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Sustainability as a strategic response to the liability of foreignness: Empowering multilatinas for sustainable development

Ana Maria Gomez-Trujillo, Maria Alejandra Gonzalez-Perez, Juan Velez-Ocampo, Olga Patricia Castaño

ABSTRACT

Objective: This study explores the role of sustainability as a strategic mechanism for multilatinas to overcome the liability of foreignness (LOF) and drive sustainable development in host countries. It also highlights the intersection of sustainability, business ethics, and internationalisation, focusing on their collective impact on sustainable development and identifying business ethics as a promising area for future research.

Research Design & Methods: This article uses a single-case methodology to incorporate triangulation from diverse sources. We collected primary qualitative data from five Latin American countries, complemented by secondary data extracted from company reports and third-party communications.

Findings: Our study contributes to the LOF and sustainability literature by demonstrating how an effective sustainability strategy empowers EMNEs to mitigate the inherent disadvantages of operating in foreign markets.

Implications & Recommendations: By leveraging sustainability, these companies bolster their commitment to sustainable development in host countries, thus transcending traditional liabilities associated with their emerging market status.

Contribution & Value Added: The findings from this single case study provide valuable insights into the intricate relationship between sustainability, internationalisation, and sustainable development within the complex landscape of emerging markets. This research contributes significantly to the scholarly debate surrounding these topics.

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Keywords:	sustainability strategy; liability of foreignness; multilatinas; emerging markets; sustainable development; internationalisation
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INTRODUCTION

Do companies embrace environmental and social sustainability because they are financially profitable, or do they become financially profitable because they embrace environmental and social sustainability?

Based on previous studies, we can confidently say that a company's financial performance also depends on non-financial factors like environmental, social, and governance (ESG) dimensions, impacting its international operations (Gomez-Trujillo & Gonzalez-Perez, 2020). Consequently, corporate social responsibility (CSR), corporate sustainability, and the management of non-financial risks (ESG) influence firms' financial performance. As a result, business leaders need to adopt a management approach that positively impacts the 'triple bottom line' (Doś & Pattarin, 2024; Pisani *et al.*, 2017).

At the same time, corporate sustainability seeks opportunities for future growth while considering limitations and liabilities, placing it at the core of corporate strategy (Gomez-Trujillo & Gonzalez-Perez, 2022). While sustainability as a corporate strategy has previously been studied, the specific intersection of sustainability and liability of foreignness (LOF) remains underexplored, particularly in the context of emerging market multinational enterprises (EMNEs) from Latin America, or 'multilatinas.'

Latin America presents unique challenges and opportunities for multinational enterprises (MNEs). The region has diverse institutional frameworks, socio-economic inequalities, political instability, and environmental vulnerabilities (Monte-Cueto *et al*., 2024).

The novelty of this study lies in examining how firms from this region leverage sustainability strategies to overcome the challenges posed by LOF, contributing to both international business literature and sustainability discourse. Given Latin America's unique institutional and regulatory dynamics, this article contributes an original perspective by exploring how multilatinas manage LOF through sustainability strategies, thereby advancing their host countries' sustainable development goals (SDGs). Moreover, it highlights the intersection of sustainability, business ethics, and internationalisation, focusing on their collective impact on sustainable development and identifying business ethics as a promising area for future research.

Thus, we focused on a detailed analysis of the strategic path of a Colombian multinational business group, Interconexion Eléctrica S.A. (ISA), a Colombian multinational enterprise operating across energy, telecommunications, and infrastructure sectors in Latin America that has achieved world sustainability leadership recognized by global indices like the Dow Jones Sustainability Index and the FTSE4Good, (Arenales, 2022; Arias Jimenez, 2022). Moreover, ISA exemplifies how emerging market multinationals (EMNEs) use sustainability strategies to overcome the liability of foreignness (LOF).

Specifically, we examine how sustainability strategies help address these firms' operational challenges in diverse host country contexts, where distinct regulatory, social, and environmental conditions can affect their competitiveness. The research question guiding the analysis was: "How does an EMNE overcome the liability of foreignness while contributing to the sustainable development of multiple host countries?".

This manuscript is structured as follows. The next section will provide the literature review, followed by the case study methodology. Subsequently, we will present the results of the selected corporate case study, Interconexión Eléctrica SA-ISA, along with a descriptive analysis of the company's strategies and sustainability leadership. The subsequent discussion will explain the process of overcoming liabilities of foreignness during internationalisation and the contributions of EMNEs to sustainable development. Finally, we will formulate conclusions, limitations, and future research recommendations.

LITERATURE REVIEW

Internationalisation of EMNEs

International business studies initially relied on classical internationalisation theories from developed countries and industrial organization approaches. The new complexity of the global economy requires new theoretical insights or an extension of them (Cuervo-Cazurra & Ramamurti, 2014; Luo & Tung, 2007; Mathews, 2006; Ramamurti, 2009).

In this regard, Cuervo-Cazurra and Genc (2008) state that these companies face some disadvantages compared to developed country MNEs, arguing that they are less competitive due to their country's institutional voids. However, this condition can change if both MNEs operate in countries with these challenging conditions (Correa de Cunha *et al.*, 2022). In the same line, Luo and Tung (2007) expose the springboard perspective. Furthermore, EMNEs see internationalisation as a springboard for resource acquisition and a way to reduce the institutional difficulties in their home countries. Furthermore, Mathews (2006) proposes that companies from peripheral areas internationalise driven by resource linkage, leverage, and learning.

Recent research from Asia and Africa highlights similar dynamics in the internationalisation of EMNEs (*e.g.,* Ramamurti, 2009; Luo & Tung, 2018; Narula, 2019). These studies provide valuable comparative insights, showing how firms from emerging markets adapt to institutional voids and develop sustainability strategies as competitive advantages.

EMNEs and Their Liabilities of Foreignness

Although there is evidence of the benefits of internationalisation, it can also generate a competitive disadvantage for emerging market companies. Hymer (1976) introduced the concept of the 'cost of doing business abroad' that multinationals experience when operating internationally. Later, Zaheer (1995) further developed this concept using institutional theoretical lenses and put forward the 'liability of foreignness ' (LOFs) term, arguing that they represent additional tacit and social costs that firms face when entering a particular country.

These liabilities decline as firms get more embedded in local networks (Zaheer & Mosakowski, 1997).

Moreover, stakeholder theory examines how sustainability strategies influence relationships with external actors, such as communities and governments. Stakeholder theory highlights the importance of balancing diverse stakeholder interests to build legitimacy and foster long-term success (Freeman, 1984). Similarly, institutional theory highlights how government policies, cultural norms, and regulatory environments shape corporate strategies and behaviours (North, 1990). For multinational corporations, navigating diverse institutional contexts often requires adapting sustainability practices to align with local expectations and regulations. Prior research shows that firms operating in emerging markets, such as Latin America, leverage sustainability to address institutional voids and build legitimacy among stakeholders (Cuervo-Cazurra & Genc, 2008; Kolk & Curran, 2017).

EMNEs and Sustainability to Overcome LOF and Generate Sustainable Development

Sustainability initiatives by multinational companies draw the attention of scholars seeking to explain the drivers and motives for their implementation. For instance, in their systematic literature review, Gomez-Trujillo and Gonzalez-Perez (2020) identified internationalisation as a driver for pursuing sustainability initiatives. Sustainability can also serve as a tool to enhance stakeholders' acceptance and corporate reputation at an international level (Gomez-Trujillo *et al.*, 2023; Mushafiq *et al.*, 2024). Moreover, reputation and internationalisation can influence strategic decisions, international marketing, and international trade (Velez-Ocampo & Gonzalez-Perez, 2019). Given the above, the relationship between business and development has been studied with a particular emphasis on the role of multinational enterprises (MNEs) as sustainability drivers and, specifically, on their role in the sustainable development goals (SDGs) proposed by the United Nations (Berning, 2019; Kolk *et al.*, 2017; Van Zanten & Van Tulder, 2018; Ziemba *et al.*, 2024). This is particularly relevant because there is evidence of potential negative impacts of MNE investment in developing countries due to the negative productivity spillover effect between MNEs and local firms, as well as the reduction of employment generation and integration of informal actors due to a higher automatization and higher labour standards in global value chains (Brandl *et al.*, 2022; Gerschewski, 2013; Narula, 2019).

RESEARCH METHODOLOGY

This study employs a single in-depth qualitative case study methodology (Ghauri, 2004; Stake, 1994). Case studies are particularly suitable when researchers have limited control over events, focus on real-life phenomena, and have limited existing knowledge of the context (Doz, 2011; Yin, 2018). In-depth single case studies provide a comprehensive understanding of the interplay between a phenomenon and its context (Dubois & Gadde, 2002). Furthermore, case studies are particularly well-suited for exploring new research areas where existing theories may be insufficient (Eisenhardt, 1989; Verbeke, 2022).

Case Study Selection

To address our research question, we assessed the available population of companies (Cooper, 1984).

We selected the single-case study design to allow for an in-depth exploration of ISA's sustainability strategies and their role in overcoming liabilities of foreignness. We chose ISA due to its recognition as a global leader in sustainability, extensive presence in Latin America, and alignment with the research objectives. This approach provides detailed insights into complex phenomena that a comparative study might not fully capture. It is particularly suitable for examining underexplored topics like sustainability and the liability of foreignness in emerging markets.

Data Collection

We employed triangulation using multiple data sources to ensure validation, mitigate bias, and achieve data saturation (Creswell, 2003; Denzin, 2012; Fusch *et al.*, 2018; Velez-Ocampo & Gonzalez-Perez, 2022).

We collected primary data through 31 in-depth interviews conducted in person or mediated by MS Teams in the local language (Spanish and Portuguese) between April and July 2021 with individuals holding positions such as past president, vice president of strategy, subsidiary managers, directors, analysts, and specialists in five Latin American countries. Moreover, one of the authors is part of the organisation. Thu, we took the ethnographic approach into account. Following recommendations by authors such as Einsenhardt (1989) and Vissak (2010), we added new participants until we reached theoretical saturation, as additional interviews provided little or no new information. We addressed ethical concerns by conducting interviews based on confidentiality, neutrality, flexibility, and early feedback (Myers & Newman, 2007; Solarino & Aguinis, 2020). Please refer to Table 1 for information on the interviews by Headquarters (21) and subsidiaries (10).

Table 1. Interviews conducted by headquarters and subsidiaries

Country	Headquarters	Subsidiaries				Total number of interviews
	Colombia	Peru	Brazil	Chile	Bolivia	
Senior executives	9	2	2	4	1	18
Mid-level managers / specialists	12	0	1	0	0	13
Length (hours)	23.53	1.97	3.83	4.38	1	34.71

Source: own study.

We based the criteria for selecting participants based on their knowledge and experience of the company's internationalisation and involvement in sustainability issues. This mix of roles between senior executives, mid-level managers, and specialists allowed for interviews with elite and non-elite informants, challenging the researcher's assumptions and reducing elite bias (Solarino & Aguinis, 2020; Myers & Newman, 2007). Moreover, we participated in 14 corporate meetings with various stakeholder groups, which allowed us to observe the relationship capabilities and handling of local needs in different countries.

Secondary sources included archival data covering the entire history of ISA since 1967, both before and after primary data collection. Written reports, such as sustainability reports since 2005 and 86 media news items, were handy for pre-interview and post-interview analyses (Ghauri, 2004). Please refer to Table 2 for a summary of the complementary sources used.

Table 2. Complementary data sources used in the study

Data source	Description	Total reviewed	Total used
Corporate reports	Annual and sustainability reports	17	4
Media news	News articles about ISA's activities	86	13
	Total Documents	**103**	**17**

Source: own study.

We used direct observations and secondary to provide context, validate findings, and triangulate or cross-check information (Miles *et al.*, 2014). Using multiple sources enhances the findings' credibility, replication, and trustworthiness (Eisenhardt & Graebner, 2007).

Data Analysis

The data analysis consisted of several steps. Following the recommendations of Miles and Huberman (1984), we intertwined data collection and analysis from the initial observation and interviews.

Step 1: Construction of a case description and explanation for first-order analysis. We developed an initial thematic structure based on the literature review, interviews, and secondary data (Miles & Huberman, 1984).

Step 2: Data classification. In this stage, we manually coded the data to relate it to the research question, resulting in 236 codes and 22 categories. At this stage, we identified gaps in the data (De Massis & Kotlar, 2014).

Step 3: Iteration process. During this step, we refined codes and categories by comparing them with existing literature and empirical evidence (Eisenhardt, 1989).

Step 4: Second-order analysis. We identified relationships among first-order codes and categories (Aguinis & Solarino, 2019). Figures aid in interpreting concepts and relationships in qualitative data and effectively summarize the main research findings (De Massis & Kotlar, 2014).

RESULTS AND DISCUSSION

This section describes the case and narratively presents the findings explaining the evolution of the company and its strategic cycles, its internationalisation process, and the implementation of a sustainability strategy to overcome its liabilities and contribute to sustainable development.

Our Case: ISA Group

ISA is a Colombian multilatina founded in 1967. It is a mixed-ownership company (60.23% state-owned enterprise, 51.41% by the Colombian national government, 8.8% by the subnational government of Medellin), and 39.77% by private investors (ISA, 2022).

By December 2022, it had 4713 direct employees, from which 22% of its top management team were women. ISA's net income reached COP 14.4 billion that year, and the ROE closed at 11.9% (ISA, 2022).

Moreover, ISA has 51 companies and subsidiaries, with multi-business operations in (i) electric energy transportation, (ii) roads and motorways, (iii) information technology and telecommunications, (iv) management of real-time systems, and (v) investment. Furthermore, it operates directly in seven Latin American countries (Colombia, Peru, Bolivia, Chile, Brazil, Argentina, and Panama).

In 2023, DJSI selected ISA as one of the world's top 10 energy utility companies in sustainability. In addition to being a member of the DJSI, the commitment to the sustainability of this multinational company is directly connected to global initiatives such as the 17 Sustainable Development Goals (SDGs), the United Nations Global Compact and its ten principles, and the Global Reporting Initiative (GRI).

Standard and Poor (S&P) classified ISA as one of the most sustainable companies in the world. Furthermore, the company received the bronze medal in the Sustainability Yearbook 2022, an initiative that aims to distinguish those companies within their industries that have each demonstrated strengths in corporate sustainability worldwide. Moreover, due to its corporate investment and best corporate sustainability practices, it was included in the FTSE4Good, an index designed to measure the performance of companies demonstrating specific ESG practices.

In August 2021, the company sold 51.4% of its total shares to Ecopetrol for USD 3.6 billion. The closing of this acquisition marks a milestone in developing the Ecopetrol Group's energy transition strategy, which seeks to maximize the life and value of the hydrocarbon portfolio while progressing decarbonization and diversification into low-emission businesses (Semana, 2021).

ISA's Internationalisation

The internationalisation process of ISA started in 1992 and evolved in the following years. Nevertheless, this process was boosted in 2000. Table 3 describes ISA's internationalisation process.

As observed, growth intention drove ISA's internationalisation. This wish included new opportunities abroad. It was also a motive to buy better or get better deals that led the company to search for international resources.

The drivers of this process included escape, learning, upgrade, locational, and firm-specific advantages, as previously analysed by Cuervo-Cazurra *et al.* (2015). Accordingly, this reveals the influence of home country conditions on internationalisation decisions and responds to the call to challenge traditional internationalisation theories focused on host-country characteristics, especially in Latin American contexts (Cuervo-Cazurra *et al.*, 2018).

Table 3. ISA Group Internationalisation

1992	The first international interconnection between Colombia and Venezuela.
1998	Interconnection between Colombia and Ecuador.
2000	Entry to international markets. Concession in Peru.
2001	* Creation of ISA Peru. * Arcos submarine cable: ISA connects Colombia's telecommunication system to those of the United States, Venezuela, Mexico, and 12 countries of Central America and the Caribbean.
2002	Red de Energía del Perú (REP) is born.
2003	* International Electricity Transactions between Colombia and Ecuador. * ISA enters Bolivia's energy market. ISA Bolivia is born.
2005	* ISA joined the Global Compact * Fiber-optic Connection between Colombia and Venezuela. * Partial acquisition in Central America.
2006	* ISA entered the Brazilian market by purchasing 50.1% of CTEEP. * ISA partially acquired the Consorcio TransMantaro (CTM) in Peru.
2007	Incorporated the PDI Company in Peru.
2009	Started Operations in Panama. Interconexión Eléctrica Colombia Panamá S.A. (ICP).
2010	ISA entered the road concessions business in Chile. Acquisition of 60% of the shares of the Spanish company held in Cintra Chile Ltda.
2012	ISA enters Chile's Energy Market.
2017	Partial acquisition of TAESA and IENNE in Brazil.
2018	* Acquisition of the remaining 50% of IESUL in Brazil. ISA owns 100% of ISA CTEEP in Brazil. * Permissions by the Guna Yala indigenous community in Panama to interconnect Colombia with Panama. * Conexión Jaguar® had its first biodiversity and climate change mitigation project in Peru.
2019	Contract subscription of a full (100%) acquisition of the road concession on the Colombian Caribbean coast.
2020	* Creation of Interconexiones Viales in alliance with the building company Construcciones El Cóndor to provide road infrastructure in Peru and Colombia. * Creation of the program 'Conexión Puma' in Chile as a simile of the program Conexión Jaguar in other Latin American countries.
2021	* ISA INTERCHILE launches the program 'Connections for Development.' * Acquisition of 100% shares of Piratininga-Bandeirantes Transmissora de Energia (PBTE) in Brazil through CTEEP. * Ecopetrol acquired 51.4% of ISA's shares.
2022	* ISA received recognition for the placement of a green bond from its subsidiary ISA INTERCHILE. * The S&P Global Sustainability Yearbook 2022 rates ISA as one of the most sustainable companies in the world.
2023	* ISA CTEEP preferred shares (TRPL4) into the new Stock Market Index portfolio from São Paulo (Ibovespa). * ISA INTERVIAL CHILE entered the interurban road business. * ISA REP won the largest tender for energy projects in the last years.

Source: own study.

Surprisingly, while analysing the drivers of this internationalisation process, sustainability appeared as one of them.

On the other hand, we found evidence of firm-specific advantages (FSAs) before the internationalisation process. These FSAs related to knowledge, technology, managerial capabilities, and coordination skills (Wei & Nguyen, 2020).

In this way, internationalisation drivers become crucial, driving companies to expand internationally, as they are vulnerable in host countries and face different liabilities. This is the starting point for the subsequent search for mechanisms to overcome those liabilities. Hence, we proposed:

***Proposition* 1:** Corporate sustainability emerges as a catalyst for the international expansion of EMNEs and as an effective strategy to mitigate the challenges posed by the liability of foreignness.

Contribution to the Sustainable Development Goals (SDGs)

The company's commitment to sustainable development reflects in its premise that organizations that are not sustainable are not viable, as manifested by a sustainability manager of a subsidiary. This adds to the limited literature on the private sector's role in achieving the SDGs and Agenda 2030 (Witte & Dilyard, 2017).

As previously exposed, ISA has a clear strategy for creating value and considering different stakeholders. Moreover, its strategy is seen as a flag when entering overseas markets. This flag legitimizes their operations, thus helping them overcome liabilities abroad and contributing to the sustainable development of host countries. Consequently, we proposed:

***Proposition* 2:** By incorporating the sustainability flag into their corporate strategy, EMNEs can increase their contribution to sustainable development in host countries and generate public value among their stakeholders.

The propositions build on the idea that sustainability is both a competitive differentiator and a legitimacy-building mechanism (Mathews, 2006; Kolk & Curran, 2017). This dual role is particularly critical in regions with institutional voids, as highlighted by Cuervo-Cazurra *et al.* (2018). By leveraging sustainability, EMNEs overcome liabilities of foreignness and contribute to host-country development and increased legitimacy (Figure 1).

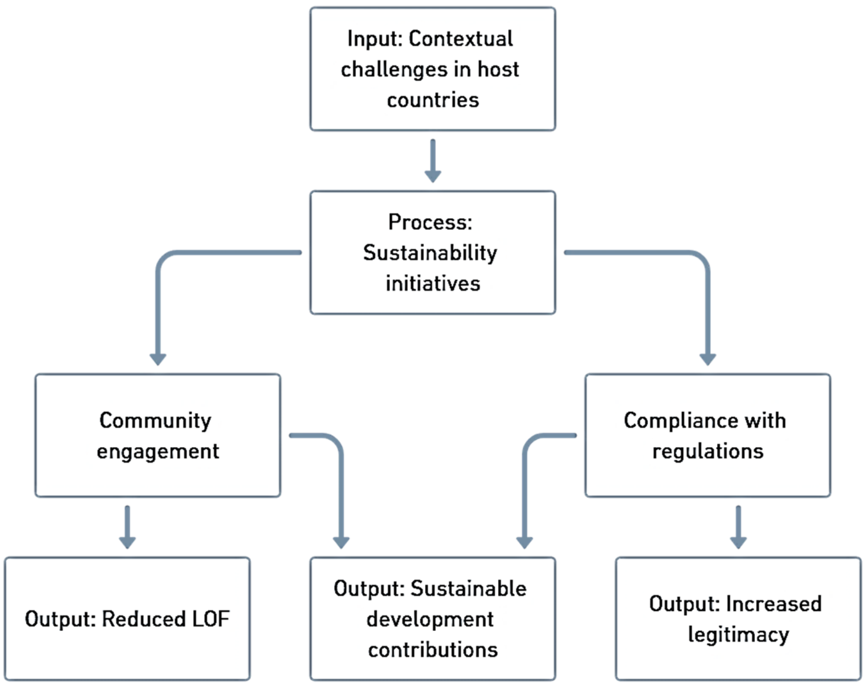

Figure 1. Integration of sustainability into the internationalisation strategy of ISA
Source: own elaboration.

Discussion

We aimed to contribute to the understanding of EMNEs' internationalisation and implementing a sustainability strategy to overcome their liabilities of foreignness and contribute to sustainable development.

The findings suggest that sustainability strategies help firms overcome liabilities of foreignness and align closely with business ethics principles. This alignment is crucial in emerging markets, where ethical challenges are prevalent, and addressing these concerns can enhance firms' legitimacy and stakeholder trust. Hence, this article advances knowledge in corporate sustainability, international business, and business ethics within an integrative framework derived from a case study in an emerging market context.

This study's findings align with stakeholder theory by demonstrating that ISA's sustainability strategies enhance legitimacy through proactive community engagement and alignment with local expectations. Furthermore, institutional theory helps explain how ISA adapts its strategies to address the institutional voids prevalent in Latin America, leveraging sustainability to navigate diverse regulatory environments.

Moreover, the study reinforces Zaheer's (1995) argument on the liability of foreignness (LOF), highlighting that firms face distinct unfamiliarity and relational hazards in emerging markets. However, unlike Zaheer's focus on developed market MNEs, our study shows that EMNEs employ sustainability as a dual mechanism for legitimacy and competitive differentiation, extending the framework to contexts with institutional voids. Furthermore, while Luo and Tung's (2007) springboard perspective emphasizes resource acquisition, our findings suggest that EMNEs leverage sustainability as a resource and a cultural bridge to align with host-country expectations, addressing relational hazards more effectively.

The company's emphasis on sustainability reflects Mathews' (2006) notion of resource linkage and leverage, highlighting how EMNEs exploit unique advantages to overcome LOF. Moreover, the findings expand on Cuervo-Cazurra and Ramamurti's (2014) assertion that EMNEs adapt their strategies to contextual voids, demonstrating sustainability's role as a dynamic enabler in this adaptation.

Although the five countries examined, *i.e.,* Colombia, Peru, Brazil, Chile, and Bolivia, exhibit diverse regulatory environments and institutional capacities, sustainability appears as a mechanism to gain legitimacy among stakeholders and to overcome LOF (Luo *et al.*, 2002). This is a new dimension for the analysis of LOF, as scholars have extensively studied it in the context of developed countries (Kolk & Curran, 2017).

At the same time, the sustainability flag, the genuine interest in societal issues, the corporate strategy, and its commitment to global initiatives such as The Global Compact, GRI, and SDGs, and its relationship with stakeholders make way for the contribution to sustainable development and the generation of public value as a way to return something to society (Wood, 1991). While studies by Kolk and Curran (2017) suggest that sustainability strategies are often reactive in emerging markets, our findings illustrate a proactive stance by EMNEs like ISA, demonstrating their role as initiators of public value and sustainable development in host countries. This positions sustainability as a forward-looking strategy, contrasting with traditional narratives of compliance-driven approaches. Figure 2 shows this dynamic.

Moreover, the findings revealed the critical influence of cultural norms and institutional frameworks on the design and execution of sustainability strategies, which demonstrates that the ability to tailor sustainability practices to specific cultural and institutional contexts not only enhances legitimacy but also strengthens operational effectiveness, as it is also seen in other EMNEs such as Cemex in Mexico and Natura in Brazil.

Furthermore, ISA offers an exemplary dedication to reaching its goals while dealing with the specific liabilities that MNEs from emerging economies face when internationalising their operations. Luo and Tung (2018) highlight that MNEs from emerging economies often use their international growth to compensate for their liabilities and exploit competitive advantages in a long-range strategy. Furthermore, this case provides insights into how an MNE from a challenging emerging country integrates sustainability, innovation, and stakeholder relationships into its business strategy. Although there are sustainable companies that internationalise later in life, showing that sustainability does not always follow internationalisation, we may see the sustainability flag as a mechanism to reduce liabilities and contribute to societal development.

While the case study highlights ISA's internal strategies, it is essential to consider the broader external context. The success of sustainability strategies is not solely determined by internal dynamics but also by interactions with external stakeholders, including impacted communities, regulatory bodies, and non-governmental organisations. For instance, ISA employs three key mechanisms to mitigate LOF effectively: compliance with international standards, proactive engagement with local stakeholders, and an ability to align sustainability initiatives with local priorities.

While this study highlights sustainability as a critical strategy for mitigating liabilities of foreignness (LOF) and driving internationalisation, research should consider alternative explanations. For instance, some may argue that ISA's success stems primarily from its unique firm-specific advantages, such as its technical expertise and strong financial backing, rather than its sustainability strategies. However, the findings suggest that these advantages are complemented by sustainability initiatives, which enhance legitimacy and facilitate stakeholder trust, particularly in challenging institutional environments.

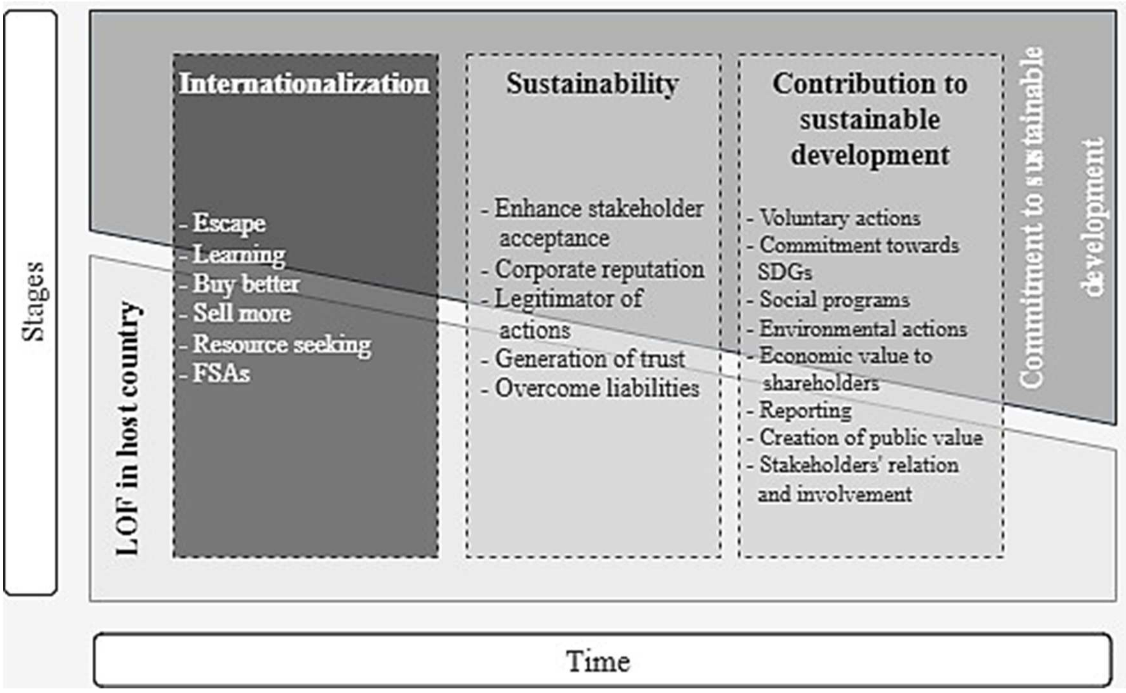

Figure 2. Process of overcoming the LOFs and the contribution to the sustainable development of EMNES
Source: own elaboration.

CONCLUSIONS

This study highlighted how ISA, a highly regulated service firm in an emerging market, effectively leverages sustainability strategies to mitigate liabilities of foreignness and contribute to sustainable development. While the findings are specific to the context of Latin American multilatinas operating in regulated industries, they reveal important patterns applicable to similar firms navigating institutional voids in other regions.

In this way, the context of the Latin American region becomes a critical aspect that differentiates IB from traditional business (Welch *et al.*, 2011), as this region can bring new insights regarding the internationalisation process of companies from emerging market and their differences from companies from developed countries (Aguilera *et al.*, 2017).

Nevertheless, this study has some limitations. Firstly, we presented findings in light of highly regulated service firms from an emerging market. Therefore, there are opportunities to extend and test our propositions in different industries and regions. Future research could examine how these strategies perform in sectors with varied regulatory pressures or emerging markets outside Latin America. Moreover, while this study relies on a qualitative, single-case approach, incorporating quantitative methods would allow further validation and broader generalisability of the findings.

Furthermore, while the five countries examined in this article are in Latin America, they do not share identical institutional conditions. Each faces unique political, social, and economic tensions, which may result in varying levels of incentives for sustainability and differing local advantages for firms. This diversity highlights the need for caution in generalising the findings across contexts with distinct institutional frameworks.

Future research could investigate how variations in institutional frameworks impact the sustainability strategies of multilatinas, mainly through comparative studies of firms operating in distinct national contexts. Moreover, future research could examine the role of external factors, such as community engagement and stakeholder collaboration, in the effectiveness of sustainability-driven internationalisation strategies, especially in regions characterized by institutional and cultural diversity. By addressing alternative explanations and acknowledging the contextual specificity of this case study, this research underscores the multifaceted nature of sustainability strategies in overcoming LOF.

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Authors

The contribution share of authors is equal and amounted to 25% for each.

Ana Maria Gomez-Trujillo

PhD in Management, Universidad EAFIT, Colombia. Full Professor of international business at CEIPA powered by Arizona State University. Her research interests include the internationalisation of emerging markets firms, sustainability, and corporate social responsibility (CSR).

Correspondence to: Ana Maria Gomez-Trujillo, CEIPA, Sabaneta, Antioquia, Colombia, 055450. e-mail: ana.gomez@ceipa.edu.co

ORCID https://orcid.org/0000-0002-4932-1206

Maria Alejandra Gonzalez-Perez

PhD in Commerce, National University of Ireland, Galway; Full Professor of Management at Universidad EAFIT (Colombia). Her research interests include the internationalisation of emerging market firms, multilatinas, corporate social responsibility (CSR), and sustainability.

Correspondence to: Maria Alejandra Gonzalez-Perez, Universidad EAFIT, Medellin, Colombia, 050022. e-mail: mgonza40@eafit.edu.co

ORCID https://orcid.org/0000-0001-6338-4281

Juan Velez-Ocampo

PhD in Management, Universidad EAFIT, Colombia. Associate Professor and Doctoral Program Director – Universidad de Antioquia (Colombia). His research interests include reputation, sustainability, digital transformation, and emerging market firms' internationalisation.

Correspondence to: Juan Velez-Ocampo, Universidad de Antioquia, Medellín, Colombia, 050010. e-mail: juan.velez28@udea.edu.co

ORCID https://orcid.org/0000-0002-6119-2937

Olga Patricia Castaño

Vice-President of Corporate Strategy at ISA. Her research interests include organizational development, strategy, risks, and innovation.

Correspondence to: Olga Patricia Castaño, Calle 12 sur #18-168, Medellín, Colombia, 050022. e-mail: opcastano@isa.com.co

ORCID https://orcid.org/0000-0001-8023-3901

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Conflict of Interest

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