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Internationalization's Effect on Marketing Learning: A Study of Syrian Firms

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Abstract

The aim of the present study is to understand the effects of international expansion on firms' acquisition of marketing learning. This study's focus on marketing learning complements previous research on the impact of internationalization on the development of foreign-market and technological knowledge. The research finds that the scope of a firm's international activities, perception of gaps in marketing knowledge, and external social capital positively influence firms' acquisition of marketing learning. However, firm's age at initial international market entry appears not to be a significant factor. The study adds to the very limited body of research on the marketing learning outcomes of international expansion, while also offering rare empirical insights from the Middle East on this important subject matter. The paper discusses implications for international managers, policy makers, and future researchers.

Keywords: Internationalization, Internationalization Scope, Marketing Learning, Network, Transition Economies, Syria.

INTRODUCTION

Despite significant recent progress in several economies around the world (e.g., the Asian Tigers and the BRICs), an inordinately high number of countries still lack any meaningful economic development. Policy evidence (UNCTAD 2012) and theory (Fahy 2002; Schumpeter 1942) suggest that knowledge accumulation and innovation, including market innovation or internationalization, can positively impact these underperforming economies. Learning and the resulting knowledge resources facilitate the innovation process (Zahra and George 2002) and radical innovations (Bao, Chen, and Zhou 2012), by enhancing firms' abilities to learn from external sources, understand new ideas, and implement them successfully (Cohen and Levinthal 1990). Learning is, indeed, at the heart of dynamic capabilities and sustainable competitive advantage (Teece, Pisano, and Shuen 1997), triggering and enabling continuing economic development at both firm and national levels (Porter 1990).

The current study examines how firms acquire and sustain marketing learning through internationalization. A number of reasons justify this focus on marketing learning. First, although previous research addresses the accumulation of foreign market and technological learning (e.g., Zahra, Ireland, and Hitt 2000), very little understanding exists about internationalization's impact on marketing knowledge development. This neglect is particularly remiss because firms crossing international borders encounter significant learning opportunities, including new customer demands, different market dynamics, or the *liability of foreignness* (Zaheer 1995). These learning opportunities are, perhaps, greater for transition economy firms whose local managers lack requisite skills for survival in market-driven environments, owing to their legacy of centrally planned economic systems (Ellis, Davies, and Wong 2011). The current study examines how internationalization assists such firms to

learn the new rules of the game (Barkema and Vermeulen 1998) and improve aspects of their marketing know-how (Vorhies and Morgan 2005).

This study adds to the very limited body of research on the marketing learning process and outcomes of internationalization, while also providing empirical insights from a transition economy context, namely Syria, which attracts little research. The structure of the rest of the paper is as follows. Section 2 reviews the literature on learning process during internationalization and presents the study hypotheses. Section 3 describes the study's quantitative research approach, and Section 4 presents the data analysis (*Partial Least Square*) and findings. The final section discusses the findings and highlights some conclusions and implications.

THEORY AND HYPOTHESES

Knowledge plays a central role in internationalization research. The Uppsala model emphasizes the importance of foreign market knowledge in reducing uncertainty and cost of cross-border operations, and enabling greater foreign market commitment (Johanson and Vahlne 1977). The international new ventures (INVs) literature views knowledge as an enabling factor for early and rapid internationalization (Autio, Sapienza, and Almeida 2000; Oviatt and McDougall 1994). Knowledge is not only a key influence on foreign operations, but also an important outcome of the internationalization process (Aulakh 2009; Huber 1991).

Marketing learning refers to the dynamic process of acquiring marketing capabilities (Kim 1997). Marketing capabilities are mechanisms, including marketing communications, market information and sales management (Vorhies and Morgan 2005), through which firms deploy their market orientation in the marketplace in order to execute strategies that match their market environment (Morgan, Vorhies, and Mason 2009).

Figure 1 presents the study's model. As the model suggests, greater scope of the firm's international activity promotes marketing learning. The firm's perception of the marketing knowledge gap, external social capital, and age at first internationalization also facilitate marketing learning. The selective inclusion of these factors in the model reflects the organizational learning perspective, which suggests, among other things, that diversity of experience, in terms of where the firm operates (Barkema and Vermeulen 1998; Huber 1991) and with whom the firm interacts (Haahti, Madupu, Yavas, and Babakus 2005; Zahra and George 2002), enhances the firm's ability to recognize the value of external knowledge and assimilate new knowledge.

<div style="text-align:center">Figure 1 here.</div>

International Scope and Marketing Learning

International Scope refers to the number of foreign markets (Barkema and Vermeulen 1998) and geographical regions (Reuber and Fischer 1997) in which a firm sells its products. Increasing scope of international activity should have a positive influence on marketing learning. Diversity of experience fosters learning (Huber 1991), as does exposure to diverse business and institutional actors (Eriksson, Johanson, Majkgard, and Sharma 2000), foreign customers (Tolstoy 2010; Yli-Renko, Autio, and Tontti 2002), joint venture partners (Hau and Evangelista 2007), and competitors (Casillas, Acedo, and Barbero 2010). New foreign environments create opportunities for learning (Barkema and Drogendijk 2007).

Expanding sales to different markets offers learning opportunities that cut across industry or geography and are independent of the actions of foreign firms (Ellis et al. 2011). As firms widen their scope of international activities or enter diverse foreign markets, they encounter different consumer needs, rival practices, new testing grounds for their products,

and engage in exploratory learning (Aulakh 2009; March 1991). They also gain information from a variety of trade partners (Barkema and Vermeulen 1998).

H1: The scope of firm's international activity positively affects marketing learning.

External Social Capital

Social capital refers to the sum of actual and potential resources that an organization or individual can access or mobilize through their network of relationships (Nahapiet and Ghoshal 1998). A key resource residing in a firm's network of relationships is knowledge. Previous research demonstrates that relationships enable firms to access strategically relevant resources (Haahti et al. 2005; Ibeh, 2005), including knowledge (Ibeh and Kasem 2011; Johanson and Vahlne 2009).

For transition economy firms struggling to establish knowledge-generating formal relationships with international partners, weak informal ties offer a viable substitute. Weak ties include relationships with customers, suppliers, and wider social contacts such as government officials and Chambers of Commerce. Such relationships are vital sources of information and know-how for internationalizing firms (Prashantham and Young 2011; Yli-Renko et al. 2002). Because weak ties require less investment, they outnumber strong ties and can grow relatively quickly (Oviatt and McDougall 2005). The broad scope of these relationships provides avenues for knowledge to intersect, thereby enhancing the potential for marketing knowledge development (Evers, Andersson, and Hannibal 2012).

H2: Firm's external social capital positively affects marketing learning.

Perceived Gap in Marketing Knowledge

Perception of gaps in marketing knowledge encourages firms to focus on acquiring greater marketing learning through internationalization. Knowledge gaps are the differences between knowledge available to the firm and knowledge the firm requires to achieve set goals (Hall and Andriani 2002). Moving to new environments may trigger the realization of

knowledge gaps among firms (Petersen, Pedersen, and Lyles 2008), including transition economy firms (Uhlenbruck, Meyer, and Hitt 2003). Such realization drives firms to engage in problemistic search to find solutions to their problems (Monteiro, Arvidsson, and Birkinshaw 2008; Uit Beijerse 2000), and possibly gain new learning.

H3: The perceived gap in marketing knowledge positively affects marketing learning.

Age at International Market Entry

The absorptive capacity argument suggests that the firm's ability to recognize and utilize external knowledge largely depends on the level of previous knowledge (Cohen and Levinthal 1990). Learning is path dependent; existing stocks of knowledge determine the *what* and *how* of acquiring new knowledge (Zahra and George 2002). On the other hand, Autio et al. (2000) suggest that early internationalizing firms enjoy learning advantages of newness (LAN), because they do not have deeply rooted routines that constrain what they see and how they see it. Sapienza, De Clercq, and Sandberg (2005) provide evidence in support of the LAN argument, by showing that early internationalization positively influences international and domestic learning efforts.

Apparently, the logic of LAN is at odds with the absorptive capacity argument. De Clercq, Sapienza, Yavuz, and Zhou (2012) address this paradox by considering the relatedness of domestic and foreign markets as an important contingency. The current study similarly considers the relevance of the content of knowledge, and argues that firms' previous experience in the domestic market should guide them in finding marketing knowledge that they lack.

H4: A firm's age at international market entry positively affects marketing learning.

METHOD

Sampling and Data Collection

The data collection takes place in Syria prior to the escalation of the on-going conflict, and involves a survey of firms that: (i) manufacture low-technology products—in line with the Standard International Trade Classification (SITC) Rev. 4 (Eurostat 2009); (ii) have private ownership; (iii) have export sales; and (iv) have a listing in the latest Syrian Export Development and Promotion Agency Directory or the Syrian Export Directory.

Although 330 firms meet the above criteria, questionnaire administration involves only 195 firms owing to a variety of reasons, including inaccuracies in advertised contact details, cessation of operations, lack of or discontinuation of international activities, and lack of access to appropriate key informants. The survey firms have the option of responding online, by fax or phone, and following appropriate reminders. The data collection process results in 96 usable questionnaires (a 49% response rate).

A comparison of early and late respondents on a number of firm demographic characteristics reveals no significant differences, and indicates an absence of non-response bias. A check for common method bias (CMB) using Herman's one-factor test (Podsakoff and Organ 1986) also suggests no serious threat to the validity of the study findings.

Measurement

The scale items derive from different sources (this paper excludes the usual Table owing to space limitations). International Scope relies mainly on Barkema and Vermeulen (1998) and Sapienza et al. (2005), and measures the number of foreign markets and geographical regions (two items) in which the firm sells its products. Marketing learning draws on Zahra et al. (2000) and Vorhies and Morgan (2005); the latter authors mainly account for the thirteen question items on key marketing capabilities (marketing communication, market information management, and sales). Similar to Vorhies and Morgan (2005), this study estimates three marketing capabilities as first-order constructs and

marketing learning as a second-order construct. External Social Capital relies on a nine-item measure from Yli-Renko et al. (2002) and Haahti et al. (2005). The modeling of this measure as a formative index (Diamantopoulos and Winklhofer 2001) reflects the expectation that the different indicators do not correlate (Jarvis, MacKenzie, and Podsakoff 2003), and that the importance of one relationship does not depend on other relationships. Perceived Gap in Marketing Knowledge adapts a three-item measure from Petersen et al. (2008), while age at entry assesses the time, in years, between a firm's founding and its first foreign sales (Autio et al. 2000). Finally, two control variables, firms' age and size, feature in the model. Both variables should have a positive influence on marketing learning.

ANALYSIS AND RESULTS

Tests of the structural model and hypotheses involve partial least squares (PLS) structural equation modeling, specifically the SmartPLS 2.0 software (Ringle, Wende, and Will 2005). PLS is preferable when the sample size is small, the theory is relatively new, and the research examines new relationships (Chin 2010). This study's focus on the marketing learning concept meets the newness criterion. Furthermore, PLS' stronger statistical power (Reinartz, Haenlein, and Henseler 2009) enables making predictions with small sample sizes (Wold 1982), and using formative measures without restrictions (Reinartz et al. 2009). PLS also handles complex models involving relatively large numbers of latent variables (Chin 2010).

Model Evaluation: Measurement Model Results

Table 1 presents coefficients of reliability and convergent validity of reflective items as well as indicator loadings. Inter-correlations of indicator variables are also available in Table 2. Cronbach's alpha coefficients of all reflective measures have values larger than 0.71, thus suggesting high reliability (Henseler, Ringle, and Sinkovics 2009).

The convergent validity assessment involves examining the loadings of each set of indicators on the latent variable (LV) they measure. All indicators, except one, have loadings greater than 0.8, well above the threshold Chin (2010) suggests. Also, indicators from the nonparametric bootstrap resampling procedure load significantly on their respective constructs ($p < 0.01$), indicating statistical significance (Chin 2010; Wetzels, Odekerken-Schröde, and van Oppe 2009). Values of average variance extracted (AVE) (Fornell and Larcker 1981) exceed the 0.5 rejection boundary, further suggesting convergent validity. Discriminant validity assessment involves the Fornell–Larcker criterion and cross-loadings (Henseler et al. 2009). Both tests show favorable results, but this paper omits details due to space constraints.

Tables 1 and 2 here

Further analysis addresses multicollinearity concerns in the formative index measuring external social capital, by using principal component analysis and Varimax rotation to replace highly collinear formative indicators (Bido, Silva, Souza, and Godoy 2010). The procedure reveals a four factor structure—Social networks, Trade shows, Institutional networks, and Business networks—which subsequently serve as formative indicators (Chin 2010) of the external social capital construct. All items of the external social capital index have significant weights, except for social networks. The analysis retains the non-significant items for theoretical reasons (Diamantopoulos and Siguaw 2006).

Model Evaluation: Structural Model Results

Figure 2 presents the coefficient of determination, R^2, of the endogenous construct and the structural model path coefficients (β). The R^2 value of Marketing Learning is 0.35, which exceeds the minimum threshold of 0.1 (Falk and Miller 1992). The Stone–Geisser, Q^2, statistic for marketing learning is 0.19, confirming the predictive relevance of the model.

Figure 2 here

All significant (β) values exceed or approximate the minimum 0.20 threshold (Chin 2010). Table 3 indicates strong support for H1, that internationalization scope positively affects marketing learning (0.18, p<0.05). H2, that external social capital positively affects marketing learning (0.33, p<0.01), also receives support. So does H3, which states that higher perception of knowledge gaps positively affects marketing learning (0.26, p<0.01). However, contrary to H4, age at first international entry does not affect marketing learning significantly (0.09). The same applies to the control variables: firm, age, and size.

Table 3 here

DISCUSSION, CONCLUSIONS AND IMPLICATIONS

This study investigates the effects of internationalization on the acquisition of marketing learning among Syrian firms. The research adds to the very limited work on the marketing learning outcomes of international expansion, and complements previous research on foreign market and technological knowledge outcomes of internationalization. The study also provides rare empirical insights on Syrian firms and, in so doing, extends the contextual reach and tapestry of evidence on the knowledge-based perspective of firm internationalization. The current research finds that firms with greater scope of international activities, higher perception of marketing knowledge gaps and external social capital tend to acquire more marketing learning from internationalization. However, neither firms' age at initial internationalization nor overall age or size affects the acquisition of marketing learning. The following paragraphs briefly discuss the above findings.

First, the importance of internationalization scope underscores the need for firms to establish market presence in more diverse geo-economic contexts in order to achieve greater marketing learning benefits. Such engagement with a plurality of foreign markets reflects internationalization commitment (Wheeler, Ibeh, and Dimitratos 2008), and compels firms to

accelerate their marketing learning and absorb new rules of the game (Barkema and Vermeulen 1998). This quicker learning particularly occurs where firms already perceive significant gaps in their marketing knowledge. Previous research suggests that such organizational self-awareness leads to efficacious remedial actions (Monteiro et al. 2008; Uit Beijerse 2000).

Next, the study firms' leveraging of external social capital, mainly weak ties (e.g., Yli-Renko et al. 2002), reinforces the relevance of such ties for acquiring marketing learning. Firms from transition economies particularly utilize these relatively accessible ties to compensate for their lack of meaningful access to more formal knowledge-generating relationships (e.g., with foreign direct investors).

Finally, the lack of a significant relationship between marketing learning and firms' age at initial internationalization, or overall age and size, underlines the idiosyncratic character of the findings on these demographic variables in previous research (e.g., Wheeler et al. 2008). Neither the absorptive capacity perspective (Cohen and Levinthal 1990) nor the learning advantages of newness argument (Autio et al. 2000) finds support in the present study.

Managerial and Development Policy Implications

Our findings suggest a number of implications for actual and prospective managers of international firms. First, managers need to develop a well-rounded appreciation of international expansion that views internationalization not only as a source of additional income, but also an important platform for marketing learning, capability enhancement and organizational renewal. Second, managers should seriously consider widening the scope and geographic reach of their international activities if appropriate resources exist or are accessible. Although venturing into more psychically distant economies typically entails more challenges, such upfront investment often results in greater marketing learning. Third,

firms should invest in growing their external social capital as such ties may provide greater access to valuable information and marketing knowledge.

From a development management perspective, this paper reiterates the critical importance of learning and knowledge development to the continuing advancement of organizations and national economies. Although the remarkable success of the BRIC economies derives in part from abundant resource endowments, large domestic markets, and vast FDI inflows, what particularly enables their local firms to upgrade their capabilities and become challengers in several global industries is their robust knowledge capture and relentless learning. Such transformation into learning organizations and knowledge economies offers a viable path to sustainable economic development (Lundvall and Johnson 1994). This paper encourages policy makers seeking better economic outcomes to embrace and leverage the contemporary knowledge revolution (Aubert and Reiffers 2003) to, among other things, improve the innovativeness and competitiveness of their enterprises and national economies.

Limitations and Future Research Recommendations

This study is not without limitations. First, despite significant effort to increase the number of respondents, the eventual sample is modest, which limits the generalizability of the study findings. Second, the subject matter of this study—change in the knowledge base of internationalizing firms—could benefit more from a longitudinal approach. Future researchers should improve upon this aspect of the study, while also examining other research contexts or sectors in other transition or developing economies.

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FIGURES AND TABLES

Figure.1: Conceptual model
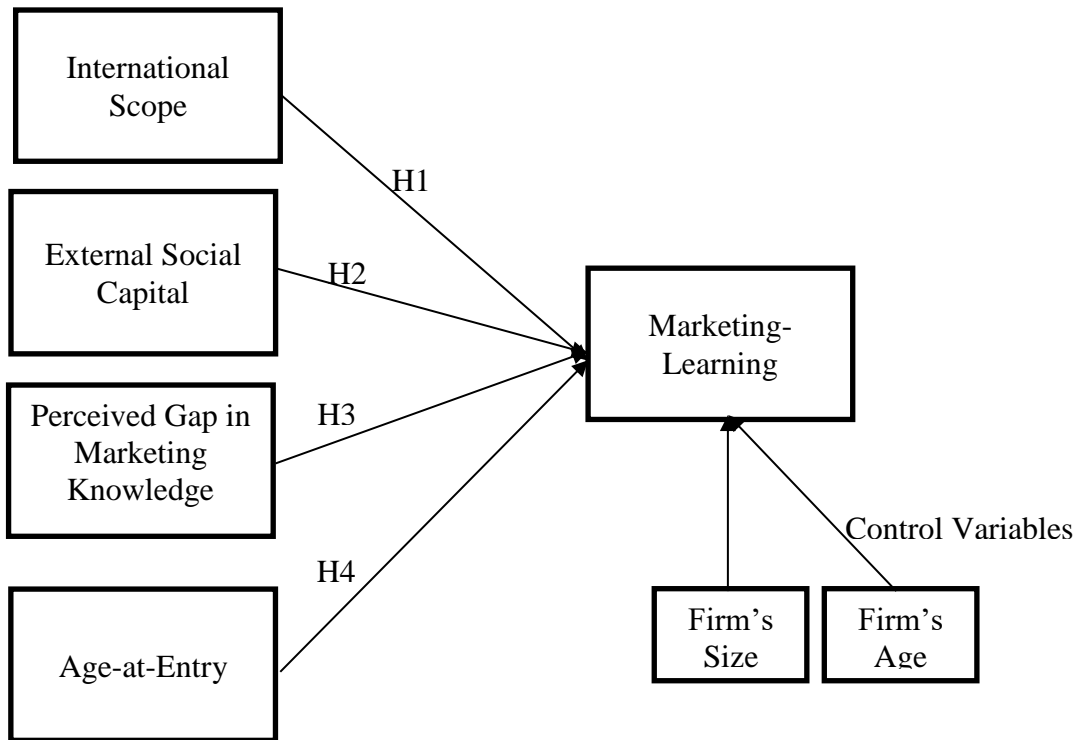
Table 1: Measurement model: reliability and convergent validity

| Construct	Indicator	Loading	t value	CA	CR	AVE
International Scope	No-Country	0.89**	10.49	0.79	0.90	0.82
	Geo-Scope	0.93**	9.66			
Marketing Knowledge Gap	KG1	0.62**	3.49	0.71	0.83	0.62
	KG2	0.89**	13.57			
	KG3	0.82**	10.3			
Marketing Communication	MC3	0.84**	18.52	0.87	0.92	0.79
	MC4	0.92**	53.73			
	MC5	0.91**	42.13			
Market Information Management	MIM1	0.90**	35.03	0.92	0.94	0.80
	MIM2	0.88**	26.31			
	MIM3	0.89**	34.22			
	MIM4	0.91**	46.97			
Sales	S1	0.92**	44.16	0.93	0.95	0.83
	S2	0.85**	17.39			
	S3	0.95**	98.65			
	S4	0.93**	67.44			
Marketing-Learning[a]	MC	0.8**	15.46	0.81	0.89	0.73
	MIM	0.91**	43.89			
	Sales	0.85**	24.36			

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

[a]Loadings of the second-order LV, Marketing Learning, represent the Beta coefficients of the inner model between the second-order LV and the first-order LVs (Wetzels et al. 2009). The values of CA, CR and AVE were calculated manually for Marketing Learning using the loadings of the first-order LVs.

Table 2 – Indicator Variables Inter-Item Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
No-Country	1																						
Geo-Scope	.65	1																					
SC_1	-.13	-.18	1																				
SC_2	.01	.13	.00	1																			
SC_3	-.10	.05	.00	.00	1																		
SC_4	.23	.27	.00	.00	.00	1																	
KG1	-.03	-.02	-.09	.07	.13	-.02	1																
KG2	-.01	-.01	.07	.12	.14	.23	.43	1															
KG3	-.02	.04	.09	.06	.25	.06	.41	.51	1														
Age_at_Entry	.07	.12	.17	-.19	.12	.12	-.08	.03	-.05	1													
MC3	.18	.25	.31	.26	.13	.26	.01	.18	.06	.21	1												
MC4	.23	.29	.23	.12	-.05	.20	.12	.35	.24	.21	.66	1											
MC5	.26	.35	.26	.27	.05	.24	.12	.33	.38	.18	.64	.78	1										
MIM1	.21	.22	.22	.21	.02	.17	.00	.25	.20	.18	.52	.54	.57	1									
MIM2	.11	.19	.27	.06	.16	.12	.12	.22	.19	.23	.48	.51	.54	.73	1								
MIM3	.06	.17	.26	.19	.01	.31	.14	.36	.33	.12	.46	.49	.62	.76	.66	1							
MIM4	.11	.15	.31	.14	.17	.12	.10	.31	.29	.22	.49	.42	.56	.73	.76	.76	1						
S1	.17	.14	.16	.03	-.09	.23	.06	.20	.09	.24	.28	.45	.41	.61	.50	.50	.48	1					
S2	.15	.17	.06	.07	-.18	.21	.01	.18	.07	.25	.37	.44	.42	.46	.47	.45	.42	.70	1				
S3	.11	.09	.14	.11	-.06	.16	.14	.27	.17	.23	.28	.48	.43	.65	.54	.58	.47	.85	.72	1			
S4	.13	.07	.15	.13	-.09	.20	.09	.21	.14	.17	.34	.49	.41	.65	.56	.54	.49	.79	.70	.91	1		
Firm's Size	.26	.15	.04	.06	-.15	.08	-.01	.13	-.03	.12	.08	.24	.20	.10	.02	.08	.11	.16	.16	.09	.09	1	
Firm's Age	.12	.13	.18	-.10	.09	.04	-.12	.08	.07	.72	.26	.25	.27	.21	.21	.12	.20	.27	.31	.29	.25	.16	1

Figure 2: Results of the Structural Model
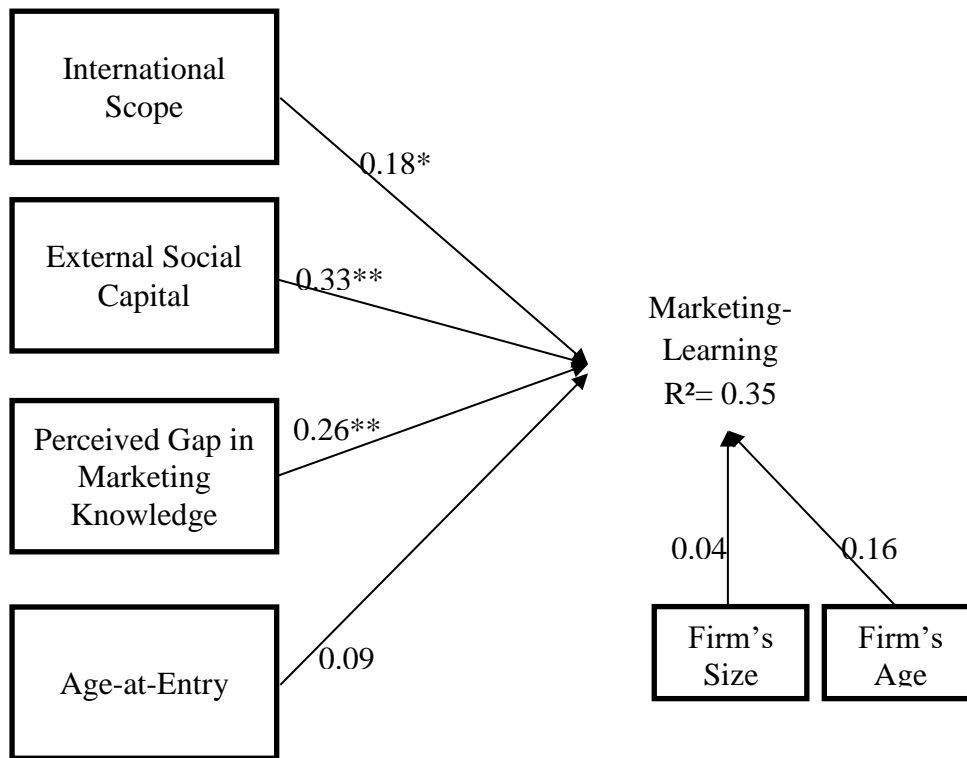
Table 3: Hypotheses Testing

Hypothesis	Standardized beta	t value Bootstrap
H1: International Scope -> Marketing Learning	0.18*	2.17
H2: External Social Capital -> Marketing Learning	0.33**	3.54
H3: Marketing Knowledge Gap -> Marketing Learning	0.26**	2.71
H4: Age at Entry -> Marketing Learning	0.09	0.97
Contol-1: Firm Age -> Marketing Learning	0.16	1.61
Contol-2: Firm Size -> Marketing Learning	0.04	0.34

Q^2 Marketing Learning = 0.19

**p<.01; *p<.05