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## Internationalisation strategies of food sector companies from the Greater Poland region: Selected research results

An observation of the market in the recent decades shows a definitely growing need for internationalisation of enterprises in the international arena. This is a consequence of the increasing globalisation of markets and competition, which is forcing companies to seek new buyers outside of their home country. The article contains the results of an empirical research conducted in the second half of 2015 in the Greater Poland region as part of the research project 'Competitive strategies of enterprises of the food sector in the Greater Poland region in the era of globalisation'. The aim of this study is to identify the type of international orientation and forms of internationalisation of the companies analysed. Theoretical implications have been based on literature studies and subjected to empirical evaluation in the course of a questionnaire survey.

Keywords: internationalisation of companies, forms of internationalisation, internationalisation strategies, food sector

JEL classification: A12, F23, F61, L66

### Strategie internacjonalizacji przedsiębiorstw sektora żywnościowego z Wielkopolski. Wybrane wyniki badań

Obserwacja rynku w ostatnich dziesięcioleciach wskazuje, iż na arenie międzynarodowej zdecydowanie wzrasta potrzeba internacjonalizacji przedsiębiorstw. Jest to konsekwencją narastającej globalizacji rynków, a także konkurencji, która zmusza przedsiębiorstwa do poszukiwania nowych nabywców poza granicami kraju macierzystego. Artykuł zawiera wyniki badań empirycznych prowadzonych w drugiej połowie 2015 roku na terenie województwa wielkopolskiego, będących częścią projektu badawczego pt. „Strategie konkurencji przedsiębiorstw sektora żywnościowego Wielkopolski w dobie globalizacji”. Celem niniejszej pracy jest identyfikacja rodzaju orientacji międzynarodowej oraz form umiędzynarodowienia analizowanych firm. Implikacje teoretyczne opracowano w oparciu o studia literatury przedmiotu, następnie poddano ocenie empirycznej w przeprowadzonych badaniach ankietowych.

Słowa kluczowe: internacjonalizacja przedsiębiorstw, formy umiędzynarodowienia, strategie internacjonalizacji, sektor żywnościowy

Klasyfikacja JEL: A12, F23, F61, L66

## Introduction

An increase in the foreign involvement of enterprises is an intensively explored issue. Today, companies are faced with increasing difficulties associated with complex conditions of their development resulting mainly from the unprecedentedly dynamic globalisation, new competitive requirements, and the intensity of this competition. Thus, its growth poses new challenges for today's businesses. Before the globalisation of markets, large companies competed mainly in foreign markets, while small ones struggled in local ones. The formation of the so-called global village has changed this picture, as expansion abroad has become a common necessity for enterprises. Currently, Polish companies are forced to extend their activities beyond the borders of their home country. Therefore, in order not to lose their competitive position, companies must choose an appropriate development strategy beforehand, especially taking into consideration that the decision about foreign expansion is not an easy one to make.

The following questions have emerged in the course of the research. First, what form of internationalisation do food sector enterprises from the Greater Poland region choose? Secondly, what kind of international orientation have the analysed companies actually chosen? Providing answers to these questions has become the aim of this study. Moreover, it would facilitate the understanding of the paths a company has to take in order to internationalise its business. Theoretical implications have been based on the studies of subject literature and verified by surveys.

### 1. Internationalisation of enterprises and their strategies as determined by their international orientation

As the internationalisation of companies is highly complex, it is difficult to find one universal definition of this process in economic literature. For example, Piercy [1985] and Turnbull [1985] define it as a transfer of business abroad, thus identifying internationalisation with the physical establishment of subsidiary enterprises outside their home country [Przybylska, 2005]. In Polish literature, the process of internationalisation of companies has been widely defined by Rymarczyk [2004], according to whom it refers to 'any type of business undertaken by a company abroad'. This broader approach regards this phenomena as independent of the achieved level of intensity and commitment abroad. On the other hand, Fonfara et al. [2000] treat internationalisation as an element of a company's development strategy associated with its foreign expansion. According to the authors, the

internationalisation of companies occurs even when only one of their products is related to the foreign market, regardless of the form of the aforementioned foreign relationship. According to the concept of internationalisation proposed by Pierścionek [2003], it refers to 'any form and scope of relations undertaken by a company abroad'. Strzyżewska [2005] interprets internationalisation as a geographical broadening of a company's range, which consequently leads to the globalisation of its activities. Generally speaking, it can be concluded that the internationalisation of companies should be regarded as a process of reorganisation from the national to the international level, taking into account the intensity, form and scope of activities.

The process of internationalisation has been increasingly associated with the marketing strategy pursued by management. International orientation is defined as a set of attitudes of management towards internationalisation or as a strategic predisposition of management [Duliniec, 2007]. The literature identifies four types of strategic orientation of international companies. These include: ethnocentric, polycentric, geocentric (global) and regiocentric strategies. A variety of a geocentric strategy is also mentioned here, namely a transnational strategy [cf. Rymarczyk, 2012; Duliniec, 2012; Pietrasiński, 2012; Pluta-Olearnik, 2012; Keegan, Green, 2000; Cateora, Graham, 2007].

An ethnocentric strategy characterizes firms at the beginning of their road to internationalisation. By opting for this kind of strategy, management assumes that past experience of a company in the domestic market may be freely transferred into foreign markets. Moreover, such an orientation often characterizes companies with almost no experience in international marketing. These enterprises are just beginning their foreign export and conduct it rather *ad hoc*, selling products to countries they perceive as culturally similar to their own. Thus, marketing activities within this orientation are associated with the use of the so-called criterion of self-reference, which means that their marketing decisions are governed by the criteria specific to the experience gained in the domestic market.

For many companies, a polycentric strategy marks the second stage of internationalisation. Companies operate on many different markets and gain competitive advantage by adapting their products to their foreign buyers. Enterprises with such an orientation frequently create affiliates, subsidiaries and joint ventures on major markets.

A regiocentric strategy is connected with a company's activity in a single region (e.g. the EU), where some similarities between the markets can be observed. As pointed out by Duliniec [2012], 'common characteristics of countries which belong to the region are reflected in regional coordination and alignment of management's actions and the appropriate unification of marketing activities'. This strategy can take one of two specific forms: European or Transatlantic [Wach, 2013].

A geocentric (global) strategy refers to treating foreign markets as one single market. Existing borders as well as country-specific and other factors are all ignored here, and the same product is provided to all markets. It is a sign of a high degree of internationalisation. Competitive advantage is achieved on a global scale by seeking to minimize the unit cost of production. A transnational strategy is a variation of this global orientation. What's most important here is the desire of companies to achieve the benefits of acting on a global scale, while adapting to local conditions. As noted by Rymarczyk [2012], the essence of this strategy is based on the following statement: 'As global as possible, and as local as necessary'.

## 2. The stages of internationalisation: Selected classifications

The methods (strategies) of entering foreign markets are of key importance during the decision-making process concerning the expansion of companies. The right decision in this regard determines the possibility of success. Therefore, the strategy of entering foreign markets will include the following: defining objectives, establishing forms and possible restrictions of their use, eliminating these forms which cannot be used anymore, calculating the intended activity and deciding on the choice of the form that provides the highest level of objective achievement [Rymarczyk, 2004]. The literature mentions different stages of expansion of companies into foreign markets. The most popular model defining the forms of involvement of enterprises in international business seems to be the Uppsala model, according to which the process of internationalisation is sequential (progressive). It is perceived as 'the interaction between the development of knowledge about foreign markets and activities on the one hand, and the growing commitment of resources on foreign markets on the other' [Johanson, Vahlne, 1990, qtd. in: Daszkiewicz, 2004]. The basic characteristic of the model described above is that companies begin their international expansion by concentrating on exports, and only at a later stage move on to forms demanding greater involvement. The Uppsala model distinguishes the following four stages of internationalisation:

- sporadic export,
- export by independent intermediaries,
- the establishment of an overseas sales office,
- the establishment of an overseas manufacturing branch [Rymarczyk, 2004].

The behaviour of companies during internationalisation is determined by both their empirical knowledge relating to specific markets, and their general knowledge concerning their business. Therefore, the lack of such knowledge is regarded as a leading obstacle in the process of internationalisation, and gaining experience is the basis of sequential internationalisation. This model, however, is

not without its faults. Discussions on this topic were conducted among Duliniec [2007], Fonfara [2009], and Buckley [2002] (see: [Budzyńska, 2013]).

Among other frequently presented criteria for defining the forms of internationalisation is also a degree of resource commitment abroad. This criterion plays a part in the phase model of internationalisation development presented by Meissner, but it has also been implemented by Kumar, Eitman and others (for more see: [Rymarczyk, 2004]). Meissner's model distinguishes the following phases: export, transfer of licenses, franchising, joint ventures, foreign branches, production plants, and subsidiaries. On the other hand, assuming the specifics of a company's activities abroad, one should take account of the division of internationalisation forms proposed by Leroy, Richard and Sallanavea (Table 1).

Table 1. Forms of internationalisation according to specific actions

Forms	Basic options	Key features
– trade	– export	– commercial
– systems	– licenses, franchising	– contract
– participation	– consortium, a trading company, a joint venture	– participatory
– integration	– manufacturing direct investments	– integration
– autonomy	– a company independent in all phases of entrepreneurial activity	– autonomous

Source: [Rymarczyk, 2004, p. 155].

Introducing an additional criterion, namely a degree to which a company commits its capital abroad, results in the emergence of the following strategy groups related to entering foreign markets:

- domestic production without foreign investment,
- domestic production and investment abroad,
- production abroad without investment,
- production abroad related to foreign investment [see: Kulhavy, 1990, qtd. in: Wiktor, 2008].

In turn, Gorynia [2007] maintains that the possible forms of internationalisation can be classified as follows: export of products or services as the most traditional form of foreign expansion; cooperative relations with foreign partners (i.e., contractual co-operation, relatively long-term economic relationships); and independent economic activity abroad.

Regardless of the adopted classification, one must remember that the term 'form of internationalisation' encompasses not only a way to enter a market, but also a manner in which a company should act in it. It is, therefore, unquestionable that any type of business abroad requires cooperation with a partner from abroad.

### 3. Internationalisation strategies of analysed companies in the Greater Poland region

#### 3.1. Characteristics of the research

The presented results come from a survey conducted within the project titled 'Competitive strategies of enterprises of the food sector in the Greater Poland region in the era of globalisation', realized from the funds allocated for young researchers at the Faculty of Management Engineering at Poznan University of Technology. Quantitative studies were conducted between the months of July and September 2015 using computer-assisted telephone interviews (CATI). 585 companies were invited to participate in the study; all of them fulfilled the following criteria: enterprises classified according to the criterion of employment as small, medium and large; belonging to the food sector defined as a group of companies manufacturing products classified in section A and C division 10 and 11, according to the PCA in 2011 based on data from the Central Statistical Office; and having their registered office in the Greater Poland region. Finally, the sample consisted of 86 enterprises of the food sector<sup>1</sup>, including 60 qualified as small, 24 as medium, and 2 as large according to the criterion of employment. Company size is the factor that should primarily be taken into consideration during the analysis of the forms of internationalisation, as it determines the resource potential of a company. In addition, it defines investment opportunities on international markets, which largely contributes to the choice of internationalisation forms. Moreover, 21 companies participating in the survey are internationalised, and mostly in their first phase of internationalisation. The territorial scope covered the region of Greater Poland. The choice of this sector is not accidental. Food processing in Greater Poland has held strong and unshakable leader position in terms of the share of production in the sale of manufacturing output. Moreover, this value has been steadily increasing since the year 2000 [Rocznik Statystyczny...].

#### 3.2. Entry strategies of the surveyed companies from the Greater Poland region into foreign markets

It must be assumed that the strategy of internationalisation consists of the following business activities: setting goals (motives of internationalisation) of business activity abroad; specifying the orientation of the internationalisation; selecting foreign markets and identifying ways of entry to foreign markets.

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<sup>1</sup> For the purpose of the project, the agri-food industry was defined as a group of companies manufacturing products classified in sections A and C, division 10 and 11 according to PCA in 2011 based on CSO data.

Determining the motives of internationalisation of enterprises (the first element of the strategy) is mainly based on empirical research. Its results show that there are many reasons for internationalisation. The most important of them, divided into two groups: external and internal, were included into the questionnaire presented to the companies. In order to examine their particular significance, the respondents were asked to rank the motives from the most important (I) to the least important (X). Their replies are shown in Table 2.

Table 2. The most important internal and external motives of internationalisation of the surveyed companies

Internal motives / Rank	I	II	III	IV	V	VI	VII	VIII	IX	X
high share of the domestic market	3	5	1	2	4	1	2	0	2	1
increasing competition in the country	0	8	0	4	6	1	1	0	1	0
excess production capacity	1	0	1	6	6	0	6	1	0	0
attitude of the management toward expansion	0	3	1	2	2	3	6	1	0	0
maximizing profit	2	2	6	1	0	2	3	1	2	2
technological advantage	3	2	2	1	1	3	1	2	2	4
the ability to dispose of unique products	3	0	1	1	0	2	1	4	7	2
information advantage	5	0	3	1	0	2	3	2	4	1
reduction of production costs	2	1	4	2	1	2	2	1	2	4
tax benefits	2	0	1	1	0	2	2	7	0	6
External motives / Rank	I	II	III	IV	V	VI	VII	VIII	IX	X
geographical proximity	8	6	3	1	0	0	0	2	1	0
saturation of the internal market	5	7	3	2	0	0	1	2	0	1
expansion into new markets	2	4	11	2	0	0	0	1	0	1
favourable outlook for economic growth in the foreign market	3	2	2	6	3	1	4	0	0	0
favourable trade policy abroad, e.g. tools to support exports	0	1	0	4	10	2	1	1	1	1
the ability to extend the life cycle of products	1	1	0	1	1	5	6	3	3	0
reduction of the risk in case of the emergence of the recession in other countries	0	0	1	1	2	5	7	2	1	2
customer preferences	1	0	0	2	1	3	1	8	2	3
access to cheaper and better raw materials abroad	1	0	1	1	3	2	0	1	9	3
the effect of imitative	0	0	0	0	2	2	2	2	3	10

Source: Own study based on N=21 survey results.

Among the internal motives of internationalisation, there is no one leading stimulus. Information advantage, i.e., the possession of very reliable information

regarding the possibilities and ways of setting up a foreign company, turned out to be of high significance. It was indicated as the most important reason for internationalisation by 5 companies; at the same time, however, 4 companies ranked it 9<sup>th</sup>. In this case, there was no agreement among the analysed companies. In contrast, the second most important motive for starting operations on a foreign market (growing competition in the country) was indicated by as much as 8 companies. Further positions were held by the desire to maximize profits and excessive production capacities. Among the external causes inducing companies to take business abroad, geographical proximity ranked first, followed by saturation of the internal market, as well as the desire to expand into new markets. From the analysis of the results it can be concluded that the leading motives of internationalisation are the ones related to the conditions in the market.

The analysis of the internationalisation strategy according to international orientation should be preceded by additional information on internationalisation. Undoubtedly, the proximity of foreign markets and the time that a company has been in business impact the number of foreign markets it can provide products for. The vast majority of the surveyed companies (90%) have already been operating abroad for over 5 years. The remaining 10% of the respondents claim to have been present in international markets for a period of 1 to 5 years. Therefore, these are not companies starting their international careers. They had already gained some experience abroad. In turn, the geographical distribution of the markets where the surveyed companies operate is quite extensive and varied. These companies prefer to cooperate with foreign partners in Western and Eastern European markets. Among other locations, the respondents listed Asia, America and Scandinavia. The distribution of the surveyed companies in relation to the direction of internationalisation and company size is presented in Figure 1.

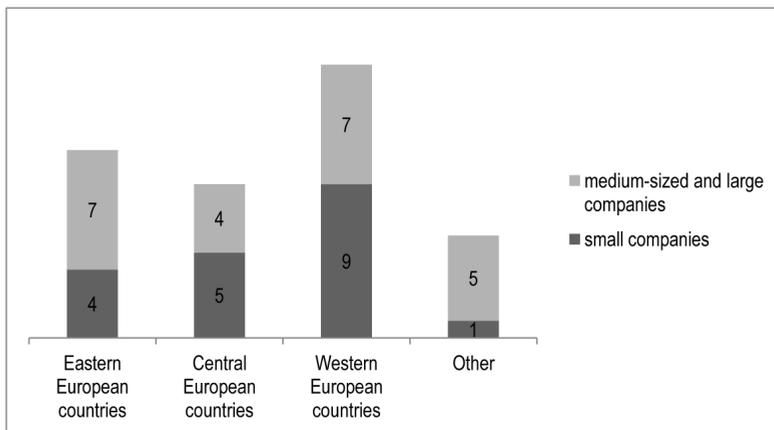


Figure 1. The distribution of the surveyed companies in relation to the direction of internationalisation and company size

Source: Own study based on N=21 survey results.

The choice of direction of internationalisation can be determined by a company's strategy to enter foreign markets. In the case of small and medium-sized enterprises from Greater Poland, the vast majority applied an ethnocentric strategy (see: Figure 2), which means that they carry out their activities abroad only in markets similar to their domestic one. Still, it does not eliminate a possibility of developing a more advanced form of internationalisation in the future, which would call for a greater involvement of both personnel and capital.

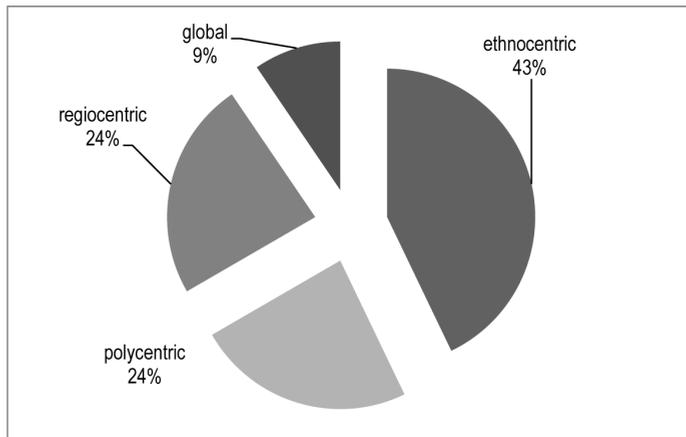


Figure 2. The international strategic orientation of the surveyed companies

Source: Own study based on N=21 survey results.

It is worth noting that the polycentric strategy is treated as a support for operating in multiple markets simultaneously, without having to create foreign affiliates, branches, or other more advanced forms of internationalisation. This is confirmed by this study's analysis of the choice made by companies regarding their entry into foreign markets. In contrast, in the case of small businesses, the implementation of the regiocentric strategy is mainly reflected in the export of their products to the markets of the European Union and their nearest neighbours. The distribution of the surveyed companies depending on their international orientation and size is shown in Table 3.

This distribution is explained by the precaution of the managements of the analysed companies who undertake international activities and choose to export their products mainly to markets resembling the domestic one, where it is possible to use a similar strategy. A few of the companies participating in the survey declared an orientation that required greater financial and managerial involvement. The reason for this may be primarily the nature and type of industry, as well as the competitive strategy in use. The exception here are the companies that implement

the global strategy, which treat international markets as a single, global and uniform market, and supply more than 15 foreign markets.

Table 3. The distribution of the surveyed companies in relation to their international strategic orientation and their size

Company size	International strategic orientation			
	Ethnocentric	Polycentric	Regiocentric	Global
Small companies	5	1	5	1
Medium-sized and large companies	4	4	0	1

Source: Own study based on N=21 survey results.

The confirmation of indicated strategic orientation of the surveyed enterprises is to be obtained by an analysis of their forms of internationalisation. The dominant forms of internationalisation involve the simplest forms of trade, mainly direct export and import. Almost none of the companies under analysis engage in more advanced forms of conducting international activities that would provide them with a higher degree of control over business operations, which means that they decide to take a lower risk in the host market while also incurring lower costs, but leaving the possibility of development via more advanced forms of internationalisation open.

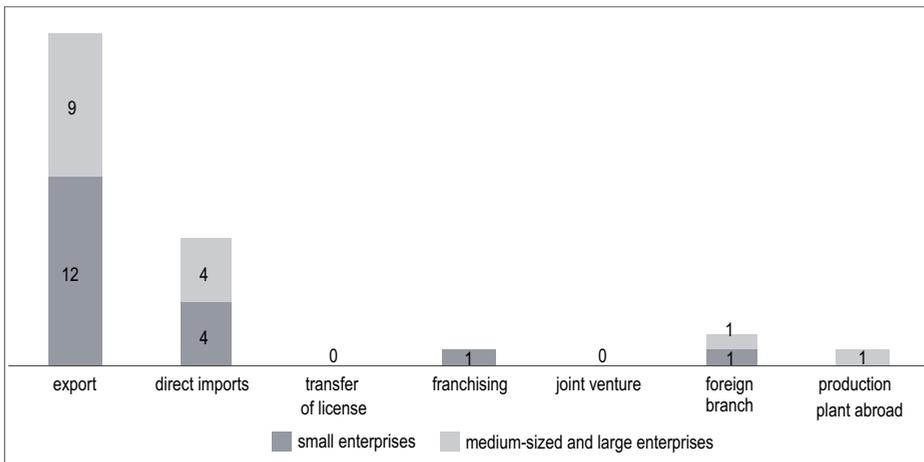


Figure 3. The distribution of the surveyed companies in relation to the form of internationalised business and company size

Source: Own study based on N=21 survey results.

In this context, it seems advisable to quote the results of the research on the prospects of the further internationalisation of enterprises. The question included

in the questionnaire: 'Is the company planning any further internationalization within the next 5 years?', was answered affirmatively by most respondents. Moreover, 52% of them intend to expand their international activities, and 38% plan to further internationalise their current operations. Considering the size of enterprises, it can be concluded that a conservative attitude regarding internationalisation is more characteristic of the smaller entities. In this group of companies, half of the respondents are not planning any further internationalisation of their companies, and less than 17% intend to entirely give up any activities outside their home country within the next 5 years. Among the surveyed enterprises, mainly medium-sized companies (about 78%) are planning to increase their involvement in foreign markets in the near future. In this case, the fact that none of the companies intend to give up doing business abroad is a positive sign of the ever-changing economic conditions.

## Conclusions

Polish companies are constantly facing an enormous challenge of internationalisation. Undoubtedly, undertaking action in this area offers numerous benefits. These include: reduction of production costs, improvement in product quality, increased customer trust, and improvement of competitiveness. The first step in the process of internationalisation requires engaging in imports, followed by focusing on exports and establishing cooperation with a low engagement of capital.

Numerous conclusions can be drawn from the above considerations. First of all, the internationalisation of the surveyed companies from Greater Poland is still in its early stages, which is a result of the clear advantage of export over other forms of involvement in foreign markets. However, one can assume that together with the development of knowledge about foreign markets and increasing strategic resources, the degree of internationalisation of businesses will be growing. The current phase of internationalisation of the surveyed companies is mainly characterized by an expansion to those foreign markets that resemble their domestic one, although in some cases companies also engage in activities in more distant foreign markets, treating them as a single, common market. Keeping in mind the numerous capital limitations and the specifics of the industry, it seems advisable to promote expansion based on cooperation arrangements. Creating a competitive gap between domestic and foreign companies would constitute a great threat, as it would compromise further development of our enterprises.

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