Internationalization strategies of Polish fast growing enterprises

Abstract: This paper presents internationalization strategies of Polish enterprises gathered in a qualitative empirical study. It describes internationalization motives, entry and competing strategies of Polish fast growing firms on international markets. The presented research results are important for three reasons. Firstly, as the paper represents one of the first qualitative studies of internationalization strategies of Polish fast growing enterprises. Secondly, it provides an update of the knowledge about current internationalization strategies of Polish firms which (as research results show) changed over time. Thirdly, the results of this research show directly the field where the state aid would be required in the internationalizing process of Polish companies, which may be useful for the government when considering a relevant policy.

Keywords: enterprise, internationalization, strategies, fast growing firms.

JEL codes: F23, M16.

Introduction

From the point of view of Polish economy’s interest the highest degree of internationalization of Polish companies should be one of the priorities of highest importance for the government. As many researches have proven, export activity constitutes the key factor of economic development of many countries [Khalafalla & Webb 2001; Burger & Oldenbloom 1997; Tyler 1981; Kavoussi 1984]. After the political and structural change in Poland, which took place in 1989, the private sector revealed a high degree of economic and managerial backwardness in comparison to e.g. West European companies. The transition period which generally was a great success was also characterized by a few vital factors which, on the one hand, strongly motivated to develop the export activity and, on the other hand, impeded internationalization of the Polish companies. The factors which had the main impact on the Polish economy were relatively fast trade liberalization and accession to the European Union. In consequence of those two factors there emerged great
export opportunities for the Polish companies, but at the same time the competition level on the Polish market became very intense. As a result, the domestic market has shrunk for a lot of Polish companies which were not ready yet to compete financially, technologically or in the marketing field with strong foreign companies which developed their competitive advantages for decades after Second World War [Jeliński 1997; Wysokińska 1999; Stawarska 1992]. On the one hand, the shrunk domestic market encouraged the Polish companies to commence international activity and, on the other hand, the shrunk revenues limited capital accumulation helped by internationalization activity and the companies had to concentrate on defending their own market. Another important factor was the Polish privatization policy which relied mostly on finding strategic foreign investors for large Polish firms, which resulted in revision of cooperation contracts with Polish subcontractors and, for some time, limited indirect export possibilities [Ciamaga 1997; Jurek-Stępień 2002; Dąbrowski, Szomburg & Kamiński 1995]. The third factor is the existence of vital asymmetry in government export support between Poland and West European countries (France, Italy, Germany, the U.K.) or the USA, Japan and China as can be drawn from the National Export Strategy report of USA. This factor distorted vitally the competition conditions both on the Polish and on the international market. The fourth factor is lack of capital, knowledge and experience in internationalization of most Polish companies. One has to take into account that before 1989 the private sector hardly existed. Despite those difficulties and negative foreign trade balance (minus €11,5 bln in 2009) the level of Polish exports is slowly increasing.

The studies of Polish firms’ internationalization indicate that the basic and most common competitive advantage of their offer was the price (price leadership strategy) and the structure of their export is dominated by the low value-added products and natural resources [Pierścionek & Jurek-Stępień 2006]. Moreover, research done in the field of international competitiveness revealed that competitive potential of the Polish firms was lower than that of an average competitor from the European Union as regards all factors under research [Gorynia 2002, 2005]. The research of Gierszewska [1997] indicated that the fundamental strategy for entering foreign markets by firms with Polish capital was based on traditional modes of entry, such as direct and indirect exports. The research of Gorynia [2002] confirmed that the Polish companies still preferred export mode, without much interest in more advanced forms of expanding into the EU markets, such as joint-ventures, direct investments, licenses, franchising or strategic alliances. Similar results were received in later research on modes of entry of the Polish firms [Mikołajczyk 2005; Golembiowski and Witek-Hajduk 2007], though the research of Gorynia [2005] resulted in discovering that different forms of cooperation were possible but only on the domestic market and they depended strongly on a company’s sector. Most of the studies in the fields of internationalization or international competitiveness were done on the selected groups of Polish enterprises according to the geographical criteria, i.e.
selecting in a particular region of Poland or in the entire country, branch criteria i.e. choosing an industry or industries, or according to the criteria of exporting, such as e.g. the group of biggest Polish exporters. Until now there have hardly been any researches done in field of internationalization or international competitiveness on Polish fast growing firms. This group may be especially attractive from the research point of view because it grows much faster than the average Polish enterprise and mostly these companies are run by managers with international experience who use modern management techniques. Fast growing enterprises definitely belong to the group of competitive edge among Polish companies. Moreover, most of the studies on internationalization activities of the Polish firms are quantitative and it is hard to find a qualitative study which could provide a better understanding of motives, way of thinking and behaviour of the Polish companies on international markets. Therefore, to fill this gap this paper aims to present information about internationalization strategies of the Polish fast growing firms gathered in the qualitative empirical study, describing the internationalization motives, entry and competing strategies of the Polish fast growing firms on international markets. The study concentrates on foreign sales activities, not on importing.

The research results presented in this paper are important for three reasons. Firstly, as already indicated, the paper represents one of the first qualitative studies on internationalization strategies of the Polish fast growing enterprises. Secondly, it provides an update of the knowledge about current internationalization strategies of the Polish firms, answering the question whether the Polish companies are still following the price leadership strategy on foreign markets, selling low value-added products and natural resources. Thirdly, the results of this research show directly the field where the state aid would be required in the internationalizing process of the Polish companies. Until now there has hardly been any government support program for enterprises’ internationalization which would help the Polish companies to benefit from the European Union’s Single Market, contributing in this way to a decrease of the economic differences among the UE member states. The direct feedback from enterprises may be interesting for the government when considering an appropriate policy.

1. Internationalization theories – literature review

A vital place in the research on enterprises’ internationalization is occupied by the stages theories, which imply that the internationalization is a sequential process realized in a few phases. The dominating paradigm within those theories constitutes the Uppsala model presented for the first time in 1975 by Johanson and Wiedersheim-Paul [1975], which divides internationalization process into four stages:
– irregular export activity or sporadic exporting,
– exports through independent intermediaries (agents),
– creation of a sales subsidiary,
– creation of a manufacturing subsidiary.

The assumption is that firms start with the first step and later on go through the next ones and each consecutive stage means a greater degree of involvement into activities on foreign markets. Johanson and Wiedersheim-Paul have come to the conclusion that internationalization is a slow and long lasting process which is preceded by a firm’s development stage on the home market. The factors impeding internationalization include: lack of knowledge of foreign markets, insufficient resources of a firm, risk of foreign market’s activities and transport costs as well as tariff and non-tariff barriers in foreign trade. This model implies that the firm’s internationalization takes place at first in the neighboring countries, with a low cultural distance, expanding later to more distant markets. This evolutionary theory was later developed by Johnson and Vahlne [1977] who added to the Uppsala model a dynamic perspective and proved that next stages in the model are determined by the level of resources involved in the internationalization process and the knowledge about foreign markets, whereas both are interrelated and influence each other, causing a change in the internationalization involvement and internationalization stage. Later the model was developed by Luostarinen [1980], Larimo [1985], Swedenborg [1982], Gandemo and Mattson [1984]. The Uppsala model was also developed within innovation related theories whereas internationalization was treated in those theories as innovation [Bilkey and Tesar 1977; Cavusgil 1980; Reid 1981; Czinkota 1982].

The critics of internationalization stage theory [Andersson 2000; Rasmussen & Madsen 2002; Melin 1992] point that the sequence of stages is restricted to a specific country market [Andersen 1993]. Moreover, the stages theory ignores contractual entry modes and joint ventures [Root 1994; Sharma & Erramilli 2004] and the “born globals” phenomenon [Oviatt & McDougall 1994, 1995; Bloodgood, Sapienza & Almeida 1996; Madsen & Servais 1997]. In addition, this theory is too deterministic in its nature and is only important in the early stages of internationalization when markets become homogenous and psychological distance is reduced [Melin 1992]. Furthermore, findings of Bell [1995] and Jones [1999] suggest that the internationalization process is much less linear or deterministic than what the Uppsala model suggests, or implies, and may involve, for example, non-equity and collaborative modes of entry, such as strategic alliances, collaborative arrangements that require a higher commitment of non-financial resources, such as human capital, and social capital, as opposed to financial and other resources. Later, Johanson and Vahlne [1990] identified three exceptions to the model, namely that: a) large enterprises with rich resources might not follow the incremental steps and take a relatively demanding step in internationalizing; b) when market conditions are stable
and homogeneous, the gained-experiential knowledge and direct experience in the relevant market(s) may not be critical; and c) when the firm has gained experience in similar markets, it may take a larger initial step in entering such similar markets. Apart from the stages theory there are other views which point at the internationalization strategies of the firms. The resource-based view of the firm (RBV) suggests that the resources of the firm allow a company to grow [Wernerfelt 1984; Barney 1991; Nelson & Winter 1982; Grant 1991]. Successful competition and reaching company’s long-term aims is possible if the firm has enough resources and uses them effectively [Sharma & Erramilli 2004]. RBV argues that firms with valuable resources and capabilities favor high control modes of internationalization [Ekeledo & Sivakumar 2004]. Moreover, the specific entry strategy depends on the type of resource advantage [Malhotra, Agarwal & Ulgado 2003]. The shortages of RBV are reflected in difficulties of explaining the choice of some entry mode strategies (e.g. licensing vs. joint venture) and measuring some intangible assets [Malhotra, Agarwal & Ulgado 2003]. The organizational knowledge creation view [Nonaka & Takeuchi 1995] suggests that a firm learns from the experience of one’s incidents and location and internalizes it in order to increase its productivity, competitiveness and growth. The external manifestation of the organizational knowledge creation view (OKCV) is that firms progressively increase efficiencies and effectively expand their product-market portfolios, including those in international markets. While the “gained experiential knowledge” in the stage models of internationalization is tacit learning, the OKCV moves beyond such tacit states. The Network-based view of the firm (NBV) explains that an extensive network of firms may enable access to a bunch of international resources and markets for mutual use and benefits of network members [Hakansson & Snehota 1989; Katz & Shapiro 1985]. As Sharma and Blomstermo [2003] suggested, the home country networks are a starting point for the international expansion of the firms. Permanent competitive advantage is obtained through synergy. When a firm has permanent competitive advantage, its resources and capabilities are durable, hard to identify and hard to copy. Thus, NBV emphasizes the effect of firm-specific resources and business networks on the international strategy of firms. According to NBV, a network of interorganizational and interpersonal relationships that shape the behavior of firms in the context of internationalization is a result of the business and social networks rather than through the internalization mechanism of the market [Malhotra, Agarwal & Ulgado 2003]. Despite offering a valuable approach towards the role of networking in internationalization, NBV does not explain the effect of environmental factors.

The Dynamic-Strategy View of the Firm (DSV) posits that optimum dynamic strategy enables faster and richer resource utilization, higher learning, increased efficiencies, and decreased waste; and thus results in augmented internationalization and faster growth. Dynamic strategy should be built upon dynamic capabilities i.e. the firm’s abilities to integrate, build, and reconfigure internal and exter-
nal competences to address rapidly changing environments. Dynamic capabilities thus reflect an organization’s ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions [Leonard-Barton 1992]. This further empowers firms to formulate potent dynamic strategies for more efficient management [Teece, Pisano & Shuen 1997; Eisenhart & Martin 2000] of their own, and even partners’ activities in their shared activity space and mutual value chains, which may also help them to place themselves on higher growth paths.

Research findings concerning the Polish firms [Gorynia 2002; Golembiowski & Witek-Hajduk 2007; Witek-Hajduk 2010] suggest that an average internationalization strategy resembles the Uppsala model. However, there is hardly any research done on internationalization of the Polish fast growing firms so there are many open questions left as regards this group of enterprises, especially, what forms of internationalization they prefer, what motives are behind, what kind of competitive strategy they apply and how they score in internationalization in comparison to an average Polish export company.

2. Research method

This study focuses on the fast growing, highly innovative and internationalized Polish companies, i.e. having headquarters in Poland. 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 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 [Merriam 1998; Patton 1990; LeCompte & 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. significant potential for internationalization or 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 refers to the net sales values, taking into account inflation and therefore excluding the inflation from the growth value. The definition of OECD report “Globalization and SME’s” of significant internationalization potential of a firm is applied i.e. a firm in possession of modern technology, innovative product or service. 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 enterprises 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 requirement to fit in the definition of Polish enterprise. The next 10 companies were excluded because 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 personally by the author using the direct interview method [Maxwell 2005] and a semi-structured interview based on a questionnaire prepared by the author. 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 the light of the research objectives and due to the fact that the sensitive strategic issues where examined it is relatively highly probable that the classical quantitative survey done with the questionnaires sent would not provide fully credible answers or these answers could be irrelevant to the questions or they could be too superficial.

The interview started with relatively easy questions heading to the more difficult ones from the respondent’s perspective. The applied questions asked for description of the current situation and perception of strategic issues in the area of market definition, strategy, competitiveness and internationalization. Due to the aim of the study a lot of “how” and “why” questions were used to capture the underlying factors influencing a firm’s motives to internationalize, strategic decisions concerning entrance mode to foreign market and the way of competing which the firm applied. There were also used questions asking to reveal the respondent’s preferences concerning the studied areas. Moreover, there were used the notion questions, which tested the meaning assigned by the respondent to such terms as:
market definition, strategy or competitive advantage. There were mostly used open questions giving the respondent an opportunity to draw the answers through his/her own perspective.

In order to determine the most important competitive advantages for firms, the respondents were asked to assign ranks to 10 given advantages selected after literature review, which could be supplemented by the respondent with a new competitive advantage not mentioned before. A five point scale was measuring the answers to the questions asking the respondent to present the meaning of the price or another potential competitive advantage for an international customer, motivation for internationalization, and influence of potential competitive advantages on the results of the company.

There were used questions which were supposed to ascertain the habits or activities of firms in their strategic behaviour in the areas of market potential’s estimation, competitors’ evaluation, foreign market entry decisions or growth. The questions referred to the history of the firm, its current activities and to the future intentions or undertakings. During the interview the laddering technique was used [Reynolds & 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.

3. Characteristics of the researched companies

The research project referred only to the Polish companies, which meant that these companies had to have headquarters on the Polish territory. All of the surveyed companies were in the form of partnership, either stock partnership or limited liability company. Only three of them are listed on the Warsaw Stock Exchange. Only five of the surveyed companies were family businesses, others were not. The interviewed managers were mostly the co-owners or the sole owners of the company.

The studied companies operate in the following industries: chemical – 1 company, business&technology consulting – 1, IT – 2, medical equipment – 3, pharmaceutical distribution – 1, debt recovery – 1, production of machinery and equipment (including appliances) – 2, production of steel products – 3, production of ships – 1, production of transport vehicles – 1, production of computer servers – 1, production of leather articles – 1, production of real time systems – 1. Within the researched companies there is 16 manufacturing firms, 2 service firms, and 1 company of wholesale trade. The studied companies varied in size, 63% were SMEs (5% micro, 32% small, 26% middle) according the European Union’s definition of SME and 37% belonged to large enterprises.
4. Research findings

The general aim of this research was to find qualitative information as regards the Polish fast growing firms’ internationalization strategies. The “qualitative” meant in this context to get the answers showing how certain things were done and why certain decision were taken. The main research area encompassed: motivation for internationalization, main directions of foreign sales, factors determining the form of internationalization, the strategy of competition and the competitive advantage combination.

Motivation for internationalization (presented in the order of importance) was built: in the first place on the intention to increase a company’s sales (16 firms – 84%), secondly - on the limits of market size which was too small to allow the company to attain its quantitative strategic goals (12 firms – 63%), in the third place - on the firm’s conviction that its product was internationally competitive and ready to commercialize internationally, fourth - on the necessity to diversify the market risk (14 firms – 74%), fifth – on the fear that intense international competition on the home market endangers the company’s growth potential (11 firms – 58%). Other less important factors of motivation to internationalize were: having a possibility to improve the firm’s competitiveness, taking advantage of relations with foreign firms,
building an international brand, necessity of acquiring new technologies, difficulties with achieving sales growth on the home market with high technology products (barrier of absorption of new technologies by the market), getting experience on foreign markets and chance factor.

The most important factors which helped to start the internationalization process of the studied firms could be divided into internal (depending on the firm) and external ones (depending on the environment). The internal factors included: leader’s high determination (18 firms), experience of management with foreign markets (17), branch experience (17), creation of highly competitive technology/product/service (15), high self-esteem of the leader/management and key employees (14), participation in foreign fairs (11), firm’s stability and sound financial situation (11). External factors encompassed: high internal demand and purchasing power (17), low real trade barriers i.e. non-tariff barriers, certificates, licences, technical requirements, etc. (16), relatively low level of competition (14), openness of foreign market to products from abroad (14), good history of trade relations between Poland and the foreign country, such as e.g. Russia, China, Mongolia, Vietnam (12), chance factors, like e.g. meeting a potential distributor accidentally or receiving orders from foreign firms (8).

Figure 2. Internal factors fostering the internationalization process of Polish firms
Research results concerning the direction of international sales of the studied firms showed that the studied Polish fast growing companies sell to five continents. Surprisingly the small group covers with its sales markets the most important markets in the world, as it is indicated in Table 1. In this Table the column “number of firms” represents all the studied firms which sell their products/services on a particular continent or its part (stipulated in the Table’s row category) in one or more the listed countries. Some companies sold to all the listed countries within the stipulated category.

As concerns the forms of doing business on foreign markets, the research revealed that: 11 (44%) companies follow export strategy through foreign distributor, 3 (12%) companies operate in the form of joint-venture, 7 (28%) companies set up sales subsidiary on foreign markets, 4 (16%) companies built or acquired production plants. Because some companies applied a different entry strategy to different markets, the number of applied entry forms exceeds the number of studied companies. The interesting information is that 15 companies started their internationali-
zation process from export stage, another 3 companies started directly with a sales subsidiary and one started with a production joint-venture. As a justification for choosing the strategy of export through a foreign distributor, companies pointed at the following reasons: in the first place at a low cost and low risk of internationalization, then - at the lack of foreign markets' knowledge which they mostly filled out with market knowledge of a foreign distributor or a partner in joint-venture. In the third place companies stressed the lack of capital to enter foreign market in a more direct form, in the fourth place companies emphasized a relatively easy and quick way to internationalize without serious foreign investments. Moreover, the entrepreneurs confirmed that they knew that this form cuts them off from the direct market information and direct influence on the market. The companies which started their international operations from a sales subsidiary justify their decision with getting this way a full control over developing sales on the foreign market. This way, as the answers showed, they escaped from the problem of being cut-off from the market or relying on the market information from the distributor. Secondly, for the firms it was important that the entire profit from the foreign sales stays within the company. Thirdly, from the strategic perspective, in the long run this entrance form provides (according to the studied firms) a better ability to increase foreign sales, avoiding the problems of conflict between their company policy and foreign distributor's policy. The company which started from a production joint-venture indicated as the main reason finding a proper partner abroad who shared the developmental vision of the owner and had at its disposal proper production facilities and formal/ informal relations on the market to ensure proper sales. Secondly the respondents pointed at a more favourable political approach towards domestic

<table>
<thead>
<tr>
<th>Continent</th>
<th>Countries – foreign markets</th>
<th>Number of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union</td>
<td>Austria, Belgium, Bulgaria, Czech Republic, Dania, Estonia, Finland, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Latvia, Netherlands, Norway, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, U.K.</td>
<td>19</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>Belarus, Croatia, Island, Malta, Moldova, Serbia, Ukraine, Turkey</td>
<td>9</td>
</tr>
<tr>
<td>Asia</td>
<td>Armenia, Azerbaijan, China, Georgia, India, Indonesia, Israel, Kazakhstan, Korea, Malaysia, Mongolia, Russia, Vietnam, United Arab Emirates</td>
<td>10</td>
</tr>
<tr>
<td>North America</td>
<td>U.S.A.</td>
<td>2</td>
</tr>
<tr>
<td>Latin America</td>
<td>Mexico, Argentina</td>
<td>1</td>
</tr>
<tr>
<td>Africa</td>
<td>Egypt, Libya, Algeria, Morocco, Ghana, Togo, Ivory Coast</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 1. International sales markets of studied companies
companies which develop new technologies in the joint-venture partner’s country. The more favourable approach was reflected on the administrative basis i.e. less impediments and less controls on the part of different state institutions than in Poland and on the fiscal basis i.e. existence of special tax-exemptions and less controls from tax control institutions. Thirdly, the Polish market was difficult to start on because of capital shortages, so it was an additional motivation to internationalize.

Especially the small companies emphasized that the starting phase of their internationalization was the most difficult and, although during the internationalization process there are always problems to solve, the initiating phase was the most burdensome. The starting phase was therefore understood as the phase in which the company decides to enter a new foreign market until it achieves the continuous self-financing of a foreign subsidiary or finds a continuously operating distributor on a foreign market. Here the companies would see here a place for assistance programs from the Polish government. There is also a need (according to the studied firms) for some broad forum where the experiences of internationalized firms could be shared with the beginning ones. In this way it would be possible to avoid the problem experienced by one of the studied companies. At a certain moment in time the firm wanted to start its international sales and did not know how to do it in the most efficient way. So it started to take part in foreign fairs on different markets. The company spent a lot of money but without having good results. Then after those experiences the firm decided to concentrate on one market and create the critical mass to start profitable international sales. This way it started to work and this principle was repeated by the company with other countries. The company claims that if a forum existed where this kind of information could be shared many Polish companies would save a lot of money on their mistakes.

The studied companies were also divided into groups from the perspective of the number of served markets. Four groups were formed: of 1–2 countries, 3–4, 5–10, 10–25 and 25 countries or more. From that point of view in the first group (1–2 countries) there was one firm, in the second group (3–4) there were two firms, in the third group there were seven firms, in the fourth group there were six firms and in the last group there were two firms where one company served 28 countries and the other more than 40 countries. That perspective confirms that the Polish fast growing firms perceive internationalisation as a very important part of their development strategy.

Table 2 presents the market definition of the studied companies, share of foreign sales in the turnover of the firm and its position on the domestic market. As can be seen there were three firms which achieved regular foreign sales at the level close to 100%, another four firms achieved the level above 50% and the rest of the companies had the level of foreign sales lower than 50%. However, in the last group the foreign sales developed with a nonlinear characteristic, which means that sometimes the foreign sales could reach 90% of the yearly turnover but in another year – 15%.
<table>
<thead>
<tr>
<th>Company</th>
<th>Market description</th>
<th>Market share of export sales for 2008</th>
<th>Position on the domestic market in industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amica</td>
<td>household appliances</td>
<td>&gt;60%</td>
<td>branch forefront</td>
</tr>
<tr>
<td>Celtech</td>
<td>logistical support for military and special apparatus for the industry</td>
<td>12% (2008), 20% of the average of 3 years, sometimes 90% and sometimes 0%</td>
<td>1</td>
</tr>
<tr>
<td>Crist</td>
<td>building and repairing of ships</td>
<td>99%</td>
<td>branch forefront</td>
</tr>
<tr>
<td>CTL Lasertechnik</td>
<td>medical and industrial lasers</td>
<td>11.5% (2008), average from 3 years: 45%</td>
<td>1</td>
</tr>
<tr>
<td>Domstal</td>
<td>offshore marine containers</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>EGB Investments</td>
<td>debt regaining</td>
<td>&lt;5%</td>
<td>1</td>
</tr>
<tr>
<td>Embedos</td>
<td>computer servers</td>
<td>&lt;5%</td>
<td>branch forefront</td>
</tr>
<tr>
<td>ExOrigo</td>
<td>IT solutions for retail chains and supermarkets</td>
<td>25%</td>
<td>1</td>
</tr>
<tr>
<td>InfoVide Matrix</td>
<td>consulting &amp; solution implementation – advanced consulting and implementation</td>
<td>5–10%</td>
<td>1</td>
</tr>
<tr>
<td>Med.&amp; Life</td>
<td>systems for treatment and rehabilitation of the magnetic field and light energy</td>
<td>21% (2008), 28% average from 3 years, sometimes 50% sometimes less</td>
<td>1</td>
</tr>
<tr>
<td>Metrum CryoFlex</td>
<td>cryo-surgery and cryo-rehabilitation devices</td>
<td>24%</td>
<td>1</td>
</tr>
<tr>
<td>NOVOL</td>
<td>(1) refinishing of cars, public transport vehicles, ships, construction, (2) chemicals for building industry</td>
<td>65%</td>
<td>1st among Polish companies, 6th in Poland</td>
</tr>
<tr>
<td>PGF</td>
<td>distribution of healthcare products</td>
<td>9%</td>
<td>1</td>
</tr>
<tr>
<td>Pyrylandia</td>
<td>radios and dispatch systems for railways</td>
<td>&lt;10%</td>
<td>1</td>
</tr>
<tr>
<td>SciTeeX</td>
<td>modular chamber to blast cleaning</td>
<td>50%</td>
<td>1</td>
</tr>
<tr>
<td>Solaris</td>
<td>buses and trolleybuses transport and tour buses</td>
<td>57%</td>
<td>1</td>
</tr>
<tr>
<td>T-Technology</td>
<td>processing technology of waste into electricity or fuel</td>
<td>100%</td>
<td>1st globally</td>
</tr>
<tr>
<td>Wittchen</td>
<td>luxurious leather articles</td>
<td>7.5% (2008), 9% average from 3 years</td>
<td>1</td>
</tr>
<tr>
<td>Xserwiss</td>
<td>individual real-time systems</td>
<td>20%</td>
<td>branch forefront</td>
</tr>
</tbody>
</table>
As can be seen looking at the applied market definitions, the studied firms mostly operated in niche markets, whereas only Amica directed its offer to the mass market. All of the companies followed the differentiation strategy, and the most important factors of differentiation were: know-how – 8 firms, technology – 12 firms, quality – all 19 firms, other factors: industrial design, organisational efficiency, keeping time arrangements, flexibility.

As already mentioned, the companies were asked to rank given 10 competitive advantages so that they supposed to reflect the company’s strategy and priorities. The results were as presented below:

- quality (35%),
- technology/product (15%),
- flexibility (15%),
- brand/reputation (8%),
- innovativeness (8%),
- assortment (7%),
- time of order realization (4%),
- distribution (4%),
- firm’s stability (3%),
- ecology (0,1%).

The list of competitive advantages was enlarged by adding industrial design, quick technological response to individual client demand and service. The first added item was placed by 5 firms in the 6th place. Quick technological response was added by 2 firms and it was placed in the 7th place. Service was added by 14 companies and was placed in the 10th place.

The companies were asked separately about the meaning of price for the company’s strategy (competitive advantage) and the meaning of price for the clients. If it were to be included in the above presented ranking of competitive advantages, it would be in the third place. So, even though in the differentiation strategy the price is less important it is still a very important aspect of the studied firms’ offer, however not the most important one as was stressed by the studied companies. The companies emphasized that the price was more important in Poland than on the foreign markets.

The researched companies followed the principle that it is not enough to do one thing much better than others, but to have a real advantage, company should be at least a little better in a few dimensions of its market offer. Some companies with a distinct advantage on their main market, after achieving leadership in their own niche changed the market definition entering the related neighbour niches as well (Wittchen, Amica) and motivated themselves to be the leader on a broader market, like e.g. Solaris, which took up the production of trolley buses and became the leader in Europe in that niche.
Conclusions

The main aim of this paper was to gather the qualitative information about internationalization strategies of the Polish fast growing firms. When examining the presented findings six trends become apparent.

First, the motivation for internationalization is driven in the first place by the internal factors, whereas the three most important motivation drivers are willingness to increase sales, willingness to realize company’s strategic goal and the conviction about achieving the level of international competitiveness with their own product. Those finding are overlapping with the research of PricewaterhouseCoopers within Annual Global CEO Survey (carried out in 45 countries studied in 2006) where 33 managers of large Polish companies mostly with foreign capital were surveyed and it turned out that the main motive for internationalization was getting a new client (84%) and the research of Stankiewicz [2005] carried out in 2002 on the group of 76 leading Polish enterprises. On the other hand, this contradicts the recent findings of Witek-Hajduk’s [2010] research done on 257 Polish enterprises in 2008 which indicates that the internal and external motives for internationalization are balanced and the most important are accessibility of cheaper and more efficient supply sources, international experience of managers, Poland’s accession to the European Union, accessibility of cheaper and more efficient production factors. The differences may arise from the way of collecting data – direct interview vs. telephone interview (CATI method) and secondly from the fact that the group of fast growing enterprises could have different attitudes towards internationalization than the average Polish enterprise. The last difference refers to dividing the motives for internationalization into the pure motives and the factors which facilitate this process. The manager’s international experience was treated not as a motive as Witek-Hajduk considered it to be but as a factor which facilitates internationalization.

Secondly, internationalization process is mostly stimulated by the leader, his/her determination and international experience together with a proper level of competitiveness of the firm’s technology/product/service. The influence of a leader is definitely crucial in terms of internationalization decisions of the Polish fast growing companies. The second and third most important factors helping internationalization of the studied companies were experience of management with foreign markets and branch experience. These results overlap with the findings of Witek-Hajduk [2010] research which confirm that those factors and good relations with buyers constitute the most important factors which influence strategies of the Polish firms on the foreign markets. Looking at the external factor facilitating internationalization, the most important for the studied firms were high internal demand and purchasing power of the foreign market, low real trade barriers and a relatively low level of competition. This result indicates that the Polish companies look very consciously at the markets which they intend to enter, choosing very often the coun-
tries which are geographically and culturally distant but which match the economic requirements of internationalization. However, the first countries where the studied companies started to internationalize were either geographically or culturally close. Both those tendencies are reflected in Table 1 which confirms that the Polish fast growing companies are more and more present on the most important world markets and that the European Union belongs to the most important destinations of the Polish firms’ products or services. Those finding show that the Polish companies change their attitude towards directions of internationalization and go beyond those traditional foreign markets like, the EU, Russia and the Ukraine as stated by the PricewaterhouseCoopers’ Annual Global CEO Survey in 2006, the findings of Golembiowski et al. [2008] research carried out in 2006 and the findings of Witek-Hajduk [2010] research.

Thirdly, the Polish fast growing firms follow the Uppsala model [Johanson & Wiedersheim-Paul 1975; Johanson & Vahlne 1977] when observing the dynamics of their internationalization process, starting mostly with exports and over time choosing a more direct form of internationalization. It is consistent with all other research findings of: Gorynia [2002], Golembiowski & Witek-Hajduk [2007], Witek-Hajduk [2010]. The reason for that situation is lack of capital which influences choosing the cheapest way of starting foreign sales and the low willingness to take up the financial risk which is attributed to opening a sales subsidiary in a foreign country. This result is consistent with the findings of Stankiewicz [2005] who also pointed at the substantial lack of own capital and relatively high cost of acquiring external capital in Poland, which prevents investments and innovations. The second most important reason was lack of foreign market knowledge; the studied companies which preferred a direct form of foreign market entry filled this gap with the knowledge of the foreign partner gained within a joint-venture. However, the research results show that 56% of new foreign entry strategies belong to direct entry modes. It is a significant difference from the research results of Nowakowski, Stawicka & Witek-Hajduk [2005] carried out on the biggest Polish exporters, out of which 90% apply export as an entrance strategy onto foreign market. These results indicate that the fast growing Polish companies definitely prefer more direct foreign market entry forms. This could lead to a conclusion that the Polish fast growing firm belong to a group of enterprises in Poland which resemble in their internationalization entry modes successful enterprises from highly developed countries like. e.g. firms from Germany [Simon 2009].

Fourthly, the starting phase turned out to be the most difficult stage of internationalization process. Here the studied companies would see the place for assistance programs from the Polish government, especially that such programs exist in Germany, Austria, the Netherlands or the USA [Śliwiński 2004]. The internationalization aid programs hardly exist in Poland and in comparison with, for example, the German internationalization support system it could be said that the competi-
tion conditions are highly unequal for the Polish companies and for the companies from the countries which strongly support the internationalization process of enterprises [Śliwiński 2005].

Fifthly, seven out of nineteen studied companies (37%) reached the level higher than 50% of foreign sales in their yearly turnover, whereas 3 of them reached the level of almost 100%. This contradicts the results of the study carried out in 2003 and 2005 on the sample of 270 enterprises [Karpacz 2006] which indicate that the interest in internationalization declined among the Polish SMEs from 27 to 13%. Moreover, such a high share of foreign sales in the studied group also contradicts the general results of the Polish companies which, according to Gołembiowski and Witek-Hajduk [2007], show a relatively low level of internationalization. This would indicate that the fast growing group of Polish enterprises scores much better than the average Polish company, which would create the space for new research on this group of Polish enterprises. However, the research of Sznajder, Witek-Hajduk [2009] on 61 Polish companies of the textile industry, shows that 15,9% of that sample sold 50-80% of their yearly sales in the EU-15 countries and 20,5% of that sample sold more than 80% of its yearly sales in the EU-15 countries. Unfortunately, the foreign sales to other than the EU-15 countries do not exceed 20%. Nevertheless, it is a very good result, especially comparing to the above research results and it is similar to the result of the study presented in this paper, although there are some differences. First, the textile industry companies are traditionally very strong in Poland, whereas the study of the Polish fast growing firms encompasses firms from different branches. Moreover, Sznajder and Witek-Hajduk’s study consisted in 75% of large enterprises and in 25% – of medium size enterprises, whereas study of the Polish fast growing firms (as mentioned before) consisted in 63% of SMEs (5% micro, 32% small, 26% medium size) and 37% of large enterprises which shows that the fast growing enterprises, even being small, achieve astonishing results, especially when one takes into account that the micro enterprise in the study sells 100% of its products on international markets (more than 10 countries) and the sold product belongs to the group of high technology and high value added products. Worth noticing is also the fact that three of the studied fast growing companies broke a boundary of selling more than 20% of yearly sales to the countries beyond EU-15, which is a very good result, taking into account the result of strong Polish textile companies. The general conclusion from the above presented different research studies is that the internationalization process in Poland’s enterprises is gradually accelerating.

Finally, the fact that all the studied companies followed the differentiation strategy constitutes evidence that the Polish enterprises after transition show a similar strategic attitude to most of the successful companies from Western Europe. Until recently researches [Piasecki, Rogut & Stawasz 1999; Gorynia 2001; Pierścionek & Jurek-Stepień 2006] have shown that the Polish firms competed mostly with price using cost leadership strategy. These strategies are nowadays replaced by differen-
tiation strategies where the main competitive advantage is quality and technology which confirms this research and, for example, the research of Witek-Hajduk [2010]. This means that the strategies of Polish companies become more and more mature and that the level of international competitiveness of their products/services equals or exceeds, in particular cases, foreign competition, for example on the foreign markets where the studied companies are operating as presented in Table 1. This shows that the competitive potential of at least Polish fast growing firms has risen recently and constitutes a contrast to a much lower competitive potential of the Polish firms in comparison with foreign firms in 2004 [Gorynia 2005]. This difference in the results confirms the general conclusion that the internationalization processes in Polish companies are accelerating and that at least the level of international competitiveness of the Polish fast growing firms is mature enough to successfully develop internationalization processes on foreign markets. The author hopes that the findings of this study on internationalization strategies of the Polish fast growing firms can offer some insight and become a building block for the future research.

References


