INTERNATIONAL BUSINESS
FROM THE CENTRAL EUROPEAN PERSPECTIVE

Edited by
Blaženka Knežević
and
Krzysztof Wach

Zagreb 2014

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INTRODUCTION: CENTRAL EUROPEAN INTERNATIONAL BUSINESS

Firms operating under conditions of progressive European integration as well as globalisation of the world's economy should effectively use all existing possibilities, which are created by integration and globalisation processes (Wach 2014). Busiensses should search for their competitive advantage by introducing the Europeanisation or internationalisation (and even globalisation) strategies. Entries on foreign markets can improve the competitive advantage of firms that are taking a part in this process, but can affect all industries and national economies of host countries (for example, see discussion on changes in the retail industry described in: Knezevic et al., 2011 and discussions on contemporary changes in CEE and SEE countries in Renko & Knezevic, 2013)

It is very crucial that the possibilities, which are created for Central and Eastern European (CEE) as well as South and East European (SEE) businesses by the process of political and economic integration in the frame of the European Union (EU), became fully used. The Europeanisation of activities of a firm is one of such possibilities. In here, the Europeanisation of businesses means internationalising of their activities in the European scale. The Europeanisation includes a wide range of behaviours from simple foreign trade transactions to undertaking independent productive activities in a host country. The Europeanisation of firms resulted from the introduction of the Single European Market (SEM), which guarantees equal rights for all businesses (including small and medium-sized entrprises) in all Member Sates (that means mostly the annulment of national protectionism). The European market became "local" market offering national entrepreneurs new chances and possibilities.

Opening the discussion on the Europeanisation strategies applied by Central European businesses it is crucial to elaborate on motives determining the decision making process on undertaking activities on foreign markets. Literature distinguishes four basic motives making firms operate on international markets: pull factors (active factors), push factors (reactive factors) as well as chance factors and entrepreneurial factors (OECD, 1997). Active motives induce firms to undertake activities on international scale and are equivalents of pull strategy. The possibility of achievement higher profits on foreign markets is - in this case – the motive of an entry on these markets. This strategy depends on intensifying promotion of particular products in order to achieve larger profits. This strategy focuses on attracting consumers to particular goods. The pull strategy concerns these products, which bring profits on the domestic market. The chance factor is connected with the occurring conditions utilization. In other words it is just making good use of occurring possibilities by entering foreign markets. A firm knows how to make the most of every possibility. Entrepreneurial factor can be described as endeavouring to continuous growth. A firm enters new markets in order to achieve further assumed aims.

On one hand, no doubt there is obviously a regional specifics of international business in widely recognized Central Europe including both CEE and SEE countries. On the other hand, there is a theoretical and empirical gap in the literature, thus this monographic book is a kind of the answer trying to fulfill this niche.

The book includes 10 chapters and is divided into four thematic parts. The first two chapters (chapter 1 and 2) deal with the Europeanisation as a special case of internationalisation processes, and can be considered as the introduction. The next three chapters (chapter 2, 3 and 4) discuss the process of internationalisation from the business perspective. International entrepreneurship as a special theme within international business is included in next three chapters (6, 7 and 8). The last two chapters (9 and 10) end the book with the very crucial issues of international marketing. All ten chapters reveal the Central European specifics and features of international business.

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Part 1.

EUROPEANISATION OF CENTRAL EUROPEAN BUSINESSES

1. Europeanisation of Firms as Their International Growth within the European Union: The Empirical Investigation into the Internationalisation Level among Polish Firms

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Abstract

Objective: *The objective of the paper is the empirical verification of the intensification of the level of Europeanisation and internationalisation as well as corporate growth of studied firms after the accession of Poland to the European Union, including a diagnosis of the intensity of Europeanisation processes of the firms.*

Research Design & Methods: *Two main methods were applied, namely literature review and its constructive analysis and critics (desk research phase), as well as the survey (field research phase). The paper presents the research results of the survey conducted among 323 firms localized in the south of Poland (woj. małopolskie). The basic statistical analysis was applied using the 'Statistica' software.*

Findings: *Based on the research results the following assumptions were confirmed. The studied Polish firms which have already operated on the European market deepen the process of the Europeanisation of their activity, whereas the ones which have operated only on the domestic market are not interested in the internationalisation of their activity. Intensification of the macroeconomic Europeanisation processes after Poland's accession to the European Union positively influenced the growth and development of the studied Polish firms.*

Contribution & Added Value: *There are still few empirical verifications of the mechanism of Europeanisation as a special case of internationalisation within the European Union (EU) or on the Single European Market (SEM), thus the presented research and its findings may be regarded as a kind of a new step into this wide and new research theme.*

Keywords: *Europeanisation, international business, internationalisation, Single European Market (SEM), European Union (EU), corporate growth*

JEL classification: *F23, M00*

1.1. INTRODUCTION

The international growth or internationalisation of the firm has been one of the major research fields in microeconomics, macroeconomics and management, as well as international business or international entrepreneurship. The territorial scope of the international growth is also undertaken as a research theme, thus such dimensions of international growth as globalisation or Europeanisation as special cases of internationalisation have been investigated recently. At present, Europeanisation is a very frequently used notion, however, there is a clear shortage or even fragmentariness of scientific knowledge within this scope (Wach 2014a). The research into the Europeanisation processes were initiated by political scientists in 1970s, although the notion itself gained in popularity only in 1990s alongside the realization of the uniform European market. From that moment, Europeanisation is a willingly undertaken research problem in numerous fields and scientific disciplines. Only at the beginning of 21st century, the phenomenon of Europeanisation was noticed by economists, and the research into the economic dimension of the Europeanisation processes are in the initial stage. With reference to small and medium-sized firms, the European Commission, probably for the first time in an official document, used the notion Europeanisation as early as in 1993 (European Commission 1994, p. 9). D. Floyd (2001, p. 109) emphasizes the fact that the majority of market changes which occurred at the turn of the centuries took place as a result of the Europeanisation processes which are *explicite* defined as the phenomenon of the regionalization processes. On the other hand, D. Coen and Ch. Dannreuther (2002, p. 116) pay attention to the fact that the processes of bottom-up and top-down Europeanisation bring a lot of opportunities for firms, however, they point out that only active firms, possessing appropriate resources are beneficiaries of these processes, regardless of their size (both large ones, and the ones from the SME sector). As N. Fligstein (2009, p. 107) highlights, "majority of the research concerning the European integration focuses only on political and legal processes (…) which is the reason for which researchers overlook the fact how deep the European economy has been reorganized". The studies quoted above are sparse, and in addition recent papers postulating to undertake broad and deep research into the enterprise Europeanisation processes.

The main objective of the paper is the empirical verification of the intensification of the level of Europeanisation and internationalisation as well as corporate growth of studied firms after the accession of Poland to the European Union, including a diagnosis of the intensity of Europeanisation processes of the firms. The paper presents the research results of the survey conducted among 323 firms localized in the south of Poland (*województwo małopolskie*).

1.2. LITERATURE REVIEW

The growth of the firm may be accompanied by its expansion, which has two generic connotations. The expansion can be understood as a synonym for development, but also as spreading into new areas or new markets. Ch. Zook (2004, p. 37) mentioned – in this context – six adjacency moves, in different dimensions, namely, expansion into new geographic areas, expansion through new channels, expansion into new customer segments, expansion through new products, expansion through new activities, expansion by shifting up and down the value chain. These expansive spatial (geographic) adjacency moves are noted in both the domestic and the global markets, and are underestimated by Zook as a step in determining the further growth of the firm.

While discussing the path of market development through geographic expansion, the following scope should be distinguished: local, regional, national and international firms. In the literature, international growth is treated as a synonym for internationalisation (Nummela, Saarenketo 2011, p 1; Hynes 2010, p. 87; Anders, Kheam 1998, pp. 163-184). It is most often met to apply a very broad definition of the internationalisation of the firm as any type of business activities undertaken by a firm abroad (Welch, Loustarinen 1988, p. 34-55; Daszkiewicz, Wach 2012, p. 8; Daszkiewicz, Wach 2013, p. 36).

From the microeconomic perspective the internationalisation of the firm (or the international growth of the firm) as any economic activities undertaken by a firm abroad Śliwiński 2011, p. 133). In the case of the internationalisation - one can, regarding to the firm, define the Europeanisation as the internationalisation of a business in Europe (the European Union), specifically in the spatial scope of Single European Market, consisting today of 32 countries (EU-28, EEA-3 and Switzerland as an observer). So in that sense, the concept of the Europeanisation is narrower than the internationalisation, but due to the trends of the internationalisation of businesses in the modern economy and by creating favourable conditions for the functioning of firms in the markets of all EU member states, which *per se* contribute to the internationalisation in the European dimension.

It seems to be necessary to distinguish between the processes of internationalisation and Europeanisation of businesses (Wach 2014a). The process of internationalisation of the firm, is the broadest concept, since it can be assumed that globalisation and Europeanisation are special cases of internationalisation. All these terms include all activities (Horská 2004), levels and degrees of all operations performed by specific entities abroad from the exporting though contractual to investing modes (Figure 1).

Figure 1. Conceptual relations between internationalisation, Europeanisation and globalisation

Source: (Wach 2012, p. 184)

Ph. Harris and F. McDonald (2004, p. 73) define Europeanization, whereby it can be identified with the internationalization in the context of Europe. These authors also emphasize that the Europeanisation of firms is a complex and evolutionary-based learning. In their opinion, the Europeanisation of firms has similar implications which the internationalisation of firms, the implementation of more advanced forms of expansion in the case of the Europeanisation can occur much earlier (faster) than in the case of internationalisation - "(…) more complex modes of entry such as direct foreign investments may begin early in the Europeanisation process (…)" (Harris, McDonald 2004, p. 73).

The internationalisation of the firm (international growth of the firm) has been reported to be a separate research field since 1970s, while before it the internationalisation had been a part of general micro- and macroeconomic theories (Wach 2012; Jarosiński 2013; Daszkiewicz & Wach 2012; Daszkiewicz & Wach 2013). The theory of international growth of the firm is very rich, for the time being, the following theories of the internationalisation of the firm can be mentioned stages models (Johanson, Wiedersheim-Paul 1975; Johanson, Vahlne 1997), resource-based view (Welch, Loustarinen 1999), networking approach (Johanson, Mattson 1988), international entrepreneurship (McDougall, Oviatt 1994), strategic and managerial approach (Schweizer 2011; Bell, Crick, Younf 2004), holistic approach (Fletcher 2001, Bell, McNaughton, Young, Crick 2003), alternative models (e.g. Havens 1994). Each of the above mentioned approaches has very rich output in both theoretical and empirical levels. Recently the three phenomenal mechanisms can be observed parallel, namely the convergence, the divergence and crossvergence of all theoretical approaches.

The territorial scope of the international activities of the firm has been a quite new research theme as far as the European scope and the Europeanisation processes are concerned (Wach 2007; Wach 2008a; Wach 2008b; Wach 2012; Szkudlarek 2010; Daszkiewicz 2014; Knezevic & Szarucki, 2013), thus it is undertaken in this study.

1.3. MATERIAL AND METHODS

The main objective of the study is the empirical verification of the macroeconomic Europeanisation processes, which bloomed after the accession of Poland into the European Union, on the level of Europeanisation and growth of Polish firms, including a diagnosis of the level of the intensity of their internationalisation within the homogenous European market, contributing to their corporate growth and development.

A thorough analysis of the output of reference sources devoted to the research into the Europeanisation processes, as well as the internationalisation processes of small and medium-sized firms enabled to define the following research problem: What is the influence of the macroeconomic Europeanisation processes, intensified after Poland's accession to the European Union, on the level of Europeanisation of Polish firms' activity and the choice of their internationalisation methods?

Within the framework of the conducted empirical research, 3 research hypotheses were assumed:

H1: The studied Polish firms which have already operated on the European market deepen the process of the Europeanisation of their activity, whereas the ones which have operated only on the domestic market are not interested in the internationalisation of their activity.

H2: Intensification of the macroeconomic Europeanisation processes after Poland's accession to the European Union positively influenced the growth and development of the studied Polish firms.

H3: The export share in the revenues of the studied Polish firms does not depend on the geographical orientation of Polish firms expressed as Europeanisation (on the European market) or broader internationalisation (on extra-Union markets).

The Sampling and The Data

To prepare the study, diverse research tools were used - from study analysis of the reference sources, through conceptual works within the scope of the construction of theoretical models, to the multi-level empirical research. The empirical component included broad matrix of observations, including an analysis of the existing data with the use of statistical methods, diagnostic survey (surveying) and deepened field study. For the needs of the empirical research, two randomized research samples were used. An analysis of the first stage of the research with the use of a survey comprised 323 firms, and the research material collected in this way had both the quantitative and the qualitative character. In the second stage of the research, the guided interview was used, on the basis of which 100 interviews were conducted, and the research material collected in this way had quantitative character. The data obtained during the empirical research (Wach 2012, p. 242-259) had mainly qualitative character, however, the application of synthetic indicators for individual variables enabled to give them the quantitative form by the use of *quasi*-continuous qualities. The collected material was subject to statistical verification by applying specialist computer software and appropriate statistical tools.

The Research Variables

Based on the adopted assumptions, the research model was clarified, on the basis of which the research hypotheses could be subject to the procedure of empirical verification. In order to do that, the measures and the parameters of the model were defined, and two types of qualitative and quantitative indicators were applied:

– simple indicators being an arithmetic mean of responses to individual questions (sometimes defined as percentage),

– indicators being a resultant of simple indicators.

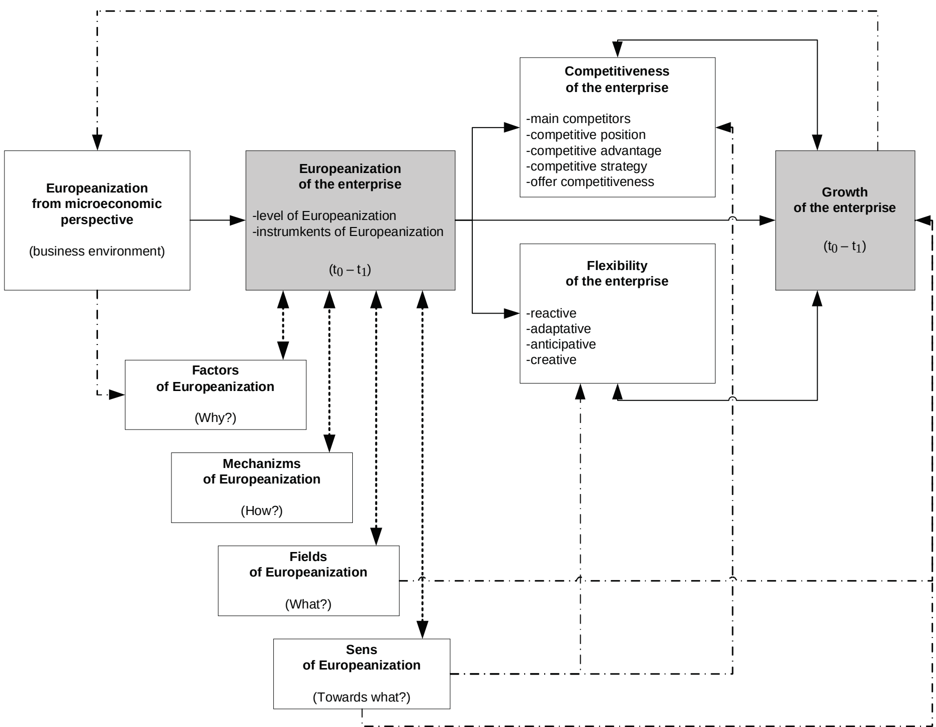
Both simple and resultant indicators include quantitative qualities (continuous ones) which adopted the value from the numerical set (e.g. age, size of employment), as well as qualitative qualities (e.g. the qualitative assessment of individual factors). For qualitative variables indicators, aggregates, were built (the sums of responses for a given category), and then the indicators were standardized in an agreed interval (they were converted in such a way so that their value was a sum from 0 to 1, and then they were presented as the percentage 0 -100). On this basis, *quasi*-continuous qualities were obtained, thus, they may be treated as continuous qualities and it is possible to use for them statistical methods intended for continuous qualities. On the stage of statistical calculations, four aggregates were applied:

– overall indicator of the Europeanisation level,
– overall indicator of the internationalisation level,
– overall indicator of corporate growth and development,
– overall indicator of entrepreneurial approach of entrepreneurs.

1.4. MODELLING THE EUROPEANISATION OF THE FIRM

For the construction of the research model, a previously prepared concept of the enterprise Europeanisation model was used (Figure 2) which was subject to the process of making it more detailed and to the operationalization process, with the simultaneous

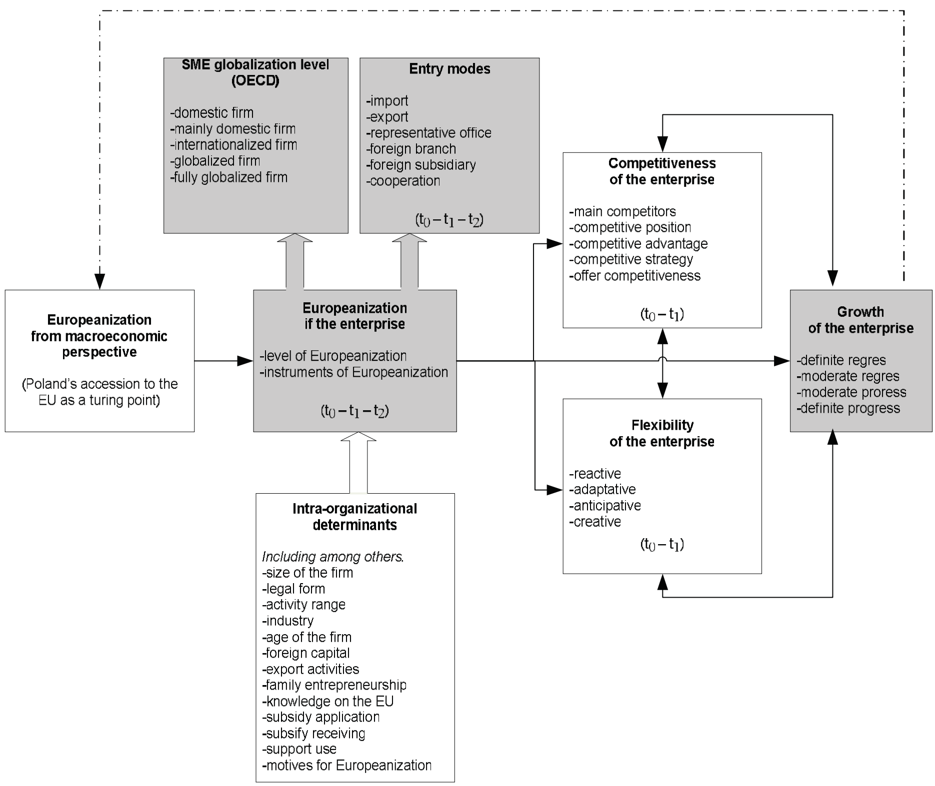
Figure 2. Theoretical model of Europeanisation of the firm



Source: Author's own study.

simplification of the conceptual model for the needs of the empirical research. In the centre of the research model (Figure 3) there is studied Europeanisation of an enterprise for which the measurement of its level was performed, and the methods of internationalisation applied by the studied firms in the retrospective and prospective perspective were identified. The choice of factors determining the enterprise Europeanisation process was limited to the selected intra-organizational determinants only, and their choice was made in the base of the most frequently ones occurring in analogous research (such identification was made during the studies of reference works on the previous stage of the research). The choice of those particular factors was first of all determined by pragmatic considerations although the author is aware of the multi-aspect character of this issue (as an example only, we could give a rich resource-based theory of an enterprise). On the output of the model, there are three mutually related factors, namely the enterprise development, its competitiveness and flexibility which, as far as it can be judged, are determined by the level of enterprise Europeanisation.

Figure 3. Research model of Europeanisation of the firm



Source: Author's own study.

Since the notion of Europeanisation is not univocal, even in reference sources, and the more so for the studied entrepreneurs, thus, the moment of Poland's accession to the European Union was made the turning point for the research and intensification of the macro-economic Europeanisation processes, as the most understandable reference for the respondents, which, once again, was determined by the pragmatic issues. It should be mentioned that as of the day of the accession, the intensification of the macro-economic Europeanisation in Poland *de facto* occurred, however, Polish firms experienced those processes also before the accession, but to a smaller extent. The variables distinguished in the model were subject to the research in the pre-accession perspective (*ex post* analysis) and the post- accession one.

1.5. RESULTS AND DISCUSSION

A very positive forecaster is high intensity of undertaking internationalisation by the studied firms as a result of the integration and the Europeanisation processes occurring mainly after Poland's accession to the European Union, in the post-accession period it is an increase by 20.5% in comparison with the pre-accession period. The most popular form of the internationalisation of the studied firms both on the European market and on the markets of third countries was undertaking export activity, but also cooperation with foreign partners. Both in reference sources and empirical research, export is indicated as the most frequent method of the internationalisation of firms, especially the ones from the SME sector, thus the results raise no reservations. Such a state of affairs is also confirmed by the pan-European research of 2003 and 2009 (Wach 2014b). In this respect, the profile of studied Polish firms is convergent with the profile of the European SMEs. The results prove the positive influence of Poland's accession to the European Union on the level of the Europeanisation of Polish firms with a tendency to consolidate such a state of affairs. On the other hand, the firms which did not undertake any actions within the scope of the internationalisation of their activity usually gave the lack of such a need as a reason.

The OECD globalization index estimates the level of internationalisation and/or globalization of firms. The index was constructed as 10-gradual-scale, in which 5 principal stages of internationalisation of firms were distinguished (OECD, 1997, p. 22):

– no globalization (domestic firms in the scale from 1 to 2),
– limited globalization (mainly domestic firms in the scale from 3 to 4),
– major globalization (internationalized firms in the scale from 5 to 6),
– extensive globalization (extensively global firms in the scale from 7 to 9),
– full globalization (global firms at the scale of 10).

Using the methodology of OECD concerning the degree of internationalisation of firms, one should affirm, that in the studied community the degree of internationalizing measured with the OECD index of globalization was as follows:

– 84.4% makes domestic firms (no globalization),
– 10.4% makes mainly domestic firms (limited globalization),

– 1.5% makes internationalized firms (major globalization),

– 3.7% makes global firms (full globalization).

The degree of globalization (internationalisation within and beyond the EU) achieved by the studied firms depends on the time in which actions were taken in the field of internationalisation ($\chi^2 = 13.9$, $p = 0.003$). As many as 84.5% of the surveyed firms that began the process of internationalisation after the accession of Poland to the EU, can be classified as 'no globalization' (while 13.3% limited globalization, 2.2% 'extensive globalization', 0.0% 'full globalization'), while as much as 46.9 % of the surveyed firms that began the process of internationalisation before the accession of Poland to the EU notes higher degrees of globalization (including 23.4% 'limited globalization', 6.3% 'major globalization', and 17.2% 'full globalization'). On this basis it can be concluded that the investigated firms that had been already operating in international markets before the accession deepened the internationalisation of their activities, while those firms that had previously operated only in the domestic market are just beginning the process of internationalisation of their business. This phenomenon may be regarded obvious since great majority of microfirms and a part of small firms are local (not even regional) firms with a very limited territorial range of activity due to the character of the activity conducted by them. Nearly a half of the studied exporters conducted their export activity only within the European Union, the same number of the studied firms exported both on the European market and to third countries, only 2.44% conducted their export activity only outside the European Union. On the basis of the statistical calculations, the dependence of the volume of export share in the revenues of the studied firms from the geographical orientation of the conducted export was confirmed. The high share of exports in the revenues are marked by the firms conducting their export activity both to the European Union countries and to third countries. Firms which conduct their export activity within the European Union mark a lower share of exports in their revenues, since for 50% of them the export share in revenues does not exceed 10% (the situation is analogous for the ones exporting only outside the European Union). On the basis of the quoted results, it is necessary to reject the hypothesis made at the beginning that the share of exports in the revenues of firms does not depend on the geographical orientation of the studied firms ($\chi^2 = 11.6$, $p = 0.07$). The research findings also enable to adapt the hypothesis that as a result of the macroeconomic Europeanisation processes after Poland's accession to the European Union intensification, though insignificant one, of cooperation connections of the studied firms with the entities from the remaining European Union countries took place.

Almost half of the studied firms assumed that the Europeanisation processes after the accession positively influenced their activity, at the same time only 4.4% of them assessed the influence of the accession as unfavourable. In the deepened study research conducted with the guided interview method, the evaluation of the influence of the mechanisms of the European economies Europeanisation in the post-accession period was similar although more optimistic The material collected during the field research which has qualitative character confirms the positive influence of the integration processes and Europeanisation after Poland's accession on the activity of the studied firms. Thus, the quoted arguments prove the correctness of the initial hypothesis that the Europeanisation and integration processes influenced the growth and development of Polish firms ($\chi^2 = 17.4$, p = 0.008). With the use of the statistical calculations, a dependence was discovered between the influence of the accession on the development of the studied firms and the level of knowledge on the principles of functioning of firms on the European market. Firms declaring a high level of knowledge in great majority proved that Europeanisation exerted definitely beneficial influence, analogously sufficient - rather beneficial and insignificant - no influence. On this basis, the hypothesis that the level of knowledge on the principles of functioning of firms on the European market positively influences the perception of influence of the macro-economic Europeanisation on the development of firms. The level of the flexibility of activity applied by the studied firms has impact on their development, the higher it is, the bigger percentage of firm marking development is observed. In addition, it was proved that the Europeanisation mechanisms after Poland's accession to the European Union influenced a change in the flexibility level used by the studied firms. Over 1/3 of the studied firms declared that the accession forced high flexibility of action towards the environment (the progression of the flexibility level) on them.

To sum up, on the basis of the empirical research, verification of all the research hypotheses was made. The results of the conducted empirical research allow to claim that 2 out of 3 research hypotheses were proved, 1 was rejected (a dependence different than the assumed one was observed). It may be assumed that the listing (Table 1) prepared on the basis of the empirical research and concerning the influence of the Europeanisation and integration processes is typical for the whole studied population, which allows to draw generalizations within this scope.

Table 1. The listing of the results of the research hypotheses verification

Symbol and Content of the Hypothesis		Result of the verification
H.1.	The studied Polish firms which have already operated on the European market deepen the process of the Europeanisation of their activity, whereas the ones which have operated only on the domestic market are not interested in the internationalisation of their activity.	confirmed
H.2.	Intensification of the macroeconomic Europeanisation processes after Poland's accession to the European Union positively influenced the growth and development of the studied Polish firms.	confirmed
H.3.	The export share in the revenues of the studied Polish firms does not depend on the geographical orientation of Polish firms expressed as Europeanisation (on the European market) or broader internationalisation (on extra-Union markets).	rejected

Source: Author's own study (survey results, $n = 232$)

1.6. CONCLUSIONS

On the one hand, the presented results have a character of creative synthesis and systematics of the output of economic sciences within the scope of enterprise Europeanisation, which includes three overlapping areas, namely the theory of enterprise development, the theory of enterprise internationalisation and the theory of entrepreneurship, all of them developed both in economy and in management. On the other hand, the work is an attempt of the conceptualization of the enterprise Europeanisation process in the holistic, inter-disciplinary representation. The search for universal determinants and mechanisms of enterprise Europeanisation was determined by several purposes which were achieved in the course of the undertaken research works.

Although initiated in the political sciences, since the beginning of 21st century the research into the phenomenon of Europeanisation has been more and more confidently entering the economic sciences. The Europeanisation processes are multi-dimensional from their nature, they characterize with a high degree of eclecticism. In the economic representation, we can distinguish three dimensions of the Europeanisation process. Thus, in the macro-economic transcendent dimension, Europeanisation should be treated as converting the European Union into a significant economic centre in the world, which is confirmed by the statistical data because at present, the EU share in the world trade is one fifth of the global trade and is bigger than the share of the USA or Japan. Europeanisation in the macroeconomic immanent meaning is creating convenient conditions for the development of the European entrepreneurship and European firms, enabling them to use opportunities the homogenous European market creates. On the other hand, in the microeconomic meaning, Europeanisation may be identified with the process of the internationalisation of firms to the European Union scale.

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2. Internationalization and Europeanization of Businesses in the Single European Market[1]

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Abstract

Objective: *The aim of this study was to determine internationalization and Europeanization of businesses in the Single European Market (SEM), especially the territorial scope of their international activity.*

Research Design & Methods: *The following research methods were applied: literature review and the survey conducted among 216 internationalized firms. The study has been carried out at the turn of 2013 and 2014 on the sample of N = 216 enterprises from all 16 Polish regions. The statistical calculations were made by means of the statistical software package "Statistica". In order to verify the assumed hypothesis the Pearson's chi-square independence test was applied.*

Findings: *The research has confirmed the statistical dependence between the size of a firm and territorial scope of its international activity. Statistical dependence between age of a firm and the scope of its internationalization has not been confirmed.*

Contribution & Added Value: *There was no research done until now that focused on investigated issues on the quite big sample of internationalized businesses from all 16 Polish regions (the whole country).*

Key words: *internationalization, Europeanization, Single European Market, SMEs*

JEL classification: *F23*

2.1. INTRODUCTION

In this article, internationalization is understood widely as "any economic activities undertaken by a company abroad" (Rymarczyk 2004, p.19). In turn, Europeanization is a process of internationalization of enterprises in the European markets. Thus, internationalization and Europeanization differ by intensity and territorial scope (Wach 2013,

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p.18). There are many approaches to research on internationalization of enterprises but there is no single theory which has received universal acceptance (Daszkiewicz & Wach 2012, p.63). The oldest internationalization theories go back to Adam Smith's *Theory of Absolute Advantage* founded in 1776. However, their dynamic development started in mid-1970s and continues today. Among classical, so called "stage theories" the Uppsala Model (U-Model) is the most famous and one of the most cited position (Johanson & Vahlne 1977; Johanson & Wiedersheim 1975). Some elements of the U-model and revised later U-model are adopted the in this paper.

The research objective of the paper is to identify the territorial scope and direction of internationalization of Polish businesses. In the course of the study two research hypotheses were assumed.

2.2. LITERATURE REVIEW

Theoretical Conceptualising of the Internationalization of the Firm

Internationalization may have different dimensions, horizons, perspectives and levels. Thus, it is impossible to give its universal definition. However, in this article internationalization is understood widely as "any economic activities undertaken by a company abroad" (Rymarczyk 2004, p. 19).

The early internationalization theories of the firm have been developing in the mainstream theories of international trade that is, the explanation of international flows of goods and services (e.g. Smith 1954) and the theories of foreign direct investment (FDI). The best known include Dunning Eclectic Theory (OLI Theory), internalization theory (Buckley & Casson 1981) or transaction cost theory (Williamson 1998; Wach 2012; Daszkiewicz & Wach 2013).

The first theories concerning internationalization of small and medium-sized enterprises (SMEs) developed only in the mid-1970s. There are several classical theories, also called "stage theories", that describe internationalization of firms as an incremental process (Johanson & Wiedersheim 1975; Johanson & Vahlne 1977; Bilkey & Tesar 1977; Cavusgil 1980). Among stage theories the Uppsala Model (U-Model) is the most famous and one of the most cited position (Johanson & Vahlne 1977; Johanson & Wiedersheim 1975). The scholars assume that firms start their international expansion in small steps from close markets to most distant markets. The internationalization started in foreign markets which were close to the domestic market in terms of psychic distance ("psychologically close" - defined as factors that made it difficult to understand foreign environments). Then, the companies would gradually enter other markets which were further away in psychic distance terms (Daszkiewicz & Wach 2012, p.65). In recent years Johanson and Vahlne (2009) and Schweizer, Vahlne and Johanson (2010) updated their U-model two times. They emphasized the role of networks in firm internationalization process and then the entrepreneurial approach.

The late 1970s and 1980s of the twentieth century brought a new approach to the study of internationalization i.e. *network approach*. Entry into a new (foreign) market requires building networks in this market (Johanson & Mattsson 1988; Coviello & Munro 1999). The key characteristics of the network approach is the multiplicity of trends analysis - there is no one, clearly specific paradigm that would precisely define area of research (Gorynia & Jankowska 2007).

Some elements of the U-model and revised U-model are adopted the in this paper. The author claims that:

1. Firms change by learning from their experience in foreign markets.
2. Knowledge is fundamental for firm's internationalization. Thus, learning by experience results in gradually more differentiated view of foreign markets as well as firm's capabilities (Johanson & Vahlne 1977).
3. Relationships offer potential for learning and for building commitment. Thus, both are preconditions for internationalization (Johanson & Vahlne 2009).

It should be also explained that during the last decades there has been a growing interest in organizational learning in the internationalization context. Internationalization knowledge includes general internationalization knowledge which reflects firm's resources and its capabilities but also internationalization knowledge concerning experience in foreign market entry, mode-specific, core business, alliance, acquisition and other specific kinds of internationalisation (Eriksson at al. 1997).

Since Johanson and Vahlne (1977) started their studies much research has been done and many new approaches towards internationalization process of businesses have been proposed.

The new INV theory *(International New Ventures)* concerned particularly high-techs and high-tech related industries and was based on observations that internationalization of INV SMEs results from opportunity seeking behavior of entrepreneurs (Oviatt & McDougal 1994, p.49). The INV theory states that some SMEs are "international from inception" because entrepreneurs seek growth opportunities in foreign markets. Thus, there are firms that skip stages or not have any stages in all their internationalization process. This observation caused that many scholars started to differentiate two discreet ways that firms internationalize, "international at inception" (Oviatt & Mc Dougall 1994) or "international by stage" (Johanson & Vahlne 1977).

The review of internationalization theories requires a statement on some new approaches that have developed during the last decade. Among them the best known are, the integrative approach (Bell at al. 2003), the strategic management approach as well as international entrepreneurship (Wach 2012). The internationalization of the firm may be driven by entrepreneurs because of their individual characteristics (Zahra 2005; Busenitz & Barney 1997). A business owner, due to his/her industrial and international business experiences, may invest in a foreign market. However, the entrepreneur's personal nature plays a significant role.

Europeanization

Research on the Europeanization are dated back to the 1970s, although they flourished during the last decade of the 20th century and continues today, as evidenced by bibliometric analysis performed in this field (Daszkiewicz & Wach 2012, p.10). Europeanization refers to a number of phenomena occurring in Europe and is used in a variety of disciplines - law , sociology, geography, political science and economics (Wach 2008; Wach 2012, Wach 2013; Wach 2014b; Riedel et al. 2010]. Europeanization in economic terms is perceived differently. Most authors distinguish three levels of analysis. The Europeanization of business activity is inextricably linked to European integration, in particular the creation of the single European market. Economic integration is the process of combining the economies into a single coherent (internally integrated system) through the elimination of economic borders between them (Baldwin & Wyplosz 2012). Thus, Europeanization in terms of macroeconomic is associated with the wider environment in which businesses operate . The Single European Market (SEM) creates specific operating conditions for businesses. The Europeanization in mesoeconomic sense can be observed in industries as most of them are becoming Pan-European as opposed to being solely national (Wach 2013, p.16) In terms of microeconomic, Europeanization is a process of internationalization of companies on a European scale , especially in the single European market which is “psychologically close” for European businesses.

In this article Europeanization of economic activity (within the meaning of Europeanization microeconomic) is understood as a process of internationalization of companies in the European markets, or expansion and operation of enterprises in the single European market). In this way, the Europeanization is also defined by Ph. Harris and F. McDonald as “internationalization in the context of Europe” (Wach 2012, p.176). Thus, comparing the process of internationalization with the process of Europeanization, they are identical spheres but with a different intensity and different territorial dimensions (Wach 2013, p. 18).

2.3. MATERIAL AND METHODS

The **research objective** of the paper is to identify the territorial scope and direction of internationalisation of businesses. In the course of the study, the following **research hypotheses** were assumed:

H1: The territorial scope of firm’s activity is increasing with its size.

H2: The territorial scope of firm’s activity is increasing with its age.

The following research methods were applied in this paper: literature review and the review of results of the last European Commission (2007, 2010) and PARP (2013) studies on SME internationalization as well as the survey (an e-mail or a telephone conversation request followed by an online password protected questionnaire).

The research was carried out with the project no. StG-21310034 on “Patterns of Business Internationalization in Visegrad Countries – In Search for Regional Specifics” financed by the International Visegrad Fund in the years 2013-2014 by the consortium of five Central European universities leading by Cracow University of Economics[2].

The survey was conducted among 216 firms between October 2013 and February 2014. The statistical calculations were made by means of the statistical software package "Statistica". In order to verify the assumed hypothesis the Pearson's chi-square independence test was applied (Daszkiewicz 2014; Daszkiewicz & Wach 2014; Wach 2014; Wach & Wojciechowski 2014).

2.4. RESULTS AND DISCUSSION

Internationalization of European businesses

The results of the last two EU studies on SME internationalization i.e. Observatory of European SMEs (EC 2007) and Internationalisation of European SMEs 2010 (EC 2010) show substantially different pictures on the degree of internationalization of European SMEs. Analysis of the data show the basic relationship that the smaller the country , the more SMEs are internationalized. There is also negative correlation between size of SME's home country population and its level of international activity. Moreover SMEs located close to a border show much higher activity rates with their cross border regions. The relationship of each mode of internationalization to size class is supported:

- The share in exporting, importing is at least twice as high form medium-sized enterprises as for microenterprises.
- Medium-sized enterprises are three times more active in technical cooperation than microenterprises.
- For foreign direct investments (FDI) there is a large difference, by size class micro 2%, small 6% and medium-sized 16%.
- Exporting and importing activities increase in intensity by age of enterprise. The
- percentages of SMEs that are exporting gradually increases from just over 15% for enterprises up to 4 years of age to nearly 30% for enterprises that have existed for 25 years or more. Most often SMEs start international activities by importing.

Nowadays, more than 40% of European SMEs are involved in some form of internationalization. The percentages vary from nearly 30% of SMEs that import to only 2% of SMEs having foreign direct investments. Of all enterprises that either import or export, more than 40% are active with both modes.

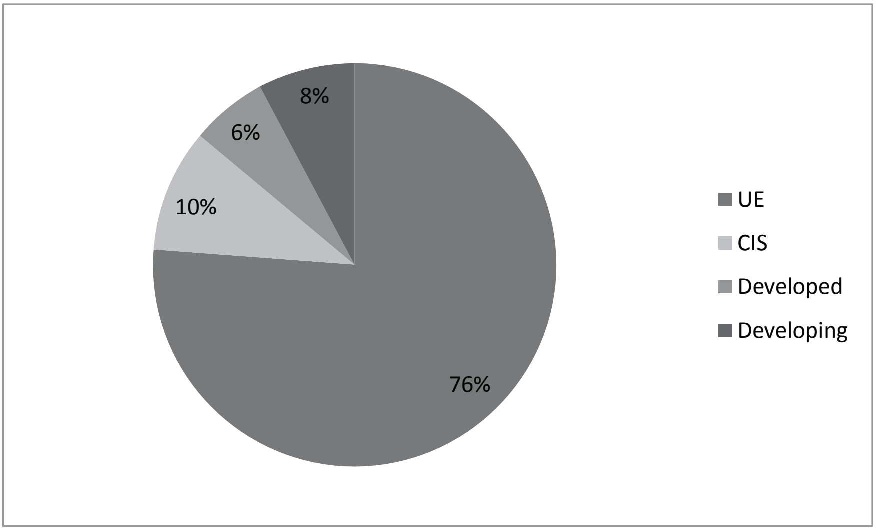
In Poland, in 2011, the number of all enterprises employing more than 9 persons was 50 519, of which 15 828 companies are exporters. In this group, 13,888 (87.7%) of companies accounted for SMEs (PARP 2013, p 48).

Traditionally, companies belonging to the SME sector are less internationalized than large companies. Propensity to export illustrate two internationalization indica-

[2] Further info at: http://www.visegrad.uek.krakow.pl (accessed on April 30, 2014).

tors: participation rate of exporters in the total number of firms and the participation rate of export revenues in total revenues exporters. Data for the first indicator shows the share of exporters in the total number of firms increases with the size of the company. Also, the data for the second indicator illustrate that the larger the company exporting the higher the share of exports in its sales (Table 1). It is worth noting that the actions of Polish enterprises are mainly Eurocentric character and the main trading partners are the European countries (Szkudlarek 2010, p 360) (Fig. 1).

Figure 1: Share of individual groups of Polish export markets in 2012



Source: (MG, 2013, p.37-42)

Table 1. Propensity to export Polish companies according to their size in 2011

Criterion	Total numer of enterprises	Number of exporters	The share of exporters in the total number of enterprises (in%)	The share of revenue from exports in total sales (in%)
Enterprises in total (more than 9 persons)	50519	15828	31,3	28,8
Small enterprises (10-49 persons)	31616	7099	22,5	21,1
Medium enterprises (50-249 persons)	15780	6789	43,0	23,7
Enterprises from SME sector (10-249 persons)	47396	13888	29,3	23,0
Large enterprises (powyżej 249 osób)	3123	1940	62,1	31,5

Source: adapted from (PARP 2012, p 61)

The Research Sampling

The study has been carried out at the turn of 2013 and 2014 on the sample of N = 216 internationalized enterprises from all 16 regions of Poland (table 2 and 3).

Table 2. Size of the firms in the sampling

Size	Numbers	%
SMEs	164	76%
-micro	50	23%
-small	50	23%
-medium	64	30%
-LEs	52	24%
Total	216	100%

Source: Own study based on the research results (N=216)

Table 3. Age of the firms in the sampling

Age	No	%
>30	39	18%
1985-1995	70	33%
1996-2004	57	26%
2005-2013	50	23%
Total	216	100%

Source: Own study based on the research results (N=216)

Selected Survey Results

Statistical analysis leads to the following conclusions:

1. There is statistical dependence between the territorial scope of firm's activity and its size (chi2 = 25.0003, df = 4, p = 0.00005). Calculated on the basis of Chi-square contingency coefficient C Pearson C = 0.343 shows that between these variables there is a relationship of moderate strength (table 4). Thus, the research findings stay in line with presented above EU and PARP studies on internationalization of businesses.
2. There is no statistical significance between the territorial scope and its age (ch2 = 8.233, df = 6, p = 0.221) (table 5).

Table 4: Cross tabulation concerning size of the firms

Size	Only neighbouring countries/ cross border countries	Within the EU markets	Within and beyond the EU markets	No answer	Total
Small	5	26	49	17	97
Medium	0	9	48	7	64
Large	1	1	48	5	55
Total	6	36	145	29	216

Source: Own study based on the research results (N=216)

Table 5: Cross tabulation concerning age of the firms

Age of firms	Only neighbouring countries/ cross border countries	Within the EU markets	Within and beyond the EU markets	No answer	Total
Before 1985	0	2	35	4	41
1985-1995	2	15	45	8	70
1996-2004	2	10	36	10	58
2005-2013	2	9	29	7	47
Total	6	36	145	29	216

Source: Own study based on the research results (N=216)

2.5. CONCLUSIONS

Based on the calculations it was possible to accept one hypothesis entirely. In case of the second hypothesis no statistical significance was found. Thus:

H1: The territorial scope of firm's activity is increasing with its size *confirmed.*

H2: The territorial scope of firm's activity is increasing with its age *no significance.*

Concluding the research results, the empirical findings presented in the research paper are as follow:

1. Territorial scope of firm's internationalization is growing with its size. The bigger the firm the more distant markets it enters.

2. There is no statistical significance between age of the firm and its territorial scope.

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Part 2.

INTERNATIONALISATION PROCESSES AMONG CENTRAL EUROPEAN BUSINESSES

3. Determinants of Early Internationalization – Empirical Evidence from Global Entrepreneurship Monitor

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Abstract

Objective: *There is a high variation of internationalization of SMEs among countries. Moreover, that variable seems to be stable for most researched countries. That leads me to assumption that international orientation of SMEs is strongly dependent on country-level factors. The purpose of the paper is to empirically define the determinants of early internationalization of SMEs at country level. The conceptual objective of the paper is to attempt to build a model of macro-level antecedents of early internationalization.*

Research Design & Methods: *The international entrepreneurship research lies on the border of international management and entrepreneurship and various theories explaining internationalization have been developed by international entrepreneurship. I ground my explanation in resource-based view and population ecology theory and I use cultural, macroeconomic, institutional, social and demographic variables to explain the variation in the intensity of early internationalization. I use Global Entrepreneurship Monitor 2011, 2012 and 2013 data to test the hypotheses with the use of correlation and multiple regression analysis. The results of the study bring a few practical recommendations mainly for policy makers, but also for educators. They include widening the access to Internet, promoting export activities and reforming the labor market.*

Findings: *The most important factors determining the early internationalization of SMEs are the use of Internet, level of economy's globalization and export per capita. Other factors are also important but at a lower level.*

Contribution & Added Value: *The presented results bring contribution to entrepreneurship research. Although the literature body in international entrepreneurship is growing there are very few studies in that field based on GEM data. Moreover, most studies in international entrepreneurship focus on factors on micro-level. I try to fill both those gaps and I argue that Global Entrepreneurship Monitor data combined with secondary data form a good basis for research in small business internationalization and especially in born-global start-ups.*

Keywords: *early internationalization, international orientation*

JEL classification: *F23*

3.1. INTRODUCTION

There is no doubt that entrepreneurship is the driver of economic and social development. There is also beyond discussion that international entrepreneurship brings even bigger benefits. Therefore, it should be one of the priorities to promote both entrepreneurship and internationalization of enterprises at national level. This especially concerns born-global start-ups – enterprises that from the very beginning of their existence are oriented internationally. After closer look it can be noticed that there is a substantial variation of international orientation of early-stage entrepreneurial activity among countries. International orientation here means the percentage of customers that come from other countries, and the early-stage entrepreneurial activity is Global Entrepreneurship Monitor (GEM) term for describing the venture that falls within the brackets of 6 months prior to the start-up and 42 months after the start up. In GEM there is the variable measuring the percentage of early-stage entrepreneurs who indicate that at least 25% of the customers come from other countries. In 2013 it varied from 0% (Malaysia) to 41% (Croatia). Moreover, that index seems to be quite stable for most countries (e.g. the highest change within years 2007-2009 was for Dominican Republic from 10% to 20%). That leads me to assumption that international orientation of start-ups is strongly determined by country-level factors.

The purpose of the paper is to answer the question of what kind of country-level variables and in what way influence the early internationalization intensity among start-ups. To do that, the literature review in the area of international management and international entrepreneurship has been carried out to identify the country-level variables influencing the intensity of internationalization. The conceptual objective of the paper is to attempt to build a model of macro-level determinants of early-stage internationalization, the practical objective is to provide recommendations for entrepreneurship policy to facilitate internationalization.

3.2. LITERATURE REVIEW

The Concepts of Internationalization of Enterprises

The international entrepreneurship research lies on the cross-section of international management and entrepreneurship and various theories developed to explain internationalization have been adapted by international entrepreneurship. Those two areas began to merge in late 90. as earlier international business research had focussed most often on established, large multinational companies, and entrepreneurship researchers have focussed primarily on new venture creation and the management of small- and medium-sized businesses within the domestic context (McDougall & Oviatt 2000).

Probably the most wide-spread school of international management is the notion of stage process. In this approach, internationalization is viewed as an incremental process that occurs gradually as a result of organizational learning. In the process of managing the company managers gain knowledge and experience of foreign markets and when it reaches certain level the organization internationalizes (Coviello & McAuley 1999). Similarly, the global horizon approach had linked the internationalization with the growth of organization. In this approach internationalization is the result of expansion and limited domestic opportunities. Both theories exclude the possibility of early-stage internationalization: in stage process theory the managers have no knowledge and experience to operate at international markets, in global horizon theory in the early stage of firms life the horizon is limited to domestic market. Supporting that, Autio, Sapienza, and Almeida (2000) found negative relation between age of the firm at international entry and growth in international sales.

Process-stage theories fail to explain early-stage internationalization. They have been especially challenged when high-tech young firms began to internationalize at their earliest stages of existence. Oviatt and McDougall (1994) proposed the framework able to explain the rapid growth of new entrepreneurial ventures in the international market. I also agree with other scholars that process-stage theories cannot explain internationalization in the early stage of activity, therefore I seek explanation in resource-based theories, foreign direct investment theories and population ecology approach (McDougall & Oviatt 2000; Zahra, Ireland & Hitt 2000; Hitt, Ireland, Camp & Sexton 2001).

Resource-based view attributes the decision of internationalization to configuration of resources. In some cases the reason for internationalization is abundance of resources in others it is a lack of them. Foreign direct investment theories attribute the decision to internationalize to economic factors such as differences in costs, level of economic growth or technological development. External forces of internationalization are also the foundation of population ecology approach. Entrepreneurs might enter new markets due to high competition on domestic market.

Determinants of Early-Stage Internationalization

In many theories individual-level traits are used as determinants of internationalization. In this paper, however, where the unit of analysis is a country I focus on country-level determinants. I base my hypotheses partly on process-stage theories, foreign direct investment theories and population ecology approach. Following Ketkar and Acs (2011), Freeman and Cavusgil (2007), Chou (2010), Autio and Acs (2007) and others I use cultural, institutional, macroeconomic and socio-demographic variables to explain the variation in early internationalization intensity. The literature review is somehow problematic as some evidence concerns entrepreneurs and some other existing firms.

There is much evidence that international activity is a key element of entrepreneurship. As part of the entrepreneurial process, most entrepreneurs perceive international opportunities from the first day they start their business (Zacharakis, 1997). The entrepreneurial approach includes identifying and assessing the opportunity and utilizing resources to exploit it (Ibrahim & Ellis, 2002). Entrepreneurs are opportunity-driven regardless of the location of opportunity. Entrepreneurs' personality traits and backgrounds drive them to scan the environment (local or international) looking for market opportunities (Ibrahim, 2004). That leads us to assumption that opportunity-driven entrepreneurs internationalize more often and earlier than necessity-driven entrepreneurs. It is also supported in more recent works (e.g. Mainela, Puhakka & Servais 2014).

On a country-level it should be reflected in positive relation between the percentage of opportunity-driven entrepreneurship in overall entrepreneurial activity and international orientation of early-stage entrepreneurial activity, therefore I formulate the hypothesis:

H1: International orientation of early-stage entrepreneurial activity is positively related to intensity of opportunity-driven entrepreneurship.

As stated before, process-stage theories provide little explanation to early-stage internationalization at individual level. Entrepreneurs typically have no experience and knowledge of international markets. But can those theories provide some explanation on country-level? I argue that the knowledge and experience of international trade accumulated in the society creates an institutional factor that supports early-stage internationalization. Busenitz, Gomez and Spencer (2000) argue that knowledge and experience of entrepreneurship in general creates entrepreneurs in the future. In the same line of reasoning knowledge and experience of international trade should create international entrepreneurs. Countries that are more globalized and have higher intensity of export activity should produce more internationally oriented entrepreneurs. However, that relation seems so natural that there is very little empirical evidence in the field. Taking that into consideration, I formulate following hypotheses:

H2: International orientation of early-stage entrepreneurial activity is positively related to intensity of export activity.

H3: International orientation of early-stage entrepreneurial activity is positively related to level of country globalization.

Cultural factors have always been attributed an explanatory power in level of overall entrepreneurship and internationalization models. Valdez and Richardson (2011) found a positive relation between cultural norms and level of both opportunity- and necessity-based entrepreneurship. The impact of national culture on entrepreneurial intentions and growth aspirations is also supported by Schlaegel, He and Engle (2013) and Autio, Pathak and Wennberg (2013). Also Chou (2010) claims that cultural factors play major role in determining born-globals success. Also other authors (Ojala & Tyrväinen, 2007) prove the influence of cultural factors in the process of internationalization. From above emerges the following hypothesis:

H4: International orientation of early-stage entrepreneurial activity is related to dimensions of national culture.

Two other factors hypothetically influencing the decision to internationalize; level of education and Internet penetration; are somehow interconnected. The research results on the influence of level of education on entrepreneurship are often contradictory. Nevertheless I assume that level of education plays an important role in internationalizing. Two areas of knowledge are especially important here: overall knowledge about world and other countries (Zhou 2007) and knowledge of foreign languages. There is no surprise that countries with high level of education are leaders in international business, but the relation might be reversed: wealthy countries with high rates of export develop their education systems. The influence of skills in foreign languages on internationalizing leaves no doubt; countries where those skills are widespread (Finland, Iceland, Norway, Denmark, Netherlands, Belgium, Switzerland) are leaders in export activity per capita. I therefore formulate another hypothesis:

H5: International orientation of early-stage entrepreneurial activity is positively related to the level of education index.

Doing international business demands access to information which is best provided by Internet, therefore I assume that countries with high Internet penetration also exhibit high level of international orientation. This is supported by some research done in the field that concludes that internationalization, proactiveness, innovativeness and Internet use overlap. Internationalisation arises from entrepreneurial firms encompassing high levels of innovativeness and proactiveness, international entrepreneurs encompassing high levels of proactiveness exhibit higher levels of Internet capabilities and the accumulation of a firms Internet capability can assist international operations (Glavas & Mathews 2014). Therefore I hypothesize:

H6: International orientation of early-stage entrepreneurial activity is positively related to the level of Internet penetration index.

Recently both the scholars and international organizations have developed a number of indexes measuring the economic development, economic freedom and other factors concerning business, entrepreneurship, regulatory and cultural environment. I hypothesize that especially two of them have explanatory power in the model with international orientation of early-stage entrepreneurial activity as the result: index of economic freedom and Global Entrepreneurship Development Index (GEDI) (Acs & Szerb, 2009):

H7: International orientation of early-stage entrepreneurial activity is positively related to the level of index of economic freedom.

H8: International orientation of early-stage entrepreneurial activity is positively related to the level of GEDI index.

In terms of index of economic freedom especially two out of ten freedoms included in it might be important for early internationalization: business freedom and trade freedom. Internationalization is also a part of GEDI index, other factors contributing to born-global start-ups are product innovation and process innovation.

3.3. MATERIAL AND METHODS

I propose a framework of external influences on country-level early-stage internationalization intensity with "international orientation early-stage entrepreneurial activity" as dependent variable (percentage of total early-stage entrepreneurs who indicate that at least 25% of the customers come from other countries). Then I use Global Entrepreneurship Monitor 2011-2013 data to check the hypotheses with the use of correlation and multiple regression analysis. Wide range of variables previously used in international management and entrepreneurship literature are used in the model, such as export activity, level of education, economic freedom, use of Internet, globalization index, cultural factors (Hofstede dimensions) and GEDI. I use population, GDP per capita and GDP growth as control variables. The KOF Index of Globalization (Dreher, 2006) measures the three main dimensions of globalization: economic, social and political. Internet Penetration Rate is the number of Internet users over the population, in percentage. Index of economic freedom has been developed by The Heritage Foundation. The Index covers 10 freedoms – business freedom, trade freedom, fiscal freedom, government spending, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption, labour freedom – in 183 countries. Data on GDP (PPP) per capita and real GDP growth has been acquired from World Bank statistics.

The size of the sample is limited to countries participating in Global Entrepreneurship Monitor study. It is 55 in 2011, 67 in 2012 and 67 in 2013. However, for some correlation and regression analyses the sample size is smaller as no data is available for some indices.

Participating in GEM project for more than three years lets me to apply data pooling. The data for international orientation and opportunity-based entrepreneurship are firstly analysed separately for each year of analysis and then they are pooled, so the sample is tripled and there is only one variable for international orientation and opportunity-based entrepreneurship and GDP growth are attributed according to its time relation to the dependent variable.

3.4. RESULTS AND DISCUSSION

Table 1 presents the values of international orientation variable for years 2011, 2012 and 2013. As indicated before, there is a high variance among the values. Some of the values are missing which means that the survey was not conducted in particular country in particular year. This is due to bottom-up structure of the project itself which means that the countries drop on and out of the project subject to financial resources at their disposal and the capacity of the research team.

Table 1. Values of international orientation.

Country	International orientation 2011	International orientation 2012	International orientation 2013
Algeria	5.68	10.25	10.71
Angola	.	40.68	23.30
Argentina	3.77	4.78	3.77
Australia	15.03	.	.
Austria	.	26.48	.
Bangladesh	.45	.	.
Barbados	6.73	15.34	.
Belgium	36.73	8.17	28.42
Bosnia & Herzegovina	19.23	25.71	20.85

Table 1. Continued

Country	International orientation 2011	International orientation 2012	International orientation 2013
Botswana	.	11.69	11.90
Brazil	.31	.07	.40
Canada	.	.	14.26
Chile	13.73	7.41	13.87
China	1.49	2.09	.83
Colombia	9.75	15.29	14.42
Costa Rica	.	7.24	.
Croatia	39.71	39.18	40.99
Czech Republic	19.90		16.25
Denmark	21.25	20.90	.
Ecuador	.	.39	1.01
Egypt	.	8.15	.
El Salvador	.	3.50	.
Estonia	.	30.15	26.04
Ethiopia	.	1.12	.
Finland	12.39	20.66	10.99
France	15.67	30.12	18.60
Germany	18.86	9.53	16.13
Ghana	.	5.37	6.84
Greece	16.05	20.63	13.09
Guatemala	.22	.	7.97
Hungary	29.03	18.48	22.20
India	.	.	5.62
Indonesia	.	.	.44
Iran	21.68	1.53	3.00
Ireland	23.86	27.94	25.51
Israel	.	22.55	24.27
Italy	.	17.25	17.12
Jamaica	11.61	.	16.37
Japan	10.91	14.70	11.21
Korea (South)	18.43	23.18	12.08
Latvia	29.99	32.34	33.42
Libya	.	.	14.37
Lithuania	22.94	40.16	25.99
Luxembourg	.	.	33.96
Macedonia	.	26.53	28.89
Malawi	.	11.47	4.57
Malaysia	5.07	4.04	.00
Mexico	.92	4.54	4.57
Namibia	.	38.73	.
Netherlands	13.33	13.61	14.34
Nigeria	6.10	16.35	9.89
Norway	13.64	11.36	16.53

Table 1. Continued

Country	International orientation 2011	International orientation 2012	International orientation 2013
Pakistan	6.94	11.07	.
Palestine	.	30.54	.
Panama	20.38	11.01	3.29
Peru	6.56	10.26	5.87
Philippines	.	.	11.28
Poland	17.10	18.61	23.58
Portugal	19.82	23.60	29.73
Puerto Rico	.	.	10.40
Romania	39.15	38.90	31.80
Russia	4.36	4.58	5.65
Singapore	34.76	43.02	36.71
Slovakia	18.28	20.52	21.14
Slovenia	22.48	31.98	26.27
South Africa	25.32	32.62	26.31
Spain	7.29	14.05	9.27
Suriname	.	.	9.97
Sweden	15.29	21.92	22.16
Switzerland	25.27	25.06	27.78
Taiwan	12.64	15.02	20.02
Thailand	6.12	4.44	1.86
Trinidad & Tobago	7.24	8.62	7.08
Tunisia	.	3.88	.
Turkey	9.15	15.12	.
Uganda	.	7.69	4.84
United Arab Emirates	37.25	.	.
United Kingdom	26.01	13.06	16.77
United States of America	13.39	12.50	11.27
Uruguay	17.35	15.18	11.03
Venezuela	1.63	.	.
Vietnam	.	.	3.64
Zambia	.	17.27	8.98

Source: own study (based on GEM 2011-2013 data)

The hypothesized relationships have been initially tested with the use of correlation analysis. Its results are presented in Table 2. Apart from dimensions of national culture, all variables are correlated to international orientation in all three periods of measurement. There is no surprise that there is strong and statistically significant relationship between size of population and international orientation. The smaller the country is, the more likely the entrepreneurs there are to internationalize. This is consistent with some previous research (Cannone & Ughetto 2014). The level of GDP is positively correlated to international orientation of early-stage entrepreneurship, which means that wealthier countries internationalize more. What is surprising the GDP growth is negatively correlated with international orientation, which means that in growing economies entrepreneurs internationalize less than in stagnant ones. It should be noted though, that the only observed correlation concerns GDP growth in 2009 which is negatively correlated to international orientation in all three periods of analysis. That correlation might be only apparent which will be explained later in this section.

Table 2. Correlation between international orientation and determining factors

		Int. orientation 2011	Int. orientation 2012	Int. orientation 2013
Power distance	Pearson's corr.	-.086	-.067	-.190
	Sig.	.543	.618	.154
	N	52	57	58
Individualism	Pearson's corr.	.306*	.136	.271*
	Sig.	.028	.315	.040
	N	52	57	58
Masculinity	Pearson's corr.	-.064	-.123	-.120
	Sig.	.651	.363	.369
	N	52	57	58
Uncertainty avoidance	Pearson's corr.	.003	-.042	.073
	Sig.	.984	.756	.585
	N	52	57	58
GEDI	Pearson's corr.	.396**	.315**	.422**
	Sig.	.003	.010	.001
	N	55	66	63
Index of economic freedom	Pearson's corr.	.412**	.326**	.446**
	Sig.	.002	.008	.000
	N	55	66	66
Internet penetration index	Pearson's corr.	.457**	.268*	.468**
	Sig.	.001	.042	.000
	N	47	58	54
Education index	Pearson's corr.	.359**	.286*	.395**
	Sig.	.008	.020	.001
	N	54	66	65
Globalization index	Pearson's corr.	.467**	.340**	.539**
	Sig.	.000	.006	.000
	N	54	65	65
Opportunity-based entrepreneurship 2011	Pearson's corr.	.037	-.033	.045
	Sig.	.787	.822	.763
	N	55	48	47
Opportunity-based entrepreneurship 2012	Pearson's corr.	.030	.056	.110
	Sig.	.838	.651	.423
	N	48	67	55
Opportunity-based entrepreneurship 2013	Pearson's corr.	-.062	-.014	.057
	Sig.	.680	.920	.644
	N	47	55	67

Table 2. Continued

		Int. orientation 2011	Int. orientation 2012	Int. orientation 2013
GDP growth 2009	Pearson's corr.	-.447**	-.452**	-.542**
	Sig.	.001	.000	.000
	N	53	64	65
GDP growth 2010	Pearson's corr.	-.273	-.062	-.073
	Sig.	.050	.631	.570
	N	52	63	63
GDP growth 2011	Pearson's corr.	.004	.128	.027
	Sig.	.978	.318	.832
	N	52	63	63
GDP growth 2012	Pearson's corr.	-.258	-.183	-.301*
	Sig.	.065	.150	.016
	N	52	63	63
Per capita GDP (PPP)	Pearson's corr.	.384**	.248*	.470**
	Sig.	.004	.043	.000
	N	55	67	67
Population	Pearson's corr.	-.499**	-.494**	-.527**
	Sig.	.000	.000	.000
	N	55	67	67
Export per capita	Pearson's corr.	.473**	.315*	.447**
	Sig.	.000	.010	.000
	N	54	66	65

Source: own study (based on GEM 2011-2013 data)

Tables 3 presents the results of correlation analysis performed on pooled sample from three periods of analysis. Pooling allowed to increase the sample size, however for some analyses it remained the same as limited data was available. For example data on international orientation was available for period 2011-2013 and data for GDP growth for period 2009-2013, so the correlation between international orientation and GDP growth two years after it could be analysed only for 52 units (the data on international orientation comes only from 2011). The time indicator for some variables (e.g. T-1) indicates how the variable relates in time to measurement of international orientation.

Table 3. Correlation between international orientation and determining factors performed on pooled sample

Variables		International orientation
Opportunity-based entrepreneurship T-2	Pearson's correlation	.045
	Significance	.763
	N	47
Opportunity-based entrepreneurship T-1	Pearson's correlation	.038
	Significance	.702
	N	103
Opportunity-based entrepreneurship T	Pearson's correlation	.048
	Significance	.513
	N	189
Opportunity-based entrepreneurship T+1	Pearson's correlation	.002
	Significance	.981
	N	103
Opportunity-based entrepreneurship T+2	Pearson's correlation	-.062
	Significance	.680
	N	47
GDP growth T-4	Pearson's correlation	-.542**
	Significance	.000
	N	65
GDP growth T-3	Pearson's correlation	-.271**
	Significance	.002
	N	127
GDP growth T-2	Pearson's correlation	-.108
	Significance	.151
	N	179
GDP growth T-1	Pearson's correlation	-.091
	Significance	.228
	N	178
GDP growth T	Pearson's correlation	-.098
	Significance	.299
	N	115
GDP growth T+1	Pearson's correlation	-.258
	Significance	.065
	N	52
Power distance	Pearson's correlation	-.116
	Significance	.136
	N	167
Individualism	Pearson's correlation	.234**
	Significance	.002
	N	167
Masculinity	Pearson's correlation	-.105
	Significance	.178
	N	167

Table 3. Continued

Variables		International orientation
Uncertainty avoidance	Pearson's correlation	.013
	Significance	.869
	N	167
GEDI	Pearson's correlation	.370**
	Significance	.000
	N	184
Index of economic freedom	Pearson's correlation	.390**
	Significance	.000
	N	187
Internet penetration index	Pearson's correlation	.381**
	Significance	.000
	N	159
Education index	Pearson's correlation	.332**
	Significance	.000
	N	185
Globalization index	Pearson's correlation	.440**
	Significance	.000
	N	184
Per capita GDP (PPP)	Pearson's correlation	.358**
	Significance	.000
	N	189
Population	Pearson's correlation	-.506**
	Significance	.000
	N	189
Export per capita	Pearson's correlation	.401**
	Significance	.000
	N	185

Source: own study (based on GEM 2011-2013 data)

Both analyses show that international orientation is not related to opportunity-based entrepreneurship. That falsifies hypothesis H1. On the other hand, both export activity (measured by export per capita) and globalisation are strongly and significantly related to international orientation which supports hypotheses H2 and H3. Among dimensions of culture only individualism is related to international orientation which partly supports hypothesis H4. All four indices – education, Internet penetration, economic freedom and GEDI – are positively related to international orientation. This initially supports hypotheses H5-H8.

To confirm the results of correlation analyses I tested multiple models of linear regression with backward elimination method. In the first model the independent variables were only control variables that proved to be correlated with international orientation: population, GDP growth four and three years prior to international orientation measurement and GDP PPP per capita. The model achieved adjusted R^2 value of .427.

Results are presented in table 4.

Table 4. Results of regression analysis with control variables as predictors

Model	Unstandardized coefficients		Standardized coefficients	t	Significance
	B	Standard error	Beta		
(Stable)	17.497	3.018		5.797	.000
GDP growth T-4	-.551	.244	-.263	-2.262	.027
Per capita GDP (PPP)	.000	.000	.274	2.558	.013
Population	-1.758	.532	-.353	-3.304	.002

Source: own study (based on GEM 2011-2013 data)

Most of control variables proved to have impact on international orientation of early-stage entrepreneurial activity. However, two things should be noted here. Firstly, the influence of size of population, and consequently, size of domestic market is obvious and very strong. Entrepreneurs in small countries have to internationalize as their sales are quickly limited by low domestic demand. Secondly, the international orientation is strongly under the influence of GDP growth four years before. However, that correlation is only apparent – artificial. It concerns GDP growth in 2009 and international orientation in 2013. It should be noted that 2009 was the year of peak of credit crunch and most countries were in regression. It mostly affected countries with high share of GDP created in exporting therefore the correlation co-efficient and adjusted R^2 are that high. Taking that into consideration, GDP growth in this case should be excluded from further analyses.

To test the impact of independent variables on international orientation I tested linear regression model with remaining control variables and independent variables that are correlated with international orientation. The model achieved adjusted R^2 value of .186. Results are presented in table 5.

Table 5. Results of regression analysis with correlated variables as predictors

Model	Unstandardized coefficients		Standardized coefficients	t	Significance
	B	Standard error	Beta		
(Stable)	-2.355	5.309		-.444	.658
Internet penetration index	.126	.064	.306	1.971	.051
Globalization index	.202	.100	.272	2.013	.046
Export per capita	.000	.000	.248	2.059	.041
Per capita GDP (PPP)	.000	.000	-.352	-2.058	.042

Source: own study (based on GEM 2011-2013 data)

The results of regression analysis support some of the results of correlation analysis. Internet penetration index, globalization index and export per capita remained as predictors in the model which supports hypotheses H2, H3 and H6 and falsifies hypotheses H1, H4, H5, H7 and H8.

3.5. CONCLUSIONS

Three variables are particularly important for early internationalization of enterprises: use of Internet, level of globalization and export per capita. Moreover, the smaller the country is, the more likely the entrepreneurs there are to internationalize. Entrepreneurs in largely populated countries may rely on domestic market that is big enough, entrepreneurs in small countries have limited opportunities on domestic market therefore often to achieve the break-even point must enlarge their base of customers by internationalizing in the early stage of activity.

Widespread export activity accumulates knowledge and creates international culture that helps young entrepreneurs to internationalize. Here the focus is on even all dimensions of institutional environment: regulatory – export activity creates formal institutions enabling even more internationalizing, cognitive – high export activity develops knowledge about foreign markets and procedures in the society, and normative – the international culture is created, future entrepreneurs are then more likely to internationalize.

International orientation of young enterprises is also supported at national level by high globalization of the country. To interpret that relation the meaning of index should be analysed. The KOF Index of Globalization measures the three main dimensions of globalization: economic, social and political. In addition to three indices measuring these dimensions, it shows an overall index of globalization and sub-indices referring to: actual economic flows, economic restrictions, data on information flows, data on personal contact and data on cultural proximity. It seems that the biggest impact on international orientation of enterprises have economic dimension and factors: actual economic flows, low economic restrictions and good information flow.

Internet access has also proven to have high impact on internationalizing in the early stage of entrepreneurial activity. It has a lot to do with access to information about foreign markets and procedures of international business. Access to internet also facilitates communication that is used in international business. It has been also confirmed by Reuber and Fischer (2011) that people agile in using Internet more often are successful in international entrepreneurship.

The presented results bring contribution to entrepreneurship research. Although the literature body in international entrepreneurship is growing there are very few studies in that field based on Global Entrepreneurship Monitor data. Moreover, most studies in international entrepreneurship focus on factors on micro-level. I try to fill both those gaps and I argue that Global Entrepreneurship Monitor data combined with secondary data form a good basis for research in small business internationalization and especially in born-global start-ups.

There are a number of limitations in the study: possible overlapping in the data, for example internationalization is used as one of the components of GEDI. Moreover, the measurement of the variable TEAYYINT – "Percentage of TEA who indicate that at least 25% of the customers come from other countries" might be biased by the touristic activity intensity of some countries, like Croatia, Slovenia, Greece, Italy, Spain or Portugal, just to mention European countries. For example, Croatian baker might answer 'yes' to a question if at least 25% of his customers come from a foreign country, even though he do not internationalize at all. Also a lot of various variables are not taken into consideration, for example the differences in wages or geographical localization of countries. Another limitation is a problem of considerable amount of data that are missing in the model due to low availability of data and sample pooling. Also, GEM uses grouping of countries according to their level of development which should be taken into consideration in this study. However, that would strongly limit the research sample so the sample was analyzed as a whole.

That leads me to consideration about future research in the area. In terms of conceptualization the more developed models might be used for hypotheses building. In terms of methodology the bigger samples could be used and more variables should be taken into consideration. The further development of Global Entrepreneurship Monitor should solve most of those problems and allow more comprehensive research.

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4. Characteristics of Polish Firms' Internationalisation Processes

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Abstract

Objective: *The objective of the article is to present the characteristics of Polish firms' internationalisation processes.*

Research Design & Methods: *The article reviews major research on Polish firms' internationalisation done in recent years including author's own to prove the thesis that the degree of internationalisation of Polish firms is still low but in general Polish firms are getting more and more advanced in their processes of internationalisation. The basic limitation of the presented findings is in the effort to compare results of various studies based on different initial assumptions.*

Findings: *The history of internationalisation of Polish firms is not long as the real internationalisation started with the change into market economy in Poland. Before 1990 all exports and imports had to go through state appointed intermediaries – Foreign Trade Enterprises as the state had a monopoly on international trade. Gradual relaxation of regulations concerning foreign trade eventually allowed individual Polish firms to operate independently on foreign markets however the real surge in internationalisation took place after Poland's accession to the EU. This change was especially visible in Polish foreign investments growing a lot since then. Twenty years after the transformation has taken place the general level of Polish firms' internationalisation is still low. It has been indicated by the author's research as well as by other studies done in Poland. Polish firms on average operate only in a few foreign markets, mostly in Europe. The prevailing mode of operation is exports. Despite the average feeble situation one can identify firms of very high internationalisation, operating on many markets all over the world, whose share of foreign sales in total sales is close to 100%. A close analysis has revealed that some of these firms fall into the category of born globals.*

Contribution & Added Value: *Original value of the article lies in overall characteristics of Polish firms' internationalisation processes which will allow authors from other Visegrad countries to look for similarities and differences among internationalistion processes of firms from these countries.*

Key words: *internationalization, Poland, entry modes, international management*

JEL classification: *F23*

4.1. INTRODUCTION

The history of internationalisation of Polish firms is not long as the real internationalisation started with the change into market economy in Poland. Before 1990 all exports and imports had to go through state appointed intermediaries – Commercial Centres for Foreign Trade and Foreign Trade Enterprises as the state had a monopoly on international trade guaranteed in the Constitution of Republic of Poland. In 1980s there existed 26 Commercial Centres for Foreign Trade and 48 Foreign Trade Enterprises (Jarosiński 2002) which means that the number of Polish entities dealing directly with foreign markets was very limited. The monopoly of the state had been gradually relaxed in the 1980s and eventually abandoned by the Constitution change towards the end of 1989.

Relaxation of regulations concerning foreign trade eventually allowed individual Polish firms to operate independently on foreign markets however the process was slow as Polish firms lacked necessary resources to start internationalisation immediately (eg. capital, foreign market knowledge, business contacts). Thus many firms continued to export through intermediaries, even the old ones. The two major changes that took place in the 1990s was the redirection of exports from the East to the West and almost continuous growth of Polish exports since 1990.

The real surge in internationalisation took place after Poland's accession to the EU. This change was visible in exports growth but also in Polish foreign investments growth since then. One could expect that 20 years after the transition to market economy took place the level of internationalisation of Polish firms should be at least moderate which was not the case.

The objective of this paper is to present the characteristics of Polish firms' internationalisation processes. First a short theoretical framework will be provided, then a review of major research on the internationalisation of Polish firms will be presented and the results of the research will be discussed. The paper will end with a general conclusion on the level of internationalisation of Polish firms and some projections for the future.

4.2. LITERATURE REVIEW

There is quite a variety of definitions of the term "internationalisation". Rymarczyk (2004, p. 19) defines internationalisation as every business activity undertaken abroad. Pietrasieński (2005, p. 15) indicates that internationalisation is „a process based on product exports and also more and more often transfer of production to other countries". Johanson and Vahlne (1977, p. 23) define internationalisation as "a process in which the firms gradually increase their international involvement". Beamish (1997, p. 3) states that "internationalisation is the process by which firms increase their awareness of the influence of international activities on their future, and establish and conduct transactions with firms from other countries". Laanti et al. (2007) draw attention to the fact that firms often start their internationalisation with inward operations such as imports of raw materials or other resources necessary for production and only then decide to enter foreign markets.

The author of this paper understands internationalisation as "a process during which a firm establishes relations with other entities in order to sell or buy products on international markets or in order to increase its international competitiveness (Jarosiński 2013b, p. 19). In this paper however the author will concentrate on "outward internationalisation" only meaning the spatial expansion of a firm into international markets.

International Business literature explains the mechanism of internationalisation through a sequential process offering mostly two types of stage models: process models (Johanson and Vahlne 1977, 1990, 2003, 2006, 2009; Johanson and Wiedersheim-Paul 1975) and innovative models (Bilkey and Tesar 1977; Cavusgil 1980; Czinkota 1982; Reid 1981). These models describe internationalisation of a firm as a gradual process of increasing its international commitment through a series of incremental steps taken slowly one after another as a result of further and further adjustments to the international environment. The steps may include entering a foreign market as well as increasing allocation of resources in a particular foreign market. Besides, the theory of sequential development of a firm implies that the international development of a firm is preceded by a long period of development on home market first. In process models it is also assumed that the choice of foreign markets usually depend on the psychic distance to the chosen markets.

International Entrepreneurship literature presents an alternative way of internationalisation of a firm which is called early internationalisation (Oviatt and McDougall 1994; Knight 1997; Madsen and Servais 1997). The model of early internationalisation describe internationalisation of a firm as early started fast development on international markets based on various modes of operation. As opposite to sequential model firms enter foreign markets immediately after or shortly after their establishment and enter several foreign markets at the same time. It is also assumed that the choice of markets to enter does not depend on the psychic distance. Firms undertaking early internationalisation are most often called international new ventures (INVs) or born globals (BGs), the latter name to be used in this paper.

It is worth to note that the two above mentioned models although being the most popular ones do not exhaust the list of existing models of internationalisation. The limited size of this paper does not allow however to discuss all of them.

4.3. MATERIAL AND METHODS

The intension of the author is to present the characteristics of Polish firms' internationalisation processes. Thus a review of major research on the internationalisation of Polish firms published in recent period (since 2010) will be presented. The choice has been made on the size (over 100 firms) and the characteristics of the sample as a result of which only samples including both medium and large enterprises were taken into account.[1] Only the studies in which at least a major part of research was dedicated to in-

[1] The author also acknowledges the importance of smaller studies and the studies made on samples including only SMEs to the development of knowledge on the internationalisation of Polish firms but the limited

ternationalisation were chosen so that one could get a clear description of Polish firms' internationalisation. This way several studies were identified: Witek-Hajduk (2010), KPMG (2010), Romanowska et al. (2011), Wach (2012) and Jarosiński (2013b). A study by Karaszewski et al. (2013) was also taken into account despite the smaller sample (64 firms only) because of its unique dedication to Polish FDIs.

A sample was described for each of the studies. It was followed by presentation of results of the study pertaining to the characteristics of internationalisation of studied firms. Internationalisation was measured here by the number of foreign markets served, share of foreign sales in total sales, international presence (geographic location of sales) and modes of operation on foreign markets. These data formed the basis for general conclusions on the characteristics of Polish firms' internationalisation processes.

4.4. RESULTS AND DISCUSSION

Witek-Hajduk (2010) doing the research on internationalisation strategy of Polish enterprises during Poland's accession to the European Union, investigated 176 medium and 81 large randomly selected Polish internationalised enterprises which were not subsidiaries of foreign firms and represented three industries (chemical industry – 23%, electromechanical industry – 48% and food industry – 29% of firms).

Studied firms mostly operated on up to 10 foreign markets (67%) and only 12% of firms operated on more than 25 markets. They were mostly present on EU-15 markets (74%) and other EU markets (53%). Russian and Ukrainian markets followed (33% and 27% respectively), 24% of firms operated in other countries. Besides, the studied firms indicated their first choice markets as UE-15 markets (58%), the Russian market (19%) and the remaining EU markets (13%). On each of the markets the studied firms mostly exported however the percentage of exporting firms depended on the market. Almost all firms used this mode of operation on the Russian (90%) and the Ukrainian (89%) markets. On EU-15 markets and other EU-markets exports were used by 62% firms and 79% firms respectively. Other modes were used on respective markets only by individual firms. On so called "cheap Asian countries"[2] markets only exports were used. In general exports were used by 98% of studied firms while other modes of operation were used by at most 20% of firms (commercial joint ventures) followed by licencing and foreign sales subsidiaries (12% each).

Among the others Witek-Hajduk also found out that the studied firms increased their international engagement between the period before Poland's accession to the European Union and 2008 when the data was collected.

KPMG (2010) study concentrated on international expansion of Polish production enterprises. Out of 112 firms deliberately selected from 1000 Polish biggest production

size of this paper does not allow to discuss all of them. See for example: K. Przybylska, *Born global – nowa generacja małych polskich przedsiębiorstw (Born Global – a New Generation of Small Polish Firms)*, „Gospodarka Narodowa" 2010, no. 7–8 or R. Śliwiński, *Kluczowe czynniki międzynarodowej konkurencyjności polskich przedsiębiorstw (Key Factors of International Competitiveness of Polish Firms)*, UE, Poznań 2011.

[2] Category used by M.K. Witek-Hajduk (2010).

firms with a majority of Polish capital operating in various industries 89% were present on foreign markets.

Studied firms operated mostly in Europe. Only 22% of firms were present in North America and 20% in Asia. Less than 20% of firms were present in other regions of the world. Looking at particular markets all neighbouring markets were present among top 10 export destinations of studied firms. On average studied firms had 38% share of foreign sales in total sales and 56% of firms had less than 50% of sales from abroad.

Almost all firms were engaged in exports (99%) and most firms (62%) were engaged in various forms of cooperation with foreign partners. Only 26% of firms had foreign sales subsidiaries and 20% foreign production subsidiaries. Other modes of operation were used by several per cent of firms and less.

Romanowska et al. (2011) analysed the influence of strategy change on structural changes of corporate groups in Poland in the period 1989–2008 on the basis of deliberately selected 101 Polish biggest corporate groups listed on Warsaw Stock Exchange among which there were 66 corporate groups (65%) operating internationally.

Most of the corporate groups exported to less than 20 countries and only 3 corporate groups were present on more than 50 markets however the studied firms concentrated first of all on neighbouring countries. They exported their products mainly (80%) to Czech Republic, Lithuania, Germany and Ukraine and when deciding on foreign direct investments they tended to locate their investments in Czech Republic, Ukraine and Russia. Generally 65% of corporate groups exported only to European markets and 87% located their investments only in Europe. Collected data did not allow to count the share of foreign sales in total sales of all the corporate groups but for those groups that released this information the average index was only 30% in 2008 which was double the number of 2005. Looking at the modes of operation used exports was a dominant form but only 23% of firms limited their foreign operations to exports only as 38% of firms had at least one foreign sales subsidiary and 39% of firms at least one foreign production and sales subsidiary.

Another large study was carried by Wach (2012) who examined 323 randomly selected small, medium and large enterprises from Małopolska voivodeship (including micro enterprises which constituted 57% of the sample). The study indicated that 24% of the firms operated on international markets but more than a half of them (54%) were present only in Europe. One of the aims of the study was to measure a level of globalisation of studied firms. Taking into account all studied firms 1.5% of firms were globalised and 3.7% of firms were fully globalised (according to OECD methodology). Most of the global firms were large enterprises but it appeared that also some micro, small and medium-sized enterprises were globalised.

What is interesting this research indicated that the percentage of firms applying exports as their mode of operation on international markets was lower than the percentage of firms engaged in cooperation with foreign partners (32% and 45% respectively). Deeper analysis of exporting firms indicated that only in case of 19% of exporters the export sales exceeded 50% of total sales. It also appeared that the same percentage of exporters operated not only in EU markets as those being present in EU only (almost 49% in both cases). At the same time 2.5% of exporters operated only outside of the European Union. Deeper analysis of international cooperation of studied firms indicated that all type of firms (including micro enterprises) were engaged in cooperation with foreign partners but one has to underline that not only cooperation with competitors on their local markets was taken into account but also cooperation with suppliers and buyers.

The author of this paper also carried a study on the internationalisation of Polish firms (Jarosiński, 2013b). A study sample consisted of randomly selected 588 medium and large firms coming from various industries out of which 241 (41%) operated on international markets (121 medium and 120 large firms).

On average studied firms operated only on 9 markets (even large firms were present merely on 11 markets). Up to 6 markets were served by 59% of studied firms. At the same time more than 9 markets were served by 25% of firms but only 6% of firms were present on more than 20 markets. Three top firms were serving 100, 80 and 66 markets respectively.

Studied firms operated mostly in Europe (66%) while 34% of firms were present also outside Europe. Only 18% of firms were active in more than two regions. The average number of regions served was merely 1.7 (large firms served on average 2 regions). Firms doing business outside Europe were usually present only on single markets in other regions. Studied firms not only tended to operate in Europe but also concentrated on neighbouring countries. Among top 10 target markets of studied firms there were 6 neighbouring markets with the German market taking the lead where 69% of firms were present. It was followed by Czech, British, Lithuanian and French markets on each of which around 30% of firms were present. The first non-European market – the American market was on the 18th position.

On average studied firms had 45% share of foreign sales in total sales (47% for large firms) and 66% of firms had less than 50% of sales from abroad. Although 11% of firms had more than 90% of sales from abroad as much as 20% of firms indicated foreign sales share in total sales below 10%.

The research indicated that studied firms first of all used direct exports (86%) and indirect exports (50%) as their modes of operation on foreign markets. The remaining modes of operation were applied by a small percentage of firms with foreign sales subsidiary on the top (13%), foreign production and sales subsidiaries (6%) and foreign production subsidiaries (4%), joint ventures (3%), licencing and franchising (2.5% and 2% respectively).

The author's study also led to determination of firms with a majority of Polish capital that were established after 1987 as a subset of the study sample what allowed for identification and characterization of a group of 32 Polish born globals. Born globals were defined as firms that entered foreign markets within first three years from their establishment and had at least 25% of foreign sales. Born globals identified in the study on average entered foreign markets after 1.5 year and served 1.8 markets in their first year of foreign operations. On average they had 63% of sales from abroad and served 8.6 markets being present in 1.9 regions. Born globals were also compared to the remaining firms in the sub-sample which led to the conclusion that born globals were not that much internationalised, in comparison to other firms developing on international markets in a traditional way, as it had been expected.

It is also worth to note the research of Karaszewski et al. (2013) concerning foreign direct investments of Polish firms. A study sample consisted of 64 firms undertaking foreign direct investments selected from the list of 2000 largest Polish firms according to "Rzeczpospolita". Most of the firms had exclusively Polish capital (62%) and 26% of firms had exclusively foreign capital. Almost 70% of firms were established after 1989.

The foreign direct investments of studied firms were made almost exclusively in Europe (97%) with UE-15 markets taking the lead (68% of all EU investments) with Germany, France and Belgium on the top. Still the neighbouring countries were among the most often chosen investment directions.

Most of the firms had less than 30% share of foreign sales in total sales but only 9% of firms had more than 50% of sales from abroad. Compering to the share of foreign sales, the share of assets abroad and the share of employment abroad was much lower. Merely 2% of firms had the share of assets abroad over 50% of total assets and barely 4% of firms had the share of employment abroad over 50% of total employment. Most of the firms made only greenfield investment (57%) and 21% made only brownfield investments.

4.5. CONCLUSIONS

The short presentation of the above described results of these few selected Polish studies indicates that nowadays quite a lot of Polish firms operate on international markets (41–65% of the research samples)[3] but the level of internationalisation of Polish firms is not high yet. Most of the firms operate on just several foreign markets being limited to merely one region (continent) with a small number of firms being present on several dozen markets in a few regions. The scope of internationalisation of Polish firms is not very broad. Most of the firms concentrate on European markets with particular emphasis on markets of neighbouring countries and Central and Eastern-European markets. There are some Polish firms being present outside Europe but even if they are in other regions they usually serve few markets there. Also the share of foreign sales in total sales of the firms is not high. It is on the average lower than 50% (30–45% depending on a study). The studied firms usually use various entry modes but in all studies exports was a dominant form of operation on foreign markets. The remaining modes were usually applied by several per cent of studied firms only. The only exception was Wach's study where cooperative modes were more popular than exports.

Presented studies indicate that Polish firms develop incrementally on international markets but there are also some firms that have chosen early internationalisation. Available research on Polish born globals however indicate that these firms do not fully

[3] The only exception was Wach's study where the share of internationalised firms in a study sample was much lower (24%) but one has to remember that in this case also small enterprises (including micro enterprises) constituted a large part of the sample (Wach 2012).

much the description of born globals in other countries presented in the literature (Jarosiński, 2013b; Morawczyński, 2008)[4]. Thus they can be rather described as Apparently Born-Global firms (Jarosiński, 2013a).

Despite the average feeble situation one can identify firms of very high internationalisation, operating on many markets all over the world, whose share of foreign sales in total sales is close to 100%. The earlier and more complex research review done by the author (Jarosiński, 2013b) indicates that generally the level of internationalisation of Polish firms is increasing. So the outlook for the future is optimistic. There is still a big gap between the internationalisation level of Polish firms and the firms originating from more advanced economies but one has to remember that the latter have much longer history of internationalisation than ours. Polish firms (especially newly established) seem to have quite a good potential to close this gap in the coming several years.

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5. Internationalization of Polish Family-owned Businesses – Owner and Next Generation Perspective

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Abstract

Objective: *The theme of paper directs towards family business internationalisation. Specifically, the objectives of the paper are: to develop insights into individual and familial correlates of internationalisation in polish family-owned businesses, especially owner and next generation perspective; to explore the relationships between individual and familial-owner and next generation variables and business's internationalisation propensity and intensity.*

Research Design* & *Methods: *The study adopts a quantitative approach. 100 companies participate in the quantitative survey. Statistical analyses are undertaken. Firstly, logistic and linear regression analyses are employed to explore internationalisation propensity and intensity against a series of individual and familial variables, such as owner-manager's personal attributes and owner family's features.*

Findings: *The results suggest that family business internationalisation propensity and intensity is influenced by the familial variable, the ownership degree of family businesses.*

Contribution* & *Added Value: *The paper explores the issue of polish family business internationalisation and the insights developed by this exploration will broaden knowledge landscape of polish family-owned companies' foreign expansion and facilitate the understanding polish family companies' survival and success in the highly competitive market.*

Key words: *family business, internationalisation, owner, next generation*

JEL classification: *F23, M00*

5.1. INTRODUCTION

The internationalisation context has recently attracted attention in the family business domain. However, to date, only a few studies have been executed (Graves and Thomas, 2008; Fernandez and Nieto, 2005; Zahra, 2003; Hadryś 2013). Academics are not clear about how internationalisation in family businesses is initiated and further developed, what factors unique to family businesses can influence their internationalisation behaviour, and what resources need to be invested to instigate their international venture. This paper aims to develop insights into family business internationalisation. In particular, the paper investigates individual and familial correlates of internationalisation in polish family firms. Polish family businesses are relatively young compared to their western European counterparts. They were mainly found in transformation times so they may behave differently in terms of internationalization. Besides that, so far there are only few academic work about internationalization of family businesses in Poland [Hadryś-Nowak, 2013; Popczyk, 2013].

The paper also explores the relationship between individual and familial variables and business's internationalisation propensity and intensity. There are two key empirical questions: How does social capital in a family enterprise influence the family business internationalisation propensity and intensity? Which resources of a family enterprise influence the family business internationalisation propensity and intensity?

The paper commences with a brief review of the literature, focusing on correlates of internationalisation in family businesses. By building upon the early literature of internationalisation and agency theory, hypotheses about correlates of internationalisation are posited. Logistic regression analysis is employed to evaluate and confirm the posited correlates. Linear regression analysis is further adopted to investigate internationalisation intensity against a series of individual and familial variables. Conclusions derived from research findings are elaborated.

5.2. LITERATURE REVIEW

Internationalisation has attracted increasing attention in the last two decades (Fernandez and Nieto, 2005; Graves and Thomas, 2006, 2008; Westhead, Wright and Ucbasaran, 2004, Hadryś 2013),. Graves and Thomas (2008), in their paper review the literature of small business internationalisation and identify that different theoretical frameworks have been utilized: the eclectic paradigm (Brouthers and Nakos, 2004), transaction cost theory (Ibeh, 2006), network theory (Chetty and Holm, 2000; Ibeh, 2006) and resource-based view (Knudsen and Madsen, 2002; Ibeh, 2006). These theories, through different lens, offer theoretical interpretation to business internationalisation. Although some small businesses play an active role in international many of them still stay on local market (Acs, Morck, Shaver, and Yeung, 1997; Westhead et al., 2004). Morgan and Katsikeas (1997) enhance four sets of obstacles to internationalization which include resources obstacles, operational or logistical incapability, informational obstacles, and process-based obstacles. On the other hand Christensen (1991) observes that many small businesses have no intention to internationalise, either because they do not have resources, or they believe they have more opportunities in the national market. As inn all other firms, internationalisation in family businesses may be influenced by a diversity of factors but it also can be influenced by factors unique to family firm context. For instance, the international attempt may be driven by entrepreneurs because of their individual characteristics (Zahra, 2005; Busenitz and Barney, 1997). A business owner, due to his/her rich industrial and international business experiences, may invest in a foreign market. In this process, the entrepreneur's personal nature plays a significant role. On the other hand, internationalising activities are also recognised to be in relation to the control family (Graves and Thomas, 2008). For example, the owner family, for the sake of business sustainability, may encourage the firm to invest abroad to increase market share and form a wider customer base.

Research hypotheses concerning the propensity and intensity internationalization of family enterprises have been formulated mainly on the basis of the Social Capital Theory and the Resource-Based Theory. Coleman (1990) defined social capital as an aspect of a social structure creating values and facilitating the activities of individuals within this structure. Similarly to the situation when building physical capital involves changes in materials in order to simplify the production and human capital involves changes in skills and talents of an individual, social capital appears when social relations change in a way which makes instrumental activities easier. Among the Intellectual Capital Theories the following approaches can be distinguished: the Weak Ties Theory focuses on the nature of ties; the Structural Holes Theory focuses on the model of ties among people from another environment; the Social Resources Theory focuses on the traits of other people who have been contacted with. Both the Weak Ties Theory and the Structural Holes Theory focus on the structure of a network. The theory of Social Resources focuses on the contents of a network, therefore on what resource a given network carries. The capital occurs not necessarily in connections but in contents (physical and intellectual abilities of people) which stem from these connections. The aforementioned theories do not mutually exclude themselves but can coexist because they concentrate on different aspects of the process of cumulating social capital and they function at their best as various network structures which ease (or hinder) the access to social resources. Thus, the key empirical question is: How does social capital in a family enterprise influence the family business internationalisation propensity and intensity? Social capital in an enterprise, also in a family enterprise, is in other words people who coexist creating a network of relations and dependencies. In a family enterprise social capital is built by a company owner, his or her family and employees who are not members of the founding family (Ojala, A. ,2008, pp. 135–144). With an owner of the company (according to the theory of social capital and its building) are associated both working and life experience, educational background and his or her attitude to new challenges (Wright, M., Westhead, P., Ucbasaran, D. ,2007; pp.1013–1029). The aforementioned analyses enabled formulation of the following research hypotheses:

H1: Family business internationalisation propensity is associated with entrepreneurs' personal features.

- **H1a:** Experience of the owner of a family enterprise correlates positively with the family business internationalisation propensity.
- **H1b:** Educational background of the owner of a family enterprise correlates positively with the family business internationalisation propensity.

H2: Family business internationalisation intensity is associated with entrepreneurs' personal features

H2a: Experience of the owner of a family enterprise correlates positively with the family business internationalisation intensity.

H2b: Educational background of the owner of a family enterprise correlates positively with the family business internationalisation intensity.

At the beginning of the nineties an innovative concept appeared in strategic management. It is called the resource-based view of the firm. Knowledge is more and more often perceived as a kind of the company's „anchor" in a turbulent environment. As a consequence of the increase in the rate of change in the market environment many companies have discarded the idea of basing their strategy on a particular market segment. Instead, many companies have started to look inside their own organizations, basing their strategy on their resources and competencies. This phenomenon can be characterized as a supply approach (resource-based theory approach). So far the question of outstanding market results has been explained according to the market and product analysis (Parker, 1998). The economists paid more attention to the environment and less to the company's inside. In contrast to the finding that the sector structure determines competitive advantage the resource-based theory suggests that having unique resources can be the source of competitive advantage (Barney, 1991). Company's knowledge and organizational procedures are important sources of competitive advantage (McKibbin and Pistrui, 1997). The resource-based theory states that the future of the company depends on optimal use and maintenance of unique abilities: fundamental competencies. Analysing market or products' quality according to this theory does not provide enough information on the company's growth potential. Fundamental competencies include above all intangible assets, such as knowledge and abilities, which produce financial results. Tangible assets, such as buildings, perform auxiliary function towards fundamental competencies. Therefore, a research question arises: Which resources of a family enterprise influence the family business internationalisation propensity and intensity? Very valuable resources of family enterprises, which are their essence, are for sure commitment and the presence of the next generation (Björnberg A., Nicholson N.;2012; p. 374-390). A family firm's internationalisation may be associated with its controlling generation (Zahra, 2005). According to McConaughy and Phillips (1999), founders of family businesses are inclined to possess special technical and managerial skills, which facilitate them in setting up and developing businesses. In addition, the alignment of family and business interests can drive the founder to provide more inputs into mentoring and coaching the successor. Any experiences or expertises of the international market can be passed on the next generation. Given the level of guidance, family businesses controlled by descendants may be easier to internationalise and if the international venturing is initiated, they are apt to achieve greater success. Furthermore, the main purposes of descendant controlled firms are to shield the business against competition, consolidate and enhance the assets that have been passed to them, instead of creating new businesses from scratch (Wang et al., 2007). Their operational processes are likely to be formalised and business functions more comprehensive. With better-established infrastructures, family firms in the hands of successors are legitimate to operate better in the international market. On these grounds the following research hypothesis has been formulated:

H3: Family business internationalisation propensity is associated with presence of the next generation within company structure.

H3a: The presence of the next generation within company structure correlates positively with the family business internationalisation propensity.

H4: Family business internationalisation intensity is associated with presence of the next generation within company structure.

H4a: The presence of the next generation within company structure correlates positively with the family business internationalisation intensity.

5.3. MATERIAL AND METHODS

Only privately held independent organisations, free from external control took part in research project. In the initial electronic postal survey, a questionnaire with a cover letter was posted to the executives of randomly selected companies. 150 useful responses were received, leading to a response rate of 7,5%. Out of these 150 firms, 100 were recognized as family businesses (in the questionnaire, respondents were invited to clarify whether they are family firms or not); unfortunately the response rate is relatively low. One of the primary reasons for this might be that the investigated family business are not particularly willing to disclose business information to the public. In the literature, Zahra (2005) reports a response rate of 10.5% (209/2000) when an empirical research project was undertaken with family businesses. With reference to this, the current response rate of 7.5% is deemed to be acceptable.

Dependent and Independent Variables

The dependent variable in the logistic regression model, internationalisation propensity, was a dichotomous variable distinguishing the businesses committed to internationalisation from those that did not. Internationalisers referred to the businesses that more than zero percent of total sales were generated from the international market in the five years prior to the survey. In the linear regression analysis, the dependent variable was internationalisation intensity, which was represented by the percentage of business sales generated through internationalisation in the prior five years.

The independent variables selected for the regression models were divided into two groups of factors: the nature of owner-managers and of owner families. In particular, the nature of owner-managers was reflected by the owner-manager's professional experience and educational background. The nature of the owner family was mirrored by the family generation in control, specifically the presence of the next generation within company structure.

Control Variables

This study control variables included: business size, age, and sector. Control variables are similar to that used by other international researchers in terms of family business internationalization. For instance, larger sized companies are more likely to be involved in internationalisation (Westhead et al., 2004). On the other hand, smaller sized firms may have the interests to expand their market share along the international horizon; nevertheless, they are often unable to play comfortably on the platform because of the shortage of available resources. In this paper, for the operational purpose, firm size was measured in terms of total number of full-time employees. Westhead et al. (2004) indicate that the relationship between business age and internationalisation is inconsistent. Other studies argue that older firms are more likely to export (Burgel et al., 2001). In this paper, business age was measured by the years the company had been in the market. The business sector may also be associated with internationalising activities. For instance, firms in technology intensive industries (e.g. the manufacturing sector) are more likely to internationalise. On the contrary, companies in low technology sectors, such as agriculture, fishing, and transporting, may not be able to internationalise due to shortage of competitive advantages. In the study, business sector was coded by a categorical variable, representing consumption goods, manufacturing, retail and wholesale and services.

5.4. RESULTS AND DISCUSSION

Table 1 presents the characteristics of the sample companies (N=100), whose main characteristics are summarized as follows:

1. owner-manager's professional experience: 16 % entrepreneurs have a relatively short industrial service history, while majority of the owner-managers has a reasonable sustained professional experience: (34 % between 10 and 19 years, 15% more than 20 years). This shows that in the relatively stable family firms where successful trading has been established, owner-managers are often industrially experienced and have long term service in the domain;
2. sectors: the sampled companies are more voluminous in manufacturing, retail and wholesale services;
3. business age: majority of the sampled businesses are relatively mature with a long history - 50% older than 20 years, 25% between 10 and 19 years).
4. business size: evidence from the respondents suggests that less than half of the sampled firms are small sized - 3% less than 10 employees and 36% between 10 and 50 employees, 24% firms having employees in the range of 51 to 249 and another 27% businesses having more than 250 employees.

Table 1. Family business characteristics

Family business characteristics	Percent
Owners' professional experience (years):	
5	16
5 – 9	34
10 – 19	35
20 +	15
Sectors:	
Consumption goods	23
Manufacturing	31
Retail and Wholesale	26
Services	20
Business Age (years):	
< 5	5
5 – 9	20
10 – 19	25
20 +	50
Business Size (number of employees):	
< 10	3
10 – 50	36
51 – 249	24
250 +	27
Percent	100

Source: author evaluation

Internationalisation Propensity

The logistic regression was executed with a set of independent and control variables. To assess the overall fit of the model, chi-square (χ^2) value and pseudo R^2 were examined. Results indicate that the chi-square difference is significant at .05 level. In general, the chi-square value suggests a significant relationship between internationalisation propensity and one independent variable. Thus, the regression model can be accepted and the hypothesis H3 is confirmed. Table 2 presents the result of logistic regression. Results identify that independent variable offers an explanatory power (significant at 5% level) - this is the presence of the next generation within company structure. Hence hypothesis H3a is affirmed, while hypotheses H1a and H1b do not have any evidence to back them up. Hypothesis H3a suggests that the higher involvement and presence of the next generation, the more likely the family company will engage to internationalisation. The lower the degree of involvement and presence of the next generation, the more likely they will be conservative and resistant to internationalisation.

Table 2. Logistic Regression Analysis on family businesses internationalization.

Independent Variables	B (1)	S.E (1)	Sig. (1)
Owner-manager nature			
Professional experience	-0.013	0.019	0.474
Educational background			
No formal qualification	-	-	0.570
Secondary school	0.606	0.641	0.344
University level (bachelor degree)	0.333	0.563	0.554
Professional and technical qualification	0.626	0.465	0.178
Family Nature			
Next Generation	0.023	0.013	0.031*
Constant	-3.799	1.339	0.005**
X^2	-	14.649	-
P	-	0.021*	-
-2LL	-	172.218	
R^2	-	0.073	-

p<0.05; **p<0.01; (1): logistic regression analysis only includes independent and dependent variables

source: author evaluation

Internationalisation intensity

In the linear regression analysis, the ANOVA result suggests that the whole model is not significant, but the relationship between internationalisation intensity and experience of the owner of a family enterprise and internationalisation intensity and the presence of the next generation within company structure show significant. As a result, the hypotheses H2a and H4a should be accepted. Specifically, results identify that the degree of experience of the owner of a family enterprise and next generation presence and involvement offer an explanatory power (significant at 5% level). Hence hypotheses H2a and H4a are affirmed, while hypothesis H2b does not have any evidence to back it up. Table 3 presents the result of linear regression (dependent, independent and control variables). The confirmed hypothesis H2a suggests that the bigger/better experience of the owner of a family enterprise it is more likely that family business internationalisation is intensive. In turn, confirmed hypothesis H4a suggests that the higher the degree of presence and involvement of the next generation within company structure the more likely the family businesses will migrate further along the internationalisation process. The results also suggest that in three control variables, only business sector is associated with internationalisation propensity. Specifically, in manufacturing and wholesaling sectors, family businesses are more likely to be involved in internationalisation. The other two control variables, business age and size, are not recognized as significant predictors.

Table 3 Linear Regression Analysis on family businesses internationalization- dependent, independent and control variables.

Independent Variables	B (1)	Sig. (1)	B (2)	Sig. (2)
Owner-manager nature				
Professional experience	0.028	0.726	-0.068	0.456
Educational background	-0.021	0.789	0.038	0.670
Family Nature				
Next Generation	0.088	0.265	0.169	0.048*
Control Variables				
Business age			-0.033	0.823
Business size			-0.030	0.742
Business sector				
Constant	**1.998**	**0.834**	**-2.096**	**0.840**
multiple R	0.094		0.210	
R^2	0.009		0.044	
ad. R^2	-0.016		-0.002	
Standard Error	21.49		20.14	
ANOVA F	0.353		0.954	
Sig. F	0.842		0.460	

$p<0.05$

source: author evaluation

5.5. CONCLUSIONS

Nowadays, internationalisation is very important issue in the business management context. According to family business context only few internationalization studies have been executed so far and the understanding of this process is still ambiguous. Foreign expansion seems to be essential for a firm to outlast in the longer term (Ward, 1997; Naldi et al., 2007; Rauch et al., 2004). Facing the increasingly intense competition, owner-managers of family businesses need to not only focus on the local market, but also capture opportunities arising from the international market and reconfigure existing or exploit new resources to create competitive advantages. This study has presented some empirical relationships between internationalization and familial nature. Consistent with the proposed hypothesis H3a, the results indicate presence of next generation within company structure is positively associated with internationalisation propensity. In essence, family businesses with presence of next generation invest heavily in the firms. They would try all means to survive and succeed in the market as they cannot afford any significant loss. They are more likely to search opportunities actively in the international or national market to secure/expand their market share to ensure the business sustainability. The confirmed hypothesis H4a indicates the presence of next generation within company structure is also positively associated with internationalisation intensity. The explanation to such situation may be similar to this proposed to hypothesis H3a. Family firms interested in generational sustainability and prosperity rather than short-term commercial outcomes (Sirmon and Hitt, 2003). The confirmed hypothesis H2a indicates the experience of the owner of a family enterprise correlates positively with the family business internationalisation intensity. When the owner family has experience in international operations, he/she may be more willing to commit financial resources to internationalisation-related activities. Graves and Thomas (2008) observe that successfully internationalised family businesses are capable to use internal funds generated from the domestic market to subsidise their international venturing. This indicates that strategically competent family business owner with experience in international business, may have a global vision. Such family businesses are not merely contented by their regional campaigns but would push company to the international market. The study has some limitations. Firstly, the quantitative analysis is restricted to the family business companies located in one region in Poland (Wielkopolska) and therefore the findings may have limited generalisability to other regions. Secondly, because this study is restricted to 100 companies, there is the risk that the conclusions developed from the quantitative data analysis are idiosyncratic with limited generalisability to other organisational contexts. Family business internationalisation is a complex topic and empirical research may enrich understanding and knowledge, this paper has explored the correlates of internationalization form the owner and next generation perspective. One of contributions of this paper is that the owner and next generation related variables exert influence on internationalisation propensity/intensity. More insights into family business internationalisation are needed. They will, fore sure, broaden knowledge of family firms and allow understanding how they, with their unique resources, can survive in extremely complex and competitive environment.

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Part 3.

INTERNATIONAL ENTERPRENEURSHIP AMONG CENTRAL EUROPEAN BUSINESSES

6. Growth in the Polish Fast Growing Enterprises on Foreign Markets and Its Limitations

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Abstract

Objective: *The purpose of this article is to identify the factors positively and negatively affecting the growth of fast growing Polish companies in the foreign markets.*

Research Design & Methods: *This study focuses on the fast-growing, highly innovative and internationalized Polish companies. Due to the aim of the research, i.e. gathering the qualitative information about internationalization strategies of the Polish fast growing firms, a qualitative multiple case study analysis was applied on the sample of 19 companies.*

Findings: *The most important factor supporting growth of researched companies on foreign markets was the product, technology and competences of the company. The most important barrier of internationalization however was finding the good partner and employee on the international markets.*

Contribution & Added Value: *This research has not confirmed that it is possible to create a universal list of factors contributing to the growth of fast growing businesses in foreign markets, neither a universal list of barriers internationalization. However, clearly showed that there are individual factors of particular importance to most companies, which could be mostly created by the companies themselves and there is also a vital place which state aid could occupy fostering the internationalization of fast growing enterprises. There was no research done until now, which examined such set of factors which helps and impedes to grow on foreign markets the Polish fast growing companies, and particularly this group has the highest chance for internationalization and should constitute a research object.*

Key words: *internationalization, enterprise, competitiveness, fast growing firms, barriers of internationalization*

JEL classification: *M1, M160*

6.1. INTRODUCTION

Globalization of the world economy and the opening of the Polish economy to foreign markets have caused in the past two decades many positive changes in the area of international competitiveness of Polish enterprises. Intensification of this phenomenon is accompanied by many studies and many of its aspects have been thoroughly examined. Subject of international competitiveness is widely discussed by the theories of strategic management, internationalization theories, theories of the enterprise and theories of growth. Moreover, issues of companies' growth both nationally and internationally are explored on the one hand by researchers attempting to identify the determinants of growth of enterprises providing above-average performance and increase rate, often referred to as fast growing companies and on the other hand by research of born globals. There are still missing unambiguous guidelines from the side of the theory, which would allow to answer the question, which factors have a particular impact on the market success of companies in foreign markets, particularly referring to fast growing companies. Therefore, the research question is: what factors have a particular impact on the growth of fast growing Polish enterprises on the foreign markets and which factors constitute a particular barrier to this growth. The purpose of this article is therefore to identify the factors positively and negatively affecting the growth of fast growing Polish companies in the foreign markets.

The first part of the paper provides an overview of contemporary theory and research on the factors that are essential for the growth of companies or its limitations. The attention also was drawn to the European competition rules, which constitute a possible factor contributing to, or impeding the growth and development of enterprises. Following the research methodology was presented, description of the study and the obtained research results. The last part of the work was devoted to the conclusions, discussion and desired further directions of research. This study is a part of a larger research project about the international competitiveness of Polish fast growing firms.

6.2. LITERATURE REVIEW

As previously mentioned, in the literature there are missing studies which directly identify the critical factors influencing or impeding the growth of fast growing enterprises on foreign markets. Therefore, the theoretical background considerations will be based on the literature on firms' growth factors and factors of market success of born globals. Although born globals are different from the fast growing companies, exhibit many similarities with them, and part of the born globals companies belong also to the group of fast growing firms (Wach, 2012, pp. 41-42).

Storey (1994) identified three categories of factors that affect the likelihood that the company will enter on the path of rapid growth, namely: human resource capabilities, strategic factors and firms characteristics. The first group, considered by many researchers as a key (Andersson and Wictor 2003) refers to the capacity of human resources, in particular the skills and characteristics of the founder and leader of the company. The higher the human resource capabilities, the greater the likelihood that the company will enter on the path of accelerated growth (Bates 1990; Bruederl et al. 1992). Human resources can affect the growth of enterprises through the adoption of an entrepreneurial orientation. It is defined in three dimensions: innovative and proactive behaviour and the willingness to take the risk (Mateev and Anastasov 2010). The impact of the entrepreneurial orientation on the performance of companies and their growth has been confirmed by many researchers (Lumpkin and Dess 1996, 2001; Wiklund and Shepherd 2005; Wiklund, Pätzel and Shepherd 2009).

The second group identified by Storey (1994) refers to strategic factors. It encompasses setting relevant strategic objectives, choosing an appropriate market definition and business model, defining strategy with the relevant (Sliwinski 2011) and in addition unique skills, competencies and knowledge (Obłój 2007; Sliwinski 2011), innovative strategies (Obłój 2003, 2007; Eisenhard and Sull 2001), and the adequacy of the strategy to the environment and its internal cohesion (Urbanowska - Sojkin 2013).

The third group identified by Storey (1994) consists of the characteristics of companies, including, among others, technological factors, the legal form of the company, its size, location or relationships with other companies. Many studies have shown that advanced technology, as well as focus on knowledge in enterprises (Eisenhardt and Santos 2002; Gupta and Govindarajan 2000) lead in the scale of economies to the increase of employment, increase of companies' sales, as well as creation of new and innovative products and services (Licht and Nerlinger 1998) and as a result the rapid growth of such enterprises. This was confirmed by Audretsch (1995) or Almus et al. (1999) proving that companies operating in technologyintensive industries show increased growth potential. Agarwal (1998) found also evidence that these types of businesses have a higher chance survival.

The researchers showed also that the legal form of company affects its growth. For example, the choice of a form of a limited liability company contributes to a higher growth rate than the choice of a form, which imposes the liability with private capital on the founder (Stiglitz and Weiss 1981), because entrepreneurs who chose form of limited liability company engaged in more risky projects, giving however, higher rates of return which result in the greater growth (Harhoff et al. 1998; Storey 1994).

Another subgroup of features characteristic for companies and influencing growth are the close links with external companies. Those external companies can provide additional expertise, capital or relationships with customers or suppliers (Variyam and Kraybill 1992; Aldrich et al. 1990) and therefore can expedite the firm's growth in foreign markets (Oliveira and Fortunato 2006). Regarding another factor, the location of businesses, research indicates that companies located in rural areas are experiencing higher growth than companies located in urban areas, despite the fact that the companies in agglomerations have access to better infrastructure than in rural areas and access to higher educated human resources (Storey 1994; North and Smallbone 1995; Simon 2009). Many researchers also believe that the size of the company constitutes one of the most important growth factors (Storey 1994; Davidsson et al. 2002; Delmar et al. 2003). Bigsten and Gebreeyesus (2007) confirmed, however, that the volume of production companies is inversely related to their growth. With regard to the issue of internationalization the

Knight, Madsen and Servais (2008) after Jarosiński (2013) showed that age and size, as well as limited resources are no longer an obstacle in making early internationalization.

Some studies point to a directly proportional relationship between innovation and companies' growth (Almus et al. 1999; Almus and Nerlinger 1999, Coad and Rao 2008; Autio et al. 2007). On this basis, many scholars recognize that innovation are the key factors for growth of companies. Coad and Rao (2008) have further observed that innovation is particularly important for companies with fast growth. Coad and Rao (2010) also found evidence that companies are willing to increase spending on research and development (R&D) after overcoming a positive shock of accelerated growth. Other researchers indicate as well that the growth rates of firms are positively correlated with the intensity of research (Del Monte and Papagni 2003) and Adamou and Sasidharan (2007) argue that R&D is a key determinant of accelerated growth, regardless of industry. However, significant impact of innovation on the firms' growth was not confirmed by every group of researches (Brouwer, Kleinknecht and Reijnen 1993; Corsino and Gabriele 2011).

Various studies identified the success factors of born globals on the international markets. Because born globals sometimes belong to the fast growing firms, they constitute also a useful background and theoretical reference point. Identified factors that support the success of born globals on international markets are:

a) global vision (Duliniec 2011 after Karra and Phillips 2004) or global awareness (Jarosiński 2013),

b) the marketing competences (Moen 2000; Knight, Madsen and Servais 2008; Jarosiński 2013; Knight et al . 2004),

c) the networks of cooperation with foreign partners (Duliniec 2011 after Karra and Phillips 2004; Kudina, Yip and Barkema 2008 after Jarosiński 2003),

d) high quality and product differentiation (Moen 2000; Knight, Madsen and Servais, 2008; Jarosiński, 2013),

e) knowledge and education (Daszkiewicz 2004; Jarosiński 2013),

f) lack of fear for internationalization (Kudina, Yip and Barkema 2008 after Jarosiński 2013),

g) intercultural competences (Duliniec 2011 after Karra and Phillips 2004),

h) hiring local managers (Kudina, Yip and Barkema 2008 after Jarosiński 2013)

i) international entrepreneurship, understood as the special ability of noticing and use of international opportunities (Duliniec 2011 after Karra and Phillips 2004)

j) access to capital (Moen 2000)

k) maintaining the control over the company while using external financing (Moen 2000)

It should be noted that the last two factors Moen (2000) considered as particularly important in early internationalized companies. Duliniec in turn draws the attention to companies in high-tech industries, especially operating in niche, quoting after Fan and Phan (2007) that the growth of such businesses in foreign markets depends to the high degree on industry-specific knowledge, which allows dealing with the foreigners to avoid problems arising from the cultural distance. In traditional industries more important is the knowledge of foreign markets, such as socio-cultural factors in these markets.

Antitrust law - factor contributing or the barrier of internationalization?

Analysing the factors influencing the growth of Polish enterprises on foreign markets and the barriers of internationalization it is worth paying attention to the problem of protecting the competition and related antitrust laws arising out of the Competition policy of the European Union. The activities of the European Union, as well as individual member states, resulting from caring for the protection of competition in the common market, may in fact, in some situations, constitute a factor that is conducive to the enterprises' growth in foreign markets, and sometimes, on the contrary, may restrict the possibilities of internationalization.

The rules of competition are addressed both to the member states and to the companies. Article 107 TFEU prohibits, in whatever form, any aid granted by a member state or from public resources, which by favouring certain undertakings or certain branches of production would interfere with competition or threaten to distort competition. Provisions for enterprises include a general prohibition of cartels contained in Article 101 of the Treaty on the Functioning of the European Union (TFEU), the prohibition of abuse of dominant position on the market contained in Art. 102 TFEU and Council Regulation No 139/ 2004 on the control of concentrations between undertakings. These provisions refer to situations threatening the competition, for example to businesses large enough or strong to be able to restrict competition through collusion with other companies, or through various strategies used by them.

In some cases, competition policy can be a factor contributing to the growth of businesses in foreign markets. When a company holds a dominant position on the domestic market, some of its competitive strategies can be regarded as incompatible with competition law (Fornalczyk 2007). Internationalization can then become a safe, from this point of view, growth strategy. For example, when the merger of Polish competitor or partner will not be possible because of the resulting increase of the dominant position of the merging parties on the Polish market, a merger with a foreign company may be allowed, because e.g. of the extension of the relevant market (adding a territory of another state), so that the merging companies would not have a dominant position on it. The situation could look similarly with alliances (cartel, collusion) or with any marketing and distribution strategies that on the domestic market can be regarded as an abuse of a dominant position and after expanding to new foreign market and extension of the relevant market, can be regarded as a typical strategy of raising the competitiveness of a company.

Competition policy may, however, in some situations also be seen as a barrier or impediment to internationalization. For example, the prohibition of state subsidies prevent certain types of state aid, which could prove to be beneficial for overcoming identified barriers to the internationalization of the companies. While there is a *de minimis* rule and programs to support small and medium-sized enterprises, it seems that in the case of internationalization of enterprises from less developed economies, such exceptions may not be sufficient in terms of support to start and grow their business in foreign markets.

It should be taken into account, that the international nature of the competition policy and the fact that bilateral and multilateral cooperation of the EU with other countries in the field of protection of competition causes that some internationalization strategies may prove to be incompatible with the rules of competition, even though from the point of view of companies they may seem to be necessary in order to enhance their international competitiveness. Companies must therefore adjust their actions to internationalization or growth in foreign markets to existing antitrust laws, which can be regarded as a kind of barrier to internationalization.

6.3. MATERIAL AND METHODS

This study focuses on the fast growing, highly innovative and internationalized Polish compa-nies, i.e. having headquarters in Poland. Due to the aim of the research, i.e. gathering the qual-itative information about internationalization strategies of the Polish fast growing firms, a qualitative multiple case study analysis was applied which, according to Yin (2003), is the most suitable research method for theory testing, as well as for potential theory development (Eisenhardt 1989; Merriam 1998). Moreover, a case study research provides very often useful in-depth findings, giving good understanding of the behaviour of firms (Reiner et al. 2008). The fast growing Polish companies were selected with a purposeful sampling technique (Mer-riam 1998; Patton 1990; LeCompte and Preissle 1993; Maxwell, 2005).

Companies chosen for the study were selected from two rankings of the fast growing Polish companies "Gazelle of Business" performed by "Puls Biznesu" (a business newspaper) and "Cheetahs of Business" performed by SKOK, a (financial institution group) both of which constitute a reliable preselection source of the Polish fast growing firms. Moreover, the companies were selected from the group of firms which received an award in the "Polish Product of the Future" or in a prestigious foreign contest for innovative high technology products like e.g. EEP AWARD Environmental Innovation for Europe. The chosen companies had to meet three criteria:

a) significant growth of turnover in excess of minimum 500% within 10 years,

b) already conducting foreign sales,

c) continued growth in turnover for the period of at least 10 years,

d) being a Polish enterprise i.e. having headquarters based in Poland.

Some of the selected companies exceeded the threshold turnover already within 3 years. Minimum, fivefold increase of turnover within 10 years referred to the net sales values, taking into account inflation and therefore excluding the inflation from the growth value. Choosing the above presented criteria allowed to realize the idea of the research, which was to gather highly innovative enterprises with above average growth, looking from a particular branch perspective, which have already started in any form to sell their own products or services abroad and analyse their internationalization. The presumption was that this kind of enterpris-es are supposed to reveal more advanced internationalization strategies than the average Polish company. The research was carried out in the year 2009.

A pool of 104 companies was selected out of which finally 32 participated in the research. After the interview two companies were excluded because they had not fulfilled the require-ment to fit in the definition of Polish enterprise. The next 10 companies were excluded be-cause they had not reported export in the last 3 years, which turned out during the interviews. The companies were taken from different branches and different regions of Poland.

Research was conducted using the direct interview method (Maxwell 2005) and a semi-structured interview (Nikodemska-Wołowik 2008) based on a questionnaire prepared by the authors. The interviews were conducted with CEOs or members of the company's Board of Directors. Adoption of this form of research had a significant impact on the quality of their response and also allowed to get full answers to the questions.

In this paper we analysed responses of the surveyed companies on two questions:

1. Which factors have to the greatest extent determined the growth in foreign markets?
2. What was the most difficult in the process of internationalization?

The first question identified the factors which have the greatest impact on growth of sales and companies in the international markets. The second question identified the main barriers in the process of internationalization of the surveyed enterprises. Respondents, who were the managers of the investigated companies, answering the questions indicated one or more factors, and some respondents abstained from responses indicating that e.g. it is too early yet to indicate the most significant barriers or factors supporting growth in foreign markets. Questions were aimed at obtaining subjective opinions of individual companies illustrating adopted attitudes, priorities used in the reality in the surveyed companies. Both questions were completely open giving the respondent an opportunity to present a response from his/her point of view.

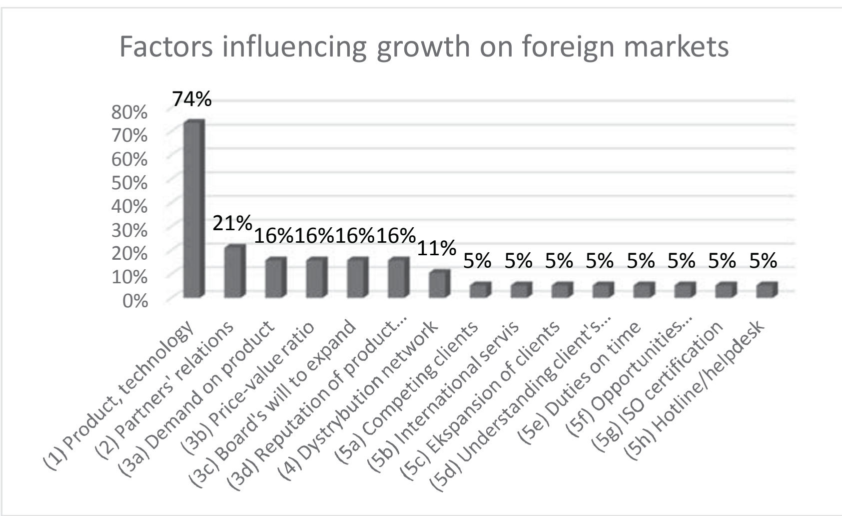
During the interview the laddering technique was used (Reynolds and Gutman 1979, 1984, 1988) which helped to deepen the answers. All questions were formulated in a way which did not suggest answers, nor were they presented in a positive or negative context.

6.4. RESULTS AND DISCUSSION

The purpose of this article was to identify factors that influence both the growth of Polish the fast growing companies in the foreign markets, as well as factors limiting this growth. To the question: “Which factors have to the greatest extent determined the growth in foreign markets?” responses were as follows. As the most important factor the surveyed companies have recognized the high quality and innovative products (74 % of the surveyed companies). Under the term “product” companies understood not only the final product offered to the customers, but also the technology that the product was made and owes its quality and innovativeness and parallel high competencies of employees directly involved in the production due to which this product was made. Consecutive factor in the number of indications was to build and maintain the relations with foreign partners (21%). Under this concept the company understood to build a network of partners, providing them with knowledge of the product, sales training, selection and service range. Attention was also drawn to the partners’ care of products’ image, regular fulfilment of the payment duties, and the creation of an effective distribution network.

The next most important factors were (16%): the demand for a certain product in foreign markets, favourable price-value ratio of the product, the board’s will to expand to foreign markets and the reputation of the product and the company. Referring to the demand, it was a specific demand for particular product type the company has offered within chosen time, which clearly contributed to the increase of sales of the surveyed companies in foreign markets. The notion of a favourable price-value ratio meant to the respondents a favourable combination of product attributes such as quality and innovativeness in relation to the prices of competing products on the foreign market. Mentioning the reputation of the product and the company it should be stressed that the company initiating foreign sales already built a reputation for its products and the company in the domestic market or on other foreign markets. But it was of importance to develop and strengthen the reputation further on the new market.

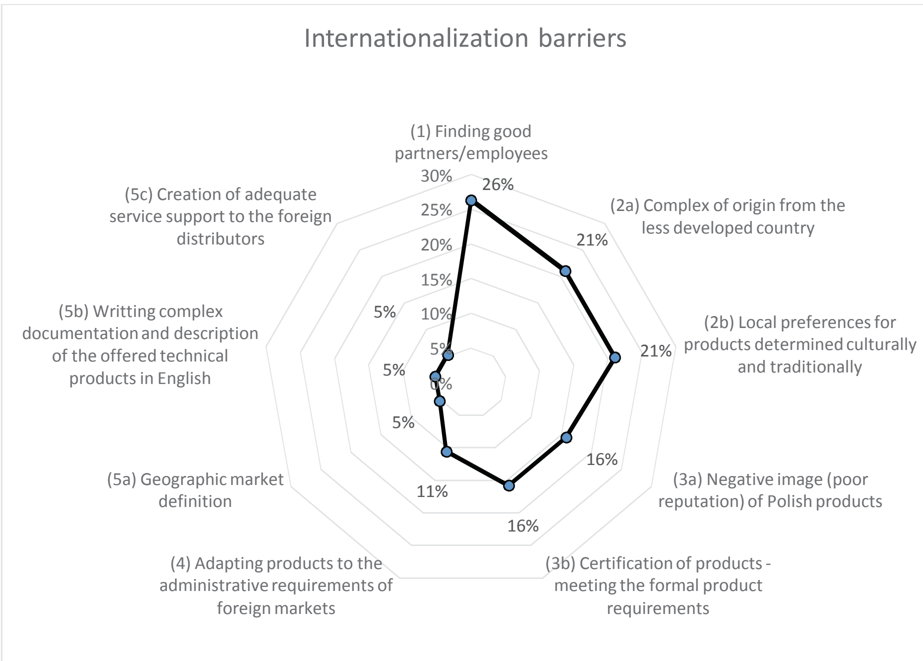
Figure 1. Factors influencing firms’ growth on international markets



Source: author’s elaboration based on own survey

Subsequently, the studied firms pointed to build an efficient distribution network (11%), competition between customers (5%) as a factor which increased demand on their products as a result of superior quality and functionality, an international service discovered by one customer and needed by the competitor to be able to compete further on the market (5%), customer expansion into new markets (5%) , understanding the customer and their needs (5%), timely fulfilment of obligations relating to both orders and to discharge the duties (5%), the use of market opportunities which emerged on the foreign market (5%), possessing ISO certification by the company (5 %) and good international hotline / helpdesk (5 %).

Figure 2. Internationalization barriers



Source: author's elaboration based on own survey

Answering the question "What was the most difficult in the process of internationalization?" most companies (26%) indicated: to find good partners and employees, who are reliable, conscientious, fulfilling its promise, pursuing mutually agreed plans and trustworthy. An important barrier to internationalization was also an origin's complex from the less developed country (21%). The complex referred to a sense of inferiority and lack of confidence, whether the company and the product is ready to expand into foreign markets, often more developed than the local market. Equally important barrier were the local preferences for products determined culturally and traditionally. Another significant barrier to the internationalization of the surveyed enterprises was the negative image (poor reputation) of Polish products (16%). In particular, the poor reputation was related to EU markets, but not related to Russia, Asian markets and South America (Mexico, Argentina) and North (USA), where Polish products exhibited relatively good reputation. Equally significant barrier to growth in foreign markets accounted for certification of products (16%). For example, one of the investigated companies had to fulfil the requirement to have a civil liability insurance policy for the amount of 5 million EURO, which no Polish insurance company had in its offer. Mention by the companies another barriers were: the adaptation of products to the administrative requirements of foreign markets (11 %), difficulty in defining the geographic market (5%), the need to write complex documentation and description of the offered technical products in English (5%) and the creation of adequate service support to the foreign distributors. In the latter case, it was pointed out that internationalization can be a barrier because of its organizational side, both on the part of internationalizing firm and its partners. For example one firm mentioned the maintenance of the distribution network, the coordination of requests from different countries or differentiation by the foreign distributors the specificity of goods or parts, differing in minor details and execution of erroneous orders.

6.5. CONCLUSIONS

Analysing the results of the research it is worth to notice the large variety of factors mentioned by the companies, both conducive to the growth in foreign markets, as well as forming its barrier. The answer to both questions of almost every company contains different set of factors, and a number of factors have been indicated by single companies. Only one factor, resulting from the answer to the first question, drew the attention of a significantly higher number of companies (74 %). Indications of other factors varied between 5 to 21 %.

Twofold conclusions can be drawn from this fact. The first conclusion is that the set of factors contributing to the growth in foreign markets can be an individual matter to particular companies, even dependent on their current stage of development, or the foreign market in which they operate. This does not mean that it is impossible to create for the fast growing enterprises a “list” of fundamental factors in terms of growth in foreign markets, whether constituting a barrier to growth. This proves rather the fact that in this list of most important factors, each company selects those of them that are at a given time and a given situation crucial for the growth or of a company or its limitation in a given foreign market. Secondly, it is also highly possible that companies did not point at some factors as crucial considering them obvious and fundamental conditions in the context of the foreign markets, and focused on current challenges.

The attention is drawn to the fact that all the companies that indicated the board’s will to expand to foreign markets, favourable price - value relation of the product, the demand for the product, building of the reputation of the company and product in foreign markets or building an efficient distribution network as factors contributing to the growth of foreign markets, also recognized product and technology as a key in this field. In turn, 75 % of companies that recognized the complex of origin from the less developed country as a barrier to internationalization, indicated on product and technology as an important factor for growth in foreign markets. At the same time, the same factor was cited only by 30 % of companies who have recognized that the poor reputation of Polish products is a barrier to internationalization. The result of this may be that the complex of origin from the less developed country motivates companies to improve the quality of the product and applied technology than the conviction of the poor reputation of Polish products on foreign markets. Companies that recognize the complex due to the origin from the less developed country and lack of conviction about the value of their products as a barrier to internationalization also indicated that an important factor in the growth of internationalization is building the reputation of the company and product in a foreign market and building an effective distribution network.

The results of the research on such barriers to internationalization as the complex of origin from the less developed country or poor reputation of Polish products and growth factor on foreign markets in a form of a favourable relationship between price and value of the product, in the context of the additional expression of the surveyed companies, lead to further conclusions. Firstly, the advantageous price – value ratio of the product, a conscious pricing policy relying on proper positioning of prices compared to the prices of competing products on the foreign market, can be an effective way to break indicated by the surveyed companies barriers resulting from an unfavourable image (poor reputation) of the Polish products on foreign markets, particularly in the EU markets. Secondly, emphasized by the studied companies good reputation of Polish products on the Asian markets and in Russia, elucidated with good trade relations with Poland during the socialist period suggests that involvement of government in trade agreements and economic cooperation is of great importance and can produce good results even after many years. In addition, a good reputation of Polish products in South America, where they are highly appreciated and perceived as similar to the German quality but having lower prices, can mean that among others the poor reputation of Polish companies and products in the markets of the European Union is not always apparent from the real reasons, but also from the fact that they are in direct competition with broadly understood neighbouring markets, as generally known, the image of the country and products derived from it are important elements of long-term sales strategy and the competitive struggle, to which individual countries try to influence through various methods. Thirdly, an important research result for the state administration is that the second largest indicated barrier of internationalization was the complex of origin from the less developed country. It is definitely a reason to intensify the promotion of Poland and Polish products not only in foreign markets but also among domestic producers, whose faith and belief in the success of its values indicate and stimulate the success in foreign markets. Therefore it appears necessary not only to support the enterprises by the state in areas such as participation in trade fairs abroad, help in overcoming language barriers, such as the creation of all kinds of products' documentation, or the promotion of Polish products and Polish image in the EU, but also the promotion of patriotism and national pride, in order to get rid of complexes often unjustified blocking successful foreign expansion.

An interesting observation is the fact that studied Polish fast growing companies did not consider any aspect of the European antitrust rules as a factor affecting their growth in foreign markets. This may be due to the fact that most of the surveyed enterprises belonged to a small or medium-sized companies, which in some areas are an exception to the rules of competition law. In addition, fast growing companies may be unaware of the limitations which may arise from the antitrust laws because they are often young companies, focusing on growth and development, and not on limitations which may arise from gaining the market power. No expectation of support from the state, which could be in any way inconsistent with competition policy can attest to the fact that Polish companies are not accustomed to assistance from the state and therefore do not expect it and their success is independent from any state help.

As it is clear from the foregoing the present study allowed for a more certain answers to the earlier questions referring to factors stimulating growth on foreign markets and impeding internationalization on the other hand. The provided findings shed additional light on it but there is still need for further research. There remain many unresolved issues that require further research. It should include an analysis of a long term perspective which does examine what are the factors positively influencing growth on foreign markets and what are the barriers to the internationalization to the developed and undeveloped countries for the fast growing firms. Moreover it would be also interesting to examine how those factors which help and on the other hand impede internationalization of fast growing firms look like in the neighbouring and more distant (other continents) countries and what are the barriers to the expansion of more and less technologically advanced products. An important direction of research could be also to investigate the relationship between the need to protect competition on the market and the striving of enterprises to enhance their international competitiveness and also on the desired range of state aid in the area of overcoming barriers to internationalization, however not harming the competitive process.

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7. Corporate Entrepreneurship as an Facilitating Factor in the Rapid Internationalization of Firms. The Case of Nowy Styl Group

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Abstract

Objective: *The driving goal of the research is to portray the impact of corporate entrepreneurship on the process of firm internationalization. Based on literature analysis and corporate data, the paper explores the avenues of influence corporate entrepreneurship practices have on the extent, scope and pace of internationalization processes.*

Research Design & Methods: *Case study. Based on the data (both qualitative and quantitative) from a leading European furniture manufacturer the paper analyzes the dynamics of internationalization processes through a CE lens.*

Findings: *Research results indicate that high entrepreneurial intensity of both employees and corporate strategy impact internationalization processes.*

Contribution & Added Value: *Results encourage strong CE orientation on both management and employee level for firms attempting to enter foreign markets. Study also confirms earlier suggestions made by scholars, that entry speed can play a fundamental role in the pace of future international expansion. Future recommendations include testing of of CE-firm internationalization relationship moderators. The major contribution of this study lies in extending the existing body of CE research and providing a new perspective in terms of its role in facilitating internationalization processes. This entrepreneurial lens proposes a more dynamic, non-linear approach to internationalization, quite contrary to traditional gradual and sequential approaches represented by stage theories.*

Key words: *corporate entrepreneurship, internationalization of firms*

JEL classification: *M1*

7.1. INTRODUCTION

Corporate entrepreneurship (CE) is a firm-level phenomena and it occurs within an organizational context. CE refers to the entrepreneurial behavior of the firm itself, as well as entrepreneurial orientation of top management team and entrepreneurial behaviors of employees. Firms exercise entrepreneurship in aim of the creation and pursuit of new venture opportunities and strategic renewal (Guth & Ginsberg, 1990). Many consider the pursuit of opportunity to be the heart of any entrepreneurial activity and CE is no exception. According to Stevenson & Jarillo (1986) CE, as the pursue of opportunity, defines the ability of the whole organization to be entrepreneurial. The notion of opportunity creation, recognition and exploitation as basic entrepreneurial activities provide a view, where alertness, environmental scanning and responsiveness are key organizational competencies for the firm. Expanding a firm's operations into new geographic markets presents an important opportunity for growth and wealth creation. This applies to every firm, but particularly one that is established on a relatively small domestic market. The driving goal of this paper is to take from the body of research devoted to CE-firm internationalization relationship and identify if and how CE accelerates new market entry, as well as to propose further research avenues in this stream of research. The major contribution of this study lies in extending the existing body of CE research and providing a new perspective in terms of its role in facilitating internationalization processes. It addresses the call recently made by Zahra and Wright (2011) that entrepreneurship research needs to move beyond filling in the potholes in a well known path. These authors suggest the need for "creative reconstruction" in the field that will bring about a shift in entrepreneurship research focus (Zahra & Wright 2011: 69). Examining the role of CE in internationalization processes is a response to that call.

7.2. LITERATURE REVIEW

Firm Level Entrepreneurship

There has been lately some discussion about the terminology regarding firm level entrepreneurship (Covin & Lumpkin, 2011; George & Marino, 2011). This paper adapts the terminology of corporate entrepreneurship, when referring to firm-level entrepreneurship, as Dess and Lumpkin (2005), Zahra (1993) and other authors, who suggest that entrepreneurial orientation (EO) represents a firm's orientation toward, rather than actual corporate entrepreneurship activities, whereas CE refers to the behavior exhibited by the firm and its employees. A dominating number of authors (e. g. Covin & Slevin, 1991; Zahra, 1993; Barringer & Bluedorn, 1999) argue that corporate entrepreneurship is the company's entrepreneurial behavior; opportunity recognition, organizational flexibility and ability to turn the uprising opportunity into market success. Still today, numerous conceptualizations exist in parallel. Ruthfold and Holt (2007) adapt the resource based view and conceptualize CE as the process of enhancing the ability of the firm to acquire and utilize the innovative skills and abilities of its members. Different authors, on the other hand, focus on the outcomes and define CE in more general terms as the process of stimulating innovative ideas and processes with the focus on wealth creation or simply as the process of pursuing new entry (Lumpkin & Dess 1996). Antonicic and Hisrich (2004: 23) specify that CE is a "process of creation of new businesses, and other innovative activities, such as development of new products, services, technologies, administrative techniques, strategies and competitive postures."

The coexisting convictions regarding CE are rather completing than competing, all referring to the identification, evaluation and pursuit of opportunity (Stevenson and Jarillo-Mossi, 1986; Jones & Butler, 1992; Shane & Venkataram, 2000). Opportunity is referred to as the dominant thread in current entrepreneurship research (Venkataram & Saravathy, 2012) and CE is no exception. It is the opportunity for various future gains.

First and foremost, opportunity being advantageous circumstances carries the possibility of profit gains. Although the majority of scholars agree that entrepreneurial opportunities cannot always be profitable (Singh, 2001), it is clear that profit probability is one of the most important benefits from entrepreneurial undertakings and so CE has been traditionally associated with improved financial performance and wealth creation.

As "growth primarily results from the location of new markets and the development of new products" (Miles & Snow, 1978; pp. 57), the second potential benefit of CE is market or product leadership. Most authors agree that the essential act of CE is new entry, which is accomplished by entering new or existing markets with new or existing goods or services (Lumpkin & Dess, 1996, pp.137). Other market relevant gains noted by authors refer to market or product leadership (Ireland et al., 2001), competitive advantage, increased market share (Haber & Reichel, 2005). All of these ultimately lead to future profit gains, although in the short term profitability might suffer.

An emerging body of research provides insight into non-financial benefits of CE. Luke et al. (2007) have identified additional gains that organizations hope to achieve engaging in CE such as creation of new competencies or establishing new relations. This is consistent with findings that firms which want to launch innovation often develop networks of partners teaming with new ventures, universities, research labs and institutions (Hitt et al, 2011) or firms that intend to expand their markets geographically, form external partnerships with foreign partners (Daszkiewicz & Wach, 2012: 55). These partnerships help exchange and develop new know-how and new competencies. Generally speaking, CE plays a notable role in organizational learning (Wang, 2008) and developing new competencies.

As CE research has spread over numerous settings and contexts, including international (Luke et al, 2007), institutional (Maguire et al, 2004), academic (Laukkanen, 2003) attention is drawn to a much more complex set benefits engaging in firm level entrepreneurship, such as creating stakeholder value or improving public image (Lumpkin & Dess, 1996) and employer branding (Morris et al, 2011). Hence, there are a number of potential advantages identified by the literature for which organizations engage in CE, as it holds the potential of many areas of growth and development. As such, CE has received immense attention in the last decades. It is an important area of inquiry, especially relevant in times of crisis and economic challenges. This article is devoted to exploring the role of CE in enhancing and speeding up firm internationalization processes.

CE and Geographic Expansion of Firms

The internationalization of firms refers to its geographic expansion being any economic activity undertaken by a company outside its home country (Rymarczyk, 2004;

19). In the last decades, internationalization theory has become a broad and multifaceted stream of research, incorporating numerous approaches. Conceptualizing internationalization, Welch and Luostarinen emphasize the process through which firms get increasingly involved in international markets (1988). Early theoretical approaches have focused on a gradual and evolutionary building of foreign commitment over time (Reid, 1981), often starting from indirect forms of export through direct engagement to foreign affiliates. However, studies have recently shown, that entrepreneurial companies often break that pattern, since their internationalization decisions are determined by the perceived opportunity. Internationalization as response to opportunity occurs in various modes, following the opportunity-based contingency approach (Chandra et al., 2012), regardless whether the market is in close physical distance.

Internationalization is definitely a dynamic process, set in a specific time frame and speed is an additional dimension of internationalization, next to degree and scope. Degree refers to the firm's percentage of foreign market turnover, while scope reflects its geographic diversification. The notion of speed in internationalization theory primarily refers to the time elapsing between the company's foundation and its first international entry, and secondly to the pace of subsequent international growth (Casillas & Acedo, 2013). Studies have shown that entrepreneurial orientation positively influences the firm's propensity and speed to internationalize its activities (Ripolles-Melia et al., 2007). Furthermore, some authors suggest that internationalization speed plays a fundamental role in the future international behavior of established firms (Autio et al., 2000).

Firms pursue internationalization for various reasons. Daszkiewicz & Wach outline four groups of factors that may influence firms to expand its activities abroad:

- entrepreneurial factors associated with seeking growth and financial gains;
- push factors associated with shortage of opportunity in the domestic market;
- pull factors associated with potential opportunities on foreign markets and
- chance factors associated with specific favorable circumstances on foreign markets.

Entrepreneurial firms are driven by a strong opportunity-seeking perspective and thus often turn to international expansion as a way of pursuing identified opportunities (Chandra et al., 2012). These firms are predominantly determined by entrepreneurial and pull factors in their internationalization attempts.

It is therefore no surprise that CE has been early identified as a factor enhancing the company's probability and propensity to expand its operations geographically. International corporate entrepreneurship has emerged in the last decade as a new perspective in the study of firm internationalization (Zahra & Garvis, 2005; Jantunenet al., 2005; Ripolles- Melia, 2007). Studies have shown that CE can positively influence a firms international performance (Zahra & Gravis, 2005). This stream of research adapts CE theory and focuses on the study of factors that can enable rapid firm internationalization as well as accelerate the process itself. These factors are commonly understood to be the sub-dimensions of CE, depicted early on by Miller (1983), as innovation, proactiveness and risk-taking. Entrepreneurship theory holds that innovative activity, to be considered entrepreneurial, must involve the search to expand the firm's resources and capabilities, and not only optimize existing ones (Eckhardt & Shane, 2003). Therefore, a firm with a strong entrepreneurial drive will constantly look for new resources and their new combinations. Secondly, proactiveness refers to the opportunity seeking perspective, anticipating competitors' moves and customer needs, pursuing entrepreneurial opportunities regardless of currently controlled resources (Stevenson & Jarillo-Mossi, 1986). Finally risk taking expresses the will to make investments in uncertain projects (Lumkin & Dess, 1996). Therefore, firms with a strong entrepreneurial commitment, perceive new opportunities more quickly, and their proactive character and will to take risks facilitate the exploitation of these opportunities. Entrepreneurial firms strive on opportunities and international markets are a natural center of their attention, as they present new and/or different opportunities than their home country. The development of activity in foreign markets, regardless the form, is, according to some authors, an entrepreneurial act per se, since it consists of exploiting new risk-related opportunities in new environments (Lu & Beamish, 2001; Ripolles-Melia et al., 2007). In other words, it is the essence of entrepreneurship that can affect the firm's decision to expand geographically. Yet, this decision bears critical consequences for future internationalization processes, as the speed of the first international market entry will contribute to the development of further internationalization, in terms of scope, degree and pace (Ripolles-Melia et al., 2007). As these authors explain, firms with an entrepreneurial mindset and international entry activity, having established new competencies and behavioral patterns, will be more likely to look for future opportunities abroad.

Summing up the theoretical developments, according to presented research findings, entrepreneurial commitment, can predominantly affect the following aspects of internationalization:

- their internationalization processes are driven by the pursue of opportunity;
- internationalization determined by pull rather than push factors;
- entrepreneurial firms pursue internationalization processes along their own lines to serve their entrepreneurial purposes (various entry modes);
- entrepreneurial firms are characterized by a quick initiation of international operations;
- as well as a rapid pace of international growth (not necessarily gradual and evolutionary).

To further analyze the relationship between CE and firm internationalization in a Central European context, a case study has been conducted. The case study encompasses the theoretical developments of this paper and focuses on the potential ways in which CE can influence a firm's foreign expansion.

7.3. MATERIAL AND METHODS

The study is a response to a call made by Zahra and George (2002), who propose that research in the area of CE-firm internationalization should be extended through samples in countries other than the US. Similarly, it has been suggested by Miller (2011) that the tendency of ignoring context makes it difficult to derive cumulative results, which might be the case of this stream of research. Thus, the case study has an exemplary character and serves to pursue the understanding of basic internationalization process dimensions and how they are influenced by the firms entrepreneurial orientation in a given geographic context. Apart from focusing on the dominating paradigm issues of "why", "where" and "how", this study pays special attention to the "when" of internationalization, as suggested by the literature review.

This research employs a field-based research study and was modeled to be carried out in a single company. A variety of Polish business directories and firm rankings (such as "List 2000", a ranking of top 2000 Polish largest firms, published by a well respected daily newspaper "Rzeczpospolita") have been analyzed to identify a pool of potential firms for this study. The firm examined was chosen to ensure specific criteria (Kerlinger & Lee 2000; Eisenhard, 1989). The first criteria referred to external CE measures, recognized widely by researchers, such as proactiveness, innovation diffusion, aggressive competing and above industry average growth rate for at least two consecutive years (Lyon at al, 2000). The second criteria, referring to internationalization, focused on firms with a solid international exposure and international activity. The third criteria was age. Since CE is a long term phenomena (Zahra & Kuratko, 1999), the focus was on firms, which have been established at least 10 years ago. Geographic proximity, an open attitude and willingness to cooperate, were the decisive criteria to eventually select a well recognized European office furniture manufacturer located in southeast Poland for the purpose of the study.

The data has been collected through several parallel methods:

1. Secondary data deriving from press releases and firm rankings providing external verification of the firm's entrepreneurial commitment.
2. Semi-structured interviews with three top managers and three office employees to establish the firm's strategic entrepreneurial orientation and internationalization attempts.
3. Employee questionnaire survey establishing the actual level of CE within the company.
4. Secondary data in the form of reports, releases and company documents illustrating the dimensions of internationalization process at Nowy Styl (degree, scope and speed).
5. Observation and field notes.

This case study applies the principles of triangulation to data collection, assuring research validity. The criteria applied for saturation of collected data was the repetitiveness of observations, themes, facts and opinions expressed by employees.

This study strongly supports the behavior based assessment, assuming a measure based on actual performance is more accurate, consistent both with main stream CE research (Lyon et al, 2000) and with Covin and Slevin early model (1991), who wrote: "behaviors rather than attributes give meaning to the entrepreneurial process. An individual psychological profile does not make a person an entrepreneur. Rather we know entrepreneurs through their actions. In short, behavior is the central and essential element in the entrepreneurial process". The final CE assessment tool comprised of 12-items (dimensions) and measured the frequency of entrepreneurial behaviors of people adopting a 4-point scale ranging from "almost never" to "very often".

7.4. RESULTS AND DISCUSSION

Nowy Styl Group – CE orientation

Nowy Styl Group has been established in 1992 by two brothers as a family firm hiring 5 employees. It was the first company in Poland to specialize in office chair manufacturing. Due to market shortages and gaps, the company had to meet a quickly growing demand. Apart from its regular models, Nowy Styl was responding to individual orders and placed much emphasis on customer customized products, which was a novelty at that time. After the first year of operation the firm's employment rose to 60 employees and the sales grew quicker than the founders could imagine. In spite of the galloping demand and spectacular success, the company right from the start followed a high-quality strategy keeping a long-term orientation through:

- constant and customer expectation analysis;
- market scanning and opportunity recognition;
- a vertical integration policy, producing the majority of components to its chairs and controlling the distribution channels;
- concentrating efforts on the optimal quality-price ratio;
- investment in up-to-date high technology solutions;
- flexibility;
- social engagement and environmental responsibility[1].

The organizational culture of this company is characterized by two core values: openness and equality. These values are expressed by an open office policy, direct communication and a very low of formalization in terms of dress code, behavior and codification of procedures. Interviews with managers and field observations exposed a drive for introducing new solutions, exploiting uprising opportunities and high degree of action orientation. Content analysis of the recorded interviews with managers indicates a forward-looking attitude, long-term vision and very bold plans. This orientation resembles a cult for growth and development. As a three year manager explained: "what struck me here was dynamism in action, quick decisions and an unbelievable drive to excel." An-

[1] Development strategy of Nowy Styl, unpublished documents of Nowy Styl Group, p. 23

other one concludes: “Things happen very fast, people act on their ideas and new projects pop out all the time”. Nowy Styl can be characterized by a very inclusive and participatory style of management. Management declares to value employees’ suggestions and ideas. Moreover, many decisions are consulted with middle and first-line management or even bottom line employees (such as the new reward and remuneration system). It is important to note that these consultations run through both formal and informal communication channels. The overlapping of formal and informal communication, spontaneous and direct communication coupled with action orientation results in numerous projects on one hand and causes some degree of chaos and miscommunication of the other.

The data collected through observations, interviews and field notes suggests that Nowy Styl management presents a highly entrepreneurial culture and strategic orientation. Its management is actively seeking new opportunities and rapidly exploits them in a proactive way. To further establish CE intensity of the firm, a questionnaire survey was conducted in the Polish division of the company. A total of 1107 employees took part in the survey and filled in the questionnaire correctly. A total of 48 points was the highest possible score (implying that an employee exhibits all 12 entrepreneurial behaviors very often). The median for this survey was 36, which is high above the mathematical mean of 24, which suggests that Nowy Styl employees in general present a relatively high level of entrepreneurial commitment. The table below presents the results split in two groups: scores above and below the median for groups according to the following features: sex, age, education, department and time of employment. A significantly higher score above the median than below in any of the given groups indicates a particularly high level of employee entrepreneurship in that group.

Table 1. Results of CE employee survey (in real numbers)

Features	Scores (below or above the median)							
Sex	**Women**				**Men**			
	below		above		below		above	
	108		141		469		389	
Age	**Below 35**				**35 and above**			
	below		above		below		above	
	251		212		205		238	
Education	**elementary**		**Vocational**		**Secondary**		**Higher edu.**	
	below	above	below	above	below	above	below	above
	81	174	217	196	20	15	215	113
Department	**Direct production***		**Indirect production****		**Marketing, sales and exports**		**Administration (HR, legal)**	
	below	above	below	above	below	above	below	above
	389	257	101	135	24	70	24	46
Time of employment	**< 1 year**		**1-5 years**		**> 5 years**		-	
	below	above	below	above	below	above		
	23	20	264	249	188	202		

* Production of chairs; ** Production of components

Source: own evaluation

The results of the survey exposed not many significant differences in the level of employee entrepreneurship. Women are slightly more entrepreneurial than men and similarly employees over 35 are more entrepreneurial in their behaviors than younger employees. A surprising score was observed in the group of employees with higher education: 215 employees scored below the median and only 113 - above. Yet the highest level of entrepreneurial behaviors is exhibited by employees from the marketing, sales and exports department. Only 24 employee scores fall below the median and 70 (79%) are above the median, which suggests a very high level of employee entrepreneurial activity in that department.

Internationalization of Nowy Styl

As mentioned above, the first years of Nowy Styl activity were taking place during the Polish market transformation, huge market deficiencies and a galloping demand. In spite the fact, that the company had ample orders in its home country, it analyzed foreign markets almost instantly. The company was looking for entry opportunities to the EU market as well as, across the eastern border of Poland, in Russia and Ukraine. In its second year, Nowy Styl started a partnership with an Ukraine firm Seat and established a joint-venture subsidiary in Kharkov - Nowy Styl Ukraine. It started its operations by assembling chairs with components and semi-finished products shipped from Poland. Thanks to the Ukraine partner, the subsidiary quickly established effective distribution channels and sales grew rapidly on the Ukrainian market. Nowy Styl Ukraine also served a sales representative office all Eastern European markets and coordinated the exports to Ukarine as well as Kalinigrad- Russia. Participating in industry expo faires in Moscow in 1995 accelerated the export activity to Russian market.

Parallel to that the company was constantly searching for effective and long term contracts in EU countries. In its fourth year of operations, Nowy Styl sold its first batch of office chairs to a French customer. In 1996 the firm marked its strong presence on trade the largest European furniture expo fares in Koln, Germany, which effected in numerous orders from Germany and other European countries. From that moment on, EU export grew rapidly. The company gradually opened its sales representative offices in Germany, France and the UK. Between the years 1996-2010 Nowy Styl marked its presence on every major trade event in Europe and expanded its scope and volume of exports. Independent sales representative offices were opened in Slovakia, Hungary, the Czech Republic, Russia and Dubai. During those years, the Ukrainian subsidiary grew in size amounting in 2010 to five plants and employing 3000 people. In 2010 foreign employment amounted to 44% of total Nowy Styl Group employees.

International expansion slowed down between 2008 and 2011 due to the concentration of efforts on supplying the Football Euro Tournament in 2012. Nowy Styl contracted the majority of stadium seats, many hotels and conference room both in Poland and Ukraine.

Having extensive experience in brownfield investments in Poland, the company was searching to acquire an European brand and in 2011 managed to buy a German office manufacturer Sato Office, the owner of Gremmer brand office furniture. This acquisition was beneficial in many ways. Not only, that Nowy Styl now owned a production plant in Germany, but it also became the owner of the license for ergonomic office chairs and a recognized brand name. The brand Grammer office was included into the growing brand portfolio.

In 2013 Nowy Styl acquired another well recognized and trusted German brand – Rohde&Grahl. This acquisition included two production plants and a sales office in the Netherland, which as of last year became a new sale office of all Nowy Styl brands. These operations caused a rise in the share of foreign sales from 77.% in 2012 to 84.5% in 2013 and the share of foreign employment amounted to 58% in 2013.

In 2013 the sales shares structure (as percent of total sales volume) presented itself as follows:

– Poland - 14,6%
– Eastern Europe - 32,5%
– EU - 48,9%
– rest of the world - 4,1%

Over the years Nowy Styl Group has become a leading European office manufacturer of numerous brands exporting extensively to Europe, the US and middle East, a total of 60 countries with 15 sales offices, including now Romania, Spain and Kazakhstan. The production plants are located in Poland, Ukraine and Germany. Currently, the group is entering the phase of business globalization and is attempting to effectively coordinate all business operations worldwide and further pursue foreign expansion.

7.5. CONCLUSIONS

This study presents the importance of entrepreneurial orientation in both strategy making, managerial decisions and employee management in the context of a firm's internationalization efforts. The study poses three major implications. First, for firms attempting to enter foreign markets, it encourages the CE orientation on both management and employee level. For Nowy Styl the top management team orientation and employee involvement proved to be critical in undertaking international activities. Environmental scanning, opportunity recognition and proactive orientation were recognized as the major pull factors that encouraged internationalization. This alertness and responsiveness are key organizational competencies for the firm's successful foreign entry.

Second, the study confirms earlier suggestions made by scholars, that speed can play a fundamental role in the pace of future international expansion. Successful foreign market entry helps to generate new knowledge and competencies, as well as can establish new behavioral patterns through positive reinforcement mechanisms. A rapid foreign entry, as in the example of Nowy Styl, can contribute significantly to a greater international commitment. However, CE does not impact the two dimensions of speed the same way. As for the initiation of foreign activities, CE seems to bear a direct influence on time elapsing between the company's foundation and its first international entry. As for to the pace of subsequent international growth, the influence seems to be indirect. Nowy Styl has pusued two parallel paths of internationalization: Eastern European through a joint-venture subsidiary in Ukraine and Western European through gradual growth of exports. The first path resulted in a very high pace of foreign sales growth, much quicker than in the second path. Therefore, the pace of foreign expansion is determined by the patterns of internationalization. The choice of entry modes emerges as a moderator of CE – firm internationalization relationship.

Third, the study suggests the need to adapt a long-term orientation and a bold vision of international expansion and involve employees in it. The founders of Nowy Styl envisioned their new venture becoming a well recognized international player and urgently pursued this vision along with employee engagement.

The entrepreneurial lens adapted to this study is valuable for analyzing internationalization processes of firms, as it explains how international opportunities are identified, developed and exploited. This lens proposes a more dynamic, non-linear approach to internationalization, quite contrary to traditional gradual and sequential approaches represented by stage theories. The analysis of the internationalization process of Nowy Styl reveals a non-linear and reversed process of foreign business expansion. Its first initiative was not exports, but a joint-venture subsidiary on a rather high-risk market. Yet, it was the potential opportunity behind this step that was the decisive factor of the venture. The young capitalist Eastern European market was a promising arena for Nowy Styl. The company collected the gains from this bald move very quickly. It enabled a very rapid expansion on the Ukrainian and other East European markets. Moreover, it has been observed that the internationalization process of Nowy Styl has had major leaps, as well as slow-down periods, due to preoccupation in home country.

This study suggests that firms strongly committed to CE at all levels (firm, management, employees) actively search for business opportunities with an international orientation coupled with willingness to take higher risks. CE can be therefore considered instrumental in developing international expansion. Further research in this area yielding testable hypothesis is highly recommended. It would be valuable to learn more about the role of exogenous moderators of CE-firm internationalization relationship, such as environmental hostility. Furthermore, the moderating role of timing, speed and pace in CE-firm internationalization emerges as an important dimension of internationalization in CE context requiring further research.

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8. Strategies of Development of Polish Immigrant Entrepreneurs in the USA[1]

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Abstract

Objective: *The main goal of the entire project was to examine entrepreneurial activity of Polish immigrants in the USA. This article addresses one of research questions formulated in the project, i.e: what are the major strategies of development applied by Polish immigrant entrepreneurs. Additionally, selected factors shaping development strategies will be pointed out. The population of US citizens with Polish roots is significant: 9,5 millions (3% of population) of Americans reveal their Polish origin (U.S.CB, 2010); moreover, 3,3% of American business owners declare Polish ancestry. Polish immigrants in the USA has been studied by researchers before, but their entrepreneurial activity did not attract sufficient attention.*

Research Design & Methods: *As the field is not well described, qualitative methodology was employed to study entrepreneurial activity of Polish immigrants in the USA. Ethnographic study, conducted in 2011 – 2012, consisted of over 40 interviews with immigrants (1st and 2nd generation) operating in different industries and in different parts of the USA. Additionally, observations, analysis of documents, analysis of immigrant press as well as analysis of survey data were used. Grounded theory approach was used to analyze collected data.*

Findings: *The strategies of development of different groups of Polish immigrant entrepreneurs, as well as factors influencing them were presented in a text. Co-existence of different business models and different approaches to development is discussed. Some trends in entrepreneurial activity of immigrants has been identified.*

Contribution & Added Value: *The article offers an in-depth analysis of immigrant business development strategies that goes beyond the stereotypical images of immigrants as grocery store or ethnic restaurant owners. The deeper understanding of diversified entrepreneurial activity of the population of Polish immigrants is offered that may have both theoretical (e.g. knowledge about immigrant entrepreneurship, base for further research*

[1] This text is based on research project conducted thanks to Fulbright Foundation Senior Researcher Award Grant 2011/12.

and international comparisons) and practical significance (e.g. policy design, stimulating economic cooperation with immigrants).

Key words: *entrepreneurship, immigrant entrepreneurship, entrepreneurial strategies*

JEL classification: *L26, M13, Z1*

8.1. INTRODUCTION

This article presents a part of results of a research project conducted to examine entrepreneurial activity of Polish immigrants in the USA[2]. The following text[3] addresses one of research questions formulated in the project, i.e: *what are the major strategies of development applied by Polish immigrant entrepreneurs*. Moreover, selected factors shaping development strategies will be pointed out.

Immigrant entrepreneurship is a topic attracting growing interest of researchers due to its scale and importance to economies and societies. According to UN data, there are more than 210 million international migrants today worldwide, and the long-term trend indicates that this number should grow within the next decades (in 2000 there were about 160 million migrants) (Vorderwulbecke, 2013). For over a century the United States of America had been a major destination of Polish migrants. At present, especially after accession of Poland to EU, the USA lost most of its attractiveness as a migration destination. Still, the population of US citizens with Polish roots is quite huge: 9,5 millions (3% of population) of Americans reveal their Polish origin (U.S.CB, 2010). This group has a significant economic power and influences (not only) American economy; 3,3% of American business owners declare Polish ancestry.

The population of Polish immigrant entrepreneurs – not only in the US – was seldom analyzed and described from the point of view of economics or management science. Many stereotypes exist in that field: usually when we think about Polish immigrants, all we can imagine are very simple, traditional businesses (for some empirical evidence see: Glinka, 2013).The reality is much more complex: different types of immigrant ventures, with different strategies of development coexist on the market.

8.2 LITERATURE REVIEW

Immigrant Entrepreneurship

International migration is one of the most important challenges of our times: from political, economic and social perspectives (of both – host and home countries). Immi-

[2] The detailed description of entrepreneurial practices of Polish immigrants in the USA is presented in a book: Glinka, B. 2013. *Przedsiębiorczość polskich imigrantów w USA: etnicznie, lokalnie, globalnie?,* Warszawa, Poltext.

[3] I would like to thank my anonymous reviewers for valuable insights and comments on the first version of this article.

grants establish families, participate in a political life, create networks, work or create jobs for others (Castles and Miller, 2011). In some countries, like the USA, they constitute a significant part of a total population. Also, as recent discussion about immigrants in UK has shown, they may cause some controversies and social tensions. For all the reasons mentioned above more research and knowledge about the nature, and social and economic significance of immigrants is needed.

Entrepreneurship of immigrants is one of the important aspects of migration, a topic that attracts growing attention of scholars from around the world. The number of publications on immigrant entrepreneurs in scientific journals is growing; in 2013 Global Entrepreneurship Monitor consortium in their 2012 GEM report made immigrant entrepreneurship a topic of a special report (Xavier et al., 2013).

Immigrant entrepreneurship is usually defined as the process of new venture creation by immigrants, i.e. individuals who were born abroad, or at least one of their parents was born outside of the host country. Examples of migrant – founded or co-founded companies are widely known, and include hundreds of well recognized enterprises around the world, like Google, Ebay or Marks&Spencer (as a much earlier example).

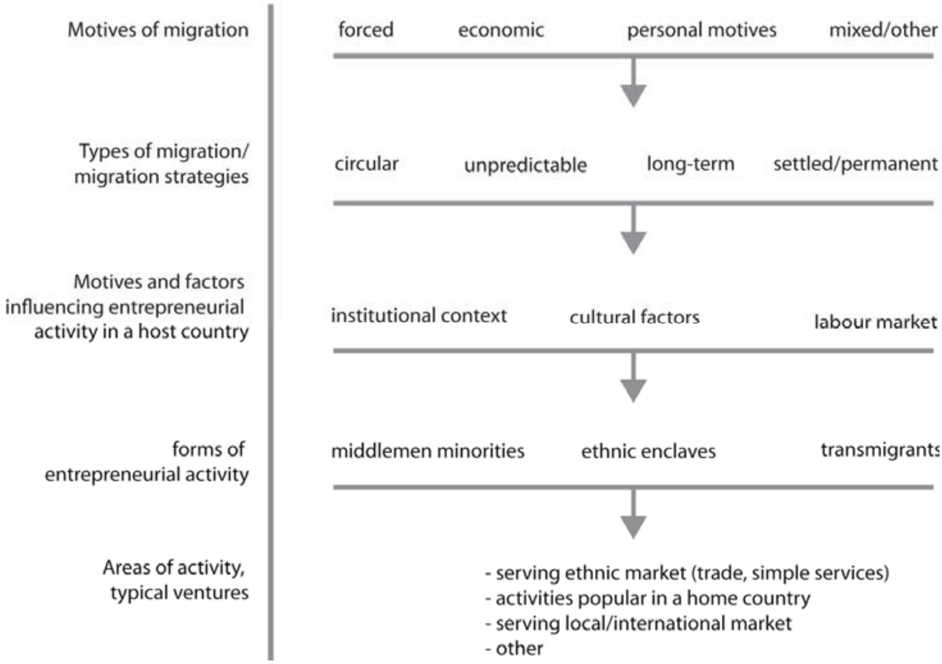
Researches on immigrant entrepreneurship include a vast variety of areas, where the following may be considered to be crucial:

- motives of migration and migration strategies,
- factors influencing a creation of a new venture in a host country, and finally
- forms of entrepreneurial activity and strategies of venture development.

These key areas are illustrated on Figure 1.

The main goal of this paper is to show one dimension of immigrant entrepreneurship: development strategies constructed by entrepreneurs in host countries. The problem of forms of activity and development strategies of immigrant entrepreneurship seems to be interesting due to many reasons. Being an immigrant adds another dimension to entrepreneurial activity. This process always includes a form of internationalization practices (creating an enterprise abroad), and also reflects the important role of culture: the interplay of home and host values, beliefs and social norms. Entrepreneurial actions of immigrants are highly influenced by cultural heritage, which is likely to be different in their homelands (Sahin et al., 2007, Vorderwulbecke, 2013). At the same time host country context plays a very important role. Immigrants are embedded in the economic, social, institutional and cultural environment of host countries, which influences their entrepreneurial propensity as well as the way of realization of entrepreneurial opportunities and intentions (Kloosterman and Rath, 2001). Values and beliefs connected with life in general, and business in particular not only differ (in host and home countries), but sometimes can provide opposite criteria for creating and developing new ventures. This can be a source of both threats and opportunities, and definitely makes an entrepreneurial process a distinct from the one performed by entrepreneurs in their home countries.

Figure 1. Factors influencing entrepreneurial activity of immigrants



Source (Glinka, 2013)

Entrepreneurs are raised in their home countries often in a way that doesn't match the host country, and provide different normative guidelines and social institutions (Scott, 2008). Moreover, the perception and acceptance of entrepreneurs activities may also differ, and it influences models of individual behavior. As Bruton, Ahlstrom and Li (2010) claim, this problem is increasingly important to entrepreneurship research.

In contemporary immigrant entrepreneurship studies 4 different issues (or postulates) constitute the present state (Glinka, 2013). First, despite of growing body of knowledge there are still numerous gaps to be filled by qualitative and quantitative studies. In Poland the field is still in its initial stage of development. Second, there is a growing need for comparative studies. Most of existing comparative studies are based on basic data and surveys only. Third, multi- and interdisciplinary researches are needed to fully understand the field. Fourth, as Volery claims (2007) a traditional "shop on the corner" approach is not enough to explain the complexity and diversity of entrepreneurial activities of immigrants nowadays.

In the article I try to cope with some of these challenges: to fill gaps by using interdisciplinary approach to describe complexity of development strategies used by immigrants.

Strategies of Development Used by Immigrant Entrepreneurs

As described in section 2, forms and strategies of entrepreneurial activity constitute an important area of research. Oliveira (2007) suggests that strategies applied by entrepreneurs are created as a result of an interaction of 3 major elements: characteristics of an entrepreneur, opportunities connected with being a member of an ethnic group, and opportunities connected with functioning within a local community. Waldinger et.al (1990) presents a similar approach and points out 4 major determinants of ethnic strategies: market conditions, access to ownership, access to resources and individual characteristics. Ethnic strategies may refer to personal life and social relations, as well as to the process of new venture creation and its development. Both dimensions: professional and personal, are strongly interconnected and result from general migration strategy (e.g. permanent versus temporary migration).

Researchers dedicate their special attention to entrepreneurs' choice of the type of business. According to them (see e.g. Castles and Miller, 2011) the main dilemma refers to the choice between ethnic and non-ethnic market. Most of the publications describe this first choice: creating ethnic businesses for own ethnic groups. As Waldinger claims (Waldinger et al., 1990) ethnic businesses such as restaurants, grocery stores, or stores with traditional clothing, books in a language of a home country are the first to be created within ethnic communities. When the immigrant community is big enough, entrepreneurs tend to differentiate their business activity, but still offer products and services for their ethnic group. This strategy is safe, but creates some serious limitations to development. To overcome the limitations immigrants may start to serve also different groups of customers (Waldinger et al., 1990).

Many researches stress the fact that immigrants, when creating and developing their ventures, look for areas with low entrance barriers, where they can benefit from their competencies when competing with other enterprises (Bonacich, 1993, Morokvasic, 1993, Waldinger et al., 1990).

Kloosterman and Rath expanded Waldinger's model by introducing the concept of mixed embeddedness (Kloosterman and Rath, 2001, Kloosterman, 2010). Apart from individual and social factors (networks), market and opportunities play crucial roles in designing strategies of development. According to them immigrant entrepreneurs may act like Schumpeterian creative destructors and create their opportunities by questioning the rules, or introduce innovations on a small, local scale. Kloosterman and Rath (2001) claim that two dimensions of market opportunities are essential: availability[4] and growth potential. On the markets with low availability and low growth potential, it is impossible to build a development strategy that will lead to accomplishment of ambitious goals. Entrepreneurs willing to develop should thus look for different options.

Concluding, the choice of business and development strategy depends on various factors connected with entrepreneur, home country, immigrant community and host country. Ethnic businesses are the most natural choice for a start. When the ethnic community becomes less concentrated, economic assimilation becomes more likely (see tab.1).

[4] Defined as a market that allows capable individuals to start; in fact it refers to high or low entry barriers.

Table 1. Patterns of immigrant business creation and development

		Ethnic community concentration	
		high	low
Business specialization	high	Ethnic niche	Middleman minorities
	low	Business unwanted by local entrepreneurs	Economic assimilation

Source: (Waldinger et al., 1990)

Some interesting research has been conducted on entrepreneurial strategies (including strategies of development) of different immigrant groups. Chinatown – an ethnic enclave in New York attracts special attention. Zhou (1992, 2009) points out the changing character of his enclave. Around 1920, laundries constituted around 38% of all the businesses in Chinatown (Zhou, 2009). Since that time different types of services has been introduced: restaurants, clothing companies, grocery stores and import-export companies. More recently services like banking, insurance or healthcare has been created. At present Chinatown ethnic economy consists of two systems: lower with basic services and low scale production, offering low wages and unstable job and higher – composed of highly professional services (that require high qualifications) and offering high wages.

Ong (1992) analyzed a group called *Hong Kong money elite.* The group consists of rich immigrants from Hong Kongu, who moved to North California. As Hong Kong money elite wanted to be not only money, but also social elite, its members paid great attention to education as well as building their status by using fashionable goods/services. Ong points out that despite these activities, stereotypes about Chinese migrants are so strong, that even money elite is perceived as laundry or restaurant owners – the types of ethnic businesses they are not interested to run. This kind of social "glass ceiling" hinders their participation in "the mainstream" of economic activity. Building networks and activities towards changing stereotypical images are *Money elite's* way to escape from „ethnic business" trap.

8.3. MATERIAL AND METHODS

The paper is based on a qualitative, ethnographic project. The field under investigation is not well described in the literature, and the body of knowledge does not constitute a sufficient base for building valid and interesting hypothesis. In that case, more explorative and open research methods can bring valuable results. Moreover, since I perceive immigrant entrepreneurs' actions as grounded in culture, the decision of application qualitative methods of data collection and analysis was natural. As many researchers suggest, the utilization of methods other than quantitative can lead to a better understanding of the phenomenon of entrepreneurship (Rae, 2002, Warren, 2004, Jennings et al., 2005, Hjorth and Steyaert, 2004). The main goal of the entire project was to examine entrepreneurial activity of Polish immigrants in the USA. In this text a part of results of an empirical study is presented to address one of research questions formulated in the project, i.e: what are the major strategies of development applied by Polish immigrant entrepreneurs.

Over 40 interviews had been conducted between October 2011 and July 2012. The shortest lasted ½ hour, the longest – 5 hours. Most of them were conducted in the USA, mainly in the regions with the highest number of Polish immigrants (Chicago and Illinois, New York and New Jersey), but also in Florida, Wisconsin, California, Washington DC and Virginia. All interviews were recorded and later transcribed (around 800 pages of transcribed text were analyzed). Most of interviewees were 1st generation immigrants that spoke Polish fluently. Interviews were combined with observations and visits in entrepreneurs' companies. Additionally, analysis of documents, analysis of immigrant press as well as analysis of survey data were used.

Procedures of grounded theory (Hensel and Glinka, 2012, Glaser and Strauss, 1967, Charmaz, 2006) were used to analyze the collected material: open coding and *in vivo* coding (Charmaz, 2006). The procedures of interview analysis were conducted twice, with the help of IT tools (Atlas TI software); after coding central categories were created.

8.4. RESULTS AND DISCUSSION

Strategies of Development of Immigrant Entrepreneurs

Major forms of entrepreneurial activity described by immigrant entrepreneurship theories (middleman minorities, ethnic businesses, transmigrant activity) were also visible in my research. As patterns of migration and economic activity of migrants change, also Polish immigrants and their entrepreneurial endeavors are evolving. On one hand Polish immigrants have a lot in common. They share some kind of sentiment and affection to their old country[5], share experience of migration, common traditions, symbols and values, religion, rituals, language, and something they call cleverness and ability to manage their lives.

On the other hand, they are a very differentiated group, in various dimensions: social, political and economic. That last dimension is the most interesting from this paper's perspective. Couple of major waves of migration can be identified (e.g. early migrations, postwar migrations, migrations of late communism era), with different motives behind the decision to leave the home country (political, economic or the combination of both). Those waves can be considered as one of the most important factors influencing the diversity of Polish immigrants in the USA.

When referring to cultural and institutional environment, Polish entrepreneurs stressed, that the context in the USA promotes entrepreneurship. They often compared it to Poland and claimed, that it was much easier to run a business in the USA[6], because

[5] Even if their image of Poland come from different periods in history, or are rooted deeply and far in the past.

[6] Some interviewees based on their memories and stereotypes, but the bigger group based on own business experience in Poland, or experiences of their Polish relatives.

of bureaucratic as well as cultural reasons. Many entrepreneurs claimed, that coming from a country like Poland, where being resourceful was a must, made it easier to survive in a more favorable context of US economy.

For most of my interviewees defining strategy was a crucial issue. As one of entrepreneurs summarizes it:

Now we are one of the largest players on this market […] But I designed it 20 years ago […] I had a clear plan much earlier. [R6][7]

Strategies, business models and plans for future development were designed differently by different groups of migrants. One of the most important factors differentiating entrepreneurs was their attitude towards own ethnic group, which determined the choice of employees, business partners and customers.

As far as employees were concerned, most of entrepreneurs liked to hire Polish workers, sometimes preferred, and favored them.

130 – 140 people works for me. […] almost all of them are Polish [R12]

Here in America, a Pole will hire a Pole [R8]

Such attitude is usually concerned as one of typical characteristics of so called ethnic economy: working with your own ethnic group members to serve your ethnic group. The reality, however, is not so clear and simple. First of all, most of entrepreneurs have also local workers, or workers from different migrant groups (Asian, Latin American etc.). Second, and probably most important thing is that ethnic employment does not always imply cooperation with Polish companies, or serving ethnic markets. In general, four major strategies can be distinguished:

- building **ethnic enterprises**, preferably in ethnic enclaves; this is the most traditional strategy that used to prevail in XX century (not only in the Polish group); shop on the corner, located in a Polish district, offering Polish products, Polish-speaking staff, serving almost exclusively Poles used to be an important part of immigration landscape; but is this business model still so popular? Research shows, that this mode of action is popular, but it is being slowly substituted by other models.
- *Yes, I serve mainly Polonia. (…) I know Polish mentality [R10]*
- *I will follow Poles, frankly speaking, and my next store will be in New York city. Or somewhere close to Polonia. [R8]*
- *[T]hey must try to merge with a local market. (…) Nobody will run a business now that is concentrated only on Polish group, it won't work. [R34]*
- **ethnic-centred companies offering Polish products** (e.g. food) or typical services (e.g. cleaning, construction) for Polish migrants as well as for local, American customers; Polish products and services are usually only a part of the offer,

[7] All quotations translated by the author. Numbers are randomly assigned to interviewees.

but a very important part: these products are introduced as traditional and high quality and constitute a competitive advantage; paraphrasing Comaroff and Comaroff (2011), those businesses may be called "Poland, Inc.". Sometimes it is a logical continuation of a traditional ethnic business model.

My customers are 50 – 50 now. We have a significant group of Americans [R23]

– companies operating on a **local market**; they were created on a basis of owner competencies or resources – law firms, food processing, IT services, cosmetic companies, SPAs, hotels that do not promote "a Polish character", are "normal businesses" on local markets for any local customers, individual and institutional.

  Polish stores are not my target. [R28]

  We do not have Polish customers. In bigger companies there are Poles on managerial positions, but in most cases they are not the owners. [R21]

– US based **companies with international ambitions**, serving international customers; those companies usually operate in areas that are not traditionally connected with immigrant entrepreneurship: IT, high-tech, financial services etc. Some of them decide to operate as virtual companies, some decide to open branches abroad. Business owners do not emphasize their Polish origin and usually hire international staff.

  These are entrepreneurs successful on a global arena, not only in the US, or Poland, or in that corridor between Poland and the US. Just globally. [R32]

The pathways of future development are different for these groups (see table 1.). In general, ethnic businesses' owners usually do not plan to grow. There are some exceptions (like shop owners who plan to open new stores in typical *Polonia* locations), but as a rule these businesses are intended to survive and serve their current markets.

Entrepreneurs who are more open as far as business partners and customers are concerned, i.e. that serve Americans or international customers, usually plan to grow or develop in many dimensions: open new branches, diversify, export, find bigger customers, and enter more profitable markets or new market niches.

Table 1. Pathways and strategies of development of Polish immigrant entrepreneurs

Type of a business	Ethnic enterprises	Ethnic-centered companies for different customers	Local enterprises	US based companies with international ambitions
Pathways of development	- survival as a main goal, - cooperation with other Polish-origin enterprises or with firms located in Poland, - in most cases: no plans for growth, - adjusting offer (more differentiated Polish products or services), - in some cases: expansion via following Polish groups (i.e. opening new shops, travel agencies etc. in new ethnic enclaves), - in some cases – evolving towards ethnic-centered companies.	- serving different groups of customers as a main goal, - very often- plans of growth, - building advantage on Polish products' reputation (e.g. food, alcohol), - very often: plans of expansion (entering new geographical markets – different districts, or different cities), - in some cases – ambitions to become a national-level player.	- similar to non-immigrants enterprises, - no stress on Polish character, - usually have plans for development, - development understood in different ways: not always equals to growth, - in some cases: plans of international expansion and evolving towards companies with international ambitions model.	- international expansion as a main goal, - development as essential for future operations, - very often: transnational companies or "born internationals", - in most cases: plans of grow and opening new branches in different countries (or at least – serving international customers).

Source: own research

There are couple of **factors influencing strategies of development** applied by Polish immigrants. Those factors relate both to individual predispositions and competencies, and to external context. Two of them were mentioned before: different waves of migration, and migrants' attitude towards own ethnic group. The strategies and plans of future development are also influenced by changing migration patterns. First of all, America is not as popular target for Polish migrants as it used to be in the XX century (or earlier). The in-flow of new Polish migrants is lower, and the seasonal migration to the US is not in fashion. It means that Polish entrepreneurs do not have a stable supply of temporary or permanent Polish workers, and almost no new ethnic customers. Secondly, the characteristics and competencies of Polish immigrants in the USA are also changing: more and more often migrants are educated in the USA, they have their own networks, speak English fluently and know local markets. Moreover, typical Polish districts are slowly disappearing from cities like New York (Greenpoint) or Chicago (Jackowo), as people move to suburbs or to more prestigious locations within cities. This supports Waldinger's argument that lower concentration of an ethnic community may lead to economic assimilation (Waldinger et al., 1990).

All these tendencies influence Polish businesses, and make ethnic strategies less profitable. As one of my interviewees claimed:

There is still room for ethnic businesses, but no bright future ahead of them. 100%! [R24]

Apart from grocery stores, construction companies, restaurants, and cleaning services, more and more IT companies, financial services, or companies operating in high tech industries are created that serve ethnic, local, and international markets.

8.5. CONCLUSIONS

Final Remarks and Implications

There is no simple answer to the question about Polish immigrant strategies of development. They are changing and definitely go far beyond traditional stereotypes. At a first glance, Polish immigrants seem to follow some typical patterns. Researchers (see e.g. Castles and Miller, 2011) stress that the main dilemma of entrepreneurs refers to the choice between ethnic and non-ethnic market. Polish immigrants in the USA face that dilemma as well. There are, however, some interesting aspects of Polish immigrants' entrepreneurship and their strategies of development.

My research reveals interesting aspects about immigrant entrepreneurship and its multidimensional, differentiated character. Huge diversification of entrepreneurial strategies must be stressed: from ethnic to global, from food stores to high tech, from survival to rapid growth. All these ventures coexist on American market and, in different ways, build the position and economic power of Polish immigrants. The American dream is composed of stories of entrepreneurial survival, persistence and success – in many fields and industries.

Of course, different motives and personal competencies are responsible for entrepreneurial successes achieved by immigrants, but those successes may also constitute a good example for building a competitive advantage through unique combination of home and host country context specific factors. The interplay of different values and elements of an institutional context in home and host country require some effort and may create both limitations and opportunities. Some entrepreneurs decide to apply traditional business models and remain in an ethnic comfort zone. For others, different contexts interplay may create a powerful springboard for economic success and innovative business models. Mixed embeddedeness (Kloosterman and Rath, 2001, Kloosterman, 2010) of Polish immigrants is clearly visible: apart from individual and social factors (networks), market and opportunities play crucial roles in designing their strategies of development. As immigrant communities become dispersed, they do not constitute as valuable source of business opportunities as they used to. An ethnic comfort zone is shrinking and that stimulates the quest for new territories. For many entrepreneurs it means that their American dream may come true, or as one of the interviewees puts it: "now sky is the limit".

Two major systems, or bloodstreams coexist among Polish immigrants: traditional, and more differentiated. This resembles the situation of high and low economic system in Chinatown described by Zhou (2009), however a major difference can be identified. In Zhou's research both systems, higher and lower, exist within an ethnic economy (enclave). In the case of Polish immigrants, the higher system never fully formed within ethnic enclaves/economies. Services like banking or insurance within ethnic community were usually operating on a low scale, or serving as middlemen for well known (international) enterprises. The higher, differentiated bloodstream evolved mainly outside ethnic communities.

Limitations and Further Researches

Described research project has several limitations; one is connected with the very nature of qualitative inquiry, that do not allow for statistical generalizations. However, qualitative methods are suited to the exploration of dynamic processes and allow for a depiction of processes and generalization per analogy (Czarniawska-Joerges, 1992). Another limitation is connected with a fact, that the population of Polish immigrants is changing quite rapidly, and that change is clearly visible in the field of entrepreneurial activity. All that factors can lead to a conclusion that further, longitudinal research projects are needed in order to gain deeper knowledge about entrepreneurial practices and development strategies of immigrants. Further researches on factors influencing development are also needed. In the research project described in this article I focused mainly on 1st generation of immigrants; comparisons of 1st and 2nd generation immigrants could bring valuable insights. Also, more in-depth international comparisons would contribute to full understanding of the phenomenon of immigrant entrepreneurship.

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Part 4.

INTERNATIONAL MARKETING AMONG CEE & SEE BUSINESSES

9. The Retail Internationalization in Visegrad Countries and Croatia

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Abstract

Objective: *Retail internationalization is the one of the most intensive trends in Central Eastern European (CEE) and South Eastern European (SEE) countries. There are push and pull factors influencing the strategic definition on internationalization. Both, Visegrad countries and Croatia are considered as receptive markets for large global retailers. Retail internationalization at Visegrad markets started at early nineties and in Croatia it started with a delay of couple of years and by now reached a high level showed in a respectable number of foreign retailers at the market.*

Research Design & Methods: *In this paper, firstly, the process of retail internationalization and its influence factors will be explained. Then the level of internationalization in Croatia will be compared with situation in Visegrad countries. As a basis of analysis, secondary data will be used in order to assess the level of retail internationalization. Throughout the trend analysis of retail internationalization in Visegrad countries and Croatia we expect to show that the retail internationalization pace, to some extent, differs from country to country and that there are more and more companies that are entering all given markets.*

Findings: *Comparative analysis will give valuable data on retail internationalization situation at given markets. Also, the paper will give explanation of retail internationalization trend in last decade in Visegrad countries and Croatia.*

Contribution & Added Value: *Even though, the retail internationalization is a topic researched in a lot of papers and explained in literature, there is a scarcity of papers dealing with this topic at CEE and SEE countries in scientific manner. Therefore, this paper will fill the gap by systematic analysis of the retail internationalization level and its trends at given markets.*

Key words: *international business, retail internationalization, retail concentration, Croatia, Visegrad*

JEL classification: *A1, O2*

9.1. INTRODUCTION

According to Alexander and Myers (2000), international activity has become a commonplace of retailing at the beginning of the twenty-first century. The research developments in the area of international retailing have occurred within the confines of a relatively undeveloped subject area. But, the volume of research material on international retailing increased dramatically at the end of the 1980s. From the late 1980s onwards, the new wave of international commercial activity stimulated a number of research activities and thereby provided analytical focus (Wach 2014).

Over the past few years, the trend in the retailing sector has been a global standardization of consumption behaviors and lifestyles. Considering this development, retailers are focusing on a global-scale effort (Pederzoli, 2006). Dawson (1994), defined international retail operations as "Operations, by a single firm or an alliance, of shops or other forms of retail distribution in more than one country". Dawson (2007) points out that retailing is now shifting from the role of sales agent for manufacturing and agriculture towards the role of production agent for consumer. Moreover, Dawson (2007) emphasize that large retailers became the key participants of international trade in the past decade. Therefore, the question of their role in world trade shaping has emerged and has to be adequately addressed by WTO, UN and other global institutions in the near future (Knežević & Szarucki, 2013).

Empirical studies have listed several factors motivating retail firms to internationalize their activities, and have illustrated the complexity and the influences prevailing in the international retail decision-making process. Treadgold (1988) identified various "push" and "pull" factors associated with both the macro and micro environments. Hutchinson (2007) highlights the industry competition, economy, legislation, and domestic saturation as prevailing push factors, and the economic and political stability of global markets and profit opportunities in the oversea market as prevailing pull factors. The increased size of retail operations has stimulated and supported international expansion. Revenue earned within the domestic market has been invested in operations in new markets in an attempt to sustain financial growth targets (Alexander & Doherty, 2009). An important part of the logic of international retail development has been the pressures exerted by restrictions within the domestic market.

In recent years, Europe has witnessed an increase in the amount of cross-border operations by retailers. The retail sector has undergone substantial structural change characterized by the emergence of a group of rapidly-growing large retailers, a redefinition of the balance of internalized and externalized functions and a need to respond to the cultural variety present in Europe that becomes evident as retailers move out of their domestic markets (Dawson, 2001). Several academic studies immediately explored and explained process of retail internationalization and consequential changes of retail structure at emerging markets in Eastern Europe.

International retailing for many retailers is no longer a regrettable logic precipitated by limited growth potential domestically, but an opportunity to expand their operating base into the global marketplace, where their services and brands will be valued by a wider customer base (Alexander & Doherty, 2009).

Based on the critical literature review, we will explain what retail internationalization is, what motivates it and how is it measured. Then, on the basis of previously conducted research studies, we will the state of the art and trends of retail internationalization in Visegrad countries and Croatia.

9.2. LITERATURE REVIEW

RetailIinternationalization and its Motives

In sourcing and logistics retailers have always been oriented internationally. Even Kotruljevic in 15th century emphasized transnational meaning of tradesmen whose main purpose and goal is "to bring commodities from areas at which there is a plenty to areas where there is a scarcity" (Kotruljevic, 1458). The literature of this earlier period should not be dismissed as unimportant; indeed, it has had a major influence on more recent research activity. After the 1980s, the literature on international retailing grew considerably.

There is no clear definition of the retail internationalization in contemporary literature. In the most broaden sense, retail internationalization is the movement of retailer from the domestic to the global market (Alexander & Myers, 2000). According to Knežević and Szarucki (2013) retail internationalization is a process that can be observed in two dimensions:

1. internationalization of retail activities such as sourcing and logistics, and
2. internationalization of retail formats or outlets in order to approach customers at non-domestic markets.

Alexander and Doherty (2009) defined the internationalization of retailing as the transfer of retail management technology or the establishment of international trading relationships that bring to a retail organization a level of international integration that establishes the retailer within the international environment in such a way as to transcend regulatory, economic, social, cultural, and retail structural boundaries. The retail internationalization process is a long, risky, complex, expensive and non-linear one. Failure rates have been high for some of Europe's major firms (Kostova, 2008). In order to reduce risk, retailers will often confine their operations to a relatively limited and comparatively safe collection of markets.

Empirical studies have listed several factors motivating or demotivating retail firms to internationalize their activities within retail industry. Alexander (1995) classified retail motivators to push and pull factors, while Wrigley (2005) divides them into proactive and reactive motivators. Push factors such as saturation of domestic market or legal restrictions are forcing retailer to search for new markets, those factors drive retailer to act in a reactive manner. On the other hand, pull factors are stimulating retailer to take new opportunities offered by a new market i.e. to be proactive in taking new chances. Both push and pull factors can be further divided into internal and external drivers. External drivers are all factors created outside the company, while internal drivers are comprised inside the company (Knežević & Szarucki, 2012).

According to Ebeltoft Group Report (2013) we have reached the point where it has become impossible to neglect the impact and importance of "international" in retailing, both in terms of expansion opportunities as well as new challenges. Consumers' purchasing desires and inter-connectivity are more cross-border than ever, technology and e-commerce are speeding up the pace of internationalization and blurring the line between national and international, emerging markets have formidable home grown retailers and brands, but also offer tremendous opportunities with their strong, growing middle-class.

Dawson (2007) suggests and applies two basic measures of retail internationalization level: number of countries that retailer is operating in, and ratio of non-domestic sales in total sales generated within a year. According to applied methodology for period 1999 to 2007, Dawson (2007) drew several conclusions relevant for retail internationalization: (1) the share of 100 largest companies is increasing in total sales generated by retail industry, (2) the largest companies are becoming more and more international in the geographical scope, (3) proportion of sales generated at international markets is increasing in given period. In spite of the enlarged international activity of retailers, their markets are still local in the nature. Therefore, retailers have to take into account local culture and local structure of consumer market.

Retailing across national boundaries is a long-established activity in Europe. Despite the long history, it is in relatively recent times that the European retail sector has seen substantial expansion of international operations. The meaningful moves towards a common market across Europe represent a second phase, and mark a period from the early 1970s to the mid-1980s in which several retailers explored, some robustly and others more tentatively, international expansion of operations. Many of the moves by British retailers resulted in failure, for example Dixons' move to The Netherlands, Tesco's move to Ireland, and Mothercare's expansion into France and Germany (Dawson, 2001). A third phase of development of the European retail market, starting from the mid-1980s, is characterized by a stronger steady growth in consumer affluence but with little real growth in retail-sales volume at the European level. The increase in international activity of European retailers and the expansion in Europe of non-European retailers is one of several structural changes that have taken place since the late 1980s. In this period the large firms have grown at a substantially faster rate than the sector as a whole.

Lamely (1997) stated several reasons for the wave of internationalization in Europe: limited expansion opportunities in the home market due to perceived market 'saturation' of floor space; public policy restraints in the domestic market; an unexploited growth opportunity in the target country resulting from; under-provision of facilities; under-provision of a particular format; moves of the established customer base to the target country and barriers removal to entry into potential target markets.

On the basis of Croatian market analysis for the period 1990-2001, Knežević (2003) suggests that the entry of European chain stores enhanced competition in this sector, she points that European chain stores brought their know-how and introduced new technologies, new forms of trading (such as hypermarkets and large specialty stores), standardized business procedures which are to some extent adapted to domestic market requirements, new specialization of work places and work processes, together with new work attitudes and habits. According to Knežević (2003), enhanced competition, caused the loss of position of the existing retailers which were forced to learn quickly how to adjust to a brand new way of market competition. The ones who were capable enough and who had a clear cut market strategy, as well as flexible management, managed to survive and to catch up with international chain stores with the quality of their products, the level of their services and with the way they conduct business processes, as well. As a consequence of the enhanced competition, customers gained wider product choice, broadened formats choice and better service. Thus, consumers' lifestyle started to change accordingly. For instance they became more demanding and more informed, and their way of choosing purchasing location shifted from small shops in the town centers to large formats (such as shopping malls, hypermarkets and large specialty stores) at suburbs (Knežević & Szarucki, 2013).

Knežević, Knego and Renko (2010) observed that changes in majority of EU countries are: small growth of retail importance in the structure of employees, small decrease of retail importance in GDP creation, respective increase of average size of retail companies, polarization of retail structure on micro and large companies and increase of employees' productivity.

The Visegrad Group, also known as the „Visegrad Four" or „V4", was formed in 1991 at the meeting of the presidents of Czechoslovak Republic, Hungary and Poland. Nowadays, the regional alliance consists of four countries due to division on Czechoslovakia and is frequently referred to as V4. The Visegrad Group reflects the efforts of the countries of the Central European region to work together in a number of fields of common interest within the all-European integration. The V4 cooperation can currently be referred to as the most clearly profiled initiative in Central Europe. Since 1 May 2004 all V4 members have become Member States of the European Union and are nowadays functioning within its internal market. From the beginning of economic transition roughly two decades age the group has undergone tremendous structural adjustments which are clearly reflected in the geographical and product structure of their trade (Brodzicki, 2011). For several years already, the Visegrad Group countries have participated in the free trade in the EU common market. The Czech Republic, Poland, the Slovak Republic and Hungary have been aiming at consolidating their hold on trade in different economic branches (Wisniewska, 2010). International trade interests for Visegrad area have increased in last twenty years. The member states of the Visegrad Group also desire to cooperate with their closest neighbors, with the reforming countries in the broader region, and with other countries, regional formations or organizations which are interested and with which specific areas of cooperation are found in the common interest and in the spirit of all-European cooperation.

The Czech Republic is the most Western-oriented among the four Visegrad countries, having a favorable geographical position located in the heart of the European Union surrounded exclusively by other European Union members. Nowadays it is often characterized as one of the most successful cases of transition economies. Czech import and export both increased by almost 500% in total during last two decades (Janda, 2012). Similarly to the other transition economies, the international trade of the Slovak

Republic is characterized by a sharp increase of exports and imports shortly after a year 1989. It was caused by removing of a state monopoly and a massive liberalization (Janda, 2012). Slovakia is the first of the group to have formally entered the Eurozone (2009). A considerable market-oriented reform and decentralization in Hungary has already taken place in 1968, in comparison with Poland (early 1980s).

According to Karasiewicz and Nowak (2010) there are three phases of the evolution of retail in Poland: privatization and decentralization, intensive internationalization, and concentration and consolidation of retail trade. Starting with a 'disorderly', fragmented retailing system in the early 1990s, emerging and spreading of Western-style large retail formats and chains in the late 1990s, to the expansion and consolidation of the chains, leading to a progressive concentration of retailing, in the 2000s (Karasiewicz & Nowak 2010). Moreover, they have pointed a fourth stage, being on the horizon, described as that of innovation and modernization of retailing.

After the EU accession of the Visegrad countries in 2004 one of the most remarkable developments was the sudden upturn in mutual trade. In 2007 the value of aggregate intra-Visegrad trade was two and a half times higher than in 2003 (Janda, 2012).

Global expansion by the major retail players is continuing with a focus on growing emerging markets, and acquisitions are changing the global face of retailing. Current trends in retail internationalization process on Croatian and Visegrad Group state members market will be explained below.

9.3. MATERIAL AND METHODS

In this research the secondary data from several research studies and reports on retail development will be used and the comparative analysis of Visegrad countries and Croatia will be performed in order to assess the present level of retail internationalization and retail trends at given markets. In order to explain the internationalization level, the indicator of total number of large foreign retailers will be in the focus, as it is suggested as one of metrics to evaluate the level of retail internationalization at a given country.

Following hypotheses are established:

- H1: Internationalization of global retailers to V4 countries and Croatia is increasing in last decade.
- H2: The pace of retail internationalization is slowing down at V4 countries and increasing in Croatia.
- H3: A few prevailing or dominant originating countries of large foreign retailers present at V4 countries and Croatia can be distinguished.
- H4: The number of large retail companies that entered all given markets is less than 15, but growing over time in last decade.

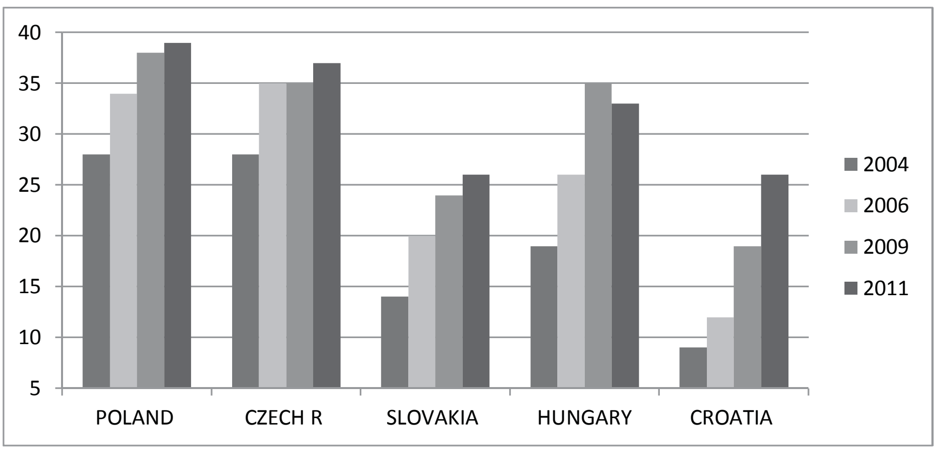
9.4. RESULTS AND DISCUSSION

In this passege, firstly, the present state and trends of retail internationalization are explained and discussed. Secondly, an overview of market attractiveness over time is described as a composed mixture of influential factors that are affecting decision making process regarding possibilities of future retail internationalization at given markets.

Current State and Trends of Retail Internationalization at Visegrad and Croatian Markets

Since the beginning of nineties, with a fall of communist system at SEE and CEE, foreign retailers are considering entrance and start investing at Visegad markets, the good example is Poland where in 1990 IKEA and Rossman entered market in 1990, while 1998 there was 1600 stores larger than 400 sq. meters which were prevailingly owned by foreign retailers (Michalak, 2001). In Croatia the war was taking place from 1991 till 1995 and, therefore, important foreign investments in the retail industry are starting with the delay of almost ten years (according to Knezevic and Szarucki, 2012) claim that. Till 2000 at Visegrad markets there were more than 10 large foreign retailers present per each country, while in Croatia the number of 10 large foreign retailers is exceeded with the delay of 5 years (see Figure 1).

Figure 1. Total number of Top 250 global retailers present at V4 countries and Croatia



Source: own compilation based on data available at reports: Global Powers of Retailing (2006 and 2008), Delloite and Stores.org; Top 250 Global Retailers (2010 and 2011), Delloite and Stores.org

The number of large foreign retailers present at given markets is continuously growing till nowadays. At Figure 1 the total number of the largest global retailers that entered Visegrad markets and Croatia is shown. It obvious that number of large foreign retailers at V4 markets has grew over time and that Poland and Czech Republic at given period have the largest numbers of foreign retailers at each year comparing to other countries. At Poland and Czech Republic since 2009 there are more than 35 large global retailers and that number is still increasing. In the given period the number of large retailers is increasing at all markets. The only anomaly was Hungary, where, due to overall social and political situation the number dropped from 35 to 33 large global retailers that are active at the Hungarian market. In given period, Croatian market express trend of exponential growth of number of large foreign retailers. That finding is confirmed by using statistical tools which showed that estimated growth function is $y=5{,}4349e^{0{,}3995x}$ with a high level of confidence (R^2 is 0,9949).

Even though, the trend of growth is present, the pace of the growth is not the same. At Table 1 relative changes within number of large retailers at given markets are presented. It is obvious that trend of retail internationalization, as measured with the indicator of foreign retailers present at market, is slowing down at Visegrad markets. Moreover, in Hungary, there is a negative change rate in period 2009-2011. At the same time, the change rate in Croatia is at very high level (above 30%) and it shows that trend is increasing. For Croatia, we can expect some major player to enter the retail market in following years due to the fact that Croatia is the newest member state of European Union (since July 2013) and, thus, interest of some major retail players can be expected in next 5 years.

Table 1. Relative change in number of Top 250 retailers present at V4 countries and Croatia

Country	% change 2004-2006	% change 2009-2011
POLAND	21%	3%
CZECH R	25%	6%
SLOVAKIA	43%	8%
HUNGARY	37%	-6%
CROATIA	33%	37%

Source: own compilation based on data available at reports: Global Powers of Retailing (2006 and 2008), Delloite and Stores.org; Top 250 Global Retailers (2010 and 2011), Delloite and Stores.org

Based on shown data, we can conclude that (H1) and (H2) are confirmed. Regarding (H3), the longitudinal comparative analysis of originating countries for period 2004-2011 is performed, the results are summarized at Table 2. The dominant originating country form which large retailers entered given markets in Germany with very high proportion of companies, comparing to other originating countries. Other country that plays significant role in retail internationalization is France and then follows UK. The proportion of retailers originating from Germany at given markets exceeds 30% in each year. Exception is Poland where in 2009 there were 29% and 2001 there were 23% of German retailers in the overall number of large retailers that are active at the market. Poland is, also, specific comparing to other countries with relatively high proportion of retailers originating from France which is around 25% in the overall number. While, regarding the importance of UK retailers within the overall number we have to point out Czech R. and Slovakia where they is more than 20% UK retailers in total number of large foreign retailers operating at the market.

Upon given explanation we can conclude that (H3) is confirmed. Moreover, we can draw the conclusion that there is only one dominant originating country of large foreign retailers present at V4 countries and Croatia and it is Germany. But we have to draw attention to Polish market, where there is a significant number of French large retailers present in the market.

Table 2. Origin of Top 250 global retailers present at V4 countries and Croatia

Market	Year	Number According to the Country of Origin					TOTAL
		Germany	France	UK	USA	Other	
CROATIA	2004	5	1	2	0	1	9
	2006	4	1	2	1	4	12
	2009	9	3	1	1	5	19
	2011	9	3	2	2	10	26
CZECH R.	2004	14	2	3	1	8	28
	2006	16	2	6	2	9	35
	2009	14	4	8	1	10	37
	2011	15	3	5	2	10	35
HUNGARY	2004	7	2	3	1	6	19
	2006	12	2	3	2	7	26
	2009	14	6	4	3	8	35
	2011	12	5	5	1	10	33
POLAND	2004	9	8	3	2	6	28
	2006	11	9	5	1	8	34
	2009	11	10	5	4	8	38
	2011	9	9	6	5	10	39
SLOVAKIA	2004	8	1	2	1	2	14
	2006	9	0	5	1	5	20
	2009	8	3	5	1	7	24
	2011	8	3	7	0	8	26

Source: own compilation based on data available at reports: Global Powers of Retailing (2006 and 2008), Delloite and Stores.org; Top 250 Global Retailers (2010 and 2011), Delloite and Stores.org

At Table 3 we scrutinized large retail companies according to their presence at all given markets (both V4 and Croatia) and we isolated those which are operating in all V4 markets, but still are not present in Croatia. Finally, at last column we showed those that are operating in Croatia, but still are not present at any V4 markets. The number of companies which operates at all given markets is increasing, at 2004 only 3 companies entered V4 and Croatia, while 2006 that number was 6, 2009 it was 10 and 2011 the number climbed up to 12 large retailers that are operating at given markets. Regarding Croatia, it is important to monitor strategic plans of those large retailers which are operating at all V4 markets because as they broaden their international reach it is likely that in the near future they will take into account Croatia and countries in SEE region as a potential markets. For instance, IKEA had already made investments into Croatian market recently. Also, there are some players that are or were active at Croatian market and markets in SEE region, but it is questionable if they have enough investment power to enter V4 markets. Moreover, on the list of large retailers, there is one company from Croatia, but its strategy is to internationalize activities and broad the reach in SEE region.

As the number of large retail companies that are operating at all given markets (both V4 and Croatia) is 12 and it grew from 6 to 12, i.e. 100% in given period, we can accept (H4) to be true. Furthermore, based on data that are available regarding strategic plans of large retailers, in next 3 years we can expect further growth of this this number. But, in accordance to indicators of retail market attractiveness (which will be discussed in the next chapter) this trend will also slow down.

Table 3. Top 250 global retailers and their presence at V4 markets in comparison with Croatia

Year	Variable	V4 AND Croatia	All V4 NOT Croatia	Croatia NOT any of V4 countries
2004	Number of retailers	3	7	1
	Companies	Schwarz, Rewe, KarstadtQuelle	Metro, Tesco, IKEA, Otto, Hachette, Distribution, Services, Douglas Holding	Coop Italia
2006	Number of retailers	6	7	1
	Companies	Metro, Schwartz, Rewe, Marks&Spencer, KarstadtQuelle, Avon Products	Tesco, IKEA, DSG International, Watson&Company, Inditex S.A., Douglas Holding	Coop Italia
2009	Number of retailers	10	9	2
	Companies	Metro, Schwarz Rewe, PPR S.A., Inditex S.A., Marks & Spencer, LVMH, Tengelmann, C&A Europe, Deichmann	Tesco, IKEA, AS Watson & Company, DSG International, H&M, Otto, Office Depot, Next, Lagardère Services	Blokkher Holding Poslovni sistemi Mercator
2011	Number of retailers	12	5	4
	Companies	Metro, Schwarz, LVMH, Inditex, S.A., H&M, Marks&Spencer Otto, Tengelmann, C&A Europe, PPR S.A., Deichmann, Esprit Holdings	Tesco PLC, IKEA, AS Watson & Company, Dixons Retail plc, Next plc	Alliance Boots GmbH Groupe Vivarte Agrokor d.d. Poslovni sistem Mercator

Source: own compilation based on data available at reports: Global Powers of Retailing (2006 and 2008), Delloite and Stores.org; Top 250 Global Retailers (2010 and 2011), Delloite and Stores.org

Analysis of the Attractiveness of the Retail Market

According to market coverage, internationalization can be realized as regionalization or globalization. There are many factors affecting the internalization of the retail trade and various criteria are taken into account when companies consider to which market they should internationalize their business activities. In this chapter, we will summarize criteria according to A.T. Kearney methodology and we will give an overview of situation regarding V4 markets and Croatia.

A.T. Kearney created the Global Retail Development Index (GRDI) as an indicator of attractiveness of retail market situation. The indicator is calculated annually (since 2002) and ranks the top 30 developing countries (leading countries) in terms of attractiveness for investors' market expansion in the field of retail industry.

The Index analyzes 25 macroeconomic and retail-specific variables to help retailers devise successful global strategies and to identify emerging market investment opportunities. The GRDI is unique because it identifies today's most successful markets and those that offer the most potential for the future. It is composite index which is composed of four sets of estimated factors. These are: (a) economic and political country risk, (b) market attractiveness, (c) market saturation and (d) time pressure. Until 2008 the index is formed as a composition of estimated factors with following weights: country risk and market attractiveness 25%, market saturation 30% and time pressure 20%. Since 2009 each of the four factors participates in the structure of the GRDI by 25% (according to: AT Kearney 2005 and 2010).

Table 4 presents the ranking of countries of Visegrad group and Republic of Croatia per GRDI values for the period from 2004 to 2011. The top ten countries (range 1-10) were the countries that are suggested as the most attractive markets, i.e. "markets on the radar screen". The other ten countries (range 11-20) were the countries that may be taken into account when making decisions about entering this market. Last ten countries (21-30) are the countries that should be avoided and it is not advised to make investment to those markets.

Table 4. Visegrad countries and Croatia ranked according to the Global Retail Development Index

Visegrad countries and Croatia	Global Retail Development Index (GRDI) (A total of 30 countries)							
	Rank by year							
	2004	2005	2006	2007	2008	2009	2010	2011
Slovakia	9	10	18	-	-	-	-	-
Poland	27	-	-	-	-	-	-	-
Hungary	16	19	23	26	-	27	-	-
Czech Republic	29	-	-	-	-	-	-	-
Croatia	5	7	9	19	-	24	-	-

Source: own compilation based on data available at: AT Kearney, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011

It is evident (from the data in Table 4) that Slovakia passed the first and second group from 2004 till 2006. Poland and Czech Republic were in the third group of countries only in 2004. Hungary has passed all three groups of countries in period from

2004-2009. Croatia appears for the first time in 2004 on the high fifth position of the GDRI which means that it was considered as a favorable market for retail internationalization. Yet, in 2009 Croatia was in the third group of countries which means that it should be avoided in decisions about the internationalization of business. Since 2010 both Visegrad countries and the Croatia do not appear at the list of top 30 countries that are attractive to foreign investment in retail trade.

The analysis of GRDI elements given at Table 5 shows that the Slovak retail market was interesting for foreign investors by 2006. Poland and Czech retail markets do not appear after the 2004 in this analysis. In analysis of the GRDI, while Hungarian and Croatian retail markets do not appear after 2009.

Table 5. Values of GDRI factors

FACTOR	YEAR	Slovakia	Poland	Hungary	Czech R.	Croatia
COUNTRY RISK	2004	69	68	74	72	61
	2005	73	-	72	-	63
	2006	61	-	65	-	57
	2007	-	-	96	-	73
	2008	-	-	-	-	-
	2009	-	-	70	-	58
	2010	-	-	-	-	-
MARKET ATTRACTIVENESS	2004	48	63	52	60	53
	2005	52	-	48	-	48
	2006	51	-	50	-	51
	2007	-	-	36	-	38
	2008	-	-	-	-	-
	2009	-	-	63	-	58
	2010	-	-	-	-	-
MARKET SATURATION	2004	35	34	39	15	-
	2005	33	-	30	-	55
	2006	23	-	17	-	49
	2007	-	-	2	-	28
	2008	-	-	-	-	10
	2009	-	-	22	-	-
	2010	-	-	-	-	46
TIME PRESSURE	2004	100	54	75	65	93
	2005	90	-	78	-	88
	2006	78	-	76	-	91
	2007	-	-	46	-	70
	2008	-	-	-	-	-
	2009	-	-	22	-	46
	2010	-	-	-	-	-

Source: same as Table 5

*All factors are evaluated from 1-100. For COUNTRY RISK if value is lower than the risk is higher. For MARKET ATTRACTIVENESS if value is lower than market is less attractive. For MARKET SATURATION if value is lower than the market is more saturated. For TIME PRESSURE if value is lower than pressure to enter market is lower, while 100 means that it is urgent to enter the market.

All five listed retail markets are, at the moment, considered as markets of low market attractiveness according to GDRI, with high market saturation and low time pressure. The process of internationalization of the retail market, in these circumstances, can be sporadic. Every foreign retailer will think twice before making a decision about entering any of the analyzed markets. It is possible that some of French retail chains will show some interest for Croatian retail market due to (1) the fact that currently dominant retail chains are those with headquarters in Germany and Austria and (2) the fact that Croatia entered EU recently.

9.5. CONCLUSIONS

Comparative analysis of retail internationalization at Poland, Czech Republic, Slovakia Hungary (Visegrad V4 countries) and Croatia showed that since 2004 the number of large foreign is still increasing year after year despite some reports on low market attractiveness at given countries. But, the dynamic of trend is slowing down at V4 countries, while in Croatia the trend of growth is still exponential with two-year change rate higher than 30%. According to these findings, we conclude that both (H1) and (H2) are confirmed.

In number of large foreign retailers which are active at given markets, there is respectable number of retailing companies originating from Germany. Only in Poland, in addition to German retailers, there is a significantly high proportion of French retailers. Therefore, the (H3) is accepted.

In addition, we can observe that more than 10 large retailing companies entered to all given markets by 2011 and the number of them is growing since 2004 and that supports forth research hypothesis (H4). Therefore, we can expect that in the near future retailers which are partially present at V4 and Croatia will cover all given markets despite reports on market attractiveness. Moreover, Croatia is the newest EU member state and, therefore, can expect some significant EU players to enter the retail market very soon.

This research was based on analysis of number of large foreign retailers active at given markets. In order to improve conclusions, in the future, we suggest to include more data into analysis. Some indicators which can contribute to retail internationalization understanding are: proportion of revenues generated by foreign retailers, productivity levels of foreign retailers compared to domestic retailers, number of stores owned by foreign retailers and operating sales area (in m^2). So, those indicators should be included in future analysis of this topic.

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10. The Role of Cross-Border Heterogeneity, Location Specificity and Distance Related Variables: Lessons Learnt from V4 Marketers in Africa[1]

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***Abstract*[2]**

Objective: *The main aim of the paper is based on examples of good practices of Visegrad companies operating in Africa to identify the most appropriate marketing approach both at the level of B2B and B2C marketing.*

Research Design & Methods: *The case study approach enables to point at distance related variables, cross-border heterogeneity and location specificity between Visegrad countries and Africa not only from geographical point of view, but also business one. Individual marketing actions are discussed with the intention to examine the theory of 4A (marketing mix) for developing and emerging countries and the factors favouring the adaptation/standardization.*

Findings: *Expected benefits of Visegrad countries has been identified in the area of growth of sales, new market opportunities, using non-traditional procedures and inputs, delivering exotic horticulture products to Visegrad market, building long-term relations and image of reliable, and socially inclusive partner.*

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Contribution & Added Value: *The paper intents to point at possibilities and ways how to do business in case of wider internationalization crossing Visegrad and European boarders. Research in this area will continue aiming at different parts of the world (Africa, Ukraine, Russia and Central Asia).*

Key words: *heterogeneity, location, adaptation, distance, marketing program, consumer, African market*

JEL classification: *F18, F23, M31*

10.1. INTRODUCTION

Economic globalization pushes the boundaries of international business and creates opportunities for entry to distant markets. In this respect, Visegrad companies find their business opportunities not only in the European Union but also beyond. In addition to the countries of Central and Eastern Europe, they operate in other regions of the world including Africa. To enter the African market, it is critical to well define the level of risk and business opportunities and realize the diversity of this vast continent. Africa is the world's second-largest and second-most-populous continent. At about 30.2 million km² including adjacent islands, it covers six percent of the Earth's total surface area and 20.4 percent of the total land area, With 1.1 billion people as of 2013, it accounts for about 15% of the world's human population. It has 54 fully recognized sovereign states ("countries"), 9 territories and two de facto independent states with limited or no recognition (Africa, 2014).

The main aim of the paper is to identify some framework for doing business and marketing in Africa, using examples of good practice of Visegrad companies operating in some African countries.

10.2. MATERIAL AND METHODS

International business activities are affected by international environment and the specific environment of the target foreign market which can be considered in terms of economic, socio-political, and cultural, but also in terms of economic maturity of the market. Implementation of international business activities requires getting to know and respecting diversity of the business environment in individual markets (Peng, 2014). When segmenting and selecting the foreign market, we can follow international factors of environment, but also the factors of the marketing mix (product, price, place, promotion). All those elements have been in the centre of interest of our research activities related to introduction of a new course for Master students entitled as "Global Marketing and Emerging Markets." When addressing the research tasks, standard research procedures of qualitative research (analysis, synthesis, comparison, deduction) were used. Initial secondary information obtained from official databases (e.g. national and international trade statistics), country profile publications and latest research findings were enriched with information gathered during managed interviews, panel discussions and observation in different emerging countries (Ukraine, Russia, Central Asia, India, Gulf states, Kenya, Nigeria). Thanks to cooperation with the Slovak Embassy in Nairobi

(Kenya) we attended Regional Expo "Global South-South Development" organized in Nairobi (Kenya) in October 2013 where we used the opportunity to interview 20 companies operating in different African countries and also had a chance to talk to local policy makers and other stakeholders (e.g. chambers of commerce, Nigerian officials) to get to know their opinion on sustainability issue in international business and activities related to foreign direct investments.

Finally, we chose the case study approach as it would allow us to get closer to the assumptions, intentions and strategic considerations of managers involved in the decision making process (Yin, 2009). Case study approach enables to point at distance related variables, cross-border heterogeneity and location specificity between Visegrad countries and Africa not only from geographical point of view, but also business one. Individual marketing actions are discussed with the intention to examine the theory of 4A (marketing mix) for developing and emerging countries and the factors favouring the adaptation/standardization.

Africa´s rise over the past decade has been very real. While sceptics still around and there are people who still seek to debate the point, the evidence of the continent´s clear progress over the past decade is irrefutable. Over this period, a critical mass of African economies have grown at high and sustained rates, so much so that, despite the impact of the ongoing global economic situation, the size of the African economy has more than tripled since 2000. The sceptics will most often point to the widespread perception that most of this growth has been driven by natural resources. And, despite perceptions to the contrary, less than one-third of Africa´s growth has come from natural resources. The rest has come from a range of other sectors, including agriculture, manufacturing, construction, and services. At the same time, individual countries and the region as a whole still need to address significant challenges in order to sustain this progress. FDI will play a key role in this process as both a source of capital, but, more importantly, as a catalyst for job creation, skills development, technology transfer and longer-term diversification and transformation of African economies (Africa Attractiveness, 2013). In case of companies originated in Visegrad countries it is quite difficult to talk about investments abroad and namely in Africa, but international trade operations (export, import, licencing or any other easier and less risky and difficult forms of doing business internationally) are those ones that could be increasing in the near future with the perspective of sustainable growth in terms of qualitative and quantitative parameters.

Internationalization is a very risky venture and also rewarding adventure in the same time. In our research, considering large business and cultural distance between the countries of V4 and Africa in generally and any trading partner country from Africa, we agree with the statement of Ghemawat (2007) that the real world is semiglobalized and borders continue to matter. Instead of treating differences versus similarities in absolute terms, he suggests to consider degree of differences. For successful internationalization we try to identify a certain framework for doing business in Africa (from perspective of Visegrad companies), providing a reader (researcher, scholar or practitioner) with basic distance related variables, cross-border heterogeneity and broad understanding of concept of approaching local markets in Africa. As the basic questions to be answered we consider the following ones:

- Does the company know the environment (economic, social, cultural, networks) of target market and understand the consumer behaviour of local consumers? Is the company able to distinguish among different countries of Africa and regions within one African country?
- What kind of entry mode will the company use as less risky one? What kind of support should company expect from local business partner or local staff?
- What kind of product will fit local needs and what kind of adaptation will be required to meet the local preferences? What do local customers really need?
- How to use the synergic effect of company´s skills and experiences in case of operating in a group of similar markets (neighbouring markets)?
- How to use marketing techniques and skills to attract attention of local customers? How to compete with local versus other international competition? What kind of strengths of Visegrad firms should be used in market expansion in Africa? Are we able to identify areas of common interests of those two distance regions?

10.3. RESULTS AND DISCUSSION

Africa as a Business Partner in Selected Facts and Figures

Africa's main destination market for export is the European Union, followed by Asia and North America. While world merchandise exports increased by 5% in volume terms in 2011, growth rate for some African countries is even higher (namely for example the case of South Africa).

According to the International trade statistics, among leading exporters in world merchandise trade in 2011 we can find Nigeria, South Africa and Algeria (35th, 41st and 49th position in the list with export volume between 40 – 80 mld EUR). South Africa and Nigeria are shown also in the list of leading importers in world merchandise trade, but Algeria is replaced with Egypt. In case we exclude from the list "top 50 leading exporters" the countries of EU-27, we see that in the list there are places also for Angola and Morocco. In the list of 40 leading exports in world trade in commercial services we can find Egypt (and also Morocco and South Africa in case the countries of EU-27 are excluded) (International trade statistics, 2012).

Position of Africa in international trade by regions is shown in the table 1. As we can see there are 2 aspects we can observe. One is share in % which is always below 5 %, but interesting fact is trading volume which is the highest one in case of EU-27.

Table 1 World merchandise trade with Africa in 2011 by regions

Region	Export (mld EUR)	Share in % (from total export of the region)	Import (mld EUR)	Share in % (from total import of the region)
Canada	2 723,5	0,8	11 519	3,2
USA	25 661	2,2	73 310	4,2
EU-27	141 811	3,0	156 985	3,2
Japan	7 650	1,2	13 220	2,3

Source: International trade statistics 2012 and own calculation (to show trade volumes in EUR, exchange rate used 1,2939 according to the European Central Bank as of December 31, 2011)

As the Visegrad countries are the members of the EU, this leads us to assumption that Africa as a business partner is more important for Europe comparing to another world regions (developed) regardless Asia as emerging continent. This tendency is in harmony with the path of internationalization not only within the European Union (Europeanization) but also behind the EU borders in wider context of internationalization (Wach, 2012; Daszkiewicz & Wach 2012). Qualitative analysis of foreign trade points at fact, that in commodity structure we can find mainly primary agricultural products, food products, but also equipment, machineries that find their use as the production means in B2B business. Moreover, 64 % of share of total African export account fuels and mining products (primary sector of national economy).

Governments of African countries have realized the potential they have for further economic development. Many of them have concentrated an additional effort at fostering confidence in local economy and legal investment climate. Nigeria provides such an example. This country has signed the Investment Promotion and Protection Agreement with several countries in the world including France, United Kingdom, Netherlands, Germany, Italy, Switzerland, China, Austria, Czech Republic, Slovak Republic and many others. The Agreement helps to guarantee the safety of the investments of the contracting parties in each other´s territory, in the event of war, revolution, expropriation or nationalisation. It also guarantees to investors the transfer of interests, dividends, profits as well as compensation for dispossession or loss (Dangote, 2013).

Africa is a much diversified continent providing several types of diversity. At one side there is a tremendous human capital, natural resources and cultural heritage in Africa and at the other side there is evident diversity in economic situation, investment climate and political stability. There are certain geopolitical areas with high poverty rate not only comparing individual countries but also individual regions within the countries. As an example we can mention Nigeria again as the country with the highest number of population. Nigerian budget depends highly on oil export that is mined in the south at river Niger. So GDP per capita in southern geopolitical regions of Nigeria reached in 1998 some 1908 USD whilst in 2011 it was 3 417 USD (100 % increase). In contrary, GDP per capita in northern geopolitical regions of Nigeria reached only 673 USD in 1998 and 1 222 USD in 2011 (Verini, 2013). From 60 to 70 % of people of the northern part of Nigeria are living in poverty. Ethnical and religious problems are another one that has causes the problems in different African countries.

Trade of V4 with Africa in Facts and Figures

All the Visegrad countries are linked through very strong flows of mutual trade. During the last decade (1996 – 2006) the trade volume and value were constantly increasing. The Visegrad countries also improve mutual trade relationships with other countries. Their main trade partners are the European Union countries and some other European countries outside the European Union (Smutka & Maitah, 2011). Talking about perspectives of V4 countries in doing business with Africa we need to know the current situation in foreign trade volumes between individual V4 countries and selected African countries. Following table 2 provides us with the statistical data on foreign trade exchange of Slovakia with selected African countries in the period 2010 – 2012 (3 years).

As seen from the data in Table 2, trade between Slovakia and selected African countries is very low. The situation is a little better in case of trade with the countries of North Africa (Algeria, Morocco, Egypt, and Tunisia). Neither of the countries of Africa got on the Top 50 list of the countries according to trade with Slovakia. In addition to the European countries, on the list there are, however, Russia, India, China, Brazil and Korea. This is understandable considering the size and rapid growth of their economies.

Table 2 Selected data on foreign trade of the Slovak Republic in 2010 – 2012 in ths EUR (Growth index 2012/2010 and eventually 2011/2010 in brackets)

Country	2010		2011		2012	
	Import	Export	Import	Export	Import	Export
Total trade	47493 577	48 272 109	55 767 581	56 783 222	58 588 352 (1,23)	62 144 033 (1,28)
Tunisia	101 480	31 984	107 288	13 553	83 456 (0,82)	17 965 (0,56)
Algeria	146	14 394	605	7 231	1 847 (12,65)	109 835 (7,63)
Morocco	44 148	38 282	40 079	48 028	45 920 (1,04)	47 766 (1,24)
Egypt	35 465	47 313	39 395	32 843	39 925 (1,13)	83 416 (1,76)
South Africa	17 432	58 018	19 884 (1,14)	63 506 (1,09)	24 265 (1,39)	64 516 (1,11)
Nigeria	828	7 800	3 801	11 885	5 693 (6,87)	8 929 (1,14)
Ethiopia	2 158	1 620	4 314	3 224	3 953 (1,83)	4 270 (2,63)
Kenya	372	2 937	464 (1,24)	4 047 (1,37)	646 (1,73)	4 206 (1,43)
Congo	32	659	68	1 219	29 (0,90)	4 122 (6,25)
Ghana	3 924	1 509	7 653 (1,95)	2 105 (1,39)	11 589 (2,95)	2 543 (1,68)
Cad	1	138	0	661	2 (2,00)	1472 (10,66)
Madagaskar	289	660	259	1895	399 (1,38)	1841 (2,78)
Somalia	0	0	7	0	4	0

Source: Ministerstvo hospodárstva SR (Ministry of Economy SR), 2013

Despite the low trade volume, the most important trading partner for Slovakia is South Africa (growth indices show sustain growth of trade exchange). The situation is similar in other V4 countries. South Africa is the only country that appears significantly in the foreign trade statistics of V4 countries. Nevertheless, there are several emerging countries of Asia and Latin America in their list of the most important trading partners. It is the case of Hungary, Poland and Czech Republic. Further, in case of the Czech agrarian trade there is monitored the group of less developed countries as a whole and among emerging markets we can see e.g. Russia, India, Turkey, but no country from Africa (Pohlová, 2013). In case of Africa there is the interesting finding that from the foreign trade exchange with Africa almost 30 % belongs to bilateral trade exchange with South Africa (35 million EUR out of 95 million EUR in case of import and 346 million EUR out of 1000 million EUR in case of export in 2013). In terms of volume, whole trade of Hungary with Africa is similar to the trade volume with Bulgaria or Croatia (in case of Slovakia total trade with Africa accounts similar volume as the trade with one single country, e.g. Finland or Portugal).

We know that Africa is a producer of several agricultural products, fruits, spices and flowers that are consumed in Slovakia, but they are not imported directly. This fact strengthens trade statistics of the Netherlands for example. There are companies there they further distribute the products to other European countries. This is the evidence of functioning laws of economies of scale and long term business relationships.

The trend of increased trade is seen on the example of several countries. This relates to the proactive policy of states to present their countries as perspective and reliable partners building long-term customer-supplier relationships. This concerns countries such as South Africa, Kenya, Nigeria, Ghana, where big business and geographical distances and political and social risk eliminate the government›s efforts to develop trade and international relations (for example, organizing trade missions, active acquisition policy of embassies and chambers of commerce, relatively stable political environment even though with an uncertain degree of risk).

Table 3 Selected data on foreign trade of Poland in 2010 – 2012 in ths EUR (Growth index 2012/2010 and eventually 2011/2010 in brackets)

Country	2010		2011		2012	
	Import	Export	Import	Export	Import	Export
Total	134188400	120373058	152568440	136693913	154040202 (1,14)	143456057 (1,19)
Total Africa	1 040 478	1 357 832	1 195 191	1 314 598	1 331 378 (1,31)	1 526 412 (1,12)
Tunisia	122 561	37 384	48 978	108 755	182 385 (1,48)	51 608 (1,38)
Algeria	16 346	179 096	35 984	256 382	49 843 (3,04)	244 816 (1,36)
Morocco	118 249	106 699	167 317	143 887	180 549 (1,52)	186 658 (1,74)
Egypt	38 072	178 012	140 497	72 757	105 628 (2,77)	157 503 (0,88)
South Africa	184 771	339 992	298 634	381 620	392 554 (2,12)	252 488 (0,74)
Nigeria	8 605	56 019	16 625 (1,93)	63 839 (1,13)	14 949 (1,73)	74 293 (1,32)
Ethiopia	2 132	4 117	6 947	2 270	2 437 (1,14)	8 508 (2,06)
Kenya	16 024	19 209	22 963 (1,43)	16 853 (0,89)	14 376 (0,89)	22 123 (1,15)
Congo	8 083	5 096	7 236	1 240	8 067 (0,99)	13 781 (2,70)
Ghana	28 429	21 844	28 561	38 526	50 326 (1,77)	23 317 (1,06)
Madagaskar	2 488	700	3 238	395	4793 (1,92)	775 (1,10)

Source: Foreign trade. January – December 2010, 2011, 2012

Table 3 shows the position of foreign trade in African-Polish relations that accounts around one per cent roughly. Comparing numbers for Slovakia and Poland, in some cases we can see that higher volumes in Poland are approximately equal to higher size of Polish economy but in many cases are much higher (e.g. South Africa, Kenya).

In analysing the level of internationalization is important to consider not only foreign trade exchange but also the level of the foreign direct investments. This is rather difficult for Visegrad countries comparing to other developed world countries that are places of origin of the biggest multinational players. For instance, to date, no Slovak companies have invested in South Africa, while three South Africa companies, MONDI, SASOL and SA Breweries have direct investments in Slovakia. One example of successful internationalization is provided by ESET products. ESET NOD32 Antivirus and ESET Smart Security, commonly known as NOD32, are antivirus packages made by the Slovak company ESET. Arit of Africa is the exclusive distributor of ESET products in Nigeria and Ghana (Slovak companies, 2013). Slovak firms also report successes in the military sphere. Engineering company Way Industries from Krupina produces the Božena vehicle which has been used for demining in several military missions in Europe, Africa, America and Asia. Generally speaking, Slovakia exports to different African countries cars, various electrical equipment, medicaments, chemical fertilizers, craft paper and paperboard, pneumatic tires, steel, lamps, telephones, and agricultural products. Import includes agricultural products (cocoa beans, bananas, pineapples), fruit juices, cut flowers, petroleum oils, natural rubbers, mineral products, food products (The Observatory, 2010).

Although Polish business has so far rather ignored the potential and missed the opportunities related to Africa's rapid growth, Polish government is now making a lot of effort to promote and encourage Polish investment and exports to Africa. First outcomes are already visible, yet a lot more has to be done in order for Polish business to capitalize on African emerging markets. The most important destinations which are of special interest to Polish investors are Nigeria and South Africa. Although the "Go Africa" programme was initiated in 2013, some Polish companies have been present in certain African countries for a couple of years now, while the others have very recently signed lucrative contracts, pushing this year's Polish-African trade value up. The first Polish investor to invest in Africa was Poland's richest man, Jan Kulczyk who put his money in oil fields in Nigeria. Also the state-controlled natural gas giant PGNiG has been exploring gas and oil in Central Africa. Spirits producer Polmos Bialystok sells alcohol products, Pamapol exports TV dinners and processed foods, Mokate supplies coffee and tea. The most spectacular forays of Polish capital into the African markets have been the two recent deals concluded by ZCh Police chemical company and Ursus, a tractor manufacturer. ZCh Police bought 55% of Senegalese African Investment Group shares at the end of August 2013, thus gaining access to calcium phosphate fields in Sud Saint Louis and Lam Lam and Kebemer regions. Ursus, Warsaw-based tractor manufacturer, signed a contract with Ethiopian "METEC" agricultural company to supply 3,000 tractors for USD 90 mln (Polish business, 2013).

Hungary has also the potential to reformulate its past image as an exporter of technologies, in particular in the fields of agriculture, water purification and management, and cartography. In addition, Hungary's positive image as a non-colonial power and the good experience of Africans with former Hungarian products—such as the Ikarus buses or Hajdu washing machines, and even the Elzett locks and Globus meat cans—hold extra credits for fostering and refining relations. Ganz and Company of Budapest built several streamlined diesel rail cars for the Egyptian State Railways, which carried passengers between Cairo and Suez. From the MÁV M40 series (nicknamed as Humpback) built between of 1966–70, thirty were sold to Egypt. Still today many people refer to the older type of rail cars as "magari," which in Hungarian is "Magyar;" also indicating a nostalgic feeling and sense of reliability. The trade balance is currently in Hungary's favour. "Trade is dominated by large corporations in the automotive, ITC, electronics and medical sectors (Tarrósy & Morenth, 2013)

The rationale for exploring the possibility of closer cooperation of the Czech Republic with Africa is also clear. Companies based in the Czech Republic have the capacity, know-how and products that allow them to compete globally in their respective niches of the market. The country is home to globally recognised brands such as Skoda (Skoda Auto is a part of the Volkswagen Group), Bata footwear, Barum tyres, Moser glass, several metal processing companies, Bohemian crystal and Pilsner Beer, which was acquired by South Africa's SAB-Miller in 1999. Czech Republic and South Africa have concluded several bilateral legal instruments, including an investment protection treaty (1998), a double taxation treaty (1995) and an economic cooperation agreement (2006). Companies from the Czech Republic mostly operate in South Africa through their local partners. However, several companies have shown an interest to step up their presence by creating a local branch or forming a joint venture (Czech companies, 2012).

When Distance, Heterogeneity and Location Specificity Matter

Because Africa encompasses 54 countries and at least 1000 different ethnic groups, there are no simple answers what are some of the key factors of success. While a number of these elements are to developing nations around the world, other key considerations are firmly rooted in unique aspects of African culture. The most basic elements of marketing are the same around the world. Issues of price, value, quality, distribution and packaging must be addressed wherever you do business. These fundamentals must be approached differently in developing countries, where customers have relatively low incomes and have not been exposed to a wide variety of brands and products. Marketers in Africa share these challenges with those in other developing regions. Prices vary widely and fluctuate over time, both because the trades who sell the goods get different deals at different times. Consumers often have to switch brands if their first choice is so expensive that they will not be able to afford other important purchases (Hollis, 2008). Market segments in Africa are to be distinguished not only by income and prices but also by needs, tastes, psychographic characteristics, their geopolitical location including urban versus rural area. Targeting particular segments requires particular capabilities and knowledge, and simply different price points. For product market segmentation we can use market segmentation (Figure 4) proposed by Khanna & Palepu (2010) that include also "bottom of the pyramid market." As an example of food products successfully launched in Africa we can mention several brands of food products made in India, United Arab Emirates and South Africa (intraregional trade) that fit the need of local emerging, middle class, low income and bottom of the pyramid market segments. Also food products imported from V4 countries to Africa (milk products, cheese, confectionery and biscuits) belong to the market segments, mentioned above. In most cases they are highly harmonized with global standards and trends, so they fulfil criteria to play certain role in global market segments in Africa.

Pack size can make a huge difference in making brands accessible to people at affordable prices. In Nigeria, Kenya, Ghana and several other countries there are many products sold in small pack sizes (toothpaste, washing powder, breakfast cereals, waffles and many others. Interesting fact is that this kind of "popularly positioned products" is now visible not only in Africa, Asia or South America, but due to financial crisis also in Europe (mainly in Greece, Spain, but also in the Czech Republic and Slovakia). Main idea is to decrease final consumer price (due to smaller size, less expensive packaging material, shorter shelf life, change in qualitative aspects and recipes) and in this way make a product more accessible to final consumers.

Table 4 Market segments: Implication for Africa

Product feature	Market segment				
	Global	Emerging	Middle class	Local	Bottom of the pyramid market
Price	Global	Global	Local	Local	Lowest
Quality	Global	Global	Global	Local	Lowest
Features	Global	Local	Local	Local	Fewest
Advantage	Multinationals Importers	Battleground Multinationals Importers Domestic	Battleground Multinationals Importers Domestic	Domestic Popularly positioned products made by multinationals for local market	Domestic Popularly positioned products made by multinationals for local market

Source: Adapted from Khanna & Palepu (2010)

Africa is a continent of migrants. Millions of Africans flood into cities every day, looking for work, a place to live, and a new life. But most of these migrants retain connections to the village or town they originally came from, and those who go on to become successful in the modern African city develop a dual identity. They think of themselves as successful modern men or women who are proud of where they came from. Well-established successful brands can be classified according to Hollis (2008) into three groups:

– Homegrown brands: an example is provided by Tusker lager style beer brewed by Eastern African Breweries in Nairobi, Kenya or Club in Ghana. Beer in Africa, especially lager, is produced commercially in most African countries, and varieties of beer are also made by indigenous tribes. Beer is served in a range of locales. Many countries have standardized beer bottle sizes, which are cleaned and re-used, and so when buying beer at a store often people must pay a deposit on the bottle as well as the price of the beer. South Africa consumes the most beer of any African country, with an average of 59.2 litres of beer consumed per person annually. The brewing of traditional beer is a common practice among Africans in rural areas. Varieties and types of beer depend on local customs and resources. Among various beers brewed locally are honey beers and ginger beers. A typical alternative to glass-bottle beers is local beer sold in tetra-pack style paper cartons. United National Breweries amongst others produces Johannesburg beer, and the popular, if stigmatized, Chibuku beer is popular throughout Southern African countries partly owned and managed by subsidiary companies of SABMiller PLC operating in Botswana, Zambia, Malawi and Zimbabwe. In South Africa and Botswana, sorghum malt is used as an important ingredient whereas elsewhere less to no sorghum is used (mainly maize) and the beer is more commonly known as opaque beer (Beer in Africa, 2014). Beer consumption provides at one side market opportunities for importers, but at the another side, due to shipping costs, image of homegrown brands and existence of large multinational investors it is difficult to talk about easy way how to enter and operate at beer market segment.

– Naturalized brands: they were introduced to Africa by foreign or global companies but were later cut off from their parent companies and left to fend for themselves. This situation was particularly prevalent in South Africa, when international companies disinvested due to antiapartheid pressure but often left their local operations and brands intact.

– Global brands: they are owned by multinational companies e.g. Maggi cubes versus Royco cubes offered by Unilever. In October 2013, Unilever Nigeria Plc has launched new Royco cube, which it said is superior in terms of quality, aroma, packaging and affordability. The Managing Director of the company, Thabo Mabe, said that the new Royco, tagged 'Now Meatier than Ever' would be suitable for all Nigerian dishes. "Nigeria is a country with so many ethnic groups with different dishes and each ethnicity wants to identify itself with its dishes," he said. "This brand is truly a Nigerian brand and the cubes are customised to enhance the different dishes associated with different ethnic groups." The Category Manager, Unilever, Mrs Bolanle Kehinde-Lawal, also said that the company understood the needs of the customers, hence the introduction of this brand in the market. "The customers' satisfaction has been put into consideration, while the cubes have been improved on, the price remains the same," she said. "The three cube formats of chicken, beef and goat will take care of all the ethnic dishes while the powdered format is specially formulated for stews and soups. They all will definitely give customers more exciting flavours." "The Yorubas will enjoy the chicken cubes because they like beef and chicken-based foods, while the Igbos will enjoy the goat seasoning cubes because they like goat meat," she said (Unilever, 2013). Reading this, we can see how Unilever is aware of strong roots of its Royco brand in Nigeria.

Besides traditional marketing concept of the 4Ps – Product, Price, Place, Promotion - two of the most prominent alternative paradigm existing in the marketing literature is that of the 4Cs – Customer value, Customer costs, Customer convenience, and Customer communication (Kotler, 2003) and the 4As – Awareness, Availability, Affordability and Acceptability. Concept of the 4As is more tailored made for rural consumers, where consumers simply cannot consume what is not affordable, and where convenience is not as valued as it is by the urban consumers. Many marketers have adopted the 4A's strategy to cater to the requirements of the rural population. Some key features which discriminate rural market from its urban counterpart Choudhary (2013) defines as follows:

- Agrarian society
- Variation in consumption pattern
- Consumption linked to harvest
- Economic diversity in terms of income
- Low population density
- Heterogeneous population composition
- Different languages
- Low awareness of brands
- Low literacy rate
- Media dark region
- Less electricity connections
- Irregular power supply
- Poor transportation facilities (it is tough to access the market)

Description and reasons for use of the 4 As´ show "why" and "how" this concept of rural marketing (Choudhary, 2013) can work. It can work under the conditions we distinguished between rural and urban marketing in Africa. Fundamental rules of the 4 As ´are as follow:

- Awareness: Rural consumer is not much aware about brands. They rely more on local brands. To develop reliability factor in them towards new brands it is necessary to publicize the brand awareness by NGOs working actively in the region. This can be done through mouth publicity by any known resident of the same village also. Illiteracy makes them unable to read basic text about the brand identification. Therefore packaging plays an important role. It is better to give short name of the product in local language. Pictorial representation on packaging will also help.
- Availability: Due to poor access to rural markets, poor infrastructure and irregular or no power supply to rural areas it is a difficult task for firms to make products available all the time in the reach of the rural consumers. Firms cannot

stick to any one supply chain model. They have to be flexible to use all possible means of transport according to the terrain's requirement to achieve maximum operational efficiency. Trucks, auto rickshaws, cycle rickshaws and hand carts to even camel carts and mules in the hilly areas can be used to deliver products to the market.

- Affordability: A product which caters to the need or want of consumers and is within paying capacity of the consumer can be sold in rural market. There is no need to provide sophisticated packaging but value packs need to be provided.
- Acceptability: Firms have to understand rural customers' need. Rural consumers prefer utility oriented products. At the same time product should be compatible with the infrastructure available in rural areas. Human interaction, personal evidence and word of mouth are the best ways how to promote a product (Hollis, 2008).

Excellent example of tailored made offer for African market is provided from side of Danmar Tractors Ltd, providing Kenyan and Nigerian market with the multifunctional Danmar Mini Tractors. These mini tractors are very versatile for agricultural operations such ploughing, planting, fertilizer application, etc. and municipal waste management operations (street cleaning). They are manufactured to a high standard and have been adjudged as one of the best solution for small to medium-scale mechanised farming. As in Nigeria and Kenya a farm with over 5 hectares of land is considered as the large farm, these tractors are really tailored made for local farmers. Tractors has been offered also in Bahrain, Kongo, Namibia, Mosambik, Angola and Nicaragua and management of the company has been considering the possibility of shifting production and assembly facilities to Qatar. In harmony with principles of rural marketing and governmental regulations in target African countries, management of company always starts to build up business relations with official state representatives or local authorities, considering local governmental food production programs and their territorial focus. Company provides in one package mini tractors and training programs how to use and maintain them. In the second stage the attention is concentrated on building a small to medium-scale manufacturing plant that will provide benefits for the local society that include availability of tractor components and spares, affordable tractor components and spares, employment opportunities for youths at the grassroots level, transfer of technology, technical skills and competences. It is supposed that location for the manufacturing plan will be provided by the government of the state or region in close proximity to accessible roads and with good infrastructure as electricity, communication, water and waste disposal. It is recommended that the construction work be bid for by local companies, with consideration for using local materials, in harmony with ISO standards. A selection of key employees of the Tractor Production Plant is invited to production facilities in the Slovak Republic to be trained in Agro services and it is expected that this training activity might be supported from the State government, too. The whole project can help in agriculture development, reducing unemployment and development of local expertise, too.

10.4. CONCLUSIONS

Africa is an emerging market and as the continent is in its development where are numerous opportunities for investment. As the African market is less developed and emerging, there is the opportunity for high return of investment and high risk in the same time. A framework for business and government for supporting the productive and mutually beneficial expansion of private investment in and across Africa has been defined as follows (Africa Attractiveness, 2013):

– *Perspective***.** The eye of the beholder: African business ventures can be risky, but no more so than those in much hyped emerging markets in other regions.

– *Planning.* Patience and persistence = results: while it is often said that rewards go to the bold, in African investing it is also true that patience is a virtue (and pays).

– *Places.* Seek platforms and hubs: Africa's hallmark is diversity; the barriers to creating bigger and deeper common markets and trade areas are considerable, but are arguably receding.

– *Partnerships.* Relationships matter: perhaps more than in any other continent – fostering good, proper relations with all levels of government will continue to be vital to realizing strategic aims.

– *People.* No strategy is self-executing: sustainable success in Africa will increasingly turn on identifying, nurturing and retaining talented and committed local staff. Sustainable aspects are important in all the aspects of marketing, e.g. safety food and hygiene (Haščík, Kačániová, Vavrišinová, 2014) or in transportation, e.g. the use of sea freight from Kenyan Port City Mombasa for flowers because it is more sustainable and less expensive than other forms of transport to the Netherlands (Minister, 2013).

Talking about mutual benefits we have to consider the needs of local African communities:

1. Export of horticulture products, tea, and coffee as the potential for certain income for smallholder farms who produce most of these commodities and of high value. EU market accounts main destination market for these products, following by America and Asia. By the way, during the Kenya Trade Mission in Slovakia on July, 16, 2013 in Bratislava, representatives of Kenya said that i.e. export of fresh flowers accounts over 25 % of Kenyan export to Europe. Kenya´s flower exports account for almost half of the country´ horticulture export earnings.

2. Implementation of the International Food safety standards- often consumer driven, need for negotiated implementation, sharing of costs of implementation if possible.

3. Increasing benefits of value chain for the producers - especially equal and fair distribution of the price at the level of primary agricultural producer. Farmers need to be linked to input/output market, financial services, training possibilities and storage facilities (ongoing research projects on increasing the value in value

chain for apples, macadamia and mango organized by the Kenyan Agricultural Research Institute in Nairobi, Kenya).

4. Investments in public services such as roads, piped water, schools and health system as part of CSR programmes.
5. Provide possibilities for employment, means of production for small farmers (B2B businesses). Investment in manufacturing and industries which can source their row material locally. The African peoples´ ability to engage to economic activities and creative initiatives that generate wealth are inhibited by mass-produced, imported goods. They are often sold at prices cheaper than those of local goods, marginalizing homegrown businesses that cannot compete with giant transnational corporations and large sums of foreign capital (Maathai, 2010).
6. Sustainable use of environmental resources. Industries must be guaranteed to be environmentally friendly and over 50 % of products can be exported (investment and investment incentives requirement in many countries).
7. Creating value addition closer to producer areas. Developing food security, support of export potential of locally grown agricultural products (e.g. cassava) in large volumes for global market. Research and development of use of untraditional agricultural products and invention of food products with ability to satisfy the needs of local or international market (e.g. baobab products that are being developed by the World Agroforestry Institute in Nairobi, Kenya, development of vaccines for East Coast fever of cattle beef by the International Livestock Research Institute in Nairobi, Kenya).
8. Branding and marketing of local product. Increase the value of locally produced products. Let us take example of the Nyambene Coffee group companies in Kenya that have always been value driven. "We are currently processing and marketing about 12 – 15 % of Kenya coffee and our market share is continuously increasing. We also procure process and market coffee to over 100 co-operative societies and 87coffee estates mainly in the central Kenya highlands and western Kenya. Our intention is to be more involved in marketing and value added processes and in such a way to increase the benefit for local farmers and communities. Use of own producer´s label is the best way how to market high quality coffee from Kenya in the Europe, for instance", stated Mr. Lawrence C. Njeru, Chairman & CEO of the Nyambene Coffee Marketing Ltd, during Kenya Business Mission in Bratislava, in July 16, 2013.

Expected benefits of Visegrad countries has been identified in the area of growth of sales, new market opportunities, using non-traditional procedures and inputs, delivering exotic horticulture products to Visegrad market, building long-term relations and image of reliable, and socially inclusive partner. Nowadays, not enough African countries have diversified their economic base, nor made progress toward self-sufficiency in essential sectors, such as food production. In the same time, Africa cannot avoid the fact of globalization (Maathai, 2010), so the rationale for better understanding Africa from business point of view is evident very clearly.

Paper provides only little inside into theory of practice of doing business with countries characterized by big cultural and business distance and heterogeneity of various factors as African countries are. Further, we plan to analyse from quantitative and qualitative aspects the trade statistics of chosen countries, territorial and commodity structure, also foreign direct investments and practical business consequences considering viewpoint of both sides: Visegrad companies at one side and African companies at another side. Besides Africa we are in stage of identifying business opportunities and ways how to behave from "marketing management" point of view in Ukraine, Russia and some countries of Central Asia and what are the lessons learnt from existing business relations. Because of very small number of companies operating in this context, case study approach will be used together with questionnaires or managed interview. We believe that based on our studies we will be able to discover the ways how to conduct business in a way to be beneficial for both sides considering the aspect of sustainability and local social inclusion. In terms of deeper African studies the agreement signed between the Slovak University of Agriculture and the Jomokenyatta University of Agriculture and Technology will facilitate bilateral research activities in this area.

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