




REGIONAL STUDY

Nuevo León



Stepping out of the shadow of its big brother, the United States, and coming into its own. How a **Mexican Region** has transformed into the next big regional cluster of the 21st century.

Innovation, Entrepreneurship, and Business Clusters

If the United States is metaphorically the head of the business world, the Mexican state of Nuevo León can easily be considered the business world's all-powerful and indispensable body, heart, and soul. Strategically located on the southern border of the United States, Nuevo León is widely considered to be the technology capital of Mexico. It has reached such notoriety, not only due to its convenient proximity to the United States, but also because of its commitment to innovation, business clusters located in the region, and vast quantities of effective products that induce a large amount of foreign investment.

The positive economic and political climate in Nuevo León would come as quite a surprise if it were to be judged

based on what can be found in some of the more conflictive regions within the country. Moreover, its physical distance from Mexico City translates into political distance as well. It is miles away from the political instability found in the surrounding regions, and it is characterized by a highly educated workforce. International investors continue to find this area attractive because of its low labor costs.

The region also outshines its peers when it comes to its overall tranquility. Nuevo León is safe and secure, primarily as a result of the role the Mexican government has had in converting the region into an attractive place for outside investors. The peaceful environment found here also extends to its workforce. The region has gone 15 years without a

single strike in any of its sectors.

With so many comparative advantages, innovative approaches to business dealings, highly-developed clusters, and quality products, it is no wonder why this region is on the rise—not only as a Mexican leader in technology, but also as a world leader.



EDGARDO CANTÚ, CEO
of Vector Casa de Bolsa



DID YOU KNOW...

Foreign Direct Investment: FDI has been and continues to be a great source of funding in the region. This year's first-trimester alone has already seen an FDI of \$864 million USD, which is more than double the amount of FDI accrued in the same period in 2013.

San Pedro: This city, located in Nuevo León, is Latin America's wealthiest in terms of per capita income. It is also home to a number of the country's largest companies like Alfa, FEMSA, and CEMEX.

Research and Technology Information Park (PIIT): Covering more than 172 acres, this park is a business hub bringing together the region's business, academic, and government leaders.

It is of utmost importance to offer our clients a platform where they can easily take advantage of the increasingly more connected and globalized business environment. What happens a world away from Mexico can have dramatic effects on our economy; therefore, it is necessary to remain conscious of this fact and create initiatives with this in mind.



“To be successful, we must not only do what is required of us, but we must also do what is right. Our business relationships are performed in strict compliance with ethical standards; therefore, we require our employees to be committed to living these standards of conduct in their everyday lives.”

Refrigeration and Air Conditioning Assemblies



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A region's unwavering commitment to change and adaptation

Innovation rules for companies in Nuevo León. It has led to past, present, and will surely lead to future success for the region.

Nuevo León is filled to the brim with successful companies that have consistently proven their unwavering commitment to innovation. This dedication is so unique to the region because, regardless of how much previous or current success these companies are experiencing, there seems to be no shaking their goal of improving customer service and the general quality of their end-products.

Companies like Vector Casa de Bolsa, an international securities broker dealer based in Monterrey, have demonstrated their innovation through the development of such user-friendly services as e-Vector, an online investment platform.

Evco Plastics, another Monterrey-

based company who manufactures plastics, has recently restructured their entire injection processes and implemented the new design. They have done so, not out of necessity, but because of their commitment to providing their clients the best products possible.

Similarly, the pipe and tube product manufacturer, The Prolamsa Group, is committed to incorporating the latest in tubing technology. It plans on launching a state-of-the-art, computer-run mill in Bryan, Texas (USA), with the aim of supporting the ever growing U.S. oil and gas pipeline industry. The mill will use advanced pipe finishing machinery to create the most specialized end product possible for its customers. According to Prolamsa's CEO, Mr. José Garza, “the technology to be used in Bryan is particularly special because it will only take two hours to calibrate changes, while the standard mill typically takes up to eight hours. This will surely lead to greater productivity.”

let's make it cooler

After more than 25 years of innovation and technological development in the refrigeration industry, **Criotec** is a world-class leader in state-of-the-art refrigeration solutions, and a model of corporate social responsibility.



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The “triple helix” system of clusterization

Nuevo León is a benchmark from which all Latin American clusters can model themselves

Nuevo León is made up of various regional clusters centered on several technology sectors. The cluster system in this region is often referred to as a “triple helix” because of the collaboration and dialogue that exists between the region’s government, education system, and the various companies within its sectors.

The region is quite welcoming to the idea of clusters, and it is not uncommon for new companies to be specifically asked to join the cluster they are most aligned with, as collaboration has proven to lead to success in the region.

Nuevo León’s Secretary of Economic Development, Mr. Roland Zubirán, has described the region as being “a benchmark from which all Latin American clusters can model themselves.” He goes on to say that the clusterization that has occurred in the region has been made possible by great “leadership from top industry professionals, support from the universities, and a cooperative govern-

ment that does everything in its power to improve the conditions found within the various sectors.”

Criotec, a leader in the refrigeration industry and member of the home appliance cluster, regularly works alongside the government and the other members of their cluster’s value chain in an effort to keep their customer guarantee of always promoting and encouraging the development of new technology and efficient means of production.

It is through such collaborative efforts that gaps within a sector’s value chain are competitively identified and filled in. The idea is to help and develop small and medium enterprises by integrating them into the value chain and thus making the chain stronger.

CUPRUM Group



The company traces its roots back to 1948 when it primarily focused on copper extrusion. In fact, CUPRUM is the Latin word for copper. It was some years later when CUPRUM decided to completely switch its efforts to that of aluminum. Having doubled its sales in the past three years, the firm currently consists of 4,600 employees. The innovation doesn’t end there:

Cuprum has a specialized team dedicated to the research and development of new products in an ever-evolving industry.

It’s a company that is always on the lookout for its next niche and how to add it to the distribution chain.

This is part of a wider initiative to generate a culture of regular innovation within the company. Its collaboration with DeWalt and Black&Decker are an example of this innovation in the ladder business. Through this simple formula of combining a strong innovative product with its brand partnerships, it has seen significant company growth. Cuprum has also developed its own brand of ladders, Louisville and Davidson for the US and Canada and Cuprum for the Mexican market, which have become the second-largest ladder manufacturer in North America.

Another example of innovation is EUROVENT. It has been through this brand that the firm brought innovative aluminum door and window solutions to the Mexican market.

The company is nicely set up to achieve its next realistic target: going public and taking Cuprum to the next stage of accelerating development through acquisitions and organic growth.

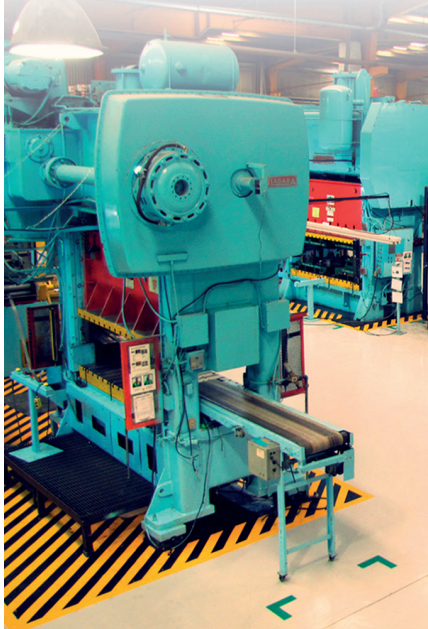


EVCO Plastics is a leading plastic manufacturing company with a global perspective. We focus on people, engineering, technology, and innovation in order to provide our customers with a competitive advantage in the marketplace.

With a presence in the United States, China and Mexico and a great deal of extensive experience in custom plastic injection molding, mold design and building, we ensure customer satisfaction through our wide array of services.

EVCO Plastics de México
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Always one step ahead

FANASA, based in Monterrey, is a metal stamping, sheet metal, and assembly company. It prides itself on **42 years of experience in manufacturing** in the Mexican Market with exports to USA and Brazil.

FANASA provides metal molding solutions and a press capacity of 200-1500 tons. It even boasts a CNC turret, brake presses, and welding and assembly components like Class A finished surfaces for appliances.



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Success found through regional clustering



One of the region's most influential clusters is the home appliance cluster. It is lead by such companies as Fanasa, Manufacturas Especializadas, Criotec, and Grupo Cuprum. The cluster is relatively young—formed only five years ago. It is made up of 19 companies, 3 government entities, and 6 academic institutions.

The automotive industry cluster is another one of the region's most successful clusters. It is spearheaded by Evco Plastics with the participation of Fanasa as well.

Fanasa is a member of the two ruling clusters: the appliance and automotive clusters. Its CEO, Mr. Rubén González, attests to the high functionality and effectiveness of being a member of such clusters stating, "the triple helix dialogue truly exists. The government's active involvement in the clusters has contributed greatly to our ultimate success. After entering the clusters, we have grown from only 15 employees and 1 client to 350 employees, 2 plants, and 20 clients."

According to the president of the automotive industry cluster, Mr. Armando Mirandez, Nuevo León is an ideal location for automotive industry development because of the education provided here. He asserts that "international companies have invested millions in educating the people of the region in order to create a competitive and well-prepared workforce."

Mr. Humberto Garza, the CEO of Evco Plastics, says joining the cluster has completely changed the company's dynamic. He adds that what was once a closed, introverted company has evolved into one that is open, innovative, and now better apt to respond to its customers' needs.

Minera Autlán: Reinvention at its finest



Innovation, Growth, and Excellence. These three powerful words quite beautifully sum up the defining characteristics of the mining company, Minera Autlán. Led by Mr. José Rivero, Minera Autlán is yet another example of a rapidly expanding company located within the state of Nuevo León. Mr. Rivero recently announced that the "second trimester of 2014 will mark the availability of preferential stock options," which will surely prove to be a great investment for anyone looking to take part in a growing and economically fruitful company.

Mining currently ranks as the fourth largest contributor to Mexico's total GDP. Manganese mining, in particular, is extremely influential due to its essential place within the automotive industry, among others.

Perhaps one of the most remarkable characteristics of this company is its possession of the only manganese ore deposit in North and Central America. Minera Autlán prides itself on being the sole producer of manganese nodules in the world. "A newly designed nodulization process is currently being tested, and it is believed that it will be able to increase manganese content by 70%," reports Mr. Rivero.

In terms of its manganese ferroalloy production, it is the largest producer in North America. Its success, in large part, is due to its innovative investments. Mr. Rivero expands upon this idea by stating,

We recently finished building a hydroelectric plant, which not only provides a sustainable energy source, but also a low cost energy solution. This allows for our products to be provided at far lower costs than our competitors.

If Minera Autlán's past and current success in the manganese mining and ferroalloy production industries are of any indication, those choosing to invest in Minera Autlán's preferential stock options will have only bright blue skies to look forward to.

Finding success through dialogue and foreign investment

How the region's cluster-friendly attitude has affected the nature of business dealings outside companies' fields of influence.

The clusters of Nuevo León do not confine their dialogue to just member groups and institutions. There are, indeed, cases of inter-cluster dialogue. For example, the automotive industry cluster is in regular contact with the home appliance cluster. The automotive industry has even engaged in dialogue with clusters from Bavaria in Germany, Galicia, Basque Country, and Aragon in Spain, and from several in the United States as well.

Some companies, like MESA, have looked beyond the border of Nuevo León

to initiate dialogue and expand their business ventures. MESA is currently working to establish a greater presence in the Central American and South American markets. In as little as two years, they hope to have doubled their revenue as a result of these efforts.

Grupo Cuprum, a company focused on architecture ventures, is considered to be a successful NAFTA business. A total of 95% of its business actions occur within NAFTA countries and only 5% occur outside the NAFTA region.

Perhaps it is this cluster mentality that has led companies in the region to be so willing to work with other institutions and maintain active dialogue with those outside their sphere of immediate influence. In addition to creating associations and maintaining dialogue with those outside



of their cluster, the region has a great track record with handling foreign investments.

There is already a high amount of foreign investment in the various industries in Nuevo León. The number of returning investors outnumbered that of new investors this past year. The ratio is roughly 70/30, which suggests that past investments experienced expected or better than expected returns, and it attests to the overall amicable investment nature of the region.

Vector Casa de Bolsa: Finding success amidst the global financial storm



Vector Casa de Bolsa is a Monterrey based Securities Broker Dealer that has truly proven to stand the test of time. With a track record of high performance across international markets, a long list of competitive advantages, and a recent focus on global expansion, Vector Casa de Bolsa may very well be an ideal investment choice for those looking to back a trustworthy and internationally minded brokerage house.

Vector forms part of the highly successful conglomerate, Grupo Plenus, which is a multi-functional group of companies working in five distinct sectors: education, packaging, agro-biotechnology, real-estate, and financial services. Plenus' Chairman and CEO, Mr. Alfonso Romo, is one of Mexico's stand-out businessmen, who has contributed to the acquisition of a number of companies and their development and transformation across sectors.

Vector Casa de Bolsa is one of Mr. Romo's true success stories. After reaching a staggering 40 years of operation, their largest growth period began with the on-

set of the global financial crisis. As Vector's CEO, Mr. Edgardo Cantú, testifies, **"There is always an opportunity to be found in every crisis, and that is, indeed, how we viewed and handled the global financial crisis of 2008."** In fact, VectorGlobal, Vector's Miami-based US brokerage platform, was launched a mere two weeks after Lehman Brothers filed for bankruptcy.

Vector jumped at the opportunity to take advantage of this situation, and they have experienced nothing but success since the start of the financial crisis. Their success is primarily due to their high competitive advantage. They have always offered extremely personalized services, which primarily come from their dedication to offering a top-notch, focused, and diversified platform of services.

"We are quite focused on the administration of our clients' investments portfolios for high net-worth individuals, institutional investors, and the companies," explains Mr. Cantú. In terms of their product diversification, Vector is a true leader in its sector, with services available to manage investment alternatives in debt, capital

and foreign exchange markets, investment funds, and merger and acquisition advisory for companies to name a few.

Their commitment to customer service is further reinforced by their pledge to put the capital of their client above the capital of the brokerage house. If that were not enough, Vector is always working to incorporate new technology that can improve the way they manage their business. Their newest technological development is called e-Vector—a dynamic and easy-to-use Internet platform, which allows the customer to directly manage his or her investments and financial matters.

Vector has 22 branches in the most important cities in Mexico and presence in 10 countries principally in Latin America.

With a high level of customer service, a vast array of competitive advantages, and a clear global focus, it is no wonder why Vector Casa de Bolsa has been able to weather the financial storm of 2008 and emerge as a true leader in its sector.

Visit www.vector.com.mx



EUGENIO CLARIOND
CEO Grupo Cuprum

Company innovation is what ultimately defines a project's success.



ERNESTO CANALES SANTOS
President of
Renace Foundation

Mexico is changing, transforming its penal system in such a way that it is now irreversible.

Key leaders set on providing real positive change

Mr. Eugenio Clariond, the CEO of Grupo Cuprum, is interested in making the necessary adjustments to improve the company. "My leadership approach is very participatory," he says. "We have an open-door policy in which direct communication and feedback take place year-round." In an effort to gain new perspectives to solve old problems, Grupo Cuprum has recently decided to strengthen its team through the search of what Mr. Clariond refers to as "young blood," or young ambitious workers. Grupo Cuprum is currently working on changing the status of the company to public as part of an accelerated growth program, which is set to go into effect in 2015.

After the Mexican government's drastic shift in power as a result of the National Action Party's monumental presidential win in 2000, Mr. Ernesto Canales jumped at an incredible opportunity to transform the penal system in Nuevo León. The previous system had been fraught with unnecessary bureaucracy and outdated practices, and Mr. Canales, backed by the non-profit organization, Institución Renace, has led the charge in providing much needed change. It is through his efforts that in Chihuahua, the percentage of individuals reporting criminal incidents to the police has increased by 20%. This is a great indicator of the newfound trust the general population is beginning to place in the legal system.

This Promotional Case Study was produced by World Investment News for the June 2014 edition of HBR. **Publisher:** Pascal Belda [pascalbelda](#); **General Director:** Carolina Mateo; **Executive Director:** Abel Peña; **Project Director:** Manuel Sáinz; **Project Developers:** Sara Tendero, Giovanni Luchetti & Alejandro Rojas; **Editor-in-Chief:** Aaron Scherer; **Creative Director:** Luisa Tronea. [World Investment News](#) [worldinvestmentnews](#) [winnews](#)

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