

“Internationalization Business Strategy and Key  
Success Factors:  
The Case of “Dea Real Estate” Company

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## **Abstract**

Although companies aiming to expand abroad and looking for business opportunities have started to apply internationalization strategies more often recently, yet few studies exist regarding this issue. The current dissertation focuses on the examination of the case study on US property firm, named “Dea Real Estate”, in reinforcing transnational market for real estate in Europe, particularly in Greece. It analyzes involvement of Greece into a network of transnational property investment, while seeking the optimal business strategy decision to go international aimed at expansion of the US firms.

The purpose of this research is to identify the internationalization strategy used by company and key success factors of the expansion.

The emphasis is made on the process of strategy adaptation to global trends and the results it brings into the market.

The study focuses on a US consultancy firm strategies and practices in legal, international and cultural fields of property market applied by the property consultancy firm. The research shows that the dynamics of the development of commercial property market had preset entry possibilities for real estate firms.

The study demonstrates that companies go international to expand their activities and gain new customers, reduce costs, spread risks, develop managerial practices.

The research is valuable in terms of innovation in its field and helps managers in decision-making process for internationalization.

Key words: real estate, commercial property, financial and consultancy services, property market evolution and development, European property, Greece.

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# **Chapter 1. Introduction**

In this chapter the background of the research, purpose, methodology, objectives, target group and main contributions are presented.

## **1.1 Background Description**

The study was undertaken because of an increased international tendency of companies driven by globalization to operate internationally, experiencing both high competition and great variety of market opportunities. The focus of research is made on real estate market in Southern Europe, particularly Greece.

The purpose of the research is to identify the reasons for internationalization, key success factors, theory approaches to expansion and managerial decision-taking role in this process.

The first objective of the research is to study key areas of international environment, factors of success and main theories on international strategies. The second objective of my dissertation is to find out how companies can develop competitive advantage and transfer capabilities as well as managerial practices abroad on practical cases.

Mentioning past research, they lack unified configuration identifying precedents, categories, and results of entrepreneurial activities accomplished by new venture (McDougall & Oviatt, 2000; Oviatt & McDougall, 1999; Knight and Cavusgil, 2004).

The most popular fields of investigation have been examination of different types of strategies. However, existing studies give only theoretical background, rather few attempts have been conducted with regard to the analysis of behavioural issues of particular cases in this area (Baden-Fuller, 1993; Bland, Holland, Healey, and Williams, 1992; Larimo, 2001). This shows lack of practical application of the research on internationalization, particularly in Greek property market that is still developing in regulatory issues.

Empirical research made in this sphere was based on such areas as SMEs going international, factors of the appropriate location of a firm, adaptation to the foreign market, types of expansion strategies according to the kind of business and objectives.

The most considerable part of studies is done based on the US companies (Bloodgood, Sapienza, and Almeida, 1996, McDougall, 1989; McDougal & Oviatt, 1996; Zahra and Bogner, 2000; Zahra & Garvis, 2000), with few exceptions such as those found in Finland (Autio et al., 2000, 1997; Holmund and Kock, 1998), New Zealand (Coviello and Munro, 1995), Portugal and Italy (Fontes and Coombs, 1997). Nevertheless, Zahra and George

(2002) stated that these researches and those that are derived from the US data have developed gradually, independently from each other. This has led to some consonance in theory that would provide a satisfactory explanation.

In view of lack of literature on internationalization strategies, and since it was argued that exporting is an effective strategy for a company to go international (McDougal, P.P., Shane, S. & Oviatt, B.M., 1994), the present study attempts to explore successful strategies that companies applied for a particular market and show the strategic management process of international organizations. Also the research proves that internationalization strategies are not only applied for entering the neighbouring or developed countries, as it was shown at the previous research (ENSR, 2003), but also target other continents.

Thus, in this research the reasons for going international, transferability of managerial practice in cross cultural context, internationalization types and theories are studied. In the case study it is identified which strategy has been used by the company, how it was developed, what were the key factors of success and what could have been improved.

## **1.2 Research Purpose**

The purpose of the study is to find key success strategies of firms that go international, to obtain a better understanding of internationalization process using theories of the Uppsala model, the stage theory, the network theory and the international entrepreneurship theory. The aim of the research is to analyze and describe which internationalization strategies firms choose when expanding to international market and evaluate its adequacy and acceptability when applied to other companies that are willing to go international.

## **1.3 Research Questions and Objectives**

The objectives of this research are to identify the gains of going international, advise on key factors of success of internationalization strategy, and show the best managerial practice.

In this study answers to the following research questions are expected to emerge:

- 1) What are the roles of internationalization theories in informing and guiding the internationalization process of SMEs?
- 2) What are the reasons for international companies to apply internationalization? What are the advantages and disadvantages?
- 3) How attractive is real estate market in Greece from the point of view of investment and



business opportunities?

4) How did companies improve their performance after going international?

5) What is the role of a leader and manager in internationalization process of the firm?

Some theories that have impacted internationalization process of enterprises in the past are described as well as strategy formulation and choosing ways for SMEs to expand. An important issue presented in the paper is ascertainment if the theoretical strategies on internationalization fit the existing business situation. And finally, the effectiveness of these strategies and managerial practices is evaluated.

## **1.4 Methodology**

Qualitative research method is applied, particularly, case study. It is based on structured interviews with managerial staff and the CEO of the US property consulting company. Case study is designed according to the previously prepared questions and data gathered during the interviews.

## **1.5 Target Group**

The research findings have important implications on business practitioners, market researchers and managers in the field of internationalization, who are taking strategic decisions. The case study describes a practical example of internationalization process in real estate market. Moreover, fields for further research are suggested according to the empirical findings.

## **1.6 Limitations**

There exist many internal and external constraints that influence firm's process of internationalization. Some of them are economic conditions of host country, business culture, technology development and adaptation, infrastructure, which have direct impact on chosen strategy and method applied by SME. The main limitation of the study is that general research on internationalization will be made, focusing on exporting strategy particularly. Another limitation is that research is focused only on SMEs, particularly on one case study of a firm and only within a particular context and industry setting.

## **1.7 Thesis Structure**

The thesis is divided into 7 major parts, which are: introduction, literature review,

methodology, data collection, discussion and findings, implications and conclusions.

Introduction section includes background information on the topic, research objectives, methodology, questions, target group and limitations. Literature review section gives a brief description of some major terms, theories and motives for internationalization, and different kinds of strategies used for internationalization. Then, four major theories on internationalization will be presented: the Uppsala model, the stage theory, the network theory and the international entrepreneurship theory, including criticism of these theories. It will be followed by property market overview and concluded by presenting the conceptual framework of the research – the real estate market in Greece. Methodology section describes the research purpose, strategy and data collection method. In the next section, the empirical research data from the case study is presented. Discussion and findings section includes case study analysis. Implications highlight contribution of the research. The final part presents conclusions to the study as well as further possible research directions on the topic.

## **Chapter 2. Literature Review**

In this chapter the concept of internationalization is presented, as well as different kinds of internationalization strategies and theories. In the second part the overview of the real estate market in general is given. Finally, the Greek real estate market is characterized.

### **2.1 Internationalization Strategy for Business Expansion**

#### **2.1.1 Globalization of Strategy**

Nowadays globalization is the single most powerful force occurring in the present society (increase of cultural interaction and convergence between nations), business (intensification of global nature of markets, tendency for transnational businesses to configure their business activities worldwide, coordination and integration of strategies and operations across national boundaries), management and economics (increase of markets interdependence) (Steonehouse, Campbell, Hamill, Purdie, 2004).

In such a way, another more kind of globalization has appeared – the globalization of strategy, namely, ways the international business is conducted globally. This includes decisions on brand name, product, presence in world markets, location of productive activities made to gain the maximum advantage.

Thus, strategic business decisions of companies are observed in the global context. Yip (1992) identified ‘total global strategy’ to mark the worldwide organization’s activities, according to which the whole world is a potential market. However, he saw the need to adapt aspects of strategy to local conditions of markets.

In 1990 Porter has noted that globalization contributes to organizations with value-added activities. Thus, it provides a business with a set of circumstances to make it possible to take advantages arising from differences in resources, skills and other economic or legal conditions in different parts of the world. Using these opportunities effectively can bring global competitive advantage.

#### **2.1.2 The Concept of Internationalization**

International entrepreneurship was first mentioned in Morrow’s article in 1988, then by Gupta (1989), Mamis (1989), Rennie (1993), and Bianchi (1993). Further research was made by Ray (1989), McDougall (1989), and Brush (1992).

International companies are described as ‘born globals’ (Rennies, 1993, Knight and

Cavusgil, 1996, Madsen and Servais, 1997), ‘global start-ups’ (McDougall et al., 1994), ‘instant exporters’ (McAuley, 1999), micro-multinationals (Dimitratos, Johnson, Slow and Young, 2003) and international ventures (Kuemmerle, 2002, McDougall et al., 1994).

Internationalization could be applied through importing from a foreign supplier, forming foreign partnerships, foreign investments, cross-border-clustering, and exporting. Thus, an ENSR study identified that 18 per cent of companies had foreign suppliers, 12 per cent used a mix of importing and exporting strategy and only six per cent were involved in exporting (including only direct exporting), with further 60 per cent that didn’t go international. (ENSR, 2003).

According to the previous studies, SMEs consider setting up a business in neighbouring country or in the larger economies of the global localities.

Another issue of the research is that level of internationalization varies among countries. SMEs in small countries are expected to deal with foreign suppliers, or in other words, are more likely to apply exporting strategy, than those in large countries. In Europe, Nordic countries firms are less likely to use foreign suppliers. At the same time, the central European countries are likely to be exporting active. For example, Germany has a rate of 20% of SMEs involved in exporting.

**Table 1. INTERNATIONALIZATION BY SECTOR (SOURCE: ENSR, 2003)**

Sector	Foreign supplier only, %	Export only, %	Subsidiary abroad or more than one form of internationalization, %
Retail	31	4	9
Wholesale	27	8	34
Manufacturing	17	18	28
Personal Services	14	4	7
Construction	13	1.5	8
Transport/Communications	12	9	16
Business Services	11	7	10

The table above shows that the most developed sectors in terms of using a foreign supplier are retail and wholesale and less developed are transport, communication and business services. With respect to exporting, manufacturing has the majority, and the minority belongs to retail and personal services. Taking into consideration subsidiaries, wholesale takes the first place, while the last one belongs to personal services and construction.

Previous research also had shown that SMEs are selling products or services abroad

because most of their potential customers have Internet access. Thus, SMEs in ICT (information and communication technology) industry have achieved higher level of internationalization than their contemporaries in other industries.

### **2.1.3 Motives for Internationalization**

There are several different motives for SMEs internationalization. The most common one is to reduce costs and risks, gain new and larger markets in order to achieve growth, as well as expand sales by accessing new markets (Wagner, 2007).

An intention of firm to expand is influenced by the opportunities of a foreign market (Albaum, Stranskov & Duerr, 1998). When a company is willing to internationalize, the management team has to know which activities should be undertaken in order to meet the market opportunities. This incentive is known as proactive, or pull factor, whereas the incentive received from reaction to changing conditions and passive response to export opportunities is known as reactive, or push factor (Cavusgil, 1982). Internal factors include: opportunities offered by a foreign market, desires to exploit ideas and competences, enthusiasm of managerial team and commitment to the market. Other motives to operate abroad are know-how and technology access for remaining competitive. Knowledge about a foreign market allows a company to see and undertake efficient opportunities offered by specific location. Meantime, reactive factors involve: passive response to both internal and external pressure, possessing knowledge or access to specific information that can serve as a competitive advantage on a foreign market (Albaum, Strandskov & Duerr, 1998).

### **2.1.4. International Strategies as Market Entry Models**

There are four levels of doing business out of national boundaries: international, multinational, transnational and global levels. International business identifies activity of a company in more than one country or, in other words, different countries trading across their national boundaries. Multinational means one company is doing business in several countries as well as opening subsidiaries across national boundaries with little coordination, according to Bartlet and Ghoshal (1989). Global business is one conducted in many countries and highly coordinated. And transnational business is conducted across national boundaries, but varies in coordination, level of integration, strategy and operations differentiation, according to markets and business factors (Stonehouse, Campbell, Hamill, Purdie, 2004).

**Table 2. . The evolution of international and global strategy 1950 till 21st century**

Time	International Strategy Applied
1950s-1960s	Multidomestic strategies, autonomous foreign subsidiaries supplying local/regional markets, multinational expansion in the form of establishing miniature subsidiaries abroad, limited global coordination or integration of geographically distributed operations
1970s	Multinationals withdrawals by divestments, rationalizations, and host country plant closures
1980s	Move toward a coordinated and integrated global strategies by setting up MNEs (multinational enterprises), focus on global competitiveness and use of global extent as a competitive advantage in global markets involving industry specialization and national interdependency.
1990s	Global and transnational strategies, business developing core competences through outsourcing and other non-core, causing global networks and strategic alliances both horizontal and vertical, increasing emphasis on skills and knowledge as an asset and developing of early forms and learning organization
2000s	The era of 'virtual enterprise' and 'intelligent organization'.

From the table above it is seen that starting from 1950s only few multinational strategies were used, applied mainly to regional neighbouring markets due to the lack of technology and information awareness. After industry developments such as specialization, setting MNEs and strategic alliances, focusing on competitive advantage, outsourcing, perceiving skills and information as a primary asset, the era of intelligent organization has started, where effective and efficient, both local and international strategies, are chosen for business activities.

Another area of the research is key factors on where to locate the firm. They should include labour costs, costs of suppliers (raw materials, real estate, energy, local services, etc.), transportation costs, communication costs, tariffs and trade barriers, economies of scale and the factors of willingness to pay, such as product adaptations responsiveness to customers' orders and service requirements, communication with customers, reputation of the company.

International strategy includes the following elements:

- Global knowledge-based core capabilities giving access to global markets;
- Extensive possession of global markets;

- Global arrangement of value-adding activities taking advantage for the business;
- Global coordination and integration of activities gaining competitive advantage;
- Local answer and reaction where necessary;
- Different structure and organization.

Different views are given on types of international strategies. But mainly they are divided into two categories:

I. Types of strategies to expand abroad:

- Importing
- Exporting
- Licensing
- Franchising
- Management contracts
- Turnkey contracts
- Contract manufacturing
- Wholly-owned subsidiaries
- Strategic alliances (Hitt, Ireland, Camp, Sexton, 2002).

II. Another view on kinds of internationalization strategies is presented by Su & Poison (2000), namely:

- Joint venture
- Subsidiary
- Production license agreement
- Technological license agreement
- Distribution agreement
- Subcontracting agreement
- R&D agreement.

As empirical research shows, there are three broad levels of international strategy – exporting, multidomestic and global and variations of those include transnational, branching and offshore outsourcing strategies. When the location decision is done already, it is also possible for the firm to establish several other activities at the same location.

*2.3.1 Exporting strategy*

When foreign markets choose the strategy of exporting, everything is done in one place, usually at the home country. This strategy is usually adopted by companies that match to:

- Large fixed costs;

- International communication is costly;
- Low transportation costs, low border costs;
- Home country is the major market;
- The home country has a cost advantage.

### *2.3.2 Multidomestic approach*

Following this concept, each subsidiary is self-sufficient; they provide their own inputs, supporting services, activities that are replicated in each location. Companies that carry high transportation costs, high border costs, low fixed costs, and no substantial cost difference between countries usually adopt such a strategy.

### *2.3.3 Global strategy*

According to this strategy, each function is performed in one place. However, all the functions should be performed in different places, similarly to the specialization concept. Global strategy is usually adopted by firms where costs vary substantially across the countries for different products and services, low transportation costs and low border costs, fixed costs are large, also when facing competitive pressure.

### *2.3.4 Branching strategy*

Some functions are centralized and other decentralized. A branching strategy is adopted when the following takes place:

- High transportation costs on final goods, but low transportation costs on parts
- High border costs on final goods, but low border costs on parts
- Low fixed costs on final assembly, however, high fixed costs on parts
- Home country has cost advantage on parts, but there is no difference in cost of final assembly
- Large foreign markets.

### *2.3.5 Offshore outsourcing strategy*

According to this approach a company contracts other firms to perform its foreign operations. In other words, it combines exporting and global strategy. The functions are performed according to the global model, but the company itself does not undertake the offshore activities, therefore its activities are centralized.

### *2.3.6 Transnational strategy*

This strategy includes advantages of multidomestic and global strategies, applying both of them to activities where it makes most sense (Wagner, 2007).

Therefore, a firm has to choose each strategy based on its objectives and business



preconditions.

Companies' decisions on expanding are usually affected by competition, which is becoming more global in many spheres (Porter, 1990; Yip, 1992). In such a way, decisions replace the business from traditional country-based multidomestic strategies with ones that involve more tight coordination and integration of geographically distributed operations. Consequently, these kinds of multinational strategies are described more as global and transnational, which implies taking advantage of both global and local conditions through a differentiated rather than standardized way of business affairs.

### **2.1.5. Theories of Internationalization**

Strategy is a settlement of the main long-term goals of a firm, and the adoption of action and allocation of resources (Chaffee, 1985), consisting of decisions, actions and plans of achieving those goals. The stage theory was developed based on a view of SMEs involvement in international markets (Gankema, Snuif and van Dijken, 1997):

- 1) No regular exporting activity involved
- 2) Exports via independent representatives
- 3) Establishment of subsidiaries abroad
- 4) Setting-up of production facilities abroad.

Referring to stage approach, companies start their activities in the home market and then they sequentially look for new market opportunities (Baronchelli, Cassia, 2008).

This approach is also supported by another research by Johanson and Vahlne (1988, 1990) and the Uppsala School, which state that before going to more distant destinations the physically targeted are closer neighbouring countries. Following stage approach company is minimizing risks that may occur while developing international strategy, and also lowers capital investment on early stages. The approach is based on the behavioural theory of the firm (Cyert and March, 1963, Penrose, 1959).

Another research was made by Widersheim-Paul, Olson, and Welch (1978), who suggest to the previous model to include pre-export behaviour, and stage model do not necessarily include all stages (Anderson, 1993). There are organizations that are global by the nature of goods or services, so they go through none of the stages. They usually begin exporting during the first five years of operating. Referring to Littunen (1997), a one out of ten company in services is born global, while Saarenketo and Sunqdvist (2002) note that in the knowledge-intensive sector sufficiently great numbers of organizations are born global.

So, the stage theory may be applicable for internationalization behaviour of some SMEs.

Regarding the importance of communication techniques Spigarelli (2003) and Dellner and Lungren (1999) noted that Internet has permitted SMEs quick access to international markets and made it easier to cooperate in changing and decentralized markets efficiently and with minimum effort.

The Uppsala Internationalization Process model focuses on four aspects that firms face when going international: market knowledge and commitment, current activities and commitment decisions that interact with each other showing state and change aspects (Mitgwe, 2006).

Significant growth suggests that companies start internationalizing in markets that have smaller psychological distance, which is defined by factors such as language barriers, cultural and political, which disturb the flow of information between the firm and the market (Johanson & Wiedersheim-Paul, 1975).

This model was challenged by another research of network theory, which states that ‘high-technology firms do not exhibit the incremental process; they rather achieve a faster internationalization through the experience and resources of network partners (Mitgwe, 2006). Here all firms are considered to be a part of the network via linkages to their suppliers, industry, subcontractors, customers, regulatory and public agencies, based on mutual trust, knowledge and commitment towards each other.

International Entrepreneurship Theory, first mentioned by Morrow, suggests that declining cultural barriers, advancements in technology and increasing cultural awareness have opened once-remote foreign markets to many business opportunities (Morrow, 1988, Zahra & Georg, 2002). Theory argues that individual and firm entrepreneurial behaviour is the basis for the foreign market entry, however, technological advancements, cheap and easy ways to access to information between the countries and communication have helped SMEs to go abroad. In addition, according to this theory, the key to internationalization is entrepreneur who possesses the skills and enough information to measure the opportunities in the market with ability to establish stable relationships with other players (government, media, customers, suppliers, other firms). Since the entrepreneur is a risk-seeker, he should be also able to commit resources in an efficient way to achieve competitive advantage.

## **2.2. Real Estate Market Peculiarities**

In the contemporary globalized economy, real estate markets attract international investors,

lenders, occupiers and developers, seeking for new opportunities and investment returns throughout the world. It is stated that real estate markets impact emerging economies in order to rise capital for starting businesses (LaSalle, 2004).

The dynamics of international investment portfolios are changing under the current globalization processes in property markets, unconstrained flows of finance and seeking opportunities of investment internationally, looking for benefits from asynchronies of property and business cycles. The appearance of transnational property markets became a consequence of deregulation and globalization of financial markets starting from 1980s (Coakley, 1994, Ball et al, 19998, La Pier, 1998). Consequently, during these years, there was a property boom in cities of London, New York, Madrid, Bangkok and Vancouver, meeting new markets demands and changing development dynamics.

Real estate markets differ from other typical assets for a variety of physical and economic reasons. Table 3 provides information on distinctive characteristics in the real estate market (Miller & Gertner, 2005).

**Table 3. Real Estate Market Characteristics**

Unique Characteristics of Real Estate Market	Economic Implications
1. Durability	Short run supply, inelastic
2. Large Economic Unit	Not frequent purchases Debt required often (Third parties involved, process slowdown, under- or oversupply of market cycles due to durability and time to build, increase in transaction costs, capital market costs and availability influence on prices)
3. Lumpy Asset	Significant shifts in supply on localized markets
4. High Transaction Costs	Little ability to speculate on known price trends Increase in equilibrium price dispersions
5. Fixed Location	Segmented and localized markets Externalities value influence
6. Heterogeneity	Use of brokers, information and search costs
7. Government Regulation	Supply limits and slow market responses due to Extensive regulation

Each of the factors from the table above has influence while analyzing real estate markets.

In Europe, followed by the growing investors' demand and high users' demand, the processes of European Union integration of national economies has started, having reduced users' demands for property in key cities.

Within the last years, growing demand in EU and Eastern European countries has involved foreign direct investment in quality international properties. The launch of common currency in the EU made easier transactions of property operations easier (Jones Lang Wooton, 1998).

In Europe there is a tendency for quantitative demand from international users for commercial property as well as demand for foreign ownership of prime property, requiring the adaptation of local market practices to the requirements of transnational property interests. The requirements involve resettling of the economic and social dynamics of producing and using new buildings, market regulation, and general property and market space vision (Berry and McGreal, 1995, Healey, 1992, Healey et al., 1995).

The formation of the worldwide networks of property consultants became a move towards a development of economic relations and international expansion of property consultants companies.

A similar research was made on internationalization studying service providers in general,

economic mechanisms of the transnational provision of services (Krishna E., 1990; Baden-Fuller, 1993). Other researches were done specifically on international consultancy firms operating both nationally and internationally, explaining their choice to move towards globalization (Leyshon et al., 1990; LaPier 1998). Some British researchers benefited from Single European Market study of the perceptions and driving forces for British consultancy firms expanding in Europe (Bland et al., 1992) as well as US-driven reinforcement of international property service providers via mergers and acquisitions.

Expansion of US property firms whether through opening branches abroad, mergers or networking with local firms has certain reasons. Firstly, they benefit from a growing demand coming from large transnational corporate clients. Thus, as companies expand and diversify their services into new markets, they create a demand for property and related services at international level, mostly offered at the same level in a variety of countries (Leyshon et al., 1990; LaPier, 1998). Secondly, a decrease of financial flows barriers has led to increased amount of opportunities for international consultants as a result of globalization, based on sources and destinations of these flows, providing advice to inside and outside investments in property (Bland et al., 1992; LaPier, 1998).

Nevertheless, internationalization of real estate companies is a result of global demand for property and property services as well as an integral part of system that enables the operation of a transnational market to property (Weiss, 1989).

In spite of the fact that research in this area is scarce, it can be supposed that international real estate consultants contribute to reducing property transaction costs for users and investors. Meanwhile, property demand resulted from globalized economies have been met. The investment, production and consumption of local real estate markets are transformed to assist those demands.

## **2.3 Greek Real Estate Market Characteristics**

### **2.3.1 Current Situation on the Greek Real Estate Market**

Greece is an emerging real estate market, where international real estate investors have not established their activities on a high level yet. Mostly government supports them through institutional frameworks and practices. However, during the last few years, the state has been promoting real estate markets intensively in order to encourage foreign investors. Some characteristics of the Greek real estate market are:

- Home ownership level is very high in Greece, mainly, because it is common for Greek citizens to invest in properties, especially in residential.
- Compared to European average 63% home ownership, Greek one accounts for 83% (Euromonitor, 2002).
- According to Bank of Greece, during the last few years there has been a 50% increase in foreign investment in second homes.

Greece has a low index of real estate market transparency (Figure 2. Transparency International), which affects negatively tourism investment, while tourism is considered by government to be the most profitable economic sector of the country. Due to this fact, real estate development is one of the necessary conditions for tourism development and home ownership infrastructure (Triantafyllopoulos, 2004).

From a different perspective, Greece makes efforts to escape default and to raise billions by selling property. Currently the debt from the European Union and the IMF bailed Athens out to the amount of 110 billion euros. Three main rating agencies have already declared its debt as junk and downgrading. Despite this fact, Brussels is offering an ambitious plan of raising 50 billion euros by 2015. The most part of this amount should come from real estate. Moreover, Berlin hopes Greece's privatization programme will show Germany that the country is also sharing consequences of the bailout.

Considering the above, there exists competitive pressure for property services in domestic markets in Greece due to integration between financial and property markets.

At the same time, some real estate firms in Greece sought to strengthen property markets in specific regions with demand on certain type of property, having produced a strong property investment market for either local or international investors.

Prime minister of Greece George Papandreou noted that not an inch of Greek land will be sold. The conclusion can be made that only buildings would be sold, but land would be leased or parcelled out using a more complicated scheme, for instance investors buying shares from holding company (Kiriakidou, 2011).

### **2.3.2 Basic Legal Issues of the Real Estate Transactions**

Basics of real estate transactions in Greece include dealing with realtor, engaging an attorney, title search, public notary engagement, taxation, closing and financing issues (Laios, 2011).

### *Importance of information*

Economically relevant information about real assets is important for businesses, because it includes data regarding prices, vacancy rates, publication of firms' accounts, as well as information about laws and regulations, governmental processes, public agencies, public procurement contracts, policy implementation and its consequences, etc. in order to make suitable and benefiting decisions.

### *Transparency*

For some Greek investors, as well as for some established projects lack of transparency (Appendix 4) may present opportunity rather than risk, as they do not want to appreciate foreign competitive investors, willing to use their local market knowledge and experience to their advantage.

### **Summary to the chapter**

Main theories were discussed in this section in terms of how they influence the international behaviour of SMEs. Based on the previously mentioned literature review, the variables such as knowledge about foreign markets, business networks and entrepreneurial activities of firms have significant impact on internationalization process of a company.

Nevertheless, theories of internationalization are just tools for SMEs to consider strategies to go international. Other issues such as entry models, resources, competitive advantage should be considered as well.

## **Chapter 3. Research Methodology**

In this section the method for data collection is presented. Also it is discussed why this particular method was chosen and how the primary data was gathered.

### **3.1 Research Purpose**

Exploratory goal of the research is to gain a better understanding of the problem because little studies have been done to enrich the research (Sekaran, 1992). Descriptive goal of the research is to characterise relevant issues of the phenomenon of interest (Sekaran, 1992).

Explanatory goal of research is also to answer the research questions, usually focusing on ‘why’ questions. The purpose of the research is to analyze the internationalization process of the company. These drawbacks put forward for considering the need to review and think again about features of internationalization in small and medium enterprises in order to make change and for developing approaches that include different theoretical views.

### **3.2 Quantitative versus Qualitative Methods**

There are basically two types of research methodologies: qualitative and quantitative.

*“Quantitative research is one in which the researcher primarily uses post positivist claims for developing knowledge, for example: cause and effect thinking, reduction to specific variables and hypotheses and questions, use of measurements and observations, and the test of the theories”* (Cresswell, 2003). Survey is the most common way of collecting data for quantitative research (Bahari, 2001). It requires a large-scale survey distribution in order for the data to be absorbed and it is common to be distributed on the streets, online or in public places. However, this depends on the topic of the study as well. For example, if the study is about products that are sold in supermarkets, it is normal for the survey to be distributed in a supermarket but not on a train station.

The main advantage of quantitative research is that it provides a large number of respondents, which in terms of statistics is more reliable. However, its limitation is that it does not provide in-depth analysis as qualitative research does. For example, the respondent answers shortly whether he agrees or not on a specific question, but he does not provide explanation, or critical opinion on the problem (Dawson 2002).

*“Qualitative research is one in which the researcher usually makes knowledge claims based on constructivist perspectives”* (Cresswell, 2003). *“Qualitative research normally*



*emphasizes words rather than quantification in the collection and analysis of data*” (Bryman 2004). Interview is the basic way of collecting data for qualitative research, investigating attitude, behaviour and experiences. Therefore, it aims to get an in-depth opinion from participants, which are few in number but provide more information as the contact with them lasts longer.

The study is based on qualitative method, which consists of understanding and explaining the meaning of a social phenomenon together with some physical conditions. It allows the researcher to study the issues in depth (Patton, 1990).

Moreover, it explains behaviours, which create current situation, according to the social environment respond. To collect and analyze this data, people become the key source of research in qualitative method (Merriam, 1998).

Qualitative research investigates attitude, behaviour and experiences, therefore it aims to get an in-depth opinion from participants, which are few in number but provide larger information as the contact with them lasts longer and they give wide responses. The participants, moreover, have to be qualified in the area of the study one applies the qualitative methodology. Therefore, the main advantage of this method is, as the name suggests, more qualitative. The main limitation is that the participants are few in number so qualitative method cannot be used in case one aims to apply statistical approaches.

### **3.3 Research Strategy**

Referring to Yin (2003) five major research strategies can be used: archival analysis, experiments, surveys, history and case study, which have their advantages and disadvantages.

For better understanding of factors that lead companies to take decisions of going international, research with a comprehensive case study is provided for an American company. Dea Real Estate headquartered in Florida, USA, is involved in international operations in Southern Europe market. Case study, as the main methodology, is used because the existing research is limited in examining the company’s internationalization strategy. In such instance, case study approach for descriptive, explanatory questions gives understanding of the phenomenon. Case study research is designed to study independent experiments which whether confirm or decline theoretical interpretation.

This particular firm is chosen for the research because of its remarkable success of the number one real estate company in Greece even in the crisis period, complete access to

organization and personal familiarity with the events of the case study.

### **3.4 Data Collection Method**

The data on internationalization strategies was gathered from academic articles and empirical studies in Europe and the USA for the period 2000-2010 to show the recent trends and change in market decisions.

For the purpose of our research we are going to use case study on American company operating on the Greek real estate market, on the base of which the qualitative research will be made. Case study is an effective way to analyze and interpret data because it provides with sufficient evidence to make the interpreted information clear, credible and convincing (Merriam, 1998; Yin, 1994). Creating an effective case study required establishing trusting relationship with research participants, using a relevant data collection method (in this case, study interview), obtaining adequate relevant information about case participants (interviews with CEO and two other employees).

### **3.5 Interview Questionnaire Composition**

The most common types of questions used in the research are open-ended and close-ended. Open-ended questions do not provide the interviewed person with choice of answer. Moreover, these types of questions are recognized by starting from words ‘why’ and ‘how’, and respondents answer them in their own way. For example, ‘how do you see the current financial crisis in Greece, as a challenge or as an opportunity?’.

By contrast, closed-ended questions provide respondents with several answers to choose from. For example, ‘choose the factors from the list that helped your company’s internationalization process?’.

The interviews were conducted with the CEO and two regional managers of Dea Real Estate company on the base of prepared questionnaires. They were mainly based on information that was previously studied by other researchers in the field of internationalizing of companies (Wootton, 1998; Sharma, Deo, & Blomstermo, 2003; Rasmussen, Madsen & Evangelista, 2001) in order to see differences, similarities and contributions of this particular case compared to other researches.

Before the initial interview date it was decided to collect the information about similar cases and, according to this data and outcomes of the research, to create a set of questions

that would improve the relativity of information and reliability of responses.

Subsequently, two interviews were conducted: first one - with two regional managers of the company, who were also the key people in the internationalization process, and the second one - with the CEO, aiming to get different views on company's expectations from expanding to the foreign market. Another objective was to see how changes in after-internationalization period were accepted by the employees and the CEO.

## **Chapter 4. Data Analysis**

In this chapter data gathered from the interviews and its analysis based on theoretical and conceptual frameworks mentioned in Chapter 2 are presented.

Interview questions were aimed to investigate how the American real estate company went international. The case study is created from the data gathered.

Based on previous researches in this field, the main questions studied during the internationalization process adopted in the case study are:

- What have been the strategies adopted to firms' expansion and how have these interacted with economic, institutional and cultural environment of the host country's market?
  - How does this expansion relate to the recent changes in the structure of the market?
- (RICS, 1999).

### **4.1. General Information about the company**

The company was set up 15 years ago in Florida, USA by real estate industry professionals in the Florida area, Pacific coast professionals and other valuable experts. Dea Real Estate Brokerage Services LLC currently employs 65 people. Total annual sales are estimated in over 10 million USD. The company operates in real estate sales and investment consulting. In 1994 the company went international for the first time starting its activities on Italian, Spanish and Greek markets. Currently, the main South European (Mediterranean) Office is located in Greece and consists of three offices (Crete, Athens and Thessaloniki).

#### **Executive Summary for overseas activities**

"Dea Real Estate" has been working to keep people's dreams to purchase their own home alive. The company helps to overcome cultural barriers and shortages in affordable housing" (Grey, 2011). "Dea Real Estate" is providing the following services in Greece based on the practices from the US: property management, professional services, investment service, architectural advice, and development service, building management. This wide range of services was achieved mainly by cooperation with partners involved in property markets.

#### **Objectives**

The main objective of the Dea Real Estate is to open the door of Mediterranean area to all "devoted-to-sea-and-sun" clients. The company also desires to build a strong business in South European area that can demonstrate that real estate brokerage can provide service

both for residents and non-residents of EU. The company also aims to capture a significant market share of the traditional business being operated by more professionally advanced specialists. And finally, it is important to influence the design and construction in general offering unique building projects implemented by interested parties.

### **Mission**

The mission of Dea Real Estate is to increase the level of homeownership in Greece, Italy, Spain and Portugal.

Company has launched several programs with economical packages for separate-homes ownership close to the seashore, middle segment of detached villas, luxurious exclusive objects and various objects of commercial property. Company works with passion to provide the utmost easy and clear information services for different legacy systems in EU.

## **4.2. “Dea Real Estate’s” Internationalization Experience**

### **Motivation to Internationalization**

When going abroad, US companies are willing to apply high standards of customer service, quality management, international accounting, strategic planning and relevant business details in all countries where they operate.

The company’s internationalization strategy is to possess a large number of offices operating outside the USA and dealing with international clients. In addition, it was not a pioneer going overseas, however, within a short list of its services, Dea Real Estate gives more qualitative expertise to the market and increases the quality of the services.

There are specific standards in company’s practice that are traditional in the US but are still quite new in some of the South European markets. At the beginning some trainings and set-up of quality service were provided by the US property professionals. It has allowed to feel more secure and fast in terms of generating revenues and remaining competitive in real estate development in the target countries such as Spain, Italy and Greece.

The real advantage was the ability to operate on the stable market. “Southern Europe might be different from Western and Northern countries, but there were no fears of government strict regulations, moreover, any serious investment deal is appreciated and welcomed there” (Grey, 2011). The construction companies in Greece provide ready objects of a good quality (as far as company also has its own rating and quality control), sales agents are open for discussion, so the whole atmosphere makes the company focused on the development of the clientele (private investors, different buyers and investment companies).

From the country SWOT analysis (Appendix 1) Dea Real Estate company has discovered the following disadvantages: the headquarters is in Florida and main branches are in Europe, so distance and time difference are an obstacle for the general control of the office procedures, decision-makings.

Another crucial constraint was the difference of mentality of Greeks, Italians and Spanish people: there is always a lack of confidence, pessimism in terms of future, loss of objective view, a kind of overreaction to global changes. So, company did not deny the difference of mentalities, nevertheless it had to adopt itself, working on gaining confidence, trust and respect.

Another operational difficulty met was working hours for banks until 2p.m. It postponed the development of sales and deals without interacting in terms of checking payments and accounts. So, company had to reorganize its internal operations.

Lastly, one more disadvantage was that local media of Greece, Italy and Spain is used to give a different interpretation of news, specifics of the region, which did not motivate managers for the development or belief in positive changes. “The media in Greece serves for the interest of local pessimist-a-like inhabitants but at the same time the entire world is watching Greece and clients are always in contradictions and hesitations about the investment choices and perspectives” (Grey, 2011).

### **Decision-making process to internationalization**

Florida, the town of Tamps is inhabited by Greeks, which were clients of “Dea Real Estate” company, establishing communication and getting the opinions on differences of Southern Europe and US markets and what similarities do they have. For this reason, the company hired new employees that have spent a couple of years in Europe. After a market research done in Italian market, the internationalization appeared to be very attractive. After few years the company went international on Greek and Spanish market. And now the most part of its services is developed in Greece, as it has become the most preferable region to work with.

The decision to go international was done by CEO after some time of travelling and watching the global tendencies.

“Dea Real Estate” aimed to work with property that is always on demand – close to the sea, with mild climate, recreation and at the same time giving a chance to explore Europe, to feel its atmosphere and to be flexible. Later it proved that the company was totally right to expand outside as it got high revenues and new opportunities.

“With a belief in regional development, Southern European flexibility and exclusive locations, it gave a start for many small companies related with tourism and luxury yachting” (Grey, 2011).

### **Real Estate in Greece as an Investment Opportunity**

Real Estate market in Greece seemed an attractive market according to the research and company’s expectations. Greece has achieved a steady 7-8% growth of the real estate value of all objects and approximately 15-20% increase of the commercial value. “Dea Real Estate” offers special recommendations for post-sale management of the estate development.

#### **Target customers**

Traditional needs covered by the number of homeowners showed that after purchase of first property for living, a great number of clients are likely to consider the purchase of the house situated in good climate conditions and where other cultures are concentrated. This target group needs at least three years to make their decision of home purchase.

What is more, local real estate professionals did not target those customers. That is how a new demand segment of clientele in Europe and across North America has grown. This new tendency showed that new group of customers were willing to buy a second house for summer time and after-retirement life. As soon as such trend developed, “Dea Real Estate” was the first major player in this emerging group.

Company carefully did a research and targeted South European countries as an area for the development of real estate services for the clients coming from Northern Europe and East-European countries. There was a gap in promotion of these places, because islands and seashore places were already widely promoted by the governments of Greece, Italy and Spain.

Key customers are coming from all parts of Europe (Western and Eastern). They are people with their own business experience, high officials, and aging from 25. Among them 5% are from the USA, who consider the real estate in Greece as the pure investment tool.

## **4.3. Company’s Performance After Going International. Key Success Factors**

The company’s performance has been improved significantly, which was confirmed by its success in other countries and value of the expertise that became more popular among customers. Profit and cash flow were expended by 40%. However, regional managers

ated in their interviews that they had quite stable revenues and growth even before internationalization. The objectives reached after internationalization are presented in Appendix 5. The company plans to achieve more in future and keeps working hard, as mid-size business requires certain skills to perform successfully.

### **Competitive Advantages**

*“Advantages always come from the experience”* (Grey, 2011). That is company’s own brokerage experience - quick and truthful information, easy develop purchase and investment scheme and total legal support.

The company’s uniqueness is a great database of potential clients and fast response, multi-language speaking staff and local agents world-wide, cooperation with real estate agencies from many European countries, provision of the full package of real estate advisory from the first call or first e-mail for the client.

The company clearly identifies perspective and constant growth of demand of "Cote D’Azur" region of quality estate, which regional agents have highly targeted. Moreover, the whole area of Mediterranean Sea is prestigious and has many advantages for the development of real estate.

### **Managerial Skills**

The “Dea Real Estate” has a highly professional staff. The team consists of many MBA graduates with great entrepreneurial skills. *“These are the real assets when employees are able to manage the situation by themselves, while CEO is at another side of the Atlantic Ocean totally sure of their effective performance”* (Grey, 2011)

### **Company’s performance in comparison with its competitors**

There are over 300 real estate companies in Greece. When the company entered the market, it was not a latecomer. As its managers noted, it is never late to work with real estate, as people naturally migrate, change their houses, improve their living conditions, etc. Also “Dea Real Estate” does provide any services related to mortgage loans and credit inspections. Main target is selling only primary qualitative constructed units for middle-class European customer, luxurious expensive objects or commercial real estate for investment companies. Because of competitive advantages and professionalism, company is getting over the competitors who deal with real estate as secondary services after tourism or construction. Sales managers are always trying to set up contacts with local development companies and owners of real estate objects.

### **Communication with customers**



Distance have always been important limitations, however Internet has substituted physical space into cyberspace. All traditional tools of communication with clients are used by agents in their work, such as telephone calls, e-mails, videos, and small media assets. For “Dea Real Estate” every client is unique, that is why its specialists deal with all media resources and are working with the American ‘aggressiveness’ strategy. Company’s agents give time to think over, provide free seminars, introduce the region to the client and give all information during a simple and clear presentation. “*Overseas property purchase is not a fast decision making process, so every customer should be treated with a respect*” (Grey, 2011).

### **Attitude to financial crisis in Greece**

All interview respondents consider the current financial crisis as a challenge that can bring positive results. On the other hand, media, rumour and banking debts have influenced the customer's opinions. But the company does not depend much on government, it pays taxes and invests in the development of real estate on behalf of its clients. Though, it is necessary to follow all the changes in legislative system and real estate construction laws.

### **Potential benefits for further expansion**

Expansion is planned only in the fields of consulting services, real estate investment and estate brokerage, because the company focuses only on narrow range of services and management of construction of commercial estate – hotels and factories, feasibility reports and technical studies.

On the question on possible changes made if there would be another chance of expansion given, the company’s managers responded that they would reduce the costs for new offices opening, try to cooperate more with media channels in terms of presenting the potential of places to people. In addition, consideration to open company’s own construction company would be beneficial. Furthermore, there are many new instruments that are globally available – it is Internet, social media and Internet marketing facilities, which should be applied at everyday work.

### **Summary of the chapter**

This section reports on a research project on the role of US-based real estate company in the internationalization of the commercial property market in Greece.

Greece was and still is the main target for property interests in Southern Europe, however this demand is quite selective in special terms. The basic questions for the research in this paper were:

- What strategies were adopted by real estate company in its expansion and how these have interacted in economic, institutional and cultural aspects;
- How did those strategies impact on the market?

Interview questions were designed to investigate how the company went international. Various questions were asked to understand their entry mode, process itself and theories of internationalization.

*“The philosophy of the company is that when a person gets a new real estate he or she becomes happy, no matter what is their nationality, region or country, especially if it is a place under the sun and close to the sea”.* All service and efforts are to make people happy and since the team members are international experts, internationalization is for happiness of the customers. The “Dea Real Estate’s” CEO follows a strategy of business development and focuses on progress, new targets and developing the brand name; all the expertise obtained during the years of operations can be utilized as a great unique expertise either for small investors or for big international players that look for real information and win-win investment solutions.

## **Chapter 5. Discussion of Findings**

In this section key findings from the case study are presented based on the strategies of internationalization and theories conceptual framework.

The case study represents complex strategic and management concerns involved in global business:

- Significance of organization's learning in unsteady international environment;
- Global strategies (involving coordination and integration of operations), dispersed geographically, are essential to maintain competitiveness;
- Adoption of global strategy due to underlying global philosophy or strategic vision;
- Move from country-based strategies regarding the major changes in the international management of the company;
- Shift towards global strategy implied significant changes in organization and control.

Main strategy of "Dea Real Estate" is to collaborate with its competitors and win, taking advantage from the world possessions as a result of globalization and plenty of business opportunities.

According to the portfolio analysis (Appendix 6), "Dea Real Estate" is situated in left bottom sector market by the star, namely, being a market leader in a large but fairly static market. This is the best place with advantages of the highest volume provider, although it has to maintain the continuing investment for not moving the position of dog being a minor player in static market.

In the Ansoff matrix (Appendix 7), the company has chosen strategy of the top and bottom of left section of the Ansoff matrix of selling existing products to the new markets (new customers in Eastern Europe), which is somewhat risky in comparison with the lowest risk option of existing offering to existing market (Greek and Western European customers). The first option is market penetration and the second is market development, which are both applied by the company.

### **5.1. Reasons for Internationalization based on Internationalization Theories**

As it was discussed previously, there are two factors that influence SMEs' decisions to go international, grouped into reactive and proactive. As it was identified in the case study,

main reasons are market opportunity, expansion and profit seeking. The 'International Entrepreneurship Theory' explains such behaviour of the "Dea Real Estate" company. Main argument for the theory is that firm entrepreneurial behaviour is the basis of international market entry (Mtigwe, 2006), which can be in the form of searching for innovative opportunities and using them to gain competitive advantage. This is interpreted as an exploitation of opportunities across national borders in order to create goods or services (McDougall & Oviatt, 2005). However, other models also explain company's internationalization behaviour and motivations. Thus, Uppsala model and network theory were proved while analyzing the internationalization behaviour of "Dead Real Estate", as market opportunities come in the form of knowledge through current activities involving relationships with customers, competitors, suppliers.

The case study confirmed on practice the Uppsala model, where knowledge is a driving force for the company to search for new opportunities and go abroad. The research on the host market was done primarily through networking, which was also supported by the Networking theory; less significant sources were market research and Internet. As it was discussed before, network relationships are fast and useful source of gathering information and market knowledge.

Previously mentioned theories state that companies decide on international strategies because of the ability to gain new customers, reduce costs, spread risks, establish low cost production facilities abroad, learn new technology, culture and business practices of other firms, and also in order to make contracts with potential partners for achieving larger scale production and better efficiency.

However, going internationally can be a risky idea because of external and internal factors that affect business development and success, such as risks of partner selection, differences of the markets, overestimating or underestimating of the competition abroad, dealing with different monetary systems, etc.

## **5.2. Push and Pull factors of Internationalization**

During the last decades commercial property markets became highly internationalized. In developing cities all over the world, international companies are the final users of prime commercial property, a greater part of which is characterized by involvement of international developers and consultants. Also the primary property ownership has become an element of transnational asset portfolios.

Push factors occur when domestic market is deficiently large for a particular product or service, or where insufficient market development exists, which was proved in the case study. Moreover, the level of competition is intense in domestic market (Greece) due to low import barriers, high concentration ratios, etc. At the same time, pull factors appear when foreign buyers make unsolicited demands for product or service, and also when one partner has the skills and experience while the other has access through contacts to an external market. These pull factors were drivers for the “Dea Real Estate” to cooperate with other market players.

In addition, Internet has an integral part in internationalization process. Deals are made through web sales, Internet marketing and communications networks.

In fact, the biggest difficulty is that legal procedures in Greece are extremely fragmented. For example, some regulations concerning forestry, archaeological and environmental issues are not clearly defined. Thus, many of company’s estates in the Northern Greece region of Chalkidiki Peninsula or the island of Crete may not be developed because the regulations are not precisely delineated. Moreover, some major private investments are pending for many years due to frictions of Public Service Offices. And finally, obtaining business licenses is a difficult and long procedure, even for small projects influenced by bureaucracy and corruption (Appendix 8).

### **5.3. Exporting as the main internationalization strategy**

During the last decade, companies were focusing on different ways to internationalize, however, exporting remains the major business activity when expanding abroad. Usually exporting strategy is considered as a way to increase growth of companies.

Exporting is traditionally referred to be the first step of entering international markets and the basis for future expansions (Kogut & Chang, 1996). Hill has expressed advantages of exporting as gaining a substantial scale economy from its global sales volume, when product or service is produced in the home country and is exporting to the host country. One more advantage is getting experience and knowledge from the host country. And disadvantages are different laws that protect the home market (Hill, 2007).

The entry model used by “Dea Real Estate” to enter Greek market was exporting, which is considered to be the most common entry mode for internationalization. Exporting has also been proved on practice by the company to be the easiest and the most appropriate strategy applied while entering a developing industry foreign market. Southern Europe is the classic

approach for real estate business, aiming the category of luxury summerhouses abroad and commercial buildings.

#### **5.4. Key Success Individual Characteristics**

One factor that restrains internationalization is a lack of strategic planning. It was proved in the case study's example that individual characteristics of the entrepreneur, such as foreign markets awareness, knowledge of foreign languages, experience level in the certain area, as well as persistence and commitment are essential, suggested by the European Centre for the Development of Vocational Training (CEDEFOP, 2002). In such a way, when "Dea Real Estate" was expanding abroad, only experienced real estate foreign professional were hired. Nevertheless, companies face higher labour costs for employing people with the right skills for cross-border activities.

#### **5.5. Barriers to Exporting Internationalization Strategy**

According to the previous research, companies in Norway, the Netherlands and Greece have the lowest perception of capital as a barrier to internationalization, whereas companies in Austria, Luxemburg and Iceland are more dependent on this factor (Kisslinger, 2002).

The biggest barrier of exporting strategy is high costs of internationalization process, which includes such constrains as costs of external market analysis, translation of documents, time zone differences and adaptation of products for the external markets. According to the CEDEFOP, a quarter of SMEs that have subsidiaries abroad have named all these as barriers. At the same time, importers face internal barriers such as scarcity of skills or the competence of staff. However, they are considered less important for exporters.

It is obvious from the case study that the company has made a research and considered all barriers before entering the market. On the other hand, approximately one out of three companies in Europe did not consider that there were any external barriers to internationalization. The most important of them were laws and regulations of the targeted country, shortage of capital and lack of support or information.

#### **5.6. Communication and Information Importance**

In order to get the contract of sale, the first and most important step is to get the customer. That is why communication, trust and reputation are important.

Drucker, a well-known management guru had mentioned, "If you cannot measure it, you

cannot manage it”. Communication is intangible, and hard to measure. “Dea Real Estate” is focusing on high level of communication with customers as key factor of success. As Einstein noted, “not everything that can be counted, counts, and not everything that counts can be counted”.

Some factors of consideration concerning communication derived from the case study are:

- The more interactive the communication is, the more important is proximity;
- The more standardized the conversation is, the less important is closeness;
- The greater importance of trust, the more desirable is personal direct contact.

## 5.7. Income from International Sales

As it was mentioned before income is one of the reasons for internationalization. From the study it was found that total annual sales coming from international sales improved, indicating about 40% of sales coming from international markets in Greece, Italy and Spain. This shows that company is significantly engaged in international business.

## 5.8. The Role in the Market Internationalization

Local offices of the company are performing functions of specialized international service providers and local service providers. These functions are presented at the table below:

**Table 4. Role in market Internationalization**

Activities	Specialized international service providers & Local service providers
Providing international players with market opportunities	<ul style="list-style-type: none"> <li>- Dynamic network</li> <li>- Connecting together international users, developers, investors and local landlords</li> <li>- Managing international development operations for international and local users and investors</li> <li>- Managing local needs of international and large local players</li> </ul>
Role in the market internationalization	<ul style="list-style-type: none"> <li>- Presenting international players and practices</li> <li>- Facilitating opportunities for international and local players</li> <li>- Connecting market players</li> <li>- Spread out international practices over local players</li> </ul>

From the variety of functions it is seen that company has to concentrate all capabilities to provide international and local players with market opportunities and develop further its activities.

### Summary of the chapter

From the data it can be seen that transparency of the Greek economy is comparatively low,

as measured by Transparency International Index (Appendix 4), also the economy is corrupted (Appendix 2), downgrading with each year. However, recently a few positive changes have been observed. Thus, information about market and transactions are becoming more consistent and available, through conferences (for example, the establishment of the Greek branch of ICSC in 2007), published or shared by qualified property professionals. On the other hand, disadvantages are big scale projects enlarging with weaknesses on planning side, which is not likely to attract foreign investment.

While expanding overseas, local company wishing to grow its export revenues has to invest a lot in marketing, strategy, language skills. Also, the company has to be adaptable.

Before internationalization fundamental research should be made and some questions should be studied in order to evaluate if going internationally will be successful as well as to avoid failure. However, going internationally also can be a risky idea because of external and internal factors that affect business development and success, such as risks of partner selection, differences of the markets, overestimating or underestimating of the competition abroad, dealing with different monetary systems, etc.

According to the theoretical framework, “Dea Real Estate” reflects behaviour described by the network theory, the Uppsala model, the stage theory and the international entrepreneurship approach.



## **Chapter 6. Implications**

This research offers an understanding of the internationalization process on a practical example. The study contributes and broadens the international entrepreneurship theory (Oviatt & McDougall, 1994) and also confirms previous studies based on the Uppsala model, the network theory and the stage theory. Two primary contributions emerge from this study.

### **6.1 Theoretical and Managerial Implications**

In this paper the arrangement and success of international strategies were formed, reflecting the domestic and foreign market environment. Furthermore, the research highlighted that companies integrate many networks whose members are connected by past events and common experiences. Moreover, the view was argued on the fact that chief executives in the developed world tend to expand their companies into the emerging markets, because that is where the growth is. Greece in this example is a classical developing real estate market, even more, experiencing a financial and economic crisis.

The research is complementing previous studies by in-depth case study analysis of internationalization and exporting strategy of the US-based company in European market, particularly in Greece, at the real estate sector. Previously there were made very few studies in this sector that combine both international and ethnic entrepreneurship (some worthy of attention exceptions are: McDougal, Shane and Oviatt, 1994; Oviatt and McDogall, 199; Roberts and Senturia, 1996; Rasmussen et al., 2001; Larimo, 2001; Sharma and Blomstermo, 2003). Furthermore, the research is focused on a profitable, complex, highly sensitive to capital shifts industry. When applying exporting strategy, geographic location factor is not important any more in internationalization as it was previously mentioned at the literature. Focusing on developed countries of the West, Greece is quite risky according to political and social factors, but has a unique location to make business, which was shown in the case study. Moreover, it rises recently debate of whether US's competitiveness could be the next victim of the global financial crisis.<sup>1</sup>

A contribution for managers, involved in real estate business, emerges from this study. The particular case has shown that experience in internationalization means to achieve strategic learning, capability building and company growth. The research in this field can be helpful

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<sup>1</sup> The Economist (2008), Innovation in America: a gathering Storm? Nov, 20; M.E.Porter (2008), Why America needs an economic strategy? BusinessWeek, Oct, 30.

for managers to understand the driving forces of internationalization, barriers to going international, key success factors and to learn from other companies practical experience.

## **Chapter 7. Conclusions**

This dissertation aimed at contributing by providing importance to choose correctly international strategy expansion, taking into account sector of the business, aims of going international, expected results, competition, potential partners and market opportunities, introducing new offerings, managing market communications as well as external factors.

The study is important for managers to understand where to invest the capabilities, to use efficiently the opportunities of the foreign markets and increase the profits, sales, and number of customers.

It is obvious from the study that considering international strategies and their evaluation is very important for business for the following reasons:

- Business improvement;
- Avoiding past mistakes in future;
- Receiving the feedback from customers, exceeding their expectations;
- Comparing strategy with alternative ones and those of competitors;
- Planning and allocating resources for next years.

For some enterprises it may be more efficient to establish a strategic alliance or joint venture immediately rather than going through the above-mentioned stages of internationalization, especially when organization is seeking for know-how or access to technology. For some SMEs the gradual stages of internationalization is appropriate, especially when resources are limited, while for others more multi-dimensional approach is used.

The aim of this study was accomplished successfully to analyze and describe which internationalization strategy the firm chooses when expanding to international market and evaluate its adequacy and acceptability when applied to other companies that would like to go international in the near future.

In correspondence with the objectives of the dissertation, the data analysis section presented the case study of a US-based company, named “Dea Real Estate” and located in Greece, based on interviews with the CEO and two regional managers. The interviews aimed to demonstrate their opinions about internationalization and to receive CEO’s reflection about the results gained from the case study research.

The research showed that main reasons for internationalization are market opportunities, profit seeking, and expansion. Also, motivation is a very important factor for managerial

consideration, as action and speed of internationalization is proportional to motivation. In addition, companies prefer to go abroad to the countries with the same culture and environment. If the culture is different, it is required for the managers to hire local professionals with knowledge of potential market and customer behaviour.

### **Limitation and Further Research Directions**

The most part of outcomes were expected based on previous findings from the literature review. However, the CEO's opinion about the performance of the real estate company and internationalization strategy applied showed some new approaches successfully implemented in practice. Such issues as exporting strategy in business services sector and expansion into classic developing market with strong competition were not previously studied. But this case study shows that further research and investigation is needed because of high potential in this area.

The outcomes might have been better if more cases of the firms in the same field were studied. Therefore, it can be recommended that more questionnaires be distributed if research in this field will be conducted in the future.

Qualitative case research usually touches the issue of generalization to a broader population of firms (Meyer, 2006). Cases might have been selected with bias toward "ideal" type; especially a single case cannot provide variety (Eisenhardt & Graebner, 2007).

Defining and analyzing more factors that have an impact on successful internationalization strategies might develop this research paper further.

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## **Appendices**

### **Appendix 1. Interview With “Dea Real Estate’s” Personnel**

#### **General Information about the company**

Name of the company: “Dea Real Estate” Brokerage Services LLC

Country of Origin: USA

Year of Foundation: 1987

Year of Internationalization: 1994

Number of Employees: 65

Total Annual Sales: over 10 mln USD

Product/ Service/Sphere of Business: real estate, investment consulting

Website/Contacts: Dave Grey, CEO, [sales@deatrade.com](mailto:sales@deatrade.com) +1 718 414 6505

#### **Interview Questions to the Regional Managers (Victoria Saridou, Greece and Sergio Cinicola, Italy):**

1. What are the reasons for U.S. company to apply internationalization strategy? What are advantages and disadvantages? What are barriers?
2. How attractive is real estate in Greece for investment and conducting business? What are the differences between doing business in US property market and Greek property market?
3. Which factors were considered while taking the decision to go international? How did you gather the information about the foreign target market before entry?
4. Who was primary decision-maker in internationalization strategy?
5. Which entry method belongs to your internationalization process? (Exporting, Turnkey projects, Licensing, Franchising, Joint venture, Wholly owned, Subsidiary, other)
6. Choose the factors that helped your company’s internationalization process:

Growth opportunity	Innovation
Market opportunity	Previous International Experience
Cultural awareness	Networks/relationships

Entrepreneurial activities

Ability to take risks

Managerial motivation

Comment on them.

7. How do you see the current financial crisis in Greece, as a challenge or as an opportunity?
8. To which countries did the company go international? How did it deal with it?
9. Did company improve its performance after going internationally? How did the internal situation in the company changed after expansion?
10. Are there potential benefits for the company? Should the company expand further? Are costs going to outweigh the benefits?
11. Does the company possess necessary managerial skills?
12. Was the company a latecomer to the market? If yes, how did the latecomer company catch up? How did the company overcome challenges successfully in comparison with competitors?
13. What would you possibly change in the process of going international of your company if you had another chance?
14. What are the main opportunities and threats of the Greek real estate market?

### **Interview Questions to the CEO of “Dea Real Estate”:**

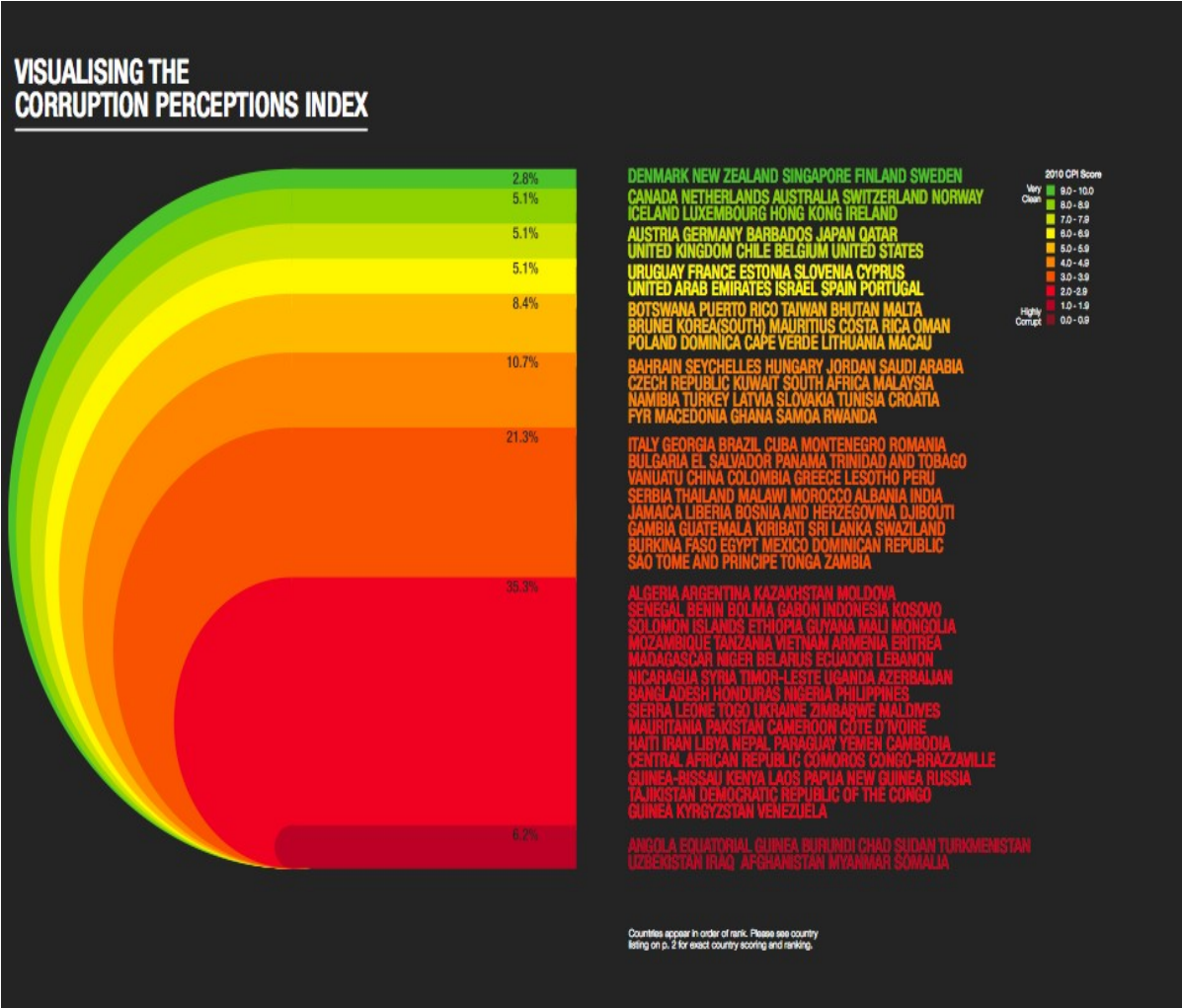
1. How would you describe your company’s position in domestic market before internationalization?
2. What are the reasons for U.S. company to apply internationalization strategy? What are advantages and disadvantages? What are barriers?
  1. How attractive is real estate in Greece as an investment and business? What are the differences between doing business in US property market and Greek property market?
  2. Did company improve its performance after going internationally? How did the internal situation in the company changed after expansion?
  3. What is the percentage of total annual sales coming from international sales?
  4. Are there potential benefits for the company? Should the company expand further? Are costs going to outweigh the benefits?
  5. Does the company possess necessary managerial skills?
  6. To which countries did the company go international? How did it deal with it?
  7. Was the company a latecomer to the market? If yes, how did the latecomer company catch up? How did the company overcome challenges successfully in comparison with competitors?
  8. Which factors were considered while taking the decision to go international?
  9. Who was primary decision-maker in internationalization strategy?
  10. How do you see the current financial crisis in Greece, as a challenge or as an opportunity?
  11. What are the main opportunities and threats of the Greek real estate market?
  12. Where do competitive advantages for your business are coming from?
  13. What constraints did you feel in company’s internationalization? How did you deal with them?
  14. What challenges did you face while employing new personnel? Who is working for the company? What were the basic requirements to candidates?
  15. How sales managers are looking for customers? Who is your target group of key customers? (age, average income, social group, country)
  16. What is the most efficient mean of communication with customers used?
  17. Who are your main competitors? What are your company’s strengths and weaknesses in comparison with competitors?
  18. How your sales amount has changed after internationalization?

19. What would you suggest to other companies that are going international?

**References to Questions:**

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# Appendix 2. Corruption Perception Index 2010



# Appendix 3. Country SWOT Analysis (Greece)

<p><b>Strengths</b></p> <p>Popular Tourism Common Currency EU Member</p>	<p><b>Weaknesses</b></p> <p>Debt burden Inflation</p>
<p><b>Opportunities</b></p> <p>Liberalising the Greek Economy Instant Translation of web pages IT Development</p>	<p><b>Threats</b></p> <p>Fiscal austerity programs</p>

Source: "Dea Real Estate" company's internal records

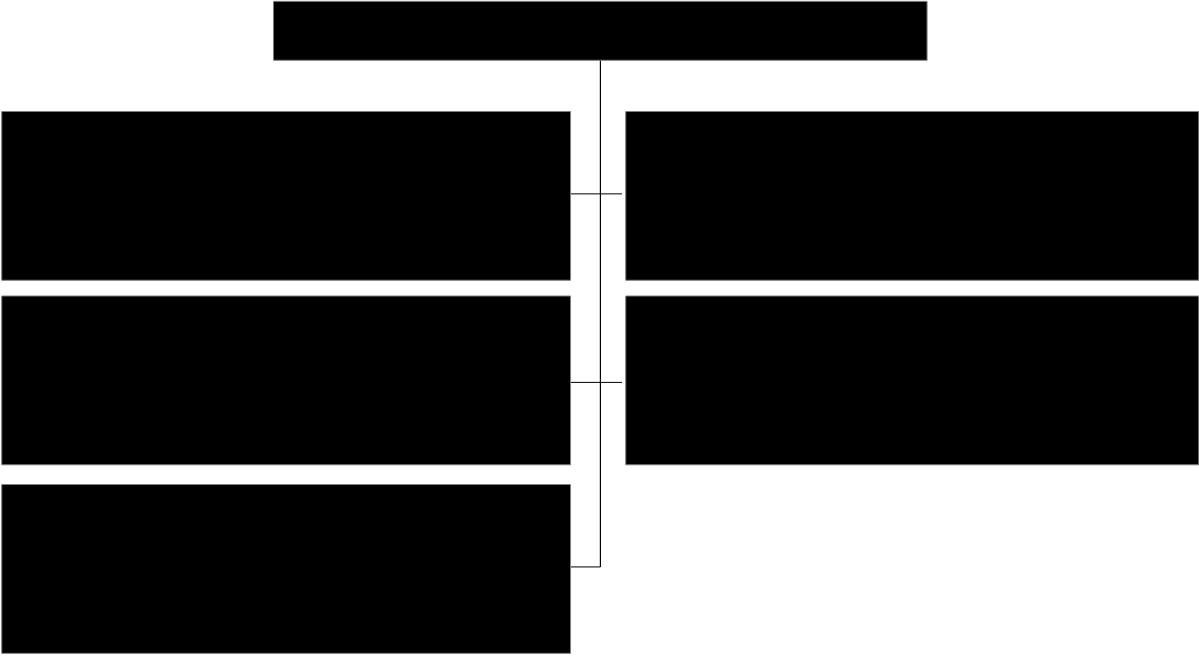
## Appendix 4. Global Real Estate Transparency Index 2010

2010 Rank	Market	2010 Score	2010 Tier
1	Australia	1.22	1
2	<a href="#">Canada</a>	1.23	1
3	United Kingdom	1.24	1
4	New Zealand	1.25	1
4	<a href="#">Sweden</a>	1.25	1
6	United States	1.25	1
7	<a href="#">Ireland</a>	1.27	1
8	France	1.28	1
9	Netherlands	1.38	1
10	<a href="#">Germany</a>	1.38	1
11	Belgium	1.46	1
12	Denmark	1.50	1
13	Finland	1.53	2
14	Spain	1.58	2
15	Austria	1.71	2
16	Singapore	1.73	2
17	Norway	1.75	2
18	Hong Kong	1.76	2
19	<a href="#">Portugal</a>	1.82	2
20	Switzerland	1.87	2
21	Italy	1.89	2
22	Poland	1.99	2
23	South Africa	2.09	2
24	Czech Republic	2.15	2
25	Malaysia	2.30	2
26	<a href="#">Japan</a>	2.30	2
27	Hungary	2.33	2
28	Israel	2.38	2
29	<a href="#">Greece</a>	2.60	3
30	Slovakia	2.61	3
31	Russia Tier 1 Cities	2.64	3
32	Romania	2.68	3
33	Taiwan	2.71	3
34	<a href="#">Chile</a>	2.72	3
35	Russia Tier 2 Cities	2.86	3
36	<a href="#">Turkey</a>	2.90	3
37	<a href="#">UAE - Dubai</a>	2.93	3
38	<a href="#">Brazil</a>	2.95	3
39	Thailand	3.02	3
40	Bulgaria	3.03	3

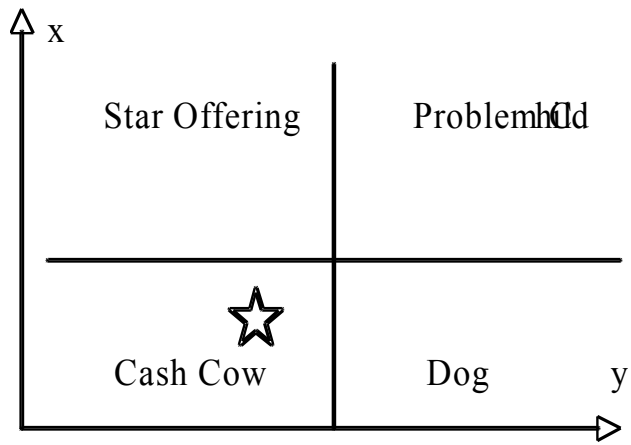
41	<a href="#">India Tier 1 Cities</a>	3.11	3
42	<a href="#">South Korea</a>	3.11	3
43	Russia Tier 3 Cities	3.12	3
44	Macau	3.13	3
45	<a href="#">China Tier 1 Cities</a>	3.14	3
46	<a href="#">Mexico</a>	3.14	3
46	Ukraine	3.14	3
48	Philippines	3.15	3
49	<a href="#">India Tier 2 Cities</a>	3.17	3
50	Bahrain	3.28	3
51	<a href="#">Argentina</a>	3.30	3
52	Costa Rica	3.32	3
53	Slovenia*	3.33	3
54	<a href="#">China Tier 2 Cities</a>	3.38	3
55	<a href="#">India Tier 3 Cities</a>	3.39	3
56	UAE - Abu Dhabi	3.45	3
57	Indonesia	3.46	3
58	Jordan*	3.46	3
59	Oman	3.50	4
60	<a href="#">Morocco</a>	3.58	4
61	Croatia	3.59	4
62	Egypt	3.62	4
63	<a href="#">Saudi Arabia</a>	3.66	4
64	Qatar	3.70	4
65	<a href="#">China Tier 3 Cities</a>	3.73	4
66	Lebanon*	3.78	4
67	Panama	3.85	4
68	Kuwait	3.90	4
69	Uruguay	3.92	4
70	Kazakhstan	3.93	4
71	Colombia	3.96	4
72	Peru	4.00	4
73	Pakistan	4.18	4
74	Venezuela	4.18	4
75	Tunisia*	4.24	4
76	Vietnam	4.25	4
77	Dominican Republic	4.28	4
78	Belarus	4.48	4
79	Syria	4.65	5
80	Sudan	4.68	5
81	Algeria	4.74	5



**Appendix 5. Objectives achieved by “Dea Real Estate”  
via the Internationalization process**

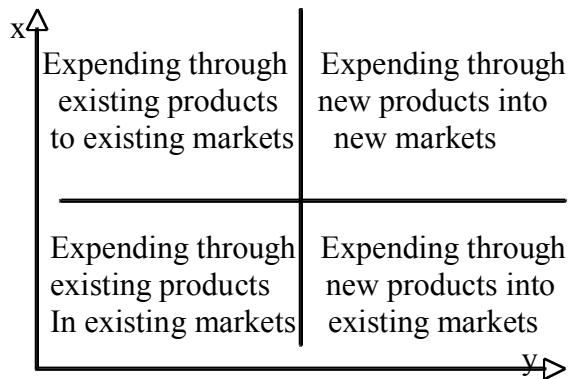


## Appendix 6. Portfolio Analysis



x- Market Growth rate, y- Relative market share

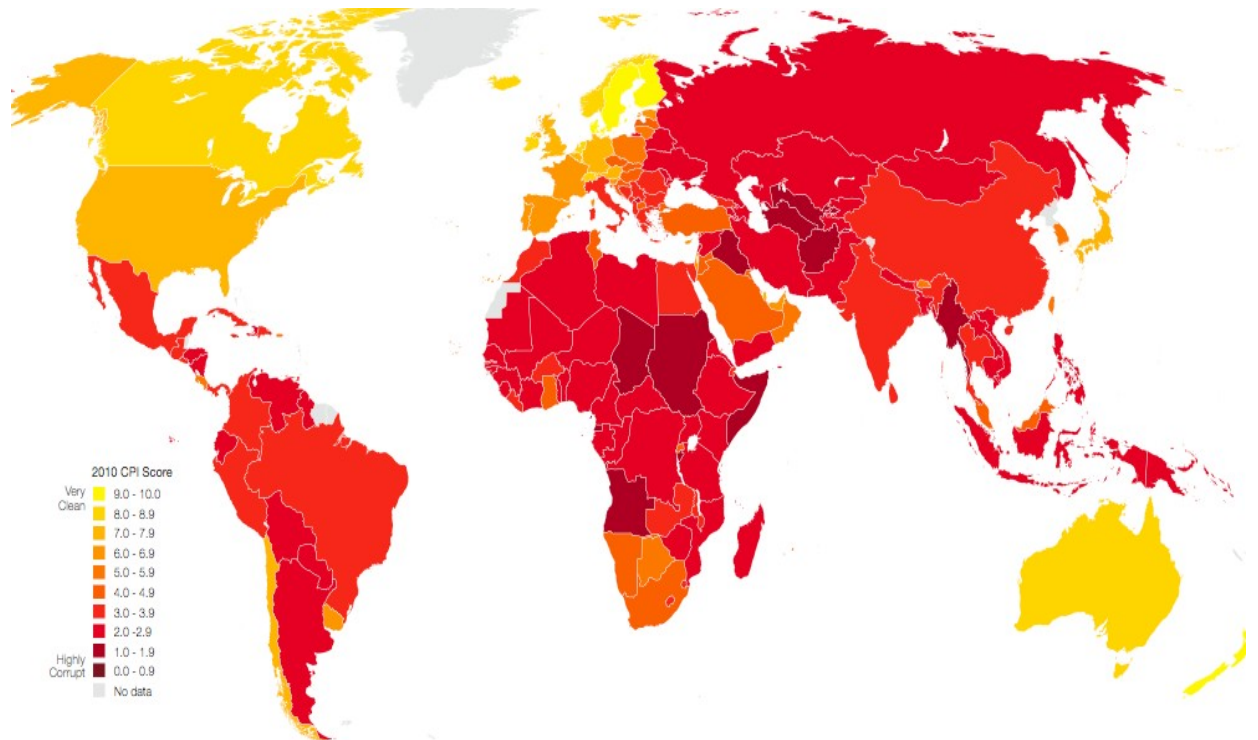
## Appendix 7. Ansoff Matrix



x- Increasing market innovation

y- Increasing product/offering innovation

## Appendix 8. Corruption Perception Index 2010



Source: Transparency International, the global coalition against corruption.

## Appendix 9. Basics of Real Estate Transactions in Greece

### 1. Dealing with realtor

- Commissions average about 2% in the residential market, due to price variation can be achieved from 2% till 5% of the sale price. For large properties or the ones with special interest, commissions vary from 5% till 10%.
- Realtors are seeking for commission's agreement with both buyer and seller, receiving payments from both parties.

### 2. Engaging an Attorney

- Market price for the fees for attorney service in real estate transfers is about 2% of the sale price
- The Bar Association sets minimum fees that start from 1% and go down till 0.1%
- Attorney is searching for title, an important role, as in Greece there are no title companies or title insurance.

### *Title Search*

- Made by attorney and land registries, where is located all information related to the land registry
- If security is not recorded at the time of purchase, it is invalid

### *Public Notary*

- Public notary in Greece represents a trained jurists, who have been attorney for at least 5 years before the Notary Bar admission, working under supervision of Ministry of Justice
- All transfers of land must be completed and certified by public notary

### *Taxation*

- Greece now is in transitional phase of tax system and two systems are currently in use:

1. The property that was purchased before January 1st 2006:

- For the buyer: (9% tax on the first 15,000 euro, 11% tax on more than 15,00 euro amount, plus 3% of the previous tax)
- For the seller: no tax

2. Property acquired by seller before January 1st 2006

- For the buyer: 1% of the property value
- For the seller: 20% of appreciation is sold in 5 years after purchase, 10% if sold from 5 till 15 years respectively, 5% from 15 till 25 years, and 0% after 25 years and more.

### *Closing*

Parties that should be presented at closing:

Buyer or its representative

Buyer's attorney

Seller or its representative

Seller's attorney

### *Notary*

Recording at the Land Registry

After recording transfer is completed

### *Financing*

- Acquiring a loan (225 euros attorney fees, 0.0075% of mortgage amount for recording fee, 100 euro of miscellaneous costs)
- Other financing options in Greece are fluctuating interest rate, stable interest rate

(Laios, 2011)

## Appendix 10. Greek real estate sites under sale

Figure 7. Greek real estate sites under sale

