

Welcome to this special issue on Latin American Business of the Chazen Web Journal of International Business.

In this issue you will find articles on a wide-range of topics of relevance to Latin American businesses and other international ventures, contributed by students and alumni of Columbia Business School. The topics range from current issues on corporate governance to the potential role of private equity in the region, and from a case study on a rising Latin American exporter to prominent topics in international businesses, such as, the changing role of outsourcing in global competition.

The issue is also accompanied by insightful video interviews with prominent business leaders, namely Wolfgang Bernhard, MBA '88 and Member of the Board of Management of Volkswagen AG; Vittorio Corbo, Chairman of the Board of the Central Bank of Chile; Francisco Gonzalez, Chairman and CEO of Spanish financial group BBVA; and Lorenzo D. Weisman, MBA '73 and Co-Founder and Managing Member of Hill Street Capital. These short interviews touch on a broad range of topics, including the challenges of large acquisitions in global businesses, the role of macroeconomic policy on the economic performance of Chile, the key determinants of success in global financial-services firms, and the development of capital markets in Latin America.

Let me give you an overview of the papers that were accepted for this special issue. I will begin with the papers analyzing specific firms doing business in Latin America.

In the paper entitled, "TV Azteca: A Case Study of Corporate Governance in Mexico" Maryann Bryant-Rubio MBA '05 highlights a common risk of investing in Latin American firms: good corporate governance is not built into the system. As a result, firms' decisions are often determined by entrenched controlling shareholders while minority investors or business partners have limited effective rights. To illustrate these challenges, Bryant-Rubio examines the case of TV Azteca, Mexico's second largest television broadcaster. She studies two transactions. An agreement between TV Azteca and NBC, which TV Azteca reneged on and eventually settled in court, and an ongoing investigation by the Securities and Exchange Commission (SEC) on an undisclosed related transaction by TV Azteca's major shareholder. She concludes that while Mexico has made significant developments in terms of corporate governance, the gap between the rights of minority shareholders and those of insiders remain extremely large.

In "Recent Carlyle Group Activity in Mexico: Is the Private Equity Market in Mexico on the Rise?" H. Keith Jennings, EMBA '04, Michele Montresoro, EMBA '04 and Jonathan Roth, EMBA '04 examine Carlyle's new venture in Mexico, assessing both local factors and the firms' characteristics for projecting potential growth. According to the authors, local business conditions might be ideal for the U.S. based private equity firm: financial market development is still limited and the prospects for business opportunities are large. Furthermore, Jennings *et al* argue that the firms' relative advantage relies on their local-global expertise and their significant financing capabilities, which can potentially allow them to successfully overcome the toughest challenge of private equity firms in developing countries, namely, ensuring an attractive exit to their investments.

In “Embraer’s Creation of Value for Shareholders” Eleanor Broad, MBA v05, Ben Choi, MBA ’05, Daniel Drum, MBA ’05 and Sergio Lagunes, MBA/MIA ’05 examine the evolution and future prospects of Brazilian EMBRAER (Empresa Brasileira de Aeronautica), a regional commercial jet manufacturer. In the paper, the authors stress the crucial role of the Brazilian government in supporting the takeoff of the company as well as its transition to export markets, yet, they challenge the criticism that their competitive edge is government-driven. Broad *et al* highlight their niche market strategy, their low production costs relative to competitors and the substantial savings for end-users derived from the commonality of their new product line. The authors conclude by discussing the role of increased competition in this segment of the aircraft market and the potential challenges for EMBRAER of expanding into the Asian market.

Finally, in “The Future Winners and Losers in Global Outsourcing”, Gautam Shirhattikar MBA’04, analyzes the key determinants of success in global outsourcing. Using India’s thriving experience and recent challenges as a point of departure, Shirhattikar underscores the limitations of a pure low-wage strategy. He then uses cases from “off and on-shore” business models to highlight their individual competitive advantages. He concludes by predicting convergence of low cost outsourcing ventures with higher value-added service firms, which rely on specialized skills and efficient delivery networks.

Let me end by reiterating my invitation to explore these excellent papers and interviews, which highlight the commitment of the Columbia Business School community to global business.

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