

Uncommoditizing strategies by emerging market firms

Uncommoditizing
strategies

Alvaro Cuervo-Cazurra, Jorge Carneiro, Diego Finchelstein,
Patricio Duran, Maria Alejandra Gonzalez-Perez, Miguel A. Montoya,
Armando Borda Reyes, Maria Tereza Leme Fleury and

William Newburry

(Author affiliations can be found at the end of the article)

141

Received 26 July 2017
Revised 12 February 2018
6 April 2018
Accepted 27 April 2018

Abstract

Purpose – This paper aims to analyze how emerging market firms upgrade their capabilities by focusing on “uncommoditizing strategies” that enable them to achieve levels of international competitiveness beyond the comparative advantages of their home countries and serve markets with premium pricing, quality and reputation of products.

Design/methodology/approach – In this paper, the authors studied 18 Latin American companies across six countries. Latin America represents an ideal setting because many of these countries have traditionally developed using natural resource endowments, and their firms have tended to rely on these in their internationalization. To facilitate the analysis of each case and the comparisons across cases, the authors used the same analytical framework for the companies, identifying the sources of differentiation and cost efficiency strategies that enabled these firms to upgrade their capabilities and compete on the basis of premium pricing, quality and reputation.

Findings – The analysis identified a general framework that represents an abstraction of the actions taken by these companies over time. The proposed model consists of three main elements used to pursue uncommoditizing strategies: tropicalized innovation, global efficiency and coordinated control.

Originality/value – Recent research on emerging market firms has shown interest in how these firms upgrade their capabilities. This paper contributes to this stream of research by providing an overarching framework that not only bridged previous narrower studies but also explained how firms can develop uncommoditizing strategies to upgrade their capabilities. Further, this paper helps managers by providing a comprehensive yet succinct overview of the main strategies that they can use to help their firms to achieve international competitiveness.

Keywords Capabilities, Competitive advantage, Strategies, Latin America, Emerging markets, Commodities, Upgrading

Paper type Research paper

Introduction

Emerging market firms are becoming increasingly credible and vigorous competitors against advanced economy competitors. For much of the twentieth century, advanced economy multinationals dominated the competitive landscape. However, recent decades have witnessed a transformation of this competitive pattern (Ramamurti and Singh, 2009) and emerging economy companies, which used to be input suppliers and usually internationalized only through exports, have become leading multinationals on their own (BCG, 2016). They have built parallel supply chains and, in some cases, acquired well-known advanced economy companies and brands (Madhok and Keyhani, 2012). Some have excelled in technical quality and have become serious contenders (if not world leaders) in international markets (BCG, 2016; Cuervo-Cazurra, Newburry and Park, 2016). This remarkable transformation has resulted in a growing literature analyzing the processes that



enabled these companies to become highly competitive in a short time and conquer world markets [see articles in special issues edited by [Aguilera et al. \(2017\)](#), [Aulakh \(2007\)](#), [Cuervo-Cazurra \(2012\)](#), [Luo and Tung \(2007\)](#) and [Meyer and Peng \(2016\)](#); chapters in books edited by [Cuervo-Cazurra and Ramamurti \(2014\)](#), [Merchant \(2016\)](#), [Ramamurti and Singh \(2009\)](#) and [Williamson et al. \(2013\)](#); and managerial books such as [Guillén and García-Canal \(2012\)](#) and [Khanna and Palepu \(2010\)](#)].

Whereas much of the literature has focused on their internationalization process, we aim to contribute to the literature by analyzing how emerging market firms have developed uncommoditizing strategies that enabled them to upgrade their capabilities and demand premium pricing from selling reputable, quality products. Emerging market firms face larger challenges than their advanced economy counterparts because many firms in emerging economies tend to use commoditized strategies, competing on low prices and relatively similar, low-quality products. When these companies expand abroad, many of them continue operating with this commoditized approach to competition and rely on home country comparative advantages to sell products on a low-cost basis. This approach places firms at the mercy of market prices.

In contrast, some emerging market firms have been able to break this price dependence and have used uncommoditizing strategies to build their competitive advantages. We analyze 18 firms in six Latin American countries that have followed these strategies. Many of these companies have not yet gained academic attention but have been able to upgrade their competitive advantages to international levels. Although some are at the early stages of internationalization, others are competing face-to-face with advanced market counterparts and have become global leaders in their industries.

Based on the cases studied, we find that emerging market companies can develop uncommoditizing strategies to achieve international competitiveness in three ways:

- (1) tropicalized innovation, developing innovations and brands that are designed to meet the needs of emerging economy customers, helping the firms differentiate their products;
- (2) global efficiency, focusing on developing efficient processes that lower costs and produce products of higher quality and reliability; and
- (3) coordinated control, expanding into high value-added parts of global value chains to ensure control and use fast decision-making to respond to new customer demands.

Commoditized strategies and competitive advantage in emerging markets

Many companies compete using commoditized strategies, in which products are mostly undifferentiated, and competition tends to be based on prices, with limited ability for product differentiation. This is a typical approach in industries in which products are based on the endowments of the country, and products are extracted (e.g. minerals, oil and gas) or grown (e.g. agricultural products, meat and wood) and then traded in markets that provide a price of reference for a standardized quantity and quality of the product (e.g. barrel of West Texas Intermediate oil and bushel of corn). In these industries, products are considered similar regardless of the producer, and thus, competitive advantage in these industries focuses on achieving low costs.

However, in emerging markets, commoditized strategies are also used in non-commoditized industries. In emerging markets, firms may compete on a low-price basis, achieving lower costs by offering products/services that are simpler, with fewer features

or lower quality than their competitors, targeting price-sensitive costumers and aiming to achieve profitability through efficient production and distribution (Prahalad, 2005). Additionally, emerging market companies may end up commoditizing their offerings because they are part of the value chains of other companies and have been relegated to the lower value-added segments of these chains. In these cases, companies focus on offering products to brand owner specifications and compete by providing undifferentiated products at a lower price. These companies are called original equipment manufacturers (OEMs) when they operate in durable consumer products, producing for other companies that have subcontracted manufacturing and provided product specifications while the brand is managed by the contractor of the OEM supplier (Holcomb and Hitt, 2007). The same strategy exists for non-durable consumer products, with companies producing what are known as private or white label products, sold under a retailer or distributor label (Steiner, 2004). Finally, the achievement of standards in technology and processes may result in industries standardizing their offer and subcontracting to lower-cost suppliers (Davenport, 2005).

Commoditized strategies tend to be more prevalent among emerging market companies as the result of the characteristics of their countries. Emerging economy consumers tend to be large segments of the population with much lower income levels and as a result are more price-sensitive than advanced economy consumers (Prahalad, 2005). Thus, emerging economy firms tend to compete on price. Moreover, many emerging market companies that have internationalized have done so as part of the global value chains of advanced economy multinationals, serving as local partners in their home countries and learning about sophisticated technologies from the advanced country partners (Cuervo-Cazurra, 2008; Luo and Tung, 2007). In these cases, the emerging market companies have tended to focus on product assembly and manufacture for the owners of the brands under which their outputs are sold in advanced economies. The focus of emerging market firms on commoditized strategies is reinforced by the weak innovation systems of these countries. Emerging economies, compared to advanced ones, have fewer scientists, weaker property rights protections and scarce relationships between firms and universities (OECD, 2016), which leads to fewer patents and less sophisticated innovation.

As a result, many emerging market firms tend to follow commoditized strategies at home and in many cases continue using commoditized strategies even when they internationalize, relying on the comparative advantage of the home country and selling on the basis of low prices. They tend to invest less in the development of sophisticated brands that can be used in other countries because they have been accustomed to producing standardized or low-end products. They also suffer from limitations in the creation of innovations because of the less supportive innovation system in the home country. Thus, they end up focusing on lowering costs of production, creating low-quality products and selling on the basis of low prices.

Nevertheless, some emerging market firms have broken away from this pattern and have become industry leaders (see, for example, the firms listed in BCG, 2016). To understand better how emerging market firms develop uncommoditizing strategies, we undertake case study analyses.

Research design

We study 18 Latin American companies across six countries to understand how firms upgrade their capabilities to become internationally competitive and compete with premium pricing and quality and reputable products, i.e. uncommoditized strategies. We focus on Latin American companies because many of these countries have traditionally developed using natural resource endowments, and their firms have tended to rely on these in their

internationalization, i.e. relying on country-specific advantages rather than on firm-specific advantages. For emerging economies, large natural resource endowments have been described in some cases as a curse rather than as a blessing because many countries end up with exploitative development, highly concentrated wealth and a high dependence on commodity prices (Ross, 1999). Latin American countries, many of which possess large endowments of mineral wealth and agricultural conditions, are no exception (Bulmer-Thomas, 2003). Nevertheless, some companies operating in commoditized industries have achieved global competitiveness based on their efforts, i.e. building their firm-specific advantages, rather than merely on bestowed comparative advantages of the countries from which they originated, i.e. relying on country-specific advantages (De Ferranti *et al.*, 2002). These are the firms we study.

The firms we analyze are exceptional in their countries and industries and examples of how to break away from price-based competition. They have achieved an ability to differentiate their products and charge premium pricing despite coming from emerging economies. Table I lists the companies and their key features.

We gathered information from secondary sources, including financial press, company websites, case studies and industry reports. In some cases, we collected primary firm data (Table I). Based on this information, we created brief case studies to help understand the processes followed by the companies to break away from price competition. We analyze not only typical R&D investments (Helfat, 1997) but also other processes used to upgrade capabilities such as licensing of foreign technology, alliances with foreign companies and acquisitions of foreign firms (Cuervo-Cazurra, 2012; Cuervo-Cazurra and Ramamurti, 2014; Luo and Tung, 2007). Some of the processes varied across industries, partly because of differences in technology markets and providers.

We focused on the six largest economies in the region by GDP and present them in descending order: Brazil, Mexico, Argentina, Colombia, Chile and Peru. For each nation, we selected three cases that we consider unique regarding being able to achieve global international competitiveness levels despite coming from emerging economies and thus suffering from typical challenges of underdeveloped innovation systems, less sophisticated customer demands, lower-income customers and in some cases unstable political systems and underdeveloped institutions. The case studies provide broad coverage of the competitive arena, as they encompass both manufacturers and service providers, offerings targeting either end-consumers or organizational buyers and different demand profiles (global vs local needs). The firms were chosen to provide a wide diversity of upgrading of capabilities, and they include smallish and very large firms, in a variety of industries and under a multiplicity of ownership and with a large diversity in their international presence, including firms that are in the early stages of international expansion and companies that are established multinationals.

Following the traditional recommendations on how to conduct case study research (Yin, 2017), we first conducted within-country comparisons, taking into account the contextual influences of collaborative technology development in each country, and then we did cross-country comparisons to understand better industry-level influences. To facilitate the analysis of each case and the comparisons across cases, we used the same analytical framework for the companies, identifying the sources of differentiation (quality enhancement, added services and marketing-related) and value added (R&D and technology in process and product, operational processes and managerial processes) that enabled these firms to upgrade their capabilities and compete on the basis of premium pricing, quality and reputation. After completing the within-country comparisons, we developed cross-country case comparisons to identify common processes used by emerging market companies to

Company	Industry	Country	Ownership	Demand needs: global (G), local (L)	Target buyer: organization (O), consumer (C)	Sales, US\$ m 2016 or latest	Assets, US\$ m 2016 or latest
BRF	Meat	Brazil	Publicly Traded	L	C	7,165	10,132
Eurofarma	Pharmaceutical	Brazil	Private firm	G	O, C	554.3	589.8
Metalflrio	Commercial refrigerators	Brazil	Business Group	G	O	1,36.9	1,27.6
Bimbo	Bread	Mexico	Publicly Traded	L	C	13,839	80,219
Gruma	Corn Products	Mexico	Publicly Traded	L	C	1,680	2,573
Elektra	Retail/Finance	Mexico	Publicly Traded	G	C	4,792	11,518
Globant	Software/IT consulting	Argentina	Publicly Traded	G	O	323	285
INVAP	Nuclear/ Aerospace	Argentina	SOE	G	O	214	302
Tenaris	Steel	Argentina	Bus. Group – Publicly Traded	G, L	O	4,300	14,000
Tahami	Flowers	Colombia	Private firm	G, L	O	3.2	7.3
Cultiflores							
Procafeol	Coffee and coffee shops	Colombia	Publicly Traded	GL	C	81.88	47.4
(Juan Valdéz)							
Corona	Home improvement	Colombia	Bus. Group – Publicly Traded	GL	O, C	1.38	554.3
Colbun	Electric power transmission	Chile	Bus. Group – Publicly traded	L	O, C	1,436.2	6,822.6
Concha y Toro	Wine	Chile	Bus. Group – Publicly traded	G, L	C	983.5	1,517.4
Socovesa	Construction	Chile	Publicly traded	L	C	513.2	1,290.9
Gloria	Dairy	Peru	Bus. Group – Publicly traded	L	C	1365	1187
Lolimsa	Information Technology	Peru	Bus. Group. Privately held	G	O	2	
Resemin	Drilling equipment	Peru	Bus. Group. Privately held	G	O	74	

Note: Company figures of Brazilian companies were retrieved from: Exame (2016)

(continued)

Table I.

Company	Labor, thousand	EBMDTA, US\$ m latest	Exports, US\$ m 2016 or latest	Countries with FDI	Interviews and Data
BRF	90.5	1,017.3	2,862.6	47	Director of M&A and Strategic Planning, 2013
Eurofarma	6.5	n/a	n/a	6	International Area and Export Director, 2013
Metalrio	1.3	2.4	9.3	3	Director of Sales and Marketing for the Americas, 2013
Bimbo	125.4	1,367	2,603	21	Secondary data
Gruma	NA	566	2689	11	Secondary data
Elektra	84.3	489	NA	7	Director of Finance and Investor Relations and Press Director: Grupo Salinas, Mexico City 2015
Globant	5.9	81	180	12	Talk at Universidad de San Andres by Martin Umaran (co-founder of Globant) in/2016
INVAP	1.4	22	67	6	Secondary data
Tenaris	19.0	598	409	12	Secondary data
Tahami	485	0.64	4.57	0	Secondary data
Cultiflores					
Procafecol (Juan Valdéz)	1.65	7.00 (2015)	11.34	13 franchises	Secondary data
Corona	1.65	-0.4	102.8	6	Secondary data; Talk at Universidad de Antioquia by Hernán Mendez, President of Procafecol
Colbun	1.1	157.9	n/a	1	Secondary data
Concha y Toro	3.5	128.6	685.4	8	Secondary data
Socovesa	5.8	102.6	n/a	0	Secondary data
Gloria	2.0	146		6	Former Marketing Manager. Secondary Data
Lolimsa	0.05			10	Secondary data
Resemin	1.7			6	Secondary data

develop uncommoditizing strategies that enabled them to upgrade capabilities and compete globally, as well as identify differences that can have additional or countervailing influences on these processes.

Case studies: uncommoditizing strategies by Latin American firms

We now present case studies grouped by country to facilitate our within- and across-country comparison of the competitive advantage development process. The cases illustrate how the firms developed their competitive advantages before venturing abroad. Our focus is on competitive advantage and not on internationalization, even if some improved their competitive advantages from their international activities.

Uncommoditizing strategies by Brazilian firms

Brazil has more than 200 million inhabitants and a 2016 GDP of US\$3,147bn PPP (World Bank, 2017) – the seventh largest in the world. The country has experienced an unstable growth pattern (from 7.6 per cent in 2010 to –3.6 per cent in 2016). Brazil is a consolidated presidential democracy with reasonably stable institutions but has suffered turmoil because of an intense fight against corruption. Due to a large area of arable land (which has been increasing thanks to R&D efforts to develop new seed varieties by state research agency EMBRAPA) and favorable climate, Brazil is an economic power in agricultural and livestock. Minerals are also abundant. For our study, we examine BRF, Eurofarma and Metalfrio. Table II summarizes their sources of advantage.

BRF resulted from the merger of the two top Brazilian producers of poultry- and pork-related products: Sadia and Perdigão. Sadia initiated exports in 1975 and established joint ventures in technology in 1989 (Japan) and production in 1990 (Portugal); it has processing facilities in Abu Dhabi, Argentina, The Netherlands and the UK and commercial offices in Dubai, Japan, Singapore and the UK. Perdigão started exporting in the 1970s, reaching Japan in 1985 and Europe in 1990. The company operates one distribution center in Europe and has commercial offices in 12 countries. BRF produces processed meat (mainly poultry and pork but also beef) and also competes in milk, margarine, pasta, pizzas and frozen vegetables. As Brazil's poultry leader, the company faces domestic regulatory limitations to growth (particularly through acquisitions). BRF is the world's tenth largest food company, biggest poultry exporter and second-largest meat exporter. More than 50 per cent of BRF's sales come from foreign markets.

BRF usually builds its processing plants in countries where it has previously exported to and can add value locally. Abroad, the firm is building brand reputation. First, they are forward integrating by processing chicken and branding it. In the words of their Director of M&A and strategic planning, "someone that processes [the chicken], that adds value and adds a brand – I want to be this guy in these markets." Their experience abroad has allowed BRF to learn innovative practices, which can be replicated in Brazil and other countries. From its Brazilian experience, BRF learned to produce smaller packages, which is useful in other emerging markets. Although BRF recognizes that advanced country multinationals (AMNEs) also attend to differences in consumption habits and patterns, "they [AMNEs] adapt; we [BRF] have it in our DNA." BRF recently removed reference to "Brasil" from its official name to avoid potentially detrimental effects on the company's image and sales abroad.

Intense, consistent and long-lived investments (e.g. feed rations and raising techniques) and strict though virtual value system control (from egg-producing to animal raising) have enabled BRF to achieve higher-quality chicken- and pork-packaged products. In Brazil, BRF has invested heavily in its main brands (Sadia and Perdigão). Abroad, the company has

Table II.
Sources of competitive advantage and uncommoditizing strategies of Brazilian firms

Industry	BRF Animal protein	Eurofarma Pharmaceuticals	Metalfrío Commercial freezers
<i>Differentiation</i> Quality enhancement	Intense, consistent and long-lived investments (e.g. feed rations, vaccines, hormones and raising techniques) Strict (though virtual) control of the value system (from the egg-producing farms to the animal (chicken and pigs) raising farms) Higher-quality chicken and pork packaged products with lower fat content, higher percentage of value-added parts and additional flavors catering to local tastes Warehousing and commercial facilities to learn more about, and cater better to, foreign customer needs, when served through exports	Careful production processes guarantee the quality of drugs produced (mostly under outsourcing or licensing agreements)	Innovation State-of-the-art technology and high quality Dependability (high MTBF – meantime between failures) Products designed to resist harsh conditions (extreme temperatures; fluctuation in electric supply) International certifications
Added services	Heavy and consistent investment in branding and promotion since early history Abroad: acquired branded producers and kept their brands (e.g. Paty, Dámica and Bocatti) Launched a new brand – Perdix – abroad	Frequent visits to and close relationships with physicians	Prompt technical maintenance force Low downtime made possible by technical design that allows for quick change of defective parts Customized solutions Home country: invested heavily in relationships with its clients, which reinforces corporate reputation Abroad: acquired several companies and kept their brands (Caravell, Derby, Klimasan) to exploit brand equity Intends to use its Metalfrío brand and has been exporting commercial refrigerators with this brand
Marketing-related	Research on the use of vaccines and hormones as well as animal feed	Large portfolio of drugs makes the company more attractive to physicians and distributors Recognition as a sustainable company	Economies of scale (in production, marketing, distribution, procurement, R&D, post-sales technical services)
<i>Cost efficiencies</i> R&D and technology (process) R&D and technology (product) Operational processes	Production and distribution excellence Economies of scale (in production, marketing, distribution, procurement and R&D) in Brazil and foreign markets Country-related cost advantages because of favorable weather conditions to chicken raising Virtual control of value chain from egg production to chicken/pork-processing and branding Reduced costs of whole value system (regarding R&D on feed, vaccines, hormones, as well as procurement)	Economies of scale (in production, marketing, distribution, procurement, R&D) allowed by the large drug portfolio	
Managerial processes			

acquired companies to exploit its brand equity and deploy its brand promotion expertise. However, BRF also promotes the Sadia brand and has launched the Perdix (easier to pronounce in several languages than Perdigão) brand. Before venturing abroad, BRF already benefited from economies of scale in Brazil and excelled in production, distribution, commercial activities and marketing. Some cost efficiencies were derived from favorable home-country conditions – advantageous weather for chicken-raising, plus easy (and cheap) access to water and feed. In short, the upgrading strategy of BRF was derived from global efficiency (using economies of scale, R&D in process technology and operational process excellence), coordinated control (via expansion of the value chain) and tropicalized innovation (local brands and products adapted to local needs).

Eurofarma was founded in 1972 and is one of the few Brazilian pharmaceutical multinationals. Its prominent position in Brazil may soon subject the company to domestic growth limitations (mainly through acquisitions because of government restrictions). Eurofarma's first FDI occurred in 1979 in Argentina, and the company now operates six plants in Latin American countries besides the six in Brazil. Exports started in 2002, and Eurofarma is now present in more than 20 countries (in South and Central America, the Caribbean and Africa), which represent 83 per cent of Latin American GDP. Eurofarma also has a stake in a North American pharmaceutical firm. The company achieved multiple awards for innovation (one of 20 companies in Best Innovator Brazil 2015), sustainability (twice first place in *Exame's* Sustainability Guide) and workplace (10 years on *Você S/A's* "Best Companies to Work For" and three consecutive years on *Época's* "Great Places to Work").

Eurofarma obtained its first patent in 2007, launched the first biosimilar drug in Latin America in 2016 and invested 5.1 per cent of net sales in R&D in 2016. Eurofarma makes mainly prescription-exempt drugs and generics and supplies hospitals directly with parenteral solutions. Eurofarma's Brazilian sales do not fill plant capacity; thus, the company became an outsourcer for large labs (Merck, Pfizer, Eli Lilly, among others) and also licensed from other labs to produce and sell their products (under Eurofarma's labels) in Brazil. In the early 2000s, Eurofarma realized it would benefit from a larger market and decided to enter other countries in Latin America before going truly international. In the words of Eurofarma's International Area and Export Director, "you start to be more representative, you increase your purchase power, your purchased volume expands, you become more relevant to suppliers [potential licensors], you make better deals." Although 2013 foreign sales represented only 8 per cent of total sales, Eurofarma's Director expected that "by 2020 [foreign sales] will be around 20-25 per cent." As it acquired Latin American competitors, Eurofarma "gained access to new suppliers [i.e. licensors] [...] and, in some cases, paying lower prices [than the firm had been able to negotiate in Brazil]."

Foreign markets have been opportunities for Eurofarma to expand sales: "Our focus was to operate in Latin America, Africa, Middle East and Asia. We started to export to these countries where there were distributors and local producers that wanted to complete their portfolio with products that we had." Eurofarma attempts to replicate their Brazilian commercial model in other Latin American countries. Although Eurofarma's main business model is based on licensing from others, it also invests in R&D and considers (outward) licensing of its products in countries with no company presence. Interestingly, the expansion abroad has helped the firm improve relationships in Brazil with "regulatory agencies, government and BNDES [the National Development Bank]," because "Brazilian Government wants to strengthen the pharmaceutical industry to help the trade balance [...]." Eurofarma's competitive advantage stemmed from global efficiency (R&D process

technology and, more recently, product technology) and tropicalized innovation (i.e. offering a varied drugs portfolio).

Metalfrio manufactures commercial refrigerators/freezers (for beverages, ice cream, frozen foods, etc.). Founded in 1960, it was acquired in 1992 by a German company, which then sold *Metalfrio* to a Brazilian investment fund in 2004. Having exported for over 30 years, *Metalfrio* undertook its first FDI in 2005 with a greenfield plant in Turkey. The firm currently operates plants in Brazil, Mexico, Russia and Turkey and has distribution centers in the USA and Mexico. With sales in over 80 countries, international sales account for about 40 per cent of revenues. *Metalfrio* is the Latin America leader and the third largest globally in its class. In Brazil, its products are present in over 90 per cent of stores with commercial refrigerators; the company controls more than 50 per cent of the commercial refrigeration market and about 30 per cent of the horizontal freezer market.

Almost since inception, *Metalfrio* has invested in innovation and technology. The quality of its products (reliability and tolerance for harsh conditions), international certifications and post-sales service have led several Brazilian clients (e.g. soda and beer multinationals) to push *Metalfrio* abroad in a client-following expansion. *Metalfrio* products feature low downtime because of their design for quick swapping of defective parts. Additionally, the company offers customized solutions and invests in branding. Abroad, *Metalfrio* has acquired several companies and kept their brands (e.g. Danish companies Caravell and Derby and Turkish company Klimasan) to exploit brand equity. However, the company intends to use its own name and has been exporting commercial refrigerators under the *Metalfrio* brand. In Brazil, the company has for a long time invested heavily in client relationships, which reinforces its corporate reputation. With foreign plants, *Metalfrio* can serve key accounts better, as exports from Brazil are not economically feasible to some countries because of transport costs and import tariffs.

Metalfrio has transformed a difficulty into a competitive advantage. Thus, its origin in a tropical (i.e. hot and humid) and emerging country where few stores have air conditioning and roads are poor means that refrigeration units must be durable and heavy duty. Such characteristics make it easier for *Metalfrio* to sell to similar markets, such as African countries. Interestingly, *Metalfrio* also sells to Russia, specifically Siberia, where their appliances keep beverages warmer (instead of colder) than the outside temperature. The company enjoys economies of scale (in production, marketing, distribution, procurement, R&D and post-sales technical services). *Metalfrio*'s competitive advantages are derived from global efficiency (excellence in operational processes) and tropicalized innovation (offer of products suited to emerging markets).

Uncommoditizing strategies by Mexican firms

Mexico is the second largest Latin American economy and 12th globally with a GDP of US \$2,157bn PPP (World Bank, 2017). Since signing the General Agreement on Tariffs and Trade (GATT) in 1986 and entry into the North American Free Trade Agreement (NAFTA) with the USA and Canada (1995), the Mexican economy has opened up to trade and foreign investment. With a GDP per capita of US\$16,988 PPP and the emergence of a new large urban middle class (driven, in some cases, by salaries offered by exporting manufacturers), a large domestic market has developed for products and services. This has incentivized startups of several companies in production and food distribution as well as retail chains and high street lenders. Additionally, more than 20 million Americans are of Mexican origin, which has encouraged companies to export and operate plants in the USA. For this study, we selected three Mexican companies: Bimbo, Gruma and Elektra. Table III summarizes their sources of competitive advantage.

Industry	Bimbo Bread	Grama Corn products	Elektra Retail
<i>Differentiation</i> Quality enhancement	High-value products and exceptional manufacturing processes with continuous innovation achieving high productivity and state-of-the-art distribution Competitiveness based on global capacities to optimize costs and derive profits	Strategy aligned to five pillars: High-value products on leading brands Exceptional manufacturing processes Continuous innovation for productivity and efficiency State of the art distribution Commercialize with disciplined financial management	Standardized business model (instead of adapting to new local markets) Select countries with similar economic and consuming conditions to use same business model as in Mexico Minimize critical domestic and foreign internationalization barriers
Added services	Focus on significant strategic investments such as opening new production plants Innovation and technology to implement state-of-the-art production processes to achieve quality and efficiency Strategic acquisitions in food products sector, among them various Mexican firms		Highest profit contributor is their financial business. Every Elektra store has a bank Banco Azteca offers credits to allow Elektra's clients to buy in the store Elektra stores offer electronics, appliances, furniture, motorcycles, tires, cell phones and computers
Marketing-related	Successful in connecting with target mid-low class consumer segments and appealing to them in a new environment against local competition	"Glocalization Efforts" R&D and consumer research to satisfy consumers tastes and eating differences in diverse markets Concentrate on market penetration of core products/brands Connect with target mid-low class consumer segments and appeal to them against local competition	Adapt marketing strategy to new country while maintaining standardized business model of the home country Develop branding and marketing strategies to connect successfully with target mid-low class consumer segments Select expansion opportunities based on socioeconomic conditions, commercial and financial regulations and mid-low class consumers, to minimize foreign expansion barriers

(continued)

Table III.
Sources of competitive advantage and uncommoditizing strategies of Mexican firms

Industry	Bimbo Bread	Gruma Corn products	Elektra Retail
<i>Cost efficiencies</i> R&D and technology (process)	Innovative product introductions Cross-market product launches of Artesano and Nature's Harvest breads, among others. Examples in USA, Canada, Latin America and Asia	Expanded Mexican facilities, enabling them to diversify product portfolio in local and global markets by satisfying wide diversity of tastes and preferences Serve a large consumer base who seek healthier foods and care for the environment	Elektra works mainly with seven strategic suppliers, which provides the 62% of the total supplies of the company
R&D and technology (product)	Prioritize investment in state-of-the-art technological advances through innovation R&D and consumer research to satisfy consumer tastes and eating differences in diverse markets	Technological advances through innovation R&D is aiming to make them one of the most sustainable environmental and socially responsible companies worldwide	In Mexico: 11 distribution points Bank Azteca offices located in the Elektra stores: 978 in Mexico and 167 in Central and South America
Operational processes	Focus on market penetration of core products/brands "Diversification approach" towards manufacturing and commercial facilities and acquisitions/alliances Internationalization strategy: combine investments and strategic acquisitions to export business model to countries with differing conditions from Mexico Expansion into developing (Latin-America and Asia) and developed countries	Internationalization strategy: combine investments and strategic acquisitions that enable them to export their business model to countries with diverse economic conditions vs. the Mexican economy Expansion into developed and developing (Asia too) countries	Operate 1145 stores in six (Mexico included) Latin American countries Stores use the same logo, sell same products, and use similar credit policies, financial services, and money transfers services Use Mexican business model in Latin America: offer credit for in-store consumption via a bank focused on mid- level consumers Realize that people not only need credit but also save in banks Exported the firm's culture and business model and organizational culture Demonstrated capability to adapt to the market
Managerial processes	Develop strong new product introduction leveraging their cross-border capabilities Focus on becoming one of largest global food companies Expect higher international sales percentage	Competitiveness based on their global capabilities to optimize costs and drive profits	

Bimbo is a leader in the production, distribution and marketing of bakery products worldwide. It ranks third among the most global Mexican companies. Bimbo operates in 22 countries in America, Europe and Asia, with 163 plants and over 52,000 distribution routes. The company has successfully expanded its original Mexican business, based on offering “fresh bread and pastries everywhere all the time” with diverse product lines and a distribution network that allows bread to be present at every point of sale for consumers of all socioeconomic levels, in countries with diverse economic characteristics. Bimbo’s strategy is based on:

- high-value products in leading brands to target consumers;
- exceptional manufacturing processes;
- continuous innovation for high productivity and efficiency;
- state-of-the-art distribution; and
- marketing with disciplined financial management.

The USA and Canada represent 53 per cent of net sales, Mexico 34 per cent, rest of Latin America 10 per cent and Europe 3 per cent. From 2000 to 2015, Grupo Bimbo’s revenue increased almost fourfold. Its high profits are associated with maintaining the entrepreneurial vision of the founders through an outstanding and continuously strengthened distribution system, along with superior products resulting from a focus on innovation, R&D and marketing efforts. Bimbo’s internationalization process is based on a combination of opening of manufacturing and commercial facilities, acquisitions (often keeping local brands) and alliances. Championing an approach of product diversification, the company offers more than 7,000 different articles, including loaf bread, pan dulce, bakery goods, pastry, cookies, confectionery, salted snacks, tortillas and toast. Because Bimbo’s global strategy is largely focused on efficient innovation, manufacturing, distribution and financial management processes, we suggest the company has developed this strategy primarily through global efficiency combined with elements of coordinated control and tropicalized innovation.

Gruma is the global leader in corn and flour tortilla production and sales. Additionally, the firm is a leading producer of wheat flour and related products, such as flatbreads, pizza crusts and wraps. Other Gruma products include rice, snacks, pasta, condiments and palm hearts. The company has grown globally by expanding to the USA and Canada, Europe, Asia and Oceania. The group is present in 112 countries and operates 79 production facilities (López-Lomelí and Gomez, 2018), with a successful portfolio of global brands (Maseca and Mission) and multiple local brands (e.g. Guerrero in the USA and Tortiricas and Tosty in Costa Rica). Gruma was born from the opportunity that corn tortillas are highly appreciated as a staple in Mexican households of all socioeconomic classes; it is eaten every day by itself (like traditional bread) or in a wide variety of combinations. The company has grown globally by first offering corn products to Mexicans living in the USA. Later, it leveraged the global popularity of Mexican (or Tex-Mex) food to grow market share and finally become a global player in corn and wheat products using its successful Mexican business model to expand into emerging markets worldwide. Gruma has a strategy based on five pillars:

- (1) solid corporate strategic direction and organizational development;
- (2) innovation;
- (3) marketing;
- (4) sustainability and technology; and
- (5) multi-market, multi-category and multi-target consumers.

The company focuses on strategies to optimize product portfolio, distribution fleets, expansion into the most profitable products, optimization of marketing, advertisement and administrative costs and in investment projects for value creation. This is combined with a solid strategic re-focusing on core businesses while divesting non-strategic businesses and a clear and flexible structure. Given that Gruma's strategy is focused on optimizing its mix of core products globally along with activities associated with the production and distribution of these products, we suggest the company has developed its strategy through coordinated control, global efficiency and tropicalized innovation (local brands).

Elektra is a retail company that has accomplished income and profit objectives using a credit program model that targets middle and base-of-the-socioeconomic-pyramid consumer segments in need of credit to acquire household appliances, clothing, electronics and additional financial services. Elektra operates 1,145 stores worldwide. The company has used its Mexican model to expand internationally to countries with similar economic characteristics. Besides Mexico, Elektra operates 167 outlets in five countries: El Salvador, Guatemala, Panama, Honduras and Peru. Elektra also previously operated in Argentina, Brazil and Dominican Republic. The company works mainly with seven strategic suppliers, which provide 62 per cent of the total supply. Its banking branch, Azteca Bank, operates in more than 1,000 Elektra outlets, and there are close to 2,000 independent offices worldwide (Montoya *et al.*, 2018). Grupo Elektra first focused on expanding in Latin America given the strong potential and in 1997, simultaneously commenced operation of 50 outlets in four countries culturally and socially similar to Mexico: Guatemala, El Salvador, Honduras and Dominican Republic (now closed). The outlets have a standardized commercial strategy based on using the same logo, selling the same product mix and offering similar credit policies; this is in combination with providing Azteca Bank financial services and Western Union money transfers. This model allows access to products and financial services by consumers at the middle and bottom of the socio-economic pyramid. Elektra's adherence to standardized practices in each of these markets suggests that the company has developed its upgrading strategy through global efficiency and tropicalized innovation (specifically, services tailored to the needs of emerging market segments), although it demonstrates some elements of coordinated control of the value chain through the use of common vendors and its Azteca Bank.

Uncommoditizing strategies by Argentinean firms

With 40 million people, Argentina has historically been among the developing countries with better social and economic indicators (i.e. education, poverty, children mortality rate and GDP per capita). Its fertile soil continues to be the country's main income source. Soy and soy biproducts represent almost a third of total exports. In the past 30 years, Argentina has shown a high level of institutional weakness and public policy reversals that have contributed to multiple economic and political crises. The lack of intertemporal consistency has affected Argentine firms, especially their ability to pursue long-term strategies. Political instability and weak institutions pose additional challenges for Argentinian firms trying to expand abroad (Finchelstein, 2017) and break the country's dependence on basic agriculture. Nevertheless, some very interesting cases of successful internationalization offer hope and indicate that Argentina has the potential for sustainable and more stable development. For this study, we selected Globant, INVAP and Tenaris. Table IV summarizes their sources of advantage.

Globant was created in 2003 by four engineers who wanted to offer software solutions to international clients and take advantage of the cheap Argentine labor available in the wake of a large currency devaluation. A born global, the company focused beyond the domestic

Industry	Globant IT solutions	INVAP Energy (mainly nuclear) and Aerospace (mainly satellites)	Tenaris Steel
<i>Differentiation</i> Quality enhancement	Sophisticated software and business solutions State of the art technology Leadership in software development in the region	Develop unique technology in the region	Constant innovation effort Works with highest industry standards (QSHE) Excels at using one single system for the entire industrial, commercial and service network
Added services	Leader in digital customer experience Flexibility and entrepreneurial initiative	Client-focused approach offers flexibility and adaptability Logistic skills	Attempt to become a service provider within oil industry rather than just a tube producer Extend services to customer supply chain. Eliminate intermediaries (i.e. distributors) Offer technical and logistical support, which are crucial industry challenges Unique portfolio of products and services, not found in competitors
Marketing- related	Recognized reputation in IT worldwide IPO in the NYSE increased awareness of firm	Expertise in dealing with government organizations (especially developing countries) Already a recognized supplier (especially in nuclear activity)	Effort to present as largest tube producer for the oil industry Offices and factories around the globe to be closer to clients Trained sales team to understand technicalities of customers

(continued)

Table IV.
Sources of
competitive
advantage and
uncommoditizing
strategies of
Argentinean firms

Table IV.

Industry	Globant IT solutions	INVAP Energy (mainly nuclear) and Aerospace (mainly satellites)	Tenaris Steel
<i>Cost efficiencies</i> R&D and technology (process)	Provide sophisticated services at low costs (especially in developing countries such as Argentina and India) by sophisticated workforce Personnel with the capacity to offer products at the vanguard of IT (i.e., artificial intelligence)	Excel in design of complex technological processes	Tenaris University in headquarters, where they train engineers from around the globe Significant part of R&D focused on improving supply chain efficiency
R&D and technology (product)		Collaboration with the Argentine research and innovation system to improve products	Invest to improve quality and reliability of tubes M&A to obtain key technologies for further growth (i.e., NKK in Japan, Hydril in the USA)
Operational processes	Offices worldwide offering different kinds of IT services, increasing ability to adapt to client needs New acquisitions increased areas of expertise, creating complementarities and synergies Four highly entrepreneurial and skillful founders at key positions Highly qualified technical employees	Highly qualified personnel with careers at INVAP which facilitates research, development and production processes Human capital is one of the firm's main assets	Economies of scale (in production and distribution) as world's largest producer Production, distribution, commercial and marketing excellence through practice (long industry tradition)
Managerial processes		Highly qualified personnel and management with long tradition in industry	Highly efficient management team Global recruiting and training process

market from the beginning. After a few years of consolidation and a couple of domestic acquisitions, Globant purchased a San Francisco (US)-based company to begin its international expansion. Currently, Globant has offices in 12 countries and features some large MNCs as clients, such as Disney, Cisco, Puma and American Express. Production and operational excellence has been central to Globant's success in a very demanding and constantly innovating industry. The firm has served a vast variety of clients, and industry needs to offer a high-quality and price-competitive service. It is noteworthy that part of the company's original labor cost advantage eroded in its first few years of international expansion because of increase in labor cost in Argentina.

While Globant relies on the high quality and flexibility of the Argentine labor force, the company has developed other skills to prosper, e.g. expansion into more sophisticated expertise areas, such as big data, artificial intelligence and a more integrated consulting service. Managerial flexibility, highly qualified personnel, innovation and entrepreneurship are among the most salient advantages of Globant that enable the firm to develop a global efficiency strategy. Globant offers a high value-added service for the global market and thrives even when home country conditions (i.e. currency exchange) are no longer favorable. Globant used capital raised from the NYSE listing to continue its international expansion through acquisitions in North America, the UK and India. These acquisitions have allowed Globant to increase the importance of a coordinated control strategy.

This company is one of the most relevant examples of entrepreneurial success in Argentina. By using high-quality and flexible talent to offer innovative products tailored to its customers around the globe, Globant has become internationally competitive mainly through global efficiency while starting to increase coordinated control.

Nuclear reactors and aerospace are the main business of *INVAP*, the only Argentine firm certified by NASA and which has built the first geostationary satellite, for telecommunications, in Latin America. *INVAP* is one of the few state-owned firms that remained so after the privatization process in Argentina. In contrast with other Argentine state-owned companies, *INVAP* has a corporate governance and ownership structure that encourages professionalism and efficiency. Mainly owned by the Province of Rio Negro, *INVAP*'s board is composed of province representatives and the nuclear energy national agency (CNEA). *INVAP* has strong links to the national research system while maintaining independence from the central government and a degree of autonomy in its budget. *INVAP* has exported nuclear reactors to countries such as Egypt, Saudi Arabia and Australia. Although global efficiency is the main strategy that characterizes *INVAP*, the firm also uses a tropicalized strategy and takes great care to accommodate customer needs. Thus, it has opened branches in six countries to sell reactors and provide technical assistance to clients. *INVAP* recently won the bid (against French and Korean competitors) to build a nuclear reactor in The Netherlands. Regarding satellites, *INVAP* has become one of the most sophisticated companies in Latin America. More recently, *INVAP* started to design advanced drones. *INVAP* has not followed the traditional path of Argentine firms, which have origins in commodities. Created in the 1970s, as a by-product of import substitution industrialization, it has taken advantage of state support and, most importantly, the great technological resources and human capital that the originally wealthy Argentine system offered. What distinguishes this case is that the company was able to insulate itself from the country's political and economic instability to continue developing engineering and technological skills to increase its firm-specific advantages. Argentina's interest and pride in a leading-edge tech firm and *INVAP*'s early capacity to export its goods and services provided a certain level of economic and decision autonomy to pave a successful

international path, one achieved through global efficiency and tropicalized innovation (by means of flexibility to adapt to specific customer demands).

Tenaris is the leading company of Techint Group, the world's largest manufacturer of seamless steel tubes (mainly used in the oil industry) and the most internationalized Argentinian firm, with plants in 12 countries on three continents. Their size and locations have allowed *Tenaris* to be highly cost-competitive and expand vastly. The group has a long tradition in the steel sector, as the founder ran a steel factory in Italy before immigrating to Argentina. Exposure to political and economic instability has provided *Tenaris* with flexibility and adaptability. In fact, this flexibility is at the core of *Tenaris*' strategy to offer additional value. Seamless steel tubes are a basic industrial product with limited added value; however, following a tropicalized strategy, *Tenaris* sought to supply additional services to increase differentiation: the company has become a service-oriented supplier of seamless tubes for the oil industry. Not only does *Tenaris* offer high-quality tubes at competitive prices, but their expertise and flexibility allow them to deliver customized products according to a customer's particular geographical conditions – including logistics to deliver these tubes under extreme climatic conditions such as Siberia or politically and socially sensitive countries like Nigeria. To offer these additional services, *Tenaris* needs highly qualified personnel ready to adjust to different clients' demands and simultaneously be at the technological edge regarding product development. Thus, the company invested heavily in R&D (something few Argentinian firms do) and established *Tenaris* University. In short, while *Tenaris*' size, scale and locations provide cost advantages, the firm has made clear efforts to increase their added value by creating specific advantages. Thanks to their technical knowledge, flexibility and R&D, *Tenaris* has successfully progressed into a service and consulting-oriented company rather than a supplier of basic industrial products. By using their locations and skills to provide a relatively standardized product under differing conditions combined with situation adaptation when needed, *Tenaris* has developed their competitive advantage through coordinated control with elements of tropicalized innovation (particularly in the service delivery) and global efficiency (quality control).

Uncommoditizing strategies by Colombian firms

Colombia has a population of 48.7 million, largely concentrated in urban areas (76.7 per cent) (Euromonitor, 2017). It is a country rich in natural resources, dependent on commodities (oil, coal, gold, coffee, flower, bananas, sugar, meat, etc.) and deeply exposed to commodity price and exchange rate fluctuations. In fact, the fall in oil prices from mid-2014 until early 2016 triggered a decline in the real GDP growth in 2016 from 4.8 to 1.8 per cent (Euromonitor, 2017). This decline affected foreign trade, as well as government finances and private company debt. The service sector represents 59.1 per cent of Colombian GDP; agriculture employs 15.7 per cent of the labor force and manufacturing, 11.8 per cent. In 2016, legal exports accounted for 10.6 per cent of Colombian GDP but were 14.7 per cent lower than the previous year. The USA is Colombia's major trade partner, accounting for 32.2 per cent of Colombian exports in 2016.

To date, Colombian firms and their internationalization efforts have not been extensively examined (de Villa *et al.*, 2015; Gonzalez-Perez and Velez-Ocampo, 2014). We chose three firms to examine due to their ability to take advantage of favorable access to natural resources and upgrade their competitive advantages to international levels. Table V summarizes their sources of advantage.

Grupo Corona was established in 1881 as *Compañía Cerámica Antioqueña* to produce earthenware, ceramic, porcelain and glass, but has diversified into six segments related to

Industry	Grupo Corona Construction and home improvement and retail	Juan Valdez Café (Procafecol)	Tahami Cultiflores
<i>Differentiation</i>	Products with a longer life cycle	Country of origin reputation for coffee quality	Flowers
Quality enhancement	Sustainable sourcing and production of products which depended on traditionally mining processes	Vertically integrated (from farmers to final consumers)	
Added services	Final consumer oriented, post-consumption support	High-quality recognition of Colombian coffee in local and foreign markets	
Marketing-related	Deep knowledge of construction market (specifically home improvement toilets)	Guarantee premium coffee; generating value for the federation of coffee growers	Strong commitment to good working conditions and environmentally friendly practices
	Diversification of business (logistics, retail, home improvement, crockery, etc.)	Country-of-origin recognition and good reputation in coffee industry (Café de Colombia brand). 100% Colombian coffee is a Top-of-heart positioning of coffee from rural farmers in Colombia	Production operations accredited with the Florverde® sustainable flower (FSF) standards
	Sustainability focus	Domestically, designed a strategy to increase coffee consumption per capita (based on Starbucks)	Country image and reputation in the coffee industry
	Final consumer-oriented growth		
	Collection to emphasize Colombia as country of origin was developed in crockery unit		

(continued)

Table V.
Sources of competitive advantage and uncommoditizing strategies of Colombian firms

	Grupo Corona Construction and home improvement and retail	Juan Valdez Café (Procafecol) Coffee	Tahami Cultiflores Flowers
<i>Cost efficiencies</i>			
R&D and technology (process)	Rewards system to enhance innovation - PRISMA. Aims: and implementation of processes and structures to facilitate innovation; and developing employees with an innovation-driven DNA	CENICAFE is an R&D center in coffee industry R&D has produced more resistant plants to climate change	R&D in flower industry Tariff preferences in US market due to FTA between US and Colombia Takes advantage of existing infrastructure, logistics capacity, and quality control from sowing to packing Incorporated genetic engineering practices certified by FSF Longer life flowers, artificially colored flowers, new varieties of flowers Diversified flower production (poms, disbud, foliage and bouquets)
R&D and technology (product)	Design of eco-efficient products	Specialty coffee (micro-origm), alternative preparation methods, e-commerce channel	
Operational processes	Strong orientation to sustainable and eco-efficient operations. Use GRI methodology and mission reflects sustainability commitment Measure impact on environment and society of each of its operations Used to be a family company, but publicly listed since the 1960s; No family members on the management team	Vertical integration from farms to coffee shops	
Managerial processes	Diversification of business units: Construction ceramics, painting, insulation, crockery, retail, and logistics	Focus on deep knowledge and experience of the industry. Accountable to clients and coffee growers	Diversified company, and member of a business group.

manufacturing and retail for construction and home improvement. The company was acquired by the Echavarría Olozaga family in 1935 and was publicly listed by the 1960s. Since then, new business units and companies (Mancesa, Grival and Electroporcelana) were created and the business group Organización Corona began its consolidation (Corona, 2017a). In 1994, the company created a strategic alliance with Chilean company Sodimac to introduce retail companies Home Center and Constructor in Colombia. In 2005, the group allied with the Chilean Grupo Falabella to support Falabella's entry into Colombia, both in retail and banking. In 2011, the group started a strategic alliance with Eternit Brazil (producer of sanitary ware and metals). In 2012, the company established another strategic alliance with Hyundai Korea to begin operations in the electric sector. Organización Corona exports to 45 countries; has direct manufacturing plants in Colombia (19), Brazil, Costa Rica, Guatemala, Mexico (3), Nicaragua and the USA (3); and has sales offices in Colombia, China and Mexico (Corona, 2017b). Around 20 per cent of its sales come from international operations. By using its network of businesses and partnerships, Grupo Corona has developed through coordinated control.

Juan Valdez Café was established in 2002 as a brand owned by the Colombian Federation of Coffee Growers (FNC), representing over 500,000 coffee producing families. The FNC created the company Promotora de Café Colombia, Procafecol S.A., which began to develop and open coffee shops in Colombia and internationally in 2002. By the end of 2017, their coffee shops in Colombia should number 274, with an additional 140 coffee shops and direct retail operations dispersed throughout Asia, Europe and the Americas. By the end of 2016, 74 per cent of Juan Valdez Café's sales were concentrated in Colombia, with only 15 per cent coming from international operations. The strategy design focused on creating added value through brand consolidation, strengthening vertical integration and emphasizing the value of single origin (traceability) and premium coffee. Juan Valdez Café has been able to advance from basic dry beans to a premium coffee experience.

In July 2014, Starbucks entered Colombia via a joint venture between Mexican Alsea and Colombian Grupo Nutresa. Although many expected that this would negatively impact domestic coffee shops, Mr Hernán Méndez, CEO of Procafecol said that the entry of Starbucks, as well as Dunkin' Donuts and Krispy Kreme, has given impetus and strength to the market power of Juan Valdez, as it forced the company to innovate and improve standards by focusing on the premium segment. Interestingly, since 2014, both the supply and demand for premium coffee have increased in Colombia, marking the beginning of a previously nonexistent culture of *barismo* and a niche of coffee enthusiasts and connoisseur customers (Medina, 2015). By consolidating its brand to emphasize a unified Colombian coffee experience and vertically controlling its value chain, Juan Valdez Café has developed its differentiation through coordinated control.

Tahami Cultiflores was established when Tahami (founded in 1987) joined Cultiflores (founded in 1989). Together with coffee, sugar, meat and bananas, the flower industry is an important source of formal employment in rural Colombia, employing 15.7 per cent of the Colombian workforce (Euromonitor, 2017). The growth of the flower industry was deeply influenced by the elimination of import tariffs on Colombian flowers into the USA in 1991, in conjunction with support to eradicate coca cultivation. Flower production is concentrated in farms near the two major international airports (Bogota and Rionegro – near Medellín). The flower industry has been extremely sensitive to exchange rates, and in 10 years, over 60 major flower companies had to be restructured; many companies eventually closed (Revista Dinero, 2017).

The flower industry has been characterized by innovation in production, logistics and commercialization (Baroke, 2014). Research and innovation have also driven the

introduction of unique features, such as edibles, unconventional colors, innovative bouquet designs, cultivation of rare exotic species and different sizes and shapes. Furthermore, Colombian producers have made special efforts to implement and ensure high social, labor and environmental standards in an industry known for poor labor conditions and environmental abuses.

Tahamí Cultiflores has a total flower and foliage cultivation area of 27.8 hectares in the Antioquia region (capital is Medellín). Since the beginning, the company has marketed a wide range of flowers (poms, disbuds, foliage and bouquets). Tahamí Cultiflores has a strong commitment to decent working conditions and environmentally friendly practices, and its production operations are certified by Florverde Sustainable Flowers (FSF). The company has incorporated genetically engineered practices certified by FSF and trades its products via PharmaCielo Ltd. Between January 2007 and April 2017, Tahamí Cultiflores' exports reached US\$51,081,661 FOB. Their major destination markets are the USA, Dominican Republic, Panama, Norway and Canada. By adapting their product offerings to meet differing market needs, Tahamí Cultiflores has become competitive through tropicalized innovation.

Uncommoditizing strategies by Chilean firms

Chile has a (2015) GDP of US\$432bn PPP (World Bank, 2017) and a population of 17 million. The country is one of the most stable and prosperous nations in Latin America. Chile has a market-oriented economy characterized by a high level of foreign trade and strong institutions. The country has many different natural resources including major copper deposits and enjoys a variety of climates conducive to agriculture. These country-specific advantages facilitated the development of mining and agribusiness industries as well as supporting industries. Additionally, the peculiar geographical shape of Chile (long and narrow) contributed to the development of infrastructure-related businesses oriented to provide suitable conditions for business activity. Finally, the rapid growth in Chileans' income, access to credit and strict building rules (because of the country's vulnerability to seismic activity) stimulated the development of a sophisticated and high-quality construction industry. We selected three companies as representative examples of Chilean firm's competitive advantages: Colbun, Concha y Toro and Socovesa. Table VI summarizes their sources of advantage.

Colbun was established in 1982 to operate hydroelectric power plants and sell the generated power to electric distribution companies. Initially, state-owned Colbun was privatized in 1997, and the controller group has 49.96 per cent of the total shares. The now publicly listed company employs more than 1,000 workers, with 23 power plants in Chile and one in Peru and total installed power capacity of 3,852 MW. The company distributes its portfolio of assets between hydraulic and thermal generation. In 2015, Colbun started its internationalization process by acquiring 51 per cent of Fenix Power in Peru, a thermal cycle plant combined with a natural gas operation located in Chilca. The company has invested in specific assets to generate sustainable (i.e. renewable) electricity generation. By efficiently coordinating its network of plants throughout Chile and Peru, Colbun has developed its uncommoditized strategy through coordinated control, with global efficiency (by means of process innovation) as a secondary uncommoditizing strategy.

Concha y Toro, established in 1883, is the leading wine producer in Latin America and one of the most important in the world, exporting to 147 countries. The company took advantage of Chile's optimal climate for the proper development of quality wines. Additionally, the company has explored other countries that offer relatively similar natural advantages. Today, Concha y Toro owns 10,800 hectares of prime vineyards in Chile,

Industry	Colbun Electric power transmission	Concha y Toro Wines	Socovesa Real estate
<i>Differentiation</i> Quality enhancement		Culture of innovation led by Center for Research and Development. Implemented a laboratory of molecular biology with state-of-the-art technology that studies vines at the genetic level High-quality standards reached through permanent audits	Focused not only on product quality level but also on attributes related to design and architectural details Integrates and synthesizes knowledge from different areas such as economics, urban planning, engineering, construction, architecture, interior design, business, sociology, psychology, and anthropology Houses with convenience features such as remote control of lighting, alarm, music Access to financing for clients
Added services	Long-term relationship with customers Safe and sustainable energy	Leader in corporate reputation High-profile film production for marketing campaigns	Ability to become an expert in each customer segment and design attractive real state products for each niche
Marketing-related	Systematic monitoring of corporate reputation	Alliance with the English soccer team Manchester United Development of technological projects oriented to support agricultural work and productivity	High brand recognition regarding reliability by customers
<i>Cost efficiencies</i> R&D and technology (process) R&D and technology (product) Operational processes	Because of droughts in central-south Chile, implemented a continuous and online monitoring system to improve well management Implemented a water purification plant (reverse osmosis), which reduced about 40% of water consumption of the installations Created "renewable energy" area to evaluate best ways to incorporate new forms of electricity generation (e.g., wind and sun) into firm portfolio Investigating other energy sources such as tidal wave, alternative fuels, and unconventional residuals heat utilization systems, as well as electricity storage through batteries		
Managerial processes			

Table VI.
Sources of competitive advantage and uncommoditizing strategies of Chilean firms

Argentina and the USA (California). Also, the company has developed production and marketing capabilities to manage a wide range of brands, from the premium Don Melchor and Almaviva brands to the flagship Casillero del Diablo. In Argentina, Concha y Toro produces the brand Trivento, and in California, it produces under the Fetzer label.

Modernization of Concha y Toro started in 1957, driven by Eduardo Guisilasti, whose family currently controls 39.04 per cent of total company shares. The company started production of more complex wines such as Casillero del Diablo 10 years later. In the 1980s, Concha y Toro launched Don Melchor, the first Chilean ultra-premium wine. In the 1990s, the firm moved towards exporting. In 1994, Concha y Toro became the first winery in the world to trade on the New York Stock Exchange. Two years later, it expanded into Argentina with the foundation of Trivento Bodegas and Viñedos in Mendoza. In the 2000s, Concha y Toro continued its internationalization by creating commercial offices in the UK and other subsidiaries in Latin America. In 2011, Concha y Toro acquired Fetzer Vineyards of California, a pioneer winery in sustainable practices. Over the past years, Concha y Toro has been recognized as the most admired wine brand and most powerful wine brand in the world. Recent company efforts are intended to develop innovation capabilities. The company also opened the Center for Research and Innovation in the central-south of Chile, a project unique in Latin America. By innovating to produce world-class products and branding them on a global basis, Concha y Toro has developed its advantage through global efficiency.

Socovesa is a real estate company founded in 1967. The firm is publicly listed, and the controller group holds 52.62 per cent of total shares. Since the 1980s, Socovesa has experienced steady growth in the Chilean construction sector by focusing on apartments and houses for middle- and upper-income families. In 2003, Socovesa took advantage of strong Chilean infrastructure growth and expanded its business to other sectors, such as engineering and construction. In 2007, the firm became public and acquired Almagro, a prestigious Chilean retail company focused on apartment buildings. By acquiring Almagro, Socovesa consolidated a leading position in the Chilean real estate industry. In recent years, Socovesa launched a new business line of apartments and focused on continued innovation in its projects. Today, Socovesa offers apartments and houses for different client segments in Chile and is shifting its business model from construction to real estate management. The company has recently started expansion into Argentina. By managing its network of real estate companies and a portfolio of products aimed at different market segments, Socovesa has achieved an advantage through coordinated control and tropicalized innovation (by innovating and expanding its product offer).

Uncommoditizing strategies by Peruvian firms

Peru has been one of the fastest growing economies in Latin America during the past 15 years ([Business Sweden, 2016](#)), with an average annual growth rate of almost 5 per cent. Since adopting pro-market reforms in the early 1990s, the country has followed a consistent policy of market openness and global integration that has fueled growth, resulting in 17 free trade agreements over the last decade. Further, it is a member of the Transpacific Partnership, the APEC and the Pacific Alliance, a new regional bloc that has shared commitments to promote global integration with a focus on the Asia Pacific ([IADB, 2014](#)). While the service sector is the most important contributor to the Peruvian GDP ([Global Insights, 2017a, 2017b](#)), the economy is still closely linked with abundant natural resource endowments. Most large-scale investments committed for forthcoming years are in commodity-related sectors oriented to international markets. For the current study, we

selected Peruvian companies Gloria, Lolimsa and Resemin. [Table VII](#) summarizes their sources of advantage.

Gloria, founded in Arequipa in 1941 as General Milk Company Inc., was acquired in 1986 by one of Peru's largest business groups, the Rodriguez Banda family. Gloria is Peru's leading dairy producer with a dominant 46 per cent market share ([Euromonitor, 2016](#)). Gloria has built its business model in Peru around dairy farmers and operational excellence. Since its inception, the company aimed to secure the raw materials required in its operations. Indeed, its strategy focuses on expanding its geographic scope of influence and on improving farmer productivity. Hence, Gloria has expanded its raw milk procurement from the south dairy basin to the rest of Peru. Further, Gloria guarantees farmers a market for their milk and provides technical assistance and financing to acquire raw materials and veterinarian products. To minimize transportation costs and reduce supply-chain waste, Gloria has implemented primary milk collectors in the three main basins. Finally, the company has state-of-the-art facilities that allow them to produce high-quality dairy products and reach economies of scale. The firm owns one of the biggest evaporated milk plants in the world.

Once Gloria recognizes an international opportunity, the firm follows two alternative paths, both of which involve strict headquarters control. On the one side, the firm aims to reproduce the previously domestic business model outlined above. The acquisitions of Pil Andina (1996) and Ipilcruz (1999) in Bolivia follow this path. The business has been built from dairy farmers to efficient operations, from valuable brands to a dominant market share in the host market. In fact, its subsidiary Pil Andina is among the most reputed firms in Bolivia ([Merco, 2016b](#)). On the other side, when the company enters a mature market (e.g. Argentina), its objective is not to exclusively concentrate on the host's domestic market. Replication of the original business model in such cases is prohibitively expensive. Hence, the main reason for international acquisitions in these markets is to obtain a portfolio of products with high added value and to use the host country as a platform for international operations (in particular, exporting). The acquisition of Corlasa in Argentina followed this path. With these two approaches, Gloria has a presence in six countries in Latin America. By replicating its successfully home-country model when possible and acquiring high-value products from mature markets for international operations, Gloria has developed its advantage strategy through global efficiency, while also relying on coordinated control of the value chain.

Lolimsa, founded in 1987, is both the most important supplier of software for the health industry and one of the most internationalized of Peruvian companies ([Zurita, 2008](#)). The company started its operations by developing an epidemiology control system for the Ministry of Public Health ([Carmel, 2012](#)), and since then, its development has been strictly linked with this sector. Lolimsa has developed solutions for drugstores, hospitals and clinics ([RPP Noticias, 2008](#)).

Lolimsa's business model has four cornerstones: specialization, innovation, certifications, and internationalization. The company has almost three decades of industry-specific know-how because of its concentration in the health industry. Constantly innovating, the firm has recently entered areas such as biostatistics, biomathematics and bioengineering. It extensively uses certifications to demonstrate quality and be perceived as a credible partner ([Jain et al., 2015](#)), as being a Peruvian firm is not necessarily a positive signal in international markets. The company has already obtained CMMI Level 3, CCHIT and ISO-9001. These three keystones provide the firm with the required credibility to compete internationally.

According to Rolando Liendo, Lolimsa CEO, "the health-care sector is standardized in the world: the processes are standardized, the software should be standardized" ([Carmel, 2012](#),

Table VII.
Sources of competitive advantage and uncommoditizing strategies of Peruvian firms

Industry	Gloria Mass consumption: dairy products	Lolimsa Software specialized in the health industry	Resemin Underground drilling machinery for mining
<i>Differentiation</i> Quality enhancement	Application of international standards in all their processes: HACCP, ISO 9001, ISO 9002, ISO 22000 Established a policy of quality and safety standards Constantly invests in R&D to innovate its product portfolio Strong relations with dairy farmers to improve the productivity of their cows	Intensive used of international certifications as a signal of quality. (CMMI Level 3, CCHIT and ISO-9001) High quality human resources. Software developers certified in Microsoft solutions Emphasis on innovation specifically in the health care industry Uses franchise systems to leverage host country network Key selection of franchisees and use of ongoing royalties to align interests between parties Host country franchisees minimize "liabilities of outsidership" Developed a valuable position in the health sector. Perceived as specialist Peru country image is not favorable. Firm uses international certifications to signal quality	High quality human resources Emphasis on innovation, design, reliability and safety in underground drilling machinery for mining Certified in ISO-9000
Added services			Needs to be close to its customers Establishes subsidiaries in mining sites to respond immediately to specific needs and problems
Marketing-related	Traditional brand names in Peru and Bolivia. Top of mind brands in dairy category Use local brands to serve host domestic markets in other locations. However, most business comes from exporting products with high value added		Perceived as specialist in mining industry, particularly rock drilling equipment
<i>Cost efficiencies</i> R&D and technology (process) R&D and technology (product) Operational processes	Economies of scale (in production, marketing, distribution, procurement, post-sales technical services) Business model favors operational excellence Built business from dairy farmers. Efficient in supply chain management, minimizing costs and waste	Concentrate software development in Peru	Concentrates design, manufacture and quality assurance processes in Peru Focuses on providing the best cost/benefit ratio in market
Managerial processes	One of largest family business groups in Peru with operations in transportation, manufacturing, pharma, agribusiness, among others	Concentrates software development in Peru and uses well-developed franchise system to adapt products overseas	Family firm

p. 111). With this premise, Lolimsa started exporting in 1994 to Ecuador. The company's international expansion model has evolved from host market agents, to local offices, to franchise systems. They found that the most attractive way to sell their products was through franchises while maintaining their software factory in Peru. Cultural aspects and availability of human resources support this decision. Peru is the Latin American country with the second largest number of software developers certified in Microsoft solutions (RPP Noticias, 2008). On the other hand, Lolimsa aims to attract relevant partners in host markets that have product experience, positive host market reputations and industry contacts. The mechanisms to align interests between partners have almost no investment fees but instead use transaction-based royalty fees (Carmel, 2012; Zurita, 2008).

Currently, the firm has operations in 14 Latin American countries. The firm's short-term goal is to consolidate its presence in these markets and in the long term to enter developed countries, especially the USA. By investing in product development and the respective certifications, and by keeping strict control of its processes through its software factory in Peru and local franchises in foreign markets, Lolimsa has developed an ability to compete across markets through global efficiency.

Resemin, founded in 1989, specializes in underground drilling equipment for mining. Although mining has always been a growth engine of Peru, during the 1980s obtaining spare parts for drilling equipment in this industry was difficult (Villalobos, 2017). Resemin was created to take advantage of this opportunity and specifically to manufacture spare parts for drilling machinery from companies such as Atlas Copco and Sandvik. The company has more than 1,700 employees (450 in Peru) and total group revenues of US\$74m (2016) with an annual growth rate of 38 per cent.

During its first 12 years, Resemin concentrated on providing spare parts. However, Mr Valenzuela, founder and current CEO of the firm, observed that despite the constant fluctuations in metal prices, the market for drilling equipment was unaffected because of the emphasis on production rather than exploration (Roca, 2013). Mr Valenzuela's knowledge of Peruvian mining conditions, the network developed and the accumulated knowledge on underground drilling equipment were decisive to expand Resemin's scope in 2001 to begin manufacturing drilling equipment for underground mining (Roca, 2013). To compete in this line of business, the firm concentrated on design, quality, safety and reliability (Dassault Systemes, 2016). Further, considering the unique characteristics of Peru and the extreme mining conditions in which this type of machinery operates, Resemin emphasizes flexibility to adapt drilling equipment to mining company requirements. Their relatively small scale of operations and niche strategy allow the firm to respond to requirements that established multinationals cannot easily implement (Roca, 2013).

As early as 2002, Resemin started to internationalize by following Peruvian customers. For instance, executives from Glencore (Peru) moved to Zambia in late 2001 and ordered Resemin equipment to operate there (Conexion ESAN, 2017). Similarly, in 2005, Hochschild (Peru) ordered Resemin drilling machines to operate in Argentina. While the design, manufacturing and testing processes can be done in Peru, it is necessary to be close to the market to operate successfully in this industry. Therefore, the firm established foreign operations near its main customers. By 2016, the firm had wholly owned subsidiaries in Argentina, Mexico, Zambia, Congo and India (Villalobos, 2017). Today, Resemin is the third largest company in underground drilling equipment worldwide. By capitalizing on its ability to adapt to customer needs in the field, Resemin has developed its uncommoditized strategy through tropicalized innovation.

Uncommoditizing strategies of emerging market firms

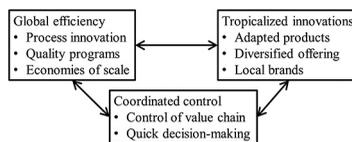
The comparison of case studies across industries and countries resulted in the identification of uncommoditizing strategies that these companies have been using to break away from commodity-based positions in global value chains, as well as to break away from competition solely based on price. Figure 1 illustrates the three elements of these uncommoditizing strategies: tropicalized innovation, global efficiency and coordinated control[1]. Each element has sub-elements that affect the overall abilities of companies to move away from price competition into the achievement of premium pricing for their products and services. Firms have undertaken different dimensions of this model according to the particular conditions of the countries and industry in which they operate and the companies’ idiosyncratic efforts. Table VIII summarizes the actions taken according to the classification of Figure 1, condensing the information provided in Tables II to VII.

Tropicalized innovation

The first element is *tropicalized innovation*. By this term, we mean that emerging market companies have developed innovations that are particularly suited to the conditions of emerging markets. These innovations go beyond the diffusion and adaption of innovations from advanced economies to emerging ones (Rogers, 2010). Instead, they comprise both innovations that take into account the lower income levels of many consumers in emerging economies (Prahalad, 2005; Zeschky, Widenmayer, and Gassmann, 2011), as well as innovations that take into account the lower level of infrastructure available in emerging economies. Such innovations are well-suited to the conditions of emerging economies of the country of origin and are thus applicable to other emerging economies, helping companies internationalize on the basis of innovations that are better suited to the large segments of low-income population. Although some may not be the basis for companies’ global expansion and their abilities to compete in advanced economies where such innovations may be unneeded, some may even be used in advanced economies in the form of reverse innovations (Govindarajan and Ramamurti, 2011). In the latter case, the innovations require a further adaptation to the conditions of advanced economies given that the initial conditions that prompted the innovation may not be widely prevalent in more advanced countries.

These tropicalized innovations take two forms: product innovations that are adapted to local needs and local brands that resonate with emerging economy consumers. Both of them enable emerging-market companies to break away from price-based competition and help them demand premium pricing for their offerings or be the preferred choice of customer or else reach satisfactory profitability from a better balance between costs (by sacrificing or reducing attributes that are not so much valued by emerging market customers) and price. Product innovations are tropicalized as the result of a better understanding by managers and engineers of customer needs in emerging economies. The challenge of developing tropicalized innovations is not only identifying the particular needs of poorer consumers but rather finding business models and technology development processes that can generate products and services that meet and fulfill customer needs at a low price point without

Figure 1.
Uncommoditizing
strategies of
emerging market
firms



Country	Company	Global efficiency		Uncommoditizing strategy			Coordinated control	
		Process innovation	Quality program	Economies of scale	Adapted products	Tropicalized innovation	Control of value chain	Quick decision-making
Brazil	BRF	x		x	x			X
	Eurofarma	x				X		
	Metalfrio	x		x	X			
	Bimbo	X		X		x		
Mexico	Gruma	x		x			X	
	Elektra			X		x		
	Globant	X						x
Argentina	INVAP	X			x			
	Tenaris							X
Colombia	Grupo Corona		x			x	X	X
	Juan Valdez						X	X
	Tahami Cultiflores				X		X	
Chile	Colbun	x						
	Concha y Toro	X	X					X
	Socovesa						X	x
Peru	Gloria			X		x		
	Lolimsa	X	X					
	Resemin				X			

Note: "X" denotes the main strategy employed, while "x" denotes a secondary strategy employed

Table VIII.
Uncommoditizing strategies in the cases analyzed

sacrificing functionality and features. Customers in emerging economies do not want a low-quality version of the products sold in advanced economies (Economist, 2017). Thus, innovation processes take into account such needs when developing products and services rather than taking existing products and trying to reduce features to meet the lower price point of emerging economy consumers. Local brands are developed in tandem with product innovations, with companies segmenting products that are well-developed and reliable. Emerging market consumers tend to have a preference for global brands from advanced economy firms, as these signal higher quality and responsibility, as well as enabling consumers to claim high status (Arnold and Quelch, 1998). However, firms in emerging markets can build reliable and reputable local brands (Chattopadhyay, Batra and Ozsomer, 2012) and use their deeper understanding of the local market to become credible global competitors (Dawar and Frost, 1999). Such segmentation is then used in diversification in which the company sometimes uses a general brand to introduce new products in emerging economies.

Global efficiency

The second element is *global efficiency*. What we mean is that emerging market companies focus on improving their production and decision processes so that they can achieve efficiency levels above those of advanced economy companies. Focusing on global efficiency means that companies are not just relying on lower labor costs of emerging economies. They are going beyond lower labor costs and designing processes that, taking advantage of such lower labor costs, create products that are of high quality and superior reliability compared to those produced by competitors in the same country (Guillén and García-Canal, 2009; Luo and Tung, 2007).

The global efficiency is facilitated by the economies of scale that many of these companies have achieved as a result of dominance in their home country markets. They are also the result of a focus on increasing quality and achieving quality certifications that enable them to signal their differential ability to produce better products. Many firms use the quality certifications as a signal that they are superior suppliers of components or complete products for advanced country multinationals and customers. Moreover, the focus on global efficiency is also driven by the ability of these companies to control sequential process innovations, given that it is more difficult for competitors to imitate process innovations. This global efficiency helps them to not only reduce production costs but also create products with fewer defects, helping them to achieve higher operating margins even if the products are sold at low prices. Moreover, it enables improvements in product quality and reliability and thus helps them demand premium pricing for their offers.

Coordinated control

The third element is *coordinated control*. We refer to coordinated control as the ability of company managers to control the value chain and ensure that decisions are integrated and quickly implemented. Emerging market firms may start their upgrading process as suppliers in the global value chains of advanced economy multinationals, learning from these firms (Luo and Tung, 2007; Mathews, 2006). However, over time, they move along the value chain into higher value-added segments, backward into R&D and technology development and forward into marketing and brand management, of the “smiling curve” (Mudambi, 2008; Shih, 1996). This enables them to reduce their dependence on unreliable suppliers and distributors and the need to invest in additional control and monitoring in emerging economies given that contract enforcement in these countries is less efficient than in advanced economies (Khanna and Palepu, 2010). Also, such value chain control can also

help these companies identify new ways of innovating and better serving customers (Pananond, 2015) that reinforce tropicalized innovation and global efficiency.

Additionally, many of the companies are run by entrepreneurial managers, often the main owners, who feature an ability to manage operations efficiently to achieve desired objectives. Interestingly, some emerging market firms have developed that ability to control the value chain (backward and forward) even without having served advanced market firms, but because of the drive for profit and excellence of their entrepreneurial founders. Companies are quick to adapt to new customer demands and new market trends, with the firms quickly entering new and promising activities or geographies, as well as quickly exiting those in which they have not been able to achieve desired goals. Coordinated control links tropicalized innovation with global efficiency and ensures that companies can effectively implement uncommoditizing strategies.

Conclusions

In this article, we analyzed the processes followed by emerging market firms to upgrade their capabilities and achieve international competitiveness. We proposed that, although many emerging market firms are subject to commoditized competition in which they compete against other firms primarily on price with low-quality products, some firms have been able to break away from this pattern and develop uncommoditizing strategies. The analysis of 18 firms in six Latin American countries illustrates how some firms have developed these uncommoditizing strategies, which are composed of three elements. First, tropicalized innovation, whereby firms develop innovations and brands adapted to the unique needs of emerging economies; this enables them to differentiate their products from those of other firms and sell at premium pricing and gain customer preference. Second, global efficiency, whereby firms achieve efficient processes that reduce production and operation costs and result in products and services that are more reliable and of higher quality, helping them to command premium pricing. Third, coordinated control, whereby firms achieve integrated control of the value chain and related activities and rely on speedy decision making to ensure rapid adaptation to new customer demands and an ability to foster tropicalized innovation and global efficiency.

These ideas contribute to a better understanding of emerging market multinationals and their global expansion by focusing on the mechanisms that have enabled some of them to achieve international competitiveness, a requirement for international expansion. The literature on emerging market companies has focused much attention on the processes that these firms have followed in their international expansion (e.g. the classification of global strategies by Ramamurti and Singh, 2009 and the discussion of their internationalization in Guillén and García-Canal, 2009). A recent literature branch is focusing on how emerging market firms have managed to upgrade their capabilities in the first place (see the chapters in the book edited by Williamson *et al.*, 2013) and specific analyses such as learning-by-doing (Rui, Cuervo-Cazurra and Un, 2016), the challenges faced in integrating external technology (Cuervo-Cazurra and Rui, 2017), developing product innovations (Awate *et al.*, 2012) or the solution to human capital voids (Wang and Cuervo-Cazurra, 2017). We expand this literature by providing an overarching model that explains how emerging firms, in general, can develop uncommoditizing strategies to upgrade their capabilities, thus providing bridges to previous narrower studies. The findings complement other suggestions for escaping a commoditized market by advanced economy firms (Hax, 2009; Matthysens and Vandenbempt, 2008; Riot, Chamaret and Rigaud, 2013). The framework presented here can be refined in future research by going deeper into each factor, using

insights from the case studies to understand the processes better and develop more nuanced explanations of the mechanisms.

The framework is useful for managerial guidance, as it provides a comprehensive yet succinct overview of the main strategies that emerging market firm managers can use to help their firms achieve international competitiveness. Managers of emerging market firms need to follow the guidance that takes into account the challenges and limitations that their firms face from operating in emerging economies and being latecomers in the global arena. Thus, instead of imitating their advanced economy counterparts, these managers can benefit from following appropriate strategies to break from commoditized competition. These are the focus points on innovations that are specific to the conditions of emerging economies, achieving global efficiency and maintaining control to ensure rapid adaptation.

The framework can be expanded in future research, which can address some of its limitations. First, the ideas were based on the analysis of a wide variety of firms in six Latin American economies. These firms share commonalities in the transformation of the countries and level of development that facilitate the comparison of cases. At the same time, some of the ideas may not apply to firms in other emerging markets, particularly those that are close to international competition and thus have less pressure to upgrade capabilities to international levels (e.g. Cuba, North Korea and Venezuela) or those that are at a very low level of economic development and whose firms face large challenges in generating international capabilities (e.g. Afghanistan, Bhutan and Haiti). Hence, future research can analyze how to modify the model to explain the process used by firms in these extreme underdeveloped countries upgrade their competitiveness to international levels.

Second, the analysis focused on the outcomes of a multiplicity of actions that enabled firms to achieve a level of international competitiveness. We did not go back in time to analyze the specific sequence of actions in the uncommoditizing strategy. Thus, some firms may start focusing on efficiency and quality in the process while others may start focusing on innovation in the products, and yet others may focus on achieving control. Or firms may start with two or three of the actions at the same time. Future research can take a process approach to the analysis of the uncommoditizing strategies to identify the paths that firms take to upgrade their capabilities and how the different paths may result in faster or deeper capability upgrading.

Third, we focused on the strategies used by firms to upgrade their capabilities to international levels. One outcome of this upgrading was the internationalization of these firms, and they showed a wide diversity in levels of international expansion. We did not analyze the particular internationalization processes used by the firms and how the uncommoditizing strategies connected to these international expansions. Nor did we study how the strategies discussed lead to the development of advantages that can be used in particular countries. Future research can study in detail the paths followed by emerging market firms in their internationalization, whether they go to advanced economies or emerging markets first and what the subsequent expansions are and how the tropicalized innovation, global efficiency and coordinated control facilitates these expansions. Future research can also analyze the role that these uncommoditizing strategies play on the motives for internationalization, whether firms expand abroad to sell more, buy better, upgrade or escape (Cuervo-Cazurra *et al.*, 2015).

Fourth, we focused on the firms and did not pay attention to other characteristics such as ownership, industry, cluster or country that may play a role in the upgrading of capabilities. We also did not study the role that the government had on the development and transformation of these firms, or how country-specific advantages support the development of firm-level strategies (Chen *et al.*, 2015) nor how country-specific disadvantages limit firm

competitiveness (Narula and Kodiyat, 2016). Future studies can analyze how these and other conditions modify the three uncommoditizing strategies that we identified in the framework.

In sum, in this article, we provide a general framework for explaining the actions that firms in emerging markets can take to avoid competing on the basis of low prices and comparative advantage of the country and instead compete on the basis of premium pricing and quality and reputation products. The cases helped identify tropicalized innovation, global efficiency and coordinated control as the uncommoditizing strategies that help emerging market firms become internationally competitive, complementing much of the literature that has focused on their internationalization and thus helping to gain a better understanding of these new and increasingly important global competitors.

Note

1. We need to clarify the difference between our framework and the AAA framework (Ghemawat, 2007). Our framework focuses on the strategies taken by firms in emerging markets to upgrade their capabilities to international levels and move away from commoditized strategies in which competition is based on prices and products are undifferentiated. The AAA framework explains the advantages of multinationals as the result of three influences: adaptation (taking existing products and modifying them to fit the needs of new countries which the firms operate), aggregation (concentrating activities in few locations to benefit from economies of scale) and arbitrage (investing and transferring inputs and products across countries to benefit from differences in country endowments).

References

- Aguilera, R.V., Ciravegna, L., Cuervo-Cazurra, A. and Gonzalez-Perez, M.A. (2017), "Multilatinas and the internationalization of Latin American firms", *Journal of World Business*, Vol. 52 No. 4, pp. 447-460.
- Alicorp (2015), "Company annual report", available at: www.alicorp.com.pe/alicorp-ir/public/financial-information/reportes/memoria-anual.html (accessed 12 June 2017).
- Arnold, D.J. and Quelch, J.A. (1998), "New strategies in emerging markets", *MIT Sloan Management Review*, Vol. 4 No. 1, p. 7.
- Aulakh, P.S. (2007), "Emerging multinationals from developing economies: Motivations, paths and performance", *Journal of International Management*, Vol. 13 No. 3, pp. 235-402.
- Awate, S., Larsen, M.M. and Mudambi, R. (2012), "EMNE catch-up strategies in the wind turbine industry: is there a trade-off between output and innovation capabilities?", *Global Strategy Journal*, Vol. 2 No. 3, pp. 205-223.
- Baroke, S. (2014), "Edible flowers - from exotic touch to work day salad", *Euromonitor Passport*.
- BCG (2016), *Global Leaders, Challengers, and Champions: The Engines of Emerging Markets*, Boston Consulting Group, Boston, available at: www.bcgperspectives.com/content/articles/globalization-growth-global-challengers-2016-leaders-challengers-champions/ (accessed 13 September 2017).
- Bulmer-Thomas, V. (2003), *The Economic History of Latin America since Independence*, Cambridge University Press, New York, NY.
- Business Sweden (2016), *Peru – a Thriving Economy and Market to Conquer*, Business Sweden, Santiago, available at: www.business-sweden.se/contentassets/e67cbc9f32da44bbb46803d37b72369b/peru-a-thriving-economy-and-market-to-conquer.pdf (accessed 13 September 2017).
- Carmel, E. (2012), "Finding a niche in the global software marketplace: the case of the peruvian firm LOLIMSA, tecnologias Para salud", *Journal of Information Technology Teaching Cases*, Vol. 2 No. 2, pp. 110-114.

- Chattopadhyay, A., Batra, R. and Ozsomer, A. (2012), *The New Emerging Market Multinationals: Four Strategies for Disrupting Markets and Building Brands*, McGraw Hill Professional, New York, NY.
- Chen, V.Z., Li, J. and Shapiro, D.M. (2015), "Subnational institutions and outward FDI by Chinese firms: the mediating role of firm-specific advantages", *Multinational Business Review*, Vol. 23 No. 4, pp. 254-276.
- Conexion ESAN (2017), "Historias de éxito: Desde niño siempre quise conocer las culturas y países sobre los que había leído y sabía que la única manera de lograrlo era siendo empresario" *Conexion ESAN*, available at: www.esan.edu.pe/sala-de-prensa/2017/04/historia-exito-james-valenzuela-resemin/ (accessed 24 April 2017).
- Corona (2017a), "Nuestra historia", Organización Corona: Productos para remodelar y construir, available at: www.corona.co/nuestra-empresa/quienes-somos/nuestra-historia (accessed 13 September 2017).
- Corona (2017b), "Donde estamos", Organización Corona: Productos para remodelar y construir, available at: www.corona.co/nuestra-empresa/quienes-somos/donde-estamos (accessed 13 September 2017).
- Cuervo-Cazurra, A. (2008), "The multinationalization of developing country MNEs: the case of multilatinas", *Journal of International Management*, Vol. 14 No. 2, pp. 138-154.
- Cuervo-Cazurra, A. (2012), "How the analysis of developing country multinational companies helps advance theory: solving the goldilocks debate", *Global Strategy Journal*, Vol. 2 No. 3, pp. 153-167.
- Cuervo-Cazurra, A. and Ramamurti, R. (Eds) (2014), *Understanding Multinationals from Emerging Markets*, Cambridge University Press, Cambridge.
- Cuervo-Cazurra, A. and Rui, H. (2017), "Barriers to absorptive capacity in emerging market firms", *Journal of World Business*, Vol. 52 No. 6, pp. 727-742.
- Cuervo-Cazurra, A., Narula, R. and Un, C.A. (2015), "Internationalization motives: sell more, buy better, upgrade and escape", *Multinational Business Review*, Vol. 23 No. 1, pp. 25-35.
- Cuervo-Cazurra, A., Newbury, W. and Park, S. (2016), *Emerging Market Multinationals: Solving Operational Challenges in Internationalization*, Cambridge University Press, Cambridge.
- Dassault Systemes (2016), "Resemin: advancing underground mining equipment development with Solidworks simulation premium", *Dassault Systemes*, available at: www.resemin.com/pe/es/pdf/awpvaw-Resemin_CaseStudy_122816.pdf (accessed 17 May 2017).
- Davenport, T.H. (2005), "The coming commoditization of processes", *Harvard Business Review*, Vol. 83 No. 6, pp. 100-108.
- Dawar, N. and Frost, T. (1999), "Competing with giants: survival strategies for local companies in emerging markets", *Harvard Business Review*, Vol. 77, pp. 119-132.
- De Ferranti, D., Perry, G., Lederman, D. and Maloney, W. (2002), *From Natural Resources to the Knowledge Economy*, World Bank, Washington, DC.
- De Villa, M., Rajwani, T. and Lawton, T. (2015), "Market entry modes in a multipolar world: Untangling the moderating effect of the political environment", *International Business Review*, Vol. 24 No. 3, pp. 419-429.
- Economist (2017), "Eastern Europeans think Western food brands are selling them dross", *The Economist*, 29 June, available at: www.economist.com/news/europe/21724408-dual-foods-furore-hints-eastern-mistrust-west-eastern-europeans-think-western-food (accessed 13 September 2017).
- Euromonitor (2016), "Category briefing: Other Dairy in Peru", Passport.
- Euromonitor (2017), "Colombia: Country Profile", Passport.
- Exame (2016), "Majores e Melhores", available at: <http://mm.exame.abril.com.br/empresas/perfil/2016> (accessed 21 Jun 2017).

- Finchelstein, D. (2017), "The role of the state in the internationalization of Latin American firms", *Journal of World Business*, Vol. 52 No. 4, pp. 447-460.
- Ghemawat, P. (2007), "Managing differences: the Central challenge of global strategy", *Harvard Business Review*, Vol. 85 No. 3, pp. 58-68.
- Global Insights (2017a), "Peru: economy", globalEDGE: Your source for Global Business Knowledge. [Globleledge.msu.edu](https://globaledge.msu.edu/countries/peru/economy). available at: <https://globaledge.msu.edu/countries/peru/economy> (accessed 13 September 2017).
- Global Insights (2017b), "Peru: Memo. globalEDGE: your source for Global Business Knowledge. [Globleledge.msu.edu](https://globaledge.msu.edu)", available at: <https://globaledge.msu.edu/countries/peru/economy> (accessed 13 September 2017).
- Gonzalez-Perez, M.A. and Velez-Ocampo, J.F. (2014), "Targeting their own region: internationalisation trends of colombian multinational companies", *European Business Review*, Vol. 26 No. 6, pp. 531-555.
- Govindarajan, V. and Ramamurti, R. (2011), "Reverse innovation, emerging markets, and global strategy", *Global Strategy Journal*, Vol. 1 Nos 3/4, pp. 191-205.
- Guillén, M. and García-Canal, E. (2009), "The american model of the multinational firm and the 'new' multinationals from emerging economies", *Academy of Management Perspectives*, Vol. 23 No. 2, pp. 23-35.
- Guillén, M. and García-Canal, E. (2012), *Emerging Markets Rule: Growth Strategies of the New Global Giants*, McGraw Hill, New York, NY.
- Hax, A., C. (2009), *The Delta Model: Reinventing Your Business Strategy*, Springer Science & Business Media, New York, NY.
- Helfat, C.E. (1997), "Know-how and asset complementarity and dynamic capability accumulation: the case of R&D", *Strategic Management Journal*, Vol. 18 No. 5, pp. 339-360.
- Holcomb, T.R. and Hitt, M.A. (2007), "Toward a model of strategic outsourcing", *Journal of Operations Management*, Vol. 25 No. 2, pp. 464-481.
- IADB (2014), "ABC The Pacific Alliance", available at: www20.iadb.org/intal/catalogo/PE/2014/14662en.pdf (accessed 17 May 2017).
- Jain, J., Kundu, S. and Newbury, W. (2015), "Efficiency-seeking emerging market firms: resources and location choices", *Thunderbird International Business Review*, Vol. 57 No. 1, pp. 33-50.
- Khanna, T. and Palepu, K., G. (2010), *Winning in Emerging Markets: A Road Map for Strategy and Execution*, Harvard Business Press, Boston, MA.
- López-Lomelí, M. and Gomez, J. (2018), "MultiMexicans in the Food Industry: Bimbo and Gruma", in Cuervo-Cazurra, A. and Montoya, M. (Eds), *Mexican Multinationals: How to Build Multinationals in Emerging Markets*, Cambridge University Press, New York, NY.
- Luo, Y. and Tung, R.L. (2007), "International expansion of emerging market enterprises: a springboard perspective", *Journal of International Business Studies*, Vol. 38 No. 4, pp. 481-498.
- Madhok, A. and Keyhani, M. (2012), "Acquisitions as entrepreneurship: asymmetries, opportunities, and the internationalization of multinationals from emerging economies", *Global Strategy Journal*, Vol. 2 No. 1, pp. 26-40.
- Mathews, J.A. (2006), "Dragon multinationals: new players in 21st century globalization", *Asia Pacific Journal of Management*, Vol. 23 No. 1, pp. 5-27.
- Matthyssens, P. and Vandenbempt, K. (2008), "Moving from basic offerings to value-added solutions: strategies, barriers and alignment", *Industrial Marketing Management*, Vol. 37 No. 3, pp. 316-328.
- Medina, M.A. (2015), "El empujón que Starbucks le dio a Juan Valdez", *El Espectador*, available at: www.elespectador.com/noticias/economia/el-empujon-starbucks-le-dio-juan-valdez-articulo-568816 (accessed 18 April 2017).
- Merchant, H. (Ed.) (2016), *Handbook of Contemporary Research on Emerging Markets*, Edward Elgar, Northampton, MA.

- Meyer, K.E. and Peng, M.W. (2016), "Theoretical foundations of emerging economy business research", *Journal of International Business Studies*, Vol. 47 No. 1, pp. 3-22.
- Montoya, M., Vazquez, M. and López-Lomeli, M. (2018), "Mexican Multinationals Retail: Elektra & Coppel", in Cuervo-Cazurra, A. and Montoya, M. (Eds), *Mexican Multinationals: How to Build Multinationals in Emerging Markets*, Cambridge University Press, New York, NY.
- Mudambi, R. (2008), "Location, control and innovation in knowledge-intensive industries", *Journal of Economic Geography*, Vol. 8 No. 5, pp. 699-725.
- Narula, R. and Kodiyat, T.P. (2016), "How weaknesses in home country location advantages can constrain EMNE growth: the example of India", *Multinational Business Review*, Vol. 24 No. 3, pp. 249-278.
- OECD (2016), *OECD Science, Technology and Industry Outlook 2015*, OCDE, Paris.
- Pananond, P. (2015), "Motives for foreign direct investment: a view from emerging market multinationals", *Multinational Business Review*, Vol. 23 No. 1, pp. 77-86.
- Prahalad, C., K. (2005), *The Fortune at the Bottom of the Pyramid*, Wharton School Publishing, Philadelphia, PA.
- Revista Dinero (2017), "Flores colombianas retoman liderazgo en mercados extranjeros", available at: www.dinero.com/edicion-impres/negocios/articulo/sector-floricultor-de-colombia-en-mercados-extranjeros/245744 (accessed 13 September 2017).
- Riot, E., Chamaret, C. and Rigaud, E. (2013), "Murakami on the bag: Louis vuitton's decommodification strategy", *International Journal of Retail & Distribution Management*, Vol. 41 Nos No. 11/12, pp. 919-939.
- Roca, A. (2013), "Maquinas que conquistan", *Revista Poder*, available at: www.resemin.com/pe/es/pdf/ymlr-James_Valenzuela-Entrevista%20Revista_PODER.pdf (accessed 17 May 2017).
- Rogers, E., M. (2010), *Diffusion of Innovations*, Simon and Schuster, New York, NY.
- Ross, M.L. (1999), "The political economy of the resource curse", *World Politics*, Vol. 51 No. 2, pp. 297-322.
- RPP Noticias (2008), "Primer laboratorio de bioingeniería en el país", available at: www.lolimsa.com.pe/pdf_web%20lolimsa/12%20Primer%20laboratorio%20de%20bioingenieria%20en%20el%20pais_mayo2008.pdf (accessed 18 April 2017).
- Rui, H., Cuervo-Cazurra, A. and Un, C.A. (2016), "Learning-by-doing and capability upgrading in emerging market multinationals", *Journal of World Business*, Vol. 51 No. 5, pp. 686-699.
- Shih, S. (1996), *Me-Too Is Not My Style: Challenge Difficulties, Break through Bottlenecks, Create Values*, The Acer Foundation, Taipei.
- Steiner, R.L. (2004), "The nature and benefits of national Brand/private label competition", *Review of Industrial Organization*, Vol. 24 No. 2, pp. 105-127.
- Villalobos, M. (2017), "Entrevista James Valenzuela", *Diario El Comercio*, available at: www.resemin.com/pe/es/pdf/zxjvaa-LEC%202017%20-%20Entrevista%20a%20James%20Valenzuela.pdf (accessed 17 May 2017).
- Wang, S. and Cuervo-Cazurra, A. (2017), "Overcoming human Capital voids in underdeveloped countries", *Global Strategy Journal*, Vol. 7 No. 1, pp. 36-57.
- Williamson, P., Ramamurti, R., Fleury, A. and Fleury, M.T. (2013), *The Competitive Advantage of Emerging Market Multinationals*, Cambridge University Press, Cambridge.
- World Bank (2017), "GDP ranking, PPP based", available at: <http://data.worldbank.org/data-catalog/GDP-PPP-based-table> (accessed 13 September 2017).
- Yin, R., K. (2017), *Case Study Research and Applications: Design and Methods*, Sage publications, Thousand Oaks, CA.
- Zeschky, M., Widenmayer, B. and Gassmann, O. (2011), "Frugal innovation in emerging markets", *Research-Technology Management*, Vol. 54 No. 4, pp. 38-45.

Zurita, M. (2008), "Plan Saludable", *America Economia*, available at: www.lolimsa.com.pe/pdf_web%20lolimsa/11%20Plan%20Saludable_mayo%202008.pdf (accessed 17 May 2017).

Uncommoditizing
strategies

Further reading

Hernández-Rodríguez, A., Alceste-Oliviero, C., Sanchez, R., Jory, D., Vidal, L. and Constain-Franco, L.F. (2001), "Aquaculture development trends in Latin America and the Caribbean", in Subasinghe, R.P., Bueno, P., Phillips, M.J., Hough, C., McGladdery, S.E. and Arthur, J.R. (Eds), *Aquaculture in the Third Millennium. Technical Proceedings of the Conference on Aquaculture in the Third Millennium*, NACA, Bangkok, pp. 317-340.

177

Author affiliations

Alvaro Cuervo-Cazurra, D'Amore-McKim School of Business, Northeastern University, Boston, Massachusetts, USA
Jorge Carneiro, School of Business Administration, Fundação Getulio Vargas, São Paulo, Brazil
Diego Finchelstein, Consejo Nacional de Investigaciones Científicas y Técnicas, Universidad de San Andrés, Buenos Aires, Argentina
Patricio Duran, Universidad Adolfo Ibáñez, Penalolen, Chile
Maria Alejandra Gonzalez-Perez, Universidad EAFIT, Medellin, Colombia
Miguel A. Montoya, Business School, Tecnológico de Monterrey, Zapopan, Mexico
Armando Borda Reyes, Graduate School of Business, Universidad ESAN, Lima, Peru
Maria Tereza Leme Fleury, Fundação Getúlio Vargas, São Paulo, Brazil, and
William Newbury, Florida International University, Miami, Florida, USA

Corresponding author

Armando Borda Reyes can be contacted at: aborda@esan.edu.pe

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgrouppublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com