

How to increase the company's internationalisation maturity – business relationships perspective

Competitive paper

Abstract

Internationalisation of companies has become a common phenomenon that affects the majority of businesses, as most companies are connected with the international environment. Clearly, some companies are more successful than others in the internationalisation process and are able to build a stronger position on foreign markets. The literature emphasises numerous determinants of a company's success in the international markets (e.g. product quality, price and knowledge of the markets). Much less attention is paid to such aspects as the nature, scope and role of relationships with various entities in the internationalisation process. We may say that the ability to build and develop congruous business relationships in international markets is dependent on a company's internationalisation maturity. The aim of the paper is to present different paths leading to a higher level of internationalisation maturity, which companies may take to achieve better results in the international business.

The paper presents the concept of internationalisation maturity, which includes three areas: the character of the internationalisation process, the nature of cooperation and the scope of this cooperation in the internationalisation process. They are discussed in the context of the possibility of developing business relationships in the internationalisation process. In the paper we take the dynamic perspective of analysis and discuss different possible paths leading to a higher level of internationalisation maturity, which results in companies' perceived success on international markets. The possible ways of increasing the level of internationalisation maturity were identified within a framework 5-year research project which included both qualitative and quantitative studies. Our analysis suggests that the paths leading to a higher level of internationalisation maturity are dependent on a number of moderators including a company's size, industry or organisational structure. In the paper we will present six examples describing how in business practice the internationalisation maturity is developed and increased.

Keywords: business relationships, internationalisation process, internationalisation maturity

1. Introduction

The literature emphasises a number of determinants of company's competitive advantage, e.g. product quality, price and knowledge of markets. Much less attention is paid to such aspects of any business as the nature, scope and role of relationships with various entities in the internationalisation process. In a business reality more and more firms recognise the significant role of relationships with other entities (e.g. customers, suppliers, competitors, influential bodies) in creating competitive advantage within an increasingly competitive environment.

Determining the direct impact of business relationships on company's performance is a real research challenge. That is why we have decided to operationalise business relationships by identifying a set of their key characteristics and determinants which influence the company's competitive advantage. We call these characteristics and determinants components of the company's internationalisation maturity. It has been assumed that a higher level of internationalisation maturity increases the firm's likelihood of achieving relatively better results than those of its closest competitors.

This assumption was tested within the research project which was completed in the period of 2014-2019. Both qualitative and quantitative studies were used. The project entitled "The maturity of the company internationalisation and its competitive advantage (network approach)" was financed by the Poland's National Science Centre. The conceptual considerations at the background of empiric studies were presented and discussed comprehensively and thoroughly in the book "The internationalisation maturity of the firm. A business relationships perspective" (Fonfara, Małys, Ratajczak-Mrozek 2018).

In the paper we would like to focus on different possible paths leading to a higher level of company's internationalisation maturity and specifically (based on a number of examples) show how in business practice the internationalisation maturity can be increased. The base of this exemplifications are some results of our studies which were not exposed earlier. The aim of the paper is to present different ways of increasing the company's internationalisation maturity thanks to development and improvement of selected areas of business relationships.

2. The scope of empiric studies and conceptualisation of company's internationalisation maturity

Empiric studies which were used for testing and developing the conceptual proposals consisted of several steps.

The first stage of empiric studies involved brainstorming sessions with a group of 5 senior managers. The most important objective of this stage was to identify the characteristics and determinants of business relationships and then to narrow down the number of suggestions and to select the key ones.

The second stage included the verifications of the preliminary set of relational characteristics and determinants. The analysis embraced case studies of 10 firms based in Poland. Companies of different sizes, ownerships and industries were selected.

The third stage of the study consisted of the quantitative study conducted as a postal and internet survey. The survey questionnaire contained questions about the assessment and relevance of identified characteristics and determinants of relationships and their influence on the firm's competitive advantage. In all, 179 questionnaires were returned by post, which accounts for 10.2% of the sample. With another 99 responses received from the email survey, the total number of correctly completed questionnaires was 278, which was sufficiently large to enable statistical analysis.

The research process was concluded with another qualitative study, consisting of 30 in-depth interviews (IDI) with firm representatives, which yielded data for another 30 case studies (the fourth stage of the research). This study was used to obtain answers to questions that had

not been explained by statistical analysis. Companies analysed in these case studies represent various industries, sizes and organisational structures (i.e. formally independent and units of multinational enterprises).

In the paper we present the results of selected 6 case studies. The interviewed companies' managers were asked to describe successful process of entry into selected foreign market and following foreign expansion. On the one hand, the question about success allowed us to determine perceived positive influence of the described process on company's performance and its competitive advantage. On the other hand, the question regarding foreign expansion allowed us to acknowledge the increased internationalisation maturity in selected companies.

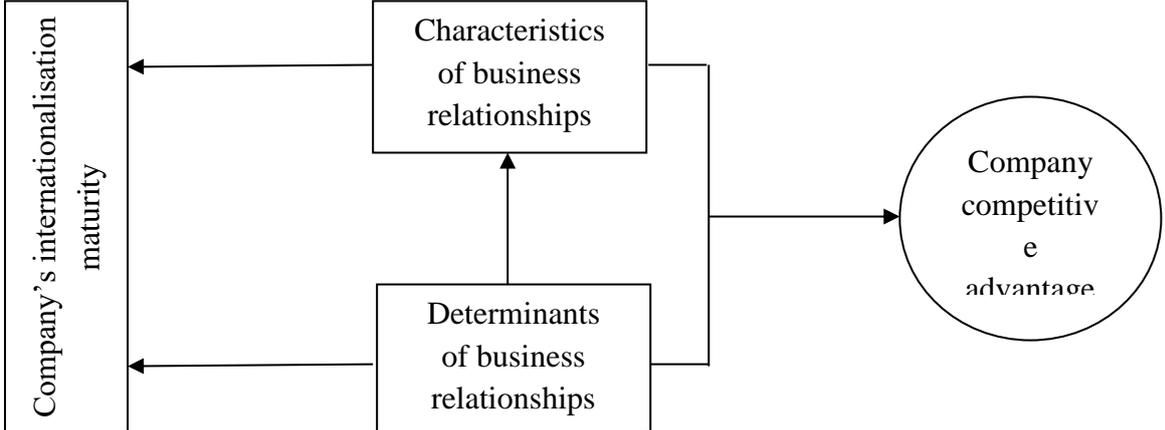
The core issues of the empiric studies and the research project as a whole was to identify, describe and verify the role of business relationships for creating a competitive advantage in the company's internationalisation process.

Maturity is perceived as a state of development (Meridian-Webster, Learners Dictionary.com), which is why it is a continuous variable that can vary between low and high levels.

Based in the in-depth literature analysis we found that the concept of internationalisation maturity was used to describe the behaviour of a firm involved in the process of internationalisation and was not linked with its performance (Brenner and Ambos 2009; Purgal-Popiela 2015; Hagen and Zucchella 2014; Äijö et al. 2005). Additionally, the existing interpretations of internationalisation maturity does not expose the importance of the firm's relationships with various entities, such as buyers, suppliers, competitors or opinion-forming bodies and influential entities. We argue that it is necessary to define the concept of firm's internationalisation maturity taking into account the network approach (Häkansson 1982; Easton and Araujo 1989). It is quite obvious that a company involved in the internationalisation process should (following the essence of the network approach) initiate, establish and develop relationships with various entities both in the international and domestic environment.

It is difficult to determine in a direct way an influence of business relationships on company's performance and competitive advantage. That is why we have tried to analyse this influence in an indirect way identifying a set of key characteristics and determinants of business relationships and trying to indicate their impact on company's performance. We called these characteristics and determinants as components of the company's internationalisation maturity (see Figure 1). Components of internationalisation maturity include time advancement of the internationalisation process, advancement of internationalisation forms, formalisation level of the internationalisation process, openness to cooperation, level of trust, scope of conflicts, psychic distance, scope of cooperation with external entities, scope of cooperation with internal entities.

Figure 1. Relational perspective of the concept of company's internationalisation maturity.



Summing up, the company's internationalisation maturity is perceived in the paper as an ability to create value in the internationalisation process. We argue that the higher level of internationalisation maturity, the higher likelihood of achieving competitive advantage and performing relatively better than closest competitors. That is why in the relational perspective of the company internationalisation maturity it is essential to analyse the impact of business relationships characteristics and determinants on the firm performance.

According to the above mentioned qualitative and quantitative studies (the third and fourth stage of the research) the positive impact on performance was most frequently associated with 5 out of 9 originally identified components of the internationalisation maturity, namely:

- the level of trust,
- the level of openness to cooperation,
- the level of conflicts,
- psychic distance,
- cooperation with internal entities.

In the next section of the paper these selected components will be discussed in the context of possible ways to increase the company's internationalisation maturity in practise.

3. Ways of increasing the company's internationalisation maturity – empirical examples

Company A

Company A is a Polish company that is a part of Apator Group. As part of the group, it has a relatively large autonomy in the areas of conducting activities on the local market and foreign expansion within the assigned business area, which is production and sale of media measurement devices (e.g. water meters, gas meters). The analysed case discusses the expansion to the Czech market, which began in 2013.

The company's success in this market was connected in particular with the development of two components of the company's internationalisation maturity, namely trust in relationships and cooperation with internal entities. The company pointed to the special importance of trust built with two entities – the management of Apator Group and employees of the Czech company Metra, which the company took over when entering the market. The trust built up with the management of the Group enabled the expansion process from the level of the strategic business unit – company A, and not the corporate headquarters. This trust has been successively built since the takeover in 2008 by Apator Group. Currently, the company has an independent position within the group that it can manage a group of its own subsidiaries.

In the process of expansion, it was also crucial to build trust with the employees of the acquired Metro company. Company A, taking over the Matra company, intended to accelerate the implementation of several strategic goals – gaining a share in the Czech market (for which it was necessary to have strong business relationships with key buyers) and takeover of valuable technologies. The implementation of these goals required maintaining in particular the engineers and production crew employed in the Metra company, for which it was necessary to build an appropriate level of trust. In the initial stages of contacts, trust-building was supported by the participation of the third party – a company advising in the acquisition process. In further stages, it was built through intensive and open communication and efficient resolution of conflict situations.

The success of the company's internationalisation is also conditioned by the ability to coordinate the activities performed by business units, which it controls. In the case of Metra, the product and geographic scope of operations was determined, which does not interfere with the activities of company A.

Company B

Company B is a producer of loudspeakers and loudspeakers sets. The company was founded in 2011, and in 2016 began active foreign expansion by entering the German market. When the research was conducted, the company was at a very early stage of internationalisation, but consider its achievements in this filed as a success.

According to the management of the company, the hitherto achievements in the field of foreign expansion were possible thanks to the openness to cooperation with various actors in the environment, the ability to build trust in business relationships, which was supported by interpersonal contacts.

In 2015, the management of company B decided to participate in the audio equipment fair – High End Munich 2016. Lack of knowledge about foreign activities, preparation of trade fair exhibitions, as well as limited financial capabilities forced the company to cooperate with numerous actors of the environment as part of this project. The financial limitations were overcome thanks to the support of the agency promoting the foreign activity of Polish enterprises. The cooperation process was formal and involved meeting a number of criteria. One of them was the presentation of a developed strategy for international expansion and entry into the German market. Due to the lack of knowledge in the creation of this type of strategy, company B decided to cooperate with two consulting companies and a university unit. Openness to cooperation was supported by great trust, expressed by readiness to disclose confidential information. This allowed the development of a very well-assessed market entry strategy.

During the fair, the company intended to present the product to a wider group of final buyers. In practice, participation in the fair made it possible to establish contacts not with final buyers, but with potential distributors and other producers in the audio industry. The company B's management reacted quickly to the opportunity and at the fair started cooperation with one of the largest German distributors with over 30 audio stores. It was possible thanks to the quick demonstration of openness to cooperation and building an appropriate level of trust during the fair. It also required supporting business relationships with informal, interpersonal contacts. Trust in the relationship was deepened in the post-trade period (e.g. the German distributor gave the Polish side detailed financial information about its own company, which enabled factoring). Selected distributor received on the German market an exclusive contract for the sale of company B's products. By definition, it must meet certain criteria in terms of sales volume and after-sales support (e.g. equipment repairs).

Company C

Company C is a production and trade company operating in the sector of chocolate products. The company was established in 1982 and it is owned by Polish capital. The internationalisation process began five years after the commencement of business activities and it was directed to eastern European markets, especially Russia. Currently, the company operates on sixty foreign markets. The value of sales on foreign markets in total sales is approximately 60%. Purchasers of company C's products on foreign markets are distributors; however, direct cooperation with large retail networks is established with an increasing frequency. The research covered expansion into German market, which began in 2006.

The success of the company on the German market was caused by a large openness of the company combined with the ability to develop an appropriate level of trust in business relationships. With regard to openness, in the case of company C, a change in its nature can be identified. In the initial period, the company was open to deepening relationship with one key partner on the market. Later, it was open to building new relationships with various market actors, i.e. open to extending its business network.

In 2006, responding to an initiative of a commercial partner, the company commenced foreign expansion into the German market. At the beginning, nearly all sales on the German market were carried out by one distributor. The relationship with that distributor was described by the key informants as very strong, characterised by a high level of trust. The company made certain adaptations to facilitate cooperation. The key informants pointed to the high knowledge transfer between company C and the distributor.

In 2011 the company have change its approach to cooperation on German market. Since that time, the company cooperates with a larger number of distributors (wholesalers and retail chains, some of them international) who are competitors at least to some extent. Current relationships with distributors are not as strong as the relationship with one distributor maintained by the company until 2011. According to the key informants, the level of openness to communication understood as the readiness to share confidential information with particular distributors and readiness of company C to adapt decreased. However, decrease in openness applies to individual relationships and not the business network in its entirety. Openness to create new ties in the business network increased. The level of trust in business relationships has not changed.

The success achieved by company C on the German market was reflected in the overall competitive advantage of the company, increasing its recognition. The fact of carrying out effective business activities on the German market positively affects the perception of company C by potential commercial partners, which, in the case of commercial networks from other countries, is particularly important.

Company D

Company D is a Polish family company manufacturing equipment for operating rooms. In 2016, the company produced, inter alia, modular and integrated equipment for operating rooms and hospital departments. These solutions were each time designed and manufactured to individual order. Implementation of the project takes a lot of time – sometimes between 4-5 years between the contract and the completion. The research included entering the company into the Saudi Arabian market. All identified components of internationalisation maturity influenced the success of the company.

Business relationships are crucial for the company. As a rule, the company avoids markets in which it has no contacts, with the first contacts often taking place at the fair. The building of trust in business relations is of particular importance to the company. The company strives to build trust among anonymous audiences, through the construction of reference operating rooms, participation in conferences, gathering references and participation in prestigious projects. However, trust built with specific partners is more important. The level of trust in particular business relationships is adapted to cultural requirements. In the case of Saudi Arabia, the process of building an appropriate level of trust lasted 5 years, and it was only after this period that the order was placed.

The openness to cooperation and openness in communication with various entities - agents, users of products, as well as employees of the enterprise - are of great importance for the success of the company. Thanks to openness, knowledge about markets and requirements of buyers is gathered. Also, innovative solutions that improve the competitive position of the company are generated.

From the perspective of servicing various foreign markets, the coordination of activities performed within the company and by external business partners is also of great importance. As emphasised by key informants, effective cooperation with external entities often requires support of informal contacts.

Company E

Company E, privately-owned small firm, produces and distributes fittings for sanitary and heating systems. The company's customers are radiator manufacturers and, above all, installation wholesalers. Company E was founded in 2006 and already in first year of its operations it entered Romanian foreign market. After establishing the position in Romania, the company subsequently entered new foreign markets. These were: Germany, the Czech Republic and Slovakia. Case concerns foreign expansion to the Czech market which started in 2010.

The company's success in Czech market was related primarily to the earlier personal contact between company's owner and future customer, the specificity of the sold product (which is not big nor branded, it just has to fulfil utility functions), small psychic distance, trust, and openness to cooperation. When initiating the foreign business relationship on the Czech market, it was only thanks to one direct personal contact with the director of customer's company who was responsible for making a decision regarding cooperation. Personal contact facilitated the establishment of cooperation, whereas later the wide range of products, a high level of service and competitive prices were decisive.

As part of this first business relationship on the Czech market, personal contacts were and are still important. These personal contacts were also important for the subsequent acquisition of new customers in the Czech Republic, where the significance of word of mouth reputation was emphasised by the company's E owner. In connection with this, the importance of a small psychic distance was emphasised, which in particular relates to a similar mentality, geopolitical situation of countries and their history. As the owner underlined: in the case of countries from Central and Eastern Europe, entering the foreign market is much faster than on the markets of Western Europe. Above all, decision-making process is faster there than in the case of Western countries.

Trust was defined as very important for the foreign business relationship and internationalisation. However, the trust itself is not enough for the success of internationalisation, it is necessary that professionalism and professional service accompany it. The company E was also open to cooperation, which had additionally positively influenced the foreign business relationship on the Czech market itself. For example, each time when the customer's product range is changed, company E analyses solutions and if needed it introduces new or modified products. The openness to cooperation facilitated acquisition of new foreign customers as well.

Company F

Company F is a private small service company that was founded in 1991 and offers specialised translation services. The company mainly translates technical documentation, thus its customers are mainly other companies. Company F has one main customer, a large foreign multinational enterprise (MNE) from the automotive industry that is responsible for 93% of company's F sales. The relationship with the main customer established the first contact with the foreign market for the company F. The case is devoted to the business relationship with this big customer and the related internationalisation and entering the German market.

The official contract of cooperation with the main customer (MNE) was signed by company F in 2004, however cooperation with this entity started already in 2001, when F cooperated with the Polish importer of the company's cars. When company F started to provide translation services for the importer, the latter recommended F to the whole MNE. At the beginning, the company F was translating for two brands of the MNE. The business foreign relationship itself continued to evolve, after the time of direct contracts with the MNE's headquarter, the process changed again, including both direct contacts with the headquarters and Polish subsidiary.

Important components of the model of internationalisation maturity of relevance in the case of company F were the approach to foreign relationship, in particular its approach to conflicts, trust and openness to cooperation. In addition, in the opinion of the company's representatives about the success of the internationalisation process, the quality, timeliness and complexity of the services offered were decisive.

Company F declared that the business relationship with the main foreign customer is treated in a standard manner. The MNE has its own procedures and does not expect any special personal or individualised treatment. The customer translates the manuals into 110 languages and is therefore unable to approach each business relationship with suppliers (various translation offices) individually. Therefore, the foreign customer is interested in contacts requiring the least possible involvement of people. Here the importance of supporting role of trust was emphasised. Trust allows to reduce control; if the company F lost trust from a foreign customer, it would also lose the contract.

Despite the described above approach to cooperation, a conflict situation took place in the history of a business relationship with foreign customer, the solving of which contributed to the strengthening of the company itself. The conflict was caused by the foreign customer's intention to reduce costs by having excessive financial expectations and threatening to give up the company's F services. Company F did not agree to make large concessions to a foreign customer, as these would probably mean further financial concessions in the future. After almost half a year of resignation by MNE from the majority of orders from the company F, MNE returned as a customer to the analysed company. The decisive factors were not the closeness of cooperation, but the quality of services provided resulting from many years of experience in cooperation.

Despite the lack of expectations for special treatment by the foreign customer (large MNE), in 2014 the business relationship with him required the company F to adapt and make investments in new servers and software. These actions confirm the openness to cooperation on the side of the company F. Openness to cooperation in the internationalisation process is defined by company F as a willingness to serve with its experience and knowledge to the customers and openness to help them. Company F is also open to cooperation with new foreign entities. Nevertheless, it is not open to cooperation "at all costs", openness to cooperation also entails negative consequences such as risk or financial investments.

4. Data analysis and conclusions

The presented case studies exemplify different possible paths leading to a higher level of company's internationalisation maturity.

The two main components constituting the basis for the company's internationalisation maturity are trust and openness to cooperation. Both of these components appear on the path of internationalisation of the presented companies regardless of the industry they represent, their size or organisational structure. These components and their influence are supported by personal relationships and informal actions that facilitate establishing and development of foreign relationships. With the mentioned components the approach to conflicts in the foreign business relationship and the way of solving them is related. However, it should be noted that, firstly, personal relationships and informal actions are not indispensable for the occurrence of trust or openness to cooperation. And secondly, that both trust and openness to cooperation should not be treated as solution to all single problems regarding internationalisation and applied "at any price". Risk and cost analysis is much needed.

Subsequent components affecting the increase of the level of internationalisation maturity are to a greater extent (than in the case of trust and openness to cooperation) dependent from the organisational structure, industry or target foreign markets represented by the analysed companies. In the case of companies being part of multinational enterprises in order to increase

the level of the maturity of internationalisation, cooperation with internal entities is important. In addition, these relationships with internal entities and their influence on company's success are facilitated by the coordination of activities within a large organisational structure. In turn, in the case of smaller companies with limited resources, the psychic distance may be significant in order to increase the level of internationalisation maturity.

The conducted analysis shows that there is no single nor universal path leading to a higher level of company's internationalisation maturity. Trust and openness to cooperation build the basis of the internationalisation maturity, but each company may put different emphasis on particular components and use particular components of the model with varying intensity.

The question for further research is to analyse what determines the choice of particular components for their successful use to increase the internationalisation maturity. And especially to verify to what extent companies can strategically decide on the long-term choice of particular components being applied in their general activities on foreign markets, and in which they must flexibly change components depending on individual foreign customers and target markets in order to increase competitive advantage.

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