  
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31 Third, and in line with calls for criteria that allow for differentiation between  
32 internationalization types of EM firms (Hermans and Borda Reyes, 2020) and calls for more  
33 context-specific research on EM firms' internationalization (Felzensztein *et al.*, 2022;  
34 Rašković *et al.*, 2020), we consider that a more systematic understanding of necessary  
35 strategic capabilities for Latin American firms could further inform the debate on EMNEs in  
36 general, and the concept of Multilatinas specifically. The larger share of research on EMNEs  
37 concerns Asian firms (Chabowski and Samiee, 2023), in particular those from China and  
38 India. Our focus on Latin American firms allows for extending our understanding of the  
39 connections between strategic capabilities and international competitiveness in an  
40 institutional context characterized by uncertainty and volatility.  
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## 2. THEORETICAL BACKGROUND AND HYPOTHESES

### 2.1 Multilatinas

Multilatinas are Latin American multinationals (Aguilera *et al.*, 2017; Martínez *et al.*, 2005). They have characteristics that distinguish them from EMNEs from other regions (Casanova, 2009; Cuervo-Cazurra, 2008; Gonzalez-Perez and Velez-Ocampo, 2014; Losada-Otálora and Casanova, 2014). While some of the world's first EMNEs were Multilatinas (Velez-Ocampo *et al.*, 2016), the development of new Multilatinas typically involved a gradual process, in which the volatility of the Latin American context challenged sustained internationalization efforts (Cuervo-Cazurra, 2008). Many early Multilatinas originated in business groups, as this organizational form allows for absorbing uncertainty and volatility (Khanna and Palepu, 2000) and serves as a platform for diversification into foreign markets (Borda *et al.*, 2017). The economic reform programs that were implemented in most Latin American countries during the 1990s and early 2000s created a second wave of Multilatinas. Throughout the region, firms upgraded their capabilities to compete domestically with new foreign competitors, which also enabled them to venture abroad. In particular, capabilities related to taking advantage of privileged access to natural resources and cheap labor were instrumental. However, the end of the commodities-driven growth cycle around 2010 required firms in the Latin American region to emphasize the development of strategic capabilities as a driver of competitiveness on international markets.

### 2.2 Strategic capabilities of EMNEs

IB scholars have emphasized the exploitation of ownership or firm-specific advantages (FSAs) as an explanation for market-seeking internationalization (Dunning, 1993). The underlying logic resembles RBT, which suggests that firms that own valuable, rare,

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3 inimitable and non-substitutable resources can derive superior rents (Barney, 1991; 2011).  
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5 RBT scholars contend that growth and sustained competitive advantage result from  
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7 combination and recombination of resources (Sirmon *et al.*, 2007) into operational and  
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9 dynamic capabilities (Helfat and Winter, 2011). These insights have progressively been  
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11 integrated RBT into IB research (e.g. Barney *et al.*, 2001; Cuervo-Cazurra *et al.*, 2007; Peng,  
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13 2001; Zahra *et al.*, 2022). Firms develop tangible FSAs, such as R&D or sales capabilities,  
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15 that can be redeployed in different markets. Additionally, as firms and their managers gain  
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17 international experience and knowledge, they develop latent dynamic capabilities, such as  
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19 entrepreneurial orientation or absorptive capacity, that allow for further internationalization  
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21 and strengthening of the firms' competitive advantages across markets (Teece, 2014). In line  
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23 with RBT predictions, IB researchers generally find positive associations between a firm's  
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25 strategic capabilities and its degree of internationalization (Jie *et al.*, 2023; Kahiya and  
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27 Warwood, 2022).  
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33 Applications of RBT to internationalization of firms from developed markets suggest  
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35 that competitive capabilities can be transferred and deployed in less developed economies.  
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37 This strategy may be replicated by firms from EM economies that internationalize towards  
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39 less developed markets where their capabilities may still give them an advantage (Cuervo-  
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41 Cazurra & Genc, 2008). However, EM firms may also internationalize without the  
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43 technological, marketing or management capabilities that firms from developed markets tend  
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45 to have (Madhok and Keyhani, 2012). They may seek to develop such FSAs through  
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47 internationalization (Luo and Tung, 2007), implement a flight strategy from an unstable  
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49 home market (Cuervo-Cazurra, 2016), or rely on alternative FSAs that are more relevant in  
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51 EM contexts such as risk management, political network leverage or short-term financial  
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53 abundance (Ramamurti, 2012).  
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3 As international business implies simultaneous exposure to different markets  
4 (Beugelsdijk, 2022), firms' strategic capabilities need to be considered in context (Brouthers  
5 *et al.*, 2008). This raises important questions about whether EM firms should mimic the  
6 development of strategic capabilities that have allowed firms from developed markets to  
7 compete on global markets or unlearn capabilities that may be less valued or irrelevant in  
8 developed economies (Klammer & Gueldenberg, 2019). A growing body of evidence  
9 suggests that EM firms are increasingly successful at catching up with developed market  
10 MNEs and overcoming late mover status in their respective industries (Velez-Ocampo and  
11 Gonzalez-Perez, 2022; Li *et al.*, 2017). However, notwithstanding some exceptions (e.g.,  
12 Williamson *et al.*, 2013; Yeganeh, 2016; Cuervo-Cazurra *et al.*, 2020), little academic  
13 attention has been devoted to analyzing to what extent the development of strategic  
14 capabilities is necessary at different stages of the internationalization process to compete in  
15 different international market types.  
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33 In the following sections, we explore to what extent a set of strategic capabilities,  
34 identified in prior research as drivers of competitiveness on global markets (Jie *et al.*, 2023;  
35 Kahiya and Warwood, 2022), represent necessary conditions for Latin American firms at  
36 different internationalization stages. Following Teece (2014), we distinguish between  
37 dynamic capabilities that account for firms' need to engage in context-specific learning  
38 during the internationalization process, and ordinary strategic capabilities that allow for  
39 international expansion based on transfer and replication. We examine EM firms at different  
40 stages of internationalization, starting with firms that operate only in their local market  
41 context, where they may face international competitors but have the advantage of leveraging  
42 capabilities that were developed in that market. The next level of internationalization refers  
43 to exports, which allow the EM firm to leverage existing strategic capabilities related to  
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3 development and production but require adapting marketing, sales, and distribution  
4 capabilities to foreign standards. Foreign direct investment into countries within the EM  
5 firm's geographical region is likely to have implications for all capabilities, although the  
6 associated complexity and upgrading should be limited because of limited institutional  
7 distance. Finally, when EM firms internationalize to markets outside their region, they will  
8 face the highest levels of complexity in their operations due to geographical distance,  
9 institutional distance, and global competition.  
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### 21 ***2.2.1 Entrepreneurial Orientation***

22 EM firms' internationalization requires identifying opportunities to match the firms' strategic  
23 capabilities with those needed in foreign markets (Madhok, 1996). To the extent that the firm  
24 pursues entry into markets characterized by a higher institutional distance and competitive  
25 pressure, EM firms will need to take on risks as they develop the required strategic  
26 capabilities. Entrepreneurial orientation, a dynamic capability, refers to a firm's continuous  
27 engaging in risk-taking, and in innovative and proactive behaviors to influence performance  
28 (Covin and Slevin, 1989). Aspirations to grow beyond the domestic market underly the role  
29 of entrepreneurial orientation in the internationalization process (Oviatt and McDougall,  
30 1994). For EM firms, and especially innovative and knowledge-intensive firms, exposure to  
31 technological know-how in host markets represents a learning opportunity that allows them  
32 to strengthen organizational capabilities that may be deployed in their home markets and in  
33 other international markets (Govindarajan and Ramamurti, 2011). Such effects do not  
34 necessarily occur linearly. For example, at larger EM firms that are part of business groups,  
35 entrenchment effects occur (Purkayastha and Gupta, 2022). However, entrepreneurial  
36 orientation may still contribute to organizational performance and further internationalization  
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3 to the extent that larger EM firms actively pursue internationalization strategies. Taken  
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5 together, we posit:

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7 *H1: High entrepreneurial orientation is necessary for EM firms to pursue*  
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9 *internationalization strategies towards global markets.*  
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### 12 13 14 **2.2.2 Research and development capabilities**

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16 EM firms typically face limitations related to an underdeveloped national knowledge system  
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18 as exemplified by a lack of basic R&D at universities, few technological institutes, and low  
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20 government support for risk-bearing exploratory research (Anand *et al.*, 2021). For individual  
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22 EM firms, these conditions historically rendered the development of technological and  
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24 innovation capabilities challenging, pushing them to compete based on price (Kumar and  
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26 McLeod, 1981). However, more recent studies of EM firms show how the use of licenses  
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28 and joint ventures or other alliance forms allow for learning from and catching up with global  
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30 competitors (Bonaglia *et al.*, 2007). Researchers have found stronger associations between  
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32 R&D capabilities and internationalization in early stages of internationalization, such as EM  
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34 firms in export market-focused international joint ventures (Zhang *et al.*, 2007), but less so  
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36 for larger EM firms that are part of business groups (Purkayastha *et al.*, 2015). However,  
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38 studies on reverse knowledge transfer in EM firms generally highlight the need for  
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40 competitive R&D capabilities to sustain a competitive position in global markets (Luo and  
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42 Tung, 2007). Taken together we hypothesize:

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47 *H2: Strong research and development capabilities are necessary for EM firms to pursue*  
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49 *internationalization strategies towards global markets.*  
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### 2.2.3 Marketing and Sales capabilities

Within the trend towards un-commoditization of EMNEs' products and services (Cuervo-Cazurra *et al.*, 2019), understanding customer preferences, pricing strategies, and choices of promotion and sales channels are important to position products in international markets (Kotabe *et al.*, 2002). While the volatility and uncertainty of emerging markets require locally operating firms to implement adjustments to their product offerings and sales strategies, the increased complexity of operating in multiple markets simultaneously renders this capability more relevant. Marketing and sales capabilities have positive effects on the internationalization of entrepreneurial firms (Martin *et al.*, 2020), and are strengthened to the extent that EM firms internationalize further (Zhou *et al.*, 2012). Moreover, a growing number of EM firms use websites and e-commerce platforms to reach customers in foreign markets. The capability to manage company image, brands, presence on the web, and customer interactions in multiple markets is positively associated with internationalization (Jean and Kim, 2020). Thus, we hypothesize:

*H3: Strong marketing and sales capabilities are necessary for EM firms to pursue internationalization strategies towards global markets.*

### 2.2.4 Operations management capabilities

Operations management capabilities refer to skills, processes, and routines of the operations management system that are regularly used in solving the firm's problems through configuring its operational resources (Wu *et al.*, 2010). Historically, EM firms were typically associated with low-cost operations that allowed for internationalization advantage (Kumar and McLeod, 1981). However, increased market openness, structural reform, and inward FDI have enhanced competitive pressure in EM firms' domestic markets. Consequently, EM

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3 firms have invested in upgrading their operations management capabilities based on  
4 purchasing more sophisticated production equipment, entering supplier agreements within  
5 global value chains or with locally operating MNEs from developed economies, and training  
6 and/or staff development (Elango and Chinmay, 2007; McDermott and Corredoira, 2010).  
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8 EM firms that aim to compete in international markets will need to comply with international  
9 quality standards and efficiency levels in their production processes. Moreover, as firms  
10 internationalize their operations, they increasingly rely on information and communications  
11 technologies for coordination between organizational units and the extended network  
12 (Chadee *et al.*, 2017). We hypothesize:

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24 *H4: Strong operations management capabilities are necessary for EM firms to pursue*  
25 *internationalization strategies towards global markets.*  
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### 30 **2.2.5 Supply Chain management capabilities**

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32 A firm's supply chain management capabilities allow for efficiency, timeliness, and quality  
33 in both obtaining necessary inputs and delivering the firm's products and services. As a  
34 result, scholars have argued that such capabilities represent a potential source of advantage  
35 that firms need to manage as they operate in multiple markets simultaneously (Usui *et al.*,  
36 2017). For EM firms, access to generic production factors, such as natural resources or cheap  
37 labor, has historically been an important driver of internationalization (Cuervo-Cazurra *et*  
38 *al.*, 2019) or to become suppliers of labor-intensive products to developed economies (Elango  
39 and Chinmay, 2007). Gradual improvements in logistics infrastructure, increased use of  
40 information and communication technologies, and improved labeling and packaging have  
41 allowed for EM firm integration into global production and service networks, while further  
42 improvements in EM firms' supply chain management capabilities are expected from  
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3 application of Internet of Things protocols, drones, and big data analytics (Akbari and  
4 Hopkins, 2022). While licenses for the underlying technologies may be purchased, and  
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6 specific processes in the supply chain may be outsourced (Cattaneo *et al.*, 2010), their  
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8 deployment in international markets requires integration into EM firm organizational  
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10 routines. Hence, we hypothesize:  
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14 *H5: Strong supply chain management capabilities are necessary for EM firms to pursue*  
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16 *internationalization strategies towards global markets.*  
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### 20 21 **2.2.6 Local Network Management capabilities**

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23 While MNEs interact with networks of customers, suppliers, regulators, etc. in different  
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25 geographical contexts, ties with local networks in the home economy resulting from the  
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27 historical organization of production or national championing strategies continue to be  
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29 relevant to the MNE's functioning (Ruigrok and Van Tulder, 1995). Access to and  
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31 mobilization of network resources are necessary for higher MNE internationalization speed  
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33 (Bolívar *et al.*, 2022). In the case of emerging markets, weak home country institutions  
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35 require firms to develop context management capabilities, such as lobbying or leveraging  
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37 social networks (Khanna *et al.*, 2010). EM firms that operate only in their home markets, or  
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39 early-stage exporters that need to manage development and production in their home  
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41 economies, typically depend to a large extent on local suppliers, financing, government  
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43 regulation, and adequate infrastructure to operate. To the extent that their operations become  
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45 more international, they will need to develop stronger support bases in their home economies,  
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47 which implies a stronger need for managing ties effectively (Peng and Luo, 2000). Examples  
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49 include obtaining support through government support programs (Finchelstein, 2017), and  
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51 mitigating adverse employee reactions to secure qualified human capital (Alvarado-Vargas  
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3 *et al.*, 2020). Peng and Luo (2000) differentiated between local public and private sector  
4 networks, as firms obtain different resources from these networks. Consequently, we  
5 hypothesize:  
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10 *H6a: Strong local business network management capabilities are necessary for EM firms to*  
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12 *pursue internationalization strategies towards global markets.*  
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15 *H6b: Strong local public sector network management capabilities are necessary for EM*  
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17 *firms to pursue internationalization strategies towards global markets.*  
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### 21 **3. METHODS**

#### 22 **3.1 Data collection**

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26 Teams of researchers in Argentina, Colombia, Mexico, and Peru identified firms in different  
27 industries and at different stages of internationalization in 2017. Given that our research  
28 questions required a deep understanding of EM firms' strategic capabilities, they initially  
29 developed case studies based on interviews with CEOs and top managers and secondary  
30 information from company documents, media reports and other archival sources. Next, we  
31 requested two lead members of country researcher teams to rate a set of strategic capabilities  
32 that we identified previously based on an extensive review of studies on EM firms'  
33 internationalization processes. These subject matter experts were professors of international  
34 management at leading business schools in their respective countries. Compared to  
35 administering a survey to respondents at firms, this approach was instrumental in avoiding  
36 potential rater-induced bias resulting from being vested in the competitiveness of capabilities.  
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Information regarding firms' internationalization stage in 2017 was obtained separately, from  
company websites or reports, and verified using archival data from public agencies, trade  
organizations, and commercial databases. In total, we collected data on 27 Latin American

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3 firms, of which 9 operated in service industries and 18 were manufacturing companies. The  
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5 sample comprised four firms that operated only domestically, along with nine that were  
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7 exporters, three that were regionally-focused Multilatinas, and 11 that had become globally-  
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9 oriented Multilatinas.  
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### 21 **3.2 Analytical procedure: Necessary Condition Analysis**

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23 Researchers usually apply regression-based methods to analyze the relationship between  
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25 strategic capabilities and firm outcomes, such as degree of firm internationalization. This  
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27 approach refers to a sufficiency logic, where a specific capability is sufficient to increase the  
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29 dependent variable, while a lack of the capability will decrease the outcome but not prevent  
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31 it if other capabilities compensate for it. In necessity logic, such compensation does not apply.  
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33 In case a particular input (i.e., strategic capability) is absent or below a certain level, the  
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35 outcome will not exist and will not be impacted by the levels of other inputs (Goertz, 2003).  
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37 Consequently, NCA complements conventional statistical methods. Instead of considering  
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39 multiple predictors of an average trend in an outcome variable, it determines whether the  
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41 outcome can exist or reach a certain level with or without a certain level of the hypothesized  
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43 predictor (Dul, 2016b).  
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49 The basic elements of NCA are scatter plots and bottleneck tables (Dul, 2016a).  
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51 Within scatter plots, NCA places a ceiling line which distinguishes between areas with and  
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53 without cases. The empty space above the ceiling relative to the total empirical space  
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55 characterizes the necessity effect size. Effect sizes between 0 and 0.1 are considered a “small  
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3 effect”, between 0.1 and 0.3 a “medium effect”, between 0.3 and 0.5 a “large effect”, and  
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5 effects larger than 0.5 a “very large effect” (Dul, 2016b). The significance of effects is  
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7 calculated based on bootstrap iterations (Dul et al., 2020). Among available techniques for  
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9 drawing ceiling lines, we used the ceiling envelope with free disposal hull (CE-FDH) which  
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11 is recommended in studies with discrete variables that have a limited number of possible  
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13 outcomes (Dul, 2016b) and puts a piecewise linear envelope along the upper observations.  
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15 NCA's “bottleneck table” is another representation of the ceiling line and shows which level  
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17 of the condition is a bottleneck for a given desired level of the outcome variable.  
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### 24 **3.3 Measures**

#### 25 **3.3.1 Dependent variable**

26  
27 *Degree of internationalization.* Scholars have developed different perspectives on firm  
28  
29 internationalization (e.g., Johanson and Vahlne, 1977; Knight and Cavusgil, 2004). Within  
30  
31 this study, we focus on a degree of EM firm internationalization and differentiate between:  
32  
33 (1) local EM firms, (2) exporting EM firms, (3) regional Multilatinas, and (4) global  
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35 Multilatinas.  
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#### 39 **3.3.2 Independent variables**

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41 To measure the competitiveness of EM firms' strategic capabilities, we asked raters to  
42  
43 compare the focal firm's capabilities to globally operating MNEs considered to be leaders  
44  
45 within the focal firm's industry. Specifically, we asked raters: “Relative to MNEs that operate  
46  
47 in the focal company's industry, how would you characterize the focal company's capabilities  
48  
49 on the following scale?” Measures that compare resources and capabilities relative to other  
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51 industry participants are well-accepted in the international management literature (Capron  
52  
53 and Mitchell, 2009). Raters used a seven-point scale where 1 indicated that the strategic  
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3 capability was not internationally competitive or not present, and 7 represented high  
4 international competitiveness.  
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8 *Entrepreneurial Orientation (H1)*. We derived our measure from Arunachalam *et al.*  
9  
10 (2018), who considered innovation, proactiveness, and risk-taking. The measure comprised  
11 five items, in line with research by Covin and Slevin (1989). *Research and Development*  
12 *(H2)*. This measure captures the firm's ability to recognize and apply new technologies.  
13 Developed and tested by Danneels (2016), the scale comprised 6 items. *Marketing and Sales*  
14 *(H3)*. This measure evaluates the capacity of the focal company to recognize and exploit new  
15 markets. The scale comprised eight items and was developed by Danneels (2016). *Operations*  
16 *capabilities (H4)*. This measure captures the competence of the focal firm to use its available  
17 technology in current activities (Danneels, 2016). The scale comprised four items. *Supply*  
18 *Chain Management capabilities (H5)*. We used the scale developed by Zhou *et al.* (2012).  
19 This measure evaluates the capacity of the firm to manage its supply chain as indicated by a  
20 long-term orientation in relations with partners, and time and resource commitments to those  
21 partners. The scale comprised three items. *Local Network Management capabilities (H6a, b)*.  
22 We used the measures developed by Peng and Luo (2000) to capture the networking  
23 capabilities of EM firms' management with relevant external entities. The measures  
24 differentiate between different local network partners, distinguishing business partners from  
25 public sector officials. Each sub-scale comprised three items. We report the individual items  
26 of each scale in Appendix 1. While each of the scales used in our study had been validated  
27 in prior studies, we assessed the internal consistency of the measures. All met the  
28 conventional standard of Cronbach's alpha above 0.70 (Cortina, 1993), with Entrepreneurial  
29 Orientation ( $\alpha = 0.765$ ) having the lowest consistency and Research and Development  
30 capabilities ( $\alpha = 0.958$ ) the highest.  
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## 4. RESULTS

### 4.1. Individual Organizational Capabilities as necessary conditions

We developed scatterplots for each of the strategic capabilities, identifying the corresponding CE-FDH ceiling line and a line based on OLS estimation. As can be observed in the graphs of Figure 1, the quasi-OLS results indicated a positive average association between most of the strategic capabilities included and degree of internationalization (green line). However, most strategic capabilities did not represent a necessary condition for EM firm internationalization. While we found small to medium effect sizes for most strategic capabilities, their statistical significance did not meet threshold values of significance ( $p = .05$ ) or marginal significance ( $p = .10$ ) as commonly used in social science (Cortina and Dunlap, 1997). In general, our NCA results suggest that EM firms have internationally competitive capabilities at any stage of internationalization. Only in the cases of Entrepreneurial Orientation and Marketing and Sales capabilities did we find meaningful and significant necessity effects, as reported in Table 2 and the description for each hypothesis below.

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Insert Figure 1 about here  
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Insert Table 2 about here  
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3 Our hypotheses predicted a necessity effect for different strategic capabilities individually.  
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5 The NCA results for Entrepreneurial Orientation indicated a significant medium-sized  
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7 necessity effect, with  $d_{(ce\_fdh)} = 0.311$  (p-value: 0.010). Hence, we confirmed Hypothesis 1.  
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10 The second hypothesis predicted that Research and Development is a necessary condition for  
11  
12 EM firm internationalization. However, the necessity effect was medium but not significant,  
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14 with  $d_{(ce\_fdh)} = 0.148$  (p-value: 0.560). Thus, we rejected Hypothesis 2. Our third hypothesis  
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16 focused on Marketing and Sales capabilities as a necessary condition. The necessity effect  
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18 size was large and significant, with  $d_{(ce\_fdh)} = 0.552$  (p-value: 0.010), which confirmed  
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20 hypothesis 3. Hypothesis 4 referred to the necessity of Operations capabilities. A medium  
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22 but non-significant effect size, with  $d_{(ce\_fdh)} = 0.340$  (p-value: 0.310), rejected hypothesis 4.  
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25 Next, the test of hypothesis 5 on the necessity of Supply Chain Management capabilities  
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27 yielded a large and non-significant effect, with  $d_{(ce\_fdh)} = 0.630$  (p-value: 0.570). Thus, we  
28  
29 rejected hypothesis 5. Finally, we tested hypotheses 6a and 6b. The effect size for Local  
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31 Business Network Management capabilities was  $d_{(ce\_fdh)} = 0.306$  (p-value: 1.000), suggesting  
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33 that having strong contacts in local business networks is not a necessary condition. In  
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35 contrast, the effect for Local Public Sector Network Management capabilities was medium  
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37 but approximated marginal significance with  $d_{(ce\_fdh)} = 0.148$  (p-value: 0.110). We rejected  
38  
39 both hypothesis 6a and 6b.  
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44 NCA analysis allows for multivariate tests of necessary conditions as reported in the  
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46 'bottleneck' table. The NCA tests of individual strategic capabilities indicated that only  
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48 Entrepreneurial Orientation and Marketing and Sales capabilities have significant effects. In  
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50 line with guidelines by Dul (2016b), we only report results of the multivariate test for these  
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52 variables. Table 3 suggests that becoming a regional Multilatina requires Entrepreneurial  
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54 Orientation that may be slightly below an average level when compared to global competitors  
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3 (3.00 on a seven-point scale), and Marketing and Sales capabilities that are somewhat  
4 stronger than global those of global competitors (4.67 on a seven-point scale). Surprisingly,  
5 no differences were found between necessary levels of these strategic capabilities for  
6 regionally-oriented Multilatinas when compared to globally-oriented Multilatinas.  
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## 14 **5. DISCUSSION AND CONCLUSION**

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16 While researchers of international business have identified many factors that are associated  
17 with EM firms' internationalization, little is known about whether such factors represent  
18 necessary conditions and to what degree. In this study, we draw on a sample of 27 Latin  
19 American firms that are at different stages in their internationalization processes and find that  
20 most of the organizational capabilities that are positively associated with degree of  
21 internationalization are not necessary conditions for becoming a 'Multilatina'. Only  
22 Entrepreneurial Orientation and Marketing and Sales capabilities had meaningful ( $d > 0.1$ )  
23 and significant effect sizes.  
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35 Management scholars have long argued that organizations may achieve similar goals  
36 based on different organizational designs and capabilities (Doty *et al.*, 1993). In the context  
37 of international management, this notion of equifinality may have been implicit as MNEs  
38 operate in more than one place and, hence, require different capabilities to compete in  
39 different markets (Beugelsdijk, 2022). Teece's (2014) argument that a more complete  
40 understanding of MNEs requires consideration of both the boundaries of the firm and  
41 (emphasis in original manuscript) sustainable competitive advantage brings important  
42 challenges with it. For example, while Hashai and Buckley (2014) challenged conventional  
43 views on MNE emergence suggesting that firms do not always need to have competitive  
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3 advantage to venture abroad, firms may also leverage external resources when pursuing such  
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5 investments (Boermans and Roelfsema, 2012).  
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8 Understanding which resources are valuable in the development of strategic  
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10 capabilities that allow for internationalization is especially relevant to EM firms because of  
11  
12 the constraints they generally face. However, while research that draws on sufficiency logic  
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14 identifies associations between resources and degree of internationalization, it is less  
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16 informative regarding whether such resources are necessary or may be compensated for  
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18 based on alternative resource configurations. This problem relates to critiques regarding  
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20 RBT's difficulty to define the value of resources (Kraaijenbrink *et al.*, 2010), especially when  
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22 firms have low control of the contexts they operate in (Oliver, 1997). By contrast, necessity  
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24 logic indicates to what extent a resource needs to be in place for a particular outcome to exist.  
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26 As such, it enriches our understanding of the value of resources.  
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31 In the case of EM firm internationalization in Latin America, our NCA results  
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33 challenge conventional views on how firms from the region become Multilatinas. Instead of  
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35 upgrading strategic capabilities to mimic MNEs from developed countries, EM firms  
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37 leverage increasingly heterogeneous resources to internationalize. Within these alternative  
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39 resource configurations, determining the value of individual resources, such as a particular  
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41 strategic capability, is challenging. Our findings suggest that becoming a Multilatina requires  
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43 strong entrepreneurial orientation and marketing and sales capabilities. By contrast, firms  
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45 may or may not have strong capabilities related to R&D, operations or context management  
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47 and become Multilatinas anyways.  
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51 We identify three important factors to explain these findings. First, within the  
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53 uncertainty and volatility that characterizes Latin American economies, firms increasingly  
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55 aim to find specific market niches in which they can be successful. Start-ups and smaller  
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3 firms may internationalize rapidly into foreign markets, even when they have not yet  
4 developed capabilities that sustain their operations to internationally competitive levels. Such  
5 rapid internationalization may be driven by expectations of a growing ecosystem of angel  
6 investors (Martins *et al.*, 2021) and venture capital firms (Mingo *et al.*, 2018), and portfolio  
7 management approaches of development banks (Dams *et al.*, 2021). Similarly, more  
8 established firms may anticipate internationalization as the result of temporary access to  
9 resource endowments (Carneiro *et al.*, 2018) and targeted support programs. For example,  
10 the Brazilian development bank BNDESPar program promotes internationalization through  
11 specific loan programs and investments in minority stakes (Finchelstein, 2017).  
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24 Second, increased openness to foreign competition has required domestic firms to  
25 develop R&D, operations and supply chain management capabilities to compete locally.  
26 Consequently, economies of scale or new product and service development may be necessary  
27 for both survival of domestic firms and the pursuit of internationalization strategies.  
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33 Third, some capabilities that researchers have emphasized, such as the management  
34 of networks (Johanson and Vahlne, 2009), may have changed. Research on Latin American  
35 technology-based SMEs suggests that instead of developing and leveraging relationships  
36 with suppliers, distributors, and other business contacts, fast-paced experimentation and  
37 regional or global roll-out is enabled by individuals' social networks and their referrals. In  
38 this environment, capitalizing on these networks and referrals provides benefits above  
39 developing such networks as firms internationalize (Arroteia and Hafeez, 2021).  
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49 We identify the following limitations in this study. First, measuring strategic  
50 capabilities across multiple EM firms implies a risk that firm-specific aspects are not fully  
51 captured (Dutta *et al.*, 2005). To reduce potential effects of outliers resulting from  
52 measurement error in ratings of strategic capabilities, we took great care in our data  
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3 collection. Whereas some researchers have relied on managerial self-reports or measured  
4 efficiency of capabilities based on accounting information, we relied on subject matter  
5 experts. Second, we acknowledge that our sample of firms from four Latin American  
6 countries may not be representative of the region. While NCA does not require a minimum  
7 sample size for estimation purposes (Dul *et al.*, 2020), generalization to Latin American firms  
8 would require a broader sample. Third, while NCA does not consider control variables, we  
9 acknowledge the importance and implications of industry effects or organizational factors  
10 such as founding year, size, or ownership type. We consider that differentiation between  
11 EMNE types and, by extension, types of Multilatinas, needs to be addressed in future research  
12 (Hermans and Borda Reyes, 2020). Even within the small and heterogeneous sample of our  
13 study, we find evidence for our claim that conventional resource-based approaches to  
14 explaining the emergence of Multilatinas may need reconsideration. The identification of  
15 different organizational configurations, informed by contextual and firm-level factors, is a  
16 potential avenue to refine our understanding of how EM firms from Latin America become  
17 Multilatinas.

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38 Regarding our study's practical relevance, the analysis of strategic capabilities as  
39 potential bottlenecks to EM firms' pursuit of internationalization towards increasingly  
40 competitive markets allows for improved decision-making regarding investments in such  
41 capabilities. While the positive associations between the international competitiveness of EM  
42 firms' strategic capabilities and their degree of internationalization found in regression-based  
43 research are informative, they are less informative regarding which capabilities cannot be  
44 substituted. Our NCA findings suggest that practitioners should prioritize investments in  
45 developing entrepreneurial orientation and marketing and sales capabilities. Teece suggested  
46 that global markets are characterized by "rapid changes, frequent discontinuities, and great  
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3 complexity, engendered in part by the fact that the world's needs and desires have not (yet)  
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5 become irrevocably homogenized" (2014, p. 15). To the extent that Latin American firms  
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7 aim to compete in those markets, they will need to combine entrepreneurial orientation, a  
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9 dynamic capability that allows for experimenting and learning, and marketing and sales as  
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11 an operational capability that allows for adjusting and exploiting product and service  
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13 offerings in those markets, to become a Multilatina.  
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**Table 1 – Characteristics of the sample (in 2017)**

Country	Company	Industry	Employees	Internationalization Stage
Argentina	ARCOR	Food processing	21,000	Global Multilatina
	ASSA	IT services	1,350	Global Multilatina
	BAGO	Pharmaceutical	7,200	Global Multilatina
	BODEGA LAGARDE	Food processing, wine	50	Exporter
	CITRICOS SAN MIGUEL	Agriculture, food processing	7,500	Global Multilatina
	GLOBANT	IT services	6,753	Global Multilatina
	GRUPO MIRGOR	Electronics manufacturing	1,500	Local
Colombia	BRAINZ	Entertainment, video games	24	Exporter
	COLCAFE	Food processing, coffee	912	Global Multilatina
	GRUPO BIOS	Agriculture, food processing	7,318	Local
	HACEB	Manufacturing, home appliances	2,426	Exporter
	MATTELSA	Manufacturing, garments	1,170	Local
	NEW STETIC	Manufacturing, dental care	700	Exporter
	SEMPERTEX	Manufacturing, rubber products	1,020	Exporter
Mexico	BELTICOS	Manufacturing, bottling	700	Exporter
	ELEKTRA	Retail commerce	70,000	Global Multilatina
	FARMACIAS SIMILARES	Commerce, pharmacies	10,000	Regional Multilatina
	INTERLUB	Manufacturing, oil derivatives	140	Exporter
	KIDZANIA	Entertainment	13,000	Global Multilatina
	NEORIS	IT services	3,500	Global Multilatina
	VIDANTA	Hospitality services	16,000	Exporter
Peru	ALICORP	Food processing	7,500	Regional Multilatina
	CANTOL	Appliances manufacturing	450	Exporter
	DELTRON	Commerce	500	Local
	LOLIMSA	Software development	52	Regional Multilatina
	RESEMIN	Mining equipment manufacturing	7,500	Global Multilatina
	YOBEL	Logistics	5,000	Global Multilatina



**Table 2: NCA Results**

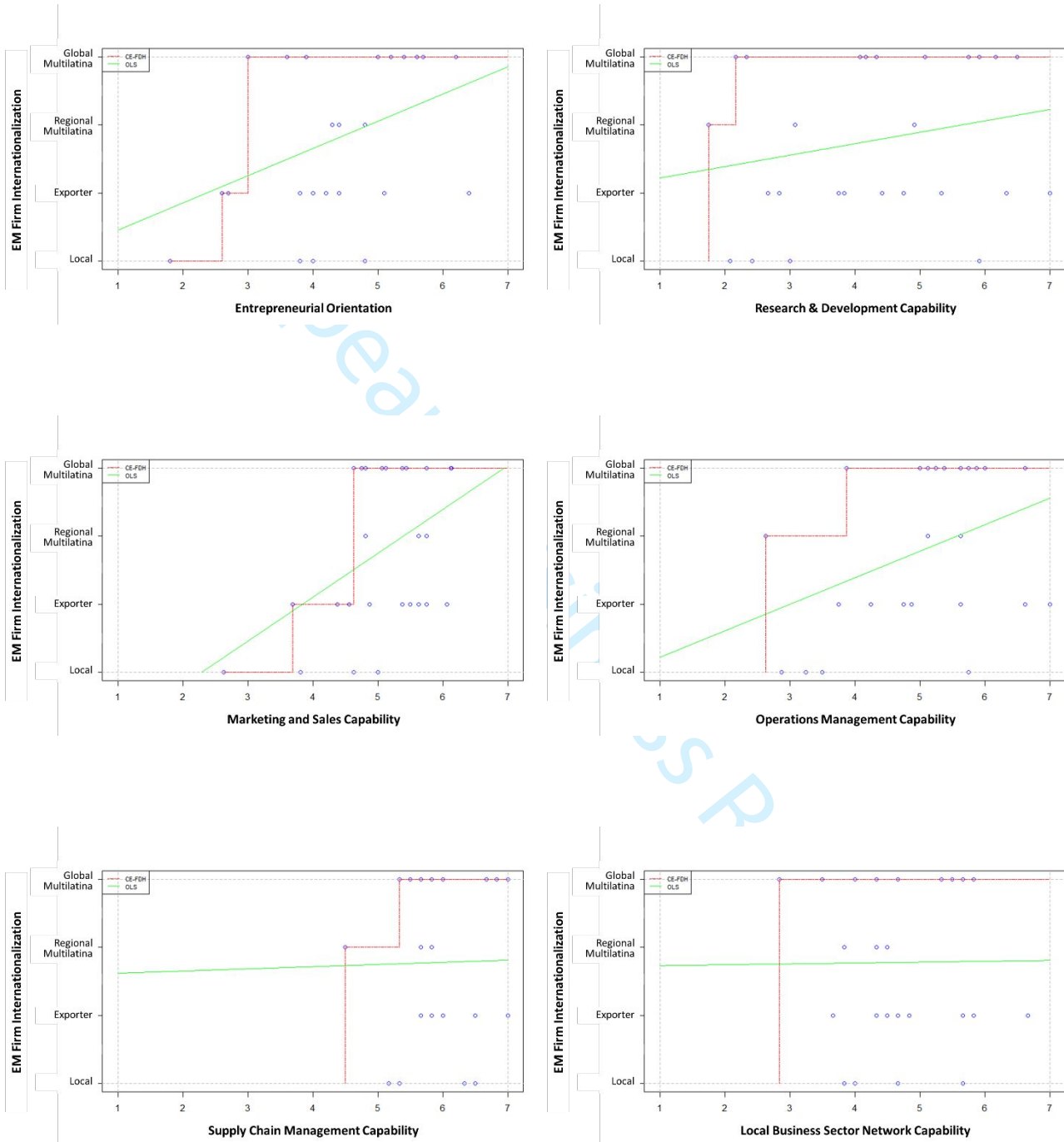
Hypothesis	Strategic Capability	Effect Size $d_{(ce\_fdh)}$	Necessity effect	Result
1.	Entrepreneurial Orientation	0.311**	Medium	Supported
2.	Research and Development	0.148	Medium	Rejected
3.	Marketing and Sales	0.552**	Large	Supported
4.	Operations	0.340	Medium	Rejected
5.	Supply Chain Management	0.630	Large	Rejected
6a.	Local Business Network	0.306	Medium	Rejected
6b.	Local Public Sector Network	0.148	Medium	Rejected

**Table 3: NCA Bottleneck Table**

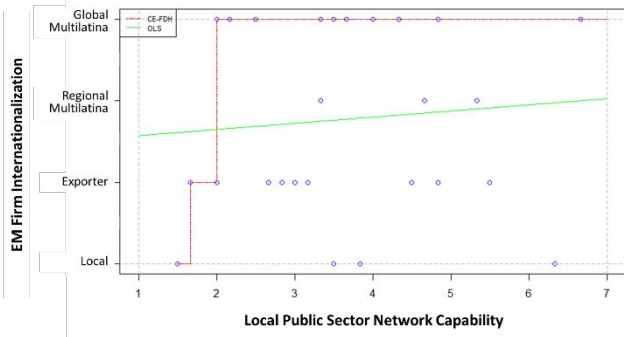
Degree of Internationalization	Entrepreneurial Orientation	Marketing & Sales
Local	1.80	2.63
Exporter	2.60	3.69
Regional Multilatina	3.00	4.63
Global Multilatina	3.00	4.63

*Bottleneck CE-FDH (cutoff = 0)*

**Figure 1: Scatterplots with ce-fdh ceiling line for strategic capabilities and degree of EM**  
**firm internationalization**



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European Business Review

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## Appendix: Measurement scales

### *Scale 1: Entrepreneurial Orientation (items from Arunachalam et al. (2018):*

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|----|---|---|
| 1. | A strong emphasis on the marketing of tried and true products or services.  | A strong emphasis on R&D, technological leadership and innovations.   |
| 2. | Typically responds to actions which competitors initiate.   | Typically initiates actions which competitors then respond to.  |
| 3. | A strong preference for low-risk projects (with normal and certain rates of return).  | A strong preference for high risk projects (with chances of very high returns).                                 |
| 4. | Because of the nature of the business environment, it is best to explore it gradually through cautious, incremental behavior. | Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objectives. |
| 5. | No new lines of product or services   | Very many new lines of products or services   |

### *Scale 2: Research and Development (items from Danneels, 2016):*

- Setting up new types of manufacturing facilities and operations.
- Learning about technology it has not used before.
- Assessing the feasibility of new technologies.
- Recruiting engineers in technical areas it is not familiar with.
- Identifying promising new technologies.
- Implementing new types of production processes.

### *Scale 3: Marketing and Sales (items from Danneels (2016):*

- Assessing the potential of new markets.
- Building relationships in new markets.
- Setting up new distribution channels.
- Setting up a new sales force.
- Leveraging its brand reputation or company image to new markets.
- Researching new competitors and new customers.
- Developing new advertising or promotion strategies.
- Developing new pricing strategies.

### *Scale 4: Operations Capabilities (items from Danneels (2016):*

- Production operations/facilities
- Technological expertise
- Technical skills and resources
- Engineering skills and resources

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3 ***Scale 5: Supply Chain Management (items from Zhou et al., 2012):***  
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- 5 • Business partners expect a long-term relationship
- 6 • A substantial amount of time is devoted to maintaining relationships with business partners.
- 7 • It spends significant resources on relationships with business partners.
- 8 • Business partners expect a long-term relationship
- 9 • A substantial amount of time is devoted to maintaining relationships with business partners.
- 10 • It spends significant resources on relationships with business partners.
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15 ***Scale 6a: Local Network Management - Business (items from Peng and Luo, 2000)***  
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- 17 • Top managers at buyer firms in the company's home market.
- 18 • Top managers at supplier firms in the company's home market.
- 19 • Top managers at competitor firms in the company's home market.
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23 ***Scale 6b: Local Network Management - Government (items from Peng and Luo, 2000)***  
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- 25 • Political leaders at various levels of the government.
- 26 • Public officials in industrial bureaus.
- 27 • Public officials in regulatory and supporting organizations such as tax bureaus, state banks,  
28 commercial administration bureaus, and the like.  
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