Growth and Learning Spillovers from International Markets: Empirical Evidence from Greek Firms

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Abstract

This study seeks to investigate whether there is any transfer of knowledge and best practices from the international to the domestic business activities; and, if yes, in what aspects of the firm's activities. Such a question is essentially unexplored in the international business literature, which tends to view the international growth activities of the firm as rather separated from those of the domestic market. Two in-depth case studies of Greek internationalized firm took place. One of those firms was an incremental internationalizer while the other a born global. The evidence suggests that firms that grow abroad may transfer knowledge and skills from the international to the domestic operations in terms of redefining its target markets, introducing new products and redesigning their logos. Therefore, growth of the internationalized firm can significantly affect that of the domestic market, and hence, a comprehensive examination of the firm's growth is warranted.

Keywords: Internationalization; Growth; Knowledge Spillover

1. Introduction

Organizational growth is desirable since it can lead to numerous favorable outcomes, such as the achievement of economies of scale and scope (Chandler, 1986);

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the diversification of business risks (Ghoshal, 1987); or, the development of other 'economies of growth' (Penrose, 1959). Moreover, it is linked to the increase in firm visibility, prestige and durability against environmental shocks (Hannan and Freeman, 1984). Thus, growth may act as the firm's safeguard against potential environmental challenges.

However, the international business literature has approached growth as a strictly internationalization phenomenon. The stages theory (Johanson and Vahlne, 1977, 1990) would argue that the firm grows abroad after having gained momentum and experience in the domestic market. In the foreign marketplace, the firm's resource commitments take place at a slow rate whereby it enters markets at increasingly psychic distance levels. On the other hand, the born global approach (Oviatt and McDougall, 1994; McDougall et al., 1994) challenges this traditional stage theory of internationalization. In particular, the behavior of new ventures that go international from inception has contradicted this incremental resource commitment mode to international markets that the process theory of internationalization predicts. In this light, the two internationalization frameworks are considered to be mutually exclusive rather than complementary and the research debate has been structured upon an 'either or' approach. In other words, the examination of either the stages or the born global approach offers a viewpoint that implies that once the firm has entered the international marketplace, growth will take place in that arena. Even if the firm continues to grow domestically, in none of these two approaches is the interchange of potential learning or knowledge from the international back to domestic activities examined.

Therefore, the international business literature seems to underestimate the fact that growth of the firm may be a holistic process in which learning spillovers from the international to the domestic market may take place (Dimitratos et al., 2007). On this issue, Oesterle (1997) stresses that an issue that warrants further research is how an internationalized firm makes its strategic choices among a range of potential opportunity alternatives. We seek to provide some evidence on this under-investigated theme in the current paper. Such an examination would additionally have managerial significance inasmuch as management practitioners would be informed on the potential benefits that could accrue to their firms from their international activities; and, how they could take advantage of any learning acquired in the international marketplace.

Therefore, this study aims to address the following research question: Is there any transfer of knowledge and best practices from the international to the domestic business activities? If yes, in what aspects of the firm's activities? Towards this objective, the study examines international activities of two Greek internationalized firms through an in-depth case study examination. Evidence from Greece would provide insights from the viewpoint of a small advancing economy.

The structure of the paper is as follows: Section 2 presents the theoretical background of the study. Section 3 explores the methodological details of the research, followed by the presentation of the case study findings (Section 4). Drawing on the case study evidence, the paper concludes in Section 5 with discussion and lessons learned.

2. Literature Review

Growth of the firm has been approached in a rather narrow context, with the main focus placed on the drivers of growth in isolation (e.g. Sandberg, 1986) thus, lacking in a useful holistic examination concerning the overall growth process. The simultaneous inclusion of the omitted ‘how’ decisions regarding the mode of growth (internal mechanisms vs. external acquisitions), the geographic growth extent (domestic vs. international market focus) and the product scope growth (focus vs. broad product range) is absent in the different growth patterns; as well as the identification of different sets of competencies developed during different growth courses (Dimitratos et al., 2007).

Also, the majority of studies to date measure growth based on micro-performance indicators, such as its sales (Murphy et al., 1996) or its market share (Kerin et al., 1992). Such an approach, although indicative of the importance of the firm’s products and services in the market, the state of competition and the level of revenues that can be subject to reinvestment, is not exhaustive. Macro-performance indicators could also be measured so as to provide a more holistic view on the organizational growth phenomenon. Such an intangible outcome can be learning and stock of knowledge that may be crucial to the firm’s operations domestically and abroad, and could reinforce further growth (Sapienza et al., 2006). We will explore the learning issue below.

With regard to internationalization, two theoretical frameworks that pertain to growth of the firm have dominated this field of research: the stages (or process) theory of internationalization (Johanson and Vahlne, 1977, 1990); and, the born global (or new venture internationalization) framework (Oviatt and McDougall, 1994; McDougall et al., 1994).

Drawing upon the behavioral view of the firm (Cyert and March, 1963), the stages theory of internationalization (Johanson and Vahlne, 1977, 1990) suggests that internationalization is a gradual process that initiates relatively late in the firm’s development and proceeds slowly once initiated. Under this prism, firms are considered to remain domestic unless pushed by external events to internationalize, increasing at a slow pace their resource commitment to new psychic markets. The main assumption behind this model is that international expansion encompasses a high degree of uncertainty, which gradually dissolves through the direct accumulation of foreign experiential knowledge. The rate of this knowledge accumulation affects both the pace and the direction of the internationalization process, and thus, the firm's subsequent performance. Implicit to this viewpoint is that early internationalization may have even negative consequences on organizational survival (Eriksson et al., 1997). This approach emphasizes the inertial and reactive character of the firm (Autio et al., 2000), disregarding the entrepreneurial behavior that many enterprises may adopt. In essence, internationalization is considered a response to primarily external pressures rather than an opportunity driven choice.

In contrast, the born global framework (Oviatt and McDougall, 1994; McDougall et al., 1994) challenges the process theory of internationalization, explaining why some new ventures go international from inception, which is an issue that is not addressed by the process theory. These born global ventures pursue opportunities in the international battlefield from their founding. Proponents of the international new venture framework attribute this early internationalization to the unique entrepreneurial knowledge and vision of the venture's management team, which allow the adoption of an outward venture behavior. Studies on these ventures have proved positive relationships between early internationalization and new venture performance (Feeser and Willard, 1990; Zahra et al., 2000) and between early internationalization and new venture international growth (Autio et al., 2000). The born global framework emphasizes the entrepreneurial and proactive character of the organizations, which initiate internationalization in pursuit of growth opportunities abroad (Dimitratos and Jones, 2005; Zahra et al., 2005).

On the surface, the two theories seem to be at odds, with their main difference relying on the dissimilar importance they place on the value of organizational versus individual prior experience and knowledge. The process theory places emphasis on the history of the firm, implying that internationalization is a path dependent process; whereas in the venture framework, the individual skills and competences of the manager/ founder are considered to be the main drivers of internationalization.

However, drawing upon the learning theory of the firm, both frameworks could be considered complementary rather than contradicting, equally recognizing the key role of learning in the internationalization process. Learning theory suggests that organizations learn when their routines, systems, and policies assimilate individual's activities and experiences (Grant, 1996), implying that organizational learning begins at the individual level. In this perspective, the learning activity is a path dependent process, where new knowledge is maximized in domains close to the existing individual and organizational knowledge base (Cohen and Levinthal, 1990). Viewed in this light, learning has a great impact on internationalization. Specifically, internationalizing firms must apprehend, share and assimilate new knowledge in order to compete in markets they have little or no previous experience (Autio et al., 2000), so as to transfer knowledge between domestic and foreign markets. In order to do so, firms may learn directly through their commitment to international markets or indirectly based on the entrepreneurs' prior experience or on interactions with foreign partners.

At the international business domain, research has highlighted the value of learning theory and knowledge-based perspective for understanding foreign expansion decisions (Barkema and Vermuelen, 1998; Eriksson et al., 1997; Johanson and Vahlne, 1977). Ghoshal (1986) notes that learning is a significant objective for firms pursuing international diversification. Similarly, Teece et al. (1994) suggest that as the firm enters distant countries its ability to learn expands. Learning modifies the way in which the internationalized firm interprets the environment (Brush, 1995).

In empirical studies, Zahra et al. (2000) provide evidence showing that foreign market entries are associated with high degrees of technological learning. In another recent empirical research, DeClercq et al. (2005) and Sapienza et al. (2005) find that the degree of internationalization is (mildly) positively related to international learning effort but negatively related to domestic learning effort. Hence, it can be that knowledge development in the domestic market is too general to reduce uncertainty associated with foreign activity. Alternatively, knowledge gained from domestic activities can require more time to be assimilated in order to be used for future internationalization (DeClercq et al., 2005). The evidence of Dimitratos et al. (2004) is rather contradictory to this statement as they find that uncertainty of domestic country can play a positive role on the international performance of the entrepreneurial firm. Thus, the associations between learning for domestic and international activities, on the one hand, and the degree of internationalization, on the other, may be quite complex. In the same study of Belgian internationalized enterprises, DeClercq et al. (2005) find that entrepreneurial orientation of the firm is positively related to the intensity of learning effort undertaken in international and domestic markets.

In another empirical examination investigating international new ventures, Autio et al. (2000) argue in favour of the 'learning advantage of newness'. This implies that early pursuit of international opportunities for the young firm may induce greater entrepreneurial behavior; inhibit learning impediments; and, confer a growth advantage. This can be akin to the suggestion of Cyert and March (1963) who note that when the firm discovers a solution to a problem by searching in a specific way, especially early in its life cycle (Levitt and March, 1988), it may search in the same way in future problems of similar kind. Put differently, early development of domestic competencies focuses learning on domestic issues (Barkema and Vermuelen, 1998) and may constrain activities in foreign settings. Corroborating the learning advantage of newness conjecture for born globals, Kuemmerle (2002) argues that these firms use fewer established routines than older internationalized enterprises for augmenting their organizational stock of knowledge. In the same line of thought, Sapienza et al. (2005) offer evidence suggesting that early internationalization may create a company-wide learning culture, inasmuch as the earlier the firm engages in international activity, the greater its international and domestic learning efforts. Indeed successful international new ventures learn by actively seeking knowledge concerning foreign markets in unfamiliar environments (Craig and Douglas, 1996).

It is also interesting that the learning theme may explain the contradiction regarding the internationalization – performance relationship, on which the findings of the two frameworks fail to reach congruency. To illustrate, proponents of the process theory suggest that late internationalization is positively related to firm performance; whereas, those of the venture theory posit that early internationalization is linked to higher performance. To resolve this tension, Sapienza et al. (2006) make a distinction between two performance outcomes, i.e. survival and growth, arguing that late internationalization may increase the firm’s probability of survival but simultaneously decrease prospects of growth; while the opposite holds true for early internationalization. Their assertion is based on the dynamic capabilities view of the firm, according to which, young internationalizers may enjoy learning advantages of newness as they develop specialized capabilities for rapid adaptation to the new external environments.

To summarize, the stages theory of internationalization and the international new venture theory should not be treated as two frameworks providing diverging views on the association between international growth and learning, on the one hand, and domestic business activities, on the other. Both theories emphasize the role of experiential knowledge on internationalization, implying that it affects both the pace and direction of internationalization, and eventually, the firm's performance. Under this prism, the two theories should be examined in conjunction rather than in isolation. We adopt this suggestion in the current study.

3. Methodology

The case study method was selected since it is related to the research questions of the study. To elaborate, the case method offers an in-depth understanding of both the investigated phenomenon of activities of internationalized firms and the broader context of organizational behavior, in which this phenomenon occurs (cf. Carson and Colville, 1996; Dubois and Gadded, 2002). This choice concerning methodology is also in accordance with recommendations that call for more case study research in international business in order to develop substantive knowledge about organizational idiosyncrasies and the growth patters of firms in international markets (Andersen, 1993; Reid, 1981).

The research design was a multiple case study drawing insights from two Greek firms that have grown in the international arena. Therefore, the case study firms were selected on conceptual rather statistical grounds, and thus, purposeful sampling was employed in this research (cf. Eisenhardt, 1989). The first investigated firm "Haitoglou" that operates in the food industry is an incremental internationalizer that has grown through exporting activities in international markets. The second case study company "Folli Follie" is a born-global manufacturer of jewelry and accessories. The examined firms met the following criteria: a) were independent firms; b) employed more than 250 employees; and, c) had achieved enhanced (above industry average) international and domestic performance during the recent three years. Performance was based on annual international sales growth; profitability from international activities; and, profitability from all (international and domestic) activities. Evidence from Greek firms would provide insights from operations of firms from advancing small economies in an area whereby most research tends to be dominated by firms from US and other large countries.

Based on the recommendations of Yin (1989), we obtained evidence from a variety of data sources including: (a) in-depth personal interviews; (b) examination of enterprise documents, archival data and trade publications; and, (c) observation in the settings of investigated firms. The interviews were conducted with owners and management who played a critical role in the initiation and coordination of international activities of investigated firms such as managing directors; and, managers involved in international operations, exporting, marketing or sales. The identification of respondents relied on a snowballing method and followed recommendations by Huber and Power (1985) for improving the accuracy of retrospective reports. Each interview was individually conducted and lasted between one and one-and-a-half hours. All interviews were tape-recorded and transcribed.

During this phase of data collection, interviewees were invited to elaborate freely (cf. Oppenheim, 2000) on themes relevant to international activities; perception of opportunities in the international marketplace; knowledge acquired abroad; possible transfer of this knowledge to the domestic or other international activities; and, organizational characteristics that respondents thought they were likely to be associated with capturing opportunities.

The data from interviews were supplemented with other sources of information including enterprise archival data and documents as well as trade publications; and, observation. The study of enterprise data and trade publications enabled the researchers to better understand the *modus operandi* of investigated firms in foreign markets as well as the ways that these internationalized firms used knowledge obtained from international/domestic markets. Additionally, detailed observation was undertaken involving attendance at meetings related to international activities; and, internal presentations in order to illuminate aspects of the organizational environments of the case study firms with respect to the investigated theme. In order to increase the accuracy of the findings, the impressions and insights gleaned from the field were converted into detailed field notes on the same day of the data collection, as the 24-hour rule of Eisenhardt and Bourgeois (1988) recommends.

The analysis of results was based on inductive logic and drew on recommendations by Glaser and Strauss (1967), Miles and Huberman (1994), and Strauss and Corbin (1998). Data were analyzed based on the constant comparative analysis approach. According to this approach, as the research proceeded and new data were collected, they were constantly being compared to prior data and theory in terms of categories and concepts. The data were systematically put into categories by means of the NUDIST software index.

4. Presentation of the Case Study Findings

4.1. Haitoglou

Haitoglou Bros S.A. was founded in 1924 by three brothers in Thessaloniki, a big city in north Greece. The firm first engaged in the production of a Greek delicacy called *halva*, using the traditional recipe the owners had inherited from their grandfather. The firm of their grandfather was a *halva* producer in the Asia Minor. *Halva (halvah)* is a traditional confection, dating back to the Byzantine era. It is a nutritious product made out of sesame seed with no sugar additives. Haitoglou S.A. was the first to enter the *halva* market in Greece, being a pioneer in the Greek food industry.

In 1930, the small family business acquired its first company owned factory, located in the centre of the city. Thirty years later, in 1962, the introduction of new products in the firm's product portfolio such as marmalade, jams etc. rendered the company relocation in the industrial area of Thessaloniki necessary. This relocation proved to be a move of high strategic importance, signaling the beginning of a period of extremely rapid growth for the company. Indeed, in the years that followed, the company dominated the Greek market, placing emphasis on developing a high quality image and making its flag product –the Macedonian *halva*- the 'top product' of the specific subsector. To achieve this goal, the corporate brand illustrated a traditionally attired Macedonian woman symbolizing the purity and traditional values that the firm has been promoting since its founding. The selection of this logo was indicative both of the firm's adherence to the Greek tradition and culture, and of its perseverance to high product quality.

Continuing its successful growth in the domestic market, the company bought out 25% of the stocks of Papagiannis Bros S.A., one of its major competitors, becoming the leader in the Greek *halva* market. It was ranked on the 207th place among the 500 biggest Greek companies and the 59th place among all companies competing in the Greek food industry. Given its high performance, the company was awarded by a well known Greek Foundation for its long-term contribution to the Greek economy. In the late 1980s, operating in a mature Greek sector, the company chose to enter the international market to increase its customer base. Nonetheless, its international engagement was gradual, accompanied with an incremental resource commitment to the new geographic markets. This incremental internationalization involved low risk and uncertainty, diminishing the potential challenges on firm's survival and growth.

The *first stage in the Haitoglou internationalization process* involved exports in countries/communities with low psychic distance compared to the firm's domestic market, such as the Greek and Arabic community in the USA and the Greek Community in Australia. These communities were already familiar with the *halva* delicacy and the sesame products in general, having already included them in their diet. For the Arabs and Greeks of the diasporas, *halva* is a product highly linked to both tradition and religion matters, and so, the company in this case addressed a market need that already existed, adopting the same marketing strategy with the one in its domestic market.

Key factors behind this early stage of internationalization were the knowledge the firm had accumulated domestically, competing successfully for almost six decades in the local market. Domestic knowledge facilitated international entry, affecting both the pace and the direction of the firm's internationalization. It stimulated the company to pursue an incremental involvement in global markets and exploit opportunities close to its already existing knowledge base.

During this first phase of internationalization, Haitoglou has not fully exploited the potential advantages of its products. The company owners viewed their product as idiosyncratic -linked to the Greek tradition and to orthodox Christian religious beliefs- without identifying alternative product attributes that could be addressed to a wider customer base. This strategy limited their focus only on target customers familiar with the Greek culture and customs.

Although the first phase of Haitoglou internationalization had increased the company's customer base and its sales, in the 1990s, both the US and the Australian market had reached their maturity, indicating a rather flat demand for *halva*. To achieve higher growth, the company had to search for alternative product markets. At that time, in the EU market a new trend seemed to dominate the alimentary habits of the Europeans. Specifically, the increased scientific interest on healthy nutrition and the intense focus on the Mediterranean diet that proved to be one of the most balanced ones, created a high quality image for the Mediterranean food products on the European consumer minds. This fact combined with the scientific evidence on the beneficial attributes of sesame to human health offered a new opportunity for expansion to Haitoglou.

Seizing this opportunity, the company entered the EU market engaging mainly in exports of its flagship product. The psychic distance in this case was higher than the one involved in the first phase of internationalization. European customers, in contrast with the Arabs and the Greeks in the USA and Australia, were not familiar with the Greek tradition, searching only for health and high quality assurances in the *halva* product. This attitude pushed the company to adopt a totally new philosophy. It had to detach its product from any cultural and religious issues and approach it under a new perspective, that is a deli product targeted to health conscious consumers.

This new perspective actually reoriented the company's whole philosophy. It allowed the company's owners to identify product advantages other than the ones that had structured the firm's strategy till then. The new knowledge gained from the expansion in the EU market triggered the beginning of a new era for the firm. It boosted the 'revamping' of the corporate brand, rendering the sophistication of the prior marketing strategy compulsory. The new marketing strategy of the company placed emphasis on high quality, status and health dimension of the product, making the customers' lifestyle and personality rather than the customers' origin and demographic characteristics the main factors that segment the market.

4.2. Folli-Follie

Folli-Follie was established by a Greek entrepreneur in 1982 and constitutes an excellent example of a highly successful born global company. The initial target of the firm was to provide branded, fashionable and affordable jewelry of excellent quality mainly to 20-40 year old women around the world. Given that the jewelry market was highly fragmented (with only 15% of the market consisting of branded products, mainly positioned in the high price range), the company's choice of target segment was really pioneering, rendering the company the only global branded company within the medium price range.

The company started its operations by establishing a first shop in the centre of Athens, the capital of Greece. From inception, the owner had realized that international presence would be the key to success, and hence, he engaged in international partnerships since the firm's founding. After four years of successful operations, in 1986 the company broadened its product portfolio introducing also watches and fashion accessories in its product base. Additionally it set up its own production unit in an effort to control its product quality and place emphasis on its customers' specific needs. At the same time, the company's presence in the Greek market was further strengthened through the establishment of several points of sale all over Greece. The expansion in the Greek market was achieved through franchising, which allowed the company both to reduce the risk taken and control for the quality of the product offering.

A key point in the company's international development was the entry of Folli Follie in Japan in 1995. The Japanese market is rather difficult and demanding, displaying very high psychic distance from the European markets. This is why most European firms operating in the fashion industry choose to enter Japan after they have dominated Europe. However, the owner decided to be a pioneer and assumed the great risk of entering Japan first. This choice was not driven so much by a rational decision making process but rather the founder's intuition and high risk propensity. Due to the limited financial resources of the firm, the initial entry was achieved through the establishment of a joint venture with a well known Japanese firm. The cooperation with a local firm provided Folli-Follie with the necessary knowledge of the local market and the advantage to promote its products as if being local. The firm's sales were growing at a high rate, while at the same time its exports from Greece to Japan were also increasing fast. Folli-Follie brand became really strong in the Japanese market and approximately 60 points of sale were established quickly in the whole country.

Although Greece and Japan were the basic markets of growth for Folli-Follie, the founder did not limit the firm's operations only to these two countries. Driven by his vision for a globally successful firm, he decided to enter several international markets either through the creation of subsidiaries; or, the establishment of points of sales. A major criterion behind the selection of the markets to enter was mainly the market size, i.e. big markets constituted the firm's main targets. Subsidiaries were founded in Great Britain (1998), Hong-Kong (1998), France (1999), Czech Republic (2001), Slovakia (2001), Poland (2001) and Spain (2002). The expansion in these countries boosted further the firm's international growth, providing the company with the opportunity to exploit the local, high quality distribution channels as well as several local tax advantages. Another critical point in Folli Follie's international growth was its successful entry in China in 2001 through the initial establishment of a point of sales. In the last decade, China has been evolving as one of the most powerful economies of the world, constituting one of the largest consumer markets, and so, playing a crucial role in the development of global firms.

During the recent years, the company continued its successful international expansion in different markets. Its main targets are Asia and the Arab countries while the USA is also included in its future plans. A chief contributor to the achievement of its goals has been the company's entry in the duty free zones around the world. Nowadays the number of people who travel shows an ascending trend, creating a new, continuously increasing market segment that firms can target, i.e. travelers. Folli Follie has seized this opportunity and has established over 40 points of sale in airports and air companies, extending its brand recognition worldwide.

The company's global success is reflected on its financial outcomes. In 2006, its international sales accounted for almost 80% of its total net sales with Asia covering 50% of the company's sales, and being followed by Japan covering 18% of its sales. As far as the distribution of its total sales across its main product categories is concerned, 62% of the firm's sales corresponded to jewelry while 32% corresponded to watches and 6% to accessories. Given that Greece does not belong to those countries that are traditionally linked to watch manufacturing (such as Switzerland), the high proportion of the firm's sales attributed to watches is rather impressive. It seems that Folli Follie has managed to overcome the country of origin effect accompanying its products.

5. Conclusions and Lessons Learned

The purpose of this study was to explore whether knowledge transfer exists between domestic and international environments of firms, and if yes, in what areas. The case study evidence illustrated that the investigated firms have grown in the international arena using different routes and entry modes (compared with one another); and employed knowledge acquired from international activities to domestic activities.

To illustrate, the internationalization process in the Haitoglou S.A. is consistent with the process theory of internationalization (Johanson and Vahlne, 1977; 1990). International entry was accomplished relatively late in the firm's history, and internationalization was gradual, involving a continuous interaction between domestic and international experiential knowledge. Analytically, the first phase of internationalization assisted the firm to build on its (Greek) strengths and weaknesses, involving relatively low risk, and thus, did not represent a threat on its survival and growth prospects. This evidence corroborated previous insights that a firm's domestic operations can be imprinted; or, positively affect the firm's international operations (Dimitratos et al., 2004; Porter, 1990; Welch and Welch, 1996). The firm expanded in terms of employees and revenues, a fact that positively affected the probabilities of the firm to succeed in potential future expansions.

The second phase of internationalization reoriented the philosophy of the firm, moving it toward the adoption of a more sophisticated strategy. Learning acquired in international markets spilled over domestic activities through the restructuring of the corporate brand; its detachment from any culture and religious issues; and, its link to the concept of a more balanced and healthy life. Viewed in this light, the evidence suggests that internationalization can have a major impact on the stock of knowledge of the firm and may drastically affect its domestic strategy and operations. This evidence can be in conflict with that by DeClercq et al. (2005) and Sapienza et al. (2005), who found that the degree of internationalization is negatively related to domestic learning effort. This may be due to the fact that these authors in their studies measure domestic learning; whereas we evaluate the effect of international learning on domestic operations, thus making the evidence from the two study findings somewhat irrelevant.

Overall, Haitoglou pursued internationalization in a rather reactive manner. It was pushed to be involved in international activities in order to face domestic market maturity and overcome domestic competition. Nonetheless, international expansion constituted a valuable source of learning for the firm, which contributed to the enrichment of its existing knowledge base acquired from its domestic market. The knowledge acquired in the international market was transferred to practices of Haitoglou in the domestic market also through a contact with international partners that generated new ideas for the firm. This finding corroborates that networks can be valuable learning sources for the internationalized firm (Lu and Beamish, 2001; Sharma and Blomstermo, 2003).

It is also interesting that the firm expanded its product diversification when operating internationally and also used its new 'healthy' products in its domestic activities. This result highlights the importance of internationalization for domestic marketing activities, a theme that has not been explored in previous marketing studies. Related to that is the finding that the development of a market-oriented philosophy of the firm placed emphasis on symbolic elements of the product such as status, high quality, green and healthy products. These resulted from the firm's interaction with international stakeholders, i.e. customers, competitors and network partners, and can enrich the international marketing literature (cf. Craig and Douglas, 1996).

The internationalization process of the other investigated firm, Folli Follie, is consistent with the international new venture framework. Folli Follie was a born global firm, which pursued opportunities in the international arena from inception. The main driver behind this early internationalization was mainly the founder's characteristics. His alertness toward international opportunities combined with his propensity toward risk had provided vision to the firm's global activities, allowing the firm to cross the Greek boundaries and extend its brand awareness worldwide (cf. Minniti and Bygrave, 2001). This international expansion was further facilitated by the owner's ability to network. Given that at founding the firm was facing liabilities of newness and smallness, the development of network relationships with partners was of crucial importance for the company's international activities, providing the firm with the necessary resources to compete successfully in the international 'battlefield'. This evidence corroborates the existing one arguing in favour of a network's positive impact on increased organizational foreign market commitment and international growth (O'Farrell et al., 1998; Yli-Renko et al., 2002).

A chief reason that contributed highly to the firm's success and growth in the international markets was also its focus on producing high quality branded products, which were positioned in the medium price range. This choice differentiated the firm from its competitors, providing it with the opportunity to operate in a market void that other businesses did not cover. Most of Folli Follie's competitors placed emphasis on offering either unbranded products of low-medium price; or, branded products positioned in the high price range.

As far as learning is concerned, since the firm entered foreign markets from the very beginning, it accumulated international knowledge from its inception. This international knowledge shaped the company's culture as well as its whole market-oriented philosophy. The company adopted an outward behavior, acting proactively upon opportunities both in the domestic and the international markets. This evidence supports the view that early internationalization can mould the culture of the firm and ease learning (Autio et al., 2000; Kuemmerle, 2002). The lessons learned from international activities were transferred to domestic practices of the firm, converting the Folli Follie brand into a global one. The firm managed to overcome an indifferent (or negative) country of origin effect and became a successful multinational company.

As in the Haitoglou case, product diversification for the born global firm primarily emerged from international activities and was subsequently transferred to domestic activities of the firm. Also, the development of a market-oriented philosophy that placed emphasis on customer needs and dynamics of a particular target audience originated from the contact of the firm with consumer and partners in international markets.

The implications of this research refer to a need for a comprehensive examination as far as growth of the firm is concerned. It would be unwise to examine the growth process of the internationalized firm by only looking at its international activities. In that light, Ansoff's (1957) 'either or' matrix of growth seems to be outdated. International markets may provide opportunities in other markets or product domains. In particular, the evidence from the current study suggests that prior domestic learning is important (as the process and born global models have stressed); but also international learning may affect parallel or subsequent domestic growth in terms of strategy, marketing activities, corporate brand and accumulation of knowledge stock. This very last statement has left been essentially unnoticed in the international business (and marketing) literature and merits further examination.

Another implication of the study that warrants future research has to do with the contention that firms that grow in international markets are likely to have different characteristics than those that grow in the domestic market niches. In other words, it might be that firms that choose to grow abroad (as the ones examined in this study) can have different organizational characteristics than those that pursue growth domestically in other subsectors or product-markets of their home nations. Such characteristics may refer to characteristics of the managers, risk attitude, learning predisposition etc. This is conjecture that we could not test in the current paper inasmuch as no firms that pursued growth domestically were investigated. However, future research attempts can shed light into this interesting surmise.

A principal implication of this study for management practice is that managers can consider that discovery of profitable opportunities in the marketplace is very likely to occur across different countries. Furthermore, managers have to be alert and use to their advantage skills, knowledge and learning acquired internationally. Such international learning may be transferred into the domestic markets or other product-markets, and can provide alternative ways to pursue growth for the internationalized firm.

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