

When geography matters: International diversification and firm performance of Spanish multinationals

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This paper studies how the nature and shape of the relationship between international diversification (ID) and performance (P) may vary according to a firm's geographical focus of internationalization. Using a sample of Spanish multinational firms for the 2004-2012 period we find an M-shaped relationship. However, significant differences are found when the different geographical foci of internationalization are considered. Strong support is found when firms adopt a regional focus (an inverted S-curve when the ID measure refers to the number of foreign countries and an M-curve when it refers to the size of the network of foreign subsidiaries), a biregional focus (an S-curve) and a semiglobal focus (an inverted S-curve but also an M-curve with foreign subsidiaries). These findings and their pattern suggest the critical importance of the country of origin and the geographical focus of internationalization in explaining the relationship between ID-P. © 2018

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Firm performance

Geographical focus

International diversification

M-curve

Multinational firms

Spain