Destination Country, Business Geographic Location and Firms' Internationalisation Ventures: Evidence from Greece

Conference Themes:

1.2. Clustering and Industrial Development

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Pavlos Dimitratos

University of Strathclyde

Strathclyde International Business Unit, Department of Marketing, Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RQ, UK

Tel: 44(0)141 548 3149, Fax: 44(0)141 552 2802, Email: pavlos.dimitratos@strath.ac.uk

Spyros Lioukas

Athens University of Economics and Business & OECD

Athens University of Economics and Business, 76 Patission Street, 10434 Athens, Greece

Tel. & Fax: 301 820 3573, Email: scl@aueb.gr

Abstract: The impact of destination country and business physical location on enterprise internationalisation ventures are two topics that have received scant attention in international business studies, notwithstanding their significant practical interest. This paper examines these issues for firms located in Greece. Data for 165 internationalisation ventures by 114 Greek manufacturing businesses were collected and analysed. Findings show that ventures in developed countries enjoy higher foreign country sales ratios than ventures in less developed countries. Likewise ventures by firms located close to the country's border present higher foreign country sales ratios than ventures by firms located away from it. Possible explanations for these outcomes are discussed.

Key words: Internationalisation; Developed and Less Developed Countries; Regions

This paper will deal with the influence that the destination country and the business location have on firms' internationalisation ventures. The literature on firms' exporting and internationalisation is fragmented and scattered, yet extensive. In spite of this, certain parameters that bear important practical and theoretical interest are comparatively under-investigated. Such parameters are the level of development of the destination country and the geographic location of the internationalised firm within its home country. Few studies examine the impact of those variables on internationalisation attitudes, strategies and performances. This paper will deal with them examining internationalisation ventures by small and medium enterprises based in a small EU country, Greece.

The rationale behind examining Greek businesses is twofold. First, several authors (Dominguez and Brenes, 1997; Ford and Leonidou, 1991; Katsikeas et al., 1997; Sarkar and Cavusgil, 1996) have stressed that research into the internationalisation behaviour of firms should be conducted in countries other than the major industrialised economies. Greece belongs to an intervening stage of smaller and advancing economies (Makridakis et al., 1997). Few studies in international business exist concerning the internationalisation behaviour of firms based in countries which belong to this stage of economic development. Second, as it will be shown below, exporting and internationalisation activities are of considerable importance to Greek business and government executives.

THE GREEK BUSINESS CONTEXT

Greece lies in the southeast part of the European continent close to East and West Europe, the Black Sea basin, and the Commonwealth of Independent States. Its exceptional strategic position in the East Mediterranean offers contact with Balkans, the Middle East and North Africa. Isolated from the rest of EU nations by the Balkan peninsula, it is the only member of EU that does not have borders with any other member state.

Greece's slow-moving economy in the 1980s has been transformed into a rapidly growing economy in the 1990s, especially since the mid-1990s. Being a full member of NATO and EU, and an expected member of Economic and Monetary Union (EMU) by 2001, nowadays Greece enjoys lower inflation and interest rates, higher GDP growth, and smaller government debts and deficits. In addition, major privatisations of enterprises are under way. Major investments in roads, air and rail transportation systems, as well as improvements of the telecommunications infrastructure, have been undertaken in the 1990s. In addition, the award to the city of Athens of the 2004 Olympic Games has provided a strong incentive to speed up the process of bettering present infrastructure. In short, nowadays Greece is a small but dynamic EU economy.

However, the country encounters a serious problem of over-concentration of firms in the Athenian region. Greater Athens has a population of 3.5 million, whereas Greece's second largest city, Saloniki, in North Greece, has 1 million inhabitants. Saloniki has gained importance in recent years, especially owing to the increasing trade with Balkan countries. Although the Greek law treats both cities in a similar way in terms of tax grants and subsidies, the economic preponderance and industrial concentration in the Athens area is strong. Clearly the country faces a problem of enterprise over-concentration in the Athenian area, and thus, it will be interesting to examine to what extent this regional issue affects the internationalisation ventures of firms.

As far as the internationalisation operations of Greek firms are concerned, a permanent balance of trade deficit constitutes one of the most serious concerns for the Greek economy. Greece traditionally displays a deficit in its foreign trade balance account (in the range of 15% of GDP), with export value making up about 25% of imports. A noteworthy feature in the 1990s is that Foreign Direct Investment (FDI) forms of internationalisation were implemented by Greek businesses. The number of Greek firms which penetrate foreign markets through such non-exporting modes abroad grew significantly in the 1990s. Two of the key motivating forces that have spurred Greek businesses into FDI ventures stem from environmental changes.

The first is related to Greece's entry into European Economic Community in 1981, with the subsequent elimination of trade barriers and constraints. This event has facilitated the exchange of products among EU country members and, especially after 1992, the movement of individuals and businesses across the European continent as well. However, these changes have significantly added to competitive pressures in the small Greek market which consists of 10.26 million inhabitants. Thus, one alternative Greek firms have in order to survive and grow has been to initiate or increase FDI operations abroad. The increased unification of Europe is expected to continue to add to the intensification of competition within the small Greek market in the future.

The formation of the single European market was the first real instance, in which Greek firms were exposed to international competition and realised the need to compete in international markets. Nevertheless, the opening of the Southeast European countries was the "shock", and the second driving force, that positively affected the international operations of Greek firms.

Indeed the dissolution of the former Soviet bloc in the late 1980s and early 1990s provided gateways for many Greek companies to expand trade with countries of the Balkans and East Europe.

Between 1990 and 1998, Greek exports to Balkan countries had more than tripled, and exports to countries of Central Europe and former Soviet Union had doubled. Apart from the growing dynamism of exports in the area, a feature in the 1990s was that Greek business penetration of the Balkans and the Black Sea region took FDI forms as well. Thousands of Greek companies have begun trading and advanced internationalisation operations with many countries in the Balkans and the Black Sea region. The Greek Ministry of National Economy estimates that around 90% of Greek FDI takes place in Balkan countries. Some companies, especially in the northern part of the country, have been outsourcing labour-intensive aspects of production in the adjacent Balkan countries. Evidently many Greek businesses have shifted their international emphasis from the traditional EU destinations to the opening markets of the Southeast Europe. It would be interesting to investigate to what degree the destination country zone issue affects the business internationalisation ventures.

RESEARCH QUESTIONS

A firm's performance in a host market is connected with the strategies that it implements, its organisational context, and the market environment forces of the host and the domestic countries. Consequently, variables of all these sets will be examined in this paper. Two are the main research topics that this paper will attempt to work on. For these issues notable practical interest among business and government decision-makers exists.

1. The issue of whether a firm should concentrate international attempts on Developed Countries (DCs) or Less Developed Countries (LDCs) will be investigated. Additionally, differences between the two categories of countries regarding the variables which affect business internationalisation will be examined.

It is worth mentioning that generally articles in the modern Greek press appear to suggest that businesses should expand in Greece's neighbouring developing countries. In a similar vein, Petrakos and Christodoulakis (1997) argue that Greece has a stronger comparative advantage when it trades with its Balkan neighbours than with EU members. Nevertheless, such a shift in operations and interest may not secure stable profits and rates of returns for the firms concerned. This can be especially true, if the business operations in these bordering countries are accompanied by non-systematic efforts and misconceived internationalisation strategies (Klavdianos et al., 1995).

2. The paper will examine the role of business location in the home country. Specifically, it will be investigated which internationalisation ventures present better international performances: those by small firms in Saloniki, which are close to the northern border, or those by small firms in Athens, which are away from the border but in the country's centre of business activity. Moreover, differences between the two categories of internationalisation ventures concerning the variables influencing business internationalisation will be analysed.

This regional issue is of chief importance to government policy makers, inasmuch as they can formulate respective policies to foster business internationalisation within particular geographic regions of the country (Enright, 2000). The examination of individual parameters regarding business internationalisation will show which strategic, organisational or environmental variables can provide a basis for promoting location-specific internationalisation policies.

LITERATURE REVIEW

A growing stream of literature (Beamish, 1985; Bodur and Cavusgil, 1985; Collins, 1990; Erramilli et al., 1997; Leonidou, 1995; Mahone, 1994) maintains that DCs and LDCs are two distinct categories which possess dissimilar characteristics. These authors call for different strategies and altered business treatment depending on their location and market characteristics. The literature, especially that on exporting, sometimes examines the relative prevalence of strategic tools and associated performances achieved in the two sets of countries. Studies in favour of concentrating international business attempts on DCs exist (Denis and Depelteau, 1985; Douglas, 1996). However, Collins (1990) finds that performances of U.S. firms with international operations in both developed and developing countries do not differ significantly between the two groups.

This dilemma also exists for firms based in LDCs and other less industrialised economies which contemplate upon which group of countries to concentrate their international operations. *Prima facie*, businesses from LDCs may encounter a country of origin problem. This is because when consumers have little knowledge of the attributes of two competing products from a DC and a LDC, they prefer to purchase the one from the industrialised country (Johanson et al., 1985). Hence, it seems legitimate that aggressive Brazilian producers export to a greater percentage in underdeveloped markets than passive Brazilian exporters do (Da Rocha et al., 1990).

Nonetheless, there are several studies that dispute the argument that, internationalised businesses from countries other than the major industrialised ones, will be less likely to prefer industrialised economies as markets for their goods. Christensen et al. (1987) declare that successful Brazilian exporters rely more on DCs. Similar conclusions are arrived at by Das (1994), who investigates exports from India, and by Dominguez and Sequeira (1993), who examine Central American based firms. In a similar vein, Klavdianos et al. (1995) note that Greek government officials should become concerned about the country's export decline to other EU countries, and the simultaneous increase of exports to Balkan and East European countries.

While no definite answer exists regarding the question of which group of markets provides better international results for businesses, firms should not necessarily shun DCs for the reason that these markets have higher competition and more demanding customers. This view is strengthened by the statement that, in order for a firm to remain innovative and competitive, it must seek to serve exacting buyers and vie with strong rivals (Porter, 1990).

As regards the second theme of this paper, i.e. the role of business location in firms' internationalisation, the research interest appears to be again rather limited. Olson and Wiedersheim-Paul (1978) assert that firms located close to the national border are likely to initiate export activities due to significant exposure to export stimuli. In accordance with this, in the works by ENSR (1995), and Tesar and Tarleton (1982), businesses in different regions are found to score differently in their exporting and international performances.

These findings are strengthened by assertions found in the literature on regional clusters. Indeed an emerging issue of research in international business deals with the influence that the firms' location within a cluster of the home nation has on internationalisation behaviour. It is argued that embeddedness within a regional cluster of economic activity gives rise to increased internationalisation for all participating firms (Brown and Bell, 2000; Oviatt and McDougall, 1997; Porter, 1990; Sopas, 2000). This is because a critical mass of firms within a region is formed, and this attracts a substantial number of foreign clients, suppliers and competitors (Porter, 1998; Sopas, 2000).

Nevertheless, evidence from other studies disputes these findings. No significant relationship between export propensity and business location is established by Cavusgil and Nevin (1981), and McConnell (1979), while the same holds for export performance and business location (Hansen et al., 1994). These findings can be connected with the assertion that "group-thinking" may take place within a regional cluster (Porter, 1998), and this may make participating businesses ignore new information on market trends outside the cluster (Saxenian, 1994). Indeed such negative externalities can take place within regional clusters and may fade away the positive effects that business co-location could bring for internationalisation (Brown and Bell, 2000). Undoubtedly, as in the first research issue above, the few research projects which encompass the firms' location parameter offer inconclusive information on this variable's repercussion in business international behaviour and subsequent results. The present paper will provide some more evidence for businesses located in Greece.

METHODOLOGY

Greek small and medium sized manufacturing firms were selected as subjects of study. Manufactured goods are the Greek products most frequently encountered in international markets. Furthermore, small manufacturing firms constitute the "backbone" of the Greek economy, and, they are a vehicle for the country's economic development. The businesses had to meet the following criteria in order to be included in the population of the survey: a) belong to the food, beverages, garments or footwear sectors of the Greek industry, since these sectors have exhibited a traditionally strong export intensity while recently they have shown increased FDI presence; b) employ between 10 and 250 employees; c) be located in the greater areas of Athens and Saloniki; d) be independent firms of Greek stake; and, e) exhibit outward international activity, i.e. dispose of their products abroad, for at least three years.

A structured questionnaire soliciting answers during personal interviews with business managers in a cross sectional survey is the data collection method employed. Prior to conducting the personal interview, the most knowledgeable manager in charge of the firm's international operations was sought. This technique is the most commonly used method in export studies (Leonidou et al., 1998), and is repeatedly employed in projects in international business. In order to increase the manager's collaboration in the study, the guidelines of Huber and Power (1985) regarding the use of a single informant and the directions to raise an interviewee's motivation towards a survey were employed. These included sending a cover letter prior to the interview with the objective of establishing rapport with a firm's executive.

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

In total 434 firms from the four sectors in the two geographic zones of the home country were randomly contacted, but 91 of them were not eligible to be included in the sample because they lacked one or more of the screening criteria identified above. Consequently, 343 firms were qualified to be part of the sample, while 114 cooperated in the survey by providing all the required answers. Six firms failing to reply to all the queries of the questionnaire were dropped from the analysis. The response rate of 33% (114/343) is deemed to be satisfactory, considering the intrusive nature of the research and the rather large size of the questionnaire. There are no statistically significant differences between the enterprises that agreed to cooperate in the study and those that did not in terms of number of employees (t-value= 0.400, 2-tailed significance= 0.690) and sales (t-value= -0.931, 2-tailed significance= 0.352).

Nonetheless, 165, rather than 114, observations are included in the statistical analysis. This is because, the unit of analysis in this project was the internationalisation venture of the business in a particular country (DC or LDC). Specifically, in the questionnaire the country in which the business earned the highest sales among the DCs of the world was sought and subsequent queries concerned this country. Similarly, the same procedure was followed for the country that generated the largest sales for the organisation among the LDCs. Consequently, if the firm had international operations in both the DCs and LDCs regions, two observations are recorded in two respective countries. That is why 165 internationalisation ventures by the 114 firms are finally included in the statistical analysis. 89 internationalisation ventures take place in DCs and 76 in LDCs, while 107 refer to ventures by Athenian businesses and 58 by Salonikian businesses.

Investigation now turns to how countries were arranged in developed and less developed zones of the globe. Since many possible groupings may not receive catholic acceptance, the classification of a respected external organisation was employed. To elaborate, countries were classified into "developed" and "less developed" based on the categorisation of the International Monetary Fund (IMF, 1997), which was published just before conducting this survey. To be included in the category of developed economies, the following criteria were used by the organisation: a high income level, a well-developed financial market with a large degree of financial intermediation, and a diversified economic structure with a rapidly increasing service sector. The reclassification of the organisation one year later (IMF, 1998) followed exactly the same country categorisation offering extra corroboration to this grouping. Analytically, the following twenty-seven countries are included in the advanced economies group: the fifteen countries of European Union (with Greece excluded as the firms' home country); the four "Asian tigers"[1], and, Australia, Canada, Iceland, Israel, Japan, New Zealand, Norway, Switzerland and United States. All remaining countries fall into the category of less developed economies.

RESULTS

Definitions and averages of the variables of the study for each category of interest are presented in Table 1. In order to find out whether there are significant discrepancies in the results of the two groups of interest to the study (the two country destination zones and the two location areas), crosstabulations will be presented. In order to check whether the two variables of crosstabulation are independent of each other, chi-square tests of independence will be applied for the variables measured in Likert scale. Independent two samples t-tests will be used to identify differences in means between the two groups of interest for the ratio variables of the study.

************* Insert Table 1 Here *************

For the destination country zone of internationalisation ventures the analysis is of value only for those variables which are measured on a foreign country level. This leaves out entrepreneurial style, management systems involved in internationalisation, size, resource availability for internationalisation, and the three parameters of domestic environment. Table 2 presents associate Pearson chi-square values and significance levels for the non-ratio variables.

************* Insert Table 2 Here *************

One can see that at the 5% level only uncertainty in the host country is significantly connected in a statistical sense with destination country zone in the international marketplace. It is interesting to observe that no different patterns of responses are observed in the internationalisation strategy variables. In other words, Greek firms appear to target both DCs and LDCs using similar strategic tools. Additionally, perceptions concerning the environment, except uncertainty, do not statistically differ. Greek SMEs have comparable perceptions of the environmental contexts of the two zones, and perhaps, this is the reason why they target both of them by implementing similar strategies.

Table 3 presents crosstabulation of the uncertainty in the host country. In a larger percentage of ventures in DCs (61%) managers perceive uncertainty of the host market to be of minor extent (score up to 3.49) compared to ventures in LDCs (32.6%). Besides, in a smaller percentage of ventures in DCs (14.4%) do respondents perceive foreign uncertainty to lie at considerable levels (score above 4.5) compared to internationalisation enterprises in LDCs (23.6%). Undoubtedly then, developed countries are considered to be more stable and predictable compared to less developed countries. This is an expected result, as interviewees often expressed their dissatisfaction concerning the significant instability prevailing in the Balkan countries contrasted to that of EU countries.

************* Insert Table 3 Here *************

In addition, Table 4 presents outcomes of the two samples t-test for the metric variables. At the 5% level the hypothesis of equality of means is not rejected only for change of sales in the host country. The mean for experience in the foreign country is 10.80 years in DCs and 6.26 years in the LDCs. Greek small manufacturing firms exhibit a longer presence in developed countries. This is a justifiable outcome given the recent opening of the markets in Southeast Europe in the late 1980s - early 1990s. It should not be forgotten that Greece's traditional trading partners consist of EU countries, with Germany ordinarily absorbing about one quarter of Greece's exports.

*********** **Insert Table 4 Here** ***********

As far as the performance indicators are concerned, change of sales and satisfaction render similar results between the two country categories, yet foreign sales ratios differ between the two zones. For DCs the mean for foreign sales ratio is 19.90, while for LDCs the respective mean is 9.58. Unquestionably ventures in DCs yield higher foreign sales ratios than their counterparts in LDCs.

As regards the geographic location theme, Table 5 presents Pearson chi-square values and significance levels for all variables measured in the Likert scale. As one can observe, at the 5% level the hypothesis of independence is rejected for six variables. These are focused strategy, (non-price) differentiation strategy, entrepreneurial style, resource availability for internationalisation, and complexity in both the foreign and the domestic countries. It is only for these constructs that crosstabulations will be presented, since for the remaining variables, which display high significance levels, the independence hypothesis is not rejected.

*********** **Insert Table 5 Here** ***********

Table 6 demonstrates that, with respect to focused strategy, there is not really discrepancy of results, since rejection of the independence hypothesis stems from the fact that no Salonikian firms present scores of 2. Indeed a chi-square test has been performed with three rather than seven categories (1 to 3 formed the lowest category, 4 the middle one and 5 to 7 the highest one). The Pearson chi-square value of 0.841 and its significance value of 0.657 indicates that the two variables are not statistically associated. Evidently the distribution of results in the two areas is similar.

*********** **Insert Table 6 Here** ***********

On the contrary, outcomes for (non-price) differentiation suggest that application of (non-price) differentiation strategy varies between the two cities (Table 6). Analytically, although extensive reliance on this strategy (score above 4.49) is about the same for ventures by enterprises in both areas, in very few cases (5.1%) do Salonikian small firms implement the strategy in an insignificant extent (below 2.5) compared to their Athenian counterparts (22.5%). In other words, unlike the relatively symmetrical distribution of scores for businesses in Athens, distribution for businesses in Saloniki presents few observations in the low scale of it. Salonikian enterprises build their strategy around non-price techniques in a comparatively higher extent in their key internationalisation ventures.

A notable difference appears in the bivariate examinations for entrepreneurial style (Table 6). Internationalisation ventures by firms in Saloniki are guided by a more conservative style of management than firms in Athens. This is because in 81% of ventures by Salonikian businesses a conservative style of management emerges (score up to 3.49), whereas the respective figure for Athenian businesses is only 48.6%. Seemingly Salonikian firms are much more risk averse in their internationalisation enterprises.

Different response patterns are observed between cities as far as resource availability for internationalisation is concerned (Table 6). Scores by Salonikian firms tend to cluster more on the lower side of the scale, for in 48.3% of their ventures scores less than 3.5 are observed. The respective figure for businesses in Athens is 34.6%. In other words, Salonikian firms more often score worse than their competitors in availability of human, financial and production resources. One could say that this may be due to smaller sizes of enterprises in Saloniki. However, this is not the case since the two groups of businesses do not differ statistically in terms of employees (t-value= 2.69, 2-tailed significance= 0.788). Thus, a justification could be that, because of the economic predominance of the city of Athens, Athenian firms have easier access to financing sources and can attract skilled personnel for internationalisation more easily. In spite of all these, the two groups of businesses score about the same in the high category of responses (above 4.49).

Complexity in the host country is perceived differently by firms in Athens and Saloniki (Table 6). The main difference lies in the low scores of the scale, because in only 23.3% of the ventures by Athenian firms compared to 38% of the ventures by Salonikian enterprises scores less than 2.5 appear. Plainly in fewer internationalisation enterprises Athenian firms perceive very low levels of complex environments than Salonikian firms. This is not due to the number of product lines that firms market abroad since the associate difference is not statistically significant (t-value= 0.890, 2-tailed significance= 0.375). Nonetheless, the statement that firms in Saloniki perceive more often very low levels of complexity in their key foreign markets is weakened, if one includes also the category of scores from 2.5 to 3.49. In this case, in 49.5% of the observations for Athenian firms, environments are perceived not considerably complex (score up to 3.49) compared to 55.2% of the observations for Salonikian firms.

A similar pattern of responses is encountered for perceived complexity in the domestic market (Table 6). In only 17.8% of the cases, firms in Athens perceive very low levels of complexity (score below 2.5) in the Greek market compared to 43.1% of firms in Saloniki. This declaration is weakened to some extent, if scores from 2.5 to 3.49 are also included. In 48.6% of the observations by Athenian businesses is the context of the domestic market considered to be complex in a low degree (score up to 3.49) compared to 62.1% of the observations by Salonikian businesses.

Table 7 presents results concerning geographic location differences for the ratio variables of the study. From the t-tests, one could see that the hypothesis of equality of means in the two categories of firms is rejected only for foreign country sales ratios at the 5% level. The mean of the distribution for foreign country ratios for internationalisation ventures of Athenian firms is 12.14, while the respective value of Salonikian firms is 20.69. Clearly in their internationalisation ventures, firms from Saloniki perform better in their foreign country sales ratios.

************* Insert Table 7 Here *************

Consequently, as far as the three performance indicators are concerned, evidence obtained suggests that, the strategic geographic location of Saloniki near the northern border of Greece and its major harbour in the Mediterranean Sea, could play a critical role in stimulating Salonikian firms towards increased internationalisation. However, the evidence provided in this study is not conclusive because the performance superiority of businesses in Saloniki is encountered only in the foreign country sales ratio indicator.

To sum up, (non-price) differentiation strategies are more usually implemented by Salonikian firms in internationalisation ventures. Salonikian firms are also more risk-averse than their Athenian counterparts. In addition, firms in Saloniki score worse than those in Athens in resource availability for internationalisation, and this may be due to the prevailing economic vitality of Athens. The most interesting finding is that businesses in Saloniki attain better foreign sales results in their internationalisation ventures. This means that location near the border could be a decisive factor for higher degrees of internationalisation.

DISCUSSION OF FINDINGS

As regards the first research question, the result that ventures in DCs are associated with higher foreign sales ratios than those in LDCs corroborates the view that, enterprises that select to target industrialised countries, achieve higher performances (Denis and Depelteau, 1985; Douglas, 1996). This result is also in accordance with those of other studies which have investigated foreign country destinations for businesses located in LDCs, and have discovered that higher success is found in industrialised countries (Christensen et al., 1987; Das, 1994; Dominguez and Sequeira, 1993).

On the contrary, it contradicts the research of Da Rocha et al. (1990), who examine Brazilian exporters, and the admonitions encountered in the Greek popular press for internationalised firms to target primarily the neighbouring Balkan countries. Outcomes of this research imply that this may not be the correct strategy given that ventures in developed countries can generate better results.

But why is it likely that ventures in DCs generate more auspicious results than ventures in LDCs? Porter (1990) virtually reasons in favour of targeting industrialised countries by claiming that in order for a business to remain innovative, it must seek out to serve demanding buyers with the most exacting needs. It seems logical to presume that these buyers will be customers from DCs, whose marketplaces face intense competition levels, rather than from LDCs. Due to these rivalistic pressures, sophisticated customers have experienced a wide variety of products from all over the world and have formed clear expectations toward all products.

Actually the argument put forward is that demanding customers motivate the firm, sooner or later, to become more innovative and competitive, and eventually successful, notwithstanding the high competition encountered. Benchmarking is in effect at work in the industrialised countries. On the other hand, enterprises in the LDCs might experience ephemeral success, but gradually, owing to lack of sophisticated customers and competent rivals, could fall into inertia relinquishing any competitive advantages.

There are two other possible reasons why better foreign sales ratios are achieved in DCs. These come from the findings of this paper. The first one is associated with the lesser amount of uncertainty encountered in these countries, as Table 3 has shown. It is proposed that uncertainty of the foreign country is negatively related to performance. This is because generally an unstable environment urges enterprises to devote substantial resources to adaptation (Carlsson, 1989), and this should apply more to small firms which possess a restricted level of human and financial assets. This adaptation has to take place in constantly changing environmental circumstances and can have disastrous repercussions in organisational performance (Haveman, 1993; Slater and Narver, 1994). In addition, in such a volatile setting, large and efficient firms would adequately satisfy customer needs, making niches disappear and leaving little scope for small enterprises (Miller, 1988; Ward et al., 1996). Indeed in such an uncertain environment, firms may start market share fights, something which can worsen organisational achievements (Hill et al., 1990; Porter, 1980).

The second possible reason why better foreign sales ratios are achieved in DCs is related with the higher experience of firms in DCs compared to that in LDCs (Table 4). A positive connection exists between experience and international performance, as many researchers suggest (e.g. Johanson and Vahlne, 1977, 1990; Kirpalani and Macintosh, 1980; Madsen, 1989). Consequently, Greek small businesses may perform better in developed countries because of larger experience and/or lower uncertainty in these foreign markets.

Nonetheless, two remarks have to be stressed. First, although foreign sales ratios are higher in ventures in DCs, change of sales and perceived satisfaction do not differ between the two groups of countries. Thus, one should hold some reservations towards the claim that businesses have to definitely target DCs. Second, this examination in its aim to discover which set of countries yields best results has focused on economic grounds. If one takes into consideration that intense exporting and FDI operations of Greek firms in the Balkan area can overall function as a bargaining leverage for Greek economic diplomacy, and possibly for Greek political diplomacy, increased presence may be more than justified. But apparently investigation then exceeds the confines of this paper.

As far as the outcomes for the second research question are concerned, the findings seem to cast doubts in the declaration that organisational location in the country does not affect the inducement of businesses to export (Cavusgil and Nevin, 1981; McConnell, 1979) and their subsequent export results (Hansen et al., 1994). In addition, the evidence obtained challenges the finding of a Greek study that, the higher the urbanisation of an area, the greater the efficiency that firms operate (Louri, 1988). It appears that this statement may not hold for international operations as Athenian firms perform worse than Salonikian firms. On the contrary, the findings of this study seem to strengthen the position that dissimilar regions, owing to altered characteristics, could propel enterprises to act and score differently as far as their performances abroad are concerned (Brown and Bell, 2000; ENSR, 1995; Oviatt and McDougall, 1997; Porter, 1990; Sopas, 2000; Tesar and Tarleton, 1982).

It is also interesting to note that the comparatively higher exposition of the Salonikian businesses to the international marketplace is not at all limited to the neighbouring countries: 23 ventures of these enterprises take place in LDCs whereas 35 in DCs (the respective figures for Athenian firms are 53 and 54). Hence, it is probable that proximity to the border and organisational domicile in an internationally strategic area broadens considerably the horizons of foreign market opportunities that enterprises may target to.

Furthermore, another mechanism might also be at work: imitative conduct is likely to turn up among Salonikian small businesses (Bonaccorsi, 1992; Dimitratos and Oakey, 1996; Porter, 1998) which do not wish their neighbouring competitors to acquire an international competitive advantage *vis-à-vis* them. In effect, these businesses model themselves on their rivals and reply similarly to internationalisation challenges through mimetic isomorphism (DiMaggio and Powell, 1983; Mascarenhas and Sambharya, 1996; Meyer and Rowan, 1977). This imitative behaviour could induce an "internationalisation culture" in Saloniki, which, in turn, may lead to increased international business presence and subsequent performance. It should not be forgotten that managers often acquire resources and information through social relationships (Granovetter, 1985; Humphrey and Schmitz, 1996; Smilor, 1997; Starr and MacMillan, 1990). Characteristic is a statement that an owner of a clothing firm in Saloniki made:

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

CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

The country destination and business location topics possess key significance for practitioners. Although evidence is not conclusive, this research showed that ventures in developed countries present higher foreign country sales ratios than ventures in less developed countries, and ventures by Salonikian firms present higher foreign country sales than ventures by Athenian firms.

Foreign country sales ratios were shown to be higher in developed rather than less developed countries. Consequently, one may suggest that Greek small manufacturing firms focus their international endeavours primarily on industrialised countries. In these markets sophistication of the consumers is higher and uncertainty of the environment lower. If small firms also manage to accumulate considerable experience in these markets so as to become familiar with the way competitors, distributors and customers operate in them, results can be quite promising. EU, USA, Canada and Australia are the most preferable geographic destinations because a considerable number of Greek immigrants live in these places and can minimise possible psychological distances.

Of course, this does not mean that the less developed countries of Balkans, East Europe and Middle East should be disregarded. Change of sales and satisfaction in these markets do not differ significantly compared with those of industrialised economies. Thus, convincing evidence to ignore LDCs as potential foreign country destinations does not exist. The Balkans and the countries of East Europe, especially, will continue to serve as attractive markets for many Greek manufacturing firms. The emerging market opportunities in these countries, the small geographic distance, and the similar historical and religious background with several of these nations constitute appealing factors for many Greek businesses to advance exports and FDI operations in their markets.

However, political, economic and social contexts in LDCs, and especially in the neighbouring Southeast European countries, still undergo dramatic changes. It has been found that these countries exhibit higher degrees of uncertainty in their markets. Hence, Greek firms that select to do business with these countries are likely to spend a substantial number of years in order to become acquainted with the particular idiosyncrasies of their markets. An opportunistic strategy might yield gains only in the short-run. Further, Greek officials can attempt to influence their Balkan counterparts towards the formulation of a more stable system of business regulations in Balkans.

Moreover, business location in different parts of the country is associated with dissimilar organisational international results. This regional issue is a largely unexplored topic, since few studies incorporate this variable in their examinations. The outcomes revealed that location of firms close to the country's border may encourage enhanced international operations, and so, better international achievements. Government policy makers can foster an "internationalisation climate" in areas close to the border. In addition, they can tailor their incentives and policies regarding internationalisation according to the demands of the businesses in each region.

More studies in the future have to analyse the role of destination country and business geographic location in business internationalisation. Projects examining firms based in advancing economies are especially welcome, as their outcomes will be easy to compare with the results of this study. In addition, in order to examine the regional issue, more than two geographic locations in the home market with different characteristics could be analysed. After all, both the destination country zone and the business geographic location themes have not received significant attention by researchers, and thus, research into them is required in future investigations. Finally, in order to fully comprehend if a mimetic organisational response occurs in the business location case, scholars have to delve into this issue in interdisciplinary studies whereby behavioural sciences will also participate.

NOTES

1. Hong-Kong became a Special Administrative Region of China on July 1, 1997. However, this did not present a problem in this work because the questionnaire referred to 1996 to measure managers' perceptions.

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TABLE 1: DEFINITIONS AND AVERAGES OF THE STUDY'S VARIABLES			
VARIABLE	**Description**	**Scale**	**Mean**
Internationalisation Strategies			
Entry mode	Captures the mode of business involvement in the foreign country	Nominal (Indirect Exp., Direct Exp., FDI Mode)	IE= 10, DE= 141, FDI= 14
Cooperative strategy	To what degree the firm participates in various collaborative activities in the foreign country	Likert 1-7 (1=not at all - 7=very much)	1,67
Focused strategy	To what degree the firm fulfils needs of specific market segments in the foreign country	Likert 1-7 (1=not at all - 7=very much)	3,83
(Non-price) differentiation strategy	To what degree the firm employs competitive practices based on non-price techniques (e.g. superior design, product's quality, excellent service) in the foreign country	Likert 1-7 (1=not at all - 7=very much)	3,74
Price differentiation strategy	To what degree the firm employs competitive practices based on price techniques (dumping, pricing below average market price) in the foreign country	Likert 1-7 (1=not at all - 7=very much)	2,63
Organisational Context			
Experience in host country	Number of years in the foreign country	Ratio	8,71
Entrepreneurial style	To what degree the firm adopts a conservative vs. venturesome mode of management	Likert 1-7 (1=conservative - 7=venturesome)	3,25
Management systems in internationalisation	To what degree the firm is significantly inferior or superior compared with its direct competitors with regard to planning and control in international operations	Likert 1-7 (1=significantly inferior - 7=sig. superior)	3,81
Size	Number of employees of the firm	Ratio	57,03
Resource availability for internationalisation	To what degree the firm is significantly inferior or superior compared with its direct competitors with regard to personnel, financial and production resources in intern. operations	Likert 1-7 (1=significantly inferior - 7=sig. superior)	3,64
Environmental Context – Host Country			
Unfamiliarity	To what degree Greece is dissimilar to foreign countries with respect to business practices, buying preferences, culture, legal and political system etc.	Likert 1-7 (1=not at all - 7=very much)	4,29
Munificence – host country	To what degree environment in the host country is munificent, i.e. whether it offers firms growth opportunities	Likert 1-7 (1=not at all - 7=very much)	4,01
Uncertainty – host country	To what degree environment in the host country is uncertain, i.e. whether it presents frequent, important and hard to predict changes	Likert 1-7 (1=not at all - 7=very much)	3,56
Complexity – host country	To what degree environment in the host country is complex, i.e. whether environmental changes among the different products of the firm are important	Likert 1-7 (1=not at all - 7=very much)	3,25
Environmental Context – Domestic Country			
Munificence – domestic country	To what degree environment in the domestic country is munificent, i.e. whether it offers firms growth opportunities	Likert 1-7 (1=not at all - 7=very much)	4,05
Uncertainty – domestic country	To what degree environment in the domestic country is uncertain, i.e. whether it presents frequent, important and hard to predict changes	Likert 1-7 (1=not at all - 7=very much)	3,39
Complexity – domestic country	To what degree environment in the domestic country is complex, i.e. whether environmental changes among the different products of the firm are important	Likert 1-7 (1=not at all - 7=very much)	3,27
Performance			
Foreign country sales ratio	Sales in the foreign country over total number of sales of the firm for 1996	Ratio	15,14
3-year change in sales in for. country	Percentage change in sales in the foreign country across 1994, 1995 and 1996	Ratio	21,48
Satisfaction	To what degree managers of the firms are satisfied with business performance in the foreign market in 1996	Likert 1-7 (1=not at all - 7=very much)	4,46

TABLE 2: CHI-SQUARE TESTS OF INDEPENDENCE – DESTINATION COUNTRY ZONE DIFFERENCES		
VARIABLE	**Pearson chi-sq. value**	**Asymptotic signif. (2-sided)**
Entry mode	0,235	,889
Cooperative strategy	5,636	,228
Focused strategy	4,105	,662
(Non-price) differentiation strategy	1,901	,863
Price differentiation strategy	2,061	,725
Unfamiliarity - host country	8,435	,208
Munificence - host country	,2210	,899
Uncertainty - host country	16,597	,005
Complexity - host country	2,569	,861
Satisfaction	2,504	,868

TABLE 3: CROSSTABULATION - UNCERTAINTY IN THE HOST COUNTRY & DESTINATION COUNTRY ZONE									
		Uncertainty in the host country							
		not at all					very much		
		1	2	3	4	5	6	7	Total
Zone	Developed		11	44	21	10	3		89
	% within Developed		12%	49%	24%	11%	3,4%		100%
	Less Developed	1	4	20	33	16	2		76
	% within Less Developed	1,3%	5,3%	26%	43%	21%	2,6%		100%
Total		1	15	64	54	26	5		165
	%	0,6%	9,1%	38,8%	32,7%	15,8%	3,0%		100%

TABLE 4: INDEPENDENT TWO SAMPLES T-TEST - DESTINATION COUNTRY ZONE DIFFERENCES		
VARIABLE	**t-test (t)**	**t-test (significance, 2-tailed)**
Experience in host country	2,933	,004
Foreign country sales ratio	3,360	,001
3-year change in sales in for. cou.	-,775	,439

TABLE 5: CHI-SQUARE TESTS OF INDEPENDENCE – GEOGRAPHIC LOCATION DIFFERENCES		
VARIABLE	**Pearson chi-sq. value**	**Asymptotic signif. (2-sided)**
Entry mode	2,371	,306
Cooperative strategy	5,937	,204
Focused strategy	13,653	,034
(Non-price) differentiation strategy	12,947	,024
Price differentiation strategy	5,030	,284
Entrepreneurial style	20,675	,001
Management systems in internat.	10,097	,121
Resource availability for internat.	13,565	,019
Unfamiliarity - host country	2,676	,848
Munificence - host country	10,357	,110
Uncertainty - host country	6,379	,271
Complexity - host country	15,293	,018
Munificence - domestic country	9,339	,155
Uncertainty - domestic country	5,469	,242
Complexity - domestic country	19,973	,001
Satisfaction	6,961	,325

TABLE 6: CROSSTABULATIONS – SELECTED VARIABLES & GEOGRAPHIC LOCATION

Focused strategy

		not at all 1	2	3	4	5	6	very much 7	Total
Location	Athens	17	15	16	13	20	12	14	107
	% within Athens	15,9%	14,0%	15,0%	12,1%	18,7%	11,2%	13,1%	100%
	Saloniki	16		12	9	6	8	7	58
	% within Saloniki	27,6%		20,7%	15,5%	10,3%	13,8%	12,1%	100%
Total		33	15	28	22	26	20	21	165
	%	20,0%	9,1%	17,0%	13,3%	15,8%	12,1%	12,7%	100%

(Non-price) differentiation strategy

		not at all 1	2	3	4	5	6	very much 7	Total
Location	Athens	5	19	17	35	23	8		107
	% within Athens	4,7%	17,8%	15,9%	32,7%	21,5%	7,5%		100%
	Saloniki	2	1	7	31	14	3		58
	% within Saloniki	3,4%	1,7%	12,1%	53,4%	24,1%	5,2%		100%
Total		7	20	24	66	37	11		165
	%	4,2%	12,1%	14,5%	40,0%	22,5%	6,7%		100%

Entrepreneurial style

		conservative 1	2	3	4	5	venturesome 6	7	Total
Location	Athens		15	37	44	9	2		107
	% within Athens		14,0%	34,6%	41,1%	8,4%	1,9%		100%
	Saloniki	2	18	27	9	2			58
	% within Saloniki	3,4%	31,0%	46,6%	15,5%	3,4%			100%
Total		2	33	64	53	11	2		165
	%	1,2%	20,0%	38,8%	32,1%	6,7%	1,2%		100%

Resource availability for internationalisation

		sig. inferior 1	2	3	4	5	sig. superior 6	7	Total
Location	Athens	3	6	28	42	24	4		107
	% within Athens	2,8%	5,6%	26,2%	39,3%	22,4%	3,7%		100%
	Saloniki		13	15	17	9	4		58
	% within Saloniki		22,4%	25,9%	29,3%	15,5%	6,9%		100%
Total		3	19	43	59	33	8		165
	%	1,8%	11,5%	26,1%	35,8%	20,0%	4,8%		100%

Complexity in the host country

		not at all 1	2	3	4	5	6	very much 7	Total
Location	Athens	13	12	28	32	17	5		107
	% within Athens	12,1%	11,2%	26,2%	29,9%	15,9%	4,7%		100%
	Saloniki	3	19	10	17	6	2	1	58
	% within Saloniki	5,2%	32,8%	17,2%	29,3%	10,3%	3,4%	1,7%	100%
Total		16	31	38	49	23	7	1	165
	%	9,7%	18,8%	23,0%	29,7%	13,9%	4,3%	0,6%	100%

Complexity in the domestic country

		not at all 1	2	3	4	5	6	very much 7	Total
Location	Athens	11	8	33	31	18	6		107
	% within Athens	10,3%	7,5%	30,8%	29,0%	16,8%	5,6%		100%
	Saloniki	5	20	11	11	8	3		58
	% within Saloniki	8,6%	34,5%	19,0%	19,0%	13,8%	5,2%		100%
Total		16	28	44	42	26	9		165
	%	9,7%	17,0%	26,7%	25,5%	15,8%	5,5%		100%

TABLE 7: INDEPENDENT TWO SAMPLES T-TEST – GEOGRAPHIC LOCATION DIFFERENCES		
VARIABLE	**t-test (t)**	**t-test (significance, 2-tailed)**
Experience in host country	-,303	,762
Size	,269	,788
Foreign country sales ratio	-2,381	,019
3-year change in sales in for. cou.	1,128	,261