International Joint Venture characteristics in Spanish Companies: Uppsala model implications

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Abstract—This article analyses Spanish multinational firm internationalization process under the sequential theory, based on Uppsala and Root models. The objective is to contrast if international experience and cultural distance play an important role to internationalize business activities through international joint ventures. In addition, this paper analyses what kind of factors are important in international joint venture creation, management and control. Finally the paper explores an alternative sequential way in Root model, extending this model.

Index Terms—International Joint Venture, Uppsala model, Mahou-San Miguel, Ebro Foods.

I. INTRODUCTION

This paper presents a brief revision of internationalization process of Spanish companies based on sequential theory, which has a reference Uppsala Model. The paper is divided in two parts: the first one is a review of theory about background theory and International Joint Venture (IJV) concepts, while the second one analyse empirically data obtained from an original survey designed by the author.

The internationalization process is defined by all modes of entry that firms made in order to have presence within international markets establishing links with them since national markets, through a long process that requires implications and international projection [1]; it is an open and complex process of definition of international comprise grade adopted by firms. Therefore, it provides a wide variety of business alternatives as ways of mode of entry within international markets, which can be modified over time, as the company is redefining their relative levels of presence, commitment of resources, control and operational risk at the international level. In the last two decades, one of the main driving forces of the internationalization process of companies has been the globalization, which has eliminated the tariffs and barriers to the import and export, expanding markets, which has led up to now to compete in international markets.

II. THEORETICAL BACKGROUND OF INTERNATIONALIZATION BUSINESS PROCESS

The current wave of globalization that we are living is highlighting the fact that markets are changing from national to transnational. Trade barriers and borders have fallen and to the great development of the information and communication technologies any company will be able to compete in another country. This globalization wave is economical too, and it leads the current economical and financial crisis which is the largest in the history crossing borders, causing liquidity problems in many countries and companies.

The case of Spain is not a minor one and due to this great international exhibition in the field of business and economics and domestics deep problems, lives in a great crisis environment since 6 years ago, fact that seems be extended until the end of this decade. It is for this reason, and seeing that other countries show more positive economics traits, Spanish companies have the need to internationalize their activities in a third wave of economic openness.

Along academic history there have been different theoretical bases that have explained the internationalization process of companies, from the theory of internationalization trade documented by Adam Smith t the Global Born theory, going through the school of industrial organization, the theory of resources and capabilities, the models based on the location, theories of management and the approach of networks.

In addition to them we find a theories more than greater acceptance in the field of international management has had, the sequential theory, represented by the Uppsala School, which explains the international behavior of the company through a sequential model. This model focuses on describing its resources committed in the same [2]. The model of Uppsala School predicts that firms will increase gradually their resources committed in a particular country to be gaining experience in the activities carried out in this market. The internationalization process model can explain two patterns in the internationalization process of firms [3]. One of them is that the commitment of the company in a specific country evolves according to the establishment of the supply chain, from sporadic exports until the company decides to establish productive structure itself, doing as intermediate steps exports through independent representatives and trade branches. The second of the patterns that it gets is that firms enter successively to new countries with a psychological distance increasing, that is, companies show a preference for those
countries that are most similar to the origin country. The cultural distance is defined in generally as the series of factors that hinder the flow of information between the company and market, as the language, culture and political system [4].

Therefore firms begin their internationalization process in those markets that can be understood more easily, where the psychological distance is kept as low as possible.

Based on the Uppsala Model, other models have been developed having in common the acquisition of international experience as an explanation of a greater or lesser commitment of the company toward investment to be made. Among these we continue with the one that Root [5] develops claiming that firms will increasingly choosing the mode of entry that involves greater commitment and a greater degree of control over the international operations. The grade of international company commitment is defined by the role of each international subsidiary, by the level of the multinational corporate by the status of international organization and by the attitude of the executives or managers. In addition to the majority of firms the international commitment to them is a long path parallel to the increase of its international experience that is achieved after the step of a long period of time. The success in international markets will encourage the company to continue to invest in the same, committing more and more its resources and to achieve increasingly higher returns.

III. INTERNATIONAL JOINT VENTURES AND THEIR IMPLICATIONS

A. Definition of IJV

Joint Ventures can be defined as an integration of operations between two or more independent companies where conditions are: the joint venture is subject to the common control of the parent companies, which are not subject to a related control; each parent company makes a major contribution to the joint venture; a joint venture exists as an independent commercial enterprise with respect to their parents companies; and finally the joint venture creates an important company capacity and new, so it’s a new production capacity, new technology and new products, or a new entry into a new market.

Therefore the underlying with the joint venture idea is that several companies decide to join efforts in order to complement each other, and even losing some autonomy, achieve common goal that an individually each firm would be unattainable. The negotiation of joint venture has to be carried out by analyzing to the smallest detail, since an inadequate management will lead to failure. In addition, during the course of the negotiations, companies concerned must analyze, among others, the way to get the best results, if the contractual commitment will be for long term or short term, or the consequences of such operation among other things.

B. Cultural distance and the IJV concept

When we talk about cultural distance we need to review the literature to perceive that there have been two types of approaches to the revision of the concept. On the one hand, we have the geographic distance or geo-cultural distance [6] [7] which refer to the physical distance between the origin country of the investment and the country which received it as a factor that hinders business operations between two countries.

Its analogy with cultural distance in the strict sense (properly speaking) resides in the presumption in which as the geographical closeness increases between both countries, the choice of sharing same culture diminishes. Goodnow & Hansz [8] performed a research about the importance of the geo-cultural distance between both countries, defining this concept as “barriers created by the geographical separation, cultural disparities between both countries and communication problems resultant from difference in social perspectives, attitudes and languages”.

On the other hand, the concept of psychic distance also emerges as another distance to be taken into account [9] [10] which refers to the uncertainty degree that companies have to face in a foreign market as a result of cultural differences and other kinds of difficulties in business, constituting barriers for learning and the realization of business activities in international markets. In addition, Nordström y Vahline [11] added that there are “factors that prevent or alter the learning and the understanding of firms about international environment.

The assumption on which based when we speak about cultural distance and internationalization process of firm, based on greater culture distance between sender and receiver country of the investment, the company will opt for a more flexible mode of entry and that entail less risk than establishment of a subsidiary. Therefore, when companies internationalize to countries that are characterized by a high degree of risk, firms decide by modes of entry that allows them to become a time leave the country without suffering a substantial losses [12] [13], i.e. commit few minor possible resources to obtain a positive return on investment [14] [15] [16] [17] [18] [19].

With these considerations it is possible to conclude that companies that decide entry to countries with high risk degree will decide by international joint ventures the mode of entry via direct investment, assuming firms a lower cost and greater flexibility in operations [20], at the same time that reduce problems associated to political and social factors, as is the case of expropriations [12] [21] [22].

C. Considerations to take into account in IJV

In this kind of alliances, companies involved are from different countries with different cultures and institutions in very notable occasions, unique and individual challenges to
D. Partner selection

The ideal partner in an international joint venture is a firm with resources, capabilities, routines, knowledge and assets, which complement the resources that other company already has. While the international joint venture works in contractual terms, it is very important that the corporate cultures of both companies are similar, since the corporate culture are aligned as a basic pillar on which daily activities of the international joint venture and employee behaviors are developed.

There are many factors to consider when firm has to find a partner, each of them more or less important depending on the type of company, industry, goals and a long etcetera. However, in a general way the terms that have to be considered as common to the majority of cases are: culture, reputation, trust, values, goals, financial returns, size and collaborative experience. More specifically, once a decision has been taken in the search process for the ideal partner, is taking importance a series of other factors, which are still important to make a good selection, among which the financial solvency, management and direction styles, operational process, marketing plans, human resources strategy. Over last few decades many authors have studied these factors and it is possible to highlight the following ones: organizational symmetry [29] [30] [31] [32], trust [31] [33] [34] [35] [36] [37] [38], resources complementarities [30] [39], non firm competitors [29] [40], commitment to the fulfillment of the obligations [31] [35], corporate reputation [34] [41] and common goals [31] [32] [35] [36] [37] [38].

A poor partner selection process can lead to problems in the leaderships and management of the international joint venture that adversely affect future performance. The main difficulties that used to be appeared at the first moments are dissimilarity between corporate cultures of both organizations, so that special attention must be given to this organizational concept to select the partner. On the other hand, the day to day running of the firms also makes visible communication and control problems based on supranational company creation with disparity of approaches and modes to flow the information.

In order to avoid that they extend to the rest of the organization affecting performance or make it disappear, it must be designed formal and informal communication systems allowing establishing an adequate control and an effective and clear evaluation of goals. There are many other problems that hinder the management of the international joint venture and have effect on its future, it can be highlighted both the loss of strategic autonomy of each partner (in relation to the resources that each company provides) as the poor decision and resource’s coordination by partner, which can cause conflicts to emerge for the activity and goals of the international joint venture.

E. Control strategies

Over the last decades we can found plenty of studies about international joint venture control that can be summarized in three main lines of research. First of all, we find the concept of control from the shareholder point of view, as an indicator of the control of each partner [42] [43]; other studies focus on the operative control of international joint venture activities [44] [45]. Finally, the third line of research it is the basis of this paper and focuses of the strategic control, being Killing [25] and Schaan [45] the main promoters.

Killing argues from a decision-maker strategic point of view the existence of three different types of control: dominant, share and independent. At the first case, one of the partners has a dominant position over decision making and strategic control of the international joint venture, while the other one has a
“spectator” position. At the second case control refers both partner take part actively and substantially within strategic decisions activities, while the third and last kind of control is referred when the international joint venture itself has a power and enough autonomy to make decisions and have the control about its activities. To these kinds of controls, we have to include control called split added by Schaan, which reveals that each partner has the control exclusively over its resources and capabilities provided within the alliance.

On the other hand we can consider another tool of control that multinationals firms have: Expatriates. For many companies the most important factor they have is their employees. Economic theory has proven the importance of human capital both at firm level and in the economy as a whole. Therefore, this resource is crucial to achieve the international joint ventures goals through an efficient manage of human resources, aligning these policies with firm policies, values, culture and goals, where the human resources department play an important role.

The choice between an expatriate and a local manager has been treated under different points of view. According to resources and capabilities theory human as an intangible is an important key that company has to develop its core competence in based on it. Knowledge, training and experience of expatriates are some of arguments that justified the role of the expatriates worldwide, as well as theirs adaptation capacity, royalty and theirs interaction with other assets of the firms [46]. Therefore, according with this research line, the expatriate figure is increasingly used to transfer the capacities of the company where local employees are inadequate to develop specific activities in the most appropriate way. These competences include knowledge and specialized skills that key personnel must demonstrate in their professional activity.

F. IJV Performance

International Joint Ventures are characterized for their cultural and organizational crossing between two or more partners involved, which takes place beyond national borders of the direct investment sender, what entails an additional complexity and challenges in the management of this investment.

The firm that is becoming increasingly internationalized under this mode is faced with a culture, governmental structure and unknown market with strong differences with respect to its domestic market, which makes the success of the investment and its profits depend directly on the interdependence and interaction between partners. Previous studies have provided the importance of direct connection between fit, complementary of resources and capabilities and international joint venture performance. This inter-managerial adjustment depends on several factors as strategic symmetry [47], strategic alignment [48] [49], partner diversity [50], partner characteristics [51], complementary of resources and capabilities [52] [53] [54] [55] among others.

The factors for the success of the international joint venture management can be divided from a point of view between internal al external factors. For this research we will focus mainly on internal factors, those that depend directly on the relationship between partners that make up the international joint venture. We can find different authors that give an approach or the other ones to deal with these kinds of factors. For example, Lin and Germain [56] argue that the success of an operation of this type of direct investment depends among other factors for the daily activities and in the manner in which partner sort out daily conflicts and formulate strategies to achieve common goals. On the other hand, Litter, Leverick and Wilson [57] suggest that there are three types of factors that can affect the outcome of the international joint venture: (1) resource contributed by each partner; (2) administrative factors and (3) environment factors.

Summing up, in order that a International Joint Venture be successful there is no doubt that there must be a monetary benefit, and this will depend on the IJV get higher performance, affecting directly on the same consistency in goals between partners, the complementary of partners in terms of previous alliance experience, international knowledge, in terms of project management experience, in the field of management skills, human resources techniques and management and the quality of partners relationships with clients.

IV. PREVIOUS STUDIES AND HYPOTHESIS

H1: A greater cultural distance greater the chances for an election of international joint venture as mode of entry

Most of classic approaches in the literature of the internationalization of enterprises are based on the greater cultural distance between sender and receiver investment, increasingly uncertainty about the same, so it is preferred to select a more flexible investment [58] and a lesser degree of commitment [18], as it is the case of the international joint venture. On the other hand the less familiarity of the foreign market will enable this type of investment [59].

H2: Minor international experience the international joint venture is the best mode of entry via foreign direct investment

Root [5] argues through his sequential model the mode of entry to international countries depending on risk and control of the investment at the same time, that among all the possible forms of internationalization modes., being the international joint venture a direct investment that carries less risk and major flexibility. This increased risk may be based on a minor international experience and knowledge of different markets. For this reason, such as suggest Johanson and Wiedersheim-Paul [3] firms undertake more resources as they gain greater international experience.
H3: Find a trusted partner is the greatest challenge in establishing an international joint venture

Trust is defined as the mutual confidence under both partners in an alliance working without fear that the other one acts in exclusive favor their interest and with opportunistic behavior. It is very difficult because it achieved building trust in a partner relationship, with a firm that maybe you have never worked with. However there are a number of factors that have a positive impact to create a greater trust a priori over partners among them: reputation [12] [60] [61] [62], legitimacy [60], opening up to other previous partners [60] [63], strategic and operational abilities [64] [65], professionalism [66], social networks [67], previous alliance experience and ethic behavior [60] [63].

H4: The greater alignment of strategic goals will positively affect on international joint venture performance

The organizational adjustment between the partners depends on the alignment and congruence of the common goals. Shared interest by companies is a key factor for the success of an international joint venture [55] [68] [69]. On the other hand, Tomlinson & Willie [70] argue that goals congruency of both partner define the common interest alignment between both.

H5: There is a direct relationship between the complementary of resources provided by partners and the success of the international joint venture degree

Based on the theory of the resources [71] it is argued that resources contributed by both partner are critical to the investment success. The interdependence between partners in terms of resources, capabilities and organizational routines define the complementary of the partners [47]. Specifically, Hill & Hellriegel [54] argue that complementary just takes place when each partner brings different competencies that do not overlap with other partners’ competencies.

H6: Communication problems and organizational differences from the cultural point of view between partners are the two factors that have more negative affect within international joint venture management

Communication flows will be increasingly lower as the cultural distance is greater between the sender and receiver country of the direct foreign investment [72] [73], making the relationship between partners less communicative, increasing management problems and affecting negatively the final performance. On the other hand, Choi, Chen & Ho [74] and Shenkar [75] found higher rates of failure in the international joint ventures when business cultures are distant.

H7: International joint venture is characterized by one the partner exerts a dominant control over the other partner

A critical factor in the management of the international joint venture appears in the exercise of control exercised by each partner on the activities of the IJV [25] [45]. Insufficient and ineffective control can make that investment does not get the performance desired by the partner, as a consequence of the management and coordination limitation of that undertaking over alliance activities [15] [31] [76]. Therefore, the greater the control exercised by the company, this will get results pursued, at the same time protecting resources that contributes to the alliance of misuse of the other partner.

H8: If the cultural distance increases, the figure of the expatriate is the most important tool of management and control of the investment

Based on the study by Singh and Kogut [77] we can say that as the cultural distance between the country sender and receiver of the investment increases also the difficulty of managing people members of the international joint venture increases.

In the same way the difficulty of integrating systems of governance and management of the partners also increases. In turn, these cultural differences reduce the effectiveness of the control mechanisms based on the confidence [78], by which the figure of the expatriate acquires a key role as it invests in countries with a higher cultural distance.

V. METHODOLOGY

The population under study in this research consists on Spanish firms internationalized by foreign direct investment (FDI) via IJV in some occasions. The total number of Spanish firms with FDI is not available as it does not exist any consolidated database. In order to have an approximate number of firms we have revised the list of Spanish companies established in foreign countries provided by ICEX (International Trade Institute). Although this institution does not collect all companies with FDI, we have obtained a total of 2,750 firms from its registers. We sent a survey to all these firms. 166 companies have completed it in a proper manner and from this sample we have identified 104 companies that have been involved in at least one occasion on an international joint venture.

The sending of the questionnaire took place from the end of November 2013 until the beginning of March 2014, on three waves of shipments. The answered questionnaires were arriving since the beginning of December 2013 until the middle of March 2014; up to receive 166 surveys that we conducted this study. Once received the surveys they were store in Google Drive automatically creating a database ready for their further treatment making use of the SPSS statistical program.

The descriptive analysis constitutes the first level of examination and its functions are to establish which is the form of distribution of one or several variables with respect to the collective as a whole, how many quantities are distributed in natural categories or built to these variables, which is its magnitude expressed in the form of a synthesis of values,
which is the dispersion between the units of the set, and so on. Below we describe the results of the survey. We use comparative figures as a way to measure the importance of each answer provided from Likert scale questions.

Fig. 1. Main geographic scope of IJV for Spanish firms

Of the total of 104 companies 52.8% of them have in European Union the scope of geographical with the largest number of international joint ventures. Only 20.2% have the higher number of this mode of entry in Latin America, while 10.6% of the sample creates them in the Asia-Pacific region. With even lower a percentage there are 7 firms that have developed international joint venture mainly in the rest of Europe, 6 firms in Africa and only 3 firms in North America.

The first figure shows that the greater cultural distance the Spanish multinationals prefer the option to have a strategic ally and entry to international markets via international joint ventures (4.18). After this entry mode, firms prefer the merger and acquisition (3.52) probably because it carries a higher risk and financial outlay in comparison with the international joint venture. Opposite figures show us an inverse relationship between culture distance and organic business growth, as evidenced by the values obtained for the subsidiaries (2.48) and the investment Greenfield investment (2.23). The highest level of indifference is shown for the offshoring strategy option. This means cultural distance is a factor that does not have an effect on offshoring election as a mode of entrance, probably because in this kind of investment activities that are not the core business of the companies are also involved.

Fig. 2. Cultural distance impact on the entrance strategy

The major difficulties Spanish multinationals face when they choose the international joint venture as a direct investment are the incompatibility of business cultures (4.06) and finding a reliable partner (4.02). In addition, it also has a great importance to find a partner with the same goals of the company (3.80). The other factors are less important but also affect the success of the partnership: restriction of local government (3.53) and to find a partner of similar size (3.34).

Fig. 3. Cultural distance impact on the entrance strategy

At the time when companies have to manage the strategic alliance the main difficulty lies in the failure of the obligations on the partner part (4.26), although it is not the only one with relevance, because the incompatibility of styles of leadership (4.18) and the loss of business autonomy compared to the partner (4.04) have a high effect too. With a relative importance appear the lack of willingness of the partners to be more flexible (3.93), communication problems with the partner (3.81), lack of definition of the hierarchical post (3.76) and unforeseen changes in the environment (3.24).

Fig. 4. Difficulties in IJV management

The best way to control the opportunistic behavior in an international joint venture for the Spanish multinational companies is through dominant control strategy (4.36). Other ways of control are also considered important, but when comparing them to dominant control they do not have a significant weight: split control (3.56), shared control (3.34) and independent IJV (3.11) show high levels but lower results with respect to dominant control.

Fig. 5. Control strategies undertaken by Spanish firms
The data show that the complementary of resources contributed by each partner of the international joint venture obtains higher returns (4.17). On the other hand Spanish firms have higher performance via consensus on the operating culture, strategy and business policy (4.21); they also agree to that through the goal consistency between partners (4.15) are affected positively the returns of investment. The alignment of power of purchase/sale and management (3.72) affects positively to final gains of the alliance, although they have less weight in comparison with the other three factors.

![Fig. 6. Characteristics to obtain higher profits with the IJV](image)

The importance of the expatriate as a mechanism of control grows as the cultural distance increases between sender and receiver country of the investment, at the same firms commit more resources, such as in merger and acquisitions (4.37), Greenfield investment (4.35) and subsidiary (4.23). The importance of them in relation with cultural distance is not relevant when firms do international joint ventures (3.31) and offshoring (3.44)

![Fig. 7. Importance of the expatriate](image)

To contrast empirically the hypothesis regards with international experience and cultural distance has been chosen two binary logit models (p<0.05). The first one contains both variables, while the second one not.

In both models the dependent variable is the probability that Spanish multinational firms chose international joint venture as a mode of entry. The independent variables are the following ones: (1) international experience, (2) cultural distance, (3) the company participates to an exporter association, (4) firm size, (5) RDI Investment and (6) income.

This first model contains all the six independent variables commented previously.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient value</th>
<th>Significance (T test)</th>
</tr>
</thead>
<tbody>
<tr>
<td>International experience</td>
<td>0.087</td>
<td>0.295</td>
</tr>
<tr>
<td>Cultural distance</td>
<td>-17.406</td>
<td>0.998</td>
</tr>
<tr>
<td>Company participates in an exporter association</td>
<td>-0.398</td>
<td>0.789</td>
</tr>
<tr>
<td>Firm size</td>
<td>0.949</td>
<td>0.167</td>
</tr>
<tr>
<td>RDI investment</td>
<td>-0.172</td>
<td>0.615</td>
</tr>
<tr>
<td>Income</td>
<td>0.154</td>
<td>0.745</td>
</tr>
<tr>
<td>Constant</td>
<td>16.109</td>
<td>0.998</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration

As it can be seen by the model presented above, the international experience and cultural distance are not significant, meaning that they are not important when Spanish firms internationalize their activities thorough international joint ventures. This may be due to various reasons such as the sector that firms belong. For example, in the Spanish case, the companies belonging to the sectors of energy, hydrocarbons and construction have invested a great amount of resources in Latin America, but through partnerships with local companies due to large amount of resource required for each project or governmental restrictions on these strategic sectors.

These conditions force the realization of international joint venture in countries culturally closer than the rest of countries located to other geographical areas, altering the results. Another reason is the development of information and communication technologies, which enable better management and control of investment worldwide despite a greater geographical and cultural distance, reducing the risk associated with the geographical distance and doing that is increasingly decide by subsidiaries rather than by strategic alliances.

If we remove from the previous model international experience and cultural distance we can see that now the model is significant at the global level and that each of the variables included is statistically significant (p<0.05).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient value</th>
<th>Significance (T test)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company participates in an exporter association</td>
<td>1.788</td>
<td>0.003</td>
</tr>
<tr>
<td>Firm size</td>
<td>0.424</td>
<td>0.041</td>
</tr>
<tr>
<td>RDI investment</td>
<td>0.387</td>
<td>0.008</td>
</tr>
<tr>
<td>Income</td>
<td>0.419</td>
<td>0.014</td>
</tr>
<tr>
<td>Constant</td>
<td>-3.457</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration

Therefore a greater probability to do an international joint venture investment depends positively on the company participates in an exporter association, of a greater size of the company, greater investment in RDI and of a higher level of income. *International experience and cultural distance are not relevant variables in our sample.*
In a second level of study and analysis of the reality we have been carried out two business cases in order to be able to describe the reality of a most reliable way considering to each company as an “individual” with its own characteristics that make it different to the other.

The case studies are used for the creation of new models different from the existing ones or for improving the current one. The objective is to explain new business realities that can cause the impossibility of using methodologies based on the approach and contrast of the hypothesis on the basis of a theoretical framework. New conditions lead to the emergence of new methodologies that will generate new theories or complete those already existing, as will be discussed at the end. For them have been analyzed Mahou San Miguel (MSM) and Ebro Foods.

The psychological distance for both companies in this case does not play a very important role due to whose products are of great consumption and defendants in all the countries, satisfying primary needs (hunger and thirst). For MSM the best mode of entry for tackling the cultural distance in internal matters of the company such as the establishment of a productive plant is the development of a international joint venture, while Ebro Food international joint venture means the first step in a way to acquire an international company, learning about how partner works and taking knowledge about local markets.

In case of having a good corporate and commercial reputation in the international market, MSM contemplates the international joint venture in third place as a mode of entry, behind of the trade agreements and own subsidiary. On the other hand Ebro Foods shows a great flexibility choosing the mode of entry, depending on countries characteristics and competitors, showing a preference for the acquisition after international joint venture. As both companies are accumulating experience on international markets and knowledge about the country on which they want invest and transfer their RDI activities and tacit knowledge, MSM opts for the establishment of subsidiaries and in case of difficulties of such deployment, opts by international joint ventures.

However, Ebro Foods does not transfer its RDI activities to other countries, internationalizing only products depending on their life cycle in each international market. On the other hand, if the industry is characterized by the use of mature technology and standardized, Ebro Foods are hereby disclaimed by the Greenfield Investment while MSM chooses the International joint venture. In the case of MSM the possession and transfer of such assets do not affect the decision to internationalize their activities since the international joint venture is its most desirable way before another option (subsidiary, offshoring or merger and acquisition), while in the case of Ebro Foods by not transferring specific assets except their products does not affect the way of access to international markets.

Regarding to the management, performance and control of the international joint venture also show obvious difference. As has been pointed out previously, the internationalization process and growth of Ebro Foods is based on mergers and acquisitions prior learning stage through international joint venture implementation. In the case of MSM, on the grounds of market which are characterized by having very large companies that form clusters of very powerful companies, the best choice of the international joint venture or acquisition of SMEs are the first option, for financial reasons, being these same large companies the partners in the international joint venture. The international strategy of MSM is characterized by international joint ventures with international partners, preferably with firms that have collaborated in the past, in order to get know-how and previous international market experience. While Ebro Foods keeps the same positioning with regard to an exclusively international partner with large market share, knowledge and experience about the same.

Finally there is a consensus between the two companies about the characteristics that make successful international joint venture. A higher international joint venture performance depends on a large extent on the complementary of resources that contribute each partner, in the way that can be obtained in addition synergies productive, financial and commercial. In addition to the foregoing, partners must share the same values and have a similar entrepreneurial culture to gains of international joint venture increase a long-term. The relationship between the partners must be based on the assumption “win to win”, in which both obtaining benefits from the alliance.

On the control of the investment discrepancies increase between both, because MSM prefer the expatriate playing an important role as management and control tool greatly increase the cultural distance with the country where international joint venture is established, while Ebro Foods prefer national manager from its partner due to their familiarity with local market and customer behavior, having a financial control.

In what refers to the internationalization sequential process that have followed MSM and Ebro Foods, it is noted that both faithfully the model described by Root [5], but show a new internationalization path that shortens the process. If instead of making the whole process for every each country, they decide to make a merger or acquisition with a national company with international presence.

This operation short the internationalization process, taking its international experience to establish a own subsidiary more fast without use some kind of mode of entry like license, exports, franchise or even international joint ventures. Both sequential shown that MSM and Ebro Food carried out a merger or acquisition. Mahou takes international advantages of the learning process of San Miguel with several subsidiaries worldwide; meanwhile Ebro Food took the international advantage of learning process of Herba (a rice firm) with subsidiaries in Europe.
Fig. 8. Internationalization sequential process of Mahou San Miguel

Source: Author’s elaboration based on Root [5]

Fig. 9. Internationalization sequential process of Ebro Foods

Source: Author’s elaboration based on Root [5]

Fig. 10. Extended internationalization sequential process

Source: Author’s elaboration based on Root [5]
Therefore, analyzed in the first person both companies and with many others which have been made by the same process, we can say that the sequential model of Root [5] can us extend adding a new step and sequence in the internationalization process of firms. Starting from national market, firm merges or acquires to another national firm, operation characterized by a low risk and a high level of control, giving it an international experience and knowledge, taking this advantage to internationalize their activities faster than alone, shorten the time dedicate to get enough experience and knowledge about international markets to commit its resources through own commercial and manufacturing subsidiaries, as shown in figure 10.

VII. CONCLUSIONS

The results show international experience and cultural distance have not impact to joint ventures formation as mode of entry in Spanish multinational firms. It means that for Spanish multinational firms there are other important factors that have a higher effect on direct foreign investment decisions via joint ventures. Probably information and communication technologies and government restrictions in Latin America have a significant effect to decide if invest through subsidiaries instead of joint ventures. Although international experience and cultural distance are not important when Spanish multinational firms have to decide to implement an international joint venture, the logit models reveal that the probability to carry out an international joint venture investment depends positively on the company participation in an exporter association, the size of the company, the investment in R&D and also on the level of income.

When Spanish multinational firms are involved in joint venture processes the major difficulties they face are the incompatibility of business cultures and to find a reliable partner. At the time when companies have to manage the strategic alliance the main difficulty is the failure of the obligations on the partner part, although it is not the only one with relevance, because the incompatibility of styles of leadership and the loss of business autonomy compared to the partner have a high importance too. On the other hand, the best way to control the opportunistic behavior in an international joint venture for the Spanish multinational companies is through dominant control strategy. The importance of the expatriate as a mechanism of control grows as the cultural distance increases between sender and receiver country of the investment, at the same that firms commits more resources, such as in merger and acquisitions and subsidiaries, being the importance of them in relation with cultural distance is not relevant when firms are involved in international joint ventures.

Finally, thanks to both business cases (Mahou San Miguel and Ebro Foods) it is possible to observe a new and additional sequence into the internationalization process analyzed by Root [129]. It is observed that doing a national acquisition or merger of national firm with international experience and international market knowledge implies the time to implement a manufacturing subsidiary is shortened, involving in this sequence less risk and more control than if firm decide to begin the process with exports. This option depends on the financial resources that national firm has to acquire the other as well as resources complementary and synergies that both firms has, among others.

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