

INTERNATIONALIZATION PROCESS OF SPANISH FIRMS OF THE SERVICE SECTOR

PROCESO DE INTERNACIONALIZACIÓN DE EMPRESAS ESPAÑOLAS DEL SECTOR SERVICIO

PROCESSO DE INTERNACIONALIZAÇÃO DE EMPRESAS ESPANHOLAS NO SETOR DE SERVIÇOS

Artículo de investigación desarrollado en la Universidad Andrés Bello, www.unab.cl, Santiago de Chile, y en ESADE Business School, www.esade.edu, Barcelona. Fecha de recepción 1/12/2019. Fecha de aceptación 19/1/2020

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How to cite this article

Araya-Castillo, Luis & Mendoza, Xavier (2020). Internationalization process of Spanish firms of the service sector. *Dimensión Empresarial*, 18(2). DOI: 10.15665/dem.v18i2.2252

Abstract

The objective of this research is responding to two important questions that have been analyzed in the literature on international management, the “where” and the “how”. With this purpose both descriptive and comparison of means analysis are applied. The resulting analysis indicates that Spanish multinationals in the service sector have a semi global focus in their international operations and are located principally in Europe and Latin America. Furthermore, we found that Spanish service multinationals exert high levels of subsidiary control and that do not present significant differences in the levels of control they have over subsidiaries in relation to the type of service. Keywords: Internationalization Process, Spanish Multinational Firms, Foreign Market Entry Choice.

Resumen

El objetivo de esta investigación es responder a dos preguntas importantes que se han analizado en la literatura sobre gestión internacional, el “dónde” y el “como”. Con este propósito, se aplica el análisis descriptivo y de comparación de medias. El análisis resultante indica que las multinacionales españolas en el sector de servicios tienen un enfoque semi global en sus operaciones internacionales y se ubican principalmente en Europa y América Latina. Además, se encontró que las multinacionales españolas de servicios ejercen altos niveles de control sobre las subsidiarias y que no presentan diferencias significativas en los niveles de control que tienen sobre las filiales en relación con el tipo de servicio. Palabras clave: proceso de internacionalización, empresas multinacionales españolas, elección de entrada al mercado extranjero.

Resumo

O objetivo desta pesquisa é responder a duas questões importantes analisadas na literatura sobre gestão internacional, o “onde” e o “como”. Com esse objetivo, são aplicadas análises descritivas e comparativas de médias. A análise resultante indica que as multinacionais espanholas no setor de serviços têm um foco semi-global em suas operações internacionais e estão localizadas principalmente na Europa e na América Latina. Além disso, descobrimos que as multinacionais espanholas de serviços exercem altos níveis de controle subsidiário e que não apresentam diferenças significativas nos níveis de controle que possuem sobre as subsidiárias em relação ao tipo de serviço. Palavras-chave: Processo de internacionalização, Empresas multinacionais espanholas, Opção de entrada no mercado externo.



INTRODUCCIÓN

The phenomenon of internationalization of the enterprises is considered one of the principal areas of study of international businesses (e.g., Ciravegna et al., 2014; Nguyen, 2017; Mendoza et al., 2019). This is because during the past 40 years the phenomenon of globalization has received considerable attention and some scholars have argued that this phenomenon has induced many companies to internationalize themselves (multinational enterprises), as a way of being more competitive (Oviatt & McDougall, 1994).

Given this, the literature postulates that the international diversification can be considered as a strategic decision for the company to reducing risks derived from the reduction of demand in the domestic market (e.g., Bobillo et al., 2012; Ciravegna et al., 2014; Hernández-Perlines et al., 2019), as a growth strategy that allows companies to capture opportunities offered by foreign markets (e.g., Capar & Kotabe, 2003; Bobillo et al., 2008; Mendoza et al., 2019), and to maintain or even to improve their competitiveness (e.g., Autio et al., 2000; Sapienza et al., 2006; Araya-Castillo et al., 2019).

Then, we can argue that internationalization has represented an opportunity for those firms that possess some unique capabilities that can be exploited internationally (Lessard, 2003). With greater international competition and the rise of emerging market economies, multinational enterprises (MNEs) increasingly face highly uncertain foreign environments in which to do business (Cuypers & Martin, 2010).

Furthermore, economic and regulatory environments have changed dramatically, which explains why company behavior has changed in some respects (Johanson & Vahlne, 2009). Thus, multinational firms exist because certain economic conditions and proprietary advantages make it advisable and possible for them to profitably undertake production of a good or service in a foreign location (Guillén & García-Canal, 2009).

The case of Spain responds to this dynamic, because the internationalization of Spanish firms is overall a success story. In fact, during the past two decades Spanish firms have started to invest massively abroad, mainly in other EU countries but also elsewhere, particularly in Latin

American countries (Barrios and Benito-Ostolaza, 2008; Puig, 2008; Puig & Fernández, 2009).

In this scenario, investing overseas presents substantial challenges for multinational enterprises. One fundamental challenge is how to design an appropriate ownership strategy when MNEs make new investments in a foreign market (Li & Li, 2010). This context justifies that we have witnessed a growing amount of research about the internationalization of firms (Pla-Barber et al., 2010).

Evidently, this expanding research reflects an increasing internationalization of firms and industries. The research in international business has shown an increasing interest in the study of the internationalization of firms (Johanson & Vahlne, 1990), and the scholars have given answers to basically three questions: why, where, and how do internationalize companies.

Different factors have been proposed in order to explain “why” firms decide to internationalize their operations, such as the liberalization of capital markets, the acceleration of information flows, the higher mobility of people and products, the decline in transportation costs and a relative global regulatory harmonization (Dunning, 2001, 2002; Gatignon & Kimberly, 2004). In this same point, increases in the homogeneity of markets and improvements in the efficiency of communication and international transport make internationalization a more attractive option for firms than before for the firms to internationalize themselves (Bloodgood et al., 1997).

Other authors have argued that internalization of markets has advantages such as economies of scale, scope, and learning (e.g., Kogut, 1985; Ghoshal, 1987; Kim et al., 1989, 1993), and sharing core competencies among different business segments and geographic markets (Hamel, 1991). Capar & Kotabe (2003) hold that firms with strong competencies that are developed at home can utilize these in international markets (Bartlett & Ghoshal, 1989).

Furthermore, in the literature it is important to analyze “where” the firms decide to internationalize

their operations. Flores & Aguilera (2007) argue that some of the key determinants of the foreign entry choices are the firm level characteristics (e.g., Horst, 1972; Terpstra & Yu, 1988; Nachum & Zaheer, 2005), the firm relational linkages (Chen & Chen, 1998), as well as home country level (Henisz & Delios, 2001; Harzing & Sorge, 2003) & host country level characteristics (Loree & Guisinger, 1995; Dunning, 1998).

The modes of “how” to enter foreign markets can be manifested in the establishment of foreign subsidiaries, in international joint ventures, in licensing agreements, in international advertising campaigns, in international trade, exhibitions and a multitude of other events and actions (Johanson & Vahlne, 1990).

Two principal approaches have been developed in order to explain “how” firms choose a foreign market: the eclectic paradigm and the Uppsala model. The eclectic paradigm predicts that production will be established where advantages (capabilities and resources) can be enjoyed and that the company will optimize rationally (Dunning, 1988). On the other hand, the Uppsala model (U model) sees the internationalization of the firms as a process where the enterprise gradually increases its international involvement (Johanson & Vahlne, 1977).

However, the theories and models about the internationalization process of companies have been developed based on research on manufacturing companies (Clark & Rajaratman, 1999), even when in developed countries, such as the US, Japan, Germany, France, or the UK, services account for more than 70 percent of the gross domestic product (GDP) (Central Intelligence Agency, 2011). That is, even

when in developed nations a shift in weight from the manufacturing towards the services sector can be observed, the literature in international business has been mostly developed in the manufacturing sector (Sánchez-Peinado et al., 2007).

Thus, this paper aims to analyze the internationalization process of Spanish service companies, because this sector has been little studied and because some studies demonstrate that the theories of internationalization can still be applied to the services industry (Sacramento et al., 2002) and the services is one of the areas in which Spanish multinationals have become best known internationally (Guillén & García-Canal, 2010).

Specifically, this paper seeks to respond to the questions of where and how of the internationalization process of Spanish firms providing services to other companies (henceforth referred as “business services”). We analyze this sub sector of the service given that Spain is a significant exporter of this kind of services and a number of these companies have internationalized successfully.

The “where” question is analyzed through the study of the focus of internationalization of the Spanish multinational service firms (globalization versus regionalization). While, the “how” question is analyzed by the degree of control the parent company has over its subsidiaries.

This analysis is important, because even when this research is focused in specific sub sectors of business services, the results are in concordance with other empirical studies. Specifically, these results contribute to a better understanding of the internationalization patterns of Spanish multinationals offering business services.

LITERATURE REVIEW

During the past decade Spanish firms have started to invest massively abroad, mainly in other EU countries but also elsewhere, particularly in Latin American countries (Barrios & Benito-Ostolaza, 2008). Durán (2006) notes that the flows of foreign direct investment (FDI) of the Spanish multinationals made between 1993 and 2005 have been concentrated in Europe and Latin America, representing each one

of those near 40 out of 100 of the totals. Therefore, the evidence suggests that cultural and distance proximity provides a significant incentive for Spanish multinationals to invest in foreign markets (Barrios and Benito-Ostolaza, 2008).

Additionally, the new MNEs are the result of both imitation of established MNEs from the rich countries -

which they have tried to emulate both strategically and organizationally - and innovation in response to the peculiar characteristics of emerging and developing countries (Guillén & García-Canal, 2009). This explains that the geographical and sectorial distribution of Spanish FDI has varied over time, responding just as much to institutional elements (of the country of origin as well as the country of destination) as to specific business advantages (Durán, 2002).

In this context, it is argued that the observed phenomenon of Spanish multinationals corresponds to the latest studies on the focus of internationalization of MNEs, which indicate that modern company is "semi global" (e.g., Osegowitsch & Sammartino, 2008; Asmussen, 2009; Banalieva & Eddleston, 2011). Given this, the first hypothesis of this paper is formulated as follows:

- **Hypothesis 1:** *Spanish multinationals in the service sectors present a pattern of semi global internationalization, principally focused on countries in the regions of Europe and Latin America.*

Prior experience in foreign markets, especially of multinational nature (Durán & Ubeda, 2001), not only generates a greater capacity for evaluating the advantages of localization offered by culturally distant countries (Erramilli, 1991), but it provides access to potential efficiency gains through a greater capacity of coordination of its international operations (Durán, 2002).

This explains why firms with little foreign market experience prefer markets at a short cultural distance, since a firm's existing experiential knowledge is less relevant in culturally dissimilar environments (Blomstermo et al., 2006). Also, company age is related to size which means that older companies tend to be larger and possess more resources. Given this, the second hypothesis of this paper is stated as:

- **Hypothesis 2:** *The greater the years of experience a Spanish service multinational company has, the greater will be its international scope.*

The choice of foreign market entry mode is critical and related to control (Blomstermo et al., 2006). Various entry modes are available to firms, from full-control modes, such as greenfield or acquired wholly owned subsidiaries,

to shared-control modes, such as partial acquisitions and joint ventures (Sanchez-Peinado et al., 2007).

It is relevant, because when entering new markets, multinational companies must cope with the unpredictability of an investment in a politically, economically, and culturally different environment (Blomstermo et al., 2006). In fact, the information acquisition costs can be expected to increase with the increasing cultural distance (e.g., Gatignon & Anderson, 1988; Johanson & Vahlne, 1977; Kogut & Singh, 1988).

Given that, perceptions of significant cultural distance between the country of origin and the target country have been found to support the use of entry modes involving smaller resource commitments (Pla-Barber et al., 2010). Then, in order to mitigate this uncertainty, firms should reduce their ownership levels, seek locally based assets, and solicit the participation of local partners (e.g., Anderson & Gatignon, 1986; Hill et al., 1990; Hennart, 1991). Considering this, the third hypothesis is proposed:

- **Hypothesis 3:** *The lower the cultural distance to a foreign market (Europe and Latin America), the higher will be the levels of subsidiary control exerted by Spanish service multinationals.*

Research concerning control and entry mode for internationalization of services is important (Blomstermo et al., 2006). Control reflects the ability of the firm to influence the decisions within the organization in order to improve its competitive position and maximize returns on firm-specific assets (Pla-Barber et al., 2010).

The type of service moderates the relationship between proprietary assets (e.g. commercial assets, knowhow, brand reputation) and the desire for control (Pla-Barber et al., 2010), since the intimate contact between producer and customer during the process of service delivery and the involvement of the customer in the production of the service instigates the need for greater control (Capar & Kotabe, 2003).

The degree of customization is crucial in the professional services firms rather in other services firms, since the standardization no always is viable. Furthermore, in professional service firms more experiential knowledge of foreign markets and foreign clients is required. Therefore, the degree of customization present in this

type of companies would strengthen the probability of choosing full-control modes, since the consequences of opportunistic behavior would be too costly. With this, the fourth hypothesis is stated as:

- **Hypothesis 4:** *Professional service multinationals choose higher control modes in comparison with the other type of business services firms, since in their activity's customization plays an important role.*

RESEARCH METHODOLOGY

There is little research on the growth and internationalization of service firms (Contractor et al., 2003). Therefore, there is a lack of empirical studies in international business literature on which foreign market entry modes apply to service firms, and similarly, on target market selection (Blomstermo et al., 2006).

Additionally, even though recent empirical studies about the internationalization of Spanish companies exist (Durán (ed), 2005; Guillén, 2006; Buisán & Espinosa, 2007; Cámaras, 2007; Interstrategies, 2007; Casilda (ed), 2008; Puig (ed), 2008; Afi, 2010), their profile and process of multi-nationalization continue to be a phenomenon about which our knowledge is incomplete (Mendoza & Vives, 2010). This situation is even more acute for service companies since the empirical studies related are surprisingly scarce (Rubalcaba & Maroto, 2008).

Considering this situation, we seek to contribute to this literature by analyzing the internationalization process (the "where" and "how"), in several sub-sectors within the service sector.

This paper will use the database built by the Observatory of Spanish Multinational Companies (OEME) of ESADE Business School, which comprises data on foreign affiliates. The database of OEME incorporates information corresponding to 80% of the total of internationalized Spanish companies that in the year 2009 had direct investments abroad. Since in this research only information corresponding to companies of professional services and other services will be used, the sampling size includes 171 Spanish service multinationals and their 437 affiliates and subsidiaries abroad.

Using NACE rev 2 industry codes services firms have been divided into two groups. The first group is composed of those firms that offer professional services, such as activities like consulting, public relations, architecture

and engineering services, research and development, advertising and market research studies, and other professional activities. The second group is composed of those businesses that offer other services, such as processing data, placement agencies and temp work, facility services (cleaning, private security, etc.) commercial information, call centers and other supporting activities for businesses.

Variables

The objective of this research is to respond to the "where" and "how" questions of the internationalization process of Spanish service multinationals. The decision about foreign markets (where) is analyzed by the internationalization focus of Spanish multinationals in the service-sector in different countries and regions. Meanwhile, the way in which Spanish service multinationals internationalize (how) is analyzed by the degree of control (participation on the capital) over their subsidiaries.

The global/regional focus of Spanish multinationals in the service-sector is analyzed through a descriptive analysis of the countries in which subsidiaries operated, according to the following regions: a) Europe; b) United States; c) Latin America; d) Middle East; e) Africa and f) Asia. Since Spanish multinational companies can operate in one or more regions, actual combinations were identified. Likewise, a descriptive analysis is applied in order to discover if Spanish multinationals in the service sector present differences in their international focus according to their years of experience in the market.

Control is defined as the capacity to determine the general policies of a business through its administrators (Mendoza & Vives, 2010). Services

firms tend to use high control entry modes with the aim of supplying timely and good quality services to international clients, which protects reputation (Blomstermo et al., 2006). This research will analyze the mode of control established by Spanish service multinationals regarding two factors, the cultural distance and market experience. For this analysis, the kinds of control that the parent company of the Spanish multinationals have over the subsidiaries are classified as: a) Only Shareholder (wholly owned), whose participation in the subsidiary is 100%; b) Majority Shareholder (majority owned), whose participation in the subsidiary's capital is more than 50% and less than 100%; c) Equal Joint Venture (balanced joint ventures), whose participation is 50%/50%; d) Minority Shareholder (minority owned) whose participation is more than 10% and less than 50%.

Therefore, the decision about the degree of control (how) is analyzed through the comparison of means. The analysis checks whether there are statistically significant differences in the degree of control by Spanish multinationals in relation to their level of experience and focus of internationalization.

The results of this research are obtained from service companies in specific sub sectors, which will enable an analysis of whether these correspond to the results indicated in the international business literature for manufacturing firms. Furthermore, unlike other previous studies, this paper analyzes various subsectors within the business services (professional services and other business services), which will enable the results to be more consistent in terms of internal validation.

Sampling

In this paper, the definition of a Spanish multinational company is the following: a company incorporated in Spain, whose global headquarter is also located in Spain, and that has one or more subsidiaries abroad with

an ownership participation of at least 10% (Mendoza & Vives, 2010). An affiliate is a company in a country whose decision-making process is influenced by a foreign investor while a subsidiary is a company that is controlled by a foreign investor (Mendoza & Vives, 2010).

In the statistics of Foreign Direct Investment (FDI), a foreign investor exerts "influence" when he owns more than 10% but less than 50% of a company's capital and "control" when his participation exceeds 50%. It is also understood that there cannot be an influence in the management of a company when the participation in the capital is less than 10%. This paper will only deal with affiliates and subsidiaries where the foreign investor has at least 10% of participation in their capital.

Furthermore, with the objective of increasing the levels of internal validation, this research proposal will only consider Spanish firms with a low degree of diversification. This is relevant in that it allows us to extract conclusions about comparable firms and their strategic behavior.

Given the previous, this research analyzes 171 Spanish multinational companies offering business services, which can be divided between those that offer professional services (145) and those that offer other types of business services (26). In Table 1 it is noted that 70.8% of Spanish multinationals are headquartered in the autonomous communities of Madrid and Catalonia. Furthermore, these firms have an average of 13.72 years of experience in the market and 3.36 foreign subsidiaries. Moreover, it can be noted that Spanish service multinationals are present in a limited number of international regions, since the average reaches 1.43.

This could present a difference with respect to the manufacturing sector, since services require to maintain a higher level of control in the interaction with the client. This could imply a greater difficulty in internationalizing services, since it is necessary to establish mechanisms of centralization and formalization that ensure the quality of a given service.

Table 1. Profile of Spanish Service Multinationals

	Localization	Years of Experience	Number of Subsidiaries	Number of International Regions
Business Services Firms	Madrid (82; 48%); Cataluña (39; 22.8%); Andalucía (11; 6.4%); País Vasco (11; 6.4%); Baleares (2; 1.2%); Aragón (2; 1.2%); Principado de Asturias (6; 3.5%); Castilla y León (5; 2.9%); Galicia (5; 2.9%); Comunitat Valenciana (5; 2.9%); Navarra (2; 1.2%); Cantabria (1; 0.6%)	Mean= 13.72 Desv. = 9.64 Min. = 0 Max. = 49 N = 171	Mean = 3.36 Desv. = 3.74 Min. = 1 Max. = 28 N = 171	Mean = 1.43 Desv. = 0.78 Min. = 1 Max. = 5 N = 169
Professional Service Firms	Madrid (70; 48.3%); Cataluña (35; 24.1%); Andalucía (8; 5.5%); País Vasco (10; 6.9%); Baleares (2; 1.4%); Aragón (2; 1.4%); Principado de Asturias (6; 4.1%); Castilla y León (3; 2.1%); Galicia (4; 2.8%); Comunitat Valenciana (4; 2.8%); Navarra (1; 0.7%); Cantabria (0; 0%)	Mean= 12.99 Desv. = 9.25 Min. = 0 Max. = 49 N = 145	Mean = 3.23 Desv. = 3.37 Min. = 1 Max. = 16 N = 145	Mean = 1.44 Desv. = 0.81 Min. = 1 Max. = 5 N = 144
Other Business Services Firms	Madrid (12; 46.2%); Cataluña (4; 15.4%); Andalucía (3; 11.5%); País Vasco (1; 3.8%); Baleares (0; 0%); Aragón (0; 0%); Principado de Asturias (0; 0%); Castilla y León (2; 7.7%); Galicia (1; 3.8%); Comunitat Valenciana (1; 3.8%); Navarra (1; 3.8%); Cantabria (1; 3.8%)	Mean= 17.81 Desv. = 10.93 Min. = 0 Max. = 39 N = 26	Mean = 4.04 Desv. = 5.43 Min. = 1 Max. = 28 N = 26	Mean = 1.36 Desv. = 0.57 Min. = 1 Max. = 3 N = 25

Source: By the authors with information from OEME database

These 171 Spanish multinationals operate internationally in Europe, Latin America, the US, Africa, Asia and the Middle East. Their operations are carried out by 437 subsidiaries, mostly located in Europe and Latin America (82.1%). Additionally, Table 2 shows that Spanish service firms have a controlling stake in 86.9% of the foreign companies in which they have invested.

Table 2. Profile of Affiliates and Subsidiaries of Spanish Service Multinationals

	Type of Subsidiary Control				Subsidiary location					
	Minority Owned	Balanced Joint Venture	Majority Owned	Wholly Owned	Europe	Latin America	United States	Middle East	Africa	Asia
Business Service Firms	38 9.43%	15 3.72%	182 45.16%	168 41.69%	183 42.1%	174 40%	31 7.1%	10 2.3%	28 6.4%	9 2.1%
Professional Service Firms	32 9.73%	10 3.04%	143 43.47%	144 43.77%	142 40.6%	139 39.7%	28 8%	8 2.3%	24 6.9%	9 2.6%
Other Business Services Firms	6 8.11%	5 6.76%	39 52.70%	24 32.43%	41 48.2%	35 41.2%	3 3.5%	2 2.4%	4 4.7%	0 0%

Source: By the authors with information from OEME database

ANALYSIS OF RESULTS

Internationalization scope of Spanish business services multinationals

Mendoza & Vives (2010) indicate that the international presence of a company can be evaluated using different indicators, for example, the number of countries and geographic regions in which the company operates, the number of foreign affiliates and subsidiaries, and the percentage of foreign sales to total sales or the percentage of the foreign employees to total employees.

In this paper the number of international regions where Spanish multinationals operate is used as a form of evaluating their international strategies (or focus of internationalization). Table 3 provides information about the internationalization strategies followed by 169 Spanish service multinationals based on where they locate their operations in a range of one to five international regions.

Contrary to the stereotype that Latin America is the main destination of Spanish investment, the data shows that the larger investment by Spanish service multinationals is in European countries. This phenomenon can be explained by the savings in costs and the management advantages of a favorable geographic distance and the European single market. Thus, 37.3% of Spanish multinationals offering business services concentrate their subsidiaries only in Europe while 26% of Spanish multinationals concentrate their subsidiaries only in Latin America.

The presence of Spanish multinationals in Latin America is explained by the minimum existing cultural distance due to the common language and some shared customs (Casilda & Llopis, 2009). This linguistic and cultural closeness is key to quickly establishing organizational mechanisms for the management and control of the subsidiaries, such as centralization and formalization (Casilda & Llopis, 2009).

According to Mendoza & Vives (2010), Spanish service multinationals, after having invested extensively in Latin America during the 1990s, have redirected their investment flows during the past decade mainly to the European Union and other developed countries like the United States.

The importance of Europe and Latin America in the process of the internationalization of Spanish multinationals is manifested in the internationalization strategies they adopt. Of the total of 169 Spanish multinationals in the service sector that are analyzed, 70.4% and 19.5% are only focused in one or two regions, respectively; this represents 89.9% of the studied multinationals. Of the remaining multinationals, 7.1%, 2.36% and 0.6% are focused in three, four and five regions, respectively. In other words, only 10.1% of Spanish multinationals offering business services are located in three or more regions.

It is possible to relate the presence of Spanish companies in Europe and Latin America to their geographic or cultural proximity to Spain. The predominant focus of the Spanish multinationals in Europe and Latin America is manifest when considering a global analysis of the data. It can be noted that 91.7% of Spanish multinationals offering business services have a presence in Europe or Latin America. This is obtained after adding the percentages of presence of the Spanish multinationals in Europe or Latin America in each one of the international strategies followed (from one to five regions).

Nevertheless, the Spanish multinationals in the service sector have started to focus their international operations in other markets that present business opportunities. This explains how 3.6% of these companies are located only in the United States. If considering the total participation of Spanish service multinationals in the United States, it can be concluded that the participation increases to 14.4%. This can be attributed to the size of the economy of the United States.

The decisions of the Spanish multinationals to focus on new markets is not limited to developed economies (like the United States), but also to those called emerging countries. For example, 3% of Spanish multinationals have their subsidiaries only in Africa. If we analyze the distinct internationalization strategies adopted by Spanish multinationals, the presence in Africa rises to 12%.

The strength of Europe and Latin America, and secondly the United States and Africa, contrasts with a very reduced presence, in absolute values as much as percentages, of Spanish multinationals offering business services in Middle East and Asia (only 7.8% of Spanish companies have established subsidiaries in these two regions). This level of presence does not correspond to the actual size and growth potential of these economies.

Therefore, it is possible to argue in favor of Hypothesis 1, that the focus of internationalization of Spanish multinationals offering business services is “semi global”. Even though some authors might argue that the focus of internationalization of Spanish

multinationals in the service sector is regional, given that the subsidiaries are concentrating mostly in Europe and Latin America, it is also evident that there exists a continuous expansion beyond these two regions to economies that offer market opportunities.

This explains how Spanish multinationals in the service sector have a presence in developed economies as well as emerging countries. Despite these new destinations, it is not possible to argue that the focus of internationalization has become “global”. This is because the presence of Spanish companies in the regions of Asia and the Middle East is hardly relevant if compared to the potentials of these markets.

Table 3. International Focus of Spanish Multinationals offering Business Services

One Region			Two regions				Three Regions		
	n	%		n	%		n	%	
Europe	63	37.3	Middle East – Asia	1	0.6	Europe – Africa – Latin America	2	1.2	
Latin America	44	26.0	Middle East – Africa	1	0.6	Europe – Africa – Middle East	2	1.2	
United States	6	3.6	Europe – LatAm	15	8.9	Latin America – US – Europe	5	3.0	
Africa	5	3.0	US – Europe	5	3.0	Asia – Europe – Latin America	1	0.6	
Asia	1	0.6	Europe – Africa	2	1.2	US – Europe – Africa	1	0.6	
Middle East	-	-	Africa – LatAm	2	1.2	Asia – US – Europe	1	0.6	
			Latin America – US	3	1.8				
			Middle East – LatAm	2	1.2				
			Latin America – Asia	2	1.2				
Four Regions			Five Regions				Information of MNEs		
	n	%		n	%		n	%	
US – Europe – Africa – LatAm	3	1.8	Europe – Africa – Asia – LatAm – Middle East	1	0.6	One region	119	70.4	
Africa – LatAm – Middle East – Asia	1	0.6				Two Regions	33	19.5	
						Three Regions	12	7.1	
						Four Regions	4	2.4	
						Five Regions	1	0.6	

Source: By the authors with information from OEME database

Similar conclusions are obtained when the analysis is made by distinguishing professional service firms from other business service companies. Regarding professional service firms, 70.8% and 18.1% concentrate their operations

in only one and two regions, respectively. Furthermore, 91.6% of Spanish multinationals are operating in Europe and Latin America. Likewise, 7% of these companies are operating only in United States or Africa.

Table 4. International Focus of Spanish Multinationals in the Professional Services Sub Sector

One Region			Two regions			Three Regions		
	n	%		n	%		n	%
Europe	57	39.6	Middle East – Asia	1	0.7	Europe – Africa – Latin America	2	1.4
Latin America	34	23.6	Middle East – Africa	-	-	Europe – Africa – Middle East	1	0.7
United States	6	4.2	Europe – LatAm	12	8.3	Latin America – US – Europe	5	3.5
Africa	4	2.8	US – Europe	3	2.1	Asia – Europe – Latin America	1	0.7
Asia	1	0.7	Europe – Africa	2	1.4	US – Europe – Africa	1	0.7
Middle East	-	-	Africa – LatAm	1	0.7	Asia – US - Europe	1	0.7
			Latin America – US	3	2.1			
			Middle East – LatAm	2	1.4			
			Latin America – Asia	2	1.4			
Four Regions			Five Regions			Information of MNEs		
	n	%		n	%		n	%
US – Europe – Africa – LatAm	3	2.1	Europe – Africa – Asia - LatAm – Middle East	1	0.7	One region	102	70.8
Africa – LatAm – Middle East – Asia	1	0.7				Two Regions	26	18.1
						Three Regions	11	7.6
						Four Regions	4	2.8
						Five Regions	1	0.7

Source: By the authors with information from OEME database

In the group of other business services, 96% of Spanish multinationals are operating in one or two regions. Likewise, 24% and 40% of these companies are operating only in Europe or Latin America, respectively. Moreover, in this type of service we don't observed companies with presence in three or more regions.

Table 5. International Focus of Spanish Multinationals in the Other Business Services Sub Sector

One Region			Two regions			Three Regions		
	n	%		n	%		n	%
Europe	6	24.0	Middle East – Asia	-	-	Europe – Africa – Latin America	-	-
Latin America	10	40.0	Middle East – Africa	1	4.0	Europe – Africa – Middle East	1	4.0
United States	-	-	Europe – LatAm	3	12.0	Latin America – US – Europe	-	-
Africa	1	4.0	US – Europe	2	8.0	Asia – Europe – Latin America	-	-
Asia	-	-	Europe – Africa	-	-	US – Europe – Africa	-	-
Middle East	-	-	Africa – LatAm	1	4.0	Asia – US – Europe	-	-
			Latin America – US	-	-			
			Middle East – LatAm	-	-			
			Latin America – Asia	-	-			
Four Regions			Five Regions			Information of MNEs		
	n	%		n	%		n	%
US – Europe – Africa – LatAm	-	-	Europe – Africa – Asia - LatAm – Middle East	-	-	One region	17	68.0
Africa – LatAm – Middle East – Asia	-	-				Two Regions	7	28.0
						Three Regions	1	4.0
						Four Regions	-	-
						Five Regions	-	-

Source: By the authors with information from OEME database

On the other hand, it can be argued that the internationalization focus of multinationals in the service sector is influenced by the years of experience they have in the market. Therefore, the companies with more years of experience could have acquired the know-how and economic resources that allow them to be more successful in international markets.

Table 6 shows the information of the years of experience for the 169 Spanish service multinationals

considered in this analysis. It can be observed that the average year of experience in the market is 13.72. The average year of experience is 12.99% in the case of professional service firms; and in the other business service companies this value reaches 17.81%. This is an indicator that the process of internationalization of Spanish multinationals has increased in recent years, since those companies with 0 to 10 years of experience represent 42.7% of the total.

Table 6. Years of Experience of Spanish service multinationals

	Range of Years 1			Range of Years 2				
	0-10	11-20	21-50	0-10	11-20	21-30	31-40	41-50
Business Services Firms	73 42.7%	65 38%	33 19.3%	183 42.7%	143 38%	48 12.9%	46 4.7%	17 1.8%
Professional Service Firms	67 46.2%	54 37.2%	24 16.6%	67 46.2%	54 37.2%	17 11.7%	4 2.8%	3 2.1%
Other Business Services Firms	6 23.1%	11 42.3%	9 34.6%	6 23.1%	11 42.3%	5 19.2%	4 15.4%	0 0%

Source: By the authors with information from OEME database

Table 7 shows how Spanish multinational with fewer years of experience (from 0 to 10 years) concentrate their operations principally in Europe and Latin America. Of the 73 Spanish multinationals with 10 or less years of experience, 69.9% concentrate their operations in only

one region. This situation is different with the companies that have between 21 and 50 years of experience, where only 59.4% are concentrated in one region. In companies with 11 to 20 years of experience, Spanish multinationals that focus on only one region rise to 76.5%.

Table 7. Focus of Internationalization of Spanish Multinationals in the Service Sector according to their years of experience in the market

Strategy of Internationalization	"0 - 10" years of experience		"11 - 20" years of experience		"21 - 50" years of experience	
One region	51	69.86%	49	76.56%	19	59.38%
Two regions	16	21.92%	10	15.62%	7	21.88%
Three regions	5	6.85%	3	4.69%	4	12.5%
Four regions	1	1.37%	2	3.13%	1	3.12%
Five regions	-	-	-	-	1	3.12%
Total cases	73	100.00%	64	100.00%	32	100.00%

Source: By the authors with information from OEME database

In addition to the companies with fewer years of experience (from 0 to 10 years) characteristically concentrate their operations principally in Europe and America. This explains how 39.7% of Spanish multinationals only have foreign subsidiaries in European countries. Also, 27.4% of Spanish multinationals are only concentrated in Latin America.

If the total presence of Spanish multinationals in the business services sector in Europe and Latin America are analyzed, the participation grows to 94.5%. These results contrast with those observed for companies with 11 to 21 years of experience. In this type of companies, the presence of Spanish multinationals in Europe or Latin America only reaches 84.4%.

Table 8. Focus of Internationalization of Spanish Multinationals in the Service Sector according to their years of experience in the market

Strategy of Internationalization	"0 - 10" years of experience	"11 - 20" years of experience	"21 - 50" years of experience
One Region	Europe (29; 17.16%) Latin America (20; 11.83%) United States (1; 0.6%) Africa (1; 0.6%) Asia (0; 0%)	Europe (24; 14.2%) Latin America (16; 9.47%) United States (5; 2.95%) Africa (3; 1.8%) Asia (1; 0.6%)	Europe (10; 5.92%) Latin America (8; 4.73%) United States (0; 0%) Africa (1; 0.6%) Asia (0; 0%)
Two Regions	Middle East - Asia (1; 0.6%). Middle East - Africa (0; 0%) Europe - Latin America (6; 3.55%) United States - Europe (3; 1.8%) Europe - Africa (1; 0.6%) Africa - Latin America (0; 0%) Latin America - United States (1; 0.6%) Middle East - Latin America (2; 1.2%) Latin America - Asia (2; 1.2%)	Middle East - Asia (0; 0%). Middle East - Africa (1; 0.6%) Europe - Latin America (4; 2.37%) United States - Europe (0; 0%) Europe - Africa (1; 0.6%) Africa - Latin America (2; 1.2%) Latin America - United States (2; 1.2%) Middle East - Latin America (0; 0%) Latin America - Asia (0; 0%)	Middle East - Asia (0; 0%). Middle East - Africa (0; 0%) Europe - Latin America (5; 2.96%) United States - Europe (2; 1.2%) Europe - Africa (0; 0%) Africa - Latin America (0; 0%) Latin America - United States (0; 0%) Middle East - Latin America (0; 0%) Latin America - Asia (0; 0%)
Three Regions	Europe - Africa - Latin America (0; 0%) Europe - Africa - Middle East (1; 0.6%) Latin America - United States - Europe (1; 0.6%) Asia - Europe - Latin America (1; 0.6%) United States - Europe - Africa (1; 0.6%) Asia - United States - Europe (1; 0.6%)	Europe - Africa - Latin America (1; 0.6%) Europe - Africa - Middle East (1; 0.6%) Latin America - United States - Europe (1; 0.6%) Asia - Europe - Latin America (0; 0%) United States - Europe - Africa (0; 0%) Asia - United States - Europe (0; 0%)	Europe - Africa - Latin America (1; 0.6%) Europe - Africa - Middle East (0; 0%) Latin America - United States - Europe (3; 1.8%) Asia - Europe - Latin America (0; 0%) United States - Europe - Africa (0; 0%) Asia - United States - Europe (0; 0%)
Four Regions	United States - Europe - Africa - Latin America (0; 0%) Africa - Latin America - Middle East - Asia (1; 0.6%)	United States - Europe - Africa - Latin America (2; 1.2%) Africa - Latin America - Middle East - Asia (0; 0%)	United States - Europe - Africa - Latin America (1; 0.6%) Africa - Latin America - Middle East - Asia (0; 0%)
Five Regions	Europe - Africa - Latin America - Middle East - Asia (0; 0%)	Europe - Africa - Latin America - Middle East - Asia (0; 0%)	Europe - Africa - Latin America - Middle East - Asia (1; 0.6%)

Source: By the authors with information from OEME database

Furthermore, in companies with less years of experience (from 0 to 10 years) a lower level of presence in other developed economies or emerging countries that are not Europe or Latin America, respectively, can be observed. Only 16.44% of Spanish multinationals have a presence in the United States or Africa. Likewise, only 12.33% of these companies are concentrated in Asia or the Middle East. This situation is different from that observed by companies that have between 21 and 50 years of experience. In this case the company presence in the United States or Africa rises to 28.12%.

Likewise, it can be observed that companies with less years of experience concentrate their foreign operations in a smaller number of regions. So that 18.8% of Spanish companies that have between 21 and 50 years of experience concentrate their subsidiaries in three or more regions. Also, the only case of a company that operates in 5 regions is found in this group of companies. In the companies with 0 to 10 years of experience only 8.2% of the subsidiaries are in three or more regions. A similar situation is observed in companies with 11 to 20 years of experience, where the figure reaches 7.8%.

Another important analysis is related to the internationalization of the Spanish business services companies in new markets. From the companies with 0 to 10 years of experience, 14.4% are operating in United States or Africa. In the case of companies that have between 11 and 20 years of experience, 25% are localized in United States or Africa. And

when the companies have 21 or more years of experience this value rises to 28.1%.

Considering these results, it is possible to argue in favor of Hypothesis 2, that companies with greater years of experience present a more global focus in their international operations. This can be explained in the levels of risk that companies with less years of experience and know-how of the market are willing to assume. This is especially important in the service sector in which a profound knowledge of the market is a differentiating element in the strategic behavior of companies. Therefore this type of company opts first to internationalize its operations mainly in those markets where there exists a minimum geographic and cultural distance.

Similar results are obtained with the analysis of professional services firms (see Table 9). The companies with less years of experience are focused principally in one or two regions. In fact, 92.5% of these companies with 0 to 10 years of experience are operating in one or two regions. In the case of companies with 11 to 20 years of experience this value reaches 90.6%. Also, 75% of the Spanish professional service companies with 21 or more years of experience are localized in one or two regions. In this same point of analysis, results are very similar when other business services companies are analyzed (see Table 10). However, in this type of services we don't observe companies with more years of experience (both 11 to 20 and 21 or more years of experience) operating in three or more regions.

Table 9. Focus of Internationalization of Spanish Multinationals in the Professional Services Sub Sector according to their years of experience in the market

Strategy of Internationalization	"0 - 10" years of experience	"11 - 20" years of experience	"21 - 50" years of experience
One Region	Europe (29; 20.14%) Latin America (17; 11.81%) United States (1; 0.6%) Africa (1; 0.69%) Asia (0; 0%)	Europe (20; 13.89%) Latin America (13; 9.03%) United States (5; 3.47%) Africa (2; 1.39%) Asia (1; 0.69%)	Europe (8; 5.56%) Latin America (4; 2.78%) United States (0; 0%) Africa (1; 0.69%) Asia (0; 0%)
Two Regions	Middle East - Asia (1; 0.69%). Middle East - Africa (0; 0%) Europe - Latin America (5; 3.47%)	Middle East - Asia (0; 0%). Middle East - Africa (0; 0%) Europe - Latin America (3; 2.08%)	Middle East - Asia (0; 0%). Middle East - Africa (0; 0%) Europe - Latin America (4; 2.78%)

Strategy of Internationalization	"0 - 10" years of experience	"11 - 20" years of experience	"21 - 50" years of experience
	Europe - Africa (1; 0.69%) Africa - Latin America (0; 0%) Latin America - United States (1; 0.69%) Middle East - Latin America (2; 1.39%) Latin America - Asia (2; 1.39%)	Europe - Africa (1; 0.69%) Africa - Latin America (1; 0.69%) Latin America - United States (2; 1.39%) Middle East - Latin America (0; 0%) Latin America - Asia (0; 0%)	Europe - Africa (0; 0%) Africa - Latin America (0; 0%) Latin America - United States (0; 0%) Middle East - Latin America (0; 0%) Latin America - Asia (0; 0%)
Three Regions	Europe - Africa - Latin America (0; 0%) Europe - Africa - Middle East (0; 0%) Latin America - United States - Europe (1; 0.69%) Asia - Europe - Latin America (1; 0.69%) United States - Europe - Africa (1; 0.69%) Asia - United States - Europe (1; 0.69%)	Europe - Africa - Latin America (1; 0.69%) Europe - Africa - Middle East (1; 0.69%) Latin America - United States - Europe (1; 0.69%) Asia - Europe - Latin America (0; 0%) United States - Europe - Africa (0; 0%) Asia - United States - Europe (0; 0%)	Europe - Africa - Latin America (1; 0.69%) Europe - Africa - Middle East (0; 0%) Latin America - United States - Europe (3; 2.08%) Asia - Europe - Latin America (0; 0%) United States - Europe - Africa (0; 0%) Asia - United States - Europe (0; 0%)
Four Regions	United States - Europe - Africa - Latin America (0; 0%) Africa - Latin America - Middle East - Asia (1; 0.69%)	United States - Europe - Africa - Latin America (2; 1.2%) Africa - Latin America - Middle East - Asia (0; 0%)	United States - Europe - Africa - Latin America (1; 0.6%) Africa - Latin America - Middle East - Asia (0; 0%)
Five Regions	Europe - Africa - Latin America - Middle East - Asia (0; 0%)	Europe - Africa - Latin America - Middle East - Asia (0; 0%)	Europe - Africa - Latin America - Middle East - Asia (1; 0.69%)
Information of MNEs	One region (Cases = 48; Participation = 33.33%) Two regions (Cases = 14; Participation = 9.72%) Three regions (Cases = 4; Participation = 2.78%) Four regions (Cases = 1; Participation = 0.69%) Five regions (Cases = 0; Participation = 0%) Total Cases = 67	One region (Cases = 41; Participation = 28.47%) Two regions (Cases = 7; Participation = 4.86%) Three regions (Cases = 3; Participation = 2.08%) Four regions (Cases = 2; Participation = 1.38%) Five regions (Cases = 0; Participation = 0%) Total Cases = 53	One region (Cases = 13; Participation = 9.03%) Two regions (Cases = 5; Participation = 3.47%) Three regions (Cases = 4; Participation = 2.78%) Four regions (Cases = 1; Participation = 0.69%) Five regions (Cases = 1; Participation = 0.69%) Total Cases = 24

Source: By the authors with information from OEME database

Table 10. Focus of Internationalization of Spanish Multinationals in the Other Services Sub Sector according to their years of experience in the market

Strategy of Internationalization	"0 - 10" years of experience	"11 - 20" years of experience	"21 - 50" years of experience
One Region	Europe (0; 0%) Latin America (3; 12%) United States (0; 0%) Africa (0; 0%) Asia (0; 0%)	Europe (4; 16%) Latin America (3; 12%) United States (0; 0%) Africa (1; 4%) Asia (0; 0%)	Europe (2; 8%) Latin America (4; 16%) United States (0; 0%) Africa (0; 0%) Asia (0; 0%)

Strategy of Internationalization	"0 - 10" years of experience	"11 - 20" years of experience	"21 - 50" years of experience
Two Regions	Middle East – Asia (0; 0%). Middle East – Africa (0; 0%) Europe – Latin America (1; 4%) United States – Europe (1; 4%) Europe – Africa (0; 0%) Africa – Latin America (0; 0%) Latin America – United States (0; 0%) Middle East – Latin America (0; 0%) Latin America – Asia (0; 0%)	Middle East – Asia (0; 0%). Middle East – Africa (1; 4%) Europe – Latin America (1; 4%) United States – Europe (0; 0%) Europe – Africa (0; 0%) Africa – Latin America (1; 4%) Latin America – United States (0; 0%) Middle East – Latin America (0; 0%) Latin America – Asia (0; 0%)	Middle East – Asia (0; 0%). Middle East – Africa (0; 0%) Europe – Latin America (1; 4%) United States – Europe (1; 4%) Europe – Africa (0; 0%) Africa – Latin America (0; 0%) Latin America – United States (0; 0%) Middle East – Latin America (0; 0%) Latin America – Asia (0; 0%)
Three Regions	Europe – Africa – Latin America (0; 0%) Europe – Africa – Middle East (1; 4%) Latin America – United States – Europe (0; 0%) Asia – Europe – Latin America (0; 0%) United States – Europe – Africa (0; 0%) Asia – United States – Europe (0; 0%)	Europe – Africa – Latin America (0; 0%) Europe – Africa – Middle East (0; 0%) Latin America – United States – Europe (0; 0%) Asia – Europe – Latin America (0; 0%) United States – Europe – Africa (0; 0%) Asia – United States – Europe (0; 0%)	Europe – Africa – Latin America (0; 0%) Europe – Africa – Middle East (0; 0%) Latin America – United States – Europe (0; 0%) Asia – Europe – Latin America (0; 0%) United States – Europe – Africa (0; 0%) Asia – United States – Europe (0; 0%)
Four Regions	United States – Europe – Africa – Latin America (0; 0%) Africa – Latin America – Middle East – Asia (1; 4%)	United States – Europe – Africa – Latin America (0; 0%) Africa – Latin America – Middle East – Asia (0; 0%)	United States – Europe – Africa – Latin America (0; 0%) Africa – Latin America – Middle East – Asia (0; 0%)
Five Regions	Europe – Africa – Latin America – Middle East – Asia (0; 0%)	Europe – Africa – Latin America – Middle East – Asia (0; 0%)	Europe – Africa – Latin America – Middle East – Asia (0; 0%)
Information of MNEs	One region (Cases = 3; Participation = 50%) Two regions (Cases = 2; Participation = 33.33%) Three regions (Cases = 1; Participation = 16.67%) Four regions (Cases = 0; Participation = 0%) Five regions (Cases = 0; Participation = 0%) Total Cases = 6	One region (Cases = 8; Participation = 72.73%) Two regions (Cases = 3; Participation = 27.27%) Three regions (Cases = 0; Participation = 0%) Four regions (Cases = 0; Participation = 0%) Five regions (Cases = 0; Participation = 0%) Total Cases = 11	One region (Cases = 6; Participation = 75%) Two regions (Cases = 2; Participation = 25%) Three regions (Cases = 0; Participation = 0%) Four regions (Cases = 0; Participation = 0%) Five regions (Cases = 0; Participation = 0%) Total Cases = 8

Source: By the authors with information from OEME database

Choice of control mode of foreign affiliates and subsidiaries

Table 11 shows how Spanish multinationals in the service sector have a clear preference for exerting full control over their foreign operations. 86.9% of Spanish multinationals offering business services own between 51% and 100% of the capital of their subsidiaries.

This can be explained by the characteristics of services, knowing they are intangible, heterogeneous,

inseparable and perishable. In services, control over the operations is fundamental for achieving competitive advantages. Given this, companies opt to control all those activities that can have an impact on the final delivery of the service.

A similar situation is observed in those companies catalogued as "professional services" or of "other business services". In the first ones, Spanish companies that maintain a level over 50% reach 87.25% of the total. In the case of other business services

multinationals, the companies with percentages of control over 50% reach 85.13% of the total.

At the aggregate level Spanish companies offering business services present an average of 83.71% of control over subsidiaries. In the companies “professional services” and “other services”, the averages are 84.15% and 81.77%, respectively. It can

be noted that companies of professional services present a slight superiority in the levels of subsidiary control when compared to companies that offer other types of business services. This is due to the characteristics of professional services, which demand higher levels of contact with the client in order to satisfy their needs.

Table 11. Levels of Foreign Subsidiary Control by type of Spanish service multinational

		Minority Owned	Balanced Joint Venture	Majority Owned	Wholly Owned
Business Services Firms (403)	Number of Cases	38	15	182	168
	Frecuence	9.43%	3.72%	45.16%	41.69%
	Average of participation	29.81%	50%	83.95%	100%
Professional Service Firms (329)	Number of Cases	32	10	143	144
	Frecuence	9.73%	3.04%	43.47%	43.77%
	Average of participation	28.95%	50%	84.00%	100%
Other Business Services Firms (74)	Number of Cases	6	5	39	24
	Frecuence	8.11%	6.76%	52.70%	32.43%
	Average of participation	34.39%	50%	83.76%	100%

Source: By the authors with information from OEME database

A question to pose is whether the levels of control over subsidiaries are influenced by distance (cultural and geographic). If so, it could be argued that multinationals exert lower levels of control over the subsidiaries that are in distant regions, both culturally and geographically. Given that the development of competitive advantages occurs by achieving high levels of quality and answering to clients' needs in a superior way than competitors, it can be argued that the search for a partner favors the management of subsidiaries in distant regions, geographically and/or culturally.

The Spanish service multinationals studied develop their operations in Europe, Latin America, the US, Africa and the Middle East. Of this set of markets, Spanish multinationals maintain a minimal distance with Europe (geographical distance) and Latin America (cultural distance). Given this, contrast media tests (comparison of means) have been developed for the levels of control over subsidiaries located in distinct geographical regions.

Table 12 shows the set of pairs that are obtained between the countries with less and greater distance (geographical and cultural). These results indicate that it does not exist a statistically significant

difference in the levels of control exerted by Spanish service multinationals according to the location of their subsidiaries. This analysis was developed for business services companies as well as for companies that offer professional services and those that offer other business services.

This can be explained by the services' own characteristics and by the effects of globalization. Business services companies, as a particularity, follow their clients to those foreign markets that their clients enter. And this client, as a result of globalization, has expectations and requirements that the services offered by its provider will be of similar quality regardless the location of delivery. Given this, service companies must establish similarly high levels of control in the different countries / regions where they are operating in order to satisfy the requirements of their clients.

Consequently, the service companies studied in general, and those of professional services and other services, would seek to maintain high levels of centralization by controlling their subsidiaries. This situation can be appreciated in comparing the averages of the control of the companies in professional services (84.15%)

and other services (81.77%), although a statistically significant difference is not observed (p -value = .444).

In short, he does not provide support to Hypothesis 3, that the degree of subsidiary control by Spanish service multinationals is greater in those regions with less geographical and/or cultural distance. These results differ from those found by other authors in

studies on the process of internationalization of manufacturing companies. One explanation is that the inherent complexity associated with studying a heterogeneous sector such as services requires researchers to investigate variables that go beyond those drawn from traditional empirical work on the manufacturing sector (Sanchez-Peinado et al., 2007).

Table 12. Comparison of means of the levels of control over subsidiaries by region

	Services Firms			Professional Services			Other Services		
	N	Mean	p-value	N	Mean	p-value	N	Mean	p-value
Europe	172	83.22	0.837	135	83.34	0.879	37	82.79	0.885
Latin America	160	83.78		131	83.80		29	83.68	
Europe	172	83.22	0.215	135	83.34	0.284	37	82.79	0.535
United States	30	89.77		27	89.56		3	91.67	
Europe	172	83.22	0.764	135	83.34	0.940	37	82.79	0.206
Africa	26	81.57		23	83.79		3	64.55	
Europe	172	83.22	0.581	135	83.34	0.988	37	82.79	0.239
Middle East	8	77.88		6	83.17		2	62.00	
Europe	172	83.22	0.484	135	83.34	0.506	37	82.79	NA
Asia	8	90.00		8	90.00		0	NA	
Latin America	160	83.78	0.183	131	83.80	0.221	29	83.68	0.604
United States	30	89.77		27	89.56		3	91.67	
Latin America	160	83.78	0.631	131	83.80	0.998	29	83.68	0.218
Africa	26	81.57		23	83.79		3	64.55	
Latin America	160	83.79	0.460	131	83.80	0.943	29	83.68	0.255
Middle East	8	77.88		6	83.17		2	62.00	
Latin America	160	83.78	0.437	131	83.80	0.425	29	83.68	NA
Asia	8	90.00		8	90.00		0	NA	

Source: By the authors with information from OEME database

It can be noted that the decision over the level of subsidiary control is quite similar in the different geographic regions in which the Spanish companies are present. Table 13 shows information over types of ownership for 401 foreign affiliates and subsidiaries. According to this information, in Latin America 88.7% of the Spanish service multinationals maintain levels of control over their subsidiaries superior to 50%. In Europe, this figure is 84.7%.

Likewise, in the new locations Spanish multinationals opt for maintaining high levels of control over the subsidiaries. In the emerging economies of Africa and Asia these levels are 92.3% and 87.5%, respectively. This figure is 90% for Spanish companies that decide to internationalize in the United States.

In addition to the previous analysis, it is possible to relate the levels of subsidiary control exerted by Spanish multinationals with the type of business service. The literature on international business indicates that a higher degree of customization would strengthen the probability of choosing full-control modes (Pla-Barber et al., 2010).

Considering this assumption, we could argue the existence of higher levels of control in the professional service firms, since they can only partially standardize the business process. It is because the clients of professional services firms have different requirements, problems and organizational characteristics. Then, the company must design a solution and service standardization is not viable.

This situation is not observed in the other business services, such as data processing, activities of placement agencies and temp work, facility services such as cleaning and private security, commercial information, call centers and other supporting services to businesses. In this type of services companies can formalize both service quality standards and services delivery processes.

Therefore, in the professional services their entry mode choices may be influenced more by strategic reasons than by traditional variables (especially those derived from an economic perspective). For example, in professional services the choice of entry mode may be related with the strategic positioning of the company or with characteristics of the market.

The use of high control modes in the professional services is even more relevant when the companies have difficulties and high costs involved in transferring tacit know how. In this situation the use of high control modes facilitates the intra-organizational transfer of tacit know how by relying on human capital.

Given this, a contrast of means was done on the levels of control of Spanish multinationals over their subsidiaries. On average the Spanish multinationals offering business services sector have 84.27% of control over their subsidiaries. If the companies are analyzed as a set, it can be noted that professional services have higher levels of control in the sub type “majority owned”, while they have lower levels of control in the “minority owned”.

In Table 14, it can be noted that professional service companies maintain higher levels of control over their subsidiaries in comparison with the other business services companies. These results are in line with the line of thought argued in the developing of hypotheses, but the conclusions are not statically significant. It can be noted that service companies do not present significant differences in the levels of control they have over subsidiaries in relation to the type of service. Then, the does not allow the confirmation of Hypothesis 4.

Table 13. Types of subsidiary control by Spanish service multinationals by region

	Minority Owned	Balanced Joint Venture	Majority Owned	Wholly Owned	Total
Europe	21 12.35%	5 2.94%	56 32.94%	88 51.76%	170 100.00%
Latin America	10 6.29%	8 5.03%	100 62.89%	41 25.79%	159 100.00%
United Stated	3 10%	0 0%	4 13.33%	23 76.67%	30 100.00%
Africa	1 3.85%	1 3.85%	16 61.54%	8 30.77%	26 100.00%
Asia	1 12.5%	0 0%	1 12.5%	6 75%	8 100.00%
Middle East	2 25%	0 0%	4 50%	2 25%	8 100.00%

Source: By the authors with information from OEME database

Table 14. Contrast of hypothesis for the levels of control of Spanish multinationals on their subsidiaries

		N	Mean	p-value
Average of Control	Professional Services	329	84.62%	0.535
	Other Services	74	82.74%	
Minority Owned	Professional Services	32	28.95%	0.371
	Other Services	6	34.39%	
Balanced Joint Ven- ture	Professional Services	10	50%	NA
	Other Services	5	50%	
Majority Owned	Professional Services	143	84.00%	0.930
	Other Services	39	83.76%	
Wholly Owned	Professional Services	144	100%	NA
	Other Services	24	100%	

Source: By the authors with information from OEME database

CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH

Internationalized companies constitute a key strategic group for the present and future of the Spanish economy, and for the international projection of Spain as a country in a globalized world (Mendoza & Vives, 2010).

Several companies in the service sector have shown high levels of success in recent years in their internationalization process (Rubalcaba and Maroto, 2008). This is because the internationalization process of Spanish companies acquired notable visibility because of the rapid internationalization of large firms, especially in the service sector (Durán 2006, Guillén, 2006).

Nevertheless, the knowledge of the profile and process of internationalization of Spanish companies offering business services is a phenomenon of which little is known (Rubalcaba & Maroto, 2008). This can be seen in the literature of international business, where it has been argued that knowledge of the internationalization process of businesses has been obtained by principally analyzing those firms that operate in the manufacturing sector.

The objective of this paper is to contribute to the literature on Spanish service multinationals and respond to two important questions that have been analyzed in the literature on international management, the “where” and the “how”. The decision of Spanish service multinationals on the location (where) is analyzed in relation to the regions

where their subsidiaries are found. Likewise, the decision of the Spanish service multinationals over their entry mode into different foreign markets (how) is analyzed in relation to the percentages of equity ownership of foreign affiliates and subsidiaries, that is, the degree of control exerted.

The findings of this paper provide support to Hypotheses 1 and 2, but not to Hypotheses 3 and 4. Although the analysis carried out is clearly exploratory in nature, it provides new insights on the location patterns and internationalization strategies of companies offering services to other business firms.

The resulting analysis indicates that Spanish multinationals in the service sector have a semi global focus in their international operations and are located principally in Europe and Latin America. Also, in recent times this kind of firm is internationalizing in regions that present market opportunities for the size of their economy (as is the case with the United States) and in emerging economies (as is the case with Africa).

Furthermore, we found that Spanish service multinationals exert high levels of subsidiary control. Likewise, we found that Spanish multinationals in the service sector do not present significant differences in the levels of control they have over subsidiaries in relation to the type of service.

Notwithstanding the merits of this research, it is possible to mention some limitations referring to the sample size and type of variables considered in the analysis. The sample size of 171 multinationals and 437 subsidiaries could be greater but isn't by reason of not having complete or trustworthy information in some cases. The information contained in the present study has been corroborated with publicly available information about the studied companies. Also, the number of variables used to analyze the decisions of "how" and "where" is scarce compared to the great complexity that these decisions imply for the businesses.

Despite the exposed limitations, the methodological design of the current investigation and the revision of the literature will allow an analysis of multinational companies in the service sector with valid and reliable results. Each hypothesis was formulated with respect to an analysis of the literature and the results obtained resemble those shown in other empirical studies.

In terms of future research, natural extensions of this paper refer to: 1) using more variables (e.g. different measures of distance, the existence of multinational clients, etc.); 2) carrying out a two-level

analysis, country and region; 3) enlarging the sample and looking at differences between different sub-sectors; 4) making an explicit comparison between manufacturing companies and service firms.

Further research opportunities would also be related to a deeper analysis of both parent company characteristics (e.g. size, growth rates, profitability, degree of diversification, etc.) and affiliates and subsidiaries' characteristics (e.g. size, growth rates, profitability, type of value-adding activities carried out) as well as analyzing both sets of characteristics (e.g. how does affect the internationalization process being part of a diversified parent company).

In conclusion, we can hold that the present research highlights, as have other empirical studies, how the service sector requires a special analysis in its process of internationalization, because it possesses characteristics different from those of the manufacturing sector. Furthermore, services are a key element in impelling competition of advanced economies like Spain, which are fundamentally based on the service sector (Rubalcaba and Maroto, 2007).

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