DMEs vs MNEs in South Mediterranean European countries: performance, internationalisation and a location's competitiveness

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ABSTRACT

This paper analyses determinants of profitability differences between subsidiaries of Multinational Enterprises (MNEs) and Domestic Enterprises (DMEs) in the tourism industry, using firm level data. Traditionally, tourism was placed second as a priority in the agenda of investors, policy makers, and academics. Previous studies have attempted to explain destination and/or firm strategic positions by focusing on (mostly demand side factors) prices, exchange rates, qualitative and other institutional factors. Supply side factors and in particular company strategy contact and performance have not been taking explicitly into consideration. However, important pioneer research has been done regarding the globalization of the service sector and the hotel industry. To continue this important stream of research this paper examines the significance of MNEs in the Hotels sector in France, Greece, Italy, Portugal and Spain.

Key words: South Mediterranean Europe, Tourism industry, Hotel sector, Multinational Enterprise Subsidiaries (MNES), Performance

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1. Introduction

Traditionally, tourism was placed second as a priority in the agenda of investors, policy makers, and academics. Nowadays, a significant reappraisal of its role in socioeconomic development is taking place, which values tourism as a source for earning export revenues, generating large numbers of jobs, promoting economic growth and a more services-oriented economy not only in developing but also in developed countries (UNCTAD, 2007).

Tourism is not an industry in the "classical sense" and the tourism product is complex and of a perishable nature (Archer, 1987). The tourism product is consumed at the place (destination country) and the time it is produced and it is based on social interaction between the supplier and the consumer, where its quality is mainly defined by this interaction.

International tourism is in a constant evolution in direct response to changes in both demand and supply factors (Anastassopoulos and Patsouratis, 2004). These changes affect countries' and companies' positions in the world markets including Multinational Enterprises (MNEs).

Tourism is today one of the most internationalized sectors of the world economy. The world tourism market has been substantially extended, adding considerably to the potential for further growth and at the same time bringing about greater competition between tourism countries. (OECD, 2005).

According to World Tourism Organization (WTO), the European Union (EU) numbered six Member States among the top 10 countries in the world welcoming the largest number of international tourist arrivals. Within the EU, receipts from international tourism in 2004 were highest in Spain, France, and Italy, followed by Greece and Portugal (mainly Mediterranean destinations). Mediterranean is considered to be the most popular destination worldwide (Briguglio & Vella, 1995). The most important feature of the Mediterranean tourism is the diffused sea – side installation. The tourist resources of the Mediterranean countries succeeded in attracting the international tourism. These elements give originality and iniquity to the territory of the Mediterranean area. (Amico and Giudice, 2006) It is one of the regions that offer a wide variety to its tourists. From traditional sun and sand destinations (like Spain, Turkey and Tunisia) to those with a high cultural or heritage-based component (in particular France and Italy), the Mediterranean's coastal areas are mainly visited for holiday and leisure purposes, although other incentives are gradually gaining ground, as is also occurring at a world level, such as travel for health purposes or professional and business reasons (Manera and Taberner, 2006).

The hotel and restaurant sector – which mainly covers hotels, restaurants, cafés and bars, camping grounds, canteens and catering – has witnessed tremendous development in these countries (Eurostat, 2004). In particular Spain, Greece and Italy experienced the highest specialization compared with the EU average. France experienced specialization equal to the EU average and Portugal below average (Anastassopoulos and Patsouratis, 2004). Hotels (NACE 55.1), although classified in the service sector, are characterised by certain distinctive features, that differentiate them from other service industries (Dimou et al, 2003). The hotel industry is capital intensive, contrary to other parts of the service sector, such as advertising and consulting. FDI in tourism is relatively low, compared to other globalized service activities and compared to domestic investment. However, FDI exists in only a small number of the many diverse activities that comprise what could be called the "international tourism economy" which are mainly found in hotels (UNCTAD, 2007, p.xii). Non-equity arrangements (i.e. franchising and management service contracts) account for 65.5% of foreign operation properties in the world as a whole (Contractor and Kundu, 1998).

Previous studies have attempted to explain destination and/or firm strategic positions by focusing on (mostly demand side factors) prices, exchange rates, qualitative and other institutional factors. Supply side factors and in particular company strategy contact and performance have not been taking explicitly into consideration. However, important pioneer research has been done regarding the globalization of the service sector and the hotel industry (Dunning and McQueen 1981, 1982; Boddewyn et al., 1986; Li and Guisinger, 1992; Dunning and Kundu, 1995; Constractor and Kundu, 1995).

To continue this important stream of research this paper examines the significance of MNEs in the Hotels Sector in France, Italy, Spain, Greece and Portugal and the determinants of profitability differences between subsidiaries of Multinational Enterprises (MNEs) and Domestic Enterprises (DMEs) in the tourism industry using firm level data.

The rest of the study is organised as follows: Next section provides a thorough literature review on the investigation of tourism destinations' competitiveness and international business. Section 3 presents the current picture of the global tourism industry, whilst section 4 focuses on the discussion of the five South Mediterranean European countries and their competitive positions. Section 5 presents the conceptual framework and our hypotheses, section 6 describes the data and sample and section 7 presents some preliminary empirical results. Finally, section 8 concludes the paper by offering future research avenues.

2. Literature Review

The hotel industry is often perceived as one of the most 'global' in the service sector (Mace, 1995; Litteljohn, 1997). Although tourism is often referred to as "the world's largest industry", according to OECD (2000) it is not one industry but it is rather composed of a number of related and inter-related service sectors that do not fit neatly into the standard criteria for national accounts. The tourism industry is one of the largest single employers and in many countries it is the largest services exporting sector, making a significant contribution to the balance of payments in different countries. The World Tourism Organization estimates that global tourism led to the creation of approximately 192.2 million jobs in 1995 growing to 251.6 million jobs today (WTO, 1996). Furthermore, in 1995 almost 570 million people travelled abroad for tourism reasons and spent 373 billion US $, which accounts for 1.5% of the world GNP (Py, 1996). More generally, from being a sign of social status only for the rich up to the 1940s, international tourism has become a mass activity in the post-war years. Among the factors which contributed significantly to its growth, one may stress the importance of shorter working hours, greater individual prosperity, faster and less expensive travel, simpler bureaucratic procedures at borders, the internationalization of markets and the impact of advanced technology (WTO, 1995). As tourists travel to new destinations, they demand not only attractions, but also goods and services that the local residents may not demand. Hotels fill this gap in supply by providing accommodation services, but also hospitality and other services including laundry, swimming pools, and conference facilities (C. Chen, K.T. Soo, 2007). Within this context the international literature strives to address different issues adopting usually a single discipline perspective, based on the author's interests and background. This leads to a plethora of approaches, such as: finance, e.g. Phillips, and Sipahioglu (2004), D. Harrington and G. Akehurst (1996), M.J. Alvarez Gil, J. B. Jimenez, J.J.C. Lorente (2001) economics, e.g. Chen and Dimou (2005) and international business, e.g. Quer, Claver and Andreu (2007). This paper offers an alternative multidisciplinary approach, by integrating two distinct literature streams, i.e. tourism and hospitality and international business. Our investigation is related to the multinational subsidiaries' performance and the competitiveness of locations. Earlier studies have attempted to identify the main aspects of internationalisation in the tourism sector (Dunning and Kundu, 1995;Dunning and McQueen, 1982;Johnson and Vanetti, 2005). Other studies have also investigated expansion strategies of international hotel firms (Chen and Dimou, 2005). Also, there are studies that investigated the various motives for foreign investment in tourism (Dwyer, Forsyth, 1994). Finally, there are studies that have attempted to explore multinationals' entry modes or multinationals' emergence from different countries (Melian-Gonzalez and Garcia-Falcon, 2003; Rodriguez, 2002; Williams and Balaz, 2002; Zhao and Olsen, 1997). This literature is of crucial importance to managers and policy makers as both have to address a dynamically changing industry.

2.1 Implications for MNEs

The above mentioned changes i.e. structural changes that affect the global hotel industry and destination competitiveness shifts of countries, have important implications for MNE activity located in these countries. In particular:

2.1.1 The pressure for occupancy

Hotel occupancy rates continue to dominate the thinking of strategic managers in global hospitality industry. In that case, hospitality strategists are increasingly exploring possibilities for developing competitive edge and it could be argued that as business travelers and tourists widen their expectations of the hospitality experience, aspects of accommodation and services, not hitherto considered important, might receive attention as offering value to the normal hotel package (Roberts and Chan, 2000). It is expected that factors such as the market size of the destination, seasonality factors, as well as the location of tourism resources and distances between tourist attractions influence the levels of occupancy in hotels. Most hotels maintain occupancy records in order to provide a data source that can be used for monitoring hotel performance across the full range of hotel types within the industry (Jeffreyi and Barden, 2001).

2.1.2 Consumption coincides with production

Tourism product as part of the service sector has many differences from other products. International activities in a service firm tends to rely more on specific and individual knowledge, while a goods producing firm relies more on general and hardware knowledge (Bjorkman; Kock, 1997).

In an international environment these characteristics may impact on a service firm in several ways (Edvinsson, 1982): as services are closely associated with employees who are embedded in their own cultural and social contexts, services are difficult to standardize and produce in the same way abroad as in the home market. As services cannot be stored or consumed later, a corporate presence in the destination is necessary. Hence, and although there are significant differences between different service industries (Erramilli, 1990; Segal-Horn, 1993), the range of operation modes tends to be somewhat more limited for service firms than for manufacturing firms (Bureau of Industry Economics, 1984; Welch and Luostarinen, 1993).

Internationalization of service firms usually follows some of the following patterns. First, a hotel chain can operate as strategic asset seeking, usually by acquiring the assets of foreign corporations, to promote their long – term strategic objectives – especially that of sustaining or advancing their international competitiveness. Thus a MNE may acquire a foreign company in order to obtain its knowledge of the market, its existing market power, managerial expertise and other organizational capabilities. This pattern can be viewed as consistent with, or at least not conflicting with the (Uppsala) Internationalization Process Model. As pointed out by Johanson and Vahlne (1990), through its relationships with other firms that have already entered a foreign market, a company may draw on the market knowledge that these firms possess. An initiative taken by an existing business partner may also reduce the uncertainty that decision makers feel when considering whether to enter a foreign market. These issues are closely related to the basic assumptions of the Internationalization Process Model (see Johanson and Vahlne, 1990).

Second, hotels internationalize as a reaction to a competing hotel's actions (Engwall and Wallenstal, 1988; Li, 1994). The oligopolistic reaction theory presumes that this behavior can be interpreted as risk minimization employed by firms that attempt to reduce the perceived competitive threats of other members of oligopolistic industries (Knickerbocker, 1973). This should be applicable to Mediterranean competitive tourist destinations.

Third, hotels engaging in international activities can be “market seekers” (Erramilli, 1990; Erramilli and Rao, 1993). After gaining experience and financial resources in the domestic market they may decide to penetrate foreign markets for the purpose of serving foreign customers. Market seeking can also take the form of locating in specific geographical areas. Hotel multinationals operate as market seekers trying to expand in competitive destinations with important tourist attractions or heritage or culture, etc. The benefits are often access to capital (Engwall and Wallenstål, 1988). To the extent that market seeking internationalization is based on rational decision making, the process may be consistent with the internalization theory. Edvinsson et al. (1992) claim that service firms use a model consisting of four stages in their internationalization. In the prospecting stage the service firm searches for new customers and establishes relationships. In the second stage the service firm tries to organize more systematically the activities abroad. The firm is, however, still looking for a suitable operation mode. In the third stage the service firm aims at consolidating its international operations in order to defend obtained positions in foreign business networks. In the final stage the service firm’s international operations become more independent and the units abroad are integrated in accordance with the conditions of every single market.

In addition, non-equity forms of involvement, such as franchising and management service contracts, would emerge as an alternative to Foreign Direct Investments.

The localization decisions of hotels depend on its specific tourism-related assets (e.g. nature, culture), the extent of tourism demand for a specific destination which can also be boost by the presence of a TNC hotel. Responses to the UNCTAD survey indicated that demand from developed-country tourists is the single most important factor, although demand from developing countries is also increasingly important. Only a small number of hotels reported that government policies and incentives for FDI had been an important determinant in their location decision. However, respondents also said that economic size and growth rates were also important reasons for their choice of location, and this could be indirectly affected by government policies and incentives for FDI (UNCTAD, 2007).

2.1.3 Hotel services are substantially determined by quality

The subsidiaries of hotels multinationals have the need for differentiation and diversification of the services they offer. They want to offer as many services as possible and different from other services already offered.

As tourists travel to new tourist destinations, they demand not only tourist attractions, but also goods and services that the local residents may not demand. One industry which provides many of the services demanded by tourists is the hotel industry. Not only do hotels provide accommodation services, but they also provide food and beverages and other services including laundry, swimming pools, and conference facilities. (Chen and Soo, 2007). The Standard International Classification Of Tourism – Related Services (SITCA) of the World Tourism Organisation (WTO) identified 70 specific activities related to supplying tourism services, and an additional 70 activities at least partially concerned with them (WTO, 1998).

In this respect the multinational hotel industry enjoys competitive advantages as the increase of globalisation and the rapidly changing structure of tourism-related industries have opened avenues for new ways of participation in supply and distribution value chains and networks (Anastassopoulos, Filippaios and Phillips, 2008).

2.1.4 Different types of tourism going away from the traditional bed & breakfast service

In the hotel industry there is a shift from traditional business models services (sun and sand model) to experimental based models with the involvement of tourists to activities of the local destination.

In recent years special forms of tourism, offering travellers the opportunity to enrich their activities by attending specialized programmes such as therapeutic–spa tourism, religious tourism, ecological tourism, agrotourism etc, have been developing in Greece. Thus, the country is becoming a popular tourist destination not only for holidays of the "classical type" but also for people interested in alternative holidays who, apart from relaxing and sightseeing, wish to enjoy the unique experience offered by the country's nature and its "products", its religious culture and the specialised infrastructure of the Greek tourist industry.

2.1.5 Substantial diversity on market structure, from SMEs to large MNEs (Accor, Club Med, Hilton etc)

In the global tourism industry the key players include SMEs which form the core of the tourism industry; the MNEs which play a leading role in terms of structural changes and innovation, and the destination/location, a key component of the competition in tourism (OECD, 2005).

Tourism has developed a dual economic structure over the years. At destination level, SMEs offer tourism services such as accommodation, catering and leisure activities. Micro (bed&breakfast) -and small enterprises play a key role in terms of number of enterprises, number of employees and profit. The available figures indicate that SMEs in tourism are, on average, continuing to increase. (OECD, 2005)

In parallel, especially in source/origin countries, an international travel and tourism industry has gradually emerged as part of the globalisation process. The international travel and tourism industry is composed mainly of large companies that organise tourism to various destinations on an industrial basis. They offer standardised products, and develop global strategies that enable them to make the best use of the local potential worldwide. To a large extent, this part of the industry is based on innovation. Hotel chains that emerged from family firms, including the Hilton and Marriott empires, grew out of a desire to satisfy the needs of business travellers. (OECD, 2005)

The available statistics indicate that the number of large companies is relatively small in the tourism industry of the more developed tourism destinations. Sixty to ninety per cent of all enterprises in the hotel sector are micro companies, i.e. firms that employ less than 9 persons. The large companies, however, account for more than half of total turnover in the sector and for a significant proportion of employment. The large companies, which benefit from standardisation and economies of scale, are in a position to offer their clients more attractive services at very competitive prices. They are able to develop new tourism markets and offer new products. This helps them to increase the "customer value" and to reduce their production costs. (OECD, 2005)

2.1.6 Balance between the expectations of a customer for an international quality service and providing the local experience

MNEs have the capabilities to provide high quality services and also through their natural presence in competitive destinations they provide experimental services required by international tourists.

An important characteristic of an MNE is that it draws on a common pool of resources, including assets, patents, trademarks, information and human resources. Since the subsidiaries are all part of the same company, they have access to assets that are often not available to outsiders. (Rugman and Hodgetts, 2003)

Multinationals subsidiaries operate in market settings that are often very different from home markets, which require complex organizational and strategic arrangements to govern their operations (Luo and Park, 2001). Their performance depends on how well subsidiary operations are aligned with local environments given the actual global competition occurring at the business level in specific markets (Porter, 1986).

2.2 Competitiveness in the Global Tourism Industry

Competitiveness, on the other hand, has become the focus of considerable international debate, as policy makers are concerned with the enhancement of the micro-foundations of growth and prosperity (Porter, 2003). Tourist destinations are the central elements of the tourism system (Kozak, Rimmington, 1999) and competitiveness of tourist destinations is crucial, particularly for the countries which rely on travel and tourism for their economic development and growth as they are striving for a bigger market share of the world's tourism industry (Gooroochurn and Sugiyarto, 2005).

Competitiveness is generally defined as the ability of entrepreneurs to design, produce and market goods and services, the prices and non - price qualities of which form a more attractive package of benefits than those of competitors (IMD, 1994). Many researchers have worked on tourism competitiveness and there are several definitions of tourism competitiveness. Scott & Lodge (1985) stated that competitiveness is a multidimensional concept in a way that its competitiveness requires several aspects. They defined competitiveness as the ability of one country to create, produce, distribute and/or service products in a global market and economy and be able to make a profit. Spence & Hazard (1988) defined competitiveness as a complex concept due to a whole range of factors affecting it. It is, thus, both a relative and a multidimensional concept.

Destination competitiveness is defined as the ability of a destination to offer goods and services that are superior to those offered by other destinations (Chens, Sok, K. Sok, 2008). Dwyer et al. (2000a) stated that tourism competitiveness is a general concept that combines price differentials together with exchange rate movement, issues influencing and affecting the attractiveness of a destination and the productivity levels of different constituents of the tourist industry. From his perspective, therefore, competitiveness of a destination is defined as the ability of that destination to sustain its market position and share and/or to improve it through time (d'Hartserre, 2000), while competitive advantage of a destination refers to a destination's ability to use these resources effectively.

A tourist destination is considered an open system that as a whole determines an offer capable of attracting tourists. (Rodriguez-Diaz and Espino-Rodriguez, 2007).

Features of destinations can be classified under two main categories (Laws, 1995). Primary features include climate, ecology, culture and traditional architecture. Secondary destination features are those developments introduced specifically for tourism such as hotels, catering, transport and entertainment. These two main groups of features, together, contribute to the overall attractiveness of a tourist destination. McKercher (1999) and Farrell and Twining-Ward (2004) define tourism destinations as complex, adaptive systems in which numerous interrelations are generated in the environmental, human, natural, and economic areas. Selin and Chavez (1995) adopt a different perspective and define the dynamic and complex nature of tourism partnerships as a process in which organizations interrelate with the social, economic, and political powers.

The success of tourist destination can be appreciated by the measurement of tourism competitiveness (Crouch & Ritchie, 1994, 1999; Dwyer et al., 2000a; Go & Govers, 2000; Kozak & Rimmington, 1998, 1999; Mihalic, 2000; Ritchie & Crouch, 1993, 1995 ; De Keyser & Vanhove, 1994; Evans & Johnson, 1995; Hassan, 2000; Kozak, 2001; Sirše & Mihalič, 1999; Thomas & Long, 2000). Dwyer, Forsyth and Rao (2000a) state that tourism competitiveness is a general concept that encompasses price differentials coupled with exchange rate movements, productivity levels of various components of the tourist industry and qualitative factors affecting the attractiveness or otherwise of a destination' (Dwyer et al., 2000a: 9).

There are several models focusing on tourism competitiveness. Firstly, the studies of Haahti & Yavas (1983) and Kozak & Rimmington (1998, 1999) used survey data of perceptions and opinions of visitors such as friendliness of local citizens, shopping facilities, and so on to measure the competitiveness of one destination. Poon (1993) suggested four main principles: strongly sustaining environment; making tourism a leading sector; strengthening the distribution channels in the market; and building a dynamic private sector for the destinations to be competitive. De Keyser and Vanhove model (1994) argue that the analysis of a competitive position should take five groups of competitiveness factors into account: tourism policy, macro economic, supply, transport and demand factors. The model has been applied to the Caribbean area (De Keyser & Vanhove, 1994) and used in a competitiveness study of Slovenian tourism in 1998 (Sirše & Mihalič, 1999). Pearce (1997) pointed out destination evaluation techniques and methods that can systematically analyse and compare the diverse attributes of competing destinations within a planning concept. Go & Govers (1999) used seven attributes, namely facilities, accessibility, quality of service, overall affordability, location image, climate and environment and attractiveness to measure the destination's competitive position compared with others. They defined the integrated quality management of a tourism destination and price-based promotions as a value-increasing strategy. Dwyer et al. (1999, 2000a) used published data to measure the competitiveness of tourist destinations.

In a cohesive empirical approach, Kozak and Rimmington (1999) evaluated the quantitative and qualitative aspects of destination competitiveness. They classified quantitative factors as tourist numbers and tourism revenues while qualitative factors were considered factors such as tourists' likes and dislikes regarding the destination. According to their study, tourists make comparisons between quantitative and qualitative aspects of various destinations and make a choice between them. In their study they made a comparison between Mediterranean destinations and found that the friendliness of local people, value for money, safety and security, local transport, natural environment and food are some of the factors which were ranked as the most positive elements of the tourism industry in Turkey for example.

Other studies, like the one by Mihalic (2000), suggest that the environmental quality refers to the quality of the natural features of the destination that can, eventually, be deteriorated by human activities. Maintaining a high level of beautiful scenery, natural hydrologic structures, clean water, fresh air and species diversity is important for the competitiveness of differing destinations and thus a primary concern for destination authorities. Hassan (2000) went a step further and measured the market competitiveness by using four determinants: comparative advantage includes factors concerned with macro- and micro-environments that are important to market competitiveness); demand orientation (the ability of a destination to counter the change of market demand); industry structure; and environmental commitment.

One crucial point in all studies refers to the actual measurement of competitiveness. According to Dwyer et al. (2003), there is no single or unique unit of indicators that can exploit and apply to all destinations at all times. Generally, there are two kinds of variables used, objectively measured variables such as visitor numbers and market share, and subjectively measured variables such as image, climate, and so on. (C. Y. Chens, P. Sok, K. Sok, 2008) To this extent, Dwyer, Forsyth and Rao (2000) constructed indices of price competitiveness taking into account of both travel costs to and from 19 competing destinations whilst Ritchie and Crouch (2000) made an effort to create a model that measures destination competitiveness by combining the elements of tourism and industry competitiveness. They stated that a destination's competitiveness is a country's ability to create added value and thus increase the national wealth by managing assets and processes, attractiveness, aggressiveness and proximity, and there by integrating these relationships within an economic and social model that takes into account a destination's natural capital and its preservation for future generations. In their study they argue that competitiveness is deceptive without sustainability and that to be competitive the development of tourism in any destination must be sustainable. It cannot just be economically or ecologically sustainable, but it must be socially, culturally and politically sustainable as well. Following that, in 2003, they presented the Conceptual Model of Destination Competitiveness. It has five key determinants, namely destination policy, planning and development, destination management, core resources and attractors, and supporting factors and resources. It also points out the importance of the environment surrounding the destination: the global macro environment and the competitive micro environment. (Ritchie & Crouch, 2003).

Based on this model, Dwyer, Livaic, and Mellor (2003) created the Integrated model that included some variables identified by Ritchie and Crouch In their model they included factors such as Inherited Resources, Created Resources, Supporting Factors and Resources, Destination Management, Situational Conditions and Demand Conditions. (Dwyer, Livaic, & Mellor, 2003). The model has been empirically tested on the cases of Korea and Australia, in 2001, and in 2004 its methodology was applied to evaluate the tourism competitiveness of Slovenia.

From an empirical perspective, Dwyer & Kim (2003) used 131 indicators categorised into seven main sections, namely: endowed resource, created resources, supporting factors, destination management, situational conditions, demand factors and market performance indicators. Omerzel (2006) proposes a model using 85 indicators to measure tourism competitiveness classified under six main headings: inherited resources, created resources, supporting factors and resources, destination management, situational conditions and demand conditions. WTTC (2006) uses 23 indicators under eight main headings, namely: human tourism indicator, price indicator, infrastructure indicator, environment indicator, technology indicator, human resource indicator, openness indicator and social indicators, to measure the competitiveness of countries all around the world. Although the majority of the studies, discussed above, capture a tourist destination's competitiveness, the emphasis put on the characteristics of firms, domestic and multinationals, is almost non-existent. Multinational Corporations build on the competitiveness of a country and in most cases further reinforce it through transfer of technology, new managerial practices, training of local employees but primarily through building linkages with local partners, i.e. companies and research institutions. To this end, this is the main contribution of this paper. It bridges the two streams of the literature by adopting a corporate perspective and more specifically focusing on the behaviour of multinationals in the South Mediterranean European countries.

3. An Analysis of the Global Tourism Market

Four are the key characteristics that make the tourism industry and the multinationals that operate within an interesting case: First, the falling of the tourism expenditure at different destinations, second the signs of maturity in tourism demand in certain countries, third the shift in locations in the world tourism industry and finally the new consumer preferences. We will discuss these issues with a focus on recent literature additions that address one or a combination of the above factors.

3.1 Falling tourist expenditure in destinations

Over the last decade, there has been a clear downward trend in the length of stay at destinations (Alegre-Pou, 2003a). It has been also noted that the growth in tourist spending is not proportional to the increase in the number of visitors. Key reasons behind this is the greater frequency of international travel, a tourist preference for better quality holidays and finally, the existence of a price-effect that might encourage a reduction in the length of stay at a destination. It must also be noted here, that the last couple of decades, the number of international arrivals and the number of tourists are not necessarily related. Misleadingly, these two figures have always been regarded as synonymous. That is, visitors staying for over one night in a country were considered to be on a leisure or holiday trip and thus highly likely to consume goods and services. Over the last few years, however, there has been a significant drop in this kind of traveller, falling from 62% of all tourist arrivals in 1990 to 54% in 2001. On the other hand, there has been a sharp rise in the number of people travelling for business or professional motives or for family or health purposes, who are included in the international tourist arrivals category. These travellers rose from 29% in 1990 to 43% in 2001. In a world that is increasingly globalized, the upturn in this kind of traveller is logical.

3.2 Signs of maturity in the tourism demand of certain countries

Studies on the behaviour of tourism (European Commission, 1998; Alegre-Pou, 2003a; Vellas, 2004) indicate a possible slowdown in the percentage of the population who travel abroad in the developed countries. Representative examples of this trend are France and Great Britain. In both cases, the increase in the tourism demand can be attributed to a greater number of yearly trips by habitual travellers. Between 1990 and 2002 the world regions that experienced the biggest rise in the number of tourists were Asia and the Pacific, with an increase of 118% (passing from 60 million to over 131 million tourists), and the Middle East, with a rise of 100% (from 8 to 16 million tourists). Europe and America have seen a lower rise, with respective figures of 53% and 21%, from 363 to 525 million tourists.

3.3 A shift in world tourism destinations

In 2002, the world's top ten tourist destinations received 50% of all international visitors, who in turn accounted for over half the world's tourist expenditure (Ramón, 2002). Nine of these top ten destinations are either European countries or states in the United States. If we study, however, tourism economics from a historical perspective, Europe and America have substantially fallen in importance as destinations. In 1950, the two regions accounted for 97% of all world tourism, whereas by 2000 the percentage had dropped to 78% and, according to WTO forecasts, by 2020 it will have fallen still further to 64%. Asia and the Pacific, contrary, are at the other extreme, rising spectacularly in importance from 1% in 1950 to 17% in 2000, with a forecasted figure of 27% by 2020. The Middle East and Africa have followed a similar trend, doubling in importance as tourist destinations with further expected future success.

3.4 New consumer preferences

Based on the paradigm of the mature life-cycle stage of a tourist destination (Butler, 1980), the hypothetical emergence of a "new tourist" has been posed: one with more experience and a greater ecological awareness who shuns mass tourism (Poon, 1993). These tourists, classed as "post-Fordists" (Poon, 1993; Ioannides-Debagge, 1998; Ramón, 2002), have interests other than congested sun and sand resorts, and they therefore represent a serious threat for mass tourist destinations. This rapidly emerging demand is associated with alternative tourism activities such as agro-tourism, tourism related with culture and heritage, etc.

In France another new form of vacation can be observed - a mixture of holiday and work. When on business trips or seminars, people tend to prolong the stay at their destination, or even invite their spouse to spend the weekend with them. (Euromonitor, 2008)

In Greece, demand for emerging accommodation types, such as chalets and agro-tourism properties, will continue to increase in the future. The same will be true for accommodation establishments that are located close to big cities since demand for such properties is expected to be high all year round. (Euromonitor, 2008)

In Portugal, sustainable tourism, such as rural tourism, health and wellness and adventure, is becoming increasingly popular for weekend breaks. (Euromonitor, 2008)

4. The five South Mediterranean European countries

Mediterranean is considered to be the most popular destination worldwide (Briguglio & Vella, 1995). The most important feature of the Mediterranean tourism is the diffused seaside. These key elements give originality to the territory of the Mediterranean area and make it an incomparable destination. (Amico; Giudice, 2006). Tourism activities, in the area, range from traditional sun and sand destinations, like Spain, to those with a high cultural or heritage-based component, in particular France, Greece and Italy. Although the Mediterranean's coastal areas are mainly visited for holiday and leisure purposes, alternative tourism activities are gradually gaining ground, such as travel for health purposes or professional and business reasons (Manera; Taberner, 2006).

Within the global tourism industry, the Mediterranean countries represent the most important place visited by tourists with 237.5 millions of foreign arrivals which represents 34.4% of the world's total (Manera; Taberner, 2006). Projections for the area show that in 2010 the arrivals in the Mediterranean countries will increase by at least 2.8%.

In particular the Southern Mediterranean Europe performed quite well last year when one takes into consideration that the only global events that took place in the region were the Rugby World Cup in France and the Americas Cup in Valencia, Spain. On the other hand factors such as the weakening of US dollar, the increase in interest rates, the climate change, the increase of the oil price didn't seem to affect the performance of Southern Mediterranean Europe that was for year 2006 the "star performer" according to UNWTO.

It is therefore evident that Southern Mediterranean Europe is one of the most important sub-regions in the world and in Europe, in particular, regarding international tourist arrivals. It holds nearly 20 per cent of world share and more than a third of the overall regional volume. In 2004, destinations in Southern Mediterranean Europe received over 149 million arrivals, which represent a 2% growth over the 2003 figures. Among the mature destinations in the Euro-zone, Spain continues to perform rather positively (+3%), while arrivals declined acutely in Italy (-6%) and somewhat stagnated in Portugal (-0.8%) (WTO, 2005). Within this context the rest of this section will provide a description on the situation in the five countries of the Southern Mediterranean Europe under examination.

4.1 The case of France

Following the success of the World Cup in France during 1998, the French Government Tourist Office strived to maintain growth rates in all regions. Partnerships with Air France and Brittany Ferries set out to promote different aspects of French holidays from skiing, golf and special interest travel as well as the more traditional sun and sand holidays in coastal regions. This led to a transformation of the French tourism product. Indicative figures of this transformation are recent the tourism flows which place France in the 10th place globally with 79 million tourism arrivals in 2006, 90% of which came from European countries. The international tourism receipts were 42,910 mil US $ in 2006 (UNWTO, 2008). In the French case the tourism industry generates annual revenues of approximately 11% of the GDP. It is therefore obvious why France takes tourism really serious (WTTC, 2008).

And the success story of France keeps continuing with the Rugby World Cup on

2007 and many more events. The Rugby World Cup was the biggest sports event of the year. The special festivities organised around the 15th anniversary of Disneyland Paris particularly attracted families to the country's capital. The Louvre became France's second most important tourist attraction, partly thanks to the film The Da Vinci Code which inspired tourists from all over the world to discover one of the most spectacular locations of the film. However, the lack of innovation in tourism infrastructure were the most negative factors affecting the development of France's travel and tourism industry. (Euromonitor, 2008)

4.2 The case of Greece

The country is usually selected by international tourists solely as a place of recreation, whereas cultural and other qualitative elements are not the main incentives of tourist attractiveness (Patsouratis, Fragouli, and Anastassopoulos, 2005). This perception has resulted in a highly seasonal industry, focused primarily on the Islands, and largely dependent on low return package tours for its success (WWTC, 2005).

Greece, like France with the World Cup, seems to have benefited from the Olympic Game effect, especially from long-haul markets – the USA, for example, rose by some 30% in terms of arrivals. While unfortunate events like the forest fires in August 2007 received much media attention, they appear to have had little effect on tourism demand, although this cannot yet be substantiated by official statistics.

One of the top priorities for the Greek tourist authorities is the differentiation of its tourism offer from sun and sea holidays. In order to achieve this goal, the Ministry of Tourism is paying attention to the development of various forms of tourism, including eco-tourism, agricultural tourism and mountain tourism, cruises and yachting, conference and business tourism and city breaks. Currently, the Greek tourism industry is transforming its competitive positioning from a low cost recreational only location, to a location offering higher quality and value for money as well as specialised tourism activities. In addition to focusing on more affluent travellers, Greece is also trying to promote itself as a year round destination, rather than just a summer only destination.

(Euromonitor, 2008)

In 2007 the travel accommodation sector remained fairly stable in terms of volume, while value sales registered an increase, reaching EUR3 billion. All categories improved their performance in current value terms, with chained hotels registering the strongest growth in both volume and value terms. Moreover, every category recorded an increase in sales per outlet. (Euromonitor, 2008)

Hotel owners that respond to new trends by renovating their properties and entering into marketing consortia or international hotel chains will be able to offer a differentiated product of higher quality that will secure a competitive advantage over independent, old-fashioned properties. (Euromonitor, 2008)

Given that tourism generates annual revenues of around 15% of GDP, these efforts are being taken very seriously.

4.3 The case of Italy

Italy is another developed Southern Mediterranean European country with an important tourism sector. Tourism has always held an essential role in the Italian economy, as one of the country's major economic drivers, in terms of both receipts and employment. Italy has a wealth of tourism attractions, including heritage sites, seaside and other resorts and culinary traditions. Religious tourism is also an important factor that positively influences the industry. (Euromonitor, 2008) Although in the Italian case we do not observe the same transformational process as in the previous two cases, i.e. France and Greece, Italy has the last couple of years focused on high class tourists that can generate substantial revenues for local tourism and hospitality companies. Indicative of this are the recent tourism flows with Italy ranking 28th globally with 41 million tourism arrivals in 2006, of which 88% came from European countries. The international tourism receipts was 41,058 million $ in 2006 (UNWTO, 2008) and tourism generates annual revenues of around 10% of GDP (WTTC, 2008).

4.4 The case of Portugal

Portugal is another interesting example of a successful exploration of a big athletic event to further boost the tourism prospects of the country. A key policy followed targets the equal development of the country as a tourism destination. The Portuguese tourism authorities are monitoring tourism in the south of the country and disperse the economic benefits to other parts of the country. The north of the country is therefore, currently, subject to a major promotional campaign. It is noted that the north of Portugal is the location for many manor houses and cultural attractions, plus the fact that it is an important wine growing region. Golfing holidays are also linked to the north with new courses opening up. The Lisbon Expo '98, also, was a major force for tourism with a great deal of infrastructure built specifically for the event: the south of the country has therefore experienced massive promotion in the recent past. The promotion of the north is seen as a way of readdressing this balance. Indicative of this transformation are recent tourism flows with Portugal ranking 15th globally with 79 million tourism arrivals in 2006, 93% of which came from European countries. The international tourism receipts were 11,282 million US$ in 2006 (UNWTO, 2008) and that tourism generates annual revenues of approximately 15% of GDP (WTTC, 2008). The Portuguese tourism industry is very competitive and has a large workforce, around 11% of the total working population in 2006. (Euromonitor, 2008)

2007 was a record year for inbound visitors to Portugal. During the peak of the tourist season, occupancy rates registered levels of almost 100% in the Algarve and in Porto. Porto benefited from staging important world events in the summer, such as the Red Bull Air Race. Domestic tourism continued its significant increase, since the Portuguese still prefer to travel within their borders. (Euromonitor, 2008)

4.5 The case of Spain

Last but not least, Spain has well established itself as one of the most popular tourist destinations in the world, thanks to its Mediterranean location and features (Rodriguea, 2002). Tourism has played a leading role in the Spanish economy over the last 30 years. Apart from its well known contribution to the balance of payment, there are no doubts about tourism's key role in the generation of incomes and jobs. (E.F.

Sola, 1992). Tourism represent 9 % of Spain's gross domestic product, offering employment to 1.3 million people (Secretaria General de Turismo, *Libro Blanco de1 Turismo, Espaniol,* Madrid. Secretaria General de Turismo, 1990). Amongst the five countries under investigation, Spain is the most widely referenced success case regarding the expansion of tourism and the development of economic performance (Jimenez; Pulina, 2006). Spain has diversified its travel and tourism industry, and no longer focuses just on sandy beaches and sunny weather. Rural tourism in the countryside and city breaks are both trends reshaping the Spanish travel and tourism industry. (Euromonitor, 2008)

In 2001, Spain overtook the US as the second leading travel destination in the world. The country has rapidly narrowed the gap with France since then. However, 2007 witnessed Spain losing its second place to China. The Asian country saw the number of incoming tourists double since 2000. (Euromonitor, 2008) Currently, Spain is ranked 5th globally with 58 million tourism arrivals in 2006, 94% of which came from European countries. The international tourism receipts was 51,115 million US $ in 2006 (UNWTO, 2008) and in Spain, tourism generates annual revenues of around 18% of GDP (WTTC, 2008).

4.6 A comparative analysis of the five countries

In order to provide a comparison of the five countries we present data from the Travel and Tourism Competitiveness Index for 2007 in Table 1.

Insert Table 1 here.

According to the total competitiveness index, Spain and France are placed among the top 10, with Spain at the 5th and France at 10th place. Both countries benefit from their rich cultural resources, ranked 2nd and 4th worldwide respectively. Both have also built up excellent infrastructure: France's ground and air transport infrastructure are among the best in the world and Spain's tourism infrastructure is ranked 1st internationally. The Index shows that France's policy rules and regulations are more conducive to developing the sector than Spain's, while Spain's labour market makes finding qualified labor easier there than in France, which is ranked at a low 86th position on this pillar.

Greece is ranked 22nd overall, with rich cultural resources (ranked 16th), excellent health and hygiene (ranked 16th), and top-notch tourism infrastructure (9th). Greece is second to none in terms of the country's overall prioritization of Travel & Tourism. Further, there is a strong national affinity for tourism compared with many other European countries, including a generally open and positive attitude toward tourists (17th). The country's overall ranking is held back, however, by policy rules and regulations that are not entirely supportive of the sector's development (ranked 61st), with stringent rules governing FDI and foreign ownership restrictions as well as a long time and high costs involved in starting a new company. Another area of weakness is the country's ground transport infrastructure, which is less efficient than in many other European countries. The availability of qualified labor (ranked 62nd) is another area of concern, with, for example, insufficient training available in the country, and stringent hiring and firing practices infrastructure requires upgrading, and there are some safety and security concerns in the country (81st).

Italy, despite being endowed with the most World Heritage cultural sites in the world, ranks at a rather low 28th position in the TTCI ranking. Italy's strengths lie in areas such as the health and hygiene of the country (19th) and its excellent tourism infrastructure (4th). It faces, however, a number of challenges that bring its overall rating down. These include, policy rules and regulations, where Italy ranks 57th because of its very strong foreign ownership restrictions (ranked 102nd) and rules governing FDI (109th). Further, the government is not seen to be prioritizing the sector (ranked 97th). In addition to the above, ground transport infrastructure requires upgrading and there are some safety and security concerns in the country (81st).

5. Conceptual Framework and Hypothesis

5.1 Performance and Internationalisation

Three conflicting models on the effect of internationalisation process and multinationality on firms' performance have evolved from the international business literature:

a. There is a positive and linear relationship between internationalisation and performance. (Delios & Beamish; 1999), (Grant; 1987) and (Grant et al.; 1988) In this case internationalisation creates new growth opportunities for firms and thus enhances their profitability potential.

b. There is a U-shaped relationship between internationalisation and performance. (Lu and Beamish, 2004;Qian, 1997;Ruigrok and Wagner, 2003). The firm during the initial stages of internationalisation shows deterioration in its performance as a result of the lack of internationalisation experience. However, internationalisation can initially enhance growth offering new profitable investment opportunities and thus create an inverted U-shaped relationship (Geringer, Beamish, and DaCosta, 1989;Geringer, Tallman, and Olsen, 2000;Grant, Jammine, and Thomas, 1988;Hitt, Hoskisson, and Kim, 1997;Tallman and Li, 1996).

c. Combining the above two models, there is an S-shaped relationship between internationalisation and performance. (Contractor, Kundu, and Hsu, 2003;Lu and Beamish, 2004).

From the empirical perspective, some authors find weak if not mixed evidence on the effect of multinationality on firm's performance (Tallman and Li; 1996) while others show that domestic companies grow faster than MNEs (Cantwell & Sanna-Randaccio; 1993) Finally, other researchers believe that there is a negative influence of multinationality on growth (Siddarthan and Lall, 1982) and the relationship between multinationality and performance is not even linear (Geringer, Beamish, and DaCosta, 1989).

5.2 Performance and Multinational Ownership

Numerous empirical studies have tried to highlight evidence of the relationship between ownership structure and corporate performance. (Chhibber and Majumdar,

1999) Some studies that base their arguments on the property rights theory (Barbosa and Louri, 2002;Dimelis and Louri, 2002) suggest that the different ownership structures adopted by MNEs demonstrate a way of protecting their property rights, their reputation or other intangible assets. The higher the control of the mother company over the subsidiary the more efficient it is to transfer a higher level of technology and thus transform this subsidiary to a much more productive unit against its local competitors. This effect gets augmented, once we move from minority to majority holding, as there is a substantial reduction in monitoring costs. Lee (2007) finds that the performance of US multinational hotel companies is significantly affected by the mode and location of entry.

According to agency theory, several categories of shareholders can have an influence on the managers' efficiency: the managerial shareholders, the financial shareholders, and the institutional shareholders. McConnell and Servaes (1990) defined management ownership as equity owned by corporate officers and members of the board of directors. Now three main hypotheses exist to explain the relationship between ownership structure and performance: convergence in interest hypothesis, neutrality hypothesis, and entrenchment hypothesis. The first is Jensen and Meckling's (1976) ''convergence in interest hypothesis.'' They show that managerial ownership increases a firm's value by reducing agency costs. When managers own a large proportion of the firm's shares, they benefit to a larger extent of the benefits of their effort. The second is Demsetz's (1983) hypothesis, which shows that corporate performance depends on environmental constraints. This hypothesis is known as the ''neutrality hypothesis.'' The third is Shleifer and Vishny's (1989) hypothesis, which suggests that the greater the percentage of shares held by the manager, the less the other shareholders can compel him to manage the firm in their interests. This hypothesis is known as the ''entrenchment hypothesis.'' The nonlinear relation between a firm's ownership and performance is confirmed by different empirical studies. For example, Morck et al. (1988) indicate that corporate value rises first with increases of internal ownership below 5 percent, decreases between 5 and 25 percent, and finally increases slightly when internal ownership exceeds 25 percent. McConnell and Servaes (1990) show a negative effect of internal ownership between 5 and 25 percent and a nonsignificant one for ownership values exceeding 25 percent. Shleifer and Vishny (1989) argue that the positive relationship between Tobin's Q and managerial ownership is sustained at higher levels of ownership for small firms than it is for large firms.

This study uses Dunning's Ownership, Location, Internalisation (OLI) framework to investigate the effect of multinationality and ownership structure on performance. The basic assumption of the eclectic paradigm is that the returns to FDI, and hence FDI itself, can be explained by a set of three factors: the ownership advantages of firms 'O', indicating who is going to produce abroad 'and for that matter, other forms of international activity' (Dunning, 1993:142); by location factors 'L' 'influencing the where to produce' (Dunning, 1993:143) and by the internalisation factor 'I' that 'addresses the question of why firms engage in FDI rather than license foreign firms to use their proprietary assets' (Dunning, 1993:145). Using the above propositions one can explain not only the scope and geography of international value added activities but the performance of MNEs' activities as well.

In order to be able to compete in a foreign location and tackle the disadvantages generated by operating in a foreign environment, a firm must possess certain ownership advantages–sometimes called 'competitive' or 'monopolistic' advantages - that can compensate for the additional costs associated with setting up and operating abroad, costs which are not faced by domestic producers or potential producers (Dunning, 1988:2). Dunning (1988:23) defines three different types of ownership advantages: those that stem from the excessive possession or access to a particular asset able to generate income such as trade marks, patents; those associated normally with a branch plant rather than a *de novo* firm, and those that are a result of geographical diversification or multinationality *per se*.

The second condition of international production is that the company must be better-off transferring its ownership advantages within the firm across borders, rather than selling them to a third party via licensing or franchising. This second factor is the internalisation and has been defined by Dunning (1993) as a choice between investing abroad or not. In this point we further build on the extension of OLI suggested by Guisinger (2001:264) in his 'evolved eclectic paradigm'. In his model, Guisinger (2001:264) replaces the 'I' factor with 'M' for the mode of entry. This allows differentiation between factors affecting different modes of entry in different countries.

The third condition of the eclectic paradigm is concerned with the 'where' of production. MNEs will chose to produce abroad whenever it is in their best interests to combine intermediate products produced in their home country which are spatially transferable with at least some immobile factors or intermediate products specific to the foreign country (Dunning, 1988:4). Some of the location advantages include factors endowment and availability, geographical factors or public intervention in the allocation of resources as reflected by legislation towards the production and licensing of technology, patent system, tax and exchange rate policies which a multinational would like either to avoid or to exploit (Dunning, 1977:11). In this paper this part of the eclectic paradigm is binded to Greece, France, Spain, Portugal and Greece as we investigate the performance of investment decisions of MNEs in these markets.

5.3 Hypotheses Development

The scope of this paper is the comparison of the performance of MNE subsidiaries located in France, Spain, Greece, Italy and Portugal with that of local enterprises in the above regions. It would be expected that the competitiveness of MNE subsidiaries would be dependent on the nature and extent of their ownership advantages and on the ways in which they organise the deployment of these in the host country.

Firstly, there are large differences across industries in the degree to which production and sales are accounted for by MNEs. Second, MNEs are firms which have the following characteristics: high levels of R&D relative to sales, high levels of product differentiation and a large share of professional and technical workers in their workforce. These constitute the most significant **O** of MNEs. Third, and related to the first, 'it is clear that the significance of the **O** varies between MNEs, and is both industry and country specific' (Dunning, 1993:142).

H1: The subsidiaries of MNEs will perform better than the domestic companies

This is not always the case. A subsidiary entering into a foreign market may be faced with certain disadvantages depending on specific industrial and market structures as well as the economic, social and political structure of the host country (Hymer; 1960/1976). There are industries though were the role of national responsiveness or national integration is of crucial importance for the success and performance of the firm under investigation (Doz, 1986). In some cases, this need determines the profitability or the success of the local subsidiary of an MNE. Disadvantages related to specific industry or market imperfections as well as the differences in the social, political, economical and institutional environment need to be addressed from a multinational's perspective (Maroudas and Y., 1995;Thimann and Thum, 1998).

The literature is until now highly descriptive and does not provide conclusive evidence on the impact of multinationality on the tourism firms' performance (Zhao and Olsen, 1997). The possibility of collaboration between a multinational enterprise and local partners in different forms was investigated by Rodriguez (2002) who founds that if the local environment is stable and the local market perishable then Spanish MNEs will enter directly the market as their transaction costs are low and thus can afford to commit significant resources. Lee and Jang (2006) showed that international diversification in the hotel industry does not improve financial performance but contributes substantially to the stability of profits. Chen and Soo (2007) exploring the cost structure and productivity growth of the Taiwanese international hotel sector, find a significant substitutability effect among different production factors, i.e. capital, labour and material. Local managers and partners can also help MNEs in the tourism sector to diminish cultural differences and increase the probability of success (Ayoun and Moreo, 2008). In this context hotel managers need to find a proper balance between product standardisation and "responsive" policies both in facilities as well as services provided. This local responsiveness requires the presence of a local partner in order to accommodate this need (Whitla, Walters, and Davies, 2007). Of course, hotel chains have to take into consideration local trends and tastes as well as any change in them. In this case the local partner being able to get in contact with members of the local industry or associations has an advantage (Litteljohn, 1997). Finally, the fact that most international hotel operators have to deal with multiple environments at the same time makes the need to use a local partner almost a necessity (Burgess, Hampton, Price, and Roper, 1995). This partner can offer the necessary "entrepreneurial orientation" aspect as argued by Altinay and Altinay (2004). This leads to the formulation of our second hypothesis.

H2: Subsidiaries of MNEs that the majority ownership belongs to local partners will perform better than multinationals that the minority ownership belongs to local partners.

6. Data and Sample Description

In this paper we combined two different databases to obtain consistent data on the tourism industry activities in South European Countries. Our corporate level data come from AMADEUS. This database covers a large number of European firms and is constructed by Bureau Van Dijk in collaboration with 30 large European Information Providers. It contains normalised, with respect to currency and accounting standards and thus comparable information on almost 1.5 million European corporations. AMADEUS uses key Information Providers in different markets and the primary source of information is the published annual reports of companies. The AMADEUS database provides financial as well as ownership data on the participating firms.

On the industry level data where collected from Euromonitor International. The database builds on published and unpublished data from the World Tourism Organisation. Our sample covers five South European countries, i.e. France, Greece, Italy, Portugal and Spain for a decade, i.e. the period 1997-2006. For presentation reasons our basic statistics will represent the sample in the most recent period, i.e. 2006 as this is more relevant for managerial implications. Our dataset covers 737 companies participating in NACE Revision 1.1 - 55 Sector, which are either domestic ones or subsidiaries of MNEs.

We used four measurements of performance suggested by the literature, return on assets before taxes (ROA BT) and after taxes (ROA AT), return on equity before taxes (ROE BT) and after taxes (ROE AT), return on sales before taxes (ROS BT) and after taxes (ROS AT) and gross profit over sales (PERF). The participation of an MNE to the ownership structure (MNE) is captured by a dummy variable. We classify companies as subsidiaries of MNEs (COUNTRY=false)if the company is located in a different country as the mother company and of purely domestic companies (COUNTRY=true)if the company is located in the same country as the mother company. As our second step we separated those companies that had an MNE as a majority owner (MNEMAJ), i.e. controlling over 50%, in their capital structure and the rest where the MNE had only a minority stake (MNEMIN). Finally, we introduced a dummy variable (SECTOR) where it takes the variable FALSE if the sector of the mother company is different from that of the subsidiary or the domestic company and TRUE where it is the same sector. The variables description can be found in table 2.

7. Empirical Results

In Table 3 we present some basic statistics on the tourism industry size for each country as well as our sample representation in terms of number of companies. Italy has by far the largest size both in terms of bed-places as well as rooms in tourism accommodation. France and Spain follow, whilst Greece and Portugal are significantly lower markets. The picture is slightly different when it comes to absolute number of firms. Spain and France still have the highest numbers but Italy falls at the last place. The most interesting observation though comes from the number of foreign subsidiaries. Greece attracts a substantial number of MNEs as almost two out of every three companies have some kind of international participation in their ownership structure. A correlation coefficient though does not reveal any substantial relationship between the size of the market and the number of MNEs present.

Insert Table 3 here.

Table 4 presents the international exposure of each market and the relative number of MNEs' subsidiaries. Data on the International versus Domestic nights are presented. We calculate an international exposure measure, i.e. International over Domestic Tourism Nights. According to this Greece has by far the most internationally exposed market with the number of International nights spent being almost three times the number of Domestic nights. This provides a reasonable explanation on the large number of MNEs' subsidiaries present in the Greek market. In contrast, Portugal although it has a substantial number of International nights over Domestic ones has by far the lowest number of foreign subsidiaries.

As the table stands it shows no association between the ratio of international to domestic tourists and the amount of subsidiaries in the different economies. However, despite the fact that Greece has the higher ratio and number of foreign subsidiaries which would indicate a strong positive relationship the rest of the countries provide a rather mixed picture with Portugal being at the other end (high ratio but low number of subsidiaries as well). A possible argument would be that MNEs are not after international tourism only but they care about domestic tourism as well. This minimises the seasonality of the industry and supports the argument we have about bed occupancy.

A correlation coefficient though does not reveal any substantial relationship between the calculated ratio and the number of MNEs' subsidiaries in the economy.

Insert Table 4 here.

A key question in the international business literature is related to the improvement in efficiency and productivity that MNEs can generate. In table 5 we present data on the Hotel bed occupancy rates and the number of MNEs' subsidiaries. Greece and France have the highest percentage whilst Portugal underperforms substantially showing only a 37% in terms of bed occupancy. A key point that should be made here is relative to the product's nature. The tourism product is not something that can be stocked or produced immediately once the demand is present. It requires substantial investments and thus a consistent low bed occupancy rate can create substantial problems in the long term. A correlation coefficient reveals a strong positive relationship between the bed occupancy rate and the number of MNEs' subsidiaries in the economy. This finding creates enough scope for further investigation.

Insert Table 5 here.

In table 6 we present the basic picture of the companies included in our sample. More precisely we present two measures of size, i.e. Total Assets and number of employees, a measure of corporate performance, i.e. Profit (Losses) before taxes and finally a measure of the funding, i.e. the long term debt. In terms of Total Assets the Italian and the Spanish companies are substantially larger than the rest. An interesting point is that in Italy, Spain and France the subsidiaries of MNEs are of a similar size to domestic companies. In contrast both for Portugal and Greece Domestic companies are significantly larger than subsidiaries of MNEs. The picture changes though when one compares companies based on the number of employees. Italian, Portuguese and Spanish subsidiaries of MNEs are larger than their domestic counterparts. In Greece the differences are rather small whilst France is the only country where domestic companies are by far larger than the foreign affiliates. Spanish companies are the most profitable ones in absolute numbers whilst Greek companies, both domestic and foreign show losses. In the Greek case the losses of foreign affiliates are almost five times larger on average than those of their domestic competitors. Finally, Spanish and Greek companies rely substantially on long term debt whilst in the Greek, Italian and Portuguese case, local companies on average borrow much more than the subsidiaries of MNEs.

Insert Table 6 here.

Furthermore, in table 7 we present the number of companies that are subsidiaries of MNEs and the number of domestic companies which operate either in the same sector as the mother company or not in the five South Mediterranean countries that we investigate. We observe that the number of companies that don't operate in the same sector as the mother company is almost four times the number of companies that operate in the same sector. The picture is almost the same when we observe the number of subsidiaries of MNEs and the number of domestic companies. In these five countries there are more domestic companies that don't perform in the same sector as the mother company and less ones when it comes to subsidiaries of MNEs that operate in the same sector as the mother company. There is no correlation between the companies that operate in the same sector as the mother one or not with the number of subsidiaries or domestic ones.

Insert Table 7 here.

However, in table 8 we present the number of companies in France that are subsidiaries of MNEs and the number of domestic companies which operate either in the same sector as the mother company or not.

Insert Table 8 here

In France there is a correlation between the sector of the mother company and the sector of the sector of either a domestic company or a subsidiary of MNEs while this is impossible in Greece (table 9) and in Spain(table 10).

Insert Table 9 and 10 here.

In Greece we can observe that there is no subsidiary of MNEs companies that operate in the same sector as the mother company. In Portugal (table 11) but mostly in Spain we can observe a strong correlation. In Italy, the number of subsidiaries of MNEs that operate in the same sector as the mother company is almost the same with the number of domestic companies. The same is for the number of domestic companies(table 12).

Insert Table 11 and 12 here.

In all five South Mediterranean European countries there are no correlation between the country and the nature of company (subsidiary or multinational)(table13). A slightly correlation starts to appear in table 14 where we investigated correlation among the four South Mediterranean countries except to Greece.

Insert Table 13 and 14 here.

An important correlation starts to appear for France, Portugal and Spain (table 15) but when we investigate correlation only in Portugal and Spain we observe a strong correlation between the country and the nature of company (subsidiary or multinational one), (table 16) which is logical as the number of data that we expected from Spain and Portugal is identical to the original data.

Insert Table 15 and 16 here.

Continuing our investigation, we present the mean of operational revenue for subsidiaries of MNEs and domestic companies in the region investigated. (table 17) We can observe that subsidiaries of MNEs perform better that domestic companies which seems logical as subsidiaries absorb the knowledge and experience of the mother company which may have years of experience and face millions of problems. In a comparison of a new opening between a new domestic hotel and a MNE hotel, the second one is supported by the knowledge and experience of the mother company. However, the revenues of domestic companies are extremely raised as a result to the experience of the local market. In France, subsidiaries of MNEs have revenues extremely higher than the domestic ones while in Spain the revenues in both type of companies are almost the same. In Greece, there is a small higher rate in the revenues of subsidiaries over domestic ones while in Portugal the picture is totally opposite. The most important remark here concern Italy. The domestic companies have revenues extremely higher that the subsidiaries of MNEs even if the number of subsidiaries and domestic companies is almost the same.

Insert Table 17 here.

Finally, we observed the cost of employee in domestic companies and in subsidiaries of MNEs per country. For Greece we have no data to analyze. There is a strong correlation between the type of company and the cost of employees.(table 18) The picture is almost the same when it comes to table 19 concerning the correlation between the type of company and the shareholders funds.

Insert Table 18 and 19 here.

The following table 20 provides the basic descriptive statistics and the t-tests of the difference of means for a decade from 1997 till 2006. In general, multinationals outperform domestic firms and are larger both in terms of their total assets and their employment. This provides evidence supporting our first hypothesis. However, when we analyze the results per country only for Greece, Spain, Portugal and Italy, the results are statistically significant. For France there is no statistically significant result as far as performance measurements is concerned as there is for all the other countries. The breaking up of MNEs to majority and minority owned reveals some interesting aspects of the sample. Minority owned MNEs are better performers than the majority owned MNEs, when analyzing data in all five countries but also separately per country. Again this result supports our argumentation that led to the formulation of our second hypothesis. This preliminary result creates a need for further exploration of the performance determinants and their differences between domestic, majority and minority owned MNEs

Insert Table 20 here.

8. Conclusions

In an industry where the key characteristics of the product are determined by the capabilities of the corporation to offer services of a good quality by mobilising all available resources in specific locations, evidence on the effect of multinational ownership on performance are still scarce. Multinationals are the key international players in transferring technology, know-how, new production and human resource management methods. Whilst the vast majority of studies, until now, investigate the effect of internationalisation on performance from a mother company perspective, this paper investigates the mirror effect of multinational ownership participation on the performance of the subsidiary. An eclectic approach of multinationality was used to explain differences in profitability and performance between domestic and multinational firms. This approach brings together different aspects of internationalisation theories and despite the fact that it is somehow dated is still one of the most influential frameworks in international business (Dunning, 2001). A key advantage of this approach is its interdisciplinary flexibility (Guisinger, 2001).

Our results show that the multinationals' subsidiaries operating in these five south Mediterranean European countries perform better than domestic companies Domestic companies show an average performance of 11% whilst subsidiaries in total a 14%. This result is different though when one splits the subsidiaries to majority and minority owned. The first underperform their local competitors by almost 3% achieving 14% and the latter over perform domestic subsidiaries by almost 15% achieving a 26% in gross profits over turnover as they make substantial use of local partners who bring into the corporation knowledge of the local market, an aspect important for an industry as tourism. These companies, at the same time, can benefit from all the characteristics of being part of an established international hotel network. Linkages with international hotel operators, a global clientele and transfer of managerial and advertisement standards can really benefit the performance of those companies. To this respect our study confirms the results obtained by Altinay (2007) who finds that although an ethnocentric approach to international expansion provides all the necessary conditions for an organisation's expansion and development, managers should be conscious of socio-cultural barriers. These socio-cultural barriers are better addressed through the existence of a local partner.

The study addresses one key point raised by Litteljohn et al. (2007) who state that the international hotel management literature still provides mixed evidence on the nature of hotel management with respect to modal choice of entry. The quality of the product in this sector is primarily influenced by the interaction between the local customer and the supplier (Archer, 1987). Whilst MNEs can transfer management, marketing, human resource and organisation practices that can enhance the quality of the offered service, a substantial part of the service's quality is determined by the effective and efficient use of the local advantages (Akbaba, 2006;Anastassopoulos and Patsouratis, 2004;Burgess, Hampton, Price, and Roper, 1995). Allowing a local partner to contribute, towards this purpose, can substantially influence and improve the MNE's performance and profitability. The local partner's participation though has to be of a certain modal choice (Litteljohn, Roper, and Altinay, 2007), i.e. having a majority ownership share that will allow managing effectively on the knowledge base offered by the multinational partner. Managers of MNEs thus, when making investment decisions should actively look out for those local partners that could offer this kind of expertise. On the other hand from a local manager's perspective establishing a partnership with an MNE is beneficial as the local firm would be part of a network of operations where knowledge and other information flows could create new opportunities.

This study is a first attempt to investigate corporate performance, internationalisation and a location's competitiveness. The key contribution of this study is dual. On the one hand to provide a thorough literature review on the current global picture of the tourism industry and the role of multinational enterprises and on the other to offer a first reading of the situation in an important, in terms of the tourism sector, geographic region that of the South Mediterranean countries, i.e. France, Greece, Italy, Portugal and Spain. The study identifies the key challenges that multinationals active in the industry face and then provides a descriptive discussion of the situation in the above mentioned countries. It goes beyond the scope of this paper to offer substantial econometric evidence on the interrelationship between a location's competitiveness and multinationals' performance. We suggest that as a key stream for future research though. The key scope of this study is to re-establish the agenda of tourism industry within the context of international business.

TABLES

Table 1. The Travel & Tourism Competitiveness Index, 2007 (Absolute Values)

Pillars	Spain	Portugal	Greece	Italy	France
	2007	***2007***	***2007***	***2007***	***2007***
T &T Regulatory Framework	25	11	20	42	13
Policy rules &regulations	45	28	57	70	40
Environmental sustainability	40	26	45	54	15
Safety and security	46	11	18	53	29
Health and hygiene	21	17	3	5	9
Prioritization of Travel & Tourism	3	26	22	60	27
T&T Business Environnent & Infrastructure	7	22	32	30	5
Air transport infrastructure	7	35	37	22	4
Ground transport infrastructure	18	23	34	55	4
Tourism infrastructure	2	9	7	8	15
ICT infrastructure	32	33	38	27	21
Price competitiveness in the T&T industry	105	102	103	116	118
T&T Human, Cultural and Natural Resources	19	30	15	32	28
Human resources	45	40	55	46	32
Affinity for Travel & Tourism	55	54	23	66	96
Natural resources	17	25	23	20	9
Cultural resources	17	25	23	20	9
Overall index	15	22	24	33	12

Source: SETE, World Economic Forum, The Travel & Tourism Competitiveness Report 2008 & 2007

Table 2. Variables Description

Variable	Variable Description
PERF	Gross Profits over Turnover
ROA BT	return on assets before taxes
ROA AT	return on assets after taxes
ROE BT	return on equity before taxes
ROE AT	return on equity after taxes
ROS BT	return on sales before taxes
ROS AT	return on sales after taxes
COUNTRY	Dummy Variable (FALSE if the firm is a multinational, TRUE if the firm is purely domestic)
MNEMAJ	Dummy Variable (1 if a multinational controls the majority of shares, 0 if the firm is purely domestic)
MNEMIN	Dummy Variable (1 if a multinational controls the minority of shares, 0 if the firm is purely domestic)
SECTOR	Dummy Variable (FALSE if the sector of the mother company is different from these of the subsidiary or the domestic company and TRUE where there is the same sector.)

Table 3. Size of Tourism Market and number of Domestic and Multinational Companies

2006	Bed-places in tourist accommodation - '000	Rooms in tourist accommodation - '000	Total Companies	Domestic Companies	Subsidiaries of MNEs
FRANCE	1232.6	616.3	210	167	43
ITALY	2056.2	1029.7	61	34	27
GREECE	695.9	365.9	92	32	60
SPAIN	1597.5	806.6	304	251	53
PORTUGAL	261.8	115	70	58	12
Correlation with number of MNEs subsidiaries	0.213	0.183			

Source: AMADEUS and Euromonitor International

Table 4. International Exposure of Markets

2006	International Tourist Nights	Domestic Tourist Nights	Ratio (I/D)	Subsidiaries of MNEs
FRANCE	72532.6	121640.6	0.596286108	43
ITALY	140810.1	108209.1	1.301277804	27
GREECE	40800	13990.4	2.916285453	60
SPAIN	103503.4	138355	0.748100177	53
PORTUGAL	23757.5	11487.5	2.068117519	12
Correlation with number of MNEs subsidiaries			0.0349	

Source: AMADEUS and Euromonitor International

Table 5. Market Efficiency and number of MNEs

Country (2006)	Hotel bed occupancy rates - % of beds occupied	Subsidiaries of MNEs
FRANCE	59.1	43
ITALY	40.5	27
GREECE	58.4	60
SPAIN	54.9	53
PORTUGAL	37.1	12
Correlation with number of MNEs subsidiaries	0.827	

Source: AMADEUS and Euromonitor International

Table 6. Comparative measures of domestic and MNEs' subsidiaries

2006		Subsidiaries of MNEs	Domestic Companies	Total Companies
Total Assets (000 Euros)	FRANCE	51322	56334	55337
	GREECE	35689	50854	40964

	ITALY	90803	91082	90960
	PORTUGAL	33959	49052	46646
	SPAIN	70245	75955	74953
Number of Employees				
	FRANCE	389	847	766
	GREECE	210	230	216
	ITALY	1472	588	1005
	PORTUGAL	736	431	474
	SPAIN	744	480	524
Profit (losses) before taxes				
	FRANCE	2103	2237	2210
	GREECE	-576	-96	-409
	ITALY	895	569	712
	PORTUGAL	1506	50	282
	SPAIN	2385	2071	2126
Long Term Debt	FRANCE	3897	2813	3029
	GREECE	10321	15885	12256
	ITALY	9902	26619	19287
	PORTUGAL	9948	17418	16532
	SPAIN	30664	25601	26493

Source: AMADEUS and Euromonitor International

Table 7. Subsidiaries of MNEs and domestic companies which operate either in the same sector as the mother company or not

SECTOR – 5 COUNTRIES (1997-2006)	Subsidiaries of MNEs	Domestic Companies	TOTAL
FALSE	182	405	587
TRUE	13	137	150
TOTAL	195	542	737
CORRELATION	0.00		

Source: AMADEUS and Euromonitor International

Table 8. Subsidiaries of MNEs and domestic companies which operate either in the same sector as the mother company or not

SECTOR - FRANCE(1997-2006)	Subsidiaries of MNEs	Domestic Companies	TOTAL
FALSE	38	123	161
TRUE	5	44	49
TOTAL	43	167	210
CORRELATION	0.042		

Source: AMADEUS and Euromonitor International

Table 9. Subsidiaries of MNEs and domestic companies which operate either in the same sector as the mother company or not

SECTOR - GREECE(1997-2006)	Subsidiaries of MNEs	Domestic Companies	TOTAL
FALSE	60	15	75
TRUE	0	17	17
TOTAL	60	32	92
CORRELATION	0.00		

Source: AMADEUS and Euromonitor International

Table 10. Subsidiaries of MNEs and domestic companies which operate either in the same sector as the mother company or not

SECTOR - SPAIN(1997-2006)	Subsidiaries of MNEs	Domestic Companies	TOTAL
FALSE	48	189	237
TRUE	5	62	67
TOTAL	53	251	304

CORRELATION	0.00		

Source: AMADEUS and Euromonitor International

Table 11. Subsidiaries of MNEs and domestic companies which operate either in the same sector as the mother company or not

SECTOR - PORTUGAL(1997-2006)	**Subsidiaries of MNEs**	**Domestic Companies**	**TOTAL**
FALSE	12	49	61
TRUE	0	9	9
TOTAL	12	58	70
CORRELATION	0.07		

Source: AMADEUS and Euromonitor International

Table 12. Subsidiaries of MNEs and domestic companies which operate either in the same sector as the mother company or not

SECTOR - ITALY(1997-2006)	**Subsidiaries of MNEs**	**Domestic Companies**	**TOTAL**
FALSE	24	29	53
TRUE	3	5	8
TOTAL	27	34	61
CORRELATION	0.68		

Source: AMADEUS and Euromonitor International

Table 13. Subsidiaries of MNEs and domestic companies per country I

(1997-2006)	**Subsidiaries of MNEs**	**Domestic Companies**	**Total Companies**
FRANCE	43	167	210
ITALY	27	34	61
GREECE	60	32	92
SPAIN	53	251	304
PORTUGAL	12	58	70
TOTAL	195	542	737
Correlation	0.00		

Source: AMADEUS and Euromonitor International

Table 14. Subsidiaries of MNEs and domestic companies per country II

(1997-2006)	**Subsidiaries of MNEs**	**Domestic Companies**	**Total Companies**
FRANCE	43	167	210
ITALY	27	34	61
SPAIN	53	251	304
PORTUGAL	12	58	70
TOTAL	135	540	645
Correlation	0.000041		

Source: AMADEUS and Euromonitor International

Table 15. Subsidiaries of MNEs and domestic companies per country III

(1997-2006)	**Subsidiaries of MNEs**	**Domestic Companies**	**Total Companies**
FRANCE	43	167	210
SPAIN	53	251	304
PORTUGAL	12	58	70
TOTAL	108	476	584
Correlation	0.65		

Source: AMADEUS and Euromonitor International

Table 16. Subsidiaries of MNEs and domestic companies per country IV

(1997-2006)	Subsidiaries of MNEs	Domestic Companies	Total Companies
SPAIN	53	251	304
PORTUGAL	12	58	70
TOTAL	65	309	374
Correlation	0.95		

Source: AMADEUS and Euromonitor International

Table 17. The mean of operational revenue for subsidiaries of MNEs and domestic companies in the region investigated

(1997-2006)	Subsidiaries of MNEs	Domestic Companies	Total Companies
FRANCE	67.37%	166.74%	146.77%
ITALY	267.15%	78.51%	161.25%
GREECE	26.70%	37.68%	30.52%
SPAIN	91.53%	89.49%	89.84%
PORTUGAL	65.77%	43.16%	46.76%
TOTAL	87.39%	104.47%	100.00%
Correlation	0.72		

Source: AMADEUS and Euromonitor International

Table 18. The mean of cost of employees for subsidiaries of MNEs and domestic companies in the region investigated

(1997-2006)	Subsidiaries of MNEs	Domestic Companies	Total Companies
FRANCE	74.53%	169.09%	149.88%
ITALY	195.79%	71.01%	127.73%
GREECE	0.00%	0.00%	0.00%
SPAIN	92.82%	71.43%	75.14%
PORTUGAL	55.07%	39.51%	42.03%
TOTAL	104.38%	98.85%	100.00%
Correlation	0.9		

Source: AMADEUS and Euromonitor International

Table 19. The mean of shareholder funds for subsidiaries of MNEs and domestic companies in the region investigated

(1997-2006)	Subsidiaries of MNEs	Domestic Companies	Total Companies
FRANCE	67.73%	81.92%	79.09%
ITALY	64.76%	113.84%	92.32%
GREECE	68.11%	95.03%	77.47%
SPAIN	101.64%	131.12%	125.95%
PORTUGAL	79.19%	86.38%	85.23%
TOTAL	77.58%	107.95%	100.00%
Correlation	0.998		

Source: AMADEUS and Euromonitor International

Table 20. Descriptive statistics and t-tests of means

Variable	ROA BT – 5 COUNTRIES (1997-2006)						
	Observations	Mean	STDEV	Difference from multinationals	T - VALUE	DEGREE OF FREEDOM	TDIST
Multinationals	5420	0.0115	0.1259				
Majority MNEs	1700	0.0209	0.1257	0.0094	2.68912895	17.4501949	0.015523178
Minority MNEs	180	0.01378	0.13046	0.00228	0.230929431	1.05103894	0.855518542

Variable	ROA BT – ITALY (1997-2006)						
	Observations	Mean	STDEV	Difference from multinationals	T - VALUE	DEGREE OF FREEDOM	TDIST
Multinationals	270	0.0642688	0.126607				
Majority MNEs	220	0.037059	0.088855	-0.0272098	-2.787924161	2.55535512	0.108179099
Minority MNEs	10	-0.01281	0.01475	-0.0770788	-8.557755425	11.2620444	3.4223E-06

Variable	Performance (ROA AT) – GREECE (1997-2006)						
	Observations	Mean	STDEV	Difference from Domestic	t-test	DEGREE OF FREEDOM	TDIST
Domestic	320	0.017395	0.171776				
Multinationals	600	-0.01047	0.110105	-0.027865	-2.628135787	1.47698612	0.231463467
Majority MNEs	460	-0.01257	0.106883	-0.029965	-2.769743448	1.601143946	0.220575848
Minority MNEs	140	-0.0364	0.120191	-0.053795	-3.848452142	4.462258359	0.018326786

Variable	Performance (ROA AT) – ITALY (1997-2006)						
	Observations	Mean	STDEV	Difference from Multinationals	t-test	DEGREE OF FREEDOM	TDIST
Domestic	340	-0.01568	0.180667				
Multinationals	270	0.01876	0.080063				
Majority MNEs	220	0.001349	0.064175	-0.017411	-2.671945712	3.17512966	0.075565052
Minority MNEs	10	-0.01417	0.014304	-0.03293	-4.953056244	3.780322903	0.015795316

Variable	Performance (ROA AT) – ITALY (1997-2006)						
	Observations	Mean	STDEV	Difference from majority MNEs	t-test	DEGREE OF FREEDOM	TDIST
Majority MNEs	220	0.001349	0.064175				
Minority MNEs	10	-0.01417	0.014304	-0.015519	-2.479295535	4.340766848	0.068262654

Variable	Performance (ROA AT) – PORTUGAL (1997-2006)						
	Observations	Mean	STDEV	Difference from Domestic	t-test	DEGREE OF FREEDOM	TDIST

Domestic	580	-0.01092	0.113315				
Multinationals	120	0.046145	0.071579	0.057065	7.087058968	8.547175396	0.000103306
Majority MNEs	120	0.04614523	0.071579	0.05706523	7.087087922	8.547175396	0.000103303
Minority MNEs	0	0	0	0.01092	-	-	-
Variable	**Performance (ROA AT) – PORTUGAL (1997-2006)**						
	Observations	Mean	STDEV	Difference from Multinationals	t-test	DEGREE OF FREEDOM	TDIST
Multinationals	120	0.046145	0.071579				
Majority MNEs	120	0.04614523	0.071579	2.3314E-07	2.52295E-05	3.933611113	0.085953895
Minority MNEs	0	0	0	-0.046145	-	-	-
Variable	**Performance (ROA AT) – SPAIN (1997-2006)**						
	Observations	Mean	STDEV	Difference from multinationals	t-test	DEGREE OF FREEDOM	TDIST
Multinationals	530	0.02247	0.093175				
Majority MNEs	490	0.0231456	0.0959965	0.0006756	0.113893175	4.597074005	0.065151721
Minority MNEs	20	0.023249	0.051669	0.000779	0.063633806	1.137588528	0.126825822
Variable	**Performance (ROA AT) – ITALY (1997-2006)**						
	Observations	Mean	STDEV	Difference from majority MNEs	T - VALUE	DEGREE OF FREEDOM	TDIST
Majority MNEs	220	0.8117571	1.89742				
Minority MNEs	10	-0.076589	0.083241	-0.8883461	-6.80181741	1.07662261	0.092929805
Variable	**Performance (ROA AT) – PORTUGAL (1997-2006)**						
	Observations	Mean	STDEV	Difference from majority MNEs	T - VALUE	DEGREE OF FREEDOM	TDIST
Multinationals	120	0.00102	1.9114				
Majority MNEs	120	0.001018	1.9114	0	0	3.934553678	0.003925629
Minority MNEs	0	0	0	-0.00102	-	-	-
Variable	**Performance (ROE AT) – ITALY (1997-2006)**						
	Observations	Mean	STDEV	Difference from Domestic	t-test	DEGREE OF FREEDOM	TDIST
Domestic	340	-0.72432	4.429366				
Multinationals	270	0.344045	2.630466	1.0683696	3.700992942	2.0738858	0.06587477
Majority MNEs	220	0.358236	3.001613	1.0825606	3.446581576	2.90763973	0.07485319
Minority MNEs	10	-0.09028	0.076127	0.6340474	2.626332403	1.01419529	0.23160875

Variable	Performance (ROE AT) – ITALY (1997-2006)						
	Observations	Mean	STDEV	Difference from multinationals	t-test	DEGREE OF FREEDOM	TDIST
Multinationals	270	0.344045	2.630466				
Majority MNEs	220	0.358236	3.001613	0.0141909	0.054996909	6.70155085	0.9579265
Minority MNEs	10	-0.09028	0.076127	-0.4343222	-2.68290596	1656.39356	0.00737117
Variable	**Performance (ROE AT) – PORTUGAL (1997-2006)**						
	Observations	Mean	STDEV	Difference from majority MNEs	t-test	DEGREE OF FREEDOM	TDIST
Multinationals	120	-0.07662	1.897053				
Majority MNEs	120	-0.07662	1.897053	0	0	3.9345257	0.00392563
Minority MNEs	0	0	0	-	-	-	-
Variable	**Performance (ROS ET) – GREECE (1997-2006)**						
	Observations	Mean	STDEV	Difference from Domestic	T - VALUE	DEGREE OF FREEDOM	TDIST
Domestic	320	-1.70178	13.40966				
Multinationals	600	-46.9121	666.0618	-45.2103675	-1.66201202	2271695.495	0.096510506
Majority MNEs	460	-60.9746	759.0812	-59.27281	-1.67435981	6518287.047	0.094059963
Minority MNEs	140	-0.03734	0.265754	1.664440599	2.219374751	0.995545077	0.269502757
Variable	**Performance (ROS ET) – ITALY (1997-2006)**						
	Observations	Mean	STDEV	Difference from Majority MNEs	T - VALUE	DEGREE OF FREEDOM	TDIST
Majority MNEs	220	0.006647	0.10107				
Minority MNEs	10	-0.09067	0.127155	-0.09731321	-2.38610641	1271.527073	0.017173494
Variable	**Performance (ROS AT) – ITALY (1997-2006)**						
	Observations	Mean	STDEV	Difference from Majority MNEs	t-test	DEGREE OF FREEDOM	TDIST
Majority MNEs	220	-0.01769	0.093396				
Minority MNEs	10	-0.09542	0.104463	-0.0777295	-2.3113893	806.17341	0.02106276
Variable	**Gros / Turnover – PORTUGAL (1997-2006)**						

	Observations	Mean	STDEV	Difference from Domestic	T - VALUE	DEGREE OF FREEDOM	TDIST
Domestic	580	0.819753	0.12483				
Multinationals	120	0.778738	0.166873	-0.0410151	-2.5489462	92.558445	0.0124605
Majority MNEs	120	0.778738	0.166873	-0.0410151	-2.5489462	92.558445	0.0124605
Minority MNEs	0	0	0	-0.8197533	-	-	-
Variable	**Gros / Turnover (1997-2006)**						
	Observations	Mean	STDEV	Difference from Domestic	T - VALUE	DEGREE OF FREEDOM	TDIST
Domestic	5420	0.105932	0.270555				
Multinationals	1950	0.143195	0.260106	0.0372622	5.3671419	12.732548	0.00016884
Majority MNEs	1700	0.136003	0.254191	0.0300704	4.1896592	14.543015	0.00090863
Minority MNEs	180	0.258355	0.31341	0.1524224	6.4455966	1713.787	0.09798697

Source: AMADEUS and Euromonitor International

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