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NORTH AMERICAN AND EUROPEAN PLASTIC EQUIPMENT PROCESSING COMPANIES' RELATIONSHIPS WITH ANDEAN MARKETS

RELACIÓN DE LAS EMPRESAS NORTEAMERICANAS Y EUROPEAS, SUPLIDORAS DE EQUIPOS DE PROCESAMIENTO DE PLÁSTICOS, CON LOS MERCADOS ANDINOS

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Clasificación: Trabajo empírico - investigación
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Abstract

Purpose: The purpose of this investigation is to establish why North American firms, specifically plastic processing machinery firms, do not have aggressive strategies to improve their performance in Andean countries while the European competition has a more productive attitude towards developing local operations.

Methodology: The document presents the main theories that might explain why North American firms seem to be less interested in Andean Markets. Interviews with North American and European senior executives with decision-making and managerial responsibilities in Andean markets make the main contributions to this paper.

Findings: They illustrate findings and behaviour patterns that support the authors' hypotheses.

Originality: The conclusions of the study can be used to suggest possible similar studies in different industry sectors and to verify whether this is an industrial or cultural phenomenon.

Key words: Firm internationalization, global mindset, plastic machinery, Uppsala model, cultural distance, uncertainty and risk, Modes of Entry MOEs, injection moulding, case studies.

Resumen

Propósito: El propósito de este artículo es establecer por qué las empresas norteamericanas, especialmente las compañías que suministran equipos de procesamiento para plásticos no tienen estrategias agresivas para mejorar su desempeño en los países andinos, mientras que la competencia europea tiene una actitud más proactiva hacia el desarrollo de operaciones locales.

Metodología: El artículo presenta las teorías principales que explicarían por qué las firmas norteamericanas parecieran menos interesadas en los mercados andinos. La mayor contribución de este documento son entrevistas realizadas a altos ejecutivos de compañías norteamericanas y europeas con responsabilidad gerencial y de toma de decisiones en los mercados andinos.

Hallazgos: Ellos ilustran hallazgos y patrones de comportamiento que soportan las hipótesis de los autores.

Originalidad: Las conclusiones del estudio pueden ser usadas para sugerir investigaciones similares en diferentes sectores industriales y para verificar si es un fenómeno cultural o únicamente de este tipo de industria.

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Palabras clave: internacionalización de la firma, mentalidad global, maquinaria para plásticos, modelo Uppsala, distancia cultural, riesgo e incertidumbre, modelos de entrada MOE's, moldeo por inyección, estudio de casos.

Introduction

In an increasingly competitive and globalized market, companies have to make the decision to sell their products and services outside their own country's frontiers or domestic market. The decision to internationalize is the result of a series of decisions (Johanson & Vahlne, 1977) the consequence of which is not always a new company entity or organization. Furthermore, there are some markets that companies consider unattractive in terms of starting up local operations through subsidiaries and/or production plants. The Andean markets represent great growth potential for American firms given that in some countries such as Colombia, Chile, and Peru the plastics industries are solid, and because historically, North American firms have not had a strong presence in these locations in comparison to their European counterparts. The long-term problem is that North American firms are becoming less present and participating less in these markets; we argue that having a geographic presence in these markets is strategic. European firms have had a better performance and participation in these markets in contrast to firms from the USA and Canada. In terms of extrusion, the second most important process in plastics processing, the participation difference in the Andean markets is of note: European manufacturers have a far greater presence.

The Andean countries represent significant growth potential for plastic processing equipment firms, not only in a marginal way (by way of agents or sales representatives) but by establishing strategic alliances or direct operations. To define the initial potential of the Andean markets, we have taken GDP growth projections and then contrasted them with data from countries that are traditionally producers of plastic processing equipment, such as the USA, Canada, Germany, Austria, Italy, and France. There is evidence that various Andean and Southern Cone countries such as Colombia, Peru, Uruguay, and Paraguay represent an opportunity for European countries with lower growth projections. The economic situation in Europe in 2015, together with the low growth projections for the following years, has compelled European firms to consider emerging economies in order to obtain long-term results and become sustainable, something required by those organizations.

Recognized European companies in the area have their own sales and post-sales servicing in countries such as Colombia, Peru, Argentina, and Chile. Conversely, North American firms continue with lower risk traditional entry structures or models such as agents or sales representatives in these countries. Entry models by way of agents means that in the long-term, firms lose control and strategy, and, in the same way, they eventually lose their brand image in a certain country by not having a constant presence in these markets. Our hypothesis is that North American firms have specific attitudes about Andean markets because of their local market (see NAFTA – North American Free Trade Area – USA, Canada, Mexico), which is large in size and whose projections for the coming years are high; thus, they look at Andean markets as minor and marginal growth opportunities.

In its 2014 fourth quarter report, the Plastic Industry Trade Association, SPI, published equipment sales details for injection, extrusion, blown plastic parts, auxiliary equipment, and hot runners at US$346.1 million. Total sales for equipment in the North American industry are estimated to be US$1.2 billion (SPI: The Plastic Industry Trade Association, 2015). In contrast, the organization of plastic and rubber equipment manufacturers for Europe, EUROMAP, reported that for 2014 total revenue for equipment production for the industry was 13,000 million Euros, of which 9,651 million Euros was exported – 74.2% (EUROMAP, 2014). With this rudimentary idea of the size of the industry both in Europe and in North America, it is evident that both markets are very similar in final user consumption of plastic material, and also that the European market and European manufacturers have a greater historical participation in international markets such as Latin America. Could North American firms' position on participation in Andean markets be a question of the size of the domestic market, or could it be that the psychological distance of Canada and the USA from the Andean countries is higher when compared to that of the European countries? Psychological distance should be understood as the sum of factors that prevents the flow of information from one market to the next (Johanson & Vahlne, 1977; 2009). Conversely, could this behaviour be associated with European firms' lesser aversion to risk or greater propensity towards entrepreneurship? These and other questions are to be answered and explored throughout this document by means of a theoretical application of the theories of a firm's internationalization, and additionally, primary and secondary information sources will be reviewed, such as interviews with directors of plastic processing firms, who have decision-making capacity in Andean markets.

Literature Review

In an increasingly globalized world open to free trade, which presents greater challenges for an organization's sustainability and growth, it seems as if the possible alternative to achieving said growth is via the internationalization of the firm. This should be understood as a set of activities which the firm undertakes to start exporting its products, sell directly, or begin to produce in other countries. According to Johanson & Vahlne (1977; 2009), companies start this process by exporting to a desired country by means of an agent, subsequently establishing a subsidiary business, and eventually by local production. In recent years, this last case has occurred in the emerging BRIC economies of India, China, and Brazil where the majority of plastic equipment production companies have their subsidiaries as well as some local production.

In greater detail, companies – initially multi-national enterprises (MNEs[1]) enter foreign markets by using external contractors (such as distributors, suppliers, licences or franchises) or by extending the firm by means of its own resources such as establishing subsidiaries. This kind of subsidiary is associated with the resources that the company wishes to invest in the foreign market, be it by sharing the property of the new company in the host country (Joint Venture JV) or by having the total property of the new entity (subsidiary WOS[2]) (Brouthers & Hennart, 2007). The latter (between JV and WOS) is the most common for multinational companies. The JV entry mode allows greater control and, in turn, greater learning about the market in question: of course, this is at the expense of the firm making more capital investment (Cray, 2014). Nevertheless, in the case of this study, the majority of North American plastic and associated processing equipment manufacturers continue opting for alternatives that involve less resource investment such as sales representatives. This is one of the objectives of this study: to find the reasons for this behaviour, given that the selection of the appropriate mode of entry is very important, since it has direct implications on the firm's performance and for the same long term consequences (Brouthers & Hennart, 2007).

Other researchers have conceptualized the internationalization process of the firm as a learning process in which companies with a greater entrepreneurship orientation are more agile than multinational companies (Roudini & Osman, 2012). Companies with a high level of entrepreneurship recognize and exploit market opportunities and learn at a faster rate, thus improving their capacities and start-up decision-making (Butler & Doktor, 2010). Vahlne and Johanson's (1977; 2009; 2011) models of internationalization suggest that firms begin gaining this individual experience gradually. Nonetheless, some opponents view this model as very static and not in accordance with the actual, aggressively changing markets. Companies need to be continually improving and renewing their capacities (Gray & McNaughton, 2010). It could be suggested that a company's level of entrepreneurship could influence the speed and adaptability of exploring a new market and its promptness in commencing its own operations in those countries to which it wishes to export.

Some models suggest a direct relationship between the global thinking of CEOs and the international behaviour of the companies they lead. Kyvik, Saris, Bonet, and Felicio (2013) note that, a CEO with a global mind is important for business opportunities and the development of ideas or projects at the international level. This focus allows having a positive impact on internationalization behaviour. This impact is very important, taking into account that companies must increasingly face competition in their local or domestic markets, and, as a result, must try to find new growth opportunities. Nevertheless, companies such as those in Canada (considering the study in terms of small companies) show that their executives have an anti-exporting attitude, given that they believe their domestic market is sufficiently large enough to generate the required revenue with less risk (Calof, 1993). That would seem to indicate that the reluctance of North American countries to internationalize their operations is due to the natural size of their local market.

Other studies suggest that the level of uncertainty dominates the recognition of international opportunities and exploitation strategies. Why is it that at this level of uncertainty some individuals exploit international opportunities while others do not? The answer may lie in the said individual's level of entrepreneurship (Butler, Doktor, & Lins, 2010). Entrepreneurs are better able to note these opportunities and additionally possess great leadership abilities with situations of risk on an international entrepreneurship level. With the help of tools made available by the Hofstede Institute of Investigation (The Hofstede Centre, 2015), we have undertaken a compari-

[1] MNEs – the English abbreviation for Multinational Enterprises.
[2] WOSs – the English abbreviation for wholly owned subsidiaries.

son between countries such as the USA, Germany, and Colombia in order to determine if it can be shown how aversion to risk can influence the entrepreneurship of those countries in search of other markets; however, the results show that on a cultural level, North America has much less aversion to risk. Even though these dimensions are based on cultural tendencies on an individual and personal level and not a company level, they could be an indication that aversion to risk is not a determining factor in the search for new markets.

Additional investigations in (Kirkman, Lowe, & Gibson, 2006; Tihanyi, Griffith, & Russell, 2005) suggest that these dimensions, or cultural values, are related to behaviour, attitude, and some company decisions. Some findings suggest that as the degree to which the cultural distance between countries increases, companies tend to choose JVs as an entry mode instead of acquisition and merger (Kirkman, Lowe, & Gibson, 2006), but when there is a larger investment and therefore risk, companies will choose WOS instead of JVs as a mode. Additionally, some authors suggest that as the cultural distance becomes greater, the amount of foreign investment decreases (Li & Guisinger, 1992). In relation to Hofstede, there is a relationship that dictates that the greater the Power Distance (PD), the greater the preference for higher investment modes such as JVs. For companies in countries with a high dimension of Uncertainty Avoidance (UA) there is a preference for contracts, agreements, entry models for export, or high levels of subsidiary ownership. However, according to the first author's experience, competing companies from Germany have a larger investment in subsidiaries in Andean markets compared to North American companies; this does not explain what is seen in this investigation (personal observation by first author). Nonetheless, other findings show firms in countries with a dimension for greater Individualism (IND) are less likely to form entities or alliances; similarly, firms in countries with high Masculinity levels (MAS) are less likely to form technological alliances (Kirkman, Lowe, & Gibson, 2006). Other authors such as Shenkar (2001) claim Uncertainty Avoidance (UA) to be the most important factor, above other cultural factors, that determines a firm's attitude towards the options for expansion.

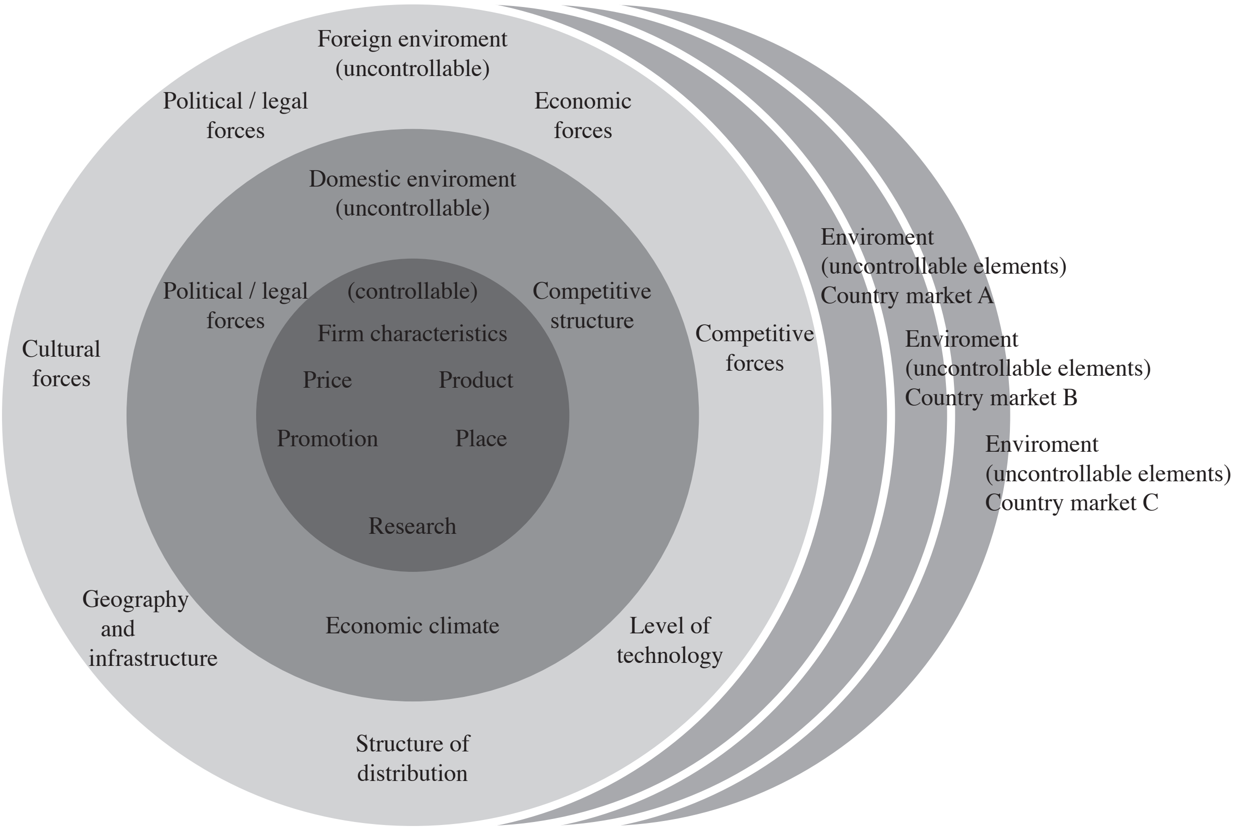
Brouthers & Brouthers (2001) determine the risk for investment in the target market as a regulator between the cultural distance and the mode of entry. The cultural distance is related to entry modes such as WOSs or JVs in European countries, but this depends on the level of risk in the host country. This risk and investment interaction is the principal point to be considered by company CEOs when making a decision on whether new markets should be explored.

Besides the aforementioned factors regarding the internationalization process, other aspects ought to be considered when making the decision to enter a new market. Psychological distance, known as the sum of the factors which prevents the flow information within markets, such as language, education, business practices, culture, and industrial development (Johanson & Vahlne, 1977), is a determining factor for firms when deciding which markets to enter. The affinity level found for initial business – meaning the level in which countries share culture or the proximity to their natural markets – influences which countries will be entered. As a company gains greater experience and knowledge, it will begin to venture into other culturally distinct markets. For a market to be studied as well as other future markets, company managers should acquire knowledge, not only about possible results in the host country, but also other series of cultural factors, socio-economic figures of the country to which they wish to export. In a globalized environment, it is necessary to understand the cultural aspects of the country of interest such as the way of doing business, political philosophy, and economic direction (Rojas, 2014). When considering all these factors that pertain to the markets to which companies wish to export, it should be noted that some of them are not within the firm's control. Good examples are political aspects such as taxation, commerce regulations (which can make products more expensive), and/or capital goods import incentives. There are other logistical aspects such as infrastructure, which can also increase the prices of products as well as consumer preferences towards goods from the USA and/or Europe. Figure 1 presents a clear and brief summary of those aspects.

The decision for North American companies to enter a foreign market is dictated in great measure by the business atmosphere in the host countries. Aspects such as speed of doing business, regulations, corruption, and human capital as well as the stability of the political and business environments are determinants in the decision-making process (Boumphrey, 2014). There are various indicators and/or rankings that are reputable for a country's competitiveness to be measured based on various factors. Companies frequently check these indices to see the general condition of the economy of a target country and to determine the strength or weakness in the business atmosphere and, additionally, to determine the required resources in terms of time and money. The allocation of resources combined with time invested in entering a new country affect a firm's expansion plans.

Subarna and Sanyal (2010) confirm that the Corruption Perception Index (CPI) for one country has a strong incidence on its competitiveness. Considering that North American and European firms can choose where to invest

Figure 1. Factors that Intervene in a Firm's Decision to Enter a New Market



Note: Controllable and uncontrollable aspects for the firm within its domestic market.

Source: Cateora, Papadopoulos, Gilly and Graham (2011)

their resources, not all countries will be equally attractive in the search for company profits (Samanta & Sanyal, 2010). As such, corruption affects the possibility that foreign companies may invest in countries with the highest CPI index, and it directly impedes the incorporation of new businesses (Boumphrey, 2014). Transparency International Organization's CPI ranking of perception of corruption for 2015 indicates that Latin American countries have a high ranking; this might indicate why North American companies do not participate in those markets. Nevertheless, although a country such as Mexico has a high ranking (95 out of 167), it is one of the countries with a greater flow of investment both from North American and European companies, especially in the industry sector being studied – plastic processing equipment.

With respect to the size of a new market as being a decisive factor for entry, some studies show that there is a positive impact in the flow of foreign investment FDI (Correia, 2013). This relation is evident in service companies such as banks, insurance companies, and international publicity companies (Li & Guisinger, 1992). Calof (1993) suggests that the majority of firms do have a growth strategy to expand within their domestic market first, but then, when opportunities for growth are seen as limited, the firm will be forced to diversify its geographic market base. The majority of internationalization theories identify industry and product characteristics as factors that influence international activity. For example, companies whose products have a very small domestic market such as Canadian firms, seek international markets through exports (Calof, 1993).

The Potential of Andean Markets in the Plastic Industry

In order to present the potential of the Andean plastic market, projections about the growth of related industries, which according to the authors' experience trigger growth in the industry of plastics, have been taken into account. Evaluating market potential by using these future projections would offer European and North American producers a better perspective when making an investment decision. Overall, the Andean market showed strong production across plastic packaging (both flexible and rigid packaging), appliances, houseware, automobile, and in the construction industries.

The packaging industry is an important source of growth, and it is mainly stimulated by the growth of packaged food products including dairy, meats, snacks, sauces, dressings, and baby food. The majority of these products require both flexible and rigid plastic packaging, which, in turn, boosts the consumption of multi-layer extrusion production equipment for barrier packages, and, also, high velocity and performance injection equipment. In general, between 2015 and 2020, the packaging industry has a 2% CAGR[3] growth potential in Latin America (Euromonitor, 2016), which is slightly superior to the growth expected in the United States and European countries. Growth can be seen within the dairy and meat industries, which represents great potential for companies that produce flexible packaging and also lines of multi-layer extrusion packaging for barrier-bag packages of cast film or blown film. Moreover, the increase in consumption of rigid packaging suggests an interesting potential for companies that produce extrusion or injection blow moulding products. Notwithstanding, this growth in packaging products is not homogeneous across Latin America or in the specific Andean countries; there are some countries with greater potential than others such as Peru, Venezuela (high-risk), Chile, and Brazil. Other industries that can drive consumption of plastic parts for assembly are the automobile and the appliance industries. Products in both industries typically require plastic parts that are manufactured through plastic injection processes. According to Euromonitor 2016, the size of the Latin American market for appliance production such as washers, refrigerators, TVs, and smaller appliances is around US$ 225,375 million; the projected growth between 2015-2020 is expected to be around 2.6% CAGR. Small appliances make up 2.9% of that value and a growth potential of US$ 25,709 million is expected (Euromonitor, 2016). It is important to highlight that there is currently company presence in this type of market. These companies include: Industrias Haceb (Colombia), Indurama (Ecuador), Mabe (México, and factory presence across Latin America including Colombia), Whirlpool (US, Joint Venture with HACEB and production presence in México), Groupe SEB (France, and operations in Colombia along with IMUSA) and finally, Industrias Atlas de Brazil.

[3] CAGR, Compound annual growth rate measurement. This measurement minimizes the volatility and variations presented year-to-year.

Regarding the automobile industry, there are several production companies located in Mexico and Brazil. In both countries, the plastic injection parts industry has grown significantly. Although there has globally been a contraction in car industry growth, Latin America shows growth potential in both the assembly of cars and motorcycles. The greatest expansion is expected in Venezuela after the government crisis; this has been signalled by experts (Leonard, 2016). Another industry that has great presence in the Andean countries is houseware and Home Products. In countries such as Colombia and Peru, this industry is one of the major transformation agents. The size of this industry as of 2015 was 49,963 million US$ with a slight growth potential of 0.4% (Euromonitor, 2016). Additionally, it is important to mention that plastic processors such as Plasticos Rimax in Colombia and Reyplast in Peru are some of the largest producers in the sector. Finally, another sector that boosts the plastic industry and the use of extrusion equipment to process PVC pipes such as polyolefin HDPE and PP is the construction industry on both a private investment and public infrastructure level. For example, in Colombia's case, the PVC industry has an expected growth of around 3.5% between 2017 and 202 (BMI Research, 2016). In other South American markets such as Chile, Peru, and Argentina the use of rigid PVC piping has been restricted, which has given way to a higher growth in polyolefin piping. According to the CEPAL, Latin America must invest around 6.2% of its GDP between 2012 and 2020, equivalent to around 320,000 million US$, to close the gap between the supply and demand of infrastructure (CEPAL, Comisión Económica Para America Latina y el Caribe, 2014). PVC processing equipment such as twin screw extruders and turbo mixing equipment shows great potential in countries such as Colombia, and extrusion equipment in Argentina, Peru, and Chile.

Doing Business in Andean Markets

In general, the International Community has begun to see Latin America, especially the Andean countries, in a better light due to the improvement of their economies and the free trade agreements they have signed. Countries such as Colombia, Peru, and Chile have free trade agreements with the US, Canada, and the European Union, which have motivated the increase in imports of capital equipment such as plastic transformation equipment due to the reduction of trade barriers. In 2016, Colombia has 14 active agreements, Chile 21, Peru 20, and Ecuador only four commercial agreements that have preferential Customs conditions (Organization of American States OAS, 2016). In Ecuador's case, importing equipment is much less advantageous. The tariffs for injection equipment and equipment for plastic extrusion have a 5% ad valorem tax in addition to a fixed tax of 0.5% of the CIF import value; this contributes to their infancy development fund, FONDINFA (Organization of American States OAS, 2016). In addition, The Institute of Technique Normalization in Ecuador, INEN, has established several requirements that guarantee the quality of imports; these include compliance certifications for imported equipment awarded by world-renowned regulatory entities (INEN, 2014).

According to EY, Colombia is considered one of the most dynamic and promising emerging markets and has various characteristics that make the country attractive to foreign investment. For example, Colombia has double taxation agreements, DTAs, in order to avoid extra costs and tax evasion, and it also allows dividend flow outside the country from legally registered Investments (EY, 2014). Despite the advantages of this positive business environment, political instability and high levels of corruption in the Andean countries continue to limit North American and European companies in terms of them opening up commercial offices, production facilities, or distribution channels (Price Waterhouse Coopers, 2016; Tuller, 2008).

Although the Andean countries share many cultural similarities, in addition to their geographical proximity, which facilitates doing business among them, there are some differences that are important to highlight. In the authors' experience, there are some important personality features that must be considered when negotiatiating in the plastic transformation equipment industry. Colombians have shown to be keener for equipment of North American origin, and are, therefore, more open to hearing proposals from American companies. Nevertheless, the presence of European competitors in the last ten years has strengthened, and they have offered increasingly more competitive terms of support and prices. Colombians give significant weight to the technical conditions, and, thus, put together well-trained teams to solve any inquiries. Price negotiations tend to take longer in Colombia than in other countries and are formulated based on input from an entire work group. Price negotiations are much tighter as the relationship between prices and delivery conditions are highly valued, especially the post-sales support (which is considered to be a fundamental factor at the time of making future decisions or continuing with a given brand). Colombians value technical visits from abroad and see these as great opportunities to acquire knowledge. Finally, given the delay in decision-making, it is very common for Colombians to push the provider to reduce delivery times, and to adhere to very strict schedules. Some companies even go to the extent of requiring a complying insurance policy, which typically requires providers to have offices within the country or at least a sales agent who can handle the transactions and assume the risk on behalf of the company.

Businesses in Ecuador also value plastic processing equipment from North America since they are closer in proximity. Although Ecuadorians also base their decisions on technical aspects, they place great value on the relationship history between the companies an agent, and, thus, respect brands. The plastic industry in Ecuador is cantered in Quito and Guayaquil and to a lower extend in other regions such as Cuenca and Manta.

In Peru's case, the market is much more price-sensitive. Peruvians are more open to considering new brands as long as they deliver better conditions in terms of price and post-sales services. It is very common to see production plants belonging to different European brands, especially those of Italian origin. In Peru, local representation by nationals is greatly valued. The purchasing decisions tend to be made quicker, without much review over the technical conditions of the equipment, and they are mostly made by the top levels of an organization. In the authors' experience, in Peru, it is harder to acquire information regarding the state of a business transaction, a brand's position in a negotiation, or the buyer's purchase intention.

Similar to the Peruvian market, Chile has a greater proximity to European producers and appreciates local representation by Chilean nationals. Even though they are more open to foreign presence, they have greater affinity for doing business with Peru, Uruguay, and Brazil as opposed to Colombia, Venezuela, and Ecuador (Rojas, 2014). Their teams tend reach a consensus and typically focus on technical aspects. Even though the size of the plastic industry is smaller than in Colombia, it is highly, highly technical. In addition, the country's lower context indicates that Chileans are more direct when doing business. Price is not such an important factor as long as the negotiating conditions are favourable towards the processor. Lastly, these Andean markets are very susceptible to exchange rate volatility (with the exception of Ecuador which is a dollar-based economy), which affects both the time it takes to acquire equipment and project viability.

Methodology

This investigation is a preliminary effort focusing on North American and European companies that produce plastic processing equipment. The introductory study evaluated ten market-leader companies with the capacity to export to Andean markets. A great number of these companies have engaged in commercial activity by means of marginal exports through sales agents in Andean countries. Additionally, the study researches primary sources such as plastic industry associations in Andean countries, including ACOPLASTICOS, APIPLAS, ASIPLA, ASEPLAS, SPE. The first section presents a detailed study of the industry, its markets, and the academic literature that supports the authors' questions. It is also supported by information from specialized websites, annual reports, and other sources of information.

The project includes a study of the factors North American and European companies encounter when participating in Andean markets. These factors can include (but are not restricted to) the size of the domestic market, risk prevention, orientation to international entrepreneurship, resource association, and cultural distance. It establishes that an exploratory study (Eisenhardt, 1989) is a precursor of more detailed investigation through direct interviews with companies.

To conduct these interviews, we chose the Feiplastic de Brazil event, hosted in Sao Paulo (May 2015) as it was deemed relevant and of interest to the plastic industry in Latin America. A fourteen-question survey was developed, the purpose of which was to obtain primary source material from North American and European company executives who are likely to make decisions on entering Andean markets. Ten interviews were undertaken with executives who gave their time and shared their company vision for the short and long-term. Since the purpose of the study is to gain a global vision about company attitudes with respect to new markets, the names of those individuals or the companies interviewed will not be revealed. For several reasons, it was not possible to have a greater number of interviews, and certain firms did not wish to share company information or strategy with a possible competitor, such as the first author that has more than then years in the industry.

Data Collection and Analysis

A semi-structured questionnaire was prepared, guided by key constructs identified from the literature. Open-ended questions were included in order to gain deeper insights into the phenomena being investigated (Crouch & McKenzie 2006). Data were collected using face-to-face interviews with the CEO/ Managing Director, and/ or International Marketing Manager of each firm. Interviews were audiotaped and later transcribed. Analysis of the transcribed data was carried out manually. For the purposes of analysis, each interview was treated as a 'case' (Miles & Huberman, 1994). Following a thematic approach, interview data were initially coded using open coding, and then grouped into within-case and cross-case themes and patterns using an axial coding procedure, which helps to identify the key factors and their patterns of interaction within and between the cases (Miles & Huberman, 1994; Strauss & Corbin, 1998). Further iteration and sub-coding took place using selective coding, where the case data revealed specific aspects relating to the core theme involved. Pattern-matching (Miles & Huberman, 1994) was used to compare patterns and themes across cases.

Results and Discussion

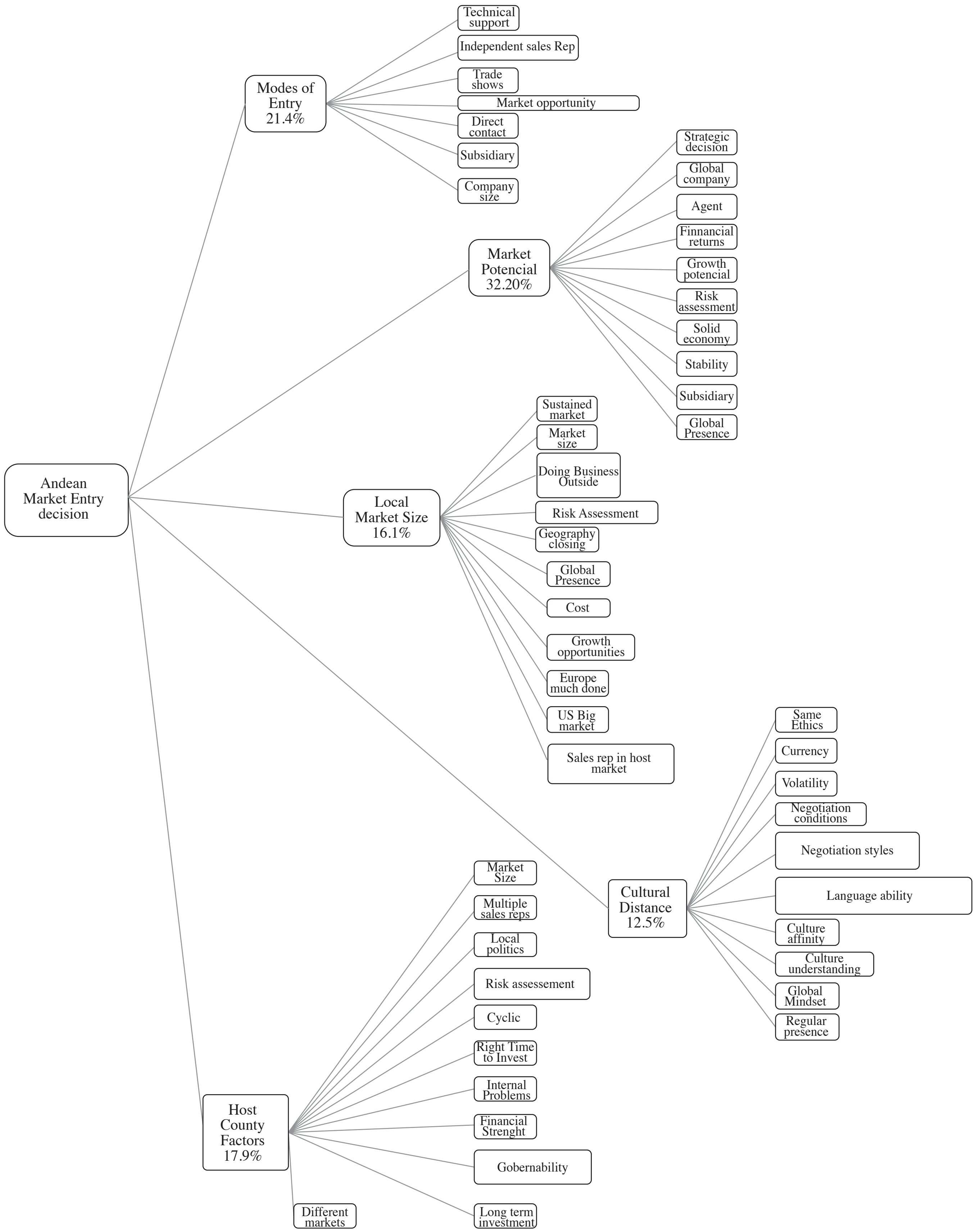
Before proceeding with interview interpretation, the opinions gathered were added with the help of MeaningCloud®— a specialized software. 237 opinions were used from ten interviews. These opinions were preliminarily classified by aspects including: society, politics, government, and business. Subsequently, these opinions were classified and associated with five variables that were found to be the most relevant for European and North American companies when making the decision as to whether to enter Andean markets. These variables are: mode of entry, market potential, firm's compromise, size of the local market, cultural distance and risk factors. In the first step of analysis, a decision tree was constructed to give mathematical weight to each one of the five variables and the different associated factors. The results, in the form of a decision tree, are represented below in Figure 2. As can be seen, market entry decisions are mostly influenced by the mode of entry and the potential of the target country's market. It is interesting to observe that the size of the local market is not the most decisive factor at the time of entry although North American companies did believe it to be important.

With the aid of the Online Venn Diagram Maker[4] tool, a Venn diagram was made, taking into account the five factors (Fig. 3), with the objective of illustrating the co-occurrence between opinions as well as the interrelationships between different variables. The intersection of the different sets graphically displays the interrelationships. The frequency of such interrelationships was manually calculated based on the number of occurrences of each opinion for each of the different variables, and was then based on their subsequent occurrence. The size of the sets (A, B, C, D, and E) are the results that were obtained for each one of the variables.

It can be observed that there are variables that are not interrelated; this shows that at the time of making the decision as to whether to enter the market they could be handled independently. The co-occurrence intersection

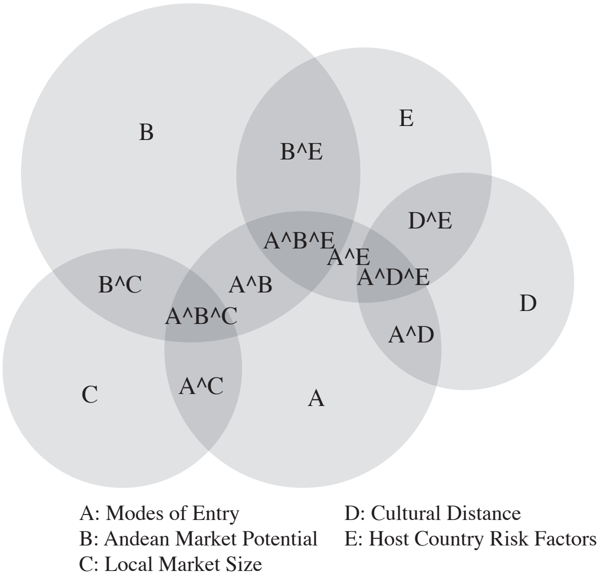
[4] https://www.meta-chart.com/venn#/display.

Figure 2. Decision Tree for Andean Market Entry Decisions



Source: Authors' own elaboration using the main options from interviews and Meaning Cloud® online software for Excel.

Figure 3. Venn Diagram for the Five Studied Variables



A^B	A^C	A^D	A^E
0.0306	0.0102	0.0204	0.0102
B^C	B^D	B^E	C^D
0.0204	0	0.0612	0.0204
C^E	D^E	B^C^D	B^C^E
0	0.0306	0.0408	0.0510
A^C^D	B^D^E	A^C^E	A^B^D
0.0408	0.0816	0.0102	0.0612
C^D^E	A^D^E	A^B^E	A^B^C
0.0408	0.0408	0.0714	0.0918
A^B^D^E	A^C^D^E	A^B^C^E	A^B^C^D
0.0306	0	0.0612	0.0510
B^C^D^E	A^B^C^D^E		
0.0714	0.0510		

Source: Authors' own elaboration using the Online Venn Diagram MetaChart® Maker tool

zone (7.14%) between the mode of entry, market potential, and risk show that these would be the three variables that would be considered in the decision making process under the previously-referenced Uppsala model. The more knowledge about risk factors that the investor collects, the better equipped he or she would be to balance the levels of compromise and uncertainty to determine the best mode of entry to the Andean countries (Figueira-de-Lemos, Johanson, & Vahlne, 2011).

The intersection of mode of entry market, market potential and the size of the local market (9.18%) could be explained by a company's opportunity awareness in the generation of a network of labour or their presence in various markets. In fact, the companies with greater local market structures tend to have greater resources that allow them to potentialize their search for new markets (Johanson & Vahlne, 2009). This is the case for the European companies that have established a great structure in their countries of origin, which, in turn, allows them to create structures in Latin America.

Lastly, the zone with the least co-occurrence frequency (4.08%) occurs between the mode of entry, cultural distance, and risk factors, which could be interpreted using the Uppsala model. As a company acquires greater knowledge in the market, their compromise levels tend to rise since the cultural distance with the target market has by then diminished (Johanson & Vahlne, 1997). Knowing the weight of the different variables and their importance in decision-making processes will allow each one of the variables to be understood in detail, and through the selected opinions we will be able to illustrate the differences among European and North American companies.

Entry Models

The majority of companies in the study have entered Andean markets through sales representatives whose importance have been emphasized as the initial method of acquiring knowledge of the market with local people while at the same time minimizing entry risk. Until now, none of the companies have used a different mode to gain entrance to Andean markets; however, some of them, principally European companies, emphasise the importance of developing the market, and, subsequently, establishing direct sales offices or joint venture actions that fit logically with models of firm internationalization (Johanson & Vahlne, 1997). In the following examples, the difference between a European and a North American company can be seen over the long-term in relation to entry models. It is clear that North American companies have a sales agent vision while European companies are thinking about developing much longer-term relationships and assuming greater risks, which, in the future could develop by choosing a method of greater control known as WOS (Kirkman, Lowe, & Gibson, 2006).

> "Normally, we always begin with reps… Once the number of machines sold and installed goes up, then we consider opening a local branch. If the representative has done a good gob, then he stays in the orga-

nization as the director of that branch." (A German injection machinery provider)

"We strongly believe in using independent - representatives." (A North American auxiliary equipment supplier)

"Having a direct approach is the optimal way to enter the market but it is also expensive. So, having an agent as an intermediary helps until the market size justifies the expense of having a local branch. (A French injection robotics supplier company)

The majority of North American companies are of the view that Andean markets should be served by sales agents whose international operations are stronger and nearer, as in the cases of Mexico and Brazil. Due to the American presence in Mexico through NAFTA, North American company operations in that country are stronger and have the responsibility for the rest of Latin American markets. The following three interventions show the structure that North American companies are normally applying in Andean markets: minimizing entry risk and utilizing existing support networks for the internationalization process (Coviello & McAuley, 1999). Additionally, they tend to spend a longer amount of time in the getting-to-know-the-market phase, which is characterized by variable results; historically there has been a lower level of participation by North American companies (Brouthers & Hennart, 2007; Figueira-de-Lemos, Johanson, & Vahlne, 2011).

"The company's head office is in Canada, with authorized sales representatives in Mexico and now in Colombia. The Andean market's responsibility comes from Mexico where we have plans to open a branch office." (A Canadian injection moulds and systems supplier)

"All our support for Latin America is done out of our Mexican operation. With little bit of local support in some key markets places and that is what helps me decide how much I want to invest in a market." (A North American Auxiliary equipment provider)

"We already have offices in Brazil. Our goal is to grow that office, so one day it can take care of the entire Latin American Market." (A North American machinery equipment supplier)

For both European as well as for North American companies, positioning a firm in Andean markets is fundamental for success in the market and the most natural step to access to those local markets through agents. In some instances, the use of representatives has a lesser initial risk, but it can have long-term repercussions in the market; for this reason, companies emphasise technical training for agents, specialization in the products they represent, and strengthening mutual relations between managers and agents (Uhlenbruck, Rodriguez, Doh, & Eden, 2006). One of the cases from the survey concerned a French company that sells robots for injection moulding machines – that organization's preoccupation is that the sales representative does not have the required technical knowledge to support clients: and not just in the commercial area. For North American companies, training is one of the most essential components of a reliable sales agent.

"It also relies on how good your representatives are, and how well you train them." (A North American auxiliary equipment supplier)

"Going through an agent is also hard because our product line requires a lot of technical support for the client and depending on the agent could be hard." (A French injection robotics supplier company).

When selecting an entry mode to a particular market, company size is relevant. For instance, in the case of medium and small companies (SMEs), which employ from 1 to 250 people (Sullivan & Branicki, 2011), the resource level is more limited in comparison with bigger companies. Thus, MNEs require entry models that involve less capital such as marginal exports or sales agents (Carlsson & Khan, 2014). In the plastic processing equipment sector, the average primary equipment production company, such as the injection and extrusion company, has between 2,500 and 5,000 employees; auxiliary equipment and robotics production companies have between 200 and 700 employees; and moulds and specialized equipment such as turbo-mixers production companies have between 50 and 200 employees. In interviews, the influence of company size in relation to the sales agent entry mode can be seen; for example, in the case of a German turbo-mixing machinery manufacturer.

"That is strongly related to the size of the company; our company has fifty employees, so it is very difficult to set up a subsidiary in another country in which you have to install certain functions and expect a required turnover…" (A German auxiliary equipment)

Andean Market Potential and Commitment

In the majority of cases, both North American and European companies identify Andean markets as having the potential to generate sales. Nevertheless, firms do not have a vision of the Andean countries as a block. The majority of countries differentiate the potential from one country to another, for example Colombia and Peru, due to political instability or each country's particular economy. North Americans are more sensitive to the risk that these differences imply, deciding beforehand which countries to enter and which not to enter.

> "There are countries that we do not necessarily want to invest in or are not interested in investing a lot of money in marketing because in these moments we are just not going to obtain much business from them… We prefer to focus on other countries that have a more solid economic progress and where new industries are being built… Chile, Ecuador and Colombia are such key countries." (A North American plastic recycling equipment supplier)

In the case of European countries, it is noted that despite the risk that regional instability implies, long-term market objectives are established. One such example is a German injection producer whose focus is to be in every one of the markets that has established clients and then maintain a constant presence in that market and/or region. This behaviour guarantees that the firm will be successful in emerging markets such as Latin America, which is a crucial long-term commitment for the firm (Freeman, Cray, & Sandwell, 2007). It is clear that this commitment to its clients and especially to the Andean markets allows it to acquire a greater knowledge of the countries, and, in that way, regulate uncertainty in the Andean markets – that is to say, to manage risk in a better way (Johanson & Vahlne, 2011).

> "Absolutely! The Andean markets present excellent opportunities. We are not expecting a large sale of machines, but rather higher automation like you see in Europe. This is where we expect to see larger growth, but to achieve that, we must be present. You have to be present years before. Thus, you can be a better competitor from the beginning." (A German injection machinery producer)

One of the European injection equipment suppliers has focused more on the potential size of the specific market. This was mentioned by a company executive who referred to the possibility of being present in every one of the markets in which the company has clients operating its equipment. In this way, the company shows the commitment it has to its clients and creates consistency in the market.

> "We don't take our eyes off any potential market. We are present in markets such Paraguay and Bolivia which are not large markets…Being present give us the advantage of seeing the market and evaluating if it is worth having direct support or representatives, or eventually even being directly involved in the market..." (A German injection moulding machinery supplier)

On the other hand, it is evident that Canadian companies have a great entry possibility to Andean markets as they are historical exporters due to the fact that the largest part of their products are principally exported to the USA, which has been previously mentioned in this document. In fact, one of the best known Canadian firms in the injection market established a sales office in Colombia to cover Andean markets, which showed the firms commitment to the market. This example was used by an injection moulding production firm for a packaging application that has begun to make an investment in the market. The following quote provides evidence of the company's commitment to the Colombian market.

> "We believe in the Andean Market potential, indeed we announced our participation at the Andinapack show for the first time in Colombia. Demonstrating continued commitment to new markets and serving more customers in Latin America... Latin America represented by 2015 18% of our total sales." (A Canadian Injection moulds and systems supplier)

For North American firms, that possibility is seen as remote given the results of establishing direct operations and the interview findings that show a greater tendency towards sales agents as well as companies that supply auxiliary equipment such as machinery for injection and/or extrusion processing.

In relation to market strategy, the majority of companies, without distinction, identify Latin America to be a price-sensitive market. Both American and European plastic processing equipment suppliers are high-investment; for this reason, companies focus on more educated markets that have more technically qualified clients who seek better quality and equipment performance – high-end or niche markets. The Latin American market is competition to the Asian market, which offers low price equipment, but with much lower quality and performance.

> "Chile is a very educated market, and they have good industries there so of course, as a global company, you need to be there." (An Austrian injection machinery producer)

Local Market Size

In terms of local market size, both the interviewed North American and European companies gave their perception of the variable market size. The first finding is that both consider their local markets to be more important, and, to a great extent, their revenue supports their expansion operation. However, there is a conceptual difference between the American and the European – the latter considers a firm's growth opportunity in other markets such as Latin America. For the Americans, the local market is very important and, therefore, they direct the greater part of their growth efforts at this. These findings support Calof's (1993) affirmation that states North American companies tend to focus on their domestic market: obtaining the required resources at a lesser risk. The following quotes are some examples of how North American companies view the importance of their local markets:

> "We have seen that there are many opportunities in South America, but we are mainly focusing on North America whose market is much stronger and profitable as there are many opportunities to sell our equipment there." (A North American machinery provider)

> "The Best place to go internationally is either Canada or Mexico, close to home, test how it goes from there and then go conquer the rest". (A North American auxiliary equipment provider)

> "It is because America has always had the luxury of having a self-sustaining market that the do not have to do business outside. The European countries have smaller markets so they learned quickly to do business outside their own boundaries and borders." (A North American machinery provider).

European companies, by contrast, are cognizant of the size of their local market, but see it as equal to every other market in which the firm operates. Germany is the most important market for plastic injection equipment and companies have high participation levels, which shows that the market is saturated. Growth in those markets thus depends on first participating in and then maintaining the position with other European competitors.

> "We want to grow and we don't want to stay the same way as we are today. In Europe, the market is more or less saturated. In Germany for example, we have a market share of more than 30%... So we have to grow more, and this potential is in developing countries like the Andean Markets." (An Austrian injection machinery producer)

> "In Europe, we have a big market, close to 1200 machines. We have an 18% market share in Europe. Our Global structure is 1/3 Germany, 1/3 Subsidiaries and 1/3 agents around the world." (A German – Japanese injection moulding machinery company)

Therefore, this is evidence that proves the authors' hypothesis that market size influences the decision of North American companies to enter Andean markets: it sees them as having marginal potential and explains why the results they have had are historically lower in comparison with their European competition.

Cultural Distance

North American companies identify substantial cultural differences between Andean countries and the USA, and even among the different countries that make up the Andean Pact or region. The Europeans identify their abilities and advantages in this respect when faced with North American competition, and they similarly identify their own limitations. They identify language as a limiting factor despite the fact that English is the language of business in the region. In addition, they see their historical lack of market presence, and the lack of local people who know the regional market as other areas of weakness. It is natural that foreign companies initially prefer to do business where there is an environment with similar conditions to their local market (Alon, 2006).

> "We had our own market, everybody has the same talk, the same set of ethics, we use the same currency and we didn't have to worry about it fluctuating. So, there are a lot of things that get in the minds of manufacturers when they look outside their safety zone." (A North American auxiliary equipment provider)

> "I see the problem focused most on the cultural mindset of North American companies, for instance not many people on an executive level speak the language, or know the customs… Historically, North American companies haven't had a regular presence in this market." (A North American robotics and systems supplier company)

In the authors' ten years plus experience in this market, they have noted that each one of the Andean countries has different forms of negotiation and approaching suppliers. On this point, North American Companies are weaker in adjusting to forms of negotiating in Andean markets, which, independently of technical products, are price sensitive. For example, it is recommended that the final price of industrial goods moves between 60-100%

of the freight on board (FOB)[5] value, which is not economically viable in some markets.

> "Americans perhaps have more discipline in terms of negotiations, having a price to which they stick. Conversely, Europeans are more sensitive to the conditions and negotiating tactics in Latin America, and maybe are more open to negotiation terms." (A French injection robotics supplier company)

> "I said, the difference is cultural in the way of being able to adapt to negotiating styles, to the language and culture of the country, and I think that in those terms the Americans are not as versatile as European business executives. (A German injection moulding machinery producer)

This is especially the case if logistics costs are considered in terms of oversized equipment from production plants to east coast U.S. ports as they are comparatively higher than those from European countries (Rodriguez & Notteboom, 2010). For example, the cost of bringing a 1,000 metric ton injection machine (weighing approximately 161,000 lbs) from the USA to Colombia will require paying a surcharge of about 40% in comparison to similar equipment from Germany (Santa, 2014). On this point, North American companies begin operations with a significant price difference and should be much more price sensitive when negotiating. It should be emphasized that the majority of Andean Pact countries tend to negotiate directly with the OEM (Original Equipment Manufacturers) instead of the external sales representatives in order to obtain better prices.

In general, in terms of negotiation, quality, performance, functionality, financing and prices are the most important aspects for Andean markets in search of industrial goods. Therefore, maintaining a post-sales structure is recommended because it is a decisive factor in the final purchase (Export.gov, 2013). Many countries look to other user's recommendations of equipment, their grade of satisfaction with a particular make, and, above all, the perceived post-sales customer service (Export.gov, 2013). This post-sales support is vital for the relationship between the firm and the company, obviously with the local representative mediating. On this point, we have found European that country responses principally focus on post-sales service.

> "… Therefore, the first thing that we look for is a local technical support team…" (A German injection moulding machinery supplier)

> "… Going through agents is also hard because our product line requires a lot of technical support to the client, and, depending on the agent, that could be a limitation…" (A French injection robotics supplier company)

Host Country Level Factors: Risk Associated and the Andean Market Situation

The objective of this study is not to review each of the factors in the literature that might influence the entry decision such as the cultural aspects of the Andean countries, their way of doing business, political philosophy and/or economic orientation (Rojas, 2014). Instead, we focused on the perspectives of those interviewed in terms of the factors they considered to be of greater importance for each of their companies when evaluating the Andean market. The findings show that North American companies tend to worry more about the political stability and economic conditions of a country; this explains their attitudes towards each country.

> "It varies by country. Brazil is a very difficult place in which to do business as foreigner, but if you are a local it is a lot easier. Colombia is definitively a lot better nowadays, and it is getting easier to do business there. Argentina, because their whole system is falling apart before everybody's eyes, is not a good place to do business, but we still continue to try to sell there…" (A North American Auxiliary equipment company)

> "Latin America is in the worst shape that it has been for many years because from five countries in which we have interests (Mexico, Colombia, Venezuela, Brazil and Argentina), four have significant internal problems. When the Head Office wants to invest, one of the main components within that decision is to see the situation in each country.... It also depends on how the country treats you as investor." (A North American equipment company)

> "The Problem in those countries is they have many political problems that affect their growth… This is the main problem that we have seen in Latin America in terms of investment because you never know if a country is going to be in good or bad condition." (A Canadian injection moulding machinery supplier)

[5] http://www.export.gov/Colombia/doingbusinessincolombia/sellingusproductandservices/index.asp. FOB is a shipping terminology acronym meaning Freight on Board.

In the case of European Companies, most share the concern for Andean countries' political instability, but their response is to have a presence in these countries, Venezuela included. All companies, however, emphasized its current political situation.

> "In South America the politics are very important because every year everybody is expectant regarding elections. Everybody is stopping to see who is coming into power." (A German injection moulding machinery supplier)

> "I consider Latin American markets very cyclical, so we just have to be careful about when is the right time to invest." (A German injection moulding machinery supplier)

A fundamental condition for business to take place among different countries, is that the executives can travel to such countries with a perceived notion of safety. The importance of business trips has been recognized in studies as a crucial source of technology transfer since concepts can be explained more effectively on a personal level. These trips have also been found to impact innovation, depending on the quality of knowledge the person travelling carries (Hovhannisyanm & Keller, 2015). Furthermore, business trips are essential in order to evaluate a company and country first-hand prior to establishing long-term relations and commitment (Tani, 2006). In this way, the company can solidify long-term relationships with the agents, get to know their culture and gain insight into the target market. Safety issues limit business opportunities, in Venezuela for example, as several companies avoid traveling to the country. The following are some perceptions on safety for the Andean countries:

> "… I have not been in Venezuela for twelve years because it is not safe to go there…" (A German injection moulding machinery supplier)

> "… I have been in Colombia twice and I feel safe there. The country is politically stable and this is one indicator and driver for our decision to be more present there." (An Austrian injection moulding machinery supplier)

We found that there were different strategies to manage the risk involved with entering a new market, such as the Andean region. One of our findings was that European businesses handle risk not only in terms of the entry-stage, but also for the overall context. For example, they speak of the advantage of diversification by being present in different locations and refer to positive results in one country that may compensate for momentary losses in a different location. This concept can be associated with the Uppsala model in which risk is not limited to only one market but instead to the combination of markets in which the firm operates (Shrader, Oviatt, & McDougall, 2000). Thus, risk is balanced with different levels of commitment (Figueira-de-Lemos, Johanson, & Vahlne, 2011).

> "... It is the total market that makes a difference for the company to be able to be successful every year. For instance, Latin markets compensate for a downturn in the Brazilian market." (A French injection moulding robotics supplier)

> "We were lucky during the last recession: to have different markets was very advisable…" (A German auxiliary equipment supplier)

> "The company is not afraid of taking chances in a crisis and being confident that there will come a day in which there won't be clouds…" (A German injection moulding machinery supplier)

North American companies, on the other hand, handle the risk of entering a new market by opting to enter via a sales representative. In times in which the economy of a country is weak, they maintain their strategy with the expectation of generating marginal profits. In fact, one of the companies interviewed, mentions that the Europeans have an advantage in their handling of risk since their markets are small and are mainly focused on exporting.

> "… Europeans learned how to undertake risk assessment and consequently quickly learned how to do business outside their own borders…" (A North American Auxiliary equipment company)

> "Depending on the market size and the geography of the country we sometimes decide that you have to find multiple representatives. You can't rely on one agent or one agency." (A North American Auxiliary equipment company)

> "You always try to get a feel (for the market?) as you have to work with local politics. Can you get your money back? How hard is it to get your money back?" (A North American recycling equipment company)

Conclusions and Implications

Beyond simply criticizing North American plastics processing equipment makers, whose participation in Andean markets has not been constant or prevalent, this project seeks to highlight the potential that this market has, and show evidence of the growing expectations of their European counterparts. We have interpreted the behaviour patterns observed in order to identify the main factors that motivate (or deter) North American companies from entering Andean countries as well as the reasons why European participation is greater in the region. The study intends to build upon the typical opinions held in the industry and support the findings through theory based on internationalization models (Johanson & Vahlne, 1977; Figueira-de-Lemos, Johanson, & Vahlne, 2011) in relation to factors such as psychological distance, risk management, modes of entry and political conditions of the Andean countries.

Primarily, evidence suggests that Andean countries represent a potential market of about US$120 million, without considering Brazil (Legis S.A., 2015). Per capita consumption of plastic is only 5% (PlasticsEurope, 2015), but future projections are an interesting prospect; for instance, the per capita consumption in Latin America by 2016 is expected to reach 32Kg. While this value might be considered low in comparison to the NAFTA market consumption (139Kg), and that of western Europe (136Kg) (PlasticsEurope, 2015), European companies are present and participate more actively as evidenced by their higher establishment of sales representatives, WOS, and greater attendance in local fairs.

Our findings reveal that there is also a direct relationship between the size of the local market, in the case of this research project the NAFTA region, and the decision of a company to actively look to expand to other markets. These results are the main contribution of this study since other research and theories have not produced extensive findings. Nevertheless, it is important to highlight that even though the size of the European market is equally attractive, as per capita plastic consumption is about 20% annually (PlasticsEurope 2015), European companies are more present in the Andean region. This presence can be explained by the fact that, as previously stated in the study, European companies are present in multiple markets in order to diversify risk, which is also supported by other research studies (Figueira-de-Lemos, Johanson, & Vahlne, 2011). Thus, European firms have more stable sales results as they compensate low performance in one country with better performance in other countries, which may temporarily have more beneficial economic conditions.

According to the numerical analysis regarding the weight of each variable that was studied and the intersections among the variables, it could be inferred that the market mode of entry, market potential and size of the local market are the most important variables at the time of making a decision as to whether to enter Andean markets. This result is supported by (Johanson & Vahlne, 2009) which states that the size of the local market and the presence of a firm in it are determining factors that support activities internationally. In the case of North American companies, this result explains the authors' hypothesis in regards to the local market size being a decisive factor, given the risks inherent in entering new markets. Regardless of the result, it is clear that when evaluating each variable separately, market potential is the decisive factor in determining the mode of entry a firm will utilize.

North American companies' preferred modes of entry are by agents, or sales representatives due to their perception of the market as uncertain (Figueira-de-Lemos, Johanson, & Vahlne, 2011). It is clear that political instability (Schwab, 2015), for example, in the case of Colombia, is one of the factors the North American firms perceive as a barrier for doing business. The volatile sales numbers in Latin American countries make such markets unattractive for North American companies since they do not see potential for growth; thus, these companies consider Latin American markets as a marginal source of sales. A way that North American companies could potentially reduce their perceived uncertainty is by acquiring greater commitment levels, which would allow them to gain more insight into the inner workings of these markets via models such as the Uppsala model (Figueira-de-Lemos, Johanson, & Vahlne, 2011). However North American's perception of the Andean countries as being very culturally distant continues to be a limiting factor.

The following table shows a comparison between the way European and North American firms study and enter Andean markets. This summary stems from the different findings based on the interview analysis, the authors' market experience and data obtained from secondary sources. Apart from defining which strategy has yielded better results or is more convenient, the author intends to show the difference in attitude between both types of firms and enrich the discussion about free competition. Therefore, this information could be helpful for companies to gain a better perspective of the Andean Markets; they could use the information as an initial source to begin formulating a strategy or to make adjustments to an ongoing strategy.

The Andean market represents a potential for growth and the ability to generate sales for companies. However, from a North American viewpoint, it would appear that this is not considered in the case of this particular industry in terms of advancing other stages of a firm's internationalization, such as establishing manufacturing plants (Johanson & Vahlne, 1977; 2009) or techno-

Table 1. Parallel Between North American and European Plastic Processing Equipment Firms' Attitudes Towards Andean Markets

	European Firms	North American Firms
Modes of Entry	Sales agents as initial method Importance placed on developing the market with sales offices or JVs Developing long-term relationships Small branches in Andean markets	Sales agents as the most convenient method Sales agent vision, market responsibility relies on the agent Relationships based on market performance and results Andean Market supported by sales office hubs in Mexico or Brazil Sales agent training concerns
Andean Market Potential	Long-term market objectives Market consistency Higher market commitment and customer after sale	Marginal focus More sensitive to risk and volatility in Andean markets Differentiation between Canadian and US Firms. Canadian are more open to exportation and consider new markets.
Local Market Size	Europeans invest regularly in other markets Regular and constant presence in all the markets they operate Fragmented European markets despite the European Union single market EU is considered a saturated market Resource assignation in every market in which they operate	Growth and main resources for local markets Strong presence in local markets creating strong entry barriers for newcomers US is a strong and profitable market International path to nearest countries as Mexico and Canada Self-sustaining market.
Cultural Distance	More sensitive to conditions and negotiation styles presented in Latin America Open negotiation terms Lower international logistics costs (advantage for negotiations)	Language limitation awareness Historical lack of presence in Andean markets Less ability to adapt to negotiation styles Higher logistics costs and different interpretation of INCOTERMS
Risk Market factors and Country Situation	Have wider presence that is adapted to political and Economic situation More open to business trips, with limitation E.g. Venezuela. Risk assessment in overall context, diversification	More concern about political stability and economic conditions Concern with business trips, especially to non-safe countries (US State Department for travel advisory) Risk assessment by transferring market risk to the local agent Representation contracts revised very carefully to avoid firm overseas implications.

Source: Authors' own elaboration based on interviews and their own market experience +10 years.

logy impact centres (HIT Centres), such as those which companies recognized in the sector have in countries for example Mexico and Brazil. It could be expected, then, that the way to participate in the market would be through sales offices and direct WOS personnel who provide revenue by selling spares and providing consultancy to industries. Another possible entry method, in accordance with the first author's experience, could be by means of a joint venture with a local company, as in the case of an Austrian injection equipment supplier company in Colombia. In this case, both sides share the risk, but in the future this method gives the foreign party the possibility of acquiring the company if there is sustainable revenue flow.

A series of management implications arise from this study. The first is the identification of some limiting factors of doing business in Andean countries, which, once identified, could be addressed to potentially obtain better results in those markets— if the company has a real interest in entering the Andean countries. The results compiled in the study could help to make management decisions (initially in relation to firms dedicated to the plastics market), in the case of company executives who are involved in the decision making process of whether to enter Andean markets. They could also apply to firms who are interested in strengthening their market presence. For both North American and European companies, it is interesting to understand their counterpart's entry strategies, which could result in a more competitive market, and, in turn, bring long-term benefits to the final equipment user.

Due to the fact that acquiring knowledge of the market is a process that involves time and company resources, this kind of study is a source from which primary source information can be obtained, and thus an image and assessment of the risk of entering Andean markets can be created.

This study targeted the plastics industry, and was particularly oriented towards processing equipment or capital goods in the sector. This means that the findings are potentially less informative than those that can be acquired by analysing a range of industrial sectors or markets in which North Americans and Europeans have an interest in entering, such as the Central American and Caribbean markets, the Mercosur market including Argentina, Paraguay and Uruguay. Also, the changing conditions of the Andean markets could impose a time limitation on the application of the findings as these could not be projected long into the future (Correa & Murillo, 2014). As with many qualitative investigations, part of the results presented are perceptual and are framed in the industry studied in such a way that the results cannot be generalized outside of the studied context (Correa & Murillo, 2014). The possibility of accessing a greater number of industry executives, as well as accessing raw plastic material manufacturers, was not taken into account in this investigation. In that sector, there are various well-known North American companies with important sector participation due to them having exclusive references or materials. Finally, although the knowledge provided in this study is empirical as a result of more than ten years' commercial experience in the market, it could be sustained or augmented by a more exhaustive market investigation.

For further lines of investigation, we suggest the possibility of extrapolating a study beyond the industrial equipment or capital goods sector and not one that is just limited to the plastics industry. That would require a more representative industry sample in order to verify whether the studied phenomena are, in reality, a behaviour pattern of North American companies or, on the contrary, if they are specific to this particular industrial sector. The scope of the work undertaken could be complemented in the future with company case studies in the specific sector that show success or failure in different markets when they select entry methods (MOEs) that are different to sales agents. For example, it would be interesting to evaluate the case of a well-known Canadian company that has been undergoing a contraction process of its international operations by closing or reducing the number of its offices in Brazil and Colombia.

Further investigations could track or find modes of entry into Latin American countries different to entry phases with sales representatives, especially with companies that have limited resources (in the case of Small and Medium-sized Enterprises SMEs). These companies are much more sensitive to market changes, and, as such, their future entry models should balance risk with economic opportunities: which the market offers.

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