



ESSAYS ON THE INTERNATIONALISATION PROCESS OF SPANISH COMPANIES IN CHINA

Angels Niñerola Monserrat

ADVERTIMENT. L'accés als continguts d'aquesta tesi doctoral i la seva utilització ha de respectar els drets de la persona autora. Pot ser utilitzada per a consulta o estudi personal, així com en activitats o materials d'investigació i docència en els termes establerts a l'art. 32 del Text Refós de la Llei de Propietat Intel·lectual (RDL 1/1996). Per altres utilitzacions es requereix l'autorització prèvia i expressa de la persona autora. En qualsevol cas, en la utilització dels seus continguts caldrà indicar de forma clara el nom i cognoms de la persona autora i el títol de la tesi doctoral. No s'autoritza la seva reproducció o altres formes d'explotació efectuades amb finalitats de lucre ni la seva comunicació pública des d'un lloc aliè al servei TDX. Tampoc s'autoritza la presentació del seu contingut en una finestra o marc aliè a TDX (framing). Aquesta reserva de drets afecta tant als continguts de la tesi com als seus resums i índexs.

ADVERTENCIA. El acceso a los contenidos de esta tesis doctoral y su utilización debe respetar los derechos de la persona autora. Puede ser utilizada para consulta o estudio personal, así como en actividades o materiales de investigación y docencia en los términos establecidos en el art. 32 del Texto Refundido de la Ley de Propiedad Intelectual (RDL 1/1996). Para otros usos se requiere la autorización previa y expresa de la persona autora. En cualquier caso, en la utilización de sus contenidos se deberá indicar de forma clara el nombre y apellidos de la persona autora y el título de la tesis doctoral. No se autoriza su reproducción u otras formas de explotación efectuadas con fines lucrativos ni su comunicación pública desde un sitio ajeno al servicio TDR. Tampoco se autoriza la presentación de su contenido en una ventana o marco ajeno a TDR (framing). Esta reserva de derechos afecta tanto al contenido de la tesis como a sus resúmenes e índices.

WARNING. Access to the contents of this doctoral thesis and its use must respect the rights of the author. It can be used for reference or private study, as well as research and learning activities or materials in the terms established by the 32nd article of the Spanish Consolidated Copyright Act (RDL 1/1996). Express and previous authorization of the author is required for any other uses. In any case, when using its content, full name of the author and title of the thesis must be clearly indicated. Reproduction or other forms of for profit use or public communication from outside TDX service is not allowed. Presentation of its content in a window or frame external to TDX (framing) is not authorized either. These rights affect both the content of the thesis and its abstracts and indexes.

ANGELS NIÑEROLA MONSERRAT

**ESSAYS ON THE INTERNATIONALISATION
PROCESS OF SPANISH COMPANIES IN CHINA**

DOCTORAL THESIS

Ph.D Supervisors

MARIA VICTÒRIA SÁNCHEZ REBULL

ANA BEATRIZ HERNÁNDEZ LARA

Department of Business Management



UNIVERSITAT ROVIRA I VIRGILI

REUS, 2017

UNIVERSITAT ROVIRA I VIRGILI

ESSAYS ON THE INTERNATIONALISATION PROCESS OF SPANISH COMPANIES IN CHINA

Angels Niñerola Monserrat



UNIVERSITAT ROVIRA I VIRGILI

FAIG CONSTAR que aquest treball, titulat "Essays on the internationalisation process of Spanish Companies in China", que presenta Angels Niñerola Monserrat per a l'obtenció del títol de Doctor, ha estat realitzat sota la meva direcció al Departament de Gestió d'Empreses d'aquesta universitat.

HAGO CONSTAR que el presente trabajo, titulado "Essays on the internationalisation process of Spanish Companies in China", que presenta Angels Niñerola Monserrat para la obtención del título de Doctor, ha sido realizado bajo mi dirección en el Departamento de Gestión de Empresas de esta universidad.

I STATE that the present study, entitled "Essays on the internationalisation process of Spanish Companies in China", presented by Angels Niñerola Monserrat for the award of the degree of Doctor, has been carried out under my supervision at the Department of Business Management of this university.

Reus, 20 de febrer de 2017 / Reus, 20 de febrero de 2017 / Reus, February 20, 2017

El/s director/s de la tesi doctoral
El/los director/es de la tesis doctoral
Doctoral Thesis Supervisor/s

Dra. Maria Victòria Sánchez Rebull

Dra. Ana Beatriz Hernández Lara

A les persones més importants de la meua vida:

Núria, Clàudia i Luca

Acknowledgements

M'agradaria agrair-vos a totes i cadascuna de les persones que m'heu acompanyat durant aquest camí i que, d'una manera o altra heu ajudat a que jo sigui aquí avui, tancant una etapa, que tot i haver-se fet costa amunt en alguns moments, ara no puc deixar d'admetre que acomiadao amb nostàlgia.

Gràcies...

... a vosaltres, família, pel vostre suport incondicional al llarg d'aquests anys.

... especialment a tu, Núria, per la teva generositat i haver estat la primera en encoratjar-me i recolzar-me en aquest camí. Sense tu no hagués estat possible.

... a la Clàudia i el Luca, per ser el motor de la meva vida i omplir-me de felicitat.

... a les meves directores, la Dra. Maria Victòria Sánchez i la Dra. Ana Beatriz Hernández, pel vostre compromís i dedicació. Em sento afortunada d'haver tingut com a directores a dues professionals de la vostra categoria, tant acadèmica com personal.

... al Dr. Fernando Campa, per la teva ajuda en alguns punts d'aquest treball.

... a la Universitat Rovira i Virgili i a la Facultat d'Economia i Empresa, per facilitar-me la infraestructura necessària per la realització de la tesi.

... al Departament de Gestió d'Empreses, per haver-me concedit la beca predoctoral, així com per tota l'ajuda brindada al llarg d'aquests anys.

... a la facultat de Turisme d'Opatija (Croàcia), per haver-me acollit durant la realització de la meva estada internacional.

... als companys de l'àrea de comptabilitat, per la vostra ajuda en el desenvolupament de la meva tasca docent.

... als companys i amics, amb qui he compartit aquesta etapa, perquè sense vosaltres hagués estat una mica menys dolça.

... a la meva mare, per haver-me dedicat sempre tot el teu temps, segur que avui estaries orgullosa de mi.

A tots, moltes gràcies.

Essays on the internationalisation process of Spanish companies in China

Abstract

The aim of the present thesis was to identify the entry modes and barriers faced by Spanish companies in China, as well as their key investment success factors. To do so, data were collected by conducting interviews with the managers of Spanish companies that had direct investment in China and with their external advisors, as well as through questionnaires distributed among their top managers. This mixed methodology confirmed that a Wholly Foreign-Owned Enterprise was currently the main entry mode in China and the most important barriers faced were bureaucratic, cultural and related to human resources. When the success factors were considered, the top management team was shown to be a key element of the internationalisation process.

Resumen

El objetivo de la presente tesis es identificar las formas de entrada de la empresa española en China, las barreras que encuentran, así como los factores determinantes del éxito de su inversión en el exterior. Se utiliza una metodología mixta de análisis y métodos de recogida de datos. Por un lado se realizan entrevistas en profundidad con directivos de empresas españolas con inversión directa en China y con los asesores de éstas. Y por el otro se lleva a cabo un estudio cuantitativo relativo al equipo de alta dirección a través de cuestionarios. Como principales resultados encontramos que actualmente la principal forma de entrada en el país asiático es mediante una filial y que las barreras más importantes que tienen que afrontar son burocráticas, culturales y relacionadas con los recursos humanos. En cuanto a los factores de éxito, encontramos en el equipo directivo una de las claves del proceso de internacionalización.

Resum

L'objectiu de la present tesis es identificar les formes d'entrada de l'empresa espanyola a la Xina, les barreres que hi troben, així com els factors determinants de l'èxit de la seva inversió a l'exterior. S'utilitza una metodologia mixta d'anàlisi i mètodes de recollida de dades. Per un costat es realitzen entrevistes en profunditat amb directius d'empreses espanyoles amb inversió directa a la Xina y amb els assessors de les mateixes. I per l'altre, es du a terme un estudi quantitatiu relatiu a l'equip d'alta direcció a través de qüestionaris. Com a resultats principals trobem que a l'actualitat la filial es la principal forma d'entrada en aquest país asiàtic i les barreres més importants a les quals han de fer front són burocràtiques, culturals i relacionades amb els recursos humans. Relatiu als factors d'èxit, trobem en l'equip directiu una de les claus del procés de internacionalització.

Essays on the internationalisation process of Spanish companies in China

Table of contents

Acknowledgements	i
Abstracts	iii
Table of contents	v
List of tables	vii
List of figures	viii

INTRODUCTION

a. Justification and Scope of the Study.....	3
b. Research Questions.....	6
c. Thesis Structure	7
d. Research Strategy and Research Design.....	10

PART I – QUALITATIVE STUDY

CHAPTER I

Spanish Companies in China: Exploratory Analysis

I.1 Introduction.....	15
I.2 Literature Review on Entry Modes and Barriers.....	16
I.2.1 Entry Mode Choice.....	16
I.2.2 Entry Barriers.....	24
I.3 Qualitative Exploratory Study.....	28
I.4 Academic Outputs	32
Paper I. The experience of Meliá Hotels International in China: a case of internationalisation of a Spanish hotel group	33
Paper II. La empresa española en China: formas y barreras de entrada.....	39

CHAPTER II

Spanish Companies in China: An Overview of Management Consulting Firms

2.1 Introduction	65
2.2 Literature Review on Business Success Factors.....	67
2.3 Qualitative Exploratory Study	74
2.4 Academic Outputs.....	76
Paper III. An overview of the Management Consulting Firms of the Spanish company in China: company profile and success and failure factors	77
Paper IV. Entry modes and barriers to internationalisation in China: an overview of Management Consulting Firms.....	102

PART II – QUANTITATIVE STUDY

CHAPTER III

Spanish Companies in China: the Effects of TMT diversity

3.1 Introduction	123
3.2 Literature Review on the influence of the Top Management Teams on internationalisation	125
3.3 Quantitative Study.....	129
3.4 Academic Outputs.....	133
Paper V. The diversity of the TMT and the survival and success of international companies: the case of Spanish companies with FDI in China	134
Paper VI. The effects of TMT diversity on further business expansion: the case of Spanish companies with FDI in China	156

CONCLUSIONS

a. Discussion and Conclusions.....	193
b. Limitations and Suggestions for Future Research	198

REFERENCES	201
------------------	-----

APPENDIX.....	219
---------------	-----

List of tables

Table I. Statistics of Spanish foreign direct investment (in thousands of euros).....	5
Table II. Comparison between quantitative, mixed, and qualitative research.....	11
Table III. Entry mode choice theories.....	18
Table IV. Amount of foreign investment by type (number of projects).....	22
Table V. Determinant factors for entry mode choice.....	23
Table VI. Entry barriers studied in previously published literature.....	25
Table VII. Low context cultures and high context cultures in business.....	27
Table VIII. Sample characteristics (data from 2013).....	31
Table IX. Key factors for success in China.....	68
Table X. Management Consulting Firms' characteristics.....	75
Table XI. Theories used to explain the TMT influence on company performance.	125
Table XII. Independent sample tests.....	130

List of Figures

Figure I. Sequential design	12
Figure II. Entry mode choice model	17
Figure III. Entry mode classified by the entrant's level of control	18
Figure IV. Evolution of foreign investment by type (number of projects)	22
Figure V. Foreign investment by type (number of projects) as a percentage.....	22
Figure VI. Sampling techniques.....	29
Figure VII. Local partner attributes and joint venture success	71
Figure VIII. Guanxi in Chinese characters.....	72

INTRODUCTION

a. Justification and Scope of the Study

Welch and Luostarinen (1988) defined internationalisation as the process of a company's increasing involvement in international operations. In the current economic environment, many companies seek to expand their domestic market by looking for new customers and higher profits. Exporting constitutes quite an attractive way for companies to have a presence abroad, especially at an early stage, due to the low risk and the usefulness of checking the acceptance of their products in other markets. However, the potential benefits associated with physical implantation in a foreign country are even more attractive (Agarwal and Ramaswami, 1992; Johanson and Vahlne, 1977), although this strategy implies higher risks for companies. This dichotomy of internationalisation, whose effects are contradictory, is what makes this corporate strategy a relevant area of study in business research.

The international business literature has explained the internationalisation process of companies by using different approaches. From an economic perspective, the industrial organisation theory (Hymer, 1976), the internalisation theory (Anderson and Gatignon, 1986; Buckley and Casson, 1976) and the eclectic paradigm (Dunning, 1980, 1988) are based purely on the costs and economic benefits of internationalisation. The economic models proposed by these theories attempt to explain why companies internationalise and what is the optimal location of production operations in order to minimise costs. On the other hand, the organisational perspective considers the internationalisation of the company as a process of incremental learning, based on the accumulation of knowledge and increased resources committed to foreign markets. In this sense, the Uppsala model (Johanson and Vahlne, 1977) and the product life-cycle model (Vernon, 1966) are the best examples of this approach focused on the process rather than cost minimisation. Finally, more recent and dynamic theories from a network perspective have developed new ideas that consider the internationalisation process as a logical development of organisational and social networks for explaining the internationalisation of companies. This is because there are different and more varied elements involved in the internationalisation process, rather than just economic elements or aspects related to the experience or learning abroad (Johanson and Mattson, 1988).

This thesis focuses on China for several reasons. Firstly, for its importance as a receptor of foreign direct investment (FDI) (The World Bank, 2015a), which has enabled China at the moment to become the world's second largest economy in terms of GDP (Fung et al., 2004; Jiang et al., 2013; The World Bank, 2015b). Secondly, for its potential because,

although its growth is becoming smaller, it continues maintaining annual growth rates above 6% (The World Bank, 2015c). Thus, it remains a sought-after investment destination for numerous companies across the world seeking to take advantage of its market opportunities (Chen and Yeh, 2012). Spanish companies are not alien to this possibility and their presence in recent years has notably increased, according to the number of affiliates to the Spanish Chamber of Commerce in China (Moyano Vázquez, 2009). Thirdly, China is a non-traditional destination for Spanish companies, which have preferred to invest in closer regions such as Europe and South America for their cultural proximity (Johanson and Vahlne, 1977). In fact, Table I, which gathers data from Spanish FDI in the most recent 10 years for which there is information, shows that China is in nineteenth position (Gobierno de España, 2016).

As Table I indicates, the most popular destinations for Spanish companies, as discussed above, are nearby geographic areas, such as the United Kingdom, Netherlands, France or Italy, or culturally close countries, such as Mexico or Chile. There is also a strong tendency to invest in destinations that have historically received great investment through powerful domestic markets such as the United States (The World Bank, 2015a). It is also remarkable to note the strong Spanish investment in recent years towards Brazil, which is also one of the so-called emerging markets, like China, but it is not as different culturally as the Asian countries.

Therefore, China is an investment destination that attracts Spanish companies, according to the available data, but there is a lot less information concerning this country compared to other markets. For this reason, it is necessary to investigate the internationalisation process of Spanish companies that have already invested in China because they can provide their experience and the specific key factors used for successful investment.

Table I. Statistics of Spanish foreign direct investment (in thousands of euros)

	Total (10- years)	% 10- years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
United Kingdom	88,394,354	23.4%	31,486,692	30,039,674	5,140,305	3,126,698	6,849,656	4,118,605	210,450	1,886,601	1,730,067	3,805,606
Netherlands	42,694,340	11.3%	2,254,804	22,683,135	3,940,713	368,231	8,410,644	572,114	1,874,819	1,231,324	752,320	606,236
United States	41,971,845	11.1%	6,429,361	9,970,476	8,198,960	5,469,616	2,929,236	3,133,544	736,933	794,464	3,253,831	1,055,424
Brazil	24,567,600	6.5%	1,377,765	3,116,554	1,773,182	1,240,154	709,818	4,801,430	1,259,548	1,184,289	4,199,056	4,905,806
Mexico	19,366,975	5.1%	717,767	3,898,218	3,750,399	2,287,313	3,986,611	1,504,162	647,599	802,468	809,096	963,341
France	13,363,290	3.5%	5,210,130	2,937,352	1,174,333	510,675	315,426	351,862	1,765,301	133,091	66,867	898,252
Italy	12,701,161	3.4%	1,535,721	5,164,998	861,411	420,366	605,611	467,367	573,123	1,442,041	517,009	1,113,516
Germany	11,475,583	3.0%	1,033,071	3,160,949	264,665	111,377	114,874	1,232,231	577,195	4,122,499	37,630	821,093
Canada	10,599,123	2.8%	70,043	93,155	79,857	242,670	197,279	92,423	375,448	115,929	222,711	9,109,609
Chile	9,322,507	2.5%	147,304	186,152	144,012	120,273	55,431	685,571	2,365,547	272,472	4,569,242	776,504
Hungary	8,901,617	2.4%	1,190,319	7,299,143	96,124	142,178	22,940	48,378	6,752	7,387	80,648	7,749
Ireland	8,490,483	2.3%	183,323	96,953	11,987	476,560	1,096,940	292,910	1,081,553	519,477	4,725,801	4,980
Turkey	8,362,315	2.2%	195,494	1,069,258	1,102,237	230,090	258,122	4,591,529	302,851	499,762	87,627	25,345
Portugal	8,235,342	2.2%	2,120,550	846,447	1,634,911	631,358	901,249	356,358	309,710	342,320	749,953	342,486
Poland	6,743,802	1.8%	245,671	556,544	158,846	257,517	285,066	4,217,247	96,348	372,341	544,500	9,723
Peru	6,740,626	1.8%	4,239	109,997	417,734	163,625	187,665	88,755	346,011	4,839,618	384,370	198,612
Luxembourg	5,204,338	1.4%	260,955	639,567	404,606	319,003	372,399	495,978	407,834	1,927,743	266,312	109,940
China	4,169,146	1.1%	155,806	619,618	143,334	111,030	1,306,038	631,270	194,476	235,450	548,405	223,718
Belgium	3,540,195	0.9%	1,715,545	310,378	888,505	32,674	30,501	263,375	17,029	59,143	214,175	8,871
Total Spanish FDI	377,139,149	100%	60,996,603	98,500,555	37,813,326	20,101,072	30,930,943	30,795,835	16,258,391	24,072,035	29,699,744	27,970,645

Source: Datainvox (Gobierno de España, 2016)

b. Research Questions

The main objective of this thesis by compendium of publications is to contribute to the understanding of the internationalisation process of western companies in China through the study of Spanish companies with direct investment in the country. Due to the comprehension difficulty of the host country environment, as well as cultural and operational differences (Bontempi and Prodi, 2009; Yang and Lee, 2002), different approaches and methodologies were used to answer the research questions posed, as explained in the following sections.

This overall objective was divided into a number of questions representing sub-objectives that the study was designed to address:

Related to the entry mode choice:

- What is the entry mode chosen by Spanish companies to invest in China?
- What are the factors that influence this decision?
- Have the factors changed over time?
- Is it a sequential process?

Related to the entry barriers:

- What are the barriers that Spanish companies have to face to invest in China?
- Are the barriers different from those found in other more traditional markets?
- How can the barriers be overcome?

Related to the key success factors:

- What are the key success factors for investing in China?
- Are the key factors different from those found in investments in other markets?

c. Thesis Structure

As mentioned in the main objective of the thesis, this study addresses different aspects of the internationalisation process, and different points of view and methodologies were used to achieve this aim. It was expected that this would generate better quality information and achieve a more coherent, complete picture of the studied topic (Johnson et al., 2007; Kelle, 2006).

In addition, more than one literature review was compiled to cover the whole work and the same sample was not used throughout the thesis, since the study was made up of different publications to answer the different research sub-questions in order to understand the phenomenon better. In this sense, it is a polyhedral study, which addresses different dimensions of the topic, and different analysis units, points of view and methodologies jointly constitute the content of the two main parts of this doctoral thesis.

The first part corresponds to a qualitative exploratory study and it includes Chapters I and II, which used interviews as a method of data collection. The objective of this section of the thesis was to address the sub-objectives mentioned above, regarding the entry mode used by Spanish companies investing in China, the barriers they face and the key factors for success in this country. The difference between one chapter and the other lies in the analysis unit used. In Chapter I, a sample of Spanish companies with FDI in China is considered and it relies on their opinions to answer the specific research questions, whereas in Chapter II the point of view of their external advisors is studied.

In the second part, Chapter III contains a quantitative study based on questionnaires designed to obtain more information concerning one of the key success factors identified in the first study, namely, the top management team.

The following explains in more detail the contents of these three chapters that the thesis is divided into.

Chapter I contains the first part of the thesis topic and the results are presented in Section 1.4 of the same chapter. The first paper, entitled "*The experience of Meliá Hotels International in China: a case of internationalisation of a Spanish hotel group*", is a case study that shows the evolution of the main Spanish hotel chain in China. Meliá Hotels International was the first company from the Spanish hotel industry to undertake an internationalisation process towards China and its development in this country highlights the difficulty of investing in this large market. The second paper, entitled "*La empresa española en China: formas y barreras de entrada*", gathers together the experiences of fifteen

Spanish companies from different activity sectors with regard to their entry modes used in China and the barriers they have encountered in the country. In this regard, interviewees expressed the need for using external advisors due to the complexity of the procedures and the large differences compared to traditional destinations. This finding led to conducting a second qualitative study but this time by analysing the views of management consulting firms that were advising Spanish companies in China.

In Chapter II, six interviews were held with national and international management consulting firms that had Spanish clients in their portfolio. Altogether, these firms had been involved in more than 140 internationalisation processes, which gave them a good overview of the situation of Spanish companies in China. Therefore, the objective was to corroborate and extend the findings of the first two papers regarding the entry modes, barriers and key success factors in China. The third paper, entitled "*An overview of the Management Consulting Firms of the Spanish company in China: company profile and success and failure factors*", explores the opinion of the advisors regarding the relevant factors needed to succeed in China based on their experience in this Asian country. In the fourth paper, entitled "*Entry modes and barriers to internationalisation in China: an overview of Management Consulting Firms*", the advisors identify the main factors influencing the entry mode choice and they additionally provide advice concerning how to overcome the entry barriers in China.

As a result of these interviews with the people in charge of the internationalisation process and their external advisors, it was found that one of the key success factors stated by all of them was related to the top management team (TMT). The TMTs are responsible for decision-making at the organisational apex and, therefore, they have a great influence on the company strategy and its future. For this reason, it was decided to examine this key success factor by analysing its demographic characteristics and influence on various aspects of the internationalisation process. In Chapter III, the quantitative study of the thesis is presented and its objective was to analyse how the composition (diversity) of the TMT influenced business success in China. Data were collected through online questionnaires sent to a sample of Spanish companies that had direct investment in China in 2012. Therefore, the fifth paper, entitled "*The diversity of the TMT and the survival and success of international companies: the case of Spanish companies with FDI in China*", shows which demographic characteristics of the TMT positively or negatively affected company success and survival in China. Finally, the sixth paper, entitled "*The effects of TMT diversity on further business expansion: the case of Spanish companies with FDI in China*", aims to analyse the composition of the TMT and how it affects the decision to continue expanding in China by

accepting that if the company wants to continue investing in the country it is because its investment is being successful.

In the conclusion section, all the thesis findings included in each paper are summarised and any limitations and future research suggestions are highlighted.

It should be mentioned that the references included in the penultimate section refer to all citations included in the thesis with the exception of the results sections. The references in each section of the thesis are in each paper and they have their own format depending on the requirements of each journal that published the papers.

In addition, it was considered appropriate to add an appendix detailing the parts of the questionnaire used to collect the information for the study.

The following section is dedicated to explaining the research strategy and research design followed in the thesis before explaining the two parts into which it is divided. Thus, the methodological section of each chapter contains only the information related to the chapter itself.

d. Research Strategy and Research Design

This section details the methodological design of the thesis, as well as the epistemological approach taken to answer the research questions.

There has been a widespread debate in social sciences research concerning the best way to understand any phenomenon (Tashakkori and Teddlie, 1998). According to most authors, in the first place, researchers should specify their epistemological position in order to define “the way he/she sees the world or the reality” and adopt one analysis methodology or another (Guba and Lincoln, 1994; Saunders et al., 2009). Normally, the positivist paradigm is associated with quantitative research where the researcher is external to the research and he/she understands that the world is also external and objective. On the other hand, the constructivist paradigm is associated with qualitative research, and the researcher is part of what he/she observes, therefore, the world is subjectively understood. Despite the fact that some authors, such as Guba and Lincoln (1989), argue that the theoretical assumptions underlying these two approaches are irreconcilable and, therefore, have to be entirely separate because they constitute alternative views of the world, other authors, such as Morgan (2007), suggest eliminating the epistemological role which would provide the freedom to use both. Pragmatism is the alternative approach, which is grounded on the notion of ‘what works’ and fits the research purpose. Reichardt and Cook (1979) and most of the noted contributors to their book “Qualitative and Quantitative Methods in Evaluation Research” conclude that both are required for comprehensive evaluation and that it is possible to subscribe to the philosophy of one approach and employ the methods of another based on the philosophy of pragmatism.

Table II describes the main characteristics of the three major research paradigms in social and behavioural sciences (Johnson et al., 2007).

This thesis uses the pragmatic approach founded by American philosophers Charles Pierce (1839–1914), William James (1842–1910) and John Dewey (1859– 1952) because the nature of the research presented suggested the use of mixed methods.

In agreement with Antwi and Hamza (2015), Johnson et al. (2007) and Reichardt and Cook (1979), a combination of qualitative and quantitative methods can be useful for a better understanding of the topic by obtaining greater in-depth information and achieving a more coherent and complete picture of the data generated (Kelle, 2006)

Table II. Comparison between quantitative, mixed, and qualitative research

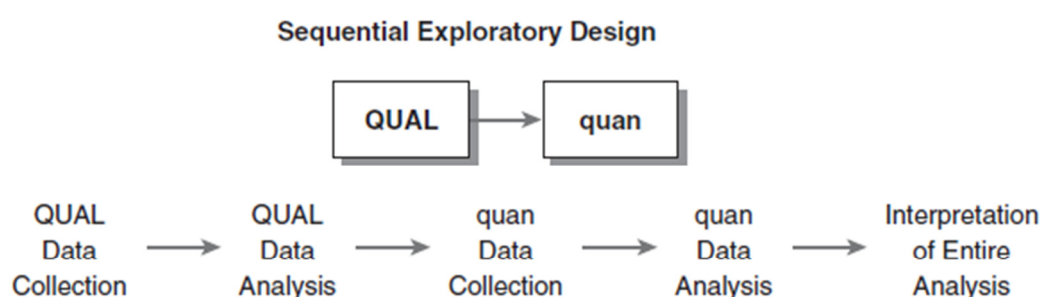
	Quantitative research	Mixed research	Qualitative research
Philosophical assumptions	Positivism	Pragmatism	Constructivism
Scientific method	Confirmatory or “top down” (the researcher tests hypotheses and theory with data)	Confirmatory and exploratory	Exploratory or “bottom-up” (the researcher constructs knowledge, hypotheses, and grounded theory from data collected during fieldwork)
Ontology (researcher’s view of the nature of reality or being)	Objective, material, structural, agreed-upon	Pluralism; appreciation of objective, subjective, and intersubjective realities and their interrelations	Subjective, mental, personal, and constructed
Epistemology (researcher’s view regarding what constitutes acceptable knowledge)	Scientific realism; search for truth; justification by empirical confirmation of hypotheses; universal scientific standards	Dialectical pragmatism; pragmatic justification (what works for whom in specific contexts); mixture of universal and community-specific needs-based standards	Relativism; individual and group justification; varying standards
View of human thought and behaviour	Regular and predictable	Dynamic, complex, and partially predictable – multiple influences	Situational, social, contextual, personal, and unpredictable
Most common research objectives	Quantitative/numerical description, causal explanation and prediction	Multiple objectives; provide complex and fuller explanation and understanding	Qualitative/subjective description, empathetic understanding, and exploration
Nature of observation	Study behaviour under controlled conditions; isolate and causal effect of single variables	Study multiple contexts, perspectives, or conditions; study multiple factors as they operate together	Study groups and individuals in natural settings; attempt to understand insiders’ views, meanings, and perspectives.
Nature of data	Variables	Mixture of variables, words, categories, and images	Words, images, categories
Data collection techniques most often used	Highly structured, large samples, measurement, quantitative, but can use qualitative	Mixed or multiple method designs, quantitative and qualitative	Small samples, in-depth investigations, qualitative
Data analysis	Identify statistical relationships among variables	Quantitative and qualitative analysis used separately and in combination	Use descriptive data; search for patterns, themes, and holistic features; and appreciate difference/variation
Results	Generalisable findings providing representation of objective outsider viewpoint of population	Provision of “subjective insider” and “objective outsider” viewpoints; presentation and integration of multiple dimensions and perspectives	Particularistic findings; provision of insider viewpoints

Source: adapted from Johnson and Christensen (2014) and Saunders et al. (2009)

Therefore, to address the questions mentioned in the last section, a mixed methodology of analysis and data collection was used.

The research design was sequential and exploratory (Creswell et al., 2003) because qualitative data was gathered and analysed first in order to obtain an overview of the topic. Second, quantitative research was conducted using the data provided from the qualitative section (Figure 1). This approach was necessary because there was very little previous information available for Spanish companies in China, since it is a relatively new destination for them.

Figure 1. Sequential design



Source: Creswell et al. (2003)

In short, this overall perspective allowed, on the one hand, the qualitative approach to be used in order to better understand what was happening in China regarding the particular case of Spanish companies, which was the context of the study. On the other hand, causal relationships were tested and established for one of the factors considered as a key success factor by the participants in the qualitative section.

PART I – QUALITATIVE STUDY

CHAPTER I

Spanish Companies in China: Exploratory Analysis

1.1 Introduction

This first chapter of the thesis has a qualitative and exploratory character. It is related to the entry modes and entry barriers that Spanish companies use in China and the factors that have to be taken into account in order to carry out investment.

First, a case study was conducted where the relevant factors for successful investment were identified through the experience of a Spanish hotel chain in the Chinese market. By performing two interviews at different moments of time with the company's vice president of business development, the evolution of the Spanish hotel chain was observed and its experience with nine key success factors to take into account in China was summarised. Second, the company indicated the entry procedure it used in order to obtain faster growth and increased market presence, and also identified the barriers found in its internationalisation process towards this Asian country. Paper I, entitled "*The experience of Meliá Hotels International in China: a case of internationalisation of a Spanish hotel group*", was published in 2016 in the *European Journal of Tourism Research International*, vol. 12, pp. 191-196 (the journal is indexed in Scopus and Thomson Reuters' Emerging Sources Citation Index, among others). The paper was also presented at the 4th International Conference on Tourism between China-Spain held in Mataró (Spain) in 2014.

Following the exploratory study, more interviews were conducted with companies from other sectors with FDI in China to see if the entry procedure and barriers differed from those defined by the hotel chain. Paper II, entitled "*La empresa española en China: Formas y barreras de entrada*" was published in 2016 in *Intangible Capital*, vol. 12, no 1, pp. 223-245 (the journal is indexed in Scopus and Thomson Reuters' Emerging Sources Citation Index, among others). The paper was also presented at the Catalan Congress of Accounting and Management, VI ACCID Congress, held in Barcelona (Spain) in 2015.

Consequently, this chapter is divided into several different parts. The literature review on determinants of the entry mode in a foreign market is detailed in Section 1.2, whereas Section 1.3 is dedicated to explaining the methodology and sample used in the chapter. Finally, the aforementioned papers are presented in the last section (1.4).

1.2 Literature Review on Entry Modes and Barriers

The literature review of this first chapter corresponds to the entry mode chosen by companies to invest in a foreign market. The review was divided into two sections. First, the different entry types that can be chosen for investing abroad were considered together with how the previous published literature has referred to this crucial decision for investment success. Second, the entry barriers were analysed as a determinant and influencing aspect for choosing one entry mode or another.

1.2.1 Entry Mode Choice

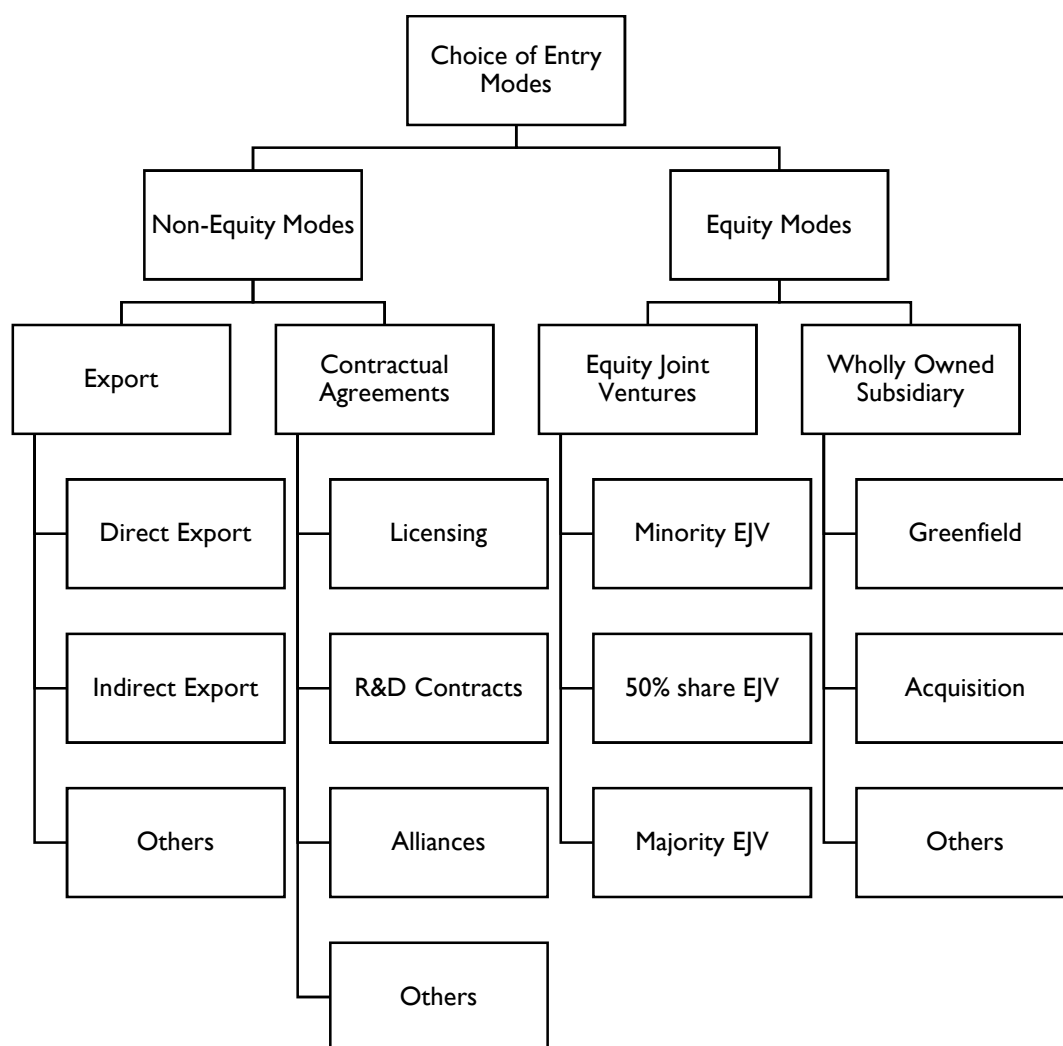
Internationalisation and entry modes have always had strong ties in the international business literature (Brouthers and Hennart, 2007; Malhotra et al., 2003; Quer et al., 2007). Companies that decide to set up in a foreign country have to face a critical decision to start with: the choice of the entry mode (Root, 1994). The entry mode is the institutional arrangement for performing a business function in the foreign market (Anderson and Gatignon, 1986). Essentially, entry modes are classified into two types based on the ownership structure: equity modes and non-equity modes (Figure II).

Each mode has an impact on company performance because it implies a different degree of commitment and risk (Brouthers and Brouthers, 2003; Hill et al., 1990).

Concerning non-equity entry modes, export is the easiest form of internationalisation. It simply consists of selling products in other countries, therefore, the associated risks are low, but the degree of control over them is also low. This strategy allows, among other benefits, the acceptance of the products abroad to be checked and experience to be gained in these foreign markets. On the contrary, it carries a high cost associated with logistics and customs.

In contractual agreements, classified as medium or low-control modes according to the classification of Anderson and Gatignon (1986) (Figure III), the company transfers some protected knowledge to the (partner) company of the host country in exchange for certain compensation. The difficulty lies in finding and monitoring the partner.

Figure II. Entry mode choice model



Source: Pan and Tse (2000)

Equity modes provide higher control over operational and strategic decisions, but they represent more risky investments because they require higher resource commitment (Figure III). For this reason, the strategic business literature focuses mainly on these entry modes (Chen and Chang, 2011; Chiao et al., 2010; Chun, 2009; Morschett et al., 2010; Parola et al., 2013) and this study therefore uses the same approach. Within this category, there are two options depending on whether the company makes the investment with a partner or not (i.e. whether there is full control or shared control).

Figure III. Entry mode classified by the entrant's level of control

High-Control Modes: Dominant Equity Interest	
Wholly-Owned Subsidiary Dominant shareholder (many partners) Dominant shareholder (few partners) Dominant shareholder (one partner)	
Medium-Control Modes: Balanced Interests	
Plurality shareholder (many partners) Plurality shareholder (few partners) Equal partner (50/50) Contractual joint venture Contract management Restrictive exclusive contract (e.g. distribution agreement, license) Franchise Non-exclusive restrictive contract Exclusive non-restrictive contract	
Low-Control Modes: Diffused Interests	
Non-exclusive restrictive contract (e.g. intensive distribution) Small shareholder (many partners) Small shareholder (few partners) Small shareholder (one partner)	

Source: Anderson and Gatignon (1986)

Previous studies have used a large number of theories to explain the entry mode choice decision by considering factors related to resources, efficiency, risk and location (Datta et al., 2002). The most important theories are summarised in Table III.

Table III. Entry mode choice theories

Theory	Foundations	Main Authors
Transaction Cost Theory (TCT)	The basic rationale behind TCT is that firms need to use the institutional structure that will minimise costs and inefficiencies associated with entering and operating in the foreign market.	Anderson and Gatignon (1986); Williamson (1985, 1981)
Resource-based view	The resources and capabilities of the firm are the unique drivers of the strategy. Companies must choose the entry mode that best exploits its resources but without losing its uniqueness.	Barney (1991)
Institutional Theory	Focuses on the relationship the organisation has with its surrounding environment. Host country institutional environment and internal institutional environment determine the entry mode choice.	Scott (1995)
Dunning's eclectic framework	Based on the notion that entry mode choice consists of three factors: ownership, location, and internalisation.	Dunning (1980, 1988)

Market imperfections theory	Internationalisation serves to exploit a company's advantages in foreign markets. The entry mode is driven by the nature of the advantage.	Hymer (1976); Kindleberger (1969)
Internalisation theory	This theory says that the greater the danger of the firm losing its specific knowledge, the higher the incentive for it to internalise transactions.	Buckley and Casson (1976)
Internationalisation theory	Internationalisation is time dependent and incremental. Therefore, companies will change their entry mode, involving more resources and increasing control and risk.	Johanson and Vahlne, (1977); Johanson and Wiedersheim-Paul (1975)

Source: Own elaboration

Despite all these theories, according to the highly cited review compiled by Brouthers and Hennart (2007), 90% of the publications reviewed applied transaction cost, resource-based view, institutional theory, or Dunning's eclectic framework. In addition, it is noteworthy that only the TCT appeared in more than half of these articles. This theory of cost minimisation is also the most used if the review of Canabal and White (2008) concerning the past and future of entry mode research is considered. Therefore, TCT has served as the overriding perspective for theorising entry mode choice (Zhao et al., 2004) and it is the theoretical framework used in this thesis when referring to entry mode choice.

Williamson (1981) developed the Transaction Cost Theory, which sought to minimise transaction costs arising from exchanges occurring in the economic system. Therefore, the basic premise of this theory is that the governing structure that a firm chooses is driven by the desire to minimise these costs (Williamson, 1985). The foundations of this theory are based on the concept introduced by Ronald Coase in his article entitled "The Nature of the Firm" (Coase, 1937). This author pointed out that company and market are alternative methods of organising production, and he identified transaction costs as the centre of analysis. These costs are those that companies incur when, instead of using their own internal resources, they go to market to acquire such products and services.

The fundamental behavioural assumptions underlying the TCT are bounded rationality and opportunism (Williamson, 1985). Opportunism is a term described by this author as "self-seeking interest for guile", and it is used to describe the advantage that another person will have if you do not use safeguards. Bounded rationality refers to the asymmetric information leading to costs in collaborating. The company is not always able to make the correct decision because it does not have all the information concerning a transaction. On the other hand, asset specificity and uncertainty are transaction characteristics proposed in the TCT as factors influencing these behavioural assumptions (Williamson, 1985).

Under this approach, Anderson and Gatignon (1986) developed the TCT framework within the entry mode choice, arguing that there was a trade-off between the resource commitment and the control decision. They proposed a number of factors that determined the optimal entry mode choice, which are positively associated with the entrant's degree of control and are listed below:

- **Asset specificity:** investments (physical and human) that are specialised to one or a few users or uses.
- **External uncertainty:** the unpredictability of the entrant's external environment.
- **Internal uncertainty:** the entrant's inability to determine its agents' performance by observing output measurements.
- **Free-riding potential:** the agents' ability to receive benefits without bearing associated costs.

Given an efficient market, market pressure minimises the need for control, therefore, in this case, low-control modes (less costly) are preferable as exports because competitive pressures force the external partner to meet its contractual obligations. However, when the market mechanism fails, high control modes are more desirable. Since an efficient market is a utopia, and because of the behavioural assumptions described by the TCT, this theory predicts high control entry modes for preserving a company's competitiveness confronted with hazards (Anderson and Gatignon, 1986).

The thesis focuses on FDI towards China, and this country has had some restrictions that have led, in some cases, to the entry mode choice responding to not entirely rational decisions. Since its economic reform began in late 1978, types of ownership, such as contractual joint ventures (CJV), were introduced as an initial entry method to allow foreign participation in the economy while limiting foreign control of companies, but they have since dwindled to insignificance (Table IV). Therefore, it has not always been possible to make an investment with 100% ownership wholly-foreign-owned enterprises (WFOE) in China (referred to as a wholly-owned subsidiary in other countries and in the business literature). Currently, although most sectors have been deregulated in terms of ownership structure, there are still some that require the presence of a local partner so the investment can be undertaken through an equity joint venture (EJV). In this sense, the catalogue for the guidance of foreign investment industries (China Ministry of Commerce, 2015) gathers together the industries restricted (foreigners may not own more than a certain percentage of a company) or prohibited for foreign companies. The catalogue is updated every few years and comparing the 2011 catalogue with the latest catalogue

(2015), it was seen that there are now fewer restrictions. For example, the items covered under restricted industries have been reduced from 79 to 38.

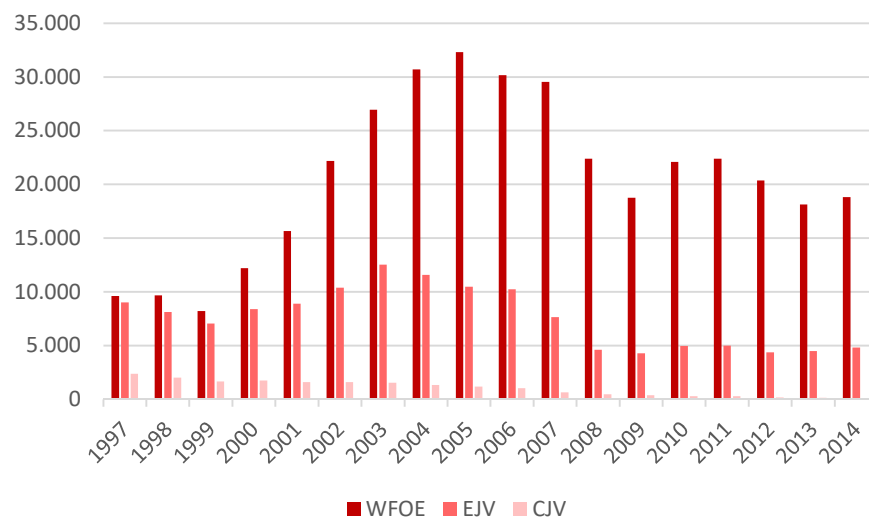
As shown in Figures IV and V, in the early 2000s, foreign investments increased greatly in China, partly because of its entry into the World Trade Organisation (WTO) in 2001. However, while wholly-foreign-owned enterprises became the dominant form of inward FDI in China, there has been a slight revival of equity joint ventures.

Table IV. Amount of foreign investment by type (number of projects)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
WFOE	9,602	9,673	8,201	12,196	15,643	22,173	26,943	30,708	32,308	30,164	29,543	22,396	18,741	22,085	22,388	20,352	18,125	18,809
EJV	9,001	8,107	7,050	8,378	8,893	10,380	12,521	11,570	10,480	10,223	7,649	4,612	4,283	4,970	5,005	4,355	4,476	4,824
CJV	2,373	2,003	1,656	1,757	1,589	1,595	1,547	1,343	1,166	1,036	641	468	390	300	284	166	142	104
Total FDI	20,976	19,783	16,907	22,331	26,125	34,148	41,011	43,621	43,954	41,423	37,833	27,476	23,414	27,355	27,677	24,873	22,743	23,737

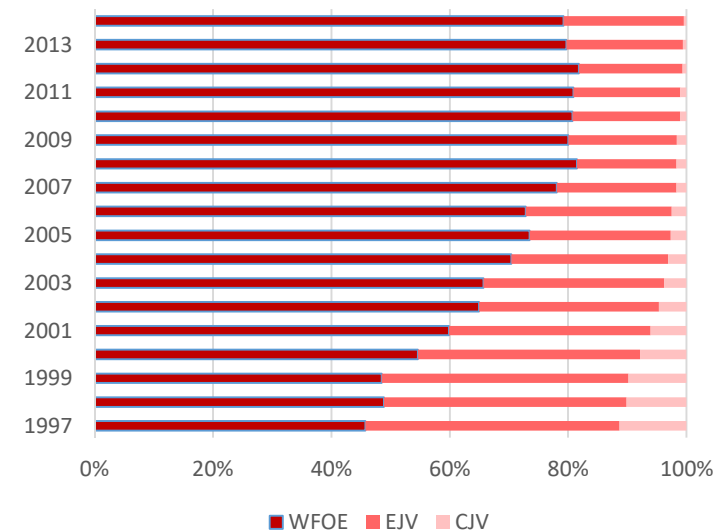
Source: National Bureau of Statistics of China (2015)

Figure IV. Evolution of foreign investment by type (number of projects)



Source: Own elaboration based on the National Bureau of Statistics of China (2015)

Figure V. Foreign investment by type (number of projects) as a percentage



However, what makes a company decide to invest with a partner or, on the contrary, undertake the process alone? Many authors have asked this question previously and several classifications have been proposed as determinant factors for the entry mode choice.

Table V. Determinant factors for entry mode choice

	(Pan and Tse, 2000)	(Luo, 2001)	(Bontempi and Prodi, 2009)	(Parola et al., 2013)	
External Factors	Host country factors	<ul style="list-style-type: none"> ▪ Location ▪ Country risk 	<ul style="list-style-type: none"> ▪ Government intervention ▪ Environmental uncertainty ▪ Property rights system 	<ul style="list-style-type: none"> ▪ Institutional factor (legal restrictions) ▪ Location ▪ Country risk 	<ul style="list-style-type: none"> ▪ Regulatory quality ▪ Infrastructural endowment ▪ International investment openness ▪ Market size ▪ Market potential ▪ Market concentration ▪ Availability of partners
	Home country factors	<ul style="list-style-type: none"> ▪ Power distance ▪ Uncertainty avoidance 			<ul style="list-style-type: none"> ▪ Market size ▪ Market concentration
	Home and host factors	<ul style="list-style-type: none"> ▪ Trade volume ▪ Length of diplomatic tie 		<ul style="list-style-type: none"> ▪ Cultural gap 	
	Industry factors	<ul style="list-style-type: none"> ▪ Advertising intensity ▪ Assets turnover 	<ul style="list-style-type: none"> ▪ Sales growth ▪ Assets intensity ▪ Growth of number of firms 	<ul style="list-style-type: none"> ▪ Profitability 	
	Internal Factors	Firms and product factors		<ul style="list-style-type: none"> ▪ Knowledge protection ▪ Global integration ▪ Host experience 	<ul style="list-style-type: none"> ▪ Innovation ▪ Specificity ▪ Company size ▪ International experience
Project factors			<ul style="list-style-type: none"> ▪ Project orientation ▪ Project size ▪ Project location 		
Cross-Cultural Factors					<ul style="list-style-type: none"> ▪ Cultural proximity ▪ Language affinity

Source: Own elaboration

As can be seen in Table V, the determinant factors can be grouped mainly into two categories, whether they are external or internal to the company. Moreover, Parola et al. (2013) included the cross-cultural dimension as a transverse factor between internal and external factors. Factors related to the host country, such as country risk, legal and

political uncertainty, and the location of activities are some of the most studied factors within the external factors when choosing the entry mode (Edwards and Buckley, 1998; Laufs and Schwens, 2014; Quer et al., 2012; Tse et al., 1997). On the other hand, within the internal factors, international experience appears in all classifications as a determinant of ownership structure abroad. In general, it has been found that greater international experience leads to investing with subsidiaries to the detriment of JV in order to have greater control (Chiao et al., 2010; Datta et al., 2002; Pinho, 2007).

Although the determinants of the entry mode choice were differently named or labelled in the above classifications from previously published research, they contained the same idea. All the factors could potentially influence the degree of control that the company wishes to have over foreign investment and, therefore, they will determine its ownership structure. Therefore, underlining the idea behind the TCT, companies will choose between JV and WFOE by minimising the transaction cost of operating in the foreign market considering the factors listed in Table V.

These determinants can be included in one of the four major TCT categories. Factors such as innovation or asset intensity will be related to asset specificity; country risk or legal restrictions to external uncertainty; international experience or cultural gap to internal uncertainty; and the property rights system or regulatory quality to the free-riding potential.

In the output section of this chapter and the next chapter, which of these factors determine the entry mode choice of the Spanish companies in China is analysed.

1.2.2 Entry Barriers

Entry barriers refer to obstacles preventing new firms from engaging in production or sale of products or services (Porter, 1979). These barriers represent disadvantages that entrants face, and they decrease the likelihood and speed with which potential competitors can enter markets (Shepherd, 1979).

There is a large body of literature that has analysed the entry barriers and it distinguishes basically between structural and strategic barriers (Bain, 1956; Karakaya and Stahl, 1989; Porter, 1979; Singh et al., 1998; Yip, 1982).

Structural barriers are characteristics or conditions of the sector or industry (natural barriers) that cause asymmetries in favour of companies already installed in the market in relation to new ones. As can be seen in Table VI, barriers such as access to distribution or

knowledge or skilled labour are structural. Existing companies in the market agglutinate these resources and the new ones have difficult access that discourages them to enter.

On the other hand, strategic barriers are those created by the companies already installed in the sector to prevent new companies from entering. There are certain strategic behaviours that existing companies can adopt in order to avoid competitors, as stated in Table VI. For example, they can limit pricing by selling at a low price that would be enough to make it unprofitable for another company to enter the market.

Table VI. Entry barriers studied in previously published literature.

Type of barrier	Barrier to entry
Structural	Access to distribution/selling expenses
	Access to knowledge/skilled labour/patents/technological change
	Advertising
	Capital requirements
	Sales volume
	Cost disadvantages or experience disadvantages of newcomers
	Cost of capital/special risk and uncertainties
	Customers switching costs
	Differentiation
	Economies of scale
	Government regulations – licences and polices
	Financial risk/sunk costs/asset specificity
	Strategic
Masking profit/gaps and asymmetric information	
Retaliation	
Collusion	
Excess capacity	
Securing input/control over strategic resources/location/vertical integration	
Strategic behaviour advertising/brand name/loyalty	
Strategic behaviour differentiation/packing the product space	
Strategic behaviour distribution channels	
Strategic behaviour knowledge/pre-emptive patents	
Strategic behaviour R&D	

Source: Lutz et al. (2010)

In this thesis, previous studies related to internationalisation were analysed and the focus was specifically on the context of emerging markets because the entry barriers in these markets could be different (Yaprak, 2012).

According to Hutchinson et al. (2009), companies need to face internal and external barriers to internationalise. On the one hand, they identified some internal barriers that companies have to cope with, such as lack of management vision, lack of management market knowledge, loss of management control, lack of consolidation in the home market, transferability of the concept overseas, and lack of resources. On the other hand, cultural differences, legislation, currency, logistics and government support were catalogued as external barriers. Terjesen et al. (2008) also found that lack of firm resources and logistics (access to key infrastructure) were high entry barriers when companies considered direct investment. In addition, Gable et al. (1995) considered that the main barriers found in internationalisation were exogenous. Exogenous barriers are those that are embedded in the underlying market conditions, and thus are not under a firm's control. The most important barriers found in their study of the state-wide retailers' association in the northeast region of the USA were capital requirements, availability of store locations, and availability of qualified personnel.

Other authors have specifically studied entries in emerging markets because the barriers in these markets increase due to their turbulent environment (Salmi, 2000). For example, Freeman and Sandwell (2008), besides government policy and regulations, identified the cost of face-to-face communication, language and cultural work practices as barriers in emerging contexts. Difficulty in communicating due to language also makes it hard to do business abroad (Nair and Stafford, 1998; Welch et al., 2001), which can create a twofold barrier to development. On the one hand, between the company and its customers (Feely and Harzing, 2003; Freeman and Sandwell, 2008) and, on the other hand, inside the company between the parent company and its subsidiary (Feely and Harzing, 2003; Gassmann and Han, 2004).

Gassmann and Han (2004), Nair and Stafford (1998) and Niu et al. (2012) studied the internationalisation barriers in China. According to Niu et al. (2012), product differentiation (advertising effects, possession of channel members) and a competitive environment (seller concentration, number of competitors) were the main barriers in China and, contrary to what happens in other countries, the financial requirements (cost of establishing a branch office, advertising expenses, and capital requirements) were the least important. This difference is due to different financial systems and unique financial policies in China. Most of the banks and financial institutions in China are owned and operated by the government. Decisions and policies regarding commercial loans are often based on the need to develop certain industries or areas, as identified by government agencies. Moreover, there are notable differences within China's different regions, and customers'

preferences change throughout these regions, which represents hidden barriers for foreign investors in terms of distribution or marketing strategy (Cui and Liu, 2000).

For Gassmann and Han (2004) and Nair and Stafford (1998), cultural differences with western countries were one of the main barriers to overcome. However, there is not only a language barrier because trust and issues related to the Chinese mentality and its management style also occur. Cultural distance is a barrier because most western managers come from low-context cultures, which means that their language is direct and explicit, contrary to Chinese culture that, according to Hall (1976), has a high culture context (Table VII). As can be seen in Table VII, low context and high context cultures have an opposite business outlook, different work ethic and work style, etc.

Table VII. Low context cultures and high context cultures in business

	Low context	High context
Business Outlook	Competitive	Cooperative
Work Ethic	Task-oriented	Relationship-oriented
Work Style	Individualistic	Team-oriented
Employee Desires	Individual achievement	Team achievement
Relationships	Many, looser, short-term	Fewer, tighter, long-term
Decision Process	Logical, linear, rule-oriented	Intuitive, relational
Communication	Verbal over non-verbal	Non-verbal over verbal
Planning Horizons	More explicit, written, formal	More implicit, oral, informal
Sense of Time	Present/future-oriented	Deep respect for the past
View of Change	Change over tradition	Tradition over change
Knowledge	Explicit, conscious	Implicit, not fully conscious
Learning	Knowledge is transferable	Knowledge is situational

Source: Schmalz (2015)

These different backgrounds lead to a very different way of doing business, which has been widely recognised in the business literature as a barrier in the context of China and a source of investment failures (Barkema et al., 1996; Lihong and Goffin, 1999; Nair and Stafford, 1998; Yang and Lee, 2002).

Therefore, there are several barriers to take into account for foreign direct investment in China. Consequently, output sections 1.4 and 2.4 identify which barriers are considered to be obstacles for Spanish companies in China and if there are any other barriers that affect the implementation process.

1.3 Qualitative Exploratory Study

Qualitative research provides us with greater depth and understanding of the phenomenon studied (Patton, 2002) and for this reason it forms part of the first phase of the thesis as an exploratory study. This methodology consists of studying the individual or group realities based on what they think, feel and construct through interaction with others (Easterby-Smith et al., 2002; Patton, 2002).

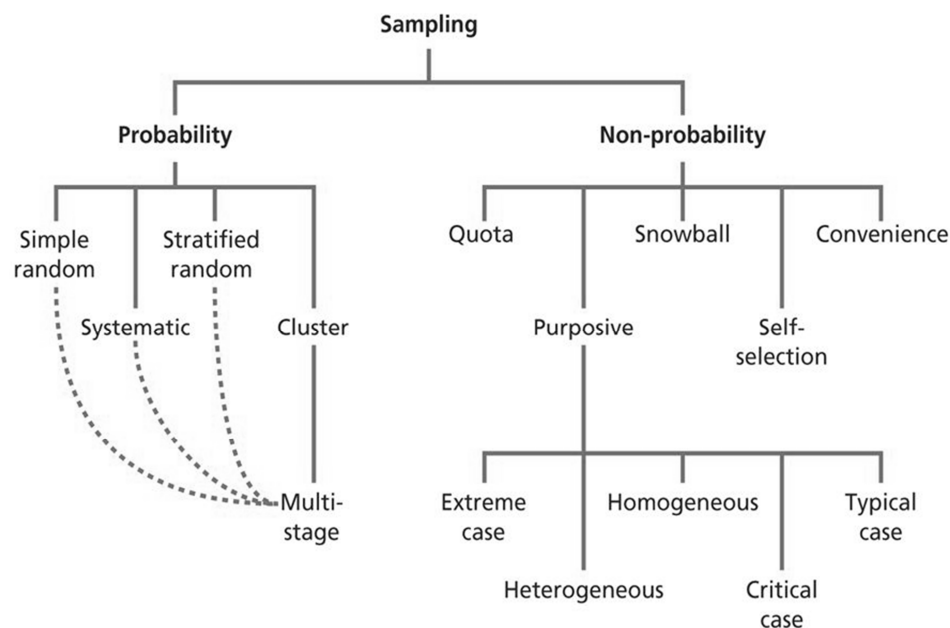
The case study method was used in this qualitative part (Yin, 1984) because it allows different types of information to be collected. Interviews were mainly used as the data collection technique, but information was also gathered from a company's corporate website and through online data.

According to Johnson and Christensen (2014), there are three major qualitative techniques for data collection: i) interviews (i.e. situations where the researcher interviews the participants), ii) focus groups (i.e. a small discussion group with a group moderator present to keep the discussion focused), and, iii) observation (i.e. looking at what people actually do).

In this present study, the structured interview with open questions (Interview Guide Approach) was chosen because it allows you to talk directly with the study participants and obtain their point of view related to the internationalisation process of their companies, since the interviewee, in this case, was the person actually responsible for this process.

As far as the sampling choice is concerned, non-probability sampling was used because it was not envisaged that any statistical inferences would be obtained with the sample. It is sometimes appropriate within business research to use non-probability sampling (or non-random sampling) depending on the research question (Saunders et al., 2009). Figure VI shows an outline of the different sampling techniques.

Figure VI. Sampling techniques



Source: Saunders et al. (2009)

Convenience sampling was chosen for several reasons. Firstly, it was not possible to focus on all the Spanish companies with FDI in China because there was not enough time to study all the cases in depth. According to the data from ICEX (Spanish Institute of Foreign Trade) and the SABI database, the total number of Spanish companies with FDI in China in 2012 was 377. Secondly, as discussed in the previous paragraph, it was not expected to use statistical inference techniques. Thirdly, the representativeness of the sample could not be guaranteed and, finally, for the exploratory nature of the study.

Convenience sampling is a type of non-probability sampling in which people are sampled simply because they are “convenient” sources of data for researchers, but subjective methods are used to decide which elements should be included in the sample (Battaglia, 2008). For example, the approach tried not to repeat the activity sector for the companies in the sample.

The study endeavoured to interview those responsible for the internationalisation process but this goal was slightly complicated because these employees are very busy and quite inaccessible in many cases. For this reason, some companies were chosen because there was access to the correct person and, in other cases, because they answered the contact email request for an interview. Interviews were conducted until the interviewees did not provide additional information (Strauss and Corbin, 2002) and, as a result, fifteen interviews were undertaken between 2012 and 2014.

The subsequent process of data analysis was:

1. Record data (notes, audio recording) - some interviews were conducted physically, others by telephone or Skype for interviewees in China.
2. Listen and write down information.
3. Verbatim transcripts.
4. Read and organise data (classifying by topic or making comments in the document margin).
5. Analyse the contents (establish categories and topics, identify them in the interview and describe the results (similarities and differences), establish patterns).
6. Interpret the results.

Table VIII contains a summary of the companies interviewed. Their names were coded to maintain their anonymity. As can be seen in the table, the majority of companies were large in terms of their sales revenues and had more than fifty million euros in this respect (Comisión Europea, 2003).

A total of 11 out of 15 companies in the sample entered China after 2001, that is, after China's entry into the World Trade Organisation (WTO), when foreign direct investment exponentially increased in the country, as discussed in the introduction section of the thesis. It should also be noted that companies that decided to undertake an internationalisation process towards China already had a presence in many other countries, so they had great international experience and China was not their first international adventure.

Finally, the data in the table show that the companies' entry type in this country changed over time. This and some other aspects of the internationalisation process are analysed in the following section containing the results of the first exploratory study.

Table VIII. Sample characteristics (data from 2013)

	CNAE Code and definition (National Classification of Economic Activities)		Interviewee	Sales (in thousands of euros)	Year of foundation	Year of entry into China	Entry mode	Current mode	First country of internationalisation	Country presence
E1	108	Manufacture of other food products	Director of Corporate Strategy	177,206	1896	2009	JV	WFOE	France	113
E2	279	Manufacture of other electrical equipment	Managing Director	76,182	1916	1997	JV	WFOE	Morocco	>50
E3	110	Manufacture of beverages	Director of Finance and Systems	169,776	1870	1997	JV	WFOE	Cuba	140
E4	212	Manufacture of pharmaceutical preparations	Attorney	374,150	1929	1978	JV	JV	Mexico	40
E5	477	Retail sale of other goods in specialised stores	Director of Logistics	1,370,280	1984	2002	WFOE	WFOE	France	105
E6	551	Hotels and similar accommodation	Vice President of Development	507,445	1956	2010	JV	JV	Indonesia	35
E7	711	Architectural and engineering activities and related technical consultancy	Manager of International Markets	105,590	1957	2007	JV	WFOE	Ukraine	>30
E8	474	Retail sale of information and communication equipment in specialised stores	Managing Director	1,181	1999	2010	WFOE	WFOE	China	3
E9	465	Wholesale of information and communication equipment	Director of Marketing for Asia	91,795	1967	1986	WFOE	WFOE	France	>80
E10	692	Accounting, bookkeeping and auditing activities; tax consultancy	Managing Director for China	317,526	1940	2010	RO	WFOE	United States	>90
E11	721	Research and experimental development in natural sciences and engineering	Director of Safety and Chassis for China	106,154	1990	2004	RO	WFOE	Korea	23
E12	293	Manufacture of parts and accessories for motor vehicles	Managing Director of Foreign Subsidiaries	47,518	1958	2007	WFOE	WFOE	France	7
E13	244	Manufacture of basic precious and other non-ferrous metals	International Managing Director	504,713	1808	2010	JV	JV	China	5
E14	466	Wholesale of other machinery, equipment and supplies	Managing Director	8,740	2006	2009	JV	JV	China	2
E15	691	Legal activities	Managing Partner of Shanghai Office	300,534	1941	2005	WFOE	WFOE	United States	>20

Source: Own elaboration

I.4 Academic Outputs

The last section of this chapter corresponds to the results obtained from the interviews held with the managers and those in charge of the internationalisation process that participated in the study. These results are presented in two papers and, in addition to academic contributions, they highlight certain managerial implications.

Paper I. “*The experience of Meliá Hotels International in China: a case of internationalisation of a Spanish hotel group*” available at:

<http://ejtr.vumk.eu/index.php/volume12/290-2016-03-09-12-38-29>

Paper II. “*La empresa Española en China: formas y barreras de entrada*” available at:

<http://http://www.intangiblecapital.org/index.php/ic/article/view/694/497>



The experience of Meliá Hotels International in China: A case of internationalisation of a Spanish hotel group

Angels Niñerola^{1*}, Fernando Campa-Planas², Ana-Beatriz Hernández-Lara³
and Maria-Victòria Sánchez-Rebull⁴

Received: 24/06/2015 Accepted: 30/09/2015

¹ Universitat Rovira i Virgili, Department of Business Management, Av. Universitat 1, E-43204-Reus, Spain. Phone: +34 977759865, E-mail: angels.ninerola@urv.cat

² Universitat Rovira i Virgili, Department of Business Management, Av. Universitat 1, E-43204-Reus, Spain. Phone: +34 977758930, E-mail: fernando.campa@urv.cat

³ Universitat Rovira i Virgili, Department of Business Management, Av. Universitat 1, E-43204-Reus, Spain. Phone: +34 977759876, E-mail: anabeatriz.hernandez@urv.cat

⁴ Universitat Rovira i Virgili, Department of Business Management, Av. Universitat 1, E-43204-Reus, Spain. Phone: +34 977759876, E-mail: maria victoria.sanchez@urv.cat

* Corresponding author

Abstract

The aim of this work is to identify the key success factors of a Spanish investment in a country with such profound cultural differences, as it is China, through the experience of Meliá Hotels International Group, one of the biggest hotel chains in the Spanish and international tourism sector. Two interviews were held with the group's Vice-president of Development. The first was after the opening of the group's first hotel in China in 2012, and the second two years later, because of the changes that the group had experienced in China. As a result, nine success factors and three entry barriers were identified.

© 2016 Varna University of Management. All rights reserved

Keywords: Tourism sector; Foreign direct investment; Internationalisation process; Key success factors; Chinese market; Case study.

Citation: Niñerola, A., F. Campa-Planas, A. Hernández-Lara and M. Sánchez-Rebull (2016) The experience of Meliá Hotels International in China: A case of internationalisation of a Spanish hotel group. *European Journal of Tourism Research* 12, pp. 191-196

Introduction

China is currently the world's largest economy in terms of growth, which is the main reason why it is a sought-after investment destination for numerous companies across the world, seeking to take advantage of its market opportunities (Chen & Yeh, 2012). The tourism

sector also wants to take advantage of this potential (Wu et al., 1998) since China is the fourth country of international tourists' arrivals (The WorldBank, 2013). There is a growing literature in hotel internationalization (García De Soto-Camacho & Vargas-Sánchez, 2014; Litteljohn et al., 2007; Rogerson, 2014) and this

research note contributes to the previous literature by analysing the case of success of an internationalised Spanish hotel chain in an emerging country, as it is China, with huge market differences with respect to Spain.

Methodology

We used the case study methodology (Yin, 1981) to identify the key success factors for a hotel investment in China. The object of the study is Meliá Hotels International (MHI), because it is the leading Spanish hotel chain in terms of room numbers (Hosteltur, 2013) and the first company in the Spanish tourism sector to open in the Chinese market. In qualitative tourism research the most common case study methodology is with an unique case (Xiao & Smith, 2006), for example Chan & Hawkins (2010) and Valeri & Baiocco (2012). Case studies allow richer and greater depth data that would not normally be easily obtained by other research designs (Stake, 2005). On the other hand, one of the main criticisms is that the data collected cannot necessarily be generalised to the wider population (Tellis, 1997) and some authors argue that it is faulted of representativeness and rigor (Guba & Lincoln, 1991; Hamel, 1993).

Data was gathered from the company's website, its annual accounts, from articles about the company in the specialised hospitality media, in addition to two in-depth interviews held with the Group's Vice-President of Business Development (VPBD), as she has been ultimately responsible for the company's international expansion since 2011. The first interview was held in 2012, the first year of the company's most recent three-year strategic growth plan, which covered the period 2012-2014. At that time, MHI was starting to invest in the Chinese market and had only one hotel open, in Shanghai. We held the second interview in 2014, because the situation had changed considerably. The Gran Meliá Shanghai closed in 2013 and the company now has two new hotels open in Jinan and Xian, as well as various projects underway for 2015 and 2016.

Meliá Hotel International and the background to their Internationalisation Process in China

Since it was founded in 1956 by Gabriel Escarrer, Sol Meliá (which was re-branded in 2011 as Meliá Hotels International) has grown exponentially thanks to various mergers and acquisitions of other hotel chains and its welldefined international vision. Today, the group has a presence in four continents and more than thirty-five countries (MHI, 2014b). After Europe, where the company has developed a relevant expansion, the next continent where they have the greatest presence is America. During the interview, the VPBD stated that "the natural movement of all Spanish companies has always been towards America rather than towards Asia". The internationalisation model adopted by MHI can be explained by the Uppsala theory (Johanson & Vahlne, 1977), given that the company has embarked on a gradual expansion process focusing its internationalisation on "psychological" closer markets, penetrating later on in those with more cultural distance (Rodríguez, 2002). This distance also explains the entry choice in China: contract management, which is different to that used in South America, where they have more owned hotels (Quer et al., 2007).

MHI started operating in China in 2010 with the management contract format, the only one used in Asia because, according to the company, this format requires the fewest resources and enables to exploit their competitive advantages on management and organisation (Brown et al., 2003). There are no owned, rented or franchised hotels of MHI in this continent, nor is there expectation that these will exist in the short-term, according to the company's business development manager. The Spanish hotel chain is seeking international growth through low-level capital investment that allows faster growth and progressive leverage (MHI, 2014a) and they use the management contract rather the franchise that is seldom used in China (Pine et al., 2000). In this respect, MHI signed a partnership with Greenland for growth in China as they know the customer preferences, they offer the best locations and Meliá remains the brand name and the business management to ensure the best quality (Dev et al., 2002; Johnson & Vanetti, 2005).

Table 1. *Coincidences between the key success factors found by Zeng et al. (2009) (1) and Meliá Hotels International (2)*

	Area	Variable	1	2
1	company	Cost Control	√	√
2	company	Innovation capacity	√	√
3	company	Management systems	√	√
4	company	International business experience	√	√
5	company	Financial capacity	√	√
6	company	Brand awareness	√	√
7	company	Capacity for international expansion	√	√
8	location	Directors with management know-how in the host country	√	√
9	location	Labour availability	√	√
10	industry	Technology level	√	

Key Success Factors and Entry Barriers for MHI

Key success factors

Key success factors are therefore those that enable the company to create profits and grow (Walker & Brown, 2004). Throughout this point we will analyse the key factors in the success of MHI in China that were identified during the interviews, relating them to the variables put forward by Zeng et al. (2009). There are other classifications of key success factors but we consider this because it involves different variables related to several areas and they affect the performance of the company in China itself (Table 1).

Cost control

Undertaking an internationalisation process generates extremely high costs for the company, as entering in a foreign market calls for extremely high investment in terms of resources, and profits are not forthcoming in the short term (Lu & Beamish, 2001). MHI considers carefully “the company’s need to carry out proper monitoring and control of its tangible and intangible resources, to achieve satisfactory investment.”

Innovation capacity

A strategic orientation towards innovation, as well as the differentiation and quality of the products and/or services offered, is fundamental for a company to be able to

compete in a particular market (Wigley et al., 2005; Zehir et al., 2011). According to the VPBD, “the novelty factor and differentiation of our hotels is well perceived by the Chinese market, which is increasingly showing a preference for brands that can offer them something different to what they are used to”. A bias towards innovation is one of the company’s cornerstones, as it believes that it helps them to improve their competitiveness and efficiency (MHI, 2012).

Management systems

This variable refers to the implementation of management systems for international companies such as the ISO 14001 or the ISO 9001, which is one of the most well-known quality standards. The main reasons for implementing these kind of systems are senior management concerns regarding environment and efficiency (Quazi et al., 2001) and, in the hotel industry most specifically, legal reasons (Sánchez-Rebull et al., 2011). MHI has several of these certificates, validated by independent bodies, such as the ISO 14001, EMAS and EarthCheck. These give their business processes greater transparency and credibility.

Internationalisation business experience

The international experience allows the company to adapt to the particular market in which it is investing. This is a key success factor according to the interviewee who, during

the interview, talked about this aspect in terms of “think globally but act locally” (Keillor et al., 2001).

Financial capacity

In the case of the hotel chain, by using the management contract as their operational model, the biggest financial burden falls upon the partner, hence the importance of making the right choice on partnership and establishing strong alliances to avoid an investment failure (Luo, 1998).

Brand awareness

The importance of intangible assets such as brand awareness or know-how in internationalisation processes is a differentiating factor for companies. According to the VPBD, “the Chinese market is increasingly open to new brands that offer them something different. In this respect, international brands are always well received, another reason for using the management contract format”.

Capacity for international expansion

To achieve this expansion capacity, MHI has laid the foundations to create an organisational structure for managing South-East Asia and China along similar lines to the division that already administers its hotels in South America. In this way, MHI can monitor the evolution of markets more consistently and takes advantage of opportunities due to its increased knowledge of the region.

Directors with management know-how in the host country

“When it is made an investment, it is important to count on personnel with local knowledge and experience in the sector” VPBD. MHI mainly comprises local staff; however, it also employs Spanish expatriates in senior positions because they possess the know-how and trust of the company.

Labour availability

The availability of labour, its cost and quality are factors to consider when an investment destination is chosen (Badri et al., 2000; MacCarthy & Atthirawong, 2003). “Especially in China where the way of doing things are so different because of the culture, having local

staff makes management more efficient” VPBD.

Technological level

We have not found any coincidence with the case being studied, mainly because it is about a service company.

Entry barriers

Entry barriers are disadvantages that companies have to deal with when they decide to settle in another country (Hutchinson et al., 2009) and which may represent business failure. In this case, the cultural gap between Spain and China is the first of the barriers mentioned during the interview, due to its relevance to the way business dealings are handled (Nair & Stafford, 1998). The VPBD mentioned that “it is difficult to deal with a Chinese partner if you do not understand how they work and act, because they are very different from us. This underlines the importance of variables four “international previous experience”, eight “know-how in the host country”, and nine “labour availability”, listed above.

Secondly, the VPBD pointed out that the existence of “major restrictions on investment for political reasons” means that alliances with local partners help to overcome this barrier.

And thirdly, “most of the cutting-edge companies in China are Chinese, and there is a lot of public investment, which means there is a huge monopoly, which can be another limitation” (Pine & Qi, 2004). These local companies have what is known as “*Guanxi*”: good connections or a good contact network (Tsang, 1998). These relations are unquestionably one of the main success factors in China (Cremer & Ramasamy, 2009).

Conclusions

The contribution of this study has been to identify the key success factors that one of the most important hotel chains in the international panorama has considered important for its entry into the Chinese market, having the right information at two key points in its internationalisation process. Before making any decisions on internationalisation, companies should assess if they fulfil the factors outlined in this letter to better prepare

themselves to successfully tackle the barriers which will undoubtedly arise on their entry into this market.

References

- Badri, M. A., Davis, D., & Davis, D. (2000). Operations strategy, environmental uncertainty and performance: A path analytic model of industries in developing countries. *Omega*, 28(2), 155–173.
- Brown, J. R., Dev, C. S., & Zhou, Z. (2003). Broadening the foreign market entry mode decision: separating ownership and control. *Journal of International Business Studies*, 34(5), 473–488.
- Chan, E. S. W., & Hawkins, R. (2010). Attitude towards EMSs in an international hotel: An exploratory case study. *International Journal of Hospitality Management*, 29(4), 641–651.
- Chen, C.-I., & Yeh, C.-H. (2012). Re-examining location antecedents and pace of foreign direct investment: Evidence from Taiwanese investments in China. *Journal of Business Research*, 65(8), 1171–1178.
- Cremer, R. D., & Ramasamy, B. (2009). Engaging China: Strategies for the small internationalizing firm. *Journal of Business Strategy*, 30(6), 15–26.
- Dev, C. S., Erramilli, M. K., & Agarwal, S. (2002). Brands across borders: Determining factors in choosing franchising or management contracts for entering international markets. *Cornell Hotel and Restaurant Administration Quarterly*, 43(6), 91–104.
- García De Soto-Camacho, E., & VargasSánchez, A. (2014). Choice of entry mode, strategic flexibility and performance of international strategy in hotel chains: an approach based on real options. *European Journal of Tourism Research*, 9, 92–114.
- Guba, E., & Lincoln, Y. (1991). *Effective evaluation: Improving the usefulness of evaluation results through responsive and naturalistic approaches*. San Francisco: Jossey-Bass.
- Hamel, J. (1993). *Case study methods. Qualitative research Methods. Vol.32*. Sage Publications.
- Hosteltur. (2013). Ranqing Hosteltur de cadenas hoteleras 2013. URL http://www.hosteltur.com/110520_rankinghosteltur-cadenas-hoteleras-2013.html (Accessed on 20.02.2014)
- Hutchinson, K., Fleck, E., & Lloyd-Reason, L. (2009). An investigation into the initial barriers to internationalization: Evidence from small UK retailers. *Journal of Small Business and Enterprise Development*, 16(4), 544–568.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32.
- Johnson, C., & Vanetti, M. (2005). Locational strategies of international hotel chains. *Annals of Tourism Research*, 32(4), 1077–1099.
- Keillor, B., Hausknecht, D., & Parker, R. (2001). “Thinking global, acting local”: An attribute approach to product strategy. *Journal of Euromarketing*, 10(2), 27–48.
- Litteljohn, D., Roper, A., & Altinay, L. (2007). Territories still to find - the business of hotel internationalisation. *International Journal of Service Industry Management*, 18(2), 167–183.
- Lu, J. W., & Beamish, P. W. (2001). The internationalization and performance of SMEs. *Strategic Management Journal*, 22(6-7), 565–586.
- Luo, Y. (1998). Joint Venture success in China: How should we select a good partner? *Journal of World Business*, 33(2), 145–166.
- MacCarthy, B., & Atthirawong, W. (2003). Factors affecting location decisions in international operations – a Delphi study. *International Journal of Operations & Production Management*, 23(7), 794–818.
- MHI. (2012). Meliá Hotels International y Microsoft colaboran en el desarrollo de soluciones turísticas innovadoras. URL: <http://www.meli-hotelsinternational.com/es/sala-de-prensa/21092012/meli-hotelsinternational-microsoft-colaborandesarrollo-soluciones> (Accessed on 24.05.2014)
- MHI. (2014a). Financial Presentations. URL: <http://www.meli-hotelsinternational.com/sites/default/files/informe>

- financieros/mhi_inversores_mar_14_en v2_0.pdf (Accessed on 04.04.2014)
- MHI. (2014b). Hotel Directory - Meliá Destinations. URL: <http://www.melia.com/en/hotels/home.htm> (Accessed on 23.04.2014)
- Nair, A. S., & Stafford, E. R. (1998). Strategic alliances in China: Negotiating the barriers. *Long Range Planning*, 31(1), 139–146.
- Pine, R., & Qi, P. (2004). Barriers to hotel chain development in China. *International Journal of Contemporary Hospitality Management*, 16(1), 37–44.
- Pine, R., Zhang, H., & Qi, P. (2000). The challenges and opportunities of franchising in China's hotel industry. *International Journal of Contemporary Hospitality Management*, 12(5), 300–307.
- Quazi, H. A., Khoo, Y., Tan, C., & Wong, P. (2001). Motivation for ISO 14000 certification : development of a predictive model. *Omega*, 29, 525–542.
- Quer, D., Claver, E., & Andreu, R. (2007). Foreign market entry mode in the hotel industry: The impact of country- and firmspecific factors. *International Business Review*, 16(3), 362–376.
- Rodriguez, A. R. (2002). Determining factors in modelling international expansion. the case of the spanish hotel industry 1. *Tourism Management*, 23(6), 597–607.
- Rogerson, J. M. (2014). Unpacking the growth of hotel chains in Africa: Enterprises and patterns. *Mediterranean Journal of Social Sciences*, 5(14), 135–146.
- Sánchez-Rebull, M., Hernández, A., Banchieri, L., Campa-planas, F., & Ginieis, M. (2011). Mandatory cost and other coming from the adoption of quality certifications in the hospitality business. *Tourism and Hospitality Management*, 17(1), 153–169.
- Stake, R. . (2005). Qualitative case studies. In N. K. Denzin & Y. S. Lincoln (Eds.), *The SAGE Handbook of Qualitative Research* (3rd ed., pp. 443–466). Sage Publications.
- Tellis, W. (1997). Introduction to Case Study by. *The Qualitative Report*, 3(2), 1–13.
- The WorldBank. (2013). International tourism, number of arrivals. URL: http://data.worldbank.org/indicator/ST.INT.ARVL?or der=wbapi_data_value_2013+wbapi_data_value+wbapi_data_value-last&sort=desc (Accessed on 10.06.2015)
- Tsang, E. W. . (1998). Can guanxi be a source of sustained competitive advantage for doing business in China? *The Academy of Management Executive* (1993-2005), 12(2), 64–73.
- Valeri, M., & Baiocco, S. (2012). The integration of a Swedish minority in the hotel business culture: the case of Riva del Sole. *Tourism Review*, 67(1), 51–60.
- Walker, E., & Brown, A. (2004). What success factors are important to small business owners? *International Small Business Journal*, 22(6), 577–594.
- Wigley, S. M., Moore, C. M., & Birtwistle, G. (2005). Product and brand: Critical success factors in the internationalisation of a fashion retailer. *International Journal of Retail & Distribution Management*, 33(7), 531–544.
- Wu, A., Costa, J., & Teare, R. (1998). Using environmental scanning for business expansion into China and Eastern Europe: the case of transnational hotel companies. *International Journal of Contemporary Hospitality Management*, 10(7), 257–263.
- Xiao, H., & Smith, S. L. . (2006). Case studies in tourism research: A state-of-the-art analysis. *Tourism Management*, 27(5), 738–749.
- Yin, R. K. (1981). The case study crisis: Some answers. *Administrative Science Quarterly*, 26(1), 58–65.
- Zehir, C., Altindag, E., & Acar, A. Z. (2011). The effects of relationship orientation through innovation orientation on firm performance: An empirical study on Turkish family-owned firms. *Procedia - Social and Behavioral Sciences*, 24, 896–908.
- Zeng, S., Xie, X., Tam, C., & Wan, T. (2009). Relationships between business factors and performance in internationalization: An empirical study in China. *Management Decision*, 47(2), 308–329.

La empresa española en China: Formas y barreras de entrada

Àngels Niñerola, Maria-Victoria Sanchez-Rebull

Universitat Rovira i Virgili, Department of Business Management, Universitat 1,
Reus (Spain) angels.ninerola@urv.cat, mariavictoria.sanchez@urv.cat

Received July, 2015

Accepted January, 2016

Resumen

Objeto: El mercado chino concentra las miradas de las empresas de todo el mundo por su gran potencial de ventas. No obstante, por la complejidad del país hay que realizar la inversión con cautela. La elección de la forma de entrada es una de las decisiones más cruciales que la empresa tiene que afrontar a la hora de invertir en un país extranjero. El presente trabajo pretende, por una parte, estudiar cuál es la forma de entrada más utilizada por las empresas para invertir en este país y en base a qué factores la han elegido y, por otra, identificar cuáles han sido las barreras de entrada a las que han tenido que hacer frente.

Diseño/metodología/enfoque: Para contestar a estas preguntas se realizaron entrevistas con directivos y responsables del proceso de internacionalización de quince empresas españolas de diferentes sectores económicos con inversión directa en China.

Aportaciones y resultados: Como resultado, encontramos que la implantación en China ha sido un proceso secuencial en la mayoría de casos estudiados por los siguientes motivos: falta de conocimiento del mercado, obligatoriedad de invertir con un socio local o implicación paulatina de recursos. Una vez la empresa decide establecerse permanentemente en China, la figura más empleada es la empresa propia o *Wholly Foreign Owned Enterprise*.

Barreras regulatorias y burocráticas, culturales e idiomáticas, competitivas y de riesgo de imitación, los recursos humanos y, por último, barreras informales han sido las identificadas por las empresas durante su proceso de internacionalización en el mercado chino.

Originalidad / Valor añadido: Se necesitan estudios como éste que arrojen luz al proceso de internacionalización en China por ser un mercado tan diferente culturalmente al español y tan desconocido por no haber sido el primer destino de la empresa española históricamente.

Palabras clave: Internacionalización, Inversión Directa en el Extranjero, Formas de entrada, Barreras de entrada, China

Códigos JEL: F21, F23, D23

Title: The Spanish company in China: Entry forms and barriers to internationalization

Abstract

Purpose: The Chinese market is a sought-after investment destination for numerous companies across the world for their great sales potential. However, because of the complexity of the country, the investment should be made with caution. The choice of form of entry is one of the most crucial decisions that the company has to face when it decides to undertake an internationalization process. This paper aims, first, determine the form of entry used by Spanish companies in China and what factors have influenced the choice, and secondly, identify what are the entry barriers that they have been found.

Design/methodology: To answer these questions interviews were held with managers or heads of the department involved in the internationalization process of fifteen Spanish companies from different economic sectors with direct investment in China.

Findings: As a result, we found that implantation in China has been a sequential process for the following reasons: lack of market knowledge, compulsory investment with a local partner or gradual commitment of resources. Once the company decides to settle permanently, the form used is a subsidiary company, known in China as Wholly Foreign Owned Enterprise.

Regulatory and bureaucratic, cultural and language, competitive and risk of imitation, human resources and, finally, informal barriers have been identified by companies during their internationalization process in the Chinese market.

Originality/value: More studies like this are needed for shed light to the internationalization process in this market for being so culturally different to Spanish and so unknown for not being the first destination of the Spanish company historically.

Keywords: Internationalization, Foreign direct investment, Entry forms, Entry barriers, China

Jel Codes: F21, F23, D23

1. Antecedentes

China es, en la actualidad, la segunda economía mundial después de los Estados Unidos en términos de PIB (The WorldBank, 2013b), y se espera que en pocos años sea la principal economía mundial. Esto es debido, en gran parte, a la afluencia de inversión directa extranjera (IDE) recibida los últimos veinte años (Jiang, Liping & Sharma, 2013; Lau & Bruton, 2008) por las políticas del gobierno para industrializar el país (Cheng & Kwan, 2000; Fan, 2011; Lin, 2010).

Desde 2009, China se ha convertido en la principal receptora de IDE (The WorldBank, 2013a) y la empresa española no es ajena a esta realidad. Aunque este destino asiático no ha sido su primer mercado de internacionalización, ya que por cercanía geográfica o cultural, Europa o Latinoamérica acumulan más inversiones españolas (Durán Herrera, 2002; Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975), cada vez son más las empresas que deciden ampliar sus horizontes hacia mercados con más crecimiento, como China (Moyano Vázquez, 2009).

Por no ser, por lo tanto, históricamente un destino de inversión conocido, creemos que son necesarios más estudios que analicen las fases del proceso de internacionalización en este mercado.

La primera fase de este proceso, sería elegir la forma de entrada en el nuevo mercado lo que implica determinar el grado de compromiso y de riesgo que se quiere asumir en la inversión, por lo que es una decisión crítica (Root, 1994). Que esta inversión se realice en un país emergente como China, añade complejidad a la decisión, puesto que la incertidumbre del entorno es mayor que en otros mercados próximos o conocidos por la empresa, en este caso española, como podría ser cualquier país europeo.

Los objetivos de este estudio son, en primer lugar, identificar las formas de entrada que utilizan las empresas españolas que deciden ir más allá de la exportación en China y emprenden un proceso de internacionalización con inversión directa hacia ese país y, en segundo lugar, analizar las barreras de entradas o impedimentos que estas empresas tienen que afrontar en esta primera fase del proceso.

Para responder a estas preguntas se realizaron entrevistas a directivos de quince empresas españolas, de diferentes sectores de actividad, implantadas en China con inversión directa.

El resto del artículo se divide en los siguientes puntos: en el punto segundo se revisan los antecedentes teóricos sobre formas y barreras de entrada; en el tercero, se explica la metodología utilizada en el estudio para dar respuesta a las preguntas planteadas. Seguidamente se exponen los resultados del trabajo, puntos cuarto y quinto, sobre formas de entradas y barreras a la internacionalización en China, respectivamente. Para finalizar, en el punto sexto se resumen las principales conclusiones.

2. Revisión de la literatura

Este punto consta de dos apartados. Primero, se revisan los estudios previos sobre la forma de entrada elegida por las empresas en su proceso de internacionalización hacia otros mercados y los factores que han influido en la decisión según los autores. En segundo lugar, se identifican las barreras de entrada encontradas en la literatura.

2.1. Forma de entrada

La elección de la forma de entrada es una decisión estratégica relevante para la empresa (Agarwal & Ramaswami, 1992) porque afecta al rendimiento que va a tener la misma en el extranjero (Hill, Hwang & Kim, 1990). Por este motivo, la forma más eficiente para entrar en un mercado es la que compense el binomio control-riesgo para la empresa (Anderson & Gatignon, 1986). La disyuntiva entre entrar en un mercado con una figura que suponga más control pero también más riesgo u escoger un modo de entrada compartido ha sido un tema ampliamente estudiado en la literatura (Parola, Satta, Persico & Bella, 2013).

En China, las empresas extranjeras se establecen, básicamente, mediante una empresa mixta o *Equity Joint-Venture* (en adelante JV) o una filial propia o *Wholly Foreign Owned Enterprise* (en adelante WFOE) según datos de la Oficina Nacional de Estadística de China (2013). La primera de ellas consiste en la unión de la empresa extranjera con un socio local y la segunda corresponde a una empresa con el capital 100% extranjero.

Según la Teoría de los Costes de Transacción, utilizada por Anderson y Gatignon (1986) y Erramilli y Rao (1993), entre otros autores, para determinar la forma de entrada más eficiente en un mercado hay una serie de determinantes a tener en cuenta. Las empresas que eligen la forma de entrada en base a esta teoría tienen más éxito que las que utilizan otras (Chen & Hu,

2002). El tamaño de la empresa, su experiencia internacional, la especificidad de sus activos, la estabilidad política (riesgo país), así como la distancia cultural entre el país de origen y el de destino de la inversión son los factores que influyen en la decisión de invertir mediante una JV o una WFOE (Brouthers & Nakos, 2004; Erramilli & Rao, 1993).

El tamaño de la empresa influye en su forma de entrar en el mercado. Las empresas más grandes tienden a utilizar figuras que les permitan más control como la WFOE (Claver, Quer & Molina, 2005). Las grandes empresas, a menos que tengan alguna restricción gubernamental por la que necesiten un socio para realizar la inversión, no tienen incentivos para hacer una JV (Siripaisalpipat & Hoshino, 2000). En cambio, las empresas pequeñas, que disponen de menos recursos, optan por la JV porque así reducen los costes de transacción y, por lo tanto, el riesgo, tanto financiero como operativo, es menor (Bontempi & Prodi, 2009; Mutinelli & Piscitello, 1998).

En términos de experiencia internacional de la empresa, la literatura es concluyente. Equipos directivos con más experiencia prefieren formas de entrada que aporten más control, es decir, WFOEs (Chung & Enderwick, 2001; Glückler, 2006; Nielsen & Nielsen, 2011).

La especificidad de los activos de la empresa, si le aporta una ventaja competitiva, es un factor a tener en cuenta a la hora de elegir el modo de entrada en un país. Establecerse mediante una JV puede provocar una pérdida de control de esta ventaja. En este caso, es mejor un modo de entrada que proteja estos conocimientos, como una WFOE (Brouthers & Brouthers, 2003; Datta, Herrmann & Rasheed, 2002; Luo, 2000; Siripaisalpipat & Hoshino, 2000; Wei, Liu & Liu, 2005).

La estabilidad política es un factor externo a la empresa al que ésta presta atención a la hora de elegir la forma de entrada. En países donde la estabilidad política es alta y hay bajos índices de corrupción, las empresas tenderán a invertir con el capital enteramente extranjero (Baena Graciá & Cerviño Fernández, 2009). La incertidumbre política y legislativa, en cambio, hace que las empresas opten por establecerse mediante una JV (Brouthers & Brouthers, 2003; Luo, 2001).

Algunos autores aseguran que la distancia cultural entre el país de origen y el de destino de la inversión (definida por Johanson y Vahlne (1977)), no afecta a la forma de entrada (Rajan & Pangarkar, 2000; Slangen & van Tulder, 2009) pero la mayoría señalan que esta diferencia de valores, normas y comportamientos sí es un factor determinante del tipo de inversión (Kogut & Singh, 1988). Cuanto mayor es la distancia, las empresas optan por la inversión con un socio (Agarwal & Ramaswami, 1992; Baena Graciá & Cerviño Fernández, 2009; Chang & Rosenzweig, 2001) o bien, por contratar a inmigrantes del país de destino para tener los

conocimientos que les faltan del país, así como el idioma y los contactos (Chung & Enderwick, 2001). En cambio, Chen y Hu (2002) apuntan todo lo contrario. Una elevada distancia cultural lleva a las empresas a invertir mediante una WFOE porque pueden controlar mejor la gestión. Por lo tanto, como puede observarse, no hay un claro consenso en la literatura respecto a este factor.

2.2. Barreras de entrada

Las barreras de entrada en un mercado son los factores económicos, regulatorios, tecnológicos o de otro tipo, que obstruyen o restringen la entrada en el mismo. Algunas son internas de la empresa, como la falta de conocimientos del equipo directivo o de recursos, y otras externas a la empresa y propias del mercado de destino de la inversión como las legislativas o monetarias (Hutchinson, Fleck & Lloyd-Reason, 2009).

Algunas de las barreras a la internacionalización son comunes para cualquier mercado al que se quiera acceder. La falta de recursos de la empresa, el nivel competitivo del mercado extranjero o el difícil acceso a los canales de distribución son algunas de ellas (Gable, Topol, Mathis & Fisher, 1995; Lutz, Kemp & Dijkstra, 2010; Terjesen, O’Gorman & Acs, 2008). Pero que el entorno de la inversión sea un país emergente como China, hace que estas barreras sean mayores (Freeman & Sandwell, 2008; Niu, Dong & Chen, 2012; Yaprak, 2012). Las regulaciones del gobierno, así como los cambios en la legislación, son algunas de las barreras legales a las que tienen que hacer frente las empresas y que son especialmente relevantes en este país (Gassmann & Han, 2004; Niu et al., 2012). La barrera idiomática también complica el proceso de implantación porque se necesitan traductores para las negociaciones y si la traducción no es correcta puede llevar a malentendidos (Nair & Stafford, 1998).

A través de la opinión de las empresas españolas implantadas en China, en el estudio se pretende, por un lado, analizar cómo han afectado los factores determinantes de la forma de entrada a su elección y, por otro, identificar las barreras que han tenido que superar durante su proceso de internacionalización.

3. Metodología

La metodología utilizada en este trabajo de investigación es de naturaleza cualitativa debido al carácter exploratorio del estudio (Villarreal & Landeta, 2010). El estudio de casos, siguiendo a Yin (1981, 1984), permite explorar en profundidad los aspectos del proceso de

internacionalización que se quiere analizar en este artículo, puesto que hay múltiples realidades y un contexto complejo y cambiante.

Para este estudio se tuvieron en cuenta empresas españolas con inversión directa en China. Se recogieron datos, mediante entrevistas semiestructuradas a directivos responsables del proceso de internacionalización de su empresa, durante el periodo 2012-2014. Las empresas estudiadas fueron quince, escogidas de sectores de actividad diferentes para tener una muestra representativa. Cada entrevista fue grabada, transcrita y analizada para poder recoger de manera literal las opiniones de los entrevistados. Sus nombres, así como el nombre de la empresa aparecen codificados en el estudio por motivos de confidencialidad. La Tabla 1 muestra las principales características de la muestra. Los datos relativos al código de actividad de la empresa y su tamaño, han sido obtenidos mediante la base de datos *Sabi (Sistema de Balances Ibéricos)*. El resto de información proviene de las entrevistas.

A pesar del carácter cualitativo de estudio, teniendo en cuenta que los casos estudiados son quince y pertenecen a diferentes sectores de actividad, consideramos que es bastante representativo del número de empresas españolas que actualmente están desarrollando actividades en China con inversión directa. Por lo tanto, los resultados que se desprenden pueden ser, en cierta medida, generalizables.

		Clasificación Nacional de Actividades Económicas	Entrevistado	Tamaño (2013) Ventas (miles de €)	Año de creación	Año de entrada en China	Forma de entrada
E1	108	Fabricación de otros productos alimenticios	Director de estrategia corporativa	177,206	1896	2009	JV
E2	279	Fabricación de otro material y equipo eléctrico	Director General	76,182	1916	1997	JV
E3	110	Fabricación de bebidas	Director de finanzas y sistemas	169,776	1870	1997	JV
E4	212	Fabricación de especialidades farmacéuticas	Apoderado	374,150	1929	1978	JV
E5	477	Comercio al por menor de otros artículos en establecimientos especializados	Director de distribución	1,370,280	1984	2002	WFOE
E6	551	Hoteles y alojamientos similares	Vicepresidente de Desarrollo	507,445	1956	2010	JV
E7	711	Servicios técnicos de arquitectura e ingeniería y otras actividades relacionadas con el asesoramiento técnico	Gestor de Mercados Internacionales	105,590	1957	2007	JV

		Clasificación Nacional de Actividades Económicas	Entrevistado	Tamaño (2013) Ventas (miles de €)	Año de creación	Año de entrada en China	Forma de entrada
E8	474	Comercio al por menor de equipos para las tecn. de la inform. y las comunicaciones en establecimientos especializados	Director General	1,181	1999	2010	WFOE
E9	465	Comercio al por mayor de equipos para las tecn. de la inform. y las comunicaciones	Director de Marketing en Asia	91,795	1967	1986	WFOE
E10	692	Actividades de contabilidad, teneduría de libros, auditoría y asesoría fiscal	Director General en China	317,526	1940	2010	RepOffice
E11	721	Investigación y desarrollo experimental en ciencias naturales y técnicas	Director de seguridad y Chasis en China	106,154	1990	2004	RepOffice
E12	293	Fabricación de componentes, piezas y accesorios para vehículos de motor	Director de Filiales extranjeras	47,518	1958	2007	WFOE
E13	244	Producción de metales preciosos y de otros metales no féreos	Director General Internacional	504,713	1808	2010	JV
E14	466	Comercio al por mayor de otra maquinaria, equipos y suministros	Director General	8,740	2006	2009	JV
E15	691	Actividades jurídicas	Socio Director de la Oficina de Shanghái	300,534	1941	2005	WFOE

		Clasificación Nacional de Actividades Económicas	Entrevistado	Forma jurídica actual	Primer país de internacionalización	Nº de países donde tiene presencia
E1	108	Fabricación de otros productos alimenticios	Director de estrategia corporativa	WFOE	Francia	113
E2	279	Fabricación de otro material y equipo eléctrico	Director General	WFOE	Marruecos	>50
E3	110	Fabricación de bebidas	Director de finanzas y sistemas	WFOE	Cuba	140
E4	212	Fabricación de especialidades farmacéuticas	Apoderado	JV	Méjico	40
E5	477	Comercio al por menor de otros artículos en establecimientos especializados	Director de distribución	WFOE	Francia	105
E6	551	Hoteles y alojamientos similares	Vicepresidente de Desarrollo	JV	Indonesia	35

		Clasificación Nacional de Actividades Económicas	Entrevistado	Forma jurídica actual	Primer país de internacionalización	Nº de países donde tiene presencia
E7	711	Servicios técnicos de arquitectura e ingeniería y otras actividades relacionadas con el asesoramiento técnico	Gestor de Mercados Internacionales	WFOE	Ucrania	>30
E8	474	Comercio al por menor de equipos para las tecn. de la inform. y las comunicaciones en establecimientos especializados	Director General	WFOE	China	3
E9	465	Comercio al por mayor de equipos para las tecn. de la inform. y las comunicaciones	Director de Marketing en Asia	WFOE	Francia	>80
E10	692	Actividades de contabilidad, teneduría de libros, auditoría y asesoría fiscal	Director General en China	WFOE	Estados Unidos	>90
E11	721	Investigación y desarrollo experimental en ciencias naturales y técnicas	Director de seguridad y Chasis en China	WFOE	Corea	23
E12	293	Fabricación de componentes, piezas y accesorios para vehículos de motor	Director de Filiales extranjeras	WFOE	Francia	7
E13	244	Producción de metales preciosos y de otros metales no férreos	Director General Internacional	JV	China	5
E14	466	Comercio al por mayor de otra maquinaria, equipos y suministros	Director General	JV	China	2
E15	691	Actividades jurídicas	Socio Director de la Oficina de Shanghái	WFOE	Estados Unidos	>20

Tabla 1. Características de las empresas de la muestra

4. Formas de entrada en China

Como se ha comentado anteriormente, el mercado chino no ha sido históricamente el principal país de destino de la inversión de la empresa española (Durán Herrera, 2002), ni lo es actualmente. No obstante, cada vez hay más empresas que deciden emprender el proceso de internacionalización hacia este país asiático. El primer destino donde las empresas de la muestra invirtieron fue mayoritariamente en países más cercanos geográfica o culturalmente, como en Europa o Latinoamérica, respectivamente. Las empresas que eligieron China como

primer país de inversión fueron las que iniciaron la internacionalización más tarde, hace menos de cinco años. Esto es debido a que el mercado que queremos analizar es el que más oportunidades empresariales presenta a nivel mundial y, por lo tanto, representa un incentivo para para las empresas que quieren ampliar sus horizontes (Cheng & Kwan, 2000; Malhotra, Sivakumar & Zhu, 2009).

Queda claro el objetivo de las empresas que invierten en China, pero es complicado determinar cuál es la mejor forma de internacionalización para alcanzar esta meta.

Al igual que en la literatura, los entrevistados se dividen entorno a las dos grandes figuras estudiadas en la literatura de negocios internacionales, la JV y la WFOE. No obstante, algunas empresas escogieron la oficina de representación (RepOffice) para una primera implantación. La E10 y la E11 decidieron entrar en el mercado en un primer estadio del proceso con una oficina de representación, que sólo puede realizar actividades de apoyo a la empresa matriz, para captar clientes potenciales y realizar estudios de mercado. Posteriormente, ambas continuaron su proceso de implantación mediante una WFOE (Tabla 1).

- C10: “nosotros valoramos las opciones estratégicas que había y decidimos que la forma de empezar era la oficina de representación para, a partir de aquí, seguir avanzando.”
- C11: “desde 2004 tenemos una filial en China, pero antes teníamos una RepOffice, sin ser empresa, sólo una delegación, hasta que tuvimos la masa crítica y la empresa decidió tirar para adelante el proyecto.”

El único registro de empresas españolas en China es voluntario y corresponde al de la Cámara Oficial de Comercio de España en China. En base a este registro, en 2008, la figura elegida por las empresas españolas para implantarse en China era la RepOffice (47%), seguida por la empresa propia (41%) y el resto lo hizo con empresas mixtas (Moyano Vázquez, 2009). Que el mercado chino para la empresa española sea aún un mercado relativamente nuevo respalda estos porcentajes, al utilizar una figura sin personalidad jurídica como primer paso para implantarse en el país. Las dos empresas que han utilizado esta figura en nuestro estudio remarcan la secuencialidad de la entrada en este mercado y autores como Zhang, Zhang y Liu (2007) también apoyan esta teoría en mercados emergentes.

La secuencialidad no se muestra solamente del paso de la RepOffice a la WFOE. En la muestra también hay cuatro empresas que han cambiado su forma jurídica durante su proceso de internacionalización en China de una JV a una WFOE (Figura 1). La E7 lo hizo por un motivo regulatorio, porque en el momento de la entrada en China en su sector era necesario un socio local y después no. La E3 lo hizo porque tuvieron una mala experiencia con el socio y la E1 y E2 porque utilizaron el socio para ganar conocimientos del mercado antes de establecerse en

solitario. Invertir mediante una WFOE implica destinar más recursos y un mayor grado de compromiso por parte de la empresa. En un mercado emergente, con una diferencia cultural importante como la que hay entre España y China, el factor distancia psicológica hace que algunas empresas como la E1 y E2 consideren la entrada secuencial para minimizar riesgos. Esta forma de entrada seguida por las empresas corresponde al modelo Uppsala (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975).

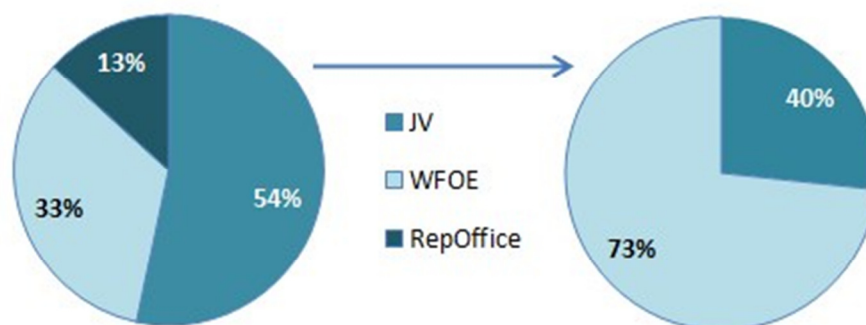


Figura 1. Forma jurídica de las empresas de la muestra, inicial y en la actualidad

Atendiendo al año de creación de las empresas de la muestra y al número de países donde tienen presencia, se puede afirmar que éstas son empresas experimentadas en negocios internacionales. Cuanto mayor es la experiencia internacional mayor es la propensión a la internacionalización (Erramilli, 1991; Tihanyi, Ellstrand, Daily & Dalton, 2000; Todo, 2011), lo que es consistente con los datos de la muestra. La experiencia del equipo directivo hace que prefieran la entrada mediante un modo que les ofrezca un mayor control, como es la WFOE (Nielsen & Nielsen, 2011). Por ejemplo, el Director General de la E14, comentaba durante la entrevista que decidieron invertir con socios locales porque éstos tenían el conocimiento del mercado que, por experiencia, a ellos les faltaba.

En términos de tamaño, atendiendo a su cifra de ventas, sólo una empresa (E8) puede considerarse mediana, el resto de la muestra está formada por empresas grandes. Puede apreciarse claramente lo que respalda la literatura, que cuanto mayor es la empresa, mayor es su propensión a la internacionalización (Moreira, Maia, Sousa & Meneses, 2013). Aunque Claver et al. (2005) apuntan que el mayor tamaño es el factor determinante para que la empresa prefiera la total propiedad, en la muestra hay algunas empresas (de las más grandes), E6 o E13, que han elegido la JV porque han dado más peso a otros factores. La E5 justifica la elección de la JV porque es una empresa del sector hotelero que utiliza las alianzas con socios locales para expandirse y poder tener más presencia en el mercado sin tener que

asumir la inversión en los activos inmobiliarios. Para la E13, en cambio, la elección de la JV fue por un tema regulatorio. En su sector (metalúrgico) se necesitaba un socio local para realizar la inversión. De todas formas, según la entrevista, por su grado de conocimiento del mercado, hubieran utilizado igualmente el apoyo de un socio local para paliar sus carencias (Lu & Beamish, 2001; Makino & Delios, 1996).

Acorde con la literatura sobre factores que determinan la forma de entrada, en el estudio encontramos que empresas con un alto nivel de especificidad de sus activos prefieren establecerse sin socio por los riesgos inherentes a compartir su tecnología o know-how (E7, E8, E10, E11, E15). La E7 inicialmente tuvo que establecerse con una JV porque en su sector no podían tener una participación mayoritaria en la empresa pero cuando se eliminó esta restricción cambiaron de forma jurídica.

Ninguna de las empresas que participaron en el estudio identificó la inestabilidad política o la incertidumbre por modificaciones en la legislación como factor que les influyó en la selección de la forma de entrada en el país. No consideraron China, en la actualidad, como un país con un elevado riesgo político. En cambio, sí señalaron que el riesgo en este país está más bien relacionado con la diferencia cultural: riesgo de no entender cómo funciona el mercado o de cómo tener acceso a él, riesgo de trabajar con un socio local y no tener los mismos objetivos o forma de entender el negocio, riesgo de imitación de sus productos o servicios, etc. Por lo tanto, éstos son riesgos de carácter más empresarial que político.

Los factores nombrados anteriormente influyen en la decisión de establecerse de un modo u otro pero, la distancia cultural es la que, al final, resulta determinante en China. El tamaño, la experiencia, la intensidad de activos específicos o el riesgo del país están condicionados a que la empresa conozca el mercado y logre salvar la distancia cultural que existe entre España y China, en base a los datos de la muestra y a las opiniones de los entrevistados. Si no se conoce el funcionamiento del mercado no importa que la empresa sea grande o experimentada, se necesita un socio local con estos conocimientos (E13). Las empresas que entraron con una JV, excepto las que lo hicieron por imposición legislativa, argumentaban durante las entrevistas que el conocimiento empresarial del socio fue el aspecto que más peso tuvo en la elección:

- E2: *“el socio nos ayudó muchísimo para arrancar. Nosotros del mercado chino no sabíamos [...], te podría contar miles de cosas que son absolutamente diferentes: de comportamientos de compras, de formas de ventas, de canales de distribución, de todo, no tiene nada que ver”*

- E4: “el año 2000, que es cuando nosotros constituimos la primera Joint-Venture con los socios, con la gente con la que habíamos contactado, teníamos ya cierto conocimiento del país pero el hecho de ir con un socio chino yo creo que ha sido clave. [...] Además, es bueno tener un socio porque se ha demostrado que allí son necesarias las conversaciones y el trato con las autoridades, etc., y el socio tiene este acceso.”
- E6: “apostamos al 100% por socios locales porque tienen el conocimiento, el know-how de las mejores ubicaciones, de los mejores proyectos y tienen la capacidad y el fuelle para impulsar proyectos interesantes.”
- C13: “invertimos con un socio, primero, porque era obligatorio y, segundo, porque es importante tener a alguien que conozca bien el mercado.”

Evidentemente, hay una parte negativa de establecerse mediante una JV: la dificultad de proteger el know-how y la propiedad intelectual de la marca. Al tener que compartir los procedimientos de fabricación y conocimientos de la empresa, hace que el riesgo de imitación sea elevado. Por este motivo, algunas empresas como la E1, E2 y E3, cambiaron de forma jurídica una vez obtuvieron los conocimientos necesarios para establecerse por sí mismas.

A medida que incrementa la desregulación en China y las empresas ganan experiencia y deciden invertir más recursos en China se aprecia, tanto en la muestra (Figura 1) como en la literatura, que el número de WFOEs crece en detrimento de las JV (Deng, 2001; Zhang et al., 2007).

5. Barreras de entrada en China

Durante las entrevistas, los directivos de las empresas españolas que han invertido en China, mencionaron diferentes obstáculos encontrados durante la implantación en ese país. A tenor de estas opiniones hemos clasificado las barreras de entrada en cinco tipos (Tabla 2).

	Regulatorias y burocráticas	Culturales e idiomáticas	Competitivas y riesgo de imitación	Recursos humanos	Informales
E1		x	x		
E2		x	x		
E3		x	x		x
E4		x			
E5	x	x			
E6		x			
E7	x	x			
E8		x			x

	Regulatorias y burocráticas	Culturales e idiomáticas	Competitivas y riesgo de imitación	Recursos humanos	Informales
E9	X	X	X		X
E10	X	X			
E11	X	X		X	
E12	X	X		X	
E13	X				
E14	X	X			
E15	X		X	X	
	9	13	5	3	3

Tabla 2. Barreras de entrada de las empresas españolas en China

Nueve de las quince empresas de la muestra encontraron trabas burocráticas o regulatorias, como la imposición de un socio para realizar la inversión (E7 y E13). Según la E7, *“cualquier interacción a nivel burocrático-administrativo con China es complejo. De hecho, este proceso de crear la filial nos está llevando mucho más tiempo de lo que habíamos previsto inicialmente.”* El director general de la E10 en China también considera que su sector está muy regulado en este país lo que limita sus decisiones tanto estratégicas como operativas. En esta línea, el socio de la E15 también apunta que estas restricciones hacen que a lo mejor no puedas invertir en China de la forma que quisieras, en términos de recursos financieros o humanos, al tener unos requisitos que cumplir y, por lo tanto, la inversión puede no tener los frutos que esperabas. El entrevistado de la E4 va más allá comentando que, *“además, estas restricciones son cambiantes por lo que la incertidumbre dificulta la toma de decisiones.”* Gassmann y Han (2004) también remarcaron este punto en su estudio.

Las barreras culturales e idiomáticas son, teniendo en cuenta las respuestas de los entrevistados, la mayor preocupación de las empresas españolas que invierten en China. Uno de los principales problemas a los que se refieren los responsables de internacionalización entrevistados es que los chinos confían más en otro chino que en un occidental (E2, E3, E4). *“Es complicado entenderse con los chinos porque son muy diferentes a nosotros, pero para ellos nosotros también somos muy complicados”* (E6). Según las E1 y E2, la fidelidad es la cualidad que más echan en falta cuando trabajan con un empresario chino. Esta desconfianza entorpece su proyecto. La forma de hacer negocios en China, según el responsable de mercados internacionales de la E7, debe ser flexible porque las diferencias culturales hacen que los tiempos que marcan la inversión sean diferentes para unos que para los otros. En el campo idiomático, la falta de personas que hablen inglés es una limitación (E14). Las empresas utilizan traductores lo que algunas veces lleva a interpretaciones erróneas:

- E1: *"con este señor estuvimos negociando muchísimo, te sentabas en una mesa...te decía que sí, que sí a todo pero cuando lo veía por escrito, lo que él interpretaba y lo que era...nada que ver."*

Además de las regulatorias y culturales, hay barreras competitivas en opinión de la E15: *"hay empresas que quieren ir a China, pero que hacen un análisis de mercado y ven que no tienen los medios para competir en un país donde se están vendiendo cosas parecidas a precios muy competitivos."* Por lo tanto debe conseguirse una buena relación entre los costes de producción y el precio de venta para superar esta barrera (E2) porque la competitividad del mercado hace disminuir el éxito de la inversión (Johnson & Tellis, 2008).

Para seguir siendo competitivos es importante proteger la ventaja competitiva de la empresa, ya sea la imagen de marca, la tecnología, el know-how de los procesos o cualquier recurso que para la empresa sea distintivo. Por este motivo las empresas muestran una clara preocupación por el riesgo de imitación en este mercado. Aunque la E3 considera que en China no hay una protección de la propiedad intelectual estricta como en otros países, afirma, de igual modo que la E1 y la E9, que dedican muchos esfuerzos en este sentido para minimizar el impacto de la imitación.

Relativo a los recursos humanos de la empresa en el país, las E11 y E12 mostraron su preocupación por la captación de recursos humanos en China, sobre todo en las zonas de fuera de Shanghái. Argumentaron que les costaba encontrar personal cualificado y que la rotación era elevada debido a la falta de fidelidad de los trabajadores a la empresa. En la literatura, Gassmann y Han (2004) y Wilkinson, Eberhardt, Maclaren y Millington (2005) también señalan la dificultad existente en el reclutamiento y retención del personal como un problema en China. La E15 añadía, con respecto a esta barrera, que para que un proceso de implantación funcione hace falta que al frente del proyecto haya profesionales de primer nivel y que esta condición muchas veces no se cumplía en China por la falta de compromiso de la empresa con el proyecto.

La última barrera, etiquetada como informal por los entrevistados, hace referencia al sentimiento de algunas de las empresas del estudio a que para poder conseguir buenos resultados en China hace falta ser del país:

- E9: *"En el día a día, en la práctica, te encuentras unas barreras que no son formales y no estaban definidas y que no son siempre las mismas y que son difíciles de definir y, por lo tanto, difíciles de prever (...) para llegar a algunos sitios tienes que ser chino y tienes que pensar con lógica china"*

Según la E6, los chinos saben moverse entre ellos por lo que tienes que tener contactos chinos para realizar la inversión y la E8 añade que *"al final si no entiendes cómo piensan ellos y cómo hacen las cosas pues no vendes"*.

Los autores han hecho referencia a este aspecto en la literatura como Guanxi (Li, Zhou & Shao, 2009; Tsang, 1998; Tung & Worm, 2001) y es especialmente útil en mercados regulados (Liu & Roos, 2006).

Las empresas recomiendan trabajar con personal locales, ya sea un socio, distribuidor o algún miembro del equipo directivo, pero se necesita alguna persona de confianza chino para poder realizar la inversión con éxito. A pesar de las barreras culturales y del riesgo de imitación, si no se sabe llegar al mercado por falta de conocimiento o de acceso, no hay negocio.

6. Conclusiones

La forma de entrada es una de las primeras decisiones que las empresas deben tomar en su proceso de internacionalización y una de las más cruciales. Por este motivo ha sido un tema ampliamente estudiado en la literatura de negocios internacionales. A pesar de esto, por la complejidad e incertidumbre que rodea el proceso de internacionalización de empresas se necesita más evidencia empírica.

Para la empresa española, China no ha sido un mercado de destino de inversiones históricamente, por lo que hay poca experiencia previa y pocos datos al respecto. La principal aportación de este trabajo es, precisamente, los casos de estudio analizados para poner en evidencia los factores que han influenciado a la hora de entrar en el mercado y las barreras que han encontrado durante su implantación.

Igual que la literatura, la mitad de las empresas de la muestra opinan que la entrada en China es un proceso secuencial. Han utilizado una RepOffice o bien una JV para terminar estableciéndose mediante una filial. Actualmente, once de las quince empresas de la muestra poseen una empresa propia en el país. Los motivos de utilizar previamente otra figura fueron diversos pero queda patente en las opiniones de los directivos entrevistados que, el grado de conocimiento del mercado debido de la gran distancia cultural entre los dos países, España y China, es uno de los principales determinantes para colaborar con un socio local o no.

El tamaño de la empresa no es un factor determinante de la forma de entrada a tenor de los datos de las empresas estudiadas en el artículo. En cambio, sí se ha observado que las empresas con activos específicos que aportan una ventaja competitiva a la empresa prefieren

establecerse con un modo de inversión que les aporte más control por el riesgo de compartir estos conocimientos o activos.

Durante el proceso de implantación de las empresas en China encontraron diferentes obstáculos o barreras que podrían agruparse en cinco ámbitos: regulatorio y burocrático, cultural e idiomático, competitivo y riesgo de imitación, recursos humanos e informal. Trece de los quince casos de estudio señalaron la barrera cultural e idiomática como el principal obstáculo a superar en China, seguido por las barreras relativas a la regulación y los trámites burocráticos que dificultan establecerse en el país, mencionadas por nueve de las empresas entrevistadas. Los otros tres tipos de barreras de entrada apuntadas por los entrevistados, aunque no fueron consideradas obstáculos para la mayoría, dependiendo del sector de actividad de la empresa, de su localización en China y de sus contactos en el país, fueron importantes para las empresas. A tenor de las empresas que señalaron las barreras competitivas y el riesgo de imitación como un factor negativo para ellas durante su implantación, se puede observar que fueron empresas que ofrecían productos y no servicios, lo que es más fácil de imitar y, por lo tanto, genera una mayor preocupación a la empresa. Los recursos humanos en China es un tema que preocupa más, en cambio, a las empresas que ofrecen servicios. Primero, porque consideran que encontrar profesionales de primer nivel comprometidos en China no es sencillo y, segundo, porque la rotación es elevada, sobre todo si se busca fuera de las grandes capitales como son Shanghai y Beijing. Por último, la barrera informal a la que hacen referencia los entrevistados como "la barrera de no ser chino en China" puede ser un obstáculo en algunas fases del proceso de internacionalización por no saber entender el funcionamiento del sistema o del mercado.

En resumen, en base a los resultados se desprenden también una serie de implicaciones para los directivos de las empresas que quieren emprender un proceso de internacionalización hacia China.

En primer lugar, por la complejidad del país y la diferencia cultural entre el mismo y España, las empresas prefieren una inversión secuencial para tener un mayor grado de conocimiento antes de establecerse con una filial.

En segundo lugar, las empresas que se implantan en China suelen ser experimentadas en negocios internacionales porque ya han realizado inversiones en Europa o bien en países de Latinoamérica y aunque el tamaño es importante porque supone disponer de recursos para un proceso de estas características, los factores que más condicionan la elección de la forma de entrada son las especificidad de los activos de la empresa y la distancia cultural.

Para finalizar, para superar las barreras encontradas por las empresas en China, se recomienda disponer de conocimiento local para realizar la inversión. Conocimiento local que puede aportar un socio, un distribuidor, personal o directivos de la empresa locales o cualquier otro tipo de alianza que compense las desventajas de ser extranjero en China.

Este artículo pretende aportar las experiencias de empresas de varios sectores que han realizado inversiones en China y guiar a las que estén pensando invertir en el país señalando los factores que han considerado relevantes para escoger la forma de entrada y las barreras que han encontrado en el proceso.

Referencias

- AGARWAL, S.; RAMASWAMI, S.N. (1992). Choice of Foreign Market Entry Mode: Impact of Ownership, Location and Internalization Factors. *Journal of International Business Studies*, 23(1): 1-27. <http://dx.doi.org/10.1057/palgrave.jibs.8490257>
- ANDERSON, E.; GATIGNON, H. (1986). Modes of foreign entry: A transaction cost analysis and propositions. *Journal of International Business Studies*, 17: 1-26.
- BAENA GRACIÁ, V.; CERVIÑO FERNÁNDEZ, J. (2009). The Internationalization of Spanish Franchising and its Foreign Entry Mode Choices. *Cuadernos de Economía Y Dirección de Empresas*, 40: 47-82.
- BONTEMPI, M.E.; PRODI, G. (2009). Entry strategies into China: The choice between Joint Ventures and Wholly Foreign-Owned Enterprises. An application to the Italian manufacturing sector. *International Review of Economics and Finance*, 18(1): 11-19. <http://doi.org/10.1016/j.iref.2008.02.007>
- BROUHERS, K.D.; BROUHERS, L.E. (2003). Why Service and Manufacturing Entry Mode Choices Differ: The Influence of Transaction Cost Factors, Risk and Trust *. *Journal of Management Studies*, 40(5): 1179-1204. <http://dx.doi.org/10.1111/1467-6486.00376>
- BROUHERS, K.D.; NAKOS, G. (2004). SME entry mode choice and performance: A transaction cost perspective. *Entrepreneurship: Theory and Practice*, 28(3): 229-247. <http://doi.org/10.1111/j.1540-6520.2004.00041.x>
- CHANG, S.J.; ROSENZWEIG, P.M. (2001). The choice of entry mode in sequential foreign direct investment. *Strategic Management Journal*, 22(November 2000), 747-776. <http://doi.org/10.1002/smj.168>
- CHEN, H.; HU, M.Y. (2002). An analysis of determinants of entry mode and its impact on performance. *International Business Review*, 11: 193-210. [http://doi.org/10.1016/S0969-5931\(01\)00055-5](http://doi.org/10.1016/S0969-5931(01)00055-5)

- CHENG, L.K.; KWAN, Y.K. (2000). What are the determinants of the location of foreign direct investment? The Chinese experience. *Journal of International Economics*, 51(2): 379-400. [http://doi.org/10.1016/S0022-1996\(99\)00032-X](http://doi.org/10.1016/S0022-1996(99)00032-X)
- CHUNG, H.F.L.; ENDERWICK, P. (2001). An Investigation of Market Entry Strategy Selection: Exporting vs Foreign Direct Investment Modes — A Home-host Country Scenario. *Asia Pacific Journal of Management*, 18: 443-460. <http://dx.doi.org/10.1023/A:1012871225166>
- CLAVER, E.; QUER, D.; MOLINA, J.F. (2005). Inversión directa en el exterior: Evidencia empírica de las empresas españolas en China. *Revista Española de Dirección Y Economía de La Empresa*, 14: 25-42.
- DATTA, D.K.; HERRMANN, P.; RASHEED, A.A. (2002). Choice of Foreign Market Entry Modes: Critical Review and Future Directions. *Advances in International Management*, 14: 85-153. [http://dx.doi.org/10.1016/S0747-7929\(02\)14034-0](http://dx.doi.org/10.1016/S0747-7929(02)14034-0)
- DENG, P. (2001). WFOEs: The Most Popular Entry Mode into China. *Business Horizons*, 44(2): 63-72. [http://doi.org/10.1016/S0007-6813\(01\)80049-5](http://doi.org/10.1016/S0007-6813(01)80049-5)
- DURÁN HERRERA, J.J. (2002). Estrategias de localización y ventajas competitivas de la empresa multinacional española. *Información Comercial Española - Revista de Economía (Ministerio de Economía)*, 799: 41-54.
- ERRAMILI, M.K. (1991). The experience factor in foreign market entry behavior of service firms. *Journal of International Business Studies*, 22(3): 479-501.
- ERRAMILI, M.K.; RAO, C.P. (1993). Service firms' international entry-mode choice: A modified transaction-cost analysis approach. *Journal of Marketing*, 57(July): 19-38. <http://doi.org/10.2307/1251852>
- FAN, P. (2011). Innovation capacity and economic development: China and India. *Economic Change and Restructuring*, 44(1-2): 49-73. <http://doi.org/10.1007/s10644-010-9088-2>
- FREEMAN, S.; SANDWELL, M. (2008). Professional service firms entering emerging markets: The role of network relationships. *Journal of Services Marketing*, 22(3): 198-212. <http://doi.org/10.1108/08876040810871165>
- GABLE, M.; TOPOL, M.T.; MATHIS, S.; FISHER, M.E. (1995). Entry barriers in retailing. *Journal of Retailing and Consumer Services*, 2(4): 211-221. [http://doi.org/10.1016/0969-6989\(95\)00056-9](http://doi.org/10.1016/0969-6989(95)00056-9)
- GASSMANN, O.; HAN, Z. (2004). Motivations and barriers of foreign R&D activities in China. *R and D Management*, 34(4): 423-437. <http://doi.org/10.1111/j.1467-9310.2004.00350.x>
- GLÜCKLER, J. (2006). A relational assessment of international market entry in management consulting. *Journal of Economic Geography*, 6: 369-393. <http://doi.org/10.1093/jeg/lbi016>

- HILL, C.W.L.; HWANG, P.; KIM, W.C. (1990). An Eclectic Theory of the Choice of International Entry Mode. *Strategic Management Journal*, 11: 117-128.
<http://dx.doi.org/10.1002/smj.4250110204>
- HUTCHINSON, K.; FLECK, E.; LLOYD-REASON, L. (2009). An investigation into the initial barriers to internationalization: Evidence from small UK retailers. *Journal of Small Business and Enterprise Development*, 16(4): 544-568. <http://doi.org/10.1108/14626000911000910>
- JIANG, N.; LIPING, W.; SHARMA, K. (2013). Trends, Patters and Determinants of Foreign Direct Investment in China. *Global Business Review*, 14(2); 201-210.
<http://doi.org/10.1177/0972150913477307>
- JOHANSON, J.; VAHLNE, J.-E. (1977). The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1): 23-32. <http://dx.doi.org/10.1057/palgrave.jibs.8490676>
- JOHANSON, J.; WIEDERSHEIM-PAUL, F. (1975). The internationalization of the firm - four swedish cases. *The Journal of Management Studies*, 12(3): 305-323. <http://dx.doi.org/10.1111/j.1467-6486.1975.tb00514.x>
- JOHNSON, J.; TELLIS, G.J. (2008). Drivers of Success for Market Entry into China and India. *Journal of Marketing*, 72(May): 1-13. <http://doi.org/10.1509/jmkg.72.3.1>
- KOGUT, B.; SINGH, H. (1988). The effect of national culture on the choice of entry mode. *Journal of International Business Studies*, 19(3): 411-432.
<http://dx.doi.org/10.1057/palgrave.jibs.8490394>
- LAU, C.M.; BRUTON, G.D. (2008). FDI in China: What we know and what we need to study next. *Academy of Management Perspectives*, 22(4): 30-44.
<http://dx.doi.org/10.5465/AMP.2008.35590352>
- LI, J.; ZHOU, K.; SHAO, A. (2009). Competitive position, managerial ties, and profitability of foreign firms in China: An interactive perspective. *Journal of International Business Studies*, 40(2): 339-352. <http://dx.doi.org/10.1057/jibs.2008.76>
- LIN, F.-J. (2010). The determinants of foreign direct investment in China: The case of Taiwanese firms in the IT industry. *Journal of Business Research*, 63(5): 479-485.
<http://doi.org/10.1016/j.jbusres.2009.04.005>
- LIU, H.; ROOS, L. (2006). Managing strategic planning paradigms in China. *Marketing Intelligence & Planning*, 24(5): 432-445. <http://doi.org/10.1108/02634500610682845>
- LU, J.W.; BEAMISH, P.W. (2001). The internationalization and performance of SMEs. *Strategic Management Journal*, 22(6-7): 565-586. <http://doi.org/10.1002/smj.184>

- LUO, Y. (2000). Entering China today: What choices do we have?. *Journal of Global Marketing*, 14(1-2): 57-82. http://dx.doi.org/10.1300/J042v14n01_04
- LUO, Y. (2001). Determinants of Entry in an Emerging Economy: A Multilevel Approach. *Journal of Management Studies*, 38(3): 443-472. <http://doi.org/10.1111/1467-6486.00244>
- LUTZ, C.H.M.; KEMP, R.G.M.; DIJKSTRA, S.G. (2010). Perceptions regarding strategic and structural entry barriers. *Small Business Economics*, 35:19-33. <http://doi.org/10.1007/s11187-008-9159-1>
- MAKINO, S.; DELIOS, A. (1996). Local Knowledge Transfer and Performance: Implications for Alliance Formation in Asia. *Journal of International Business Studies*, 27(5): 905-927. <http://dx.doi.org/10.1057/palgrave.jibs.8490156>
- MALHOTRA, S.; SIVAKUMAR, K.; ZHU, P. (2009). Distance factors and target market selection: The moderating effect of market potential. *International Marketing Review*, 26(6): 651-673. <http://doi.org/10.1108/02651330911001332>
- MOREIRA, M.R.; MAIA, M.A.; SOUSA, P.S.; MENESES, R.F.C. (2013). Factors influencing the internationalization of services firms: The case of design, engineering and architecture consulting firms. *Lecture Notes in Business Information Processing*, 143: 246-262. http://doi.org/10.1007/978-3-642-36356-6_18
- MOYANO VÁZQUEZ, G. (2009). Presencia empresarial española en china. *Boletín Económico Del ICE*, 2972: 119-129.
- MUTINELLI, M.; PISCITELLO, L. (1998). The entry mode choice of MNEs: An evolutionary approach. *Research Policy*, 27: 491-506. [http://doi.org/10.1016/S0048-7333\(98\)00063-8](http://doi.org/10.1016/S0048-7333(98)00063-8)
- NAIR, A.S.; STAFFORD, E.R. (1998). Strategic alliances in China: Negotiating the barriers. *Long Range Planning*, 31(1): 139-146. [http://doi.org/10.1016/S0024-6301\(97\)00100-3](http://doi.org/10.1016/S0024-6301(97)00100-3)
- NIELSEN, B.B.; NIELSEN, S. (2011). The role of top management team international orientation in international strategic decision-making: The choice of foreign entry mode. *Journal of World Business*, 46(2): 185-193. <http://doi.org/10.1016/j.jwb.2010.05.003>
- NIU, Y.; DONG, L.C.; CHEN, R. (2012). Market entry barriers in China. *Journal of Business Research*, 65(1): 68-76. <http://doi.org/10.1016/j.jbusres.2011.01.018>
- OFICINA NACIONAL DE ESTADÍSTICA DE CHINA (2013). *China Statistical Yearbook (11-15)*. Available online at: <http://www.stats.gov.cn/tjsj/ndsj/2014/indexeh.htm> (Last access date: March 12th, 2015).
- PAROLA, F.; SATTA, G.; PERSICO, L.; BELLA, E.DI. (2013). Entry mode choices in international markets: Examining the antecedents of service firms ' strategies. *International Journal of Globalisation and Small Business*, 5(1/2): 34-57. <http://dx.doi.org/10.1504/IJGSB.2013.050483>

- RAJAN, K.S.; PANGARKAR, N. (2000). Mode of entry choice: An empirical study of Singaporean multinationals. *Asia Pacific Journal of Management*, 17: 49-65. Available online at: <http://ezproxy.library.capella.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=3611249&site=ehost-live&scope=site>
<http://dx.doi.org/10.1023/A:1015484803666>
- ROOT, F.R. (1994). *Entry strategies for international markets*. Washington DC: Lexington Books.
- SIRIPAISALPIPAT, P.; HOSHINO, Y. (2000). Firm-specific advantages, entry modes, and performance of Japanese FDI in Thailand. *Japan and the World Economy*, 12: 33-48.
[http://doi.org/10.1016/S0922-1425\(99\)00025-0](http://doi.org/10.1016/S0922-1425(99)00025-0)
- SLANGEN, A.H.; VAN TULDER, R.J. (2009). Cultural distance, political risk, or governance quality? Towards a more accurate conceptualization and measurement of external uncertainty in foreign entry mode research. *International Business Review*, 18(3): 276-291.
<http://doi.org/10.1016/j.ibusrev.2009.02.014>
- TERJESEN, S.; O’GORMAN, C.; ACS, Z.J. (2008). Intermediated mode of internationalization: new software ventures in Ireland and India. *Entrepreneurship & Regional Development: An International Journal*, 20(1): 89-109. <http://doi.org/10.1080/08985620701630946>
- THE WORLDBANK (2013a). *Foreign Direct Investment, net inflows*. Available online at: http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?order=wbapi_data_value_2013+wbapi_data_value+wbapi_data_value-last&sort=desc (Last access date January 28th, 2015).
- THE WORLDBANK (2013b). *GDP (current US\$)*. Available online at: http://data.worldbank.org/indicator/NY.GDP.MKTP.CD/countries/1W?order=wbapi_data_value_2013+wbapi_data_value_wbapi_data_value-last&sort=desc&display=default (Last access date January 28th, 2015).
- TIHANYI, L.; ELLSTRAND, A.E.; DAILY, C.M.; DALTON, D.R. (2000). Composition of the Top Management Team and Firm International Diversification. *Journal of Management*, 26(6): 1157-1177. <http://doi.org/10.1177/014920630002600605>
- TODO, Y. (2011). Quantitative Evaluation of the Determinants of Export and FDI: Firm-level Evidence from Japan. *World Economy*, 34: 355-381. <http://doi.org/10.1111/j.1467-9701.2011.01331.x>
- TSANG, E.W. (1998). Can guanxi be a source of sustained competitive advantage for doing business in China?. *The Academy of Management Executive (1993-2005)*, 12(2): 64-73.
- TUNG, R.L.; WORM, V. (2001). Network capitalism: The role of human resources in penetrating the China market. *The International Journal of Human Resource Management*, 12(4):517-534.
<http://doi.org/10.1080/713769653>

Intangible Capital – <http://dx.doi.org/10.3926/ic.694>

- VILLARREAL, O.; LANDETA, J. (2010). Case study as a methodology of scientific research in business economics and management. An application of the internationalisation. *Investigaciones Europeas de Dirección Y Económica de La Empresa*, 16(3): 31-52.
- WEI, Y.; LIU, B.; LIU, X. (2005). Entry modes of foreign direct investment in China: A multinomial logit approach. *Journal of Business Research*, 58: 1495-1505. <http://doi.org/10.1016/j.jbusres.2004.10.002>
- WILKINSON, B.; EBERHARDT, M.; MACLAREN, J.; MILLINGTON, A. (2005). Human resource barriers to partnership sourcing in China. *International Journal of Human Resource Management*, 16(10): 1886-1900. <http://doi.org/10.1080/09585190500298578>
- YAPRAK, A. (2012). Market entry barriers in China: A commentary essay. *Journal of Business Research*, 65(8): 1216-1218. <http://doi.org/10.1016/j.jbusres.2011.06.040>
- YIN, R.K. (1981). The Case Study Crisis: Some Answers. *Administrative Science Quarterly*, 26(1): 58-65. <http://dx.doi.org/10.2307/2392599>
- YIN, R.K. (1984). *Case Study Research: Design And Methods (Applied Social Research Methods)*. Thousand Oaks: Sage Publications.
- ZHANG, Y.; ZHANG, Z.; LIU, Z. (2007). Choice of entry modes in sequential FDI in an emerging economy. *Management Decision*, 45(4): 749-772. <http://doi.org/10.1108/00251740710746015>

Intangible Capital, 2016 (www.intangiblecapital.org)



El artículo está con Reconocimiento-NoComercial 3.0 de Creative Commons. Puede copiarlo, distribuirlo y comunicarlo públicamente siempre que cite a su autor y a Intangible Capital. No lo utilice para fines comerciales. La licencia completa se puede consultar en <http://creativecommons.org/licenses/by-nc/3.0/es/>

CHAPTER II

Spanish Companies in China: An Overview of Management Consulting Firms

2.1 Introduction

The second chapter of the thesis also has a qualitative, exploratory character. As a result of the interviews carried out in the first stage of the study, it was noticed that almost all the companies in the sample had used external advisors in the phases before and after implantation in China. This does not happen in other more familiar destinations and, for this reason, it was decided to explore the vision of these consulting firms specialised in internalisation processes. The idea was to see if they could contribute to the study with more relevant information because they had participated in many internationalisation processes towards China carried out by Spanish companies. Therefore, this chapter is also related to the entry modes and entry barriers that Spanish companies have used in China and the factors that have to be taken into account to make the investment, but this time approached from the point of view of the company's advisors. No difference is made in the chapter between advisors and management consulting firms (MCF) and the terminology is interchangeable.

The first two interviews conducted were for a Spanish consulting firm and an international consulting firm. The conclusions of these two interviews were published in a special issue on internationalisation of the *Revista de Contabilidad y Dirección*, edited by ACCID, no. 18 (the journal is indexed in CARHUS PLUS 2014 and Latindex). This article entitled “*La internacionalización de las empresas españolas hacia China: La opinión de dos consultoras especializadas*” has not been included in the outputs of this chapter because it was later extended in Paper III to comprise a total of six MCF.

Therefore, Paper III entitled “*An Overview of the Management Consulting Firms of Spanish Companies in China: Company Profile and Success and Failure Factors*” gathers together the experience of these six MCF in relation to the factors considered to cause failure or success for investment in China. The paper was published in 2016 in the *Multidisciplinary Journal for Education, Social and Technological Sciences*, vol. 3, no. 1, pp. 1-25 (the journal is indexed in ERIHPLUS and Latindex, among others). It was also presented at the 2nd International Conference on Education, Social and Technological Sciences, held in Valencia (Spain) in 2015.

Then, using the same interviews, Paper IV was related to the entry mode choice used by the Spanish companies and the entry barriers from the MCF perspective. It is entitled “*Entry Modes and Barriers to Internationalisation in China: An Overview of Management Consulting Firms*”, and has been accepted for publication in *Measuring Business Excellence* (the journal is indexed in Scopus and Thomson Reuters' Emerging Sources Citation Index,

among others). It was also presented at the 16th EBES Conference, held in Istanbul (Turkey) in 2015.

Therefore, this chapter has the same structure as Chapter I. The literature review concerning company success factors is detailed in Section 2.2, whereas Section 2.3 is dedicated to providing the detail of the sample used because the methodology is the same as in the previous chapter and, finally, the aforementioned papers are presented in Section 2.4.

2.2 Literature Review on Business Success Factors

Before reviewing the success factors, what is meant by investment success must be defined. However, success is difficult to define and measure since it means different things to different people. Therefore, it is widely accepted that success is a multi-dimensional construct (Johnson and Tellis, 2008; Walker and Brown, 2004).

The standard definition provided by the Oxford dictionary for success is “*the accomplishment of an aim or purpose*”. Focusing on business, success has traditionally been measured in terms of financial success; typically, sales or profit (Gadenne, 1998; Simpson et al., 2012), but it may have other non-financial criteria equally important for a company (Laszlo et al., 2010; Ng et al., 2007). For example, Jennings and Beaver (1997) defined success as “the sustained satisfaction of principal stakeholder aspirations”. Therefore, companies should be concerned about much more intangible issues rather than focus on merely increasing numbers. Some of these measures may be related to customer satisfaction, social corporate responsibility, corporate image, technological competence, etc. (Kalleberg and Leicht, 1991; Rangone, 1997). Despite this, the indicators more often used in the business literature as a proxy for business success are profit and growth (Kyläheiko et al., 2011; Vasconcellos, 1988; Zeng et al., 2009).

In this thesis, subjective measurements of success were used because the study wanted to explore what the advisors understood as success and which were the factors they considered important to aim for in China. In addition, this allowed the study in the short term to determine if the result of the investment had been beneficial without having to wait, for example, several years to see if the sales or assets in the country had increased, since many of the companies had not spent too many years investing in China.

Focusing on the topic of the present thesis, the published literature on success and failure factors for internationalisation is sparse. In addition, there is no accepted list of variables to predict overall business success in internationalisation matters. Only a few authors (Yang and Lee, 2002; Zeng et al., 2009; Zheng and Larimo, 2014) have explicitly studied this topic and elaborated a list of factors.

Yang and Lee (2002) identified five categories of factors that influenced company success in China: operational, managerial, cultural, societal and technological factors. Zheng and Larimo (2014) also classified the key success factors for satisfactory investment in China, in this case with four dimensions: cultural, economic, political and technological. In addition, in line with these authors, Zeng et al. (2009) labelled four factor dimensions related to

innovation capacity, management level, marketing capability and controlling resource capacity.

Table IX lists the factors mentioned by these authors within each category and some similarities and differences can be seen between these three earlier studies. Nevertheless, it is important to emphasise the importance that all the studies gave to good strategic planning and competitiveness. This is shown by items such as an effective long-term business development strategy and leading in new product development, as listed by Yang and Lee (2002), the level of strategic control and competitive performance, indicated by Zheng and Larimo (2014), and the innovation capacity referred to by Zeng et al. (2009). On the other hand, it is noteworthy that, while the first two studies gave much importance to cultural factors as being influential for success in China, Zeng et al. (2009) do not include this dimension.

Table IX. Key factors for success in China

DIMENSION	Yang and Lee (2002)	Zheng and Larimo (2014)	Zeng et al. (2009)
Operational	Effective long-term business development strategy	Level of operational control	Brand consciousness
	Well-defined operational policies	Sales orientation at the operation stage	Expanding overseas markets
	Careful selection of investment location	Financial performance	
	Part supply localization	Competitive performances	
	Employment localization		
Managerial	Employee-oriented management approach	Level of strategic control	Senior management with management know-how
	Compatible benefit and incentive system	Partner commitment	Management system
	Comprehensive employee training	International experience	International business experience
			Financial capacity
Cultural	Integrating western and Chinese culture into the company's policy	Conflicts between partners	
	Strong company background, reputation and corporation culture	Level of trust	
	Attractiveness to high quality professionals and highly skilled labourers		
Societal	Good relationship with government agencies		
	Active participation in public activity		
	Assistance to China's economic reform policy study		

Technological Innovation capacity of firms in internationalisation efforts	Technological appropriateness	Technology level
	Techniques and process design satisfying Chinese industrial needs	Innovation capacity
	Leading in new product development	Cost control
		Skilled labour availability

Source: Own elaboration

In the previously published international business literature, articles can be found relating some of the factors listed in Table IX to company success abroad, which is understood as company survival, investment profitability or growth. Despite authors such as Murphy et al. (1996) stating that survival is not necessarily evidence of success, this present study understood, as other authors have, that survival is a dimension of success (Brüderl et al., 1992; Van Praag, 2003; Williams, 1993).

In this sense, some aspects that others have also highlighted have been specifically identified. These are related to:

- The management team,
- The partner,
- Institutional influence networks (*Guanxi*),
- Company capabilities,
- Strategic configuration.

The **management team** is responsible for decision making and therefore plays an active part in the design of the international strategy, its implementation and its subsequent control. Cremer and Ramasamy (2009) believed that the human factor represented one of the main factors of business success, since the interpersonal relational skills, personality and vision of the leader are fundamental. International experience is also relevant as a driver of company international success (e.g. performance, growth, survival, etc.).

Based on information-processing theory, whose basic proposition is that the greater the uncertainty of the task, the greater the amount of information that has to be processed between decision makers during the execution of the task (Galbraith, 1974), international experience is a key factor for international success. Internationalisation strategy is one of the more uncertain and complex strategies faced by a company and international experience is seen as an important element because it helps managers to make better decisions based on previous knowledge (Westphal and Fredrickson, 2001). Moreover, it

moderates the negative relationship between cultural distance and firm profitability (Hutzschenreuter and Horstkotte, 2013; Sapienza et al., 2006) by using knowledge acquired from other foreign markets.

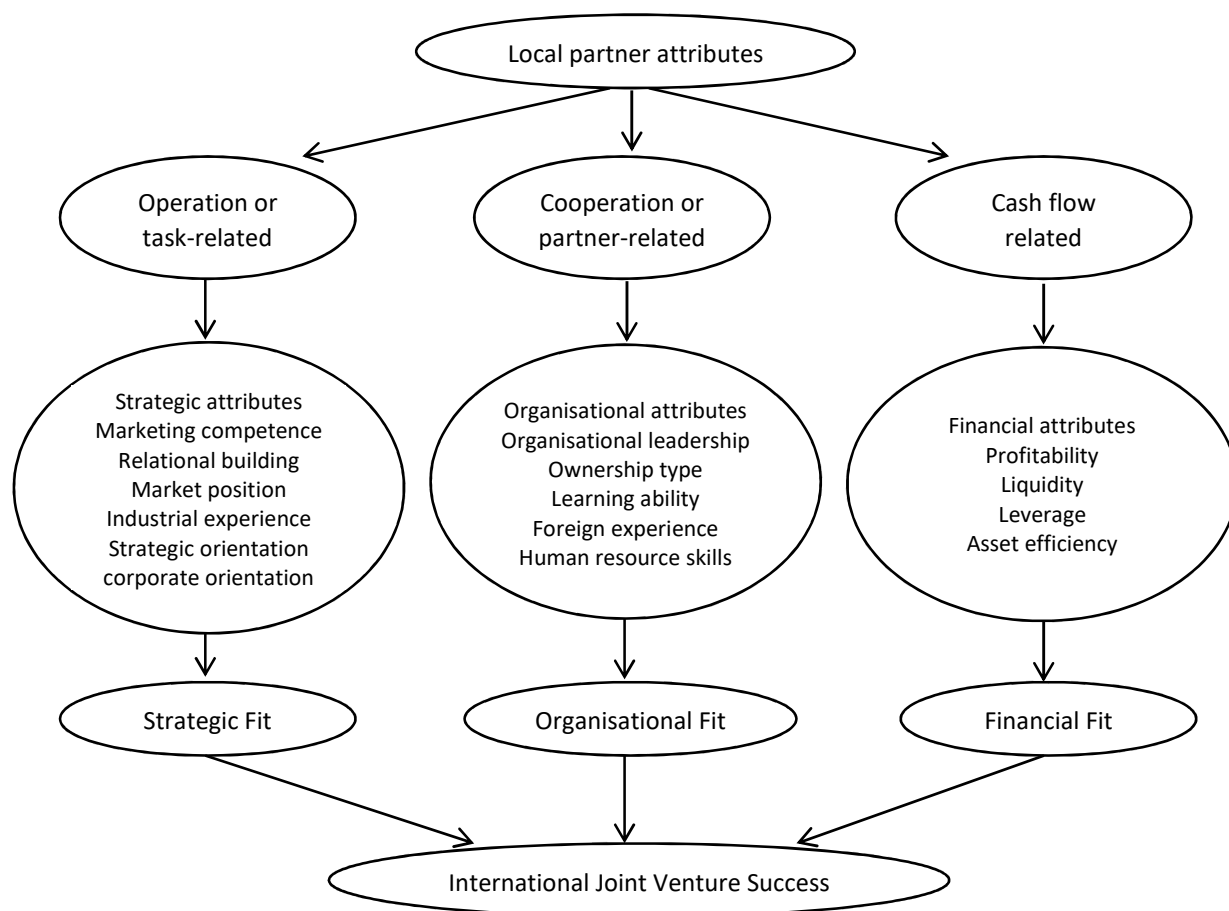
Also, from a resource-based perspective, intangible assets are a source of competitive advantage and are positively related to internationalisation and firm performance (Hitt et al., 2006). While a number of empirical studies found support for a positive relationship between TMT international experience and firm internationalisation, only a few provide evidence for positive effects of an executive's international experience on firm performance (Nielsen, 2010a), therefore, it would be interesting to identify a relationship in this regard.

One of the more widely studied factors in business success/failure is the figure of the **business partner**. This is especially relevant in China, where for many years the common ownership structure used to enter into the market has been the joint venture. Therefore, it is not surprising that most studies based on business partner issues have focused on this country. In this sense, the selection of the partner and cultural differences represent the cornerstones of this topic.

Selecting the right partner is important for the success of alliances and joint ventures, and this is a statement repeated in many of the JV papers on China (Gale and Luo, 2004; Zutshi and Tan, 2009). For the need to choose a good partner, Luo (1998) wrote the seminal article "Joint Venture success in China: How should we select a good partner?" It sets out the relevant factors to be taken into account for the choice, and groups them into three categories, as shown in Figure VII. The justification of the JV formation, according to this author, responds to operational, co-operational or financial issues, which are the attributes that companies are looking for in a partner.

Although Zutshi and Tan (2009) did not find cultural differences significant (maybe because the sample was from Singapore), there are many authors who have found problems of communication or difficulties in joint venture management caused by these differences (Dong and Glaister, 2007; Kaufmann and O'Neill, 2007). Furthermore, cultural differences lead to problems of trust and commitment that have been recognised as factors influencing international joint venture performance (Boersma et al., 2003; Hu and Chen, 1996).

Figure VII. Local partner attributes and joint venture success



Source: Luo (1998)

Besides the partner, a necessary condition for undertaking business successfully in China is **guanxi** (Chen and Chen, 2004) (Figure VIII). *Guanxi* literally means connection and is made up of two words. According to the Modern Chinese Dictionary, *guan*, as a noun, originally refers to a juncture or a pass that is usually of strategic importance. It is then used figuratively to refer to barriers such as technical barriers (*jishu guan*). *Guan* is, in one sense, a barrier and, in another, a conjunctive point that connects otherwise separate entities. As a verb, however, *guan* by itself means to close, but together with other words that denote connection it means to relate to (e.g. *guan lian*). This is the case with *guanxi*, since *xi* can serve as a linking verb like “be” in English, or a conjunctive word meaning in relation to or having a bearing on. When used as a regular verb, it means to tie up. *Guanxi* together can be used as a verb or a noun. As a verb, it means to have bearings on, whereas as a noun it denotes a state in which entities (objects, forces, or human beings) are connected.

Figure VIII. *Guanxi* in Chinese characters



关系
guānxi

Source: EU-Asia Centre (2012)

Guanxi affects all the major dimensions of a firm's performance, among which are profitability and sales growth, therefore, *guanxi* networks are necessary for corporate success (Luo, 1997). According to Davies et al. (1995), *guanxi* smooths transactions, provides information and resources, and without it you cannot get anything done. Despite this, most authors have argued that *guanxi* is a necessary but insufficient condition to long-term business success in China, and other sources of competitive advantages are needed (Tsang, 1998; Yeung and Tung, 1996). The importance of *guanxi* is also related to company size, for example, Cremer and Ramasamy (2009) found that these connexions were particularly important for small firms, and Yeung and Tung (1996) indicated that small- and medium-sized firms tended to place greater emphasis on *guanxi* than large companies.

On the other hand, Li et al. (2009) made an important contribution to the study of *guanxi* by differentiating between political and managerial ties. In this sense, they differed between the good *guanxi* (source of success), which is the one derived from managerial ties, and bad *guanxi*, more related to political ties, because political ties are not without cost, since they lead you to return a favour.

Beside factors related to human resources and their relationships (internal resources such as the TMT or external resources such as a partner and *guanxi*), other factors related to a firm's intangible resources can also explain business success abroad. Despite not receiving the same attention in the international business literature compared to the other three previous aspects, these **capabilities** become crucial factors for a firm's development.

Studies on a resource-based perspective (Wernerfelt, 1984) affirm that capabilities are firm-specific resources, which are hardly imitable or transferable and can generate economic benefits (Simon et al., 2011). Authors in internationalisation studies have identified marketing, organisational, strategic and technological capabilities, among others, as relevant for success (Forlani et al., 2008; Kyläheiko et al., 2011; Rodriguez et al., 2013; Sapienza et al., 2006). However, Luo (2000) suggested that it is not only necessary to possess these qualities because there also has to be continuous improvement. In this sense,

the study expressed a dynamic capability perspective for international business. According to this author, there are three essential ingredients of dynamic capability: capability possession (distinctive resources), capability deployment (resource allocation), and capability upgrading (dynamic learning), and each one is a necessary condition for sustained success in today's world economy characterised by increasing technological advancement and business globalisation. Dynamic capabilities therefore represent the ability to achieve new forms of competitive advantage (Teece et al., 1997).

Finally, aspects related to the **configuration strategy** must also be mentioned as a source of international business success. The choice of the internationalisation mode (export vs. FDI) is seen as a crucial decision for company success abroad (Lu and Beamish, 2001). The ownership structure (WOS vs. JV) (Johnson and Tellis, 2008) influences the control the company exerts on the investment and this is a widely studied area in the business research literature, as explained further in Chapter I of the thesis. In addition, market strategy through the adaptation of the corporate strategy to the host country can better serve the client's needs (Tang et al., 2007). All these strategies are sources of success or failure for international investment and they have to be analysed in depth.

In this qualitative chapter, the vision of the advisors is explored without differentiating between success and survival (i.e. understanding that investment survival in China is investment success). The objective was to identify which of the factors found in the literature, and commented on in these paragraphs, were considered relevant by the advisors of the Spanish companies in China for success in this Asian country.

2.3 Qualitative Exploratory Study

In order to explore the opinions of the MCF, the same methodological approach as in the previous chapter, as well as the same data collection process and analysis process were used. In this second qualitative analysis, since the previous study provided information concerning the internationalisation process of Spanish companies in China, it was possible to analyse in greater depth the aspects identified as important in the interviews with those responsible for the process. The study was particularly interested in the key success factors for two reasons. First, due to the large number of failed investments in this destination, as supported by Cremer and Ramasamy (2009) who stated “the chances of making mistakes and failing in China are daunting: cases of messy joint ventures, negotiations that have gone bad, fierce price competition, intellectual property rights (IPR) problems and betrayals, or market promises that never existed are also part of the business reality in China”. Second, because the advisors had more information concerning the internationalisation processes in China and, therefore, they had a more expert view that could provide the study with useful advice.

In this case, sample selection was also for reasons of convenience, since the MCFs interviewed were advisors of the companies participating in the first study. It is difficult to determine the total number of consulting firms with Spanish companies in their portfolio that have provided advice on implementation processes in China. For this reason, the sample representation could possibly be questioned. Nevertheless, the data indicated that there were approximately 377 Spanish companies in China at that time and, taking into account the number of processes carried out by the advisors interviewed that totalled more than 140 cases, it was concluded that the representation of the sample was quite good.

The characteristics of the sample are detailed in Table X. The real names were coded as MCF1, MCF2, etc. in order to maintain their anonymity. In addition, all the MCFs provided legal and tax advice for the implementation process and further development of overseas activities. MCF2 offered additional recruitment services, and MCF3 offered translation services and Chinese search engine/social network ranking optimisation (SEO).

The MCFs had different types of clients. Regarding their size, MCF1 and MCF4 had a portfolio of medium and large enterprises, which had an essentially Spanish or more international origin, respectively. MCF2 and MCF5 also had clients from different countries, but these were usually small- and medium-sized companies. Finally, MCF3 was dedicated to advising small businesses.

Table X. Management Consulting Firms' characteristics

	Year of foundation	MCF's headquarters	Number of interviewees	Interviewee	Interviewee's location
MCF1	1941	Spain	2	Former managing partner and actual managing partner of Shanghai Office	China
MCF2	1979	Hong Kong	1	Business Development Manager	Germany
MCF3	2013	Spain	1	CEO	Spain
MCF4	1845	United States	1	Partner of Shanghai Office and Head of Commercial due diligence for Mainland China	China
MCF5	1963	United Kingdom	2	Partners of Barcelona Office. Tax Manager and Legal Manager	Spain
MCF6	1964	Spain	1	Managing Director	Spain

Source: Own elaboration

2.4 Academic Outputs

In the last section of this chapter, following the analysis of the six interviews conducted with MCF partners, the results are presented in two papers. The first addresses the research questions concerning success factors and the second deals with the modes and entry barriers.

Paper III. “*An Overview of the Management Consulting Firms of the Spanish Company in China: Company Profile and Success and Failure Factors*” available at:

<http://polipapers.upv.es/index.php/MUSE/article/view/3711/5230>

Paper IV. “*Entry Modes and Barriers to Internationalisation in China: An Overview of Management Consulting Firms*” available at:

<http://www.emeraldinsight.com/doi/pdfplus/10.1108/MBE-04-2016-0022>



Multidisciplinary Journal for Education,
Social and Technological Sciences

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

An Overview of the Management Consulting Firms of the Spanish Company in China: Company Profile and Success and Failure Factors

A. Niñerola*, F. Campa-Planas, A.B. Hernández-Lara, M.V. Sánchez-Rebull

*Business Management Department. Universidad Rovira y Virgili
Av.Universidad 1, 43204 Reus, Spain.*

* Corresponding author: Email: angels.ninerola@urv.cat; Phone: + 34 977759865

Abstract

This article explores the vision of Management Consulting Firms (MCF) specialized in internationalization processes of Spanish companies in China. The main objective is to shed light on a process full of uncertainty as is international expansion into emerging markets on the point of view of the advisors of that process.

First, it is analyzed whether there is a Spanish company profile that is internationalized toward China in terms of sector of activity, size and experience in international business. And second, with their client's experiences, success and failure factors in the internationalization process are studied.

To achieve those objectives in depth interviews were held with partners and managers of six Management Consulting Firms with Spanish clients in their portfolio.

As a result it is concluded that the sectors where the Spanish company has invested are several, the size of the company is important to undertake an implementation process in China and its international experience as well. Eight key factors were found relevant to invest in China successfully. Five factors are related with their resources (humans and financials) and the other three are related with their strategy. The main reasons of failure are also discussed.

The article provides an outside perspective on the reasons why an internationalization process is successful and other fails.

Keywords

Management Consulting Firms; internationalization; foreign direct investment; company profile; Chinese market; key success factors



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 77



1. Introduction

In a global economy, many companies seek to extend their domestic market by finding new customers and profitability. The removal of trade barriers, greater geographic mobility, both of products and of people, and the reduction of transport costs, means that many companies consider expansion as a way of benefiting from higher production and sales volumes. On the one hand, internationalization allows them to remain competitive and becomes a strategic option for the company (Kyläheiko et al., 2011; Sapienza et al., 2006), but on the other, it generates high uncertainty and risk, this is why it is a widely studied area.

This eagerness to compete leads many companies to choose to invest in emerging markets because they offer greater business opportunities (Enderwick, 2009; Sakarya et al., 2007). Usually these countries are characterized by having many natural resources, a developing infrastructure and an expanding economy, making them attractive for foreign investment (Chen, 1996; Wang and Guo, 2011). Within the emerging market category, China is the largest recipient of foreign direct investment (FDI) worldwide (The WorldBank, 2013), initially because its production costs were low and, latterly, due its domestic market potential, especially in the East and South (Cui and Liu, 2000).

Although the trend in Spanish business has been to move to places like South America or Europe (Galán and González-Benito, 2001) because they are closer culturally (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975) and physically, for the above reasons, more and more companies are choosing China as an investment destination (Moyano Vázquez, 2009). Our study focuses on this Asian country for two reasons, its current international importance, and because, as a non-traditional destination for Spanish business investment, it is under-researched.

The literature has studied the internationalization process, from a qualitative, quantitative and theoretical methodological perspective, for the industrial and service sectors and in



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

many countries and regions, but always from the point of view of the company that is going international.

In this study, we analyze Spanish companies that are investing in China. Due to the country's complexity, many companies require the services of a management consulting firm (MCF) during deployment. Since international consultants have an objective and experienced view of the internationalization process of Spanish companies in China, the present article focuses on their opinions.

Some previous studies make a connection between the internationalization process and the MCFs, taking the latter as the analysis unit, rather than the companies they advise. Some authors have identified the entry barriers that MCFs face in their own internationalization process (Freeman and Sandwell, 2008), other have looked into their motives in internationalizing (Glückler, 2006; Poulfelt et al., 2014), but none have investigated their opinions on this means of business growth for their clients. MCFs have multiple views of this process, many of their customers have succeeded but many also have failed, so the opinions of MCFs may be of value, but have not previously been studied.

Thus, the aim of this paper is to explore the realities facing Spanish companies in China, from the point of view of their internationalization advisers. The first research question is whether there is a type or profile, as defined by terms of sector of activity, size or international experience, for a company that goes international in the Asian market. The second question is whether consultants experienced in advising companies in China have found factors that influence the success or failure of the process. The data for answering these questions are drawn from in-depth interviews with partners or directors of these specialized consulting firms.

The remainder of this paper is organized as follows: in Section Two we will review, firstly, the literature on profiles of companies that have gone international, their size, sector and international experience and secondly, internationalization success and failure factors. Then, in Section Three, we explain the methodology followed during the study, continuing



Niñerola et al. (2016)
<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 3



in Section Four by analyzing the case studies that arise. Finally, we discuss the results and present the main business implications.

2. Theoretical background

Traditional theories on internationalization suggest that companies go abroad not only because they have competitive advantages, whether in production, technology or other areas (Hymer, 1976; Kindleberger, 1969), but also because going abroad implies lowers costs (Buckley and Casson, 1976; Caves, 1996; Dunning, 1988).

Although it is true that in the early stages of the opening of the market in China, when they first began to receive substantial direct investment from foreign companies, these were motivated by competitive cost advantages (Boisot and Meyer, 2008), nevertheless this paradigm has now changed remarkably and other factors, such as the potential of the Chinese domestic market, make investment attractive (Chen and Yeh, 2012).

So, current internationalization theories, for example, network theory (Hosseini and Dadfar, 2012), better explain the motivations of companies in internationalizing than do traditional theories. This is because the decision is based, not only on the productive competitive advantage of the company, but also depends greatly on the strategic alliances developed by the company. In China, these alliances give added value for competing and succeeding in the market (Gao et al., 2012; Tung and Worm, 2001).

It is evident that companies internationalize because there is some advantage in so doing, whether this be in production or in relationship terms; but what are the characteristics of a company that undertakes this internationalization process?

Much of the literature has focused on the size of companies and the international experience of their executives for analyzing their propensity to undertake business beyond their borders.

Whether the company size is a relevant characteristic of the firm that decides to invest abroad is a controversial issue. In regard to direct investment, because of the resource





*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

needs, the bigger the company, the greater its propensity to internationalize (Lin, 2010; Todo, 2011). Although there are authors such as Reynolds (1997) who claim that small-to-medium enterprises (SMEs) are growing in the international market mainly in sectors where economies of scale are not necessary, others like Reuber and Fischer (1997) assert that SMEs can cope with the internationalization process and overcome their lack of resources using other entry mechanisms such as networking (Chetty and Blankenburg Holm, 2000). In the export field, though, there are more authors who have shown that an SME can be successful (Dean et al., 2000) and some of these even being major exporters, according to Wagner (1995).

In contrast, the literature on Top Management's international experience is in agreement that, the greater the management experience and training, the greater the propensity to internationalize ((Moreira et al., 2013; Nielsen and Nielsen, 2011; Reuber and Fischer, 1997; Tihanyi et al., 2000). It is this management team experience that allows companies with less resources to internationalize, by using this intangible resource for finding less capital-intensive methods, such as strategic alliances with partners (Reuber and Fischer, 1997).

Using the views of the MCFs interviewed in the study, we aim to compare, on the one hand, whether a company needs to be big to successfully invest in China or whether there are also successful Spanish SMEs and, on the other hand, if the international experience of these companies has been crucial during the deployment process.

The literature on success and failure factors for internationalization is sparse. Only a few authors, such as Brenes et al. (2008), Yang and Lee (2002) and Zeng et al. (2009) have explicitly studied this topic. Of these three works, the first focuses on Latin America and the other two on China. All three papers suggest that the management team's involvement and commitment are key success factors. Yang and Lee (2002) add technological capability, good definition of objectives and the relationship with the authorities as three key factors



Niñerola et al. (2016)
<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 5



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

and Zeng et al. (2009) believe that that it is marketing that has the greatest effect on the company's performance in China.

Few studies attempt to identify success factors for a company's deployment in a foreign market, most authors focus on a specific factor and its effect on the internationalization process. For example, Cremer and Ramasamy (2009) focus on the role of the management team as a determinant of success, Kyläheiko et al. (2011) and Liu and Wu (2011) on the firm's technological capability, and authors like Luo (1997) or Tsang (1998) analyze whether it is institutional influence networks (Guanxi) that determine company success in China. Consequently, additional empirical evidence on the factors that influence the success of the internationalization process in general and in emerging markets like China in particular, is needed.

3. Methodology

We use a case study-based methodology to answer the questions in the previous sections. An exploratory and descriptive study (Yin, 1981, 1984), based on six interviews with partners and executive managers of consulting firms, was conducted to give a broad perspective of the internationalization of their clients in China. Although the qualitative nature of our work makes it difficult to generalize the results, the fact that six cases are studied, taking into account that each of these implicitly includes many customer experiences, leads us to believe it to be representative of the number of Spanish companies that are currently developing direct investment activities in China. Eisenhardt (1989) supports the number of cases studied in this article because, although he notes that there is no ideal number of cases to be studied in order to understand a phenomenon, he observes that analyzing less than four is not optimal for generalizing the results, while more than ten involves an amount of information that is difficult to handle.



Niñerola et al. (2016)
<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 Nº 1 (2016): 1-25 | 6



*Multidisciplinary Journal for Education,
 Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
 EISSN: 2341-2593

Our research was conducted during the period 2012–2014. In-depth interviews of more than one hour with partners or managers of six consultancy firms with Spanish clients and with a presence in China were conducted – three by telephone and three in person.

Before the interviews, the study objectives were explained to the respondents and the confidentiality of their personal data guaranteed, hence we have encoded the names of the consultancies and the respondents names do not appear. Each interview was taped for later transcription and analysis in order to ensure verbatim and accurate information gathering. Responses were encoded using a computer program to establish patterns or similarities.

It should be noted that, in this sample, five consultancies had a long-standing international presence, totaling more than thirty years advising companies, and the other one was recently established exclusively to advise Spanish companies in China (see Table 1).

Table 1. Characteristics of the Management Consulting Firms.

	Year of foundation	MCF's headquarters	Number of interviewees	Interviewee	Interviewee's location
MCF1	1941	Spain	2	Former managing partner and actual managing partner of Shanghai Office	China
MCF2	1979	Hong Kong	1	Business Development Manager	Germany
MCF3	2013	Spain	1	Managing Director	Spain
MCF4	1845	United States	1	Partner of Shanghai Office and Head of Commercial due diligence for Mainland China	China
MCF5	1963	United Kingdom	2	Partners of Barcelona Office. Tax Manager and Legal Manager	Spain
MCF6	1964	Spain	1	Managing Director	Spain

All the MCF participants in the study provide legal and tax advice for the deployment and further development of overseas activities. MCF2 offers additional recruitment services and MCF3 offers translation services and Chinese search engine / social network ranking optimization (SEO).





*Multidisciplinary Journal for Education,
 Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
 EISSN: 2341-2593

The MCFs have different types of client. Regarding size of companies they advise, MCF1 and MCF4 have a portfolio of medium and large enterprises, the first basically of Spanish origin, and the second more international. MCF2 and MCF5 also have customers from different countries, but these are usually smaller. Finally, MCF3 is dedicated to advising local small businesses. Spanish companies of all types are represented in the sample.

4. Analysis of cases

This section is divided into two subsections which address the questions posed in the Introduction. Firstly, the MCF views are analyzed to determine whether, based on their experiences with clients, they detect a categorization for Spanish companies investing in China. Then, in the second subsection, a list of factors, that the MCFs perceive as necessary for these investments to be successful, is set out.

4.1 Spanish company profile in China

Following Claver et al. (2005) and Moyano Vázquez, (2009), we consider company profiles on the basis of three factors: sector of activity, size and experience in international business.

In regard to the sectorial activity of Spanish enterprises located in China, according to Spanish Government Ministry of Economy and Competitiveness sources

(<http://dataInvex.comercio.es>), these investments were concentrated in twenty sectors (2012 data). The most important of these (72% weighting) was the Financial Services sector (Sector 64), through the investments made by major Spanish banks over the years concerned. Eliminating this sector because it distorts the view of the rest, we found that Manufacture of vehicles and Trade (Retail and Wholesale), represent 20%, 17% and 10% respectively. These are followed by Other Manufacturing (Sectors 21, 22, 23, 24, 25, 27 and 28) and the Food and Chemicals (see Table 2).

Table 2. Characteristics of the Management Consulting Firms.

Sector	2012	2011	Var.	Incl.64	Excl.64
--------	------	------	------	---------	---------



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 Nº 1 (2016): 1-25 | 8



Multidisciplinary Journal for Education,
 Social and Technological Sciences

<http://dx.doi.org/10.4995/muse.2016.3711>
 EISSN: 2341-2593

10	Manufacture of food products	89.360	56.000	59,6%	1,7%	6,3%
13	Manufacture of textiles	12.110	11.950	1,3%	0,2%	0,9%
20	Manufacture of chemicals and chemical products	88.110	20.140	337,5%	1,7%	6,2%
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	44.770	45.220	-1,0%	0,9%	3,2%
22	Manufacture of rubber and plastic products	14.340	14.180	1,1%	0,3%	1,0%
23	Manufacture of other non-metallic mineral products	88.410	109.590	-19,3%	1,7%	6,3%
24	Manufacture of basic metals	60.970	55.560	9,7%	1,2%	4,3%
25	Manufacture of fabricated metal products, except machinery and equipment	122.870	110.480	11,2%	2,4%	8,7%
27	Manufacture of electrical equipment	56.080	52.420	7,0%	1,1%	4,0%
28	Manufacture of machinery and equipment n.e.c	32.730	22.560	45,1%	0,6%	2,3%
29	Manufacture of motor vehicles, trailers and semi-trailers	290.430	271.370	7,0%	5,7%	20,6%
32	Other manufacturing	7.200	6.970	3,3%	0,1%	0,5%
35	Electricity, gas, steam and air conditioning supply	20.030	18.530	8,1%	0,4%	1,4%
41	Construction of buildings	20.920	22.400	-6,6%	0,4%	1,5%
42	Civil engineering	2.750	2.700	1,9%	0,1%	0,2%
43	Specialized construction activities	48.410	38.680	25,2%	0,9%	3,4%
46	Wholesale trade, except of motor vehicles and motorcycles	149.670	115.650	29,4%	2,9%	10,6%
47	Retail trade, except of motor vehicles and motorcycles	243.490	173.990	39,9%	4,8%	17,2%
52	Warehousing and support activities for transportation	14.190	16.340	-13,2%	0,3%	1,0%
62	Computer programming, consultancy and related activities	4.680	4.360	7,3%	0,1%	0,3%
64	Financial service activities, except insurance and pension funding	3.699.820	3.271.080	13,1%	72,4%	
66	Activities auxiliary to financial services and insurance activities	850	700	21,4%	0,0%	0,1%
69	Legal and accounting activities	-3.980	-3.060	30,1%	-0,1%	-0,3%
70	Activities of head offices; management consultancy activities	50	0		0,0%	0,0%
71	Architectural and engineering activities; technical testing and analysis	1.760	0		0,0%	0,1%

Source: Datainvox



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 9



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

Thus, Spanish companies are investing in many sectors (Moyano Vázquez, 2009), and the consultants also note this. According to MCF1, "being China the type of market it is, businesses of all kinds go there".

Concentrating on growth sectors, Chemicals and Food are two of the main ones. The MCF2 respondent says: "The kind of Spanish company that now goes to China is a company that sells products, mainly food (wines, oils, etc.) but also fashion. Then MedicalPharmaceutical-Chemical companies are also deployed there. And the industrial sector remains important."

In relation to size, as being one of the aspects that define the profile of a company investing in China, we found disagreements, both in the literature and in the views of the MCFs.

The actual managing partner of MCF1s Shanghai office explained that, in his opinion, the typical pattern of internationalization of Spanish companies in Latin America had been different to that in China. "In the Americas, the big companies came first and then the medium-sized ones followed. In China, however, medium-sized companies were the pioneers, the first to move but, in recent years, it is clear that increasingly it is large companies that are setting up shop".

Today, when the Chinese market continues to be very competitive, the consultancies believe that the size of the company that is internationalizing is important because deployment takes a long time, is complicated and requires a level of monitoring and control, which is difficult to achieve without the requisite resources. This does not mean that small and medium companies cannot sell in China. They can export (Dean et al., 2000), but direct investment is more complicated, according to MCF1. Nevertheless, it is not only size that is important; in this regard the respondents' views are nuanced. Based on their experience, MCF4 and MCF5 believe that, depending on the sector and the activity undertaken, size need not be exclusionary. From MCF2, comes the claim that a company's level of expertise is as important as its size: "Investment in China, is linked a little to company size but, if you offer a truly specialized product with high added-value or differentiated from the competitors,



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 Nº 1 (2016): 1-25 | 10



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

there is no need be a large company at all, as long as you have the financial resources for the investment."

The MCFs have found that most companies investing in China are companies that have previously invested, mainly in Europe, South America or North Africa, so their managers have some experience in international business. China is not usually the first internationalization destination for these companies, they initially invested in markets with more cultural affinity or geographically closer (Galán and González-Benito, 2001).

Despite having experience in international markets, because of this Asian country's complexity there are many companies that use consultants to carry out the process and, for those that do not use them, it is because they are very large and have a specialized department in their company to carry out these market studies (MCF5).

Although it is difficult to define a profile of the company that invests in China, we can conclude that its size is important, although there are exceptions, and that this is not usually its first business internationalization destination, it will already have some foreign experience. In relation to the sector of activity, Spanish business has invested in several sectors, notably Financial. But if we look at which are currently growing with a significant percentage of the total, then Chemicals, Food and Manufacturing, as well as Trade, are the dominant investments.

4.2 Key success factors in internationalizing to China

Any internationalization strategy carries many risks for the company (Figueira-de-Lemos et al., 2011; Forlani et al., 2008), even more so if the destination country is as different from Spain as is China. For a Spanish company, a market like China is not only geographically distant, but poses a major cultural challenge. The psychological distance defined by Johanson and Wiedersheim-Paul (1975), culture, politics, language etc. causes many companies to fail in China. For this reason, some authors (Yang and Lee, 2002; Zeng et al., 2009) have wondered whether there are factors to consider when investing in this country with certain minimum safeguards for success.



Niñerola et al. (2016)
<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 11



This specific question was asked to the MCFs during the interviews and a total of eight items were to be taken into account for survival in China, "survival " understood as achieving results enabling the company to continue this international project (Van Praag, 2003). Not all the MCFs reported the same success factors, but there was broad agreement (see Table 3).

Table 3. Key success factors according to Management Consulting Firms

	MCF1	MCF2	MCF3	MCF4	MCF5	MCF6
commitment and resources	X	X	X	X	X	X
top management involvement	X	X	X		X	X
human resources	X	X		X	X	X
a good partner	X	X	X	X	X	X
network relationships			X	X	X	X
differentiation		X	X			X
adapt the strategy		X	X	X	X	X
protect technology		X			X	X

These factors fall into two groups. The first group consists of the five factors, relating to company resources and relationships, the second, the remaining three factors related to its strategy and products or services.

4.2.1 Key success factors related to resources and networks

To get good results, all the MCFs consider that the company's level of commitment to the international project is essential. This commitment is reflected in the investment of adequate resources, as much financial as in time and people, since this is a long-term investment and hence not immediately profitable (Cui and Liu, 2000; Lu and Beamish, 2001).

MCF1: "Currently, for China, the level of commitment required is equal to or greater than for Spain, [...] so... you have to go to China with a firm commitment, if you go halfway, it almost certainly will go wrong"





*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

MCF5: "You have to commit the necessary resources and create a structure... sending a couple of expats to look for business does not work."

MCF6: "It is a long process and therefore needs resources"

This commitment requires the close involvement of top company management as it is an investment that will not pay off immediately, so the consultancies believe that the project is unsustainable without full management support. "Going to China is a strategic decision; therefore, senior management must support the project" (MCF5), "and motivate other staff" (MCF6). The Business Development Manager of MCF2 adds that "this does not mean that senior management be in charge of the project, because the decision may come from the CFO, or the Export Manager. But if this person has not been able to convince the top company management, it makes no sense. And if the company goes ahead without having convinced senior management, it will probably fail. "

The third factor to consider is the company's human resources in the country of investment. The MCFs remarked on the importance, on the one hand, of sending top professionals from Spain (as did Zeng et al. (2009) in his study of business success factors in China) and, on the other, of finding qualified staff in the country. The literature also stresses the importance of this factor for project success (Yang and Lee, 2002). Throughout the interviews, the MCFs explained this as follows:

MCF1: "The company did not send a second or third level professional, it sent a first class professional, gave them authority, gave them skills, were there during those five or six years and so we can see that before they had nothing, and now they have an office with 25 professionals. Why? Because of the people, i.e. the resources, and the wherewithal the company gave him. We have other firms that have not succeeded in China. Why? Because they sent a lawyer, like he was renting there, then he came, was part-time, hired two Chinese and then turned to go, so the continuity, the intensity of the project..."

MCF4: "Having a capable leadership, with talent, who can bring the project to a successful conclusion. Do not send grade C management, rather those of higher quality."





MCF6: "Have qualified local staff who speak English"

In a country like China, having such a big cultural difference with Spain, many companies use a partner, whether an equity partner or a business associate, to develop their activities. This is one of the most studied areas in terms of internationalization processes in China. Some authors point out the advantages of using a partner to enter the Chinese market. Lu and Beamish (2001) justify the need to take advantage of a partner's knowledge, if they themselves do not know the market. The right partner can provide strategic, organizational and financial advantages (Luo, 1998) since they speed up market entry (Glaister and Wang, 1993). However, there are potential drawbacks to consider when investing with a partner. According to Hu and Chen (1996), the partner's level of commitment can be a problem for proper company functioning and Zutshi and Tan (2009) point to trust as the main drawback of joint ventures in China.

All the MCF respondents stress the importance of choosing a good partner. A partner can help companies at the time of their entry into the country, because they know the workings of the market. However, from past experience, some MCFs recommend caution.

MCF1: "I would not say that you should avoid a partner because there's always something... but I think before going into China with a Chinese partner, do a very careful analysis of what the Chinese partner gives you, and what risks there are in having a Chinese partner. And if what they bring is really greater than the risk, then it makes sense"

MCF2: "The only advice I can give because we do it, is to carry out a due diligence on your partner; even if you have a good relationship."

MCF3: "Have a Chinese partner or a couple of Chinese workers who can advise you at all levels, since the person here does not have to know Chinese or how everything works"

MCF4: "Many companies change their partner and not just for cultural reasons. The right partner means that, it's the right match from a business point of view as well as from a relationship point of view.



Multidisciplinary Journal for Education,
Social and Technological Sciences

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

MCF5: "The partner is essential in helping you understand how business culture works in China, because they have different ways of working to Western ones and it costs to close deals."

MCF6: "It is important to work with a partner because when you open a branch the aim is that this cultural approach leads to a commercial approach."

It could be argued that it is important to have a good relationship with the partner in China, but also in any other country. However, having good relations with the institutions or authorities, in China known as *Guanxi*, is vital in this Asian country and can cause project success or failure (Gao et al., 2012; Luo, 1997; Tsang, 1998). Having good contacts (social networks), means it is possible to overcome the language and bureaucracy barriers that companies encounter in China (Freeman and Sandwell, 2008; Nair and Stafford, 1998).

MCF4, 5 and 6 indicate that the government role in China is more than a regulatory issue; hence it is important to have good relations, especially locally. Consequently, the person in the company who deals with the Administration must be able to relate well to the authorities. The CEO of MCF3 notes that it is very difficult to have *Guanxi* if you are not Chinese, so it is desirable that this person be a local. Tung and Worm (2001) also regard that using an expatriate it is difficult to establish a strong relationship with the authorities.

4.2.2 Key success factors related to business strategy

Moving on to factors related to the company's strategy in China, in three of the six interviews, differentiation is designated a success strategy. Wigley et al. (2005), also consider that this factor is critical for success at the international level. The consultants remark that, for a business to succeed in China, it "must be able to offer a product with differentiated know-how" (MCF2), "if you're not a little different, you can't do anything" (MCF3).

Internationalization requires that each company make country-specific strategy changes, because each deployment project has specific characteristics. Legislation may be different, also customer taste, market entry mechanisms: distribution channels, advertising, etc.



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 15



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

(Pedersen and Pedersen, 2004). So, a company's internationalization strategy is affected by the investment destination. Especially in China, whose differences with the Spanish market are so pronounced, five of the six consultants say that adapting the strategy is imperative. It is essential for a successful business to adapt procedures to Chinese culture at all levels (Yang and Lee, 2002).

MCF2: "For example, sometimes the Spanish company has a product with high addedvalue in Spain and sells products in Spain, but to have something to offer in China, it must become a service provider. It must offer a service, not a product. So it must restructure its business strategy, this step is complicated for companies to do. "

MCF4: "Know the market and adapt your strategy. Take into account that China is very big and that trying to encompass it all and treat it all the same is a mistake. You should see it like a Europe."

MCF6: "We must adapt the strategy because there are cultural differences to be taken into account (...)"

The last factor mentioned by three of the respondents, is the protection of company technology or know-how (Pagnattaro, 2012). The consultants stress that this is an issue of great concern to companies investing in the country and although, according to MCF5, the protection of intellectual property in China has improved, it still remains an unresolved issue.

The above eight factors are those that the MCFs considered relevant to success in China. Not taking them into account may lead to business failure there. The managers who responded to the interview noted that many businesses fail because they do not devote sufficient resources, financial and human, to the project. That is to say, they do not meet the first three requirements. "One mistake Spanish companies, unlike German or British ones, make is to think in the short term, about short-term costs rather than long-term profits" (MCF4).



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 Nº 1 (2016): 1-25 | 16



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

The second reason for failure relates to the Chinese partner (Hu and Chen, 1996). Many joint ventures have not been successful in China for two reasons. The first lies in sociocultural differences with your partner, resulting in you having distinct ways of working and understanding business. So, as far as possible, the MCFs recommend always holding majority ownership to take the decisions. The second problem with a partner, linked to the last success factor, is that of having to share information, leaving the company's intellectual property unprotected and making it easier for the partner to set himself up to take advantage of this know-how.

5. Conclusions

The internationalization of businesses is a much-investigated area in business literature, but not from the point of view taken in this article. The MCFs vision in regard to the internationalization process of their clients is one of the main contributions of this study.

Through interviews with the partners and managers of international consulting firms, we gathered the opinion of the consultants for Spanish companies in China. The profile of companies that go international, and the key factors for their success, are the two questions that this study has answered.

Company size is considered relevant to the company internationalization process, both in the literature and also in the opinion of MCFs. In this regard, the level of resources needed by a company deciding to make direct investment abroad makes it difficult for an SME to achieve, although there may be exceptions: the product or service it offers can have the requisite degree of specialization, and it may have adequate financial resources.

There is consensus in the literature and among the respondents in terms to their management international experience. The Spanish companies that are going to China are experienced in international business, and it is usually not their first cross-border venture. Normally, because of their geographical and cultural proximity, they have previously invested in Europe, South America or North Africa.



Niñerola et al. (2016)
<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 17



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

As for business sector, there are twenty where Spanish business has invested, notably Financial Services, Manufacture of vehicles and both Wholesale and Retail business.

Should also be stressed the strong growth of Chemicals and, to a lesser extent, Food.

Our conclusion, therefore, is that Spanish companies do not invest in a given sector in China, they is represented in many areas. On the other hand, they are experienced companies, since they have already invested in other markets, and are of large to medium size – rarely small businesses.

The differences between Spanish and Chinese market have resulted in some deployments failing. Through the MCFs experience, we identified eight factors to consider for internationalization success. Five of them concern company resources and contacts or networks, the other three relate to business strategy. In the first group of factors, the MCFs considered that adequate resource investment (time, money and people), management involvement, human resource quality in China, choice of a good partner and having good contacts are key factors for a successful deployment. In the second group, differentiation of product or service, knowing how to adapt the company strategy to the Chinese market and devoting efforts to technology protection seem, in the consultants' opinion, essential.

Faced with the many uncertainties inherent in company internationalization, this advice from MCFs experienced in international markets can provide guidance to companies who are considering deploying in China and help them seize the opportunities offered by one of the largest markets in the world.

6. References

Boisot, M., and Meyer, M. W. (2008). Which Way through the Open Door? Reflections on the Internationalization of Chinese Firms. *Management and Organization Review*, 4(3), 349–365. <http://doi.org/10.1111/j.1740-8784.2008.00116.x>

Brenes, E. R., Mena, M., and Molina, G. E. (2008). Key success factors for strategy



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 18



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

implementation in Latin America. *Journal of Business Research*, 61(6), 590–598.
<http://doi.org/10.1016/j.jbusres.2007.06.033>

Buckley, P. J., and Casson, M. C. (1976). *The Future of the Multinational Enterprise* (p. 132). New York: Holmes & Meier.

Caves, R. . (1996). *Multinational Enterprise and Economic Analysis* (2nd edition, p. 322). Cambridge University Press.

Chen, C.-H. (1996). Regional determinants of foreign direct investment in mainland China. *Journal of Economic Studies*, 23(2), 18–30. <http://doi.org/10.1108/01443589610109649>

Chen, C.-I., and Yeh, C.-H. (2012). Re-examining location antecedents and pace of foreign direct investment: Evidence from Taiwanese investments in China. *Journal of Business Research*, 65(8), 1171–1178. <http://doi.org/10.1016/j.jbusres.2011.07.032>

Chetty, S., and Blankenburg Holm, D. (2000). Internationalisation of small to medium-sized manufacturing firms: a network approach. *International Business Review*, 9(1), 77–93. [http://doi.org/10.1016/S0969-5931\(99\)00030-X](http://doi.org/10.1016/S0969-5931(99)00030-X)

Claver, E., Quer, D., and Molina, J. F. (2005). Inversión directa en el exterior : evidencia empírica de las empresas españolas en China. *Revista Española de Dirección Y Economía de La Empresa*, 14, 25–42.

Cremer, R. D., and Ramasamy, B. (2009). Engaging China: strategies for the small internationalizing firm. *Journal of Business Strategy*, 30(6), 15–26.
<http://doi.org/10.1108/02756660911003086>

Cui, G., and Liu, Q. (2000). Regional market segments of China: opportunities and barriers in a big emerging market. *Journal of Consumer Marketing*, 17(1), 55–72.
<http://doi.org/10.1108/07363760010309546>

Dean, D. L., Mengüç, B., and Myers, C. P. (2000). Revisiting Firm Characteristics,



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 19



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

Strategy, and Export Performance Relationship: A survey of the Literature and an Investigation of New Zealand Small Manufacturing Firms. *Industrial Marketing Management*, 29, 461–477. [http://doi.org/10.1016/S0019-8501\(99\)00085-1](http://doi.org/10.1016/S0019-8501(99)00085-1)

Dunning, J.. (1988). The eclectic paradigm of international production: a restatement and some possible extensions. *Journal of International Business Studies*, (19), 1–31.

Eisenhardt, K. M. (1989). Building Theories from Case Study Research. *Academy of Management Review*, 14(4), 532–550. <http://doi.org/10.2307/258557>

Enderwick, P. (2009). Large emerging markets (LEMs) and international strategy. *International Marketing Review*, 26(1), 7–16. <http://doi.org/10.1108/02651330910933177>

Figueira-de-Lemos, F., Johanson, J., and Vahlne, J. E. (2011). Risk management in the internationalization process of the firm: A note on the Uppsala model. *Journal of World Business*, 46(2), 143–153. <http://doi.org/10.1016/j.jwb.2010.05.008>

Forlani, D., Parthasarathy, M., and Keaveney, S. M. (2008). Managerial risk perceptions of international entry-mode strategies: The interaction effect of control and capability. *International Marketing Review*, 25(3), 292–311. <http://doi.org/10.1108/02651330810877225>

Freeman, S., and Sandwell, M. (2008). Professional service firms entering emerging markets: the role of network relationships. *Journal of Services Marketing*, 22(3), 198–212. <http://doi.org/10.1108/08876040810871165>

Galán, J. I., and González-Benito, J. (2001). Determinant factors of foreign direct investment : some empirical evidence. *European Business Review*, 13(5), 269–278.

Gao, H., Knight, J. G., and Ballantyne, D. (2012). Guanxi as a gateway in Chinese-Western business relationships. *Journal of Business & Industrial Marketing*, 27(6), 456–467. <http://doi.org/10.1108/08858621211251460>.



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 20



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

Glaister, K. W., and Wang, Y. (1993). UK joint ventures in China: motivation and partner selection. *Marketing Intelligence & Planning*, 11(2), 9–15. <http://doi.org/10.1108/02634509310027855>

Glückler, J. (2006). A relational assessment of international market entry in management consulting. *Journal of Economic Geography*, 6, 369–393. <http://doi.org/10.1093/jeg/lbi016>

Hosseini, M., and Dadfar, H. (2012). Network-based theories and internationalization of firms : applications to empirical studies. *The Business & Management Review*, 3(1), 182–191.

Hu, M. Y., and Chen, H. (1996). An empirical analysis of factors explaining foreign joint venture performance in China. *Journal of Business Research*, 35(2), 165–173. [http://doi.org/10.1016/0148-2963\(95\)00087-9](http://doi.org/10.1016/0148-2963(95)00087-9)

Hymer, S. H. (1976). *The international operations of national firms: A study of direct foreign investment* (pp. 139–155). MLT Press.

Johanson, J., and Vahlne, J.-E. (1977). The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32.

Johanson, J., and Wiedersheim-Paul, F. (1975). The internationalization of the firm - four swedish cases. *The Journal of Management Studies*, 12(3), 305–323.

Kindleberger, C. P. (1969). American Business Abroad. *The International Executive*, 11(2), 11–12.

Kyläheiko, K., Jantunen, A., Puumalainen, K., Saarenketo, S., and Tuppurä, A. (2011). Innovation and internationalization as growth strategies: The role of technological capabilities and appropriability. *International Business Review*, 20(5), 508–520. <http://doi.org/10.1016/j.ibusrev.2010.09.004>



Niñerola et al. (2016)
<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 Nº 1 (2016): 1-25 | 21



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

Lin, F.-J. (2010). The determinants of foreign direct investment in China: The case of Taiwanese firms in the IT industry. *Journal of Business Research*, 63(5), 479–485. <http://doi.org/10.1016/j.jbusres.2009.04.005>

Liu, X., and Wu, X. (2011). Technology embeddedness, innovation differentiation strategies and firm performance: Evidence from Chinese firms. *Innovation: Management, Policy & Practice*, 13(1), 20–35.

Lu, J. W., and Beamish, P. W. (2001). The internationalization and performance of SMEs. *Strategic Management Journal*, 22(6-7), 565–586. <http://doi.org/10.1002/smj.184>

Luo, Y. (1997). Does guanxi influence firm performance. *Asia Pacific Journal of Management*, 14, 1–16.

Luo, Y. (1998). Joint Venture Success in China : How Should We Select a Good. *Journal of World Business*, 33(2), 145–166.

Moreira, M. R. ., Maia, M. A. ., Sousa, P. S. ., and Meneses, R. F. C. (2013). Factors influencing the internationalization of services firms: The case of design, engineering and architecture consulting firms. *Lecture Notes in Business Information Processing*, 143, 246–262. http://doi.org/10.1007/978-3-642-36356-6_18

Moyano Vázquez, G. (2009). Presencia empresarial española en china. *Boletín Económico Del ICE*, (2972), 119–129.

Nair, A. S., and Stafford, E. R. (1998). Strategic alliances in China: Negotiating the barriers. *Long Range Planning*, 31(1), 139–146. [http://doi.org/10.1016/S0024-6301\(97\)00100-3](http://doi.org/10.1016/S0024-6301(97)00100-3)

Nielsen, B. B., and Nielsen, S. (2011). The role of top management team international orientation in international strategic decision-making: The choice of foreign entry mode. *Journal of World Business*, 46(2), 185–193. <http://doi.org/10.1016/j.jwb.2010.05.003>

Pagnattaro, M. A. (2012). Preventing know-how from walking out the door in China:



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 22



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

Protection of trade secrets. *Business Horizons*, 55(4), 329–337. <http://doi.org/10.1016/j.bushor.2012.02.003>

Pedersen, T., and Pedersen, B. (2004). Learning about foreign markets: Are entrant firms exposed to a “shock effect”? *Journal of International Marketing*, 12(1), 103–123.

Poufelt, F., Smith, I. S., and Christensen, K. G. (2014). When West Meets East – the Case of a Scandinavian Consulting Firm’s Entry in India. *European J. International Management*, 8(4), 373–391. <http://doi.org/10.1504/EJIM.2014.062964>

Reuber, A. R., and Fischer, E. (1997). The Influence of the Management Team’s International Experience on the Internationalization Behaviors of SMES. *Journal of International Business Studies*, 28(October 1996), 807–825.

Reynolds, P. D. (1997). New and Small Firms in Expanding Markets. *Small Business Economics*, 9, 79–84.

Sakarya, S., Eckman, M., and Hyllegard, K. H. (2007). Market selection for international expansion: Assessing opportunities in emerging markets. *International Marketing Review*, 24(2), 208–238. <http://doi.org/10.1108/02651330710741820>

Sapienza, H., Autio, E., George, G., and Zahra, S. (2006). A capabilities perspective on the effects of early internationalization on firm survival and growth. *Academy of Management Review*, 31(4), 914–933.

The WorldBank. (2013). Foreign Direct Investment, net inflows. Retrieved January 28, 2015, from

http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?order=wbapi_data_value_2013+wbapi_data_value+wbapi_data_value-last&sort=desc

Tihanyi, L., Ellstrand, A. E., Daily, C. M., and Dalton, D. R. (2000). Composition of the Top Management Team and Firm International Diversification. *Journal of Management*,



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 Nº 1 (2016): 1-25 | 23



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

26(6), 1157–1177. <http://doi.org/10.1177/014920630002600605>

Todo, Y. (2011). Quantitative Evaluation of the Determinants of Export and FDI: Firmlevel Evidence from Japan. *World Economy*, 34, 355–381. <http://doi.org/10.1111/j.1467->

9701.2011.01331.x

Tsang, E. W. (1998). Can guanxi be a source of sustained competitive advantage for doing business in China? *The Academy of Management Executive* (1993-2005), 12(2), 64–73.

Tung, R. L., and Worm, V. (2001). Network capitalism: the role of human resources in penetrating the China market. *The International Journal of Human Resource Management*, 12(4), 517–534. <http://doi.org/10.1080/713769653>

Van Praag, C. M. (2003). Business Survival and Success of Young Small Business Owners. *Small Business Economics*, 21(1), 1–17. <http://doi.org/10.1023/A:1024453200297>

Wagner, J. (1995). Exports, firm size, and firm dynamics. *Small Business Economics*, 7(1), 29–39.

Wang, H., and Guo, K. (2011). An Empirical Study on Factors Influencing Foreign Direct Investment to China. In *Service Systems and Service Management (ICSSSM)*.

Wigley, S. M., Moore, C. M., and Birtwistle, G. (2005). Product and brand: Critical success factors in the internationalisation of a fashion retailer. *International Journal of Retail & Distribution Management*, 33(7), 531–544. <http://doi.org/10.1108/09590550510605596>

Yang, J., and Lee, H. (2002). Identifying key factors for successful joint venture in China.

Industrial Management & Data Systems, 102(2), 98–109. <http://doi.org/10.1108/02635570210419645>

Yin, R. K. (1981). The Case Study Crisis: Some Answers. *Administrative Science Quarterly*, 26(1), 58–65.



Niñerola et al. (2016)

<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 24



*Multidisciplinary Journal for Education,
Social and Technological Sciences*

<http://dx.doi.org/10.4995/muse.2016.3711>
EISSN: 2341-2593

Yin, R. K. (1984). *Case Study Research: Design And Methods (Applied Social Research Methods)* (p. 171). Sage Publications.

Zeng, S., Xie, X., Tam, C. and Wan, T. (2009). Relationships between business factors and performance in internationalization: An empirical study in China. *Management Decision*, 47(2), 308–329. <http://doi.org/10.1108/00251740910938939>

Zutshi, R. K., and Tan, W. L. (2009). Impact of culture on “partner selection criteria” in East Asian international joint ventures. *International Entrepreneurship and Management Journal*, 5, 369–393. <http://doi.org/10.1007/s11365-008-0076-1>



Niñerola et al. (2016)
<http://polipapers.upv.es/index.php/MUSE/> Mult. J. Edu. Soc & Tec. Sci. Vol. 3 N° 1 (2016): 1-25 | 25

Entry modes and barriers to internationalisation in China: an overview of management consulting firms

Angels Niñerola, Maria Victoria Sánchez-Rebull and Ana Beatriz Hernández-Lara

Angels Niñerola,
Maria Victoria Sánchez-
Rebull and Ana Beatriz
Hernández-Lara are
based in the Department
of Business
Management,
Universitat Rovira i
Virgili, Reus, Spain

Summary

Purpose – *The aim of the paper is to analyse the entry mode choice of the Spanish companies in China, the factors that influence it and the barriers that they found.*

Design/methodology/approach – *A qualitative approach is used by interviewing the partners of Management Consulting Firms (MCFs) specialised in internationalisation processes in China.*

Findings – *The decision on the entry mode choice depends on whether the firm has incentives for investment with a partner or not rather than the size or the international experience of the board and the top managers. The barriers faced by Spanish companies in China are related to legal issues, bureaucracy, culture, language, trust and human resources.*

Practical implications – *Companies must have a differential factor to succeed in China and use a legal form that lets them to protect this advantage regardless of the entry form chosen. MCFs pointed out the need to collaborate with local people and to rely on a management team capable of overcoming the barriers.*

Originality/value – *One of the major contributions of this study is the methodology, as the view of the consultants in the internationalisation process of companies had not been studied before.*

Keywords *Chinese market, entry barriers, entry modes, foreign direct investment, internationalisation, management consulting firm*

Paper type *Research paper*

1. Introduction

Since economic reforms began in China in 1978, there has been a real transformation of the economic system in the country, due to its progressive liberalisation and the opening toward foreign markets (Fung et al., 2004). This reform has enabled China be one of the world's leading economies three decades after, because it has been the main recipient of foreign direct investment (FDI) since 2009 according to the World Bank data (Jiang et al., 2013).

DOI 10.1108/MBE-04-2016

Therefore, there are many companies that have invested in this Asian country and many who continue to do so, first because it was *the factory of the world* and, today, because it has become *the market of the world* (Banchieri et al., 2012).

Internationalisation is a complex process, especially if it takes place in an emerging country. Foreign companies which decide to set up in China have to face a critical decision to start: the choice of the entry form (Root, 1994). This strategic decision has proven to be a particular important dimension of the internationalisation literature (Zhao et al., 2004) and it needs to be analysed in depth to diminish the risk associated with the investment (Agarwal and Ramaswami, 1992).

China has not historically been an investment destination for Spanish companies which they have preferred countries in Latin America or Europe for their cultural (Johanson and Vahlne, 1977) or geographical proximity. In fact, of 23,831,298.22 thousands of euros of FDI made by Spanish companies in 2013, 56% were invested in Europe, 37% in Latin America and only 1% in China. The percentages in 2014 were 41% for Europe, 33% for Latin America and 2% for China of 26,590,197.27 thousands of euros (Gobierno de España, 2014). Despite not being a major investment destination, at present, according to the number of affiliates to the Chamber of Commerce of Spain in China (Moyano Vázquez, 2009), it has emerged a growing interest in this market. But there are many differences between the Chinese market and the markets in which Spanish companies traditionally used to invest, European or Latin ones. For this reason they need Management Consulting Firms (MCFs) to advise them on some aspects of the internationalisation process, including the best way to enter the market.

To explore the forms of entry and barriers faced by companies who decide to invest in China, we considered appropriate to analyse the expert vision of advisors specialised in internationalisation strategy in this emerging country. In doing so, we seek to contribute to previous research on this topic, because to the authors' best knowledge, the MCFs' view has not been included previously in this literature. From our point of view, it is a valuable perspective due to the involvement of these consulting companies in various internationalisation processes, and therefore their expert comprehensive vision.

The aim of this article is to identify best ownership structure to undertake the internationalisation process in China taking into account company internal factors, host country factors, cultural differences and entry barriers.

2. Literature Review

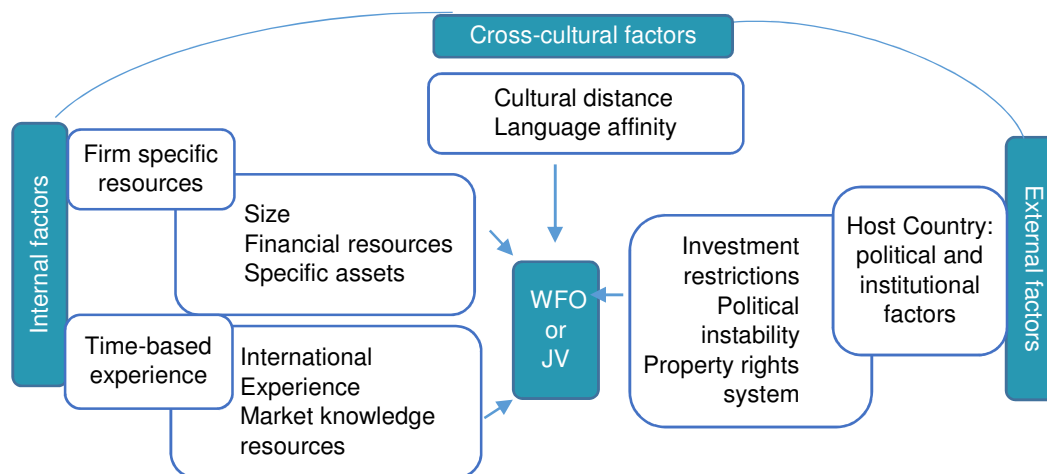
During the initial stage of the opening of China, foreign companies needed a local partner to invest in the country (Fung et al., 2004), but nowadays this restriction does not exist in most sectors so companies can choose the entry mode that best suits to its interests (Deng, 2001). The study focuses on transaction cost related on ownership-based entry modes, Joint Venture (JV) and the Wholly Foreign Owned Enterprise (WFOE), because they represent more complex investment forms compared with export or contractual agreements.

The entry mode choice has an impact on company performance because each form of entry implies a different degree of commitment and risk (Brouthers and Brouthers, 2003; Hill et al., 1990). For this reason it has been widely studied in the business literature from different theoretical frameworks.

Transaction Cost Theory (TCT) (Anderson and Gatignon, 1986; Williamson, 1985), Resource-based View (RBV) (Barney, 1991) and Eclectic Paradigm (Dunning, 1980) have been the most used according to previous literature (Brouthers and Hennart, 2007). However, it has been found that companies that follow the propositions in the transaction cost framework perform better than companies, which do not because the idea is that companies choose the mode of entry that provides the least cost solution (Brouthers et al., 2003). So, this article focuses mainly on this theory: the choice the company makes is a trade-off between costs and benefits. This means that entry form is a weighing of control, resource commitment, risk and benefits

Several classifications about the factors that influence the form of entry into a foreign market have been made. Following the classification used by Parola et al. (2013), we have analysed previous studies about these factors: internal, external and cross-cultural (Figure 1). We consider appropriate this classification because it gives equal weight to cultural factors than to internal and external factors of the company. Considering the context of the study that it takes place in an emerging country with great cultural differences with respect the home country, we believe that these factors can be determinants for the analysis.

Figure 1 Antecedents of the entry mode choice in China



Source: Adaptation of the Parola et al. (2013) classification

In the following three subsections the internal, external and cultural factors that influence the entry mode choice are analysed and, in the fourth subsection the entry barriers because they also affect the entry mode.

2.1 Internal factors

The results of the influence of company size on the election of the entry mode are not universal. Most authors argue a positive relationship between company size and the propensity to choose entry modes that provide more control (Agarwal and Ramaswami, 1992; Brouthers and Brouthers, 2003; Chen and Chang, 2011). It means that large firms show a preference for a sole venture mode over a joint venture mode to enter foreign markets. But instead, Quer et al. (2012) found that large companies, multinational companies especially, they need partners to afford the cost of foreign investments because they have presence in many countries. On the other hand, Pla-Barber et al. (2010) point out that company size affects the choice between equity and non-equity entry modes, but not whether to invest with a JV or WFOE. Finally, other authors could not find any relationship between this factor and the ownership structure of the company in the foreign country (LópezDuarte and Vidal-Suárez, 2013; Rajan and Pangarkar, 2000). As can be seen, it is a controversial factor with inconclusive findings.

Similarly, financial resources are managerial constraints to take into account when invest in a foreign country because it is a costly exercise of gathering and collecting information (Mutinelli and Piscitello, 1998). In this regard there is no consensus either. Obviously if the company cannot cope with the investment itself it must use a JV to address the lack of resources (Fernández and Nieto, 2005). But if the company has enough capital, on the one hand, Parola et al. (2013) argue that the entry mode selected should be a WFOE, but others suggest that by opting for a JV, financial risk can be reduce and it can give greater flexibility to investment (Bontempi and Prodi, 2009; Pla-Barber et al., 2010). Therefore it is important to have resources to have the possibility of choose which form of entry fits better with company strategy, but it is unclear which it is the best choice.

The assets specificity is the cornerstone in the entry mode framework posed by the TCT (Anderson and Gatignon, 1986). It is extensive literature on this factor. In general, studies indicate a strong tendency to choose higher control entry modes in case of high-specificity firms, especially in unstable environments (Chen and Hu, 2002; Demirbag et al., 2010; Erramilli and Rao, 1993; Li and Qian, 2008; Rajan and Pangarkar, 2000; Wei et al., 2005). Using a WFOE reduce the dissemination risk by sharing this knowledge with an outside company, the cost of monitoring the partner or to safeguard itself against opportunistic behaviours (Hill et al., 1990; Pla-Barber et al., 2010; Quer et al., 2012). However, if there is a trustful partner in the host country, the use of the JV could reduce costs and risks (Boersma et al., 2003; Brouthers and Brouthers, 2003).

Although some authors affirm that there is no relationship between company international experience and entry choice (Rajan and Pangarkar, 2000), literature is quite conclusive in this regards. As companies gain experience abroad, they do tend to opt for WFOE because company becomes more willing to increase the degree of control and take more risk, as they are certain that they will have a

positive return from the higher degree of control (Agarwal and Ramaswami, 1992; Brouthers and Brouthers, 2003; Gatignon and Anderson, 1988). Management teams more experienced in foreign markets also favour choosing a full-control mode. Lai et al. (2012) found that directors with foreign direct investment experiences tend to choose acquisitions rather than JV analysing a sample of 660 market entries from US corporations in 45 countries, including China. Herrmann and Datta (2006) also support these findings, through the study of 380 entry processes, because CEOs with international experience have a knowledge base and the confidence to opt for a greater resource commitment and more risky forms. So, according to the literature, it is clear that the international experience helps managers to decide to enter the market with WFOE.

In an emerging country like China, one of the factors that influence the entry mode is the degree of market knowledge. Based on the TCT, Baena Graciá and Cerviño Fernández (2009) and Makino and Delios (1996) point out the need to establish a JV in the case of having a scarce knowledge on the foreign market because the partner can offset this disadvantage. Not knowing the culture, economic system and business practice executives may shy away from direct investment in favour of JV (Hill et al., 1990). Furthermore, working with a local partner allows company to obtain policy privileges from host governments inaccessible for foreign investors (Zhang et al., 2007). Instead, entry mode literature says that companies with prior experience in the host country or relevant knowledge of the investment environment prefer to invest with a WFOE because this knowledge reduces uncertainty and it mitigates transaction costs (Luo, 2001; Parola et al., 2013)

2.2 External factors

As well as internal factors affect the way of entry into a foreign country, external factors, particularly related to market characteristics also determine the choice of ownership structure (Pla-Barber et al., 2010).

The TCT ignores factors such as government restrictions which in a state-dominated country like China; they have significant impact on foreign equity ownership (Pan, 1996). Although most sectors are deregulated, there are still some restrictions for foreign companies according the Catalogue for the Guidance of Foreign Investment Industries (China Ministry of Commerce, 2015). The obligation to have a local partner to develop an economic activity influences the entry form and it forces companies to use JVs to operate in the market (Gatignon and Anderson, 1988). It can be observed in some specific economic activities, e.g. the automotive sector (Bontempi and Prodi, 2009). Despite this, with most sectors deregulated the growth of WFOE has been exponential in China (Deng, 2001).

The general idea of the TCT is minimise cost, so firms should avoid ownerships in volatile markets as they can then shift the risk to outsiders (Anderson and Gatignon, 1986; Hill et al., 1990).

In this regards, in environments with high uncertainty and political constrains a foreign investor is more likely to select JV over WFOE (Brouthers and Brouthers, 2003; Demirbag et al., 2010). But this framework also suggests that external uncertainty (political instability, property rights system, government inefficiency, turbulence in economic conditions...) in combination with high level of assets specificity makes that firms opt for WFOE because the cost of monitoring the partner becomes higher (Erramilli and Rao, 1993; Pla-Barber et al., 2010; Rajan and Pangarkar, 2000). Consequently, although in most studies based on TCT external uncertainty suggests more flexible investments to involve fewer resources, intensive companies in innovation and development, which high assets specificity, tend to use WFOE because it offers a higher level of protection (Bontempi and Prodi, 2009; Demirbag et al., 2010). Especially in China where the law against unfair competition is inefficient the choice to invest with a partner or not should be carefully considered (Pagnattaro, 2012).

2.3 Cross-cultural factors

Most studies have examined the link cultural distance (Johanson and Vahlne, 1977) and entry mode choice on international business literature. Despite some authors could not found any relation between them (Rajan and Pangarkar, 2000) or small impact (Gatignon and Anderson, 1988), most point out that differences in culture among countries influence the perception of managers regarding the costs and uncertainty of alternatives modes of entry into foreign market (Kogut and Singh, 1988).

Based on the TCT, when sociocultural distance is great low-control levels are more efficient and therefore desirable (Anderson and Gatignon, 1986; Hill et al., 1990; Kogut and Singh, 1988; Wei et al., 2005). Information-acquisition costs increase with cultural distance so companies will prefer to invest with a partner to reduce its cost (Erramilli and Rao, 1993; Parola et al., 2013). Furthermore, a JV allows to address the lack of knowledge about the country, such as language and contacts (Chung and Enderwick, 2001; Edwards and Buckley, 1998).

However, not all findings are consistent with the propositions of the TCT. Empirical results regarding the impact of cultural distance on entry mode are mixed. In this regards, some author argue that the higher the cultural distance, the more control the firm should choose. On the one hand by the difficulty of communication or coordination with the partner (Chiao et al., 2010) and on the other to avoid high costs of monitoring it (Pan, 1996).

Finally, López-Duarte and Vidal-Suárez (2010) labeled language as the forgotten factor on the entry mode choice in a foreign country., However, although there are not many studies linking these two aspects, the results are diverse. Following to the TCT, López-Duarte and Vidal-Suárez (2010) found that when language barriers between the investing firm and the local partner exist, impeding effective communication between both partners, JV is not an effective way to reducing external uncertainty.

However, Demirbag et al. (2010) stated the opposite, the greater the linguistic distance between home and host country, the more likely that the foreign investor will choose a JV over WFOE. And Parola et al. (2013) could not find a significant relation in this regard. More research is needed in this factor to reach conclusive results.

2.4 Entry barriers

Entry barriers are economic, regulatory or technological, among others, which obstruct or restrict entry into a market or different country.

Some of the barriers to internationalisation are common to any market you want to access. The lack of resources of the company, the competitiveness in the foreign market or difficulties to access to distribution channels are some of them (Lutz et al., 2010; Terjesen et al., 2008). But, as this is an emerging market some barriers to internationalisation are different compared to those found in traditional markets (Freeman and Sandwell, 2008; Niu et al., 2012). Government regulations and changes in legislation are some of the legal barriers that companies have to face and they are particularly relevant in these emerging economies (Gassmann and Han, 2004; Niu et al., 2012).

Authors, who have studied the entry barriers in China, refer to the cultural barrier as one of the main obstacles to be overcome by companies. China is catalogued as high context culture based on Hall (1976). Therefore, more information resides in the context of the communication (background, values) and small details can make the difference in a negotiation or creating confusion. The language barrier also complicates the situation because translators are needed to do business, and if the translation is wrong it can lead to misunderstandings (Nair and Stafford, 1998).

Through the opinion of the MCFs interviewed in the study, this paper aims, firstly, to analyse what factors affect the internationalisation of Spanish companies in China, and on the other hand, to give some clues about how to overcome the barriers encountered during the implementation process.

3. Methodology

We used the case study as research methodology (Yin, 1984) because it allows us to explore in depth the aspects of the internationalisation process that we want to analyse in this article.

Six semi-structured interviews were held with partners of MCF with Spanish clients in its portfolio during the period of 2012 – 2014 (Table 1).

First of all, the nature of the study was explained to respondents, the confidentiality was guaranteed for them and for the firm. For this reason the names have been codified in the article. Each interview was recorded for its verbatim transcription to literally analyse it. By using a computer program, responses were coded to establish patterns or similarities.

Table 1 Characteristics of the sample					
	Year of foundation	MCF's headquarters	Number of interviewees	Interviewee	Interviewee's location
MCF1	1941	Spain	2	Former managing partner and actual managing partner of Shanghai Office	China
MCF2	1979	Hong Kong	1	Business Development Manager	Germany
MCF3	2013	Spain	1	CEO	Spain
MCF4	1845	United States	1	Partner of Shanghai Office and Head of Commercial due diligence for Mainland China	China
MCF5	1963	United Kingdom	2	Partners of Barcelona Office. Tax Manager and Legal Manager	Spain
MCF6	1964	Spain	1	Managing Director	Spain

Source: Authors

Clients of MCFs interviewed are both industrial and service companies and, depending on their size, MCF1 and MCF4 basically advise large companies. MCF2, MCF4 and MCF5 are addressed to SMEs and MCF3 is dedicated primarily to advise local small businesses.

This is qualitative work but considering that the cases studied have accounted for a large number of client experiences, more than 140 internationalisation process' experiences with final implementation, we believe it is quite representative of the total amount of Spanish companies that are currently developing activities in China with direct investment.

4. Data analysis and Discussion

4.1 Entry modes into emerging foreign markets

As in previous research, MCFs focus their arguments concerning the entry mode into China around WFOE and JV, but they add the Representative Office (RO) as the first figure to enter into this market. The RO has no legal personality, and it can only realise representative or support activities for the parent company. While it is true that RO has historically been the first form of entry into China because it is the simplest form of implementation, nowadays it is used less due to the restrictions imposed by the Chinese government (MCF1). The limitation of its activities along with a greater strength in its tax system mean that other forms, like WFOE, should be considered to enter into China, provided that enough resources are available. If companies do not have financial capacity to afford the investment, RO is still the first choice. (MCF2).

There is not a comprehensive record of Spanish companies in China except the voluntary affiliation to the Spanish Chamber of Commerce in China (Moyano Vázquez, 2009). According to this data, in 2008, the form chosen by the Spanish companies to invest in China was the RO (47%), followed by the WFOE (41%) and the remaining percentage with JV, denoting two completely extreme modes of investment. It seems logical that the use of RO responds to the first step in the internationalisation process. Consistent with this data, MCF5 advisors assure that companies' internationalisation process is a sequential process, especially in emerging markets, so at the beginning the use of RO helps to make market research, make contacts with clients and other support activities before final implementation if market opportunities are detected. Authors like Zhang et al. (2007) also emphasise the sequencing on the entry into emerging markets. Therefore, Spanish companies follow Uppsala Model for international expansion because it is a gradual process from a lesser to greater commitment in foreign markets (Johanson and Vahlne, 1977).

Table 2 shows the results of the study compared with TCT regarding the factors influencing the ownership structure in the foreign country.

Since 1995, China publish the Catalogue for the Guidance of Foreign Investment Industries where FDI is divided into three categories: encouraged industries (favoured by governments with some benefits), restricted industries and prohibited industries. Although there are less regulated sectors than a few years ago, activities such as the automotive, telecommunications and financial services still need a local partner to be performed according to the restrictions outlined in the catalogue (China Ministry of Commerce, 2015; Instituto Español de Comercio Exterior, 2015). If the industry is not part of the activities restricted the choice between JV or WFOE is conditioned by other internal or external factors.

Table 2		Entry modes in China: comparative between TCT and MCFs opinion	
	When increase...	TCT	MCFs
Internal factors	Company size	WFOE	Not relevant
	Financial resources	WFOE	WFOE
	Specific assets	WFOE	WFOE
	International experience	WFOE	WFOE
	Market knowledge	Na	WFOE
External factors	Investment restrictions	JV	JV
	Political instability	JV	Not relevant
	Property right system	WFOE	JV
Cross-cultural factors	Cultural distance	JV	WFOE
	Language affinity	Na	WFOE

Source: Authors

Company size has been widely analysed on entry mode choice literature concluding most studies saying that larger companies prefer full-control ownership structures. Contrary to the statements of previous research (Agarwal and Ramaswami, 1992; Brouthers and Brouthers, 2003), the advisors do not believe that size, among the internal characteristics of the company, is an important determinant of the entry form. So, they support the findings of López-Duarte and Vidal-Suárez (2013) that also used a sample of Spanish companies, arguing that other factors like cultural distance are more important predictors of entry form.

As China is not the first destination of Spanish companies, when they invest in it, they already have great international experience in other foreign markets, even some contacts or export experience in China (MCF1). This is the explanation of the higher percentage of WFOEs for Spanish companies in detriment of the JV. Choosing JV or WFOE is balancing cost, control, risk and benefits. Companies must consider whether losing control in decision making makes up for what the partner brings. This contribution may be economic, but normally companies are seeking contacts and market knowledge from the partner (MCF3). As market knowledge is acquired it decreases the propensity to form a JV (MCF1). This contribution is in line with Hill et al. (1990) and Makino and Delios (1996) findings that suggest the need of establish a JV to mitigate the disadvantage of competing in an unknown market.

All interviewees agree that the downside of working with a partner in China lies in the difficulty of protecting the know-how and intellectual property of the brand. This concern is one of the most important

propositions of TCT and the most relevant factor on the choice of the ownership structure in the foreign country based on advisors experience. Having to share the manufacturing procedures and company knowledge, it increases the risk of imitation (MCF5). Taking into account this aspect, according to MCF4, the choice depends on the industrial sector. There are sectors where it is better to invest through a WFOE depending on the specificity of the assets rather than the size of the company. In companies where assets, tangible or intangible, are the source of competitive advantage for the company, it would be better to enter into the market with WFOE to minimise the risk of losing this advantage or the cost of monitoring the partner (MCF2, MCF5, Pla-Barber et al., 2010; Quer et al., 2012). Unless company finds a reliable partner that brings them some other advantages, for example, financial, organisational or strategic (Lu and Beamish, 2001), because in some sectors the resource access is easier for local people (Demirbag et al., 2010).

Despite external uncertainty, which suggests investing with a low-control mode and greater flexibility (Anderson and Gatignon, 1986; Brouthers and Brouthers, 2003), currently, most Spanish companies use WFOEs to enter in China (MCF6). Although previously JV was the figure most used, now with increased host market awareness and the elimination of restrictions, WFOE has become the option that most companies use to undertake the internationalisation process in China (MCF5; Deng, 2001).

Through this statement, it can be discerned that environmental factors are not those that most affect Spanish companies to choose the ownership structure of its subsidiary in China.

On the other hand, there are still companies using JV for different reasons provided its competitive advantage is not affected by investing with a partner, because he is reliable enough or the property right system in the country is strong to protect them from unfair actions (MCFs). Therefore, the choice between a legal form and another depends on whether the company is able to maintain its distinctive factor and what makes it different from the others. If the partner brings some benefit and not impaired the competitiveness of the company, JV is as good an option as WFOE according the MCFs.

Factors related to cultural and language differences between Spain and China are considered by advisors as barriers to internationalization in this emerging country. As a result they are discussed in the following section.

4.2 Entry barriers in emerging foreign markets

During the internationalisation process companies have to deal with different obstacles that arise to establish themselves in the foreign country. As study takes place is an emerging country, these barriers are higher because in China there are also differences between regions within the country and local protectionism (Cui and Liu, 2000).

The advisors interviewed specify six types of barriers particularly significant in China. Table 3 shows some quotes concerning these barriers encountered by its clients in China.

Table 3 Entry barriers in China	
Legal	MCF1: "there are certain sectors of activity in which the foreign entrepreneur cannot go alone, he needs a Chinese partner or, he must meet more stringent requirements like greater equity, minimum number of skilled workers..." MCF4: "If there are regulatory barriers, then these would be the key"
Bureaucratic	MCF2: "It is hard to deal with the idiosyncrasies of the Chinese market, which implies having very good relations at the local level with the authorities to speed up procedures." MCF5: "I remember having to force some contacts with authorities for a particular business... There was no legal issue that could stop it, but the process was not progressing"
Cultural	MCF3: "many of the problems are cultural, although they seem the more foolish, the foreigner must be well prepared to know how to deal with a totally different culture" MCF5: "not understanding the culture is an obstacle to investment"
Language	MCF5: "Language is a major barrier. You do not speak Chinese and they do not speak English" MCF6: "it is difficult to understand each other because they do not speak English"
Trust	MCF4: "If you need a partner, choose one that you can trust, without doubts on his commitment to the company, is the key" MCF2: "the issue of protection of intellectual property is the greatest concern to companies, because of the risk of imitation"
Human resources	MCF4: "the main barrier is the quality of the management team. If it is good the rest is easy. (...) The shortage of skilled labour is another restriction" MCF6: "staff turnover is very high in China and finding qualified human resources is not easy"

Source: Authors

Obviously the legal requirements are the first restriction encountered by companies, but they are also easily identifiable because without them the internationalisation process cannot be undertaken. The remaining barriers, however, may not seem so important but they are frequently what cause the failure of business projects according to MCFs.

The bureaucratic complexity that hinders administrative procedures, especially for foreign companies, has been studied in the literature as a barrier to enter into the Chinese market (Gassmann and Han, 2004; Tsang, 1994). To overcome this barrier authors recommend getting Guanxi. It means good relations with authorities to allow them to streamline these processes. When MCFs were asked about the obstacles encountered by their clients in China all made reference to this barrier, which is especially relevant locally. In addition, they also pointed out cultural differences and language as particularly important barriers in China.

Contrary to most studies based on the TCT that they found that the greater the cultural distance between home and host country companies should use JV as ownership structure to reduce information costs, lack of knowledge, unknown language etc. (Chung and Enderwick, 2001; Erramilli and Rao, 1993), Spanish companies have opted for WFOE. The advisors' justification about this findings lies in the difficulty of communicating with the partner, and in the different way of doing business that it thwarts many of JV established in China. Therefore they highlight the importance of cultural and linguistic affinity to efficiently manage a JV.

Bureaucratic barriers, cultural and language are applicable to all sectors because they depend on the environment where the investment was made.

When we use the word trust it is what companies must have in collaboration with someone from the country. It is not necessary to be a partner; it might be a local distributor or a non-expatriate manager. Local people are those who have the knowledge about how things are done in the country and about the functioning of the market so they can help to improve business performance by reducing cultural distance (Demirbag et al., 2010). But this confidence is a difficult barrier to overcome for foreign companies in China by the numerous cases of failure that occurred due to imitation, copying or violation of intellectual property. According to the partners of the MCFs interviewed, this point is the one that stops the companies to establish through a JV and it is also related to cultural differences.

Interviewees found two problems relating to their human resources in China through their clients. On the one hand, companies belonging to sectors with high technical or specific skills they had difficulties to find qualified staff, especially if they were located outside of Shanghai (MCF5). On the other hand, as Gassmann and Han (2004) pointed out, the managing director of the MC6 says that the degree of commitment of workers in China it is less than in other emerging countries, e.g. India, and staff turnover is very high.

Although advisors recommend investing with WFOE in China, they still recommend the use of the JV if it serves to overcome some of the entry found in the country if it does not harm the future of the company. I.e. if it is necessary for some regulation or if having a partner speeds up bureaucratic procedures by getting some relational advantage (Li and Qian, 2008; Luo, 1998).

5. Conclusions and implications for business and management practice

The internationalisation of companies is a widely researched area in the strategic management literature. However, there are still gaps that have not been covered by previous research. One of these gaps is the perspective of MCFs regarding the entry modes and barriers found by their clients during the internationalisation process.

The analysis of this vision is one of the main contributions of the study. This is important because they have an overview of the process due to their involvement in lots of them. They have advised a large number of companies in different markets therefore, they know the difference between them, and the best form of success in each one. Especially in China, the figure of the advisor is relevant because almost all companies use them during some phases of the implementation process due to the complexity of the market and the distances in both terms, physical and psychological.

When companies decide to undertake an internationalisation process the first question they ask for advice is the optimal entry mode according to their objectives. In their experience, MCFs indicate that the internationalisation process has a gradual nature in most cases, and as a matter of fact, their clients are operating in the country or they already had some previous connection before the implementation in a legal form. In China, there are big differences in the way of doing business as well as regulatory and legal procedures. Therefore, companies use a gradual entry to gain market knowledge before investing with a WFOE. As it is seen in data, this market knowledge is gained through a RO, not a JV for the case of Spanish companies.

Advisors do not believe that size and external uncertainty are good predictors of the entry mode choice in China. The greatest influence on the choice of ownership structure of the subsidiary is generated by cultural factors and assets specificity. MCFs recommend to use WFOE because the difficulty to protect the company competitive advantage in China. However, if there are incentives to invest with a partner, and it does not jeopardize the future of the company, they also recommend the investment through JV because it is an equally good option than WFOE.

So, this study points out the relevance of having a differential factor and using an optimal legal form to protect this advantage, above other aspects such as size and external factors. So, the company can be large and with experience in foreign markets but according to the MCFs opinions it can use JV or WFOE indistinctly if their competitive advantage is protected.

In the article six entry barriers were identified: legal barriers, bureaucratic, cultural, language, trust and human resources. To overcome them, MCFs believe that collaboration with local people is essential in China. Although it has not to be necessarily a business partner. Companies also must think long-term, which means building good relationships with the authorities, to invest in qualified management team with company knowledge and market, and qualified staff committed to the project.

This study also has limitations. Firstly, it is necessary to highlight the regional focus of the study as it only covers Spanish companies that decide to internationalise towards China. So it would be interesting to compare our results with those obtained from others western countries, and to analyse if they give the same importance to assets protection in the entry mode choice. Secondly, this is an exploratory analysis based on the view of the company advisors, but the findings obtained point to a

certain direction in which it would be possible to go in-depth collecting data from internationalised companies through questionnaires that allow the results to be more generalised.

References

- Agarwal, S. and Ramaswami, S.N. (1992), "Choice of foreign market entry mode: Impact of ownership, location and internalization factors", *Journal of International Business Studies*, Vol. 23 No. 1, pp. 1–27.
- Anderson, E. and Gatignon, H. (1986), "Modes of foreign entry: A transaction cost analysis and propositions", *Journal of International Business Studies*, pp. 1–26.
- Baena Gracia, V. and Cervino Fernandez, J. (2009), "The Internationalization of Spanish Franchising and its Foreign Entry Mode Choices", *Cuadernos De Economía Y Dirección De La Empresa*, No. 40, pp. 47–82.
- Banchieri, L.C., Campa-Planas, F., Cascón, R., Guercio, M.B., Hernández-Lara, A.B. and Sánchez-Rebull, M.V. (2012), "Spanish business investment in China from the perspective of the consulting firm Garrigues", *Measuring Business Excellence*, Vol. 16 No. 2, pp. 35–40.
- Barney, J. (1991), "Firm resources and sustained competitive advantage", *Journal of Management*, Vol. 17 No. 1, pp. 99–120.
- Boersma, M.F., Buckley, P.J. and Ghauri, P.N. (2003), "Trust in international joint venture relationships", *Journal of Business Research*, Vol. 56, pp. 1031–1042.
- Bontempi, M.E. and Prodi, G. (2009), "Entry strategies into China: The choice between Joint Ventures and Wholly Foreign-Owned Enterprises. An application to the Italian manufacturing sector", *International Review of Economics and Finance, Elsevier Inc.*, Vol. 18 No. 1, pp. 11–19.
- Brouthers, K.D. and Brouthers, L.E. (2003), "Why service and manufacturing entry mode choices differ: The influence of transaction cost factors, Risk and Trust", *Journal of Management Studies*, Vol. 40 No. 5, pp. 1179–1204.
- Brouthers, K.D., Brouthers, L.E. and Werner, S. (2003), "Transaction cost-enhanced entry mode choices and firm performance", *Strategic Management Journal*, Vol. 24 No. 12, pp. 1239–1248.
- Brouthers, K.D. and Hennart, J.-F. (2007), "Boundaries of the firm: Insights from international entry mode research", *Journal of Management*, Vol. 33 No. 3, pp. 395–425.
- Chen, C.-I. and Yeh, C.-H. (2012), "Re-examining location antecedents and pace of foreign direct investment: Evidence from Taiwanese investments in China", *Journal of Business Research, Elsevier B.V.*, Vol. 65 No. 8, pp. 1171–1178.

- Chen, H. and Hu, M.Y. (2002), "An analysis of determinants of entry mode and its impact on performance", *International Business Review*, Vol. 11, pp. 193–210.
- Chen, M.-Y. and Chang, J.-Y. (2011), "The choice of foreign market entry mode: An analysis of the dynamic probit model", *Economic Modelling, Elsevier B.V.*, Vol. 28 No. 1-2, pp. 439–450.
- Chiao, Y.-C., Lo, F.-Y. and Yu, C.-M. (2010), "Choosing between wholly-owned subsidiaries and joint ventures of MNCs from an emerging market", *International Marketing Review*, Vol. 27 No. 3, pp. 338–365.
- China Ministry of Commerce. (2015), "Catalogue for the Guidance of Foreign Investment Industries", available at: http://www.fdi.gov.cn/1800000121_39_4830_0_7.html (accessed 29 July 2016).
- Chung, H.F.L. and Enderwick, P. (2001), "An investigation of market entry strategy selection: Exporting vs foreign direct investment modes — A Home-host country scenario", *Asia Pacific Journal of Management*, Vol. 18, pp. 443–460.
- Cui, G. and Liu, Q. (2000), "Regional market segments of China: Opportunities and barriers in a big emerging market", *Journal of Consumer Marketing*, Vol. 17 No. 1, pp. 55–72.
- Demirbag, M., Tatoglu, E. and Glaister, K.W. (2010), "Institutional and transaction cost influences on partnership structure of foreign affiliates", *Management International Review*, Vol. 50 No. 6, pp. 709–745.
- Deng, P. (2001), "WFOEs: The Most Popular Entry Mode into China", *Business Horizons*, Vol. 44 No. 2, pp. 63–72.
- Dunning, J. (1980), "Toward an eclectic theory of international production: Some empirical tests.", *Journal of International Business Studies*, Vol. 11 No. 1, pp. 9–31.
- Edwards, R.W. and Buckley, P.J. (1998), "Choice of location and mode: the case of Australian investors in the UK", *International Business Review*, Vol. 7 No. 5, pp. 503–520.
- Erramilli, M.K. and Rao, C.P. (1993), "Service firms' international entry-mode choice: A modified transaction-cost analysis approach", *Journal of Marketing*, Vol. 57 No. July, pp. 19–38.
- Fernández, Z. and Nieto, M.J. (2005), "Internationalization Strategy of Small and Medium-Sized Family Businesses: Some Influential Factors", *Family Business Review*, Vol. XVIII No. 1, pp. 77–88.
- Freeman, S. and Sandwell, M. (2008), "Professional service firms entering emerging markets: the role of network relationships", *Journal of Services Marketing*, Vol. 22 No. 3, pp. 198–212.
- Fung, K., Iizaka, H. and Tong, S.Y. (2004), "Foreign direct investment in China: Policy, recent trend and impact", *Global Economic Review*, Vol. 33 No. 2, pp. 99–130.
- Gassmann, O. and Han, Z. (2004), "Motivations and barriers of foreign R&D activities in China", *R and D Management*, Vol. 34 No. 4, pp. 423–437.

- Gatignon, H. and Anderson, E. (1988), "The multinational corporations's degree of control over foreign subsidiaries: An empirical test of a transaction cost explanation", *Journal of Law, Economics and Organization*, Vol. 4 No. 2, pp. 305–336.
- Gobierno de España. (2014), "Spanish foreign direct investment", available at: <http://datainvex.comercio.es/> (accessed 2 August 2016).
- Hall, E.T (1976), "Beyond culture", Anchor, oxford, England.
- Herrmann, P. and Datta, D.K. (2006), "CEO experiences: Effects on the choice of FDI entry mode", *Journal of Management Studies*, Vol. 43 No. 4, pp. 755–778.
- Hill, C.W.L., Hwang, P. and Kim, W.C. (1990), "An eclectic theory of the choice of international entry mode", *Strategic Management Journal*, Vol. 11, pp. 117–128.
- Instituto Español de Comercio Exterior. (2015), "Barreras de entrada para inversores españoles", available at: www.icex.es/icex/es/navegacion-principal/todos-nuestrosservicios/informacion-de-mercados/paises/navegacion-principal/invertir-en-marcojuridico/index.html?idPais=CN#19 (accessed 15 February 2015).
- Jiang, N., Liping, W. and Sharma, K. (2013), "Trends, patters and determinants of foreign direct investment in China", *Global Business Review*, Vol. 14 No. 2, pp. 201–210.
- Johanson, J. and Vahlne, J.-E. (1977), "The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments", *Journal of International Business Studies*, Vol. 8 No. 1, pp. 23–32.
- Kogut, B. and Singh, H. (1988), "The effect of national culture on the choice of entry mode", *Journal of International Business Studies*, Vol. 19 No. 3, pp. 411–432.
- Lai, J.H., Chen, L.Y. and Chang, S.C. (2012), "The board mechanism and entry mode choice", *Journal of International Management*, Elsevier Inc., Vol. 18 No. 4, pp. 379–392.
- Li, L. and Qian, G. (2008), "Partnership or self-reliance entry modes: Large and small technologybased enterprises' strategies in overseas markets", *Journal of International Entrepreneurship*, Vol. 6, pp. 188–208.
- López-Duarte, C. and Vidal-Suárez, M.M. (2010), "External uncertainty and entry mode choice: Cultural distance, political risk and language diversity", *International Business Review*, Vol. 19, pp. 575–588.
- López-Duarte, C. and Vidal-Suárez, M.M. (2013), "Cultural distance and the choice between wholly owned subsidiaries and joint ventures", *Journal of Business Research, Elsevier Inc.*, Vol. 66 No. 11, pp. 2252–2261.
- Lu, J.W. and Beamish, P.W. (2001), "The internationalization and performance of SMEs", *Strategic Management Journal*, Vol. 22 No. 6-7, pp. 565–586.
- Luo, Y. (1998), "Joint Venture success in China : How should we select a good partner?", *Journal of World Business*, Vol. 33 No. 2, pp. 145–166.

- Luo, Y. (2001), "Determinants of entry in an emerging economy: A multilevel approach", *Journal of Management Studies*, Vol. 38 No. 3, pp. 443–472.
- Lutz, C.H.M., Kemp, R.G.M. and Dijkstra, S.G. (2010), "Perceptions regarding strategic and structural entry barriers", *Small Business Economics*, Vol. 35, pp. 19–33.
- Makino, S. and Delios, A. (1996), "Local knowledge transfer and performance: Implications for alliance formation in Asia", *Journal of International Business Studies*, Vol. 27 No. 5, pp. 905–927.
- Moyano Vázquez, G. (2009), "Presencia empresarial española en China", *Boletín Económico Del ICE*, No. 2972, pp. 119–129.
- Mutinelli, M. and Piscitello, L. (1998), "The entry mode choice of MNEs: an evolutionary approach", *Research Policy*, Vol. 27, pp. 491–506.
- Nair, A.S. and Stafford, E.R. (1998), "Strategic alliances in China: Negotiating the barriers", *Long Range Planning*, Vol. 31 No. 1, pp. 139–146.
- Niu, Y., Dong, L.C. and Chen, R. (2012), "Market entry barriers in China", *Journal of Business Research, Elsevier Inc.*, Vol. 65 No. 1, pp. 68–76.
- Pagnattaro, M.A. (2012), "Preventing know-how from walking out the door in China: Protection of trade secrets", *Business Horizons, Kelley School of Business, Indiana University*, Vol. 55 No. 4, pp. 329–337.
- Pan, Y. (1996), "Influences on foreign equity ownership level in Joint Ventures in China", *Journal of International Business Studies*, Vol. 27 No. 1, pp. 1–26.
- Parola, F., Satta, G., Persico, L. and Bella, E. Di. (2013), "Entry mode choices in international markets: Examining the antecedents of service firms' strategies", *International Journal of Globalisation and Small Business*, Vol. 5 No. 1/2, pp. 34–57.
- Pla-Barber, J., Sanchez-Peinado, E. and Madhok, A. (2010), "Investment and control decisions in foreign markets: Evidence from service industries", *British Journal of Management*, Vol. 21 No. 3, pp. 736–753.
- Quer, D., Claver, E. and Rienda, L. (2012), "Chinese Multinationals and Entry Mode Choice: Institutional, Transaction and Firm-Specific Factors", *Frontiers of Business Research in China: Selected Publications from Chinese Universities*, Vol. 6 No. 1, pp. 1–24.
- Rajan, K.S. and Pangarkar, N. (2000), "Mode of entry choice: An empirical study of Singaporean multinationals", *Asia Pacific Journal of Management*, Vol. 17, pp. 49–65.
- Root, F.R. (1994), *Entry Strategies for International Markets*, Lexington Books, Washington DC.
- Terjesen, S., O'Gorman, C. and Acs, Z.J. (2008), "Intermediated mode of internationalization: new software ventures in Ireland and India", *Entrepreneurship & Regional Development: An International Journal*, Vol. 20 No. 1, pp. 89–109.

Tsang, E.W.. (1994), "Threats and opportunities faced by private businesses in China", [*Journal of Business Venturing*](#), Vol. 9, pp. 451–468.

Wei, Y., Liu, B. and Liu, X. (2005), "Entry modes of foreign direct investment in China: A multinomial logit approach", [*Journal of Business Research*](#), Vol. 58, pp. 1495–1505.

Williamson, O.. (1985), *The Economic Institutions of Capitalism*, Simon and Schuster, New York.

Yin, R.K. (1984), *Case Study Research: Design and Methods (Applied Social Research Methods)*, Sage Publications.

Zhang, Y., Zhang, Z. and Liu, Z. (2007), "Choice of entry modes in sequential FDI in an emerging economy", [*Management Decision*](#), Vol. 45 No. 4, pp. 749–772.

Zhao, H., Luo, Y. and Sun, T. (2004), "Transaction cost determinants and ownership-based entry mode choice A meta-analytical review", [*Journal of International Business Studies*](#), Vol. 35 No. 6, p. 524–544.

PART II – QUANTITATIVE STUDY

CHAPTER III

Spanish companies in China: The effects of TMT diversity

3.1 Introduction

This third chapter of the thesis has a quantitative character. It is related to one of the main business success factors identified by Spanish companies in China and their advisors during certain phases of the internationalisation process, especially during its implementation: the Top Management Team (TMT).

The internationalisation of a company is unlikely to succeed without the ability of the TMT to take advantage of business opportunities in complex and foreign environments. Top managers who are at the apex of their organisations decide the strategic orientation of the companies they manage and, for this reason, the success or failure of the process depends on their demographic and cognitive characteristics.

After the Introduction (3.1), this chapter is divided into three different parts. Section 3.2 is related to the literature review on the TMT and the internationalisation performance, whereas Section 3.3 is dedicated to quantitative methodological issues and, finally, Section 3.4 presents the results of the study in two papers (Papers V and VI).

Paper V, entitled “*The diversity of the TMT and the survival and success of international companies: the case of Spanish companies with FDI in China*”, was published in 2016 in the *Revista Internacional de Organizaciones (RIO)*, vol. 16, pp. 127-148 (the journal is indexed in Latindex and ERIH Plus, among others). It was also presented in the Business Social Science Research Conferences held in Paris (France) in 2015. Considering that those responsible for decision-making do not normally act alone or independently, on the contrary, they frequently constitute working groups, this paper analyses how diversity of the TMT affects business success and survival abroad.

Furthermore, taking into account that differences in the managers’ characteristics and backgrounds are a source of conflict, it was decided to analyse this aspect in more depth, which is the focus of Paper VI. Therefore, in the final paper of this thesis an attempt was made to determine if international success was influenced by TMT diversity and if this relationship changed in the presence of conflict between their members. Paper VI, entitled “*The effects of TMT diversity on further business expansion: the case of Spanish companies in China*”, is currently under review in a JCR journal.

Through the study of the influence of TMT diversity on international success (success, survival and further expansion), the intention was to make further contributions to the corporate governance and strategic management literature. Therefore, the study analysed in depth if TMT diversity affected the success and survival of the company differently, as

other authors have also previously attempted (Delios and Beamish, 2001; Headd, 2003; Kalleberg and Leicht, 1991). Furthermore, the moderating role that conflict can exert on diverse teams and its influence on international success was introduced.

3.2 Literature review on the influence of the Top Management Teams on internationalisation

In internationalisation research there has been a stream of studies concerning the influence of the governing bodies on the expansion strategy, as a consequence of being the responsible agents for decision-making in companies (Hsu et al., 2013; Westphal and Fredrickson, 2001; Wiersema and Bantel, 1992).

The literature review found a large number of theories related to company management teams. As a result of being involved in multiple processes carried out in a company, the TMT has been studied from different perspectives. These theories are described in Table XI together with their main contributors. As can be seen, there are two main theories relating TMT with company performance, those related to organisational issues (i.e. the relationship between the TMT and company outcomes), and others concerning group behaviour, since this also influences company performance through the results of internal processes.

Table XI. Theories used to explain the TMT influence on company performance.

	THEORY	DESCRIPCION	AUTHOR
Organisational theories	Contingency theory	It claims that there is no best way to organise a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. A contingent leader effectively applies his own style of leadership to the right situation	Burns and Stalker (1961); Chandler (1962); Child (1975); Lawrence and Lorsch (1967)
	Upper echelons theory	It states that organisational outcomes – strategic choices and performance levels – are partially predicted by managerial background characteristics	Hambrick and Mason (1984)
	Agency theory	It is concerned with resolving problems that can exist in agency relationships due to unaligned goals or different aversion levels to risk. The most common agency relationship in finance occurs between shareholders (principal) and company executives (agents)	Fama and Jensen (1983)
	Resource-based view	The competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal	Barney (1991); Wernerfelt (1984)
	Resource dependence theory	It is the study of how the external resources of organisations affect the behaviour of the organisation. It has implications regarding the optimal divisional structure of organisations, recruitment of board members and employees, production strategies, contract structure, external organisational links, and many other aspects of organisational strategy	Pfeffer and Salancik (1978)

Social psychology theories	Categorisation theory	The subconscious tendency of individuals to sort each other into social categories, often on the basis of demographic attributes	Tajfel et al. (1971)
	Social comparison	Similarity with the ability or other quality being evaluated. Humans have an innate tendency to evaluate themselves and their qualities (e.g. their opinions, abilities, and progress). Moreover, when objective information is unavailable, people prefer to compare themselves with others that are similar	Festinger (1954)
	Information processing theory	It is based on the idea that the human mind is like a computer or information processor, rather than behaviourist notions that claim people are merely responding to stimuli	Rogers et al. (1999)
	Similarity/attraction theory	It posits that people like and are attracted to others who are similar, rather than dissimilar, to themselves	Byrne (1971)

Source: Own elaboration

Most of the theories mentioned in Table XI appeared in the review compiled by Nielsen (2010) analysing TMT diversity in ten top international journals over a 22-year period (1984-2005). The author found that the Upper Echelons Theory was the main theoretical perspective used in previous studies and it was often combined with social psychological theories. Along the same line as these publications, this present study also used the Upper Echelons Theory for both papers (V and VI), and in the second paper it was combined with social psychology theories, such as information processing and similar attraction theory.

The Upper Echelons Theory, developed by Hambrick and Mason (1984), studied the implications of the demographic characteristics of managers on organisational results (Auden et al., 2006; Hsu et al., 2013; Pegels et al., 2000). Previous research has highlighted objective and easily measurable demographic characteristics, such as age, tenure or functional experience, as proxies of the values and beliefs of the members of a TMT (Hambrick and Mason, 1984; Tihanyi et al., 2000). However, considering TMT as a group, rather than only its members, the strategic literature has focused mainly on the impact of demographic diversity of these traits on organisational outcomes (Díaz-Fernández et al., 2014; Kilduff et al., 2000). In this sense, the Upper Echelons Theory argues that homogeneous teams will make strategic decisions more quickly, which is positively associated with profitability in stable environments. On the contrary, in turbulent environments, heterogeneity will perform better (Hambrick and Mason, 1984). These propositions have been tested in many studies without reaching conclusive results as to whether diversity generates better organisational results or not. For example, Ancona and Caldwell (1992) and Knight et al. (1999) found that more homogeneous teams achieved

greater international success, especially in complex environments (Carpenter, 2002). On the contrary, other authors have given strong support to heterogeneity within the TMT because it enhances decision quality (Certo et al., 2006; Hambrick et al., 1996).

Nevertheless, the combination of different people within the group (TMT) generates interactions (conflicts, debates, synergies, etc.) that may affect company performance due to its influence on decision making (Cai et al., 2013; Ensley et al., 2002; Knight et al., 1999; Pelled et al., 1999). This fact has been studied in the corporate governance and strategic literature from theories originating in the area of social psychology (O'Reilly III et al., 1989). Therefore, this present study focuses on two opposing perspectives: similarity attraction and information processing.

Wiersema and Bantel (1992) showed that team members with the same age tended to have similar experience and they found it easier to communicate effectively with each other compared to those of different ages. In this respect, the Similarity/attraction Theory states that individuals with a similar background may share common life experiences and values, and may find the experience of interaction with each other easier, positively reinforcing, and more desirable (Williams and O'Reilly III, 1998). Homogeneous TMTs were often associated with speedy and efficient coordination (Carpenter, 2002; Finkelstein and Hambrick, 1996).

However, there has been a stream of studies arguing for the positivity of diversity by sharing knowledge, values, information and perspective. In this respect, the Information Processing Theory proposes that information processing represents one of the primary responsibilities of top executives, and the execution of such tasks is critical to organisational functioning and performance (Henderson and Fredrickson, 1996). Therefore, demographic heterogeneity provides TMTs with resources in the form of multiple perspectives that are not available to more homogeneous TMTs (Bantel and Jackson, 1989). For example, diversity or dissimilarity in educational or functional backgrounds may lead to inter-subgroup bias and cognitive conflict that benefit a company by generating innovative ideas, knowledge, better evaluation of the alternatives and synthetic solutions for solving complex problems (Cai et al., 2013).

In Paper V, the study builds its hypothesis based on the Upper Echelons Theory, and it is argued that more heterogeneous teams provide better internationalisation performance because it is understood that the international situation is a turbulent environment (proposition P21 of Hambrick and Mason (1984)). In Paper VI, the concept of conflict within the TMT is introduced (i.e. possible differences in opinions that can affect team

decisions). In this sense, the range of theories used is broadened into the area of social psychology. Therefore, diversity of certain aspects can be argued in a positive or negative way according to previous research. Section 3.4 presents the papers with the formulation of the hypotheses and the study results.

3.3 Quantitative Study

As mentioned in the research strategy and research design section, a sequential exploratory design was conducted. Therefore, after the qualitative work, it was decided to expand the results using a quantitative study. Once identified, one of the main key factors for international success was then analysed further.

Quantitative research provides more generalizable and easier to reproduce results. On the other hand, it also has limitations, such as the difficulty to assess all the variables. Nevertheless, it is also characterised by using large samples, compared with qualitative research, and it allows statistical methods to be used for establishing cause-effect relationships (Saunders et al., 2009).

According to Johnson and Christensen (2014), there are three major quantitative techniques for data collection: tests (i.e. including standardised tests that usually provide information on reliability, validity and norms, as well as tests constructed by researchers for specific purposes, skills, etc.), questionnaires (i.e. self-reporting instruments), and constructed or existing or secondary data (i.e. using data that are originally collected and then archived or any other kind of “data” simply left behind at an earlier time for some other purpose).

After considering all quantitative data collection techniques, the study used questionnaires (i.e. self-reporting instruments) administered online to those responsible for the company internationalisation process. This technique was chosen because it allowed many different types of primary data to be collected at low cost.

As far as sampling is concerned, the whole population of Spanish Companies in China was considered, therefore, effectively, no actual sampling technique was necessary. According to the data from ICEX (Spanish Institute of Foreign Trade) and the SABI database, the total number of Spanish companies with FDI in China in 2012 was 377. Companies were included that had a subsidiary in China or a joint venture with more than a 25% participation. Therefore, the email addresses of the 377 companies identified in the study population were collected and an email was sent to the attention of the CEO or the person responsible for the internationalisation process of the company.

After two rounds of emails, 82 responses were received (i.e. 82 companies or 82 teams). This represented a response rate of 21.75%, which was quite good compared to other similar studies (Karami et al., 2006; Moreira et al., 2013; Torchia et al., 2011).

To determine if there was a significant difference in terms of size and profitability between the responders and non-responders, a Student's t-test was conducted. At a 95% confidence interval, no significant differences were found when the four control variables used in the regression models of the papers were compared (Table XII). Therefore, the sample was considered representative.

For size, considering the number of employees, the t-test was 0.362 and the p-value 0.717. Taking the total assets, the t-test returned a value of 0.847 and a p-value of 0.399. For profits, considering the ROA, the t-test was -1.374 and the p-value 0.173. For ROE, -0.425 and 0.671 were obtained for the t-test and p-value, respectively.

Table XII. Independent sample tests

Variable		Levene's Test		T-test for equal means	
		F	Sig.	t	Sig.
Size (employees)	Equal variances assumed	0.285	0.594	0.362	0.717
	Equal variances not assumed			0.417	0.677
Size (assets)	Equal variances assumed	8.537	0.004	1.481	0.139
	Equal variances not assumed			0.847	0.399
ROA	Equal variances assumed	7.888	0.005	-1.804	0.072
	Equal variances not assumed			-1.374	0.173
ROE	Equal variances assumed	0.086	0.769	-0.425	0.671
	Equal variances not assumed			-0.475	0.635

Source: Own elaboration

VARIABLES

Dependent

In this part of the thesis, an attempt was made to determine the link between TMT diversity and company international success. To assess success and consider it as the dependent variable three types of approaches were used, which were all built from the responses of the managers. Success, survival and further expansion in China were considered as achievements of the investment objectives in the host country. This subjective way to capture company success is not atypical in research strategy (Brenes et al., 2008; Karami et al., 2006), and it also allows non-financial aspects to be considered in the short term, without having to wait, for example, several years to see if company sales or assets in the host country have increased. However, it should be pointed out that

internationalisation is costly and the investment results are normally obtained in the long term (Lu and Beamish, 2001).

Factor analyses was conducted from the questions included in Sections E and F of the questionnaire (see appendix). From Section E “Results of the company in China”, two factors labelled as success and survival of the investment in China were used. In addition, from Section F “Expansion strategy”, the propensity to continue investing in the country as a sign of investment success was identified. The factor analyses conducted are detailed in each attached paper. They were carried out using principal component analysis as the extraction method and varimax as the rotation method.

Independent variables

The TMT diversity variables were the independent variables used in the models of the papers. The first paper (Paper V) is simpler as it did not consider that differences among TMT members can cause conflict and change their influence. Therefore, in the second paper (Paper VI) there are more independent variables, since the conflict and interaction terms between conflict and each diversity were introduced.

For qualitative variables (gender, educational background and functional experience), the Blau Heterogeneity Index was used (Blau, 1977). A high score for this index indicates more diversity, while a low score represents greater homogeneity. For calculating the diversity of the quantitative variables (age and organisational tenure), the variation coefficient (typical deviation divided by the average) was used (Nielsen, 2010b; Simons et al., 1999).

To build the conflict factor, the same factor analysis explained for the dependent variables was used. It included questions C07 to C011 from the questionnaire (see appendix), which were similar to those used by Jehn (1994) to assess conflict. Although conflict serves as an independent variable, it also appears as a moderator of the relationship between diversity and investment success in China. Therefore, this moderation was introduced in the hierarchical regression analysis in Paper VI using interaction terms (diversity*conflict).

Control variables

Control variables are usually variables that are not the focus of a research study but have certain relationships with the dependent variables. In business research, there are certain control variables that are typically used, such as company size and performance or profitability (Fernández-Ortiz and Lombardo, 2009; Li et al., 2009; Pangarkar, 2008). SMEs and large companies can have different behaviours or performance due to the limitation of

resources, therefore, size can influence the dependent variable. When this is related to performance or profitability, it is expected that companies with high levels of performance will be more successful.

Regarding internationalisation studies, international experience is sometimes included as a control variable (Auden et al., 2006), since it has been associated with a firm's performance and managerial complexity, and is also referred to as international diversification (Carpenter, 2002; Jaw and Lin, 2009) or degree of internationalisation (Rivas, 2012).

Finally, concerning TMT studies analysing diversity issues, demographic characteristics can also be introduced as controls, as suggested by Carpenter (2002), and Hutzschenreuter and Horstkotte (2013).

REGRESSION ANALYSIS

Two different types of linear regression analysis were conducted. In Paper V, the backward stepwise regression procedure was used. This method makes it possible to enter all the explanatory variables at an early stage. The variable with the least partial correlation with the dependent variable is then excluded. Once the first variable has been excluded, the process is repeated with the next variable that has the smallest partial correlation. The procedure ends when there are no more variables in the equation that satisfy the exclusion criterion (F probability to be excluded >0.1) (Fitó-Bertran et al., 2015).

On the other hand, in Paper VI, a hierarchical regression analysis was conducted, which is a sequential process involving the entry of predictors (independent variables) into the analysis in steps (Lewis, 2007). It is a popular method used to calculate the change in the adjusted R^2 at each step in order to analyse the increment in the variance after each step (Pedhazur, 1997), and it is widely applied in the strategic business literature (Ensley et al., 2002; Krishnan and Park, 2005; Li et al., 2009; Ng et al., 2007).

The results are presented in the next section in Papers V and VI.

3.4 Academic Outputs

The results of this chapter are gathered together in two papers. The first one shows that the diversity affecting success and survival in China had different origins. That is, while age diversity had a negative effect on the internationalisation success in China, the survival of this process was positively affected by gender diversity within the TMT. The second paper showed that international success was greatly influenced by the presence of conflict in the TMT. Finally, it was found that companies with more homogeneous TMT were more successful in China.

Paper V. *“The diversity of the TMT and the survival and success of international companies: the case of Spanish companies with FDI in China”* available at:

http://www.revista-rio.org/index.php/revista_rio/article/view/205/185

Paper VI. *“The effects of TMT diversity on further business expansion: the case of Spanish companies with FDI in China”* represents work still in progress.

The diversity of the top management team and the survival and success of international companies: The case of Spanish companies with foreign direct investment in China

Angels Niñerola

Universitat Rovira i Virgili
angels.ninerola@urv.cat

Ana Beatriz Hernández-Lara
Universitat Rovira i Virgili

anabeatriz.hernandez@urv.cat

Maria Victòria Sánchez-Rebull

Universitat Rovira i Virgili
mariavictoria.sanchez@urv.cat

Abstract: There is an important stream of research in internationalisation studies about the influence of governing bodies on organisational expansion strategies. Using Upper Echelon Theory, this paper aims to analyse how the diversity of the top management team affects the success and survival of the company abroad. Data were collected from Spanish companies with foreign direct investment in China during the period 2012-2013. China was chosen as the host country because it is the world's largest recipient of FDI and because of the considerable cultural and geographical differences between China and Spain, which make the investments especially risky and uncertain. Therefore, it deserves additional research. The results indicate that a top management team with members of very different ages has a negative impact on the success of the company abroad because the generational differences introduce different opinions into decision-making process. However, gender diversity increases the survival of the company. Survival is also greater if the company is smaller because it is more flexible and has a greater ability to adapt to market contingencies.

Keywords: Upper-Echelon Theory, business strategy, internationalisation, top management team, Spanish companies, China.

1. Introduction

In the current economic environment, many companies seek to expand their domestic market in search of new customers and profits. In this respect, internationalisation is recognised as a valuable strategy for growing organisations (Graves and Thomas 2008). But it is also a strategic decision that involves high risks and uncertainty for companies (Contractor *et al.* 2007; Musteen *et al.* 2009). This dichotomy of internationalisation, the effects of which are contradictory, is what makes this corporate strategy an important area of study in business research.

There is a stream of internationalisation research on the influence of governing bodies on the expansion strategy of companies because of their responsibility as the agents of decision-making (Wiersema and Bantel 1992; Westphal and Fredrickson 2001; Hsu *et al.* 2013).

In this respect, the Upper-Echelon Theory, developed by Hambrick and Mason (1984), studies the implications of the demographic characteristics of managers on organisational results (Kilduff *et al.* 2000; Pegels *et al.* 2000; Auden *et al.* 2006). These demographics can influence, and are used as a proxy for, the values and beliefs of members of the governing bodies and, therefore, as determinants of their decisions (Finkelstein and Hambrick 1996). Previous research has highlighted objective and easily measurable demographic characteristics such as age, tenure, function or training (Hambrick and Mason 1984; Tihanyi *et al.* 2000). However, considering that those responsible for decision-making do not normally act alone or independently (indeed they usually constitute working groups) previous research has also searched for measures of these demographic variables that cover the whole group, focusing mainly on the impact that the demographic diversity of these variables has (Kilduff *et al.* 2000; Díaz-Fernández *et al.* 2014). Many studies have used this theory to explain the impact on various measures of organisational performance and strategic outcomes, such as internationalisation strategies, but most of these have used North American samples and not drawn any conclusive results. Therefore, more studies are needed to shed light on these inconclusive results and to provide evidence from other geographical contexts (Nielsen 2010)

The main aim of this paper is to find out how the diversity of top management teams (TMT), understood as variety (Harrison and Klein 2007) affects the international success and survival of companies in an emerging country. The study focuses on Spanish foreign direct investments (FDI) in China for several reasons. Firstly, because China is the largest recipient of FDI (The WorldBank 2013) and it offers great business opportunities (Sakarya *et al.* 2007; Enderwick

2009); secondly because it is not a common destination for Spanish companies, which have always preferred to invest in physically or culturally close countries (Johanson and Vahlne 1977) such as Europe or Latin-America; and thirdly because the cultural differences between China and Spain mean that more empirical evidence is needed on this type of Spanish FDI due to the notable differences in the institutional contexts of both countries and the risks and uncertainties involved in these Spanish FDI (Schmid and Wurster 2015). These difficulties justify the success and survival of Spanish companies investing in China as an interesting case study, and the analysis of the potential impact of the diversity of Spanish TMT on these variables related to internationalisation.

In order to answer the research questions, this article has been structured as follows: in the second section the previous literature on TMT and internationalisation is reviewed. In the third, the sample and methodology used in the study is justified. In the fourth, the results are reported and in the fifth discussed. Finally, the main conclusions are outlined in the last section.

2. Theoretical framework and hypotheses

Internationalisation is a business growth strategy influenced, like other strategic decisions, by decision-making bodies. The theoretical perspective adopted in this study to link the TMT with internationalisation is the Upper-Echelon Theory (Hambrick and Mason 1984) because the TMT's backgrounds and psychological characteristics influence the decisions they make, so their influence on internationalisation is unquestionable.

Previous literature has pointed out the observable demographic characteristics defined by this theory in order to show that they influence the internationalisation of the company in two ways. On the one hand, previous research has studied the influence of each demographic trait on the expansion process and has made some interesting findings. For example, internationalisation has been shown to have a negative relationship with TMT age, measured as the percentage of assets attributed to a global market (Tihanyi *et al.* 2000; Herrmann and Datta 2005; Hsu *et al.* 2013) and a positive relationship with TMT education (Moreira *et al.* 2013) and international experience (Tihanyi *et al.* 2000; Hutzschenreuter and Horstkotte 2013; Piaskowska and Trojanowski 2014). On the other hand, it is not only the individual characteristics of the TMT members that influence the strategic outcome of the internationalisation process of a company; the diversity of these characteristics within the TMT also has an effect, and in this regard, previous research has not reached a generalised consensus.

Some authors argue that TMT diversity makes companies perform better because top managers come from different backgrounds and this increases the quality of decisions due to the differences in knowledge and perspectives (Pegels *et al.* 2000; Carpenter and Sanders 2004), especially in uncertain environments (Cannella Jr *et al.* 2008). Others, however, warn of the risks of conflict to which this diversity leads (Pelled *et al.* 1999; Carson *et al.* 2004). The heterogeneity of the TMT improves decision-making in some aspects but not in others because it makes the process slower (Hambrick *et al.* 1996).

Below we explain the relationship that certain demographic variables (age, gender, function, tenure and education) have on internationalisation according to the literature.

2.1 Age diversity

Age is one of the demographics that influence strategic decision-making (Wiersema and Bantel 1992). It is often related to previous experience and affects the propensity for internationalisation in several ways.

Young managers are more likely to make risky decisions so this may be beneficial for the internationalisation outcomes of the company (Herrmann and Datta 2005). In the same way, older managers are usually more risk averse and they prefer less uncertain strategies (Child 1974); this is because, on the one hand, they need to maintain their status and, on the other, they do not have the capacity to analyse and process the information they need to adapt to environmental changes, as young managers have (Herrmann and Datta 2005; Chen 2011). In this respect, age is negatively associated with internationalisation outcomes (Hsu *et al.* 2013).

However, previous experience, which is the other aspect related to age, may be associated with the propensity to internationalise and its success in just the opposite way (Hutzschenreuter and Horstkotte 2013). Therefore, a balanced TMT in terms of age could be one way of generating optimal results (Tihanyi *et al.* 2000), despite the fact that other authors suggest that age homogeneity leads to better performance. Whatever the case may be, we believe that the combination of youth and experience can generate the best partnership to leverage the strengths of each age group. In accordance with the above, we have formulated the following hypotheses:

- H1a. Age diversity of the TMT positively affects success abroad.
- H1b. Age diversity of the TMT positively affects the survival of the company abroad.

2.2 Gender diversity

The economic literature contains numerous gender studies because of the differences between the social preferences, risk and competitiveness of men and women, characteristics that condition their strategic decisions (Croson and Gneezy 2009).

Some results of previous studies indicate that female participation in the upper echelons increases the value of a company (Hassan *et al.* 2016) but others say just the opposite, that female directors report lower total shareholder return (Lückerath-Rovers 2013) and do not improve company performance (Darmadi 2013). Gender diversity can also cause conflicts (Richard *et al.* 2004) but some studies show the presence of women in government bodies and their effect on a company's results in a positive light (Liu *et al.* 2014). They bring other qualities or skills, which can favour, for example, innovation (Torchia *et al.* 2011; RegueraAlvarado *et al.* 2015) or RSC initiatives that generate greater organisational efficiency (Ben-Amar *et al.* 2015).

The number of women is also important since more than two generate better results (Liu *et al.* 2014; Nguyen *et al.* 2015). However, even if they have the same qualities or requirements as men, they are rarely hired despite the benefits discussed above (Nekhili and Gatfaoui 2013). The arguments in favour of gender diversity bring up the following hypotheses:

- H2a. Gender diversity in the TMT positively affects success abroad.
- H2b. Gender diversity in the TMT positively affects the survival of the company abroad.

2.3 Functional diversity

The functional background of managers influences their strategic decisions (Hambrick and Mason 1984). According to previous literature, different functional backgrounds have positive effects on internationalisation (Auden *et al.* 2006; Rivas 2012). This could be because managers from different functional areas also collaborate by increasing organizational creativity, which has a positive effect on the company's flexibility (Yoon *et al.* 2015). In this respect, Gevers *et al.* (2015) conclude that rather than homogenizing team structures, managers should stimulate good teamwork behaviour in an attempt to integrate interests and insights from different functional areas. So, a diversity of approaches can be necessary for companies because it provides an overview of the complexity of the internationalisation process, especially in new destinations. Therefore:

- H3a. Functional diversity of the TMT positively affects success abroad.

- H3b. Functional diversity of the TMT positively affects the survival of the company abroad.

2.4 Tenure diversity

When a TMT works together for a long period of time it develops similar attitudes. Therefore, tenure affects the decisions they make (Katz 1982). In this respect, studies have been made of whether long tenure, both in a job or inside the organisation, favours strategic changes and the company internationalisation or not. Results have not been conclusive.

Some authors argue that long term TMTs are more resistant to change so they are less likely to undertake complex and risky processes such as those involved in internationalisation strategies (Finkelstein and Hambrick 1996). They may also have a skewed vision of the environment because having experience in other companies, in other contexts or other functions enriches knowledge. So, shorter tenures may have a positive relationship with international diversity (Herrmann and Datta 2005).

On the other hand, long tenures have some positive aspects. They are associated with stability, less conflict and efficiency (Katz 1982; Pelled *et al.* 1999) and this is good for internationalisation because it fosters consensus on strategy (Barkema and Shvyrkoc 2007). Authors like Chen (2011) found a positive relationship between tenure and internationalisation, measured in this case, as the ratio of foreign sales to total sales, due to the richness of long experience within a particular company.

Just like age diversity, tenure diversity is positive for company results (Auden *et al.* 2006; Tihanyi *et al.* 2000) because it allows for the creativity and freshness needed in foreign markets while maintaining stability and cooperation (Jaw and Lin 2009). Thus:

- H4a. Tenure diversity of the TMT positively affects success abroad.
- H4b. Tenure diversity of the TMT positively affects the survival of the company abroad.

2.5 Diversity of educational background

The educational background of the TMT brings together different factors, skills, knowledge and capacities that enable companies to improve their strategic decisions and perform better in complex situations (Carpenter 2002).

Higher educational levels have been linked to innovation (Camelo-Ordaz *et al.* 2005), openness to change (Wiersema and Bantel 1992; Díaz-Fernández *et*

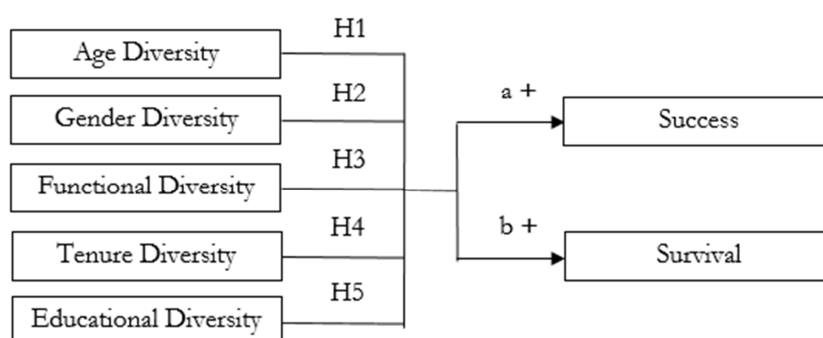
al. 2015) and also more international diversity (Tihanyi *et al.* 2000; Barroso *et al.* 2011; Hsu *et al.* 2013). The uncertainties associated with internationalisation makes it essential to have well-prepared managers with greater information processing abilities if companies are to be successful in the international context (Herrmann and Datta 2005; Latukha and Panibratov 2015).

The literature has shown that a high level of heterogeneity in education positively affects internationalisation (Carpenter 2002.), So:

- H5a. Diversity of educational background in the TMT positively affects success abroad.
- H5b. Diversity of educational background in the TMT positively affects the survival of the company abroad.

Figure 1 shows the relationships that this study will try to prove between the demographics of the TMT and its influence on the process of internationalisation.

Figure 1. The influence of TMT characteristics on internationalisation: hypothesis



3. Methodology

3.1 Data gathering

The sample for the study was selected from the ICEX directory (Spanish Institute of Foreign Trade) and from the SABI database (Sistema de Análisis de Balances Ibéricos). We took into consideration Spanish companies with direct investment in China in 2012 regardless of their legal form. In total, 377 companies were identified. We contacted them first by phone to explain the nature of the study, before sending them the questionnaire in 2012.

The questionnaire was addressed to the Chief Executive Officer or to the person responsible for business development via email with a link so that it could be answered online. The questions refer to seven different aspects

of the company and its internationalisation process: the company's general information, the company's international experience, TMT data, the company's internationalisation process in general, the company's process of expansion (specifically in China), the company's human resource practices in the host country and the company's results abroad. Finally 82 responses were collected during the period 2012-2013, which represents a response rate of the 21.75%. This ratio is better than other studies using questionnaires as a tool for data collection (Torchia *et al.* 2011; Moreira *et al.* 2013; Tolstoy 2014). We conducted a Student's t-test to determine if there was a significant difference in terms of size (measured as employees and total assets) and ROA (return on assets) between the respondents and the non-respondents and there was not (with a confidence level of 95%). We compared the three control variables used in the model. For size, considering the number of employees, the t-statistic was 0.362 and its p-value 0.717. Taking the total assets the Student's t-test returned a value of 0.847 and a p-value 0.847. And, considering the ROA, the t-statistic was -1.366 and the p-value 0.175. Table 1 shows some descriptive data of the respondents.

Table 1. Characteristics of the sample

Industry	Manufacturing and construction	45.1%
	Wholesale and retail trade	23.2%
	Services	30.5%
	NA	1.2%
Family business	Yes	40%
	No	60%
Company size	Small	11.0%
	Medium	13.4%
	Large	73.2%
	NA	2.4%
Years of experience in China	≤5	34.1%
	5<X≤10	25.6%
	10<X≤15	13.4%
	15<X	15.9%
	NA	11.0%

According to these data, the activities of the Spanish companies in China are mostly manufacturing, retail and professional services. They are basically large companies, because it is difficult for a small company to undertake a process of this nature largely due to lack of resources (Fernández and Nieto 2005; Harvey

and Abor 2009; Lin 2010) using the Regional Project on Enterprise Development (RPED). And as can be seen by their experience in China, most of the companies in our sample settled in the country less than ten years ago so it is a relatively new destination.

3.2 Measurement of the variables

3.2.1 *Dependent variables*

Many parameters can be used to measure success and survival abroad: economic performance, financial ratios, market share, brand value, customer satisfaction, corporate image, etc. However, by asking the managers responsible for the internationalisation process, we seek in this paper to bring all these aspects together and determine whether the company believes that the result of its investment in China is being positive. Even if the investment is positive for the company, this does not necessarily mean that the associated ROA is positive as can be seen in the economic information of the sampled companies. This may be because China is a relatively new investment destination and companies still have to absorb the high initial costs (of investment and adaptation to the market). Also the current economic situation has affected company profits.

The last part of the questionnaire was about the company's results in China, and attempted to determine the internationalisation performance of the companies. There were six questions which had to be answered on a 5-point Likert scale (where 1 means "strongly disagree" and 5 means "strongly agree"). We conducted a factor analysis of these questions with principal component analysis as the extraction method and Varimax Kaiser Normalisation as the rotation method. The result was consistent according to the Kaiser-Meyer-Olkin measure of sampling adequacy (0.549) and Bartlett's test of sphericity was significant. Thus, the results support two factors of internationalisation performance with an eigenvalue greater than 1. We identified two factors that explain 65.73% of the variance, clearly labelled as success and survival of the company in the host country (table 2). Therefore, we used these factors as dependent variables in our model.

Table 2. Results of the factor analysis (Table of rotated component matrix)

	factor	
	success	survival
Investing in China has been successful.	.646	.241
Success in China is saving the company.	.071	.892
The company is successful if it is compared with its competitors.	.797	.107
The company will still be successful in 5 years' time.	.871	-.041
The success of the investment will continue saving the company in 5 years' time	.091	.886
The company will be successful if it is compared with its competitors in 5 years' time	.683	.022
Eigenvalue	2.46	1.49
Percentage of variance	65.734	

3.2.2 Independent variables

The independent variables of the study are the diversity of the demographic characteristics of the TMT. The CEO and four other members of the company's TMT were asked for their demographic information. Specifically, the variables that we considered were: age, gender, educational background, experience, organisation tenure and functional tenure. To analyse the diversity of the TMT we made some transformations. For qualitative variables we used the Blau Heterogeneity Index (Blau 1977) the formula of which is $1 - \sum p_k^2$, where p is the proportion of unit members in the k th category. A high score on this index indicates greater diversity, while a low score represents greater homogeneity. To calculate the diversity of the quantitative variables we used the variation coefficient (typical deviation divided by the average). After that, we used the z-score of the diversity variables.

3.2.3 Control variables

We introduced two control variables commonly used in internationalisation research: size and profitability. We determined the company's size through its assets (A) and the total number of employees (E). Profitability was measured in terms of the ROA. We used the logarithm transformation of the size variables, and then standardised all control variables (z-score).

Table 3 shows some descriptive data of the variables and their correlations. It can be observed that the companies in the sample do not have a great deal of

age and gender diversity in their TMTs according to their mean values. Diversity is greatest in both tenures, organisational and functional. As far as the control variables are concerned, it is noted that the average ROA is negative, which means that the year 2012 was not a profitable year, in general, for companies investing in China due to the global crisis.

Some variables have significant correlations between one another (see Table 3). The strongest relationship was found between variables LogSize(E) and LogSize(A), which is because both are related to company size although they are measured differently. To determine whether these correlations could create collinearity problems FIV values were also calculated. In all cases the values were below 10 which means that there are no serious problems in this regard (Kleinbaum *et al.* 1988).

Table 3. Descriptive statistics and correlation matrix

Variable	mean	SD	1	2	3	4	5	6	7	8	9	FIV values
1.AgeDiv	.15841	.09085	1									1.465
2.GenderDiv	.19607	.25236	-.008	1								1.438
3.OrgTenureD	.49248	.36846	-.008	.115	1							1.303
4.FunTenureD	.57371	.38342	.345*	.241	.144	1						1.886
5.EducDiv	.34597	.25354	.299	.117	.152	.773**	1					1.929
6.ExpDiv	.47823	.28477	.277	-.008	.760**	.144	.063	1				1.384
7.ROA	-4.4213	35.0746	-.414**	-.081	-.053	-.126	-.149	-.024	1			1.553
8.LogSize (E)	1.9916	.84596	-.335*	.060	.350*	-.059	.013	.233	.239*	1		4.055
9.LogSize (A)	.5063	.60926	-.370*	.025	.399**	-.180	-.117	.323*	.369**	.815**	1	3.543

Correlation significant to the level of *0.05 (bilateral) and **0.01 (bilateral)

3.3 Data analysis

Data were analysed using linear regression, following the Backward Stepwise Regression procedure. This method makes it possible to enter all the explanatory variables at an early stage. The variable with the smallest partial correlation with the dependent variable is then excluded. Once the first variable has been excluded, the process is repeated with the following variable with the smallest partial correlation. The procedure ends when there are no more variables in the equation that satisfy the exclusion criterion (F probability to be excluded P0.1) (Fitó-Bertran *et al.* 2015).

The results of the linear regression analysis carried out are reported below.

4. Results

Taking the success factor as the dependent variable (Model 1 shown in Table 4), the final model after the Backward Stepwise Regression method has been applied has an adjusted R² of 17.4%. In the end, just one characteristic of TMT diversity is significant to determining the company's success in China: the age diversity of the TMT. This variable is significantly linked to success in a negative way: the greater the age diversity in the TMT, the less likely it is for internationalisation to be a success. So, H1a is rejected because age diversity in the TMT does not have a positive effect on success abroad. Hypotheses H2a, H3a, H4a and H5a – which attempt to relate the variables of gender, functional, tenure and educational diversity to success abroad – are not significant in Model 1, so we cannot reject or accept them.

Table 4. Linear regression of the success factor according to TMT diversity characteristics

Model 1	Unstandardised coefficients		Standardised coefficients	t	Sig.
	B	Standard error	Beta		
(Constant)	.128	.158		.814	.423
ROA	-.492	.192	-.457	-2.562	.016
Age diversity	-.349	.173	-.359	-2.011	.054

Dependent variable: Success

In addition, the return on assets (ROA) is significant in Model 1, and shows a negative relationship with the company's success. This means that the companies that are most successful in their attempts at internationalisation in China are also less profitable.

When the survival factor is taken as the dependent variable (Model 2 shown in Table 5), the same statistical method gives an adjusted R² of 27%. In this case, the diversity that affects survival abroad is gender diversity. Model 2 explains a positive relationship between gender diversity within the TMT and the company's survival in China, so H2b is accepted. The other hypotheses, related to diversity and survival (H1b, H3b, H4b and H5b), cannot be accepted or rejected, as they appear to be statistically non-significant in Model 2.

Table 5. Linear regression of the survival factor according to TMT diversity characteristics

Model 2	Unstandardised coefficients		Standardised coefficients	t	Sig.
	B	Standard error	Beta		
(Constant)	.041	.156		.264	.794
Size (Assets log)	-.672	.207	-.522	-3.247	.003
Gender diversity	.400	.201	.320	1.991	.057

Dependent variable: Survival

The control variable size, which is also significant, indicates that smaller companies have greater survival.

5. Discussions

In this study we focused on the internationalisation outcomes of Spanish companies in China, a culturally distant country that makes the process more complex and risky (Hutzschenreuter and Horstkotte 2013). In this environment, the results show that the diversity of some TMT demographic characteristics affect the success and the survival of the company.

Although it has been shown in the literature that different types of diversities of the members of the TMT positively or negatively affect the internationalisation of a company, in our sample of Spanish companies with FDI in China only age diversity appears to have a significant effect on success. The other characteristics of diversity do not seem to affect the process. So, according to the data analysis, age diversity has a negative effect on international success in China. This could be explained by emotional conflicts related to this kind of diversity. People of a similar age are likely to have the same values and beliefs because their life experiences are similar (Ireland *et al.* 1987), thereby increasing the propensity to agree (Knight *et al.* 1999). In this regard, different generations have different perspectives on corporate strategy (Chen *et al.*, 2015) especially in a country that is so different culturally and so uncertain. Another reason may be because of the characteristics of our data. In our sample, a large number of companies are family owned (40%), which may influence the relationship between age diversity and the internationalisation process negatively because of the potential conflict between the different generations of managers (Sciascia *et al.* 2013). So, we can conclude that an international company with a homogeneous TMT in terms of age obtains better results in China, because it may avoid conflicts between TMT members who are relatives.

This result is in line with those of previous research. For example, although Tihanyi *et al.* (2000) argue that age diversity generates a wide variety of viewpoints that can lead to changes, especially in complex environments, and therefore has a positive effect on internationalisation, they could not support these arguments with data. Also, Auden *et al.* (2006) concluded that the homogeneity of ages generates best performance in the international context.

The other analysis related to Model 1 shows a negative relationship between ROA and international success. This is not an unusual result because foreign investment generates high costs, especially at the beginning of the internationalisation process and making a profit takes time (Contractor 2007). Of the countries in our sample, 34% had been in China for less than 5 years, and more than 50% less than 10 years. Companies frequently need more time to achieve good levels of profitability. Previous research has also found smaller profitability ratios in companies with higher levels of international success (Lu and Beamish 2001).

Model 2, in which the dependent variable was survival abroad, is influenced by gender diversity and the size of the company. The fact that company size has a negative impact on business survival makes sense since small companies are associated with flexibility (Narula 2004) and adapting more easily to the everchanging and complex environment (Tolstoy 2014). In our study of an emerging country, the large number of changes in a short period of time in the market and legislation show the importance of flexibility. Therefore, small companies, which are normally more flexible, are those with the highest survival rates.

According to our data, gender diversity also has a positive effect on the survival of companies in China. This effect was also found by other authors, especially in companies seeking growth (Dwyer *et al.* 2003) and with geographically dispersed teams (Post 2015) this study examines how team leader gender relates to team cohesion, cooperative learning, and participative communication. Furthermore, the study argues that advantages derived from female leadership may be contingent on teams' coordination requirements. I propose that as teams' coordination requirements increase (i.e., with functional diversity, size, and geographic dispersion, as is the case of internationalisation).

The fact that women are more risk averse than men (Croson and Gneezy 2009) is consistent with our findings that gender diversity has a positive influence on the survival of international companies. There are several reasons for this. Firstly, internationalisation is a complex strategy with a high degree of uncertainty, so if women are less likely to make risky investments it is plausible that the ones they do

make will be more successful and that companies with greater gender diversity will have greater survival rates. And secondly, because they take fewer risks, they also prefer to invest in lower-risk countries where the company has a greater chance of survival, so they do not choose an emerging country unless the investment opportunity is very favourable. Therefore, a balance between men and women in the TMT makes the company strategy less risky, which improves its chances of survival in an emerging market such as China. They can also bring qualities and skills that better suit Chinese culture such as patience and caution (Graham and Mark Lam 2003).

6. Conclusions, limitations and future research

In the context of this article, in which investment is made in an emerging market with considerable cultural differences, complexity and uncertainty, the role of the TMT can be even more important because it is more difficult for managers to effectively interact with local authorities, employees or clients.

On the basis of the results, we conclude that teams with a diversity of ages negatively affect the success of companies abroad. Instead, gender diversity increases company survival. In this respect, smaller companies tend to be more flexible and therefore have a greater ability to adapt to market contingencies.

These findings are relevant for companies because internationalization is a complex and risky process that is influenced by many variables, some internal and others external to the company. One of the factors that a company can control is the composition of the TMT. So, the contribution that this study makes to the international business literature in the field of emerging markets is that it determines what traits of TMT as a group favour the success of the internationalization process. TMT heterogeneity can be positive or negative for company results as it can hamper decision-making or generate better strategies because it takes more points of views into account. According to this study, age diversity means that companies are less successful in the context of investment in China. On the other hand, gender diversity generates greater survival in the same context.

These conclusions indicate that if companies want to invest successfully in China they need to have homogeneous teams in terms of age and to include women in their TMT.

This study also has its limitations. Firstly, it has a regional focus as it only covers Spanish companies that decide to internationalise in China, so it would be interesting to compare our results with those obtained from other Western

countries, and to analyse whether they give the same importance to age and gender diversity in success and survival in the international context. Secondly, it would be interesting to collect more information to find if in the case of China there are other diversity variables of the TMT that can affect company results.

It would also be interesting to investigate if conflict within the TMT can have a positive effect on performance because different viewpoints about company strategy does not necessarily need to be negative. These research lines may be interesting for the future.

7. References

- AUDEN, W. C.; SHACKMAN, J. D., AND ONKEN, M. H. (2006). "Top management team, international risk management factor and firm performance." *Team Performance Management: An International Journal*, 12(7/8), 209–224. <<http://doi.org/10.1108/13527590610711778>>.
- BARKEMA, H. G., AND SHVYRKOC, O. (2007). "Does top management team diversity promote or hamper foreign expansion?" *Strategic Management Journal*, 28, 663–680. h<<http://doi.org/10.1002/smj>>.
- BARROSO, C.; VILLEGAS, M. M., AND PÉREZ-CALERO, L. (2011). "Board Influence on a Firm's Internationalization." *Corporate Governance: An International Review*, 19(4), 351–367. <<http://doi.org/10.1111/j.1467-8683.2011.00859.x>>.
- BEN-AMAR, W.; CHANG, M., AND MCILKENNY, P. (2015). "Board gender diversity and corporate response to sustainability initiatives: evidence from the Carbon Disclosure Project." *Journal of Business Ethics*. <<http://doi.org/10.1007/s10551-015-2759-1>>.
- BLAU, P. (1977). *Inequality and heterogeneity: A primitive theory of social structure*. New York: Free Press.
- CAMELO-ORDAZ, C.; HERNÁNDEZ-LARA, A.-B., AND VALLE-CABRERA, R. (2005). "The relationship between top management teams and innovative capacity in companies." *Journal of Management Development*, 24(8), 683–705.
- CANNELLA JR, A. A; PARK, J., AND LEE, H. (2008). "Top management team functional background diversity and firm performance: Examining the roles of team member colocation and environmental uncertainty." *Academy of Management Journal*, 51(4), 768–784.
- CARPENTER, M. (2002). "The implications of strategy and social context for the relationship between top management team heterogeneity and firm performance." *Strategic Management Journal*, 23(3), 275–284. <<http://doi.org/10.1002/smj.226>>.

- CARPENTER, M., AND SANDERS, W. (2004). "The effects of top management team pay and firm internationalization on MNC performance." *Journal of Management*, 30(4), 509–528. <<http://doi.org/10.1016/j.jm.2004.02.001>>.
- CARSON, C. M.; MOSLEY, D. C., AND BOYAR, S. L. (2004). "Performance gains through diverse top management teams." *Team Performance Management: An International Journal*, 10(5/6), 121–126. <<http://doi.org/10.1108/13527590410556845>>.
- CHEN, H.-L. (2011). "Does board independence influence the top management team? Evidence from strategic decisions toward internationalization." *Corporate Governance: An International Review*, 19(4), 334–350. <<http://doi.org/10.1111/j.1467-8683.2011.00850.x>>.
- CHEN, Y.-M.; LIU, H.-H.; NI, Y.-T., AND WU, M.-F. (2015). "A rational normative model of international expansion: Strategic intent perspective, market positions, and founder CEOs/family-successor CEOs." *Journal of Business Research*, 68(7), 1539–1543. <<http://doi.org/10.1016/j.jbusres.2015.01.048>>.
- CHILD, J. (1974). "Managerial and organizational factors associated with company performance." *Journal of Management Studies*, 11(3), 175–189. <<http://doi.org/10.1111/j.1467-6486.1974.tb00693.x>>.
- CONTRACTOR, F. J. (2007). "Is international business good for companies? The evolutionary or multi-stage theory of internationalization vs transaction cost perspective." *Management International Review*, 47(September 2006), 453–475.
- CONTRACTOR, F. J.; KUMAR, V., AND KUNDU, S. K. (2007). "Nature of the relationship between international expansion and performance: The case of emerging market firms." *Journal of World Business*, 42(4), 401–417. <<http://doi.org/10.1016/j.jwb.2007.06.003>>.
- CROSON, R., AND GNEEZY, U. (2009). "Gender Differences in Preferences." *Journal of Economic Literature*, 47(2), 448–474. <<http://doi.org/10.1257/jel.47.2.448>>.
- DARMADI, S. (2013). "Do women in top management affect firm performance? Evidence from Indonesia." *Corporate Governance*, 13(3), 288–304. <<http://doi.org/10.1108/CG-12-2010-0096>>.
- DÍAZ-FERNÁNDEZ, M. C.; GONZÁLEZ-RODRÍGUEZ, M. R., AND PAWLAK, M. (2014). "Top management demographic characteristics and their influence on strategic change." *Industrial Management & Data Systems*, 114(3), 365–386. <<http://doi.org/10.1108/IMDS-04-2013-0210>>.

- DÍAZ-FERNÁNDEZ, M. C.; GONZÁLEZ-RODRÍGUEZ, M. R., AND SIMONETTI, B. (2015). "Top Management Teams' demographic characteristics and their influence on strategic change." *Quality & Quantity*, 49(3), 1305–1322. <<http://doi.org/10.1007/s11135-014-0053-4>>.
- DWYER, S.; RICHARD, O. C., AND CHADWICK, K. (2003). "Gender diversity in management and firm performance: the influence of growth orientation and organizational culture." *Journal of Business Research*, 56(12), 1009–1019. <[http://doi.org/10.1016/S0148-2963\(01\)00329-0](http://doi.org/10.1016/S0148-2963(01)00329-0)>.
- ENDERWICK, P. (2009). "Large emerging markets (LEMs) and international strategy." *International Marketing Review*, 26(1), 7–16. <<http://doi.org/10.1108/02651330910933177>>.
- FERNÁNDEZ, Z., AND NIETO, M. J. (2005). "Internationalization Strategy of Small and Medium-Sized Family Businesses: Some Influential Factors." *Family Business Review*, XVIII(1), 77–88.
- FINKELSTEIN, S., AND HAMBRICK, D. C. (1996). *Strategic leadership: Top executives and their effects on organizations* (1st Ed.). South-Western Pub.
- FITÓ-BERTRAN, À.; HERNÁNDEZ-LARA, A. B., AND LÓPEZ, E. S. (2015). "The effect of competences on learning results an educational experience with a business simulator." *Computers in Human Behavior*, 51, 910–914. <<http://doi.org/10.1016/j.chb.2014.11.003>>.
- GEVERS, J. M.; DRIEDONKS, B. A.; JELINEK, M., AND VAN WEELE, A. J. (2015). "Functional diversity appropriateness: members' and managers' differential perceptions." *Journal of Managerial Psychology*, 30(6), 709 –725. <<http://doi.org/10.1108/JMP-01-2012-0020>>.
- GRAHAM, J. L., AND MARK LAM, N. (2003). *The Chinese negotiation*. Harvard Business Review, 81(10), 82–91.
- GRAVES, C., AND THOMAS, J. (2008). "Determinants of the internationalization pathways of family firms: An examination of family influence." *Family Business Review*, XXI(2), 151–166.
- HAMBRICK, D. C.; CHO, T. S., AND CHEN, M.-J. (1996). "The influence of top management team heterogeneity on firms' competitive moves." *Administrative Science Quarterly*, 41(4), 659–684. <<http://doi.org/10.2307/2393871>>.
- HAMBRICK, D. C., AND MASON, P. A. (1984). "Upper Echelons: The organization as a reflection of its top managers." *Academy of Management Review*, 9(2), 193–206. <<http://doi.org/10.5465/AMR.1984.4277628>>

- HARRISON, D. A., AND KLEIN, K. J. (2007). "What's the difference? Diversity constructs as separation, variety, or disparity in organizations." *Academy of Management Review*, 32(4), 1199–1228. <<http://doi.org/10.5465/AMR.2007.26586096>>.
- HARVEY, S. K., AND ABOR, J. (2009). "Determinants of inward foreign direct investment in the Ghanaian manufacturing sector." *Global Business and Economics Review*, 11(2), 180–197. <<http://doi.org/10.1504/GBER.2009.028983>>.
- HASSAN, R.; MARIMUTHU, M., AND JOHL, S. K. (2016). "Women on boards and market performance: An exploratory study on the listed companies." *International Business Management*, 10(2), 84–91. <<http://doi.org/10.3923/ibm.2016.84.91>>.
- HERRMANN, P., AND DATTA, D. K. (2005). "Relationships between top management team characteristics and international diversification: an Empirical Investigation." *British Journal of Management*, 16(1), 69–78. <<http://doi.org/10.1111/j.1467-8551.2005.00429.x>>.
- HSU, W.-T.; CHEN, H.-L., AND CHENG, C.-Y. (2013). "Internationalization and firm performance of SMEs: The moderating effects of CEO attributes." *Journal of World Business*, 48(1), 1–12. <<http://doi.org/10.1016/j.jwb.2012.06.001>>.
- HUTZSCHENREUTER, T., AND HORSTKOTTE, J. (2013). "Performance effects of international expansion processes: The moderating role of top management team experiences." *International Business Review*, 22(1), 259–277. <<http://doi.org/10.1016/j.ibusrev.2012.04.006>>.
- IRELAND, R. D.; HITT, M. A.; BETTIS, R. A., AND DE PORRAS, D. A. (1987). "Strategy formulation processes: Differences in perceptions of strength and weaknesses indicators and environmental uncertainty by managerial level." *Strategic Management Journal*, 8(5), 469–485. <<http://doi.org/10.1002/smj.4250080506>>.
- JAW, Y.-L., AND LIN, W.-T. (2009). "Corporate elite characteristics and firm's internationalization: CEO-level and TMT-level roles." *The International Journal of Human Resource Management*, 20(1), 220–233. <<http://doi.org/10.1080/09585190802528797>>.
- JOHANSON, J., AND VAHLNE, J.-E. (1977). "The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments." *Journal of International Business Studies*, 8(1), 23–32.
- KATZ, R. (1982). "The effects of longevity on project communication and performance." *Administrative Science Quarterly*, 27, 81–108.

- KILDUFF, M.; ANGELMAR, R., AND MEHRA, A. (2000). "Top management team diversity and firm performance: Examining the role of cognitions." *Organization Science*, 11(1), 21–34.
- KLEINBAUM, D. G.; KUPPER, L. L., AND MULLER, K. E. E. (1988). *Applied Regression Analysis and Other Multivariable Methods*. Boston: PWS-Kent Publishing.
- KNIGHT, D.; PEARCE, C. L.; SMITH, K. G.; OLIAN, J. D.; SIMS, H. P.; SMITH, K. A., AND FLOOD, P. (1999). "Top management team diversity, group process, and strategic consensus." *Strategic Management Journal*, 20(July 1998), 445–465. <doi.org/10.1002/(SICI)1097-2666(199905)20:5<445::AIDSMJ27>3.0.CO;2-V>.
- LATUKHA, M. O., AND PANIBRATOV, A. Y. (2015). "Top management teams' competencies for international operations: do they influence a firm's result?" *Journal of General Management*, 40(4), 45–69.
- LIN, F.-J. (2010). "The determinants of foreign direct investment in China: The case of Taiwanese firms in the IT industry." *Journal of Business Research*, 63(5), 479–485. <http://doi.org/10.1016/j.jbusres.2009.04.005>.
- LIU, Y., WEI, Z., AND XIE, F. (2014). "Do women directors improve firm performance in China?" *Journal of Corporate Finance*, 28, 169–184. <http://doi.org/10.1016/j.jcorpfin.2013.11.016>.
- LU, J. W., AND BEAMISH, P. W. (2001). "The internationalization and performance of SMEs." *Strategic Management Journal*, 22(6-7), 565–586. <http://doi.org/10.1002/smj.184>.
- LÜCKERATH-ROVERS, M. (2013). "Women on boards and firm performance." *Journal of Management & Governance*, 17(2), 491–509. <http://doi.org/10.1007/s10997-011-9186-1>.
- MOREIRA, M. R. .; MAIA, M. A.; SOUSA, P. S., AND MENESES, R. F. C. (2013). "Factors influencing the internationalization of services firms: The case of design, engineering and architecture consulting firms." *Lecture Notes in Business Information Processing*, 143, 246–262. <http://doi.org/10.1007/978-3-64236356-6_18>.
- MUSTEEN, M.; DATTA, D. K., AND HERRMANN, P. (2009). "Ownership structure and CEO compensation: Implications for the choice of foreign market entry modes." *Journal of International Business Studies*, 40(2), 321–338.
- NARULA, R. (2004). "R&D collaboration by SMEs: new opportunities and limitations in the face of globalisation." *Technovation*, 24(2), 153–161. <http://doi.org/10.1016/S0166-4972(02)00045-7>.

- NEKHILI, M., AND GATFAOUI, H. (2013). "Are demographic attributes and firm characteristics drivers of gender diversity? Investigating women's positions on french boards of directors." *Journal of Business Ethics*, 118(2), 227–249. <<http://doi.org/10.1007/s10551-012-1576-z>>.
- NGUYEN, T.; LOCKE, S., AND REDDY, K. (2015). "Does boardroom gender diversity matter? Evidence from a transitional economy." *International Review of Economics & Finance*, 37, 184–202. <<http://doi.org/10.1016/j.iref.2014.11.022>>.
- NIELSEN, S. (2010). "Top management team diversity: A review of theories and methodologies." *International Journal of Management Reviews*, 12(3), 301– 316. <<http://doi.org/10.1111/j.1468-2370.2009.00263.x>>.
- PEGELS, C.; SONG, Y., AND YANG, B. (2000). "Management heterogeneity, competitive interaction groups, and firm performance." *Strategic Management Journal*, 21, 911–923. <<http://doi.org/10.1002/1097-0266>>.
- PELLED, L. H.; EISENHARDT, K. M., AND XIN, K. R. (1999). "Exploring the black box: An analysis of work group diversity, conflict, and performance." *Administrative Science Quarterly*, 44(1), 1–28. <<http://doi.org/10.2307/2667029>>.
- PIASKOWSKA, D., AND TROJANOWSKI, G. (2014). "Twice as smart? The importance of managers' formative-years' international experience for their international orientation and foreign acquisition decisions." *British Journal of Management*, 25(1), 40–57. <<http://doi.org/10.1111/j.1467-8551.2012.00831.x>>.
- POST, C. (2015). "When is female leadership an advantage? Coordination requirements, team cohesion, and team interaction norms." *Journal of Organizational Behavior*, 36, 1153–1175. <<http://doi.org/10.1002/job.2031>>.
- REGUERA-ALVARADO, N.; DE FUENTES, P., AND LAFFARGA, J. (2015). "Does Board Gender Diversity Influence Financial Performance? Evidence from Spain." *Journal of Business Ethics*. <<http://doi.org/10.1007/s10551-0152735-9>>.
- RICHARD, O.; BARNETT, T.; DWYER, S., AND CHADWICK, K. (2004). "Cultural diversity in management, firm performance, and the moderating role of entrepreneurial orientation dimensions." *Academy of Management Journal*, 47(2), 255–266.
- RIVAS, J. L. (2012). "Diversity & internationalization: The case of boards and TMT's." *International Business Review*, 21(1), 1–12. <<http://doi.org/10.1016/j.ibusrev.2010.12.001>>.

- SAKARYA, S., ECKMAN, M., AND HYLLEGARD, K. H. (2007). "Market selection for international expansion: Assessing opportunities in emerging markets." *International Marketing Review*, 24(2), 208–238. <<http://doi.org/10.1108/02651330710741820>>.
- SCHMID, S., AND WURSTER, D. J. (2015). "Internationalisation of upper echelons in different institutional contexts: top managers in Germany and the UK." *European J. International Management*, 9(4), 510–535.
- Sciascia, S.; Mazzola, P., and Chirico, F. (2013). "Generational involvement in the top management team of family firms: exploring nonlinear effects on entrepreneurial orientation." *Entrepreneurship: Theory and Practice*, 37(1), 69–85. <<http://doi.org/10.1111/j.1540-6520.2012.00528.x>>.
- THE WORLDBANK (2013). "Foreign Direct Investment, net inflows." Retrieved January 28, 2015, from <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?order=wbapi_data_value_2013+wbapi_data_value+wbapi_data_value-last&sort=desc>.
- TIHANYI, L.; ELLSTRAND, A. E.; DAILY, C. M., AND DALTON, D. R. (2000). "Composition of the top management team and firm international diversification." *Journal of Management*, 26(6), 1157–1177. <<http://doi.org/10.1177/014920630002600605>>.
- TOLSTOY, D. (2014). "Differentiation in foreign business relationships: A study on small and medium-sized enterprises after their initial foreign market entry." *International Small Business Journal*, 32(1), 17–35. <<http://doi.org/10.1177/0266242612456571>>.
- TORCHIA, M.; CALABRÒ, A., AND HUSE, M. (2011). "Women directors on corporate boards: From tokenism to critical mass." *Journal of Business Ethics*, 102(2), 299–317. <<http://doi.org/10.1007/s10551-011-0815-z>>.
- WESTPHAL, J. D., AND FREDRICKSON, J. W. (2001). "Who directs strategic change? Director experience, the selection of new CEOs, and change in corporate strategy." *Strategic Management Journal*, 22(12), 1113–1137. <<http://doi.org/10.1002/smj.205>>.
- WIERSEMA, M. F., AND BANTEL, K. A. (1992). "Top management team demography and corporate strategic change." *Academy of Management Journal*, 35(1), 91–121. <<http://doi.org/10.2307/256474>>.
- YOON, W.; KIM, S. J., AND SONG, J. (2015). "Top management team characteristics and organizational creativity." *Review of Managerial Science*, 1–23. <<http://doi.org/10.1007/s11846-015-0175-7>>.

The Effects of TMT Diversity on International Success

THE CASE OF SPANISH COMPANIES IN CHINA

This study aims at analyzing the influence of top management teams' diversity on international success through the willingness of further expansion in the host country. Using insights from the upper echelons theory, we argued the effects of demographic diversity within the TMT in terms of age, gender, organizational tenure, and functional experience on international success, and the moderating influence exerted by conflict. Through data from 82 Spanish companies with direct investments in China, we proved that the effects of their TMT diversity on international success were very influenced by the existence of conflict within the TMT. It was found that conflict changed the positive influence of gender diversity on the firms' further expansion to a negative influence when conflict was high and that functional experience diversity also negatively influenced this expansion, which was even more negative at a high level of conflict. Furthermore, results also demonstrated that tenure positively affected the propensity of the company to further expanding in China suggesting that high experience is needed for international success.

The study contributes to strategic literature by shedding further light on the open debate concerning the moderating effects of conflict on strategic decisions. Findings highlighted the relevant negative role that conflict can exert on heterogeneous teams, especially when it is high. In addition, the study examines the issue in a growing developing economy, which has a different environment from those of the developed economies usually studied.

Keywords: international success; further expansion; corporate governance; top management team; TMT diversity; conflict; upper echelons theory; China.

Introduction

Economic globalization has enabled many companies to sell their products in other countries for years. The importance of the Chinese market as a destination for foreign direct investments (FDI) has fostered the interest of companies and academic researchers for their analysis. Despite exporting constitutes quite an attractive way of having a presence abroad for companies, the

potential benefits associated with physical implantation are even more attractive (Agarwal & Ramaswami, 1992; Johanson & Vahlne, 1977), although this strategy implies higher risks for companies. In this sense, if companies continue investing abroad means that they had successfully overcome the obstacles of undertaking foreign investment (Buckley, Newbould, & Thurwell, 1988), and as far as successful implies growth (Penrose, 1956), international success could be defined through the willingness of further expansion in the host country.

Many studies have analyzed the factors for successful investments, such as the innovation capacity of firms in internationalization efforts, international management experiences or partner commitment (Zeng, Xie, Tam, & Wan, 2009; Zheng & Larimo, 2014). These international success factors in some cases are related to the specific composition and characteristics of the TMT (Fernández-Ortiz & Lombardo, 2009) because companies are unlikely to succeed without the ability of the top management team (TMT) to take advantage of business opportunities in complex and foreign environments. In this respect, the upper echelons theory, developed by Hambrick and Mason (1984), is one of the most relevant theoretical perspectives for the study of the implications of the TMT characteristics for achieving organizational results and successful strategies (Nielsen, 2010). Previous literature, considering that managers do not normally act alone or independently, but frequently they constitute working groups, has studied the whole group, to address the influence of TMT diversity on company strategic issues (Certo, Lester, Dalton, & Dalton, 2006; Homberg & Bui, 2013; Milliken & Martins, 1996). Furthermore, the consideration of the TMT as a group leads to the need of analyzing the discrepancies that derive from the diversity or differences among its members as they interfere in decision making and therefore in company strategies (Pelled, Eisenhardt, & Xin, 1999; Simons, 1995). These discrepancies are defined as conflict in previous literature of group processes, and its consequences can be varied (Amason, 1996). Conflict has been studied in the business literature as a factor affecting business decision processes and company performance, since it affects teamwork processes such as cohesion, communication or creativity (Cai, Liu, & Yu, 2013; Ensley, Pearson, & Amason, 2002).

There are many studies relating TMT diversity, conflict, and company performance using variables such as return on assets (ROA) or sales, to assess company success (Jackson & Joshi, 2004; Mair, 2005; Simons, Pelled, & Smith, 1999; Smith et al., 1994) but, only a few studies have addressed the impact of TMT diversity on

internationalization issues (Carpenter, 2002; Fernández-Ortiz & Lombardo, 2009). In this regard, literature is sparse and inconclusive especially when conflict is considered. So, it is especially interesting to analyze the appearance of conflict within the TMT and its impact on internationalization success.

On the other hand, analyzing the role of conflict within the TMT in an emerging context can lead to different results than in traditional markets because there are more difficulties and barriers, for example, doing business in a culturally distant country may increase the risk of failure due to product acceptance (Zhou & Hui, 2003), communication problems, differences in the way of understanding business and the disadvantages of being foreign (Maruyama & Wu, 2015) among others.

The objective of this study aims to contribute to the corporate governance and strategic management literature in several ways. It sheds light on the antecedents of the decision to further expand in a foreign country, as a measure of international success, specifically in an emerging economy. And it addresses the effects that TMT diversity, as well as conflict within the TMT, may exert on international success in China.

The motivations to focus the study in China were twofold. Firstly, due to the importance of this market as a recipient of foreign direct investments (FDI) (The WorldBank, 2014) and its business opportunities (Enderwick, 2009; Sakarya, Eckman, & Hyllegard, 2007) and, secondly, because it is not a common destination for Spanish companies more used to investing in European or Latin-American countries. Actually, although there are more companies that opt for this country (Moyano Vázquez, 2009), in 2013, only 1% of Spanish FDI had China as destination, a low percentage when compared to closer countries such as Germany (17.1%) or the United Kingdom (8%), or with culturally-closer as Peru (20.1%). However, despite the relevance of Spanish FDI in China is lower than in other destinations, its growth lately and its particularities and potential make its study worth it.

Theoretical Background and Hypotheses

An organization becomes a reflection of its top executives (Hambrick & Mason, 1984), which is the premise of the upper echelons theory. Most studies linking TMT characteristics to strategic business decisions have used this theory as their main theoretical perspective (Nielsen, 2010). Based on this theory, strategic choices are influenced by the personal background and prior experiences of the top managers. Previous research has

highlighted objective and easily measurable demographic characteristics, such as age, tenure, function performed or education (Hambrick & Mason, 1984; Tihanyi, Ellstrand, Daily, & Dalton, 2000). These demographics can influence and are used as proxies for the values and beliefs of members of the governing bodies and, therefore, as determinants for their decisions (Finkelstein & Hambrick, 1996). Besides, being the TMT a group, previous research has studied how the mix of personalities, qualities and experience of their members, yield other processes that may generate positive or negative effects on strategic decisions (Hambrick, Cho, & Chen, 1996).

There is a large number of studies in the business literature concerning TMT diversity effects, and more specifically the appearance of conflict as a consequence of demographic diversity (Williams & O'Reilly III, 1998). Although in the corporate governance literature, several authors have written on this topic and have referred to conflict as a "double edged sword" (Hambrick et al., 1996; Milliken & Martins, 1996), because it can lead to positive and negative effects due to its multidimensionality (Amason, 1996), De Dreu and Weingart, (2003) conclude that all type of conflict is disruptive for performance as no differences between the two types of conflict were detected. Furthermore, it cannot be observed as easily as demographic characteristics, being more difficult to assess and determine its effects on decision-making processes.

Previous social research on diversity in organizations has already referred to the dilemma of whether heterogeneity or homogeneity within the TMT is better, considering that diversity is a driver of conflict. Lens rooted in social psychology theories (Homberg and Bui, 2013), like information decision-making perspective, states that heterogeneity leads to broader perspectives and a greater quantity of shared information, consequently enhancing decision quality (Certo et al., 2006; Williams & O'Reilly III, 1998). On the contrary, similarity attraction perspective highlights the positive effects of team homogeneity, because similarity among TMT members increases team cohesion, group identity and commitment (Williams & O'Reilly III, 1998), and it is often associated with speedy and efficient coordination (Carpenter, 2002). Therefore it is clear that diversity influences firms' performance but it is inconclusive in which direction, as it is also unclear the role of conflict.

Although international success has been assessed in previous corporate governance literature in terms of the influence of the TMT in the growth of sales abroad (Fernández-Ortiz & Lombardo, 2009), or the improvement of company performance in the

foreign country (Cannella, Park, & Lee, 2008; Carpenter, 2002), these measures of international success lose their effectiveness when investment abroad is a new strategy for the company, because internationalization takes a long period of time to make its effects apparent in terms of sales or performance (Dess & Robinson, 1984). The willingness of further expand in the host country allows to capture in the short term if the investment is being successful without having to wait several years to see if sales or profitability in the foreign country has increased.

For hypotheses formulation we considered studies using success variables such as growth of sales or profitability, since they tend to refer to the same strategic management construct and involve the same complexities and risks as further expansion abroad (Buckley et al., 1988).

We analyzed diversity in three observable characteristics of the TMT proposed by the upper echelons theory and used in previous studies without reaching conclusive results: age, functional experience and tenure (career experiences) (Knight et al., 1999; Rivas, 2012; Simons et al., 1999). These variables allowed us to capture different sources of diversity between TMT members, and they are proved to affect company success (Simons et al., 1999). So, we expect a relevant relation between them and company further expansion because the TMT is responsible of strategic decisions and they are *the accelerator and brake for the growth process* (Hutzschenreuter & Horstkotte, 2013). Educational diversity is not included because it is encompassed within other observables characteristics such as functional experience or tenure and we considered that they have more weight than education in the long term.

On the other hand, we added gender diversity because despite of being studied as a variable that impacts performance (Pelled et al., 1999), it is forgotten in upper echelons studies and usually analyzed separately, in gender studies specifically (Dwyer, Richard, & Chadwick, 2003; Kalleberg & Leicht, 1991; Zimmerman & Brouthers, 2012) and from other theoretical approaches like resource based view, agency theory or social psychology (Luis-Carnicer, Martínez-Sánchez, Pérez-Pérez, & Vela-Jiménez, 2008). We believe that in today's business landscape, the presence of women in corporate elites is growing following a worldwide movement of hard and soft regulations that aim, under the premise of social justice, to achieve a more significant participation of women in higher corporate management (Gonzales-Bustos & Hernández-Lara, 2016). Therefore, its influence in international success should be analyzed as other traits of TMTs.

In the following sections, previous arguments used by research are exposed, on the effects on internationalization success of diversity in age, gender, organizational tenure and functional experience within the TMT.

Age diversity

Based on the upper echelons theory, younger managers will be more inclined to pursue risky strategies and, as a consequence, firms run by young managers will experience greater growth (Hambrick & Mason, 1984). Previous empirical research on TMTs and company performance confirms this finding (Fernández-Ortiz & Lombardo, 2009; Hsu, Chen, & Cheng, 2013), however, the effect of age diversity has been inconclusive. On the one hand, this theory argues that in turbulent environments team heterogeneity will be positively associated with profitability but despite some authors support this statement because age diversity can provide different perspectives, angles in terms of source of knowledge and information and therefore it must lead to the development of a great number of novel ideas, finally their hypotheses did not found significance (Bantel & Jackson, 1989; Wiersema & Bantel, 1992). On the other hand, there are arguments related to the negative influence of age diversity on performance because as a non-job-related trait, its diversity should not improve group decisions (Pelled et al., 1999). Furthermore, previous literature has stated that age diversity impaired coordination and cohesion among TMT members, thus they were slower and less efficient (Hambrick, 1995; Williams & O'Reilly III, 1998). In addition Knight et al. (1999) found a negative association between age diversity and agreement seeking what damages firm performance through harming consensus necessary for decision-making. These findings suggest that the benefits of group diversity in demographic characteristics are not age-related. So, we proposed that:

H1a: Age diversity of the TMT negatively affects further expansion in China.

Gender diversity

In the business strategy literature, many studies related company performance to the differences between men and women leading organizations (Burke & Collins, 2001; Croson & Gneezy, 2009) by basically using the agency theory (Nguyen, Locke, & Reddy, 2015), resource dependency theory (Liu, Wei, & Xie, 2014) and upper echelons theory (Krishnan & Park, 2005). In this regard, we have

found contradictory evidence relating gender diversity to company success as we noted below, and there is a lack of studies addressing this issue in the international context.

It should be stressed that the presence of women in TMTs is usually low. For this reason sometimes they are not influential in company performance but considered as a token whose presence does not really make any impact (Kramer, Konrad, Erkut, & Hooper, 2006; Torchia, Calabrò, & Huse, 2011). According to Kanter (1977), it is a token status at 15% or less of representation and they do not affect performance until they reach a critical mass.

From resources based view and dependency resource theory it is argued that gender diversity is positive related to company success, because women could be a valuable resource given the degree to which each gender contributes with different and complementary competences to management tasks (Burke & Collins, 2001; Liu et al., 2014). On the contrary, some psychosocial theories, such as similar attraction, suggest that diversity does not increase performance i.e. it is not beneficial for company success, as it may be time-consuming during decision-making process (Williams & O'Reilly III, 1998). Regarding this psychosocial theoretical approach, more homogeneous teams in gender present greater communication and higher group cohesion which affects group decision making positively (Zimmerman & Brouters, 2012).

Krishnan and Park (2005) extend the upper echelon framework to gender diversity in top management teams showing a positive relation between gender diversity and organizational success, despite the proportion of woman in her study was relatively low (6,7%). They suggest that companies with gender diversity are more successful because they promote based on merit rather than stereotypic assumptions. According to Dwyer et al. (2003), gender diversity provides high productivity in companies looking for growth because the potential benefits of gender diversity such as novel insights, perspectives, creativity, and experience appear to foster and support expansion into new markets. Also, Post (2015) states that women provide greater cohesion in large and dispersed teams when coordination requirements are high, due to their better response to relational leadership. So, considering the context of our study, where we seek to relate gender diversity to the further international organization growth, we posted the hypothesis arguing a positive relationship between these variables because these qualities that women provide are needed in internationalization process. Therefore we suggested:

H2a: Gender diversity of the TMT positively affects further expansion in China.

Organizational tenure diversity

The effect of organizational tenure diversity (years of service in company) on strategic decisions is not entirely clear despite being one of the most investigated traits in strategic business literature (Homberg & Bui, 2013; Nielsen, 2010).

There is no consensus in the existing business literature on whether tenure diversity positively or negatively affects company success. Hambrick et al. (1996) give greater support to the upper echelons' proposition about the positive relationship of tenure heterogeneity and profitability by studying the airline industry in a high turbulent period. They found that diverse TMTs in terms of organizational tenure have superior competitive and adaptive capabilities that lead to high growth rates in profits and market share. On the contrary, other authors contradict what this theory states and show the negative side of having heterogeneity in tenure (Carpenter, 2002; Carpenter & Fredrickson, 2001). They argue that at high levels of internationalization (as a proxy of complexity) tenure diversity is negative for company performance as this diversity hinders the ability to manage complexity, because it accelerates the negative effects of conflict. In turbulent environments, where there are continuous changes that require managerial responses, spending a lot of time in decision making due to the existence of different points of view in the team, does not result functional or effective (Carpenter & Fredrickson, 2001; O'Reilly III, Snyder, & Boothe, 1993).

Therefore considering the complexity and uncertainty associated to an emerging market as China, we hypothesized:

H3a: Tenure diversity of the TMT negatively affects further expansion in China.

Functional experience diversity

The functional background of managers influences their strategic decisions. For example, as stated by Hambrick and Mason (1984), managers with experience in marketing, sales or R&D emphasize growth and the search for new opportunities, whereas managers from the law or financial sectors will be positively related to the degree of unrelated diversification in the firm because it helps to manage administrative complexity. According to previous literature based on the upper echelons theory, different functional backgrounds have positive effects on company performance

(Hambrick et al., 1996) because, for developing a successful strategy, it is important to have managers from different functional areas that can provide different views and different skills (Carpenter, 2002; Certo et al., 2006). However, others argue that this is true only if open debate is generated within the TMT (Cai et al., 2013; Simons, 1995) or if participation in decision making and information exchanging is high (Boone & Hendriks, 2009).

On the other hand, functional diversity generate negative effects on company and group processes and these processes are found to be mediators between diversity and performance (Kochan et al., 2003; Luis-Carnicer et al., 2008). According to Knight et al. (1999), it is harder to reach consensus on members coming from different functional backgrounds, so functional diversity is negative related to speed-response to environmental changes (Hambrick et al., 1996). Furthermore, it is also related to low work team capacity as members have different areas of expertise, less cohesiveness and high disagreements (Ancona & Caldwell, 1992; Carpenter & Fredrickson, 2001). In this regard we proposed that:

H4a: Diversity of functional experience in the TMT negatively affects further expansion in China.

Conflict

Conflict has been studied in the business literature mainly from social psychology theories as a factor affecting team performance (Ancona & Caldwell, 1992). It is known that diversity increases conflict and affects group process, which finally may influence group performance in varied ways (Joshi & Roh, 2009; Pelled et al., 1999). In this sense, Joshi & Roh (2009) found a negative small relationship in relation-oriented diversity (i.e. gender, race, age) and a positive small one in task-oriented diversity (functional experience, tenure, educational). Additionally, Simons et al. (1999) specified that more job-related types of diversity (e.g. functional experience) presented stronger effects on company performance. According to Pelled et al. (1999) functional diversity favors decision-making by stimulating different opinions within the group based on workplace issues. Their arguments gave greater support to the information decision-making perspective that enhances the importance of heterogeneity by providing different points of view to increase the breadth of information (Kauer, Prinzessin zu Waldeck, & Schäffer, 2007; Wiersema & Bantel, 1992) and decision quality (Bantel & Jackson, 1989). Other authors also found positive effects of having heterogeneity to

overcome group-thinking and stimulate more creativity in issue problem solving (Jaw & Lin, 2009; Yoon, Kim, & Song, 2015). Furthermore, heterogeneity in age or gender, traits that typically create rivalries within a group, allows to avoid social categorization reducing intragroup negative conflict (Joshi & Roh, 2009).

On the other hand, diversity not only leads to positive debates, it also can negatively affect business success (Cai et al., 2013). Ancona and Caldwell (1992) suggest that despite diversity favors some team or organizational processes (such as innovation, creativity or strategic discussion), it hampers implantation strategy because it may weaken consensus, which make it overall negative. Diverse groups present communication problems (Ferrier, 2001) and less coordination that thereby delay its ability to act (Smith et al., 1994). So more homogeneous teams could lead to faster decision making (Joshi & Roh, 2009; Zimmerman & Brouthers, 2012).

Previous studies also argue that diversity, specially relation-oriented characteristics, may harm team cohesion (Ensley et al., 2002; Joshi & Roh, 2009; Zimmerman & Brouthers, 2012), increasing conflict and resulting in a lack or delay in complex decisions like the ones carried out in internationalization contexts (Joshi & Roh, 2009).

In this regards, similarity attraction perspective promote more homogeneous teams as they are more effective by spending less time solving members disagreements (Williams & O'Reilly III, 1998). It is easier to reach consensus among them as conflict is less, and consensus and effectiveness have positive relation to organizational performance (Carmeli, Sheaffer, & Halevi, 2009; Kellermanns, Walter, Floyd, Lechner, & Shaw, 2011).

Although, as mentioned before, similarity attraction perspective enhance the benefits of homogeneity, and information decision-making perspective gives greater support for heterogeneity (Williams & O'Reilly III, 1998), there are also studies that do not consider the aisle effect of diversity, but the contingent nature of its influence, suggesting that it depends on the characteristic that causes diversity (Homberg & Bui, 2013; Pelled et al., 1999) and the company environment (Carpenter, 2002; Ramos-Garza, 2009; Williams & O'Reilly III, 1998; Zimmerman & Brouthers, 2012).

In low complex environments managers have more time for disagreeing upon their strategic decisions, but facing high environmental complexity they need more consensus (Liang, Ndofor, Priem, & Picken, 2010) to achieve effective decisions and organizational success (Ramos-Garza, 2009). At high levels of

conflict, the positive effects of diversity may not balance the negative effects of a more slow decision-making process if the market place of the firm demands quick responses as it is the case of an emerging market (Carpenter, 2002; Hambrick et al., 1996).

Therefore, we proposed a set of hypotheses, related to the diversity in each demographic, considering that the effect of conflict derived for diversity in an emerging environment is negative for international success:

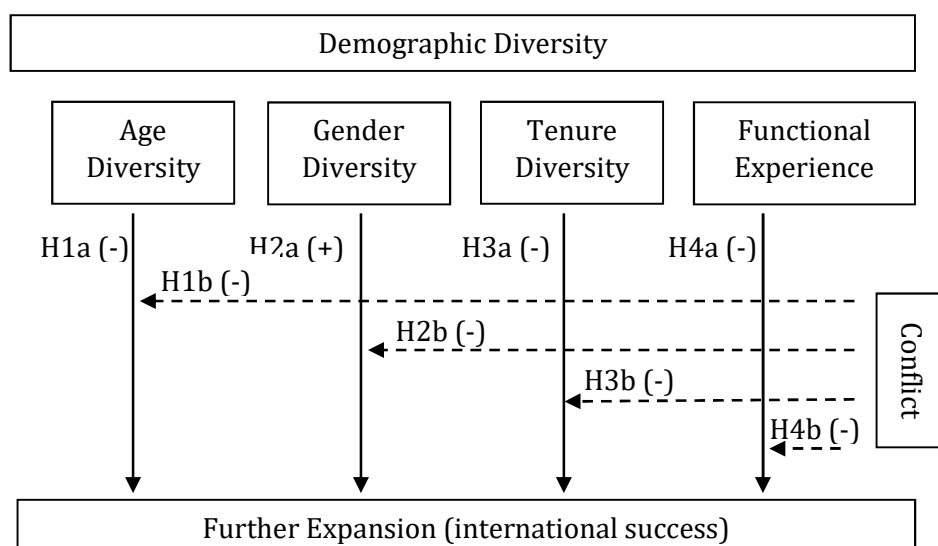
H1b: Age diversity has a negative impact on further business expansion in China, which is more negative in case of high conflict among members of the TMT.

H2b: Gender diversity of the TMT has a positive impact on further business expansion in China that diminishes, in case of high conflict among members of the TMT.

H3b: Tenure diversity has a negative impact on further business expansion in China which is more negative in case of high conflict among members of the TMT.

H4b: Diversity of functional experience has a negative impact on further business expansion in China, which is more negative in case of high conflict among members of the TMT.

Figure 1. The top management team and its impact on further business expansion



Methodology

Data collection and sample characteristics

The Spanish companies in the sample were selected according to their international investment in China. All of them had FDI in the country either with a joint venture or through a WFOE (Wholly Foreign-Owned Enterprise) in 2012. A total of 377 companies that fulfilled this requirement were identified using the data from the ICEX directory (Spanish Institute of Foreign Trade) and the SABI database (Sistema de Análisis de Balances Ibéricos).

Data were collected using an e-mail questionnaire, during the period 2012-2013, after explaining to the companies by telephone the nature of the study. The questionnaire was addressed to the Chief Executive Officer (CEO) or to the person responsible for business development by asking questions related to different aspects of the company and its internationalization process. Questions concerning the TMT included all the members of the team: the CEO and the rest of the top managers involved in the internationalization process.

Subsequently, responses were received from 82 teams (i.e. 82 companies), which represented a response rate of 21.8%. This percentage is quite good and is similar to other studies dealing with business strategy issues (Karami, Analoui, & Kakabadse, 2006; Pangarkar, 2008; Tang, Wang, & Zhang, 2007). To determine if there was a significant difference in terms of size (employees) and profitability (return on equity; ROE) between the respondents and non-respondents, a Student t-test was conducted. No significant differences were found by comparing these control variables using a 95% confidence. For size, the t-test was .362 ($p=.717$), and for ROE it was -.425 ($p=.671$).

The analysis of the sample showed that, companies were mostly large companies (73.2%) (average size 789 employees), basically because it is difficult for a small company to undertake a process of this nature due to their lack of resources (Fernández & Nieto, 2005; Lin, 2010). According to their ownership structure, 40% of them were family businesses and regarding the economic sector of their activities in China, 45.1% were engaged in manufacturing and construction, 23.2% in the wholesale and retail trade, 30.5% in services, and the remaining 1.2% in other activities.

Measurement of the variables

Dependent variables

As a proxy for international success, the willingness of the company to further expand in China was used. We build this variable through the opinion of the managers gathered from the e-mail questionnaire. This subjective way of defining the dependent variable, as Karami et al. 2006 mentioned, is widely used in research strategy and it is appropriate when the objective variables are unavailable (Dess & Robinson, 1984) as it happened in this study because we aimed to capture international success in the short term.

According to Hinkin (1998), we developed the items to build the variable following sequential steps. Firstly, we generated the questions to assess the willingness to further expansion from previous qualitative studies carried out by the authors concerning companies' internationalization in China. These studies included large companies and SMEs with FDI in China and their objective was to analyze what they understood for success and key factors of their investment. Secondly, in order to assess the appropriateness of the scale (content validity), two experts, with experience in internationalization process, rate them. This allowed us to delete several items leaving only five questions to include in the questionnaire. The items were scaled by using a 5-point Likert scale (where 1 means "strongly disagree" and 5 means "strongly agree"). Thirdly, an exploratory factor analysis (EFA) was conducted for validating the scale (internal validity) and items with $<.70$ were proposed for removal (DeVellis, 1991). Finally, the questionnaire had three questions concerning this issue. Due to the lack of data, we could not conduct the confirmatory factor analysis (CFA), which it is a limitation of this work.

With managers' responses, an exploratory factor analysis was conducted using principal component analysis as the extraction method and varimax as the rotation method. The result was consistent considering the Kaiser-Meyer-Olkin measurement of sampling adequacy (.661), and the Bartlett test of sphericity was significant ($p<.000$). The factor with an Eigenvalue greater than 1 that explained 67.5% of the variance was labeled as further expansion in the host country and is shown in Table 1. Therefore, this factor was used as the dependent variable in our model as indicator of international success.

Table 1. Results of the factor analysis (Component matrix)

	Further expansion
The company intends to continue expanding in China	.870
Within China, it will expand in other cities	.834
It will expand in Hong Kong	.757
Eigen Value	2.025
Cronbach's alpha	0.753

Independent variables

TMT diversities were used as independent variables. Each characteristic was requested from the CEO and the rest of the members of the company's TMT. Specifically, the variables considered were: age, gender, tenure and functional experience. For qualitative variables (gender and functional experience) the Blau Heterogeneity Index (Blau, 1977) with the formula $1 - \sum p_k^2$ was used, where p is the proportion of unit members in the k th category. A high score for this index indicates more diversity, while a low score represents greater homogeneity (values between 0 and 1). For calculating the diversity of the quantitative variables (age and organizational tenure), the variation coefficient (typical deviation divided by the average) was used (Nielsen, 2010; Simons et al., 1999). The z-score of the diversity variables was then applied.

On the other hand, five questions were included in the questionnaire, using the same 5-point Likert scale described above, in order to measure the conflict within the TMT (Jehn, 1994). An exploratory factor analysis was conducted by principal components and varimax rotation, and the result was consistent with the Kaiser-Meyer-Olkin measurement of sampling adequacy (.835), and the Bartlett test of sphericity was significant ($p < .000$). The result supported one factor with an eigenvalue greater than 1 that explained 75.96% of the variance, which was labeled as conflict in the TMT (Table 2). Therefore, this factor was used as an independent variable in our model and also to generate interaction terms with the diversity variables. These interaction terms were used to test if the relationship between each diversity and the propensity for further business expansion changed with the appearance of conflict. Therefore, two types of variables were introduced into the model as independent variables: diversities and interaction terms of each type of diversity with conflict.

Table 2. Results of the factor analysis (Component matrix)

	Conflict
There is a strong emotional friction between members of the TMT	.758
There is a strong clash of personality within the TMT	.921
There is a strong mutual distrust between members of the TMT	.866
There are significant differences of opinion in the group on how to implement the strategies, policies or decisions affecting the development of the company	.879
There are significant disagreements over the operational decisions of the company	.923
Eigen Value	3.798
Cronbach's alpha	0.917

Control variables

A number of determinants were found to be related to company international success, and were included as control variables. Demographic characteristics of the TMT in terms of age, gender, and tenure were entered as controls, as well as company size, previous performance and company diversification, because they are commonly used in studies on the effects of TMT on internationalization (Cannella et al., 2008; Carpenter, 2002).

Concerning TMT demographics, they were calculated by averaging in the case of quantitative variables (age and tenure), and by proportion in the case of categorical variables such as gender (proportion of women in the TMT). As in previous research, age is expected to negatively influence further business expansion because younger managers will be more inclined to pursue risky strategies and, as a consequence, firms run by young managers will experience greater growth (Hambrick & Mason, 1984; Hsu et al., 2013). Organizational tenure also influences strategic decisions as long tenures may be negatively associated with profitability and growth, since TMT members would not be keen on risky strategies, including internationalization, because they become more conservative and less flexible for adapting the strategy to contingencies that arise due to foreign investment (Hambrick & Mason, 1984). Regarding the presence of women in the TMT is also demonstrated that women are more risk averse (Croson & Gneezy, 2009), therefore, we expect a negative

relationship between further business expansion in China and the proportion of women in the TMT.

With regards to the company size, we considered the log of total employees because this variable presented great dispersion and this transformation allows its normalization. Both, size and profitability (ROE) refer to 2013. It is widely recognized in business literature that size affects company performance as large companies tend to have more resources to allocate to the international project (Harvey & Abor, 2009; Javalgi, Griffith, & White, 2003). For this reason, we expect a positive relationship between size and our dependent variable. Regarding ROE, the relationship should also be positive since it is known that profits are an indicator of success (Kyläheiko, Jantunen, Puumalainen, Saarenketo, & Tuppur, 2011; Zeng et al., 2009). And finally, the degree of diversification has been associated with firm performance and managerial complexity (Carpenter, 2002) so it is susceptible to affect further business expansion in a positive way. We have calculated it using the Blau Heterogeneity Index (used above) grouping countries where company has presence by continent and making the proportion per continent.

For introducing all control variables in the model, the z-scores were used.

Table 3 shows descriptive data of the variables and their correlations. Companies in the sample did not have a high age or gender diversity in their TMT according to their mean values. The greatest diversity was presented for tenure and functional experience. Regarding the control variables, it can be noted that, although there were financial difficulties for Spanish companies in 2013 due to the economic and financial crisis, specifically for companies investing in China, the ROE was positive, which meant a positive financial result and a high leverage ratio. Also, we must remark the high diversification of overseas operations since the diversification mean score is .60.

While some variables had significant correlations between them, the highest VIF (variance inflation factor) was 3.97, which is well below the benchmark of 10 indicative of collinearity problems (Hair, Anderson, Tatham, & Black, 1995).

Table 3. Descriptive data and correlations

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1. Further Expansion	.00	1.00	1											
2. ROE	12.42	59.8	-.148	1										
3. LogSize (employees)	1.99	.85	.331*	-.001	1									
4. Diversification	.60	.19	.531**	-.095	.372**	1								
5. Age (mean)	44.85	5.91	.110	.032	.172	.119	1							
6. Women (proportion)	.19	.28	.093	-.110	.109	.093	-.112	1						
7. Tenure (mean)	12.66	7.72	.229	.117	.270	.158	.730**	-.135	1					
8. Age Diversity	.16	.09	.175	-.199	-.335*	-.162	-.073	.094	-.087	1				
9. Gender Diversity	.20	.25	.170	-.144	.060	.156	-.125	.136	-.162	-.008	1			
10. Tenure Diversity	.49	.37	-.009	.038	-.059	-.050	-.94	.096	-.268	.345*	.241	1		
11. Funct. Exp. Diversity	.48	.28	.145	-.235	.233	.136	-.171	.412**	-.177	.277	-.008	.144	1	
12. Conflict	.00	1.00	.065	.099	-.183	-.076	-.193	-.254	-.094	.095	-.090	-.334*	.069	1

Correlation significant at the level of *.05 and **.01 (bilateral).

Results

To test the hypotheses, a hierarchical regression analysis was conducted, considering the control variables in the first step (Model 1), the independent variables in the second step, diversity and conflict (Model 2), and the interaction effects in the third and final step (Model 3) as was done in previous studies (Carpenter, 2002; Johnson & Tellis, 2008; H. Li & Zhang, 2007; J. Li, Zhou, & Shao, 2009).

Table 4. Regression results not including conflict (model 2) and including conflict (model 3)

	Model 1		Model 2		Model 3	
	Control		H1a, H2a, H3a, H4a		H1b, H2b, H3b, H4b	
	Std. Beta	t	Std. Beta	t	Std. Beta	t
Step 1. Control Variables						
ROE	-.224	-1.372	-.235	-1.346	-.290	-2.199*
LogSize (employees)	.062	.332	.080	.411	.184	1.196
Diversification	.325	1.796†	.239	1.257	.296	2.014†
Age	-.509	-2.277*	-.464	-1.879†	-.211	-1.044
Women Proportion	-1.02	-.631	.006	.036	.150	1.091
Tenure	.489	2.149*	.517	1.658†	.382	1.865†
Step 2. Main effects						
Age Diversity			.166	.838	.041	.241
Gender Diversity			.303	1.734†	.267	1.982†
Tenure Diversity			.171	.773	.100	.566
Fun. Exp. Diversity			-.355	-1.955†	-.571	-3.778**
Conflict			.260	1.262	.615	2.335*
Step 3. Interactions						
Age Div*Conflict					-.113	-.736
Gender Div*Conflict					-.312	-1.973†
Tenure Div*Conflict					-.296	-1.556
Fun.Exp Div*Conflict					-.679	-2.965**
Adjusted R2 (%)	20.3%		27.2%		59.4%	
Changes in adjusted R2 (%)			6.9%		32.2%	

Dependent variable: Further Expansion

**p < .01; *p < .05; † p < .10 (bilateral).

As Table 4 shows, model 1 with the control variable explained 20.3% and it was significant ($p < .1$). Model 2, which consider TMT diversity, had an adjusted R^2 of 27.2% ($p < .1$), while model 3 considering conflict and its interaction effects had an adjusted R^2 of 59.4% ($p < .01$), which represented an increase of 32.2 percentage points. This fact meant that the moderating role of conflict within the TMT provided a better explanation of the success of the company abroad.

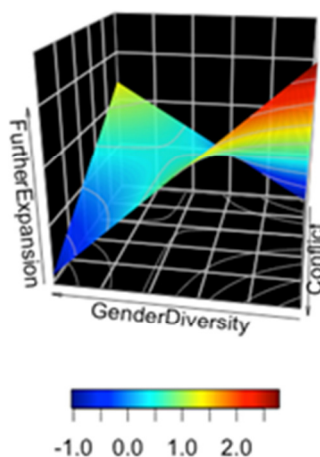
The results confirmed that TMTs with high gender diversity and lower functional experience diversity were more likely to undertake further expansion in China.

Gender diversity was proved to be positive and significant in model 2 and 3 ($\beta = .303$, $p < 0.1$ and $\beta = .267$, $p < 0.1$, respectively), which meant support for H2a (gender diversity positively affects further business expansion in China).

The other hypothesis that appeared to be significant was functional experience diversity, therefore, H4a was accepted because, as can be seen, its beta coefficient was negative ($\beta = -.355$, $p < 0.01$, and $\beta = -.571$, $p < 0.01$, in models 2 and 3, respectively), indicating that having a functional heterogeneous team negatively affected further expansion in China. The other hypotheses related to age and tenure diversity (H1a and H3a) could not be accepted or rejected, as they were not statistically significant in both models with the data of our sample.

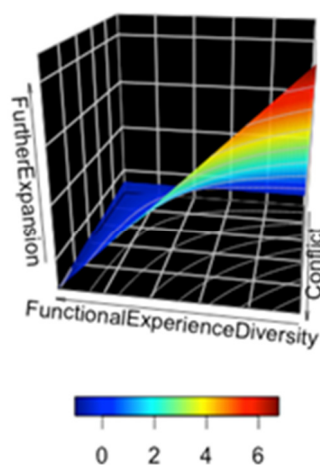
When the effects of conflict among members of the TMT were introduced, the results showed that there were also two significant interaction terms, between conflict and gender diversity, and between conflict and functional experience diversity. This meant that the effects of gender diversity and functional experience diversity on further expansion in China depended on the level of conflict. In the case of gender diversity, its influence on further expansion was positive, meaning that greater gender diversity was related to higher expansion in China. However, when conflict within the TMT increased, the previous influence between gender diversity and further expansion diminished, even turning into negative in case of high conflict ($\beta = -.312$, $p < 0.1$) (Figure 2). Therefore, H2b, which stated the positive influence of gender diversity on further expansion, could be accepted but with the negative moderator effect of conflict.

Figure 2. Interaction effect between conflict, gender diversity and further expansion



The other remarkable relationship concerned functional experience diversity was significant and negative, as expected. However, conflict changed the strength of this influence, which meant that when the level of conflict within the TMT grew this negative effect became even more negative ($\beta=-.679$, $p<0.01$) (Figure 3). Therefore, H4b was accepted because the results confirmed that functional experience diversity had a negative impact on further expansion in China, which was more negative in case of a high level of conflict among the TMT members.

Figure 3. Interaction effect between conflict, functional experience diversity and further expansion



H1b, which stated age diversity has a negative impact on further expansion in China that is more negative in case of high conflict

among members of the TMT, and H3b, tenure diversity has a negative impact on further expansion in China which is more negative in case of high conflict among members of the TMT, could not be accepted or rejected, as they appeared to be statistically non-significant in model 3.

In model 3, some control variables were also significant. Greater organization tenure positively affected further expansion in China. Despite age was significant in Model 1 and 2, influencing negatively further business expansion as expected, it lost significance in Model 3, contrary to ROE that showed that companies that were expanding were not those with the best performance. Finally, diversification was positive related to further business expansion because highly internationalized companies tend to continue growing.

Discussion

Our results regarding gender diversity show that having women on the management team is positive for success (Krishnan & Park, 2005). As it has been pointed out in previous literature, the behavior of men and women managing organizations differs (Burke & Collins, 2001b; Croson & Gneezy, 2009), also their views and leadership styles, among other aspects, may be different. This fact makes that in the same scenario they can provide different and richer solutions. Hence, we found like Dwyer et al. (2003) that gender diversity is positive to make better decisions by having different perspectives.

On the other hand, the negative influence of functional experience diversity on further business expansion in China was expected within the context of the study (Carpenter & Fredrickson, 2001). The explanation of this relationship is based on the fact that teams with different functional backgrounds generate slower decision-making processes (Milliken & Martins, 1996) and this is exacerbated in geographically dispersed teams, as in the case of companies with a high level of internationalization (Cannella et al., 2008). In addition, multifunctional teams have a lower degree of cohesion and this does not allow them to respond quickly to changes in an emerging environment (Ancona & Caldwell, 1992; Hambrick, 1995). Our finding corroborate the results of Carpenter and Fredrickson (2001) concluding that longer decision-making processes hampers company strategy in changing environments.

This study has also demonstrated that previous effects, of gender and functional experience diversity on international success,

change when there is no agreement on decisions within the TMT. It is expectable that when several individuals are involved in decision-making, conflicts may arise due to the different points of view derived from different personal or cognitive backgrounds, and this heterogeneity leads to conflict that affects the decision-making processes (Cai et al., 2013).

It is noteworthy that, according to our results, a high level of conflict hampered further business expansion in China. This finding contrasts with those of previous studies that have highlighted the dual role of conflict on the expansion strategy and performance (Ensley et al., 2002; Pelled et al., 1999). On the one hand, previous studies have indicated that conflict can generate positive effects such as ideas, better evaluation of alternatives, and better prediction of environmental changes (Finkelstein & Hambrick, 1996), whereas, on the other hand, it can generate slower decision-making (Hambrick et al., 1996) and hamper other group processes useful for strategy implementation such as cohesion (Ancona & Caldwell, 1992; Carpenter & Fredrickson, 2001), communication (Ferrier, 2001) and consensus (Knight et al., 1999).

According to our results, the appearance of conflict in teams with high functional diversity makes increase the negative effect on the decision of further expansion. In this sense, it must be stressed that functional diversity was very high in our sample, for this reason, the negative result for the relationship between functional experience diversity and further business expansion is interesting because companies had multifunctional TMTs. We proved that this is not favorable for growth in the specific case of Spanish companies investing in China; therefore, they should revise their TMT composition. Although other authors recommend having TMTs with different functional backgrounds in order to undertake the internationalization processes (Carpenter, 2002; Hambrick et al., 1996), we showed that it does not work in an emerging market because of the need to respond quickly to environment changes and have more cohesion among TMT members for reaching consensus easier, in order to achieve company objectives (Ramos-Garza, 2009).

Regarding gender diversity, as expected, it had positive effects for company expansion strategy but at high levels of conflict these positive results were diluted and gender differences hindered company international success in China. In this sense, conflict acted also as moderator of this relationship. As in other previous studies, we found as well that conflict derived from high gender diversity does not enhance strategic debate, but rather negatively

affect company strategic decisions (Ensley et al., 2002; Joshi & Roh, 2009; Zimmerman & Brouthers, 2012). This is justified because conflict provoked by high differences between men and women within TMT hamper the cohesion needed to make effective decisions in changeable markets (Zimmerman & Brouthers, 2012). Therefore, although the presence of women brings new insights and more creativity (Dwyer et al., 2003), it is necessary to manage gender differences within the TMT to avoid conflict, because we proved that it is not fruitful.

Therefore our results are in the line of the similarity attraction perspective demonstrating that homogeneity in the TMT performs better to achieve international success as conflict derived from diversity hampers team processes that ultimately damage decision making. This paper gives strong support to the findings of De Dreu and Weingart (2003), who argue that conflict is negative, and it may have positive consequences under very specific circumstances but usually the negative side of conflict has more weight and ends up damaging company performance.

Finally, the results of this study also revealed the positive relationship between company TMT organizational tenure and diversification, with further business expansion in China. According to previous research based on the upper echelons theory, tenure negatively affects the internationalization process (Finkelstein & Hambrick, 1990; Hambrick & Mason, 1984). However, we obtained contradictory evidence, which in our opinion could be explained by the characteristics of the sample and the host country. China is not the first investment destination of Spanish companies and considering the years of inside service of TMT members the average is quite high (12.99 years), so longer tenured TMT members have also high levels of social integration and have developed abilities useful for the company strategy (Wiersema & Bantel, 1992). Therefore, when the TMTs decide to enter this market they already have greater international experience, suggesting that China is a destination for experienced companies and, consequently, for more experienced TMTs with greater capabilities for strategic action, knowledge of the environment acquired over time or company knowledge (Barkema & Shvyrkoc, 2007; Chen, 2011; Wally & Becerra, 2001). Some authors also related tenure to cohesion (Michel & Hambrick, 1992) and it is proven that cohesion is positive related to performance (Michalisin, Karau, & Tangpong, 2004).

Despite other authors argue that the relationship between the number of countries where companies are operating, i.e. international diversification and international success is not linear

(Hsu et al., 2013; Lu & Beamish, 2004) due to the increasing cost of abroad operations after certain threshold, we found like Delios and Beamish (1999) a positive relation in this regard. We demonstrated that companies with a high level of internationalization (country diversification) are positively related to the willingness of the company to further expand abroad, which means international success.

In addition, despite the global economic crisis, the financial results of companies showed a negative relationship between ROE and international success. Thus, companies that will continue to grow in China or try to do so had more negative results in terms of ROE. Nevertheless, this is not unusual because the internationalization process generates high costs and, therefore, it usually takes a few years before the investment is profitable (Contractor, 2007; Lu & Beamish, 2001). This again serves to justify the need to use a non-objective variable to assess business success, since the most satisfied and committed companies of an international business project may not necessarily be the most profitable in the short-term.

Conclusions, limitations and future research

After analyzing the data of Spanish companies with direct investments in China, this study makes some important contributions to corporate governance and strategic literature.

Although previous research has examined links between TMT and some performance variables, to the authors' best knowledge, there are no studies that have addressed the relationship between the characteristics of TMT and firms' internationalization success through the willingness of further invest in the host country. Therefore this is the first contribution of this study.

Second, this study supports that, according to the demographics of their TMT members, companies will have more or less propensity to further expand. Therefore, the upper echelons theory is an appropriate conceptual framework for analyzing this strategic issue. Furthermore, as diversity generates conflict, other theories were also proved suitable to explain its influence on decision processes. In this sense, we found that conflict moderates the relationship between demographic diversity (gender and functional experience diversity) and international success, being better for improving it to have lower levels of conflict within the TMT, which gives support to similarity attraction perspective arguments. In this sense, the study sheds more light on the open

debate concerning the controversial effects that conflict in decision-making bodies exerts on strategic decisions, such as those related to internationalization.

Third, it is clear that TMT tenure is important in the decision to continue expanding in China, since, in the international environment, managers must learn to adapt to market contingencies by knowing their own company in depth and having experience of other previously performed internationalization processes. Therefore, the positive effect of organizational tenure must be emphasized regardless of whether there is conflict or not. Our contribution strengthens the idea that in emerging economies, such as China, the experience offered by long tenure is necessary in order to achieve international success. This experience gained from participating in internationalization processes in other marketplaces, highlights the importance of the degree of diversification of the company.

Forth, demographic differences within the TMT generate different points of view on strategic decisions, as discussed above. Therefore, it is unusual for all team members to agree on how to manage the company in the strategic context, hence, conflict appears in such decisions damaging consensus and delaying decision-making. Our findings highlight the relevant and negative role that conflict exerts in heterogeneous teams. This study provides empirical evidence that gender diversity has positive effects on company international success determined through further expansion in a foreign country, at low levels of conflict, but it worsens decision-making and hampers the benefit of diversity when conflict is high among TMT members. This reversal in the relationship demonstrates the relevance of conflict because it influences the future of the company. Therefore, if there are many discrepancies in decision-making, companies with more homogeneous TMTs in gender terms are more likely to further expand in the host country. Also, to have teams with different functional backgrounds does not favor the expansion of Spanish companies in China and the strategic discussions that arise from this diversity further impair this strategy. Therefore, it is highly recommended to have homogeneous management teams with functional experience in order to manage uncertainty in China because they provide a faster response to environment changes by having greater communication and cohesion (Hambrick, 1995; Liang et al., 2010).

Finally, it contributes to the corporate governance literature by examining this issue in a growing developing economy that has different characteristics from the developed economies usually

studied, such as European or American ones (Homberg & Bui, 2013).

Despite the contributions of the study, it also had some limitations. The size of the sample, although representative of the total population that we wanted to study, was slightly too small for generalizing the results to all Western countries that want to expand further in China, or in other emerging markets. Data was collected in 2012 and today there are more Spanish companies in China, consequently, if the study was repeated the questionnaire would probably generate more current observations. Therefore, future studies should include more companies, as well as companies from other countries, in order to compare the results in other regions.

Another limitation was the impossibility to conduct a confirmatory factor analysis to validate the scale used to assess international success due to the lack of data to do so. We hope to overcome this limitation in future research to make a methodological contribution in this regard.

It would be interesting to investigate further the effects that conflict can exert on other strategic decisions as it has been proved it affects company success for its influence on decision making.

References

- Agarwal, S., & Ramaswami, S. N. (1992). Choice of foreign market entry mode: Impact of ownership, location and internalization factors. *Journal of International Business Studies*, 23(1), 1-27.
- Amason, A. C. (1996). Distinguishing the effects of functional and dysfunctional conflict on strategic decision making: Resolving a paradox for top management teams. *Academy of Management Journal*, 39(1), 123-148.
- Ancona, D., & Caldwell, D. (1992). Demography and design: Predictors of new product team performance. *Organization Science*, 3(3), 321-341. <http://doi.org/10.1287/orsc.3.3.321>
- Bantel, K. A., & Jackson, S. E. (1989). Top management and innovations in banking: Does the composition of the top team make a difference? *Strategic Management Journal*, 10(1), 107-124. <http://doi.org/10.1002/smj.4250100709>
- Barkema, H. G., & Shvyrkoc, O. (2007). Does top management team diversity promote or hamper foreign expansion? *Strategic Management Journal*, 28, 663-680. <http://doi.org/10.1002/smj>

- Blau, P. (1977). *Inequality and heterogeneity: A primitive theory of social structure*. New York: Free Press.
- Boone, C., & Hendriks, W. (2009). Top management team diversity and firm performance: Moderators of functional-background and locus-of-control diversity. *Management Science*, 55(2), 165–180. <http://doi.org/10.1287/mnsc.1080.0899>
- Buckley, P. J., Newbould, G. D., & Thurwell, J. C. (1988). *Foreign direct investment by smaller UK firms (2nd Ed)*. London: Macmillan Publishing Company.
- Burke, S., & Collins, K. M. (2001). Gender differences in leadership styles and management skills. *Women in Management Review*, 16(5), 244–257. <http://doi.org/10.1108/09649420110395728>
- Cai, L., Liu, Q., & Yu, X. (2013). Effects of top management team heterogeneous background and behavioural attributes on the performance of new ventures. *Systems Research and Behavioral Science*, 30(3), 354–366. <http://doi.org/10.1002/sres>
- Cannella, A. a, Park, J., & Lee, H. (2008). Top management team functional background diversity and firm performance: Examining the roles of team member colocation and environmental uncertainty. *Academy of Management Journal*, 51(4), 768–784.
- Carmeli, A., Sheaffer, Z., & Halevi, M. Y. (2009). Does participatory decision-making in top management teams enhance decision effectiveness and firm performance? *Personnel Review*, 38(6), 696–714. <http://doi.org/10.1108/00483480910992283>
- Carpenter, M. (2002). The implications of strategy and social context for the relationship between top management team heterogeneity and firm performance. *Strategic Management Journal*, 23(3), 275–284. <http://doi.org/10.1002/smj.226>
- Carpenter, M., & Fredrickson, J. W. (2001). Top management teams, global strategic posture, and the moderating role of uncertainty. *Academy of Management Journal*, 44(3), 533–545. <http://doi.org/10.2307/3069368>
- Certo, S. T., Lester, R. H., Dalton, C. M., & Dalton, D. R. (2006). Top management teams, strategy and financial performance: A meta-analytic examination. *Journal of Management Studies*, 43(4), 813–839. <http://doi.org/10.1111/j.1467-6486.2006.00612.x>
- Chen, H.-L. (2011). Does board independence influence the top management team? Evidence from strategic decisions toward internationalization. *Corporate Governance: An International Review*, 19(4), 334–350. <http://doi.org/10.1111/j.1467-8683.2011.00850.x>
- Contractor, F. J. (2007). Is international business good for companies? The evolutionary or multi-stage theory of internationalization vs transaction cost perspective. *Management International Review*, 47(3), 453–475.

- Crosan, R., & Gneezy, U. (2009). Gender Differences in Preferences. *Journal of Economic Literature*, 47(2), 448–474. <http://doi.org/10.1257/jel.47.2.448>
- De Dreu, C. K. W., & Weingart, L. R. (2003). Task versus relationship conflict, team performance, and team member satisfaction: a meta-analysis. *The Journal of Applied Psychology*, 88(4), 741–749. <http://doi.org/10.1037/0021-9010.88.4.741>
- Delios, A., & Beamish, P. W. (1999). Geographic scope, product diversification, and the corporate performance of Japanese firms. *Strategic Management Journal*, 20(8), 711–727. [http://doi.org/10.1002/\(SICI\)1097-0266\(199908\)20:8<711::AID-SMJ41>3.0.CO;2-8](http://doi.org/10.1002/(SICI)1097-0266(199908)20:8<711::AID-SMJ41>3.0.CO;2-8)
- Dess, G. G., & Robinson, R. B. (1984). Measuring organizational performance in the absence of objective measures: The case of the privately-held firm and conglomerate business unit. *Strategic Management Journal*, 5(3), 265–273.
- DeVellis, R. F. (1991). *Scale development: Theory and applications (Applied Social Research Methods Series, volume 26)*. Sage Publications.
- Dwyer, S., Richard, O. C., & Chadwick, K. (2003). Gender diversity in management and firm performance: the influence of growth orientation and organizational culture. *Journal of Business Research*, 56(12), 1009–1019. [http://doi.org/10.1016/S0148-2963\(01\)00329-0](http://doi.org/10.1016/S0148-2963(01)00329-0)
- Enderwick, P. (2009). Large emerging markets (LEMs) and international strategy. *International Marketing Review*, 26(1), 7–16. <http://doi.org/10.1108/02651330910933177>
- Ensley, M. D., Pearson, A. W., & Amason, A. C. (2002). Understanding the dynamics of new venture top management teams: Cohesion, conflict, and new venture performance. *Journal of Business Venturing*, 17(4), 365–386. [http://doi.org/10.1016/S0883-9026\(00\)00065-3](http://doi.org/10.1016/S0883-9026(00)00065-3)
- Fernández-Ortiz, R., & Lombardo, G. F. (2009). Influence of the capacities of top management on the internationalization of SMEs. *Entrepreneurship & Regional Development*, 21(2), 131–154. <http://doi.org/10.1080/08985620802176104>
- Fernández, Z., & Nieto, M. J. (2005). Internationalization Strategy of Small and Medium-Sized Family Businesses: Some Influential Factors. *Familij Business Review*, XVIII(1), 77–88.
- Ferrier, W. J. (2001). Navigating the competitive landscape: The drivers and consequences of competitive aggressiveness. *Academy of Management Journal*, 44(4), 858–877. <http://doi.org/10.2307/3069419>
- Finkelstein, S., & Hambrick, D. C. (1990). Top management team tenure and organizational outcomes: the moderating roles of managerial

- discretion. *Administrative Science Quarterly*, 35(3), 484–503.
- Finkelstein, S., & Hambrick, D. C. (1996). *Strategic leadership: Top executives and their effects on organizations* (1st Ed.). South-Western Pub.
- Gonzales-Bustos, J. P., & Hernández-Lara, A. B. (2016). The effects of gender diversity on R&D: An analysis on family female directors. In *32nd EGOS Colloquium, July 7-9*. Naples, Italy.
- Hair, J. F., Anderson, R. E., Tatham, R. L., & Black, W. C. (1995). *Multivariate Data Analysis (3rd ed)*. New York: Macmillan Publishing Company.
- Hambrick, D. C. (1995). Fragmentation and the other problems CEOs Have with their top management teams. *California Management Review*, 37(3), 110–127.
- Hambrick, D. C., Cho, T. S., & Chen, M.-J. (1996). The influence of top management team heterogeneity on firms' competitive moves. *Administrative Science Quarterly*, 41(4), 659–684. <http://doi.org/10.2307/2393871>
- Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2), 193–206. <http://doi.org/10.5465/AMR.1984.4277628>
- Harvey, S. K., & Abor, J. (2009). Determinants of inward foreign direct investment in the Ghanaian manufacturing sector. *Global Business and Economics Review*, 11(2), 180–197. <http://doi.org/10.1504/GBER.2009.028983>
- Hinkin, T. R. (1998). A brief tutorial on the development of measures for use in survey questionnaires. *Organizational Research Methods*, 1(1), 104–121. <http://doi.org/10.1177/109442819800100106>
- Homberg, F., & Bui, H. T. M. (2013). Top Management Team diversity: A systematic review. *Group & Organization Management*, 38(4), 455–479. <http://doi.org/10.1177/1059601113493925>
- Hsu, W.-T., Chen, H.-L., & Cheng, C.-Y. (2013). Internationalization and firm performance of SMEs: The moderating effects of CEO attributes. *Journal of World Business*, 48(1), 1–12. <http://doi.org/10.1016/j.jwb.2012.06.001>
- Hutzschenreuter, T., & Horstkotte, J. (2013). Managerial services and complexity in a firm's expansion process: An empirical study of the impact on the growth of the firm. *European Management Journal*, 31(2), 137–151. <http://doi.org/10.1016/j.emj.2012.02.003>
- Jackson, S. E., & Joshi, A. (2004). Diversity in social context: A multi-attribute, multilevel analysis of team diversity and sales performance. *Journal of Organizational Behavior*, 25(6), 675–702. <http://doi.org/10.1002/job.265>

- Javalgi, R. (Raj) G., Griffith, D. A., & White, D. S. (2003). An empirical examination of factors influencing the internationalization of service firms. *Journal of Services Marketing*, 17(2), 185–201. <http://doi.org/10.1108/08876040310467934>
- Jaw, Y.-L., & Lin, W.-T. (2009). Corporate elite characteristics and firm's internationalization: CEO-level and TMT-level roles. *The International Journal of Human Resource Management*, 20(1), 220–233. <http://doi.org/10.1080/09585190802528797>
- Jehn, K. A. (1994). Enhancing effectiveness: An investigation of advantages and disadvantages of value-based intragroup conflict. *The International Journal of Conflict Management*, 5(3), 223–238.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32.
- Johnson, J., & Tellis, G. J. (2008). Drivers of success for market entry into China and India. *Journal of Marketing*, 72(May), 1–13. <http://doi.org/10.1509/jmkg.72.3.1>
- Joshi, A., & Roh, H. (2009). The role of context in work team diversity research: A meta-analytic review. *Academy of Management Journal*, 52(3), 599–627. <http://doi.org/10.5465/AMJ.2009.41331491>
- Kalleberg, A. L., & Leicht, K. T. (1991). Gender and organizational performance: Determinants of small business survival and success. *The Academy of Management Journal*, 34(1), 136–161. <http://doi.org/10.2307/256305>
- Kanter, R. (1977). *Men and women of the corporation*. New York.
- Karami, A., Analoui, F., & Kakabadse, N. K. (2006). The CEOs' characteristics and their strategy development in the UK SME sector: An empirical study. *Journal of Management Development*, 25(4), 316–324. <http://doi.org/10.1108/02621710610655800>
- Kauer, D., Prinzessin zu Waldeck, T. C., & Schäffer, U. (2007). Effects of top management team characteristics on strategic decision making: Shifting attention to team member personalities and mediating processes. *Management Decision*, 45(6), 942–967. <http://doi.org/10.1108/00251740710762017>
- Kellermanns, F. W., Walter, J., Floyd, S. W., Lechner, C., & Shaw, J. C. (2011). To agree or not to agree? A meta-analytical review of strategic consensus and organizational performance. *Journal of Business Research*, 64(2), 126–133. <http://doi.org/10.1016/j.jbusres.2010.02.004>
- Knight, D., Pearce, C. L., Smith, K. G., Olian, J. D., Sims, H. P., Smith, K. A., & Flood, P. (1999). Top management team diversity, group process, and strategic consensus. *Strategic Management Journal*, 20(July 1998), 445–465. [http://doi.org/10.1002/\(SICI\)1097-](http://doi.org/10.1002/(SICI)1097-)

0266(199905)20:5<445::AID-SMJ27>3.0.CO;2-V

- Kochan, T., Bezrukova, K., Ely, R., Jackson, S., Joshi, A., Kehn, K., ... Thomas, D. (2003). The effects of diversity on business performance: Report of the diversity research network. *Human Resource Management*, 42(1), 3–21. Retrieved from <http://onlinelibrary.wiley.com/doi/10.1002/hrm.10061/abstract>
- Kramer, V. W., Konrad, A. M., Erkut, S., & Hooper, M. J. (2006). Critical mass on corporate boards: Why three or more women enhance governance, 1–4. <http://doi.org/10.1007/s10551-011-0815-z>
- Krishnan, H. A., & Park, D. (2005). A few good women—on top management teams. *Journal of Business Research*, 58(12), 1712–1720. <http://doi.org/10.1016/j.jbusres.2004.09.003>
- Kyläheiko, K., Jantunen, A., Puumalainen, K., Saarenketo, S., & Tuppur, A. (2011). Innovation and internationalization as growth strategies: The role of technological capabilities and appropriability. *International Business Review*, 20(5), 508–520. <http://doi.org/10.1016/j.ibusrev.2010.09.004>
- Li, H., & Zhang, Y. (2007). The role of managers' political networking and functional experience in new venture performance: evidence from China's transition economy. *Strategic Management Journal*, 28, 791–807. <http://doi.org/10.1002/smj.605>
- Li, J., Zhou, K. Z., & Shao, A. T. (2009). Competitive position, managerial ties, and profitability of foreign firms in China: An interactive perspective. *Journal of International Business Studies*, 40(2), 339–352.
- Liang, X., Ndofor, H. A., Priem, R. L., & Picken, J. C. (2010). Top management team communication networks, environmental uncertainty, and organizational performance: A contingency view. *Journal of Managerial Issues*, XXII(4), 436–455.
- Lin, F.-J. (2010). The determinants of foreign direct investment in China: The case of Taiwanese firms in the IT industry. *Journal of Business Research*, 63(5), 479–485. <http://doi.org/10.1016/j.jbusres.2009.04.005>
- Liu, Y., Wei, Z., & Xie, F. (2014). Do women directors improve firm performance in China? *Journal of Corporate Finance*, 28, 169–184. <http://doi.org/10.1016/j.jcorpfin.2013.11.016>
- Lu, J. W., & Beamish, P. W. (2001). The internationalization and performance of SMEs. *Strategic Management Journal*, 22(6–7), 565–586. <http://doi.org/10.1002/smj.184>
- Lu, J. W., & Beamish, P. W. (2004). International diversification and firm performance: the S-Curve hypothesis. *Academy of Management Journal*, 47(4), 598–609. <http://doi.org/10.2307/20159604>
- Luis-Carnicer, P. De, Martínez-Sánchez, Á., Pérez-Pérez, M., & Vela-Jiménez, M. J. (2008). Gender diversity in management: curvilinear relationships to reconcile findings. *Gender in Management: An*

- International Journal*, 23(8), 583–597.
<http://doi.org/10.1108/17542410810912708>
- Mair, J. (2005). Exploring the determinants of unit performance: The role of middle managers in stimulating profit growth. *Group & Organization Management*, 30(3), 263–288j.
<http://doi.org/10.1177/1059601104269113>
- Maruyama, M., & Wu, L. (2015). Overcoming the liability of foreignness in international retailing: A consumer perspective. *Journal of International Management*, 21(3), 200–210.
<http://doi.org/10.1016/j.intman.2015.07.001>
- Michalisin, M. D., Karau, S. J., & Tangpong, C. (2004). Top management team cohesion and superior industry returns: An empirical study of the resource-based view. *Group & Organization Management*, 29(1), 125–140. <http://doi.org/10.1177/1059601103251687>
- Michel, J. G., & Hambrick, D. C. (1992). Diversification Posture and Top Management Team Characteristics. *Academy of Management Journal*, 35(1), 9–37. <http://doi.org/10.2307/256471>
- Milliken, F. J., & Martins, L. L. (1996). Searching for common treads: Undertanding the multiple effects of in organizational diversity. *Academy of Management*, 21(2), 402–433.
<http://doi.org/10.5465/AMR.1996.9605060217>
- Moyano Vázquez, G. (2009). Presencia empresarial española en China. *Boletín Económico Del ICE*, (2972), 119–129.
- Nguyen, T., Locke, S., & Reddy, K. (2015). Does boardroom gender diversity matter? Evidence from a transitional economy. *International Review of Economics & Finance*, 37, 184–202.
<http://doi.org/10.1016/j.iref.2014.11.022>
- Nielsen, S. (2010). Top management team diversity: A review of theories and methodologies. *International Journal of Management Reviews*, 12(3), 301–316. <http://doi.org/10.1111/j.1468-2370.2009.00263.x>
- O'Reilly III, C., Snyder, R., & Boothe, J. (1993). Effects of executive team demography on organizational change. In G. Huber & W. Glick (Eds.), *Organizational change and redesign* (pp. 147–175). New York: Oxford University Press.
- Pangarkar, N. (2008). Internationalization and performance of small- and medium-sized enterprises. *Journal of World Business*, 43(4), 475–485. <http://doi.org/10.1016/j.jwb.2007.11.009>
- Pelled, L. H., Eisenhardt, K. M., & Xin, K. R. (1999). Exploring the black box: An analysis of work group diversity, conflict, and performance. *Administrative Science Quarterly*, 44(1), 1–28.
<http://doi.org/10.2307/2667029>
- Penrose, E. T. (1956). Foreign investment and the growth of the firm. *The Economic Journal*, 66(262), 220–235. Retrieved from <http://www.jstor.org/stable/2226528>

- Post, C. (2015). When is female leadership an advantage? Coordination requirements, team cohesion, and team interaction norms. *Journal of Organizational Behavior*, 36, 1153–1175. <http://doi.org/10.1002/job.2031>
- Ramos-Garza, C. (2009). TMT strategic consensus in Mexican companies. *Journal of Business Research*, 62(9), 854–860. <http://doi.org/10.1016/j.jbusres.2008.10.003>
- Rivas, J. L. (2012). Diversity & internationalization: The case of boards and TMT's. *International Business Review*, 21(1), 1–12. <http://doi.org/10.1016/j.ibusrev.2010.12.001>
- Sakarya, S., Eckman, M., & Hyllegard, K. H. (2007). Market selection for international expansion: Assessing opportunities in emerging markets. *International Marketing Review*, 24(2), 208–238. <http://doi.org/10.1108/02651330710741820>
- Simons, T. (1995). Top management team consensus, heterogeneity, and debate as contingent predictors of company performance: the complementarity of group structure and process. *Academy of Management Best Papers Proceedings*, 8, 62–66. <http://doi.org/10.5465/AMBPP.1995.17536282>
- Simons, T., Pelled, L. H., & Smith, K. A. (1999). Making use of difference: Diversity, debate, and decision comprehensiveness in Top Management Teams. *Academy of Management Journal*, 42(6), 662–674. <http://doi.org/10.2307/256987>
- Smith, K. G., Smith, K. A., Olian, J. D., Sims, H. P., OfBannon, D. P., & Scully, J. A. (1994). Top Management Team Demography and Process: The Role of Social Integration and Communication. *Administrative Science Quarterly*, 39, 412–438.
- Tang, Y., Wang, P., & Zhang, Y. (2007). Marketing and business performance of construction SMEs in China. *Journal of Business & Industrial Marketing*, 22(2), 118–125. <http://doi.org/10.1108/08858620710730230>
- The WorldBank. (2014). Foreign Direct Investment, net inflows. Retrieved January 13, 2016, from http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?order=w&bapi_data_value_2014+wbapi_data_value+wbapi_data_value-last&sort=desc
- Tihanyi, L., Ellstrand, A. E., Daily, C. M., & Dalton, D. R. (2000). Composition of the top management team and firm international diversification. *Journal of Management*, 26(6), 1157–1177. <http://doi.org/10.1177/014920630002600605>
- Torchia, M., Calabrò, A., & Huse, M. (2011). Women directors on corporate boards: From tokenism to critical mass. *Journal of Business Ethics*, 102(2), 299–317. <http://doi.org/10.1007/s10551-011-0815-z>
- Wally, S., & Becerra, M. (2001). Top management team characteristics

- and strategic changes in international diversification. *Group & Organization Management*, 26(2), 165–188.
- Wiersema, M. F., & Bantel, K. A. (1992). Top management team demography and corporate strategic change. *Academy of Management Journal*, 35(1), 91–121. <http://doi.org/10.2307/256474>
- Williams, K. Y., & O'Reilly III, C. a. (1998). Demography and diversity in organizations: A review of 40 years of research. *Research in Organizational Behavior*, 20, 77–140. <http://doi.org/10.1177/104649640003100505>
- Yoon, W., Kim, S. J., & Song, J. (2015). Top management team characteristics and organizational creativity. *Review of Managerial Science*, 1–23. <http://doi.org/10.1007/s11846-015-0175-7>
- Zeng, S., Xie, X. M., Tam, C. M., & Wan, T. W. (2009). Relationships between business factors and performance in internationalization: An empirical study in China. *Management Decision*, 47(2), 308–329. <http://doi.org/10.1108/00251740910938939>
- Zheng, X., & Larimo, J. (2014). Identifying key success factors for international Joint Ventures in China: a foreign parent perspective from Finnish firms. *E+M Ekonomie a Management*, 17(2), 109–119.
- Zhou, L., & Hui, M. K. (2003). Symbolic value of foreign products in the People's Republic of China. *Journal of International Marketing*, 11(2), 36–58. <http://doi.org/10.1509/jimk.11.2.36.20163>
- Zimmerman, M. A., & Brouthers, K. D. (2012). Gender heterogeneity, entrepreneurial orientation and international diversification. *International Journal of Gender and Entrepreneurship*, 4(1), 20–43. <http://doi.org/10.1108/17566261211202963>

CONCLUSIONS

a) Discussion and Conclusions

Due to several reasons, the aim of this thesis was to answer certain questions related to the internationalisation process of Spanish companies in China. Firstly, because this emerging destination is not the main investment destination for Spanish companies looking for growth beyond their border, as detailed in the introduction of the thesis and in each published paper. Secondly, because of the importance of China as a recipient of foreign direct investment. Thirdly, because China is a world economic power. Finally, because of the great cultural distance between Spain and China, which suggests that investing in this country may be more complicated than in others that are culturally closer.

The reasons that justified the need for the thesis also justified the polyhedral character of the study. Thus, it not only used a mixed methodology according to the research design carried out, but it also addressed different topics related to the internationalisation process with different units of analyses and samples in order to obtain a global vision of this process. Therefore, each of the six associated papers contributes to a separate part of this overview.

It was decided to use this approach because China is a relatively new destination for Spanish companies, and there was not much information on their internationalisation process, although a growing interest in undertaking FDI projects in the country had been seen. Therefore, it was considered appropriate to conduct an exploratory study in order to gather information and thus obtain an overview regarding the actual situation of Spanish companies that had invested previously in China. Thereby, it allowed specific topics to be identified that helped formulate the hypotheses, hence, it was designed as a sequential study that progressed from a qualitative to a quantitative methodology that permitted a more in depth investigation of one of the topics that emerged from the first part of the study. Consequently, the thesis was divided into two parts that were clearly differentiated by the methodology used. Thus, it was vital to identify one of the main key factors of investment (the top management team; TMT) in the first qualitative part of the thesis in order to enable the second quantitative part to undertake subsequent analyses of the TMT and determine its influence on company success.

The results are presented in six papers. There are four qualitative papers, two of which explore the vision of Spanish companies in China (Papers I and II) and two take into account the view of their advisors (Papers III and IV). These are combined with two quantitative papers (Papers V and VI) that provide a more in-depth exploration of the influence of the TMT on the success of the internationalisation process.

It is considered that the aforementioned papers represent several contributions to the strategic business literature. These have been highlighted in each paper but a brief summary of them is given below.

In addition to the importance of the top management team in the internationalisation strategy (hence the interest of a more in-depth study of this aspect), as in previously published literature, it was found that companies and management consulting firms also highlighted the importance of other factors. They considered that for an investment to be successful in China there was a need for other relevant factors, such as *guanxi* (good connections), a trusted local partner, and a company's adaptability to the Chinese market, as well as the ability to offer a differentiated product or service. However, these aspects were not covered in the present thesis due to a lack of time, but they will be future lines of research to finally obtain a holistic view of the different factors that affect internationalisation. Cultural differences between Spain and China not only make company adaptation to the market difficult and change the way of doing business compared to other destinations, but they also affect the preferences of consumers and, therefore, influence company services or products. Therefore, understanding consumers' preferences and any behaviour influenced by their culture is crucial to operating and selling in China. In addition, *guanxi* can serve to speed up some processes and it is highly important in the Chinese context where authorities can still favour or not certain procedures or access to specific information, which is easier for local people to obtain in some cases. A partner is both a key success factor and a factor studied when choosing the mode of entry because investing with a partner involves many risks, although there are certain advantages. Therefore, this is also discussed in the following paragraphs.

On the other hand, besides the above factors considered relevant for successful investments in China, information was also obtained from interviews concerning the reasons for choosing one entry mode or another, as well as the barriers encountered during the implementation process in this Asian country. It should be noted that, although a few years ago joint ventures and representative offices were the most used entry modes for taking advantage of local partner knowledge or the need for fewer resources, respectively, nowadays, the main ownership structure in China is the WFOE (subsidiary). The justification for this choice can be explained by the Transaction Cost Theory because the risk of investing with a partner and losing specific assets (i.e. its competitive advantage) leads companies to prefer greater control of the investment and to assume the cost alone.

As regards the entry barriers found by companies and advisors, both identified the same barriers or obstacles when entering China. Companies identified the main barriers as regulatory and

bureaucratic, cultural and language, competition and risk of imitation, human resources and, finally, informal barriers (referring to *guanxi*). On the other hand, management consulting firms detailed six types, identified as legal issues, bureaucracy, culture, language, trust, and human resources. However, the advisors did not see *guanxi* as a barrier, but as a mechanism to overcome other barriers, mainly legal and bureaucratic.

Considering that the total number of Spanish companies with FDI in China in 2012 was 377 and that the management consulting firms (MCF) interviewed advised more than 140 of these companies, it was considered that the qualitative study analysing the consulting point of view made important contributions.

As mentioned in previous paragraphs, the interviews emphasised the importance of the TMT in the success of the internationalisation strategy. Managers are responsible for decision making and, therefore, responsible for a company's results. In this sense, their influence is capital and their analysis can shed light on the best TMT composition for obtaining the expected results from the internationalisation process.

Data on this aspect was collected through questionnaires sent by email in order to establish the relationships between the TMT and company success in China. In this regard, it could be concluded that TMT composition affected company outputs, since its demographic and cognitive characteristics affected investment success positively or negatively.

The first contribution to this quantitative study developed in Papers V and VI was methodological, since subjective instead of objective variables were used, such as ROA, ROE or growth, to assess company success. The reason for this decision was based on the little data available from Spanish companies in China due to the novelty of this destination for them. Moreover, these subjective variables allowed the success of investment to be determined in the short term without having to wait for the evolution of any objective variables. Investment success was assessed from two perspectives considering the opinion of those responsible for the company internationalisation process. On the one hand, this was achieved by asking about the results of investment (success and survival) and, on the other hand, through the willingness to expand further in China. There is no unique way to assess international success and different variables of success were used in the papers in order to see if the results changed. In this sense, the models could be compared without the influence of conflict, since Paper V did not include this aspect, and it was noted that only gender diversity was positive in both analyses, with success being measured as company survival and as further expansion in China. Other diversities had different influences according to the measure of success considered.

Although the conceptual framework used, Upper Echelons Theory, suggests that in an unstable environment such as China, TMT diversity should be positive for company success, it was found that this was not true in all cases.

In the first analysis, it was found that age diversity negatively affected investment success in China, while gender diversity positively affected its survival. Diversity in age has been found by many authors to be negative for company performance because the strategies and interests of young and old managers differed. For example, it is known that young people are more likely to take risks and to establish more innovative or expansion strategies, while older people prefer to maintain their *status quo* and be more conservative. This is explained in relation to gender diversity, and its positive relationship with survival, because women have more cohesion and better communication, especially in dispersed teams, as is the case of companies with a high degree of internationalisation, such as those in the sample that already had a presence in many other countries before investing in China.

In the second analysis, considering the likelihood of continuing to invest in the country as a sign of investment success, it could be seen that gender diversity still remained positive for company success but at high levels of conflict it became negative. Using further business expansion as a measure of success, it was found that functional experience diversity also played an important role in the internationalisation strategy success by affecting it negatively. People from different functional areas are known to damage some processes necessary for achieving good performance, such as consensus. Therefore, support was given to the similarity-attraction perspective to the detriment of the information-processing perspective and it could be concluded that diversity was negative at high levels of conflict, and more homogeneous teams in gender and functional background were needed for the company to continue expanding in China. In this regard, the study contributed to the previous strategic literature by highlighting the relevant negative role that conflict can exert on heterogeneous teams, especially when it is high in an emerging context.

Another contribution that contradicted the previous literature using Upper Echelons Theory concerned organisational tenure. As happened with age, it is argued that many years working in a company negatively affects company performance because managers become conservative and they avoid risky strategies, such as internationalisation. However, in the context of the thesis, the opposite happened. It was found that company tenure of TMT members positively affected international success by taking advantage of their company knowledge and experiences in the previous expansion processes undertaken.

Therefore, both the composition of the TMT, as well as their individual characteristics, had influence on the success of a company in China.

These contributions help to shed further light on the open debate concerning the effects of heterogeneous teams on strategic decisions.

b) Limitations and Suggestions for Future Research

Apart from the contributions made by this thesis, several identified limitations also need to be mentioned. On the one hand, based on the viewpoint of members from only a single country, it is risky to conclude that all western countries could encounter these barriers in China when making investment or that joint ventures are not carried out for fear that the local partners do not fulfil the deal agreed or they take advantage of foreign know-how. That is, other western countries may experience higher levels of confidence in China and, therefore, could develop their investment with a local partner more easily. Nevertheless, it was found that the trust barrier was difficult to overcome by Spanish companies.

On the other hand, a qualitative study can always be criticised for validity reasons, which this study tried to solve by triangulating information between the different parties involved in the process, such as companies and advisors, as well as external sources to the company like financial databases.

Regarding the quantitative part, although the response rate was not low due to the nature of the study, the sample was not very large either. Although it is quite unusual to have very large samples in this type of study, it is true that a higher ratio of responses could have provided more evidence to support the findings. Therefore, it would be interesting to update the sample because four years have passed since the data was collected and it is known that the number of Spanish companies in China has continued to increase. Therefore, new results could be obtained concerning the internationalisation process in this country and the factors that influence it. In this way, additional data would provide confirmation of the results obtained, despite the time difference, and could lend further support to some of the conclusions.

Another limitation that should be pointed out in this section is that, through the questionnaire used to gather the managers' information and behaviour, it was hoped to identify two types of conflict, as reported by Jehn (1994) and Pelled et al. (1999), among others, (i.e. cognitive conflict and affective conflict) that would have allowed differentiation between the discussions that improve decision making from those which do not. The non-differentiation of this conflict could mean that either the line between one conflict and another is not appreciable or significant, as other authors have found (De Dreu and Weingart, 2003), or the nuances between them were too small to be identified.

Despite any possible limitations of this thesis, it should be pointed out that the field of company internationalisation offers multiple possibilities for future research and this study identified several additional research questions that could be addressed in the future.

Although the top management team traits and their influence on international success in China have been studied, some key success factors identified in the first part of the thesis have not been analysed in a quantitative way. For example, the motivation for choosing a partner in China or how they are found are other aspects that should be addressed in the future because they are potentially important strategic choices.

Another pending future study is the comparison between the information collected from two active parts of the internationalisation process through interviews, companies and advisors. They were only analysed separately and there are other aspects that emerged from the interviews held that have not yet been dealt with in the published papers. For example, the issue of expatriate employees in China or the location of company activities in the country could be addressed.

With regard to the TMT, it would be appropriate in the future to study if the nationality of the management team affects the performance of a company in China, which may be relevant to increased international mobility among managers.

REFERENCES

- Agarwal, S. and Ramaswami, S.N. (1992), "Choice of foreign market entry mode: Impact of ownership, location and internalization factors", *Journal of International Business Studies*, Vol. 23 No. 1, pp. 1–27.
- Ancona, D. and Caldwell, D. (1992), "Demography and design: Predictors of new product team performance", *Organization Science*, Vol. 3 No. 3, pp. 321–341.
- Anderson, E. and Gatignon, H. (1986), "Modes of foreign entry: A transaction cost analysis and propositions", *Journal of International Business Studies*, Vol. 17 No. 3, pp. 1–26.
- Antwi, S.K. and Hamza, K. (2015), "Qualitative and quantitative research paradigms in business research: A philosophical reflection", *European Journal of Business and Management*, Vol. 7 No. 3, pp. 217–225.
- Auden, W.C., Shackman, J.D. and Onken, M.H. (2006), "Top management team, international risk management factor and firm performance", *Team Performance Management: An International Journal*, Vol. 12 No. 7/8, pp. 209–224.
- Bain, J. (1956), *Barriers to New Competition*, MA: Harvard University Press, Cambridge.
- Bantel, K.A. and Jackson, S.E. (1989), "Top management and innovations in banking: Does the composition of the top team make a difference?", *Strategic Management Journal*, Vol. 10 No. 1, pp. 107–124.
- Barkema, H.G., Bell, J.H.J. and Pennings, J.M. (1996), "Foreign entry, cultural barriers, and learning", *Strategic Management Journal*, Vol. 17 No. 2, pp. 151–166.
- Barney, J. (1991), "Firm resources and sustained competitive advantage", *Journal of Management*, Vol. 17 No. 1, pp. 99–120.
- Battaglia, M. (2008), "Convenience Sampling", in Paul J. Lavrakas (Ed.), *Encyclopedia of Survey Research Methods*, Sage Publications, Thousand Oaks, CA, p. 1072.
- Blau, P. (1977), *Inequality and Heterogeneity: A Primitive Theory of Social Structure*, New York: Free Press.
- Boersma, M.F., Buckley, P.J. and Ghauri, P.N. (2003), "Trust in international joint venture relationships", *Journal of Business Research*, Vol. 56 No. 12, pp. 1031–1042.
- Bontempi, M.E. and Prodi, G. (2009), "Entry strategies into China: The choice between Joint Ventures and Wholly Foreign-Owned Enterprises. An application to the Italian manufacturing sector", *International Review of Economics and Finance*, Elsevier Inc., Vol. 18 No. 1, pp. 11–19.

- Brenes, E.R., Mena, M. and Molina, G.E. (2008), “Key success factors for strategy implementation in Latin America”, *Journal of Business Research*, Vol. 61 No. 6, pp. 590–598.
- Brouthers, K.D. and Brouthers, L.E. (2003), “Why service and manufacturing entry mode choices differ: The influence of transaction cost factors, Risk and Trust”, *Journal of Management Studies*, Vol. 40 No. 5, pp. 1179–1204.
- Brouthers, K.D. and Hennart, J.-F. (2007), “Boundaries of the firm: Insights from international entry mode research”, *Journal of Management*, Vol. 33 No. 3, pp. 395–425.
- Brüderl, J., Preisendörfer, P. and Ziegler, R. (1992), “Survival chances of newly founded business organizations”, *American Sociological Review*, Vol. 57 No. 2, pp. 227–242.
- Buckley, P.J. and Casson, M.C. (1976), *The Future of the Multinational Enterprise*, Holmes & Meier, New York.
- Burns, T. and Stalker, G. (1961), *The Management of Innovation*, Tavistock Publications, London, UK.
- Byrne, D. (1971), *The Attraction Paradigm*, Academic Press, New York.
- Cai, L., Liu, Q. and Yu, X. (2013), “Effects of top management team heterogeneous background and behavioural attributes on the performance of new ventures”, *Systems Research and Behavioral Science*, Vol. 30 No. 3, pp. 354–366.
- Canabal, A. and White, G.O. (2008), “Entry mode research: Past and future”, *International Business Review*, Vol. 17 No. 3, pp. 267–284.
- Carpenter, M. (2002), “The implications of strategy and social context for the relationship between top management team heterogeneity and firm performance”, *Strategic Management Journal*, Vol. 23 No. 3, pp. 275–284.
- Certo, S.T., Lester, R.H., Dalton, C.M. and Dalton, D.R. (2006), “Top management teams, strategy and financial performance: A meta-analytic examination”, *Journal of Management Studies*, Vol. 43 No. 4, pp. 813–839.
- Chandler, A. (1962), *Strategy and Structure: Chapters in the History of the Industrial Enterprise*, M.I.T Press, Cambridge, Massachusetts.
- Chen, C.I. and Yeh, C.H. (2012), “Re-examining location antecedents and pace of foreign direct investment: Evidence from Taiwanese investments in China”, *Journal of Business Research*, Vol. 65 No. 8, pp. 1171–1178.

- Chen, M.-Y. and Chang, J.-Y. (2011), "The choice of foreign market entry mode: An analysis of the dynamic probit model", *Economic Modelling*, Vol. 28 No. 1–2, pp. 439–450.
- Chen, X.P. and Chen, C.C. (2004), "On the intricacies of the Chinese guanxi: A process model of guanxi development", *Asia Pacific Journal of Management*, Vol. 21 No. 3, pp. 305–324.
- Chiao, Y.-C., Lo, F.-Y. and Yu, C.-M. (2010), "Choosing between wholly-owned subsidiaries and joint ventures of MNCs from an emerging market", *International Marketing Review*, Vol. 27 No. 3, pp. 338–365.
- Child, J. (1975), "Managerial and organizational factors associated with company performance - Part II. A contingency analysis", *Journal of Management Studies*, Vol. 12 No. 1–2, pp. 12–27.
- China Ministry of Commerce. (2015), "Catalogue for the Guidance of Foreign Investment Industries", available at: http://www.fdi.gov.cn/1800000121_39_4830_0_7.html (accessed 29 July 2016).
- Chun, B.G. (2009), "Firm's choice of ownership structure: An empirical test with Korean multinationals", *Japan and the World Economy*, Vol. 21 No. 1, pp. 26–38.
- Coase, R. (1937), "The Nature of the Firm", *Economica*, Vol. 4 No. 16, pp. 386–405.
- Comisión Europea. (2003), *Recomendación de La Comisión, de 6 de Mayo de 2003, Sobre La Definición de Microempresas, Pequeñas Y Medianas Empresas, Diario Oficial de Las Comunidades Europeas*, Vol. L 124.
- Cremer, R.D. and Ramasamy, B. (2009), "Engaging China: Strategies for the small internationalizing firm", *Journal of Business Strategy*, Vol. 30 No. 6, pp. 15–26.
- Creswell, J.W., Plano-Clark, V.L., Gutmann, M.L. and Hanson, W.E. (2003), "Advanced mixed methods research designs", in Tashakkori, A. and Teddlie, C. (Eds.), *Handbook of Mixed Methods in Social and Behavioral Research*, Sage Publications, Thousand Oaks, CA, pp. 209–240.
- Cui, G. and Liu, Q. (2000), "Regional market segments of China: Opportunities and barriers in a big emerging market", *Journal of Consumer Marketing*, Vol. 17 No. 1, pp. 55–72.
- Datta, D.K., Herrmann, P. and Rasheed, A.A. (2002), "Choice of Foreign Market Entry Modes: Critical Review and Future Directions", *Advances in International Management*, Vol. 14, pp. 85–153.
- Davies, H., Leung, T.K., Luk, S.T. and Wong, Y. (1995), "The benefits of 'Guanxi': The value of relationships in developing the Chinese market", *Industrial Marketing Management*, Vol. 24

No. 3, pp. 207–214.

Delios, A. and Beamish, P.W. (2001), “Survival and profitability: the roles of experience and intangible assets in foreign subsidiary performance”, *Academy of Management Journal*, Vol. 44 No. 5, pp. 1028–1038.

Díaz-Fernández, M.C., González-Rodríguez, M.R. and Pawlak, M. (2014), “Top management demographic characteristics and their influence on strategic change”, *Industrial Management & Data Systems*, Vol. 114 No. 3, pp. 365–386.

Dong, L. and Glaister, K.W. (2007), “National and corporate culture differences in international strategic alliances: Perceptions of Chinese partners”, *Asia Pacific Journal of Management*, Vol. 24 No. 2, pp. 191–205.

De Dreu, C.K.W. and Weingart, L.R. (2003), “Task versus relationship conflict, team performance, and team member satisfaction: a meta-analysis”, *The Journal of Applied Psychology*, Vol. 88 No. 4, pp. 741–749.

Dunning, J. (1980), “Toward an eclectic theory of international production: Some empirical tests”, *Journal of International Business Studies*, Vol. 11 No. 1, pp. 9–31.

Dunning, J. (1988), “The eclectic paradigm of international production: a restatement and some possible extensions”, *Journal of International Business Studies*, Vol. 19 No. 1, pp. 1–31.

Easterby-Smith, M., Thorpe, R. and Lowe, A. (2002), *Management Research: An Introduction*, Sage Publications, London, UK.

Edwards, R.W. and Buckley, P.J. (1998), “Choice of location and mode: the case of Australian investors in the UK”, *International Business Review*, Vol. 7 No. 5, pp. 503–520.

Ensley, M.D., Pearson, A.W. and Amason, A.C. (2002), “Understanding the dynamics of new venture top management teams: Cohesion, conflict, and new venture performance”, *Journal of Business Venturing*, Vol. 17 No. 4, pp. 365–386.

EU-Asia Centre. (2012), “Guanxi in Chinese characters”, available at: http://www.eu-asiacentre.eu/pub_details.php?pub_id=34 (accessed 28 November 2016).

Fama, E.F. and Jensen, M.C. (1983), “Separation of Ownership and Control”, *Journal of Law and Economics*, Vol. 26 No. 2, pp. 301–325.

Feely, A.J. and Harzing, A.-W. (2003), “Language management in multinational companies”, *Cross Cultural Management: An International Journal*, Vol. 10 No. 2, pp. 37–52.

- Fernández-Ortiz, R. and Lombardo, G.F. (2009), "Influence of the capacities of top management on the internationalization of SMEs", *Entrepreneurship & Regional Development*, Vol. 21 No. 2, pp. 131–154.
- Festinger, L. (1954), "Theory of Social Comparison Processes", *Human Relations*, Vol. 7 No. 2, pp. 117–140.
- Finkelstein, S. and Hambrick, D.C. (1996), *Strategic Leadership: Top Executives and Their Effects on Organizations*, 1st Ed., South-Western Pub.
- Fitó-Bertran, À., Hernández-Lara, A.B. and López, E.S. (2015), "The effect of competences on learning results an educational experience with a business simulator", *Computers in Human Behavior*, Vol. 51, pp. 910–914.
- Forlani, D., Parthasarathy, M. and Keaveney, S.M. (2008), "Managerial risk perceptions of international entry-mode strategies: The interaction effect of control and capability", *International Marketing Review*, Vol. 25 No. 3, pp. 292–311.
- Freeman, S. and Sandwell, M. (2008), "Professional service firms entering emerging markets: the role of network relationships", *Journal of Services Marketing*, Vol. 22 No. 3, pp. 198–212.
- Fung, K., Iizaka, H. and Tong, S.Y. (2004), "Foreign direct investment in China: Policy, recent trend and impact", *Global Economic Review*, Vol. 33 No. 2, pp. 99–130.
- Gable, M., Topol, M.T., Mathis, S. and Fisher, M.E. (1995), "Entry barriers in retailing", *Journal of Retailing and Consumer Services*, Vol. 2 No. 4, pp. 211–221.
- Gadenne, D. (1998), "Critical success factors for small business: An inter-industry comparison", *International Small Business Journal*, Vol. 17 No. 1, pp. 36–56.
- Galbraith, J.R. (1974), "Organization design: an information processing view", *Interfaces*, Vol. 4 No. 3, pp. 28–36.
- Gale, A. and Luo, J. (2004), "Factors affecting construction joint ventures in China", *International Journal of Project Management*, Vol. 22 No. 1, pp. 32–42.
- Gassmann, O. and Han, Z. (2004), "Motivations and barriers of foreign R&D activities in China", *R and D Management*, Vol. 34 No. 4, pp. 423–437.
- Gobierno de España. (2016), "Estadísticas de Inversión Española en el Exterior", available at: <http://datainvex.comercio.es/> (accessed 15 October 2016).
- Guba, E. and Lincoln, Y. (1989), *Fourth Generation Evaluation*, Sage Publications, Thousand Oaks,

CA.

- Guba, E.G. and Lincoln, Y.S. (1994), "Competing Paradigms in Qualitative Research", N. K. Denzin & Y. S. Lincoln, *Handbook of Qualitative Research*, Sage Publications, Thousand Oaks, CA, pp. 105–117.
- Hall, E.T. (1976), *Beyond Culture*, Anchor, Oxford, England.
- Hambrick, D.C., Cho, T.S. and Chen, M.-J. (1996), "The influence of top management team heterogeneity on firms' competitive moves", *Administrative Science Quarterly*, Vol. 41 No. 4, pp. 659–684.
- Hambrick, D.C. and Mason, P.A. (1984), "Upper Echelons: The organization as a reflection of its top managers", *Academy of Management Review*, Vol. 9 No. 2, pp. 193–206.
- Headd, B. (2003), "Redefining business success: Distinguishing between closure and failure", *Small Business Economics*, Vol. 21 No. 1, pp. 51–61.
- Henderson, A.D. and Fredrickson, J.W. (1996), "Information processing demands as a determinant of CEO compensation", *Academy of Management Journal*, Vol. 39 No. 3, pp. 575–606.
- Hill, C.W.L., Hwang, P. and Kim, W.C. (1990), "An eclectic theory of the choice of international entry mode", *Strategic Management Journal*, Vol. 11 No. 2, pp. 117–128.
- Hitt, M.A., Bierman, L., Uhlenbruck, K. and Shimizu, K. (2006), "The importance of resources in the internationalization of professional service firms: The good, the bad, and the ugly", *Academy of Management Journal*, Vol. 49 No. 6, pp. 1137–1157.
- Hsu, W.-T., Chen, H.-L. and Cheng, C.-Y. (2013), "Internationalization and firm performance of SMEs: The moderating effects of CEO attributes", *Journal of World Business*, Vol. 48 No. 1, pp. 1–12.
- Hu, M.Y. and Chen, H. (1996), "An empirical analysis of factors explaining foreign joint venture performance in China", *Journal of Business Research*, Vol. 35 No. 2, pp. 165–173.
- Hutchinson, K., Fleck, E. and Lloyd-Reason, L. (2009), "An investigation into the initial barriers to internationalization: Evidence from small UK retailers", *Journal of Small Business and Enterprise Development*, Vol. 16 No. 4, pp. 544–568.
- Hutzschenreuter, T. and Horstkotte, J. (2013), "Performance effects of international expansion processes: The moderating role of top management team experiences", *International Business Review*, Vol. 22 No. 1, pp. 259–277.

- Hymer, S.H. (1976), *The International Operations of National Firms: A Study of Direct Foreign Investment*, MLT Press.
- Jaw, Y.-L. and Lin, W.-T. (2009), "Corporate elite characteristics and firm's internationalization: CEO-level and TMT-level roles", *The International Journal of Human Resource Management*, Vol. 20 No. 1, pp. 220–233.
- Jehn, K.A. (1994), "Enhancing effectiveness: An investigation of advantages and disadvantages of value-based intragroup conflict", *The International Journal of Conflict Management*, Vol. 5 No. 3, pp. 223–238.
- Jennings, P. and Beaver, G. (1997), "The performance and competitive advantage of small firms: A management perspective", *International Small Business Journal*, Vol. 15 No. 2, pp. 63–75.
- Jiang, N., Liping, W. and Sharma, K. (2013), "Trends, patters and determinants of foreign direct investment in China", *Global Business Review*, Vol. 14 No. 2, pp. 201–210.
- Johanson, J. and Mattson, L. (1988), "Internationalization in industrial systems—a network approach", in Hood, N. and Valhne, J. (Eds.), *Strategies En Global Competition*, Croom Helm, London, pp. 287–314.
- Johanson, J. and Vahlne, J.-E. (1977), "The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments", *Journal of International Business Studies*, Vol. 8 No. 1, pp. 23–32.
- Johanson, J. and Wiedersheim-Paul, F. (1975), "The internationalization of the firm - four Swedish cases", *The Journal of Management Studies*, Vol. 12 No. 3, pp. 305–323.
- Johnson, B. and Christensen, L. (2014), *Educational Research: Quantitative, Qualitative, and Mixed Approaches (5th Ed.)*, Sage Publications, Thousand Oaks, CA.
- Johnson, J. and Tellis, G.J. (2008), "Drivers of success for market entry into China and India", *Journal of Marketing*, Vol. 72 No. May, pp. 1–13.
- Johnson, R.B., Onwuegbuzie, A.J. and Turner, L.A. (2007), "Towards a definition of mixed methods research", *Journal of Mixed Methods Research*, Vol. 1 No. 2, pp. 112–133.
- Kalleberg, A.L. and Leicht, K.T. (1991), "Gender and organizational performance: Determinants of small business survival and success", *The Academy of Management Journal*, Vol. 34 No. 1, pp. 136–161.
- Karakaya, F. and Stahl, M.J. (1989), "Barriers to entry and market entry decisions in consumer and industrial goods markets", *Journal of Marketing*, Vol. 53 No. 2, pp. 80–91.

- Karami, A., Analoui, F. and Kakabadse, N.K. (2006), "The CEOs' characteristics and their strategy development in the UK SME sector: An empirical study", *Journal of Management Development*, Vol. 25 No. 4, pp. 316–324.
- Kaufmann, J.B. and O'Neill, H.M. (2007), "Do culturally distant partners choose different types of joint ventures?", *Journal of World Business*, Vol. 42 No. 4, pp. 435–448.
- Kelle, U. (2006), "Combining qualitative and quantitative methods in research practice: purposes and advantages", *Qualitative Research in Psychology*, Vol. 3 No. 4, pp. 293–311.
- Kilduff, M., Angelmar, R. and Mehra, A. (2000), "Top management team diversity and firm performance: Examining the role of cognitions", *Organization Science*, Vol. 11 No. 1, pp. 21–34.
- Kindleberger, C.P. (1969), "American business abroad", *The International Executive*, Vol. 11 No. 2, pp. 11–12.
- Knight, D., Pearce, C.L., Smith, K.G., Olian, J.D., Sims, H.P., Smith, K.A. and Flood, P. (1999), "Top management team diversity, group process, and strategic consensus", *Strategic Management Journal*, Vol. 20 No. July 1998, pp. 445–465.
- Krishnan, H.A. and Park, D. (2005), "A few good women—on top management teams", *Journal of Business Research*, Vol. 58 No. 12, pp. 1712–1720.
- Kyläheiko, K., Jantunen, A., Puumalainen, K., Saarenketo, S. and Tuppurä, A. (2011), "Innovation and internationalization as growth strategies: The role of technological capabilities and appropriability", *International Business Review*, Vol. 20 No. 5, pp. 508–520.
- Laszlo, A., Kathia, C.L. and Dunsky, H. (2010), "Redefining success: Designing systemic sustainable strategies", *Systems Research and Behavioral Science*, Vol. 27 No. 1, pp. 3–21.
- Laufs, K. and Schwens, C. (2014), "Foreign market entry mode choice of small and medium-sized enterprises: A systematic review and future research agenda", *International Business Review*, Vol. 23 No. 6, pp. 1109–1126.
- Lawrence, P.R. and Lorsch, J.W. (1967), "Differentiation and integration in complex organizations", *Administrative Science Quarterly*, Vol. 12 No. 1, pp. 1–47.
- Lewis, M. (2007), "Stepwise versus hierarchical regression: pros and cons", *Paper Presented at the Annual Meeting of the Southwest Educational Research Association*, San Antonio, available at: <http://files.eric.ed.gov/fulltext/ED534385.pdf>.
- Li, J., Zhou, K. and Shao, A. (2009), "Competitive position, managerial ties, and profitability of

- foreign firms in China: An interactive perspective”, *Journal of International Business Studies*, Vol. 40 No. 2, pp. 339–352.
- Lihong, Z. and Goffin, K. (1999), “Joint venture manufacturing in China: an exploratory investigation”, *International Journal of Operations & Production Management*, Vol. 19 No. 5, pp. 474–490.
- Lu, J.W. and Beamish, P.W. (2001), “The internationalization and performance of SMEs”, *Strategic Management Journal*, Vol. 22 No. 6–7, pp. 565–586.
- Luo, Y. (1997), “Does guanxi influence firm performance?”, *Asia Pacific Journal of Management*, Vol. 14 No. 1, pp. 1–16.
- Luo, Y. (1998), “Joint Venture success in China: How should we select a good partner?”, *Journal of World Business*, Vol. 33 No. 2, pp. 145–166.
- Luo, Y. (2000), “Dynamic capabilities in international expansion”, *Journal of World Business*, Vol. 35 No. 4, pp. 355–378.
- Luo, Y. (2001), “Determinants of entry in an emerging economy: A multilevel approach”, *Journal of Management Studies*, Vol. 38 No. 3, pp. 443–472.
- Lutz, C.H.M., Kemp, R.G.M. and Dijkstra, S.G. (2010), “Perceptions regarding strategic and structural entry barriers”, *Small Business Economics*, Vol. 35 No. 1, pp. 19–33.
- Malhotra, N.K., Agarwal, J. and Ulgado, F.M. (2003), “Internationalization and entry modes: A multitheoretical framework and research propositions”, *Journal of International Marketing*, Vol. 11 No. 4, pp. 1–31.
- Moreira, M.R., Maia, M.A., Sousa, P.S. and Meneses, R.F.C. (2013), “Factors influencing the internationalization of services firms: The case of design, engineering and architecture consulting firms”, *Lecture Notes in Business Information Processing*, Vol. 143, pp. 246–262.
- Morgan, D.L. (2007), “Paradigms lost and Pragmatism regained: Methodological implications of combining qualitative and quantitative methods”, *Journal of Mixed Methods Research*, Vol. 1 No. 1, pp. 48–76.
- Morschett, D., Schramm-Klein, H. and Swoboda, B. (2010), “Decades of research on market entry modes: What do we really know about external antecedents of entry mode choice?”, *Journal of International Management*, Vol. 16 No. 1, pp. 60–77.
- Moyano Vázquez, G. (2009), “Presencia empresarial española en China”, *Boletín Económico Del ICE*, No. 2972, pp. 119–129.

- Murphy, G.B., Trailer, J.W. and Hill, R.C. (1996), "Measuring performance in entrepreneurship research", *Journal of Business Research*, Vol. 36 No. 15, pp. 15–23.
- Nair, A.S. and Stafford, E.R. (1998), "Strategic alliances in China: Negotiating the barriers", *Long Range Planning*, Vol. 31 No. 1, pp. 139–146.
- National Bureau of Statistics of China. (2015), "China Statistical yearbook", available at: <http://data.stats.gov.cn/english/easyquery.htm?cn=C01> (accessed 4 November 2016).
- Ng, P.W., Lau, C. and Nyaw, M. (2007), "The effect of trust on international joint venture performance in China", *Journal of International Management*, Vol. 13 No. 4, pp. 430–448.
- Nielsen, S. (2010a), "Top management team internationalization and firm performance", *Management International Review*, Vol. 50 No. 2, pp. 185–206.
- Nielsen, S. (2010b), "Top management team diversity: A review of theories and methodologies", *International Journal of Management Reviews*, Vol. 12 No. 3, pp. 301–316.
- Niu, Y., Dong, L.C. and Chen, R. (2012), "Market entry barriers in China", *Journal of Business Research*, Elsevier Inc., Vol. 65 No. 1, pp. 68–76.
- O'Reilly III, C.A., Caldwell, D.F. and Barnett, W.P. (1989), "Work Group Demography, Social Integration, and Turnover", *Administrative Science Quarterly*, Vol. 34 No. 1, pp. 21–37.
- Pan, Y. and Tse, D.K. (2000), "The hierarchical model of market entry modes", *Journal of International Business Studies*, Vol. 31 No. 4, pp. 535–554.
- Pangarkar, N. (2008), "Internationalization and performance of small- and medium-sized enterprises", *Journal of World Business*, Vol. 43 No. 4, pp. 475–485.
- Parola, F., Satta, G., Persico, L. and Bella, E. Di. (2013), "Entry mode choices in international markets: Examining the antecedents of service firms' strategies", *International Journal of Globalisation and Small Business*, Vol. 5 No. 1/2, pp. 34–57.
- Patton, M. (2002), *Qualitative Research and Evaluation Methods (3rd Ed)*, Sage Publications, Thousand Oaks, CA.
- Pedhazur, E. (1997), *Multiple Regression in Behavioral Research (3rd Ed.)*, Harcourt Brace, Orlando.
- Pegels, C., Song, Y. and Yang, B. (2000), "Management heterogeneity, competitive interaction groups, and firm performance", *Strategic Management Journal*, Vol. 21 No. 9, pp. 911–923.
- Pelled, L.H., Eisenhardt, K.M. and Xin, K.R. (1999), "Exploring the black box: An analysis of work group diversity, conflict, and performance", *Administrative Science Quarterly*, Vol. 44 No. 1,

- pp. 1–28.
- Pfeffer, J. and Salancik, G.R. (1978), *The External Control of Organizations: A Resource Dependence Perspective*, Harper and Row, New York.
- Pinho, J.C. (2007), “The impact of ownership: Location-specific advantages and managerial characteristics on SME foreign entry mode choices”, *International Marketing Review*, Vol. 24 No. 6, pp. 715–734.
- Porter, M. (1979), “How competitive forces shape strategy”, *Harvard Business Review*, Vol. 57 No. 2, pp. 137–145.
- Van Praag, C.M. (2003), “Business survival and success of young small business owners”, *Small Business Economics*, Vol. 21 No. 1, pp. 1–17.
- Quer, D., Claver, E. and Andreu, R. (2007), “Foreign market entry mode in the hotel industry: The impact of country- and firm-specific factors”, *International Business Review*, Vol. 16 No. 3, pp. 362–376.
- Quer, D., Claver, E. and Rienda, L. (2012), “Chinese multinationals and entry mode choice: Institutional, transaction and firm-specific factors”, *Frontiers of Business Research in China: Selected Publications from Chinese Universities*, Vol. 6 No. 1, pp. 1–24.
- Rangone, A. (1997), “Linking organizational effectiveness, key success factors and performance measures: an analytical framework”, *Management Accounting Research*, Vol. 8 No. 2, pp. 207–219.
- Reichardt, C. and Cook, T. (1979), “Beyond qualitative versus quantitative methods”, *Qualitative and Quantitative Methods in Evaluation Research*, Sage Publications, Beverly Hills, pp. 7–32.
- Rivas, J.L. (2012), “Diversity & internationalization: The case of boards and TMT’s”, *International Business Review*, Vol. 21 No. 1, pp. 1–12.
- Rodriguez, C.M., Wise, J.A. and Martinez, C.R. (2013), “Strategic capabilities in exporting: an examination of the performance of Mexican firms”, *Management Decision*, Vol. 51 No. 8, pp. 1643–1663.
- Rogers, P.R., Miller, A. and Judge, W.Q. (1999), “Using information-processing theory to understand planning/performance relationships in the context of strategy”, *Strategic Management Journal*, Vol. 20 No. 6, pp. 567–577.
- Root, F.R. (1994), *Entry Strategies for International Markets*, Lexington Books, Washington DC.

- Salmi, A. (2000), "Entry into turbulent business networks - The case of a Western company on the Estonian market", *European Journal of Marketing*2, Vol. 34 No. 11–12, pp. 1374–1390.
- Sapienza, H., Autio, E., George, G. and Zahra, S. (2006), "A capabilities perspective on the effects of early internationalization on firm survival and growth", *Academy of Management Review*, Vol. 31 No. 4, pp. 914–933.
- Saunders, M., Lewis, P. and Thornhill, A. (2009), *Research Methods for Business Students (Fifth Edition)*, *Research Methods for Business Students*, Pearson, Essex, UK, available at: <https://doi.org/10.1007/s13398-014-0173-7.2>.
- Schmalz, G. (2015), "High and Low Context Cultures", available at: <http://www.giselaschmalz.com/cultures-and-context-edward-t-hall/> (accessed 9 November 2016).
- Scott, W. (1995), *Institutions and Organizations*, Sage Publications, Thousand Oaks.
- Shepherd, W. (1979), *The Economics of Industrial Organizations*, Prentice-Hall, Englewood Cliffs, NJ.
- Simon, A., Kumar, V., Schoeman, P., Moffat, P. and Power, D. (2011), "Strategic capabilities and their relationship to organisational success and its measures: Some pointers from five Australian studies", *Management Decision*, Vol. 49 No. 8, pp. 1305–1326.
- Simons, T., Pelled, L.H. and Smith, K.A. (1999), "Making use of difference : Diversity , debate , and decision comprehensiveness in Top Management Teams", *Academy of Management Journal*, Vol. 42 No. 6, pp. 662–674.
- Simpson, M., Padmore, J. and Newman, N. (2012), "Towards a new model of success and performance in SMEs", *International Journal of Entrepreneurial Behaviour & Research*, Vol. 18 No. 3, pp. 264–285.
- Singh, S., Utton, M. and Waterson, M. (1998), "Strategic behaviour of incumbent firms in the UK", *International Journal of Industrial Organization*, Vol. 16 No. 2, pp. 229–251.
- Strauss, A. and Corbin, J. (2002), *Basics of Qualitative Research. Techniques and Procedures for Developing Grounded Theory*, Sage Publications., Thousand Oaks, CA, available at: <https://doi.org/10.4135/9781452230153>.
- Tajfel, H., Billig, M.G., Bundy, R.P. and Flament, C. (1971), "Social categorization and intergroup behavior", *European Journal of Social Psychology*, Vol. 1 No. 2, pp. 149–178.
- Tang, Y., Wang, P. and Zhang, Y. (2007), "Marketing and business performance of construction SMEs in China", *Journal of Business & Industrial Marketing*, Vol. 22 No. 2, pp. 118–125.

- Tashakkori, A. and Teddlie, Charles. (1998), *Mixed Methodology: Combining Qualitative and Quantitative Approaches*, Sage Publications, Thousand Oaks, CA.
- Teece, D.J., Pisano, G. and Shuen, A. (1997), "Dynamic capabilities and strategic management", *Strategic Management Journal*, Vol. 18 No. 7, pp. 509–533.
- Terjesen, S., O’Gorman, C. and Acs, Z.J. (2008), "Intermediated mode of internationalization: new software ventures in Ireland and India", *Entrepreneurship & Regional Development: An International Journal*, Vol. 20 No. 1, pp. 89–109.
- The World Bank. (2015a), "Foreign Direct Investment, net inflows", available at: <http://databank.worldbank.org/data/reports.aspx?source=2&series=BX.KLT.DINV.CD.WD&country=CHN> (accessed 6 October 2016).
- The World Bank. (2015b), "GPD (current US\$)", available at: http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?year_high_desc=true (accessed 4 October 2016).
- The World Bank. (2015c), "GPD growth (annual %)", available at: http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN&year_high_desc=true (accessed 4 October 2016).
- Tihanyi, L., Ellstrand, A.E., Daily, C.M. and Dalton, D.R. (2000), "Composition of the top management team and firm international diversification", *Journal of Management*, Vol. 26 No. 6, pp. 1157–1177.
- Torchia, M., Calabrò, A. and Huse, M. (2011), "Women directors on corporate boards: From tokenism to critical mass", *Journal of Business Ethics*, Vol. 102 No. 2, pp. 299–317.
- Tsang, E.W. (1998), "Can guanxi be a source of sustained competitive advantage for doing business in China?", *The Academy of Management Executive (1993-2005)*, Vol. 12 No. 2, pp. 64–73.
- Tse, D.K., Pan, Y. and Au, K.Y. (1997), "How MNCs choose entry modes and form alliances: The China experience", *Journal of International Business Studies*, Vol. 28 No. 4, pp. 779–805.
- Vasconcellos, J. (1988), "The impact of key success factors on company performance", *Long Range Planning*, Vol. 21 No. 6, pp. 56–64.
- Vernon, R. (1966), "International investment and international trade in the product cycle", *The Quarterly Journal of Economics*, Vol. 80 No. 2, pp. 190–207.
- Walker, E. and Brown, A. (2004), "What success factors are important to small business

- owners?", *International Small Business Journal*, Vol. 22 No. 6, pp. 577–594.
- Welch, D.E., Welch, L.S. and Marschan-Piekkari, R. (2001), "The persistent impact of language on global operations", *Prometheus*, Vol. 19 No. 3, pp. 193–209.
- Welch, L. and Luostarinen, R.K. (1988), "Internationalization: Evolution of a concept", *Journal of General Management*, Vol. 14 No. 2, pp. 36–64.
- Wernerfelt, B. (1984), "A Resource based view of the firm", *Strategic Management Journal*, Vol. 5 No. 2, pp. 171–180.
- Westphal, J.D. and Fredrickson, J.W. (2001), "Who directs strategic change? Director experience, the selection of new CEOs, and change in corporate strategy", *Strategic Management Journal*, Vol. 22 No. 12, pp. 1113–1137.
- Wiersema, M.F. and Bantel, K.A. (1992), "Top management team demography and corporate strategic change", *Academy of Management Journal*, Vol. 35 No. 1, pp. 91–121.
- Williams, K.Y. and O'Reilly III, C. a. (1998), "Demography and diversity in organizations: A review of 40 years of research", *Research in Organizational Behavior*, Vol. 20, pp. 77–140.
- Williams, M.L. (1993), "Measuring business starts, success and survival: Some database considerations", *Journal of Business Venturing*, Vol. 8 No. 4, pp. 295–299.
- Williamson, O. (1985), *The Economic Institutions of Capitalism*, Simon and Schuster, New York.
- Williamson, O.E. (1981), "The Economics of organization: The transaction cost approach", *American Journal of Sociology*, Vol. 87 No. 3, pp. 548–577.
- Yang, J. and Lee, H. (2002), "Identifying key factors for successful joint venture in China", *Industrial Management & Data Systems*, Vol. 102 No. 2, pp. 98–109.
- Yaprak, A. (2012), "Market entry barriers in China: A commentary essay", *Journal of Business Research*, Vol. 65 No. 8, pp. 1216–1218.
- Yeung, I.Y. and Tung, R.L. (1996), "Achieving business success in confucian societies: The importance of Guanxi (connections)", *Organizational Dynamics*, Vol. 25 No. 2, pp. 54–65.
- Yin, R.K. (1984), *Case Study Research: Design and Methods (Applied Social Research Methods)*, Sage Publications.
- Yip, G. (1982), *Barriers to Entry: A Corporate Perspective*, MA: Lexicon Books, Lexicon.
- Zeng, S., Xie, X., Tam, C. and Wan, T. (2009), "Relationships between business factors and

- performance in internationalization: An empirical study in China”, *Management Decision*, Vol. 47 No. 2, pp. 308–329.
- Zhao, H., Luo, Y. and Sun, T. (2004), “Transaction cost determinants and ownership-based entry mode choice A meta-analytical review”, *Journal of International Business Studies*, Vol. 35 No. 6, p. 524-.
- Zheng, X. and Larimo, J. (2014), “Identifying key success factors for international Joint Ventures in China: a foreign parent perspective from Finnish firms”, *E+M Ekonomie a Management*, Vol. 17 No. 2, pp. 109–119.
- Zutshi, R.K. and Tan, W.L. (2009), “Impact of culture on ‘partner selection criteria’ in East Asian international joint ventures”, *International Entrepreneurship and Management Journal*, Vol. 5, No. 4, pp. 369–393.

APPENDIX

The sections of the questionnaire used in this thesis are detailed below.

"Análisis jurídico-financiero de la inversión empresarial en Asia y Latinoamérica"

Desde el Departamento de Gestión de Empresas de la Universidad Rovira y Virgili estamos realizando una investigación que pretende estudiar el proceso de internacionalización seguido por las empresas, con sede en España, instaladas en China y los factores de éxito o de fracaso de dicha internacionalización.

Este estudio, forma parte del proyecto DER2010-I5507 del Ministerio de Ciencia e innovación.

Este cuestionario tiene 7 epígrafes principales, subdivididos cada uno de ellos en una serie de cuestiones. Su cumplimentación no le llevará más de 15 minutos. Las respuestas son confidenciales, por lo que garantizamos que no puedan identificarse las entidades que han rellenado los cuestionarios, ni las personas encuestadas, en los documentos derivados del tratamiento de la información.

A. Datos referentes al perfil de la empresa

B. Datos referentes a la experiencia internacional del director/responsable del proceso de internacionalización

C. Datos referentes al equipo de dirección

C.01. 1. Edad del Director General:

C.01. 2. Edad del Directivo 1:

C.01. 3. Edad del Directivo 2:

C.01. 4. Edad del Directivo 3:

C.01. 5. Edad del Directivo 4:

C.02. 1. Género del Director General:

C.02. 2. Género del Directivo 1:

C.02. 3. Género del Directivo 2:

C.02. 4. Género del Directivo 3:

C.02. 5. Género del Directivo 4:

C.03. 1. Antigüedad en la empresa (años) del Director General:

C.03. 2. Antigüedad en la empresa (años) del Directivo 1:

C.03. 3. Antigüedad en la empresa (años) del Directivo 2:

C.03. 4. Antigüedad en la empresa (años) del Directivo 3:

C.03. 5. Antigüedad en la empresa (años) del Directivo 4:

C.04. 1. Antigüedad en su función actual (años) del Director General:

C.04. 2. Antigüedad en su función actual (años) del Directivo 1:

C.04. 3. Antigüedad en su función actual (años) del Directivo 2:

C.04. 4. Antigüedad en su función actual (años) del Directivo 3:

C.04. 5. Antigüedad en su función actual (años) del Directivo 4:

C.05. 1. Formación del Director General:

C.05. 2. Formación del Directivo 1:

C.05. 3. Formación del Directivo 2:

C.05. 4. Formación del Directivo 3:

C.05. 5. Formación del Directivo 4:

C.06. 1. Experiencia funcional del Director General:

C.06. 2. Experiencia funcional del Directivo 1:

C.06. 3. Experiencia funcional del Directivo 2:

C.06. 4. Experiencia funcional del Directivo 3:

C.06. 5. Experiencia funcional del Directivo 4:

C.07. Existe una fuerte fricción emocional entre los miembros del equipo de dirección:
Manifieste su grado de acuerdo con la siguiente afirmación con respecto al equipo de dirección al que pertenece (1: Muy en desacuerdo; 5: Muy de acuerdo):

1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

C.08. Existe un fuerte choque de personalidad dentro del equipo:
Manifieste su grado de acuerdo con la siguiente afirmación con respecto al equipo de dirección al que pertenece (1: Muy en desacuerdo; 5: Muy de acuerdo):

1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

C.09. Existe una fuerte desconfianza mutua entre los miembros del equipo:
 Manifieste su grado de acuerdo con la siguiente afirmación con respecto al equipo de dirección al que pertenece (1: Muy en desacuerdo; 5: Muy de acuerdo):

1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C.10 Existen importantes diferencias de opiniones en el grupo sobre cómo ejecutar las estrategias, políticas o decisiones que afectan al desarrollo de la empresa:
 Manifieste su grado de acuerdo con la siguiente afirmación con respecto al equipo de dirección al que pertenece (1: Muy en desacuerdo; 5: Muy de acuerdo):

1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C.11 Existen importantes desacuerdos sobre las decisiones operativas de la empresa:
 Manifieste su grado de acuerdo con la siguiente afirmación con respecto al equipo de dirección al que pertenece (1: Muy en desacuerdo; 5: Muy de acuerdo):

1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D. Proceso de internacionalización de la empresa

E. Proceso de internacionalización de la empresa en China

E.6. Resultados de la inversión en China

Señale su grado de acuerdo (1: Totalmente en desacuerdo; 5: Completamente de acuerdo):

	1	2	3	4	5
E6.01 La empresa considera que la decisión de invertir en China ha sido exitosa	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E6.02 La empresa considera que la inversión actual en China está “salvando” la empresa	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E6.03 Qué grado de éxito considera en su inversión en China si se compara con sus competidores	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E6.04 La empresa considera que la decisión de invertir seguirá siendo exitosa en un plazo de 5 años	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E6.05 La empresa considera que la inversión actual en China seguirá “salvando la empresa” en un plazo de 5 años	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E6.06 Qué grado de éxito considera que tendrá su inversión en China en un plazo de 5 años si se compara con sus competidores	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

F. Estrategia de expansión en China

FI.01 ¿En cuántas ciudades de China desarrolla actividad? (número)

Señale su grado de acuerdo (1: Totalmente en desacuerdo; 5: Completamente de acuerdo):

	1	2	3	4	5
FI.01 Su empresa tiene intención de seguir expandiéndose en China	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FI.02 Si su empresa tiene intención de seguir expandiéndose en China, ¿lo hará en otras áreas/ciudades de este país?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FI.03 Si su empresa tiene intención de seguir expandiéndose en este mercado, ¿lo hará en Hong Kong?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

G. Recursos humanos de la empresa en China