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# Guest editorial: Special issue introduction: strategic management in Latin America: exploring a VUCA context within a change of era

Guest editorial

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## 1. Introduction

The ninth international conference on Strategic Management in Latin America (SMLA) was held at the Universidad Torcuato Di Tella, in Buenos Aires, in December 2022. It chose the theme “Latin America Facing a Volatile Uncertain Complex Ambiguous (VUCA) Context” to underline the challenging environment faced by firms in the region. Within the managerial literature, the terminology “VUCA contexts” (Bennett and Lemoine, 2014) has been used broadly. It refers both to a set of worldwide disruptions (e.g. climate change, new technologies, new geopolitical situation) as well as specific countries/regions’ instabilities (e.g. inflation, institutional weaknesses, political fluctuation). In short, VUCA context makes it challenging for decision-makers to understand the future and develop long-term strategies to promote the firm’s success.

Several scholars have argued that VUCA contexts have been endemic to emerging markets (e.g. Burgess and Steenkamp, 2006; Hammond *et al.*, 2007; Sheth, 2011; Pels and Kidd, 2012) as well as to Latin America in particular (Reficco and Berger, 2010). Regardless of their VUCA context, since the 2008 financial crisis, emerging markets’ growth projections have surpassed those of developed markets (IMF, 2023). The recent Covid-19 pandemic and the current wars have not revert the tendency; in short, emerging markets will be key markets in the future. Latin America is a clear representative of the situations and challenges faced by emerging markets (Azevedo *et al.*, 2020; ECLAC, 2021). However, it is relevant to make a distinction between the chronic VUCA environments that characterize Emerging Markets and the radical changes that are taking place at a global level.

Academics (Schot and Geels, 2008), politicians (Antonio Guterres, UN, 2023) and practitioners (McKinsey, 2022) are starting to suggest that we are witnessing profound changes. For example, climate change poses existential threats to both populations and businesses, necessitating sustainable solutions to use resources and energy generation (IPCC, 2023); technological advancements demand agile reskilling and adaptation to remain competitive (Li, 2022; Schwab and Zahidi, 2020); regionalization reshapes global value chains, requiring strategic positioning within this evolving economic landscape (UNCTAD, 2022); aging population strains health-care systems, demanding innovative approaches to care delivery (PAHO, 2023; UN, 2020); amongst others. Are these developments indicative of an Era of Changes or a more profound Change of Era (Pels, 2020)? The distinction bears significant implications for both scholarly discourse and practical application. Thus, we consider it important to briefly highlight their differences.

An Era of Changes denotes a period characterized by incremental advancements within existing frameworks. Innovations emerge, yet they do not fundamentally alter the underlying paradigms or disrupt established systems (Pels and Mele, 2022). Conversely, a Change of Era (Pels, 2020) represents a fundamental restructuring of power dynamics,



where radical transformations redefine societal constructs, norms and institutions (Raskin *et al.*, 2002), predictability diminishes as changes permeate diverse spheres, necessitating a reevaluation of existing norms and structures. In short, it is a large-step systemic change (Polese *et al.*, 2021). To further delineate these distinctions, we can examine four dimensions of change: magnitude, impact, scope and timespan (Pels, 2020).

*Magnitude:* in an Era of Changes, transformations are incremental and iterative, representing a continuation of existing trajectories (e.g. from land phone to cellphones). Conversely, a Change of Era signifies a radical departure from the intrinsic logic of the preceding era, ushering in new paradigms and modes of operation (e.g. from postal pigeons to telephones). *Impact:* within an Era of Changes, the impact of transformations is relatively predictable, with foreseeable outcomes (e.g. from production lines to production cells). In contrast, a Change of Era introduces unpredictability, rendering the consequences of change uncertain and difficult to forecast (e.g. from computer science to artificial intelligence). *Scope:* changes within an Era of Changes tend to be compartmentalized, affecting specific domains or industries without significantly altering broader societal structures. Conversely, a Change of Era manifests as a transversal phenomenon, permeating multiple aspects of life and highlighting the interconnectivity of the systems. *Timespan:* in an Era of Changes, transformations unfold within the span of a human life, typically years or decades. In contrast, a Change of Era encompasses a longer time span, extending beyond a decade and, at times, even centuries.

Changes of Era related VUCA effects impact transversally all countries, but in emerging market, these are combined with the intrinsic VUCA situation. Thus, as stated, emerging markets are the drivers of world growth, yet they are challenging operating environments given their *double VUCA effect*. Table 1 uses the VUCA schema to explore the implications that have affected the development of businesses and populations in Latin America.

Within a Change of Era, introducing a special issue on the VUCA context in Latin America presents an opportunity to critically examine the mental models entrepreneurs and firms can adopt to navigate the region's challenges and opportunities in this new global setting.

## 2. The contributions

This section summarizes the four articles selected from the SMLA2022 conference included in this special issue. These articles were invited to be submitted but have faced rigorous rounds of reviewing. The publication of special issues is aligned with the goal of the SMLA community of promoting high-quality research about Latin American firms and entrepreneurs. The aim is to counterbalance the fact that studies focused on the region are underrepresented in the management literature (Aguinis *et al.*, 2020). It follows a long list of special issues publishing the best papers presented at the bi-annual SMLAs (e.g. Brenes *et al.*, 2011, 2016; Raventós and Ospina, 2013; Azevedo *et al.*, 2020).

The articles selected explore issues relevant to new ventures, seeking to contribute to a better theoretical and practical understanding of Latin American entrepreneurs and firms. Among those, the first two papers adopt an individual level of analysis by exploring neurological and managerial characteristics in outcomes such as resilience and sustainability focus. The third study complements these insights with a broader understanding of how non-financial capital in family businesses (e.g. reputation, business connections, access to specialized resources) adds to the firm's entrepreneurial orientation (EO). The fourth narrows the focus on microenterprises to analyze environmental and firm factors enabling formalization. Below, we present a description of the individual articles:

Factor	Examples affecting Latin American businesses
Volatility	Some of the highest hyperinflation periods in history have been recorded in countries in the region (Brazil and Peru in the 80s and 90s; Bolivia in 1985, to cite a few), and to date, Venezuela and Argentina are facing some of the highest price growth rates in the world in the recent years. Firms in many Latin American countries have learned to become resilient to sudden price changes, an aspect that affects operating, financing and investing activities. The impact is higher for firms that trade internationally, as they face insecurity in aspects such as the cost of imports or the payment of foreign-denominated debts
Uncertainty	Many Latin American countries are confronted with particularly high levels of uncertainty in the political area. Changes in government policies, elections and social unrest can create an unpredictable business environment. This has a direct effect on the firm's ability to make long-term strategic decisions or investments, losing the ability to develop long-term strategies and profit from them (Barton <i>et al.</i> , 2017). Adapting to sudden shifts in regulations or government priorities becomes a constant challenge for businesses operating in the region (Aguinis <i>et al.</i> , 2020)
Complexity	Unequal distribution of land and capital, often dating back to colonial times, has resulted in social inequality, rural poverty and armed conflicts. Attempts to address these issues involve navigating complex legal frameworks, historical grievances and differing perspectives on land reform. The complexity of the situation has contributed to problems in the development of rural areas. Further compounding these woes, the pandemic has exacerbated existing economic inequalities, as it led to many closures in micro, small and medium-sized enterprises (ECLAC, 2021)
Ambiguity	Weak institutions create ambiguity for businesses (Khanna and Palepu, 2010). Latin American history is full of shifts in political leadership, changes in economic policies and fluctuations in regulatory environments that in turn impact the business landscape (Brinks <i>et al.</i> , 2019). The ambiguity surrounding government actions and its respect for the established rules of the game can affect investment decisions, market entry strategies and overall business planning

**Table 1.**  
VUCA Context as an inherent component of the Latin America business landscape

**Source:** Table by authors

### 2.1: “Fall seven times, stand up eight: the neuropsychological and managerial configurations of resilience” by Brenes, Rodriguez, Murillo-Rojas and Pichardo (this issue)

This study explores the antecedents of resilience in the figure of the entrepreneur and then relates it to the capacity of the entrepreneurial organization to overcome disruptions, survive and perform optimally in the face of challenges. The study aims to elucidate entrepreneurial resilience factors, focusing on neuropsychological and individual business characteristics. The research question guiding the study focuses on uncovering configurations (combinations of neuropsychological and business characteristics) that drive entrepreneurial resilience among agricultural entrepreneurs.

The authors focus their study on three neuropsychological traits: attention, cognitive flexibility and planning with three business characteristics of the entrepreneur: teamwork, risk-taking and intuition. The authors use a configurational analysis using the fsQCS method in a data set of 41 micro and small business owners in Costa Rica who have been in business for at least three years.

The article identifies four distinct configurations of entrepreneurs' characteristics that explain entrepreneurial resilience in the agricultural industry:

- combining attention and teamwork abilities;
- combining attention and cognitive flexibility;

- combining attention, teamwork, cognitive flexibility and intuition; and
- risk-taking plus teamwork and planning characteristics.

Understanding these configurations may provide a more comprehensive profile of resilient agro-entrepreneurs, shedding light on the intricate interplay of qualities necessary for entrepreneurial success in the agricultural sector.

*2.2: “Understanding the link: the competencies and motivations of nascent entrepreneurs to engage in sustainable entrepreneurship” by Rojas-Cruz and Husted (this issue)*

This article investigates the complex interplay between entrepreneurial competencies, motivations and sustainable entrepreneurship. Sustainable entrepreneurship is defined as the incorporation of the economic, social and environmental dimensions as goals in decision-making processes. The paper challenges the traditional binary view of entrepreneurial motivations (opportunity vs necessity) that suggests that opportunity ventures tend to foster sustainability outcomes whereas necessity-motivated ventures decrease such sustainability focus. The study explores three research objectives:

- (1) the relationship between self-efficacy and social capital with sustainable entrepreneurship;
- (2) the relationship between motivations and sustainability goals; and
- (3) the mediation effect of entrepreneurial motivations over the self-efficacy or social capital and its sustainability goals.

Methodologically, the study uses a quantitative cross-sectional approach with survey data from 2,356 nascent entrepreneurs using the Global Entrepreneurship Monitor report 2021–2022. The findings reveal a positive influence of both necessity and opportunity-driven entrepreneurship on sustainable entrepreneurship. Furthermore, the study highlights the mediating role of entrepreneurial motivations in shaping the relationship between competencies (specifically self-efficacy) and sustainable entrepreneurship.

By integrating competencies and motivations into the sustainable entrepreneurship framework, the research extends our understanding of the dynamics at play, steering toward environmentally and socially responsible entrepreneurship. Moreover, the study underscores the importance of nurturing competencies, such as self-efficacy and social capital, to empower nascent entrepreneurs as change agents for sustainability.

*2.3: “Family social capital as a mediator between socioemotional wealth and entrepreneurial orientation: evidence from Mexican SMEs” by Ramirez-Solis, Mojarro-Duran and Baños-Monroy (this issue)*

This study investigates the mediating role of family social capital (FSC) in the relationship between socioemotional wealth (SEW) and EO in small and medium-sized enterprises (SMEs). SEW is defined as the nonfinancial benefits derived by families from operating a business; EO refers to the degree to which the firm’s processes, structures and behaviors are characterized by proactiveness, innovativeness and risk-taking. Adopting a behavioral agency theory approach, the paper posits that the FSC, conceptualized as family reputation, as well as the relationships with key stakeholders (i.e. clients, suppliers and allies), contribute to the transmission of SEW to family nonfinancial performance, measured as the EO.

The study uses [Baron and Kenny’s \(1986\)](#) mediation testing process, in a data set composed of a survey of 194 small and medium family firms in operating in Mexico’s four main cities. Results reveal that relational capital, a subset of FSC, acts as a partial mediator between SEW

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and EO. Regression analysis demonstrates that SEW's impact on EO is reduced but not eliminated in the presence of relational capital, indicating partial moderation.

This finding contributes significantly to family business research by uncovering the mediating role of relational capital in the SEW–EO relationship. The paper suggests that enhancing relational capital within family businesses can positively influence their EO, providing insights for practitioners and academics.

*2.4: “The formalization of microenterprises in Middle-income countries: Sales as proxy of size as the main driver to shift informal institutions for decreasing institutional incongruence” by Symmes, Bravo-Ortega, Bustamante, Egana del Sol and Sexton (this issue)*

This article investigates the formalization of microbusinesses in a middle-income country in Latin America. The paper argues that business characteristics (i.e. size) moderate the role of already studied balance between formal and informal institutions to trigger a business's formalization decisions. The paper establishes its boundary conditions for middle-income countries, as the role of formal and informal institutions depends on the nature of the rules applied in given contexts.

Using a probit regression model, the study collected data from 110 microentrepreneurs in the Metropolitan Region of Santiago, Chile. Contrary to prevailing beliefs, the findings reveal that the size of a microenterprise, indicated by its sales volume, significantly influences formalization decisions, surpassing the impact of formal institutional environments. Informal institutions, specifically individual morality toward informality and social acceptance of informality, act as barriers to formalization, particularly for smaller firms. As microbusinesses grow, informal institutions become more aligned with formal ones, reducing institutional incongruence.

The study contributes to the literature by focusing on middle-income countries in Latin America, suggesting that policymakers should prioritize enabling microenterprise growth through sales rather than demographic targeting or relying solely on formal institutional enforcement.

### 3. Future challenges and research opportunities

In the introduction, we argue that the world is undergoing profound changes that may imply a Change of Era. These transformative shifts create a volatile, uncertain, complex and ambiguous landscape for businesses. In the case of Latin America, these set of changes are combined with an additional set of VUCA conditions, such as weak institutions, economic uncertainty and inequality, among others. Navigating a *double VUCA effect* has produced business consequences such as limited growth rates, lack of effective long-term strategies for businesses and numerous areas of opportunity. However, the resilience cultivated by some firms, governments and entrepreneurs that have devised solutions in challenging environments has been noteworthy (e.g. Flores *et al.*, 2023; Jurado-Zambrano *et al.*, 2023; Ramírez-Solís *et al.*, 2021).

Hence, we consider that Latin American scholars have a unique opportunity to contribute to the advancement of strategic management research in emerging markets. We see opportunities to establish agendas with global implications by addressing the region's specific challenges or by leveraging experiences that pinpoint a firm's resilience in navigating VUCA contexts. Below, we suggest some research avenues relevant to strategy scholars with a focus on the Latin American context:

- (1) On the transition to a multipolar world:

- How can we learn from Latin American firms that have strategically positioned themselves in a multipolar world characterized by the emergence of new global power centers?
  - What are the implications of shifting geopolitical dynamics for Latin American firms' internationalization strategies and market entry decisions?
  - How the transition to regionalization may affect a firm's participation in global value chains? What opportunities exist for firms and countries?
- (2) On the aging population:
- How Latin American firms have addressed the implications of demographic shifts on workforce planning, talent management and organizational culture?
- (3) On climate change:
- How do Latin American firms incorporate sustainability and climate resilience into their strategic decision-making processes?
  - What are the challenges and opportunities for Latin American firms to transition to low-carbon business models and reduce reliance on carbon-intensive industries?
- (4) On bridging the technology gap:
- What factors contribute to the technology adoption gap in Latin America, and how can firms overcome barriers to innovation and digital transformation?
  - How do Latin American firms leverage emerging technologies like artificial intelligence, blockchain and the Internet of Things to enhance competitiveness and drive growth?

We believe that scholars who study Latin America can capitalize on the region's experience in navigating VUCA conditions to drive innovation, agility and strategic renewal in the current Change of Era context. Moreover, these challenging environments offer opportunities to develop strategies and capabilities that facilitate the creation of forward-looking organizations.

**Jaqueline Pels**

*Business School, Universidad Torcuato Di Tella, Buenos Aires, Argentina, and*

**Carlos Adrian Rodriguez**

*Strategy, INCAE Business School Walter Kissling Gam Campus Alajuela, Alajuela, Costa Rica*

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