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DOMESTIC IMPACT OF INTERNATIONALISATION
THE CASE OF JM

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Domestic Impact of Internationalisation
The case of JM

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Abstract

The influence of internationalisation processes in the domestic activities of firms' has not been considered as an important issue in existing models, because they tend to focus on a partial and restricted view of the firm. The purpose of this paper is to challenge that view by attempting a dynamic view of the firm is which primal importance is given to the relationship between international and domestic activities. The main research question is whether domestic activities can be significantly affected by international activities, namely knowledge transfer. Results confirm the dynamic approach adopted by firms however there are no definitive answers in terms of the domestic impact of internationalisation. Despite clear hints of evidence for the international-domestic relationship, there was no confirmation of this relationship at the financial level.

Introduction

The International Business literature does not cover the impact of international learning on domestic operations and performance in a comprehensive and dynamic way. The available internationalisation models (Uppsala and new venture models, for example) refer the international-domestic relationship in terms of learning in a very narrow and partial manner. The impact of international learning on domestic activities are given a minor role in these models and tend to gradually disappear as the degree of internationalisation increases. This approach is regarded as very restrictive by some authors (Dimitratos et al., 2007). They consider that existing models do not provide a holistic view of the firm, because they forget important transfer effects from international to domestic activities that tend to occur as the degree of internationalisation becomes higher.

The importance of the international-domestic flow of knowledge creates the need for an objective research that uncovers the basic aspects of this reality. The transfer of knowledge from international to domestic activities is a fact that is already shaping firms' activities and performance at a global level, but has not been studied by researchers in a systematic way. Thus, we believe that is relevant to start exploring this reality with basic research questions that attempt to trace the first significant hints of evidence. The main question to address is whether internationalisation processes can have a significant impact on domestic activities.

The main rationale for research is based on the relationship between learning and performance. Learning is considered as a critical process that creates advantage for firms. The basic point behind our research is to assess the impact of learning and learning transfers in terms of domestic and international performance, without forgetting potential interaction effects between these variables. In order to achieve that, focus is going to be placed on a financial analysis of performance attempting to assess in what extent can international learning and international performance influence domestic performance.

The manuscript is divided in five sections. The first section reviews the main theoretical developments in this topic and uncovers the main research question. The second section outlines the main hypotheses that guide research. The third section presents the methodology and describes the main reasons the behind the case-study choice. The fourth section handles the main results of the manuscript. The final section describes the conclusions and outlines recommendations for further research.

Literature review

This manuscript attempts to research the domestic impact of an internationalisation process for a firm in the retail sector. In the existing models of internationalisation (incremental (Uppsala) and new venture), relationships between domestic and international operations are approached in a partial manner (Sharma and Blomstermo, 2003). For these models, the only relevant relationship is the unilateral initial flow of knowledge from domestic to international activities which is labelled as a pre-condition to initiate or develop internationalisation processes. This view is very restrictive and leaves aside important research questions in terms of internationalisation, namely for the dynamic individual firm., In order to answer these questions, there must be a change in perspective with emphasis being placed on a systematic interrelation between international and domestic activities at the firm level, as this aspect is more close to the actual business reality. In this context, our focal concern will be to assess the significance of internationalisation processes for changes in firm's performance, strategy and "modus operandi" in domestic markets.

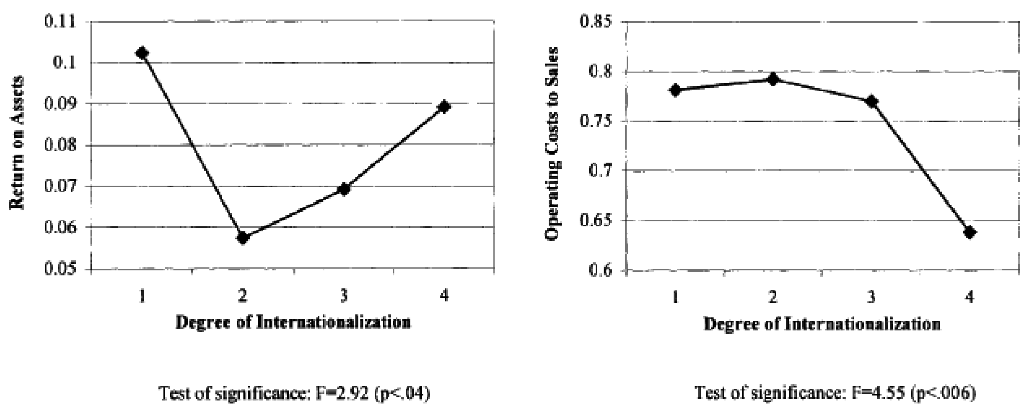
Until now, literature on international business has been rather restrictive by focusing almost exclusively on firms' international growth and activities. In this context, domestic operations are considered as static starting points for most internationalisation models (Johanson and Vahlne, 1977; Buckley and Casson, 1976; Johanson and Mattsson, 1988). These models regard them as initial pools of competences, knowledge and networks that are only used to initiate and develop the internationalisation process (Sharma and Blomstermo, 2003). Afterwards, domestic activities are forgotten and there is no attempt to analyse the dynamic relationship between internationalisation and domestic activities. In these models, the firm is not regarded as a holistic and dynamic entity in which international may not be entirely split from domestic activities (Dimitratos et al., 2007).

In a dynamic view of the firm, international and domestic experiences cannot be totally detached from each other. Sapienza et al. (2005) consider that international and domestic learning efforts are related. Consequently, internationalisation experiences tend to lead to learning and accumulated knowledge that can later feedback into domestic strategy and operations. In this context, the ability to integrate foreign and domestic knowledge will be important for the firm (Zahra et al., 2000).

Following existing literature (Grant, 1996; Spender, 1996), we also argue that learning and knowledge creation are relevant strategic activities for the firm, conditioning the magnitude of the impact of internationalisation processes over domestic operations. Learning has a critical role when assessing the dynamic relationships between international and domestic activities, because it shapes the pace and intensity of international growth (Forsgren, 2002) and knowledge accumulation. Consequently, the higher the level of learning, the higher will tend to be the level of international growth and knowledge accumulation. In this relationship, international performance can be introduced as a quality control variable for the potential value of learning, with a higher positive performance being associated with a greater value of learning. From this, we have reasons to believe that the impact of internationalisation over domestic operations should be related in a positive manner with two variables: the level of international learning and international performance.

In order to research the main hypothesis, our starting point will be the relationship between internationalisation and performance. In terms of the impact of internationalisation on performance, several studies have been conducted since the 1970's. Early studies tended to concentrate solely on the benefits of internationalisation and postulated a linear relationship between the degree of internationalisation and firm performance. Later studies, from 1990's proved this finding to be contradictory with empirical evidence, as internationalisation was responsible for both, costs and benefits for organizations (Gomes and Ramaswamy, 1999; Hitt et al., 1997; Sullivan, 1994). At present, there are two main views about a curvilinear form in the relationship between internationalisation and performance: an inverted-J and a U-shaped curve (Ruigrok and Wagner 2003) as we may see in the next figure (Figure 1), taken from the author's paper.

Figure 1. Results Obtained Through ANOVA Techniques (N = 84)



The former relies on a deterministic and industry-specific relationship between the degree of internationalisation and performance, with performance increasing in initial levels of internationalisation until a specific threshold and decreasing afterwards. This view, proposed by Daniels and Bracker (1989), Geringer et al. (1989) and Gomes and Ramaswamy (1999), is based on the assumption of an incremental internationalisation process (Johanson and Vahlne, 1977). In this model, internationalisation tends to occur in geographically and culturally close markets so the existing organizational structure and competences need few adjustments to start collecting substantial benefits. However, as the degree of internationalisation reaches higher levels, organizations are pushed into unfamiliar territories and major organizational adjustments are required, leading, after a specific threshold, to situations where costs tend to exceed the benefits of internationalisation.

The latter relies on organizational learning theory (Sullivan, 1994; Hitt et al, 1997) and believes that firms must endure a significant and costly learning process at initial stages of internationalisation that will bring significant benefits at later stages. This theory admits that firms tend to move initially into culturally distant markets and need to reconfigure operations in order to match external environment. In early stages, costs are higher than benefits, but after a certain threshold, the inverse becomes true. In this theory, the threshold is considered as a dynamic reality (Ruigrok and Wagner, 2003). In some cases, it may be changed or even avoided due to the pro-active managerial initiative and learning. This can be the case of firms that accumulated high levels of knowledge in terms of the management of complex situations (Ruigrok and Wagner, 2003). These firms can even display a positive linear relationship between the degree of internationalisation and performance.

Hypotheses

1. Degree of internationalisation and performance

Empirical evidence suggests that the relationship between internationalisation and performance is conditioned by the scope of the study and home country specificity. Most of the studies use cross section analysis for a sample of firms from a specific country. Ruigrok and Wagner (2003) conducted a cross-sectional and longitudinal analysis for 84 German manufacturing companies between 1993 and 1997, and found evidence of U shaped relationships between internationalisation and performance. On the other hand, Gomes and Ramaswamy (1999) ran a pooled cross section analysis for 95 US companies in 4 industries and found an inverted J-shape relationship between internationalisation and performance. According to Ruigrok and Wagner this is a reflection of different expansion profiles with German firms expanding into culturally distant markets and US firms expanding into culturally close markets such as UK, Canada or Australia.

However, this disparity in curve formats may not be a sign of incompatibility between these two perspectives. Studies performed focused on samples ranging from 25 to 116 firms coming from large developed economies (Europe and US). Therefore, we have reasons to believe that significant differences can be found at the firm level. In fact, individual firms may use different approaches simultaneously or interchangeably according to their risk profile and level of market knowledge. This means that internationalisation-performance shapes may not be so well defined and easy to grasp. For instance, it seems reasonable to assume that an individual firm may use an incremental strategy to reduce risk in terms of market entry, changing later into a pro-active discontinuous approach or vice-versa. Firms can even enter a market by adopting a combination incremental and discontinuous learning. On the basis of this, we propose the following hypothesis:

H1: There can be dynamic outcomes in terms of internationalisation-performance approaches at the firm level.

2. Incremental versus discontinuous learning and performance

Different types of learning may determine the magnitude of domestic impact due to internationalisation. Taking an incremental or a discontinuous learning approach to international operations leads to different outcomes in terms of knowledge creation. It seems reasonable to assume that a proactive style, not based on previous experience collected, and therefore, discontinuous, even though more risky and entrepreneurial (Sapienza et al., 2005), can lead to a higher and more diverse stock of knowledge. This means that a discontinuous approach to internationalisation, when compared to an incremental one, can produce a higher global impact of learning in the organization, either internationally or domestically. This is related to the fact that broader and deeper experiences in diverse markets can increase the firm's overall learning capacity (Cohen and Levinthal, 1990; Zahra et al., 2000).

The U-curve shape seems to be the adequate one to identify situations where there are higher significant performance impacts due to internationalisation processes. In fact, the U-shaped curve seems to characterise internationalisation processes that rely on proactive and discontinuous learning, that is: processes where the risk taken is higher, but where the potential for a better performance would also be greater. According to Ruigrok and Wagner (2003) this view applies mainly to investments in culturally unrelated markets, where the steps given are less foreseeable, and purchases of companies. In the latter, for instance, the commitment made is higher than in situations where, for instance, exports or contracts are used. These two options in terms of entry modes – going to distant markets and using entry modes that involve more commitment and risk - tend to lead to initial losses due to high levels of investment, and to the learning and organizational adjustment. However, in case of success, they also tend to deliver high returns in terms of performance and knowledge accumulation. On the basis of this, we propose the following hypothesis:

H2: There is a higher impact on performance for proactive discontinuous internationalisation processes (U curve) than for situations of incremental learning

3. Internationalisation process, international and domestic performance

Based on the above, there are reasons to expect that internationalisation can influence domestic activities, namely when there is successful proactive discontinuous learning at the international level. Considering that there are significant domestic barriers to the introduction of international learning, there are more chances of successfully transferring knowledge from international to domestic markets when the quantity and quality of that knowledge is higher. We expect this to be especially true when performance gains from international learning are already consolidated. In this framework, the U-shaped curves associated with proactive discontinuous learning are expected to deliver better results. Thus, there are strong expectations of finding that internationalisation processes influence domestic performance.

Based on this, we propose the next hypothesis:

H3: Internationalisation processes, and namely those based in proactive discontinuous learning, are capable of influencing domestic performance

4. The transfer of international learning to domestic markets

The transfer of international knowledge to domestic activities will tend to suffer from time-lag. At this level, our main assumption is that learning transfer between international and domestic markets will tend to be biased towards positive experiences, meaning that companies transfer to the home-base the knowledge they accumulated in their international activities, especially in the case of successful experiences. However, the knowledge transfer between international and domestic markets will only tend to occur after a consolidation of positive international performance. The consolidation of positive performance with incremental strategies (inverted J curve) occurs in the initial years of investment leading to low time-lags. On the other hand, pro-active approaches (U curve) will tend to present higher time-lags, because the consolidation of positive performance only occurs after an initial period of net losses. Overall, domestic impacts will tend to occur after a time-lag with a length that depends, not only on international strategies pursued, but also on factors that are internal to the organization, such as knowledge integration mechanisms (case study reporting, training, etc.), expatriate retention and accumulated domestic knowledge.

The previous existence of accumulated knowledge in domestic countries can act as a barrier to knowledge transfer. We are expecting that learning originated in international markets will tend to be more effectively applied in international markets, in the first place. Comparatively, transfers to domestic markets will tend to take longer and have a smaller impact. This will apply mainly to late entrants in international markets, as managers tend to develop habits and routines that focus mainly on the domestic market (Ocasio, 1997). In this context, the quantity and quality of accumulated knowledge at the domestic level can reduce or postpone the impact of internationalisation on the domestic market. So, we propose the following hypothesis:

H4: There is a time-lag between international learning and impact on domestic activities.

Methodology

A case-study approach was selected as the basic methodology to test the above hypotheses because procedural issues need to be unfolded. The few available studies on this issue focus on a cross sectional analysis of the internationalisation degree-performance link and do not consider feedback effects of international learning on domestic activities. They also tend to be biased towards firms from large economies (US and Europe) and do not allow for a dynamic view of the firm. In this context, we decided to change perspective and study an internationalisation process of a firm located in a small developed economy. This option is extremely valuable, because the level of analytical detail could be higher than it would be the case when working a generic sample. One disadvantage of this methodology is the fact that results would be conditioned to a certain extent by firm specificity: home country, sector, and internationalisation choices and so on, and therefore the chances for replication would be smaller. However, the richness of detail would be great and the chances for knowing deeply how to process worked are greater.

The firm chosen to test the relationship between degree of internationalisation and domestic performance was Jerónimo Martins (JM). This firm is one of major grocery retailers, distributors and producers in Portugal and started its internationalisation in the late 1980's. Due to the diversity of entry modes, internationalisation processes and geographical coverage, the JM case is a very rich ground to test the different hypotheses that have been proposed earlier. JM's experience in terms of internationalisation includes Poland, UK and Brazil. From these, only Poland became a successful case-study whereas operations in the UK and Brazil were discontinued in the year 2002.

Recent changes in the Portuguese market and JM strategies are also important factors influencing our case study choice. In 2002, a re-positioning in the Portuguese retail market started to be implemented. Due to changes in the Portuguese economical context, discount format stores started to gain space to grow. This was the case as Lidl, Plus and Aldi, for instance. This pushed a re-positioning strategy on the side of other companies and JM group chose Pingo Doce to reflect the new tendency of the market, now more interested in price and convenience. This re-positioning strategy was mainly based on 4 vectors:

1 – Competitive and stable price policy

2 – Very good perishable assortment

3 – Investment on new private label products and their quality

4 – Communication strategy based on “everyday low price policy”

This combination of dramatic domestic changes with a successful internationalisation process creates the appropriate environment to test our hypotheses.

With the above in mind, our research is going to focus on the grocery retailing and distribution activities of JM in Portugal and Poland. As this sector is available in both countries, it will be a used as a comparison term to assess the domestic impact of internationalisation in Poland. The Polish experience was chosen because it is, within the grocery retailing sector, JM’s longest, most diversified and successful international experience. Therefore, it presents the require level of consolidation to generate significant impact over domestic activities.

In order to test the impact of internationalisation on domestic performance and learning, the following steps will be analysed in a sequential way: assessing international performance, relate international and domestic performance and search for relationships between domestic choices and international learning. The domestic impact of internationalisation is only considered significant when able to be measured and in order to measure it, financial data is required.

The first step in research should involve the analysis of international financial indicators. An attempt should be made to relate the degree of internationalisation with the type of performance that the firm displays in a foreign market. According to Ruigrok and Wagner (2003), the key variables to observe on time series of financial data should be return on assets (ROA) and operating costs to total sales (OCTS). The former will be a strict financial indicator whereas as the latter will be an operational performance measure. As the ROA indicator is not available for JM, due to difficulties in obtaining values for assets, we replaced it with the Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) over sales.

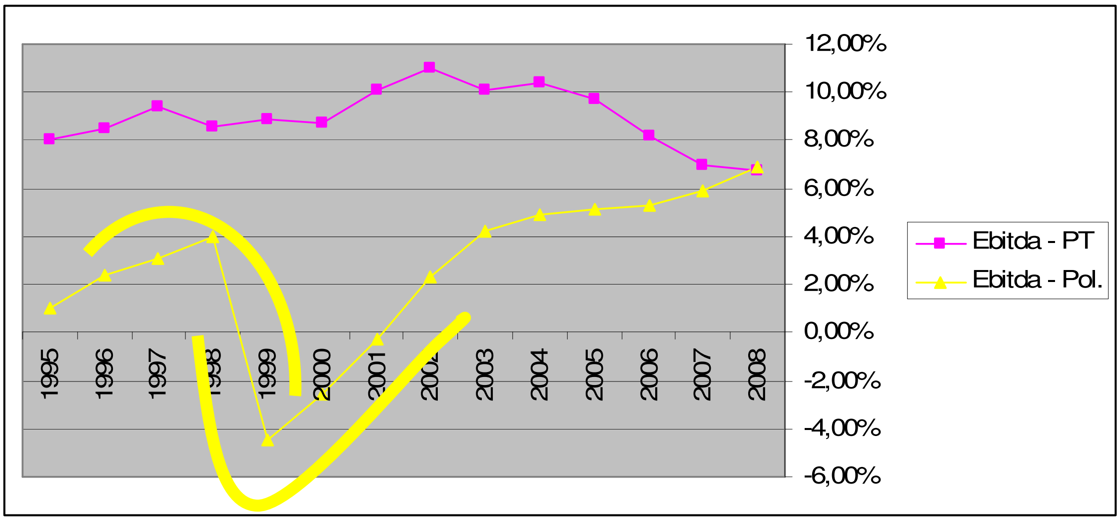
The second step should involve a comparison between international and domestic financial indicators. This would allow for the detection of relationships between international and domestic performance. At this level, one should aim for evidence of how international performance can affect domestic performance, by considering that there is a time-lag in the dissemination of knowledge from foreign to domestic markets.

The third step focus on the causality between international learning and domestic strategic decisions. Attention should be placed on tracking domestic strategic changes that have been influenced by international learning. To verify evidence at this level, an attempt will be made to draw a timeline with all strategic decisions taken by the firm, searching for possible hints that domestic decisions were determined by international learning.

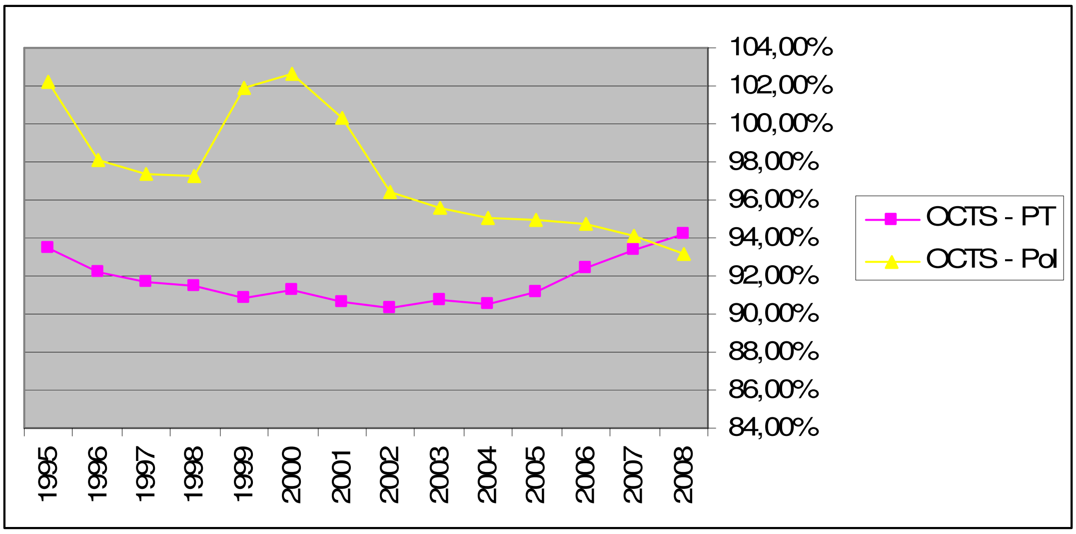
Results

The internationalisation of JM in Poland provides evidence of a dynamic relationship between internationalisation and financial performance. Ruigrok and Wagner (2003) could not find evidence of inverted J curves in their cross sectional study or of any dynamic relationship between the degree of internationalisation and financial performance. In this case, it is possible to observe that internationalisation-performance approaches can be used interchangeably at the firm level and that curve shapes are not well defined and sometimes overlap. Nevertheless, by taking a close look at the graph, it is possible to observe an inverted J curve followed by a U curve that can be associated to a two stage process of internationalisation of JM in Poland.

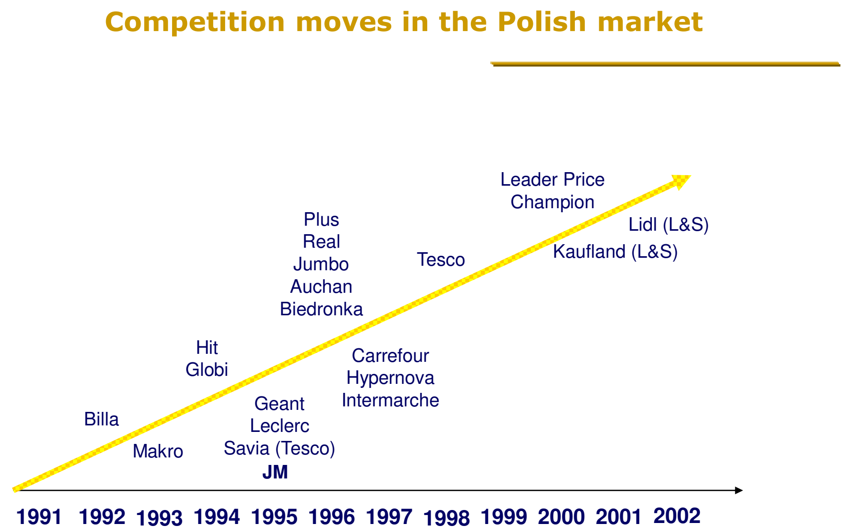
The initial stage between 1995 and 2000 is mainly characterised by an inverted-J curve in terms of financial performance. JM entered the Polish market with Eurocash (cash and carry format) in 1995 and Jumbo (hypermarket format) in 1996. Due to low market awareness and high risk aversion, JM basically exported these two Portuguese brands and formats to Poland, although the first one was an acquisition and the other one a Greenfield. This was an incremental strategy that attempted to collect revenue from existing domestic knowledge and competences (in the format of cash and carry with Recheio and in the format of hypermarket with Feira Nova). These formats produced modest positive results early on, but after 1999 they started suffering from severe competition (see graph 3) that led to decreasing returns. Performance became so weak that in 2002 these formats were discontinued.



Graph 1: Ebitda over Sales for JM retail in Portugal and Poland (data from JM annual reports)



Graph 2: Operational Costs to Sales for JM retail in Portugal and Poland (data from JM annual reports)



Graph 3 – Competition arrival into Poland (taken from JM (2003)).

The second stage, between 1998 and 2008, is characterised by a U-shaped curve in terms of financial performance. JM integrated Biedronka, a Eurocash client, in 1998 and later bought TIP (a Metro company) in 1999. After an initial period of acquiring market knowledge, JM decided to increase its degree of internationalisation in the Polish market by entering the discount format with Biedronka. Even though Biedronka was a Eurocash client, this was a complete new venture for JM as the firm had no previous experience in this type of format, not even in Portugal. Therefore, JM embarked in proactive and discontinuous learning experience that involved high initial investments (1998-1999), but led to the development of new competences and knowledge later on. As JM was quite successful in this process, positive results were quite significant both in terms of operational efficiency and financial performance (2000-onwards).

Contrarily to cross section analysis, the case study approach shows that individual firms choose their internationalisation strategies in a dynamic way. In a particular time period (1998 to 2002), two internationalisation approaches were being used simultaneously. This shows that firms can either use incremental or proactive approaches depending on their level of market knowledge; existing network and investment opportunities and we were able to observe that in the JM case.

H1: There can be dynamic outcomes in terms of internationalisation-performance approaches at the firm level - YES

In terms of the two strategies for Poland – proactive and discontinuous learning and reactive or incremental learning - we were able to find that the proactive learning delivered higher positive performance at the financial level. After a period of initial losses due to high investments and firm restructuring, Biedronka became gradually more efficient and started delivering positive results. The efficiency and profitability obtained by this venture was much higher than the one reached by Jumbo and Eurocash before being discontinued.

This seems to indicate that in JM group, discontinuous learning produces better results than incremental learning at the international level. The group had no domestic experience on the discount format before trying it in Poland and managed to turn it into a successful experience with the Biedronka investment. On the other hand, the experience with Jumbo (hypermarket) and Eurocash (cash and carry) was unsuccessful. Despite being a well-known format with decades of experience in Portugal, it did not manage to survive in Poland[1].
So, we can say that H2 can be confirmed.

H2: There is a higher impact on performance for proactive discontinuous internationalisation processes (U curve) than for situations of incremental learning - YES

Even though the Polish experience was quite successful for JM, until now no domestic impact of internationalisation could be traced using financial analysis. By observing graphs 1 and 2, there is no sign of a positive impact of the Polish experience over the domestic performance of JM in Portugal. The success of a proactive discontinuous learning approach at the international level did not produce any positive change in terms of domestic financial performance until the present moment in time. In fact, after 2003 (the beginning of the consolidation of gains in Poland), there seems to be a negative correlation between the Polish and the Portuguese case with the Portuguese

[1] Despite JM's success with a new venture approach in Poland, this does not that the firm was always successful with that option in terms of internationalisation. On the contrary, in Brazil and in the UK, JM bought Supermercados Sé and Lillywhites, respectively, but did not manage to turn them into successful businesses. The investments made accumulated losses in a continuous way and never got into the ascending part of the U-curve, therefore they were discontinued in 2002 and 2003.

indicators deteriorating as the Polish improve. Therefore, the financials indicators used provide no evidence of a direct impact of the Polish operations over the Portuguese ones.

H3: Internationalisation processes, and namely those based in proactive discontinuous learning, are capable of influencing domestic performance – No evidence was found.

Despite the lack of financial results for the domestic impact of internationalisation for JM, there are reasons to believe that results are still inline with the theoretical approach proposed before. As said earlier, the domestic impact of internationalisation will tend to suffer from time-lag and should only be expected after a consolidation of international learning. As the consolidation of the Polish experience seems to occur only after 2003, with efficiency and performance reaching sustained levels, there are reasons to believe that domestic activities can only be affected later. Therefore, the deterioration of financial indicators in Portugal after 2003 may, in fact, be a sign of investments or firm restructuring being conducted to incorporate international knowledge into domestic activities. If this is the case, we would only expect positive returns after investments are fully complete and operational.

In fact by looking at strategic decisions, there is evidence of a shift in the positioning of the supermarkets chain owned by JM Group in Portugal (see Table 1) in 2002. This year marked the re-positioning of the strategy of this company, based on a combination of competitive and stable prices, convenience and proximity, good perishable assortment and strong investment in private label. And from that year until 2008, the group has been implementing the defined strategy in order to cope with market tendencies and to gain competitive advantage. Despite not calling it so for the moment, we believe that Pingo Doce supermarkets is shifting to a discount format or at least to an hybrid situation in between a urban supermarket chain (since they keep strong in perishable products and maintain some in-store service level) and a discount chain (since they reduce considerably the assortment of other products in detriment of their own private label and promote the operational efficiency in order to reduce costs, and, therefore, prices to a stable level).

In addition to that, the Portuguese market has been opening new possibilities for licenses and JM has been taking some of those licenses and opening more supermarkets. This increase in stores opening consumes lots of resources and its turnover will only be achieved some years later. Then it is likely that financial indicators may be suffering from this initial impact of investment and it is also likely than in some years from now the impact of this investment would be reflected in a positive result on finances of the company.

H4: There is a time-lag between international learning and impact on domestic activities. – Clear hints of time lag – needs full confirmation..

Table 1 - Previsions and effective strategy for Pingo Doce – Portugal and Biedronka - Poland

		2004	2005	2006	2007	2008	2009
Previsions for	Pingo Doce		♦ Pingo Doce is expected to reinforce its leadership focusing on price policy, on private label developments and on the improvement of the perishable assortment	♦ Pingo Doce is expected to reinforce its leadership focusing on the opening of new stores, price re-positioning, perishable development and private label investments	♦ Efforts for the understanding of Pingo Doce new positioning should continue with an increase of private label products and improvements on perishable goods	♦ Maintain the same strategic positioning with the reinforcement of nuclear clients demand ♦ The group is expecting Plus stores acquisition to be approved	♦ Three big priorities are assumed: - Maintain the differentiation strategy in order to keep the *Life-for-life* grow higher than the market average - Consolidation of the integration of Tengelmann stores in the group as well as the integration of Feira Nova (less than 2500 m2) stores, in order to keep sales and profitability growth
	Biedronka		♦ Biedronka will keep the aggressive expansion plans (60 to 80 stores opening per year) and stores refurbishment (40 to 60 per year) ♦ A new logistic operational platform should be created	♦ Consolidation of the growing strategy based on a continuous, fast and sustained grow ♦ 80 to 100 stores per year should open ♦ 40 to 60 stores per year should be refurbished ♦ A new logistic operational platform should be created	♦ The group wants to be the largest grocery retailer in Poland and that should be achieved through an organic grow ♦ 120 new stores are expected to open Efforts on human resources developments and efficiency improvements should be made	♦ Intensification of geographical coverage will be made in all Poland ♦ The group is expecting Plus stores acquisition to be approved	♦ Maintain the organic growth of the firm in order to maintain the leadership. ♦ Open around 150 stores and refurbish 80 to 100 stores.
Effective	Pingo Doce	♦ Continuation of the strategy that started in 2002: competitive and stable price policy; differentiation through a good perishable assortment and with quality; investment on private label and efficient communication strategy based essentially on the competitive price policy ♦ Sales grew 2.3% ♦ Clients grew by 3.2% (in a deflation period)	♦ Continuation of the 2002 strategy in which they state they want to be the best supermarket chain operating in Portugal ♦ Peripheral clients are turning into nuclear ones through the increase of basket size ♦ Turnover grew 5.3% despite price deflation	♦ Continue with the competitive and stable price strategy, convenience, proximity, strong perishable assortment and emphasis on the private label ♦ sales grew by 14% ♦ Private label grew by 38% ♦ 25 refurbished stores ♦ 35 licenses obtained for new openings ♦ 10 new stores ♦ Improvements on stores layout	♦ *Life-for-life* sales grew 8.7%	♦ End of the implementation of the re-positioning process that was characterized by: - The merger of Pingo Doce and Feira Nova (medium-sized hypermarkets); - The acquisition of Plus stores.; - The launching of a new corporation identity, in order to consolidate the new positioning and the competitive advantages of the group ♦ *Life-for-life* sales grew 11.2% ♦ Total sales grew 23.7% ♦ 17 stores opened ♦ 77 Plus stores were integrated	
	Biedronka	♦ 55 new stores ♦ 64 refurbished stores ♦ Total sales grew by 17.5% ♦ Maximize operational efficiency is now the main goal	♦ Market is becoming very dynamic ♦ 84 new stores. The total number is now 805 stores	♦ *Life-for-life* sales grew 11.8% ♦ Sales grew 23.4% ♦ The percentage of Biedronka in the total group sales grew from 35.2% to 38.9%	♦Strategic positioning reinforced with a grow of 21.1% of *Life-for-life* sales ♦ Total sales grew 35% ♦ 140 new stores	♦ An aggressive expansion plan and a focus on a "everyday low price and quality" policy allowed to reach market leadership ♦ *Life-for-life* sales grew 20.2% ♦ 154 new stores ♦ 33 stores were closed and/or substituted ♦ 250 Plus stores integrated Total sales grew 37.3% ♦ By the end of the year the group had 1359 stores	

Conclusions, limitations and hints for further research

From the above, it was possible to confirm that a dynamic view of the firm is required to address issues that occur in later stages of internationalisation, such as the impact of the internationalisation process on the domestic activities. We believe that firms tend to use different internationalisation strategies and learning approaches interchangeably and sometimes simultaneously. The JM case study shows that clearly, as this firm started with incremental learning, after some time added a proactive discontinuous approach to the internationalisation process and finally dismissed the incremental approach and kept only the proactive discontinuous one. In this type of dynamics, partial views cannot provide a full view of the main issues that occur at the firm level in later stages of internationalisation.

Regarding the main research question, we could not find clear evidence of the domestic impact of internationalisation at the financial level. The accounting data available for activities in Portugal and Poland does not provide any evidence of a positive correlation between financial performances in these two countries. In fact, the correlation is negative, especially after the consolidation of positive performance in Poland (2004). This maybe due to new investments that company started and whose results will only be reflected later on.

However, the inexistence of a positive correlation is not totally unexpected and it may even be a sign that knowledge transfer is actually occurring between international and domestic activities. As referred previously, we expect a time lag between international learning and knowledge transfer to domestic activities. This is due to several factors, as some investments that started recently with Pingo Doce restructuring, but is also due to some domestic transfer barriers. For the international learning to have a positive impact in terms of financial performance, there must be a period of adaptation and restructuring that leads to investment and lower financial performance. Only after that period will positive results start to surface. Even though, we cannot confirm this financial analysis for JM, we have evidence that the strategic domestic changes are being fuelled with international learning, as we were able to observe in the table.

An important issue that could be addressed in further research is the impact of the external environment over the transfer of knowledge from international to domestic activities. Even though the transfer of knowledge occurs within the firm, there are several external issues that can condition it, namely domestic competition, changes in domestic regulation and so on. Controlling the impact of these forces could be a relevant topic to address in the future.

Another relevant aspect, could be a clear understanding of the knowledge transfer mechanisms that firms use. Despite finding traces of knowledge transfer within JM, we do not know how firms transfer that knowledge. Hypotheses range from return of expatriates to writing case studies, training, international workshops and so on. Each one is enough relevant to deserve a research of its own, however, we also think that it would be important which one is more important and which are the factors conditioning that importance.

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