

Dimitratos, Pavlos

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Pavlos Dimitratos\*

# The Firm's Location in the Home Country and Internationalisation: Some Evidence from Greek Smaller Firms

*The literature on the firm's international behaviour and growth is extensive. However, certain parameters which exert influence on the international growth of the firm and bear important practical and theoretical interest are comparatively underinvestigated. Such a parameter is the geographic location of the internationalised firm within its home country. Few studies have examined the impact of this variable on the firm's international behaviour and performance. The following article deals with this issue by investigating internationalisation ventures by small and medium-sized enterprises based in a small EU country, namely Greece.*

The rationale behind examining Greek businesses is twofold. First, many authors have stressed that research into the international expansion of firms should be conducted in countries other than those of the major industrialised economies.<sup>1</sup> Greece belongs to a group of countries with smaller and advancing dynamic economies. A small number of studies exist in international business concerning the international behaviour of firms based in countries which belong to this stage of economic development. Second, exporting and international operations are of considerable importance to Greek government and business executives. Such a study could provide insights for policy and business decision-makers in other small economies, although the generalisation of the findings of this study should be made with caution.

This article first describes the modern Greek business context and delves into the importance of international operations and the regional issue to the country. It then elaborates on the research objective behind the conducting of the exploratory study and receives the literature related to the theme of firms' location within the home country and internationalisation. Details on the methodology and the findings of the study are then presented. Finally, a synopsis is provided with implications for business practitioners

and policy-makers, and some suggestions made for future research.

## The Greek Business Context

Greece lies in the southeast part of the European continent close to both Eastern and Western Europe, the Black Sea basin, and the Commonwealth of Independent States. Its exceptional strategic position in the East Mediterranean offers contact with the Balkan countries, the Middle East and North Africa. Isolated from the rest of the EU nations by the Balkan peninsula, it is the only member of EU that has no borders with any other member state.

Greece's slow-moving economy in the 1980s has been transformed into a rapidly growing economy in the 1990s and 2000s. Being a member of NATO, the EU and Economic and Monetary Union (EMU), nowadays Greece enjoys lower inflation and interest rates, higher GDP growth, and smaller government

\* Research Fellow, Department of Marketing, University of Strathclyde, Glasgow, UK.

<sup>1</sup> L.V. Dominguez, E.R. Bienes: The Internationalization of Latin American Enterprises and Market Liberalization in the Americas: A Vital Linkage, in: Journal of Business Research, Vol. 38, 1997, pp. 3-16; D. Ford, L. Leonidou: Research Developments in International Marketing - A European Perspective, in: S.J. Paliwoda (ed.): New Perspectives on International Marketing, London 1991, Routledge; C.S. Katsikeas, S.L. Deng, L.H. Wortzel: Perceived Export Success Factors of Small and Medium-Sized Canadian Firms, in: Journal of International Marketing, Vol. 5, No. 4, 1997, pp. 53-72; M. Sarkar, S.T. Cavusgil: Trends in International Business Thought and Literature: A Review of International Market Entry Mode Research: Integration and Synthesis, in: The International Executive, Vol. 38, 1996, pp. 825-847.

debts and deficits. Major privatisations of enterprises are under way while investments in roads, air and rail transportation systems as well as the telecommunications infrastructure have been undertaken in the 1990s and 2000s. In addition, the award to the city of Athens of the 2004 Olympic Games has provided a strong incentive to speed up the process of bettering the present infrastructure. Nowadays Greece has a small open dynamic economy which is expected to grow at rates higher than the EU average.<sup>2</sup>

As far as the international operations of Greek firms are concerned, the permanent deficit of the foreign trade balance constitutes one of the most serious concerns of the Greek economy. Greece traditionally displays a deficit in its foreign trade balance account in the range of 15% of its GDP, with export value making up about 25% of that of imports. A noteworthy feature in the 1990s and early 2000s is that, apart from exporting, Foreign Direct Investment (FDI) modes of internationalisation, namely joint ventures and subsidiaries, have also been significantly implemented by Greek businesses. Two of the key motivating forces that have spurred Greek businesses into internationalisation ventures stem from environmental changes in Greece's general politico-economic situation.

The first is related to Greece's entry into the European Economic Community in 1981, with the subsequent elimination of trade barriers and constraints. This event has facilitated the exchange of products with other EU members and, especially after 1992, the movement of individuals and businesses across the European continent as well. However, these changes have significantly added to the competitive pressures in the small Greek market, which currently consists of almost eleven million inhabitants. Thus, one alternative Greek firms have in order to survive and grow has been to initiate or increase exporting and FDI operations abroad. The increased unification of Europe is expected to continue to add to the intensification of competition within the small Greek market in the future. Greece's customary destinations for exporting and FDI operations are EU countries, with Germany, Italy and the UK being the top EU destinations. Although the export market share of Greek firms absorbed by EU countries has been decreasing during the 1990s and early 2000s, around 45% of Greek firms' exports still end up in EU countries.

The formation of the single European market was the first real instance in which Greek firms were exposed to international competition and realised the need to compete in international markets. Nevertheless, the opening of Southeast European countries was the "shock" and second driving force that positively affected the international operations of Greek firms. Indeed the dissolution of the former Soviet bloc in the late 1980s and early 1990s provided gateways for many Greek companies to expand exporting and FDI operations in countries of the Balkans and Eastern Europe. Bulgaria, FYROM and Albania are high on the list of Southeast European markets which have been gaining a growing share of the Greek firms' interest since the early 1990s as far as exporting and FDI operations are concerned. Around one fourth of Greek exports are presently absorbed by Southeast European countries.

Greek exports are almost exclusively made either by land or sea, these two ways each occupying a large and equal portion (around 45%). Since exports by land or sea collectively occupy a very high percentage of sales abroad in terms of means of transport, the issue of where the firm is located in Greek territory may be of major importance to the international behaviour of the firm. This is a key reason for examining the regional aspect in this study. With regard to this regional theme, Greece encounters a serious problem of over-concentration of firms in the Athenian area. This is also reflected in the population of this region. Greater Athens, that includes Piraeus, Greece's largest port, is located in Central Greece and has a population of almost four million inhabitants. Greece's second largest city, Thessaloniki, in North Greece, has one million inhabitants. Thessaloniki has gained in importance in recent years, especially owing to the increasing Greek international operations with Balkan and East European countries. Thanks to its major port, Thessaloniki provides these countries with access to the Mediterranean Sea. Although Greek law treats firms of both cities in a similar way in terms of tax grants and subsidies, the industrial concentration and economic preponderance in the Athenian area is intense.

## Research Objective

The firm's performance in foreign markets is connected with the internationalisation strategies that it implements in these markets, its organisational context, and the environmental forces of host and domestic markets. Variables of all these sets are examined in this article. There are two related

<sup>2</sup> OECD: Economic Surveys – Greece, 2001.

research questions that this study will explore. The first is which internationalisation ventures (taking place through either exporting or FDI operations) present higher international performance: those by smaller firms in Thessaloniki, which are close to the border, or those by smaller firms in Athens, which are away from the border but in the country's centre of business activity. The second research question is to investigate why performance discrepancies exist, if any, for the small firms in the two regions by examining the two categories of internationalisation ventures as far as the variables influencing business internationalisation are concerned.

Overall, it would be interesting to examine to what extent and in what ways the firm's location in the country's economic centre (Athenian businesses) and proximity to the border (Thessalonikian businesses) affect the firm's international behaviour and performance. Both cities have access to major ports in the Mediterranean Sea and are key to the economic development of Greece. Athens has a much higher degree of economic significance within the country, whereas Thessaloniki possesses a prevalent geographic position in the Southeast European area and is close to the country's border.

This regional issue is of chief importance to policy-makers, inasmuch as they can formulate respective policies to foster business internationalisation within particular geographic regions of the country.<sup>3</sup> The examination of individual parameters regarding business internationalisation will provide some exploratory evidence regarding which strategic, organisational and environmental variables can be used to formulate location-specific internationalisation policies in Greece. Similar investigations in other countries would be required to examine to what degree the findings of this study can also be applied to other national contexts.

### Research Background

The research interest concerning the influence of business location on the firm's internationalisation appears to be rather limited. Olson and Wiedersheim-Paul<sup>4</sup> posit that firms located close to the national

border are likely to initiate export activities due to a significant extent of exposure to export stimuli. In accordance with this, the findings of other studies<sup>5</sup> suggest that businesses in different regions are found to score differently as far as their international performance is concerned.

These findings can be strengthened by assertions found in the literature on regional clusters. Although firms located near a country's border may not share all the characteristics of such a cluster, the regional cluster literature can be of relevance to the issue concerning the association of the firm's location with internationalisation. An emerging research stream in international business deals with the influence that the firm's membership in a cluster of the home country has on international behaviour. It is argued that embeddedness within a regional cluster of economic activity encourages increased internationalisation for all participating firms.<sup>6</sup> This is because a critical mass of firms within the region is formed, something which may attract a substantial number of foreign clients, suppliers and competitors.<sup>7</sup>

Nevertheless, evidence from other studies disputes these findings. No significant relationship is established between export propensity and performance, on the one hand, and business location, on the other.<sup>8</sup> These findings can be connected with the argument

<sup>3</sup> ENSR (European Network for SME Research): The European Observatory for SMEs – Third Annual Report, 1995; G. Tésar, J.S. Tarleton: Comparison of Wisconsin and Virginia Small- and Medium-Sized Exporters: Aggressive and Passive exporters, in: M.R. Czinkota, G. Tésar (eds.): *Export Management: An International Context*, New York 1982, Praeger.

<sup>4</sup> P. Brown, J. Bell: Industrial Clusters and Small Firm Internationalisation, in: J. Taggart, M. Berry, M. McDermott (eds.): *Multinationals in a New Era – International Strategy and Management*, Houndmills 2001, Palgrave; B.M. Oviatt, P.P. McDougall: Challenges for Internationalization Process Theory: The Case of International New Ventures, in: *Management International Review*, Vol. 37, Special Issue No. 2, 1997, pp. 85-99; M.E. Porter: The Competitive Advantage of Nations, New York 1990, The Free Press; L. Sopas: "Born" Exporting in Regional Clusters: Preliminary Empirical Evidence, in: J. Taggart, M. Berry, M. McDermott (eds.): *Multinationals in a New Era – International Strategy and Management*, Houndmills 2001, Palgrave.

<sup>5</sup> M.E. Porter: Clusters and Competition: New Agendas for Companies, Governments and Institutions, in: M.E. Porter (ed.): *On Competition*, Boston 1998, Harvard Business School Press; L. Sopas, op.cit.

<sup>6</sup> S.T. Cavusgil, J.R. Nevin: Internal Determinants of Export Marketing Behavior: An Empirical Investigation, in: *Journal of Marketing Research*, Vol. 18, 1981, pp. 114-119; N. Hansen, K. Gillespie, E. Gencturk: SMEs and Export Involvement: Market Responsiveness, Technology and Alliances, in: *Journal of Global Marketing*, Vol. 7, No. 4, 1994, pp. 7-27; J.E. McConnell: The Export Decision: An Empirical Study of Firm Behaviour, in: *Economic Geography*, Vol. 55, No. 3, 1979, pp. 171-183.

<sup>7</sup> M.E. Porter: *Clusters and Competition* ..., op.cit.

<sup>8</sup> A. Saxenian: *Regional Advantage: Culture and Competition in Silicon Valley and Route 128*, Boston 1994, Harvard University Press.

<sup>3</sup> M.J. Enright: The Globalization of Competition and the Localization of Competitive Advantage: Policies Toward Regional Clustering, in: N. Hood, S. Young (eds.): *The Globalization of Multinational Enterprise Activity and Economic Development*, London 2000, MacMillan.

<sup>4</sup> H.C. Olson, F. Wiedersheim-Paul: Factors Affecting the Pre-Export Behaviour of Nonexporting Firms, in: J. Leontiadés (ed.): *European Research in International Business*, Amsterdam 1978, North Holland.

that "group-thinking" may take place within a regional cluster,<sup>9</sup> something which can make participating businesses ignore new information on market trends outside the cluster.<sup>10</sup> Such negative externalities may take place within regional clusters and fade away the positive effects that business co-location can bring for internationalisation.<sup>11</sup>

Consequently, the few studies which encompass the firm's location parameter offer inconclusive evidence on this variable's effect on businesses' international behaviour and subsequent performance. The present article will provide some exploratory evidence on this issue for smaller businesses located in Greece.

## Methodology

Greek small and medium-sized manufacturing firms were selected as subjects of study. Manufactured goods are the Greek products most frequently encountered in international markets. Furthermore, small manufacturing firms constitute the "backbone" of the Greek economy and are a vehicle for the country's economic development. The businesses had to meet the following five criteria in order to be included in the population of the survey:

- belong to the food, beverages, garments or footwear sectors of the Greek industry, since these four sectors have exhibited a traditionally strong export intensity while recently they have also shown increased FDI presence;
- employ between 10 and 250 employees;
- be located in the greater areas of Athens and Thessaloniki;
- be independent firms of Greek stake; and,
- exhibit outward international activity, i.e. market their products abroad, for at least a three-year period.

A structured questionnaire soliciting answers during personal interviews with business managers in a cross-sectional large-scale survey was the main data collection method employed. Following standard research practice, the questionnaire items employed multi-item scales to measure the variables. Prior to conducting each personal interview, the most knowledgeable manager in charge of the firm's international operations was sought and asked to be interviewed.

Each of the four sectors constituted a subset or stratum of the population. Therefore, the population was split into four mutually exclusive strata following a stratified sampling procedure. After this, businesses from each stratum were randomly chosen according to the proportionate stratified sampling principle to ensure that the number of units in the sample were assigned among the subsets in proportion to the comparative amount of elements in every stratum of the population. The two geographic areas also served as another layer of two mutually exclusive strata.

In total, 434 small firms from the four sectors in the two geographic zones were randomly contacted, but 91 of them were not eligible to be included in the sample because they lacked one or more of the five screening criteria identified above. Consequently, 343 firms were qualified to be part of the sample, while 114 cooperated in the survey by providing all the required answers. The response rate of 33% (114/343) is deemed to be satisfactory, considering the intrusive nature of the research and the rather large size of the questionnaire. There is no statistically significant difference between the enterprises that agreed to cooperate in the study and those that did not in terms of the number of employees ( $t$ -value = 0.40,  $p$  = 0.69).

Nonetheless, 165, rather than 114, observations are included in the statistical analysis. This is because the unit of analysis in this study was the internationalisation venture of the business in a particular (developed or less developed) country. Specifically, the country in which the business earned the highest amount of sales among the developed countries was sought and subsequent queries of the questionnaire concerned this country. Similarly, the same procedure was followed for the country that generated the highest amount of sales for the firm among the less developed countries. The IMF categorisation<sup>12</sup> was employed to categorise countries into developed and less developed ones. Therefore, if the firm had international operations in both the developed and the less developed country zones, two observations were recorded in two respective countries. This is why 165 internationalisation ventures by the 114 firms are finally included in the statistical analysis. Of these 165 ventures, 89 internationalisation ventures refer to developed and 76 to less developed countries, while 107 refer to ventures by Athenian and 58 to ventures by Thessalonikian firms.

In order to validate the results of the large-scale quantitative study and add to the richness of its

<sup>11</sup> P. Brown, J. Bell, *op. cit.*

<sup>12</sup> IMF: World Economic Outlook (Financial Crises: Causes and Indicators), 1998.

**Table 1**  
**Definitions and Descriptive Statistics of the Variables**

Variable	Description	Scale	Mean/St. Dev.
<b>Internationalisation Strategies</b>			
Entry mode	Captures the mode of business involvement in the foreign country	Nominal (Indirect Exp., Direct Exp., FDI Mode)	IE = 10 DE = 141 FDI = 14
Cooperative strategy	To what degree the firm participates in various collaborative activities in the foreign country	Likert 1-7 (1=not at all - 7=very much)	1.67/0.60
Focused strategy	To what degree the firm fulfils the needs of specific market segments in the foreign country	Likert 1-7 (1=not at all - 7=very much)	3.83/2.03
Differentiation strategy	To what degree the firm employs competitive practices based on non-pricing techniques (superior design, product's quality, excellent service) in the foreign country	Likert 1-7 (1=not at all - 7=very much)	3.74/1.17
Price differentiation strategy	To what degree the firm employs competitive practices based on pricing techniques (pricing below average market price, pricing below production cost) in the foreign country	Likert 1-7 (1=not at all - 7=very much)	2.63/1.15
<b>Organisational Context</b>			
Experience in host country	Number of years in the foreign country	Ratio	8.71/10.1
Entrepreneurial style	To what degree the firm adopts a conservative vs. venturesome mode of management	Likert 1-7 (1 = conservative - 7 = venturesome)	3.25/0.90
Management systems in internationalisation	To what degree the firm perceives itself to be significantly inferior or superior compared with its direct competitors with regard to planning and control in international operations	Likert 1-7 (1 = sig. inferior - 7 = sig. superior)	3.81/1.46
Size	Number of employees in the firm	Ratio	57.0/53.6
Resource availability for internationalisation	To what degree the firm perceives itself to be significantly inferior or superior compared with its direct competitors with regard to human and financial resources, and production capacity in international operations	Likert 1-7 (1 = significantly inferior - 7 = significantly superior)	3.64/1.07
<b>Environmental Context – Host Country</b>			
Unfamiliarity	To what degree Greece is dissimilar to foreign countries with respect to business practices, buying preferences, culture, mentality, and legal and political system	Likert 1-7 (1 = not at all - 7 = very dissimilar)	4.29/1.29
Munificence – host country	To what degree the environment in the host country is munificent (or hostile), i.e. whether it offers firms growth opportunities (or not)	Likert 1-7 (1 = not at all - 7 = very munificent)	4.01/1.09
Uncertainty – host country	To what degree the environment in the host country is uncertain, i.e. whether it presents frequent, important and hard to predict changes	Likert 1-7 (1 = not at all - 7 = very uncertain)	3.56/0.93
<b>Environmental Context – Domestic Country</b>			
Munificence – domestic country	To what degree the environment in the domestic country is munificent (or hostile), i.e. whether it offers firms growth opportunities (or not)	Likert 1-7 (1 = not at all - 7 = very munificent)	4.05/1.10
Uncertainty – domestic country	To what degree the environment in the domestic country is uncertain, i.e. whether it presents frequent, important and hard to predict changes	Likert 1 - 7 (1 = not at all - 7 = very uncertain)	3.39/0.95
<b>Performance</b>			
Foreign country sales ratio	Sales in the foreign country over total number of sales of the firm (achieved over a year)	Ratio	15.1/20.3
Three-year change in sales	Percentage change in sales in the foreign country achieved over a three-year period	Ratio	21.4/31.2
Satisfaction	To what degree managers of the firms are satisfied with the business performance in the foreign market	Likert 1-7 (1 = not at all - 7 = very much)	4.46/1.51

findings, a qualitative study was also undertaken. Such qualitative studies can serve as a way to triangulate data obtained from the quantitative research and significantly add to the robustness of the findings.<sup>13</sup> Hence, two case studies, one for a small firm in Athens and one in Thessaloniki, were carried

out. The two investigated firms operated in the garments sector and shared all the characteristics of the firms which participated in the sample of the quantitative research, yet they were not part of the dataset consisting of the 114 enterprises. The case studies included in-depth interviews based on a semi-structured questionnaire with two managers who were well-informed on the firms' international operations. These interviews sought to clarify and illuminate

<sup>13</sup> M. Eastgerby-Smith, R. Thorpe, A. Lowe: Management Research: An introduction, London 1994, Sage.

issues that the evidence from the quantitative study did not fully reveal. Examination of company documents and archival data also took place in this qualitative part of the research.

### The Quantitative Research

The definitions, types of scale, and descriptive statistics for the study's variables are presented in Table 1. It is interesting to note that the expansion mode most frequently used is direct exports. Few Greek firms go abroad through FDI modes, i.e. joint ventures or subsidiaries. The low degree of implementation of a cooperative strategy is also noteworthy and is in agreement with previous findings suggesting that Greek managers appear sceptical towards interorganisational forms of cooperation.<sup>14</sup> On the average, the investigated smaller Greek firms earn about 15% of their revenues from international sales in their key foreign market while their sales in this market have grown at a rate of 21% during a three-year period.

The most common international market destinations for the firms in the sample are Germany, Italy, UK, US and France among the developed countries, and Bulgaria, FYROM, Albania, Romania and New Yugoslavia among the less developed countries. Almost all transport to international markets takes place either by land or sea, with both possessing about the same portion of significance. In general, these patterns concerning the destination country markets and the means of transport for the firms in the sample follow those for the whole population of internationalised Greek firms outlined above, something which is an expected outcome of the sampling method employed.

In order to check whether the results for the two geographic regions are independent, chi-square tests of independence will be employed for the study's variables measured on Likert scales. Crosstabulations will also be presented in order to find out whether there are significant differences in the results for the variables for which the independence hypothesis is rejected. The low number of internationalisation ventures, especially by Thessalonikian firms, precludes the use of other sophisticated statistical techniques in this exploratory study. Independent two

samples t-tests will be employed in order to identify differences in the means between the two groups of interest for the variables measured on ratio scales.

Table 2 presents Pearson chi-square values and associated significance levels for all variables measured on Likert scales. The hypothesis of independence is rejected for four variables. These are focused strategy, differentiation strategy, entrepreneurial style and resource availability for internationalisation.

It is only for these variables that crosstabulations will be presented in Table 3, since for the remaining variables the independence hypothesis is not rejected. Table 3 demonstrates that, with respect to focused strategy, there is no real discrepancy of results, since the rejection of the independence hypothesis stems from the fact that no Thessalonikian smaller firms present scores of 2. Indeed a chi-square test was performed with three rather than seven categories (1 to 3 formed the lowest category, 4 the middle one and 5 to 7 the highest one). The resulting Pearson chi-square value of 0.84 and its significance value of 0.66 indicated that the results for the two regions are not statistically associated.

On the contrary, the outcomes for differentiation strategy suggest that the implementation of this strategy varies in the two cities (Table 3). Analytically, although extensive reliance on this strategy (scores above 4.49) is about the same for ventures by enterprises in both areas, in very few cases (5.1%) do Thessalonikian small firms implement this strategy to an insignificant extent (scores below 2.5) compared to their Athenian counterparts (22.5%). In other words, unlike the relatively symmetrical distribution of scores for businesses in Athens, the distribution for

**Table 2**  
**Chi-Square Tests of Independence – Geographic Location Differences**

Variable	Pearson chi-sq. value	Asymptotic signif. (2-sided)
Entry mode	2.371	0.306
Cooperative strategy	5.937	0.204
Focused strategy	13.653	0.034
Differentiation strategy	12.947	0.024
Price differentiation strategy	5.030	0.284
Entrepreneurial style	20.675	0.001
Management systems in internat.	10.097	0.121
Resource availability for internat.	13.565	0.019
Unfamiliarity - host country	2.676	0.848
Munificence - host country	10.357	0.110
Uncertainty - host country	6.379	0.271
Munificence - domestic country	9.339	0.155
Uncertainty - domestic country	5.469	0.242
Satisfaction	6.961	0.325

<sup>14</sup> D. Bourantas, G. Mandes: A Profile of the Greek Manager – A Survey, in: *European Management Journal*, Vol. 5, 1987, pp. 57-61; S. Makridakis, Y. Caloghirou, L. Papagiannakis, P. Trivellas: The Dualism of Greek Firms and Management: Present State and Future Implications, in: *European Management Journal*, Vol. 15, 1997, pp. 381-402.

**Table 3**  
**Crosstabulations – Selected Variables and Geographic Location**

		Focused strategy							
		not at all			very much				
Location		1	2	3	4	5	6	7	Total
	Athens	17	15	16	13	20	12	14	107
	% within Athens	15.9%	14.0%	15.0%	12.1%	18.7%	11.2%	13.1%	100%
	Thessaloniki	16		12	9	6	8	7	58
	% within Thessaloniki	27.6%		20.7%	15.5%	10.3%	13.8%	12.1%	100%
Total		33	15	28	22	26	20	21	165
	%	20.0%	9.1%	17.0%	13.3%	15.8%	12.1%	12.7%	100%
		Differentiation strategy							
		not at all			very much				
Location		1	2	3	4	5	6	7	Total
	Athens	5	19	17	35	23	8		107
	% within Athens	4.7%	17.8%	15.9%	32.7%	21.5%	7.5%		100%
	Thessaloniki	2	1	7	31	14	3		58
	% within Thessaloniki	3.4%	1.7%	12.1%	53.4%	24.1%	5.2%		100%
Total		7	20	24	66	37	11		165
	%	4.2%	12.1%	14.5%	40.0%	22.5%	6.7%		100%
		Entrepreneurial style							
		conservative			venturesome				
Location		1	2	3	4	5	6	7	Total
	Athens		15	37	44	9	2		107
	% within Athens		14.0%	34.6%	41.1%	8.4%	1.9%		100%
	Thessaloniki	2	18	27	9	2			58
	% within Thessaloniki	3.4%	31.0%	46.6%	15.5%	3.4%			100%
Total		2	33	64	53	11	2		165
	%	1.2%	20.0%	38.8%	32.1%	6.7%	1.2%		100%
		Resource availability for internationalisation							
		sig. inferior			sig. superior				
Location		1	2	3	4	5	6	7	Total
	Athens	3	6	28	42	24	4		107
	% within Athens	2.8%	5.6%	26.2%	39.3%	22.4%	3.7%		100%
	Thessaloniki		13	15	17	9	4		58
	% within Thessaloniki		22.4%	25.9%	29.3%	15.5%	6.9%		100%
Total		3	19	43	59	33	8		165
	%	1.8%	11.5%	26.1%	35.8%	20.0%	4.8%		100%

businesses in Thessaloniki presents few observations at the low end of the scale. Thessalonikian enterprises appear to build their strategy around non-pricing techniques abroad to a comparatively higher extent.

A notable difference appears also in the bivariate examinations for entrepreneurial style (Table 3). Internationalisation ventures by firms in Thessaloniki are guided by a more conservative style of management than firms in Athens. This is because in 81% of ventures by Thessalonikian businesses a conservative style of management emerges (scores up to 3.49), whereas the respective figure for Athenian businesses is only 48.6%. Seemingly Thessalonikian firms follow a more conservative mode of management in their internationalisation ventures.

A different response pattern is also observed between the two cities as far as the resource avail-

ability for internationalisation is concerned (Table 3). The scores of Thessalonikian smaller firms tend to cluster more at the low end of the scale since in 48.3% of their ventures scores less than 3.5 are observed. The respective figure for businesses in Athens is 34.6%. In other words, Thessalonikian firms more often score worse than their competitors in terms of the availability of human, financial and production resources for internationalisation. One could argue that this may be due to smaller sizes of enterprises in Thessaloniki. However, this is not the case, because the two groups of businesses do not differ statistically in terms of the number of employees ( $t$ -value = 0.32,  $p$  = 0.78). Thus, a justification can be that, because of the economic predominance of the city of Athens, Athenian firms have easy access to financing sources and attract skilled human resources for internationalisation without much diffi-



**Table 4**  
**Independent Two Samples T-Test –**  
**Geographic Location Differences**

Variable	t-test (t)	t-test (significance, 2-tailed)
Experience in host country	-0.303	0.762
Size	0.269	0.788
Foreign country sales ratio	-2.381	0.019
Three-year change in sales	1.128	0.261

culty. In spite of all these, the two groups of businesses score about the same at the high end of the scale (scores above 4.49).

Table 4 presents the results concerning geographic location differences for the variables of the study measured on ratio scales. From these *t*-tests, it can be seen that the hypothesis of equality of means for the two categories of firms is rejected only for the foreign country sales ratio. The mean of the distribution for the foreign country ratio for internationalisation ventures of Athenian firms is 12.14, while the respective value of Thessalonikian firms is 20.69. Firms in Thessaloniki appear to perform better with regard to foreign country sales ratios in their internationalisation ventures in the key foreign markets.

Consequently, as far as the three performance indicators are concerned, the preliminary evidence obtained suggests that the strategic geographic location of Thessaloniki near the border of Greece and its major port in the Mediterranean Sea can play a critical role in making Thessalonikian firms achieve successful international performance. However, the evidence provided in this study is not conclusive because the performance superiority of businesses in Thessaloniki is presented only for the foreign country sales ratio indicator.

Overall, the results from the quantitative study seem to cast doubts on the statement that organisational location in the country does not affect the inducement of businesses to export<sup>15</sup> and their subsequent export results.<sup>16</sup> In addition, the evidence obtained appears to challenge the finding of a Greek study that, the higher the urbanisation of an area, the greater the efficiency with which firms operate.<sup>17</sup> It appears that this statement may not apply to international operations, as Athenian smaller firms perform worse than Thessalonikian ones. On the contrary, the

findings of this study seem to strengthen the argument that dissimilar regional characteristics can propel enterprises to act and score differently as far as their performances abroad are concerned.<sup>18</sup>

### The Qualitative Research

The rationale behind pursuing the qualitative research in this study was mainly associated with finding out whether the variables that the quantitative research identifies to be possibly linked to higher international performance in Thessaloniki, namely differentiation strategy, entrepreneurial style and resource availability for internationalisation, actually do so. In addition, it was connected with illuminating which of these variables may be the most important predictors of international success for Thessalonikian firms.

The exploratory evidence provided from the qualitative research suggests that implementation of a differentiation strategy seems to be the main reason behind the higher international performances of Thessalonikian firms. This evidence reveals that due to the closer geographic distance between Thessalonikian firms and their clients, and thus, the higher number of contacts that they have with them, managers of Thessalonikian firms may easily learn what the needs of their foreign clients are. Hence, they can service them in an efficient way through the implementation of a differentiation strategy which seeks to provide them with higher product value through better quality, service and design.

The evidence from the qualitative study also suggests that entrepreneurial style does not appear to be significantly dissimilar between the two regions mainly because it is strongly influenced by different levels of resource availability. In other words, the impact of resource availability seems to overshadow that of entrepreneurial strategy. The statement of the owner of the Athenian garments firm which participated in the qualitative research, is illuminating:

"I do not believe that we in Athens are more venturesome when we go abroad. I do not have any evidence to make this statement. We have greater access to human, financial and information resources.

<sup>15</sup> S.T. Cavusgil, J.R. Nevin, op cit.; J.E. McConnell, op. cit.

<sup>16</sup> N. Hansen, K. Gillespie, E. Gencturk, op. cit.

<sup>17</sup> H. Louri: *Scale Economies in Urban Manufacturing Production: A Case Study*, in: *Greek Economic Review*, Vol. 10, 1988, pp. 371-382.

<sup>18</sup> P. Brown, J. Bell, op. cit.; B.M. Oviatt, P.P. McDougall, op. cit.; M.E. Porter: *The Competitive Advantage of Nations*, op. cit.; L. Sopas, op. cit.

Some firms in North Greece may feel 'isolated' as they do not have such an easy access to banks, financial institutions, ministries and databases. I believe that if they had similar access to them as we have here, they would be much more effective in their internationalisation ventures."

Apparently this statement stresses the role of policymakers in facilitating firms in Thessaloniki gaining access to the resources required for internationalisation. If these smaller firms had more resources, it is likely that they would be more venturesome in their enterprises abroad and achieve even higher international performance.

It is also interesting to note that the comparatively higher exposition of the Thessalonikian businesses to the international marketplace is not at all limited to neighbouring countries: 23 ventures of these enterprises take place in less developed countries compared to 35 in developed countries (the respective figures for Athenian firms are 53 and 54). Hence, it is probable that proximity to the border and organisational domicile in an internationally strategic area considerably broadens the variety of foreign market opportunities that enterprises may target to. This is also corroborated by the findings of the qualitative research. The international operations manager of the garments firm in Thessaloniki which participated in the case study, declares on this issue: "Thessaloniki possesses an excellent geographic location at a crossroads of three continents. Managers from firms all around the world participate at the annual Business Fair that takes place in the city. The businesses of Southeast Europe are neighbouring ones and Thessalonikian firms have higher chances to cooperate with them than Athenian ones. You should also note that many people in Thessaloniki and North Greece have associations with immigrants in Germany, USA and Australia. This networking effect adds to the number of foreign firms that Thessalonikian firms can do business with. Thessaloniki's

geographic position and its firms' associations with many developed countries facilitate international business with them."

In short, differentiation strategies are more usually implemented by Thessalonikian firms in their internationalisation ventures. Thessalonikian small and medium-sized firms are also more risk-averse in their entrepreneurial styles than their Athenian counterparts. This seems to be due to the fact that firms in Thessaloniki score worse than those in Athens in terms of resource availability for internationalisation, something which may be due to the prevailing economic vitality of Athens. Businesses in Thessaloniki attain higher foreign country sales ratios in their internationalisation ventures. The low transportation cost stemming from Thessaloniki's advantageous position close to the border *per se* does not appear to be a key reason in explaining the higher performance of these firms. The geographic location near the border may be a decisive factor for higher degrees of internationalisation, but this seems to be mostly due to the rapport that Thessalonikian firms have built with their foreign clients as a result of the small geographic distance with international markets.

The qualitative study revealed another mechanism which may also exist and explain the higher international performances by firms in Thessaloniki: imitative conduct is likely to turn up among Thessalonikian small businesses which do not wish their neighbouring competitors to acquire an international competitive advantage *vis-à-vis* them.<sup>19</sup> In effect, these businesses model themselves on their rivals and reply similarly to internationalisation challenges through mimetic isomorphism.<sup>20</sup> This imitative behaviour can induce an "internationalisation climate" in Thessaloniki, which, in turn, may lead to increased international business presence and subsequent improved performance. It should be stressed that managers often acquire resources and information through social relationships.<sup>21</sup> This is connected with the statement of the owner of the Thessalonikian garments firm, which participated in the case study:

<sup>19</sup> Cf. A. Bonaccorsi: On the Relationship Between Firm Size and Export Intensity, in: *Journal of International Business Studies*, Vol. 23, 1992, pp. 605-635; P. G. Dimitratos, R.P. Oakey: SMEs' Global Cooperative Strategies: A Critical Review, in: *Abstracts of the 23rd International Small Business Congress: Globalisation and the SMEs*, Athens 1996; M.E. Porter, *op.cit.*

<sup>20</sup> P.J. DiMaggio, W.W. Powell: The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields, in: *American Sociological Review*, Vol. 48, 1983, pp. 147-160; B. Mascarenhas, R.B. Sambharya: The Pattern of Density Dependence in Two Global Industries, in: *Management International Review*, Vol. 36, No. 4, 1996, pp. 331-354; J.W. Meyer, B. Rowan: Institutional Organizations: Formal Structure as Myth and Ceremony, in: *American Journal of Sociology*, Vol. 83, 1977, pp. 340-363.

<sup>21</sup> M. Granovetter: Economic Action and Social Structure: The Problem of Embeddedness, in: *American Journal of Sociology*, Vol. 91, 1985, pp. 481-510; J. Humphrey, H. Schmitz: The Triple C Approach to Local Industrial Policy, in: *World Development*, Vol. 24, 1996, pp. 1859-1877; R.W. Smilor: Entrepreneurship - Reflections on a Subjective Activity: Executive Forum, in: *Journal of Business Venturing*, Vol. 12, 1997, pp. 341-346; J.A. Starr, I.C. Macmillan: Resource Cooptation via Social Contracting: Resource Acquisition Strategies for New Ventures, in: *Strategic Management Journal*, Vol. 11, 1990, pp. 79-92.

"You know, I have the feeling that internationalisation came up partly from a 'fashion' in the area. Once I started to export to Germany, my next-door competitor asked me whether I could give him some addresses of distributors in Germany or Europe. After he started to export to Germany, another local firm approached him concerning the same issue. I wonder if all these managers can even communicate in a foreign language in the first place. Yet this 'fashion' may be beneficial ultimately to local firms if the government intervenes effectively."

## Conclusions

The impact of the firm's location in the home country on internationalisation possesses key significance for policy and business decisionmakers, yet this regional issue is largely an unexplored theme in the related literature. Although the evidence is not conclusive, this study investigating Greek smaller firms shows that business location in different parts of the country can lead to dissimilar organisational international results. Specifically, the findings of the quantitative and qualitative parts of this research reveal that the location of the firm close to the country's border may result in superior international performance. These findings gain more importance in the context of the Greek case since the firms which are located away from the border (Athens), and achieve lower international performance, are based in the heart of the country's economic vitality.

Managers of firms located close to the border (Thessaloniki) appear to know the needs of their foreign clients better, something which allows them to pursue a differentiation strategy effectively. Thessalonikian firms have access to a major port and are closer to the border, and this makes sales abroad by sea or land easier and less costly, yet this factor does not seem to be so important in this study. The proximity of these firms to the border increases their international exposure, that seems not to be restricted to the neighbouring countries. It is suggested that managers of these firms forge the links with foreign markets more strongly since it appears that the geographic proximity with the international marketplace is a major advantage in establishing rapport with their foreign clients and subsequently achieving superior performance.

The study could also bear important implications for policymakers in other small countries with open and dynamic economies. Portugal is likely to be one such case since it has characteristics similar to Greece in terms of economic development. In

addition, Lisbon and Porto share to some extent comparable characteristics with Athens and Thessaloniki respectively, as far as their economic vitality and geographic layout are concerned. The present study reveals that government policymakers should ensure that firms which are located close to the border and away from the country's centre of economic activity acquire access to human, financial and information resources. Locating universities and related educational institutions in these areas, providing incentives to firms such as such tax grants and subsidies, and establishing public information databases can assist these firms in the three resource areas respectively.

Such measures may additionally foster an "internationalisation climate" in the areas which are close to the border. The findings of this study show that such a favourable "internationalisation climate" or "fashion", which may be based on imitative behaviour, can positively affect firms' international operations. In the same direction, policymakers may orchestrate teamwork and cooperation by these businesses in order to alleviate the production resource constraint that possibly some of them encounter. In this way a strongly interconnected cluster of firms is likely to be formed in areas which are close to a country's border with foreign markets.

The evidence provided in this study has to be viewed as exploratory in an attempt to illuminate the theme of the association of the firm's location in the home country and internationalisation. This issue has not received significant attention by academics, and thus more research into it is required. Future studies examining firms based in similarly advancing smaller economies are especially welcome as their outcomes may be easy to compare with the findings of this research. Future research can also examine whether firms operating in high-technology sectors would yield similar results with the ones provided in this article. In addition, businesses based in more than two geographic locations with different characteristics in the home market may be investigated.

Finally, in order to comprehend whether a mimetic organisational response occurs among firms of the same region, scholars have to delve into this issue in interdisciplinary studies, whereby behavioural sciences can also participate. Discovering more on how, if at all, this imitative behaviour works is necessary to provide public policymakers with insights on the mechanisms and results they can expect when attempting to foster an "internationalisation climate" in areas close to a country's border.