STRATEGIES AND PERFORMANCE OF NEW MEXICAN EMERGING MULTINATIONAL ENTERPRISES

Abstract

This paper is aimed to analyze the rise of New Mexican emerging multinational enterprises (MexEMNEs) into the global market. There is a growing interest in the study of these emerging multinationals among scholars. Several theoretical perspectives are reviewed which can give an explanation of the emergence of Mexican multinationals and support their expansion in overseas markets. It is intended to set up scenarios for future development. Finally, it is concluded that the survivor Mexican firms of this process of "creative destruction" have transformed into capable and innovative MNEs in order to look and move ahead and take advantage of the challenging new opportunities.

Keywords: Mexican emerging multinational enterprises, performance, strategies.
JEL: F21, F23.M16.

1. Introduction

The term multinational has meant the expansion of American firms around the globe. During the 1970s and 1980s "Third World multinationals" were identified and characterized by a number of authors. However, their foundations have changed over time under the competitive advantage strategy of the global economy era. Profound economic changes in emerging economies during the 1990s resulted in a more competitive environment that forced large firms to develop new strategies, build new capabilities and move into more global competitive markets. Newer emerging multinationals enterprises (MNEs) from emerging economies are in the process of transforming the global foreign direct investment (FDI).

The emergence of rapidly developing economies is characterized by a wave of economic growth and the rise of local enterprises to become "global challengers" (BCG, 2009) that are globalizing their business and challenging the traditional American model of modern multinational enterprise (MNE). The emergence of this "global challengers" is a trend, although this new emerging multinationals are hardly world leaders in their industry or market niches.

Mexico had been host economy for multinationals from developed countries. Foreign policy entered México when this country changed trade policy from an economic model of import substitution to an export oriented strategy model. Trade liberalization policy has changed the behavior of large Mexican firms providing incentives to internationalize their activities. The Mexican emerging multinational enterprises (MexEMNEs) are involved in broader processes of economic globalization of Mexico post-NAFTA (North American Free Trade Agreement). After 15 years of the implementation of NAFTA, Mexico has become the 12th largest economy of the world and one of the leading world exporters in manufacturing goods.

In the late 1990s, large Mexican firms that survived market reform and structural adjustment policies started to invest overseas. Since then, new multinationals are rising in Mexico as well as other emerging economies are changing the corporate world. The analysis of Suarez and Oliva (2002) shows that emerging multinationals are successful survivors from the complex competitive environments of structural economic reforms in the stages of turnaround and catch-up, expansion, acquisition of new capabilities and quest for industry leadership.

Although this New Mexican emerging multinational enterprises (MexEMNs) share common structural features with emerging multinationals from other countries, they have the imprinting of specific national experiences. Mexican new multinationals have irrupted on a global scale multiplying investments beyond the borders to lead their business sectors. Mexican emerging multinational enterprises (MexEMNs) rank among the most global and largest firms.

2. Theoretical perspectives

Various social sciences have contributed to study multinational enterprises in emerging economies. Conventional theories of economics and modern theories of multinational enterprises have not predicted the emergence of large new multinationals from emerging economies (Wells, 2007).

The multinationals enterprises (MNEs) originating from emerging economies have been referred as "Third-world multinationals by Wells (1983), "latecomer firms" by Mathews (2002), "unconventional multinationals" by Li (2003), "Challengers" by BCG (2008), "emerging multinationals" by Accenture (2008), "new multinationals" by Guillén and García-Canal (2009) and "emerging market multinational enterprises" (EM MNEs) by Luo and Rui (2009). However, the semantic of these terms are confusing the debate although may be other that may describe better the phenomena.

Emerging market multinational enterprises have been researched from several theoretical approaches:

- The evolutionary process perspective is a behavioral approach that focuses on roots, causes and features of a gradual internationalization of firms. The Uppsala model considers that organizations develop incrementally learning processes which affect the investment decision making behavior. This model connects psychic distance with of density of ethnic ties which result in cultural and institutional proximity between two countries which provide market opportunities to cater demand of Mexican products (Vasquez-Parraga and Felix, 2004).

  In this sense, Mexican emerging multinationals enterprises (MexMNEs) have a strong presence not only in Latin American, Ibero American markets, including Spain, but also in Hispanic markets in United States and wherever there are Mexican migrants or population with Mexican background. However, it must be recognized that determinism is one limitation of the Uppsala model.

- The springboard approach sustains that global expansion of MNEs is a response to their moves on global markets (Luo and Tung, 2007; Mathews, 2002).

- Government steward logic approach postulates that MNEs receive political mandate to invest abroad to acquire the needed scarce natural resources (Deng, 2004; World Investment Report (WIR), 2006). This political mandate may be more logical for state-owned enterprises. State ownership enterprises have enjoyed a protected domestic market and have received political commitment to invest overseas and have turned into the new emerging multinationals.

- New emerging multinational enterprises as a large monopolistic firms tend to diversify functions and locations to have more access to scarce resources following a strategy of international exploitation. Large firms tend to undertake international expansion expecting that diversification can avoid the costs of inefficient capital markets (Khanna and Rivkin, 2001). Also these emerging multinational enterprises may follow a strategy of exploration to capitalize on existing or creating and developing resources and technological capabilities, which leads to invest more in home-countries (Goldenstein, 2007, Hoskisson, et al., 2000).

- Strategic management theory focusing on performance differences of emerging multinationals considers their competitive advantages in a global context in order to develop new capabilities and strategies. Bartlet and Ghoshal (2000) concluded that emerging multinationals overcame the same core challenges to compete in a global market by adopting strategies to become the late mover as a source of competitive advantage and developing a cross-border learning culture. Strategic intent approach considers that outward foreign direct investments (OFDI) by MNEs are aimed toward the acquisition of strategic assets (Child and Rodriguez, 2005; Rui and Yip, 2008).

- One characteristic of trade's oriented foreign direct investment is that "it is an investing country´s comparatively disadvantaged industry that invests overseas, to achieve a stronger comparative advantage trough providing appropriate capital goods and technology…to its production subsidiary in the foreign country" (Goldstein, 2007: 75). In fact, foreign direct investment is one mean of emerging multinationals to increase market power perpetuating the monopolistic role of multinationals in foreign markets.

- Institutional escapism argue that MNEs try to avoid les developed institutional arrangements and environments by going global (Cuervo-Cazurra and Gengc, 2008; Witt and Lewin, 2007; Yamakawa, Peng and Deeds, 2008). Firms may have different institutional arrangements and environments, however those firms that have domestic constrained institutional environments may be more willing to search for better opportunities abroad.

- The ambidexterity perspective argues that MNEs are ambidextrous organizations "pursuing simultaneous fulfillment of two disparate, and sometimes seemingly conflicting objectives" (Luo and Rui, 2009: 50). This perspective suggests that MNEs have four dimensions of ambidexterity: Co-orientation, co-competence, co-opetition and co-evolution.

- Resource-based view and dynamic capabilities approach sustains that the expansion of emerging multinationals is the result of the growth of the firm. According to the theory of firm-level growth (Penrose, 1955), management of emerging multinationals coordinate bundles of resources without any limits to achieve scope economies. Multinationals arise as efficient instruments to transfer knowledge across borders (Kogut and Zander, 2003). Firms posses' different capabilities.

- The eclectic or OLI paradigm based on transaction cost economics emphasizes categories of ownership or firm specific advantages and core competences, localization or country specific advantages and internalization or structural governance advantages. The eclectic paradigm conceptualizes decisions to invest abroad in terms of market, product and industry characteristics (Godstein, 2007: 74). Outward foreign direct investment is driven by "differences in rates of return and capital abundance" (Goldstein, 2007: 74).

3. Expansion of New Mexican emerging multinationals enterprises

The "new" multinationals from the emerging economies have followed different pattern of global expansion. New multinationals from emerging economies invested overseas in wholly owned subsidiaries, joint ventures or branches (Wells, 1983). In order to invest abroad, emerging multinationals must have some firm-specific advantages over competitors such as low-cost, economies of scale, product differentiation, technological know-how and others. However, a recent trend of Latin American multinationals is described by Goldstein (2007:7) stating that they "have lost leadership that was theirs for most of the 20th Century".

The entry to global markets, expansion and proliferation of the "new" multinational enterprises (MNs) originating in emerging economies, such as the case of Brazil, China, India and México, during the last two decades, have surprised policymakers and analysts. The Boston Consulting Group (2006) identified 6 Mexican MNEs out of top 100 emerging multinationals. The 2009 Boston Consulting Group (BCG) 100 new global challengers are based on 14 rapidly development economies (RDEs), including Mexico.

4. Characterization of New Mexican multinational enterprises (MexMNEs)

New Mexican emerging multinationals (MexMNEs) operates within a range of economic sectors although they are more concentrated in construction, telecommunications, food and beverages and some others. Large economic groups and foreign multinationals control industries in México and there are evidences that these groups will remain playing an important role, although there is evidence also that the stock market is growing slowly. According to the analysis of Grosse (2007b), Mexican large economic groups are 100 percent family control, although the structure of most emerging Mexican MNEs is one of the open societies publicly listed and no longer directly or indirectly controlled by the state.

The industrial sector has changed in México during the last 30 years in Mexico. A close analysis to changes in the structure of industry from 1970 to 1992, measured by the structural change index, shows that engineering intensive industries has grown from 12.0 to 15.6 during this period and automobiles from 8.4 to 18.6, while natural resource intensive industries and resources processing industries has dropped from 43.2 down to 40.8 and labor intensive industries from 36.4 to 25 (Katz, 2007). The automobile industry in Mexico has expanded strongly.

According to the KOF (2010) Index of Globalization, Mexico is neither one of the World's 15 most globalized countries nor one of the World's least globalized countries. Despite the structural reform and major economic liberalization efforts introduced in the last three decades, Mexico is consistently lagging behind in the globalization process. 2010 KOF Index of Globalization ranks Mexico in 71, and 81 in economic globalization, among 208 countries based on data from the year 2007.

However, Mexican new MNES are taking advantage of global reach and scale resulting from economic globalization processes, technological changes and increasing market competitiveness, by strategizing to succeed in a complex and uncertain international environment. The Mexican emerging MNEs are taking up the strategy of globalization further beyond the export phase of economic development. Mexican New MNEs are taking advantage of free trade agreements to search for partners to make strategic alliances with international businesses to get into foreign markets. Table 1 shows destinations of Mexican foreign direct investment in Latin America in 2005.

"New" Mexican emerging multinational enterprises (MexEMNs) have been investing in greenfield and acquiring local companies in American, African, Asian and European markets. Before the 2000s the overseas investments by Mexican companies was very limited and practically nonexistent. Since 2000, Mexican firms have conducted a massive global expansion based on outbound mergers and acquisitions mostly through Latin-American, which have given the New Mexican emerging multinationals (MexEMNs) several positions in the global market.

Table 1. Country's destination of Mexican foreign direct investment by cumulative inflows

Destination countries	**Cumulative FDI inflows**
Argentina	4
Costa Rica	8

Source: Based on estimations of Goldstein (2007)

Since 2000, there is a pattern of increasing outward foreign direct investment of Mexican MNEs. In 2004, the Mexican direct investment abroad was 17. 5 billion dollars and the tendency are to increase as Mexican companies are becoming more competitive (Banco de México, 2006). In 2005 reached $6.2 billion. More details are provided in table 2.

The Boston Consulting Group (BCG) has identified several patterns that are being followed by the emerging Mexican MNEs in their strategies of internationalization and globalization processes of operations: To become global brands, to turn technological capabilities into global innovation, to acquire and monetize natural resources and commodities and to implement new business models to multiple markets, such as the case of CEMEX.

Table2- Foreign direct investment (FDI) outflows and outward foreign direct investment stocks from Mexico (US$ m.)

Year	Foreign direct investment (FDI) outflows from Mexico (US$ m.)	Outward foreign direct investment stocks from Mexico (US$ m.)
1989		840
1995		2, 572
1992-1998	549	
1999	1, 475	
2000	984	7, 540
2001	4, 404	11, 944
2002	930	12, 067
2003	1, 784	13, 645
2004	2, 240	15, 885
2005	6, 200	

Sources: Based on estimations of Goldstein (2007) with UNCTAD data at www.worldinvestmentreport.com and Banco de México (2006)

Mexican new MNEs are heterogeneous, from holdings of businesses such as Carso Grupo to single industry such as CEMEX (Cementos Mexicanos). The diverse patterns of transformation from domestic to global businesses have been already studied for the most successful cases: Telecommunications is linked to privatization, engineering services to professional development, financial and banking sector to privation and media and entertainment to government restrictions (López Villafane and Ruiz Durán, 2006).

Mexican MNEs have developed a set of technological core competences that enable them to compete in the international markets. Mexican MNEs in construction, chemicals, telecommunications, etc., face lower hurdles to adopt technology, have developed technological capabilities and become competitive in the global market in medium and high technology manufacturing sectors. High technology business has been developing a "culture for transnational operations" (López Villafane and Ruiz Durán, 2006) such as the case of the software industry. In this sense, the emerging Mexican MNEs are seeking proactively the best talent available.

The development of ethnic brands is considered a pattern of expansion (Guillén and García-Canal, 2009). Mexican MNEs invest in ethnic markets to cater the consumers that belong to Hispanic and more specifically the Mexican communities. However, although the ethnic, language and cultural heritage is considered an advantage, however had been reported by Mexican MNEs as one of the main barriers to enter foreign markets (Tavares, 2007). As Mexican MNEs scramble to establish their foothold in overseas markets, the cultural limitations and impediments are more evident on operational and staffing practices. Therefore, Mexican MNEs abroad are challenged by local economic and cultural practice.

5. Strategies implemented by Mexican emerging multinational enterprises

The pragmatic neoliberal economic, fiscal and monetary policies implemented in México in the last 25 years have pervaded the corporate governance and managerial practices. Also, the pragmatism of entrepreneurs has provided the moorings for corporate strategies of the emerging Mexican MNEs (Santiso, 2006; Feenstra and Hamilton, 2006).

A pattern of expansion of Mexican MNEs is that one centered on firms producing goods based on in raw materials industries and the availability of natural resources, such as cement.

Grosse and Thomas (2007) interviewed 15 Mexican firms in 2004-05 known to have pursued high levels of business diversification, and found as the key competitive advantages in large Mexican MNEs for overseas competition. Table 1 gives more details of sources of competitive advantages in large Mexican multinational enterprises.

Table 3: Sources of competitive advantages in large Mexican MNEs

Competitive advantage	Description	Examples	Sources
Low-cost production	Based on small-scale manufacturing or low wages	Gigante, FEMSA	Grosse and Thomas 2007; Wells, 1983; Peres, 1998.
Superior product or service quality	Better phone service, higher-quality shows; superior parts	Televisa, TV Azteca, DESC	Grosse and Thomas 2007.
Ties to existing clients	Suppliers to MNEs	DESC	Grosse and Thomas 2007; Wells, 1983.
Ethnic connections		Televisa, Gigante	Grosse and Thomas 2007; Lall, 1984; Thomas & Grosse, 2005.
Technology		CEMEX	Grosse and Thomas 2007; Lall, 1984; Thomas & Grosse, 2005.
Membership in	Ability to realize	Multivision; Carso;	Grosse and Thomas

economic group	economies of scope	Salinas	2007; Khanna & Palepu, 2000.

Source: Based on Grosse and Thomas (2007)

The forms analyzed by Grosse and Thomas (2007) developed sprawling distribution channels involving a massive pool of resources which contributed to the firms to expand abroad.

The key advantages in overseas competition for Mexican firms is the low-cost production based on small-scale manufacturing or low wages (Wells, 1983; Thomas and Grosse, ; Peres, 1998) and offshore production for industrial-country clients (Wells, 1983), ties to existing clients such as suppliers to MNS and ethnic connections (Lall, 1984), technology (Lall, 1984; Grosse and Thomas, 2007). Grosse (2007a) found the strengths that enable MNEs to compete in domestic and foreign markets are high-quality products and services, low-cost production, control over distribution channels and good relationships with government and other institutions.

Grosse (2007b) also report the key competitive strengths of Mexican economic groups, production of high quality products and /or services in the industries of auto parts, publishing, construction, TV and telephone; production of low costs products in auto parts, beverages, books and retail stores; relationships with existing clients, in industries of auto parts and beverages; superior distribution network in airline, beverages, conglomerate, publishing, retail stores, telephone; superior service in airline, retail stores and telephone and diversification in TV and conglomerate.

The strategies implemented by the New Mexican emerging MNEs range from restructuring, mergers and acquisitions to attraction of foreign investment, although vertically integrated business into multinationals in an open economies is becoming an obsolete strategy. Mexican emerging multinationals use mergers and acquisitions to expand their overseas projects of innovation and manufacturing bases to build global recognition, even if they lack competitive advantages such as portfolio of intellectual property rights, economies of scale, market power, etc. Since 2006 there is a large wave of huge acquisitions from Mexican emerging MNEs confirming that the strategy of grow through mergers and acquisitions is becoming stronger among them (See table 4 below).

Table 4: Selected Mexican emerging multinational enterprises' acquisitions in the OECD market

Mexican multinational enterprise	**Target OECD company**	**Description**
CEMEX	RMC (UK)	Completed the US$4.1 bn. Acquisition in February

		2005.
Gruma Corporation	Nuoba de Francheschi and Figli (Italy)	The world's largest tortilla producer bought 51% of the US$27 m. maize manufacturer in July 2004, with a view to integrate it with its UK factory.
Gruma Corporation	Ovis Bosque (Netherlands)	Took over Europe's biggest flour tortilla manufacturer. Sales Euros20m, in 2004.
Kosa	Hoechst Celanese's polyester fiber plants (Germany)	Bought when the German company decided to move to higher-value synthetics. KoSa a U.S.-Mexican venture managed by Mexicans, is now the world's leading polyester maker.

Source: Based on Goldstein (2007)

In fact, the results of the survey conducted by United Nations Economic Commission for Latin America and the Caribbean (ECLAC, 2006) shows that risk diversification is one of the major benefits of outward foreign direct investment (OFDI) more than to be a major motivation for internationalization (Tavares, 2007), although the largest Mexican MNE CEMEX was not considered by the survey. However, because Mexican MNEs are averse to risk investments overseas, they look for safer portfolio allocation of opportunities in the US market than in Chinese market for example. CEMEX has had risk management as a major motivation for internationalization of its operations.

The analysis of fifteen competitive Mexican largest economic groups conducted by Grosse and Thomas (2007) found that their strategies focused on traditional competitive advantages in production and distribution efficiency and high-quality and lower-costs relative to home and foreign competitors, were more important than diversification. Regarding the effects of the "Tequila crisis" of 1994-95 on MNEs found difference between those having greater overseas diversification being more successful than the more domestically oriented firms. Risk diversification has been a major motivation for internationalization of Mexican multinationals. More diversified firms achieved better financial performance. Domestic capitals that survived economic crisis learned to compete in the global market.

According to Grosse and Thomas (2007:255) "Overall, the large Mexican groups appear to be able to compete overseas not on the basis of technological superiority or economies of scale but due to their ability to build distribution channels in Latin America, to follow existing customers to other countries, and to sell high-quality products and services, often to the Hispanic market, in the United States or in Latin America". This statement is truth for the geographical area of the Americas but what about the Mexican MNEs doing business in Europe, Asia, Africa and Oceania?

6. Performance of Mexican emerging multinational enterprises' competitiveness

It is quite difficult to measure the performance and gauge the real impact of Mexican emerging multinationals. Lack of opportunities and incentives for large Mexican companies in the domestic market have pushed them going abroad to widen their business and benefit from global markets. Deregulation of the market in Mexico occurred since the last years of the 80s but the turning point was the entry to the North American Free Trade Agreement (NAFTA) in January 1st, 1994, which had an impact on the more-diversified Mexican firms.

Between 1994 and 2000, the information technology (IT) manufacturing boomed, the electronics sector and the value of exports grew by 500 percent (Zarsky and Gallagher, 2007). However, the flagship MNEs shut down most operations during the industry shakeout of 2001-03. The researchers found two factors as being the main cause of the failure: A shift in global strategy towards outsourcing, and the lack of an active policy to support foreign investments.

According to the analysis of Grosse and Thomas (2007:262) the "more-international firms had superior performance than the more domestic group…", which is leading to the conclusion that greater internationalization correlates with higher performance.

Mexican MNEs have emerged as successful global companies in areas with intermediate levels of technological innovation, after overcame the internal conditions and difficulties of two financial crises. However, according to Grosse and Thomas (2007:257) the internationalization of Mexican companies "appears to be moderately positive in defusing the impact of the tequila crisis in México". Mexican companies that were doing business abroad were more successful in surviving the tequila crisis because exports were more internationally competitive.

There is a rising group of large Mexican companies that have been increasing global competitiveness pursued through diverse proactive business strategies to build up a position in the global market and becoming multinationals (Garrido, 2006), although the statistical analysis of Grosse and Thomas (2007:257) "give a limited amount of insight into the strategies of large Mexican groups in the turbulent 1990s". A puzzling phenomenon is the fact that there were more Mexican emerging multinational enterprises (MexEMEs) in the first years of the 1990s, then diminished the last years and rose again in the early years of 2000s.

From 1999 to 2002, CEMEX was the only one Latin American nonfinancial MNEs ranked by foreign assets that made it to the UNCTAD's list of the top 100. However, Goldstein (2007) has reported among the top 50 emerging multinationals ranked by 2003 foreign assets, CEMEX in 5th place, America Movil in 6th and Bimbo in 47 while measured by 2002 foreign assets, Gruma in 40th place, Savia 43th, Grupo Imsa 44th, and Cintra 49th. Among the top emerging multinationals Mexico had 3 listed in 1993, 7 in 2002 but only 3 in 2003 (Goldstein, 2007 elaborated in UNCTAD data). Sklair and Robbins (2002) identified a downward trend in multinationals of three Latin American emerging economies, Argentina, Brazil and México, listed in Fortune top 500: Multinationals from these three countries represented 33 percent in 1965 and only 16 percent in 2001.

In 2005, among the World´s 50 largest MNEs from emerging economies, ranked by foreign assets, CEMEX, an industry in construction materials was number 5, América Móvil in Telecommunications, was number 6. Grupo Bimbo, S.A. de C.V. in the food industry was 46 and Gruma in the industry of food and beverages was number 48 (UNCTAD, 2005: 270-71). In the 2006 UNCTAD's list of nonfinancial transnational corporations of developing countries ranked by foreign assets, the Mexican new MNEs listed are CEMEX, Telmex and America Movil and Grupo Bimbo.

The top 2000 global enterprises recorded by Forbes (2005) lists about 20 Mexican multinationals. Also Fortune 500 (2006) lists 5 Mexican global companies out of 500 global companies. Mexican new multinationals have multiplied mergers and acquisitions outside Mexico in the last ten years. The acquisitions in Latin America by Mexican companies from 2000-2006, excluding internal market was 10, 217 US$ million (BBV Corporate Finance, 2006) the highest of Latin American countries. Mexican emerging multinational enterprises (MexMNEs) are among the largest number of employees in United States. Goldstein (2007) analyses the impact on employment at emerging Mexican multinationals' affiliates in selected OECD countries using different data bases for different years (See below table 5).

Table 5. Employment at emerging Mexican multinationals' affiliates in selected OECD countries

Selected OECD Country	**Employment at emerging Mexican multinationals' affiliates**	**Database**
USA	49 100	Preliminary results for the 2002 benchmark survey.

		Foreign direct investments in the United States: Operations of U.S. affiliates of foreign companies.
Japan	215	Geishiskey Kigyo (2003). Year-end 2002 figures.
Germany	400	Year-end 2003 figures.
France	200	Source: Insee (Lifi survey) - Diane. Year-end 2002 figures: Agriculture and finance excluded.
Italy	3	Mariotti and Mutinelli (2005)
Sweden	0	ITPS (2005)
Netherlands	0	Statistics Netherlands Analysis of Inwar FATS Information (Business Register, 2005, and Data Collection, 2003, on Enterprise Group financial statistics.
Austria	0	Figures for 2001, joint Oesterrichische Nationalbank and Statistics Austria pilot study of Inwar FATS.
Total	47 918	

Source: Own design based on Goldstein (2007: 23)

In 2005, Mexico is the second just after Brazil in outward foreign direct investment (Santiso, 2007). Mexican companies included in the major 100 Latin American companies (América Economía, 2006) sold 46.7 as percentage of total sales were made in foreign markets, mostly in United States

The main outward investors from Mexico are Grupo Mexico in mining, la Moderna-Seminis in agribusiness, Techint (formely Hylsamex) in steel and other metals and metals products, Cemex in cement, Grupo Vitro in Glass, Grupo Maseca and Grupo Bimbo in Food Products, Femsa and Jugos del Valle in beverages, Dina and san Luis Rassini in Auto Parts and Vehicles, Mabe in domestic appliances and parts, electronics, America Movil in telecommunications, ICA in engineering and construction, Elektra in retail, Televisa in television, CIE in entertainment and Grupo Posadas in hotels. (Tavares, 2007).

The 2009 BCG global challengers lists seven Mexican companies among them América Móvil, Cemex, Femsa, Gruma, Grupo Bimbo, Mexichem and Nemak. Mexichem is new to the 2009 BCG 100.

7. Analytical description of the New Mexican emerging MNEs

Alfa is a conglomerate operating in a wide range of industrial sectors although in the last years the strategy is aimed to strengthening only the most profitable business, and thus selling Hylsamex to Techint in 2005. Hylsamex has been the largest acquisition of Techint. This strategy favored the expansion of Nemak operations to supply its products to automobile plants in North America, South America, Europe, Australia and China. Other strategic business of Alfa is Sigma in the food sector and the petrochemical industry. Alfa has partnerships and strategic alliances with firms in Unites States, Europe, Japan and South America.

CEMEX is a global competitor well knows world-wide MNN, the third largest cement company in the World, just after Lafarge (French) and Holcim (Swiss), and the largest of Latin America (UNCTAD, 2005). Among the top 50 multinationals based in emerging economies, measuring foreign assets CEMEX was ranked first in 1993, second in 2000, third in 2001, fourth in 2002 and fifth in 2003 (Goldstein, 2007 with data CEMEX produces several products of cement which have achieved the second and third largest producer depending on a specific product. After a prominent rise from local-base company in Monterrey to the second largest cement company in the world, CEMEX became one of the most prominent companies in a capital-intensive business, operating in more than 50 countries.

In mid-1970s, CEMEX started to export to the Southern United States, Central American and the Caribbean region. Because the antidumping regulations were rife, CEMEX oriented its strategy towards foreign direct investment. The internationalization strategy of CEMEX had as a major motivation the risk management. As a consequence of the 1982 crisis, the aggressive strategy of CEMEX was to consolidate its position in the national market through acquisitions of cement plants, finding innovative ways of paying using domestic capital markets.

The strategy of CEMEX centered on processes of innovation is leading to become one of the stronger world/wide competitors in the cement industry. In 1992 Cemex invested on Valenciana and Sanson, two Spanish cement plants. During the Mexico’s 1995 economic crisis CEMEX channeled offshore production into foreign markets as Florida and Puerto Rico and scooping up cement mixers in Colombia, Dominican Republic, Panama, Trinidad, Venezuela. During the Asian crisis in 1997 CEMEX took advantage and bought cement plants in Indonesia and Philippines.

CEMEX reinforced its international operations through the strategy of diversification until becoming the second largest cement company in the world. However, the competitiveness of CEMEX is higher in the emerging markets. CEMEX became a multinational corporation by acquiring and absorbing companies all over the world: United States, Latin American countries, England, Spain, Egypt, Indonesia, Philippines, etc. CEMEX Acquired Southdown, Inc. in United States in 2000 and RMC in the United Kingdom in 2005 motivated by a strategy focused "…to balance out markets with high risks and high profit margins with less profitable but more stable markets operating in hard currency" (Tavares, 2007:54).

After CEMEX took over Southdown, its main America competitor became the largest US cement producer Economist, 2004). With the acquisition of RMC by CEMEX, Europe became its largest market amounting around 40 percent of total sales. CEMEX has also offered a bid to the Australian building materials group Rinker.

Between 1990 and 2006, CEMEX completed more than 40 operations of overseas acquisitions. Financial policies and expertise used by CEMEX had been accounted by Sarathy and Wesley (2003). At the same time, CEMEX entered to international markets through co-ownership and exports. This strategy was modified because of the antidumping lawsuit against the Mexican cement. Also CEMEX invest in Greenfield specifically in natural resources exploration and production. CEMEX challenges the incorporation of local and isolated operations into a global production and distribution system by taking advantage of the best practices (CEMEX, 2001) based on a system of just in time delivery.

CEMEX has around half of its cash flow in Unites States and Europe and the remaining half in countries as diverse as Egypt, Indonesia, Philippines and of course, México (Expansión, 2004). CEMEX is considering a strategy to enter to China and Russia and Turkey' markets, where its products would compete with low-quality local cement, and where the acquisition of cement assets owned by the state and individual investors may be smoother (Reforma, 2004b).

The strategy of CEMEX is to concentrate investments in developing countries where the profits are higher because the small levels of purchase of bags for self-construction and small-scale building. Also, the strategy of CEMEX relies heavily on a just in time delivery system of distributing concrete. CEMEX is implementing the franchise Construrama, a strategy of low prices for low quantities to cater and provide access to the lower economic segments by selling inexpensive bags of cement for the self-construction market. In association with GE Capital launched a Constructcard project. The design and development of a strategy based on a business model to create value for the emerging consumers, requires alignment of other parties involved such as suppliers, wholesalers and retailers.

Other strategy attracts remittances from immigrants for their families and ensures that funds are properly and safely invested in building materials to build their dwellings. Through the strategy of corralones, CEMEX grants credit and give advisory assistance to small suppliers of building materials. Also as a strategy, CEMEX emphasize continuous innovation for sustainable economic development with a strong commitment to environment and corporate social responsibility supports environmental protection projects in cooperation with NGOs.

CEMEX has developed its own information system and set up a satellite network to transmit data. CEMTEC is a subsidiary taking care of managerial development programs. CEMEX has merged with other companies to create Neories, and IT consultancy now together with Constructmix, a construction-industry marketplace and Latinexus, an e-procurement, are part of CxNetwork an e-business company.

Cydsa, a group of 18 companies specialized in textiles, chemicals and plastics which were very successful during the eighties due to its strategies of diversification and strategic alliances. The group went into financial difficulties during the 1994-95 Mexican crises, just to the point of selling two thirds of its assets to be able to pay debts.

DESC is a supplier to auto companies on a competitiveness based on its high-quality auto parts and low-cost capabilities for production.

Femsa owns the largest Coca-Cola bottling group in the world, a brewing company and a convenience-store chain. The alliance FEMSA – Coca Cola enables it to build the distribution channels and manage the network in the Latin American market. Femsa is expanding towards new markets of beer and beverages in Canada, United States and Latin American countries.

Gruma (Grupo Maseca) is the largest producer of tortillas, dominates the market of several American countries and through the implementation of a strategy of international expansion, it exports to more than 50 countries around the world. The tortilla and corn flour market in the U.S. reports 60% of its total income and have plans to duplicate capacity. Gruma ranked 40th among the top 50 multinationals based on emerging economies measured by 2002 foreign assets, according to the estimations of Godstein (2007). Gruma is investing in creating new plants located in places where there is demand of the product, such as China, Russia, Australia, Africa, etc. Gruma is heavily investing in the markets of Asia and Oceania to concentrate in India, Indonesia, Malaysia, etc.

Grupo Bimbo is the second only to Yamazaki (Japan) producer of baked food products in the world (Expansion, 2005). It is a packaged bread and baking company evolving to a diversified operation of more than 5, 000 products, including sliced bread, sweets, chocolates and salted snacks. Bimbo is among the largest in its respective market niche that relies heavily on acquisitions to growth abroad. Bimbo started business operations in United States in 1984 and in Guatemala in 1991, followed by other acquisitions in Chile and Colombia. Now, it has factories in most of Latin-American, Asian and European countries and has been very successful in the Hispanic market. Bimbo set up manufacturing plants in strategic alliance with McDonalds and has bought Park Lane Confectionary of Germany and invested in Eastern Europe. The successful strategy followed is to manage and have control over the whole logistics, physical distribution and supply chain.

Grupo Bimbo operates in a multilevel environment having rivals at both domestic market and in global markets. Bimbo has benefitted from the competitive advantages offered by the agro-industry sector. The internal resources, competitive advantage, competition in the bread business, the institutional environment, elements of corporate governance, competitive conditions in foreign markets, etc., are some of the factors leading to the competitiveness of Bimbo in home and foreign markets.

Bimbo takes advantage of its strengths in the distribution networks and hiring managers and entrepreneurs from the lower economic segments. These competitive conditions of Bimbo in the domestic market are quite different to the competitive conditions of rivals in their home country, which gives Bimbo and advantage over its competence in the Latin American markets. Bimbo ranked 47th among the top 50 multinationals based on emerging economies measured by 2003 foreign assets, according to the estimations of Goldstein (2007).

Grupo Carson is a sister company of Carson Telecom and the largest Mexican conglomerate that has businesses en different manufacturing and retailing sectors operating in several countries of America, Asia and Europe. In 1996, the telephone holdings were spun off into separate firms. It has main six subsidiaries and more than 200 small subsidiaries. Group Carson owns industrial, consumer and retail holdings. Commercial enterprises report to the Carso Holding Company. Also in finances and banking, it holds Grupo Financiero Inbursa including a commercial bank, an insurance company, and a stockbroker.

Telmex, the Mexican telephone company, after privatization in 1990, it was acquired in a joint venture with Southwestern Bell and has become one of the biggest competitors in America. Modernization of Telmex occurred in 1995-96 after the new regulatory framework. Telmex controls more than 90% of all fixed phone lines in Mexico. In 2006 Telmex bought 3.5 percent stake at Portugal Telecom.

America Movil is a spinoff of the holding company Carso Global Telecom since 2000 and together with Telmex, they have multiply acquisitions. America Movil offers the operation of the cellular phone services and has control of more than 80% of the Mexican market (Financial Times, 2006). America Movil is the largest or second largest wireless communications business in most Latin-American countries and tenth of the world. From 2001 to 2005, America Movil invested in Latin American markets to build a strong presence through the strategy of replication of its own business model. America Movil was transformed in only two years to become the largest telecommunications company in the Latin America in 2005. America Movil ranked sixth among the top 50 multinationals based on emerging economies measured by 2003 foreign assets, according to the estimations of Goldstein (2007). Multinational expansion of America Movil has been based on the strategies to keep low-costs and to market prepaid telephone cards.

In 2005, America Movil in partnership with Bell Canada, Inc. and SBC International set up Telecom Americas. Some strategies that Telecom Americas implement are to develop economies of regional scale on technical and managerial services, to lower costs by pooling human resources, its ability to deal and negotiate with governments, and to diversify to get into new and more dynamic areas of telecommunications. Telecom Americas has subsidiaries and joint ventures in several Latin American countries, United States, Spain, etc.

Carso has as a self declared strategy to keep costs down, to get close to customers, and to be leaders in every segment it enters. The competitive strengths of Grupo Carso include knowledge of the market and distribution for telephone service. Carso moves in and out of the business as competitive advantages and conditions change following a diversification portfolio’s strategy, although the degree of diversification remains unchanged in unrelated businesses.

Grupo Modelo was the third was the third-largest brewery world-wide. It has developed an aggressive business model targeting high- price segments’ needs and achieving leading positions in more than 140 overseas markets of beers, such as the case of Corona Beer. Corona beer has a selective distribution in international markets where its brand is associated to the image of attractive and colorful vacations.

Grupo Televisa is one of leading in the business of media production in the world, broadcasting and advertising, cable TV radio and disc production operating in Latin America, United States and Spain. The soap opera has been successful in Asian countries.

Mabe was a domestic appliance industry until it formed a strategic alliance with a global firm and had access to better technological competences. Mabe fill orders of domestic appliances for General Electric since 1993 when there was a shortage in supply for the regional markets (Bonaglia, et al., 2006). In 2005, Mabe had 69 percent of international sales out of total sales.

IMSA is a producer of steel and metal products has invested in the Latin American region and concentrating operations on IMSA Acero, relocation and enlargement of stations in order to innovate and diversify. IMSA has distribution and manufacturing operations in countries in America, Africa, Asia, Australia and Europe.

Ingenieros Civiles Asociados (ICA) is engaged on the business of civil engineering services targeting large infrastructure building projects and industrial park complexes. It has been operating in most of Latin American countries and Unites States.

Mexichem is a chemical company that has vertically integrated its vinyl–chlorine (PVC) and fluorite chain business, building the position as the world´s largest fluorite mine for PVC.

Newak benefits of its increased integration of previously acquired firms. The international sales represented 82 percent of total sales in 2005, according to data from América Economía (2005)

Vitro, a glass company, has concentrated in a divestment, building strategic alliances and acquisition strategies to concentrate core and competitive production in strategic business of flat glass and glass containers with emphasis on the food and automobile industrial sectors oriented toward increasing exports. Vitro has already sold some companies involved in household appliances, like Cydsa and Crisa, the development of fibers, such as Vifisa and plastics and chemicals like Vancan, Bosco and Qímica M. and had ended some strategic alliances in non-strategic sectors. The growing Hispanic market remains as a challenge to Vitro. Vitrocrisa is a joint venture between Vitro and Libbey is supplying Sunbeam already producing in China and Mexican beverage producers already exporting to China (Reforma, 2004a).

Other Mexican emerging multinationals enterprises (MexEMNEs) doing operations overseas at small scale are: Condumex produces automobile cables. Grupo Industrial Saltillo (GIS) produces engines blocks and heads. San Luis is one of the World’s biggest producers of light-vehicle suspension springs.

Other important Mexican retailers operating abroad are three chains of drugs and pharmaceutical products, Farmacias Similares, Farmacias Benavides y Farmacias Del

Ahorro, all of them are already expanding to other Latin American countries. Grupo Elektra, a retailer in electronics and furniture, has more than 1,000 points of sail in Latin America, covers the whole chain from marketing to customer credit supported by other sisters: TV Azteca and Banco Azteca.

8. Scenarios for Mexican emerging MNEs

The economic globalization processes and operations of Mexican emerging MNEs have small impact and contribution to national economic growth and development because the low-level of intra –firm trade.

The development and innovation of high technology companies require the strategic support from the State, research and high learning institutions, financial programs, and so forth, in order to absorb uncertainty and reduce risk and failures.

Mexican emerging MNEs will continue strategically seeking enlargement of international market operations by boosting investments and positioning in other countries. The strategy of MNEs of grow abroad will move from organic growth to be more oriented toward the implementation of strategic business models based on mergers and acquisitions, partnerships and joint ventures.

More South-South flows of outward investments, joint ventures, partnerships and strategic alliances will be on the rise among Mexican emerging MNEs and other firms of emerging economies to target overseas markets. The increasing South-South flow of investments, resources and technology is a major change underway in the economic globalization processes which is erasing the divide between the center and the periphery.

Emerging Mexican MNEs will take advantage and benefit from understanding the role of local economic, legal and cultural dimensions on their practices in different national environments. Mexican MNEs are recognizing the strong influence that national cultures are exerted on the outcomes. Therefore, Mexican MNEs will be relying increasingly on leveraging worldwide talent.

9. Conclusions

There is a trend showing and signaling the emergence of new economic phenomena under the economic process of globalization represented by the rise of Mexican emerging multinationals enterprises (MexMNEs). Among the forces driving this trend are the economic processes of globalization, macroeconomic structural reforms, the fast moving systems of transportation and low-cost information and communication technologies, lower costs of capital and more favorable global financial system.

This new global economic environment is becoming more competitive and pressing business around the world to continue growing, sustain competitiveness and create value beyond their national borders, as new competitors appear in the markets. Mexican MNEs' strategy of grow abroad at overseas markets is mainly through organic growth and in less proportion through mergers and acquisitions

The overseas operations of Mexican emerging MNEs are entering into a new phase of international expansion in global markets, looking for direct presence related to the increasing sales. Mexican emerging MNEs are entering into a more globalized scale of activities through outward investments in new ventures, acquisition of assets, forming partnerships, strategic alliances and joint ventures. Emerging Mexican multinationals had invested overseas based on their ability to manage uncertain, complex and competitive environments as the result of severe economic crises, economic liberalization, structural reforms and steady economic globalization processes. This condition shows that Mexican firms present one of the highest rates of trade-openness among the emerging economies.

Mexican emerging MNEs attempt to enter and expand to emerging and mature markets equipped with business models combining low-cost, high-quality products and services and efficient systems of logistics and distribution channels to reach the overseas target markets.

All the Mexican emerging MNEs have very similar elements in common: They have the origins from very large domestic firms, low-cost resources including labor, a week institutional legal system and economic and financial environment leading to a critical and cyclical periods of crises (1982, 1987, 1994-95, 2008-2010) followed by negative or low economic growth. The survivor Mexican firms of this process of "creative destruction" have transformed into capable and innovative MNEs in order to look and move ahead and take advantage of the challenging new opportunities.

Mexican Emerging MNEs are averse to implement the strategy of risk diversification to create a portfolio of outward investments allocation in assets and natural resources. Also risk diversification through a portfolio allocation prevents exchange rate and commodity prices fluctuations.

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