Department of Marketing

LEARNING BY INTERNATIONALISATION: THE CASE OF SYRIAN FIRMS

by

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Copyright Statement

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Date: *01/03/2016*

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Dedication

To the Syrian people who gave examples of what it means to live a life, pursue a dream and create a future... *To you all*

Abstract

Expansion into foreign markets provides firms with opportunities to acquire a range of new knowledge. Prior research has extensively examined the foreign-market knowledge gains of cross-border expansion. However, less attention has been paid to the technological learning benefits of internationalisation, especially in the context of firms operating within low-technology industries. Marketing learning - particularly important for firms from transition economies - has also been subjected to limited empirical examination. This thesis builds on the internationalisation and organisational learning literatures to address these knowledge gaps. A conceptual framework is developed and investigated using a mixed methods approach involving the collection of data through questionnaire and interview methods from exporting firms in the Syrian transitioning economy.

The questionnaire data are analysed using partial least square structural equation modelling while template analysis is used to analyse the interview data. In line with the concurrent triangulation design adopted in this thesis, findings from the two methods are compared to strengthen their validity. The findings demonstrate that internationalisation contributes to the advancement of technological and marketing capabilities of Syrian firms. However, the various dimensions of internationalisation exert different influences on subsequent learning. Moreover, technological knowledge gains and foreign expansion are positively associated with international performance whereas marketing learning did not exhibit a clear association with overseas performance. Furthermore, evidence suggests that developing a diverse set of informal network relationships contributes to post-internationalisation technological and marketing learning. Management's prior foreign experience also positively impacts on technological learning while mixed evidence is obtained regarding the knowledge effects of a firm's age at first foreign entry.

The thesis contributes to scholarly knowledge by extending our understanding of the role of internationalisation in advancing organisational knowledge bases and enriching the literature with perspectives from internationalising firms in the Syrian transitioning economy.

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Acronyms and Abbreviations

AVE	Average Variance Extracted
CBSEM	Covariance-based Structural Equation Modelling
CMB	Common Methods Bias
CSA	Country-Specific Advantage
DOI	Degree of Internationalisation
EM	Expectation Maximisation
EM-MNE	Emerging Market Multinational Enterprise
EMP_INT	Number of employees dedicated to international activities
FDI	Foreign Direct Investment
FSA	Firm-Specific Advantage
FSTS	Foreign Sales to Total Sales
Geo-Scope	Geographic Scope of a Firm's Sales
GoF	Goodness of Fit
IE	International Entrepreneurship
INV	International New Venture
KBV	Knowledge-based View
LAN	Learning Advantages of Newness
LV	Latent Variable
MCAR	Missing Completely at Random
MD	Managing Director
MNE	Multinational Enterprise
MV	Manifest Variable
MVA	Missing Value Analysis
NO-Country	Number of foreign markets in which a firm sells its products
OLI	Ownership, Location and Internalisation paradigm
QUAL	Qualitative
QUAN	Quantitative
PCA	Principal Component Analysis
PLS	Partial Least Squares
R&D	Research and Development
RBV	Resource-based View
SEM	Structural equation modelling
SME	Small and Medium Enterprise
TCT	Transaction Cost Theory
YOE	Year of Establishment
YOI	Year of Internationalisation

Chapter 1. **Introduction**

1.1 Research Background

The role of knowledge and learning has been central to scholarly inquiry in the internationalisation area during the past few decades (Bartlett and Ghoshal, 1987; Casillas, Barbero, and Sapienza, 2015; Casillas, Moreno, Acedo, Gallego, and Ramos, 2009; Ellis, Davies, and Wong, 2011; Fletcher and Harris, 2012; Johanson and Vahlne, 1977; Petersen, Pedersen, and Lyles, 2008; Pla-Barber, Villar, and León-Darder, 2014; Zahra, Ireland, and Hitt, 2000; Zou and Ghauri, 2010). Knowledge was employed as the sole explanatory variable in the Uppsala process model of internationalisation, a model that represents one of the first attempts to explain how firms internationalise (Eriksson, Johanson, Majkgard, and Sharma, 1997; Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). Knowledge is also deemed critical in the international new venture (INV) research, where it is viewed as an enabling factor for early and rapid internationalisation (Autio, Sapienza, and Almeida, 2000; Oviatt and McDougall, 1994; Weerawardena, Mort, Liesch, and Knight, 2007).

The central role of learning in internationalisation led Casillas et al. (2009) to conceive internationalisation as a learning process in which the firm builds on its repository of previous knowledge and generates new knowledge shaped by its behaviour in foreign markets. However, previous research has mainly focused on the accumulation of foreign market and internationalisation knowledge as key outcomes of this learning process (Blomstermo, Eriksson, Lindstrand, and Sharma, 2004; Casillas and Moreno-Menéndez, 2014; Eriksson, Johanson, Majkgard, and Sharma, 2000; Fletcher, Harris, and Richey, 2013; Johanson and Vahlne, 1977; Zhou, Barnes, and Lu, 2010). This stream of research was particularly associated with the Uppsala model of internationalisation. Lack of foreign market knowledge was considered a cause of uncertainty in this model, acting, therefore, as an impediment to cross-border expansion (Andersen, 1993). The model suggests that firms handle this uncertainty through gradual acquisition and integration of knowledge about international markets and operations resulting in a gradual process of increasing

commitment to foreign markets (Johanson and Wiedersheim-Paul, 1975). However, the knowledge gains of cross-border expansion go beyond learning about foreign markets and the process of internationalisation as is discussed next.

1.1.1 Technological and Marketing Learning

Barkema and Vermeulen (1998) were among the first scholars to examine learning outcomes other than those related to foreign market and internationalisation knowledge. They discuss the potential technological learning benefits that accrue to organisations operating in diverse national and product markets. Technological learning refers to "the dynamic process of acquiring a technological capability" (Kim, 1997, p.86). Technological capability is defined as the ability to make effective use of technological knowledge to assimilate, use, adapt, change existing technologies, create new technologies and develop new products and processes in response to the changing economic environment (Kim, 1997). Table 1-1 provides a list of key definitions used in this thesis. Learning is the key approach by which firm-specific assets develop (Teece, 2014), hence it is essential for the development and renewal of firm's capabilities (Flores, Zheng, Rau, and Thomas, 2012).

Zahra et al. (2000) extend Barkema and Vermeulen's research (1998) by empirically establishing the positive effect of international diversity on technological learning, and the latter's influence on performance. Internationalisation's effect on technological knowledge acquisition was subsequently re-examined; however, the investigations were confined to the context of high-tech firms (e.g. Prashantham and Dhanaraj, 2010; Yeoh, 2004; Zou and Ghauri, 2010). Only few exceptions exist that examined technological knowledge acquisition among firms of varied technological intensity (e.g. Fletcher and Harris, 2012), affirming Zahra et al.'s (2000) observation that we have little understanding of the effect of internationalisation on technological learning within firms operating in low-technology industries. Such understanding is particularly important for firms originating from transitioning economies, and more broadly developing economies, as low-technology industries in these economies are lagging behind their counterparts in advanced economies (UNIDO, 2015).

Table 1-1 Key Definitions

Term	***Definition***
Technological Learning	The dynamic process of acquiring a technological capability.
Technological Capability	The ability to make effective use of technological knowledge to assimilate, use, adapt, change existing technologies, create new technologies and develop new products and processes in response to the changing economic environment.
Marketing Learning	The dynamic process of acquiring marketing capabilities.
Marketing Capabilities	Key market-related deployment mechanisms through which firms deploy their market orientation into the marketplace enabling them to execute strategies that match their market environment.
Foreign Market Knowledge (or Market Knowledge)	A market-specific knowledge including foreign business knowledge which relates to the clients and the competitive situations in a specific market and foreign institutional knowledge pertaining to knowledge of the institutional framework of a specific country, its rules, norms, and values including knowledge of the local culture and language.
Internationalisation Knowledge	A firm's capability and resources to engage in international operations.
Degree of Internationalisation	The intensity, scope and structural aspects or resources devoted to international activities.

In contrast to technological learning which received some scholarly attention, there is not much research examining the marketing knowledge gains of foreign expansion beyond a few studies which explored the association between aspects of internationalisation and marketing know-how (e.g. Ellis, et al., 2011). Like technological learning, marketing learning is defined in this thesis as the dynamic process of acquiring marketing capabilities. Marketing capabilities are "key market-related deployment mechanisms... through which firms deploy their market orientation into the marketplace ...enabling [them] to execute strategies that match their market environment" (Morgan, Vorhies, and Mason, 2009, p.909-910). This definition differentiates market orientation from marketing capabilities. Market orientation focuses on the 'know what' of the market, and not how this 'know what'

is deployed in target markets (Morgan, et al., 2009). Marketing capabilities, however, are concerned with the process of marketing strategy development and execution (Morgan, Zou, Vorhies, and Katsikeas, 2003). Marketing capabilities include marketing communications, market information management, sales and channel management capabilities among others (Vorhies and Morgan, 2005).

Opportunities to develop marketing capabilities arise when firms cross international borders. Firms expanding abroad face new customer demands, different market dynamics and diverse competitive forces (Barkema and Vermeulen, 1998). These challenges create opportunities for marketing learning. Such opportunities are particularly relevant for firms from transition economies that previously experienced extended exposure to centrally-planned economic systems (Springer and Czinkota, 1999). Owing to the absence of market-based institutions and prevalence of formidable international trade barriers, local managers from these economies lacked basic business skills required to survive in market-driven environments (Ellis, 2010; Fahy, Hooley, Cox, and Beracs, 2000; Savitt, 2001).

Internationalisation, however, can provide a setting through which such managers can improve and learn the new rules of the game (Barkema and Vermeulen, 1998). Ellis et al. (2011), indeed, demonstrate that export intensity is positively related to new product development, product performance and customer orientation. However, while the authors examine aspects of the internationalisation-marketing know-how relationship, they do not assess the marketing knowledge acquired directly as a result of cross-border expansion. Moreover, it is important to consider how other dimensions of internationalisation, in addition to export intensity, affect the acquisition of different types of marketing know-how.

1.1.2 Organisational Factors and Post-Internationalisation Learning

While internationalisation is likely to provide the setting for knowledge acquisition, the organisational learning and internationalisation literatures suggest that a number of organisational factors are likely to influence firms' ability to learn. Among these factors, network relationships, management's prior foreign experience and firms' age at first international market entry were subject to significant scholarly

investigation. Yet, a review of the literature shows that there is a paucity of research examining how such factors affect firms' ability to acquire knowledge as a result of cross-border expansion, particularly in relation to technological and marketing knowledge.

Extant research has shown that firms rely on their network of relationships to acquire knowledge needed for their internationalisation (Ibeh and Kasem, 2011; Johanson and Vahlne, 2009; Sallis and Sharma, 2009), including foreign market knowledge (Ellis, 2000; Haahti, Madupu, Yavas, and Babakus, 2005; Loane and Bell, 2006; Sharma and Blomstermo, 2003), as well as technological knowledge (Fletcher and Harris, 2012; Yli-Renko, Autio, and Tontti, 2002). However, apart from few studies (e.g. Bruneel, Yli-Renko, and Clarysse, 2010; Haahti, et al., 2005; Manolova, Manev, and Gyoshev, 2010), prior literature has been primarily focused on formal relations and has virtually overlooked the role of informal cooperation and the firm's broader network of relationships in organisational learning (Haahti, et al., 2005). Hence, a gap arises in the literature regarding the impact of a firm's informal network ties on its technological and marketing learning due to foreign expansion.

Beside informal network relationships, prior experience is a main precursor of learning. Cohen and Levinthal (1990) argue that the ability to recognise and utilise external knowledge is largely a function of the level of previous related knowledge. Of particular relevance to this thesis is the management's prior foreign experience, which refers to the degree to which an organisation's management has overseas experience prior to founding or joining the organisation (Reuber and Fischer, 1997). Weerawardena et al. (2007) postulate that management's prior international experience contributes effectively to developing the firm's market-focused capability as well as technological and non-technological related capabilities. However, limited research was conducted to empirically investigate this contribution.

Moreover, a firm's age at internationalisation has been particularly interesting for INV researchers. Autio et al. (2000) argue that early internationalizing firms enjoy learning advantages of newness (LAN). The authors provide empirical evidence on the implied growth outcomes of an early foray into foreign markets but not on the learning advantages per se. Subsequent emperical research provide mixed

support for the LAN argument. For example, while Zhou, Wu and Barnes (2012) suggest that young internationalisers enjoy greater learning flexibility that drives subsequent development of marketing capabilities, Zhou and Wu (2014) conclude that early international expansion is not associated with innovation, raising considerable challenge to the key premise of LAN.

Beside this mixed emperical evidence, the logic of LAN is theoretically at odds with that of the absorptive capacity regarding the impact of early foreign expansion on knowledge accumulation (De Clercq, Sapienza, Yavuz, and Zhou, 2012). Absorptive capacity represents a firm's ability "to recognise the value of new, external information, assimilate it, and apply it to commercial ends" (Cohen and Levinthal, 1990, p.128). Absorptive capacity argument suggests that firms learn best in the areas in which they have prior knowledge (Zahra and George, 2002), implying an advantage in delaying first international entry. The conflicting implications for learning suggested by the LAN and absorptive capacity arguments highlight the need for further research to examine the impact of early internationalisation on learning from foreign markets.

1.1.3 Performance Implications

Accumulation of knowledge within firms is not an end in itself; rather, it is considered as a means to improve competitiveness and performance. Knowledge is considered the most strategically important organisational resource (Grant, 1996a) and the basis of enhancing performance (Bapuji and Crossan, 2004; Eisenhardt and Santos, 2002). Organisational learning, which is essential for the development and renewal of firm's knowledge and capabilities (Flores, et al., 2012), is the cornerstone of improving competitiveness (Dodgson, 1993; Fiol and Lyles, 1985). Little is known, however, about the impact of marketing learning and technological learning by low-tech firms on performance, especially in international markets. Furthermore, limited attention was given to assessing the performance implications of knowledge acquisition in transitioning economies. The same could be said for the examination of the relationship between internationalisation and performance in these economies (Bausch and Krist, 2007; Chen, Jiang, Wang, and Hsu, 2014; Yang and Driffield, 2012). The limited research in this area suggests that more needs to be done to

further investigate the relationship between learning and internationalisation on the one hand and performance on the other.

1.1.4 Summary

The conceptualisation of internationalisation as a learning process and the intensive attention that the area of knowledge received within international business research is somehow at odds with the limited attention paid to technological and marketing knowledge gains of internationalisation among firms from transitioning economies and the subsequent impact on cross-border performance. The same can be said about evidence on the impact of a number of organisational factors on the knowledge acquisition by internationalisation. The following section aims to highlight the importance of investigating this topic in greater detail by pinpointing the poor knowledge bases within firms from transition countries and demonstrating how expansion to foreign markets could act as a catalyst for learning by these firms.

1.2 Importance of Topic

1.2.1 Lack of Knowledge in Transition Economies

Knowledge shortage has been a feature of transition economies. Countries with transition economies are countries that have been or are currently in the process of moving from centrally planned to market-oriented economies (World-Bank, 2004). They include countries such as China, former republics of the Soviet Union, and the countries of Central and Eastern Europe.

These economies previously employed socialist economic policies, which translated into a centralised and restrictive government control. In these countries, firms' goal was to meet quotas planned by the government, and with the supply being consistently less than demand, there was hardly any need for marketing (Springer and Czinkota, 1999). Furthermore, protectionist policies were implemented to defend local industries from foreign competition using trade barriers. This resulted in declining productivity and limited, if at all existing, innovation and technological enhancement. In this context, managers had neither incentives nor opportunities to

act as entrepreneurs or business leaders in the meaning these words have in advanced economies (Meyer, 2007).

Firms in former centrally-planned economies, therefore, struggle to achieve the effectiveness required to compete in the new market economy context (Uhlenbruck, Meyer, and Hitt, 2003). Technologically, these firms lag behind their counterparts in the advanced world (UNIDO, 2005, 2015). Equally important are marketing skills which are also in short supply (Savitt, 2001). Indeed, the absence of marketing professionals is a feature endemic in early stage transition economies (Ellis, 2010). Even some of the well-established multinational enterprises from emerging markets (EM-MNEs) have not been able to establish marketing-based competitive advantages and still compete based on price leadership and the ability to deal with challenging institutional environments (Kaufmann and Roesch, 2012).

The market reforms implemented in transitional economies created the need for marketing and technological capabilities (Meyer, 2007). The challenge is to identify how firms can develop such capabilities when they have been operating within systems that were geared to the needs of a centrally planned economy (Ellis, 2010). Given the scarcity of technological and marketing capabilities within the transitional economies themselves, foreign markets could be the setting in which to develop these capabilities. This issue is investigated briefly in the following section.

1.2.2 Role of Internationalisation in Enhancing Knowledge

Expanding to foreign markets presents an opportunity for firms from economies in transition to remedy their knowledge deficiencies. The literature provides two key arguments as to why firms can acquire technological and marketing knowledge by crossing national borders (Aulakh, 2009). First, the diversity of environments in which firms operate positively contributes to their propensity to acquire knowledge (Zahra and George, 2002). Hence, greater variation in the international contexts and activities of firms provides a stronger catalyst for them to acquire knowledge (Barkema and Vermeulen, 1998; Golovko and Valentini, 2011) and create unique search paths leading to the formation of heterogeneous resource

positions (Ahuja and Katila, 2004) and subsequently the achievement of a competitive advantage (Barney, 1991).

Second, expansion to different markets exposes firms to a broad range of stimuli that require the adaptation of the firms' knowledge to the conditions in the host market (Aulakh, 2009). Dodgson's (1993) conceptualisation of learning considers adaptation a key driver of learning. In many cases, firms may find their existing domestic market-based knowledge and capabilities to be of little use in foreign environments (Bruneel, et al., 2010; Johanson and Vahlne, 1977). Learning, therefore, results from the need to adjust in changing environments (Dodgson, 1993).

Mainstream international business literature suggests that foreign direct investment (FDI) is the main source of knowledge transfer between nations (Chuang and Hsu, 2004; Ghoshal and Bartlett, 1988; Liu and Wang, 2003). Firms may engage in asset-seeking FDI which purpose is to acquire existing innovatory assets and capabilities in host markets (Cantwell and Piscitello, 2005; Dunning and Narula, 1995). This strategy has been aggressively and increasingly followed by EM-MNEs to obtain knowledge-based resources from developed markets (Awate, Larsen, and Mudambi, 2015; Deng and Yang, 2015). For example, a number of Indian firms became global players in their respective industries by using targeted acquisitions in advanced economies (Thite, Wilkinson, Budhwar, and Mathews, 2016)

Furthermore, investments by foreign firms benefit host markets through knowledge transfer and spillovers to local firms (Dunning and Lundan, 2008). This explains why many firms from emerging countries adopted a strategy of collaborating with foreign firms in their domestic market. The strategy helped them to overcome their technological and marketing resource deficiencies (Luo and Tung, 2007) by leveraging their partners' knowledge resources (Mathews, 2006; Tan and Mathews, 2015). For example, Central European firms that are partly or wholly foreign-owned have significantly higher marketing capabilities than state owned firms (Fahy, et al., 2000).

However, the majority of firms in transition economies do not have access to foreign partners from whom they may leverage knowledge (Ellis, 2010). Their size, location and lack of government support limit their chances of attracting international

investors. FDI is unevenly distributed across regions and industries and is only accessible to a small number of firms in transition economies (UNCTAD, 2001). Conversely, crossing national borders, particularly through exporting, is far more accessible to firms. Exporting is the most popular foreign entry mode among firms, especially those of small to medium size, given the fewer resources and lower risks associated with it, relative to other entry modes (Leonidou, Katsikeas, and Coudounaris, 2010).

Although export operations may not offer the full spectrum of learning opportunities as inward or outward FDI, they can still contribute effectively to enhancing firms' knowledge stocks. Export activities present indigenous firms with learning opportunities that are less restricted by industry or geography and are independent of the actions of international firms (Ellis, et al., 2011). Exporting firms can acquire new knowledge in various ways. Entering foreign markets present the firm with new consumer needs and new testing grounds for its products (Barkema and Vermeulen, 1998).

Furthermore, firms from transition economies would find it challenging to compete in the new environments. The market-based competition and the advanced technological and marketing skills employed by competitors would make firms recognise their skill shortages or face problems in achieving their desired outcomes. Performance shortfalls drive firms to realise their knowledge gaps, i.e. "discrepancies between the knowledge possessed and the knowledge needed for successful business ventures abroad" (Petersen, et al., 2008, p.1099), and trigger a process of learning (Cyert and March, 1963). Hence, internationalisation is expected to generate knowledge gains for firms from economies in transition. This key relationship is investigated in detail within this thesis. The following section of this chapter outlines the aims and objectives of this thesis which attempt to address this key relationship alongside the knowledge gaps identified earlier in the chapter through a literature review and empirical investigation.

1.3 Thesis Aim and Objectives

Following from the preceding section, this thesis aims *to investigate learning by internationalisation and the subsequent performance implications amongst firms from transitioning economies*. To address this overall aim and the knowledge gaps mentioned earlier, the research has the following objectives:

Objective 1: To investigate the impact of the degree of internationalisation on technological and marketing learning among low-tech firms in a transition economy.

This objective aims to investigate the impact of different dimensions of a firm's international expansion on its knowledge gains from such expansion. Dimensions of a firm's cross-border expansion are captured in the term degree of internationalisation (DOI) which is defined in terms of intensity, scope and structural aspects or resources devoted to international activities (Reuber and Fischer, 1997).

Objective 2: To assess how key organisational factors influence the ability of low-tech firms from a transition economy to learn from internationalisation in the areas of technological and marketing knowledge.

This objective was designed to explore the impact of key factors identified in the organisational learning and internationalisation literatures on firms' ability to learn as a result of foreign expansion. These factors are informal network relationships, management previous international experience and firm's age at first foreign market entry. The need to meet objective 2 arises from the inconclusive, and in some cases contradictory, evidence that prior research provides on the influence the aforementioned factors have on a firm's technological and marketing learning in foreign countries.

Objective 3: To explore the extent to which technological and marketing learning from internationalisation achieved by low-tech firms from a transition economy enhances their international performance.

This objective addresses whether knowledge gains from cross-border expansion impact positively on international performance. Little empirical research

has been conducted to examine this impact particularly in the context of low-tech firms within transitional economies.

Objective 4: To examine the impact the degree of internationalisation of low-tech firms from a transition economy has on their international performance.

This objective considers how a firm's degree of internationalisation influences its cross-border performance. While this relationship has received considerable attention in the prior research, no consensus has been reached regarding the nature of the relationship. Furthermore, the majority of previous studies were conducted in the US, Europe and Japan, creating the need to examine the relationship in other contexts. The need for such research becomes particularly clear when taking into account the impact different home country contextual settings may exert on the benefits and costs that firms are likely to experience in foreign markets.

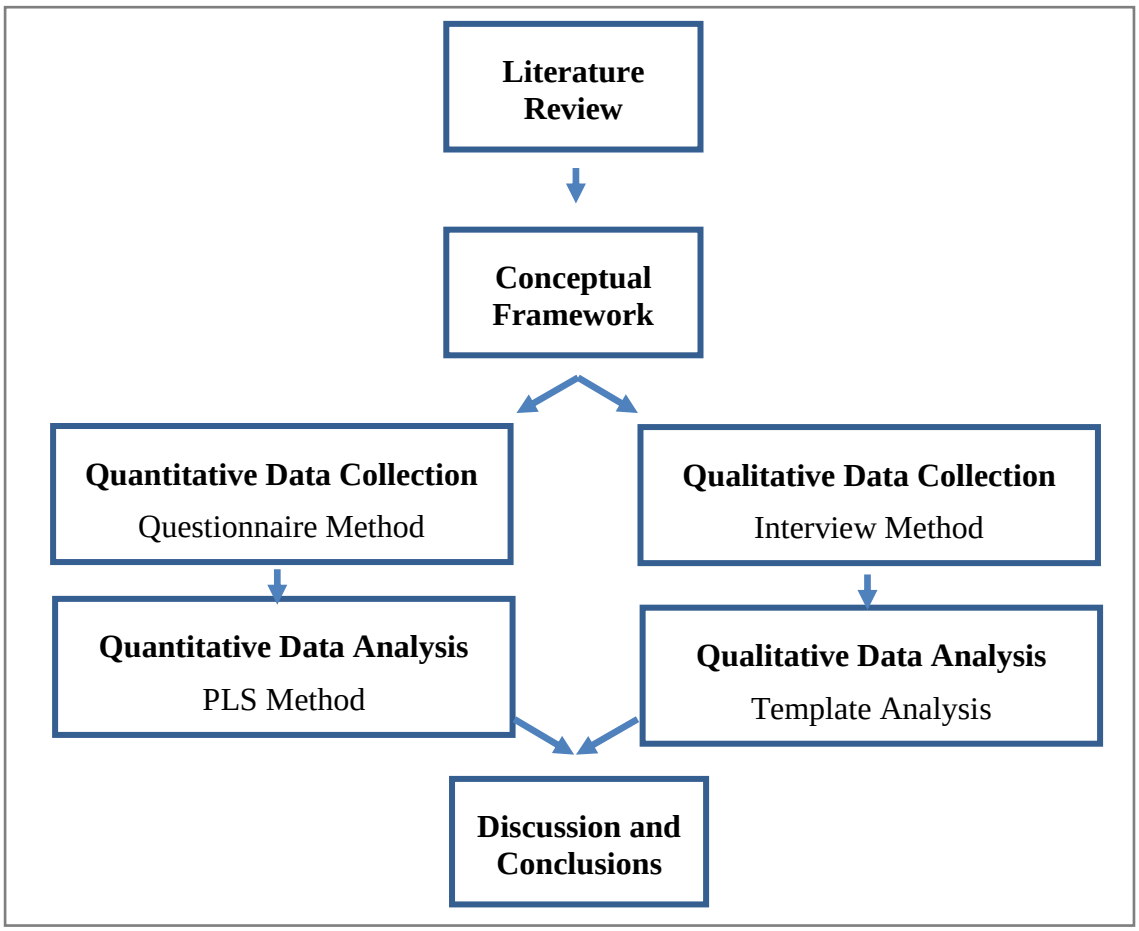
1.4 Overview of Research Design

The thesis objectives will be used to guide a review of extant literature and the development of a conceptual model which includes a number of hypothesised relationships between the study's constructs. The conceptual model will then be examined using a mixed-methods approach serving the purpose of triangulation and cross-validation (Rossman and Wilson, 1985; Yin, 2009). This approach will be implemented using a concurrent triangulation design (Creswell, 2009), involving the concurrent collection of data from Syrian exporters operating in low technology manufacturing industries using the questionnaire and interview methods. Syria is a Middle Eastern transition economy that witnessed a gradual economic transformation since 2001. Syria's transitional process is acknowledged in World Bank publications (World-Bank, 2012a), although it is not officially classified as a transition economy due to data scarcity and political remoteness (Lim and Saborowski, 2012).

The questionnaire data will be analysed using the Partial Least Square (PLS) Structural Equation Modelling (SEM) technique (Wold, 1982). SEM can examine a series of dependence relationships simultaneously enabling the test of theories where a hypothesized dependent variable in one relationship is an independent variable in

another dependence relationship (Hair, Black, Babin, and Anderson, 2010). The interview data will be analysed using the template analysis technique which involves using a mix of theory-driven and data-driven codes to identify themes in the data (King, 2004b). The findings from the analysis of both data types will then be discussed and conclusions will be presented. Figure 1-1 presents the process followed in this thesis to meet the research objectives.

Figure 1-1: Research Process



1.5 Thesis Structure

The thesis comprises of eight chapters. Following this introductory chapter**,** **Chapters 2 and 3** review and evaluate the literature in which this study is grounded. **Chapter 4** highlights the gaps identified in the literature and presents the conceptual framework. **Chapter 5** explains and justifies the research methodology. **Chapters 6 and 7** present the questionnaire and interview data analysis and findings

respectively. These are followed by a discussion of the findings in **Chapter 8**. Conclusions are then presented in **Chapter 9**.

Chapter 2 reviews the key theoretical perspectives which contribute to the understanding of the internationalisation of firms with a specific emphasis on the role played by knowledge in these perspectives. It considers the economic-based theories of foreign expansion and the stages model of internationalisation arguing that these perspectives implicitly or explicitly assume that firms have knowledge or resources which they can exploit when going abroad. The chapter then reviews the INV and EM-MNE literature and argues that while these streams of research emphasise technological and marketing knowledge acquisition as firms internationalise, limited attention has been given to technological and marketing learning among relatively small internationalising firms from emerging and transitioning economies.

Chapter 3 draws on the resource based view and organisational learning literatures to build the key arguments which underpin this thesis. It examines why technological and marketing learning benefits may be accrued by internationalising firms from transition economies. It also investigates the key factors that could enhance firms' learning as a result of cross-border operations and the performance implications of the developed knowledge base.

Chapter 4 summarises the gaps identified in the literature review and develops a conceptual framework to address these gaps and guide this research project. A number of research hypotheses are then deduced building on the conceptual framework and extant literature.

Chapter 5 explains and justifies the research methodology of the doctoral research. It first outlines the philosophical stance guiding this research, namely post-positivism. An explanation of the mixed methods approach employed in the research is then presented. The mixed methods approach, using a concurrent triangulation design, serves the purpose of triangulation and cross-validation in this study. The chapter then proceeds to discuss each of the two methods of data collection, namely questionnaire and interview, addressing the preparation, data collection and data analysis stages. The chapter concludes with a summary and discussion of limitations.

Chapter 6 presents the results of the statistical analysis of the quantitative data collected through questionnaires to test the hypotheses that have been developed based on the literature review. The chapter provides an overview of respondent firms and discusses the procedures taken to prepare the data for analysis. It then presents the analysis using PLS path modelling. The results strongly support the main hypothesised relationships, specifically, the positive effect of DOI on technological learning, marketing learning and international performance. Mixed support was found for the hypotheses on the learning-performance relationship and on the impact of different organisational factors on knowledge acquisition.

Chapter 7 presents the analysis and findings of the interview data. The chapter first explains the template analysis technique and its application to analyse the interview data. An overview of the participating firms is then provided. The findings are then presented. They suggest that greater internationalisation provided firms with various opportunities to engage in technological and marketing learning. Critically, they indicate that level of engagement with foreign markets is essential for generating the marketing knowledge benefits of internationalisation. The findings also suggest that networking with various informal ties augments the learning gains of internationalisation, but the same is not true for firm's age at first foreign entry. Mixed evidence was obtained on the role of management's prior foreign experience in explaining post-internationalisation learning. Finally, the evidence points in general to a clear association between technological learning, marketing learning and internationalisation on the one hand and foreign performance on the other.

Chapter 8 provides a synthesised discussion of the research findings in relation to the research objectives and the literature. It explains the rationale underlying the findings of this study in light of past research and pinpoints the contributions made by investigating each of the research objectives.

Chapter 9 concludes the thesis. It provides a summary of the thesis' findings and highlights its contribution to scholarly knowledge. Managerial and policy implications are then presented. The chapter concludes with a discussion of the research limitations and potential areas for further research.

Chapter 2. The Internationalisation of Firms

2.1 Introduction

This chapter provides an overview of the key theoretical perspectives contributing to the understanding of firms' internationalisation with a specific emphasis on the role played by knowledge in these perspectives. Given that a key premise of this thesis is the ability of firms from transitioning economies to learn from internationalisation, it is important to examine what the key theoretical perspectives on internationalisation have to say about firms' existing stocks of knowledge prior to cross-border expansion and the potential of knowledge acquisition and types of knowledge to be acquired after internationalisation.

This chapter starts with a brief overview of the economic-based explanations of firms' cross-border activities. It then discusses the behavioural-based stages model of internationalisation. The theoretical explanation for the rise of born global and rapidly internationalising firms is then presented. This is followed by a discussion of the internationalisation of firms from emerging and transitioning markets. In each of these sections, particular attention is given to the assumptions regarding pre-existing knowledge at the time of cross-border expansion, post-internationalisation learning and the type of knowledge that could be acquired.

2.2 Economic-based Explanations of Cross-border Expansion

International business as a field has its roots in the international economics literature focusing on explaining international trade and foreign direct investment (FDI) by firms and the existence of multinational enterprises (Melin, 1992). Key theories aimed at explaining FDI include the product life cycle theory, the transaction theory and the eclectic OLI paradigm (Eriksson, et al., 2000; McDougall, Shane, and Oviatt, 1994). The following sections provide a brief overview of these theories

while emphasising their assumptions regarding pre-existing knowledge at the time of cross-border expansion and the prospects of post-internationalisation learning.

2.2.1 Product Life Cycle Theory

Vernon (1966) introduced the product life cycle theory to explain American international trade patterns. The theory considers both firm and country specific factors; it conceives the internationalisation process as a systematic, incremental and predictable process where foreign market entry is determined by the life stage of the product and the economic development of foreign markets (Melin, 1992). Vernon postulates that early in the product's life, production takes place in the country of innovation. Exports to other advanced markets occur in order to achieve economies of scale and as demand grows, firms may consider FDI in these markets. When the product becomes mature and manufacturing is standardised, cost becomes a crucial factor in determining the location and, as a result, production shifts to low-cost countries (Melin, 1992; Vernon, 1966).

Vernon's theorisation takes the product maturity stage, the innovative abilities in a country, market conditions and cost of production into consideration (Melin, 1992). Its main strength lies in providing an insight on the choice of location of production (Sharma and Erramilli, 2004). However, changing world dynamics and the changing nature of the MNE have lessened its explanatory power; MNEs now finely slice their value-added activities and identify optimal location for each activity (Buckley and Ghauri, 2004). Moreover, the market conditions in developing countries, that were traditionally viewed as low cost locations, have changed tremendously (Vernon, 1993), particularly with regards to the rapid growth of the middle class (Kharas, 2010). This made the introduction of new products in these markets desirable if not essential. In addition, product life cycles are becoming shorter (Melin, 1992), which makes offering a new product in as many markets as possible crucial.

In sum, despite the strength that the product life cycle theory gained initially, the changing international business environment has reduced its explanatory power to a huge extent. Examining this theory from a knowledge perspective, it could be

argued that the product life cycle theory placed, implicitly, huge emphasise on resources of innovation to explain outward internationalisation. The model emphasises the concept of exploitation of a firm's monopolistic advantage as the key driver for foreign market entry (Sharma and Erramilli, 2004). A key assumption in the model is that American firms develop innovative offerings which they gradually take to foreign markets as the product matures. Thus, knowledge creation takes place in the home market and it precedes any international expansion. This assumption, however, has been challenged by further advancements in the literature (Dunning and Narula, 1995), which is particularly relevant for the current research. Nevertheless, other international business theories seem to share the same assumption as will be highlighted in the following sections.

2.2.2 Transaction Cost Theory

Originally developed by Coase (1937), the transaction cost theory (TCT) aims to explain the existence and nature of the firm. It seeks to explain firms' choices of performing a transaction internally or carrying it out through an exchange in the open market. At its core, TCT postulates that the 'make or buy' decision could not be made based on a simple comparison between in-house production costs and product market prices due to market failure. This failure means that the cost of buying products in the market is not confined to its price but also involves substantial transaction costs including ex ante costs such as information search, negotiation and contracting costs, as well as ex post costs comprising monitoring and enforcement costs (Williamson, 1985).

Applying the theory to international business suggests that firms tend to engage in FDI, effectively taking the 'make' decision in foreign markets, when the cost of internalising transactions is lower than that arising from external market transactions (Buckley and Casson, 1985). TCT, therefore, helps explain the mode of foreign market entry (Anderson and Gatignon, 1986). For example, when the transaction costs of finding, negotiating and contracting with a partner in a host market are high, Brouthers (2002) concluded that firms tend to set up wholly owned subsidiaries as opposed to joint ventures.

While TCT offers some valid explanations, many of its assumptions have been challenged. It assumes that market players are opportunistic by nature and that the key requirement for success is efficiency rather than other strategic considerations (Ghoshal and Moran, 1996). Moreover, the theory does not take into account the institutional or cultural contexts of foreign markets (Brouthers, 2002; Steenkamp and Geyskens, 2012). In addition, the narrow focus of the theory on minimizing transaction costs overlooks firm-level idiosyncrasies and takes firm capabilities for granted (Madhok, 1997). More importantly from the perspective of this thesis, TCT is concerned primarily with the exploitation of capabilities and disregards situation where firms may require additional capabilities to enter foreign markets or may choose to go to particular markets to further develop their capabilities (Madhok, 1997). The shift to focus on building capabilities has dominated much of the literature in the last two decades as will be discussed later in this chapter and the following chapter. Nevertheless, TCT remains one of the most influential theories in international business. The following section discusses the eclectic OLI paradigm in which TCT plays a critical role.

2.2.3 The Eclectic OLI Paradigm

Dunning (1980) proposed the eclectic theory of international production to offer a more comprehensive explanation of firms' cross-border activities. The eclectic paradigm suggests that the extent, forms and patterns of foreign production are determined by the juxtaposition of three sets of advantages: ownership, location and internalisation (OLI). Ownership advantages arise from the possession of unique income generating assets or from the firm's ability to successfully configure its operations across different countries. Of particular importance are the knowledge-based assets such as product innovations and marketing systems (Dunning and Lundan, 2008). Such competitive advantages should be sufficient to justify the additional costs of establishing foreign subsidiaries incurred by the firm in excess of those required by local producers or other potential competitors (Dunning, 1988).

Internalisation advantages arise when market imperfections are substantial. In this case, TCT suggests that firms would be better off exploiting their ownership advantages themselves rather than licensing or selling them (Dunning, 1980).

Ownership and internalisation advantages, however, on their own are not sufficient to determine where the firm should locate its international activities. The conceptualisation of location advantages suggests that firms will locate their international activities in countries where there are at least some immobile factor endowments or intermediate products that complement the ownership and internalisation advantages.

The OLI paradigm offers some answers as to why, how and where firms engage in international production. Its explanations are derived from the theoretical underpinnings of economics. The OLI paradigm, therefore, assumes that decision makers are rational and have access to perfect information right from the beginning of the internationalisation process. However, such assumptions are rarely accurate, which limits its explanatory power to cases where firms have considerable international experience (Johanson and Vahlne, 1990). Another criticism that is more relevant in the context of this thesis is that the OLI paradigm assumes that firms enter foreign markets to exploit their specific advantages whether in technology, production or marketing knowledge; internationalization is consequently conceived as a process of transferring a firm's knowledge across national borders (Aulakh, 2007). It was not until recently that theoretical developments acknowledged the rise of asset seeking FDI (Dunning, 2000). Dunning and Narula (1995) observed that many MNEs engage in acquisitions of foreign research and development facilities. Such acquisitions were not driven by the desire to exploit existing technological advantages but rather to access new ones. This asset seeking approach challenges the original OLI theorisation that emphasised asset exploitation and the one-way transfer of knowledge from the MNE's home market.

To summarise, the previous sections briefly overviewed the economic-based theories of cross-border expansion shedding the light specifically on their assumption on pre-internationalisation knowledge and post-internationalisation learning. All three theories seemed to share the assumption that firms have strong resources and capabilities prior to embarking on cross-border expansion, which they then exploit in foreign markets. This assumption has been challenged in subsequent research, a view that is shared in this study as will be discussed later. Having looked at key economic-

based explanation of foreign expansion, the next section addresses a behavioural-based theorisation of firm internationalisation.

2.3 The Stages Model of Internationalisation

In contrast with the preceding theories, scholars in the Uppsala school in Sweden employ the behavioural theory of the firm developed by Cyert and March (1963) to explain firms' internationalisation. They conceive cross-border expansion as a gradual process of increasing commitment to international markets (Johanson and Wiedersheim-Paul, 1975). The Uppsala stages model assumes that early in their lives, firms' knowledge bases are confined to their domestic markets; therefore, they concentrate on developing their local operations. After establishing local operations, an event might occur that either pushes or pulls the firm to international markets (Oviatt and McDougall, 2005). The Uppsala model postulates that firms approach their international expansion with caution, taking gradual steps to increase their engagement in cross-border activities based on the "gradual acquisition, integration and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets" (Johanson and Vahlne, 1977, p.23).

This sequential model thus conceives lack of foreign market knowledge as a cause of uncertainty that acts as an impediment to cross-border expansion (Andersen, 1993). Firms handle this uncertainty through an incremental decision making process. Information acquired in one international involvement reduces the perceived market risk and enables greater market commitment.

With evidence from a case study investigation of four Swedish firms, the Uppsala model identifies two patterns regarding firm internationalisation behaviour. The first relates to the choice of markets and suggests that firms initially target psychically close countries and successively enter markets with greater psychic distance. Psychic distance is defined as "the sum of factors preventing the flow of information from and to the market, (including)...differences in language, education, business practices, culture, and industrial development" (Johanson and Vahlne, 1977, p.24). The authors, however, acknowledge that psychic distance is not the only factor

impacting international activities. Size of the potential market is also considered a significant factor but mainly at a late stage of internationalisation.

The second pattern is related to the type of engagement in the foreign country, which is suggested to be a step-wise extension of operations, termed the "establishment chain". The chain includes four stages: no regular export, export via agents, establishing overseas sales subsidiaries and overseas production (Johanson and Wiedersheim-Paul, 1975). Advancing to a subsequent stage reflects an increasing commitment to the international market as well as increasing access and control over information channels to that market (Johanson and Vahlne, 1977). Although there seems to be a clear-cut distinction between the different stages, the authors emphasise that the distinction is made for the sake of simplification. They also do not expect the firm to follow the whole chain in each foreign market because not all markets are large enough to justify a commitment of huge resources. In addition, firms with extensive experience from other international markets may skip some stages in the establishment chain (Johanson and Wiedersheim-Paul, 1975).

Vahlne, Ivarsson and Johanson (2011) later extended the Uppsala model of internationalisation to address the globalisation process of the firm, which is mainly concerned with optimising the configuration of activities and coordination of units across the globe. Like internationalisation, the authors view globalisation as a time-consuming and incremental process. However, unlike their theorisation on the internationalisation process, the authors do not clarify any specific patterns that organisations would follow in their globalisation process. Rather, they use one case study to suggest that the process appears to proceed relatively slowly. However, that could be said for any process where a firm is building its stock of experiential knowledge and is adapting its processes in light of new realities.

The Uppsala scholars offer a simple, clear and broadly applicable model on how firms progress in the internationalisation process (Forsgren, 2002; Oviatt and McDougall, 1997). These characteristics are likely to have contributed to the prominence of the model. Nevertheless, the Uppsala model has a number of shortcomings which are considered in the following section.

2.3.1 Challenges to the Stages Model

The Uppsala model has a number of weaknesses which have been accepted by the original authors (Johanson and Vahlne, 1990). One shortcoming is the deterministic nature of the establishment chain which emphasises the reactive character of business organisations, downplaying the possibility of strategic decision making (Autio, et al., 2000), specifically with regards to the mode of entry (Melin, 1992). It also makes the implicit assumption that managers are risk averse (Barkema and Drogendijk, 2007), which is not always the case.

Another limitation arises from the fact that the model gained empirical support mostly from research on the early stages of internationalisation, when lack of market knowledge and resources act as constraining factors. Firms with international experience may not face these barriers (Johanson and Vahlne, 1990); therefore, market knowledge and psychic distance would lose their explanatory power. It has also been argued that the model uses a rather simplistic approach to explain such a very complicated process. The Uppsala model has only one explanatory variable, foreign market knowledge, making it unlikely to provide any sufficient explanation for firms' cross-border expansion (Saarenketo, Puumalainen, Kuivalainen, and Kyläheiko, 2004).

More importantly for the purpose of this research, the Uppsala model has been criticised for its narrow interpretation of learning (Forsgren, 2002; Petersen, Pedersen, and Sharma, 2003). The model puts knowledge at the core of the internationalisation process, using it as the only explanatory variable in the model (Johanson and Vahlne, 1990). However, knowledge referred to in the Uppsala model pertains solely to foreign market knowledge comprising knowledge of market volume, rivalry and other market conditions (Petersen, et al., 2003). The Uppsala scholars originally differentiated between market-specific knowledge and general knowledge, with the latter referring to marketing methods and common characteristics of certain types of customers, irrespective of their geographical location (Johanson and Vahlne, 1977). However, it is clear that their model considers only market-specific knowledge as the driving force for internationalization (Forsgren, 2002) and is the one that received considerable attention in studies of

learning in the internationalisation context (Casillas, Moreno, Acedo, Gallego, and Ramos, 2009; Sapienza, De Clercq, and Sandberg, 2005; Zhou, 2007).

Eriksson et al. (1997) later identified three types of knowledge that are important for international expansion; these were internationalization knowledge, foreign business knowledge and foreign institutional knowledge. They defined internationalization knowledge as a "firm's capability and resources to engage in international operations" (Eriksson, et al., 1997, p.343). The definition suggests that this knowledge is not related to any specific market, rather, it is relevant to all markets since it includes knowledge of how to organize and manage internationalization efforts (Eriksson, et al., 1997). Contrary to internationalisation knowledge, the other two types of knowledge are market-specific. Foreign business knowledge refers to the clients and the competitive situations in specific markets. Foreign institutional knowledge pertains to knowledge of the institutional framework of a specific country, its rules, norms, and values including knowledge of the local culture and language (Eriksson, et al., 1997). Despite the extension to these types of knowledge, the Uppsala model overlooks other types of knowledge that firms can develop by going international such as marketing and technological knowledge as will be discussed later on.

Furthermore, the model posits that foreign market knowledge is of tacit nature and can only be acquired through direct operations abroad (Johanson and Vahlne, 1990). However, there are alternative ways to acquire the knowledge. Firms could acquire knowledge through grafting, that is recruiting people or acquiring organisations or business units (Huber, 1991). Grafting was found to be an important indirect source of experiential knowledge although it received little attention in previous research (Fletcher and Harris, 2012). Acquiring local business units for example could speed up the internationalisation process as they already have the required market knowledge (Forsgren, 2002). Firms also learn by observing other firms (Dodgson, 1993) and imitating their behaviour. Following the international steps taken by firms with a high legitimacy or by a large number of firms would reduce firms' uncertainty about foreign markets without having to wait until knowledge is developed internally (Forsgren, 2002).

More importantly, firms can acquire knowledge through their network of relationships. One of the critiques against the Uppsala model was its tendency to picture the firm as an isolated entity. This view of the firm, however, is unrealistic. Companies are members of markets which are "systems of social and industrial relationships encompassing, for example, customers, suppliers, competitors, family and friends" (Coviello and Munro, 1997, p.365). Network relationships represent invaluable sources of information about foreign markets opportunities (Ellis, 2000) and about foreign clients and markets (Loane and Bell, 2006; Sharma and Blomstermo, 2003). Therefore, they help reducing the cost and risk associated with cross-border activities (Zain and Ng, 2006). Consequently, inter-firm relationships influence the internationalisation decisions including the pace and pattern of internationalisation, foreign market selection and entry modes (Bell, 1995; Coviello and Munro, 1997; Moen, Gavlen, and Endresen, 2004).

The evidence on network-based cross-border expansion presents a challenge to the stages model, which was acknowledged by the original model developers in subsequent writings. Johanson and Vahlne (1990) argue that companies' likelihood of internationalisation increases when members of their industrial network become international. Johanson and Vahlne (2003) further emphasise the role of networks and link the internationalisation process to a process of network relationships' development. Johanson and Vahlne (2009) go further to argue that liability of outsidership, that is the absence of a relevant network position, is the main obstacle to foreign market entry, more so than psychic distance and country-specific factors. Moreover, Vahlne and Johanson (2013) critique the transaction cost theory and the concept of internalization, understating their value in explaining the existence of the MNE, and instead define an MNE as "a firm that has a capability to build, develop and coordinate value-creating multinational business network structures, involving both internal and external actors" (Vahlne and Johanson, 2013, p.205).

These developments suggest that the process model and the network view are not contradictory. The network view only postulates that the internationalisation process is more complex than what is proposed in the stages theory (Bell, 1995). Indeed, Coviello and Munro (1997) and Jansson and Sandberg (2008) suggest that

integrating the stages model with the network approach would enhance our understanding of firms' internationalisation processes.

Finally, the most significant challenge that the stages model faced was the new phenomenon of firms crossing borders from or soon after inception. The theory of international new ventures was developed to understand the rise of this new breed of firms (Oviatt and McDougall, 1994), which will be discussed in the next section. Nevertheless, the Uppsala model remains one of the most influential theoretical developments in understanding the internationalisation of firms, particularly those operating in traditional, rather than high-tech, industries (Bell, Crick, and Young, 2004). The value of discussing it in this thesis stems mainly from its emphasis on the role of knowledge. Despite its narrow focus on foreign market knowledge, it highlights the possibility for developing knowledge in foreign markets, which is a key aspect of the current research.

2.4 The Theory of International New Ventures

This section discusses the theoretical developments put forward to explain the rise of young and rapidly internationalising firms, whose existence presented a considerable challenge to the stages model of internationalisation as mentioned earlier. Particular attention is then given to the types of knowledge emphasised in these theorisations.

The 1990s witnessed the rise of small firms that internationalize at or shortly after inception, which came to be known as born globals (Knight and Cavusgil, 1996; Rennie, 1993) or international new ventures, INVs (Oviatt and McDougall, 1994), although some scholars argue that these terms are not interchangeable (Cavusgil and Knight, 2015; Coviello, 2015; Jones, Coviello, and Tang, 2011). Two decades on, a plethora of these firms can be found in many countries (Cavusgil and Knight, 2015). Oviatt and McDougall (1994, p.49) define an INV as "a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries". INVs' internationalisation behaviour deviates considerably from that predicted by the stages model. They generally embark on rapid and dedicated international expansion from the outset

(Bell, McNaughton, Young, and Crick, 2003). Many of those firms focus on targeting lead markets irrespective of their psychic distance and may ignore establishing sales in their domestic markets (Bell, 1995; Ibeh, Johnson, Dimitratos, and Slow, 2004; Madsen and Servais, 1997). Furthermore, they do not confine themselves to using low-risk low-commitment entry modes for their initial foreign expansion (Oviatt and McDougall, 1997).

Oviatt and McDougall (1994) discuss the foundations of a theoretical framework to explain the phenomenon of INVs. Their framework merges aspects of the traditional MNE theories, including transaction cost theory and the OLI paradigm, entrepreneurship and resource-based views. It has four elements that are considered necessary and sufficient for INVs' existence. First, an INV would internalise some transactions in that they own some assets. Second, due to their resources constraints, INVs rely on alternative governance structures. In particular, they rely heavily on their network partners and form strategic alliances to access vital resources. Third, INVs cross borders in order to combine some of their moveable sources with less mobile resources or opportunities in foreign markets. Unlike large MNEs that have the advantages of scale to overcome obstacles in foreign markets, INVs rely on other advantages particularly private knowledge which explains why rapid internationalisation was observed mainly in knowledge-intensive industries. Finally, the fourth element highlights the INVs' need of unique resources in order to preserve their sustainable competitive advantage. While knowledge could give firms a competitive edge over local competitors, INVs need to ensure they protect this knowledge from imitation through formal means such as patents and copyrights, or alliances and relationships with complementary firms.

Several scholars sought to describe and understand the rapid foreign expansion of born globals (Bell, et al., 2004; Gabrielsson, Kirpalani, Dimitratos, Solberg, and Zucchella, 2008; Knight and Cavusgil, 1996; Madsen and Servais, 1997; McDougall, et al., 1994; Rialp, Rialp, and Knight, 2005). Their research suggests that born globals are small firms formed by entrepreneurs who view the world as one marketplace. They do not confine their search for growth opportunities to their home market or any single country. Although they typically offer advanced

technologies developed for a particular niche in the international marketplace, the born global phenomenon is not limited to high-tech industries (Coviello and Munro, 1997; Crick and Jones, 2000; Johanson and Martín Martín, 2015; Jones, 1999; McDougall, et al., 1994; Sharma and Blomstermo, 2003).

INVs may also come from traditional and low-tech industries (Ibeh, et al., 2004; Madsen and Servais, 1997; Rialp, et al., 2005; Vissak, Ibeh, and Paliwoda, 2007). Nevertheless, their presence is more likely in high-tech industries whose characteristics, including global-scale competition, high research and development costs and short product life-cycles (Bell, 1995), necessitate early and rapid internationalisation (Spence and Crick, 2006). Furthermore, INVs tend to rely heavily on their network relationships to achieve rapid cross-border expansion (Cannone and Ughetto, 2014; Coviello, 2006; Saarenketo, et al., 2004), and are often formed by people with extensive prior international experience that allows them to spot opportunities in the global marketplace (Zucchella, Palamara, and Denicolai, 2007). Although scholars indicate different characteristics of INVs, they often identify these firms using numerical measures such as the firm's age at first international entry (e.g. Knight and Cavusgil, 2004; Oviatt and McDougall, 1997) or a combination of time from inception to internationalisation and ratio of foreign sales (e.g. Ripollés and Blesa, 2012; Zahra, et al., 2000).

The rise of this new breed of firms is the result of a complex combination of organisational, environmental and individual factors (Cannone and Ughetto, 2014). Key amongst these factors are advances in information and communication technologies; changing market conditions specially in terms of the increasing importance of niche markets; the ever-rising significance of cross-border network ties; the reduction of international trade barriers; size of the firm's home market; and the more sophisticated capabilities of new venture founders (Cannone and Ughetto, 2014; Cavusgil and Knight, 2015; Knight and Cavusgil, 1996; Madsen and Servais, 1997). The last factor highlights the main difference between the stages model and the born global theorisation as the former focuses on the firm level of analysis and overlooks the individual or management team level of analysis (McDougall, et al., 1994).

Taking into consideration the above triggering forces and the characteristics of born globals, a number of scholars have argued that the stages model of internationalisation and the born global conceptualisation are not necessarily contradictory (Autio, 2005; Fan and Phan, 2007; Madsen and Servais, 1997). They contend that both approaches are valid albeit in different contexts. For example, Hennart (2014) argues that INVs and their Uppsala counterparts differ in their business models, in terms of what they sell, how they sell it, and to whom; INVs have business models that enable early internationalisation. This reinforces the view that the nature and pace of firm internationalisation is conditioned by factors, such as the experience and networks of the founders; the type of the product or industry, and other environmental variables (Bell and Young, 1998; Ibeh, 2000; Jones, 2001).

The emergence of born globals and INVs and more broadly the increasing occurrence of new venture internationalisation gave rise to a new field of research, namely international entrepreneurship. Oviatt and McDougall (2005, p.540) define international entrepreneurship (IE) as "the discovery, enactment, evaluation, and exploitation of opportunities—across national borders—to create future goods and services". They argue that the international entrepreneurship research is concerned with the study of the actors who discover, enact, evaluate and exploit opportunities across borders, their behaviour and the impact of this behaviour as well as the comparison of entrepreneurial behaviour in different countries. International entrepreneurship has emerged as an important area of inquiry, in its own right, for scholars of both international business and entrepreneurship (Cavusgil and Knight, 2015). This new area of inquiry spans the context of both small and large firms as well as early and late internationalisers who subsequently expand rapidly in foreign markets, like the latecomer MNEs from emerging markets, which are discussed in section 2.5 (Zander, McDougall-Covin, and Rose, 2015).

2.4.1 Knowledge in INV Research

The born global/INV literature emphasizes a different type of knowledge compared to that emphasized by the Uppsala scholars, namely, product and technological knowledge. This section addresses the role of knowledge in enabling

rapid internationalisation, discusses the type of knowledge emphasised in the INV literature and highlights its relevance to this thesis.

As discussed earlier, unique resources, mainly private and valuable knowledge, were considered one of the key elements for sustainable INVs (Oviatt and McDougall, 1994). Knowledge intensity, defined "as the extent to which a firm depends on the knowledge inherent in its activities and outputs as a source of competitive advantage", is considered an enabling force for early and rapid internationalisation given its inherent mobility (Autio, et al., 2000, p.913). Firms employing complex knowledge to develop new products and processes and firms offering significant breakthroughs in technology usually serve universal needs around the globe which contributes to their accelerated internationalisation (Bell, et al., 2003). Hence, the early and rapid cross-border expansion of new ventures is driven by their ability to leverage their own technological advantages and deep capacity for innovation (Cavusgil and Knight, 2015; Fan and Phan, 2007; Knight and Cavusgil, 2004; Saarenketo, et al., 2004).

Furthermore, the literature suggests that the impact of technological knowledge goes beyond the speed to internationalisation. INVs' global technological competence relative to their competitors and their unique product development enhances their international performance (Knight and Cavusgil, 2004). Evidence also suggests that knowledge intensity is associated with greater levels of international sales growth (Autio, et al., 2000; Yli-Renko, et al., 2002) and technological learning in foreign markets positively impacts on financial performance (Zahra, et al., 2000).

The focus on product and technological knowledge is not new to the internationalisation literature. As discussed earlier in the chapter, the product life cycle theory makes an implicit assumption that resources of innovation are necessary for outward internationalisation (Vernon, 1966). Hymer (1976) argues that having considerable advantages over host-market firms helps explain firms' engagement in foreign operations. He posits that "unequal ability of firms is a sufficient condition for international operations" (Hymer, 1976, p.46). Among the unique abilities and advantages he highlights are superior production functions and differentiated products. Similarly, the OLI paradigm puts ownership advantages arising from the

possession of unique income generating assets at the heart of explaining FDI (Dunning, 1988). Of these advantages, intangible advantages including patents, trademarks and management skills are particularly important to achieve superior levels of efficiency and market power (Dunning, 1999). Firms' intangible assets, such as product differentiation and quality, were also found to contribute to export performance (Sousa, Martínez-López, and Coelho, 2008).

Although the focus on technological advantages is not new in the internationalisation literature, the INV research highlights that such advantages are not limited to large well-established MNEs. To the contrary, small new ventures may also enjoy such advantages that necessitate and at the same time enable them to internationalise rapidly from an early age. More importantly, it suggests that internationalisation may be an antecedent to learning (Jones, et al., 2011). The influential work of Zahra et al. (2000) suggests that new ventures operating in high-tech industries can acquire technological knowledge by venturing abroad. However, apart from few studies (e.g. Fletcher and Harris, 2012), little is known about the potential for technological learning among internationalising firms operating in low-tech industries. This is an avenue that Zahra et al. (2000) recommend as a fruitful area for further research and is examined in the thesis.

2.5 Emerging Market MNEs

The international business arena has been dominated by firms from economically advanced countries. The past two decades, however, have witnessed the rise of MNEs from emerging economies (EM-MNEs). Both practitioners and academics were eager to understand the emergence of those 'dragon MNEs' especially with their increasing ability to compete head to head with incumbent MNEs (Mathews, 2006) and their high-profile acquisitions in advanced economies (Deng, 2009; Rui and Yip, 2008). While there is no particular theoretical framework that explains the internationalisation of EM-MNEs, this section reviews the literature on their rise. An overview of two distinct generations of EM-MNEs is first presented, which is followed by a discussion of how the rise of these EM-MNEs poses a challenge to conventional FDI theories. The advantages that provided a catalyst for

EM-MNEs' growth and the strategies they deployed to overcome their disadvantages are then highlighted. The section then identifies some of the gaps in the EM-MNEs literature and offers a summary of the discussion.

2.5.1 First Generation of EM-MNEs

The international business literature first paid attention to outward investment by firms from developing countries in the late 1970s (Ramamurti, 2009b). Some Third World Multinationals prospered under the import substitution policies and were protected by high tariff barriers (Ramamurti, 2004). The majority of their investment went to other developing countries, particularly to host markets with a lower level of economic development than the home markets (Wells, 1983). Early research on these Third World Multinationals build on Hymer's (1976) argument that firms need to have specific advantages in order to thrive in foreign markets and suggest that such advantages would reflect the characteristics of firms' home markets (Wells, 2009) and can be extended into foreign markets (Aulakh, 2007).

Lecraw (1993) summarises research findings on such firm-specific advantages. Third World Multinationals had advantages in product and process technologies that were suitable to small-scale and labour-intensive manufacturing and that made use of materials available in the home markets. Their basis of competition was price rather than quality or differentiation. Furthermore, their offerings were often suited to the specific needs of customers in emerging markets (Wells, 1983). However, these firms were disadvantaged compared to their counterparts in developed economies due to their reliance on outdated technologies and their lack of skilled labour (Child and Rodrigues, 2005). More importantly, they had shortages in marketing skills that could enable them to exploit their advantages abroad; they were considerably weaker in marketing compared to the Developed World Multinationals (Wells, 2009), a characteristic that is shared by most firms in emerging and transitioning economies, including the firms examined in this thesis. The disadvantages of the first generation of EM-MNEs was reflected in the small percentage of outward FDI from developing countries compared to the global FDI flow (Ramamurti, 2009b). However, another wave of EM-MNEs' rise, exhibiting

different characteristics, was witnessed more recently, which is discussed in the following section.

2.5.2 Second Generation of EM-MNEs

In contrast to the first wave of outward FDI that was mainly directed at other developing countries, was small in scale and was sustained by import substitution policies, the second wave, which gained considerable prominence, targeted both developed and developing countries, was much more significant in scale and flourished under the conditions of free markets and global competition (Aulakh, 2007). A key feature of the second wave was also the accelerated pace at which it took place (Bonaglia, Goldstein, and Mathews, 2007; Kothari, Kotabe, and Murphy, 2013; Mathews, 2006). The accelerated pace of internationalisation relates to the rapidity of internationalization as opposed to the earliness of internationalization that characterises born global firms (Tan and Mathews, 2015). Another key feature of the second wave is the high profile acquisitions of established firms in advanced economies (Deng, 2009; Deng and Yang, 2015; Rui and Yip, 2008). Latecomers is often the term given to the EM-MNEs leading the second wave of outward FDI (Child and Rodrigues, 2005; Mathews and Cho, 1999).

Mathews and Cho (1999) distinguish between latecomers and ‘late entrants’. Late entrants decide to delay entry into an industry or market as a strategic choice. Latecomers, on the other hand, had no choice; they were condemned to join late by history. Ramamurti (2009a) suggests that many of these latecomers originated from countries that were late to embrace globalisation. These countries formerly employed protectionist and import substitution policies. While these policies did not promote efficiency or global competitiveness, they provided opportunities for local firms to gain experience in various industries, which provided a basis for later expansion. The rapid and substantial expansion of EM-MNEs prompted some scholars to argue that conventional FDI theories, such as the eclectic OLI paradigm, fail to explain their emergence. This argument is presented in the next section.

2.5.3 Defying Conventional Theories

Some scholars posit that the internationalisation of the new breed of EM-MNEs defy the conventional wisdom on the necessary elements of FDI. They argue that EM-MNEs initially lacked resource endowments or firms' specific advantages such as skilled personnel, proprietary technologies, brands and access to markets (Bonaglia, et al., 2007; Mathews and Cho, 1999). EM-MNEs used internationalisation as a springboard to overcome their latecomer disadvantages (Luo and Tung, 2007) which enabled them, subsequently, to challenge well-established MNEs from developed economies and in some cases become global leaders in their industries (Mathews, 2006). Consequently, the internationalisation of EM-MNEs poses a challenge to the OLI paradigm in that the existence of ownership advantages was not necessarily a prerequisite for FDI (Li, 2007b). However, these firms have a number of advantages albeit different from those usually enjoyed by traditional MNEs. These advantages can be categorised into country specific advantages (CSAs) and firm-specific advantages (FSAs), which are examined in the following section.

2.5.4 Country Specific Advantages vs. Firm Specific Advantages

Ramamurti (2009a) argue that some of the advantages EM-MNES enjoy are CSAs while others are FSAs. CSAs vary between countries but include vast natural resources, large home markets and the availability of low-cost skilled and unskilled labour. Furthermore, government involvement, whether through ownership, regulation or provision of cheap finance, is also considered one of the important CSAs (Child and Rodrigues, 2005; Kothari, et al., 2013; Rui and Yip, 2008). The Chinese government role is particularly notable in its significant promotion of outward FDI (Luo, Xue, and Han, 2010). The role of the government highlighted the need to consider the institutional environment in which firms operate. Institutions represent the rules of the game in a given society, whether they relate to political, economic or social systems, which shape the behaviour of organisations (North, 1990). The institutional theoretical lens has dominated research on firms from emerging markets (Wright, Filatotchev, Hoskisson, and Peng, 2005) and has been used to explain the rise of EM-MNEs looking mainly at the role of the government (Deng, 2009; Yamakawa, Peng, and Deeds, 2008).

Rugman (2009) argues that EM-MNEs depend heavily on home-country CSAs while lacking sustainable FSAs, especially knowledge-based ones, that would enable them to become world leading MNEs. However, Ramamurti (2009a) argues that it is likely for firms at the early stages of foreign expansion to depend on their home country CSAs more than their FSAs. He adds that although CSAs are specific to the country, they are not equally accessible to all firms operating in that country. Firms need certain FSAs to be able to exploit CSAs; such FSAs include close relationships with the local authorities and deep understanding of the local environment. Furthermore, Ramamurti (2009a) argues that EM-MNES enjoy a range of FSAs. They combine their technical skills and knowledge of local markets to offer products customised to the needs of customers in developing countries, particularly in terms of affordability and suitability to the harsh conditions prevailing in these countries. They offer these innovative solutions despite operating in challenging environments such as poor infrastructure, unfriendly regulations and corrupt officials (Kothari, et al., 2013). In addition, some EM-MNS exhibit superior efficiency in utilising inputs by relying more on the abundant labour resources while using less capital. Moreover, the exclusive support by government to some EM-MNEs and the potential cheap access to capital that this entails could be considered an FSA. Despite this range of FSAs, EM-MNEs remained disadvantaged in comparison with their counterparts from advanced economies (Bonaglia, et al., 2007; Mathews and Cho, 1999). Mathews and Cho (1999) argue that EM-MNEs' recognition of their resource disadvantages and the strategies they devise to overcome them are some of EM-MNEs' key advantages. The following section sheds the light on those strategies used by EM-MNEs that enabled some of them to join the top ranks in their sectors.

2.5.5 Strategies to Overcome Resource Disadvantages

Mathews (2002) postulates that EM-MNEs follow a strategy of linkage, leverage and learning (LLL) to catch-up with their advanced rivals. First, due to the lack of valuable intangible assets in their home markets (Deng, 2009), firms from developing countries capitalise on their advantages, discussed earlier, to build linkages with foreign businesses. They seize opportunities for original equipment

manufacturing (Bonaglia, et al., 2007), partnerships and joint ventures with foreign firms as well as technology licensing (Child and Rodrigues, 2005).

Second, EM-MNEs use linkages with foreign enterprises to leverage the most accessible resources, i.e. those resources that partners are not so protective of. EM-MNEs rely heavily on their partnerships with foreign firms to build their knowledge bases in technology and management (Bonaglia, et al., 2007) as well as in marketing (Fahy, et al., 2000; Hau and Evangelista, 2007). Fahy et al. (2000) provide evidence that foreign ownership helps Central European firms in developing marketing capabilities. Similarly, Hau and Evangelista (2007) discuss how marketing knoweldge could be acquired through joint ventures with foreign firms. Thus, inward internationalization represented opportunities for EM-MNES to acquire initial technological, marketing and managerial knowledge (Li, 2007b). Furthermore, Alcacer and Oxley (2014) provide evidence that linking with foreign firms through supply relationships provide mobile handset producers with technological and in some cases marketing learning benefits.

Although linkages with foreign partners provide opportunities for leveraging knowledge, it has been argued that it is the EM-MNEs' ability to rapidly internalise knowledge resources that accounted for much of their success (Mathews and Cho, 1999). In the last pillar of the LLL framework, Mathews (2002) argues that EM-MNEs put learning efforts to maximise the benefits of the linkage and leverage opportunities and develop and expand their capabilities. The repeated processes of linkage and leverage enable EM-MNEs to combine the knowledge acquired through their various partnerships in order to offer more competitive solutions. The strategy of linkage, leverage and learning has allowed dragon MNEs to catch up with rivals and ultimately compete head-on against them (Mathews, 2006).

Learning and development of capabilities have been key goals for EM-MNEs and they used inward internationalisation opportunities to achieve these goals. Although many emerging markets' firms managed to develop their capabilities considerably as a result of inward FDI, they were not able to overtake MNEs from the developed world. Inward FDI provided these firms with threshold capabilities and resources

which they then skilfully used to further advance their resource base though their own outward investments (Luo and Tung, 2007).

Many EM-MNEs employed strategic asset-seeking outward FDI (Dunning and Narula, 1995) to overcome their competitive disadvantages and catch-up with their counterparts in the developed world (Awate, et al., 2015; Child and Rodrigues, 2005). Their investments typically took the form of acquiring established firms in advanced economies (Deng, 2009; Rui and Yip, 2008). These acquisitions were mainly motivated by a quest for exploration of new knowledge and resources, particularly well-known brand names (Rui and Yip, 2008), as opposed to exploitation of pre-existing advantages (Li, 2010; Wright, et al., 2005). As Luo and Tung (2007, p.482) put it "EM MNEs use outward investments as a springboard to acquire strategic assets needed to compete more effectively against global rivals". EM-MNEs also exhibit preference for strategic alliances in their outward FDI, not because of the low transaction costs as the OLI paradigm predicts but because of the opportunity for tabbing into the knowledge of foreign partners (Li, 2007b). The eagerness of EM-MNEs to learn and accumulate resources has led them to follow a trajectory of rapid internationalisation (Aulakh, 2009; Li, 2010).

2.5.6 Gaps in the Literature

While the research on EM-MNEs emphasises the knowledge seeking behaviour they display to overcome their resource deficiencies and the importance of learning different types of knowledge as a key goal of internationalisation, attention was paid mainly to the acquisition of technological knowledge (Mathews and Cho, 1999; Zou and Ghauri, 2010). In addition, prior research discusses the importance of acquiring brand resources (Child and Rodrigues, 2005; Luo and Tung, 2007) and associated marketing channels (Buckley, Cross, Tan, Xin, and Voss, 2008), but little attention was paid to the acquisition of marketing knowledge. Rare examples include Kaufmann and Roesch (2012) who discuss the barriers that limit the ability of emerging markets' firms to develop and deploy marketing capabilities. Also, Alcacer and Oxley (2014) highlight the difficulty for original equipment manufacturers to develop their branding capabilities and successfully introduce their own branded

products. They examine a particular type of international engagement, namely, supplying foreign companies within the mobile telecom industry.

However, the poor marketing knowledge that characterise many firms in emerging markets warrants more research into this imporatnt field. Firms originating from emerging and transitioning countries had little exposure to market dynamics (Ellis, 2010; Savitt, 2001; Springer and Czinkota, 1999); hence, they lacked basic marketing knowledge. The need for further research is even more pronounced when taking into consideration that most of the research in emerging and transition markets is narrow in scope. It is dominated by studies inviestigating large EM-MNEs, such as the Indian Tata or the Chinese Haier, overlooking the relatively smaller firms from developing markets. The large EM-MNEs enjoy access to financial resources and considerable government support (Child and Rodrigues, 2005; Kothari, et al., 2013; Rui and Yip, 2008) that are not available to the average firm in developing countries. It remains to be seen whether smaller-sized firms in emerging and transitioning economies could replicate the successful trajectory that EM-MNEs followed in their internationalisation. Furthermore, much of this previous research is based on case studies or uses one indicator to measure the development of marketing capabilities, that is the introduciton of own brands (e.g. Child and Rodrigues, 2005; Luo and Tung, 2007). Further research to address these gaps is recommended; this thesis aims to address some of these gaps by examining the impact of internaitonalisation on technological and marketing learning among relatively small firms from transitioning economies.

2.5.7 Summary

To summarise the discussion on EM-MNEs, it is clear that these firms started from a weak resource and capability position compared to MNEs from advanced economies. EM-MNEs enjoy country-specific advantages, particularly low cost labour force, but lack strong technological and marketing resources and capabilities. They used their basic advantages to access global value chains and supply or partner with foreign enterprises and subsequently engaged in outward investments to acquire strategic assets. Their emergence has been mainly attributed to their ability to capitalise on linkages with foreign partners and their commitment to learn and catch

up with their well-established rivals. Learning and the acquisition of capabilities through internationalisation has been a central theme in explaining the rise of EM-MNEs. However, the literature focuses mainly on large EM-MNEs and their acquisition of technological capabilities and certain marketing capabilities, namely branding and access to marketing channels. This exposes gaps in the literature, which this thesis attempt to contribute to their fulfilment.

2.6 Conclusions

This chapter discussed different theoretical perspectives explaining the internationalisation of firms with a specific focus on the role knowledge plays in these theories. Table 2-1 summarises the assumptions of these perspectives regarding firms' pre-existing knowledge prior to cross-border expansion and their theorisations concerning knowledge acquisition after internationalisation. Examining these assumptions is of great relevance to this thesis since internationalisation is conceived as a setting in which firms can overcome their knowledge deficiencies and develop their capabilities.

The economic-based explanations, including product life cycle theory, transaction based theory and the OLI paradigm, implicitly or explicitly assume that firms have knowledge or resources which they can exploit when going abroad. Developments to the OLI paradigm later acknowledged that firms might engage in FDI to access resources. Similarly, the stages model of internationalisation makes the implicit assumption that firms have strong technological and marketing capabilities prior to cross-border expansion. What they lack, however, according to the model is knowledge about foreign markets. Consequently, firms engage in a stepwise process to expand abroad and acquire foreign market knowledge, which subsequently enables greater commitment to the foreign market. The stages model puts learning at the heart of the internationalisation process, although its definition of knowledge is limited to foreign market knowledge. Subsequent research expanded the types of knowledge required by the firm to include foreign business knowledge, foreign institutional knowledge and internationalization knowledge.

Table 2-1: Theories of internationalisation and the role of knowledge resources and learning

Theoretical Perspective	***Assumptions on Pre-Internationalisation Resources***	***Post-Internationalisation learning***
The OLI Paradigm	Firm's specific advantages whether in technology, production or marketing that could be exploited in internationalisation	Learning was not discussed in original framework. Subsequent developments highlighted that FDI could be used to acquire strategic knowledge resources.
The Stages Model	Firm's specific advantages; firms are well established in the local market.	Learning is central to explain internationalisation. Focus on foreign market knowledge only which is required to increase commitment to foreign markets.
INV research	Firm's specific advantages mainly in technological knowledge, but firms are financially constrained. Managers usually have prior international experience.	Focus on technological learning. If market knowledge is needed then it could be obtained through network relationships.
Emerging MNEs research	Country specific advantages such as low-cost labour, government support, access to low-cost capital, huge home markets. Few if any firm specific advantages.	Focus on technological and marketing learning. Knowledge is acquired initially through linkages with foreign firms in home markets and later developed through outward internationalisation.

Source: the author.

Theorisation on the INV and born-global phenomenon challenges the stages model of internationalisation by providing evidence of new ventures that expand rapidly in foreign markets from an early age. The INV research emphasises the superior technological and product knowledge that INVs usually have and consider it an enabling force for early and rapid internationalisation. Despite emphasising pre-internationalisation technological knowledge, the INV literature also highlights the value of technological learning from international markets although its discussion is limited to the context of high-tech industries.

The literature on emerging markets MNEs borrows considerably from the literature on MNEs from advanced economies; however, its starting point is the disadvantages that constrain MNEs rather than the advantages they enjoy. EM-MNEs

lack the necessary resources and capabilities to be world-leaders in their industries. Their main advantages stem from factors in their home markets such as low-cost labour, government support and access to low-cost capital. They capitalise on these advantages to establish links with foreign firms, which they then leverage to tab into the knowledge of the foreign partners. Learning is at the heart of explaining their rapid internationalisation. However, unlike the stages model that focused on foreign market knowledge, the research examining EM-MNEs focused on technological and, to a lesser extent, marketing learning.

Thus, the different theoretical approaches have varied assumptions about pre-internationalisation knowledge and the prospects of knowledge acquisition after cross-border expansion. What is particularly valuable to this thesis is the notion advanced by the EM-MNE literature that firms can internationalise from a relatively weak resource and capability position and then remedy this weakness through overseas expansion. This comes in contrast to the economic-based theories, the stages model and to some extent the INV theory that assume the pre-existence of knowledge-based resources. Of relevance also is the stages model argument that firms can learn when operating internationally albeit its emphasis on foreign market knowledge only to enable firms to internationalise. Of more relevance, however, is the INV and EM-MNEs literature emphasis on technological and marketing knowledge acquisition as firms internationalise. This notion holds a great potential for firms from transitioning economies, which is the key focus of this research.

While this chapter examined the learning potential from the internationalisation theories perspective, the following chapter reviews the resource based view and organisational learning literatures to develop the argument as to why firms can learn through internationalisation and investigate the enabling factors and the performance implications of the enhanced knowledge.

Chapter 3. **Learning by Internationalisation**

3.1 Introduction

The previous chapter provided an overview of the key theoretical perspectives explaining the internationalisation of firms. It paid particular attention to the assumptions these perspectives have on firms' existing stocks of knowledge at the time of cross-border expansion and the potential of knowledge acquisition and types of knowledge to be acquired after internationalisation. In doing so, it shed the light on the stages model of internationalisation which emphasises the need for foreign market knowledge acquisition to expand firms' international operations. It further highlighted the potential for technological learning by INVs and the learning drivers of internationalisation of EM-MNEs.

While the previous chapter examined the learning potential and the types of knowledge that could be acquired from the internationalisation theories perspective, it did not discuss why firms could learn by internationalisation. To do so, this chapter draws on the resource based view (RBV) and organisational learning literatures to build the case for the technological and marketing learning benefits that may be accrued by internationalising firms from transition economies.

The chapter starts with an overview of the RBV and knowledge based view (KBV) of the firm highlighting their emphasis on learning as a way to develop knowledge embodied in resources and capabilities, which hold the key to enhancing firms' performance. The chapter then discusses organisational learning, which together with RBV and KBV provide the theoretical basis on which the key arguments in this thesis are built. These arguments are developed in the following three sections which examine: why firms learn by crossing national borders, the key factors that influence this learning and the performance implications of the developed knowledge base as well as internationalisation. Discussion in this chapter sets the scene for the following chapter which summarises the gaps identified in the literature review, develops the research hypotheses and presents the conceptual framework guiding this research project.

3.2 The Resource-based View of the Firm

This section discusses the resource-based view of the firm providing a brief overview of its theoretical development. It then explores the resource and capability concepts as well as some of the new directions in RBV literature and the knowledge-based view that are of relevance to this thesis.

Conceptually rooted in strategic management research (Barney, 1991; Grant, 1991; Penrose, 1959; Wernerfelt, 1984), the RBV has increasingly been adopted to examine firm internationalisation, international entrepreneurship and international business performance (Peng, 2001). The advent of the RBV is largely attributed to the seminal work of Edith Penrose (1959). In her theorisation to explain the growth of firms, Penrose (1959) argues that excess capacity in a firm's productive resources, managerial expertise and specialist knowledge act as internal inducements for growth. She was original in viewing the firm as a collection of tangible and intangible productive resources. She postulates that it is not the possession of resources, but rather the effective management, deployment as well as the continuous development of these resources that contribute to a firm's competitive advantage (Kor and Mahoney, 2004).

However, the ground-breaking work of Penrose received little formal attention in the 1960s and 1970s; the literature was then dominated by research focusing on the external environment of the firm (Barney, Ketchen, and Wright, 2011) as in the work of Porter (1980) on the five competitive forces in an industry. Conversely, the RBV gained momentum in the 1980s. Wernerfelt (1984), for instance, explores the value of examining the firm from a resource perspective, coining the term '*resource-based view'*, rather than from a product perspective and the implications such an approach has on generating new strategic options for firms. The RBV assumes that resources are heterogeneously distributed among firms and are imperfectly mobile in that they cannot typically be sold and bought in the market (Barney, 1991). Resources represent the cornerstone of strategy formulation and the primary source of its profits (Grant, 1991). Barney (1991) argues that not all resources could contribute to sustainable competitive advantages; the ones that can

have to be valuable, rare, imperfectly imitable and non-substitutable. Thus, variations in the resource and capability endowments can explain why firms operating within one industry, and hence subject to the same competitive forces, exhibit different levels of performance (Grant, 1991). The resource concept and the closely related concept of capability are examined in detail in the following section.

3.2.1 Understanding Resources and Capabilities

Many definitions exist in the literature for resources and the closely related concept of capabilities. Wernerfelt (1984, p.172) defines resources as "tangible and intangible assets which are tied semi-permanently to the firm". Barney (1991, p.101) emphasises the value of resources; he argues that resources "include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness". Unlike Barney (1991), Amit and Schoemaker (1993) distinguish between resources and capabilities. They view resources as "stocks of available factors that are owned or controlled by the firm... and include knowhow that can be traded (e.g., patents and licenses), financial or physical assets (e.g., property, plant and equipment), human capital, etc." and a capability as "a firm's capacity to deploy resources, usually in combination, using organizational processes, to effect a desired end" (Amit and Schoemaker, 1993, p.35). In other words, capabilities represent the accumulated knowledge and skills that allow firms to perform certain activities and utilize and improve its resources (Beleska-Spasova, Glaister, and Stride, 2012; Dosi, Faillo, and Marengo, 2008).

Table 3-1: Definition of Resources and Capabilities

Item	***Definition***
Resources	Stocks of available factors that are owned or controlled by the firm, including knowhow, financial or physical assets and human capital.
Capabilities	Firm's capacities to deploy resources, usually in combination, using organizational processes, to effect a desired end.

Source: Amit and Schoemaker (1993).

Capabilities could be classified as either operational or dynamic (Helfat and Peteraf, 2003). An operational capability, or a substantive capability as referred to by

Zahra et al. (2006), involves carrying out a collection of routines to perform an activity, such as manufacturing a certain product. Dynamic capabilities, on the other hand, represent "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece, Pisano, and Shuen, 1997, p.516). The definition suggests that dynamic capabilities do not involve producing a certain good or service but rather they relate to building and reconfiguring operational capabilities (Helfat and Peteraf, 2003) and a firm's approach to solving problems (Zahra, et al., 2006). This notion of building capabilities represented a relatively new area in RBV research and is discussed next.

3.2.2 New Directions in RBV Research

The earlier theorisation in the RBV received criticism for being static in nature due to its focus on firms' *possession* of resources and capabilities (Kraaijenbrink, Spender, and Groen, 2010). The advent of the dynamic capability concept, however, highlighted the need to examine the *evolution* of resources and capabilities, which is an area that is gaining increasing attention in the literature (Barney, et al., 2011; Kraaijenbrink, et al., 2010). The dynamic capability perspective is concerned with how firms can reconfigure their resource and capability base to address rapidly changing environments and adapt faster than their competitors. In such environments, any set of resources and capabilities will undoubtedly fail to contribute to a firm's sustainable competitive advantage if it remains unchanged.

The ability to learn in order to reconfigure firms' resources becomes, therefore, vital to performance (Eisenhardt and Santos, 2002). Learning is the key approach by which firm-specific assets develop (Teece, 2014). This is reflected in the scholarly emphasis on learning mechanisms when exploring how organisations build and develop their resources and capabilities (Barreto, 2010). The main mechanisms that were suggested include learning by doing through experience accumulation and learning from mistakes, in addition to the more deliberate learning processes through articulating and codifying the newly created knowledge (Eisenhardt and Martin, 2000; Zollo and Winter, 2002). For example, Keil (2004) investigates how two learning processes contribute to the development of a firm's

external corporate venturing capability. He argues that engaging in acquisitive learning, namely acquiring knowledge existing externally to the firms' boundaries, is important to achieve sufficient breadth and speed in knowledge acquisition. On the other hand, experiential learning helps in deepening the knowledge generated, adapting it into the specific context of the firm and institutionalising the knowledge into a capability.

Crucially for this thesis, one situation that triggers learning mechanisms in firms is expansion beyond home country's borders. Presence in foreign markets stimulates the creation of unique search paths, the cornerstone of heterogeneous resource positions (Ahuja and Katila, 2004). This premise together with the notion that learning contributes to capability development is central to this thesis in its examination of the learning and capability development potential for internationalising firms from transitioning economies (see section 3.4). The following section discusses the KBV, aspects of which build on the RBV or share with it its recent attention to dynamic aspects of knowledge creation.

3.2.3 The Knowledge-based View of the Firm

The KBV represents a relatively recent development in the literature. It was proposed as a new theory of the firm and a new theory of strategy (Eisenhardt and Santos, 2002). There are two strands of KBV, one is advanced by Grant (1996a) and the other by Kogut and Zander (1992). Grant (1996a) builds on the RBV by postulating that knowledge is the most strategically important resource of the firm. It considers knowledge application, rather than knowledge creation, as the primary role of organizations. Similar to RBV, however, this view has been criticised for being static (Eisenhardt and Santos, 2002).

On the other hand, Kogut and Zander's (1992) conceptualisation of KBV view organisations as social communities through which knowledge is transferred and created. This knowledge creating view of the firm perceives humans and organisations as dynamic entities and knowledge creation as a dynamic human process (Eisenhardt and Santos, 2002). The emphasis on the dynamic aspect and the constant need for organisations to evolve highlights the close links between the KBV

and the dynamic capability thinking (Barreto, 2010). The two perspectives also share the desire to explain firms' competitive advantages; the KBV suggests that knowledge and the firm's ability to create and apply knowledge are key to achieve superior performance (Bapuji and Crossan, 2004; Eisenhardt and Santos, 2002).

One of the key aspects that the KBV is interested in is the nature of knowledge and its implications on knowledge transfer. Knowledge in itself is an ambiguous concept. Traditional Western epistemology defines knowledge as a "justified true belief" (Nonaka, 1994, p.15). To the contrary of this static and absolute view of knowledge, some scholars view knowledge as a context-specific dynamic human process to justify personal belief (Eisenhardt and Santos, 2002). In terms of types of knowledge, it is possible to distinguish between explicit and tacit knowledge (Nonaka, 1994). Explicit knowledge is codified knowledge that is easy to transfer. Tacit knowledge, on the other hand, is often based on experience and involvement in a specific context. Its subjective and experiential nature makes it difficult to formalise and transfer. The KBV postulates that it is tacit knowledge that represents the most strategic resource for firms since it is difficult to imitate and relatively immobile (Kogut and Zander, 1993).

The value of discussing KBV in this thesis stems from its emphasis on knowledge as a strategic resouce and the subsequent impact on performance. Knowledge acquisition and creation are at the heart of the KBV. This leads to the discussion of organisationl learning, which forms part of the KBV foundations, in the following section .

3.3 Organisational Learning

Organisational Learning forms part of the foundation underlying the KBV (Barreto, 2010). Due to its importance, the organisational learning concept received considerable attention in the literature; yet, just like knowledge, it is a difficult concept to pin down. The following section aims to explore this concept by shedding light on key distinctions made in the literature. This is followed by a discussion of sources of knowledge that organisations can draw on. Examining these two aspects

provide a theoretical basis on which to discuss the learning by internationalisation premise that is central to this thesis.

3.3.1 Understanding Organisational Learning

Learning is a concept that is hard to delineate. Rather than providing a set of definitions, this section provides an overview of the key distinctions made in the literature in relation to learning. First, Fiol and Lyles (1985) distinguish between organisational learning and organisational adaptation. They argue that firm adaptation to environmental change does not necessarily imply learning. They differentiate between change in behaviour and change in cognition. Fiol and Lyles (1985) postulate that learning occurs when organisations engage in cognitive development in forms such as enhanced understanding of causal relationships, even when change does not take place. Dodgson (1993), on the other hand, considers adaptation as a key driver of learning. This is supported by Levitt and March's (1988) emphasis on the direct link between learning and behaviour. They argue that learning is a process that takes place by encoding inferences from the organisation's history into routines that guide future behaviour.

Cyert and March (1963) advance the thinking around the concept of organizational routines (Barreto, 2010). Routines comprise all the forms, procedures, strategies, culture and belief structures that characterise an organization and through which it operates (Levitt and March, 1988). Levitt and March (1988) also argue that learning is target-oriented as it depends on the firm's effectiveness in meeting its outcomes. Similarly, Dodgson (1993, p.377) argues that learning involves developing "organizational efficiency by improving the use of the broad skills of [firms'] workforces"; thus learning is considered essential for competitiveness.

Dodgson (1991) further distinguishes between tactical and strategic learning. Tactical learning is of short-term problem-solving nature while strategic learning involves the development of skills and competences that may not be of immediate benefit but could form the basis for the organisation's future. Closely-related is the differentiation between single-loop and double-loop learning (Dyer and Nobeoka, 2000). Single-loop learning occurs when errors are detected and corrected without

any change to the current organisational frameworks and policies. Double-loop learning occurs when detection and correction of errors involve the questioning of taken for granted assumptions and the modification of underlying norms and beliefs.

The literature also differentiates between intentional and unintentional learning. Ghoshal (1987) argues that learning should be stated as an explicit objective or otherwise the learning potential may be lost. Nonaka (1994) suggests that intention underlies human knowledge creating activities and is essential to judge the value of the knowledge perceived or created. Huber (1991), however, challenges the narrow concepts of organizational learning and postulates that learning is not necessarily conscious.

Another distinction in organisational learning is made by March (1991) between exploration and exploitation. Exploitation involves "the refinement and extension of existing competences, technologies, and paradigms" whereas exploration represents "experimentation with new alternatives" (March, 1991, p.85). Exploitation enhances reliability as it emphasises refinement and efficiency (Tsai and Ghoshal, 1998). Conversely, exploration focuses on increasing variety and is characterised by a greater departure from the organisation's existing knowledge base (Barkema and Drogendijk, 2007). Both explorative and exploitative activities involve learning but they vary in terms of the type and amount of learning associated with them (Inkpen and Tsang, 2005).

Exploration and exploitation are considered essential for organisations as the absence of either could pause substantial risks. Exploration of unfamiliar grounds is associated with higher costs and greater risks because potential rewards take a long period of time to materialise, whereas exploitation could trap organisations in suboptimal situations (March, 1991). Organisations may be caught in a competency trap "when favorable performance with an inferior procedure leads an organization to accumulate more experience with it, thus keeping experience with a superior procedure inadequate to make it rewarding to use" (Levitt and March, 1988, p.322). These two types of organisational learning have implications for the examination of learning by internationalisation. Expansion into foreign markets is considered an exploratory move (Barkema and Drogendijk, 2007) with implications for the

knowledge base of the firm. Furthermore, the literature on EM-MNEs emphasises the exploratory learning motives of these MNEs' international expansion (Li, 2010; Wright, et al., 2005), as section 3.4.2 will discuss.

3.3.2 Sources of Knowledge

In addition to the key disinctions highlighted earlier about the essence of learning, this section addresses the distinctions made in the literature between the sources of knowledge that organisations draw on to develop their knowledge bases. Organisations source knowledge from within or beyond their boundaries. Firms can rely on themselves to generate knowledge by undertaking in-house experiments and engaging in self-appraisal and assessment of past performance (Huber, 1991). Experience also represents a prime source of learning within organisations (Penrose, 1959). Particularly, experiences that are diverse in nature generate novel linkages and associations and foster organisational learning (Barkema and Vermeulen, 1998). Firms can enhance the diversity of personnel experiences, for example, by injecting new blood through recruitment (March, 1991) or by rotating personnel among different departments (Cohen and Levinthal, 1990), Internally focused learning, which also involves research and development (R&D) activities, could result in unique and idiosyncratic insights to the firm (Hitt, Ireland, and Lee, 2000).

Alternatively, firms can gain knowledge from sources external to the firm. Firms learn by observing other organisations or grafting on new members who have knowledge the firms desire to possess (Huber, 1991). Inter-organisational networks also represent an important source of knowledge (Hitt, et al., 2000). Customers and users are particularly important (Dodgson, 1993). Such boundary-spanning learning exposes the firm to new and related knowledge and is critical to enhance innovation (Cohen and Levinthal, 1990; Zahra and George, 2002). To maximise a firm's ability to benefit from external sources of knowledge, Cohen and Levinthal (1990) argue that absorptive capacity is important. Absorptive capacity denotes "the ability of a firm to recognise the value of new, external information, assimilate it, and apply it to commercial ends" (Cohen and Levinthal, 1990, p.128). Absorptive capacity depends to a large extent on the firm's level of prior related knowledge, confirming the premise that learning is path dependent in that existing stocks of knowledge

determine what and how new knowledge is acquired (Zahra and George, 2002). The concept of absorptive capacity is of great relevance to the argument of why firms learn by internationalisation (see section 3.4.1) and to the discussion of factors influencing learning as a result of internationalisation (see section 3.5).

3.4 Learning by Internationalisation

Following the discussion in the previous section on organisational learning which explored the notion of learning and the sources of knowledge in general, this section provides the theoretical argument on why firms learn in the specific context of international expansion. In particular, this section focuses on the acquisition of technological and marketing knowledge types, which are considered essential for firms from transitioning economies that this thesis focuses on. The section starts by identifying two key reasons that explain the learning potential of internationalisation. It then sheds the light on the MNE literature which pioneered the examination of learning benefits of cross-border expansion. It then examines the likely technological and marketing knowledge gains that internationalisation can bring. In doing so, it points to research areas that received inadequate research attention and thus require further exploration.

3.4.1 Why Firms Learn by Internationalisation

The literature provides two arguments (see Table 3-2) as to why firms can acquire ownership-based knowledge by crossing national borders (Aulakh, 2009). Ownership-based knowledge refers to "knowledge about technological, marketing, and other functional expertise, related to the firm-specific advantage" (Li, 2010, p.45). First is the diversity argument; diversity in experience is considered a catalyst for learning (Barkema and Vermeulen, 1998). The absorptive capacity theorisation suggests that the diversity of environments in which firms operate positively contributes to their propensity to acquire knowledge (Zahra and George, 2002). Eriksson et al. (2000) build on the premise of absorptive capacity to argue that variation in the geographical scope of a firm's international business activities, which essentially means greater exposure to various institutional and business settings, enhances its ability to learn.

Each market has unique stocks of knowledge which are not available in other markets. Venturing internationally, therefore, creates the potential for acquiring new knowledge that is not available in the home country (Golovko and Valentini, 2011). Organisations that confine their operations to domestic markets only are exposed to a limited range of experiences and challenges, resulting in possessing narrower mental models compared to organisations with experience in a range of environmental contexts (Barkema and Vermeulen, 1998). Exposure to a variety of institutional contexts and competitive conditions enable firms to experiment with new approaches to competition in different contextual situations (Aulakh, 2009). The greater the difference of new environments from what firms had previously experienced, the greater the potential opportunities for learning (Barkema and Drogendijk, 2007) and creating heterogeneous resource positions (Ahuja and Katila, 2004), a key source of competitive advantage according to the RBV (Barney, 1991).

The second argument relates to adaptation; Dodgson's (1993) conceptualisation of learning considers adaptation as a key driver of learning. Expansion to different markets exposes firms to a broad range of stimuli that requires the adaptation of the firms' knowledge to the conditions in the host market (Aulakh, 2009). In many cases, firms may find their existing domestic market-based knowledge and capabilities to be of little use in foreign environments (Bruneel, et al., 2010; Johanson and Vahlne, 1977). Learning, therefore, results from the need to adjust in changing environments (Dodgson, 1993). Markets vary on the cultural, administrative, and institutional dimensions, all of which require the adaptation of offerings (Tsai, 2001). Venturing into such diverse markets presents firms with new customer needs and different regulatory requirements which often require product and process adaptation (Ahuja and Katila, 2004; Golovko and Valentini, 2011).

Table 3-2: Learning by Internationalisation: Key Arguments

Argument	***Explanation***
Diversity	Diversity of environments in which a firm operates presents it with new experiences and challenges, thereby it encourages knowledge acquisition.
Adaptation	Expansion to different markets exposes firms to a broad range of stimuli that requires the adaptation of knowledge to the conditions in the host market

Source: the author

Thus, the two arguments presented above suggest that internationalisation bring learning benefits to firms. which are considered the only benefits of internationalisation per se, as opposed to scale of operations (Aulakh, 2009). These learning benefits, in relation to ownership-based knowledge, were first explored by the MNE literature as is discussed next.

3.4.2 MNEs and Learning by Internationalisation

Research on MNEs led the way in examining the role of cross-border expansion on the knowledge base of the firm. The diversity of environments in which an MNE operates was considered a key asset due to the broad learning opportunities it provides (Ghoshal, 1987). Barkema and Vermeulen (1998) employed the organisational learning perspective to argue that firms operating in diverse national and product settings will develop rich knowledge bases and strong technological capabilities. Earlier research also found that many MNEs pursued internationalization in order to access the local knowledge in host countries. Evidence from the semiconductor industry, for example, suggests that some firms invest abroad to tap into the host market's local technological knowledge (Almeida, 1996). In these cases, the RBV suggests that firms' investments are pulled by the resources, capabilities and knowledge of host markets to develop their advantages (Peng, 2001). Such investments are referred to as asset-seeking (Dunning and Narula, 1995) or knowledge-seeking FDI (Kedia, Gaffney, and Clampit, 2012) and can take the forms of joint ventures (Inkpen, 2000), mergers or acquisitions (Zou and Ghauri, 2008).

Asset or knowledge seeking FDI played a major role in the advancement of EM-MNEs. It provided an opportunity for EM-MNEs to overcome their competitive disadvantages and catch-up with their counterparts in the developed world (Awate, et al., 2015; Child and Rodrigues, 2005). Their outward investment was mainly motivated by a quest for exploration of new knowledge and resources rather than exploitation of pre-existing advantages (March, 1991; Wright, et al., 2005). It served as a springboard to obtain strategic assets required for effective competition against global rivals (Luo and Tung, 2007). Their approach contradicts the conventional models of explaining FDI that assumes the existences of ex ante stock of knowledge

and emphasises the exploitative nature of ex post learning (e.g. Dunning, 1980). Rather, firms from emerging markets start from a position of severe need for obtaining ex post knowledge and capabilities, which is achieved through internationalisation (Li, 2007b). Thus, what pulls EM-MNEs into international markets is in many cases the potential for exploratory learning (Li, 2010).

It must be noted that the learning narrative is not only relevant for firms from developing markets and that learning opportunities are not confined to developed markets. Recent evidence suggests that many MNEs from advanced economies consider learning about the needs of emerging markets and developing products particularly suited for these markets as essential for survival in today's economy especially when taking into considerations the shifting centres of economic power. In keeping with these new environmental conditions, General Electric has embraced the concept of reverse innovation, that is creating products for developing markets and then distributing them globally (Immelt, Govindarajan, and Trimble, 2009). Emerging markets host many innovations though not the technological breakthroughs thought of traditionally but rather innovations that involve new processes, business models or novel combinations of available knowledge and technologies to offer solutions for pressing local problems which could be thought of as "affordability innovations" (Govindarajan and Ramamurti, 2011, p.195).

Moreover, the learning narrative is not confined to MNEs, but is also relevant for relatively smaller-sized firms. The INV literature has explored learning as a result of foreign expansion; its exploration has been particularly associated with technological knowledge as is discussed in the following section.

3.4.3 Technological Knowledge Gains of Internationalisation

The INV literature emphasises the role of technological knowledge as an enabler of early and rapid overseas expansion of new ventures, as has been discussed in the previous chapter, and also highlights the technological learning potential of crossing national borders. For example, Zahra et al. (2000) demonstrate the positive effect of diversity of foreign markets and diversity of entry modes on the breadth and depth of technological learning in the case of international new ventures. Zou and

Ghauri (2010) found that internationalisation of high-technology new ventures generated many technological learning benefits including, for instance, knowledge about recent technological developments and applications as well as product design. Their evidence further suggests that close cooperation with foreign clients and the establishment of R&D centres abroad facilitated this knowledge acquisition. Zahra, Ucbasaran and Newey (2009) provide evidence that higher international market scope and high-involvement entry modes positively influence product innovation.

To the contrary, Yeoh (2004) found that over-diversification in the case of exporting firms may impede technological learning. He ascribes that effect to the limited learning opportunities offered by exporting compared to higher-control entry modes. Prashantham (2010) supports such explanation and argues that INVs' entry into foreign markets using high-commitment modes, as opposed to exporting, leads to technological learning by creating greater opportunities for the development of social capital. Closely related is the argument made by Dimitratos, Amorós, Etchebarne and Felzensztein (1999) that exporting, characterised by limited interaction with foreign customers due to the common reliance on intermediaries, may contribute little, if at all, to enhancing firms' ability to produce innovative products. On the other hand, Golovko and Valentini (2011) suggest that exporting can promote firms' learning, and consequently enhance innovation performance and firms' growth. Different entry modes, therefore, are likely to have diverse impacts on knowledge acquisition which merit further investigation (Aulakh, 2009).

Furthermore, the examination of technological learning was mainly conducted in the context of high-tech firms (Prashantham and Dhanaraj, 2010; Yeoh, 2004; Zou and Ghauri, 2010). Only few exceptions exist that examined technological knowledge acquisition among firms of varied technological intensity (e.g. Fletcher and Harris, 2012), affirming Zahra et al.'s (2000) observation that we have little understanding of the effect of internationalisation on technological learning within firms operating in low-technology industries. The structural characteristics of these industries, particularly in terms of slow technological change, can influence the benefits that firms gain from cross-border expansion (Zahra et al. 2000). Moreover, there is a dearth of research investigating technological learning among international

firms from emerging and transition economies. However, many of these firms are technologically lagging behind their counterparts in the advanced world (UNIDO, 2005). Exposure to diverse systems of innovation and knowledge can help these firms redress some of their knowledge gaps (Barkema and Vermeulen, 1998).

Additionally, internationalising firms from emerging and transition economies may need to meet certain criteria in order to sell their product in particular countries; for example, they often have to acquire quality and health certificates such as ISO and HACCP. This is likely to require firms to adapt their knowledge bases to meet the criteria required for these certificates (Aulakh, 2009); such adaptation is considered a key driver of learning (Dodgson 1993). Obtaining quality certificates usually involves making improvements to the managerial and production processes, which results in improved productivity and efficiency, better management control, increased technical flexibility and enhanced product specifications (Singels, Ruel, and Van de Water, 2001). Firms venturing into a diverse set of markets are more likely to face such requirements. Moreover, increasing foreign sales can contribute effectively to a firm's effort to achieve economies of scale and scope (Zahra, et al., 2000). Scale and scope economies provide another incentive for firms to invest in upgrading their capabilities (Hitt, Hoskisson, and Hicheon, 1997).

This section reviewed some of the literature examining technological learning as a result of internationalisation. It also highlighted some of the research gaps that warrant further investigation. These include the need to examine how different aspects of cross-border expansion, particularly entry modes, are likely to impact on knowledge acquisition as well as the need to investigate technological learning among internationalising firms originating from emerging and transition economies and operating in low-technology industries. This thesis aims to address both of these gaps. In addition to technological knowledge, cross-border expansion offers the potential for enhancing marketing knowledge; this potential is examined in the following section.

3.4.4 Marketing Knowledge Gains of Internationalisation

International expansion creates many opportunities for firms from transition countries to develop marketing capabilities. Weak marketing knowledge have been cited as a major disadvantage, and the development of marketing capabilities highlighted as crucial (Fahy, et al., 2000) to firms from transition economies (Springer and Czinkota, 1999). Internationalisation can trigger marketing knowledge accumulation. Interaction with foreign customers provides an important source of knowledge (Tolstoy, 2010; Yli-Renko, et al., 2002). In an ordinary export transaction, the trade parties will exchange information regarding customer's requirements, product design, packaging, pricing and distribution (Ellis, et al., 2011).

International intermediaries can also contribute effectively to developing the marketing knowledge of transition country firms through the exchange of formal (e.g. customers' preferences) or informal (e.g., observations about pricing practices) information (Ellis, 2010). Moreover, firms learn not only from their experiences, but also from the experiences of other firms (Huber, 1991). Exposure to the marketing practices of competitors and other firms in foreign markets, e.g. promotion and customer relationship, may drive transition economy firms to adopt similar practices or identify gaps in their knowledge bases and initiate marketing learning (Petersen, et al., 2008). Participation in international trade exhibitions provides another avenue for firms to observe and learn about the marketing practices of various organisations in their industry.

Few studies discuss the process of building and developing marketing capabilities (e.g. Vorhies and Morgan 2005) and the potential to enhance them when expanding abroad (e.g. Alcacer and Oxley, 2014; Dau, 2013). Ellis et al. (2011) provide evidence that export intensity of indigenous Chinese manufacturers was positively related to three aspects of marketing know-how, specifically new product development, product performance and customer orientation. They attribute the positive association to the learning opportunities provided by exposure to different markets with new ideas and customer preferences. However, Ellis et al. (2011) investigation is limited to only one facet of internationalisation, namely export

intensity. Furthermore, they only consider few aspects of a firm marketing capability, overlooking the wide spectrum of activities involved in marketing capabilities.

Other researchers focus on the development of marketing capabilities in the context of international new ventures. Weerawardena et al. (2007), for example, suggest that the owner-manager's profile as well as the firm's acquisition and dissemination of market information are positively related to marketing capabilities. Evers, Andersson and Hannibal (2012) recently offered qualitative evidence on how life science international new ventures from advanced economies build and develop marketing capabilities by leveraging their stakeholder relationships to sustain their competitive advantage in the dynamic international marketplace. However, while both studies discuss the development of marketing capabilities, they do not account for the impact of presence in foreign markets on this development.

Zhou, Wu and Barnes (2012), on the other hand, touch on this issue in their examination of the strength of the marketing capabilities of Chinese young international ventures. Their findings suggest that commitment to foreign markets has a moderating effect on the relationship between timing of foreign market entry and marketing capabilities. However, their measurement of commitment to foreign markets focus on the harmonisation of senior managers' attitudes towards their firms' international activities rather than measuring any specific aspect of a firm's degree of internationalisation.

Some researchers examine the influence of internationalisation on the formulation of marketing strategies, a key marketing capability. For instance, Wu (2011) provides evidence that internationally experienced high-tech Taiwanese firms are more adept at formulating global marketing strategies including the coordination of marketing activities, decisions on standardisation or customisation of the marketing mix and integration of the firm's competitive actions across the world. Like the study of Zhou et al. (2012), Wu's research do not measure any aspect of a firm's degree of internationalisation; rather, international experience was measured subjectively based on the respondents' opinion of the length of experience and the amount of markets the firm is active in.

To the contrary, Hultman, Katsikeas and Robson (2011) measure international experience, using the duration, scope and intensity of export operations, and estimate its moderating impact on the relationship between promotion strategy adaptation and export performance of Swedish exporting manufacturers. Their findings suggest that the promotion adaptation – export performance relationship becomes negative when export duration is long and export intensity is high, indicating that greater experience enhances firms' ability to exploit communalities between markets and offer standardised promotions. On the other hand, wider scope of exporting resulted in a positive relationship when cultural distance is high. However, their study found no impact, positive or negative, of international experience on promotion adaptation itself.

In contrast to the previous study, Chung, Wang and Huang (2012) suggest that EU firms with longer international experience have greater appreciation of the variations between foreign markets enabling them to formulate adapted strategies to address the peculiarities of host markets. However, they found mixed results regarding the moderating role of international experience on the customisation-performance relationship. Similarly, Lages, Jap and Griffith (2008) suggest that firm's commitment to exporting, in terms of the organizational and managerial resources allocated to an export venture, is positively related to marketing mix adaption. Increased resources enable managers to work harder on the demanding tasks of marketing strategy adaption to meet local markets' needs. However, the authors' findings offer limited support to their theorisation since a positive effect was only detected in the case of product adaption but not in relation to the remaining elements of the marketing mix, namely, price, promotion and place.

The results of the last three studies could be explained by Theodosiou and Leonidou's (2003) conclusion that neither adaptation nor standardisation is better than one another; rather, superior performance is driven by the fit between the marketing strategy and the context in which it is implemented. Therefore, while the organisational learning perspective suggests that international experience is likely to enhance firms' ability at formulating marketing strategies, assessing the impact of

international experience on either of standardisation or adaptation may not be the best approach to examine the learning achieved by internationalisation.

This section has examined how international expansion can help firms in building their marketing knowledge. It also highlighted some of the empirical research that addressed the marketing related benefits of internationalisation. In doing so, it highlighted the gaps that exist in the literature. Specifically, there is a scarcity of literature explicitly assessing the impact different aspect of a firm's internationalisation has on achieving marketing-related learning benefits, an issue that this thesis aims to address.

3.5 Factors Impacting Learning

An examination of the organisational learning, absorptive capacity and internationalisation literatures suggests that a number of key factors influence firms' ability to learn from internationalisation. These include the firm's network relationships, previous experience of the managerial team and the age at which a firm embarked on its international journey. Each of these factors is discussed in the following sections.

3.5.1 Network Relationships

The role of network relationships in knowledge acquisition and firms' internationalisation has received considerable attention in the literature. Previously, scholars viewed firms as autonomous entities operating in an impersonal marketplace; however, such view deviates from the real world in which firms are embedded in networks of relationships with other actors (Gulati, Nohria, and Zaheer, 2000). The network approach perceives firms as social units and markets as systems of connected relationships, among customers, suppliers and other actors (Johanson and Mattsson, 1987). The social dimension is entrenched in all network relationships regardless of their type (Inkpen and Tsang, 2005). Perceiving firms as entities embedded in networks of relationships suggests that a firm's resource base may extend beyond its boundaries through its idiosyncratic inter-firm linkages, giving rise to a relational view of competitive advantage (Dyer and Singh, 1998). Through their

networks of relationships, firms may have access to resources controlled by other organisations (Johanson and Mattsson, 1987). Being a member in a social network grants a firm with social capital (Inkpen and Tsang, 2005), defined as the sum of the actual and potential resources that an organisation or individual can access or mobilise through their network of relationships (Nahapiet and Ghoshal, 1998).

One of the key resources embedded in a firm's network of relationship is knowledge. Knowledge has gradually become an integrated element of the network perspective (Tolstoy, 2009). Organisations may learn from each other through observation and interaction (Huber, 1991; Levitt and March, 1988). Network actors may also transfer knowledge and information from one to another or they could co-create knowledge at the network level; in the latter case, the network becomes the locus of novel knowledge development (Inkpen and Tsang, 2005). This network perspective on organizational learning was applied within the boundaries of the firm to investigate inter-unit knowledge transfer (Tsai, 2001). It was argued that MNEs exist due to their efficiency and effectiveness in transferring and exploiting knowledge within their internal network of units compared to doing so through external market mechanisms (Gupta and Govindarajan, 2000).

Beyond the boundaries of the firm, inter-organisational learning received considerable attention in the literature, noting that an understanding of a firm's network is important to understand firm-level learning (Dyer and Nobeoka, 2000). Inter-organisational learning is considered an important source of competitive advantage (Dyer and Singh, 1998). Furthermore, network relationships are important for strengthening organisational absorptive capacity. Zahra and George (2002) argue that external knowledge sources, which encompass various inter-organisational relationships, represent an antecedent of absorptive capacity. Kostopoulos, Papalexandris, Papachroni and Ioannou (2011) provide empirical evidence of the positive impact of a firm's external network of relationships on different aspects of its R&D, which are used to measure absorptive capacity. Cohen and Levinthal (1990) postulate that firms enjoying a broad and active network of relationships have greater abilities to recognise other organisations' capabilities and knowledge.

Consequently, the more diverse and broad a firm's external network of relationships, the stronger its absorptive capacity (Zahra and George, 2002).

The role of external network relations was particularly evident in the internationalisation research as highlighted in the previous chapter. The Uppsala scholars revised their conceptualisation of the internationalisation process and proposed it is a process of relationship establishment and development (Johanson and Vahlne, 2003). Firms rely on their network of relationships to acquire the knowledge needed for their internationalisation (Ibeh and Kasem, 2011; Johanson and Vahlne, 2009; Sallis and Sharma, 2009), including foreign market knowledge (Ellis, 2000; Haahti, et al., 2005; Loane and Bell, 2006; Sharma and Blomstermo, 2003). In addition to foreign market knowledge, some evidence also suggests a positive impact of network relationships on the development of technological knowledge (Fletcher and Harris, 2012; Yli-Renko, et al., 2002).

In terms of the type of network relationships, scholars thoroughly investigated strategic alliances as one of the key drivers for entering an alliance is the opportunities for organisational learning by accessing the partner's knowledge base (Hamel, 1991; Inkpen, 2000). This is particularly true in emerging markets where many firms relied on formal contractual relationships, such as joint ventures, to access knowledge (Hau and Evangelista, 2007; Tsang, Nguyen, and Erramilli, 2004). However, formal contractual partnerships are not the only forms of network ties that offer opportunities for learning; firms also learn from their customers and other stakeholders (Dodgson, 1993; Lindstrand, Eriksson, and Sharma, 2009). Yet, prior research has focused primarily on formal cooperation and has largely overlooked informal cooperation and its role in knowledge acquisition (Haahti, et al., 2005). It is only recently that researchers started paying more attention to the role of the firm's broader network of relationships – as opposed to formalised partnerships – in organisational learning (Bruneel, et al., 2010; Fletcher and Harris, 2012; Haahti, et al., 2005; Manolova, et al., 2010).

While some of these informal network relationships may have the characteristics of weak ties such as infrequent interaction and little emotional intensity, they are valuable sources of information (Granovetter, 1973). The strength

of a tie reflects a "combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie" (Granovetter, 1973, p.1361). Weak ties may not be as effective as strong ties in the transfer of highly complex knowledge, but they are critical in searching for useful knowledge (Hansen, 1999). They provide access to novel and diverse information minimising the redundancy occurring from being part of small closely-interlinked group (Nahapiet and Ghoshal, 1998). The diversity of a firm's exchange partners increases the heterogeneity of knowledge it has access to influencing the firm's ability to absorb and create knowledge (Phelps, Heidl, and Wadhwa, 2012). Furthermore, weaker ties entail lower maintenance costs compared to strong ties and they minimise the potential for dependence on one or few partners (Hansen, 1999; Phelps, et al., 2012).

Informal network relationships are of great importance to firms from transitioning and emerging markets. This is particularly the case when taking into account that firms from transition economies are inherently resource constrained, therefore, relying on network partners is essential (Tolstoy, 2009). While the research on EM-MNEs highlights the role of formal network relationships, few firms have access to these relationships. Therefore, attention must be given to informal network relationships. For exporting firms from transition economies that are normally unable to attract FDI and establish formal relationships with international firms to acquire knowledge, weak informal ties could provide a viable substitute. Weak ties include relationships with customers, suppliers and wider social contacts such as governmental organisations and chambers of commerce. Given their need for less investment, the number of weak ties considerably exceeds that of strong ties and can grow relatively quickly (Oviatt and McDougall, 2005).

Weak ties are considered vital sources of information and know-how for internationalising firms (Bruneel, et al., 2010; Prashantham and Young, 2011; Yli-Renko, et al., 2002). The broad scope of these relationships provides a multitude of avenues for knowledge to intersect, enhancing, therefore, the potential for knowledge creation in areas such as product development (Tolstoy, 2009). Huggins and Johnston (2010) found that firms most frequently source knowledge from their

customers and suppliers and firms that invest more in the development of external knowledge networks enjoy higher levels of innovation. Fletcher and Harris (2012) recently provided evidence that firms sourced knowledge from diverse domestic and foreign sources and relied on sources rarely recognised before such as government advisors and consultants. From the above discussion, it could be concluded that diverse weak relationships are of great importance for sourcing knowledge, yet they received limited attention, suggesting further research is required to investigate their impact on knowledge acquisition, an issue that this thesis aims to address.

3.5.2 Management's Previous International Experience

When businesses are established, founders bring all their life and work experience to the new organisation. Experience is a primary source of knowledge acquisition (Penrose, 1959), whether it was obtained within or beyond the firm's boundaries. Casillas et al. (2010, p.165) rightly stated that "businesses are not born without a history". Huber (1991) refers to this experience as congenital knowledge, suggesting that the nature of the organisation is influenced by the nature and history of its founders. The past experiences of the founders and managers are retained in their memories, which are then incorporated into the new organisation's memory and shared with its members (Levitt and March, 1988).

Causal ambiguity makes prior experience a valuable asset. Causal ambiguity denotes the degree of obscurity in cause-effect relationships between decisions or actions and their performance outcomes (Zollo and Winter, 2002). Prior experience in a specific context makes it easier for managers to understand the causal linkages and complex processes impacting their firms in these contexts. More importantly, prior knowledge is a key antecedent of a firm's absorptive capacity (Zahra and George, 2002). Cohen and Levinthal (1990) argue that the ability to recognize and utilize external knowledge is largely a function of the level of previous related knowledge. Learning is path dependent, existing stocks of knowledge determine what and how new knowledge is acquired (Zahra and George, 2002), what the firm experiences and how it interprets its new experiences (Huber, 1991).

Of particular relevance is the management's prior international knowledge. This knowledge refers to the degree to which the organisation's management has

overseas experience prior to founding or joining the organisation (Reuber and Fischer, 1997), obtained for example through having lived or worked abroad. The Management's stock of existing international experience increases the firm's receptivity to externally generated knowledge. Studies on firms' internationalisation suggest that prior international experience motivates subsequent learning and information searching in foreign markets (Casillas, et al., 2008; Morgan, Kaleka, and Katsikeas, 2004; Oviatt and McDougall, 2005; Yeoh, 2004).

Internationally experienced managers exhibit greater alertness to learning opportunities in foreign markets and enhanced ability to identify network relationships that can provide the firm with the knowledge it requires (Yeoh, 2004). Weerawardena et al. (2007) postulate that management's prior international experience can contribute effectively to developing the firm's market-focused capability as well as technological and non-technological related capabilities. However, limited research was carried out to investigate this effect. This thesis, therefore, aims to explore the impact prior international experience could exert on technological and marketing learning generated as a result of internationalisation.

3.5.3 Age at Entry

Firm's age at first foreign market entry has received considerable attention, particularly in relation to defining international new ventures and born global firms (Knight and Cavusgil, 1996; McDougall, et al., 1994). Age at entry has also been examined in relation to its effect on firm's ability to learn. The absorptive capacity argument suggests that the firm's ability to recognize and utilize external knowledge is largely a function of the level of previous related knowledge (Cohen and Levinthal, 1990). This implies that firms with longer business experience will be able to acquire greater knowledge. Extending this argument to internationalising firms suggests that firms crossing the borders at an older age have a greater ability to acquire technological and marketing knowledge from foreign markets.

On the other hand, Autio et al. (2000) suggest that early internationalizing firms enjoy learning advantages of newness (LAN). They argue that a range of cognitive, political, and relational factors hinder learning as firms grow older. From a cognitive perspective, internationalising firms need to unlearn routines established

with the domestic market solely in mind. Young firms have few, if any, deeply rooted routines, making it easier for them to develop routines suited to foreign markets. Conversely, older firms would have developed domestic market-based competencies which narrow the firm's attention and search processes to domestic issues and constrain its learning in foreign environments. Furthermore, long-established firms may have managers that are tied to the local markets resulting in negative views towards foreign opportunities. It is likely that they have also invested considerably in building domestic relationships, making it difficult to build new allegiances. However, firms expanding abroad at an early stage are more prone to embrace an international identity and foster subsequent progress in that direction. LAN enables firms to leverage opportunities for growth internationally; early internationalising firms are, therefore, likely to grow at a faster rate than late internationalising firms.

While Autio et al. (2000) offer a strong argument in support of LAN, they do not examine its proccess as their study measures the implied growth outcomes of early internationalisation rather than the learning advantages per se. Nevertheless, Sapienza et al. (2005) provide some evidence in support of the LAN argument by showing that early internationalisation is positively related to higher international and domestic learning efforts, though they do not measure learning per se. Zhou et al. (2012) research suggests that early foreign market entry provides firms with greater learning flexibility which drives subsequent development of marketing capabilities. However, Khavul et al. (2010) reveal no significant relationship between age at entry and various performance indicators. The inconclusive empirical findings point to a lack of consensus on the strength of the LAN effect.

Clearly, the logic of LAN is at odds with that of absorptive capacity regarding their impact on knowledge accumulation (De Clercq, et al., 2012). Whereas, LAN suggests that firms with little experience at the start of internationalisation will enjoy learning advantages, given they are less constrained by history and inertial forces that prevent them from searching for new foreign knowledge, absorptive capacity suggests almost the opposite. Absorptive capacity argument suggests that firms learn best in the areas that they have previously acquired knowledge on, implying an advantage in delaying first international entry.

De Clercq et al. (2012) propose to address this paradox by considering the relatedness, or similarity, of home and host markets as an important contingency. They argue that the LAN effect is likely to be evident when home and host markets are very different while pre-existing knowledge could be deemed very useful if the foreign and local markets are very similar.

In this thesis, it is proposed to address this tension by considering the content of knowledge as a contingency. Autio et al.'s (2000) discussion of LAN is related to learning about foreign markets. Thus, a firm with a short history in its domestic market is likely to learn faster about a foreign market than a firm that delayed foreign entry. However, when examining technological and marketing learning, previous experience in the domestic market could play a measurable role in directing companies to where they could find knowledge that they lack. Subsequently, firms crossing borders at an older age are likely to achieve greater learning benefits compared to younger firms. It is important to unravel the type and extent of the relationship between firm's age at first foreign entry and its learning after internationalisation, this is an area in which the current thesis aims to contribute.

The previous three sections examined factors that influence firms' ability to learn from internationalisation. These are the firm's network relationships, management's previous international experience and firm's age at first international entry. This examination revealed areas that received limited empirical examination indicating gaps in the literature, which this thesis attempts to address. The following section considers the performance implications of post-internationalisation learning and cross-border expansion.

3.6 Learning and Internationalisation Implications on Performance

Accumulation of knowledge within firms is not an end in itself; rather, it is considered as a means to improve competitiveness and performance. KBV asserts that knowledge is the most strategically important organisational resource (Grant, 1996a) and is the basis of achieving a sustainable competitive advantage (Bapuji and Crossan, 2004; Eisenhardt and Santos, 2002). Similarly, internationalisation is not an

end in itself; it is often argued that internationalization offers numerous benefits, allowing firms to strengthen their competitive advantages and performance (Chen, et al., 2014). This section aims to address the performance implications of post-internationalisation learning and cross border expansion. First, a discussion linking the broad aspects of organisational knowledge and learning to performance is presented. This is followed by two sections each discussing the impact on performance of one of the two areas of learning this thesis is interested in, namely technological learning and marketing learning. The final section explores the effect of internationalisation on firms' performance.

3.6.1 Knowledge and Performance

Nonaka (1991, p.96) states that "in an economy where the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge". Owing to the importance of knowledge, some scholars suggest that the main role of a firm is the creation, transfer and application of knowledge rather than the reduction of transaction costs (Kogut and Zander, 1992). The importance of knowledge as a source of sustainable competitive advantage is well documented in international business research (Fahy, 2002) and export performance literature (Beleska-Spasova, et al., 2012; Wheeler, Ibeh, and Dimitratos, 2008). Knowledge is a mobile resource that provides a flexible platform for international growth (Autio, et al., 2000). The mobility of knowledge entails that it can be exploited in different markets at a relatively low cost (McDougall, et al., 1994).

Organisational learning, which is essential for the development and renewal of firm's knowledge and capabilities (Flores, et al., 2012), forms the basis for improving competitiveness (Dodgson, 1993; Fiol and Lyles, 1985). Learning organisations have greater ability to swiftly respond to environmental changes and act on opportunities in turbulent environments which enables them to maintain long-term advantages (Slater and Narver, 1995). Previous research provides support for the positive impact of learning on performance. Learning orientation, an organisation's culture-based conceptualisation of learning (Dimitratos and Plakoyiannaki, 2003), is positively related to organisational performance (Pla-Barber and Alegre, 2014; Wang, 2008). It is argued that learning orientation

promotes double-loop learning and the questioning of long-held assumptions about the organisation's practices; stimulating, thereby, innovations and technological breakthroughs (Calantone, Cavusgil, and Zhao, 2002).

Organisational capabilities, embodying firms' accumulated knowledge and skills, play a key role in explaining why some firms perform better than others (Grant, 1996b; Teece, et al., 1997). Capabilities allow firms to perform value-creating activities effectively. They are deeply rooted in organisational routines and processes, making them difficult to replicate and enabling them to contribute to the sustainable advantage of firms over their rivals (Krasnikov and Jayachandran, 2008). In effect, capabilities are significant contributors to a firm's competitive advantage and, therefore, its performance (Day, 1994).

This section has highlighted the broad role of knowledge and learning, resulting in the advancement of firms' capabilities, in enhancing performance. The following two sections discuss the impact on performance of the two areas of learning that this thesis is interested in, specifically technological learning and marketing learning.

3.6.2 Technological Learning and Performance

Technological capabilities are critical for new product development, thus, giving rise to enhanced international performance (Knight and Cavusgil, 2004). They are also associated with greater levels of innovation enabling firms to perform at high levels (Ortega, 2010). Technological knowledge intensity is positively associated with growth in international sales (Autio, et al., 2000). The dynamic market environment entails that advantages accrue to those organisations that emphasise technological learning (Hitt, et al., 2000). Technological learning enables firms to capitalise on market dynamism by developing new products, enhancing existing ones and identifying emerging technological changes (Zahra, et al., 2000). It enhances firm's efforts to take appropriate levels of risks, innovate, and deliver value to customers (Hitt, et al., 2000).

However, there is scarce empirical evidence on the impact of technological learning on performance, especially in international markets. Research on emerging

markets MNEs highlights the technological knowledge acquisition behaviour of these enterprises (Bonaglia, et al., 2007; Luo and Tung, 2007), but offers limited insights into the effect of such knowledge acquisition on performance. Exceptions include the work of Kotabe, Jiang and Murray (2011) who found evidence that technological knowledge acquired through relationships with external partners and applied within the organisation is conducive to new products' sales and profitability. The ground breaking research by Zahra et al. (2000) postulates, and provides evidence of, a positive relationship between technological learning achieved in the course of international operations and high-tech new venture performance. Yeoh's (2004) findings provide partial support for a positive relationship between technological learning and the performance of high-tech exporting new ventures. Little is known, however, about the impact of technological learning by low-tech firms on performance. Furthermore, there is paucity on research examining knowledge acquisition and performance in developing markets and countries in transition. The limited research in the area suggests that more needs to be done to investigate the relationship between technological learning and performance further.

3.6.3 Marketing Learning and Performance

The research on the role of knowledge in enhancing performance did not only emphasise technological knowledge but also marketing knowledge. Leading research postulates that marketing capabilities play a major role in enhancing firms' overall performance (Day, 1994; Hooley, Greenley, Cadogan, and Fahy, 2005; Morgan, et al., 2009) and export performance (Morgan, Katsikeas, and Vorhies, 2012) as well as economic international performance and international commitment (Blesa and Ripollés, 2008). Some research goes further to suggest that marketing capabilities have a stronger impact on firms' performance than R&D and operations capabilities (Krasnikov and Jayachandran, 2008). Marketing prowess could differentiate a firm from its competitors in a contested market place (Kaufmann and Roesch, 2012). Similar results were reached in the case of smaller firms. Marketing capabilities enable firms to develop understanding of the needs of current and potential customers and put forward policies to create innovative products and strategies to maximise the potential of new opportunities (Barbero, Casillas, and Feldman, 2011).

Building such capabilities contributes effectively to an INV's ability to successfully launch new products, target new markets and segments, identify market opportunities and maintain and strengthen relationships with customers (Evers, et al., 2012). Thus, customers of a firm enjoying marketing prowess are likely to perceive higher value of its offerings compared to the expected value of alternative products (Knight and Kim, 2009).

The evidence that marketing prowess is considered a catalyst for competitive advantage is particularly salient for emerging and transitioning economies. These economies' little exposure to market forces meant that firms are ill equipped for competing in dynamic markets (Ellis, 2010). Acquiring marketing knowledge, therefore, could be vital for advancing in the market place. Prior research in the context of developing and transitioning economies suggests that the appropriation of marketing knowledge leads to an enhanced business performance (Akimova, 2000; Ellis, 2005, 2010; Ellis, et al., 2011). Evidence from Central and Eastern Europe suggest that firms embracing marketing orientation, a culture-based conceptualisation of marketing, outperform their counterparts with no such orientation (Akimova, 2000; Fahy, et al., 2000; Hooley et al., 2000).

Furthermore, acquisition of marketing knowledge through international trade intermediaries contributes to the creation of competitive advantage and enhancement of performance of indirect exporters (Ellis, 2010). In the same vein, exporters' marketing know-how in the form of new product development, product performance and customer orientation is positively associated with business growth, but only new product development has a positive impact on perceived satisfaction of performance (Ellis, et al., 2011). Additional evidence suggests that marketing capabilities improve manufacturers' ability to upgrade from own equipment manufacturing, original design manufacturing to own brand manufacturing (Eng and Spickett-Jones, 2009). In some cases, marketing capabilities helped transform producers of simple goods into key regional players (Bonaglia, et al., 2007). Exporting firms from emerging markets that have good marketing capabilities, specifically product development, distribution and communication capabilities, enjoy better export financial performance through the mediating effect of positional advantages, particularly low-

cost advantage and branding advantage (Zou, Fang, and Zhao, 2003). Similar effect is evident in the case of young international ventures (Zhou, et al., 2012).

Although previous literature generally supports the postulation that gains in performance arise from the appropriation of marketing knowledge, few points are worthy of consideration. Marketing capabilities may impact performance through the mediating effect of some variables. Zou et al. (2003) provide evidence of the mediating role of positional advantages, low-cost advantage and branding advantage, in the relationship between marketing capabilities and performance of emerging markets' exporters. Similarly, Morgan (2010) suggests that the link between marketing capabilities and performance is mediated by marketing strategy. Thus, the acquisition of marketing knowledge may not positively influence performance if firms failed to achieve positional advantages or produce winning strategies.

Another point that is worth considering is related to the availability of marketing knowledge within transitioning economies. Given the scarcity of such knowledge, its development may take considerable time to produce the expected impact on performance. Helfat and Peteraf (2003) argue that capabilities evolve through a lifecycle with three recognisable stages, founding, development, and maturity. The founding stage begins when the endowments of the firm and its members are organised around the process of capability creation. This is followed by the development stage involving the gradual building of the capability through learning-by-doing as well as deliberate learning to improve process and solve problems. The maturity stage is marked by the cessation of the capability development due to either reaching a satisfactory level of the capability which corresponds to the organisation's requirements or facing inherent limitations in the organisation's endowments that restrict its ability to achieve the desired level of the capability (Helfat and Peteraf, 2003).

The capability lifecycle conceptualisation leads to the following conjecture regarding a caveat that surrounds the capability-performance relationship. A capability that is still in the development stage may not produce the expected outcomes in terms of performance enhancement. Building up a capability is a process that requires significant time and effort before it starts paying back. Sapienza et al.

(2006) argue that capability development often requires considerable investment which hampers generating the expected performance enhancement of capability development. Additionally the process may not run smoothly as initial trials to develop the capability may prove fruitless (Helfat and Peteraf, 2003). Thus, although firms may be engaged in learning to develop their capabilities, the impact on performance may not be realised until the capability reaches a threshold level of development. Consequently, firms from emerging markets and transitioning economies, which were originally lacking marketing knowledge (Ellis, 2010; Kaufmann and Roesch, 2012), may not immediately realise the performance gains of developing their capabilities.

Despite the previous literature linking marketing knowledge and capabilities to performance, limited evidence has been obtained from economies in transition. There is even less research investigating the relationship between the building of marketing capability and performance. The research generally suggests a positive impact of marketing capabilities on performance. As firms develop their marketing capabilities, they will strengthen their position to leverage the comparative advantages available in their countries, such as low cost factors of production and abundant raw materials. Firms improving their marketing capabilities will also be able to improve their offerings and achieve greater customer satisfaction, resulting in greater chances of survival in an increasingly competitive world. However, marketing capability development may be fitful and time consuming, leading to delays in realising performance gains. This is exacerbated when firms develop their capabilities as they internationalise. Therefore, it is important to investigate the relationship between marketing learning and international performance, a relationship that this thesis aims to examine given the scant attention it received particularly in the context of transitioning economies.

3.6.4 Internationalisation and Performance

Internationalisation is thought not only to be positively related to learning but also to performance. Several studies have examined the relationship between multinationality and performance, but there is a lack of consensus regarding the nature of the relationship (Li, 2007a). However, Bausch and Krist's (2007) meta-

analysis of 36 articles over 25-year period concludes that an overall significant positive relationship exists between internationalization and firm performance. Cross-border expansion provides new sales opportunities which, in turn, allow the firm to achieve economies of scale and reduce its costs, thus increasing its profitability. This particularly applies to countries with small domestic markets (Glaum and Oesterle, 2007). Extending the geographic scope of operations also helps the firm to accumulate foreign market knowledge as well as internationalisation knowledge, i.e. firm's capability and resources to engage in international operations (Eriksson, et al., 2000). Developing these knowledge stocks has a positive effect on foreign sales growth (Zhou, et al., 2010). Recent research findings support the positive relationship between level of internationalisation (Papadopoulos and Martín Martín, 2010) and export intensity and spread (Beleska-Spasova, et al., 2012) on the one hand and export performance on the other.

However, Bausch and Krist's (2007) meta-analysis shows that the majority of studies on the internationalisation-performance relationship were conducted in the US, Europe and Japan with only four studies conducted outside these regions. In a recent meta-analysis by Yang and Driffield (2012), 70% of the 54 papers published over 35 years were based on data collected from the US; only three studies were conducted outside the Triad regions. Therefore, further research on the internationalisation-performance relationship is warranted in less investigated contexts. The need for such research becomes particularly clear when taking into consideration the impact different home country contextual settings may exert on the benefits and costs that firms are likely to experience in foreign markets (Bausch and Krist, 2007). For example, the size of the home market influence the average degree of firms' internationalisation. Firms from small countries tend to internationalise more; with greater accumulated experience, such firms are likely to enjoy better performance, making the internationalisation-performance relationship stronger. In addition, institutional and cultural factors may affect the managers' perception of barriers to foreign markets. Therefore, there may be variation among countries with regards to the relationship between internationalisation and performance. Thus, further examination of this relationship in regions where limited or no previous similar research took place is required.

Summary

This chapter presented the argument as to why firms acquire technological and marketing learning by expanding abroad. In doing so, it provided an overview of the RBV and KBV of the firm highlighting their emphasis on learning as a way to develop resources and capabilities, which hold the key to improving firms' performance. The chapter then discussed organisational learning, which together with RBV and KBV provide the theoretical basis on which the key arguments in this thesis are built. The following three sections presented these key arguments by examining why firms learn by crossing national borders, the key factors that influence this learning and the performance implications of the developed capabilities as well as internationalisation. Having discussed these arguments, this chapter set the scene for the next chapter, which summarises the gaps identified in the literature review, develops the research hypotheses and presents the conceptual framework guiding this research project.

Chapter 4. **Conceptual Framework**

4.1 Introduction

The previous two chapters reviewed the literature pertaining to the research objectives of this thesis. Chapter 2 built on the internationalisation theories to highlight the learning potential and the types of knowledge that could be acquired by internationalisation firms. Chapter 3 drew on the RBV and organisational learning literatures to discuss why firms learn by crossing national borders, the key factors that influence this learning and the implications of the resulting upgraded capabilities as well as internationalisation on performance. This chapter summarises the gaps identified in the literature review and develops a conceptual framework to address these gaps and guide this research project. A number of research hypotheses are then deduced building on the conceptual framework and extant literature.

4.2 Research Gaps

This thesis aims to *investigate learning by internationalisation and the subsequent performance implications amongst firms from transitioning economies*. The review of the internationalisation and organisational learning literatures presented in the previous two chapters highlighted the lack of studies that explore the impact of internationalisation on learning related to technological and, more importantly, marketing capabilities as well as the factors that influence this learning. The following discussion provides a summary of the key points identified in the literature review and pinpoints the research gaps.

The various theoretical perspectives explaining the internationalisation of firms, including the economic-based theories (TCT and OLI) and the stages model of internationalisation, make the assumption, explicitly or implicitly, that firms have strong technological and marketing knowledge bases prior to the commencement of foreign expansion (see sections 2.2 and 2.3). According to these explanations, firms expand abroad to exploit their strong resources. Subsequent research on the OLI paradigm acknowledges the assumption's limitations and highlights the resource-

seeking motive of FDI; evidence suggests that some MNEs acquire foreign R&D facilities primarily to access new technological resources (Dunning and Narula, 1995). Foreign expansion to acquire knowledge resources is of great importance to all firms but has received limited attention beyond the context of large MNEs.

Although learning was at the heart of the stages model's explanation of the gradual foreign expansion process, its definition of knowledge is essentially limited to foreign market knowledge (see section 2.3.1). It makes an implicit assumption that firms start internationalisation with a solid base of resources and capabilities but have shortages in foreign market knowledge. Learning was also an integral part of the INV literature, it challenged the stages model of internationalisation postulation that lack of foreign market knowledge was an impediment to internationalisation and focused instead on the importance of technological knowledge as an enabling force for early and rapid internationalisation (see section 2.4). Nevertheless, the INV literature emphasises the need to continuously develop this knowledge and highlights the potential for technological learning from foreign markets (Zahra, et al., 2000). However, scholarly investigation into this area remains largely limited to the context of high-tech industries indicating the need for further research within low-tech industries (see section 2.4.1).

In contrast to the economic-based, Uppsala model and INV theorisations, which were developed in the context of advanced economies, the literature on emerging markets MNEs emphasise the disadvantages that constrain EM-MNEs rather than the advantages they enjoy (see section 2.5). Such firms lacked the competitive resource and capability base to be notable contenders in the world market. They utilised their international business undertakings to learn and develop their technological and marketing capabilities. Yet, this literature was mainly concerned with large MNEs, such as the Indian Tata or the Chinese Lenovo (see section 2.5.6). Large EM-MNEs usually rely on joint ventures, mergers or acquisitions to access the knowledge they needed. Little attention, however, was paid to smaller firms which usually lack the strong financial resources or considerable government support that large EM-MNEs enjoy. It is, therefore, very important to address this gap in the literature and assess the learning outcomes of foreign

expansion for relatively small firms from emerging economies and countries in transition.

The literature on international new ventures and EM-MNEs provide cases where learning was considered an outcome of internationalisation. The evidence from these organisations is supported by the literature on organisational learning. Venturing into foreign markets often requires firms to develop new knowledge since much of their existing knowledge and capabilities may be of little use in unfamiliar environments (Bruneel, et al., 2010). Consequently, the new environments create opportunities for learning and capability development (Barkema and Drogendijk, 2007). Little empirical attention, however, has been paid to the technological and, more importantly, the marketing knowledge gains of cross-border activities by internationalising firms from transition economies.

The knowledge acquired would contribute to the development of firms' capabilities. A review of the resource and capability literature highlighted that early research within this literature assumed the pre-existence of resources and capabilities and focused on identifying the characteristics of those assets that contribute to a sustainable competitive advantage. This research has been criticised for being static in nature (Kraaijenbrink, et al., 2010). More recently, however, efforts shifted into explaining how firms build their resource and capability bases (Barney 2011). Particular attention was given to the role of organisational learning in this process. Keil (2004) highlights how acquisitive and experiential learning processes enable the development of firm's capabilities. It would be greatly valuable to investigate how a firm's international presence contributes to its capability building.

The newly acquired knowledge, as a result of internationalisation, and the resulting capability development may contribute effectively to a firm's competitive advantage (Grant, 1996b). Prior research suggests that technological learning is positively related to firms' performance (Hitt, et al., 2000; Zahra, et al., 2000), so is the development of marketing capabilities (Morgan, et al., 2009). However, the limited research in the area suggests that more needs to be done to investigate the relationship between technological and, more importantly, marketing learning and performance.

In a nutshell, the review of the literature identifies key rationales that underscore the need for the research presented here. These include:

- There is limited research examining technological learning by internationalisation in low-tech industries. Much of the research in this area is conducted on firms in high-tech industries characterised by dynamism and rapid technological change. Low-tech industries, however, have different structural characteristics where change is slow and usually incremental. Nevertheless, low-tech firms in transition economies are lagging behind their rivals in the advanced world suggesting there is a large scope for catching up (see section 3.4.3).
- Very little scholarly efforts have been committed to addressing the marketing-learning benefits of internationalisation. This is particularly significant in the context of economies in transition where marketing knowledge has been remarkably poor (see section 3.4.4).
- There is a need to focus on firms other than large MNEs from big emerging markets that dominate the literature on emerging market firms. Such firms are endowed with access to big domestic markets and government support. They are not representative of the majority of firms from emerging and transition economies (see section 2.5.6).
- Much of the research examining learning in internationalisation focus on a limited aspect of internationalisation, degree of internationalisation should be measured using a multi-dimensional construct (See also Section 3.4).
- Although several attempts have been made to investigate organisational factors that influence learning, limited research has investigated the factors influencing technological and marketing learning resulting from cross-border expansion. Furthermore, gaps were identified in the literature examining such organisational factors. The impact of a firm's informal network and its managers' prior international experience received limited attention despite their importance (See section 3.5.1 and 3.5.2). Furthermore, there is an inconclusive evidence as to the impact of early foreign entry on subsequent learning, suggesting further research is needed (See section 3.5.3).

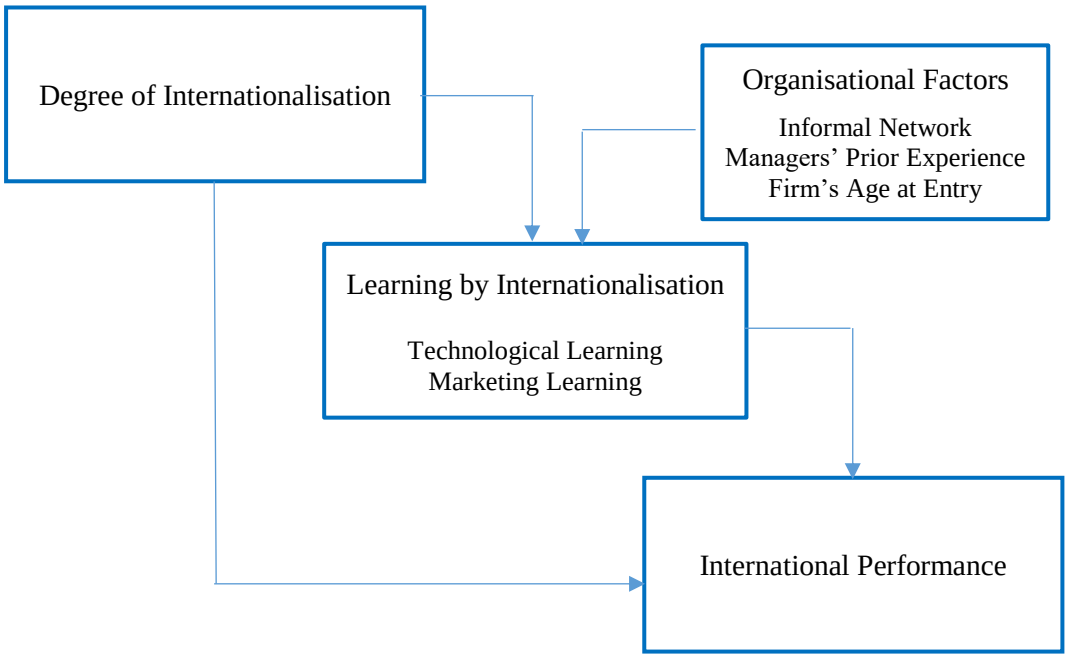
- Little is known about the relationship between technological learning by low-tech firms and international performance. This is particularly true in the context of developing markets and countries in transition (See section 3.6.2).
- Despite the sizable literature linking marketing knowledge and capabilities to performance, inadequate attention was given to the relationship between marketing learning, to develop marketing capabilities, and performance, especially in the context of transitioning economies. A positive association was suggested in the literature between marketing capabilities and performance since firms enjoying marketing prowess are likely to offer better products and achieve greater customer satisfaction. However, the marketing capability development may be fitful and time consuming, leading to delays in realising performance gains, especially if this process takes place as the firm internationalises (See section 3.6.3).
- Although the literature suggests the existence of a significant positive relationship between internationalization and firm performance, recent meta-analysis studies highlight the limited evidence obtained from non-Triad countries. The different contextual settings across the world countries may influence the internationalisation-performance relationship. Thus, further examination of this relationship in regions where limited or no previous similar research took place is required (See section 3.6.4).

4.3 Conceptual Framework and Research Hypotheses

The points discussed in the previous section specify some research gaps identified by the literature review presented in Chapters 2 and 3. A conceptual framework has been developed to address these gaps (Figure 4-1). The framework suggests that a firm's degree of internationalisation influences subsequent technological and marketing learning and both of these factors influence international performance. It also shows that a number of organisational factors, a firm's informal network, its managers' prior international experience and its age at first foreign entry, affect learning by internationalisation. This framework will be examined in the context of low-tech firms from a transition economy using a multi-

dimensional measure of the DOI construct (see Chapter 5). Examination of the conceptual framework in the specified context will address the thesis aim and objectives as well as the research gaps identified earlier.

Figure 4-1: Conceptual Framework



The following sections build on the conceptual framework presented above and the literature to deduce a number of hypotheses for subsequent examination.

4.3.1 Degree of Internationalisation and Technological Learning

Increasing degree of internationalisation is expected to positively influence technological and marketing learning. Technologically, firms from developing and transitioning economies are lagging behind their counterparts in the advanced world (UNIDO, 2005). Exposure to diverse systems of innovation and knowledge bases creates opportunities for firms to learn, and enhance the depth, breadth and speed of technological knowledge acquisition (Zahra, et al., 2000). Presence in foreign markets enables the firm to build inter-organisational social capital which, in turn, helps the firm in acquiring technological knowledge (Prashantham, 2010), thus enhancing future product innovation (Zahra, et al., 2009). Zou and Ghauri (2010) provide evidence that entering foreign markets, particularly advanced ones, enables

high technology firms from emerging markets to achieve greater understanding of the latest technological advancements and the commercialisation of such technologies. Consequently, extending the scope of international activities by expanding into culturally and geographically diverse markets will enhance firms' knowledge stocks.

In addition, firms may need to meet certain criteria in order to sell their product in particular countries; for example, they often have to acquire quality and health certificates such as ISO and HACCP. Obtaining such certificates usually requires firms to adapt their knowledge bases to meet the criteria required for these certificates (Aulakh, 2009); such adaptation is considered a key driver of learning (Dodgson 1993). For example, firms often need to make improvements to the managerial and production processes, which results in improved productivity, better management control, increased technical flexibility and enhanced product specifications (Singels, et al., 2001). Firms venturing into a diverse set of markets are more likely to face such requirements. Moreover, increasing foreign sales can contribute effectively to a firm's effort to achieve economies of scale and scope (Zahra, et al., 2000). Scale and scope economies provide another incentive for firms to invest in upgrading their capabilities (Hitt, et al., 1997). These arguments suggest:

> *H1a: A firm's degree of internationalisation will be positively related to its technological learning.*

4.3.2 Degree of Internationalisation and Marketing Learning

International expansion creates many opportunities for firms from transition countries to develop marketing capabilities. This is particularly relevant to firms from emerging and transitioning counties where weak marketing capabilities have been cited as a major disadvantage (Fahy, et al., 2000; Springer and Czinkota, 1999). The limited research evidence currently available suggests that venturing overseas can help offset this disadvantage. Interaction with foreign customers provides an important source of knowledge (Tolstoy, 2010; Yli-Renko, et al., 2002). Trade parties, for instance, regularly exchange information regarding customer's requirements, product design, packaging, pricing and distribution (Ellis, et al., 2011). International intermediaries also exchange formal (e.g. customers' preferences) and

informal (e.g., observations about pricing practices) information with transition country firms (Ellis, 2010).

Furthermore, given that firms learn not only from their experiences but also from the experiences of others (Huber, 1991), observing the actions of firms in foreign countries may act as a catalyst for transition country firms to reflect on their own actions and address the gaps in their marketing knowledge. Exposure to competitors' marketing practices, such as promotion and customer relationship, in foreign markets may drive transition economy firms to adopt similar practices. Such exposure could also help them identify knowledge gaps and initiate marketing learning (Petersen, et al., 2008). Participation in international trade exhibitions provides another avenue for firms to observe and learn about the marketing practices of various organisations in their industry. Hence:

> *H1b: A firm's degree of internationalisation will be positively related to its marketing learning.*

4.3.3 Informal Network and Knowledge Acquisition

One of the key resources embedded in a firm's network of relationship is knowledge. Firms acquire knowledge from various sources in their environment, and the more diverse these sources are, the greater the knowledge acquisition (Zahra and George, 2002). Acquiring knowledge from network relationships is widely acknowledged in the internationalisation literature (Ibeh and Kasem, 2011; Johanson and Vahlne, 2009; Sallis and Sharma, 2009). Networks enable firms to access strategically relevant resources that they lack and extend their resource and knowledge bases (Haahti, et al., 2005). While previous research put huge emphasise on formal network relationships, for exporting firms from transition economies that are not able to attract FDI and establish knowledge generating formal relationships with international firms, weak informal ties could provide a viable substitute. Weak ties include relationships with customers, suppliers and wider social contacts such as governmental organisations and chambers of commerce. Such relationships require less investment than strong formal ties (Hansen, 1999; Phelps, et al., 2012). As a result, firms have the ability to establish considerably more weak ties than strong ties and grow the weak ties relatively quickly (Oviatt and McDougall, 2005).

Such relationships are considered vital sources of information and know-how for international firms (Bruneel, et al., 2010; Prashantham and Young, 2011; Yli-Renko, et al., 2002). They allow access to novel and diverse information minimising the redundancy occurring from being part of small group with closely-interlinked ties (Nahapiet and Ghoshal, 1998). The broad scope of these relationships provides a multitude of avenues for knowledge to intersect, enhancing, therefore, the potential for knowledge creation in many areas including product development (Tolstoy, 2009). Firms that invest more in the development of external weak networks enjoy higher levels of innovation (Huggins and Johnston, 2010). Fletcher and Harris (2012) recently provided evidence that firms acquire knowledge from diverse domestic and foreign sources and rely on sources rarely recognised before such as government advisors and consultants. Thus, it is argued that the more firms from transition economies rely on and invest in broadening their informal network the more knowledge they will acquire through internationalisation. Hence:

H2a: A firm's informal network will be positively related to its technological learning.

H2b: A firm's informal network will be positively related to its marketing learning.

4.3.4 Management's Previous International Experience and Knowledge Acquisition

The prior experience of a firm's managers, or congenital knowledge as referred to by Huber (1991), has a role to play in influencing knowledge acquisition in foreign markets. The ability to recognize and utilize external knowledge is largely a function of the extent of previous related knowledge (Cohen and Levinthal, 1990). Existing stocks of knowledge determine what and how new knowledge is acquired; that is why learning is path dependent (Zahra and George, 2002). Extant research suggests that management's prior international experience motivates subsequent learning and information search in foreign markets (Casillas, et al., 2008; Morgan, et al., 2004; Yeoh, 2004). Management's prior international experience is obtained by living abroad or working in an international context, for example. Such experience can contribute effectively to developing the firm's market-focused capability as well as technology and non-technology related capabilities (Weerawardena, et al., 2007).

Additionally, internationally experienced managers will be more alert to learning opportunities in foreign markets and will be in a better position to identify network relationships that can provide the firm with the knowledge it requires. Hence:

H3a: The previous international experience of a firm's managers will be positively related to its technological learning.

H3b: The previous international experience of a firm's managers will be positively related to its marketing learning.

4.3.5 Firm's Age at First International Entry and Knowledge Acquisition

The literature on organisational learning suggests two contradicting effects of early foreign market entry on firms' ability to learn. The LAN argument by Autio et al. (2000) favourably associates early internationalisation with superior learning, whereas the absorptive capacity argument (Cohen and Levinthal, 1990) suggests that firms learn best in the areas that they have previously acquired knowledge on, implying an advantage in delaying first foreign entry. Moreover, empirical findings indicate a lack of consensus on the type and extent of the LAN effect. De Clercq et al. (2012) address the paradox by considering the similarity between domestic and foreign markets as an important contingency that determines the impact of early internationalisation on subsequent learning. This thesis proposes to address this tension by considering the relevance of the content of knowledge. Autio et al.,'s (2000) discussion of LAN is related to learning about foreign markets. However, when examining technological and marketing learning, previous experience in the domestic market could play a role in directing companies to where they could find knowledge that they lack. Subsequently, it is postulated that:

H4a: A firm's age at first international entry will be positively related to its technological learning.

H4a: A firm's age at first international entry will be positively related to its marketing learning.

4.3.6 Knowledge Accumulation and International Performance

Knowledge is considered to be the one sure source of lasting competitive advantage (Nonaka, 1991). The importance of technological knowledge as a source of sustainable competitive advantage is well documented in international business

research (Beleska-Spasova, et al., 2012; Fahy, 2002; Wheeler, et al., 2008). Acquiring knowledge, therefore, will have significant implications on firm's international performance. Technological learning enables firms to capitalise on market dynamism by developing new products, enhancing existing ones and identifying emerging technologies (Zahra, et al., 2000). Technological learning enhances firm's efforts to take appropriate levels of risks, innovate, and deliver value to customers (Hitt, et al., 2000). The argument suggests that:

> *H5a: A firm's technological learning will be positively associated with its international performance.*

Additionally, marketing capabilities play a major role in enhancing firms' overall performance (Hooley, et al., 2005; Morgan, et al., 2009) as well as export performance (Morgan, et al., 2012). Prior research suggests that the appropriation of marketing knowledge by transition economy firms leads to an enhanced performance (Akimova, 2000; Ellis, 2005, 2010; Ellis, et al., 2011). It also allows manufacturers to upgrade from own equipment manufacturing or original design manufacturing to own brand manufacturing (Eng and Spickett-Jones, 2009). In this thesis, it is argued that marketing learning will allow transition economy firms to build the required marketing knowledge to survive in our increasingly competitive world. As firms develop their marketing capabilities, they will strengthen their position to leverage the comparative advantages available in their countries, such as low cost factors of production and abundant raw materials. By enhancing their capabilities to design marketing strategies, gather market intelligence, understand customers' needs and improve relationships with distributors, firms will also be able to improve their offerings and achieve greater customer satisfaction. Hence, it is postulated that:

> *H5b: A firm's marketing learning will be positively associated with its international performance.*

4.3.7 Degree of Internationalisation and International Performance

In addition to the positive impact that the firm's degree of internationalisation is expected to have on knowledge acquisition, a positive impact is also expected on international performance. Several studies have examined the relationship between degree of internationalisation, in its various operationalisations, and performance, but there is a disagreement about the nature of this relationship (Li, 2007a). However, a

meta-analysis study concluded that an overall significant positive relationship exists between a firm's internationalization and its performance (Bausch and Krist, 2007). Firms expanding internationally from a small domestic base could grasp new sales opportunities and, in turn, achieve economies of scale and increase their profitability (Glaum and Oesterle, 2007). Extending the geographic scope of operations also helps the firm to accumulate foreign market and internationalisation knowledge (Eriksson, et al., 2000), with a subsequent positive effect on foreign sales growth (Zhou, et al., 2010). A number of recent studies provided evidence of the positive relationship between level of internationalisation (Papadopoulos and Martín Martín, 2010) and export intensity and spread (Beleska-Spasova, et al., 2012) on the one hand and export performance on the other. Therefore:

> *H6: A firm's degree of internationalisation will be positively related to its international performance.*

Guided by the conceptual framework, the above sections relied on the literature to deduce a number of hypotheses for subsequent examination. Table 4-1 provides a list of all these hypotheses.

Table 4-1: The Research Hypotheses

H1a: A firm's DOI will be positively related to its technological learning.
H1b: A firm's DOI will be positively related to its marketing learning.
H2a: A firm's informal network will be positively related to its technological learning.
H2b: A firm's informal network will be positively related to its marketing learning.
H3a: The previous international experience of a firm's managers will be positively related to its technological learning.
H3b: The previous international experience of a firm's managers will be positively related to its marketing learning.
H4a: A firm's age at first foreign entry will be positively related to its technological learning.
H4a: A firm's age at first foreign entry will be positively related to its marketing learning.
H5a: A firm's technological learning will be positively associated with its international performance.
H5b: A firm's marketing learning will be positively associated with its international performance.
H6: A firm's DOI will be positively related to its international performance.

Summary

This chapter summarised the research gaps identified in the literature which was discussed in Chapters 2 and 3. It then developed a conceptual framework to address these gaps and guide this research project. A number of research hypotheses were then deduced building on the conceptual framework and extant literature. The next chapter outlines the methodology employed to examine the conceptual framework and the research hypotheses. This is followed by two chapters presenting the data analysis. Chapter 8 then discusses the analytical findings in light of the research objectives and extant literature. Chapter 9 concludes the thesis.

Chapter 5. **Research Methodology**

5.1 Introduction

This chapter explains and justifies the research methodology designed to meet the objectives of the thesis. Drawing on the internationalisation and organisational learning literatures, this thesis aims to examine the learning benefits of cross-border expansion by internationalising firms from transitioning economies. To meet this aim, the following objectives have been devised:

1. To investigate the impact of the degree of internationalisation on technological and marketing learning among low-tech firms in a transition economy.
2. To assess how key organisational factors influence the ability of low-tech firms from a transition economy to learn from internationalisation in the areas of technological and marketing knowledge.
3. To explore the extent to which technological and marketing learning from internationalisation achieved by low-tech firms from a transition economy enhances their international performance.
4. To examine the impact the degree of internationalisation of low-tech firms from a transition economy has on their international performance.

This chapter first outlines the philosophical stance adopted in this research, namely post-positivism. The mixed methods approach employed in the research is then explained. This is followed by a discussion of the questionnaire method of data collection, including the design of the instrument, measurement of constructs, research context and sample selection as well as the process of data collection and analysis. The chapter then moves to explain data collection using the interview method, highlighting the suitability of the semi-structured interview for the purpose of the research, the procedures implemented to ensure quality, the process of data collection and analysis and a reflexive account on the relationship between the researcher and the object of research. The chapter then addresses the limitations of the research and concludes with a summary.

5.2 Philosophical Stance

All researchers approach their subject of interest with explicit or implicit philosophical assumptions about the nature of reality and how it may be examined (Burrell and Morgan, 1979). These assumptions determine the choice of research methodology and methods (Crotty, 1998). Conducting a piece of academic research, thus, requires the researcher to have an understanding of the philosophical underpinnings of research. To appreciate these philosophical assumptions, it is useful to start by examining the philosophical paradigms.

A paradigm represents a set of basic beliefs or worldviews that deals with first principles and is based on three pillars: ontological, epistemological and methodological (Guba and Lincoln, 1994). Ontology deals with defining the *nature of reality* and its existence in relation to the investigator. It addresses the question of whether reality and social phenomena exist independently of the investigator's cognition, known as realism, or they are the product of the individual consciousness, known as nominalism (Burrell and Morgan, 1979). If realism is assumed, then the researcher's job is to find the reality out there (Guba and Lincoln, 1994).

Epistemology is concerned with the *nature of knowledge*. It deals with how we can understand the world and how we can justify that our understanding and beliefs qualify as knowledge (Crotty, 1998). Scholars debate whether the *knowledge or meaning about reality* that a researcher holds is detached from the researcher's consciousness, known as objectivism, is the result of the consciousness's engagement with reality, known as constructionism, or is imposed by the researcher on the subject under investigation, known as subjectivism (Crotty, 1998). Epistemological assumptions are constrained by assumptions already made about ontology (Guba and Lincoln, 1994). If objectivism is assumed, for example, then the researcher should be aware of any values or biases she may have and should prevent them from influencing the investigation (Guba and Lincoln, 1994).

Methodology addresses how an investigator can go about finding what she regards as knowledge. Consequently, methodology is constrained by the assumptions made about ontology and epistemology (Guba and Lincoln, 1994). The methodology

could be described as a strategy or plan of action that provides a rationale for the choice of methods that should be employed to reach the research aims (Crotty, 1998).

There are various paradigms that differ in their ontological, epistemological and methodological assumptions. Guba and Lincoln (1994) identify four key paradigms: positivism, post-positivism, critical theory and constructivism; Table 5-1 provides an overview of these paradigms. Of the four paradigms, positivism and its modified version, post-positivism, have been dominant in international business (Birkinshaw, Brannen, and Tung, 2011; Brannen and Doz, 2010) and organisational learning research (Karataş-Özkan and Murphy, 2010; Vera, 2009), which form the theoretical grounding of this thesis. None of the identified paradigms could be described as superior over the others due to the absence of criteria to prove such superiority (Guba and Lincoln, 1994). Rather, researchers choose the paradigm that reflects their own beliefs about ontology, epistemology and methodology (Saunders, Lewis, and Thornhill, 2012).

Table 5-1: Key Research Paradigms

	Positivism	*Post-positivism*	*Critical Theory*	*Constructivism*
Ontology	naive realism: real reality but apprehendable	critical realism: real reality but only imperfectly and probabilistically apprehendable	historical realism: virtual reality shaped by a range of values; crystallized over time	relativism: local and specific constructed realities
Epistemology	dualist/ objectivist; findings true	modified dualist/ objectivist; critical tradition/community ; findings probably true	transactional subjectivist; value mediated findings	transactional subjectivist; created findings
Methodology	experimental/ manipulative; verification of hypotheses; chiefly quantitative methods	modified experimental/ manipulative; critical multiplism; falsification of hypotheses; may include qualitative methods.	dialogic/ dialectical	hermeneutical/ dialectical

Source: (Guba and Lincoln, 1994, P. 109)

This research was guided by the post-positivism paradigm. Post-positivism is a modified version of positivism that emerged to address the most problematic criticisms of positivism (Guba and Lincoln, 1994). The underpinning of positivism is that science is not generated through speculation; rather it is grounded firmly in something that is posited or given (Crotty, 1998). It adopts a realist ontology and a dualist and objective epistemology entailing the separation between the knower and the known and the prevention of a subjective influence during the investigation (Guba and Lincoln, 1994). The methods applied to study the natural world could also be applied to social phenomena with the aim of identifying the laws that govern the relationships between different parts of the society (Burrell and Morgan, 1979). Positivism adopts the 'verification principle' in generating knowledge; verification can only be achieved by experience through the senses (Crotty, 1998). Thus, scientific knowledge was claimed to be accurate and certain.

Many of positivism's assumptions were refuted not only by scholars from outside the positivist camp but also from within it (Crotty, 1998). It was argued that the world envisaged by positivism is distant from the world of everyday experiences. Additionally, many of the theories advanced by positivists were developed through a reasoning process rather than observation, creating a gap between what positivism defines as science and how it actually derives it. Moreover, some of the theories that were previously proved as certain were challenged, promoting, therefore, talks of probability rather than certainty (Crotty, 1998). These criticisms gave rise to a refined and humbler version of positivism, known as post-positivism (Crotty, 1998).

Post-positivism assumes a critical realist ontology. It argues that the world exists regardless of human beings' consciousness of it. However, human beings can only imperfectly apprehend the reality due to imperfections in our intellectual abilities and the complexity of the phenomena (Guba and Lincoln, 1994). Critiquing the claims about reality is therefore required to facilitate understanding reality as closely as possible. Research starts with making claims about reality using hypotheses (Creswell, 2009). These claims would be subjected to the principle of *falsification* proposed by Sir Karl Popper. If, despite great efforts, no evidence could

be found to falsify the claim and prove it wrong, then the claim would be *tentatively* accepted as scientific (Crotty, 1998).

What this ontology entails for this research is that firm internationalisation, knowledge and performance, which represent key constructs in this thesis' objectives, are phenomena that occur regardless of the investigator's apprehension of them. The role of the investigator would be to identify the relationships between these various phenomena. The investigator can resort to theory in existing literature to deduce hypotheses about the relationships (Crotty, 1998), as was achieved in Section 4.3. Generating hypotheses necessitates employing the reductionist approach where the problem is reduced into the simplest possible elements (Easterby-Smith, Thorpe, and Jackson, 2012). Thus, while there are many factors influencing knowledge acquisition in international markets, it is necessary to focus on some key factors that are defined in a simple manner.

Epistemologically, post-positivism embraces a modified version of dualism and objectivism (Guba and Lincoln, 1994). The claim of complete independence of investigators from the study subject has been abandoned as not possible to uphold; nevertheless, post-positivist researchers should aim for an ideal objectivity but should acknowledge that human values can influence the investigation (Crotty, 1998). To establish the objectivity of the research, it is essential to assess the validity and reliability of the methods used (Creswell, 2009). Standards of validity and reliability will be examined when discussing the methods of data collection.

Regarding methodology, post-positivism emphasises triangulation and collecting more situational information which could be accomplished through the increased utilization of qualitative techniques (Guba and Lincoln, 1994). Triangulation refers to "the designed use of multiple methods, with offsetting or counteracting biases, in investigations of the same phenomenon in order to strengthen the validity of inquiry results" (Greene, Caracelli, and Graham, 1989, p.256). The discourse of mixed methods has, therefore, been largely formed by post-positivist scholars (Denzin, 2010).

Some scholars have even critiqued the practice of mixed methods research saying that it has been used as a disguise to post-positivism, discounting, thereby, the value of adopting different paradigmatic positions (Giddings, 2006; Giddings and Grant, 2007). Others have advocated the incompatibility thesis in that not all philosophical stances are compatible with certain methods. For example, Denzin and Lincoln (2005) are of the view that the natural home of qualitative methods is within the critical, interpretive framework, opposing, therefore, the essence of mixed-method inquiry and any linkage between post-positivism and qualitative methods.

However, Teddlie and Tashakkori (2012), who are leading authorities in mixed methods research, have argued that mixed methods approach should not be associated with any specific philosophical orientation. Indeed, they identify *paradigm pluralism* as an important characteristic of mixed methods research, which refers to the belief that various paradigms may serve as the underlying philosophy for the use of mixed methods.

Post-positivism is one of those paradigms that endorsed the mixed methods approach; Guba and Lincoln (1994) highlight that post-positivism emphasises *critical multiplism,* which they describe as a refurbished version of triangulation, that is achieved largely through the increased use of qualitative methods. Critical refers to the rational and empirical efforts to recognise assumptions and biases that are present in the methods and theories employed to investigate a phenomenon while multiplism implies that research questions can be usually investigated from several perspectives, none of which is considered inherently superior to others (Shadish, 1993). Hence, critical multiplism "is a form of methodological pluralism that gives way to both qualitative and quantitative methods" (Letourneau and Allen, 1999, p.624). Subsequently, mixed methods is considered part of the family of critical multiplism (Patry, 2013). The mixed methods approach is employed in this thesis, with post-positivism as the guiding philosophy, and is discussed in the following section.

5.3 The Mixed Methods Approach

There are three main approaches for collecting data; these are qualitative, quantitative and mixed methods (Creswell, 2009). The three approaches are

distinguished based on the type of questions they could examine (Yin, 2009), the degree of predetermined nature of to-be-collected data and their focus on numeric versus non-numeric data analysis (Creswell, 2009). Despite the common use of the aforementioned typology of methods in the literature, particularly the mixed methods literature (Johnson, Onwuegbuzie, and Turner, 2007), the researcher holds the view that data, rather than methods, are of qualitative or quantitative nature. However, she acknowledges that certain methods are associated with collecting either quantitative or qualitative data, e.g., questionnaires and quantitative data (Saunders, et al., 2012). Nevertheless, given the popularity of the typology of methods mentioned earlier, it was employed to structure the following discussion.

Quantitative methods are generally suitable for answering what, how many and how much questions (Yin, 2009). They are usually associated with theory testing by examining predefined hypotheses (Saunders, et al., 2012). They generate data which are specified in advance through the use of close-ended questions that represent the operationalization of research constructs (Creswell, 2009). Thus, the data generated are usually numerical or could be easily converted into numerical format. Data are usually collected from randomly-selected relatively-large samples to enable generalising the results on the relevant populations (Easterby-Smith, et al., 2012). Statistical techniques are employed to analyse the data (Saunders, et al., 2012).

On the other hand, qualitative methods are suitable to answer "how" and "why" questions as they provide richer data that enable in-depth understanding (Yin, 2009). They could be used for both theory testing and theory building (Eisenhardt, 1989; Yin, 2009). While the researcher may have some structure for the instrument used to collect data, qualitative methods allow data to emerge from participants; hence, it is important to modify questions or procedures for each participant (Creswell, 2009). Participants are selected for their uniqueness, extreme situation, or possibly their representativeness and typicality (Eisenhardt, 1989; Yin, 2009).

The mixed methods approach recognises that both qualitative and quantitative methods have limitations which could be neutralised by combining them together (Creswell, 2009). Mixed methods research is defined as a "research in which a

researcher or team of researchers combines elements of qualitative and quantitative research approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purposes of breadth and depth of understanding and corroboration" (Johnson, et al., 2007, p.123). Researchers adopting the mixed methods approach face a number of challenges. Extensive data collection is required, the researcher should be equipped with skills in both qualitative and quantitative methods and there is a need for more resources, especially time, compared to single-method studies (Creswell, 2009; Easterby-Smith, et al., 2012).

The mixed methods approach was deemed suitable for this research. The next section addresses the suitability issue by discussing the drivers for adopting the mixed methods approach. This is followed by a discussion of the selection of data collection methods. Subsequently, two important factors in the mixed methods approach are considered, namely, the specific purpose it serves in the research and the mixing stage (Creswell, 2009; Johnson, et al., 2007).

5.3.1 Rationale for the Mixed Methods Approach

There are two drivers for adopting the mixed methods approach in this thesis. First, earlier discussion of the post-positivist philosophical positioning of the thesis highlighted the importance of triangulation, which can be accomplished by employing a mixed methods approach. Secondly, achieving methodological fit within this thesis calls for the combination of qualitative and quantitative data. Methodological fit refers to "internal consistency among elements of a research project" and is an important attribute of high quality research (Edmondson and Mcmanus, 2007, p.1155). Edmondson and Mcmanus (2007) provide guidelines for aligning theory and method in management field research. To that end, they suggest that theory falls along a continuum, from mature to nascent. Mature theory is characterised by well-developed constructs and models that have been examined extensively with increasing precision by various scholars leading to a body of work that encompasses points of broad agreement. Conversely, nascent theory proposes tentative answers to new 'how' and 'why' questions. Intermediate theory fits in between the previous two types; it offers provisional explanations of phenomena,

often proposing relationships between established and new constructs (Edmondson and Mcmanus, 2007).

This thesis is guided by theory at an intermediate stage of development. As was highlighted in the literature review chapters, there is some prior scholarly work examining aspects of the relationship between internationalisation and some types of knowledge as well as the relationship between knowledge and performance; hence, it could be argued that the theory has moved on from the nascent stage. However, few constructs or theoretical relationships have gained broad agreement to allow the theory to be considered mature. In addition, this thesis draws on distinct bodies of literature, including the organisational learning, internationalisation and wider international business literatures, to propose provisional theoretical relationships, e.g. the relationship between internationalisation and marketing learning, a feature that often characterises intermediate theory research (Edmondson and Mcmanus, 2007).

Intermediate theory research can test hypotheses, similar to mature theory research, but one or more of the constructs involved is still tentative. As the discussion later in this chapter shows, there is a lack of consensus within the academic community on the measurement of most constructs examined within this thesis. The nature of the intermediate stage of theory suggests it is well served by a blend of qualitative and quantitative data to support provisional theoretical models and promote rigour and insight (Edmondson and Mcmanus, 2007). Qualitative data can help elaborate a phenomenon while quantitative data can provide preliminary tests of provisional relationships (Edmondson and Mcmanus, 2007). Hence, a mixed methods approach combining quantitative and qualitative data was considered the best fit for the research undertaken in this thesis. The selection of the specific research methods is considered in the next section.

5.3.2 Selection of Research Methods

Following on from the previous section, methods allowing for the collection of quantitative and qualitative data are needed to achieve methodological fit with the theory guiding this research. Methods that enable the collection of quantitative data include experiments and surveys (Creswell, 2009). The purpose of an experiment is

to study the probability of a change in an independent variable causing a change in another dependent variable by carrying out some form of planned intervention or manipulation to a subset of participants (Saunders, et al., 2012). An Experimental approach is practically not feasible in this research. For example, it is not possible to manipulate the degree of internationalisation of some firms and assess the impact such manipulation has on firms' post internationalisation learning.

Survey research, on the other hand, is better suited to the purpose of this research. It fits well with explanatory research purposes involving the examination or explanation of relationships between variables, as is the case in this research. It allows collecting data to test the research hypotheses through the administration of a standardised questionnaire to a sizable population or representative sample (Saunders, et al., 2012). Hence, it enables identifying the relationships between the different constructs of interest based on data collected from many Syrian firms.

Moving to qualitative data collection methods, the available choices include observation and interviews (Saunders, et al., 2012). Observation involves systematically recording the behavioural, particularly non-verbal, patterns of people, objects, and occurrences as they take place (Zikmund, Babin, Carr, and Griffin, 2010). The emphasis in observation as a qualitative data collection tool is on the researcher's immersion in the research setting, i.e. the researcher's full participation in the day-to-day lives of the group, organisation or community they are interested in and sharing people's experiences by not merely observing what is happening but also feeling it (Saunders, et al., 2012). Consequently, it is virtually impractical to conduct an observational research to achieve the objectives of this thesis. For instance, observing post-internationalisation learning within an organisation requires being in multiple locations at the same time. This is because learning can occur at the manufacturing site, in the marketing department, in the overseas subsidiaries or at the executives' roundtable. Moreover, learning to develop a marketing capability, for example, takes place over a very long period of time, possibly years. Hence, it is not feasible for a researcher to conduct observations for such long periods.

Alternatively, qualitative data can be collected using interviews. An interview is "a purposeful conversation between two or more people, requiring the interviewer

to establish rapport, to ask concise and unambiguous questions, to which the interviewee is willing to respond, and to listen attentively" (Saunders, et al., 2012, p.372). The interview, specifically the semi-structured type (see section 5.5.1), fits extremely well with the research objectives. The semi-structured interview is suitable in explanatory studies aiming to infer relationships between variables (Saunders, et al., 2012). Hence, it allows collecting data to investigate relationships between the different constructs of interest as indicted in the research objectives. Thus, the questionnaire and interview methods are employed in this research to collect quantitative and qualitative data respectively. The next section examines the specific purpose served by the mixed methods approach in this thesis.

5.3.3 Motive for Mixing Methods

Broad motives are proposed for combining methods and these are triangulation, elaboration and development purposes. These purposes are explained in this section, which concludes with a discussion of the specific purpose the mixed methods approach serves in this thesis. Triangulation involves the use of more than one method, each offsets the weaknesses inherent in the other, within the same research in order to strengthen the validity of results (Greene, et al., 1989). Triangulation is considered a key motive for mixing methods (Rossman and Wilson, 1985; Yin, 2009). It allows the researcher to determine whether converging evidence could be obtained using different methods to achieve corroboration (Rossman and Wilson, 1985). The different methods should aim to answer the same initial research questions (Yin, 2009). Data, using the different methods, are collected concurrently and their results are then compared (Creswell, 2009).

Another purpose for combining methods is elaboration and complementarity (Rossman and Wilson, 1985; Yin, 2009). The results of one method may assist in clarifying and enhancing the results of the other method which improves the validity and interpretability of the findings (Greene, et al., 1989). The two methods should examine overlapping but also different aspects of the phenomenon (Greene, et al., 1989), the data for which may be collected concurrently or sequentially (Yin, 2009).

Additionally, mixing methods could have development purposes; the results of one method can inform and assist the development of the other method (Greene, et al., 1989). Data are collected sequentially in this case. Miles and Huberman (1994) suggest three designs for mixing methods sequentially. Sieber (1973) elaborates on this purpose and other reasons for mixing methods by examining the benefits at various stages of the research (Table 5-2).

Table 5-2: Reasons for Mixing Methods at Different Research Stages.

	Stage	*Benefit*
*QUAN help to QUAL**	Design	Locate representative, unique or deviate cases
	Data-Collection	Avoid "elite bias", provide background information and guidelines for probes and interview questions
	Data-Analysis	Refine initial assumptions, generalise findings, verify interpretations and shed lights on findings
QUAL help to QUAN	Design	Conceptual and instrument development
	Data-Collection	Gain access to respondents and pre-testing instrument
	Data-Analysis	Structure the analysis, aid interpretation and validation

Source: Sieber (1973). *QUAL: qualitative, QUAN: quantitative

In international business literature, mixed methods research was used for all of the aforementioned purposes. However, while this literature recognises the value of the mixed methods approach, mixed methods studies remain underrepresented in publications compared to mono-method studies, which could be due to the research outlets' preference for the latter type (Hurmerinta-Peltomäki and Nummela, 2006). The same underrepresentation is observed in international marketing literature (Andriopoulos and Slater, 2013). Nevertheless, mixed methods studies have featured in leading journals in international business and marketing (e.g. Ciravegna, Lopez, and Kundu, 2014; Crick, 2009; Gerschewski, Rose, and Lindsay, 2015; Hultman, et al., 2011; Hurmerinta, Nummela, and Paavilainen-Mäntymäki, 2015; Knight and Kim, 2009; Peltokorpi and Vaara, 2014). Table 5-3 provides examples of these studies and indicates the journal that published each study, the area of investigation, the methods used and the purpose of adopting a mixed methods approach. As can be seen in the table, all three purposes of mixing methods are represented in the examples.

Table 5-3: Examples of Mixed Methods Research in the International Business and Marketing Domains

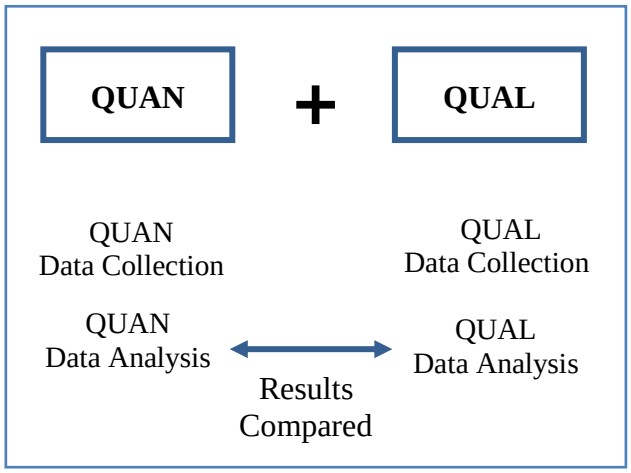
Author(s)	*Journal*	*Focus of the research*	*Methods Used*	*Purpose*
Ciravegna et al. (2014)	JBR*	Use of networks to support first export market entry among high technology SMEs.	Interview & Questionnaire	Triangulation
Crick (2009)	IMR*	Comparing born global firms and INVs in terms of overseas performance.	Questionnaire & Interview	Elaboration
Gerschewski et al. (2015)	JWB*	The determinants of international performance of born global firms.	Interview & Questionnaire	Development & Elaboration
Hultman et al. (2011)	JIM*	Effects of international experience on the performance outcomes of promotion adaptation.	Interview & Questionnaire	Development
Hurmerinta et al. (2015)	IBR*	The impact of language skills on international opportunity recognition and exploitation.	Questionnaire & Interview	Elaboration
Knight and Kim (2009)	JIBS*	Effect of intangible capabilities on the international performance of SMEs.	Case Study & Questionnaire	Triangulation
Peltokorpi and Vaara (2014)	JIBS*	The productive and counterproductive effects of language-sensitive recruitment on knowledge transfer in MNEs.	Interview & Questionnaire	Triangulation

* IBR: International Business Review; IMR: International Marketing Review; JBR: Journal of Business Research; JIBS: Journal of International Business Studies; JIM: Journal of International Marketing; JWB: Journal of World Business.

This thesis contributes to the research stream employing a mixed methods approach within the international business literature. This approach serves the purpose of triangulation and cross-validation in this study as emphasised by the post-positivist orientation of the thesis. The suitable design to fulfil this purpose is the concurrent triangulation design (Creswell, 2009), which could be represented visually as in Figure 5-1. Creswell (2009) describes this design and suggests it is probably the most familiar of mixed methods designs. It employs separate quantitative and qualitative methods in order to offset the weaknesses inherent in one method with the strengths of the other method. Data collection takes place concurrently in this design while the integration of the results is performed during the interpretation stage. In this research, the questionnaire and interview methods are

used concurrently to examine the research objectives and validate the findings; this concurrent use is represented by the "+" sign in Figure 5-1.

Figure 5-1: **Concurrent Triangulation Design**



Adapted from Creswell (2009, p.214)

In addition to the broad triangulation purpose, the mixed methods approach generated logistical benefits. The questionnaire data collection assisted in locating some representative but also some unique firms in terms of their internationalisation or post-internationalisation learning profiles. Furthermore, it helped the researcher in avoiding the "elite bias" in the selection of informants for the interview method. Sieber (1973) suggests that elite bias occurs when the researcher gravitates to the elite of a social system. In this research, the bias might have occurred as the researcher would have been inclined to contact well-known firms. Using the questionnaire to solicit the approval for conducting interviews, however, helped avoiding this bias.

5.3.4 The Mixing Stage

The term "mixed methods" implies the two methods are mixed at some stage of the research. Mixing the methods, however, is difficult and there are many barriers to integration including the type of audience, the researcher's preferences and skills and the research design (Bryman, 2007). Nevertheless, mixed methods research is not merely a combination of two distinctive strands of research; to the contrary, the

research should integrate and draw conclusions from both strands to provide a fuller understanding of the study subject (Creswell and Tashakkori, 2007).

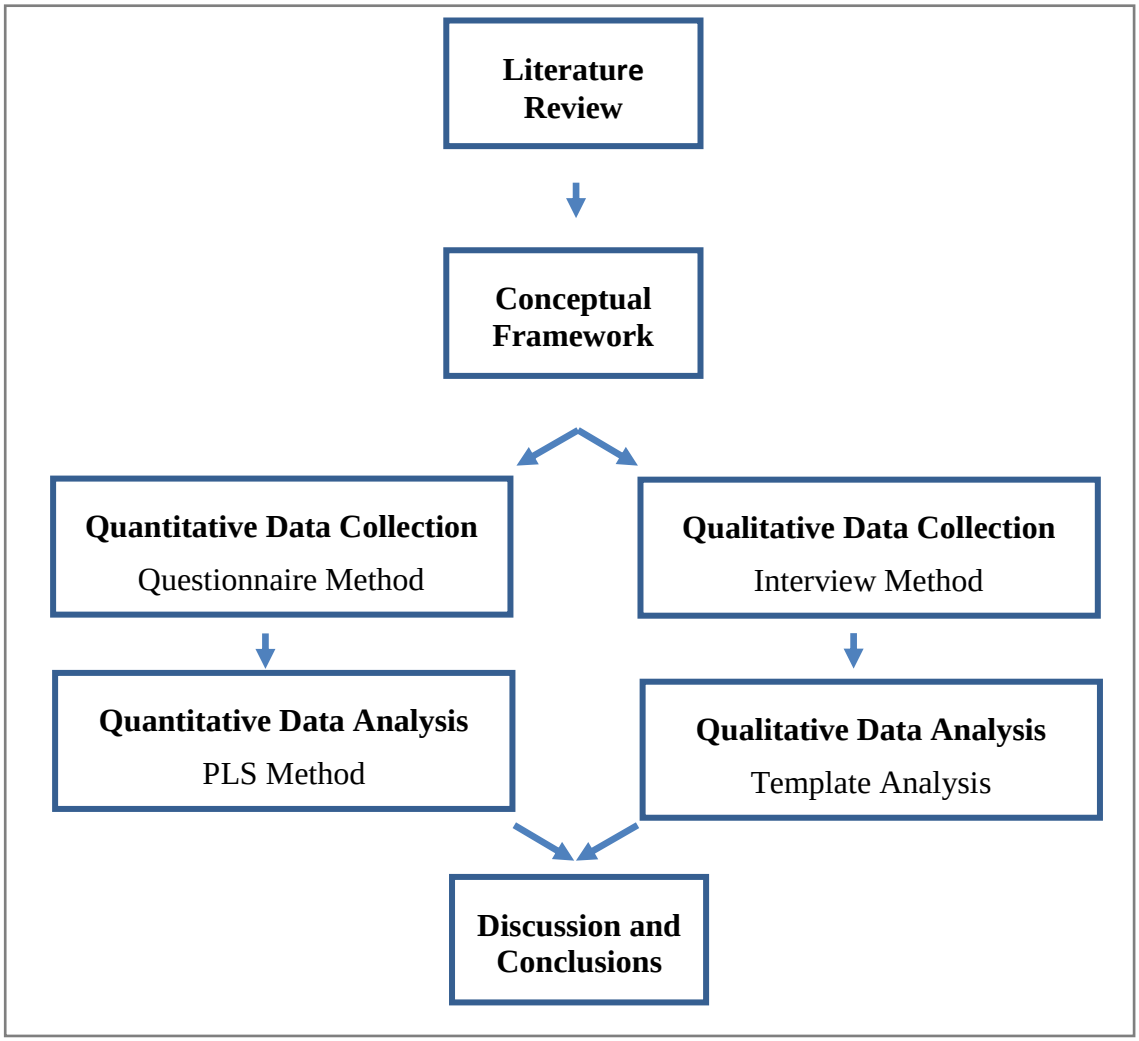
Johnson et al. (2007) suggest that mixing can take place at the data collection, data analysis, interpretation or at all of these stages. This is briefly described by Creswell, Plano Clark, Gutmann, and Hanson (2003). Mixing occurs in data collection when both qualitative and quantitative data are collected using the same instrument; for instance, quantitative data are collected during interviews. Mixing at the analysis stage entails transforming one type of data into the other and analysing them simultaneously. Transformation may involve quantitising, i.e. converting qualitative data into numerical codes and analysing it statistically, and qualitising, i.e. converting quantitative data into a format that can be analysed qualitatively (Teddlie and Tashakkori, 2006). At the interpretation stage, mixing involves examining the findings of both methods. In the concurrent triangulation design, mixing usually takes place in the interpretation or discussion section where the results of the two methods are compared and contrasted (Creswell, 2009).

Rather than looking at the operational implementation of the research stages, Yin (2006) suggests mixing should occur at the broad aspects of the research. To maintain the integrity of a single study employing the mixed methods approach, he recommends integration in five procedures: research questions, units of analysis, samples for study, instrumentation and data collection methods, and analytic strategies. According to Yin (2006), the different methods should share the same research questions and examine the same unit of analysis. Additionally, the most desirable sampling procedure requires the sample of one method to be nested within that of the other. For example, interviews may be conducted with respondents from a small set of companies that are part of a larger survey sample of companies. Yin recognises that methods tend to prefer different instruments. Rather than using one instrument to collect two types of data, Yin (2006) recommends using overlapping or complementary variables or questions. Finally, rather than using the same analytic technique on both types of data following transformation, Yin (2006) suggests carrying out a “counterpart” analyses where both types of data are analysed in directly analogous fashion by examining the same relationships between variables.

This research follows Yin's recommendations and integration between the two methods was made in the recommended five procedures. Both methods aim to answer the same research questions and have the same unit of analysis, the firm. Interview respondents were selected from the questionnaire respondents. The two instruments sought to examine the same or complementary variables and analysis focused on examining the same relationships. The findings of each method were then compared to generate well-substantiated results.

To summarise, this section outlined the methodological stance of this research offering justification for the mixed methods approach. Figure 5-2 presents the whole research process. The following two sections explain the two methods employed to collect data, namely the questionnaire and the interview methods.

Figure 5-2: Research Process



5.4 The Questionnaire

In line with the concurrent triangulation design outlined earlier, this section discusses the questionnaire method used to collect quantitative data, whereas section 5.5 discusses the interview method used for collecting qualitative data. Conducting surveys using questionnaires is a popular research strategy in management and business research (Saunders, et al., 2012). The questionnaire method involves collecting standardised evidence from a large number of respondents (Saunders, et al., 2012). It reveals the trends and commonalities among respondents which could be generalizable to the wider population, in this case internationalising firms from Syria (Creswell, 2009). The following section describes the development of the instrument. This is followed by an explanation of the measurement of the different constructs employed in this research. Then a discussion of the research context and sampling procedure is presented. The process implemented to collect data is then outlined followed by a brief description of data analysis; full explanation of the analysis is provided in Chapter 6.

5.4.1 Questionnaire Design

A structured questionnaire was employed; the researcher determined the questions and the range of possible answers in advance. The questions were standardised, thus, all respondents were asked the same questions following the same order (Gillham, 2008). Questionnaires generate systematic data that enable a systematic comparison between cases on the same issues of interest (de Vaus, 2002). Thus, the researcher can compare firms with varying degrees of internationalisation in terms of their learning by internationalisation and international performance. The questionnaire represents an efficient method of data collection as it requires little amount of money to administer and it takes a short period of time for the respondent to complete, although the latter point carries the risk of providing answers carelessly (Gillham, 2008).

The development of the questions was guided by the research hypotheses, presented in section 4.3, which postulated relationships between various constructs. The scales for construct measurements are discussed in the following section. In

addition to the constructs of interest, the questionnaire included questions on the firm's background. Careful consideration was given to questionnaire design since it is usually impossible to collect more data from respondents (de Vaus, 2002). The visual packaging of the questionnaire is important to attract respondents to complete the answers and guide them to do so appropriately (Gillham, 2008). Feedback on the instrument's questions was sought from four academics at the Department of Marketing at the University of Strathclyde and led to the refinement of the questions. Particularly, changes were recommended in wording to enhance questions' clarity.

The questionnaire was then translated to Arabic by a marketing academic and then back-translated to English by another marketing academic. Both academics are native speakers of Arabic and have excellent English skills. Among the common translation techniques, back-translation offers the greatest potential for identifying translation errors (Usunier, 1998). The original and back-translated English versions of the questionnaire were compared. No changes of meaning were identified suggesting the original translation is accurate.

The Arabic version of the questionnaire was discussed with three Syrian marketing academics with considerable experience in administering questionnaires in the Syrian context. The aim of the discussions was to examine the clarity of the questions and the general layout of the questionnaire. This process led to rewording of some statements to make them clearer, simpler and less academic. Additionally, the academics identified three items in three different constructs that could be dropped due to similarity with other items in the constructs. Finally, a cover letter was prepared to highlight the purpose and importance of the research and assure respondents that data would be handled with utmost confidentiality (Appendix 2).

The questionnaire was then piloted with five respondents from the targeted population. One of the respondents was approached through a face-to-face interview, two were approached through telephone interviews and two were sent the questionnaire link via e-mail. The five respondents were the general managers of their respective companies. Each manager completed the questionnaire and then a discussion followed. The discussion focused on respondents' understanding of the meaning of questions and redundancy in items (de Vaus, 2002). Respondents found

the questions to be clear except for the "pricing" capability questions. There seemed to be a lack of understanding of the concept of pricing itself. Therefore, the scale was dropped from the questionnaire. Respondents further identified four redundant items, three of which were previously identified by the Syrian academics. The pre-test also examined variation in responses and any non-responses. Answers varied among the respondents and there was not any issue with non-response.

Respondents were also asked to comment on the flow of the questionnaire and the length of time it took them to complete it. Positive feedback was received about the questionnaire flow especially that there was a variation in the type of questions in the middle section which helped in maintaining their interest and attention. The respondents needed 15-20 minutes to complete the questionnaire, which was considered acceptable. Appendix 2 provides a copy of the questionnaire.

5.4.2 Construct Measurement

This section presents the measurement of the study constructs: degree of internationalisation (DOI), technological and marketing learning, international performance, informal network, management's previous international experience and age at first foreign entry. All these measures are assessed at the firm level of analysis. Following the definition of each construct, the literature was consulted to identify suitable measurement for the desired constructs (Churchill, 1979). The selected measures were developed by leading scholars and published in highly ranked journals. The measures were adapted to fit this study's purpose. The following sections provide details of the source and content of each measure while the analysis of the constructs' validity and reliability is reported in the next chapter. Reliability is concerned with consistency and the ability of the instrument to generate the same results if it was administered at different points of time, while validity is a matter of whether a measure does really reflect the concept that it was devised to measure (Saunders, et al., 2012). Before describing the measures employed in this study, however, a discussion of the available measurement models is presented due to its implications on the choice of measures.

5.4.2.1 Reflective and Formative Indicators

Researchers strive to provide theoretical support to relationships between their studies' constructs but they usually fail to theoretically justify the nature of measurement relationships (Jarvis, MacKenzie, and Podsakoff, 2003). The nature of the relationships between a construct and its measures are known as epistemic relationships or rules of correspondence (Hulland, 1999). Two types of relationships exist: formative and reflective. Measurement models with formative or reflective indicators differ in their assumptions regarding the direction of causality between constructs and their indicators (Diamantopoulos, Riefler, and Roth, 2008).

Reflective indicators are manifestations or effects of an underlying latent variable (LV). Consequently, the LV represents the common cause shared by the items reflecting the construct (Diamantopoulos, et al., 2008). Reflective items are expected to correlate with each other and establish a uni-dimensional latent construct (Götz, Liehr-Gobbers, and Krafft, 2010). Thus, dropping a reflective item during scale purification does not alter the meaning of the construct (Jarvis, et al., 2003).

On the other hand, formative indicators are measures that form the creation or cause a change in the construct (Chin, 2010). In other words, formative indicators cause the construct (Götz, et al., 2010). Thus, it is imperative to identify all possible formative (causal) indicators of a construct because failure to consider or omission of any indicator of the construct will exclude part of the construct itself (Diamantopoulos and Winklhofer, 2001). A clear conceptual definition of the construct would enable the identification of all potential items (Jarvis, et al., 2003). Formative indicators are multidimensional by nature (Chin, 2010) and low inter-item correlations are desirable (Diamantopoulos, et al., 2008). As a metaphor, formative indicators could be thought of as causes of an illness, whereas reflective indicators are the symptoms of that illness (Figure 5-3).

Figure 5-3: Representation of Formative and Reflective Indicators

Source: example developed by the author

Although the identification of the two types of indicators was made more than 4 decades ago, misspecification of measurement models is commonplace (Jarvis, MacKenzie, and Podsakoff, 2012). Jarvis et al. (2003) reviewed all empirical applications of LVs published in four of the best marketing journals over a period of 24 years to estimate the extent of such misspecification in the marketing field. They identified 1192 multi-item constructs in 178 articles. Their results indicate that 29 percent of the constructs were incorrectly modelled, of which 95 percent were incorrectly modelled as having reflective rather than formative measures.

The extent of measurement model misspecification necessitates a careful examination of previously developed measures. This process should be based on a theoretical justification of the nature and direction of the causal relationship between a construct and its indicators (Diamantopoulos and Siguaw, 2006). Diamantopoulos and Winklhofer (2001) and Jarvis et al. (2003) provide a set of criteria to determine the correct measurement model. These criteria are used in the following section when discussing the operationalization of the study constructs.

5.4.2.2 Operationalisation of the Study Constructs

Degree of Internationalisation

The majority of studies employ a single-item measure of DOI (Glaum and Oesterle, 2007). Single-item measures, however, suffer from reliability problems; DOI should, therefore, be captured using a multi-item scale (Ramaswamy, Kroeck, and Renforth, 1996; Sullivan, 1994), an approach adopted in this study. To identify

the measurement items, it is essential to start with a clear definition (Diamantopoulos and Siguaw, 2006). Following Reuber and Fischer (1997), *DOI was defined in terms of intensity, scope and structural aspects or resources devoted to international activities*. The literature was consulted to identify indicators that capture the three aspects of the DOI definition, as indicators should capture the full breadth of the definition, particularly if a formative measurement model was deemed suitable (Diamantopoulos and Winklhofer, 2001).

Similar to Reuber and Fischer (1997), the intensity dimension was measured using foreign sales to total sales (FSTS). Rather than focusing solely on export sales, foreign sales include the sum of exports and foreign subsidiaries' sales. This intensity measure is a standard item in measuring DOI (e.g. Acedo and Florin, 2006; Bortoluzzi, Chiarvesio, Di Maria, and Tabacco, 2014; Brouthers, Nakos, Hadjimarcou, and Brouthers, 2009; Chen, et al., 2014; Dhanaraj and Beamish, 2003; Majocchi and Zucchella, 2003; Papadopoulos and Martín Martín, 2010; Tan and Mathews, 2015).

The scope of internationalisation was captured using the number of foreign markets in which a firm sells its products (NO-Country) and the geographic scope of sales (Geo-Scope). Number of export or FDI markets is commonly used in measuring DOI (e.g. Barkema and Vermeulen, 1998; Brouthers, et al., 2009; Dhanaraj and Beamish, 2003; Majocchi and Zucchella, 2003; Zahra, et al., 2000; Zahra, et al., 2009). However, it must be noted that this measure has limitations as it assumes equality between countries in terms of their cultural, institutional and business practices (Eriksson, et al., 2000; Yeoh, 2004).

Therefore, the study used also a geographic scope of sales measure similar to that of Reuber and Fischer (1997), De Clercq, Sapienza, and Crijns (2005) and Bruneel et al. (2010). Respondents were provided with eight choices of regions which add up to four groups of countries that represent the geographic and cultural distance from the study firms' local market, Syria. Respondents were asked to indicate regions instead of countries because objective secondary data are not available regarding the countries in which the companies operate and it was impractical to ask respondents to report each country in which their firms operate.

Some scholars captured scope by measuring the technological and cultural distance between the home market and host markets (Zahra, et al., 2000). However, such measures could only be used when secondary data on the foreign markets in which each firm operates are available or easily obtainable, which is not the case as was highlighted earlier. Therefore, the measure of scope focused on the geographic scope of sales.

The structural aspect of DOI, which represents the resources committed to overseas operations (Sullivan 1994), was measured using two items: the number of employees who were dedicated to international activities (EMP_INT) and an index for mode of entry to foreign markets. Sullivan (1994) proposes using foreign assets as a percentage of total assets and overseas subsidiaries as a percentage of total subsidiaries to capture structural aspects. However, Reuber and Fischer (1997) argue that EMP_INT is suitable to use in small firms as they are unlikely to have foreign assets or overseas subsidiaries, an attribute that applies to this research sample firms.

Although firms are unlikely to have foreign assets, it was considered important to capture the different types of exporting that firms may employ and account for foreign subsidiaries where they existed. This is in line with Ramaswamy et al.'s (1996) argument in that Sullivan's (1994) items emphasise the use of FDI and exclude other entry modes. Therefore, an entry mode index measure, similar to the one used by Ripollés and Blesa (2012), was employed. Entry mode was considered as a spectrum of involvement. Respondents were asked how frequently (from 1 = never used to 7 = used intensively) each of the following entry-modes were used in their businesses: indirect export, direct export, foreign sales subsidiary and manufacturing facility abroad. This categorisation is in line with the establishment chain advanced by Johanson and Wiedersheim-Paul (1975), as explained in Section 2.3. To construct an index, the coding system of Ripollés and Blesa (2012, p.282) was adopted: answers greater than 1 were then recoded following a hierarchical order of entry-modes as follows:

- a higher frequency of a mode scored higher than a lower frequency of the same mode;

- where frequencies were equal, modes requiring a higher resource commitment scored higher; and
- low frequency in a mode requiring higher commitment scored higher than high frequency in a mode requiring lower commitment.

In summary, five items were used to construct the DOI index. These items are listed in Table 5-4.

Table 5-4: Measuring Degree of Internationalisation

NO-Country	In how many countries (other than Syria) were your company's products sold in 2010?
EMP_INT	How many employees were dedicated to international activities in year 2010?
FSTS	Please provide the percentage of your firm's foreign sales to total firm sales in year 2010.
Geo-Scope	Please indicate in which of the following regions your firm generated sales in year 2010: Weight 1*: Middle East and North Africa (Arab World + Turkey and Iran); Weight 2*: Eastern Europe; Weight 3*: Western Europe; Weight 4*: The rest of Asia; The rest of Africa, North America, South America, Australia, New Zealand and the Pacific Islands
Entry Mode	Please indicated the frequency each of the following entry-modes were used in your business in 2010 (1 = never used to 7 = used intensively) Export through domestic intermediary Exporting through foreign intermediary or directly to foreign customers Sales office/branch in foreign countries Manufacturing facility in foreign countries

* Weights were not given in the questionnaire.

Following conceptual definition and content and indicator specification, it is important to establish the direction of causality between the construct and its indicators. In contrast to Reuber and Fischer (1997), DOI was modelled as an index with formative indicators. It is argued that items used in measuring DOI are defining characteristics of DOI rather than consequences. When a company expands to new geographical areas, this causes an increase in its degree of internationalisation. A stronger case to justify the formative modelling of DOI can be made by examining

the extent of correlations between the various items (Jarvis, et al., 2003). These items are not expected to correlate. While percentage of foreign sales might increase as the number of countries increases, this is not necessarily the case (Casillas and Acedo, 2013). Companies may export small amounts of their products to a relatively large number of countries. The concentration versus spreading debate is relevant here (Katsikeas and Leonidou, 1996). Some companies choose to focus on few markets and aim to maximise their sales in these select markets, whereas others favour spreading across a large number of markets.

Furthermore, the unidimensionality of degree of internationalisation has been questioned by a number of leading scholars (Casillas and Acedo, 2013; Ramaswamy, et al., 1996; Welch and Luostarinen, 1988). Equally important, an increasing number of scholars are employing formative measures to capture DOI or relevant aspects of internationalisation. Acedo and Florin (2006) use a formative index of DOI combining FSTS and commitment to foreign markets capturing mainly variation in entry modes. Papadopoulos and Martín Martín (2010) formatively measure what they refer to as international experience but in which they capture length of international experience, diversity of foreign countries and entry modes, commitment to foreign markets and level of internationalisation, including FSTS. Casillas and Acedo (2013) propose a formative index of speed of internationalisation process which focus on three aspects of the process including international intensity (FSTS), commitment of resources whether in terms of number of employees dedicated to international activities or entry modes and lastly breadth of operations in terms of number and diversity of countries. Lastly, Marano and Kostova (2015) employ a formative construct to assess MNE's economic dependence on a particular country after operationalising it based on Sullivan's (1994) measure of internationalization. These recent scholarly developments provide greater support to the formative measurement modelling of DOI adopted in this research.

Technological Learning

Yeoh's (2004) measure of technological learning was used with minor adaptations (Table 5-5). The translated version of Yeoh's second item, improvements in product development, was very similar to that of the first item, especially given

the poor spread of academic terminology among Syrian businesses. Therefore, the reviewing team of the translated version of the questionnaire considered the item "Acquiring new technology to develop products/services" in product development capability scale by Vorhies and Morgan (2005) as a suitable proxy to Yeoh's item and it was consequently used instead. Following Zahra et al. (2000), the instructions for the technological learning question read as follows: "Please indicate the extent to which your company has gained knowledge and new insights, or learned skills or capabilities in the course of its international operations in each of the areas listed below (1 = limited knowledge or skills, 7 = extensive knowledge and skills)." A 7-point Likert scale, rather than Yeoh's 5-point scale, was employed because the pilot study revealed that respondents preferred consistency in the size of the scales used in different questions.

Table 5-5: Measuring Technological Learning

Technological Learning	TL1	Developing new products and services.	Source: (Yeoh, 2004)
	TL2	Introducing Process (manufacturing) improvements	
	TL3	Identifying emerging technologies	
	TL4	Acquiring new technology to develop products/services	

Marketing Learning

Given the absence of a specific measure for the marketing learning construct, the marketing capabilities' scales of Vorhies and Morgan (2005) were adapted for use in this research. Vorhies and Morgan estimated and found support for viewing individual marketing capabilities as first-order constructs and marketing capabilities interdependence as a second-order construct. Similar to Vorhies and Morgan (2005), marketing learning was estimated in this research as a second-order construct while learning developed with regards to each of the examined marketing capabilities was estimated as a first-order construct (Table 5-6).

Vorhies and Morgan (2005) focus on capabilities that firms use to transform resources into valuable outputs and are believed to contribute most to creating value for customers and for the firm. They include: (1) marketing communications, firm's ability to manage customer value perceptions; (2) market information management,

the processes by which firms can learn about their markets and use this knowledge; (3) marketing planning, the ability to design marketing strategies that optimize the match between a firm's resources and its marketplace; (4) marketing implementation, the processes of transforming marketing strategy into realized resource deployments; (5) selling, the processes by which the firm acquires customer orders; (6) channel management, the firm's ability to create and maintain distribution channels that effectively and efficiently deliver value to end-user customers; (7) pricing, the ability to extract optimal revenue from the firm's customers; and (8) product development.

Table 5-6: Measuring Marketing Learning

Channel Management	CM1	Developing good relationships with distributors.	(Vorhies and Morgan, 2005)
	CM2	Attracting and retaining the best distributors.	
	CM3	Adding value to our distributors business.	
		Providing high levels of service support to distributors*.	
Market information management	MIM1	Gathering information about customers and competitors.	
	MIM2	Using market research skills to develop effective marketing programs.	
	MIM3	Tracking customer wants and needs.	
	MIM4	Analysing market information.	
		Making full use of marketing research information*.	
Marketing Communications	MC1	Knowledge of developing and executing advertising programmes**.	
	MC2	Developing advertising management and creative skills**.	
	MC3	Using public relations skills.	
	MC4	Developing brand image skills and processes.	
	MC5	Knowledge of corporate image and reputation management.	
Marketing Implementation	MI1	Knowledge of effective allocation of marketing resources.	
	MI2	Knowing how to translate marketing strategies into action.	
	MI3	Knowledge of executing marketing strategies effectively.	
	MI4	Developing a monitoring system for marketing performance.	
		Organizing to deliver marketing programs effectively*.	
Marketing planning	MP1	Developing marketing planning skills.	
	MP2	Developing the ability to effectively segment and target market.	
	MP3	Developing creative marketing strategies.	
		Developing thorough knowledge of marketing planning processes*.	
Sales	S1	Giving salespeople the training they need to be effective.	
	S2	Developing sales management planning and control systems.	
	S3	Developing selling skills of salespeople.	
	S4	Providing effective sales support to the sales force.	
		Sales management skills*.	

*Item dropped after translation or after pilot testing.
**Item deleted during item purification in Principal Component Analysis.

The pilot study showed some lack of comprehension of the concept of pricing leading to its removal from the final questionnaire. The measure of product development capability was also excluded as some of its aspects were captured by the technological learning construct. Items' wording was adapted to meet the purpose of the study and broadly followed the adaptation made by Eng and Spickett-Jones (2009) who focus on marketing capability development by latecomer MNEs. The question format of technological learning construct was employed to measure marketing learning.

International Performance

Performance is a complex phenomenon, making the operationalization of such a complex concept inherently difficult (Dess and Robinson Jr., 1984). This problem, exacerbated by the use of diverse measures, has yielded seemingly conflicting findings in the international business (Hult et al., 2008) and the export performance literatures (Katsikeas, Leonidou, and Morgan, 2000). This could be remedied by employing well-established measures. To choose a measure, it is important to determine the type of data needed (Hult, et al., 2008). With the absence of objective secondary data on the study firms, the only option was to use self-reported data. Self-reported data on performance could be either objective or subjective. Indicators that are based on absolute values such as sales volume and profit values are called objective measures, while indicators measuring the attitudinal or perceptual performance such as perceived success and satisfaction with foreign sales are referred to as subjective measures of performance (Sousa, 2004).

Subjective data were used to measure firms' *international performance*. Although objective data are generally more reliable, they are not always available, especially in privately-held firms (Dess and Robinson Jr., 1984). Even when objective data are available, they are not necessarily reliable. Hult et al. (2008) argue that in certain contexts, such as emerging markets, objective measures are often unreliable. They also argue that owners' sensitivity to release performance-related information might be high due to competitive or proprietary concerns. This is more so in developing and transition economies where tax evasion is prevalent, as is the

case in this study context, Syria (Hussein, 2009), leading to an expectation of managers' hesitation if not disapproval of revealing performance information.

In addition, Sousa (2004) argues that the general perception of performance is better suited to capture the essence of the construct since it does not only account for the perceived degree of economic success but also takes into consideration the managers' view of strategic elements of success which are related to their pre-determined goals. Furthermore, results obtained by Dess and Robinson Jr. (1984), Morgan et al. (2004) and Zahra et al. (2000) showed high correlation between subjective and objective measures of performance. Finally, the use of subjective measures is prevailing in both IB research and export-performance research compared to objective measures (Hult, et al., 2008; Sousa, 2004). Consequently, a subjective measure of international performance was used in this research. Zou, Taylor and Osland's (1998) measure of satisfaction with exports was employed but was adapted to assess satisfaction with international activities as this study is concerned with all aspects of cross-border activities not only exports. Respondents were asked to rate, on a 7-point Likert scale, their perceptions of how satisfactory, successful and up to expectations (or otherwise) their firm's international activities were (Table 5-7).

Table 5-7: Measuring International Performance

International Performance		Satisfaction with international activities (1 = strongly disagree, 7 = strongly agree):	Zou, Taylor and Osland (1998)
	IS1	The performance of our international activities has been very satisfactory	
	IS2	Our international activities have been very successful	
	IS3	Our international activities have fully met our expectations	

In addition to international performance, the questionnaire included questions on the overall performance of firms. It was not possible to include both performance constructs in the same structural equation model for analysis given their conceptual similarity. For most firms, international performance constitutes one aspect of overall performance whereas for firms generating all their sales abroad, international performance is essentially the same as overall performance. Hence, a decision was

made to focus on one domain of performance and that is international performance for the following reasons:

- The research is interested in international business phenomena, most notably the degree of a firm's internationalisation and learning by internationalisation. Therefore, it was deemed appropriate to continue with this focus and examine firms' international performance as part of the conceptual framework.
- Around 10 percent of the respondent firms were operating solely internationally as they did not generate any sales locally. Hence, to allow for like-for-like assessment, it was deemed appropriate to focus on international performance.
- Finally, prior literature has indicated a gap in assessing the relationship between degree of internationalisation and the international performance of relatively small size firms (Brouthers et al. 2009), particularly in the context of transitioning economies (Dikova, Jaklič, Burger, and Kunčič, 2016).

Informal Network

The measure of *Informal Network* was operationalised using an adaptation of Yli-Renko et al. (2002) external social capital measure, taking into consideration the list of network ties used by Haahti et al., (2005) in their measure of knowledge intensity (Table 5-8).

Table 5-8: Measuring Informal Network

Informal Network		Please provide an evaluation of the importance of those contacts in the internationalisation process (1 = not important at all, 7 = very important):	(Haahti, et al., 2005) and (Yli-Renko, et al., 2002)
	N-Social	Friends and relatives	
	N-Customers	Customers	
	N-Agents	Export agents	
	N-Competitors	Competitors	
	N-Chambers	Chamber of commerce and industry	
	N-Government	Government sources	
	N-Shows	National and international trade shows	
	N-Universities	Universities and other higher education institutions	
	N-Research	Research institutions	

Respondents were asked to evaluate the importance of various network ties in the internationalization process, thus capturing both network structural and relational

effects, i.e. the breadth and quality or significance of the relationships (Yli-Renko, et al., 2002). Informal network construct was modelled as a formative index (Jarvis, et al., 2003). Firms that interact with a diverse set of informal ties and perceive these ties highly are, in effect, creating and enhancing their informal network. Moreover, firms may rely on certain network ties more than others. Additionally, the perceived importance of one relationship does not rely on the importance of other relationships. The different indicators, therefore, are not expected to correlate, providing further support to the formative modelling of network relationships construct (Jarvis, et al., 2003).

Management's Previous International Experience

Although management's prior international experience is widely examined and measured in the literature, there is no consensus on what items should be used to measure it. In this research, measures employed by Ibeh (2003), Manolova et al. (2002) and Zucchella et al. (2007) were consulted. Consequently, *management's previous international experience* was measured by asking respondents about the extent to which staff involved in international activities had experience of working abroad, living abroad, foreign commercial activities, education or training on international business, knowledge of foreign languages, friends and families abroad (Table 5-9). A 7-Likert scale (1 = not existent at all, 7 = very high existence) was employed.

Table 5-9: Measuring Management's Previous International Experience

Management's Previous International Experience	PE1	Knowledge of foreign languages
	PE2	Experience of working abroad
	PE3	Experience of living abroad, to study for example
	PE4	Experience in foreign commercial activities
	PE5	Education or training on international business, for example, attended formal courses and export seminars*
	PE6	Having friends/families abroad*

* Item deleted during item purification in Principal Component Analysis.

Age at Entry

Age at entry was measured as the time, in years, between a firm's founding and its initial foreign sales (Autio, et al., 2000). Respondents were asked to indicate

the year of the firm's establishment and the year in which the firm started operating internationally and the difference was calculated by the researcher to capture the age at entry.

Finally, the time, in years, from the firm's founding to year 2011 (time of data collection) was used to assess firm's age. Firms' size, was assessed by asking respondents to indicate the number of employees working at the firm using seven categories: 1-9, 10-49, 50-99, 100-249, 250-499, 500-999 and 1000 or greater. Beside the aforementioned constructs, the questionnaire included other items to explore aspects beyond the scope of the PhD research in the aim of producing future publications. The items relate to growth orientation, collaborative domains, overall performance, inward activities and early internationalisation challenges. In addition to being not directly related to the aim of this thesis, methodologically, it was not possible to include extra constructs in the statistical analysis since including additional constructs would have reduced the power of detecting significant relationships given the constraints of the sample size.

5.4.3 Research Context

This section discusses the context in which this study took place. The research was conducted in a transitioning economy, Syria. Initially, the role of context in theoretical development is investigated. It is argued that context in this study was not considered merely as an interfering variable but rather it had a key role in informing the theoretical underpinnings of the research. It is postulated that while some aspects of this research may be context-specific, they could be extended to the wider scholarly work. Then, an overview of the Syrian economy over the past half a century, its transitioning process, its export profile and the recent crisis is presented. The section concludes with a discussion of the target firms in this study.

5.4.3.1 The Importance of Context

The role of context and its value for theoretical development has received an increasing attention in recent scholarly work in international business and management (Jack et al., 2013). Many conceptual and empirical papers highlight the role that national, economic, competitive and organisational contexts play in our

understanding of international business phenomena which suggests a detour from treating context as an interfering variable that requires controlling (Poulis, Poulis, and Plakoyiannaki, 2013). Incorporating context explicitly into research can add value as it enables establishing boundary conditions for theory and developing managerially relevant implications, thus contributing to explaining variations in empirical evidence and enhancing theoretical development (Meyer, 2007).

In an attempt to understand the relationship between context and knowledge, Meyer (2007) identifies three types of knowledge. Context-free knowledge, or universal knowledge, is knowledge that applies to different countries and cultures. Context-bound knowledge denotes knowledge that applies in one context but does not apply or applies differently in other contexts. Finally, context-specific knowledge is knowledge that applies to one context but has not been tested in other contexts to know if it applies or not.

To connect context-specific research to the wider scholarly work, i.e. to contextualise it, Tsui (2004) explicates two approaches, *making the familiar appear novel* and *making the novel appear familiar*. The first approach extends established theories and concepts and adapts them to new contexts by identifying locally meaningful dimensions, variables and relationships. The latter approach starts from a distinctive local phenomena or relationships and analyse them in the light of familiar concepts in established literature. Both approaches require researchers to have a deep knowledge of the local context.

In this thesis, an established theory was adapted to the specific context of a transitioning economy, thus *making the familiar appear novel* or what Whetten (2009) refers to as context sensitive, cross-context theory borrowing. The relatively novel context of transitional economies offers the potential to identify phenomena or explanatory variables that advanced economies-based research did not address adequately (Meyer, 2007). Contextualising research conducted in these economies, thus, allows for identifying limits of current theories or developing new theories (Tsui, 2007). For instance, research in transition economies highlighted the prime importance of institutional influences on organisations (Meyer and Peng, 2005).

In this research, existing theory on firm's learning by internationalisation was adapted by examining a new dimension of learning, namely marketing learning, and refocusing on technological learning. Due to the weak marketing knowledge in transition economies and the limited FDI that the Syrian economy received, as will be highlighted in the next section, internationalising Syrian firms have the potential to develop their marketing knowledge when expanding across borders. While the type of marketing knowledge discussed in this research could be specific to the Syrian context, the concept of marketing learning could be relevant for firms in other contexts. Marketing learning could be required, for example, by firms from advanced economies when they enter emerging markets. Sheth (2011) discusses how the characteristics of emerging markets make them radically different from the developed economies. These characteristics require managers to rethink marketing perspective, strategy and practice, indicating that much learning is required. Thus, examination of this context-specific relationship between internationalisation and marketing could be extended to the wider scholarly work.

The research also examines technological learning among low-tech firms although prior research indicated that there is not much scope for technological learning within low-tech sectors given the well-established technologies in such sectors (Fletcher and Harris, 2012). However, low-technology industries in transitioning and developing economies lag behind their counterparts in advanced economies (UNIDO, 2015), warranting thereby the need for considering the technological knowledge gains of internationalisation among low-tech firms from transitioning economies.

5.4.3.2 The Syrian Transitional Economy Context

The focus of this present research is on the extent to which firms acquire technological and marketing learning through internationalisation. This perspective is justified by the particular empirical context of this research. More specifically, the study firms originate from a transition economy, Syria, which has recent history of centrally-planned economic system, non-market-based institutions and formidable international trade barriers, and whose local managers lacked requisite business skills for survival in market-driven contexts (GCR, 2011; Lim and Saborowski, 2012).

Syria is a lower-middle income country with a population of approximately 21 million people (World-Bank, 2012b). Historically, Syrians were known as active international traders associated with brokering deals across countries (Mills, 1964). In the second half of the twentieth century, however, Syria was virtually isolated from the world economy due to government ideology, which emphasized central planning and limited private sector activity. In the early 1960s, the government nationalised the major industries, including banking, energy and cotton ginning, and took control of the majority of international trade (Aziz-al Ahsan, 1984). The nationalization campaign also targeted small private firms if they were considered important to the centrally planned economy (Hopfinger and Boeckler, 1996).

The business community reacted to this campaign by smuggling capital abroad and abstaining from any investment. Consequently, the government stopped all nationalisation activities in 1965 to inject trust back into the economy (Aziz-al Ahsan, 1984). However, the public sector remained in control of much of the Syrian economy until 1989 when the government initiated economic reforms to encourage private sector investments and expand the scope of their economic participation (U.S.-FCS, 2003). Nevertheless, Syria remained heavily reliant on oil exports to sustain the economy; however, the dwindling oil reserves necessitated a new strategy (Lim and Saborowski, 2011). This, in part, motivated further economic reforms.

In 2000, Syria introduced major reforms in the 9th Five-Year Plan to mark its transition to a market-based economy (Lim and Saborowski, 2011). The reforms included developing strategies to attract foreign direct investment, liberalising international trade and permitting private participation in the banking, insurance and infrastructure sectors, after several decades of public sector monopoly. One of the key outcomes of these new policies was diversifying the county's exports and increasing the role of private sector in generating these exports. According to the World Bank (2010), non-oil exports increased from $1.6 billion in 2003 to $9 billion in 2007 and its share in GDP more than doubled in the same period (from 7.6% to 18.1%). The private sector accounted for the majority of non-oil exports with its share rising from 72.4% in 2003 to 92.8% in 2007.

It must be noted that while Syria is not officially classified as a transition economy (Lim and Saborowski, 2012), its transitional process has been acknowledged in World Bank (World-Bank, 2012a) and European Commission publications (European-Commission, 2007). Furthermore, non-classification as a transition economy has been attributed to data scarcity and political remoteness (Lim and Saborowski, 2012). This justifies referring to Syria as a transition economy.

Following from the above discussion, it is argued that Syria represents a suitable context to examine the conceptual framework guiding this research. Its recent transition from a centrally planned economy meant that its underdeveloped domestic market is still marked by widespread lack of marketing knowledge (Alberti, 2010; GCR, 2011; Mazzanti, 2009). Firms originating from such an environment would face challenging market conditions, new customer preferences and different business practices when expanding abroad, thus creating the need for learning. The lack of knowledge in the domestic market, suggests that firms could benefit from their international expansion to develop their capabilities.

Limited data exist on the international expansion of Syrian firms; available data is constrained to macro data on exporting. The fuel and mining products dominate the Syrian exports accounting for 42.4% of total exports, equalling $13.5 billion in 2010, whereas agricultural products accounted for 22.2% and manufacturing 31% (WTO, 2011). Manufacturing in Syria is mainly focused on low-tech industries. It is estimated that in 2006 the textile and garment industry accounted for 10% of total exports and 30% of non-oil exports (Bisso, 2009). Syria's major export partners in 2011 were Iraq (39.1%) and the European Union (25.5%) including its 27 members (European-Commission, 2012). In addition to countries in the Middle East and North Africa region, the top 10 list of export partners include the United States (2.4%).

While the above overview focused on the Syrian economic environment, a note must be made about the current crisis in Syria that started in March 2011. As the reader is probably aware, Syria has been trapped in a bitter conflict, the beginning of which overlapped with the data collection phase of this thesis. Looking at the bigger Middle Eastern picture, the political turmoil started in late 2010 with protests in

Tunisia. The data collection was conducted against this backdrop. However, while the Syrian conflict has escalated to a full-blown humanitarian and political crisis, the unrest was confined to specific localities and times of the week in 2011 when the data was collected. The turbulent incidents took place at the weekends, specifically on Fridays, and while there was unease, life continued undisturbed during the weekdays in the vast majority of Syrian areas. Where there was an ongoing unrest, like in Homs governorate, data collection from firms located there was ceased for two reasons: first and foremost, in respect of people's feelings and second, due to a practical issue as communications were frequently cut off. Additionally, the questions asked during the data collection all focused on the year 2010 or before, as 2010 was the last complete financial year at the time of data collection. Thus, it is very unlikely that the data collection phase was influenced by the ongoing crisis.

5.4.3.3 Sampling

Data used to test the hypotheses were collected from Syrian exporting firms. For firms to be included in the research, they had to meet a range of criteria:

- manufacture/export products specified as low-technology; these were specified by excluding firms producing high technology products, which were defined according to the Standard International Trade Classification (SITC) Rev. 4 (Eurostat, 2009),
- be a private firm and
- had generated export sales in 2010.

In the absence of databases listing firms with all types of international activities, directories of exporting firms were sought to identify firms that matched the above criteria. Only two such directories were available at the beginning of 2011; the 2011 edition of the Syrian Export Development and Promotion Agency directory and the Syrian Export Directory of 2007. These directories, however, were far from precise and up-to-date, which is a common issue in directories (Saunders, et al., 2012). They both had a total of 675 entries. 88 of these where replicated and 187 did not meet the selection criteria as they were public, high-tech, or non-manufacturing firms. This left 400 companies that matched the selection criteria, of which 70

companies were in Syrian cities witnessing ongoing unrest so they were excluded as was mentioned in the previous section.

Given the relatively modest number of remaining firms that matched the inclusion criteria, 330 firms, a decision was made to contact all of them rather than select a sample in order to maximise the number of respondents. Hence, all 330 firms were contacted. However, in 47 cases there was no answer or the number was wrong. Six companies had ceased operations by 2011 and 32 indicated that they never had or had stopped international activities. In 33 cases, several attempts to speak to a senior manager or get his/her contact details proved unsuccessful. 17 companies refused to participate in the research. Eventually the questionnaire was sent to 195 potential respondents. Where a response was not received within 2 weeks of the initial contact, a gentle reminder was sent through the e-mail or made through the phone. 116 responses were received of which 96 were usable (representing a 49 percent response rate). Respondents who replied in the first instance were called early respondents whereas those who responded after a reminder were called late respondents.

5.4.4 Questionnaire Data Collection

The data collection process took place during the first half of 2011. Respondents were first contacted by phone to confirm involvement in export operations and identify the most appropriate person to whom the questionnaire should be addressed. The researcher first sought the details of managing directors (MDs). Where an MD's participation was not possible, managers with responsibilities for international activities were targeted. The researcher asked to speak directly to the potential respondent. It was considered important to clarify the academic nature of the research and establish some kind of personal relationship. The importance of personal relationships is emphasised in the context of Asian and East European countries to build trust in the research and eliminate suspicion as informants generally lack experience in research and academic work (Hurmerinta-Peltomäki and Nummela, 2006). The researcher emphasised the academic nature of the research and that it was conducted at a British university to enhance trust and motivate participation in the research. This approach is believed to have enhanced

the response rate. Appendix 1 provides the invitation that was communicated to potential respondents.

Multi-mode method of questionnaire administration was employed in order to maximise the response rate (de Vaus, 2002). Given the weak infrastructure base in Syria, many companies did not have access to internet or fax machines, and the mail service was rarely used. Therefore, potential respondents were offered the opportunity to answer online, by e-mail, by fax or on the phone. Combining methods have been reported in previous international entrepreneurship research (Coviello and Jones, 2004) and is believed to have led to a greater response rate. A comparison was conducted between the various response methods using the non-parametric Kruskal-Wallis test with regard to a range of firm characteristics and internationalisation dimensions as shown in Table 5-10. The test results show that there were no significant differences between the response methods (Table 5-10).

Table 5-10: Kruskal-Wallis Test - Grouping variable: Method of response

	Age	*Size*	*YoI*	*Age at Entry*	*EMP_INT*	*FSTS*	*NO_Country*	*Geo-Scope*
Chi-Square	2.020	.997	1.517	2.507	5.675	1.006	1.418	1.588
Df	3	3	3	3	3	3	3	3
Asymp. Sig.	.568	.802	.678	.474	.129	.800	.701	.662

5.4.5 Questionnaire Data Analysis

The data were analysed using Partial Least Squares (PLS) path modelling (Wold, 1982), a tool that belongs to the structural equation modelling (SEM) family. . SEM can examine a series of dependence relationships simultaneously enabling the test of theories where a hypothesised dependent variable in one relationship is an independent variable in another dependence relationship (Hair, et al., 2010). PLS is based on explaining variances of dependent variables and constructs (Chin, 2010). The next chapter presents in detail the steps taken to ensure the readiness of the data for analysis, the analytical procedure that was followed and the results of the analysis.

5.5 The Interview Method

The interview method is possibly the most common method of qualitative data collection in organisation research (Thorpe and Holt, 2008). There are three types of interviews: structured, semi-structured and unstructured (Easterby-Smith, et al., 2012; Myers, 2009; Saunders, et al., 2012). These types are explored in the following section, which also highlights why the semi-structured interview type is the most suitable for this research. This is followed by a discussion of the procedures implemented to ensure quality in the qualitative research process. The process of data collection is then outlined followed by a description of the firms whose informants participated in the interviews. A discussion of the method of data analysis then follows and the chapter concludes with a reflexive account on the relationship between the researcher and the object of research.

5.5.1 Types of Research Interviews

This section describes the three types of research interviews and considers which type is most suitable to achieve the research objectives. Structured interviews are highly formalised; they ask each participant pre-formulated questions, usually in the same order. Thus, structured interviews are similar to questionnaires administered face-to-face or over the phone. Hence, some scholars do not consider the structured interview to be a suitable method for qualitative studies even if it includes open-ended questions (Yin, 2011). On the other hand, semi-structured and unstructured interviews are usually referred to as qualitative interviews. They offer two-way interactions in the form of a conversation where both the interviewer and the interviewee play an active role in the discussion (King, 2004a). In unstructured interviews, the researcher prepares very few questions in advance with the aim of enabling interviewees to tell their stories, thus no consistency is required across different interviews. While unstructured interviews are usually informal and non-directive, the researcher needs to be clear about the key areas that need to be explored in order to achieve the research objectives (Saunders, et al., 2012).

Semi-structured interviews fit in the middle between the previous two types. The researcher would have a list of key questions that would be asked to all

interviewees. However, depending on the flow of the conversation and the specific circumstances of the interviewee or their organisation, the research may not ask all questions or may not follow the same order in asking these questions. Similarly, new questions may be required to explore new lines of thoughts that emerge during the course of the conversation, thus, improvisation is encouraged. The semi-structured interview, therefore, combines the benefits of both structured and unstructured interviews while minimising their weaknesses, making it the most popular type of qualitative interview in business and management research (Myers, 2009).

The semi-structured interview fits extremely well with the research objectives and the purpose of using the mixed methods approach. The data collection process aims to examine pre-formulated theoretical relationships. Therefore, the two methods, questionnaire and interview, employed in this research investigate similar variables and relationships in the aim of cross validating the results obtained from the two methods. Hence, it is important in the interviews to investigate the theoretical relationships in some depth to examine causes of inconsistencies for example. Consequently, the interview method should offer some structure balanced by flexibility, making the semi-structured interview a suitable approach to employ in this research. This approach is further justified by the widespread use of semi-structured interviews in mixed methods research when the purpose is triangulation and cross validation of questionnaires' results (Tashakkori and Teddlie, 2010).

The semi-structured interview has some limitations that it shares with the unstructured interview and should be taken into consideration as discussed by King (2004a). First, it requires considerable concentration from the interviewer to successfully conduct the interview. Second, it is time consuming at every stage: preparation, conduct, transcribing and analysis. Third, the researcher may potentially feel overwhelmed by data overload due to the large amount of data collected.

Beside those method-specific issues, qualitative research in general has been criticised regarding the generalisability of the research findings. According to Yin (2009), however, the aim of qualitative research is not 'statistical generalisation' in which inference about a population is made on the basis of data collected from a representative sample. Rather, the goal is 'analytic generalisation' in which the

research findings contribute to understanding certain concepts or to improving previously developed theories by providing supporting evidence or possibly rival theoretical propositions. Contributions to theory could then be examined in other contexts or situations to determine their applicability.

5.5.2 Ensuring Quality

As with any type of method, data collected through semi-structured interviews need to be subjected to quality questions. Specific criteria for assessing qualitative research have been proposed (Symon and Cassell, 2004), however, the positivist terms of validity and reliability are commonly used in qualitative research (Saunders, et al., 2012; Yin, 2011) to guide discussions on research quality. Reliability means ensuring that consistent results would be produced if the research was to be conducted again. To ensure such consistency, other researchers would need to collect the same data and should have the same interpretations of these data. However, the circumstances of any organisation and the phenomena under investigation are dynamic; thus, collecting data at different points of time may not generate the same data (Saunders, et al., 2012). Furthermore, a key advantage of employing semi-structured interviews is the flexibility it offers to investigate interesting aspects in greater depth. Consequently, different data may be generated by different researchers; therefore, ensuring the replicability of data collected is neither realistic nor feasible (Saunders, et al., 2012). With regards to analysis, any attempt to analyse qualitative data beyond the surface level, such as counting the number of word occurrences, will inevitably involve a level of subjectivity (Gillham, 2005). This leads to different interpretations by different researchers.

The collected qualitative data and their analysis may not be replicable, but this is not to say that academic rigour is sacrificed. To the contrary, the researcher should be transparent about the approach followed in research design, choice of methods and the process of data collection and analysis so other researchers can refer to it if needed (Saunders, et al., 2012). Regarding analysis, the researcher should test the meanings emerging from the data in terms of their “plausibility, their sturdiness, their "confirmability" - that is, their validity” (Miles and Huberman, 1994, p.11).

Validity is the key quality concern in all types of research. Yin (2011, p.78) defines a valid study as "one that has properly collected and interpreted its data, so that the conclusions accurately reflect and represent the real world (or laboratory) that was studied". Rather than viewing validity as something that either exists or not in a research, Yin (2011, p.78) speaks of "strengthening validity". He argues that a research makes a number of claims and the researcher should aim to validate as many as possible of these claims. To that end, Maxwell (2009) provides a validity checklist to ensure that validity threats are dealt with whenever possible. He acknowledges, however, that not all strategies are applicable in all studies and employing them all may not be a feasible option or an efficient use of time. Maxwell's checklist includes:

- Intensive long-term involvement in the setting studied to collect comprehensive data by carrying-out repeated observations and interviews. This enables developing and testing alternative hypotheses.

- Collecting "rich" data, i.e. detailed and varied, to develop in-depth understanding.

- Obtaining respondent validation, by asking for feedback from the people studied, to reduce the misinterpretation of what they said. However, if such feedback was obtained, it should not be considered more inherently valid than the self-reported responses.

- Searching for discrepant evidence and negative cases is integral to the logic of validity testing in qualitative studies.

- Triangulation by collecting data from different sources using different methods to avoid inherent biases in each method.

- Employing quasi-statistics by using numbers rather than adjectives in referring to implicit quantitative results, for example using number in expressing frequency.

- Finally, comparison of results with the existing literature or the extensive knowledge of experts, for example.

In this research, it was not possible to have a long-term involvement in the research settings due to the time constraints of the research and the unfolding unrest in the study context, Syria. Where possible, interviews were recorded to ensure the details were captured to allow for richer understanding. The research mainly aimed to validate the results through triangulation of data by using two methods and comparing the results emerging from their use. Furthermore, the research process aimed to search for divergent evidence during data collection by developing a sense of scepticism to ensure participants are offering their most candid responses (Yin, 2011). In addition, rival explanations or interpretations were developed for the findings where possible (Yin, 2011). The results are also compared against available literature to further validate the findings.

5.5.3 Interview Data Collection

Interviews were conducted with a sub-set of respondents that took part in the questionnaire. This is to comply with Yin's (2006) recommendation on mixing methods by having the sample of one method nested within that of the other. The quantitative data collection assisted in locating firms through a purposeful sampling approach. This approach deviates from the random sampling approach recommended in statistical studies. Eisenhardt (1989, p.537) argues, however, that "random selection is neither necessary, nor even preferable" in qualitative research. Maxwell (2009) argues that purposeful sampling, where specific settings or respondents are intentionally selected for the valuable information they can provide, is the most used approach in qualitative research. He suggests that purposeful sampling can be used to achieve representativeness of typical organisations, capturing heterogeneity in the population, enabling the examination of settings that are critical for theory testing or development and establishing comparisons to highlight the reasons for differences between settings.

Purposeful sampling was employed in this research for the second purpose stated by Maxwell (2009), namely capturing heterogeneity in the population. Maxwell (2009) suggests that this approach ensures that the conclusions adequately represent the entire range of variation rather than only the typical members or some subset of this range. Given that this research is interested in how variation in some

study constructs impact other constructs, for example how varying degrees of internationalisation influence post-internationalisation technological and marketing learning, the capturing heterogeneity sampling approach seemed most appropriate to allow for examining the research objectives. According to Patton (2002), a benefit of this strategy is capturing themes that cut across the variation in the sample, making them of particular value as they have emerged out of heterogeneity. In addition, the variation in the sample is likely to provide cases that disconfirm emerging patterns, hence, offering a source of rival explanations (Patton 2002).

Participation in interviews was sought from questionnaire respondents who represented organisations that that varied in a number of characteristics. The eight participating firms varied in size, age, sector, length of international experience and degree of internationalisation, as is highlighted in the next section. Interviews were conducted with senior managers of these organisations. This number of interviews was deemed enough due to theoretical saturation; in other words, additional data collected provided few new insights (Eisenhardt, 1989). There are no guidelines for suitable non-probabilistic sample sizes; however, research conducted by Guest et al. (2006) suggests that key themes were identified after six interviews and data saturation was reached after twelve interviews. This suggests that the number of interviews conducted for this research is in line with previous recommendations.

All interviews except for one were conducted over the phone as this was the most convenient method at the time due to distance and time constraints. One interview was conducted face-to-face. Interviews were recorded in the case in five interviews while in the remaining cases participant's consent was not obtained, thus, notes were taken during the interview and more details were added where appropriate following the interview. For the recorded interviews, a full transcript was generated. Appendix 4 provides a sample interview transcript. Where available, the researcher sought background information, about the organisations that agreed to participate in the interview phase, which could be useful during the interview (Saunders, et al., 2012). For example, information was sought from the firm's website or media articles. The interviews lasted between 45 minutes and 2 hours.

In line with the purpose of the mixed methods approach adopted in this research, the interviews focused on investigating the same issues examined in the questionnaire, which in essence pertained to the examination of the conceptual framework developed in Chapter 4. Hence, an interview schedule was developed to be relatively structured. Such approach also fits with the post-positivist paradigmatic orientation guiding this research (King, 2004b). More importantly, a relatively pre-structured tool enables a more selective data collection approach, thereby it allows for describing and analysing a pattern of relationships by developing analytic categories deductively as well as inductively, and builds on the conceptual strength of the researcher (Miles and Huberman, 1994).

The interview schedule is provided in Appendix 3. The researcher started the interview with questions about the firm, such as year of establishment, number of employees and an overview of the firm at the time of establishment. The questions then focused on the firm's foreign expansion and an attempt was made to understand how the different dimensions of internationalisation influenced the firm's ability to develop its technological and marketing capabilities and the subsequent impact on performance. Probes were also used to follow-up responses and elicit further details from participants (King, 2004a).

5.5.4 Profile of the Participating Firms

This section provides an overview of the eight firms whose informants participated in the interview process. **Error! Reference source not found.** presents descriptive data on the partic ipating firms including their: industrial sector, size measured in number of employees, the year in which they were established, their age at first international entry, percentage of their foreign sales to total sales, number of countries in which their products are sold, number of their employees involved in international activities and the modes they used to enter foreign markets. The eight firms varied in size. Two were small firms having (10-49 employees), four were medium-sized firms (50- 250 employees) and two were relatively large (500-1000 employees). They also varied in terms of industry, three operated in textile, two in

garments and one firm in each of the food, cards and ceramic industries. Firms' age ranged between 11 and 49 years.

Table 5-11: Characteristics of Participating Firms

Firm's Code	*Industry*	*Interviewee Position*	*Number of Employees*	*Year of Establishment*	*Age at Entry*	*FSTS***	*NO-Country***	*EMP_INT***	*Entry Mode*
Textile1	Textile	Managing Director (MD)*	35	1967	18	50%	2	1	IE**
Ceramic1	Ceramic	Vice MD	950	2000	1	10%	6	5	DE**
Garment1	Garment	Founding Partner & MD	200	1993	0	100%	1	1	DE
Textile2	Textile	Sales & Technical Manager*	40	1999	0	100%	2	2	DE
Garment2	Garment	MD	70	1952/2003***	55/4***	20%	12	10	DE
Food1	Food	Founder & MD	120	1997	6	50%	15	1	DE
Garment3	Garment	PR Manager*	213	1971	22	20%	15	16	DE+SS**
Cards1	Cards	Foreign Sales Manager	700	1991	0	80%	45	50	DE+SS

*Notes were manually taken during interviews with these interviewees due to lack of participant's consent for recording

** FSTS: Foreign Sales to Total Sales, NO-Country: Number of countries in which the company products are sold. EMP_INT: Number of employees dedicated to international activities, IE: Indirect Exporting, DE: Direct Exporting, SS: Sales Subsidiary.

*** Garment2 seized operations in 2003 and was relaunched 6 months later by one of the original two partners after breaking up the partnership.

The firms had diverse international profiles. Three firms, Garment1, Textile2 and Cards1, internationalised at inception and only Cards1 had domestic sales in addition to foreign sales. Three other firms, Cermanic1, Food1 and Garment2, internationalised within 6 years of establishment, while the remaining two firms, Textile1 and Garment3, internationalised later in their lives. It should be noted that although Garment2 was originally founded in 1952, the firm went out of business in 2003 and was relaunched 6 months later by the current MD after he acquired the share of his previous partner, changed production lines and offered a new product. Garment2 started foreign expansion in 2007. Thus, taking 2003 as the inception year of the relaunched firm, Garment2's age at first foreign entry was considered to be four years.

Firms' percentages of sales abroad ranged between 10 and 100 percent. Number of foreign markets in which sales were achieved ranged between 1 and 45 countries. Firms had between 1 and 50 employees devoted to international activities. Finally, the participating firms used different entry modes, including indirect exporting, direct exporting and foreign sales subsidiaries.

Error! Reference source not found. lists the firms in ascending order of their degree of internationalisation (DOI). DOI was determined using the measures of foreign sales to total sales, number of countries in which the company products are sold, number of employees dedicated to international activities and entry modes. Nevertheless, subjective judgement was sometimes needed to aid the ordering process. For example, Textile1 is considered the least international firm because despite exporting 50% of its products, there was one person responsible for cross-border activities and it was the only firm to use indirect-exporting resulting in minimum commitment to and involvement with foreign markets. Furthermore, its foreign operations are limited in scope. The MD mentioned that Textile1 exported previously to USSR but its current sales are directed at two Arabic countries, Iraq and Yemen, with market conditions similar to Syria in terms of economic development. Taking all these dimensions together, Textile1 was deemed to be the firm with lowest degree of internationalisation amongst the study firms.

5.5.5 Interview Data Analysis

There are a number of methods for analysing qualitative data. These include thematic analysis (Boyatzis, 1998), template analysis (King, 2004b), grounded theory (Charmaz, 2006; Strauss and Corbin, 1998), pattern matching and explanation building (Yin, 2009), as well as narrative analysis and discourse analysis (Saunders, et al., 2012). The choice between these methods depends largely on whether the research adopts a deductive or inductive approach, for example, grounded theory is associated with an inductive approach whereas pattern matching is suitable for a deductive approach (Saunders, et al., 2012).

In the thesis, template analysis was chosen as the method of analysing qualitative data because it starts from a deductive approach but allows themes to emerge inductively (Saunders, et al., 2012). In essence, a template is a list of codes that represent themes identified in the data (King, 2004b). There are generally three sources for deriving codes: theory, data and the study's participants (Maxwell, 2009). Where existing theory is used to formulate the research objectives and devise a framework to help direct data analysis then codes can be derived from extant literature. Otherwise, the collected data can be a source of codes if an inductive approach was used while coding to allow terms to emerge as the analysis proceeds. Alternatively, codes can be derived by drawing on the terms the participants in the study have used. Template analysis starts deductively by using a set of codes defined a priori from theory, i.e. theory-driven or concept-driven codes, but these codes can then be modified or added to as data analysis proceeds, i.e. data-driven codes (Saunders, et al., 2012).

The flexibility offered by template analysis makes it suitable for use within studies of diverse philosophical orientations including those adopting realist and constructivist positions (King, 2004b). The philosophical positions influence the extensiveness of the initial template. King (2004b) recommends constructing the initial template based on the interview schedule; the level of structure of which depends on the paradigmatic orientation of the researcher. Main questions from the schedule can be used as higher-order codes while subsidiary questions or probes can serve as lower-order codes; such approach is particularly effective when the schedule

is fairly structured (King, 2004b). A semi-structured interview was employed in this thesis to collect qualitative data. Subsequently, the interview schedule (Appendix 3) was relatively structured to allow for examining the conceptual framework developed in chapter 4. Hence, the initial template was developed building on the interview schedule and, therefore, included several theory-driven codes (e.g. foreign entry modes and technological learning).

However, King (2004b) cautions against having too many, or two few, pre-determined codes. The former approach could blinker analysis while the later may provide little direction for dealing with the mass of data. In analysing the data in this thesis, the researcher started with a rather extensive initial template. This fitted with the researcher's post-positivist orientation and purpose of adopting a mixed methods approach, namely triangulation and cross-validation of the findings from analysing the questionnaire and interview data. Nevertheless, the researcher combined a deductive and an inductive approach to coding in order to avoid what Bryman (1988) refers to as reaching a premature closure on the issues under investigation or having theoretical constructs that depart excessively from the views of the research's participants.

As a result of adopting a combined approach to coding, new codes emerged from the data (e.g. level of involvement in foreign markets). This approach helps enhancing the rigour of the analytical process and the validity of the findings by allowing for the identification of negatives examples or alternative explanations that do not conform to the associations being tested for (Miles and Huberman, 1994; Saunders, et al., 2012; Yin, 2009).

The process of coding involved labelling units of data with the appropriate code (or codes) in the margin of the transcript. A scanned sample of a coded transcript is included in appendix 5. This analytic process has in effect led to what is known as the reduction (Miles and Huberman, 1994), fracture (Maxwell, 2009) or disassembly of data (Yin, 2011) and rearranging of data to allow for further analysis (Saunders, et al., 2012). Following this coding process, a process of identifying themes and patterns was embarked upon. The themes and patterns where then

structured using the research objectives as an organising device to present the findings (Saunders, et al., 2012), which are reported in Chapter 7.

5.5.6 Reflexivity

Reflexivity is the practice where the researcher examines her own reactions to what is being researched, the nature of her relationship with those who participate in the research and the way in which data is interpreted to construct knowledge (Saunders, et al., 2012). Reflexivity is considered the defining feature of qualitative research (Finlay, 2002) and is mainly associated with the interpretivist philosophical orientations (Saunders, et al., 2012). However, post-positivistic critical multiplism recognises that "all research is social and necessarily value-laden" (Letourneau and Allen, 1999, p.627). While objectivity remains a "regulatory ideal" in post-positivist epistemology (Guba and Lincoln, 1994), post-positivists acknowledge that the researcher may have some influence on the object of research (Ponterotto, 2005). Hence, it is important when conducting research of a qualitative nature that the researcher is sensitive to her personal biography and how it shapes the research (Creswell, 2003). This could be achieved by reflexively identifying personal biases, values and background, including history and culture, which may affect the interpretation of data (Creswell, 2009).

To that end, the researcher acknowledges that she is a national of the country from which data were collected, i.e. Syria. The researcher's interest in understanding how it is possible for Syrian firms to advance and compete more effectively across the globe provided the impetus for inquiry. However, this academic interest is not different from, for example, that of a British researcher interested in a particular phenomenon in the UK, i.e. his or her country of nationality. In addition, the researcher did not have any prior relationship with any of the investigated firms. Nevertheless, there was a possibility of having an "elite bias" in identifying interview participants given the researcher's familiarity with some of the big names amongst Syrian businesses; however, this bias was avoided by soliciting consent to participate in interviews from the questionnaire respondents (see section 5.3.3).

While being a national of the country in which this research was interested may raise questions about biases, it is argued that the researcher's understanding of the study context was very important from a theoretical perspective. The researcher was able to recognise theoretical constructs that are relevant to the study firms, e.g. marketing learning, as a result of her understanding of the context. Contextualisation of research in this fashion requires researchers to have a deep knowledge of the local context (Tsui, 2004). Furthermore, the researcher was aware of the sensitivity of business people to participate in research and disclose information, which is typical in transitioning economies (Hult, et al., 2008). Given this sensitivity and building on her knowledge of the context, the researcher emphasised the fact that the research was conducted in a UK university in order to assure potential respondents and encourage their participation. However, acknowledging the benefits of being familiar with the context did not mean abandoning quality criteria. In fact, the researcher adopted various measures of validity and reliability in dealing with both types of data collected for this research to maximise the objectivity of the research (Creswell, 2009), as was highlighted in this chapter.

5.6 Limitations

This study is not without limitations. First, the available directories used to identify respondent firms only included information about exporting firms. Hence, any firms that rely exclusively on other modes of internationalisation would have been excluded. In effect, using the export directories may have biased the results towards export-based internationalisation (Jones, 1999). Second, although every possible effort was taken to maximise the number of the questionnaire's respondents, the modest number of investigated firms, albeit representative of their population, puts restrictions on data analysis. For example, it was not possible to compare the findings across the different sectors to which the responding firms belonged.

Third, the data were collected at one point in time, thus the research relied on the recollections of respondents. This represents a limitation since the focus of the study - change in the knowledge base of internationalising firms - is better addressed through a longitudinal study. In this research, a long-term access to firms was

practically difficult to secure and the unfolding unrest in Syria meant a longitudinal study was not attainable. Moreover, the data generated were self-reported responses. Although objective data are generally more reliable, the absence of publicly available data on the study firms meant it was not possible to use objective measures. In addition, while this research consulted the literature to identify suitable measurement for the desired constructs (Churchill, 1979), potential limitations in scale measurement must be acknowledged. To that end, a potential limitation could arise from the anchor label employed in the learning measures. Respondents were asked to indicate the extent to which their firms have gained knowledge and new insights, or learned skills or capabilities in the course of their international operations in certain knowledge areas (1 = limited knowledge or skills, 7 = extensive knowledge and skills). These anchor labels could have tempted respondents to answer the question in relation to their general knowledge of the area as opposed to the learning they achieved post-internationalisation. Hence, a more specific anchor point, e.g. (1 = gained limited knowledge or skills, 7 = gained extensive knowledge and skills) is recommended for use in future studies.

Finally, this research was context-specific given that it was conducted on firms from one country, Syria. Context in this research was not considered merely as an interfering variable but rather as a key element in informing the theoretical underpinnings of the research, particularly in considering the types of knowledge that are of great importance to Syrian internationalising firms. Nevertheless, it is important to examine whether the context-specific aspects of the research could be extended to the wider scholarly work by examining other contexts whether in other transition or emerging economies, or in different sectors, such as high-tech sectors. Such examination could assist our understanding of the extent to which the present study's findings can be generalised beyond the Syrian context.

Summary

This chapter presented the post-positivist philosophical orientation guiding this research. This was followed by a justification for the mixed methods approach adopted in the research, a discussion of the selection of data collection methods, an

explanation of the specific motive of the mixed methods approach and the process of mixing the methods. It was argued that the mixed methods approach is suitable in this research for philosophical and methodological-fit reasons and it serves the purpose of triangulation and cross-validation of results. Hence, a concurrent triangulation design has been employed where data are collected concurrently through the questionnaire and interview methods. Mixing of the methods was implemented using Yin's (2006) five procedures.

The chapter then moved to discuss the questionnaire method including the questionnaire design, operationalisation of the study constructs, the research context including sampling, data collection and analysis. An overview of the interview method was then presented highlighting the suitability of the semi-structured interview for the purpose of the research, the procedures implemented to ensure quality in the qualitative research, data collection and analysis and a reflexive account on the relationship between the researcher and the object of research. Lastly, the chapter considered the limitations of the research. The following two chapters present the analysis process and results of the questionnaire and interview data. These are followed by the discussion chapter, which examines the analysis results against the research objectives and the literature. Finally, a conclusion of the whole thesis is provided in Chapter 9.

Chapter 6. **Questionnaire Data Analysis**

6.1 Introduction

This chapter presents the results of the statistical analysis of the quantitative data collected through questionnaire to test the hypotheses that have been developed based on the literature review in Chapter 4. Table 6-1 provides a reminder of these hypotheses.

Table 6-1: The Research Hypotheses

Research Hypotheses
H1a: A firm's DOI will be positively related to its technological learning.
H1b: A firm's DOI will be positively related to its marketing learning.
H2a: A firm's informal network will be positively related to its technological learning.
H2b: A firm's informal network will be positively related to its marketing learning.
H3a: The previous international experience of a firm's managers will be positively related to its technological learning.
H3b: The previous international experience of a firm's managers will be positively related to its marketing learning.
H4a: A firm's age at first foreign entry will be positively related to its technological learning.
H4a: A firm's age at first foreign entry will be positively related to its marketing learning.
H5a: A firm's technological learning will be positively associated with its international performance.
H5b: A firm's marketing learning will be positively associated with its international performance.
H6: A firm's DOI will be positively related to its international performance.

The chapter starts with providing an overview of respondent firms. Then it examines non-response and common method biases. Later, it discusses the procedures taken to prepare the data for analysis including outlier and missing data treatment and an examination of normality. This is followed by a description of the tool used for analysing the data, namely partial least squares path modelling. The chapter then proceeds with details about the evaluation of measurement and structural models in order to examine the support for the study's hypotheses.

6.2 Characteristics of Respondent Firms

This section presents the descriptive analysis of the quantitative data obtained through the questionnaire method. Table 6-2 provides information about the characteristics of the participating firms and their respondents. Firms varied in terms of size, which is indicated by the number of employees. However, the majority of the firms (72 cases) were of small or medium size as they had less than 250 employees. They also varied in terms of industry, 44 operated in textiles, 25 in food, 12 in chemical industries and 10 were engineering firms. Three firms were in the cards and publishing industry and one firm was a shoe manufacturer. Thirty-one respondents were founders and managing directors, 19 were managing directors, 23 were directors of the sales or marketing departments, 5 were export or import directors, 10 were managers of other business functions such as production or finance while only six held non-managerial jobs.

Table 6-2: Characteristics of Sample Firms

Number of Employees	*Frequency*	*Industry*	*Frequency*	*Respondent*	*Frequency*
1 – 9	7	Textile	44	Founder & MD*	31
10 – 49	24	Food	25	MD*	19
50 – 99	25	Chemical	12	Sales/Marketing Director	23
100 – 249	16	Engineering	10	Export/Import Director	5
250 -499	13	Others	4	Other Director	10
500 – 999	7			Non-Managerial	6
1,000 or more	3				
Missing	1	Missing	1	Missing	2
Total	96	Total	96	Total	96

* MD: Managing Director

Table 6-3 provides information about the firms' year of establishment and their international profiles. Firms' age ranged between 2 and 79 years averaging at 27, while the length of international experience ranged between 1 and 70 years with an average of 16. Firms' age at entry varied between zero and 64 years with an average of 11 years. Yet, more than half of the firms internationalised within 5 years of formation, suggesting they are early internationalisers. The number of employees

devoted to international activities within the responding firms ranged between 1 and 18 with five being the average. Foreign sales accounted for 46% of total sales in average with many firms generating all of their sales abroad. Finally, firms operated in a range of 1 to 50 foreign countries with the average being eight.

Table 6-3: International Profile of Sample Firms

	Minimum	*Maximum*	*Mean*	*Median*	*Std. Deviation*
Firm's Age	2	79	27	21	18.1
Length of international experience	1	70	16	13	12.8
Age at Entry*	0	64	11	5	15.7
EMP_INT*	1	18	5	4	3.7
FSTS in 2010*	1.5	100	46	40	30.4
No-Country*	1	50	8	6	8.4

* Age at Entry: Firm's age at first foreign market entry; EMP-INT: number of employees dedicated to international activities; FSTS: Foreign Sales to Total Sales; No-Country: Number of foreign markets in which a firm sells its products

6.3 Examining Non-Response Bias in the Data

This section presents the results of non-response bias analysis. Non-response bias arises if respondents differ systematically from those who do not respond (de Vaus, 2002). In such a case, the researcher would not be able to claim that the results are applicable to the entire sample, let alone generalizable to the larger population (Armstrong and Overton, 1977). Therefore, a comparison between early and late respondents was carried out to test for non-response bias (Armstrong and Overton, 1977). Given that the distribution of variables deviates from normality, as will be shown in section 6.5.3, a non-parametric alternative to T-test, Kurskal-Wallis test, was used for comparison. Table 6-4 provides the test results and as can be seen in the Sig. row, none of the values is lower than 0.05 which indicates significance. No significant differences were detected between the two groups with regard to firm characteristics, namely year of establishment (YOE), length of international experience (YOI), age at first international entry and number of full-time employees (Size), nor with regards to DOI items.

Table 6-4: Kruskal-Wallis Test - Early vs. Late Response

	Firm's Age	Int-Exper.	Size	Age-at-Entry	EMP_INT	FSTS	NO-Country	Geo-Scope
Chi-Square	.111	1.078	.612	.034	.208	.034	3.107	.850
Df	1	1	1	1	1	1	1	1
Sig.	.739	.299	.434	.854	.648	.853	.078	.356

Lack of information about firms' characteristics in the sampling directories prevented conducting the same analysis on respondents and non-respondents. However, the above evidence suggests that non-response bias does not represent any concern in this research.

6.4 Common Methods Bias

In this section, the results of the common methods bias analysis are provided. Similar to non-response bias, common method bias (CMB) may be a concern in survey research. CMB poses a problem when attempts are made to analyse relationships between measures of two or more variables that are collected from the same respondent (Podsakoff and Organ, 1986). The existence of common method bias means that a relationship between two or more variables occurred due to the source providing the data rather than being a true underlying relationship. Ideally, data on dependant and independent variables should be collected from different sources.

However, due to lack of public information about the research population, it was not possible to collect data on this study's variables from any source other than the questionnaire's respondents. However, an ex-ante approach to reduce CMB, by using different scale types, was employed in this study (Chang, van Witteloostuijn, and Eden, 2010). Objective measures were required for the different dimensions of degree of internationalisation (e.g. percentage of foreign sales to total sales and number of countries the company has generated sales in) as well as the age of the company, the length of its international experience and its size. Perceptual measures were used for other variables. Thus, variables were measured using different scale types. Furthermore, different scale anchors were employed for different Likert-scale

measures. Additionally, the questions pertaining to dependent and independent variables were in different parts of the questionnaire.

An ex post approach to reduce the likelihood of CMB is to specify complicated models (Chang, et al., 2010). The study develops a rather complicated structural model. Another ex post approach involves assessing the CMB problem; Podsakoff and Organ (1986) suggest using Harman's one-factor test where all of the study variables are entered into a factor analysis and the unrotated factor solution is examined. If common method bias indeed exists, then one factor will emerge from the analysis or will account for the majority of the variance. No rule of thumb is available regarding how many variables should be extracted or what counts as the majority of variance. Nevertheless, Kaleka (2012) mentioned that 25% is a common cut-off point for the variance explained by the first factor when performing such tests, although values as high as 39% are not unheard of (Klarner, Sarstedt, Hoeck, and Ringle, 2013).

Factor analysis requires the number of observations to be at least five times the number of analysed variables, with 10:1 ratio being more acceptable (Hair, et al., 2010). Due to sample size constraints, it was not possible to enter all of the study variables into a factor analysis. Therefore, the average of the scores for variables used to measure one construct was obtained as a surrogate for these variables and entered into the factor analysis.

There were 16 items in total put in a principal component analysis including all items of degree of internationalisation and informal network (as in section 6.7.2.3), firm size and age, and the average score for technological learning, marketing learning, previous experience and international performance. As result, the number of observations to variable ratio is 6:1[1]. The first factor explained 21% of the total variance which is below the 25% cut-off point suggested by (Kaleka, 2012). Overall, six factors emerged with eigenvalue greater than 1 and explained 64.5% of the variance. Consequently, there is no evidence to suggest that common method bias poses a problem with this dataset.

[1] A dataset using computed values for missing data was used for this analysis because only 54 cases has complete data on all variables.

6.5 Data Preparation

This section examines the data that is used for examining the research hypotheses. Data examination and preparation is an important initial step to ensure that the analysis is based on data that meets all the requirements of the employed analysis tool (Hair, et al., 2010). Preparing data involves examining and dealing with the presence of outliers, identifying missing data patterns and handling them, and assessing the normality of the distribution of each variable. The following three sections present the outcome of analysing each of these aspects.

6.5.1 Outliers Examination

An outlier is a value that is considerably different from other values of a variable. Outliers may distort the results of statistical tests (Hair, et al., 2010), thus, it is important to identify them. A typical approach to identify outliers comprises standardising variables and then finding values that exceed a certain threshold. Hair et al. (2010) define outliers, in small samples of 80 observations, as those cases with standardised scores of 2.5 or greater. The threshold value increases with sample size to reach a standardised score of 4. Following this approach, 10 variables in the data set had up to 6 outliers each. Given the small sample size in this research, the 2.5 threshold was used.

To deal with outliers, one may delete the cases containing outlier values. However, such action can only be taken if the researcher has a good reason to believe that these cases were not from the population that he/she intended to sample (Field, 2009; Tabachnick and Fidell, 2007). This condition does not apply to the current dataset and deletion of cases containing outliers will reduce the sample size considerably. Alternatively, outlier scores could be changed so they are closer to the rest of data. Field (2009) suggests two methods; one of them comprises replacing outlier standardized values with 2.5 or 3.29 and then converting back to unstandardized values. The second method, also suggested by Tabachnick and Fidell (2007), involves changing the score of the outlier to be one unit above the next highest score in the data. The later method was used in dealing with outliers and applied to 7 out of the 10 variables identified with outliers; YOI, YOE, NO-Country,

EMP_INT, Age-at-Entry, N-Customers, N-Shows. The outlier scores in the remaining three variables, TL4, MC5, MIM3, were already one score greater than the next highest score and their standardised values were below |2.8|. In total 23 outlier values were replaced.

6.5.2 Missing Data and Treatment

Missing data, the absence of valid values on one or more variables, is one of the most prevalent problems in data analysis (Tabachnick and Fidell, 2007), particularly in survey research (Hair, et al., 2010). While it is not possible to identify the causes of all missing data, some missing data processes are known to the researcher. A missing data process represents any systematic event independent of the respondent, including data entry or data collection problems, or any action by the respondent, for example refusal to answer, that results in missing values (Hair, et al., 2010). In this research, some missing data resulted from procedural factors or technical issues in responding to or returning the questionnaires. For example, a respondent was trying to return the questionnaire by fax but only half of it was received. Due to problems with connectivity, trials to send the complete response failed. Subsequent calls to the respondent failed to convince him to send the response by e-mail. Other problems were related to the poor internet service in Syria, few respondents experienced cuts in the internet service, which affected their ability to complete the questionnaire fully.

There are, however, unknown missing data processes that are less easily identified by the researcher as they are mostly related to the respondent. For instance, some respondents may refuse to answer a question or have no opinion or sufficient knowledge to answer it. Such processes occur despite the researcher's attempt to minimise them in the research design and data collection stages (Hair, et al., 2010). Nevertheless, when the missing data occurs randomly, then remedies could be used to mitigate their effect.

One option to deal with missing data could be to rely solely on available data and ignore all cases with missing values; however, there are practical and substantive concerns with this option (Hair, et al., 2010). Practically, eliminating all cases with

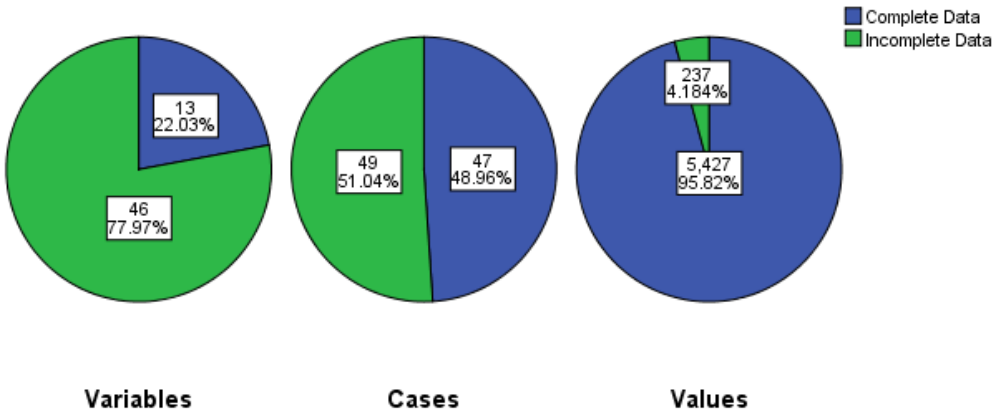
missing values would result in significant reduction to the sample size that is likely to prevent carrying out different types of analysis. From a substantive viewpoint, statistical findings generated from data that originally contained non-random missing patterns would be biased. Therefore, it is very important to assess the pattern and extent of missing data. Assessing the extent of missing data aims to determine whether the amount of missing data is low enough to not influence the results, even if it follows non-random processes. This assessment can be done by tabulating the percentage of variables with missing data for each case and the number of cases with missing data for each variable (Hair, et al., 2010). This process helps identifying cases or variables with exceptionally high levels of missing data. Table 6-5 shows how many variables have a specific percentage of missing case values. For example, 14 variables are missing 11-20% of values. The table also shows the number of cases that are missing a specific percentage of values. For instance, 28 cases have 1-5% missing values. The table shows that none of the cases or variables have excessive levels of missing data so that they require deletion as suggested by Hair et al. (2010).

Table 6-5: Overall Summary of Missing Values

Percentage of missing case values in a variable	***Number of variables***	***Percentage of missing variable values in a case***	***Number of cases***
21-36%	0	21-36%	5
11-20%	4	11-20%	7
6-10%	14	6-10%	9
1-5%	28	1-5%	28
0%	13	0%	47
	Total: 59		Total: 96

Figure 6-1 also presents a summary of the missing data. Of the 59 variables included in the analysis, 13 had complete data for all cases. As for the cases, almost half of them had complete data for all variables. Overall, nearly 4 percent of the values were missing. This, according to Tabachnick and Fidell (2007), indicates a non-serious problem as long as the values are missing at random. In such situations, almost any procedure for treating missing data yields similar results.

Figure 6-1: Summary of Missing Values



This takes us to the second issue, diagnosing the randomness of missing data. A non-random missing data pattern poses a more serious problem than the amount of missing data because it impairs data generalizability (Tabachnick and Fidell, 2007). For example, if respondents belonging to a certain category (e.g. weak exporters) choose not to provide information about their export ratio, then any analysis failing to recognise this pattern or deleting those cases will generate biased results. Ideally, data should be missing completely at random (MCAR), i.e. missing values in variable Y, for example, depends on neither Y, nor any other variable in the dataset (Allison, 2003).

Hair et al. (2010) suggest using two diagnostic methods. First, two groups should be formed for each variable (Variable Y will be used as an example): observations with valid values and observations with missing values. T-tests are then performed to determine the statistical significance of the difference in the remaining variables' means between the two groups of Y. Significant differences indicate possible non-randomness but only when there are many of them or a consistent pattern emerges (Hair, et al., 2010). The Missing Value Analysis (MVA) in SPSS offers the option to run the T Tests to compare valid and missing groups for each variable; it returned rare significant values and the data were judged to be missing at random. The second diagnostic tool is an overall test of randomness known as Little's MCAR test. This test was also performed using MVA procedure. Chi-Square value was 1733.3 with 1745 degrees of freedom and a significance of .574. The non-

significance of the test confirms that data are missing completely at random (MCAR).

The next step after establishing the randomness of missing data is dealing with them. Two options are available. First, deletion of cases or variables, however, this will severely reduce the sample size since missing data are scattered throughout cases and variables. Only 47 cases and 13 variables have complete data. The second option is imputing missing data; that is estimating missing values given the valid values of other cases and variables in the dataset. Hair et al. (2010) consider all imputation methods acceptable when 10% or less of the values are missing. In this study, only 4% of the values are missing. A common approach is to substitute missing values with the variable mean; however this approach attenuates measures of association (e.g., correlations) due to reduction in variable variance and is considered possibly the worst missing data handling procedure available (Enders, 2010).

Alternatively, Hair et al. (2010) recommend using regression methods for imputation when data are MCAR or model-based methods (e.g. expectation maximisation) when dealing with non-randomly missing data. Regression-based imputation employs regression analysis to predict the missing values of a variable based on its association with other variables in the dataset. Expectation Maximisation (EM) is an iterative process comprising two steps, first expectation of missing data based on the observed values and initial parameter values (e.g. correlations). These expected values then replace the missing data. Second, the Maximisation step performs maximum likelihood estimation to generate new estimates of the parameters (Allison, 2003). The process is iterated until parameter estimates stop changing from one iteration to the next. Given that missing data in the dataset were MCAR, the regression method was used for imputation.

6.5.3 Normality Examination

The distributions of all variables were examined to check for normality. Table 6-6 presents descriptive statistics including the mean, standard deviation, variance, skewness and kurtosis measures for each variable used in the analysis. The Skewness measure assesses the symmetry of distribution while kurtosis measurement

portrays the ‘peakedness’ or the ‘flatness’ of distribution compared to the normal distribution (Field, 2009). Skewness values for seven variables and kurtosis values for 17 variables exceeded |1.0|, suggesting deviation from normality (Hair, et al., 2010). Additionally, values of Shapiro-Wilks test and a modification of the Kolmogorov-Smirnov test, which assess the differences from a normal distribution, were significant ($p<0.001$) for all items (Hair, et al., 2010). Finally, the histograms and normal probability plots were inspected visually. The examination indicated significant deviations from normality for most variables. Deviation from normality does not pose a problem as the analytical tool employed, Partial Least Squares path modelling, has the ability to handle non-normal data and offer robust approximations (Henseler et al., 2009).

Table 6-6: Descriptive Statistics of Indicators

	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
TL1	4.99	1.586	-.678	.246	-.035	.488
TL2	5.08	1.600	-.831	.246	.313	.488
TL3	5.16	1.446	-.642	.246	.556	.488
TL4	4.89	1.660	-.731	.246	.294	.488
S1	3.82	1.583	-.060	.246	-.545	.488
S2	4.18	1.711	-.114	.246	-.721	.488
S3	3.98	1.824	-.288	.246	-.918	.488
S4	4.19	1.843	-.292	.246	-.891	.488
CM1	4.72	1.696	-.789	.246	.038	.488
CM2	4.48	1.864	-.460	.246	-.730	.488
CM3	4.59	1.827	-.550	.246	-.585	.488
MC1	3.59	1.798	.055	.246	-.865	.488
MC2	3.57	1.834	.132	.246	-.914	.488
MC3	4.57	1.568	-.364	.246	-.139	.488
MC4	4.93	1.604	-.738	.246	.110	.488
MC5	5.17	1.587	-.877	.246	.421	.488
MP1	4.33	1.646	-.248	.246	-.670	.488
MP2	4.23	1.701	-.236	.246	-.425	.488
MP3	3.97	1.844	-.128	.246	-.943	.488
MI1	3.75	1.741	-.046	.246	-.848	.488
MI2	3.97	1.872	-.141	.246	-.997	.488
MI3	3.89	1.776	-.203	.246	-.934	.488
MI4	3.93	1.915	-.105	.246	-1.062	.488
MIM1	4.75	1.818	-.671	.246	-.393	.488

MIM2	4.11	1.817	-.292	.246	-.958	.488
MIM3	5.25	1.576	-1.149	.246	1.037	.488
MIM4	4.71	1.771	-.626	.246	-.382	.488
IS1	4.15	1.616	-.165	.246	-.602	.488
IS2	4.20	1.560	-.286	.246	-.628	.488
IS3	3.95	1.625	-.200	.246	-.776	.488
EMP_INT	4.47	2.880	1.083	.246	.624	.488
FSTS	45.385	30.3323	.357	.246	-1.079	.488
NO_Country	8.31	7.123	1.755	.246	3.150	.488
Geo-Scope	3.99	2.838	.697	.246	-.446	.488
EM1	2.88	1.932	.619	.246	-.747	.488
EM2	3.92	2.071	.012	.246	-1.173	.488
EM3	2.67	2.325	.934	.246	-.833	.488
EM4	1.55	1.391	2.720	.246	6.822	.488
Entry_Mode_Index	13.50	4.830	.273	.246	-.304	.488
YOI	14.66	9.197	.854	.246	.173	.488
YOE	26.81	17.900	1.087	.246	.208	.488
Age_at_Entry	11.7917	14.61212	1.484	.246	1.245	.488
N_Social	3.63	2.124	.163	.246	-1.221	.488
N_Customers	5.85	1.322	-1.374	.246	1.527	.488
N_Agents	3.93	2.206	-.056	.246	-1.388	.488
N_Competitors	3.85	2.057	-.118	.246	-1.265	.488
N_Chambers	3.46	1.952	.303	.246	-1.024	.488
N_Government	3.38	2.017	.336	.246	-1.098	.488
N_Shows	5.64	1.400	-.778	.246	-.229	.488
N_Universities	2.70	1.881	.798	.246	-.529	.488
N_Research	2.81	2.038	.747	.246	-.766	.488
PE1	4.69	1.731	-.473	.246	-.628	.488
PE2	3.48	2.005	.163	.246	-1.284	.488
PE3	3.05	2.094	.554	.246	-1.091	.488
PE4	4.19	1.820	-.231	.246	-.864	.488
PE5	2.72	1.703	.739	.246	-.240	.488
PE6	3.76	1.879	.054	.246	-.956	.488

6.6 Analytical Tool: Partial Least Squares Structural Equation Modelling

This section discuss the tool employed to analyse the data for testing the research hypotheses, namely, partial least squares (PLS) structural equation modelling (SEM). Unlike statistical tools such as multiple regression or multivariate analysis of variance that, while powerful, can examine a single relationship at a time,

SEM techniques can examine a series of dependence relationships simultaneously. Their value resides in testing theories that involve multiple dependence relationships. Furthermore, they can test relationships between constructs which are unobservable or latent factors represented by multiple variables (Hair, et al., 2010).

Hair et al. (2010, p.618) identify three characteristics that distinguish SEM models:

1. Estimation of multiple and interrelated dependence relationships
2. An ability to represent unobserved concepts /constructs/ in these relationships and account for measurement error in the estimation process.
3. Defining a model to explain the entire set of relationships.

There are two approaches to testing structural equation models, covariance-based (CBSEM) and variance or component-based. The first approach aims to estimate the model parameters in a way that maximises the resemblance between the theoretical covariance matrix implied by the model structural relations and the observed covariance matrix (Hair, Ringle, and Sarstedt, 2011). The second approach, Partial Least Squares (PLS) path modelling, was developed by Herman Wold as an alternative to CBSEM (Wold, 1982). Wold's approach focuses on explaining variances of dependent variables and constructs (Chin, 2010). Given the different objectives of CBSEM and PLS, they produce different results for the same structural model; thus the choice between these two approaches is "neither arbitrary nor straightforward" (Fornell and Bookstein, 1982, p.450).

Reinartz et al. (2009) and Chin (2010) provide guidance on the choice between the two approaches. The key distinction between CBSEM and PLS is related to their objectives; PLS is preferred when the research objective is prediction and theory development given the larger statistical power it offers (Reinartz, et al., 2009). Power is the probability of finding a statistically significant relationship, when the relationship actually exists (Goodhue, Lewis, and Thompson, 2006). Power decreases with smaller sample sizes, weaker underlying relationship, or measures with lower reliability. PLS requires only half as many observations as CBSEM to achieve a certain level of statistical power (Reinartz, et al., 2009). With measurement

models of a certain quality (four indicators per construct and average loadings of 0.7), 100 observations can be sufficient to achieve a statistical power of 0.80 for medium population effect sizes. For weak population effect sizes, 250 observations are considered sufficient. CBSEM needs 250 and 1,000 observations, respectively, to achieve similar power levels. It is this attribute that makes PLS better suited for the early stages of theory development and for smaller sample sizes (Reinartz, et al., 2009). For example, Wilden et al. (2013) employ PLS to examine relationships between dynamic capabilities, performance and contingency factors that have not been previously investigated using a sample of 91 firms.

On the other hand, CBSEM, instead, should be the method of choice when the focus lies on theory testing and confirmation. The availability of 'goodness of fit' indices that emphasize theory testing can be used to assess CBSEM estimates (Hair, et al., 2011). CBSEM requires the use of relatively well established theoretical knowledge for adequate deployment since model misspecification, such as omitting a path between two constructs or mistakenly assigning an item to a construct, can impact all of the model estimates (Chin, 2010).

One of the drawbacks of PLS is the absence of measures to estimate global goodness of model fit (GoF) to test and confirm theories (Hair, et al., 2011; Hulland, 1999). This is mainly because PLS, unlike CBSEM, does not optimise a unique global scalar function (Henseler and Sarstedt, 2013). Tenenhaus et al. (2005) aimed to remedy this shortcoming by developing an index that captures the model performance at the measurement and structural level. Their index uses the average values of both communality and R^2 as follows:

$$\mathrm{GOF} = \sqrt{\overline{\mathrm{Communality}} * \overline{\mathrm{R}^2}}$$

The index has been criticised for not truly representing a GoF measure despite being called so (Hair, Sarstedt, Ringle, and Mena, 2012a). The proposed GoF is conceptually inappropriate if a formative measurement model is employed (Henseler and Sarstedt, 2013). Additionally, using single-item measures would increase the GoF although that does not necessarily imply an increase in reliability or predictive validity (Henseler and Sarstedt, 2013). Furthermore, it is very difficult to

derive threshold values for an acceptable GoF since acceptable R^2 values depend on the research context (Hair, et al., 2012a). More importantly, analysis using simulated data highlighted that the proposed GoF index is unable to separate valid models from invalid models (Henseler and Sarstedt, 2013). Therefore, reliance on the evaluation of path coefficients and their significance is more appropriate for model evaluation (Henseler and Sarstedt, 2013).

Although CBSEM outperforms PLS with respect to parameter consistency and accuracy at large sample sizes (250 observations or more), PLS tends to feature a greater level of accuracy than CBSEM at small sample sizes (Reinartz, et al., 2009). However, PLS tends to generate biased estimates represented in higher loadings estimates and lower structural path estimates, whereas CBSEM shows exactly the opposite tendency (Henseler, Ringle, and Sinkovics, 2009). It is in the case of "consistency at large", where both the number of indicators per construct and sample size are high, that PLS generates estimates close in value to the population ones (Wold, 1982). The bias occurs because PLS optimizes measurement model parameters and then estimates the structural model path coefficients (Hair, et al., 2011). Thus, PLS path estimates are more conservative than those of CBSEM.

Additionally, the ability to handle complex models involving a relatively large number of latent variables (LV) is a major differentiator between PLS and CBSEM. CBSEM may run into difficulties when handling models with 50 or more variables, whereas PLS has the ability to handle models of high complexity (Chin, 2010). The two approaches also differ in their ability to handle formative indicators. Modelling formative indicators in a CBSEM analysis may lead to identification problems (Chin, 2010), while PLS has the ability to deal with an almost unlimited number of formative indicators (Reinartz, et al., 2009).

PLS does not make assumptions regarding the distributional patterns of variables which make it suitable for use when normality is violated (Chin, 2010). There is some evidence that PLS outperforms CBSEM in case of non-normal data (Henseler, et al., 2009), however a contradicting evidence suggests that CBSEM behaves robustly when normality assumptions are violated (Hulland, Ryan, and

Rayner, 2010; Reinartz, et al., 2009). Therefore, making a choice between the two methods based on indicator distribution is considered inappropriate.

CBSEM is the dominating tool in analysing structural equation models in business research. Nevertheless, the use of PLS has been growing over the past few years. In the field of marketing, PLS has become an increasingly popular approach to structural equation modelling (Hair, et al., 2012a). This popularity is particularly observed in empirical international marketing research (Henseler, et al., 2009). Additionally, PLS is a key multivariate analysis method in management information systems research (Ringle, Sarstedt, and Straub, 2012). PLS has also been increasingly adopted in operations management research (Peng and Lai, 2012). On the other hand, PLS was relatively rarely used in strategy research (Hair, Sarstedt, Pieper, and Ringle, 2012b). However, two recent double issues in Long Range Planning, issues 5-6 volume 45 in 2012 and issues 1-2 volume 46 in 2013, devoted to PLS techniques and empirical research in strategy have marked a new era. The two issues aim to highlight the value of PLS to research in strategic management (Robins, 2012).

Several recent research papers in international business have employed PLS for analysis. These include three articles published in the top journal in international business, Journal of International Business Studies, between 2010 and 2013 (Lam, Ahearne, and Schillewaert, 2012; Schotter and Beamish, 2013; Shi, White, Zou, and Cavusgil, 2010). Five articles employing PLS for analysis have been published during the same period in Journal of World Business, one of the top journals in international business. Journal of World Business has also published one of the first applications of PLS in international entrepreneurship, which is a paper by Acedo and Jones (2007) on speed of internationalization and entrepreneurial cognition. The picture is similar in international marketing research, with 10 articles published in the 2010-2013 period in Journal of International Marketing and two articles in International Marketing Review. Some of these papers applied PLS analysis on relatively small-size samples. Table 6-7 provides examples of such papers.

Table 6-7: Examples of Recent PLS Applications on Small Sample Sizes in International Business Research

Author(s)	*Journal*	*Focus of the research*	*Sample Size*	*Population*
Acedo and Galán (2011)	ISBJ*	Relationships between export stimuli, personal characteristics of decision makers and their decisions on internationalisation	110	Spanish SMEs
Nell and Ambos (2013)	SMJ*	Determinant of MNE's headquarters value addition to its own affiliates	124	Manufacturing subsidiaries in Europe
Segaro, Larimo and Jones (2014)	IBR*	Impact of organisational culture, typical to family businesses on internationalisation	80	Finish internationa manufacturing family SMEs
Sinkovics and Sinkovics (2013)	IMR*	The drivers and performance implications of internet use	115	UK-based SMEs
Swoboda and Elsner (2013)	JIM*	The impact of standardising or adapting retail format elements on performance in foreign markets	102	International retailers from Austria, Germany, and Switzerland
Wilden et al. (2013)	LRP*	The impact of dynamic capabilities on organizational performance and the moderating role of organizational structure and competitive intensity	91	Large Australian organizations

* ISBJ: International Small Business Journal; SMJ: Strategic Management Journal; IBR: International Business Review; IMR: International Marketing Review; JIM: Journal of International Marketing, LRP: Long Range Planning

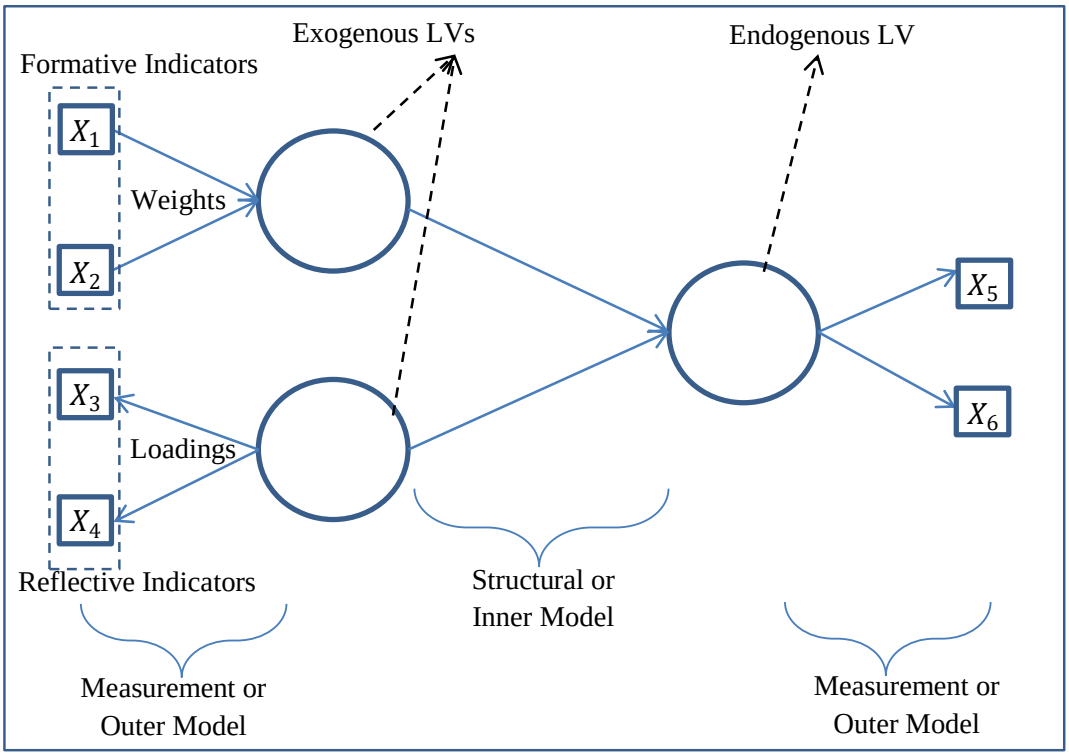
In a nutshell, PLS offers greater flexibility in handling several modelling problems without the strict assumptions of CBSEM, however, it has limitations regarding the accuracy of estimates. Given that this research is guided by theory at an intermediate stage of development (Section 5.3.1), PLS is considered more appropriate for the current research objectives. Knowledge in the area of learning from international markets is limited and that some of the hypothesised relations in the conceptual model are being tested for the first time. In addition, the level of complexity of the model under investigation, the limited number of observations in

the sample and the use of formative measurement models provide further support for employing PLS path modelling in analysing the data in this research.

6.6.1 The PLS Path Model and Algorithm

The PLS path model contains two models: the measurement (or outer) model which links each manifest variables (MV) to the construct it was intended to measure and the structural (or inner) model which links endogenous and exogenous LVs (Tenenhaus, et al., 2005). Figure 6-2 displays the terminology used in PLS analysis.

Figure 6-2: PLS Terminology



X_{1-6}: Manifest variables or indicators

The PLS algorithm include three stages (Henseler, et al., 2009). The first stage performs an iterative estimation of LV scores until convergence is obtained and contains four steps:

- Outer approximation of the LV scores using MV values.
- Estimation of the path coefficients.
- Inner approximation of the LV scores using the path coefficients.
- Estimation of the outer weights.

The remaining two stages provide an estimation of outer weights and loadings, path coefficients and location parameters. SmartPLS 2.0 programme was used to conduct the analysis (Ringle, Wende, and Will, 2005). Table 6-8 presents the software settings which were used in light of the rules of thumb provided by Hair, Sarstedt, Ringle and Mena (2012a).

Table 6-8: PLS Software Settings

Criterion	Setting	Reference
PLS Algorithm		
Starting values for weights for initial approximation of the LV scores	1	Henseler et al. (2009)
Weighting scheme	Path weighting scheme	Henseler et al. (2009)
Stop criterion: Sum of the outer weights' changes between two iterations	<10^−5	Wold (1982)
Maximum number of iterations	300	Ringle et al. (2005)
Bootstrapping		
Sign change option	Individual sign changes	Henseler et al. (2009)
Number of bootstrap cases	96: equals number of valid observations	Hair et al. (2011)
Number of bootstrap samples	500	Wetzels, Odekerken-Schröde and van Oppe (2009) & Wilson (2010)
Blindfolding		
	Cross-validated redundancy	Chin (2010)
Omission distance d	9	Chin (2010)

6.7 Model Evaluation: Measurement (Outer) Model Results

The findings of the model evaluation are presented in two phases. The first phase, presented in this section, focuses on construct measurements. This section starts with presenting an examination of the unidimensionality, reliability and validity of the reflective measurement models. It then details an examination of the formative measurement models. After establishing the adequacy of the measurement models, the second phase turns to provide an evaluation of the structural model, which is presented in Section 6.8.

6.7.1 Assessing Reflective Measurement Models

6.7.1.1 Unidimensionality of Reflective Scales

To check for unidimensionality, items of all reflective scales were subjected to principal component analysis (PCA) using SPSS software (Tenenhaus, et al., 2005). PCA requires number of observations to be at least five times the number of analysed variables, with 10:1 ratio being more acceptable (Hair, et al., 2010). Due to sample size constraints, four PCAs were run and analysed. The first PCA involved average scores for variables used to measure constructs with reflective measurement models in order to identify constructs most similar to one another, i.e. have high cross loadings or are loading on one factor. The first PCA, therefore, included the average scores of indicators used to measure technological learning, channel management, market information management, marketing communications, marketing implementation, marketing planning, sales, previous experience and international performance.

Three sets of constructs were consequently analysed. These are technological learning, international performance and previous experience; marketing communication, marketing planning, marketing implementation and market information management; sales and channel management. Number of factors to be extracted was fixed a priori in each of the last three PCAs in accordance with the sources from which the measurement scales were obtained.

Before examining PCA results, the appropriateness of factor analysis was assessed. The correlation matrix comprised many coefficients of .3 and above. The Bartlett test of sphericity, which assesses the existence of significant correlations among at least some of the variables, was significant in all PCAs ($P < .001$), supporting the factorability of the correlation matrix (Hair, et al., 2010). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, which assesses the extent to which a variable is perfectly predicted without error by the other variables (Hair, et al., 2010), was above .79 in all cases, exceeding the recommended value of .6 (Tabachnick and Fidell, 2007).

To aid in the interpretation of components, VARIMAX rotation was employed. The rotated solution provided a clear separation of the factors and a simple structure. Factor loadings were considered significant if they exceeded the 0.55 threshold taking into consideration the sample size and a power level of 80% (Hair, et al., 2010). All items were loading substantially on only one component except for items MC1 and MC2 of marketing communication that were loading significantly on marketing planning. Subsequently, these two items were deleted. As a result, all remaining items were loading significantly only on the construct they were designed to measure. Communality, which represents the amount of variance accounted for by the factor solution for each variable, exceeded .50 for each item, except for items PE5 and PE6 measuring management's previous experience, suggesting they did not have sufficient explanation (Hair, et al., 2010). PE5 and PE6 were eliminated from the analysis due to their low communality score. The components revealed in each PCA explained a minimum of 71% of the variance. The following table presents the results of the KMO measure, Bartlett's Test of Sphericity, total variance explained, minimum communality and minimum loading for each of the last three PCAs after item deletion.

Table 6-9: Principal Component Analysis Criteria

Constructs in PCA	*KMO Measure*	*Bartlett's Test of Sphericity*	*Total Variance Explained*	*Comm-unality*	*Loadings*
technological learning, international performance and previous experience	0.789	.000	71.57%	>0.55	>0.72
marketing communication, marketing planning, marketing implementation and market information management	0.907	.000	80.46%	>0.65	>0.59
Sales and Channel Management	.876	.000	84.64%	>0.75	>0.79

6.7.1.2 Reliability

Reliability refers to the internal consistency among the variables of an LV. It aims to investigate whether indicators of a scale are measuring the same construct by establishing that they are highly inter-correlated (Hair, et al., 2010). Cronbach's alpha (α) is the most commonly used measure of reliability, however it has been criticised for assuming that all indicators are equally reliable which may result in an underestimation of the internal consistency reliability in PLS models (Henseler, et al., 2009). The composite reliability (CR), on the other hand, takes into account that indicators have different loadings, making it more suitable for PLS which prioritises indicators based on their individual reliability (Hair, et al., 2012a). Both measures are reported in Table 6-10. Their values should exceed 0.7 and ideally 0.8 or 0.9 (Henseler et al., 2009). All measures had reliability coefficients over 0.81 suggesting measures are very reliable.

Table 6-10: Measurement Model: Reliability and Convergent Validity

Factor	*Indicator*	*Loading*	*T value*	*α*	*CR*	*AVE*	*R²*
International Performance	IS1	0.945***	40.32	0.814	0.882	0.719	0.237
	IS2	0.925***	23.16				
	IS3	0.641***	4.81				
Technological Learning	TL1	0.816***	14.04	0.843	0.896	0.683	0.259
	TL2	0.748***	13.64				
	TL3	0.895***	31.20				
	TL4	0.840***	21.03				
Channel Management	CM1	0.919***	43.84	0.92	0.95	0.86	N/A
	CM2	0.935***	50.54				
	CM3	0.932***	53.06				
Marketing Communication	MC3	0.854***	22.02	0.880	0.926	0.807	N/A
	MC4	0.932***	69.46				
	MC5	0.907***	41.46				
Marketing Implementation	MI1	0.923***	54.22	0.936	0.954	0.839	N/A
	MI2	0.905***	35.11				
	MI3	0.942***	50.35				
	MI4	0.893***	29.51				
Market Information Management	MIM1	0.904***	35.25	0.917	0.941	0.800	N/A
	MIM2	0.880***	29.01				
	MIM3	0.888***	33.47				
	MIM4	0.906***	47.60				
Marketing Planning	MP1	0.883***	23.68	0.867	0.919	0.790	N/A
	MP2	0.899***	32.01				
	MP3	0.885***	30.61				
Sales	S1	0.917***	47.89	0.928	0.949	0.825	N/A
	S2	0.835***	16.34				
	S3	0.947***	81.05				
	S4	0.928***	62.08				
Marketing Learning	CM	0.710***	11.29	0.896	0.921	0.660	0.293
	MC	0.819***	21.22				
	MIM	0.858***	28.62				
	MI	0.847***	30.89				
	MP	0.829***	23.78				
	Sales	0.803***	15.32				
Previous Experience	PE1	0.759***	11.05	0.851	0.899	0.690	N/A
	PE2	0.847***	10.53				
	PE3	0.840***	12.59				
	PE4	0.873***	13.00				

***p<.01; **p<.05; *p<.10; N/A = Do not apply.

6.7.1.3 Validity

Two types of validity should be examined: convergent validity and discriminant validity. Convergent validity denotes that a set of indicators represents

one underlying construct; which is reflected through their unidimensionality (Henseler, et al., 2009). Unidimensionality was examined using PCA (section 6.7.1.1) but can also be established by inspecting the loading of each set of indicators on the LV they were created to measure. The loadings should be high, greater than 0.707, and close in values (Chin, 2010). All indicators, except for one, met these criteria (Table 6-10). Indicator 3 of International Performance had a loading of 0.64. This loading value is very close to the threshold value. Additionally, Chin (2010) suggests that the aforementioned rule of thumb should be relaxed at early stages of scale development and loadings of 0.5 or 0.6 may be acceptable if there are additional indicators in the LV.

It should be noted that loadings of the second-order LV, marketing learning, represent the Beta coefficients of the inner model between the second-order LV and the first-order LVs (Wetzels, et al., 2009). All indicators were loading significantly on their respective constructs ($p < 0.01$). The values of α, CR and AVE were calculated manually for the marketing learningconstruct using the loadings of the first-order LVs (the Beta coefficients).

To establish statistical significance, the nonparametric bootstrap procedure is employed (Chin, 2010). The procedure considers the observed sample as a population, and creates a pre-specified number of samples by randomly selecting cases with replacement from this 'population' (Henseler, et al., 2009). The sampling with replacement approach means that if case 3 was selected at random, for example, it will be returned to the population before another case is drawn. Thus, case 3 has a chance of being selected again. 500 bootstrap samples were created, therefore exceeding Chin (1998, p.320)'s recommendation of 200 and in line with what was used in previous research (Henseler and Chin, 2010; Papadopoulos and Martín Martín, 2010; Wetzels, et al., 2009; Wilson, 2010). The number of cases in each bootstrap sample should equal that of the original sample (i.e. 96). PLS estimates the inner and outer model for each bootstrap sample. The coefficients obtained for each sample are then used to construct a bootstrap distribution. The mean value and standard error of each coefficient are also calculated. Consequently, the bootstrap procedure enables using student's t-test to examine whether the coefficients are

significantly different from zero (Henseler et al., 2009). Significant results were identified in each of the analysis tables using asterisks.

Beside loadings, Fornell and Larcker (1981) proposed the average variance extracted (AVE) as a measure of convergent validity. AVE "attempts to measure the amount of variance that an LV component captures from its indicators relative to the amount due to measurement error" (Chin, 2010, p.670). AVE should be greater than 0.50 suggesting that 50% or more variance of the indicators has been accounted for. All reflective measures had an AVE above 0.66 (Table 6-10).

To assess discriminant validity in PLS path modelling, two criteria should be employed: the Fornell–Larcker criterion and the cross-loadings criterion (Henseler et al., 2009). The former suggests that an LV should share more variance with its own indicators than with any other LV. To test for this, the square root of an LV's AVE should be greater than the LV's highest correlation with any other LV (Chin, 2010). Table 6-11 presents the comparison results. The square root of AVE of each LV was higher than the LV correlation with any other LV.

The second approach to establishing discriminant validity is by examining cross-loadings; an item loading on the construct it was intended to measure should be higher than its loading on any other construct (Henseler, et al., 2009). If an indicator had a stronger connection with another construct, this would imply that it is unable to discriminate as to whether it belongs to the construct it was intended to measure or to another construct (Chin, 2010). Each item was loading more highly on the construct it is assigned to than on other constructs (Table 6-12).

Table 6-11: First-Order Constructs: discriminant validity

Construct	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*
Age at Entry	1													
Channel Management	0.21	0.93												
DoI	0.07	0.11	N/A											
Informal Network	0.09	0.12	0.19	N/A										
Firm Age	0.86	0.17	0.17	0.12	1.00									
Firm Size	0.11	0.12	0.27	0.08	0.16	1.00								
International Performance	0.12	0.12	0.42	0.20	0.10	0.10	0.85							
Market Information MNG	0.20	0.50	0.23	0.40	0.21	0.09	0.10	0.89						
Marketing Implementation	0.23	0.49	0.32	0.36	0.29	0.14	0.23	0.66	0.92					
Marketing Planning	0.32	0.38	0.40	0.39	0.37	0.05	0.15	0.64	0.75	0.89				
Marketing Communication	0.24	0.47	0.37	0.46	0.29	0.19	0.10	0.64	0.69	0.72	0.90			
Previous Experience	0.00	0.07	0.21	0.20	0.03	0.11	0.33	0.20	0.05	0.11	0.02	0.83		
Sales	0.29	0.71	0.15	0.23	0.32	0.14	0.09	0.62	0.52	0.55	0.51	0.08	0.91	
Technological Learning	0.13	0.35	0.40	0.30	0.12	0.09	0.39	0.33	0.39	0.47	0.34	0.31	0.26	0.83

N/A = Do not apply

Below diagonal: correlation among LVs

Diagonal: square root of AVE

Table 6-12: Item Cross-Loadings

Item*Construct*	1	2	3	4	5	6	7	8	9	10	11	12	13	14
CM1	0.17	**0.92**	0.11	0.19	0.15	0.09	0.07	0.48	0.47	0.37	0.45	0.05	0.67	0.31
CM2	0.22	**0.93**	0.09	0.12	0.15	0.09	0.13	0.43	0.47	0.34	0.43	0.10	0.60	0.32
CM3	0.20	**0.93**	0.10	0.04	0.17	0.16	0.15	0.47	0.43	0.36	0.42	0.05	0.71	0.34

IS1	0.06	0.10	0.43	0.22	0.08	0.08	**0.94**	0.13	0.26	0.21	0.14	0.32	0.09	0.47
IS2	0.13	0.16	0.35	0.13	0.09	0.07	**0.92**	0.05	0.15	0.04	0.03	0.36	0.08	0.32
IS3	0.17	0.01	0.24	0.14	0.14	0.16	**0.64**	0.07	0.18	0.15	0.03	0.04	0.02	0.03
MC3	0.23	0.37	0.21	0.43	0.26	0.09	0.08	0.56	0.57	0.55	**0.85**	0.01	0.36	0.29
MC4	0.22	0.52	0.35	0.38	0.26	0.18	0.09	0.58	0.68	0.68	**0.93**	0.02	0.53	0.27
MC5	0.21	0.36	0.42	0.44	0.26	0.22	0.09	0.60	0.61	0.69	**0.91**	0.03	0.47	0.35
MI1	0.19	0.48	0.34	0.32	0.25	0.21	0.20	0.63	**0.92**	0.71	0.67	0.03	0.50	0.36
MI2	0.27	0.49	0.31	0.26	0.32	0.11	0.17	0.57	**0.91**	0.70	0.70	-0.04	0.50	0.30
MI3	0.22	0.45	0.28	0.35	0.25	0.10	0.28	0.58	**0.94**	0.66	0.62	0.08	0.45	0.39
MI4	0.17	0.39	0.25	0.39	0.23	0.09	0.19	0.64	**0.89**	0.68	0.54	0.13	0.46	0.37
MIM1	0.18	0.50	0.24	0.34	0.21	0.10	0.13	**0.90**	0.64	0.57	0.60	0.20	0.61	0.30
MIM2	0.22	0.39	0.18	0.30	0.21	0.02	0.04	**0.88**	0.62	0.62	0.56	0.12	0.56	0.24
MIM3	0.10	0.47	0.21	0.42	0.12	0.08	0.06	**0.89**	0.52	0.53	0.59	0.12	0.54	0.31
MIM4	0.20	0.42	0.18	0.36	0.20	0.11	0.14	**0.91**	0.57	0.58	0.55	0.29	0.51	0.34
MP1	0.32	0.38	0.40	0.37	0.39	0.06	0.25	0.50	0.63	**0.88**	0.64	0.10	0.43	0.53
MP2	0.23	0.32	0.41	0.36	0.27	0.07	0.14	0.60	0.64	**0.90**	0.64	0.15	0.50	0.41
MP3	0.30	0.32	0.25	0.32	0.34	0.00	0.03	0.62	0.73	**0.89**	0.63	0.03	0.52	0.32
PE1	0.04	0.02	0.14	0.07	0.03	0.01	0.26	0.13	-0.02	0.14	-0.03	**0.76**	0.03	0.24
PE2	-0.02	0.06	0.19	0.22	0.00	0.16	0.32	0.18	0.10	0.04	0.01	**0.85**	0.08	0.24
PE3	-0.03	0.02	0.18	0.16	0.03	0.14	0.19	0.16	0.01	0.08	0.05	**0.84**	0.01	0.24
PE4	0.02	0.12	0.19	0.20	0.02	0.06	0.30	0.21	0.08	0.10	0.04	**0.87**	0.13	0.31
S1	0.27	0.71	0.20	0.20	0.28	0.18	0.17	0.57	0.49	0.49	0.45	0.12	**0.92**	0.26
S2	0.28	0.54	0.16	0.13	0.31	0.15	0.09	0.44	0.38	0.50	0.45	0.08	**0.84**	0.22
S3	0.29	0.69	0.10	0.23	0.30	0.11	0.02	0.61	0.49	0.51	0.47	0.02	**0.95**	0.26
S4	0.22	0.64	0.08	0.27	0.26	0.08	0.03	0.63	0.53	0.49	0.47	0.09	**0.93**	0.20
TL1	0.07	0.22	0.30	0.31	0.07	-0.07	0.33	0.29	0.32	0.41	0.28	0.26	0.20	**0.82**
TL2	0.14	0.41	0.33	0.27	0.11	0.12	0.26	0.40	0.35	0.39	0.37	0.28	0.33	**0.75**
TL3	0.13	0.31	0.33	0.21	0.13	0.09	0.35	0.22	0.29	0.40	0.24	0.25	0.20	**0.90**
TL4	0.09	0.22	0.37	0.20	0.09	0.15	0.34	0.19	0.31	0.35	0.24	0.25	0.13	**0.84**

6.7.2 Assessing Formative Measurement Models

The nature of formative measures makes the use of an internal consistency perspective inappropriate for assessing the validity of the construct since formative items are viewed as multidimensional rather than similar measures reflecting the same underlying construct (Chin, 2010). Hence, formative items cannot be assessed using the criteria for reflective items such as AVE, composite reliability, and loadings. To assess formative measurement models, Henseler et al. (2009) suggest using four criteria, nomological validity, external validity, multicollinearity check and significance of weights. In the following sections, each of these criteria is described and assessed.

6.7.2.1 Nomological Validity

A formative index is said to have nomological validity if its relationships with other constructs conform to what has been established in prior research (Diamantopoulos and Winklhofer, 2001; Henseler, et al., 2009). As will be shown later, DOI has significant relationship with technological learning as well as foreign performance, thus supporting what has been established by prior research (e.g. Zahra, et al., 2000). Informal Network is also significantly related to both types of learning, hence the index behaves as predicted in the hypotheses (Henseler, et al., 2009).

6.7.2.2 External Validity

External validity can be established by comparing two sets of measurement models capturing the same concept, one reflective and one formative; the two LVs should correlate strongly and behave similarly in terms of their relationships with other constructs (Chin, 2010). Reflective indicators, thus, provide external validation for the formative measurement models (Götz, et al., 2010). However, in the absence of reflective measures, as is the case here, Chin (2010) suggests that nomological validity, i.e. predictive capability, becomes the primary basis for validation. This approach is also recommended by Diamantopoulos and Winklhofer (2001) and Henseler et al. (2009).

6.7.2.3 Test of Multicollinearity

Multicollinearity should be tested in formative measurement models as they are based on a multiple regression. Multicollinearity exists when two or more predictors in a regression model are strongly correlated (Field, 2009), resulting in the distortion of indicator weights by getting negative weights for example. Collinearity can be diagnosed using variance inflation factor (VIF) which assesses the strength of the linear relationship between two or more predictors. In PLS analysis, Hair et al. (2011) suggest that a VIF value of 5 — which means that 80 percent of an indicator's variance is accounted for by other formative indicators in the same construct — should cause concern. However, Henseler et al. (2009) suggest that any VIF value substantially greater than one indicates multicollinearity.

Table 6-13: Test of Multicollinearity

DOI Indicators

Indicator	EMP-INT	FSTS	NO-Country	Geo-Scope	Entry Mode
VIF	1.227	1.061	1.714	1.856	1.058

Informal Network Indicators

Indicator	VIF	Indicator	VIF	Indicator	VIF
N_Social	1.268	N_Competitors	1.615	N_Shows	1.320
N_Customers	1.416	N_Chambers	2.809	N_Universities	5.322
N_Agents	2.013	N_Government	2.119	N_Research	5.825

VIF values of DOI indicators were smaller than 1.9 which is in line with what has been reported by other researchers (e.g. less than 1.588 (Diamantopoulos and Winklhofer, 2001) and 2.0 (Chin, 2010)). However, multicollinearity was clearly an issue in Informal Network measure (Table 6-13). One way to deal with this issue is

by deleting highly collinear formative indicators, but this is not recommended due to content validity concerns as discussed earlier (Diamantopoulos, et al., 2008). Alternatively, Albers and Hildebrandt (2006) suggest using either the arithmetic or geometric mean to combine formative indicators into an index, then using the index as a single-item construct in subsequent analysis. This approach has been criticised given the problematic interpretation of the joint index (Diamantopoulos, et al., 2008). Bido, Silva, Souza and Godoy, (2010) suggested yet a third approach, inspired by the work of Cohen, Cohen, West and Aiken (2003) on multiple regression. They recommend using PCA and Varimax rotation to replace highly collinear formative indicators with their main components which are then used as formative indicators in the LV. Varimax rotation generates components that are independent of each other, thus eliminating multicollinearity. These components represent all of the information that is contained in the observed items and would generate identical R^2 values to those obtained if the original items are used (Cohen, et al., 2003).

The last approach was used in this research. PCA results revealed a four factor structure. The nine items measuring Informal Network subjected to PCA. The KMO value was .74, exceeding the recommended value of .6 (Tabachnick and Fidell, 2007), and Bartlett's test of Sphericity reached statistical significance ($P < .001$), supporting the factorability of the correlation matrix (Hair, et al., 2010). PCA revealed the presence of three components with eigenvalues exceeding 1 explaining 67.3% of the variance, however, the fourth factor had an eigenvalue just below 1 (0.94). An inspection of the scree plot revealed a noticeable break after the fourth component. These results indicated that a four-component structure would be more appropriate. Indeed, the four-component structure explained 34.2%, 17.5%, 14.65% and 12.5% of the variance respectively with a total of 78.84%. The lowest communality was 0.62. All items were loading significantly on one component, two items however, had high cross loadings but these were below the significance cut-off point of 0.55 (Hair, et al., 2010). These four components were called Network-1, Network-2, Network-3 and Network-4 as shown in Table 6-14.

The components lend themselves to a relatively easy interpretation. While social networks and trade shows stand as independent factors (Network-3 and

Network-4 respectively), the first factor (Network-1) comprises community-based networks including research institutions, universities, chambers of commerce or industry and the government. Conversely, the second factor (Network-2) includes business networks represented by competitors, customers and export agents.

Table 6-14: Components of Informal Network

Indicator	*Component*				*Communality*
	Network-1	*Network-2*	*Network-3*	*Network-4*	
N_Research	.867				.834
N_Chambers	.842				.769
N_Universities	.826				.796
N_Government	.712				.619
N_Competitors		.885			.845
N_Customers		.582	.531	.432	.808
N_Agents	.525	.563	.345		.775
N_Social			.870		.783
N_Shows				.882	.867

Coefficients were sorted by size. Coefficients smaller than 0.3 were suppressed.

6.7.2.4 Significance of Weights

Item weights form the basis of interpreting LVs with formative indicators; they provide information on the relative importance of each indicator in the creation of the component (Chin, 2010). Diamantopoulos et al. (2008) regard weight's significance as the criterion for individual indicator validity; thus items with non-significant weights should be considered for deletion as they cannot represent valid indicators of the construct. However, Hair, Ringle and Sarstedt (2011) argue that not only the formative indicator's weight, i.e. its relative importance, that should be evaluated but also its absolute importance for its construct by examining its loading. Retention of an indicator would be questioned, but with caution, only when both weight and loading are not significant.

Table 6-15 provides the loadings and weights of all formative items. The loadings of all DOI indicators were significant ($p < .01$). The weights of geographic scope of sales (Geo-Scope) and entry mode index were significantly greater than

zero at the p <.05 level, whereas the weights of FSTS and the number of employees who were dedicated to international activities (EMP_INT) were significant at the P <0.1 level. No-Country had a non-significant weight on the DOI construct. Substantively, this would suggest that No-Country played little role in the DOI construct formation. In addition, it suggests that EMP-INT, FSTS, Entry-Mode-Index and Geo-Scope have respectively increasing importance in forming the DOI construct and its subsequent effect on endogenous constructs.

Table 6-15: Formative Indicators Loadings and Weights

Factor	*Indicator*	*Loading*	*Weight*	*t value*
DOI	EMP_INT	0.591***	0.261*	1.707
	Entry_Mode_Index	0.582***	0.421***	2.731
	FSTS	0.519***	0.321*	1.805
	NO_Country	0.522***	0.032	0.241
	Geo-Scope	0.784***	0.533**	2.242
Informal Network	Informal-Network1	0.720***	0.720***	3.874
	Informal-Network2	0.483**	0.483**	2.415
	Informal-Network3	0.093	0.093	0.754
	Informal-Network4	0.490**	0.490**	2.536

***p<.01; **p<.05; *p<.10. t values are for the weights.

All items of Informal Network index had significant weights and loadings, except for Informal-Network3, social networks. However, it was decided to retain this item because its inclusion is theoretically-driven given the literature emphasis on the role of social ties. Eliminating formative indicators simply on the basis of statistical outcomes may have adverse consequences for the measure's content validity (Diamantopoulos and Siguaw, 2006). Henseler et al. (2009) recommend retaining both significant and insignificant formative indicators in the measurement model providing this is theoretically justified, especially that this step has almost no effect on PLS structural model estimates.

6.8 Model Evaluation: Structural (Inner) Model Results

PLS criteria for testing the structural model include the variance explained by the model as well as establishing the significance of all structural model standardised

path estimates (β). The coefficient of determination, R^2, of the endogenous constructs assesses the predictive power of the structural model as they represent the amount of variance in the endogenous constructs that is explained by the model. R^2 values should exceed the minimum threshold of 0.1 identified by Falk and Miller (1992). Chin (1998) consider R^2 values of 0.67, 0.33, and 0.19 in PLS models as substantial, moderate, and weak, respectively. β should be around 0.20 and ideally above 0.30 to be considered meaningful (Chin, 2010).

Another measure of the model's predictive relevance is the Stone–Geisser criterion Q^2 obtained using the blindfolding technique. Chin (2010) provides a clear description of the technique. It starts with omitting or 'blindfolding' some data points from a block of N cases and K indicators using an omission distance D. Wold (1982) recommends D to be an integer between 5 and 10 which must not be a perfect divisor of the sample size (D was set at 9 in this analysis). Thus, the first point (case 1 indicator 1) is deleted and then every other D data point in the data matrix is deleted. The model parameters are then estimated using the remaining cases and an estimation of the omitted (missing) values using mean substitution, pairwise deletion, or an imputation procedure. The new parameters are used to predict the omitted data. The difference between the observed data (y_{kn}) and estimated data ($\hat{y}_{kn}$) prediction error: E) can then be calculated and the sum of squares of prediction error becomes:

$$\sum E_k = \sum_{n=1}^{N} (y_{kn} - \hat{y}_{kn})^2$$

This value is compared to the total sum of squares (O) obtained using the mean ($\bar{y}_{kn}$), which is basic model of prediction as follows:

$$\sum O_k = \sum_{n=1}^{N} (y_{kn} - \bar{y}_{kn})^2$$

This process is repeated until each data point has been omitted and estimated and as a result, D sets of Es and Os are obtained. The Stone–Geisser criterion Q^2 for each endogenous LV becomes:

$$Q^2 = 1 - \frac{\sum_{i=1}^{i=D} E}{\sum_{i=1}^{i=D} O}$$

The blindfolding procedure is applied to endogenous reflective LVs only (Hair, et al., 2011). The cross-validated redundancy form of Q^2 is recommended for use in PLS given its reliance on both the structural model and the measurement models (Hair, et al., 2011). A positive value of Q^2 indicates that the observed values are well reconstructed and that the model has predictive relevance (Henseler, et al., 2009).

The previous criteria were used in assessing the PLS model in the process of testing the study hypotheses. Table 6-16 presents the hypotheses testing results. The table presents the β path coefficients as well as the R^2 and Q^2 values for each of the endogenous latent variables. It is clear from the table that DOI had a significant positive effect on technological learning ($\beta=0.315$, $p<0.01$) and marketing learning ($\beta=0.24$, $p<0.05$) providing support for both H1a and H1b.

Informal Network was associated positively and significantly with both Technological ($\beta=0.19$, $p<0.05$) and marketing learning ($\beta=0.34$, $p<0.01$) giving support to H2a and H2b. As expected in H3a, previous management's international experience had a positive and significant association with Technological-Learning ($\beta=0.21$, $p<0.05$). Conversely, H3b was not supported given the weak association between previous experience and marketing learning ($\beta=-0.005$). Age at entry had positive effects on both technological and marketing learning, which was significant in the case of marketing learning ($\beta=0.26$, $p<0.01$), supporting, therefore, H4b but not H4a.

In line with H5a, the effect of technological learning on international performance was positive and significant ($\beta=0.29$, $p<0.05$). However, the marketing learning's effect on international performance was close to zero and insignificant. This came in contrast to H5b. On the other hand, DOI was positively and significantly associated with international performance ($\beta=0.32$, $p<0.05$), providing support for H6. Finally, neither of the control variables, firm age and size, had a significant effect on international performance.

Table 6-16: Hypotheses Testing

Hypothesis	Standardized beta	t value Bootstrap	Hypothesis Acceptance
H1a: DoI -> Technological Learning	0.315***	3.81	Accepted
H1b: DoI -> Marketing Learning	0.240**	2.34	Accepted
H2a: Informal Network -> Technological Learning	0.190**	2.02	Accepted
H2b: Informal Network -> Marketing Learning	0.342***	3.71	Accepted
H3a: Previous Experience -> Technological Learning	0.209**	2.10	Accepted
H3b: Previous Experience -> Marketing Learning	-0.005	0.09	Rejected
H4a: Age at Entry -> Technological Learning	0.086	1.24	Rejected
H4b: Age at Entry -> Marketing Learning	0.255***	3.36	Accepted
H5a: Technological Learning -> International Performance	0.289**	2.28	Accepted
H5b: Marketing Learning-> International Performance	-0.074	0.95	Rejected
H6: DoI -> International Performance	0.319**	2.49	Accepted
Control 1: Firm Age -> International Performance	0.041	0.59	Rejected
Control 2: Firm Size -> International Performance	-0.008	0.14	Rejected

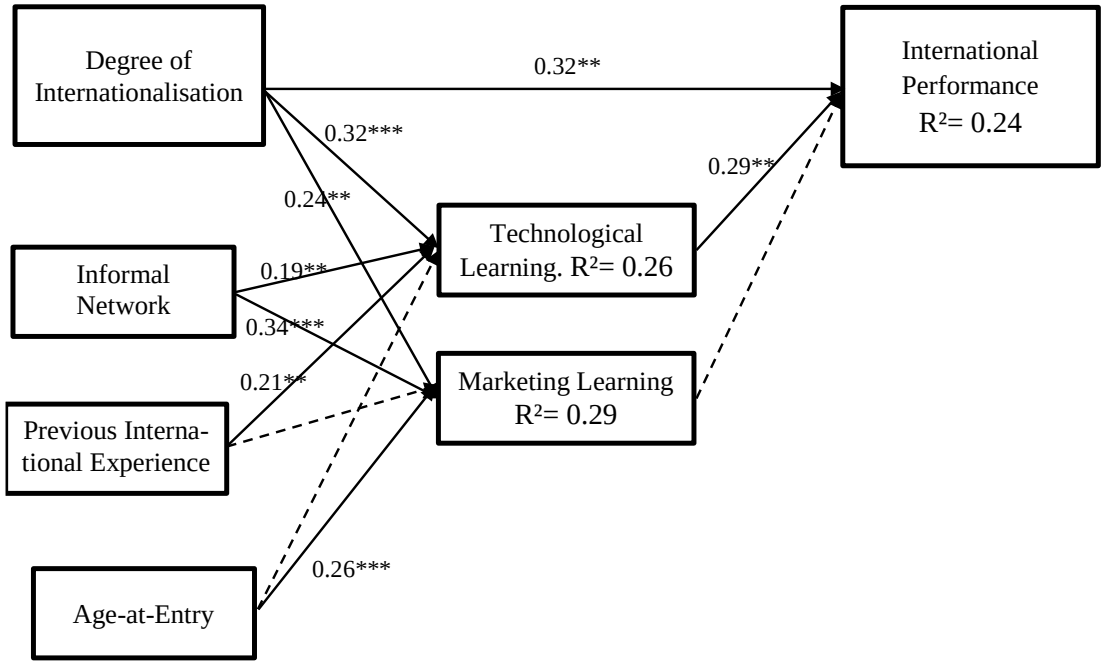
R^2 (Int-Performnce) = 0.24. R^2 (Tech-Lrn) = 0.26. R^2 (Marketing-Lrn) =0.29.

Q^2 (Int-Performance) = 0.1491. Q^2 (Tech-Lrn)= 0.1476. Q^2 (Marketing-Lrn) = 0.1462

***p<.01; **p<.05; *p<.10; N/A = Do not apply

The R^2 values of international performance, technological learning and marketing learning 0.24, 0.26 and 0.29 respectively, which are similar to what have been reported in other international business studies (e.g. Ellis, 2010; Hsu and Pereira, 2008; Papadopoulos and Martín Martín, 2010). The R^2 values exceed the minimum threshold of 0.1 specified by Falk and Miller (1992) and range between the weak and moderate threshold values identified by Chin (1998). The values of cross-validated redundancy form of Q^2 were positive for all endogenous variables, suggesting that the observed values are well reconstructed and that the model has predictive relevance (Henseler, et al., 2009). The coefficient of determination, R^2, of the endogenous construct and the significant structural model path coefficients (β) are presented in Figure 6-3. Paths with non-significant coefficients are depicted using dashed lines.

Figure 6-3: Structural Model Results



6.9 Limitations

Despite all care taken, the analysis presented here is not without limitations. Although every possible effort was taken to maximise the number of respondents, the modest number of investigated firms, though representative of their population and amount to a relatively large response rate, limit the potential for analysing the data. For example, the small number of respondents reduces the power of the model to identify small effect sizes (ES). There are no means to estimate the statistical power of the whole model, however, Cohen (1992) provides power tables for various statistical tests including multiple regression, which forms the basis for structural model analysis in PLS (Chin, 2010). Table 6-17 shows the required sample size for a multiple regression test using a power level of 0.8 and a combination of effect sizes (ES) and number of independent variables (IV).

Table 6-17: Power Table for a Multiple Regression Test (Power=0.80)

		α=0.01			*α=0.05*		
No	ES	Sm=0.02	Med=0.15	Lg=0.35	Sm=0.02	Med=0.15	Lg=0.35
2IV		698	97	45	481	67	30
3IV		780	108	50	547	76	34
4IV		841	1 18	55	599	84	38
5IV		901	126	59	645	91	42
6IV		953	134	63	686	97	45
7IV		998	141	66	726	102	48
8IV		1,039	147	69	757	107	50

Source: Cohen (1992)

Clearly, with the sample size used in this research, it is very difficult to detect small effect sizes. However, the study model, which had four predictors for each dependent variable (technological learning, marketing learning and international performance) in addition to two control variables for international performance, had a power of around 0.80 to detect medium effect sizes.

Additionally, highly skewed data, as is the case with many variables in the study, may inflate bootstrap standard errors and consequently reduce statistical power (Hair, et al., 2012a). This is particularly problematic given PLS's tendency to overestimate item loadings and underestimate inner model relationships (Chin, 2010; Wold, 1982). The underestimation is larger, the smaller the sample size (Hair, et al., 2012a).

Summary

This chapter presented the results of the statistical analysis of the quantitative data to test the hypotheses that were discussed in Chapter 4. An overview of respondent firms was provided followed by an examination of non-response and common method biases. A discussion of the procedures taken to prepare the data for analysis was then presented. This was followed by a detailed discussion of the PLS technique used to analyse the data. PLS was particularly suitable because this thesis is interested in a research area where theory is still being developed, PLS offers flexibility in handling several modelling problems without the strict assumptions of

CBSEM and the technique has the ability to deal with complex models using limited number of observations and can handle formative measurement models.

Data analysis was presented in two sections that evaluated the outer or measurement model and the inner or structural model. The analysis provides support for a number of the research hypotheses. The results suggest that international expansion presents the firm with new contexts and new customer needs that require an upgrade of capabilities, both technological and marketing-related. However, not all degree of internationalisation items made a significant contribution. Analysis results further reveal that both the degree of internationalisation and technological learning are positively associated with international performance, but marketing learning has no such significant association. The analysis also identifies a positive influence of the firm's informal network of relationship on both technological and marketing learning. On the other hand, each of management's prior international experience and firm's age at first foreign entry is positively associated with one type of learning.

The next chapter provides further examination of the research objectives in light of the findings and analysis of qualitative data collected through interviews. This is followed by a chapter that discusses the results from both the questionnaires and interviews using prior literature.

Chapter 7. **Interview Findings**

7.1 Introduction

This chapter presents the findings of the qualitative data collected through interviews. The research adopted a mixed methods approach and a concurrent triangulation design with the aim of triangulating and corroborating the results from analysing the data collected through the questionnaire and interview methods. Data collection using both methods was conducted simultaneously in line with the research design (Creswell, 2009). Results of the questionnaire analysis were presented in the previous chapter whereas this chapter presents the findings of interview analysis. The interview data were analysed using template analysis. As discussed in Section 5.5.4, template analysis fits well with the purpose of adopting a mixed methods approach in this thesis, namely triangulation and cross-validation of findings. It starts from a deductive approach by relying on a priori, or theory-driven, codes but also allows themes to emerge inductively (Saunders, et al., 2012). Supplementing a priori themes with data-driven inductively-generated themes helps avoiding what Bryman (1988) refers to as reaching theoretical conclusions that depart excessively from the views of the research's participants. The following section presents the analytical findings using the research objectives as a structuring device. The objectives of this research are:

1. To investigate the impact of the degree of internationalisation on technological and marketing learning among low-tech firms in a transition economy.
2. To assess how key organisational factors influence the ability of low-tech firms from a transition economy to learn from internationalisation in the areas of technological and marketing knowledge.
3. To explore the extent to which technological and marketing learning from internationalisation achieved by low-tech firms from a transition economy enhances their international performance.
4. To examine the impact the degree of internationalisation of low-tech firms from a transition economy has on their international performance.

7.2 Findings

7.2.1 Learning by Internationalisation

This section aims to address the first research objective that pertains to investigating the impact of degree of internationalisation on technological and marketing learning among low-tech firms in a transition economy. The following sub-sections each considers the impact of internationalisation on a type of learning, namely technological and marketing learning.

7.2.1.1 Technological Learning from International Markets

Firms achieved varying levels of knowledge acquisition as a result of their foreign expansion depending on the degree of their internationalisation, which was gauged using multiple dimensions. The multi-dimensional approach for gauging internationalisation proved advantageous in assessing the effect of DOI on learning by internationalisation compared to using only one dimension for DOI. For instance, the findings indicate that export intensity alone is not an adequate indicator of DOI when it comes to explaining the technological knowledge that a firm can gain internationally. Textile1, for example, achieved 50 percent of its sales in Iraq and Yemen in 2010. However, Textile1's MD mentioned that his firm did not introduce any changes to its manufacturing processes or acquire any new technology because of foreign expansion.

In fact, according to the MD, the only change in Textile1's manufacturing, which involved acquiring a new production line, took place in 1991 when the firm was operating solely in the domestic market. Similarly, discussing the product offering, the MD mentioned that Textile1 produced one type of carpets throughout its internationally active times, despite exporting to the Soviet Union between 1985 and 1991 and then to Iraq and Yemen from 2003 and 2008 respectively. The nature of these markets at the time of exporting, specifically limited economic development and basic consumer demands, did not require Textile1 to introduce new products. In addition to the scope of international activities, the structural aspects of cross-border operations were also limited in Textile1; the MD was the only person dealing with foreign sales and indirect exporting was the only mode of foreign operations. Hence,

despite Textile1's relatively large export ratio, the limited international scope and resource commitment, which represents the structural aspects of internationalisation, did not necessitate an upgrade of technological knowledge within Textile1.

On the other hand, using higher commitment and involvement entry modes and committing more human resources to international operations provided various avenues for technological learning. For example, Ceramic1 generated a small percentage of its revenue abroad, 10 percent, and was limited in scope to two Arabic markets in 2010. However, it employed direct exporting through foreign agents and had five employees working in foreign operations. In response to whether expanding abroad required the firm to introduce new designs, the Vice MD of Cermaic1 said:

> *"Almost every week we produce a new design .. in order to keep the market moving. You need to satisfy all tastes. The more designs the customer find, the greater chances he will buy from you"*

Furthermore, targeting markets that are materially different from the home market, Syria, generated various technological knowledge gains. For example, Garment1 and Textile2 - both export all of their production to one and two European countries respectively - had considerably enhanced their technological knowledge. The sales manager of Textile2 mentioned that, due to its European operations, Textile2 was able to identify new production technologies and obtain them. Similarly, the MD of Garment1 said regarding whether his firm faced a need to upgrade its machinery due to its export activities:

> *"Of course, we always get new machinery … for example now I have an order for which I need to buy two new machines."*

Acquisition of such new machines necessitates the upgrade of staff skill set. The MD of Garment1 commented:

> *"Each machine needs specialist people… For the two new machines I told you about, I am training two people now to work on them permanently."*

In addition, the sales manager of Textile2 stressed the importance of working closely with European customers for introducing new products and enhancing the

manufacturing processes of Textile2. Furthermore, the sales manager of Cards1, which is by far the most international of the study firms, also highlighted the changes to products in his firm following expansion to Europe:

> *"There are changes that happened in the products… Western style… closer to the Classical styles, the quite/pastel/ colours, it has few elements in the card, in general the style which is acceptable in the West…. This affected the product in a reasonable way and within the range of cards that we have there are more cards that are suitable for the Western markets than before … The work process also developed, new ideas were developed."*

Garment1 also had to meet certain European standards in the course of its internationalisation, which resulted in an upgrade of work and production processes. The MD commented:

> *"More than one European accreditation organisation audit our company. We have two types of auditing, one is called social audit. This is a new system that started in 2007 in Europe but was applied in our company in 2009. They send an independent organisation to check the factory…. the work conditions and environment, the age of workers, the work contracts. Another audit is related to the management of the company… there is a standard called Oeko-Tex Standard 100. This inspects whether the product is suitable for human use, it looks at the dying material, accessories, buttons, plastic bags; they should be made of certain materials… We started using [these materials] to meet the new standards".*

Acquiring knowledge related to product design and product development was a common theme amongst the more internationalised firms in the study. The MD of Garment2 said in relation to the influence of internationalisation on his business:

> *"We got into lines we did not use to produce before"*

However, not all companies regarded such knowledge highly. For instance, the MD of Garment1 undervalued knowledge related to new designs. He said:

> *"I do not consider these [products] designs important, because these designs are not desired by the ladies in our countries, they rarely wear such designs".*

Garment3 also undervalued the technological knowledge obtained from foreign markets though for a different reason. According to the PR Manager of Garment3, the firm worked closely with a European customer in production and design processes since exports to that customer started in 1993. Although exports to this European firm stopped few years later, cooperation between the two firms in model design and manufacturing operations continued. Despite that, the PR Manager underrated the importance of this post-internationalisation learning highlighting the fact that Garment3 focused on product development prior to foreign expansion. He mentioned that when the firm was operating solely in the domestic market, it was improving the quality of its products and benchmarking them against European standards as well as upgrading its manufacturing processes in the aim of expanding sales abroad. Therefore, crossing national borders was an important motivator for Garment3 to enhance its technological capabilities.

The MD of Food1, on the other hand, greatly regarded the role of internationalisation in transforming his firm. Highlighting the implications crossing national borders had on the technological capabilities of his firm, the MD said:

> *"I used to produce and sell the product within probably 3-4 days. Now, the product should be valid for a year. I have an order to Australia now. It will take 45 days in the sea. This has many implications on the production process. For example, the raw materials used. We treat the raw materials in a way so they can last. We need to use certain temperatures. Before we used to make everything manually. Since we started exporting, we shifted to automated production. This gave us flexibility and scale."*

Furthermore, Food1 actively engaged with its foreign customers and agents, which resulted in identifying avenues for enhancing the products. The MD said:

> *"If someone bought some goods, I keep following him up with calls to ask what happened. What were the customers' views? What are your notes? What are the negative points? Did it get on time? Did people like the packaging? Were the items broken? What size was preferred? Were the products in good quality?"*

The active engagement enabled Food1 to develop its offering. For example, the MD described two incidents that led to product improvements:

> *"In the beginning [of foreign expansion] we had a problem that two types of sweets arrived always broken. I brought a machine and used a new way of packing the goods. This came as a result of getting reports from the customers… We also knew about a problem that items arrived with high degree of moisture. We identified the causes and found a solution. We knew these problems through our agents."*

Furthermore, Food1 obtained the ISO certificate in 2008 as it was considered important for cross-border expansion. Getting this certificate had a significant impact on manufacturing processes; the MD noted:

> *"Exporting required getting an ISO certificate. We did not know what ISO entailed. For example, we needed to set a water treatment plant. The raw materials should have certain specifications… We used to buy raw material without clear standards. Now we do tests for all materials. We set up a laboratory…. We developed a lot in a way you cannot believe. Basically, our work was transformed 180 degrees."*

Collectively, the above evidence suggests that firms' technological learning gains due to internationalisation varied in line with their DOI. For example, Textile1, whose DOI is the smallest amongst the study firms, hardly achieved any learning. Conversely, in more internationalised firms, there was evidence of various learning benefits of internationalisation including introduction of new designs and products, upgrading the manufacturing processes, enhancing the technological skillset of the workforce and obtaining internationally recognised certificates to meet foreign standards. Furthermore, it was evident that multiple dimensions should be used to gauge DOI as one dimension alone could provide an inaccurate indication of the effect of DOI on technological learning by internationalisation. Table 7-1 summarises the findings on the effects of DOI dimensions on technological learning.

It must be noted, however, that the nature of the industries in which the firms operated has a bearing on the type of technological learning that could be achieved. The industries are traditional and relatively mature. Thus, there are few technological breakthroughs. Nevertheless, the Syrian firms generally lack much of the basic knowledge about organising production, achieving efficiencies, ensuring quality and creating new products or designs. Therefore, interaction with foreign markets had

enabled Syrian firms in many cases to overcome some of their deficiencies. These results partly confirm Zahra et al.'s (2000) assumption that technological learning would be limited for firms in traditional sectors because of the slow technological changes occurring within these sectors.

7.2.1.2 Marketing Learning from International Markets

Marketing knowledge gains were greater for firms with higher degrees of internationalisation than those with lower degrees of internationalisation. Textile1, with the smallest DOI, gained no marketing knowledge from the international markets according to the MD. He mentioned that he viewed international markets just as a sales destination and he underplayed the importance of marketing for his firm highlighting the fact that he offers cheap products. Textile1 relied solely on indirect exporting and the MD mentioned that he never considered increasing engagement with foreign markets to create opportunities for marketing learning.

Level of involvement with foreign markets could be considered a determining factor in achieving the marketing knowledge gains of internationalisation. For instance, Garment1 exported all of its production but acted as an outsourcee serving just one customer in Europe in the past few years. This entailed that the firm did not have to carry out marketing activities. The MD noted:

> *"Regarding management of marketing, we do not do anything, we do not have people in marketing or a marketing department. I do not produce samples and start searching for customers abroad."*

This minimal involvement with foreign markets provided little opportunities for marketing learning. There was only some evidence of learning related to costing and pricing from the firm's English customer. The MD said:

> *"I learnt something really important, the way to calculate the cost of my product. Their cost calculations are very detailed. They do not have loose measurements. For example, we used to say, this piece requires 1.5m of fabric. But there is nothing like 1.5m, it actually takes 1.46m …. When you add up all these differences over a year, you will find that they become a large number ... They are precise in numbers. As a result, I do not have an item that cost $5 or $10 but I have an item that costs $5.46 and we sometimes argue with our partner over two cents."*

Table 7-1 The Effects of DOI Dimensions on Technological and Marketing Learning

DOI Dimension	*Technological Learning by Internationalisation*	*Marketing Learning by Internationalisation*
Intensity	Foreign sales intensity (FSTS) alone is not an adequate indicator of DOI when explaining technological learning by internationalisation. While the high FSTS of some firms, e.g. Garment1 and Textile2, both achieved 100% FSTS, was associated with technological knowledge gains through obtaining new production technologies, introducing manufacturing improvements and upgrading staff technical skills, this was not always the case. For example, Textile1 achieved 50% FSTS but did not generate technological learning by expanding abroad. Conversely, Food1 also achieved 50% FSTS but gained considerable technological knowledge.	Foreign sales intensity (FSTS) alone is not an adequate indicator of DOI when it comes to explaining marketing learning by internationalisation. For instance, Garment1 and Textile2 both achieved 100% FSTS but acquired little, if any, marketing learning by internationalisation. On the other hand, Ceramic1 had 10% FSTS but developed some of its marketing communication and sales capabilities.
Scope	This DOI dimension was key in understanding technological learning. A wider geographic scope, particularly one containing regions other than that of the Syrian home market was linked to better technological learning outcomes. For example, expansion to Europe was an important motivator for Garment3 to enhance its technological capabilities including introduction of new products designs and manufacturing improvements. In contrast, Textile1 did not achieve technological learning by internationalisation, which could be related to the nature of markets it targeted, Iraq and Yemen, which are characterised by limited economic development and basic consumer demands.	There was evidence that increasing scope of foreign sales was associated with greater marketing learning. For instance, Textile1 only targeted two economically-weak markets and did not achieve any marketing learning gains. On the other hand, Cards1 sales spanned a large number of Arabic and European markets, which enabled it to develop its sales, market information management and marketing planning capabilities.
Structural Aspects	Increasing commitment to and involvement with foreign markets was associated with better technological learning outcomes. For instance, Garment2 adopted an arms-length approach in its relation with agents and distributors, which limited the potential for technological learning opportunities. Conversely, the active involvement with foreign agents and distributors by Food1 entailed considerable technological learning including developing product quality, substantial upgrade of manufacturing processes (e.g. setting up raw-materials test laboratory) and obtaining internationally recognised certificates.	This DOI dimension was key in explaining marketing learning. For example, despite using foreign agents and distributors in 12 Arabic & European markets, Garment2 did not gain marketing learning by going abroad, which could be related to its limited involvement with foreign markets. Conversely, active involvement by Food1 and Garment3 with foreign markets enabled them to acquire marketing knowledge (e.g. Food1 had to develop online communication and customer service knowledge). Hence, it is important to differentiate between the level of control and level of involvement offered by the same entry mode.

The pattern was very similar in Textile2. According to its sales manager, Textile2's foreign-based partner managed all sales, which are realised in two European countries. The Syrian-based operations, on the other hand, were not responsible for sales or marketing and as a result, the sales manager indicated that no marketing knowledge gains were achieved. Only two persons in Syria handled international activities and their foreign interaction was limited to correspondence with the foreign sales subsidiary. Thus, while the firm used a relatively advanced entry mode, that is a foreign sales subsidiary, and exported all of its production, the fact that its sales subsidiary is run by the foreign co-owner meant that marketing knowledge gains were virtually absent within the Syrian-based operations.

On the other hand, Garment2 had supposedly more interaction with foreign markets compared to Garment1 and Textile2, as it employed agents and distributors in 12 foreign countries. However, the firm still had a relatively minimal involvement with foreign markets as Garment2 maintained an arm-length relationship with foreign agents and distributors. The MD explained:

> *"My relationship with them [agents and distributors] is only selling, they work alone, in their own way… I send their goods and then they are free, should I also follow them?! They are free dealing with their own goods, change the label, etc. they are free. Once I ship [the goods], I do not intervene [in their marketing approach]… We have a motto "The locals know best", they know the people, the traditions, and how things work. So I send the goods and do not intervene in anything."*

Thus, any type of marketing activity was left to the foreign partner as the MD considered that his firm responsibilities end at the point of goods delivery. Asked about any changes in the marketing approach of Garment2 following internationalisation, the MD indicated that there was not any changes to mention.

Similarly, Garment3 had an arm-length relationship with its international agents, who were, until recently, responsible for marketing operations in their respective countries. Placing regular orders was enough to keep Garment3's management satisfied with the foreign agent. However, as international operations expanded, Garment3 was able to identify variations between its agents' performances. The PR manager noted:

> *"3-4 years ago we decided to take action regarding the performance of our agents; we found that some of them did not perform well when compared with others. So we started tracking their customers to understand what was going wrong. We then identified best practices among agents and started offering them training and motivated them to give their best to our company or otherwise, we replaced the agent."*

Thus, expanding foreign sales and having to go the extra mile to examine the activities of the agents and to engage with foreign customers provided Garment3 with insights and opportunities to learn about new marketing practices and consumer trends. Active engagement with agents and distributors also brought marketing knowledge gains to Ceramic1 despite its limited reliance on foreign markets and its long-term focus on the domestic market. For example, there was evidence of developing marketing communication and sales capabilities. Ceramic1's Vice MD commented:

> *"When the contractor or the tiler tries our product once, they try to convince their customers to buy it, they say [our product] is better, has higher quality and has nice designs … We found that the best way to get the agent or distributor working is to get the customer to request the product. Now we distribute more samples, we have more stands and more exhibitions. When we did that, the agent started ordering more. This benefited us a lot. We learned a lot through the agents."*

Foreign expansion of firms did not only create opportunities for advancing specialised marketing knowledge but in some cases necessitated the development of basic but very effective marketing capabilities. For instance, the MD of Food1 said:

> *"We [started using] the internet, going abroad made us set up a website, customer service and get e-mails. We consider the e-mail an important sales branch."*

On the other hand, Cards1, which is the most international among the participating firms, had enhanced its marketing knowledge in various ways through its foreign operations. To start with, the firm hired an experienced person to establish sales in non-Arabic markets. The current sales manager said:

> *"The company was looking to start foreign sales and [the previous foreign sales manager] was an expert in international marketing*

and foreign sales…. [However] he was not any good. I came as a substitute to him and started all over again."

Furthermore, close cooperation with foreign agents and distributors provided access to the partners' knowledge, which Cards1 was able to leverage across many countries. For instance, the sales manager said:

"She [One of our customers in Germany] tried taking cards from us and make them as groups and sell them as greeting cards for many occasions not one occasion. It is true that they are considered wedding cards but it is possible, using their accessories.., to use them for other occasions. So the process succeeded over years through the [TV] channel…. In these countries, we had new use for the product, using wedding card as a greeting card. This was an excellent idea and very feasible for us in other markets. We used it in Poland, Russia, Romania, in a number of other countries"

The sales manager of Cards1 also commented on how the firm encouraged its foreign offices, agents and distributors to implement new marketing ideas:

"Even we share the costs with them, even if it is a customer not a branch or agent. If they have a new idea or would like to promote or market the product using any media, we as a company agree with them from the beginning that any effort they make (of course we agree what type is it and what will it contain and its cost) we contribute immediately 50% of the cost. Sometimes we share more, 100% or 75%, at least we contribute 50%. This is to encourage partners and this helps us on the long term."

Additionally, annual analysis of sales and foreign market research enabled the firm to develop new design ideas and identify the poor performing designs. Cards1's sales manager detailed the market research process to finalise product designs, when asked if this process existed from the start of the business, he said:

"There were basic steps, looking at the highest selling designs in the Arabic markets, so we need to make something similar etc… but we added new ideas in cooperation with colleagues and the team, through interaction with our customers and the new companies we deal with, through our studies."

The sales manager further added information about how their overall marketing processes changed as a result of expansion to non-Arabic markets

highlighting the value of having a wide scope of international operations, he mentioned:

> *"Previously, we had either company offices or local Arabic agents, and you know the nature of Arabic relationships ... it depends on personal relationships, not very organised, not well controlled, traditional Arabic methods, things are not well researched, not much planning, etc. When we expanded our operations with foreign/non-Arabic/ companies, we got more work processes than before as for the system, dealing, appointment accuracy, pricing"*

Hence, being present in many countries provided Cards1 with access to diverse experiences that it was able to tap into through a large number of employees devoted to foreign operations, which amounted to 50 employees in 2010.

What the above evidence highlights is that generally more internationalised firms achieved greater marketing learning gains than less internationalised ones; Textile1, Garment1, Textile2 and Garment2 achieved far less marketing knowledge gains than Food1, Garment3 and Cards1. The only exception is Ceramic1, which seems to have acquired some marketing knowledge though it had a relatively small DOI. More importantly, the results indicate that a high level of FSTS is not an adequate indicator of marketing learning. Indeed, the only two firms with 100% FSTS ratio, Garment1 and Textile2, achieved little or no marketing learning in foreign markets. This evidence suggests that simply exporting all production abroad does not necessarily provide opportunities to upgrade marketing capabilities. The restricted interaction with foreign markets in the case of Garment1 and Textile2 limited the potential for marketing learning due to internationalisation.

Conversely, having operations in a number of different foreign markets created greater opportunities for marketing learning. What seemed of critical importance is the firm's level of involvement with foreign markets. Although, firms relied mainly on what are generally described as low-control entry modes, they varied on how efficiently they used them. Firms relying on agents without much involvement in their operations (e.g. Garment2) benefited less than those engaging more intensively with their agents (e.g. Garment3). Overall, the evidence highlights the importance of considering different DOI dimensions simultaneously when

assessing the knowledge gains of cross-border expansion. Table 7-1 summarises the findings on the effects of DOI dimensions on marketing learning.

7.2.2 Organisational Factors Influencing Learning by Internationalisation

The following sections each explore one of the organisational factors identified by the literature review as influential on learning. These factors are Informal network relationships, management's prior international experience and firm's age at first foreign entry.

7.2.2.1 Informal Network and Learning by Internationalisation

Network relationship represented in informal non-contractual ties assisted firms in gaining knowledge following expansion to foreign markets. The collected evidence indicates that the participating firms interacted mainly with customers, foreign agents and distributors, suppliers, competitors and international trade fairs. Government export support agency had an impact on the foreign activities of Ceramic1. On the other hand, there was no evidence of any influence by universities but some firms relied on professional experts and rarely on research institutions to upgrade the skill-base of their employees.

The firms interacted with a diverse set of network ties. For example, Garment2's MD highlighted the role of various network ties in the firm's international activities:

> *"I met them [the company's agents and distributors in Arabic countries] in a local fair in Syria, MOTEX, also personal relationships play a role. Some of my friends in the industry send customers to me."*

Garment2 also cooperated with others in the industry, the MD mentioned:

> *"I am planning to open a distribution centre for all Europe … Such thing needs more than one, actually 2 or 3, in order to bear the costs. Also, one line of production or type of products is not enough. So 3 or 4 [Syrian producers] will cooperate together."*

The role of interaction with customers was also highlighted. According to the MD of Textile1, foreign merchants approached the firm and helped it generate sales in Arabic countries. However, Textile1's interaction with customers was usually brief and limited to the order details, creating little opportunity for knowledge exchange. Conversely, the MD of Garment1 explained the nature of the relationship he had with the foreign customer:

> *"I told him [my English customer] I am still new and I want you to teach me … some people feel ashamed if they ask to learn something, and then he is not actually a customer but a partner, so his success is related to my success and vice versa. Any mistake will affect both of us, so there is no problem if we exchange ideas."*

Despite having this close relationship with the English customer, it seems that Garment1's limited scope of customers –the firm had only this one customer for the past few years – has narrowed the potential learning opportunities of internationalisation, specifically in relation to marketing knowledge. The case was very similar in Textile2. Although Textile2 had a foreign sales subsidiary in Europe, it was Textile2's foreign-based partner who managed this subsidiary, leaving the Syrian-based partner with manufacturing responsibilities only. Effectively, the foreign-based partner acted as the exclusive customer or agent for Textile2's Syrian-based partner. Relying on this sole customer is likely to have limited the potential for marketing learning by Textile2's Syrian-based operations. In contrast, firms that worked with a broad set of customers (e.g. Food1 and Card1) were presented with diverse opportunities for marketing knowledge acquisition (see section 7.4.1.2 for evidence on marketing learning).

Looking at other network ties, interaction with suppliers was also emphasised. The PR manager of Garment3 mentioned that since inception, the firm imported machinery and threads from European suppliers, with whom Garment3 shared ideas for new products and designs. Its staff also received training by those suppliers to use various machines. Ceramic1 also cooperated with it foreign suppliers in various ways with an effect on its technological capabilities. The Vice MD of Ceramic1 explained:

> *"In the ceramic industry there is a policy that any supplier, who would want to deal with a manufacturer, will have to send an expert to stay in our factory for at least 15 days and up to 20 days. The expert will have to do experiments in our factory to show that his product and material mixture is better than its competitors."*

Firms also participated in local and international trade fairs. For example, the MD of Food1 mentioned: "*We go to trade fairs all over the world*." Attending such fairs provided opportunities to learn about new trends in the market. For example, the Vice MD of Ceramic1 said:

> *"They [Our designers] always go to exhibitions. Exhibitions give us an indication of the direction of the market and we keep pace with it and sometimes precede it. We do not accept to just keep pace, we accept to precede, in new applications, new designs, new ideas. This resulted in producing a new model every week on average."*

Additionally, a number of the study firms relied on professional expertise to improve the technological and marketing skills of their employees. For example, Garment3 received support from the Industrial Modernization and Upgrading Program run by the United Nations of Industrial Development (UNIDO) in Syria to train its staff between 2007 and 2010. The support covered diverse areas including market studies, marketing planning, production planning and HR issues. Garment1 also relied on foreign experts, the MD said:

> *"I always get experts from England so we can be up to date or to see their products."*

The sales manager of Cards1 also highlighted the role of experts in supporting the firm to enhance its knowledge:

> *"Whatever training courses on marketing in the country, we try to [benefit from them]... We also bring experts from research centres in Syria to give courses in marketing or other things but very rarely unfortunately."*

Some firms relied on non-industrial based ties. For example, Cermaic1 benefited from the support of the government export support agency in focusing more on foreign markets. The Vice MD of Ceramic1 said:

"The government has a role in helping us [focus on foreign markets]. Before, we did not use to go to foreign exhibitions because the costs were huge and we would not know if it would be worth it. Now the government pays 50% of the fees. They made the EDPA [Export Development and Promotion Agency]. This was an excellent step by the government and it will strengthen exports".

Garment1 also participated in a country-wide imitative to set up technical high schools, or colleges, to improve the practical skills of high school students and prepare them for employment. In the process, Garment1 worked with different network partnerships. The MD commented:

"Three years ago, we helped establish two high schools in Damascus and two in Aleppo to teach sewing. As you know, we have technical high schools and these are new types. These were formed as a result of cooperation between private companies, chambers of industry and the Ministry of Education. Some of the students in these schools are getting training in our factory. As part of their study, they come to our factory for two days a week and the remaining three days, they go to school. This will result in getting an educated workforce that knows what they are doing."

Taken together, the evidence suggests that interaction with various network ties allowed access to technological and marketing knowledge that may have been otherwise unavailable to the study firms. While none of the participating firms had any formal partnerships with other firms or organisations, most of them managed to leverage their network of informal ties to learn about foreign industry practices (e.g. Garment1), provide training for their employees (e.g. Garment3) and keep pace with new market trends (Ceramic1).

7.2.2.2 Previous International Experience and Learning by Internationalisation

Managers in five of the participating firms had prior international experience through engaging in foreign commercial activities or living abroad to work or study. In two of the remaining three firms, the MD had knowledge of a foreign language while none of Textile1's staff had previous international exposure.

The prior international experience of managers in some firms helped them appreciate the value of acquiring technological and marketing knowledge. For

instance, Cards1's founder and GM, as well as some of its staff, had previous experience in foreign sales. The sales manager explained:

> *"He [the founder and GM] and a family member established [a company] but then in 1991 he broke up the partnership with the family member and established the current business…. He took some of the staff from [the old company] and also took some of the customers in the Arabic World."*

The sales manager of Cards1 also had prior international experience. He mentioned:

> *"I was the Contracts manager [at another company], so I managed contracts with customers and also exports and imports. All our work was with companies in Western Europe including the UK. I studied business administration, and then I worked for [the other company] and travelled a lot so I built good experience in this area… Even though the type of product changed, the process did not change, it is the same regardless of the product. My experience was useful because I established a network which I can call international".*

This prior international experience of Cards1's managers seem to have helped them in recognising the importance of building up the knowledge base of the firm. Similarly, the two sons of Garment3's founder, who at the time of data collection were both Vice MDs, received their higher education abroad. According to the firm's PR manager, their international exposure made them appreciate the need to develop the firm's marketing capabilities. They enabled this development through hiring qualified staff and training employees.

Manager's prior international experience also seemed to help Garment1 and Textile2 in achieving the technological knowledge gains of internationalisation. Speaking about the prior foreign experience in Garment1, the MD mentioned:

> *"The business is a family business, my father used to sell to Germany. He was in a different area, textile. As his children, we started in sewing … [we had international markets in mind before starting the firm] because there is an experience in exporting which is the family experience, because my father also focused on exporting and did not work locally. Since 1969 he and his partners were exporting. So there is experience in exporting and working with the west"*

The prior foreign experience of Garment1's managers helped them establish relationships with foreign firms and access international markets, which enabled technological learning but did not yield the same benefits with regards to marketing learning, as was highlighted earlier. Similarly, the Europe-based partner of Textile2 had considerable international commercial experience. He previously owned a yarn-manufacturing business in Europe but production there became unfeasible so he decided to set up, in partnership, a business in Syria to serve the European markets. According to Textile2's sales manager, the Europe-based partner's previous experience helped in identifying technologies and enhancing the Syrian-based manufacturing processes. However, marketing learning was absent within the Syrian-based partner as discussed earlier.

On the other hand, the managers of Textile1 and Garment2 had no previous international experience, except for some foreign language knowledge in the latter's MD case. The MD of Garment2 commented: "*I speak foreign languages and I travel easily*". Both Textile1 and Garment2 achieved little or no gains in their knowledge bases. The lack of foreign exposure may have limited their managers' abilities to appreciate the value of learning opportunities in foreign markets; therefore, they did not attempt to set up processes or interact with foreign partners in a way that would enable their firms to acquire knowledge.

However, lack of prior international experience was not always an indicator of subsequent knowledge acquisition in foreign markets. For instance, the managers of Food1 lacked prior foreign experience; the MD mentioned that apart from some knowledge of English language, he did not have any previous international experience. He commented on his lack of travelling expertise:

> *"I did not use to know Beirut [capital of Syria's neighbouring country, Lebanon] then. Sweet is what made me travel."*

However, the absence of prior foreign experience in Food1 did not stop the firm from reaping the knowledge benefits of internationalisation as was shown earlier.

The above findings offer mixed evidence regarding the role of manager's prior international experience in explaining post-internationalisation learning. While in some firms the presence, or absence, of managerial previous foreign experience seemed to be associated with greater, or lower, knowledge gains from international expansion, in others the relationship was not clear. In particular, the prior international experience of Garment1 and Textile2's managers seemed to enable technological learning; however, the same was not true regarding marketing learning. This indicates that while managers' prior foreign experience can assist firms in their post internationalisation learning, its presence alone is not sufficient for firms to acquire knowledge by crossing national borders. Such experience is an auxiliary rather than a necessary factor for knowledge acquisition following foreign expansion. For example, managers' prior international experience cannot substitute for active engagement with foreign markets which seems to be an essential backdrop for achieving the marketing knowledge gains of internationalisation.

7.2.2.3 Age at First Foreign Entry

Three of the participating firms, Garment1, Textile2 and Cards1, are instant internationalisers while Cermanic1, Food1 and Garment2 (considering the inception date as the one of the relaunched firm) are relatively early internationalisers (1, 6 and 4 years respectively). The remaining two firms, Textile1 and Garment3, internationalised late in their lives (at 18 and 22 years respectively). Looking at the study firms' age at first foreign entry and their post-internationalisation knowledge acquisition (see sections 7.2.1.1 and 7.2.1.2), one can infer that age at first foreign entry had no influence on the extent of learning by internationalisation. Textile1, for example, crossed national borders 18 years after inception and provided no evidence of any knowledge gains following international expansion. On the other hand, Garment3 internationalised at a similar age (22 years) and managed to improve its technological and marketing knowledge in various ways.

Similarly, Garment1 and Textile2 were instant internationalisers and improved their technological knowledge but not their marketing knowledge. In contrast, Cards1, also an instant internationaliser, substantially improved both types of knowledge. Furthermore, Ceramic1, an early internationaliser, provided evidence

of advancing various aspects of its technological and marketing knowledge. Thus, the collected evidence suggests that a firm's age at first foreign entry had no bearing on its knowledge acquisition in international markets.

Moreover, looking at the mechanisms through which age at first foreign entry is likely to influence post-internationalisation learning augments the above evidence. The literature provides two paradoxical arguments regarding this influence (see section 3.5.3). Specifically, Autio et al. (2000) suggest that early internationalizing firms enjoy learning advantages of newness (LAN) due to a range of cognitive, political, and relational factors. On the other hand, the absorptive capacity argument suggests that firms learn best in the areas in which they have prior knowledge, implying a learning advantage in delaying first international entry (Cohen and Levinthal, 1990; Zahra and George, 2002). The interviews provided evidence of the existence of these factors, though their influence on post-internationalisation knowledge acquisition was not necessarily consistent with the theoretical arguments.

For instance, Garment1 provided evidence of the cognitive factors that contribute to generating the learning advantages of newness. The MD said about his foreign customer:

> *"I told him I am still new and I want you to teach me, I asked him to teach me. I wanted to learn about the English mentality so I know how to deal with him."*

The desire of Garment1's management to learn from the foreign customer because of the firm's young age reflects the absence of deeply rooted routines that are suited to the domestic market and the likelihood of developing routines that are fit for foreign markets. However, as mentioned earlier, Garment1 achieved technological learning benefits following internationalisation but not marketing knowledge gains.

Garment2 also provided evidence of the relational factors that characterise young firms giving them advantages in learning according to Autio et al. (2000). The MD of Garment2 mentioned regarding the firm international operations:

> *"I know what Europe wants. Now I am going to fairs in Paris and Ukraine with products that they want. I have customers in Italy and Switzerland and I am planning to enter France and Ukraine… [I met these customers through] personal relationships… I met a Swiss lady and showed her my products and we started. I continue looking. I am ready to travel to Europe for 2 hours only to meet a customer."*

The above evidence from the MD shows that the firm is willing and actively seeking to build relationships with foreign parties, thus, Garment2 is likely to avoid the relational barriers that can hinder learning within older firms. Nevertheless, Garment2 provided very limited evidence of developing its technological capabilities following internationalisation and reported no changes in its marketing practices indicating no marketing learning took place after foreign expansion.

On the other hand, Ceramic1 seemed to have developed political impediments to learning from foreign markets despite expanding abroad at a very early age (one year after inception). The MD mentioned:

> *"We were focusing on the domestic market. Also going international is costing us a lot. We participated in exhibitions and we paid millions but we did not succeed at all. There ought to be relationships, an office there for example."*

The MD seemed to focus particularly on the negatives of expansion to non-Arabic countries; he said:

> *"I see the potential in Arabic markets is more important than foreign [non-Arabic] markets. Foreign markets are so difficult and they have lots of demands although we are meeting all of them (technically). But in any minute, they will make a new law which might prohibit you from exporting. So we found the Arabic orientation is very useful for us. All of our employees speak Arabic. This is important for communication."*

Despite its early foray into international markets, Ceramic1 treated the domestic market as its first priority with some attention being given to Arabic markets. On the other hand, the management of Ceramic1 focused on the negatives of expansion to non-Arabic markets, leading to the creation of political barriers to knowledge development within foreign markets.

Moving to the late internationalisers, Textile1 and Garment3 achieved contradictory results concerning their knowledge gains following internationalisation. While Textile1 failed to provide evidence of any development in its technological or marketing knowledge bases due to international expansion, Garment3 advanced both types of knowledge after venturing to foreign markets. This evidence indicates that the absorptive capacity argument cannot explain the learning outcomes of these two firms as the prior knowledge gained within the domestic market did not necessarily contribute to better learning benefits from international markets.

Collectively, the above evidence indicates that while young firms may avoid the cognitive, political and relational barriers that Autio et al. (2000) refer to in arguing for the existence of learning advantages of newness, the absence of these barriers does not inevitably improve the technological and marketing learning benefits of cross-border expansion. Similarly, delaying international entry and subsequently accumulating domestic based knowledge is not likely to determine the knowledge gains of foreign expansion. Hence, the findings in this section suggest that age at first foreign entry did not affect post-internationalisation learning and that further investigation is required to assess the mechanisms postulated in the literature with regards to that effect.

The above sections highlight that each of the discussed organisational factors, i.e. informal network relationships, management's prior international experience and firm's age at first foreign entry, had varying effects on technological and marketing learning. These effects are summarised in Table 7-2.

7.2.3 Performance Implications of Learning and Internationalisation

This section addresses the third and fourth research objectives pertaining specifically to the influence of technological learning, marketing learning and degree of internationalisation on the performance of low-tech firms originating from a transition economy. The following sub-sections address the effect of learning by internationalisation and degree of internationalisation on performance respectively.

Table 7-2 The Effects of Organisational Factors on Technological and Marketing Learning

	Technological Learning by Internationalisation	***Marketing Learning by Internationalisation***
Informal Network Relationships	Most participating firms engaged with diverse network ties. Specific ties seemed particularly useful for technological learning including suppliers, customers and professional experts. For example, working with suppliers helped Ceramic1 develop its production processes and working with experts at UNIDO helped Garment3 advance its production planning skills. Also, Food1 active engagement with its foreign customers and agents resulted in identifying avenues for enhancing its products. On the other hand, Garment1 was part of a countrywide initiative, including governmental bodies, to set up technical high schools to improve the practical skills of high school students who could be future employees.	The study firms networked with various ties to gain marketing knowledge. Substantially, the scope of customers seemed important for marketing learning. A narrow scope of customers limited the marketing learning opportunities available to Garment1 & Textile2's Syrian-based operations whereas firms working with a broad set of customers (e.g. Food1 and Cards1) had greater opportunities for marketing learning. Beside customers, interaction with foreign agents and distributors, professional experts and trade fairs was also important. For instance, Cards1 relied on marketing experts to provide training courses to its staff whenever possible.
Managers' prior international experience	Where it existed, managers' prior foreign experience helped firms identify suitable technologies or establish relationships with foreign firms and access international markets, which facilitated technological learning from foreign markets. However, in one case, Food1, the absence of managers' prior international experience did not influence the firm's ability to acquire technological knowledge.	The evidence on the role of manager's prior international experience in facilitating marketing learning was mixed. For instance, the foreign education received by Garment3' Vice MDs helped them appreciate the need and take action to develop the firm's marketing capabilities. Conversely, the prior international experience of Garment1 and Textile2's managers was not sufficient on its own to enable marketing learning.
Firm's Age at First Foreign Entry	Most of the participating firms were instant or early internationalisers. The evidence suggests that a firm's age at first foreign entry was not related to its technological knowledge acquisition in foreign markets. For instance, Garment2, an early internationaliser, provided evidence of the relational factors that characterise young firms giving them LAN, however it only acquired limited technological knowledge. Conversely, Cards1, which is an instant internationaliser, improved various aspects of its technological knowledge.	Only two of the participating firms were late internationalisers. The collected evidence suggests that a firm's age at first foreign entry had no bearing on its marketing learning by internationalisation. For example, Textile1 internationalised 18 years after inception and achieved no knowledge gains following international expansion. In contrast, Garment3, which crossed national borders at a similar age (22 years), managed to improve its marketing knowledge in various ways.

7.2.3.1 Learning by Internationalisation and Performance

In general, the evidence from the interviews suggests that greater levels of technological and marketing learning were associated with better performance among the participating firms. For instance, Textile1's MD, whose firm presented no evidence of any technological or marketing capability upgrade, raised concerns about the increasing pressure of competition and the difficulty of growing international activities. The MD mentioned that Textile1 was facing intense competition from Turkish and Egyptian firms, but did not conduct an analysis of why this might be the case. When asked about potential solutions and any changes that need to be undertaken within the firm, the MD said:

> *"Our product is directed at the lower-end of the market and therefore it is not worth investing in."*

The view of the MD reflects that despite the negative outlook of Textile1, the firm was not considering upgrading its knowledge base, which in turn is jeopardising the future of the firm.

Furthermore, Garment1 and Textile2 both expressed concerns about their performance. The MD of Garment1 mentioned:

> *"[We faced difficulties] related to the competitive situation between us and other companies that entered the same market, whether I compared our company with another Syrian company or with a company from another country"*

Likewise, the sales manager of the Syrian-based partner of Textile2 indicated that his firm was relatively content with its foreign sales to date but was finding further expansion abroad challenging. Taking this evidence on performance in light of the knowledge gains achieved by these two firms (see sections 7.2.1.1 and 7.2.1.2) suggests that despite the high levels of technological learning achieved by Garment1 and Textile2, lack of marketing knowledge acquisition seemed to have had a negative impact on their international performance. Indeed, both firms might be badly affected if their respective partners decided to suddenly end the relationship.

On the other hand, Food1, Garment3 and Cards1, all of which advanced their technological and marketing knowledge in various ways, were relatively satisfied with international performance. For example, the MD of Food1 said in relation to the international activities of the firm:

> *"Thankfully we were successful, I think this is due to our marketing skills and commercial mind. You cannot just make a wonderful product, but not know how to package it nicely. It will be a problem."*

The foreign sales manager of Cards1 also reported satisfaction with the firm's international activities. He mentioned:

> *"In the Arab World, in general our products were doing well, they were sold and they had strong presence. We were either number 1 or 2 among the Arab, Syrian and Turkish firms. The latter being our main competitors especially in GCC."*

However, he highlighted the instability in the Middle East and limited financial resources as factors that limited Cards1's ability to expand further internationally. He said about applying the knowledge acquired:

> *"We cannot always apply all we want to apply. This is a problem; the process will be too costly."*

Although Cards1 cannot apply all what it learns, the firm makes efforts to integrate the knowledge acquired into its rules and procedures. Cards1' foreign sales manager said:

> *"All the procedures in the company are available from 1-100 .. very accurate… There is a rule, anything that is successful would be circulated and become part of the company policy and part of the procedures of the system that I told you about ISO 9001 and it would be documented within the Rules of Procedure and it will be circulated to everyone. If any idea was successful in one market, immediately it becomes a work rule in all markets."*

The sales manager further added about knowledge integration with his specific unit specialising in foreign sales:

With regards to our unit, foreign (non-Arabic) sales, there is exchange of experiences .. I would not say 100% but a little less. Because everyone who travels, he will come back and tell what happened with him, what are the difficulties, where he succeeded, where he did not. There are regular meetings between me and them, we talk about difficulties, markets. So there is exchange of knowledge for sure."

This integration of knowledge across the whole organisation is likely to have contributed to better performance. Such integration did not occur in all firms. For example, marketing activities in Food1 were confined to the MD due to the centralised approach of dealing with foreign markets. The MD said:

"I go myself and I am responsible for the sales myself. I could assign it to someone else but I decided to keep this role to myself."

The MD further added that he did not think that his staff had the skills to handle foreign operations. This indicates that any marketing learning was limited to the MD and if he was not able to handle international operations for any reason, this knowledge could be lost, thereby influencing the foreign performance of the firm negatively.

While the evidence from the interviews points at large to a positive relationship between post-internationalisation learning and foreign performance, there were instances that deviated from the general observation. The MD of Garment2 highlighted the growth his firm experienced following foreign expansion. He said:

"I started with production capacity of 300-400 pieces per day and we reached 3000-4000 pieces per day, the more orders I get the more I can grow production."

Furthermore, he said that he was satisfied with the firm's international activities and that the firm was contemplating establishing a distribution centre for all Europe in partnership with other Syrian exporters. However, as discussed in sections 7.2.1.1 and 7.2.1.2, Garment2 provided very limited evidence of advancing its technological knowledge and hardly any evidence of developing it marketing knowledge following internationalisation.

Conversely, Ceramic1 was not satisfied with its foreign performance although it obtained new technological and marketing knowledge due to cross-border expansion. The vice MD said:

> *"Going international is costing us a lot. We participated in exhibitions and we paid millions but we did not succeed at all"*

Some of the reasons for the lack of success within Ceramic1 were highlighted by the vice MD. He cited the rising costs of production as lessening the firm's competitiveness, but more importantly, Ceramic1 found it difficult to develop brand awareness. The vice MD said:

> *"In Iraq we were successful because the customer recognises our product and ask for the brand itself. We still face this problem in the foreign markets. I am not talking about the wholesaler but the final customer. The ability of the end customer to recognise the quality of our product is very weak."*

Therefore, while Ceramic1 advanced its marketing capabilities to an extent as was discussed before, it remained disadvantaged because of its weak marketing communication capabilities. This is likely to be a reflection of the considerable time and effort required to build capabilities especially from a low base. Thus, it could be argued that Ceramic1 has not yet accumulated sufficient marketing knowledge to allow the positive impact of this knowledge on performance to materialise.

In a nutshell, acquisition of technological and marketing knowledge was by and large associated with better performance. Table 7-3 summarises the findings on this association. However, the evidence pinpoints factors that may weaken this association. These include the cost of applying the newly acquired knowledge (e.g. Cards1), the weak integration of knowledge across the whole organisation (e.g. Food1) and the considerable time required to build up knowledge stocks that can deliver the expected performance outcomes, especially within Syrian firms that were particularly disadvantaged in terms of marketing capabilities (e.g. Ceramic1).

Table 7-3 The Effect of Learning by Internationalisation and Degree of Internationalisation on Performance

Learning by Internationalisation & Performance	*Internationalisation & Performance*
Greater levels of technological and marketing learning were associated with better performance in general. For example, Food1, Garment3 and Cards1 advanced their technological and marketing knowledge in various ways and were relatively satisfied with international performance. Conversely, limited learning, specifically marketing learning, was related to weak satisfaction with firms' performance. For example, Textile 2 raised concerns about the difficulty of growing abroad. However, Garment2 experienced significant growth abroad, yet it gained limited technological knowledge and hardly any marketing knowledge following foreign expansion. In contrast, Ceramic1 was not satisfied with its foreign performance despite gaining new knowledge due to foreign expansion. This was attributed partly to the rising costs of production but more importantly to the difficulty of developing brand awareness reflecting the considerable time and effort required to build capabilities especially from a low base.	Internationalisation was generally perceived as very beneficial for the participating firms. Financial benefits were cited by a number of them. For example, Food1 highlighted the economies of scale generated by foreign sales, which enabled the automation of production. Ceramic1 found that international sales reduced financial risks whereas Cards1 and Garment2 used the financial gains from internationalisation to grow their businesses further. Some firms cited gaining intangible benefits from cross-border expansion. For example, Garment2 gained internationalisation knowledge, while Cards1 perceived internationalisation to have enhanced its image.

7.2.3.2 Effect of internationalisation on Performance

Internationalisation was generally perceived as very beneficial for the participating firms. The firms highlighted various benefits. For example, the MD of Food1 highlighted economies of scale since the firm's foreign sales provided the scale to automate production. He said:

> *"We used to do things manually. We had gas ovens that you handle manually. Now we have automated lines. We could not have brought these [lines] without the scale of foreign operations"*

Additionally, the Vice MD of Ceramic1 highlighted reduction of risks as one of the key benefits of expanding to a number of different markets. He said:

> *"The most important thing is that we opened new markets. If one market was down, we can make things up in another market. It gave us flexibility. If we faced risks in one market, we can find relief in another market."*

On the other hand, the Sales Manager of Cards1 stressed the importance of the financial returns of international expansion and their influence on the firm's ability to grow and take risks. He mentioned:

> *"The financial income that is generated and the successful experiences is helping the company to grow in new markets and to take more risks."*

He added:

> *"When I work in Syria let's say in $1 million, I make a certain profit. When I go to Arabic countries I may make $5 million sales so my profit will increase dramatically. So I have enough returns and financial strength to venture into new markets. I can absorb their risks through my profits."*

The Sales Manager of Cards1 did not only emphasise the importance of the financial returns of cross-border expansion for subsequent foreign growth, he also highlighted their value for improving the firm's facilities. He explained:

> *"[Additional sales] will reflect on improvements in the infrastructure of the company, level of risk in new markets, new business opportunities with foreign countries, could also help improving the machines in the factory. It will reflect on the whole company."*

Similarly, the MD of Garment2 indicated the effect of foreign activities on the whole business, particularly in relation to the firm's facilities and scale. He mentioned about the impact of foreign sales:

> *"We increased the space. We now have a whole floor for production, one floor for storage and management, one floor for packaging and sewing. There are eight people who receive orders and organise everything. We also have an organised and well-documented process of receiving orders, arranging the stocks and checking them and billing. This department is called department of storage and delivery. I have a special department for sales."*

The MD of Garment2 further indicated that expanding foreign activities enabled the acquisition of internationalisation knowledge with an influence on subsequent foreign growth. He mentioned:

> *"I also increased my experience and my foreign relationships with traders and companies and we continue jumping from one place to another".*

On the other hand, Cards1 highlighted enhanced image as one of the benefits of international growth. The Sales Manager said:

> *"Visits by foreign customers gave an image to the company, even inside it the image improved because of whom we deal with, we got more prestige, the work prestige and the personal prestige."*

In summary, internationalisation was regarded as beneficial by the participating firms. Foreign expansion provided firms with the opportunity to achieve economies of scale, diversify risks, generate additional financial returns, expand the business and improve the firm's facilities as well as its image. Table 7-3 summarises those benefits as indicated by the study firms.

Summary

This chapter presented the analysis and findings of the interview phase of the research. It started with providing a detailed account of the process implemented to analyse the interview data. This was followed by an overview of the participating firms highlighting their various characteristics. The findings were then presented using the research objectives as a structuring tool. There was strong evidence that greater internationalisation, assessed using a number of different dimensions, created various opportunities for firms to upgrade their technological and marketing knowledge bases. In particular, level of engagement with foreign markets was found to be essential for generating the marketing knowledge gains of internationalisation.

Firm's networking with a diverse set of informal ties was also found to contribute to enhancing the knowledge outcomes of internationalisation, however, the same was not true for firm's age at first foreign entry. On the other hand, mixed evidence was obtained regarding the role of management's prior foreign experience in explaining post-internationalisation learning. The mixed evidence indicates that while such experience could play an auxiliary role in aiding firms to acquire knowledge following foreign expansion, its presence cannot substitute for factors

such as engagement with foreign markets, which seems to be an essential backdrop for achieving the marketing knowledge gains of internationalisation. Finally, the evidence collected through the interviews pointed in general to a clear association between technological learning, marketing learning and internationalisation on the one hand and foreign performance on the other. The next chapter will discuss the findings presented in this and the previous chapters in light of extant literature.

Chapter 8. **Discussion**

8.1 Introduction

This thesis aims to investigate learning by internationalisation and the subsequent performance implications amongst firms from transitioning economies. The previous chapters have presented the literature review, which led to the development of the conceptual model guiding the PhD research, the methodology that was implemented to investigate the conceptual model, and the results of analysing the questionnaire and interview data collected for this research. This chapter discusses the analysis results in relation to the research objectives and the literature. The objectives this thesis set out to achieve are:

5. To investigate the impact of degree of internationalisation on technological and marketing learning among low-tech firms in a transition economy.
6. To assess how key organisational factors influence the ability of low-tech firms from a transition economy to learn from internationalisation in the areas of technological and marketing knowledge.
7. To explore the extent to which technological and marketing learning from internationalisation achieved by low-tech firms from a transition economy enhances their international performance.
8. To examine the impact the degree of internationalisation of low-tech firms from a transition economy has on their international performance.

The following sections each discuss one of the research objectives building on the findings from the questionnaire and interview data analyses, taking insight from prior research and highlighting the thesis contributions.

8.2 Effect of Internationalisation on Technological and Marketing Learning

This section addresses the first research objective of this thesis:

Objective 1: To investigate the impact of degree of internationalisation on technological and marketing learning among low-tech firms in a transition economy.

Analysis of the questionnaire data provides support to H1a and H1b, which postulated a positive relationship between DOI on the one hand, and technological learning and marketing learning amongst Syrian firms on the other. These results are substantiated by findings from the interview data analysis showing that more internationalised firms achieved greater levels of technological learning and marketing learning. For example, Textile1, the least international of the participating firms, failed to develop any technological or marketing knowledge by expanding abroad. On the other hand, Cards1, the most international of the interviewed firms, benefited from its foreign presence in advancing its technological and marketing knowledge in various ways.

In generating these findings, this thesis contributes to the literature by addressing the gap regarding the marketing and technological learning gains of cross-border expansion among low-tech firms from transition economies. Prior research examining the learning benefits of internationalisation has mainly focused on foreign market and internationalisation knowledge, which was guided by theorisations based on the Uppsala model of internationalisation (e.g. Blomstermo, et al., 2004; Casillas and Moreno-Menéndez, 2014; Eriksson, et al., 2000; Fletcher, et al., 2013; Johanson and Vahlne, 1977; Zhou, et al., 2010), or technological knowledge among high-tech firms led by scholarly investigation of born global and INV firms (e.g. Prashantham and Dhanaraj, 2010; Yeoh, 2004; Zou and Ghauri, 2010). However, there is not much research examining technological learning by low-tech firms or the marketing knowledge gains of foreign expansion beyond a few studies which explored the association between aspects of internationalisation and marketing know-how (e.g. Ellis, et al., 2011).

The study findings generally support the knowledge-based and learning perspectives of international expansion (Barkema and Vermeulen, 1998; Ghoshal, 1987). The technological knowledge gains of internationalisation identified here are consistent with the findings of a positive effect of internationalisation on technological learning among high-tech INVs (Zahra, et al., 2000; Zou and Ghauri, 2010). It comes in contrast, however, with findings by Fletcher and Harris (2012) suggesting that low technology intensive manufacturing firms had no new technology development needs as they had well understood technologies and well-defined product ranges. The conflicting results, nevertheless, could be explained by the large knowledge gap between firms from transition economies and their counterparts from advanced markets (UNIDO, 2015). Hence, the thesis contributes to the literature by presenting rare evidence that increasing the DOI of low-tech firms from transition economies helps them in enhancing their technological knowledge.

Moreover, the identification of a positive role of internationalisation in developing marketing capabilities amongst the study firms adds to the scant evidence on this role in the literature. This evidence comes mainly from China; for instance, Ellis et al. (2011) reveal a positive association between export intensity of indigenous Chinese manufacturers and three aspects of marketing know-how. Moreover, Zhou et al. (2012) show that commitment to foreign markets moderates the relationship between timing of foreign market entry and the marketing capabilities of Chinese young international ventures. The findings here are also consistent with prior research suggesting that greater international experience enhances firms' abilities to make strategic marketing decisions such as standardisation/adaption strategies (Chung, et al., 2012; Hultman, et al., 2011; Lages, et al., 2008).

In contrast to the previous studies, however, this thesis contributes to the literature by assessing the impact of different dimensions of internationalisation on the development of technological capability and a range of marketing capabilities among firms from transition economies. More importantly, the thesis' questionnaire results highlighted that while DOI as an index was positively associated with technological and marketing learning, not all of DOI's dimensions contributed equally to the formation of this index. The following sections provide details of the

contribution of each of the five DOI dimensions, grouped into three aspects: scope, structure and intensity as per Reuber and Fischer's (1997) definition of DOI, and discuss the rationale underlying these contributions to the DOI index.

8.2.1 Scope of Internationalisation

The scope of internationalisation was captured using the geographic scope of sales and the number of foreign markets in which a firm sells its products. Number of foreign markets had little bearing on the formation of the DOI index and hence on its positive influence on technological and marketing learning. This result echoes prior research suggesting that the number of overseas markets a firm expands to is a crude measure of scope in that it does not differentiate between countries in terms of their cultural, institutional and business practices (Eriksson, et al., 2000; Yeoh, 2004). While the number of foreign markets is commonly used as a sole measure of a firms' degree of internationalisation (e.g. Chen, et al., 2014; Tan and Mathews, 2015), the results in this thesis suggest that this measure may not be adequate on its own when it comes to research examining the learning benefits of cross-border expansion. This result corresponds to various calls in the literature for the use of a multi-dimensional measure of internationalisation (e.g. Ramaswamy, et al., 1996; Reuber and Fischer, 1997; Sullivan, 1994).

On the other hand, the more refined measure of geographic scope of foreign sales exerted the greatest impact of all five dimensions of DOI on its formation, and therefore, on technological and marketing learning. A wider scope of cross-border operations means that a firm has ventured into regions with greater geographic and cultural distance from the study firms' local market, Syria (De Clercq, et al., 2005). Therefore, this measure is better able to capture diversity amongst foreign markets compared to a mere count of number of foreign countries a firm ventured into since these countries may belong to one region in terms of geographic and cultural distance from the Syrian market.

The interview evidence provides some support to these results. For example, foreign sales of Textile1 were confined to Arabic markets of similar nature to the local Syrian market in terms of limited economic development and basic consumer

demands. Textile1 gained no marketing or technological knowledge. On the other hand, Garment3, which focused on European as well as Arabic markets, benefited from its European involvement in enhancing its production and design processes as it aimed to match the stringent European standards, which far exceed that of the Arabic markets. This evidence shows that foreign market characteristics have a role to play when it comes to generating the learning benefits of internationalisation. Expanding to countries more advanced than Syria triggered an upgrade of capabilities amongst some firms in order to remain competitive in these markets. On the other hand, expansion to countries with market conditions similar to those of Syria created less incentive to upgrade capabilities.

Empirical studies on the effect of greater geographic scope on firm learning are few in the internationalisation research. However, the findings in this thesis are consistent with Zahra et al.'s (2000) results in that technological and cultural diversity of host markets is positively associated with broader and deeper technological learning. They are also consistent with Yeoh's (2004) findings of a positive relationship between geographic diversity and market learning, though not with his evidence that higher geographic diversity is associated with weaker technological learning.

Stronger academic support for the findings, nevertheless, comes from the theoretical studies in organisational learning and internationalisation literatures. Research in organisational learning suggests that diversity of environments in which a firm operates positively contributes to its propensity to acquire knowledge (Zahra and George, 2002) because of the broad learning opportunities made available to the firm (Ghoshal, 1987). Studies on firms' internationalisation also suggest that firms may find their domestic market-based knowledge and capabilities to be of little use in foreign markets (Bruneel, et al., 2010; Johanson and Vahlne, 1977). Markets vary on the cultural, administrative, and institutional dimensions (Tsai, 2001). They also vary in terms of customer needs and regulatory requirements (Ahuja and Katila, 2004). These differences require internationalising firms to engage in product and process adaptations, resulting in knowledge acquisition among these firms (Dodgson, 1993). This thesis, hence, contributes to the literature by providing evidence in

support of the notion that firms operating in environments characterised by greater diversity are presented with more learning opportunities than those firms whose operations are confined to markets that are similar in characteristics.

8.2.2 The Structural Aspect of International Activities

The structural aspect of DOI was measured using two items, the number of employees who were dedicated to international activities and an index for mode of entry to foreign markets. These two items contributed slightly differently to the formation of DOI and, hence, to the DOI's positive association with technological and marketing learning. Number of employees working in cross-border operations has positively, but not strongly significantly, contributed to the formation of the DOI index whereas greater use of entry modes characterised by higher levels of control and involvement had a significant influence on the formation of DOI. The following discussion will focus on each of these two items and their association with technological and marketing learning.

Employees Dedicated to International Activities

Number of employees working in cross-border operations, which reflects a firm's commitment to internationalisation (Papadopoulos and Martín Martín, 2010), had a positive, though not strongly significant, impact on the formation of the DOI index and its subsequent effect on learning. This finding is in line with those of Zhou et al. (2012) that commitment to foreign markets is associated with stronger marketing capabilities among Chinese young international ventures. However, these authors measured international commitment by gauging the harmonisation of senior managers' attitudes towards their firms' international activities rather than accounting for the human resources committed to foreign activities.

Furthermore, commitment of greater resources to foreign expansion represents the fundamental basis of learning within the Uppsala model of internationalisation (Johanson and Vahlne, 1977). According to the original model, increasing commitment to foreign markets provides the firm with more experience and hence engenders greater learning about those markets. A subsequent refinement of the model further suggests that higher levels of international commitment enhance

trust between the firm and its business partners, leading to the creation of new knowledge (Johanson and Vahlne, 2009). Hence, greater international commitment engenders the acquisition of knowledge within foreign markets, which subsequently contributes to the development of marketing capabilities (Zhou, et al., 2012).

More importantly, employees dedicated to international activities can play the role of gatekeepers who bring information into the firm from external sources (Dodgson, 1993). Having a greater number of such employees means greater efforts can be put towards acquiring externally generated knowledge (Zahra and George, 2002) which enhances the firm ability to build requisite capabilities (Kim, 1997). This provides support for the findings presented here that firms who commit more staff to their foreign expansion activities exhibit greater levels of marketing and technological capability development.

Entry Mode Index

Moving to the second item representing the structural aspect of international activities, greater use of entry modes characterised by higher levels of control and involvement has a significant influence on the formation of DOI and hence its positive impact on technological and marketing learning, though this influence was weaker than that of the geographic scope of sales. The result corresponds to previous, albeit extremely rare, research in this area. The Uppsala model of internationalisation suggests that increasing commitment to foreign markets through the use of more advanced entry modes leads to greater knowledge gains; however, the realm of knowledge considered in this model is confined to foreign market knowledge (Johanson and Vahlne, 1977).

On the other hand, Zahra et al. (2000) report a positive relationship between use of high-control entry modes and the depth, breadth and speed of technological learning. High-control entry modes can promote firms' experiential learning due to close observation of other firms' strategic actions and direct interactions with foreign markets (Zahra, et al., 2000). However, prior evidence is available only on technological learning but little, if any, evidence exists on the effect of entry modes

on marketing learning. Hence, this thesis contributes to the literature by offering rare evidence on the relationship between entry modes and marketing learning.

More importantly, the interview evidence sheds light on intriguing but poorly investigated ways in which entry mode choices impact on firms' technological and marketing learning. In specific, two issues are identified and discussed next.

Importance of High Involvement

The findings suggest that in addition to the level of control associated with a particular entry mode, a firm's level of involvement, that is how much time and effort the firm spent in interacting with foreign markets, matters when assessing the learning benefits of internationalisation. Although the interviewed firms relied mainly on what are generally described as low-control entry modes, i.e. indirect or direct exporting and sales subsidiaries, they varied on how efficiently they used these modes. Firms relying on foreign sales agents without much involvement in their operations benefited less than those engaging more intensively with their agents did.

For example, Garment2 generated 20 per cent of its sales in 12 foreign countries and had a number of agents and distributors abroad, yet it exhibited limited marketing and technological learning from its international activities. The limited knowledge gains are attributed to the arm-length low-involvement relationship that Garment2 maintained with its foreign partners. Garment2 opted for a transactional rather than a relational approach with its foreign agents and distributors. On the other hand, Food1, which also relied on agents and distributors to enter foreign markets, has benefited from its active involvement with those partners to enhance its offerings and implement new marketing ideas. Hence, while Garment2 and Food1 relied on the same entry mode, their involvement levels differed leading to variations in the learning gains achieved due to foreign expansion.

These findings resonate with Zahra et al.'s (2009) findings that high-control entry modes and, more importantly, high-involvement entry modes are associated with product innovation. This distinction between level of control and level of involvement is significant, and it reinforces this study's findings. This thesis shows

that the same entry mode can offer firms more learning benefits if they decided to use it to its full potential by increasing the level of involvement.

The Learning Gains of Exporting

Besides highlighting the importance of high involvement, the findings support the argument that FDI is not the only source of knowledge acquisition as has been the long-established understanding in the literature (Chuang and Hsu, 2004; Ghoshal and Bartlett, 1988; Liu and Wang, 2003). Asset-seeking FDI has been considered the main vehicle for firms, particularly EM-MNEs, to acquire existing innovatory assets and capabilities in host markets (Awate, et al., 2015; Cantwell and Piscitello, 2005; Deng and Yang, 2015; Dunning and Narula, 1995; Thite, et al., 2016). However, the majority of firms examined in the thesis relied solely on exporting and yet managed to enhance their capabilities by entering foreign markets.

This evidence contradicts Yeoh's (2004) argument that exporting offers limited learning opportunities compared to higher-control entry modes in his interpretation of a negative relationship between geographic diversification and technological learning. Dimitratos et al. (1999) share Yeoh's views and argue that given exporters' reliance on intermediaries, their interaction with foreign customers is minimal; thus, exporting plays little role in enhancing a firm's innovative abilities.

Contrary to these studies, the evidence in this thesis suggests that firms vary in the intensity of their engagement and interaction with intermediaries. This variation has consequences for their learning gains; the more actively firms engage with their intermediaries, the more likely they are to encounter learning opportunities. This evidence is consistent with the premise that intentional and unintentional knowledge transfers between firms and intermediaries are common given the latter's unique position between markets and their access to information that makes them valuable to others (Ellis, 2010). Furthermore, The evidence also resonates with Golovko and Valentini's (2011) results that exports enhance innovation by providing access to novel information and demanding constant adaptations of products to match the specifications of international buyers. Hence, this thesis contributes to the literature by providing evidence that exporting, in its different forms, can contribute to knowledge acquisition.

8.2.3 Intensity of Internationalisation

The intensity dimension of internationalisation was measured using foreign sales to total sales (FSTS). Rather than focusing solely on export sales, foreign sales include the sum of exports and foreign subsidiaries' sales. Questionnaire data analysis showed that FSTS had a positive, yet not strongly significant impact on the formation of the DOI index and its subsequent effect on learning. This result is partly corroborated by the interview evidence, which showed that a high level of FSTS is not an adequate indicator of marketing learning. Garment1 and Textile2, the only two interviewed firms to have generated all of their sales abroad, had achieved little or no marketing learning gains in foreign markets. The concentration of foreign sales in one or few countries meant the firms encountered few opportunities to advance their marketing knowledge. In contrast, both firms exhibited considerable technological learning as they interacted with their European customers.

The interview findings indicate that the scope of foreign sales, that is generating sales in a number of different foreign markets, created greater opportunities for marketing learning than simply generating a high percentage of sales in one or few markets. This further confirms that the diversity of foreign environments a firm ventures into is of significant importance when it comes to assessing knowledge acquisition (Ghoshal, 1987; Zahra and George, 2002), particularly marketing knowledge.

Limited evidence is available in prior research on the direct impact of foreign sales intensity on the accumulation of knowledge. However, the findings of this study contrast with Ellis et al.' (2011) results that export intensity is positively related to three aspects of marketing capabilities, new product development, product performance and customer orientation. The findings here suggest that the intensity of foreign sales contributes to the development of technological capabilities but not essentially to marketing capabilities. This outcome could be explained by identifying the mechanism in which FSTS is likely to affect firms. Increasing foreign sales can contribute effectively to realising economies of scale and scope (Zahra, et al., 2000), which in turn provides an incentive to invest in upgrading technological capabilities (Hitt, et al., 1997). Thus, the advantage of increasing the intensity of

internationalisation is likely to stem from the growing scale of operations as opposed to internationalisation per se, thereby it mainly relates to technological learning rather than marketing learning.

8.2.4 Summary

The above discussion of the evidence that relates to objective one pinpoints some of this thesis' contributions to the literature. This section summarises the key contributions which are also presented in Table 8-1. Firstly, the thesis offered rare evidence that crossing national boundaries helps advancing technological knowledge within low-tech firms originating from transition economies. Secondly, the thesis specified marketing learning as a distinctive outcome of the internationalisation process and provided evidence of this outcome amongst Syrian firms.

Table 8-1: Summary of Contribution on DOI's Effect on Learning

Dimension of DOI		*Effect identified in this thesis*
Scope	Geographic scope of sales Number of foreign markets served by the firm	Geographic scope of foreign sales exerted the greatest impact on DOI formation while number of markets had no such impact. This finding suggests that geographic and cultural diversity in markets is more important than the absolute number of countries in which a firm generate sales when it comes to assessing the knowledge gains of internationalisation.
Structure	Number of employees dedicated to international activities Index for mode of entry to foreign markets	Both measures contributed positively to the formation of DOI, and hence to its subsequent positive influence on technological and marketing learning, although mode of entry index had a more significant effect than that of number of employees dedicated to international activities. The interview evidence also show that higher level of engagement with foreign markets when using a specific entry mode can reward firms with better knowledge gains. In addition, exporting, not only FDI, can help firms upgrade their knowledge bases.
Intensity	Percentage of foreign sales to total sales	Intensity of foreign sales had a weak positive contribution on the formation of DOI and the subsequent learning gains, though the qualitative evidence suggests the positive impact is limited to technological learning.

Source: the author

Lastly, the thesis highlighted that not all of the internationalisation dimensions contributed equally to the formation of the DOI index and, hence, to its subsequent impact on learning. Examination of the different DOI dimensions suggests that increasing the geographic scope of sales and making greater use of entry modes characterised by higher levels of control and involvement contribute most to knowledge acquisition in foreign markets. Crucially, the thesis highlighted that FDI is not the only source of knowledge; exporting, in its different forms, can also contribute to knowledge acquisition. Although to a lesser extent than the first two dimensions, committing more staff to foreign activities also plays a positive role in generating learning gains. The same applies to the intensity of cross-border sales, though the interview evidence suggests the positive impact is limited to technological learning. On the other hand, the number of foreign markets served by the firm has no significant role in the formation of DOI and, hence, its subsequent positive effect on learning. Based on the evidence presented here, this thesis suggests that greater care should be given to the formation of internationalisation constructs since their constituent dimensions may impact differently on the desired outcomes.

8.3 Impact of Organisational Factors on Post-Internationalisation Learning

This section addresses the second research objective of the thesis:

Objective 2: To assess how key organisational factors influence the ability of low-tech firms from a transition economy to learn from internationalisation in the areas of technological and marketing knowledge.

The organisational learning and internationalisation literatures suggest that a number of organisational factors influence firms' ability to acquire knowledge. There is a sizeable scholarly work examining such factors within a learning context (e.g. Casillas, et al., 2015; Kostopoulos, et al., 2011; Oehme and Bort, 2015; Prashantham and Young, 2011; Zhou, et al., 2012). However, limited attention was given to the impact of these factors on firms' learning through internationalisation, especially in relation to technological and marketing knowledge. Hence, this thesis contributes to the literature by addressing this gap in extant research through discussing evidence

pertaining to objective two. The following sections will each address one of the organisational factors identified as having an influence on firms' learning from foreign expansion, namely informal network, managers' prior foreign experience and firm's age at first foreign entry.

8.3.1 Firms' Informal Network and Knowledge Gains

This thesis postulated that a firm's informal network of relationships is positively related to its technological and marketing learning. The questionnaire data analysis supports this postulation showing that a broad set of informal relationships plays an important role in building firms' technological and marketing knowledge bases. These results are corroborated by the interview evidence. For instance, Garment3 worked closely with its suppliers and customers, which resulted in significant technological learning. Its close cooperation with its agents and distributors as well as its participation in international trade exhibitions offered further opportunities to advance its marketing skills.

Crucially, the findings in this thesis contributes to the literature challenging the view that formal contractual relationships are the main source of knowledge by providing evidence on the role of weak linkages in enhancing aspects of organisational knowledge (e.g. Huggins and Johnston, 2010; Tolstoy, 2009). Contractual partnerships are barely accessible to firms from emerging and transitioning economies unlike weak informal ties that are more numerous and regularly accessible (Oviatt and McDougall, 2005). These weak ties do also provide opportunities for learning (Dodgson, 1993; Lindstrand, et al., 2009), an outcome observed in the thesis findings. The findings reinforce prior evidence emphasising the importance of developing external weak relationships to search for useful knowledge (Hansen, 1999) and access novel and diverse information (Nahapiet and Ghoshal, 1998), influencing thereby a firm's ability to absorb and create knowledge (Phelps, et al., 2012). Moreover, the thesis evidence supports the findings of Fletcher and Harris (2012) that firms acquire knowledge from diverse sources, some of which have been rarely recognised in prior research.

Equally important, the thesis contributes to the literature by providing interview evidence suggesting that firms interacting with a narrow scope of foreign

customers or partners, due to the associated favourable performance, seem to have developed a marketing competency trap (Levitt and March, 1988). For example, Garment1 exported mainly to one foreign customer and enjoyed the stability of this export relationship for few years. Consequently, the firm did not utilise or perceive the need to advance its marketing know-how, although the same was not true for technological knowledge. Similarly, Textile2's Syria-based partner was responsible for manufacturing whereas the Europe-based partner handled all marketing activities. Subsequently, the locally based partner advanced its technological know-how but lacked the incentive to develop a marketing knowledge base of its own. Both firms raised concerns about their abilities to further expand abroad.

This evidence highlights the prime importance of customers within a firm's network of relationships. Additionally, it suggests that driven by initial success of their relationships with their sole customer, these firms engaged in an exploitative behaviour, foregoing in the process the development of alternative experiences by establishing new partnerships (Liu, 2006). Hence, the firms' choice of focusing on one customer/partner reflected favouring exploitation over exploration, leading eventually to a competency trap and a suboptimal situation (March, 1991) due to gaps in their marketing knowledge.

Similar evidence on the importance of a broad scope of customers is provided by Nobeoka, Dyer and Madhok (2002) in their investigation of Japanese supplier-automaker relationships. They show that having more than one customer improves performance, mainly because of learning. However, Nobeoka et al.'s (2002) evidence relates to large Japanese auto suppliers that compete with very few other firms in their respective markets. Their main advantage is derived from having distinctive technological knowledge, which Nobeoka et al. (2002) argue to be enhanced by developing close partnerships with multiple customers rather than a single customer. Evidence in this thesis, however, pertains to the scope of foreign, rather than domestic, customers of relatively small low-tech firms. More importantly, the negative effect of a narrow scope of customers relates to marketing, as opposed to technological, learning. Hence, the thesis contributes to the literature by

highlighting the importance of broadening the foreign scope of customers for enabling firms to achieve the marketing knowledge gains of internationalisation.

More broadly, the thesis contributes to the network or relational view of competitive advantage arguing that a firm's critical resources may extend beyond its boundaries to its network of relationships (Dyer and Singh, 1998; Johanson and Mattsson, 1987). Embedded within this network is the vital resource of knowledge (Tolstoy, 2009). The findings here support Yli-Renko et al.'s (2002) conclusion that the relationships of Finnish new technology-based firms significantly impact on the development of their knowledge bases. They are also consistent with Evers et al.'s (2012) qualitative evidence on the role of stakeholder relationships in developing the marketing capabilities of life science INVs from advanced economies to sustain their competitive advantage in the dynamic international marketplace. However, unlike these studies that focused on high tech firms from advanced economies, the findings presented here relate to low-tech firms from a transitioning economy.

8.3.2 Management's Prior Foreign Experience and Learning Gains

In line with the premise of absorptive capacity that prior related knowledge is required to assimilate and use new knowledge (Cohen and Levinthal, 1990), hypotheses 3a and 3b posited that firms whose managers have previous international experience are more likely to acquire technological and marketing knowledge, respectively, following cross-border expansion. Analysis of the questionnaire data suggests that management's prior international experience had a significant positive effect on technological learning but not on marketing learning. The interview evidence provides some support to the questionnaire results. While in some of the participating firms the presence, or absence, of managerial prior foreign experience was associated with greater, or lower, knowledge gains from international expansion, in others this association was confined to technological learning. In particular, the prior foreign experience of Garment1 and Textile2's managers seemed to relate to technological learning; however, the same was not true for marketing learning.

This evidence on the positive association between prior experience and technological learning contributes to the absorptive capacity literature (Cohen and Levinthal, 1990). Decision makers who had the opportunity to live or study in

different places and see different parts of the world would have gained varied insights, leading them to develop a more extensive knowledge base within their organisations. This evidence supports extant findings of a positive impact of prior international experience on subsequent learning in foreign markets (Weerawardena, et al., 2007). It further corroborates Yeoh's (2004) research showing that greater top management's international experience is associated with a stronger relationship between geographic diversity and three types of learning, including technological, market and social learning.

On the other hand, and contrary to expectations, the majority of evidence in the thesis suggests that management's prior foreign experience had no impact on marketing learning. However, this evidence does not necessarily contest the absorptive capacity logic. In fact, this logic could explain the aforementioned evidence. It could be argued that while managers were building their foreign experience, they may have not given attention to marketing aspects due to lack of prior related knowledge. Marketing-related knowledge has remained largely scant amongst Syrian business people given that Syria's transition into a market-based economy happened relatively recently; hence, its underdeveloped domestic market is still marked by a widespread lack of marketing knowledge (Alberti, 2010; GCR, 2011; Mazzanti, 2009). The absorptive capacity logic suggests that the ability to recognise and utilise external knowledge is largely a function of the level of prior related knowledge (Cohen and Levinthal, 1990). Hence, while some Syrian managers built experience through their international encounters, this experience is not likely to have influenced their repository of marketing knowledge; thus it would not have an effect on developing the marketing knowledge base of their organisations.

Alternatively, based on the interview evidence, it could be argued that while managers' previous international experience can assist firms in their post-internationalisation learning, its presence alone is not sufficient for firms to acquire marketing knowledge by crossing national borders. Such experience is an auxiliary rather than a necessary factor for marketing knowledge acquisition following foreign expansion. For example, managers' prior international experience cannot substitute for active involvement with foreign markets which seems to be an essential backdrop for achieving the marketing knowledge gains of internationalisation.

8.3.3 Firm's Age at First Foreign Entry and Knowledge Gains

To address the paradox in the literature on the role of a firm's age at first international entry in subsequent knowledge acquisition, this thesis set out to examine this role. Hypotheses 4a and 4b posited that a firm's age at first international entry is positively related to its technological and marketing learning, respectively, following cross-border expansion. The questionnaire results provide support for hypothesis 4b but not for hypothesis 4a. The interview findings suggest that a firm's age at first foreign market entry is associated with neither types of learning. The mixed evidence in this thesis reflects the contrasting arguments in the literature on the exact role played by a firm's age at internationalisation.

The learning advantages of newness (LAN) argument favourably associates early internationalisation with superior learning due to a range of cognitive, political and relational factors (Autio, et al., 2000). This argument is theoretically at odds with that of the absorptive capacity, which posits that firms learn best in areas in which they have prior knowledge (Cohen and Levinthal, 1990; Zahra and George, 2002), implying an advantage in delaying first foreign entry. Empirically, prior research provided evidence for (e.g. Sapienza, et al., 2005; Zhou, et al., 2012) and against (e.g. Khavul, et al., 2010) the LAN argument, and vice versa for the absorptive capacity argument. To address the absorptive capacity-LAN paradox, this thesis considered the content of knowledge as a contingency postulating that the LAN logic is likely to be more applicable to learning about foreign markets whereas absorptive capacity argument appears more relevant to acquiring technological and marketing knowledge.

The thesis contributes to the literature by providing evidence contrasting sharply with the LAN argument and supporting empirical evidence (Autio, et al., 2000; Sapienza, et al., 2005; Zhou, et al., 2012), and hence, it is consistent with LAN's counter-evidence provided by Khavul et al. (2010) and Zhou and Wu (2014) whose results suggest that early foreign market entry does not affect innovation. In particular, the interview findings indicate that while young firms may avoid the cognitive, political and relational barriers that Autio et al. (2000) refer to in arguing for the existence of learning advantages of newness, the absence of these barriers

does not inevitably improve the technological and marketing learning gains of cross-border expansion. On the other hand, the thesis evidence provides partial support to the absorptive capacity argument (Cohen and Levinthal, 1990; Zahra and George, 2002), which when extended to internationalising firms entails that delaying foreign entry can enhance the knowledge gains of internationalisation. This support comes from the questionnaire evidence of a positive association between delayed entry to international markets and greater post-internationalisation marketing learning.

The partial support for the absorptive capacity argument and the lack of support for the LAN logic, substantiate, to a degree, this thesis argument that the absorptive capacity-LAN paradox may be addressed by considering the content of knowledge as a contingency. It was argued that the LAN logic is more applicable to foreign market knowledge whereas absorptive capacity logic is more relevant to technological and marketing knowledge. This is not to contest that younger firms have fewer routines and are more apt to experience new situations, but that some prior related experience could be more influential in attaining knowledge gains. Taken together, this thesis contributes to the literature by addressing the absorptive capacity-LAN paradox pertaining to the relationship between early cross-border expansion and subsequent knowledge accumulation and suggesting that this relationship is more nuanced than most prior research has shown.

8.4 Learning and Performance

This section addresses the third research objective of the thesis:

Objective 3: To explore the extent to which technological and marketing learning from internationalisation achieved by low-tech firms from a transition economy enhances their international performance.

This thesis argued that firms' technological learning enhances their offerings and efficiency and, therefore, boost their international performance. Questionnaire data provides support for this argument which was reflected in hypothesis 5a that predicted a positive relationship between post-internationalisation technological learning and foreign performance. The interview evidence largely corroborates the

questionnaire results; however, there were instances that deviated from the general observation. The same could be said about the interview findings with regards to the relationship between post-internationalisation marketing learning and foreign performance. In contrast, the questionnaire results do not provide support for this association which was predicted in hypothesis 5b.

The thesis evidence on the role of technological learning in enhancing foreign performance contributes to the literature by addressing the research gap regarding this role with low-tech firms from transitioning economies. While some research associates technological knowledge acquisition with positive performance outcomes (Kotabe, et al., 2011; Yeoh, 2004; Zahra, et al., 2000), little is known about the impact of technological learning by low-tech firms on their international performance particularly for those originating from countries in transition. The thesis outcome reinforces the KBV's notion that knowledge is the most strategically important organisational resource (Grant, 1996a) and is the key platform for enhancing performance (Bapuji and Crossan, 2004; Eisenhardt and Santos, 2002). It is also consistent with the literature underlining the critical importance of knowledge as a source of sustainable competitive advantage within the international business (Fahy, 2002) and export performance fields (Beleska-Spasova, et al., 2012; Wheeler, et al., 2008).

More importantly, the results conform with Zahra et al.'s (2000) and Yeoh's (2004) results of a positive relationship between technological learning achieved in the course of international operations and some aspects of high-tech new venture international performance. In contrast with both these studies, however, the thesis provides evidence of a similar positive association in the rather rarely investigated context of firms originating from transition economies and operating in low-technology industries.

The thesis also contributes to the literature by addressing the relationship between post-internationalisation marketing learning and foreign performance. While significant scholarly effort was committed to examining the effect of marketing capabilities on performance (e.g. Blesa and Ripollés, 2008; Day, 1994; Morgan, et al., 2012; Morgan, et al., 2009), the effect of marketing learning through

internationalisation on performance has not been researched deservedly, especially in the context of transitioning economies. The thesis quantitative results indicate that marketing learning was not positively related to international performance. This came in contrast expectations and to most qualitative evidence.

The mixed evidence suggests that while firms gained new marketing knowledge and insights from their international operations, these gains did not always translate into better foreign performance. This evidence comes in contrast to prior research relating the appropriation of marketing knowledge amongst firms from developing and transitioning economies to an enhanced performance (Akimova, 2000; Ellis, 2005, 2010; Ellis, et al., 2011). The thesis evidence could be interpreted in a number of ways. First, firms may have not been able to integrate the newly acquired knowledge into their routines (Ghoshal, 1987). Firms need to establish processes and devise tools to incorporate new knowledge into their day-to-day activities. Knowledge integration makes it possible to utilise the information gained from international expansion to guide the firm's future strategic actions, leading thereby to superior performance (Zahra, et al., 2000).

Second, firms might have not put the newly acquired knowledge into action either because it was not perceived as important or relevant to the firms' activities and performance, or because the cost involved in applying the new knowledge was prohibitive. If a firm did not perceive a certain capability as core to its activities, it would not invest in integrating the knowledge related to this capability. Alternatively, cost could be a deterrent to knowledge application. This interpretation is supported by evidence from the interview findings where Cards1 paid particular attention to integrating the newly acquired knowledge but was sometimes unable to apply the knowledge due to the costs involved.

Third, marketing capabilities' influence on performance might be mediated by certain variables. For example, Zou et al. (2003) provide evidence that positional advantages, low-cost advantage and branding advantage mediate the relationship between marketing capabilities and performance of emerging markets' exporters. Similarly, Morgan (2010) suggests that the marketing capabilities and performance relationship is mediated by marketing strategy. Consequently, marketing learning

may not positively affect overseas performance if firms fail to achieve positional advantages or produce winning strategies.

Finally, the absence of a significant relationship between marketing learning and international performance could be due to the study firms' lingering weakness in marketing. As previously discussed, lack of marketing capabilities is a feature endemic to early stage transition economies (Ellis, 2010), hence developing these capabilities takes considerable time and effort. Sapienza et al. (2006) argue that capability development often requires considerable investment which hampers generating the expected performance outcomes of capability development. The development process could also suffer setbacks as initial trials to build the capability may prove fruitless (Helfat and Peteraf, 2003). Thus, although Syrian firms may be engaged in learning to develop their marketing capabilities, considerable time is needed for these capabilities to reach the threshold level required to generate a significant positive impact on performance, as was seen in the case of Ceramic1 in the interview findings. Future research and richer datasets are needed to infer the relative strength and plausibility of these interpretations.

In summary, the thesis contributes to the literature associating technological learning with positive performance outcomes by providing rare evidence on this association from low-tech firms originating from transition economies. Additionally, the thesis explored the relationship between marketing learning by these firms and foreign performance. While a positive relationship was not identified, a number of interpretations were set forth to explain this result and further research was recommended to examine the relevance of these interpretations.

8.5 Internationalisation and Performance

This section addresses the fourth and last research objective of the thesis:

Objective 4: To examine the impact the degree of internationalisation of low-tech firms from a transition economy has on their international performance.

This thesis postulated that internationalisation is not only positively related to learning but also to foreign performance. Evidence from both the questionnaire and

interviews provides strong support for this relationship amongst the study firms. This evidence is consistent with most of prior research in international business and marketing indicating such a positive relationship, despite cross-study variations in the definition and operationalisation of the two constructs (Bausch and Krist, 2007; Beleska-Spasova, et al., 2012; Papadopoulos and Martín Martín, 2010). However, as highlighted earlier in section 8.2, the thesis' quantitative analysis show that not all of DOI's dimensions contributed equally to the DOI index formation, and subsequently to its positive relation to international performance. The following discussion addresses each of the five DOI dimensions' contribution to the DOI index.

Firstly, the geographic scope of sales exerted the largest impact of all five dimensions of DOI on its formation and hence on its effect on international performance. A wide scope of international operations helps firms to accumulate foreign market and internationalisation knowledge (Eriksson, et al., 2000), which has a positive effect on foreign sales growth (Zhou, et al., 2010). Additionally, extending the geographic scope of sales provides new sales opportunities (Glaum and Oesterle, 2007), thereby it allows firms to generate greater returns from intangible resources and spread risk across different markets (Tallman and Li, 1996). If sales cycles in different economies are uncorrelated, a firm with a broad geographic presence can balance sales fluctuations and enjoy stability in sales and an improvement in performance (Hilmersson, 2014; Pangarkar, 2008). This is particularly important for firms originating from a troubled region where risk is too high like the Middle East.

Secondly, the number of foreign markets in which a firm sells its products had an insignificant bearing on the formation of the DOI index and hence on its effect on international performance. This result comes in contrast to some extant research positively associating this dimension with export performance (Beleska-Spasova, et al., 2012). The result, however, is consistent with prior research viewing a firm's number of foreign sales markets as a crude measure of scope givens its failure to differentiate between markets in terms of their cultural, institutional and business practices (Eriksson, et al., 2000; Pangarkar, 2008; Yeoh, 2004). One possible explanation for the insignificant weight of the number of foreign sales market in forming the DOI index could be the business cycle synchronisation across different countries within one region (Baxter and Kouparitsas, 2005). In effect, any

fluctuation in sales in one country is likely to be replicated in other countries within the same region, decreasing, as a result, any risk-reduction benefits of market diversification. Consequently, firms spreading their sales across different regional economies are likely to realise greater performance outcomes compared to firms generating sales within one region.

Thirdly, results pertaining to the structural dimension of entry mode index suggest that greater use of entry modes characterised by higher levels of control and involvement weighs significantly on the DOI index and, hence, contributes to its positive impact on international performance. This finding corresponds to earlier research associating high direct investment entry modes with better cross-border performance (Blesa and Ripollés, 2008). Although high-control entry modes involve higher commitment, they enable firms to leverage location-based advantages (Kogut, 1985), such as a competitively priced labour force, leading thereby to an enhanced overseas performance.

Fourthly, the structural dimension of number of employees working in cross-border operations had a positive, though not strongly significant, influence on the formation of the DOI index and its subsequent effect on international performance. This result is largely reflective of the export performance literature that positively relates resource commitment to a boost in performance (Sousa, et al., 2008). The evidence suggests that investment in hiring additional staff in the international department is likely to be rewarding to firms looking to enhance the performance outcomes.

Finally, the intensity dimension, FSTS, had a positive, yet not strongly significant, contribution to the DOI index and its subsequent influence on overseas performance. Generating greater sales overseas enables firms, particularly those originating from countries with small domestic markets, to achieve economies of scale and reduce their costs leading to an increase in profitability (Glaum and Oesterle, 2007). The evidence presented here is also in line with prior research indicating such a positive effect of international intensity on export performance (Beleska-Spasova, et al., 2012; Papadopoulos and Martín Martín, 2010).

While the evidence presented in this thesis is consistent with several prior studies, the thesis contribution to the literature stems from concurrently addressing the impact of different internationalisation dimensions on overseas performance. Additionally, it contributes to the literature by providing evidence that addresses the research gap concerning the examination of the internationalisation-performance relationship amongst non-Triad firms (Bausch and Krist, 2007; Chen, et al., 2014; Yang and Driffield, 2012). Providing such evidence is particularly pertinent given that home country contextual settings are likely to affect performance outcomes (Bausch and Krist, 2007), making knowledge about the internationalisation-performance relationship context-bound knowledge (Meyer, 2007). In other words, the knowledge we already have about this relationship in certain contexts does not necessarily apply, or applies differently in other contexts. Hence, the thesis adds to the literature by providing evidence on the internationalisation-performance relationship from the Syrian context.

Summary

This chapter discussed the analysis findings in relation to the research objectives and the literature. It aimed to provide the rationale underlying the study findings using insights from previous research. Based on this discussion, the final chapter will synthesise the main findings of this thesis, highlight its main contributions as well as managerial and policy implications, analyse the research limitations and suggest future research directions.

Chapter 9. **Conclusion**

9.1 Introduction

This thesis explored learning from international expansion amongst firms from the transitioning Syrian economy. This chapter concludes the thesis. First, it highlights the key findings and main theoretical contributions of the thesis. It then considers the thesis limitations and identifies fruitful avenues for future research. The chapter concludes with a discussion of the managerial and policy implications of the thesis' findings.

9.2 Summary of Key Research Findings

The overall aim of this thesis is *to investigate learning by internationalisation and the subsequent performance implications amongst firms from transitioning economies.* Guided by insights from the internationalisation and organisational learning literatures, it investigated the impact different dimensions of degree of internationalisation (DOI) have on technological and marketing learning amongst Syrian low-tech firms. It further examined factors that may enhance or hinder the learning process as well as the performance implications of cross-border expansion and knowledge acquisition. In exploring these issues, the thesis relied on questionnaire and interview evidence collected from Syria.

The findings suggest that crossing national borders has a positive impact on the advancement of both technological and marketing capabilities. The thesis also identifies the influence of the firm's informal network of relationships, its age at first foreign entry and management's prior international experience on the nature and direction of post-internationalisation learning. Furthermore, the evidence indicates that technological knowledge gains and international expansion are positively associated with international performance whereas marketing learning has no such association with overseas performance. The following points provide further details about the key findings of this thesis:

- Crossing national borders presents firms with new contexts and new customer needs, which require an upgrade of both technological and marketing-related capabilities.
- The various dimensions of DOI exert different influences on subsequent learning. In particular, increasing the geographic scope of a firm's foreign sales and using entry modes characterised by higher levels of control and involvement have the greatest effect on learning by internationalisation. Although less substantial, increasing commitment of human resources to foreign activities plays a positive role in delivering learning benefits. The same can be said for the intensity of foreign sales, though the positive impact is limited to technological learning according to the interview evidence. In contrast, the number of foreign markets served by a firm has no significant role in forming the DOI index and, hence, its subsequent effect on learning.
- Firms that invest in developing a broad set of informal ties while expanding abroad could gain access to information and knowledge that they might otherwise have missed, contributing thereby to the development of marketing and technological knowledge bases.
- Managers with previous international experience help their firms in identifying and acquiring technological knowledge. However, the same cannot be said about marketing knowledge.
- Mixed evidence was obtained on the effect of early internationalisation on subsequent learning. The interview evidence indicates that a firm's age at first international entry is not related to learning by internationalisation. On the other hand, the questionnaire results suggest that early late into a foreign market positively influenced marketing, though not technological, learning.
- Firms that enhance their technological knowledge base enjoy a boost to their international performance. However, such boost was not always observed in relation to marketing knowledge gains.
- Expanding the international footprint of a firm is associated with a better-perceived international performance.

9.3 Research Contribution

This thesis contributes to scholarly knowledge in several ways. It extends extant theory by examining the technological and marketing learning benefits of internationalisation among firms from the Syrian transitioning economy. By using a multi-dimensional measure of internationalisation, the thesis identifies varying effects of different dimensions of internationalisation on subsequent learning. In addition, the thesis identifies key organisational influencers on the nature of post-internationalisation knowledge acquisition and highlights the international performance implications of the acquired knowledge as well as that of cross-border expansion. The following sections each discuss one of the aforementioned aspects.

9.3.1 The Learning Benefits of Internationalisation

The thesis extends previous internationalisation theory by recognising marketing learning - that is to develop marketing capabilities - as a distinctive outcome of foreign expansion. Marketing learning has been virtually neglected in extant internationalisation literature despite its significance, particularly for firms in transition economies where marketing knowledge has been remarkably poor (Ellis, et al., 2011). Hence, this thesis contributes to the literature by providing empirical evidence on the positive role internationalisation plays in achieving marketing knowledge gains amongst firms from a transitioning economy, Syria.

This thesis also contributes to the literature by providing evidence that internationalisation enables upgrading the technological capabilities of Syrian low-tech firms. While some prior research has examined technological learning amongst high-tech firms from advanced economies (e.g. Prashantham and Dhanaraj, 2010; Yeoh, 2004; Zahra, et al., 2000; Zou and Ghauri, 2010), we do not know enough about technological learning by low-tech firms from transitioning or developing economies. The different structural characteristics of low-tech and high-tech industries warrants the need for investigating different industrial contexts (Zahra, et al., 2000). Although low-tech industries are characterised by slow and incremental change, the underdevelopment of these industries in transitional economies suggests

that firms have a large scope for catching up with their counterparts in developed markets through learning by internationalisation (UNIDO, 2015).

In investigating these two learning by internationalisation outcomes, the thesis incorporates context explicitly into the research instead of treating it as an interfering variable that requires controlling (Poulis, et al., 2013). Contextualisation is achieved through '*making the familiar appear novel*' approach (Tsui, 2004), as the thesis extends an established theory, which links internationalisation to aspects of learning, and adapts it to the context of transitioning economies by identifying a locally relevant concept, i.e. marketing learning, and refocusing on technological learning among low-tech firms.

9.3.2 The Multi-dimensional Degree of Internationalisation

Unlike much of earlier research measuring degree of internationalisation using one item (Glaum and Oesterle, 2007), this thesis employed a multi-dimensional construct to measure DOI and modelled it as a formative index in line with the emerging stream of literature following this approach (e.g. Acedo and Florin, 2006; Casillas and Acedo, 2013; Marano and Kostova, 2015; Papadopoulos and Martín Martín, 2010). In doing so, the thesis contributes to the literature by demonstrating that different dimensions of internationalisation have varying impacts on learning outcomes. Specifically, the geographic scope of a firm's sales, its choice of entry modes and to a lesser extent, its commitment of human resources to foreign activities play a measurable role in enhancing the learning gains of cross-border expansion. The intensity of foreign sales also has a role to play in generating the learning benefits of internationalisation. However, that role seems to be less relevant to marketing learning according to the interview evidence. Lastly, the number of foreign markets served by a firm has no significant role in forming the DOI index and, hence, its subsequent effect on learning.

Significantly, the thesis highlights two intriguing but poorly investigated ways in which entry mode choices influence firms' technological and marketing learning by internationalisation. First, although most of the study firms employed modes that are usually grouped together as low-commitment and low-control modes,

these modes still offered varying learning outcomes; this depended critically on the firm's level of involvement with foreign markets. This observation relates specifically to the effect on marketing learning. Second, the findings challenge the predominant understanding in the literature that FDI is the key route to acquiring knowledge by internationalisation (e.g. Awate, et al., 2015; Chuang and Hsu, 2004; Deng and Yang, 2015; Ghoshal and Bartlett, 1988; Liu and Wang, 2003; Thite, et al., 2016). Exporting, in its different forms, has been shown to yield technological and marketing learning dividends. Thus, the thesis contributes to the literature by highlighting important aspects of the relationship between entry modes and learning by internationalisation.

Crucially, these findings emphasise the need to pay greater attention to the formation of internationalisation constructs, as the different dimensions are likely to have divergent impacts on the desired outcomes.

9.3.3 Organisational Factors Effect on Learning by Internationalisation

The thesis contributes by identifying the influence of key organisational factors on the nature and direction of post-internationalisation knowledge acquisition. While sizable scholarly effort was committed to the examination of organisational factors within a learning context (e.g. Casillas, et al., 2015; Kostopoulos, et al., 2011; Oehme and Bort, 2015; Prashantham and Young, 2011; Zhou, et al., 2012), few studies have investigated the factors influencing specifically technological and marketing learning resulting from cross-border expansion. Furthermore, some organisational factors received insufficient attention or divided scholars with regards to their learning implications.

The thesis provides evidence underlining the critical importance of expanding a firm's informal network ties for advancing technological and marketing knowledge bases, thus supporting prior research suggesting that firms learn from diverse sources, some of which have been rarely recognised in the literature (Fletcher and Harris, 2012). Crucially, this finding challenges the view that formal contractual relationships are the main network-source of knowledge and augments extant evidence on the role of weak linkages in enhancing aspects of organisational

knowledge (e.g. Huggins and Johnston, 2010; Tolstoy, 2009). Furthermore, the interview evidence in the thesis highlights the prime importance of customers within a firm's network of relationships and suggests that having a narrow scope of customers might lead to a marketing competency trap (Levitt and March, 1988). While some prior research emphasises the role of a broad scope of local customers for enhancing the technological knowledge of large auto suppliers (e.g. Nobeoka, et al., 2002), the thesis contributes to the literature by underscoring the importance of broadening the scope of foreign customers in advancing the marketing knowledge of relatively small low-tech firms.

Moreover, the thesis contributes to the literature on absorptive capacity (Cohen and Levinthal, 1990; Zahra and George, 2002) by showing that managers' previous foreign experience enhances post-internationalisation technological learning. Although this experience did not have a similar association with marketing learning, the absorptive capacity logic can still explain this result once taking into account the widespread lack of marketing knowledge in the Syrian domestic market due to its centrally-planned economic heritage (Alberti, 2010; GCR, 2011; Mazzanti, 2009). Alternatively, it could be argued that the presence of managers' prior foreign experience alone is not sufficient for firms to acquire marketing knowledge by crossing national borders. For example, such experience cannot substitute for high involvement with foreign markets, which is essential for attaining the marketing knowledge gains of internationalisation.

Finally, this thesis contributes to the literature by addressing the absorptive capacity-LAN paradox pertaining to the relationship between early cross-border expansion and subsequent knowledge accumulation (Autio, et al., 2000; Cohen and Levinthal, 1990). It provides evidence that contrasts with the LAN argument and offers partial support for the absorptive capacity argument, therefore, substantiating, to a degree, the argument put forward in this thesis that the absorptive capacity-LAN paradox may be addressed by considering the content of knowledge as a contingency.

9.3.4 Performance Implications of Internationalisation and Learning by Internationalisation

The thesis contributes to the literature by adding to the limited evidence on the relationship between technological learning by low-tech firms and international performance, which is particularly absent in the context of transitioning economies. It also provides rare insight into the relationship between marketing learning and international performance. Although substantial academic efforts were devoted to the examination of marketing knowledge and performance relationship (Blesa and Ripollés, 2008; Day, 1994; Morgan, et al., 2012; Morgan, et al., 2009), the effect of marketing learning through internationalisation on performance has not been researched deservedly, especially in the context of transitioning economies. The thesis quantitative results indicate that marketing learning was not positively related to international performance. This came in contrast expectations and to most qualitative evidence. The mixed evidence suggests that while firms gained new marketing knowledge and insights from their international operations, these gains did not always translate into better foreign performance.

The thesis put forward a number of interpretations to explain this result. These include firstly the inability of firms to integrate the knowledge into their routines. Secondly, firms may have considered the newly acquired knowledge to be of little relevance to their performance providing, therefore, weak incentive to integrate it into the day-to-day activities. Alternatively, firms may have not reaped the performance benefits of the enhanced capability base because they failed to devise successful marketing programmes, which have been proposed as mediators in the capability-performance relationship. Lastly, while Syrian firms may be engaged in learning to develop their marketing capabilities, extensive periods are required for these capabilities to reach the threshold level needed to influence performance positively. Further examination of the relationship between marketing learning and performance would be needed to explore the relative strength and plausibility of these interpretations.

Furthermore, the thesis offers rare evidence on the relationship between a multi-dimensional measure of internationalization and subsequent performance

within the Syrian transitioning economy. In doing so, it responded to calls in the literature to obtain evidence of this relationship from non-Triad countries given that differences in contextual settings across the world economies may influence the internationalisation-performance relationship (Bausch and Krist, 2007; Chen, et al., 2014; Yang and Driffield, 2012).

In addition to the aforementioned points, the thesis contributes to the emerging empirical research applying partial least square structural equation modelling to testing relatively complex relationships within the international business and strategic management research. PLS has proven valuable in conducting such research as it often necessities modelling latent constructs and relies on small sample sizes due to collecting data mainly from senior managers (Wilden, Gudergan, Nielsen, and Lings, 2013). This thesis also contributes to the research stream employing a mixed methods approach, which remains underrepresented in the international business and marketing literature (Andriopoulos and Slater, 2013; Hurmerinta-Peltomäki and Nummela, 2006).

In conclusion, the above points underline the overarching contribution of this thesis, which is extending our understanding of the role of internationalisation in advancing firms' knowledge bases and enriching the international business literature with perspectives from internationalising firms in the Syrian transitioning economy.

9.4 Managerial Implications

This thesis findings suggest a number of implications for senior managers of firms at various stages of internaitonalisaiton . Firstly, the findings extend the view that crossing national borders presents firms with new contexts and new customer needs, which call for, and often result in, an upgrade of technological and marketing capabilities. Managers are, hence, advised to develop a well-rounded appreciation of potential internationalisation benefits. In effect, they need to view foreign expansion as a learning opportunity, and not only as a source of additional income.

Furthermore, given the differences in the impact of various dimensions of internationalisation on learning, managers need to pay careful attention to the

composition of their firms' international footprint. They are urged to seriously consider widening the geographic coverage of their firms' activities, if appropriate resources exist or can be leveraged. Taking this step often yields significant knowledge benefits for the firm.

In addition, managers are encouraged to make necessary investments to increase their firms' commitment to and engagement with foreign markets. There is ample evidence that entering foreign markets using high commitment modes is likely to generate a greater level of interaction with these markets and subsequently lead to capability enhancement and organizational renewal. Nevertheless, if this option was not attainable, firms are encouraged to take a proactive approach when using low-commitment entry modes. Actively engaging with agents and distributors along with continuous monitoring of their performance may enable access to knowledge that might have been otherwise unavailable. Besides, increasing commitment through hiring more staff, ideally with prior international experience, to deal with cross-border activities is likely to result in higher level of interaction with foreign markets, leading thereby to greater knowledge creation. Managers with prior foreign experience tend to help their firms in identifying and acquiring technology-related knowledge and consequently lead to better performance.

Moreover, investment in growing the firms' ties with a range of partners, especially customers, appears to be an essential backdrop to achieving an effective leveraging of the learning benefits of internationalisation. Firms that invest in such ties are likely to enjoy enhanced access to information and knowledge that they might otherwise have missed. Besides, firms that have not yet embarked on the internationalisation journey may find it useful to accumulate some domestic-based experience prior to venturing abroad as such experience could play an influential role in attaining the marketing knowledge gains of internationalisation.

Furthermore, firms that invest in advancing their technological capabilities as a result of foreign expansion through, for example, introducing new products, identifying and acquiring new technologies and improving their manufacturing processes could be generously rewarded with a boost to their international performance. Equally important to enhancing foreign performance is the expansion

of the firm's international footprint. Although the present study evidence did not support a positive impact of developing marketing capabilities on international performance, the thesis stresses the importance of investigating this impact further before giving any recommendations to Syrian managers.

9.5 Policy Implications

From a policy perspective, it is important to reiterate the critical importance of learning, knowledge development and capability enhancement - all central themes in this thesis - to the continuing advancement of businesses and national economies. Borrowing insights from the newly industrialised economies, such as China, shows that it is the relentless learning that enabled their firms to upgrade their capabilities and become global challengers in several industries (Luo and Tung, 2007; Tan and Mathews, 2015). While smaller transition economies, like Syria, do not have the same factors of production and large domestic markets to attract huge foreign investments such as China, they can still encourage capability enhancements within their local firms by emphasising the importance of internationalisation for knowledge creation and capability upgrading.

From a practical point of view, policy makers should note that the most promising firms for targeted public support are likely to be the ones that have a wide geographical scope, use high-commitment and high involvement entry modes, employ a relatively large number of staff to handle international activities and generate a large percentage of their sales overseas. Evidence in this thesis suggests that such firms benefit from their international presence through enhancing their technological and marketing capabilities and tend to be more satisfied with their foreign performance. Targeting support towards such firms could help them take the step up to become knowledge organisations and would reward the economy with larger foreign exchange reserves.

Hence, employing the above-mentioned dimensions of internationalisation as criteria for screening firms for support is likely to be more advantageous than simply relying on export ratio as a screening measure. Indeed, the findings here highlight the potential competency traps that a firm could fall into if it concentrates its sales in one

country and one foreign sales partnership even if this partnership accounted for all of the firm's sales. International business support agencies are also encouraged to emphasise the value of actively engaging with foreign agents and distributors and hold networking events to aid internationalising firms in maximising the knowledge gains of cross-border expansion. Finally, these agencies should consider supporting firms in their efforts to upgrade their technological capabilities as these capabilities provide an important platform for enhancing international performance.

9.6 Limitations and Future Research Directions

This section acknowledges the limitations of the research and highlights some avenues for future research. First, this thesis focused on the marketing and technological knowledge gains of internationalisation. Hence, the lack of evidence on other types of knowledge, such as internationalization knowledge, foreign business knowledge and foreign institutional knowledge which are important for cross-border expansion (Eriksson, et al., 1997), could be considered a limitation. However, examining additional types of knowledge was beyond the scope of the thesis as it incorporated context explicitly into the research and focused on knowledge types that are particularly pertinent to this context. Firms investigated in this thesis originate from the Syrian transitioning economy whose centrally-planned economic heritage led to the lack of requisite business skills for survival in market-driven environments amongst local managers (GCR, 2011; Lim and Saborowski, 2012). Nevertheless, it is recommended that future studies examine all potential types of learning that can be achieved by internationalisation as that can assist us in having a more holistic understanding of the knowledge gains of internationalisation and subsequent performance implications.

Additionally, this research was directed at the knowledge gains of foreign expansion but did not consider whether the potential of such gains could drive firms' cross-border growth. The EM-MNE literature points to an internationalisation behaviour guided by asset or knowledge seeking purposes (Awate, et al., 2015; Child and Rodrigues, 2005). Examining whether such purposes drive the foreign expansion of low-tech firms from transitioning economies would be a worthwhile endeavour.

Moreover, it would be interesting to investigate whether the realised technological and marketing knowledge acquisition influences subsequent foreign expansion. Such research could follow the lead of the Uppsala school, which suggests that acquiring foreign market and internationalisation knowledge encourages further commitment of resources to foreign markets and expansion to more psychically distant countries (Johanson and Vahlne, 1977). These issues are best addressed through a longitudinal study that examines knowledge as an outcome as well as a determinant of international expansion.

Beside the aforementioned research-focus limitations, there are some methodological limitations. When the research was originally conceived, it was designed as a mixed-method-based research using a sequential developmental design where the qualitative data collection aims to verify interpretations and shed lights on findings obtained in the questionnaire. However, the ongoing crisis in the study context, Syria, prevented the researcher from collecting the qualitative data following the analysis of the questionnaire data. Instead, the researcher had to resort to a concurrent design where both types of data were collected simultaneously. This posed a limitation to this research as some of the interpretations for the findings, e.g. the insignificant relationship between marketing learning and performance, could have been further investigated in a sequential developmental design. Nevertheless, the concurrent design enhanced the validity of the research by enabling the triangulation and cross-validation of the results.

Furthermore, the available directories used to identify respondent firms only included information about exporting firms. Hence, any firms that relied exclusively on other modes of internationalisation would have been excluded. In effect, using the export directories may have biased the results towards export-based foreign expansion (Jones, 1999). Additionally, while significant efforts were made to maximise the number of the questionnaire respondents, the modest number of investigated firms, though representative of their population, imposed restrictions on data analysis. For instance, comparing the findings across the different sectors to which the responding firms belonged was not possible.

Moreover, the data obtained were self-reported responses. While objective data are generally more reliable, the absence of publicly available data on Syrian firms meant objective measures were not attainable. The data were also collected at one point in time, thus the research relied on the recollections of respondents. However, the focus of this study - change in the knowledge base of internationalising firms - could have been better addressed through a longitudinal study. Such approach was not attainable in this thesis given the practical difficulties of securing a long-term access to the participating firms and the unfolding unrest in Syria.

Finally, this research was context-specific since it focused on firms from one country, Syria, and addressed theoretical aspects that are particularly relevant to Syrian internationalising firms. Yet, it is important to examine whether the context-specific aspects of the research could be extended to the wider scholarly work by examining other contexts whether in other transition or emerging economies, or in different sectors, such as high-tech sectors. Such examination could assist our understanding of the extent to which the present study's findings can be generalised beyond the Syrian context. Furthermore, while the content of marketing knowledge discussed in this thesis could be specific to the Syrian context, it would be interesting to examine if the concept of marketing learning could be relevant for international firms from advanced economies. Sheth (2011) discusses how the characteristics of emerging markets make them radically different from developed economies, implying the need for marketing learning. Hence, extending the context-specific relationship between internationalisation and marketing could be a worthy effort.

In addition to the above-mentioned areas for future research, the findings of this thesis highlight other interesting avenues that are worthy of further investigation. For example, the potential explanations offered earlier for the observed non-significant relationship between marketing learning and performance may be subjected to appropriate investigation. It is important to understand why marketing learning was not positively associated with performance although prior research suggests otherwise. Moreover, this thesis highlights the impact different dimensions of internationalisation have on learning and performance outcomes. It, therefore, calls for research that pays particular attention to the formation of the degree of

internationalisation construct, and for subsequent research that examines this construct's impact on a range of learning and performance outcomes.

Lastly, the thesis proposed to address the absorptive capacity-LAN paradox by considering the content of knowledge as a contingency. Consequently, it was postulated that the LAN logic seems particularly relevant to learning about foreign markets whereas the absorptive capacity argument appears more germane to acquiring technological and marketing knowledge. The thesis provides some support to this postulation but future research is needed to address the absorptive capacity-LAN paradox in greater depth; it is suggested that the relationship between age at first foreign market entry and knowledge accumulation is more nuanced than prior research has shown.

To conclude, this thesis provides evidence on the technological and marketing capability enhancing effects of cross-border expansion and the likely effects on foreign performance amongst firms from transitioning economies. In doing so, the thesis highlights some of the opportunities available to those firms to learn and advance their knowledge bases to compete on a more equal footing with their counterparts from advanced economies. It is the relentless learning that have enabled EM-MNEs to upgrade their capabilities and become global challengers in several industries and it is learning that holds the future for firms from transition economies and offers a viable path to sustainable economic development (Lundvall and Johnson, 1994). This thesis highlights how internationalisation, particularly exporting, the most accessible foreign entry mode to firms (Leonidou, et al., 2010), can create learning opportunities that result in an enhanced competitive position. It also highlights a number of future research avenues to delve deeper into understanding how firms can advance their capabilities and competitiveness by embracing internationalisation.

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Appendices

Appendix 1: Invitation to Participate in the Survey

I am a PhD Student in the Department of Marketing at Strathclyde University, in Glasgow. My research aims to investigate the impact of internationalisation on the firm's capabilities and performance. Your company has been chosen through the export directories in Syria to participate in this research. I would be very grateful if you could allocate around **15 minutes** to fill in the questionnaire.

The ideal person to address the questions is a **person who has been in charge of the company since its formation or, at least, since the start of international activities**. If you feel that another executive in your firm would be more suitable to describe the firms' development of capabilities, please forward these materials to him/her. For the findings of this study to be accurate and meaningful, would you please ensure that the questionnaire is completed fully.

Let me assure you that the Department of Marketing, University of Strathclyde adheres to the Data Protection Act. Therefore be assured that the **information you provide will be treated confidentially** and will be used for academic purposes only. Your organisation will not be identified in any report of this project.

Thank you in advance for your cooperation. If you need any further information, please feel free to contact me on this e-mail address.

Yours sincerely,

Laila Kasem

Appendix 2: Questionnaire's Cover Letter and Questionnaire

The Internationalisation of Syrian Firms and its impact on capabilities and performance

Dear Sir/Madam,

Your company has been chosen through the export directories in Syria to participate in this research, which aims to investigate the impact of internationalisation on the firm's capabilities and performance. This research forms the basis for obtaining a PhD degree at the Department of Marketing in Strathclyde University, Glasgow. I would be very grateful if you could allocate around 15 minutes to fill in the questionnaire.

It is well known that companies develop their capabilities on a continuous basis, but little is known on the impact international activities have on this development, the factors that support or hinder this development and how it contributes to firm performance. Therefore, the results of this study will offer a detailed understanding on the factors that contribute to improving performance among private Syrian firms.

The term, international operations, appears frequently in the questionnaire. The term is defined as follows: International operations indicate all activities that involve working with foreign parties including, activities that aim to serve foreign countries like exporting and establishing foreign sales subsidiary or production unit.

The questionnaire has 8 sections, the first relates to the firm's technological and marketing capabilities, the second relates to firm's performance, the third relates to the firm's international operations, the fourth relates to growth orientation, the fifth to network relationships, the sixth to general information about the company and respondent and the last requires additional information about the firm's international operations.

The success of the research depends on your valuable participation, therefore, I request that you complete the questionnaire fully in order to obtain accurate results.

Let me assure you that the Department of Marketing, University of Strathclyde adheres to the Data Protection Act. Therefore, be assured that the **information you provide will be treated confidentially** and will be used for academic purposes only. This research has obtained the approval of the ethics committee in the marketing department at the University of Strathclyde.

Thank you in advance for your cooperation. If you need any further information, please feel free to contact me on this e-mail address: Laila.kasem@strath.ac.uk

Many thanks,
Laila Kasem

Section 1: Technological and Marketing Capabilities

Please indicate the extent to which your company has gained knowledge and new insights, or learned skills or capabilities in the course of its international operations in each of the areas listed below (1 = limited knowledge or skills, 7 = extensive knowledge and skills).

Technological Capabilities	Limited knowledge or skills	2	3	Average knowledge and skills	5	6	extensive knowledge and skills
Developing new products and services	☐	☐	☐	☐	☐	☐	☐
Introducing Process (manufacturing) improvements	☐	☐	☐	☐	☐	☐	☐
Identifying emerging technologies	☐	☐	☐	☐	☐	☐	☐
Acquiring new technology to develop products/services	☐	☐	☐	☐	☐	☐	☐

Sales	Limited knowledge or skills	2	3	Average knowledge and skills	5	6	extensive knowledge and skills
Giving salespeople the training they need to be effective	☐	☐	☐	☐	☐	☐	☐
Developing sales management planning and control systems	☐	☐	☐	☐	☐	☐	☐
Developing selling skills of salespeople	☐	☐	☐	☐	☐	☐	☐
Providing effective sales support to the sales force	☐	☐	☐	☐	☐	☐	☐

Channel Management	Limited knowledge or skills	2	3	Average knowledge and skills	5	6	extensive knowledge and skills
Developing good relationships with distributors	☐	☐	☐	☐	☐	☐	☐
Attracting and retaining the best distributors	☐	☐	☐	☐	☐	☐	☐
Adding value to our distributors business	☐	☐	☐	☐	☐	☐	☐

Marketing Communications	Limited knowledge or skills	2	3	Average knowledge and skills	5	6	extensive knowledge and skills
Knowledge of developing and executing advertising programmes	☐	☐	☐	☐	☐	☐	☐
Developing advertising management and creative skills	☐	☐	☐	☐	☐	☐	☐
Using public relations skills	☐	☐	☐	☐	☐	☐	☐
Developing brand image skills and processes	☐	☐	☐	☐	☐	☐	☐
Knowledge of corporate image and reputation management	☐	☐	☐	☐	☐	☐	☐

Marketing Planning	**Limited knowledge or skills**	**2**	**3**	**Average knowledge and skills**	**5**	**6**	**extensive knowledge and skills**
Developing marketing planning skills	☐	☐	☐	☐	☐	☐	☐
Developing the ability to effectively segment and target market	☐	☐	☐	☐	☐	☐	☐
Developing creative marketing strategies	☐	☐	☐	☐	☐	☐	☐

Marketing Implementation	**Limited knowledge or skills**	**2**	**3**	**Average knowledge and skills**	**5**	**6**	**extensive knowledge and skills**
Knowledge of effective allocation of marketing resources	☐	☐	☐	☐	☐	☐	☐
Knowing how to translate marketing strategies into action	☐	☐	☐	☐	☐	☐	☐
Knowledge of executing marketing strategies effectively	☐	☐	☐	☐	☐	☐	☐
Developing a monitoring system for marketing performance	☐	☐	☐	☐	☐	☐	☐

Market Information Management	Limited knowledge or skills	2	3	Average knowledge and skills	5	6	extensive knowledge and skills
Gathering information about customers and competitors	☐	☐	☐	☐	☐	☐	☐
Using market research skills to develop effective marketing programs	☐	☐	☐	☐	☐	☐	☐
Tracking customer wants and needs	☐	☐	☐	☐	☐	☐	☐
Analysing market information	☐	☐	☐	☐	☐	☐	☐

Section 2: Firm Performance

Please indicate the extent to which you agree with the following statements:

Satisfaction with **international** activities:

	Strongly disagree	2	3	Neutral	5	6	Strongly agree
The performance of our international activities has been very satisfactory	☐	☐	☐	☐	☐	☐	☐
Our international activities have been very successful	☐	☐	☐	☐	☐	☐	☐
Our international activities have fully met our expectations	☐	☐	☐	☐	☐	☐	☐

Out firm's **overall (international + local)** performance over the past three years compared to our closest competitors:

	Strongly disagree	2	3	Neutral	5	6	Strongly agree
has been very profitable	☐	☐	☐	☐	☐	☐	☐
has achieved rapid growth	☐	☐	☐	☐	☐	☐	☐

Satisfaction with **overall (international + local)** activities

	Strongly disagree	2	3	Neutral	5	6	Strongly agree
The performance of our overall (international + local) activities has been very satisfactory	☐	☐	☐	☐	☐	☐	☐
Our overall (international + local) activities have been very successful	☐	☐	☐	☐	☐	☐	☐
Our overall (international + local) activities have fully met our expectations	☐	☐	☐	☐	☐	☐	☐

Section 3: Internationalisation

- When did the company start operating internationally?

- How many employees were dedicated to international activities **in 2010**?

- Please provide the percentage of foreign sales to total firm sales **in year 2010**.

- In how many countries (other than Syria) were this company's products sold **in year 2010**?

- Please indicate in which of the following regions your firm generated sales **in year 2010**:

Region	Please tick where appropriate
Middle East and North Africa: (Arab World + Turkey and Iran)	
The rest of Asia	
The rest of Africa	
Eastern Europe	
Western Europe	
North America	
South America	
Australia, New Zealand and the Pacific Islands	

Section 4: Growth Orientation

Please indicate the extent to which you agree with the following statements (1 = Strongly disagree, 4 = Neutral, 7 = Strongly agree)

	Strongly disagree	2	3	Neutral	5	6	Strongly agree
Growing as rapidly as possible is the most important goal of this firm	☐	☐	☐	☐	☐	☐	☐
Aiming for high growth is not what drives this firm	☐	☐	☐	☐	☐	☐	☐

Assume that you have 100 points to distribute among the following objectives to indicate how important they had been to the firm in the recent past, how would you allocate the points so that the total adds up to 100?

- maximizing sales growth _____
- profitability _____
- technical superiority _____
- stability and longevity of the firm _____

Section 5: Network Relationships

- Please provide an evaluation of the importance of each of the following contacts in the internationalisation process (1 = not important at all, 4 = neutral, 7 = very important):

	Not important at all	2	3	Neutral	5	6	Very important
Friends and relatives	☐	☐	☐	☐	☐	☐	☐
Customers	☐	☐	☐	☐	☐	☐	☐
Export agents	☐	☐	☐	☐	☐	☐	☐
Competitors	☐	☐	☐	☐	☐	☐	☐
Chamber of commerce and industry	☐	☐	☐	☐	☐	☐	☐
Government sources	☐	☐	☐	☐	☐	☐	☐
National and international trade shows	☐	☐	☐	☐	☐	☐	☐
Universities and other higher education institutions	☐	☐	☐	☐	☐	☐	☐
Research Institutions	☐	☐	☐	☐	☐	☐	☐

- Please indicate the extent of collaboration with domestic or foreign partners in each of the following: (1: No Collaboration. 7: Very strong collaboration)

	No collaboration	2	3	Average collaboration	5	6	Very strong collaboration
Extension of product range	☐	☐	☐	☐	☐	☐	☐
Research and development	☐	☐	☐	☐	☐	☐	☐
Market research	☐	☐	☐	☐	☐	☐	☐
After sales service	☐	☐	☐	☐	☐	☐	☐
Advertising/promotion	☐	☐	☐	☐	☐	☐	☐
Manufacturing	☐	☐	☐	☐	☐	☐	☐
Administration	☐	☐	☐	☐	☐	☐	☐

Section 6: Management's Previous Experience

Please indicate the extent to which staff involved in international activities had the following prior to joining or founding the firm (1 = not existent at all, 7 = very high existence)

	Not existent at all	**2**	**3**	**Moderate existence**	**5**	**6**	**very high existence**
Friends/families abroad	☐	☐	☐	☐	☐	☐	☐
Knowledge of foreign language	☐	☐	☐	☐	☐	☐	☐
Education or training on international business, for example, attended formal courses and export seminars	☐	☐	☐	☐	☐	☐	☐
Experience of working abroad.	☐	☐	☐	☐	☐	☐	☐
Experience of living abroad, to study for example.	☐	☐	☐	☐	☐	☐	☐
Experience in foreign commercial activities.	☐	☐	☐	☐	☐	☐	☐

Section 7: Company Information

- What is the name of the company?

  _____

- When was the company founded?

  _____

- How many employees are there in the company?

☐ 1-9 ☐ 10-49 ☐ 50-99 ☐ 100-249 ☐ 250-499 ☐ 500-999 ☐ More than 1000

- What is the main sector of the company?
  - ☐ Textile industries
  - ☐ Food industries
  - ☐ Engineering industries
  - ☐ Chemical industries
  - ☐ Furniture industries
  - ☐ Another industry (Please specify) _____

Respondent Information

- Please indicate the year in which you joined the company.

  _____

- Please provide your role in the organisation?

  ☐ Founder and managing director

  ☐ Managing director

  ☐ Sales/Marketing director

  ☐ Other (Please specify) _____

Section 8: International Activities

- Please indicated the frequency each of the following entry-modes were used in your business in 2010 (1 = never used to 7 = used intensively)

	Never used	2	3	Used moderately	5	6	Used intensively
Exporting through domestic intermediary	☐	☐	☐	☐	☐	☐	☐
Exporting through foreign intermediary or directly to foreign customers	☐	☐	☐	☐	☐	☐	☐
Sales office/branch in a foreign country	☐	☐	☐	☐	☐	☐	☐
Production facility in a foreign country	☐	☐	☐	☐	☐	☐	☐
Production in the local market under a license from a foreign company	☐	☐	☐	☐	☐	☐	☐
Production in the local market under the label or brand of a foreign company	☐	☐	☐	☐	☐	☐	☐
Distribution agreement with a foreign company to serve the local market	☐	☐	☐	☐	☐	☐	☐
Importing raw materials or machinery	☐	☐	☐	☐	☐	☐	☐

Early Internationalisation

Going back to the early stages of your firm's international operations, please indicate the extent to which the following business areas were found to be an obstacle to the conduct of business operations abroad (1= Not challenging at all, 7 = highly challenging):

	Not challenging at all	2	3	Moderately challenging	5	6	highly challenging
Marketing communication like advertising	☐	☐	☐	☐	☐	☐	☐
Quality of sales persons	☐	☐	☐	☐	☐	☐	☐
Quality of customer service	☐	☐	☐	☐	☐	☐	☐
Strength of distribution network	☐	☐	☐	☐	☐	☐	☐
Ability to distinguish products	☐	☐	☐	☐	☐	☐	☐
Speed of introducing new products.	☐	☐	☐	☐	☐	☐	☐
Tracking foreign customer needs and trends	☐	☐	☐	☐	☐	☐	☐
Managing foreign partners	☐	☐	☐	☐	☐	☐	☐
Adapting products to f. markets	☐	☐	☐	☐	☐	☐	☐
Targeting multiple market segments in a foreign country	☐	☐	☐	☐	☐	☐	☐
Ability to manage international business activities effectively	☐	☐	☐	☐	☐	☐	☐

Appendix 3: Interview Schedule

Introduction

Introduce the researcher again, thank the interviewee for allocating the time for the interview, explain the purpose of the research and that it forms part of a PhD research conducted at the University of Strathclyde in the UK and assure the interviewee of the anonymity of the respondent and the firm, confidentiality of the data, and that it will be used for academic purposes only.

Questions

General information

- Name
- Job title
- Date started working for the company.
- Type of industry and business
- Type of offering
- The party responsible for the international activities of the firm

Previous Experience

- Can you please provide information about your previous experience and that of the founder (if the respondent is not the founder)? What about managers responsible for international activities?

Internationalisation

- When did the firm start internationalisation?
- Why did the firm start internationalisation?
- How, to which countries and using what modes?
- Did the firm face challenges when going abroad? What are they?
- Can you please indicate where were your firm products sold by the end of 2010? What entry modes were used?
    - Probe further into relationship with agents, distributors and other network relationships.
    - Probe further into how well the company is doing in international markets.

Impact of internationalisation

- How did the international activities affect your company?
    - Probe further into the impact on technology, e.g. introduction of new products or designs, use of new technology or changes to the production process.
    - Probe further into the impact on marketing, e.g. market research, developing their brand, methods of dealing with distributors and agents.
    - Probe into the circumstance in which learning occurred, how, relation to a specific country, source of knowledge and examples.
    - Was the acquired knowledge extended to other markets, shared with other parties responsible for other countries/operations?
    - Probe further into the impact on performance.

Conclusions

Thank the interviewee for their time and ask if they have any questions. Provide e-mail address again if they want to get in touch.

Appendix 4: Sample Interview Transcript

Interviewer: Thanks for giving me your time to conduct this interview. I would like to ask you a few questions about your firm international expansion but first let me ask you few questions about the firm and your role here. My understanding is that your company was founded in 1993 and it started exporting to the UK, can you please confirm that?

> **Interviewee:** Yes

Interviewer: Can you tell me about the start of the business?

> **Interviewee:** Actually the business was originally a family business, my father used to sell to Germany. He was in a different area, textile. As his children, we started in sewing. Many of the employees in Syrian industries work in textile and garments. There are 22,000 textile and sewing companies registered in the chambers of industry.

Interviewer: Regarding your company, you told me that your father had a business but you opened a new line?

> **Interviewee:** Yes, we went to garments. We opened the factory in the Syrian Duty Free Area. We import raw materials from abroad, manufacture and then export it.

Interviewer: And did you start exporting immediately to UK?

> **Interviewee:** Yes, we did not sell to the local market at all.

Interviewer: That means that you had international markets in your mind before you started the company?

> **Interviewee:** Yes, and it is still the way. Because there is an experience in exporting which is the family experience, because my father also focused on exporting and did not work locally. Since 1969 he and his partners were exporting. So there is experience in exporting and working with the west which

is what we actually miss in the country. It is not about money or capital, but it is the mentality of working, the Eastern mentality with the Western mentality.

Interviewer: So, you went to the British market and it seems it is your only market until now?

Interviewee: I will tell you why it is the only market. In Europe, the UK is the biggest market for garments. If you know the company XYZ, this company had branches in all Europe but it closed in the UK in 2008 I believe, but it still have branches in Europe. The delivery of items is made to England as there are warehouses there and then products are distributed to Europe. The company that buys from us are wholesalers, we do not sell directly. All clothes are exported to England and then they are distributed from there. England is known for that. Rarely you see someone exporting to a country other than England.

Interviewer: So you have one customer? That is XYZ?

Interviewee: No, I sell to the wholesaler but they sell to different retailers.

Interviewer: So XYZ was your first customer?

Interviewee: You can say so but we do not sell them directly, but through a wholesaler who finds the customers. They work with some of the biggest retailers. They bring us the contracts and we fulfil it for them. There is a reason for that. The model comes from England, they design it. I do not design except in some cases that require needlework as we are very skilful in this area. So we provide them with new ideas or designs and they apply it.

Interviewer: That means that in some cases, you participate in design?

Interviewee: Of course, things like needlework or using beads and sequins.

Interviewer: To summarise, we can say that you were focused on international markets from the beginning which is reflected in the location of your factory in the duty free area. You managed to find an intermediate that gets deals from retailers and you do the manufacturing.

Interviewee: That is true

Interviewer: So you do not need to market your products in conventional methods?

Interviewee: No, and even if I want to open a new market, I will not search for a direct importer but for a wholesaler.

Interviewer: And are you searching for new markets?

Interviewee: Yes, but definitely in England.

Interviewer: Is there a reason for that?

Interviewee: Because as I told you earlier the majority of products go to England and they have the biggest links with the EU market.

Interviewer: have you considered other markets?

Interviewee: Like what?

Interviewer: I mean other than the European markets, the American markets, other markets?

Interviewee: Actually I had one order to America, but then the American boycott of Syrian products happened. So we stopped.

Interviewer: I will get back to the European markets? Did you think of other markets?

Interviewee: There is another company started by my brother in 1988, they produce socks and they export to the German market.

Interviewer: I will now move back to your previous experience. You mentioned that your father was in the textile industry, did you use to work with him before establishing?

Interviewee: Me and my brothers used to study. I have a degree in business and economics. Then we established the current business. Of course, we used to work with my father in the summer time and he used to depend on us.

Interviewer: You told me also that your brother established another company in 1988, was it also a joined company too?

Interviewee: No, I was not involved in that, it was established by my two elder brothers.

Interviewer: So you came later and established the garment factory in 1993?

Interviewee: Yes.

Interviewer: Was there a reason for the choice of product, female clothing? It is different from the other businesses? Or is it an extension of the work?

Interviewee: It is an extension but it is also distinct in profit margins, they are higher although that means loss could be higher too. Male clothing industry, on the other hand, faces great competition from Asian manufacturers. To give you an example, the man shirt, no matter how much the design changes, is still more or less the same. However, female models are always changing so I can compete in female garments. The reason lies in the location and the amount of exports and the mode of shipment. We are closer to Europe and I ship products by air which allows for a fast delivery. I also produce small quantities from each model. This gives me a competitive edge. Manufacturers in China usually do not accept to produce quantities less than a container of each model and they ship by sea mainly. The container may take 20-25 thousand items. However, I may produce 2 or 3 thousands of the model.

Interviewer: I want to focus now on the marketing issue, your experience in reaching the European intermediary existed beforehand, before establishing the business, and now you are not responsible for sourcing orders as this is done by the wholesaler?

Interviewee: Yes, they find the customers and deal with them. The only thing that we intervene in is the design of the products, we introduce new ideas to them , usually regarding things they do not have. But regarding management of marketing, we do not do anything, we do not have people in marketing or a marketing department. I do not produce samples and start searching for customers abroad.

Interviewer: Okay, regarding the manufacturing process, since your core business is manufacturing, did you get orders that required you to improve certain things or maybe get new machinery?

Interviewee: Of course, we always get new machinery

Interviewer: Was that required by the orders?

Interviewee: Yes, for example now I have an order for which I need to buy two new machines. However, we always have to make a decision between buying a machine or renting it.

Interviewer: Does that require your employees to learn new techniques?

Interviewee: Yes. In practice, each machine needs specialist people, if I rent a machine for 2 months, I usually hire a temporary worker for just 2 months. Otherwise, I hire him/her fulltime. For the two new machines I told you about, I am training two people now to work on them permanently.

Interviewer: Was this policy regarding machinery and employment the same from the beginning?

Interviewee: Yes.

Interviewer: So can we say that you were very familiar with production methods from the family business and these methods are working properly till now?

Interviewee: Yes.

Interviewer: Okay, moving to another area, do you sell at all to the local market?

Interviewee: According to the regulations of the duty free area, I can only sell 20% to the local market. But I do not care very much for this 20%.

Interviewer: Is that because you do not need the local market?

Interviewee: Our production is all sold, so we do not need to enter the local competition.

Interviewer: What about Arabic markets?

Interviewee: The problem of Arabic markets is a very big problem. There are many producers here who work with Arabic markets and they are satisfied, according to their mentality (probably standards is a better term here). But for me, moving from the Western mentality to the Eastern mentality is very difficult. This is the case although the Arabic markets are good markets and the margins are higher.

Interviewer: Your problem is somehow different from or the opposite to the common problems. Usually, producers find that Arabic markets are very similar to us, there is not much accuracy in dealings. So they find that such kind of environment is somewhat easier. So it seems you got used to the Western markets?

Interviewee: I cannot do that. I need everything to be clear. In the last 10 days, we got a new customer and I will start working for him. In fact, he is not a new customer but an old one who left me almost 10 years ago but came back. But to tell you the truth, I am confused a bit about working with this customer although he is in England and he is English. But the owner and the people I work with are Greek but they live in England. I reached a point where I felt that I am dealing with someone here in the local market. There are things that I do not understand and are not clear. I am used to working with English who are very precise, and they do not have grey, it is either black or white. So now with the new customer, we are trying to get used to each other although they know us and how we deal with.

Interviewer: Now I will move to another point, did your company face any difficulties in relation to international operations?

Interviewee: We faced issues related to the competitive situation between us and other companies that entered the same market, whether I compared our company with another Syrian company or with a company from another country… Syria is known in Arabic markets for being a textile producer but in Europe few know that. I will tell you a story in that regard
When we established the socks factory to supply the German company, the company operates in this market for 80 years. When they approached us in 1988,

we asked them why do not you go to Turkey with which you have close cooperation? Their answer was that after they did a study, they found that socks industry existed in Turkey for just 12 years whereas in Syria it existed for around 47 or 48 years. So they chose the country with experience. They want people who have expertise. This company supplies some of the best designer brands. However, regarding the marketing communication issues, Syria is not known in Europe for being a textile and garment producer despite the fact that we have a long experience in this industry so that actually what creates the challenge for us.

Regarding the ability to differentiate the product, there are many things in production, like speed of delivery, final touches of the product, price so we found a lot of competition.

Interviewer: So mainly we can say that the challenges were due to the huge competition in the industry you operate in?

Interviewee: Yes.

Also, when we started, although my dad has experience, as young people we want to develop and improve. When I started with the customer, I did very big mistakes. These mistakes are not related to production but to the work policy, especially in relation to correspondence with the customers and understanding their needs. For example, someone sends me a fax asking about something. We Arabs are procrastinators. I used to read the fax and put it aside, I may forget or may reply the next day. However, the person in the other side is waiting the reply. So he used to call us and ask about our decision regarding the fax and then I say Okay I will reply. He used to criticise me, very strongly. So I told him I am still new and I want you to teach me, I asked him to teach me. I wanted to learn about the English mentality so I know how to deal with him.

Interviewer: You asked for his help?

Interviewee: Yes I asked for it, Yes help me! some people feel ashamed if they ask to learn something, and then he is not actually a customer but a partner, so

his success is related to my success and vice versa. Any mistake will affect both of us, so there is no problem if we exchange ideas.

Interviewer: What other things, beside learning about the mentality..

Interviewee: By the way, why cannot so many people in Syria export? Some people say exporting is really good. I used to tell them: Are you ready to change your Syrian mentality to become a Western mentality. If you can change it, then you are an exporter. Forget about the factory, the machines, the workers and money, these are not a problem, but it is your mentality that makes you an exporter. They used to look puzzled at me. But it is not an invention.

Interviewer: It is an acquired skill, is some cases, the person would oblige himself to change but in general, it is an acquired skill and needs learning.

Interviewee: Yes, it requires learning. Now I know that even if I do not have an answer to the issue, I reply to his fax immediately and say I could not get an answer, I expect to get it within two days and will get back to you. Now even in Syria, if I get a fax or e-mail, even an advertising fax, I reply to it with apology. It became a habit. I learned all of that from them /English partner/.

Interviewer: Other than that, what else did you learn from the English partner?

Interviewee: I learnt something really important, the way to calculate the cost of my product. Their cost calculations are very detailed. They do not have loose measurements. For example, we used to say, this piece requires 1.5m of fabric. But there is nothing like 1.5m, it actually takes 1.46m.

Interviewer: So more accurate measurement of material and cost?

Interviewee: Yes, very accurate measurements, we learned that from them. When you add up all these differences over a year, you will find that they become a large number. They call our industry an “add industry” not a “spring industry”. The “add industry” means that you need to save small amounts of money in every little bit and these savings will add up all together and create the profit. They are precise in numbers. As a result, I do not have an item that cost

$5 or $10 but I have an item that costs $5.46 and we sometimes argue with our partner over two cents.

Interviewer: So we can say that there are two areas you consider that you learned a lot in from your partner, the mentality of work and cost calculations. Can we also say that you probably learned new designs as you used to get the designs ready from abroad?

Interviewee: Yes you can say so, but I do not consider these designs important, because these designs are not desired by the ladies in our countries, they rarely wear such designs. There is something else. Sometimes we have a problem, we consider it a barrier. We usually ship through the Turkish airlines, but sometimes they do not have available slots in the day I want. So I should always have alternative solutions. I am always searching for alternative solutions. This is a very important issue, it teaches us not… This is for both of us (us and the partner), they also face problems sometimes. We always have plan A and plan B

Interviewer: You mean planning?

Interviewee: Exactly, we plan for anything that has risk, we should always have a solution. This is very important.

Interviewer: So we can say that as a result of the accurate orders and commitment for delivery on time because your partner is very accurate in nature, you were obliged to have more than solution and plan ahead to meet his demands in the best possible way?

Interviewee: Exactly

Interviewer: And this is related to the manufacturing process and the delivery process?

Interviewee: Exactly. There is another thing. More than one European accreditation organisation audit our company. We have two types of auditing, one is called social audit. This is a new system that started in 2007 in Europe but was applied in our company in 2009. They send an independent organisation to check the factory, they do not care about the product but about the work conditions and environment, the age of workers, the work contracts. Another audit is related to the management of the company… there is a standard called

Oeko-Tex Standard 100. This inspects whether the product is suitable for human use, it looks at the dying material, accessories, buttons, plastic bags; they should be made of certain materials.

Interviewer: Did you use to use these materials before or you started using them to meet the audit requirements?

Interviewee: We started using them to meet the new standards and they change regularly.

Interviewer: Can you give me an idea about your satisfaction with the foreign performance?

Interviewee: Our industry is manual, the machine is an aide. We always have a problem that we do not get what we expect from labour. Our labour is not technical or educated. Here it is a craft. Craft is one thing and science is a different thing. I always aim that my work, I would not say 100%, but at least 90% or 80%... It is acceptable by my customer but I am not satisfied with it.

Interviewer: So you are not satisfied about the performance of your workers?

Interviewee: Exactly. Because they are craft-people, this is their mentality and most of them are not educated. They are sewing workers.

Interviewer: Were you able over the years to change some of this nature?

Interviewee: Three years ago, we helped establishing two high schools in Damascus and two in Aleppo to teach sewing. As you know, we have technical high schools /colleges in the UK/ and these are new types. These were formed as a result of cooperation between private companies, chambers of industry and the Ministry of Education. Some of the students in these schools are getting training in our factory. As part of their study, they come to our factory for 2 days a week and the remaining 3 days, they go to school. This will result in getting an educated workforce that knows what they are doing.

Appendix 5: A Scanned Sample of a Coded Transcript

Interviewer: In your opinion, how did you benefit from foreign markets, what are the ideas, developments that took place in the company as a direct consequence of its foreign operations or dealing with foreign markets?

- **Interviewee:** Maybe I cannot answer very accurately, but there are changes that happened in the products. When the products are sold in Arabic markets only and to a very little extent in foreign markets, the nature of the product and its look and the ideas would be suitable to these markets and fitting with it over the years. Then the Western style started entering, its closer to the Classical styles, the quite/pastel/ colours, it has few elements in the card, in general the style which is acceptable in the West, especially that the culture in our region, the Arabic countries started moving toward the Western style. This affected the product in a reasonable way and within the range of cards that we have there are more cards that are suitable for the Western markets than before.
- The work process also developed, new ideas were developed.

Interviewer: Can you give examples of how the work processes developed?

- **Interviewee:** Previously, we had either company offices or local Arabic agents, and you know the nature of Arabic relationships, it depends on personal relationships, not very organised, not well controlled, traditional Arabic methods, things are not well studied /researched/ not much planning, etc. When we expanded our operations with foreign/non-Arabic/ companies, we got more work processes than before as for the system, dealing, appointment accuracy, pricing. Visits by foreign customers gave an image to the company, even inside it the image improved because of whom we deal with, we got more prestige, the work prestige and the personal prestige.

Comment [L1]: Technological learning

Comment [L2]: Marketing Learning

Comment [LK3]: Influence on performance