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V/ANNUAL CONVENTION

GUATEMALA CITY, GUATEMALA

GLOBAL SERVICES: LATIN AMERICA
IN THE RACE FOR TALENT



BORN GLOBAL... AND KNOWLEDGE INTENSIVE!

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Exporting knowledge intensive services from Latin America

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Background

- BSc (Honours), London School of Economics
- MPhil, St Antony's College, University of Oxford
- PhD, London School of Economics

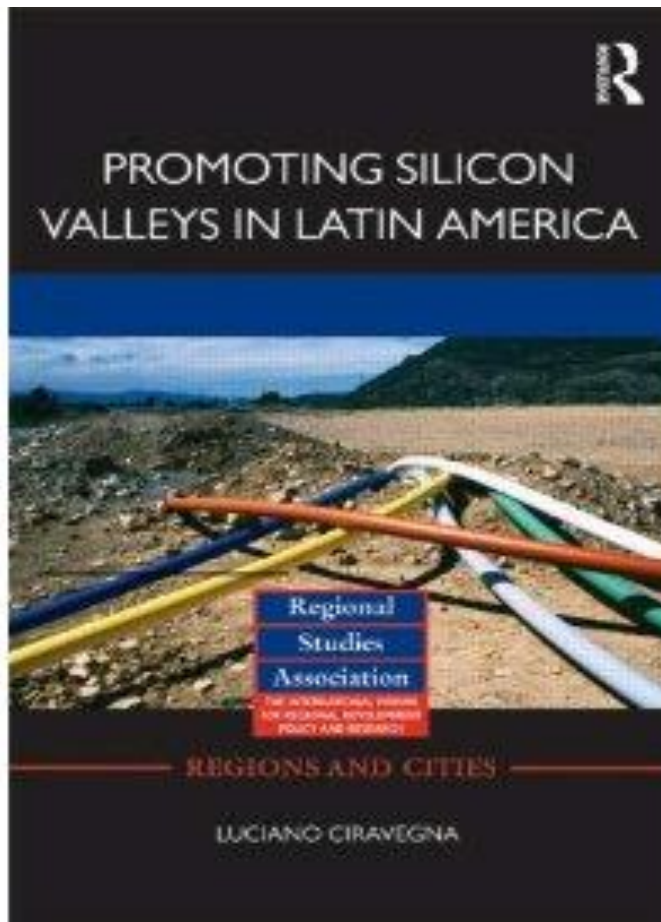
More information on
www.lucianociravegna.com

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The role of context....



Promoting Silicon Valleys in Latin America



Entering new markets

- Schumpeter - entering a new market is a form of entrepreneurship.
- It entails exploring for opportunities in a market that is not known by the entrepreneur, and finding ways to exploit these opportunities.
- The “unknown” element of it explains why entering a new market has entrepreneurial features

How are international opportunities discovered?

- Big firms buy market research, hire experts
- What do small firms do?
- How do they internationalize?
- And, are they good at internationalizing?

How are international opportunities discovered?

- The answer is YES, a lot of SMEs internationalize, and they do so quickly.
- However, their internationalization differs from that of large(r) firms.
- They make intensive use of external resources (resources that are not explicitly within the boundaries of the firm).



Internationalization Dimensions

- Speed (time between firm foundation and first entry of foreign market)
- Intensity (% of average sales exported)
- Direction/scope (countries targeted)
- Process (how)

Key differences between domestic and international competition

Consumer taste (B2C) and preferences (B2B and B2C) (language...)

Consumer purchasing power (GDP per head, GDP growth)

Total size of the market

Competition, Buyers (purchasing power, number)

Sales channels

Macroeconomic environment (e.g. Venezuela, Argentina)

Legal and regulatory framework (e.g. Ecuador)

Exchange rates

Infrastructure (e.g. initial flop of 4G in Europe)

Why searching for opportunities abroad?

- Scale, volume, sales
- Learning (from advanced clients, providers, partners, competitors) E.g. joint product development
- Marketing, branding, visibility
- Diversify risk
- Client support

Searching for new clients

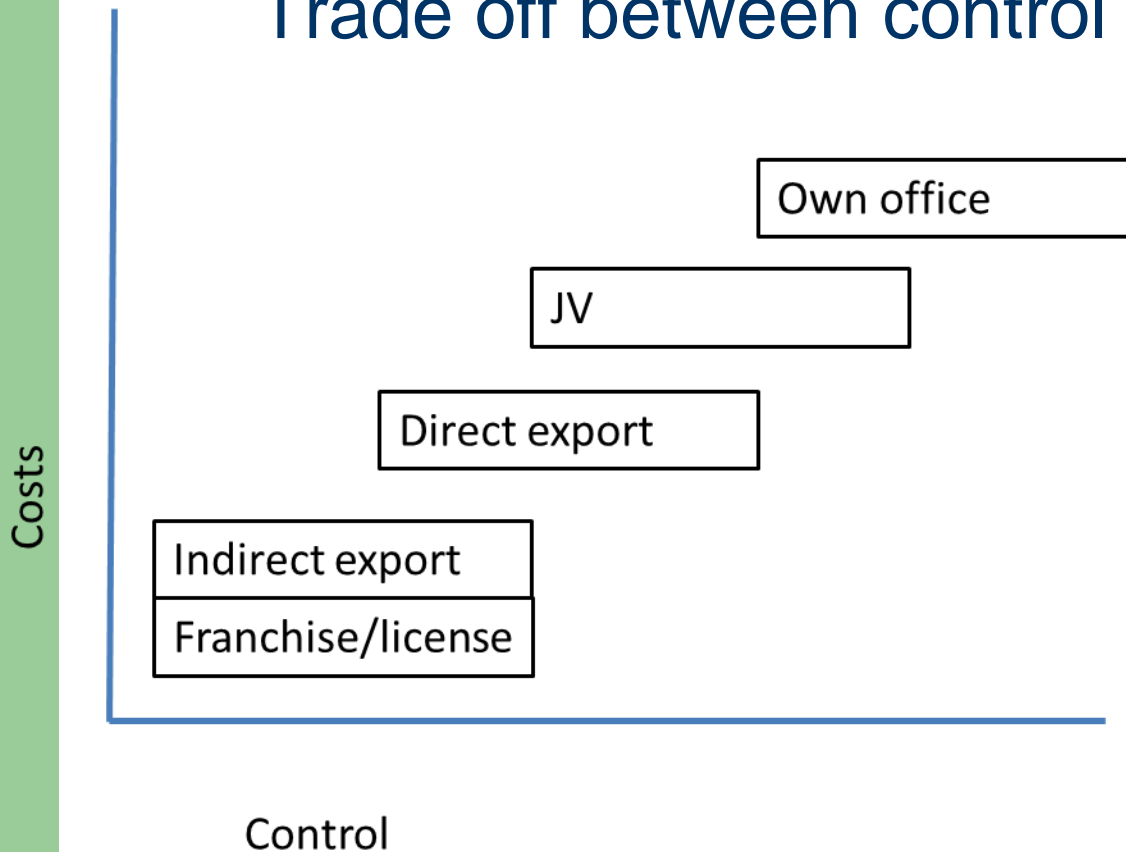
If actively internationalizing, I can

- Use trade fairs
- Open a marketing office in my target market
- Use help from an existing client who is also abroad (follow supply)
- Use personal contacts as referrals
- Search for partners
- Investors

OR – wait and see...reactive, opportunistic strategy

Investment, Joint Venture, licensing, or export?

Trade off between control and costs



Issues

Using vendors/distributors – competing brands, bad client support

Direct exporting – unknown market, easier when having already some local client


JV and other partnerships – local knowledge, distribution, BUT risk of copying and unfair practices

Own subsidiaries – high investment, high financial risk

Acquisitions – could have bad reputation, bad organizational structures, other negative heritage. No diffusion to own brand

Micro-multinationals and Born Globals

- Multiple countries of operations from the start
- Use of low-cost locations together with client support and market seeking in strategic locations
- Role of personal contacts to acquire clients
- Thin organizational structures, flexibility
- Role of market niches and customized service
- Role of key clients to support growth
- VISION ! Networking !



Management and the commercial end will move to Santiago. The development team will stay in Buenos Aires, and apart from that, we'll have sales teams in São Paulo and Rio de Janeiro. Until now, we've sold in all of the countries in the region without a physical office. We don't need one, because we're an SaaS. On the other hand, we now have agreements, like with Telefónica in Argentina, a key distribution agreement to offer the Joincube platform to its four million clients in small and medium-sized businesses in the region. We're expanding it to other countries, and it's another channel for commercialization

Examples....

Ironhide, Uruguay

Yonohagofila.com, Colombia

Fair Play Labs, Costa Rica

Mercadolibre, Argentina

Open English, Venezuela

Andres Barreto, Colombia (Grooveshark)

Luis von Ahn, Guatemala (Captcha)

Main features of the clusters analyzed 2011

Cluster	Country	Local firms	MNCs	MNCs with links to local firms	Estimated Sales (local firms)	Exports of local firms
Cordoba	Argentina	250	10	2	100	18%
Rosario	Argentina	80	10	0	40	20%
Recife	Brazil	200	9	3	236	10%
Porto Alegre	Brazil	32	6	3	250	4%
Bogota	Colombia	200	6	0	46	5%
Medellin	Colombia	320	3	0	74	1.5%
St. Jose	Costa Rica	170	40	5	200	50%

Main export markets

Cluster	Country	Main export market (local producers)
Cordoba	Argentina	Brazil
Rosario	Argentina	Brazil
Recife	Brazil	Argentina
Porto Alegre	Brazil	Argentina
Bogota	Colombia	Ecuador
Medellin	Colombia	Venezuela
San Jose	Costa Rica	Central America