

## **Big Business Internationalization in two Mediterranean countries: a comparison between Italy and Spain, 1950-2002**

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### **1. Big business strategies in historical perspective**

Thinking about the strategies pursued by the largest corporations in historical perspective, it is quite common to consider in particular a specific kind of strategy - the product diversification - which since the publication of “Strategy and Structure” in 1962 became one of the most studied topic and that has been identified by Chandler and other scholars as the main engine of big business growth in the U.S. and then in the other industrialized countries<sup>1</sup>. During the second half of the last century very often “diversification” has become practically a synonym of “strategy” in the investigations which dealt with the behaviour of the major enterprises and various authors spent many efforts in analyzing the diffusion of this kind of firms’ action in America, Asia and Europe with the main purpose to test its success and to compare the intensity of its adoption in different national contexts. The research done at the Harvard Business School in the 1970s on the main European nations<sup>2</sup> and, more recently, the analysis of Richard Whittington and Michael Mayer<sup>3</sup> substantially confirmed the wide spreading of this kind of strategy and the importance of the product related diversification in allowing the growth and development of the largest corporations in France, Germany and United Kingdom during the last century, coherently with the chandlerian predictions.

Nevertheless, the findings and the interest of these analyses are today challenged by two main

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<sup>1</sup> A. Chandler, *Strategy and Structure: Chapters in the History of the American Industrial Enterprise*, The MIT Press, Cambridge (Mass.), 1962.

<sup>2</sup> B.R. Scott, *Stages of Corporate Development*, Harvard Graduate School of Business Administration, Boston, 1970; L. Wrigley, *Divisional Autonomy and Diversification*, unpublished PhD dissertation, Harvard Business School, 1970; R.P. Rumelt, *Strategy, Structure and Economic Performance*, Harvard University Press, Cambridge, Massachusetts, 1974; D.F. Channon, *The Strategy and Structure of British Enterprise*, The Macmillan Press, London, 1973; G. Dyas, *Strategy and Structure of French Enterprise*, unpublished PhD dissertation, Harvard Business School, Cambridge, Massachusetts, 1972; H.T. Thanheiser, *The Strategy and Structure of German Enterprise*, unpublished PhD dissertation, Harvard Business School, 1972; G.P. Dyas and H.T. Thanheiser, *The Emerging European Enterprise*, The Macmillan Press, London, 1976; R.J. Pavan, *Strutture e Strategie delle Imprese Italiane*, Il Mulino, Bologna, 1976.

<sup>3</sup> R. Whittington and M. Mayer, *The European Corporation: Strategy, Structure and Social Science*, Oxford University Press, Oxford, 2000.

factors. First of all, the results of more recent investigations on the U.S.<sup>4</sup> and on some different European economies, as for instance Spain<sup>5</sup> and Denmark<sup>6</sup>, have been quite different from the Chandlerian and post-Chandlerian studies and have proved that the largest corporations in many national contexts and in more recent years seldom decided to significantly enter new sectors and on the other hand more often chose to focus on one or a few activities and to pursue other growth strategies different from the product diversification. Secondly, the significant transformations of the international context which took place during the second half of the last century and the strengthening of the globalization and Europeanization processes make it interesting to extend the investigation on the firms' strategies to the analysis of other kinds of responses they gave to a more and more open and interconnected economic environment. The present strongly-integrated world is in fact quite different from the context which countersigned the development of the first large corporations in the U.S. more than a century ago, and it had provided to the firms new opportunities but also challenged their traditional behaviour, spurring them to change and adapt their strategies in order to formulate efficient responses to the new international situation.

These considerations make it really fundamental to study in historical perspective the development of another kind of strategy, different from the product diversification, which is represented by the choice to enter new geographical areas more than new product areas. Even if Chandler had already pointed out the relevance of this issue already in the 1960s and important investigations on this topic have already been effected<sup>7</sup>, the strategy of internationalization of the enterprises and in particular of the major firms, remains a still not sufficiently explored topic and it has been seldom studied in a systematic way. The analyses which up to now have dealt with this issue, in fact, often concern some specific company case or an extremely recent time period, without providing a real historical perspective. The result is that presently we know a lot about how much, how and why the large corporations in countries like the United Kingdom, France and Germany entered new product areas but generally we still do not know enough on how many companies really decided to pursue a strategy of internationalization of their activities and when, how and why it occurred. This lack of information is even more consistent for what concerns some nations which up to recent years have not been able to foster large successful multinational companies as for instance the Southern European countries, where an increasing interest on the internationalization of some "national champions" is still not exhausted by a complete understanding of this phenomenon and by the

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<sup>4</sup> C. Markides, *Diversification, Refocusing, and Economic Performance*, The MIT Press, Cambridge (Mass.), 1995.

<sup>5</sup> V. Binda, *The Strategy of Spanish Industrial Firms in the late Twentieth Century: a Convergence Failure*, paper presented at the 2004 EBHA Conference, Barcelona.

<sup>6</sup> V. Binda and M.J. Iversen, "Towards a 'Managerial Revolution' in European Business? The Transformation of Danish and Spanish Big Business, 1973-2003", in "Business History", vol. 49, no. 4, 2007, pp. 506-530.

<sup>7</sup> See for instance G. Jones, *Multinationals and Global Capitalism: from the Nineteenth to the Twenty-first Century*, Oxford University Press, Oxford, 2005.

achievement of a wide empirical evidence on the long-term development of these corporations.

In the light of these considerations, the main purpose of the paper is to focus on the analysis of the diffusion of the internationalization strategy - defined both considering the export activity of a firm and its investments abroad in foreign subsidiaries - of the largest non-financial corporations in two specific Mediterranean countries: Italy and Spain. The aim of the study is both to add new empirical evidence on this topic and to compare the development of the internationalization strategy in two late-comer countries countersigned by a different historical and institutional path which made the degree of their integration in the European and international economy significantly different during the second half of the Twentieth century. On one side, in fact, Italy has been inextricably tied up to the process of European integration - under the American leadership - already during the postwar reconstruction<sup>8</sup> and, since the early-1950s, had open to the international economy mainly thanks to two influent Ministers of Foreign Trade - Cesare Merzagora and Ugo La Malfa - which brought Italy to sign together with France, Western Germany and the Benelux countries the constitutive Act of the European Economic Community in Rome in 1957. Since then, even though following the ups and downs which countersigned the history of European and international integration, the largest Italian enterprises acted in a context of international economic opening and were well-aware to be fully integrated in an economic trend that was ampler than the domestic one<sup>9</sup>. On the other hand the history of the international integration of Spain during the same period has been very different and, both because of the support given by the Francoist regime to the Axis powers during World War II and due to the autarchic policies pursued by Francisco Franco, the country remained politically and economically totally isolated at least up to when the international pressures practiced by the Cold War on one side and the necessities to import the material and immaterial goods necessary to the industrialization on the other, favored a progressive reapproaching of the United States to this nation and, beginning from the 1960s, caused an increasing level of international Spanish integration<sup>10</sup>. Even if Spain have already signed an agreement of preferential trade within European Economic Community in 1970 and if it have become more open to the international capital and products inside its borders since about the early-1960s, the country remained excluded from the EEC up to when the Francoist dictatorship came to an end. Only in 1986, after a long negotiation process, Spain succeeded to be integrated to the European Economic Community and only from that moment the great national enterprises began on one side to see without any protection the effects on the foreign competition on the domestic market and on the other side to seriously face the problem of their competitiveness both at home and abroad. In a context of an increasing level of

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<sup>8</sup> See F. Amatori and A. Colli, *Impresa e Industria in Italia*, Marsilio, Venezia, 1999.

<sup>9</sup> F. Fauri, *L'integrazione economica europea, 1947-2006*, Il Mulino, Bologna, 2006.

<sup>10</sup> A. Carreras and X. Tafunell, *Historia Económica de la España Contemporánea*, Crítica, Barcelona, 2003.

European and international integration, the largest enterprises of these two European nations have therefore begun to suffer the pressures and to take advantage of the opportunities provided by a more and more dynamic international context in different moments and with a different rate during the second half of the last century. This paper represents a part of a still ongoing research, and it will be impossible to answer here to the numerous questions arisen on this complex topic. The main aim of the next pages is to try to give some preliminary answers to questions as if an increasing diffusion of the strategy of internationalization of the largest enterprises really took place in these different contexts during the last decades; in which period it occurred in each nation; and which characteristics countersigned the firms that decided to enter new geographical markets, namely what kind of impact their sectorial belonging, type of ownership and product diversification strategy had in spurring them to internationalize their activity.

## **2. An analysis of the internationalization strategy - methodology**

In order to give an answer to these questions is necessary to briefly explain how this paper will try to cope with this topic through an original empirical analysis which is part of a more general research on the behaviour and performances of the largest enterprises in Italy and Spain during the second half of the last century. On one side, coherently with the studies that are up to now have dealt with the description and the systematical analysis of the product diversification strategy, in this analysis it has been decided to compose samples of enterprises in some specific years and to catalogue the possible choices of business international strategy in well-defined categories which could allow to measure and compare the level of internationalization pursued in specific benchmark-years by the largest enterprises in these two nations basing upon the geographical coming of their turnover and activities. On the other side, it has been decided to connect these strategic categories to other aspects of the entrepreneurial activity of the firms as their sectorial distribution, their ownership and their diversification strategy. To this purpose, three benchmark-years have been identified in order to observe the behaviour of the large corporations: 1950 - when it is possible to effect a first balance of the postwar reconstruction period in both countries -; 1973 - year that allows to study the large enterprises grown during the Golden Age period, before they were stricken from the oil shock -; and 2002 - time of the Euro introduction and date to which is it possible to test the impact of the economic crisis and of the phenomena of European and international integration of the 1980s and 1990s on the identity and behavior of the major companies in these countries. In each one of these benchmark-years, it has been decided to select samples composed by the 100 largest enterprises by turnover present in Italy and Spain. Nevertheless, both in Italy and in Spain, it has been impossible to find information on the

enterprises' sales in a systematic way - in order to obtain a satisfactory ranking of the companies - for what concerns 1950. Data on the firms' turnover are in fact really often totally lacking at least up to the late-1960s and that's why it has been decided to adopt as a proxy variable the "total assets" of the enterprises in order to rank the firm in the first benchmark-year. Then, it has become crucial to decide who should be included and analyzed in the samples. To this respect it has been chosen to introduce a substantial discontinuity with respect to the Harvard studies on strategy which included exclusively manufacturing and domestically-owned enterprises. The role of firms also belonging to non-manufacturing sectors (as for instance the utilities and, more recently, the services sectors) and of the foreign companies, which massively brought technologies, capital and knowledge in Italy and in Spain during the last century, has been in fact fundamental to the development of these two industrial late-comers countries and still, in both cases, the branches of the multinationals constitute around the half of the largest enterprises in the countries, covering almost totally the production of some sectors<sup>11</sup>. This fact strongly pushed to include in the samples all the 100 non-financial enterprises, both foreign and domestically-owned, which were present in Italy and in Spain in 1950, 1973 and 2002. Once composed the samples, information on the sectorial belonging, ownership, diversification and internationalization of all the companies have been gathered. Ownership has been broadly divided into two categories: dispersed and concentrated. Following the usual practice in the agency and corporate governance literature, the threshold level for dispersed ownership has been set at no shareholder having 5 per cent or more of the voting stock<sup>12</sup>. Thereafter the concentrated ownership has been divided in six subcategories in which the corporations are catalogued in accordance to the single largest shareholder: personal (PER), bank-financial (BAN), state (STA), firm (FIR), foreign (FOR), co-operative and foundational (COO). The definition of diversification has followed Rumelt<sup>13</sup> and the firms' diversification strategy has been catalogued in four categories based on the percentage of turnover generated by each business area, namely, single business (SB) - at least 95 per cent of the revenue is aggregated from one business area -, dominant business (DB) - one business area with at least 70 per cent but less than 95 percent of revenue -, related business (RB) - no business area with more than 70 per cent of the revenue but with market or technological correspondence between the business areas -, and unrelated business (UB) - no business area with more than 70 per cent of the revenue and none or only limited market - or technological - correspondence between the different

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<sup>11</sup> For Italy see for instance L. Gallino, *La scomparsa dell'Italia industriale*, Einaudi, Torino, 2003; and for Spain V. Binda, "Entre el Estado y las multinacionales: la empresa industrial española en los años de la integración a la CEE", in "Revista de Historia Industrial", no. 28, 2005, pp. 117-154.

<sup>12</sup> R. Whittington and M. Mayer, 2000, cit.; A. Shleifer and R.W. Vishny, "Large shareholders and Corporate Control", in "Journal of Political Economy", no. 94, 1996, pp. 461-488.

<sup>13</sup> R.P. Rumelt, 1974, cit..

business areas. For what concerns the international activity of the firms, which in this analysis covers both traditional export and revenue generated by production in foreign countries, level of internationalization has been defined by the same principles as diversification and the companies have been again catalogued in four categories: home market oriented (HMO), if less than 10 per cent of the revenue is aggregated from the international activities, partly home market oriented (PHMO) if less than 50 per cent but more than 10 percent of the revenue is aggregated from the international activities, partly internationally oriented (PIO), if more than 50 per cent but less than 90 percent of the revenue is aggregated from the international activities, and internationally oriented (IO), if at least 90 per cent of the revenue is aggregated from the international activities. Is it important to stress that even if these turnover-based criteria have been considered as rigorously as possible for 1973 and 2002, again it was often not possible to access to reliable data for 1950, where the attribution of an enterprises to one or another category had depended really often on qualitative information gathered from balances sheets or descriptive sources on the firms' activity. The need to identify the categories of affiliation of each enterprise in the benchmark-years in Italy and Spain has asked for a wide analysis and consideration of sources both external - namely Stock Exchange yearbooks, newspapers, journals, histories and cases of enterprise, monographic publications on single firms and biographies of entrepreneurs and managers -, and internal to the corporations - as to say annual reports, managerial reports to the shareholders, commemorative publications generally published for particular anniversaries of the firms foundation and, for the most recent years, internet websites.

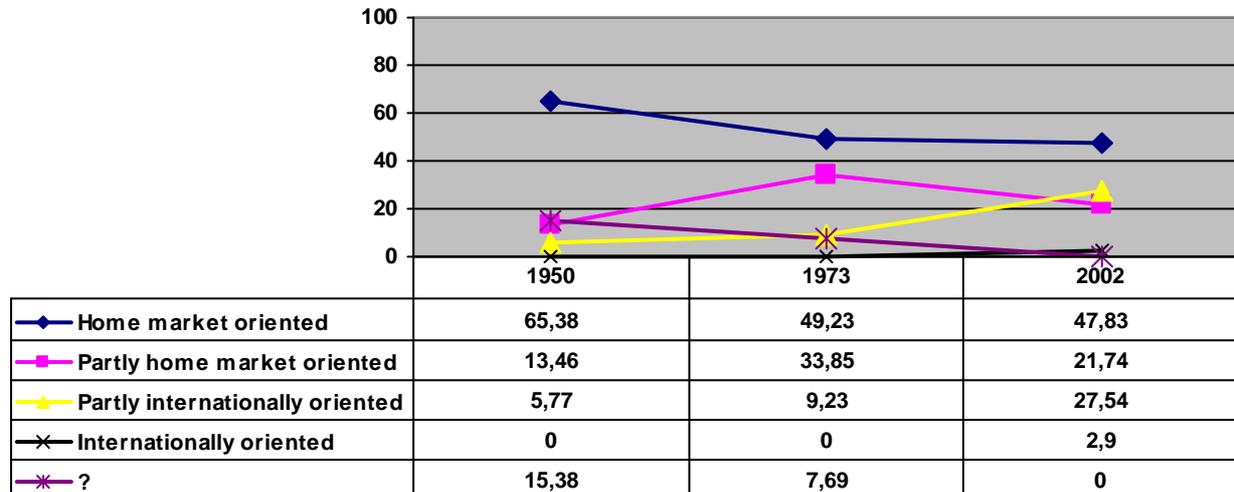
### **3. The diffusion of the internationalization strategy in Italy and in Spain**

The empirical evidence gathered in the three benchmark-years, proves that a consistent diffusion and affirmation of the internationalization strategy during the second half of the Twentieth century, as it could be expected, concerned the largest corporations both in Italy and in Spain but with different paths and speed during the second half of the last century.

For what concerns the Italian case (figure 1) it is possible to notice a substantial decline of the "home market oriented" strategy which decreased from 65,38 to 49,23 to 47,83 per cent respectively in 1950, 1973 and 2002 to the advantage of more foreign-oriented strategies. In 1950 the country was in fact still strongly concentrated inside its own borders, the majority of the production of the largest enterprises in Italy was directed to the domestic market, and only few enterprises of the sample had decided to establish foreign subsidiaries. The internationalization strategy was obviously not unknown to the Italian firms, and the sector which had been more

involved by the precocious formation of multinationals was probably the traditional food and beverage ones.

**Figure 1 - Diffusion of the strategy of internationalization among the 100 largest enterprises in Italy, 1950-2002**



Giovanni Federico and Pier Angelo Toninelli have for instance underlined that firms as Bertolli (olive oil and pecorino cheese), Perugina (sweets), Buitoni (pasta), Campari (liqueurs), Gancia (sparkling wines), Ferrarelle (mineral water) and Galbani (cheese) had been among the most illustrious representatives of this category, initially sustaining their own expansion on the foreign markets supplying the colonies of Italian emigrants and then quickly expanding to an ampler foreign clientele<sup>14</sup>. Nevertheless, the internationalization strategy very often was not adopted by the largest firms in Italy, and no one of the 100 major corporations in the country had decided to pursue a strategy of complete internationalization in 1950 while 65,38 per cent of the firms had totally focused their own production and distribution on the domestic market. This kind of strategic choice sound quite rational during a period when the increasing national income and the growth of the domestic demand allowed to the enterprises to get good results also working only in the Italian market. At the same time, there was not a complete lack of firms who had decided to pursue a strategy of only partial orientation towards the domestic market, and which had already started to export their products or to open new branches abroad: in 1950 sample 13 per cent of the firms adopted an only “partly home market oriented strategy”. From the information gathered up to now, only few firms - 6 per cent of the sample - have already in 1950 decided to orient their activity abroad for more than 50 per cent. For what concerns the years following the middle of the century,

<sup>14</sup> G. Federico and P.A. Toninelli, “Le strategie delle imprese dall’Unità al 1973”, in R. Giannetti and M. Vasta, *L’impresa italiana nel Novecento*, Il Mulino, Bologna, 2003, pp. 299-370.

Vera Zamagni has underlined that already during the 1950s the Italian level of exports had had a positive evolution and that during the 1950s and the 1960s, the integration to the European Economic Community and the general lowering of the duty on many products favored a more and more consistent opening of the Italian economy which at the same time was so active in the export activity to make some economists define that growth during the 1960s as an export-led growth<sup>15</sup>. Even if this thesis has been reconsidered during the following decade and it has been proven that the domestic market undoubtedly prevailed in comparison to the foreign one, it is in general certain that the firms - and in particular the largest ones - increased during this period their level of internationalization. The category “home market oriented” remained in fact preponderant for the whole period, but it decreased from 1950 from 65 to 49 per cent. At the same time the strategy of only partial orientation towards the domestic market significantly increased almost three times between 1950 and 1973: in 1973 34 per cent of the enterprises had already stuck to this strategic option. The spur towards the internationalization had many reasons and this strategy had been pursued in many different ways in every single case. Nevertheless only few firms had already decided in 1973 to pursue a “partly internationally oriented” strategy: only 9 per cent of the firms compared to 6 per cent in 1950. The empirical evidence gathered for 2002 sample confirms the trend of an increasing level of internationalization if compared to the early-1950s even if the rate of growth of the foreign orientation apparently decreased during the last decades of the century. Despite the fact that the globalization and the strengthening of the Europeanization process provided significant export and foreign investments opportunities to the corporations, the percentage of the big business completely oriented to the home market decreased of only 2 points from 1973 to 2002, getting to involve from 49 to 47 per cent of the sample. The main transformation which took place in this period has not therefore been an increase of the number of the internationalized enterprises but a substantial change of the intensity with which the enterprises that had decided to internationalize their activity had carried out this choice. While the enterprises belonging to the “partly home market oriented” category in fact decreased in the sample from 34 to 22 per cent, the “partly internationally oriented” one grew from 9 to 28 per cent and, for the first time, in 2002 some of the Italian firms belonging to the “internationally oriented” category were present in the sample.

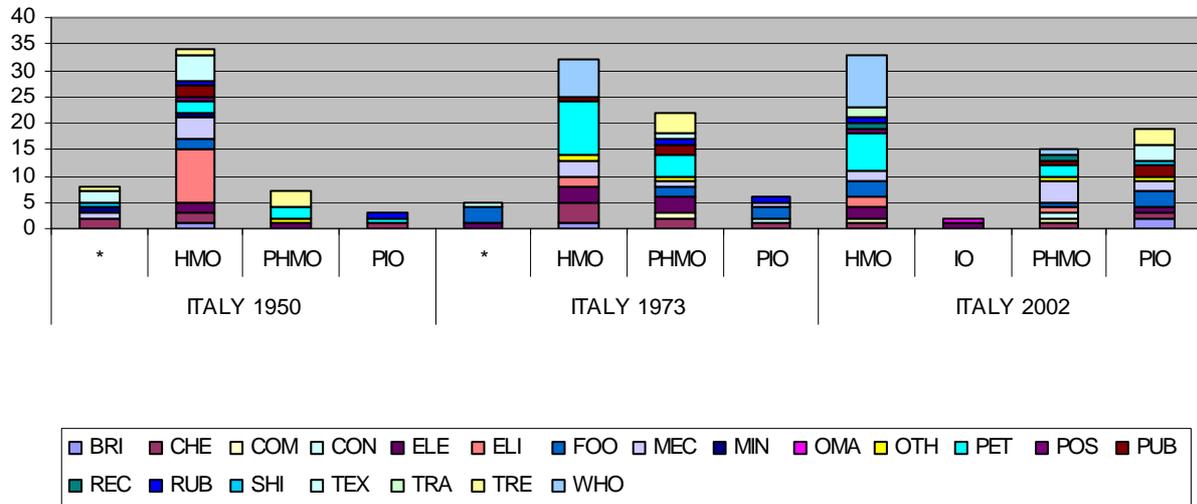
The information on the sectorial belonging of the largest companies catalogued in the different internationalization levels identify in the Italian case few definite correlations which allow to identify a major predisposition to export or to produce abroad by one or another sector in the three

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<sup>15</sup> V. Zamagni, *Dalla Periferia al Centro - La seconda rinascita economica dell'Italia (1861-1990)*, Il Mulino, Bologna, 1991.

benchmark-years, where many sectors are equally represented in all the periods in the most internationalized strategies (figure 2).

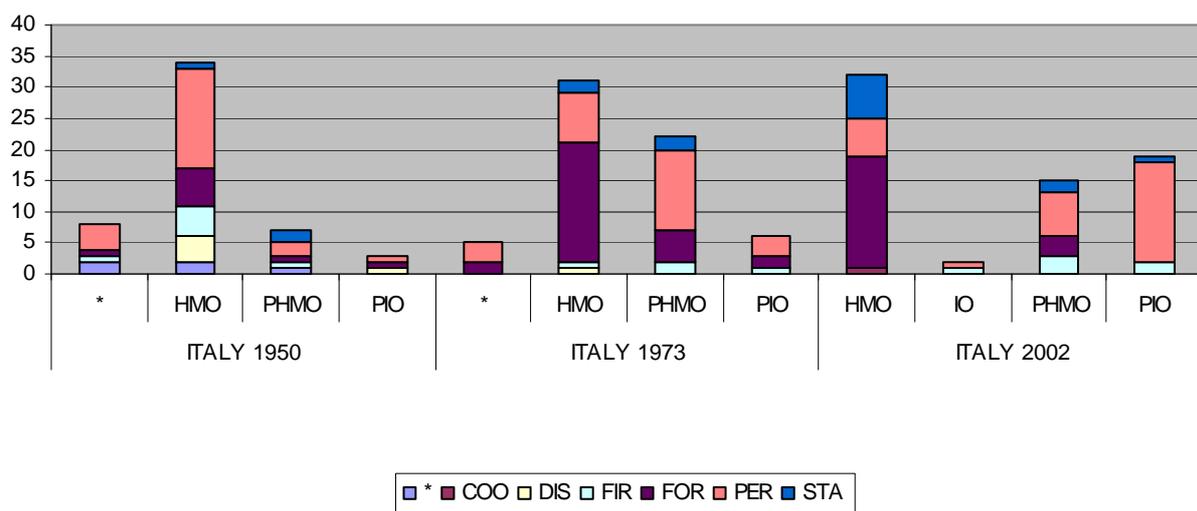
**Figure 2 - Sectorial distribution and strategy of internationalization of the 100 largest enterprises in Italy, 1950-2002<sup>16</sup>**



The only sound result provided by the graph concerns the propensity of some specific sectors to focus only on the domestic market, as it happened particularly for the electric sector in 1950, and for the oil and trade areas both in 1973 and in 2002.

A more precise conclusion can instead be drawn observing the tendency of the different types of enterprises' owners to adopt a strategy of stronger internationalization (figure 3).

**Figure 3 - Ownership and internationalization strategy of the 100 largest enterprises in Italy, 1950-2002**

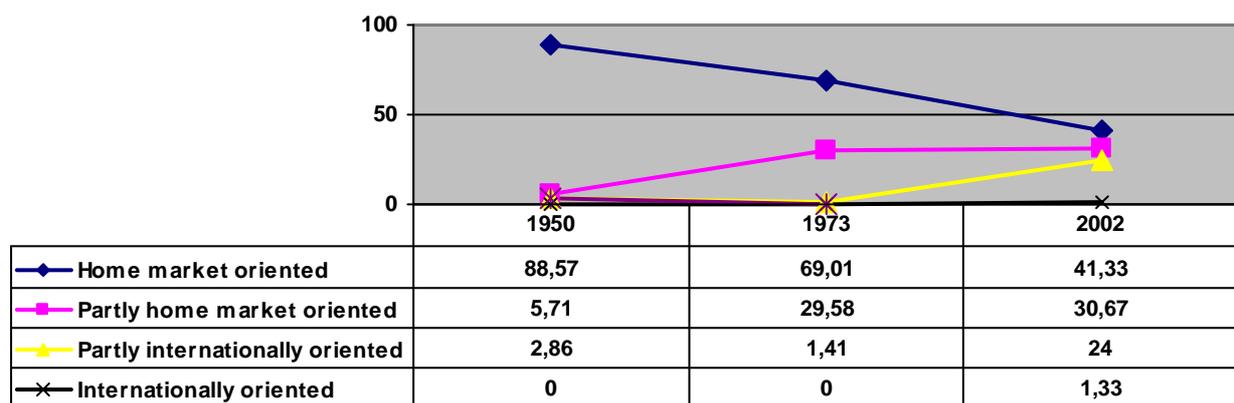


<sup>16</sup> Key: BRI brick, pottery, glass and cement; CHE chemicals and pharmaceuticals; COM computer and related activity; CON construction; ELE electrical and instrument engineering; ELI electricity, gas and water supply; FOO food, drink and tobacco; MEC mechanical engineering and metals; MIN mining and extraction; OMA other manufacturing activity; OTH other; PET petroleum; POS post and telecommunications; PUB publishing, paper and printing; REC recreational, cultural and sporting activities; RUB rubber and plastics; SHI shipbuilding; TEX textiles and clothing; TRA transport; TRE transportation equipment; WHO wholesale and retail trade.

The information gathered in the graph underline, for instance, that the foreign investors, as we could expect, had in every benchmark had a strong inclination to direct their own activity only on the Italian domestic market, proving to had low levels of internationalization. On the other hand the families, that have represented for the whole period the type of owner more diffused inside the country, have moved their attention from a stronger focus on the national market in 1950 towards a more massive adoption of the only “partly home market oriented” strategy in 1973 and later of the “partly internationally oriented” strategy in 2002. The attitude of the other categories of shareholders to pursue a specific kind of internationalization strategy have been more uncertain in Italy during the whole period.

The transition from a domestic market orientation to a diffusion of the internationalization strategy took place in Spain later than in Italy, but with a more intense speed, mainly in the last two decades (figure 4).

**Figure 4 - Diffusion of the strategy of internationalization among the 100 largest enterprises in Spain, 1950-2002**



For what concerns the benchmark-year 1950, it is possible to affirm that the strategy of internationalization was substantially unknown among the largest enterprises of the country, where the choice to focus on their own production on the only domestic market was absolutely dominant and also overcame substantially the high frequency with which this choice was taken by the main Italian firms. At the mid of the century, as a matter of fact, 88 per cent of the largest corporations in Spain practically did not have any export activity nor had established subsidiaries in foreign countries. As it has above affirmed, the explanation to this phenomenon could be related to the strong degree of isolation of the Spanish economy at least up to the early-1960s. The economic autarchic policies pursued by Francisco Franco constituted in practice a series of controls on the currencies and of protectionist actions such as the curtailment of imports and high duties which

made the Allies decide for an embargo which lasted up to the late-1940s. Far away from the Italian situation, Spain could not export abroad the products of its industrial firms which besides were in that period extremely small, significantly less productive than the American and European competitors and which could dispose of a very few valuable products to export. Moreover, the enterprise would have had a very low spurt to export because their low level of production could be completely acquired by the also low level of national demand in that period, which could not buy anything abroad. As it regards the direct investments only few Spanish enterprises invested abroad during the 1940s and it did mainly occurred in projects related to mining and to constructions, especially in Morocco and in some Latin American nations. In 1950 sample consequently only few enterprises had pursued a strategy only partly oriented to the domestic market and it existed only one firm partially oriented to the foreign market. The picture taken by 1973 sample is moderately different, and it is possible to note in the graph that even if Spain had not been able to exploit the opportunities favored by the integration to the European Economic Community as it had happened in the Italian case, the policies of economic opening of the 1960s and the growth of the country had favored an increasing internationalization of the largest companies. Even though the large majority of the enterprises remained still entirely directed on the domestic market, it could be observed that strategies of internationalization had begun to spread. The strategy of complete orientation towards the national market remained the most adopted by the largest corporations in Spain even though with a substantial reduction in comparison to the previous period: its weight on the total of the sample big business had gone in fact from 88 to 69 per cent. The “partly home market oriented” strategy was the category that had grown more during the 1950s and 1960s, and it spread from 6 to 30 per cent of the sample. The interest for the exports and for the foreign markets was in fact meaningfully grown in this period, as it also had been shown by the documentation of Spanish firms which at that time used to underline more and more their consistent foreign activity mainly in the case of some “national champions”. Nevertheless, the activity of export or foreign production remained still quite low both for what concerned the intensity of the products and investments flows abroad and the number of companies that decided to pursue an internationalization strategy. The result is that, just as in the previous benchmark-year, the strategies of partial or total orientation to the foreign activity was still really marginal: no firms were catalogued in the “internationally oriented” category and only few enterprises in the “partly internationally oriented” one. Compared to 1973, the main change of 2002 benchmark is the leaving of the domestic market as the only reference by a major percentage of the largest enterprises in Spain. This stronger attitude in investing abroad can at least in part been explained by the fact that, after the late 1980s and the integration of Spain into the EEC, increasing international competition on the domestic Spanish

market caused several problems for many of the large national firms. Some of the most important enterprises were sold to foreign multinationals, and many of the largest firms that survived, concentrated mainly in some still protected non-manufacturing sectors, decided to invest in foreign countries in order to grow and also to be able to face increasing competition in the domestic market. The trend to internationalize their activity has been quite common to the largest corporations of many European nations which in this period chose often to direct their flows of capital and exports towards other European countries<sup>17</sup>. The Spanish case is unique in having directed its foreign investments and exports towards Europe but also – and in some periods especially – towards Latin American countries<sup>18</sup>. Beginning from the 1990s, with waves of privatizations, liberalizations and mergers, it seems that the choice of pursuing an internationalization strategy – at the beginning mainly oriented towards Latin America – has represented a first fundamental step of resources accumulation for some companies, which later made it possible to grow through a product-related diversification strategy. Nevertheless, mainly because of the domestic market dimensions, the internationally oriented strategy was rarely chosen by the largest firms in the country. The result of this internationalization process of the major enterprises is evident in 2002, when the largest enterprises exclusively oriented to the domestic market decreased from 69 to 41 per cent. The number of companies only partially oriented to the domestic area had not radically changed during these decades, slowly growing from 30 to 31 per cent. What mainly differentiate 2002 sample from 1973 one is the emerging of a wide set of enterprises partially aimed at the international market - 24 per cent of the sample respect 1 per cent of 1973. Considered that Spanish national market is relatively ample, it was still difficult to find enterprises which had decided to completely internationalize their activity also in 2002.

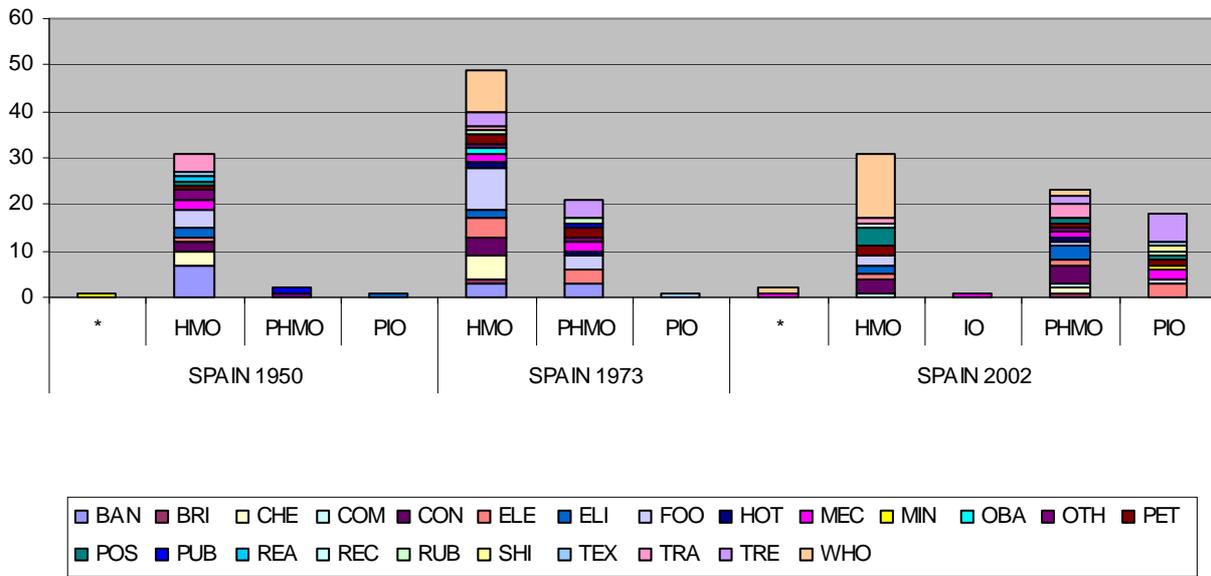
For what concerns the sectorial distribution of the firms mainly oriented to foreign markets, the Spanish case is not clearer than the Italian one (figure 5). The empirical evidence in fact underscores only a constant and consistent tendency of the food and beverage sector in 1950 and 1973 and of the wholesale and retail trade one in 1973 and 2002 to remain exclusively oriented to the domestic market. Nevertheless also in this case, when strategies of stronger internationalization started to spread in the last two benchmarks, they have been widely adopted by an ample variety of sectors. In the case of the enterprises belonging to the “partly home market oriented” and “partly internationally oriented” is only possible to note a major inclination to export or produce abroad by the transportation equipment firms - particularly the car producers.

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<sup>17</sup> N. Fligstein and F. Merand, “Globalization or Europeanization? Evidence on the European Economy since 1980”, *Acta Sociologica* 45, 2002, pp. 7–22.

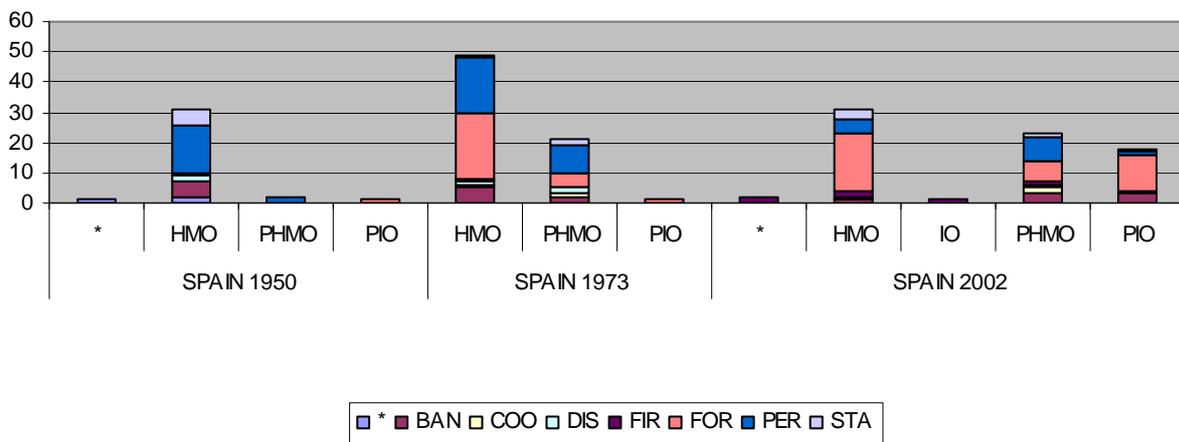
<sup>18</sup> M. Guillén, *The Rise of Spanish Multinationals*, Cambridge University Press, Cambridge (Mass.), 2005.

**Figure 5 - Sectorial distribution and internationalization strategy of the 100 largest enterprises in Spain, 1950-2002**



Curiously, the propensity of the different types of shareholders to pursue strategies of internationalization is quite different if compared to the Italian one (figure 6).

**Figure 6 - Ownership and internationalization strategy of the 100 largest enterprises in Spain, 1950-2002**

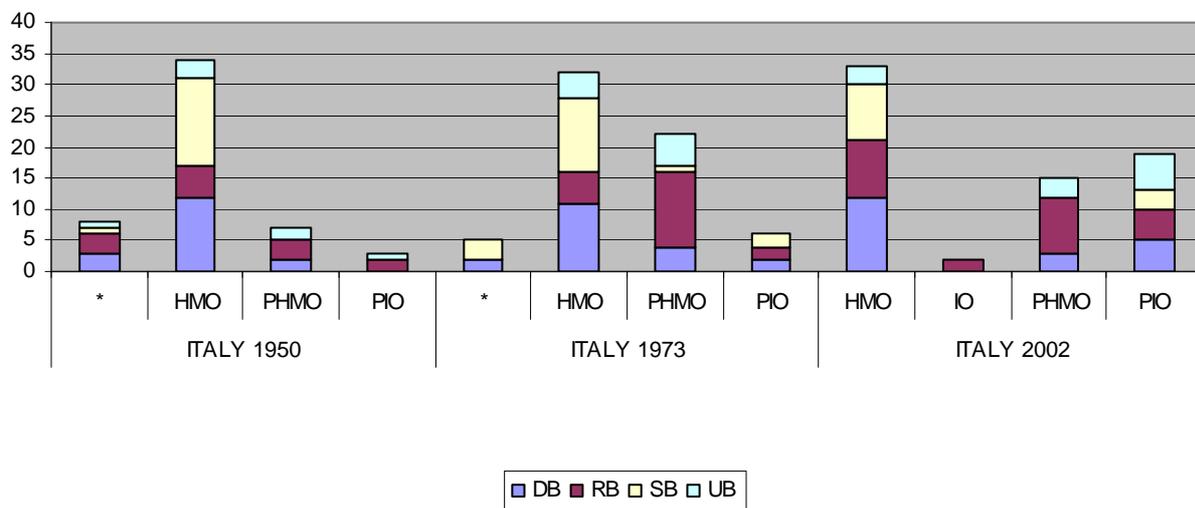


If the families which owned the largest Spanish corporations progressively moved their own interest towards the foreign countries, as it had occurred also in the Italian case, the attitude of the multinational subsidiaries has been quite different in this two countries and in Spain the foreign companies decided often not to focus on the only domestic market - as they did in Italy - but also to use Spain as an important base for exports, particularly in the car production sector. Even if multinational enterprises are present also in the “home market oriented” category, in fact, in 1973 and even more in 2002 it is possible to notice that many foreign companies belonged to the “partly home market oriented” category and that the multinationals were the most inclined to adopt a “partly internationally oriented” strategy.

#### 4. Diversification, internationalization and the transformations of big business strategies

In the light of the consideration effected above, it is finally interesting to reflect on the relationship between the diffusion of the internationalization strategy and the presence of the type of strategy that up to now has mainly been studied and that has frequently been identified as the main engine of the growth of the large corporations in the most advanced nations: the product diversification. The Italian case (figure 7) shows as in every benchmark-year the firms focused on a single or few product areas have been predominantly oriented to the only domestic market while it did exist a constant and positive correlation between the only partial orientation towards the domestic market and the adoption of the product-related diversification strategy.

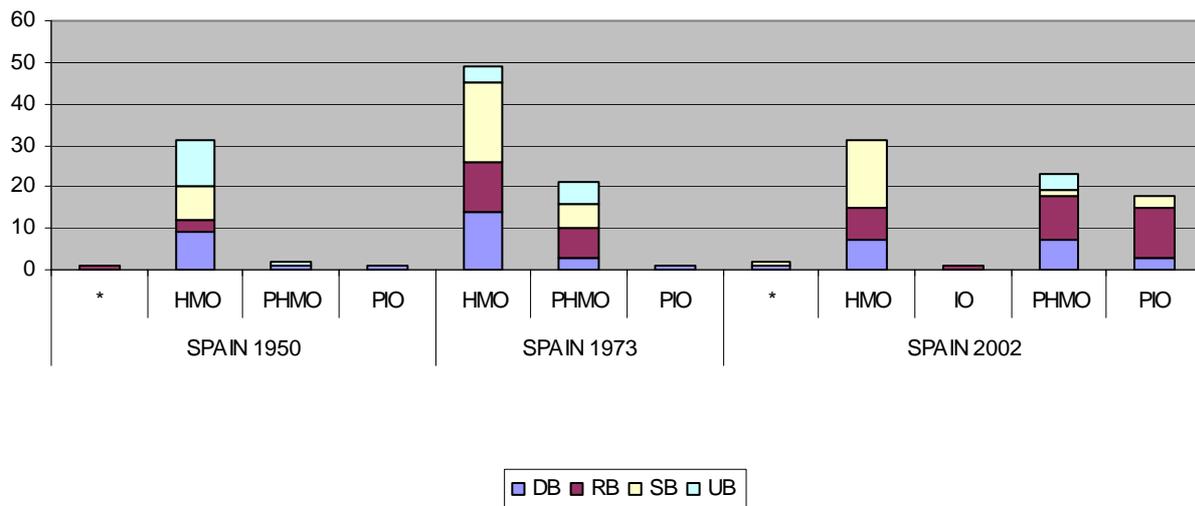
Figure 7 - Diversification and internationalization in Italy, 1950-2002



On the other hand, it does not result really clear the attitude of the enterprises belonging to one or another type of diversification in pursuing strategies of more intense internationalization. Particularly in 1973, but even more in 2002, it results in fact quite evident that the more internationalized enterprises were fairly divided among the firms' categories "single business", "dominant business", "related diversification" and "unrelated diversification".

The Spanish relationship between the two kinds of strategies has been similar to the Italian one but with some partial differences (figure 8). While it is impossible to draw conclusions on this topic in 1950 because of the lack of international enterprises in Spain, from the more recent samples a substantial and strong relation between the low level of diversification of a firm and its inclination in pursuing a totally home market oriented strategy emerges quite clearly and on the contrary high levels of internationalization have been very often connected to high levels of diversification in 1973 and even more in 2002.

**Figure 8 - Diversification and internationalization in Spain, 1950-2002**



To sum up it is important to note that, both in Italy and Spain, diversification and internationalization have not been considered alternative strategies by the corporations: the more internationalized companies have often also been the more diversified.

The empirical evidence gathered up to now is still at an initial stage of analysis and does not allow to draw general and consistent conclusions on the dynamics and characteristics of the process of internationalization which will require to go deeper in every single point considered in this paper, to study some specific business case and probably to pay more attention to the specific time periods when the most important transformations concretely took place in both countries in order to understand in a more detailed way what has been behind the choice of the largest corporations in these two nations during these decades. Nevertheless, the data presented in this paper provide information enough to make at least one specific reflection on the general issue of entrepreneurial strategies during the second half of the Twentieth century and of the importance of paying attention to the increasing adoption of internationalization strategy by big business. While it has been proved by various analyses that, despite the increasing process of globalization, the kind of ownership and corporate governance, the financial systems<sup>19</sup>, the diversification strategies and the organizational structures<sup>20</sup> pursued by the largest corporations have remained quite different and have followed divergent patterns in the different national contexts during the last century, the information gathered in this paper and some other analysis on this topic<sup>21</sup> seem to represent a first confirmation that it could be maybe possible to find a convergence path among many countries at least about one

<sup>19</sup> See for instance R. Whitley and P.H. Kristensen, *The Changing European Firm - Limits to convergence*, Routledge, London, 1996; and R. Whittington and M. Mayer, 2000, cit..

<sup>20</sup> See for instance C. Markides, 1995, cit.; V. Binda and M. Iversen, 2007, cit.; and M. Guillén, *The limits of convergence - Globalisation and organizational change in Argentina, South Korea and Spain*, Princeton University Press, Princeton, 2001.

<sup>21</sup> V. Binda and M. Iversen, 2007, cit..

specific kind of entrepreneurial behaviour in the recent history - namely the progressive adoption of the internationalization strategy. The choice to leave the domestic market and diversify geographically their own activity led by the new opportunities favored by a more integrated world seems in fact to have been very common and to have been increasingly adopted by the largest companies in the last decades both in the most advanced nations and in the more recently industrialized countries, and both in the largest and in the smallest nations at least in Europe. Following this consideration, one of the next steps of the research could be also to add new empirical evidence on the diffusion of the internationalization strategy in other countries and to test if, due to the rising importance of trans-national trade and FDI in the most recent decades, it could be empirically sustained that just as diversification was a key pattern for corporate growth in the 1960s and 1970s, internationalization could have become a key pattern for growth in the 1980s and 1990s also in some late-comers countries as for instance the Southern European ones.

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