

# The rise of the medium-sized construction enterprises in Spain and their internationalization, 1970-2010: a case of born global?<sup>1</sup>🍏

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The construction sector is one of the basic foundation pillars of present-day Spanish economic growth. While the sector was already developed around small-sized companies to a greater degree as well as a certain amount of large companies prior to the Civil War (1936-1939), construction began to take-off and become consolidated in the 1950s with the signing of agreements between Spain and the United States. The process of economic growth, which commenced with the *Stabilisation Plan* of 1959, was a considerable driving force behind a sector that began to really show modern potential <sup>2</sup>.

Throughout the 1960s and 1970s, construction underwent a period of rapid growth, based on the population increase and demand from the tourism sector, together with the increased demand for public works by the public governments. It was during this period that construction companies began a process of gradual concentration, with their average size increasing and this marked the beginning of considerable internationalisation<sup>3</sup>. While suffering a slight set-back owing the crisis and the stagnation of the 1970s as well as associated economic difficulties

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<sup>2</sup> E. Torres (2009a)

<sup>3</sup> E. Torres (2009b)

linked to democratic transition in Spain, this process began to boom in the early 1980s. Preparations for entry into the European Community, the development of a new administrative structure by the State, along with the implementation of the regional Autonomous Communities and the arrival of structural funds from European institutions led to significant changes in the construction sector. The most important one of these took place in the corporate sector, with the subsequent growth of mergers and acquisitions between companies leading to a new structure based on large construction companies. However, aside from this new trend, the sector continued to be mainly composed of SMEs.

However, the 1990s and the turn of the new century in particular, marked the commencement of a new process that would significantly alter the company structure already in place, generating a range of new features. The boom in demand for construction during those years resulted in a major changes within the construction jobs market in Spain.<sup>4</sup> Large companies accelerated their process of internationalisation and SMEs were increasing their presence in the industrial infrastructure to the point of representing a large and significant group of companies owing to their turnover and capital. They were now forming medium-sized construction companies that expanded on the basis of diversification of business, building on the strong growth in demand for residential housing, public infrastructure and public construction work, as well as delving into other activities related to property development or the direct or indirect management of associated construction services. Most noteworthy about this emergence of medium-sized companies in Spanish construction was its high degree of internationalisation. While large companies had already made significant inroads into the foreign market in the past, some of these new medium-sized companies now began to emerge with the clear intention of developing a major portion of their business abroad. These were "born global" companies, resulting from their interest in growing and expanding outside of markets that began to be saturated in

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<sup>4</sup>The demand for the construction of residential housing and a wide range of infrastructure ; P. Taltavull (2003, 2008) and M. Salinas and J. Villaverde (2003)

terms of demand, as was the case in Spain, already showing signs of exhaustion at the early stages of the 2008 economic crisis as well as the previous recession.<sup>5</sup>

This paper takes an initial look at the process of how these medium-sized companies arose and were constructed; looking at the basis of their development and growth as well as the features and operational mechanisms during their development stage. The underlying approach of this paper is how the process of internationalisation of the construction companies in Spain has not been restricted to larger companies in recent decades<sup>6</sup>. Moving abroad was already part of the strategic agenda of these *new* medium-sized companies that included a new wave of internationalisation that started to take shape the late 1990s, becoming consolidated in the mid-2000s. A fundamental part of this process was the consideration of the family business as core, both from the initial growth and development stage as well as during creation of a conscious strategy of internationalisation for the establishment of *born global* companies.

### **The construction sector in Spain: its evolution since the 1950s.**

The reconstruction of the Spanish economy in the aftermath of the Civil War did not begin to take effect until the early 1950s. The problems resulting from an erroneous economic policy based on the establishment of an autarkic state, blocked the capacity to generate growth until the early 1950s. Two significant changes took place during this time. The first was the implementation of liberalisation measures, which eased the degree of state intervention in the economy from 1940 onwards. The relaxation of exchange controls, the reduction of customs tariffs and other administrative measures, resulted in the tentative opening of the autarkic economic system established by Franco's regime.

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<sup>5</sup> There is an extensive range of literature available on these companies, having been rapidly developed over the last decade. The majority of the companies are those from the industry and services sector with barely any consideration given to the construction sector, because of which our study suggests that this sector is also gaining prominence in this movement of born or *refounded* companies. An excellent and comprehensive state of affairs in the book edited by Gabriëlsson, M and V.H. Manek Kirpalami(2012) and the work for Spain by Rialp et alii (2005)

<sup>6</sup> E. Torres (2011) has carried out in-depth research on the major Spanish construction companies and their international expansion, explaining the key features of their growth, internal assets and the factors that led to this, both in Spain and abroad.

Diplomatic agreements were signed between Spain and the United States in 1953, including the establishment of U.S. military bases on Spanish territory which was hugely significant. This agreement was very relevant for the takeoff of the Spanish construction sector given that it allowed the inflow of foreign capital to finance the construction and expansion of military bases already in place as well as the opening of new ones. Under the agreement, much of the work to be performed was carried out by Spanish construction companies, which would directly benefit from the arrival of capital and technology from the United States. This bilateral agreement marked the point when the biggest Spanish construction companies, who had already been in operation prior to the Civil War, began to experience an upturn, increasing in size, and becoming more efficient and requiring more engineers and specialised human capital to develop civil and military construction. This marked the birth of a *cartel* of construction companies forming an association known as SEOPAN<sup>7</sup>. The core of these companies benefiting directly from agreements between Franco and the U.S. were certain companies that had been established in the first third of the twentieth century but that did not fold during the Civil War or the early Franco period. This was not just because of the war itself, but especially due to the low level of state investment in the 1940s and the erroneous autarkic economic policy that had depressed the revenue of the population, leading to persistent stagnation in terms of private demand<sup>8</sup>.

The final impetus for construction sector activity rose out of the consequences of the approval of the *Stabilisation Plan* for the Spanish economy in 1959. The deep-rooted liberalisation driving this plan produced a very visible effect on the construction sector. The growth in domestic demand, which remained stable during the 1960s, manifested itself in the increase in residential building, property development in general, public works and public infrastructure. Virtually all sectors of construction achieved very high growth rates<sup>9</sup>. The impact of tourism, which became a crucial economic activity in the promotion of growth during this period, was of particular relevance. Tourism activity explains the increase in the

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<sup>7</sup> *The National Association of Construction Companies in Spain*- Seopan- then comprising 32 companies, was founded in 1956 to carry out the previously mentioned construction of U.S. military bases in Spain.

<sup>8</sup> A. Carreras (1990) and Prados de la Escosura (2003)

<sup>9</sup> X. Tafunell (2005)

Spanish hotel industry, both in the mainland and especially in the Balearic and Canary Islands<sup>10</sup>. Added to this was the takeoff of residential tourism, with the ownership of apartments and second homes by both Spaniards and foreigners.

Public government played a very prominent role in the promotion and development of public works. The increase in spending on the construction of schools, universities and public recreational centres - including sports facilities, swimming pools, sports grounds - also had a very significant impact during this period. Equally worth noting is the growth in state spending on electrical, hydraulic, transport and communications infrastructure. There was a rapid rate of growth of public investment in all of these sub-sectors, which resulted in a significant increase in company size. Funding requirements for the completion of major works also boosted the emergence of new companies. These latter companies were established at the height of the contractors and sub-contractors system, basically forming for the greater part a business network of small and medium-sized companies that were often family-owned. While the rapid and intense growth experienced during these years did not result in any particular specialisation among these companies, it did however succeed in positioning this ever-widening group of larger companies on the road to diversification and internationalisation<sup>11</sup>.

The process of internationalisation began to become significant with the presence of Spanish construction companies in Latin America, North Africa and Persian Gulf countries, especially in the case of the companies *Entrecanales y Távora*, *Huarte y Compañía*, *Dragados y Construcciones*; and *Ferrovial y Agromán* in the early 1970s<sup>12</sup>.

The construction cycle boom subsequently came to a halt as a result of the impact of the economic crisis of 1973. The recession began to be felt more strongly between 1979 and 1983. The endpoint of this stagnation in construction demand came with the revival of the economic cycle that in Spain was linked to its entry into the European Community in 1986. The integration process, together with the

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<sup>10</sup> C. Pellejero (1999, 2009)

<sup>11</sup> E. Torres (2011)

<sup>12</sup> Ibidem, pp.38-39

momentum generated by certain events such as the Seville Expo and the Olympic Games held in Barcelona in 1992, moved to the heart of the construction industry. The list of large-sized companies increased with the occurrence of generalised widespread internationalisation within this sector. Along with this trend among large-scale companies, SMEs regained prominence after the difficulties of the first few years of the 1980s<sup>13</sup>.

This new industry growth cycle peaked between 1994 and 2008. Every area of the construction sector experienced almost continuous levels of growth<sup>14</sup>. The flow of structural funding from Brussels had a ripple effect on all aspects of public works, while private financing for residential construction also resulted in very high cumulative rates of growth. The effect of the creation of the single European currency started to become evident after the creation of the *European Central Bank*, with historically low interest rates fuelling the increasing flow of mortgage credit. The combined effects of monetary and financial policy along with increased government spending led to previously unseen unparalleled growth of the construction sector in Spain. This was correlated with deep changes in the Spanish economic structure that bore witness to the construction sector becoming the real leader of the Spanish economy as a whole. These changes were also reflected in the corporate structure that became significantly altered. On the one hand, a movement of mergers, takeovers and acquisitions among large companies resulted in a significant corporate concentration. These large companies needed more capital and technology, which in turn, fed into the process of their expanding size itself. This episode culminated with the diversification of business activities and particularly with the expansion of business opportunities abroad. These companies also expanded their geographical range, setting up in further markets, especially in the U.S. and Canada, as well as Latin America, North Africa and several Asian countries. Spain ended up in third place in the top 10 of the European rankings according to revenue in 2009.

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<sup>13</sup> Including companies such as ECISA, see J. Vidal (2012)

<sup>14</sup> The medium sized business sector in particular resulting in the creation of the ANCI (*National Association of Independent Construction Companies*) in 1996. See ANCI (2007).

**Table 1**

**Large-scale European construction companies according to revenue (2009)**

**€ million**

1. VINCI SA (France) €33,930 m
2. Bouygues SA (France) €33,713 m
3. HOCHTIEF AG (Germany) €21,643 m
<b>4. ACS Group (Spain) €16,010 m</b>
5. Skanska AB (Sweden) €15,218 m
<b>6. Grupo Ferrovial SA (Spain) €14,126 m</b>
<b>7. FCC SA (Spain) €14,016 m</b>
8. STRABAG SE (Austria) €13,743 m
9. Eiffage SA (France) €13,226 m
<b>10. ACCIONA SA (Spain) €12,665 m</b>

Source: Deloitte

**Opportunities for a new type of company in the construction sector: SMEs and family businesses**

One of the key features of construction company structure in Spain is the predominance of family-owned SMEs that are in many cases also run by them. As explained above, the strong growth experienced by the construction industry since the 1960s was based on the overwhelming presence of this type of firm in the industry, with no more than 50 workers per production unit. These are companies that for the greater part depend on large-scale companies to outsource work obtained from public works tenders or property developments entrusted to the construction company of sufficient size and possessing enough capital and skill to

deal with complex building or infrastructure work. The bulk of these companies went under during this time.

However, a certain amount of them began to gain a foothold in the market at the end of the 1960s and managed as family businesses to overcome the associated hurdles of the first generation, becoming well-established in second and even third generations. The growth mechanisms of these companies were very similar in Spain, especially from the 1980s onwards. Many of these firms started up during the heat of the *boom* of the early 1960s, entering the market with specialisations in the field or as subsidiaries of large companies that already had a significant presence in the market since the mid-1950s. We must also mention the framework for action, which was almost always local-based or regional in a handful of cases. Examples such as ECISA, an Alicante-based construction company, well illustrate this trajectory that started out specialising in the erection of structures for local or provincial building, later expanding on a regional scale. This marked the beginning of the gradual evolution of small companies within the construction cycle, diversifying and vertically integrating the construction business, moving into all areas of construction, including property development<sup>15</sup>.

The 1990s marked a momentous change in the construction sector in Spain and within small and medium-sized companies. One of the new elements that contributed to change was the action taken by the autonomous governments with regional powers in Spain. These institutions underwent a period of rapid and intense regulatory development with the assumption of responsibilities delegated by the central government in areas of substantial public spending such as healthcare, education, public works and communications and transport infrastructures. The roles played by these new administrations, resulting out of the decentralisation of the Spanish state, put a strong push on construction related to these areas of public administration. This led to the putting out to tender of a wide range of public works by political and management officials, that were mostly allocated in the initial round to large construction companies as these had not only access to capital and calibre to obtain the works but who were also in possession of the required technical certifications to realise them. However, the new regional

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<sup>15</sup> Above-mentioned case of ECISA in J. Vidal Olivares (2012)



policy makers considered the non-marginalisation of local construction companies a priority in order to benefit from the significant investment in public works that began to be made around 1995/1996. The Spanish construction SMEs were now beginning to use a mechanism that benefited large company awardees as well as the SMEs themselves. This was due to the fact that the Joint Venture system <sup>16</sup> allowed large companies to obtain a large volume of works while SMEs gained business, the transfer of knowledge and experience that could be used to achieve sufficient technical capacity to obtain official certification and to compete in major infrastructure projects.

SMEs in the construction sector succeeded in developing growth strategies based on the implementation of the joint ventures, in many cases succeeding in independently generating significant growth in turnover and trading. This process took place alongside changes in the organisational structure of these companies with the entry of directors, involving the modification of its corporate management strategy without jeopardising its family-owned structure. The transition towards the creation of larger-sized companies without losing their true family-owned character took place during early decades of the new millennium. With booming growth in the construction sector, these companies gained a significant foothold in the market, reaching important positions in rankings according to volume and turnover of their contracted work.

The diversification of their construction-based activities was also the basis of the growth of these companies based on joint ventures and the sharp increase in public investment from regional governments. Opportunities in sectors connected to pure construction activity were exploited to enhance the position of these companies in those markets of construction-associated services as well as adopting growth strategies abroad<sup>17</sup>. These activities are the basis of the substantial changes presented by these types of companies in the sector ranking and especially in the strong growth in turnover achieved by a sample of these companies, as evidenced in tables 2 and 3.

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<sup>16</sup> Ruiz de Palacios (2003)

<sup>17</sup> González, M and A. Gómez (2009)

**Table 2**  
**Associated construction companies in ANCI in (1999)**

<b>Companies</b>	<b>Year founded</b>	<b>Turnover (€.m)</b>	<b>Employees</b>
Aldesa	1969	102	500
AZVI	1925	104	450
Altec	1989	69	600
Hispánica	1955	73	450
Copcisa	1965	120	450
Copasa	1985	90	475
Ploder	1990	102	380
Probisa	1962	141	868
Sando	1974	168	660
Rubau	1968	58	190

**Source:** Draft based on ANCI data (*National Association of Independent Construction Companies*), 1999.

**Table 3****Associated construction companies in ANCI in (2010)**

<b>Companies/ International presence</b>		<b>Year founded</b>	<b>Turnover (€m. )</b>	<b>Employees</b>
Aldesa	Mexico, the United States, Poland, Eastern Europe		930	2353
AZVI	Chile, Mexico, Colombia, Brazil, Romania		388	1022
ASSIGNIA(Hispánica)	Poland, Italy, Turkey, Oman, UAE	2010	401	1700
Becca	Central America, the Near East	1969	737	30 (company)
Copasa	Brazil, Chile, Bulgaria, Romania		540	400
Copcisa	Chile, Colombia		506	798/1298 (company)
Copisa	Morocco, Panama, Peru, Brazil, Romania, Holland, Portugal	1959	740	1657
Puentes	Angola, Namibia	1977	409	841
Rover- Alcisa	Colombia, Saudi Arabia.	1962	750	170

**Source:** Draft based on ANCI data (*National Association of Independent Construction Companies*), 2011.

## **Internationalisation as a route to growth: several cases of construction companies**

Many of the medium-sized construction companies that have grown since the 1990s in Spain have participated in the expansion of their business through acquisitions or mergers, while specialising in the core of their construction market. New expectations and the strategy to be developed as a result of this newly acquired size has moved into the framework of global markets in search of new business opportunities<sup>18</sup>. A common denominator of many of these companies is the adoption of a strategy of internationalisation that has taken many different appearances.

From a theoretical perspective, literature published on internationalisation has attempted to explain the basis on which companies adopt growth strategies outside of their domestic markets. The most widespread approaches generally rely on the gradualist view formulating the so-called *Uppsala School* in the early 1970s<sup>19</sup> and has witnessed a new development in the 1990s from all the literature based on *born global* companies<sup>20</sup>.

According to these approaches, company size is the defining factor in terms of exit strategies abroad. Large companies tend to adopt different expansion approaches to those of SMEs. Large companies generally set up abroad by creating subsidiaries, seeking advantages linked to location, internationalisation and property. The transformation ends up creating multinational or transnational companies, using mechanisms that are for the greater part associated with direct equity investments through the foundation of new companies or the acquisition of others which is a gateway for insertion into the host markets<sup>21</sup>. In the case of SMEs, strategies are generally different. Companies gradually move from being exporters

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<sup>18</sup>Audretsch, D.B.(2003)

<sup>19</sup>J. Johanson and J. E. Vahlne (1977, 1990)

<sup>20</sup>Oviatt and McDougall (1994) Knight and Cavusgil ( 1996 ) Knight, G. Madsen, T.K. and Servais, P. (2004) Madsen and Servais (1997) Madsen, T., Rasmussen, E. and Servais, P. (2000)

<sup>21</sup> Popular argument of J. H Dunning (1993)

to later adopting agreements with merchandisers who represent them in foreign markets. They then enter into in direct investment via a local partner that in almost all cases takes the form of *joint ventures*, later enabling the company to act independently in the market in which it wishes to grow and develop. Given the limited size of SMEs, internationalisation-based decisions in these companies are taken on the basis of reducing risks as much as possible. As a result, the mechanisms around the development of the expansion of these companies abroad are based on cultural proximity, knowledge of the institutions and existing regulations in these markets. The strategy is thus based on gradually confronting the international process of expansion. Historical evidence has also backed this up during different periods and in terms of different countries<sup>22</sup>.

However, a different process has taken place in recent decades which breaks away from the gradualist explanations of the Uppsala School formulated in the 1980s and 1990s. With the expansion of global markets and their growing and deep-set liberalisation, many companies have become international without third party intervention and the majority have grown out of previous business structures, reduced in size, especially in new industries or those that can offer diversification of their product and its processes, as in the case of construction. This is what happened in the construction sector in Spain.

Large companies from the sector adopted multinational structures, the result of a process of internationalisation that was already a reality in the 1980s. However, these SMEs still maintained their typical small size-company structure, specialising in a single process or product, and working for large companies or indirectly linked to them across all the construction sectors (property development, structural erection, public infrastructure, public works) while highly dependent on public demand associated with government spending. However, these structures and behaviours tended to change in the 1990s and especially in the 2000s. The growth in turnover, mergers, acquisitions and takeovers between companies in the same sector or related sectors, led to new companies, that while still being SMEs, and in many cases with new modern corporate structure, underwent direct internationalisation with investments abroad and progressive presence in distant

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<sup>22</sup>Fernández, Z; Nieto, M. J (2005),Kontinen and Ojala (2010)

markets<sup>23</sup>. While the mechanisms differed in each company, the overall result was the same. Collectively, they constitute the aforementioned *born global enterprises* phenomenon that has also been evidenced in the construction sector in Spain.

There are several examples of internationalised SMEs that have become or are still in the process of becoming born global companies. One example of this is the company *Essentium*. Founded in the 1970s as *Graveras Los Ángeles* in Madrid, the company initially specialising in the production of construction materials (gravel, cement, concrete, mortar, prefabricated structures) and also in the energy production. After a long trajectory, its construction material business was sold to French international Lafargue, while retaining its energy generation company. In 2006, under the new name *Assignia*, it began the process of breaking into the foreign market. In 2009, the company acquired the construction company *Hispánica*, specialising in infrastructure construction and public works. *Hispánica* already had a significant presence in the central and southern European markets as well as in Asia, Africa and Latin America, with over 1700 employees at the time as well as a significant portfolio of public works under its belt. Along with the renaming of the company from *Hispánica* to *Assignia* in early 2010, the company acquired the engineering division of the construction and property company WTorres in Brazil and designed an overseas expansion plan to complement its strategy for achieving synergies with the former *Hispánica*. Current lines of development of this company are focused on the construction business and on boosting energy production. They have built seven hydroelectric plants in Turkey and are licensed to produce cement in European Mediterranean countries and North Africa. They are also acquiring services companies in Mexico, managing the

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<sup>23</sup> J. A. Belso (2003); One example is the case of the Galician construction company, *Grupo Puentes*: set up **in 1977** as *Puentes y Calzadas Empresa Constructora*, **1994**: Entry of new shareholders. Business activity diversification and entry into new markets. **1995**: Birth of Structures and Assembly of Prefabricated Structures. **1997**: Establishment of *Inmobiliaria de Puentes*. **2000**: Acquisition of *Norpresa* (large public works prefabricated structures). **2002**: Purchase of *Construcciones Exisa*, S.A. (building) as well as acquisition of *H.L.E.* (building) and *Hormimeco* (public works and building); *Prethor* was born out of the unification of both of these. **2005**: Foundation of *Puentes Concesiones*. **2006**: Establishment of *Puentes Infraestructuras* to develop public works construction business. Formal establishment of *Puentes y Calzadas Group of Companies*. **2009**: Acquisition of *Grupo Marcor* to enhance hydraulic and environmental projects.

Caracas metropolitan railway and aiming to strengthen their presence in China, the Baltic States and Russia.

Assignia represents one case of *born global* after selling a large group such as Lafarge at the time that the economic crisis broke out in Europe and Spain, the main market of the former Essentium group. The acquisition of an already internationalised construction company and the experience accumulated by the parent group in the field of energy production has allowed the undertaking of a phase of international expansion that places a good part of its turnover potential in the non-Spanish market.

Also noteworthy is the case of *Rover-Alcisa*, founded in 1962 in Madrid as *Alzados y Cimientos* that merged with *Rover y Rover Valencia* in 1995, a company specialising in railway projects. The new company controlled by the Rodríguez Verdugo family, consolidated all its activities in 2003: construction, property development, engineering, mining. In the same year, it acquired 100% of *Iberovías*, a construction company specialising in the deployment of railway infrastructure, jointly holding shares with *Sando and Copcisa*, two construction companies that also started up during the growth of the construction sector in Spain in the 2000s. The economic crisis, especially significant in 2008 and 2009, forced *Rover-Alcisa* to use the acquisition of *Iberovías* as a tool to gain quicker access to international activities as a mechanism to overcome the sluggishness of the domestic market, where the state and public administration had sharply decreased spending on railway construction, especially in terms of high speed lines. In March 2010, the company was looking at entering into the business of railway construction in the U.S., Mexico and Brazil. In Colombia, Panama and Peru *Rover-Alcisa* was trying to develop their construction company along with a Colombian partner. The same thing happened in North Africa, where the company was attempting to win tenders with joint ventures in Libya, Algeria and Tunisia. Persian Gulf countries were also a preferred area of interest for this company. The internationalisation process was clearly a conscious goal: "We have the means and the financial ability to achieve this"<sup>24</sup>

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<sup>24</sup> JL Macicior, company CEO. *RoverAlcisa. Report. N°1, First Semester, 2010, p. 27*

The case of construction company ECISA (*Islands Structures and Cements*) can be considered along the same lines. A company founded in 1968 by a family business group in Alicante and Las Palmas, it soon began specialising in erection structures for residential building<sup>25</sup>. Throughout the 1970s and 1980s, recent increases in the demand for new construction along the Spanish Mediterranean coast laid the foundations of a company that began to progressively diversify into other construction related businesses. ECISA in particular moved into property development and the construction of residential housing and public works for public administrations. The company experienced an accelerated rate of turnover during the 1990s, and the first half of the new millennium in particular. The basis of its rapid growth was the construction of public infrastructure, particularly roads, viaducts and railways. In addition to these new specialisations, the company delved into other business activities related to its core expertise such as the construction and management of public parks and nursing homes. The strong increase in turnover led to ECISA changing its organisational structure without altering its status as family business, supervised and directed by the first and second generation of the Peláez family. The modification of the company organisation, which was now a *holding* company, was accompanied by the layout and the definition of new corporate strategies. The most important of these was the preferred search for markets in territories outside their area of operation, with a particular focus on the international market.

ECISA's conscious internationalisation was conceived on the basis of two lines of action. The first consisted in the acquisition of specialised companies acting in the markets, the entry into which was deemed strategic for possible future development of their interests as a construction company. To this end, they purchased a Portuguese company specialised in the construction of railway infrastructures. This signalled the beginning of work in the Portuguese as well as in the Irish market, where they obtained contracts for the construction and maintenance of suburban and metro trains in Dublin. The second line of action was concentrated in the Persian Gulf, North Africa and the Gulf of Guinea. The mechanism of action in these markets was based on the creation of *joint venture*

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<sup>25</sup> About ECISA, see J. Vidal Olivares (2011 and 2012)



companies with Spanish and local partners. The type of market they were looking to attract, their specificities and existing institutional barriers seemed to be pointing to a different type of action to the one that had been implemented in the European case. The success of these initiatives that were in place since 2007, and coinciding with the initial effects of the economic crisis in Spain and Europe, gave rise to several other new ones in the Americas. Panama and Chile became two new markets where ECISA opened offices to seek a greater share of business in construction activities. It is very significant that in the case of this construction company, the internationalisation process is being considered not only at the time that a new form of business organisation is being designed but particularly when the second generation of the company family would formally take charge of the management and planning of the company's corporate strategy. The internationalisation of ECISA's business was not only the result of corporate action that sought to deal with the economic and construction crisis in Spain but was also a conscious choice, prepared and designed by the steering group developing support tasks for the new CEO of the company<sup>26</sup>.

Assignia, Rover-Alcisa or ECISA are cases of medium-sized construction companies that emerged from long-standing family businesses that have developed organisational skills and growth that have turned them into new companies in the sector. New in the sense of becoming players who come directly to the international market with renewed structures, skills and assets, trained for competition, all of them focused on the goal of growing and increasing their size and profitability. It is in this sense that these companies, and many others from the Spanish construction sector, can be classed as *born global*. In fact, foreign turnover of many of these companies now exceeds 60 per cent of its global turnover.

## **Conclusions**

There is still very little literature available on the historical development of the construction sector in Spain, despite the advances that have taken place in recent years. What is known from its most obvious features is the process of rapid growth

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<sup>26</sup> R. Moreno and J. Vidal Olivares (2011)

that large companies experienced in the last third of the twentieth century. Many of them reached important positions in the international turnover rankings, placing some of them in the top 10 in Europe with a certain number of them obtaining significant global weight. There is information available about the growth process of these companies, especially the mechanisms through which these companies were able to internationalise since the 1980s. However, very little is known about the process of the size increase of construction SMEs and even less about mechanisms through which these companies have evolved to the present.

Rising demand for public works, infrastructure and residential construction experienced by the Spanish economy since 1980 was partially covered by a group of large and medium-sized companies that had grown since the 1960s. When these companies had to increase in size to cope with the challenges involved in the Spanish economy entering European markets as a result of joining the European Community, they resorted to maintaining their market share in Spain, assigning part of the works to Spanish subcontractors while a significant part of their productive effort was set in positioning themselves in the international market.

The Spanish construction SMEs were the major beneficiaries of this process of growth of the outsourcing system. Public and private demand, sustained in the long term by the construction sector as a whole, benefited all economic and productive stakeholders. However, there was a clear differentiation within the corporate structure of the industry, generating a progressive movement to increase the size of a large group of SMEs. In the logic of competition, some of the new companies increased their business volume and went on to become medium-sized companies but with increasing amounts of accumulated resources.

The group of medium-sized companies - with around 500 employees and over € 400 million turnover - was increasing its size and amount of resources in the 1990s, with even more rapid increases in the 2000s. New companies emerged within this group that were in reality the result of the transformation of previously existing ones that emerged under new names. It was the result of capital increases, acquisitions, takeovers and mergers that made this group newly disposed to compete. The availability of financial capital in Europe with the permissive policy of the Central Bank and the banking systems of member countries, all supported

the process. The most significant innovation of this list of medium-sized company from the construction sector was its commitment to foreign markets. While in certain cases, this strategy was adopted as an alternative to the subsequent economic recession in 2008, the fact remains that most of them opted to move directly into the foreign markets as a new corporate strategy, consciously adopted by their managers and owners. Many of these companies have not lost their status as family-owned companies, where the new generations who were responsible for decision-making adopted globalisation strategies in a conscious and deliberate manner, breaking with the previous corporate track record.

What is significant in terms of the process in the recent corporate history in Spain is how the construction companies made conscious and thought-out decisions related to size-increases and internationalisation strategies. However, they did not only resort to gradualist strategies, but also sought to find similar cultural markets in an attempt to follow a classic insertion mechanism - as pointed out by the Uppsala School - through the sale of products or delegate companies. They also adopted strategies around the insertion into emerging markets through the acquisition of companies already established in these markets or by creating direct subsidiaries there wherever the institutional environment so allowed it. These strategies are similar to those followed by those so-called *born global* companies that have proliferated in recent decades in the new technology or more capital-intensive areas. These are conscious strategies, adopted on the basis of the assimilation of business knowledge by their directors, the adoption of new forms of management and organisation. Combined with others that had been used in the past-such as networking strategies, strategies associated with the advantages of partnerships (JV's), potential collaboration with multinational companies, institutional support from foreign countries where the parent companies reside, have significantly reduced the inherent risks in terms of the internationalisation processes.

The strategies developed by medium-sized construction companies are thus based on a combination of defensive approaches towards the internal market in which they operated in the past and where they emerged and developed, while also

adopting another offensive strategy to adapt to a global market, with decreasing barriers, where they can obtain increased turnover and corporate profits. These aspects are crucial and should be highlighted since they form part of the ideology of the new generations of directors and owners of family businesses in the construction industry - the majority of Spanish SMEs - who have implemented their effectiveness with operations based in the growing importance of foreign markets as a way of growing and keeping their businesses alive.

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