

**THE INFLUENCE OF BUSINESS RELATIONSHIPS
ON COMPANY PERFORMANCE
IN THE INTERNATIONALISATION PROCESS**

Competitive paper

Krzysztof Fonfara*, Miłosz Łuczak, Łukasz Malys*****

*Professor

Poznan University of Economics and Business, Poland,
Department of International Marketing
al. Niepodleglosci 10
61-875 Poznan, Poland
Tel. +48618543312
k.fonfara@ue.poznan.pl

***Assistant Professor

Poznan University of Economics and Business, Poland,
Department of International Marketing
m.luczak@ue.poznan.pl

***Assistant Professor

Poznan University of Economics and Business, Poland,
Department of International Marketing
lukasz.malys@ue.poznan.pl

Abstract

Purpose: Identifying the causes and ways of gaining a competitive advantage attracts a growing interest among those involved in theoretical considerations and empirical research. In particular, this is true of relationships between entities operating in many markets. The aim of this paper is to present the possibilities and ways of determining the impact of business relationships on company performance in the internationalisation process.

Methodology: Quantitative research, based on a questionnaire survey, was applied. A random sample of 10,000 companies was identified. The questionnaire was sent by regular mail to 1,900 companies and by e-mail to the remaining 8,100. A total of 278 valid responses were collected and used in the analysis.

Findings: Nine characteristics and determinants of business relationships in the internationalisation process (components of company internationalisation maturity) were identified during the qualitative study (1) based on 10 case studies analyses [Fonfara,

Ratajczak-Mrozek, Małys 2015]. It has been followed by quantitative studies presented in the paper. The respondents considered all nine characteristics and determinants to be significant or very significant for building a competitive advantage in the process of internationalisation. What is more, the presence of the adopted characteristics and determinants in business relationships in foreign markets usually resulted in companies' better performance than that of their rivals.

Research limitations/implications: A quantitative study based on such a large sample involved developing a standardised questionnaire that included questions common to all types of company. For this reason, the results presented here may omit some nuances typical of certain entities. Therefore, further in-depth case studies have been planned – qualitative studies (2) – with the aim of supplementing the conclusions reached.

Practical implications: In theory, it is indicated that both the development of strong and close relationships with entities in the business environment and foreign expansion may significantly improve company performance. In practice, however, the reverse can be observed. Many cooperation arrangements do not produce the expected results, leading to collaboration being broken off. Similarly, numerous companies achieve poorer results in foreign markets than locally and, as a result, ultimately withdraw from them. Identifying the characteristics and determinants of business relationships in the internationalisation process, as well as their impact on company performance, may become the basis for a better understanding of the mechanism of developing a competitive advantage in foreign markets in business practice.

Originality/value: Most studies highlight so-called tangible factors affecting company performance. What is much less analysed is the influence of intangible factors such as a company's relationships with other entities. The present paper focuses on the analysis of nine intangible characteristics and determinants of business relationships in the internationalisation process related to company performance.

Keywords: business relationships, company performance, internationalisation process, company internationalisation maturity.

Paper type: research paper.

Introduction

For many years, the issues of cooperative behaviour and company internationalisation process have attracted interest among both business practitioners and academic researchers. In theory, it is indicated that both the development of strong and close relationships with entities in the business environment and a foreign expansion may significantly improve company performance. In practice, however, the reverse can be observed. Many cooperation arrangements do not produce the expected results, leading to collaboration being broken off. Similarly, numerous companies achieve poorer results in foreign markets than locally and, as a result, ultimately withdraw from them. Additionally, some researchers point to the difficulty of determining the direct impact of both international expansion and business relationships on company performance. It is proposed, therefore, that the analysis of their impact on company performance should be conducted indirectly on the basis of selected characteristics and determinants of business relationships in the company internationalisation process.

The aim of this paper is to present the possibility and ways of determining the impact of business relationships on company performance in the internationalisation process. The outcomes exposed here are a part of the multistage research project consisting of: 10 case studies analysis – qualitative studies (1), quantitative studies presented in the paper, 30 in-depth case studies – qualitative studies (2).

The first part of the paper presents a conceptual framework and discusses the identified during the qualitative phase of the study (1) characteristics and determinants of business relationships. They are divided into three groups related to the character of the internationalisation process, the nature of cooperation in the internationalisation process, and the scope of cooperation in the internationalisation process. The second part, focused on the quantitative studies, presents research methodology, and the third one discusses research results.

1. Business relationships and company performance in the internationalisation process - conceptual propositions

1.1 Conceptual framework

The causes and sources of a company's competitive advantage have been analysed by numerous researchers. Most often, their studies highlight the importance of so-called tangible factors – such as a perfect product, unique distribution solutions, etc. – in developing a competitive advantage [Hooley, Piercy, Nicoulaund 2008; Kotler, Keller 2012]. Much less examined is the influence of what is called intangible factors on a company's competitive

advantage, factors which are related to the company's relationships with various entities. In practice, it turns out that a company's operation as part of a business network is a significant factor behind developing its competitive advantage [Berckhan 2015], and that business relationships may influence the outcome of cooperation [Hausman 2001]. Business relationships are usually defined as mutually oriented interaction between two reciprocally committed parties which develop over time [[Håkansson, Snehota 1995, p. 38]. It has been assumed in this paper that the term business relationship refers exclusively to relationship networks that are characterised by high strength and go beyond occasional transactional interactions [Małys 2013, p. 9].

The literature highlights numerous benefits arising from the development of relationships between entities. It is often stressed that entities involved in mutual relationships are able to benefit from what has happened previously in the network as well as from what they learn from their counterparts, so the relationships can be a source of knowledge for every entity. Additionally, every company can also bring experiences from their partners [Håkansson, Ford, Gadde, Snehota, Waluszewski 2009, p. 46]. Researchers also point to the costs and risks (e.g., disclosure of trade and technological secrets, loss of autonomy, subordination or inertia, etc.) involved in the functioning of relationships, especially those between independent entities [Håkansson, Ford 2002, pp. 134-140]. Generally, it is emphasised that the development of relationships between entities (i.e., with buyers, suppliers and others) has an impact on economic performance [Håkansson, Snehota (eds.) 1995, pp. 382-397; Möller, Wilson (eds.) 1995, pp. 34-35].

According to the concept of network approach, "the outcomes of different relationships are interdependent. The interdependencies make the economic outcome of a relationship for a single actor dependent on the effects the relationships has on the others" [Håkansson, Snehota (eds.) 1995, pp. 384-395]. We can speak, therefore, of the effectiveness of particular relationships involving various entities. From a pragmatic point of view, it seems important to indicate how a company's performance is influenced by its relationships with various entities operating in its external and internal environment. As this is the viewpoint adopted in the present paper, it focuses on links between a company's relationships and its performance.

On the whole, it can be stated that the development of a company's relationships affects both its revenues and its costs [Håkansson, Snehota (eds.) 1995]. Whether or not, as a result, the company's relationships with the environment will have a positive impact on its performance depends on the relationships' characteristics (e.g., trust or openness within the

relationship) and on the relationships' unique determinants modifying their functioning (most often related to the company's resources, such as knowledge, experience, financial resources, etc.).

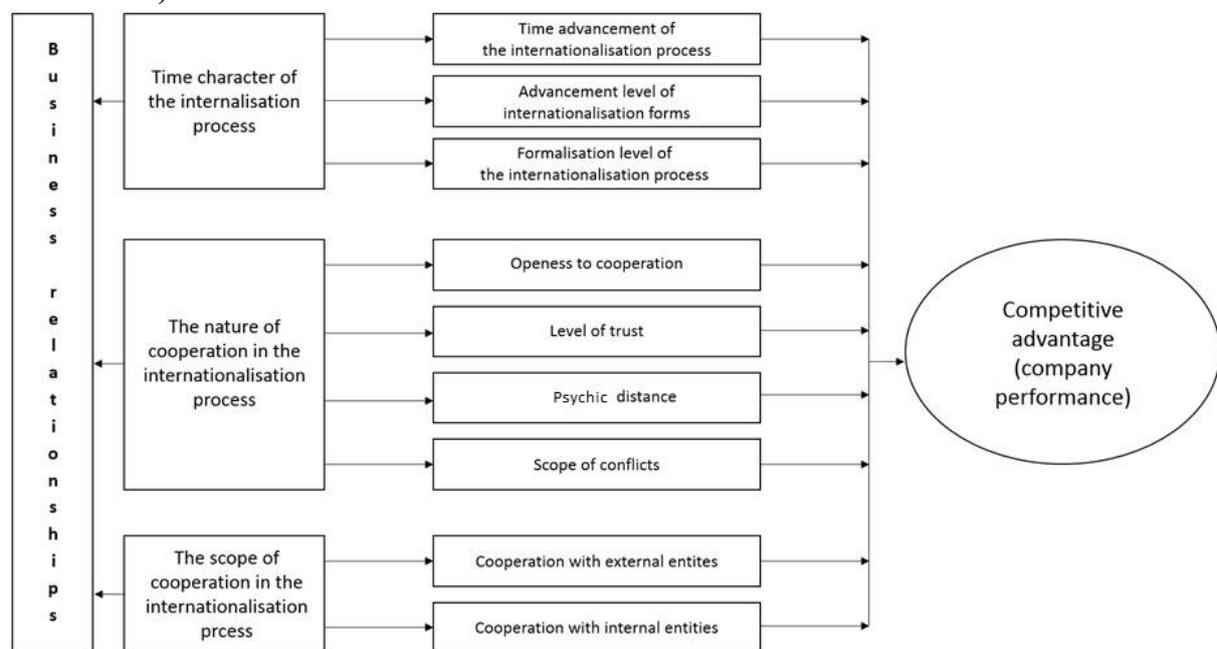
In practice, it is difficult to examine in a general way the impact of the business relationships of a company in the internationalisation process on its market and financial performance [Croper et al. 2010]. This is why, as suggested by many scholars, this paper analyses the impact of relationships from the angle of selected positive phenomena caused by contacts between entities. What is most strongly emphasised in this context is the trust developed between entities [Weitz, Bradford 1999; Sivadas, Dryer 2000; Kale et al. 2000; Dyer, Chu 2013], the exchange of knowledge [Verona 1999, Gillis 2007, Saraf, Langdon, Gosoin 2007], and the acquisition and transfer of experience from a business partner [Kotabe et al. 2013].

As in the case of the group of researchers above, the present authors' way of determining and studying the impact of business relationships on company performance in the process of internationalisation is also indirect in nature. This is because they identified and preliminary verified a set of characteristics and determinants of business relationships based on 10 case studies – qualitative studies (1) [Fonfara, Ratajczak-Mrozek, Małys 2015]. These 10 case studies were considered an exploratory qualitative research and were carried out to use the experience of people with regard to the analysed phenomenon. The companies selected for the case-study analysis represented various industries, sizes and forms of ownership. A purposive sample was applied. This choice of companies was intended to ensure the most objective evaluation of the assumptions, and the possibility of reaching conclusions regarding the specificity of companies' activities. The in-depth interviews, which were the basis for the 10 case-study analysis, were conducted from November 2014 to February 2015.

Having assumed that the above mentioned characteristics and determinants identified within the qualitative studies (1) affect company performance in the internationalisation process, the authors named them components of company internationalisation maturity [Fonfara 2015]. Company internationalisation maturity is associated with an ability to create value for a company in the internationalisation process. Our assumption is that the higher the level of company internationalisation maturity, the higher the likelihood of attaining a competitive advantage and achieving relatively better results than those of the closest competitors. As a result of the qualitative studies (1), nine characteristics and determinants (components of company internationalisation maturity) became an object of further investigation. Split into three groups, these are: 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 (see Figure 1). Some of the characteristics and determinants (e.g., trust) are universal for the development of business relationships, others (e.g., advancement of internationalisation forms and psychic distance) take into consideration the specificity of the company internationalisation process. The nature of all of them is described in the following part of the paper.

Figure 1. The impact of business relationships on a competitive advantage (conceptual framework)



Source: authors' own study

1.2 Characteristics and determinants of business relationships related to the character of the internationalisation process

The character of the internationalisation process embraces three determinants:

1. the time advancement of the internationalisation process,
2. the advancement level of internationalisation forms,
3. the formalisation level of the internationalisation process.

The time advancement of the internationalisation process should have a positive impact on a company's competitive advantage. Greater experience and knowledge gained through operating in foreign markets may be helpful in achieving better results than those of one's competitors. As experience and knowledge are often gained gradually, they tend to take

a long time [Karasiewicz 2013]. As a rule, a company's longer presence in foreign markets allows it to develop long-term and stable business relationships, often reinforced by informal contacts. Long-term business relationships create conditions for a better identification of the buyer's needs and behaviour in various business situations. Thanks to this, the offer can be better tailored to the buyer's requirements. A company's longer international activity is also conducive to the development of relations with other important entities in the business environment, such as suppliers, competitors or influential entities. Therefore, it may be assumed that the longer a company participates in the internationalisation process, the more likely it is to achieve relatively better results than those of its closest competitors.

Companies use various forms of internationalisation when operating in foreign markets. They usually engage in indirect export, direct export, the sale of a license, and foreign direct investment [Witek-Hajduk 2010; Rymarczyk 2004]. In many cases, the company initiates the internationalisation process with relatively simple forms of internationalisation, replacing them later with more advanced ones. Some of them are used because of the specificity of the product that is traded internationally (e.g., the sale of services usually requires making foreign direct investment). Very often, however, the choice of a particular form of internationalisation results from the company's potential and expectations regarding the benefits of international trade. It can be assumed, therefore, that some forms of internationalisation (e.g., indirect export) are relatively easy to achieve, while others (e.g., foreign direct investment) require large capital and often involve high risk. A company's involvement in relatively more advanced forms of internationalisation (those requiring greater capital and intellectual resources) may result from its efforts to derive greater benefits and to strengthen its position in relation to competitors.

The selection of a particular form of internationalisation has an influence on the possibility of developing business relationships with various entities in the internationalisation process. For instance, indirect export as a rule boils down to the company's contact with an intermediary. In this case, relations between the parties are dominated by the intermediary (importer), and making the company dependent on the importer restricts its decision-making power and exposes it to the danger of suddenly terminating the contact (e.g., as part of subcontracting). Using direct export in the internationalisation process provides the company with more opportunities for developing long-term and stable relationships, especially if we sell own-brand products. In turn, a company that uses FDI in the internationalisation process and has manufacturing and/or sales divisions in foreign markets has the potential to work

more closely with various entities in these markets and establish closer and more stable business relationships with them. This enables the company, in particular, to better meet customers' needs and thus significantly increases its efficiency. It can be assumed, therefore, that the higher the advancement level of internationalisation forms in a company's internationalisation process, the greater the likelihood of it achieving a competitive advantage over the closest competitors.

In practice, a company can use various forms of internationalisation in different foreign markets. When assessing the advancement level of a company's internationalisation forms, we should identify and indicate the relatively highest form of internationalisation used by the entity under investigation.

The last determinant related to the character of the internationalisation process is the formalisation level of the internationalisation process. A formal process of internationalisation means that the internationalisation process is formally developed and adopted by the company in its strategic and operational plans [Fonfara 2007]. It is assumed that internationalisation-related decisions (including why, where, when and how to enter overseas markets) are based on formally conducted studies and on analyses of potential overseas markets. In practice, a company's internationalisation process may also be spontaneous [Fonfara 2007]. In such cases, it develops on an ad hoc basis, often when an opportunity happens to present itself. In such cases, there are no formal analyses of foreign markets; instead, informal sources of information on foreign markets predominate. Additionally, a spontaneous process of company internationalisation often features many subjective internationalisation-related decisions dependent on the personal, subjective preferences of the company's decision makers and on their temperament. To a large extent, a decision-making process makes use of informal relations [Kadushin 2012].

Formalising the internationalisation process is conducive to the establishment of business relationships with various entities in accordance with the company's strategic objectives. This also means the possibility of allocating the company's resources needed to initiate, maintain and develop selected business relationships. This should have an impact on their stability and long-term development. In the case of the formalisation of the internationalisation process, we can observe actions that could be called relationship management. They consist in analysing particular business relationships and making decisions concerning their optimal structure from the viewpoint of the company's strategic objectives (strengthening/ending selected relationships). It is worth emphasising that formalisation does

not preclude the development of informal relations between a company and various entities in the business environment in the internationalisation process.

In the case of a spontaneous internationalisation process, the structure and the number of a company's business relationships result from its current, sometimes random, decisions. The lack of an in-depth assessment of the development of business relationships in terms of entity and market (what entities to cooperate with and why; what foreign markets to enter and why) may adversely affect their stability. This results in relatively frequent changes in the structure and the number of business relationships. Establishing new relationships involves investing in their development, which has an adverse effect on the company's performance. This is not compensated for by extensive informal contacts established at all stages of the company internationalisation process, contacts which, in the case under discussion, often provide impetus for developing further business relationships.

Previous studies have pointed to a definitely positive impact of formalising the internationalisation process on company performance [Fonfara 2009; Fonfara 2012]. Hence, it can be assumed that the higher the formalisation level of a company's internationalisation process, the greater the likelihood of it gaining a competitive advantage over the closest competitors.

1.3 Characteristics and determinants of business relationships related to the nature of cooperation in the internationalisation process

The nature of cooperation in the internationalisation process embraces the following characteristics and determinants:

1. openness to cooperation,
2. the level of trust,
3. the scope of conflicts,
4. psychic distance.

Openness to cooperation involves accepting cooperation in the internationalisation process as an essential part of a company's business activity, making sustained efforts (often based on formal studies) to find cooperation partners, and opting to operate in foreign markets which require cooperation with domestic and foreign entities. On the other hand, closedness to cooperation in the internationalisation process means having to operate by oneself. There may be various reasons for a company adopting such an approach to overseas operations. Most often, a company's closedness to cooperation is due to a fear of losing independence, the risk of potential partners acquiring important trade and industrial secrets, and the lack of

competence in dealing with foreign entities [unfamiliarity with overseas markets, inadequate communication skills]. Research conducted by one of the present authors [Fonfara ed., 2009; Fonfara ed., 2012] demonstrates that, in practice, companies that close themselves to cooperation do quite well as they conduct by themselves most of their activities in foreign markets. Most often, however, it is companies open to cooperation that achieve success in foreign markets and gain a competitive advantage over their closest competitors [Yip, Bink, 2007].

Openness to cooperation has a positive effect on the process of establishing business relationships, both at the stage of their initiation and later, during their further development. Being open to cooperation means a willingness to share knowledge and the company's other important resources with independent entities. Significant stress is put on the mutuality of openness in relationships [Miozzo, Grimshaw, 2006]. It is suggested that mutual openness is indispensable in order to join resources and complement competencies. In this case, it is also necessary to establish trust. A large number of external relationships, value created in conjunction with other entities, as well as specialisation, have a positive effect on company performance. This, however, creates a need for a professional management of a large number of relationships with independent entities, which in practice may be a challenge and restriction for many companies. Clearly, closing oneself to cooperation restricts the possibility of developing business relationships with entities from the company's environment, in particular with sub-suppliers, subcontractors and competitors. In this case, relationships with independent entities are a result of a sudden need and are not seen by the company as a significant condition for developing a competitive advantage. The company's closedness to entities from its environment is compensated for by very extensive internal relationships with entities which are formally dependent on it. Based on these observations, it is assumed that the greater the degree of a company's openness to cooperation in the internationalisation process, the more likely the company is to achieve a competitive advantage over its closest rivals.

In the network approach, trust as part of cooperation constitutes a key aspect of an analysis of the relationship between entities. Trust is defined as the belief that the other party will perform actions that will produce positive results and will not unexpectedly do things that may adversely affect the relationship between the entities examined [Małys 2013]. In practice, trust means that our partner is able to meet the conditions of a contract and will not undermine the existing partnership to gain some short-term benefits. Trust, therefore, is a guarantee that

an agreement between parties will not be unilaterally broken, and that unforeseen problems will always be resolved to the satisfaction of both parties. It is expected, therefore, that a high level of trust as part of cooperation has a positive effect on company performance. This leads to the assumption that the higher the level of trust as part of cooperation in the internationalisation process, the greater the likelihood of achieving a competitive advantage over the closest rivals.

Conflict is the next characteristic of business relationships related to the nature of cooperation in the internationalisation process. The occurrence of conflicts is intrinsically linked to the development of relationships between independent entities [Håkansson et al. 2009]. Naturally, conflicts occur also within internal business networks, between entities that are, from the legal and formal point of view, part of the same organisational structure. Conflicts may arise from expectations that are too high for cooperating entities, or may be related to product quality, the speed of delivery, etc. They may also be associated with the “selfish” behaviour of partners who, in an attempt to reap short-term benefits, cause inconvenience such as additional costs for other cooperating entities [Ford et al. 1997]. Conflicts do not always have an adverse effect on relationships as part of cooperation. It is emphasised that they may be a source of innovation and further development, especially if they are resolved constructively [Gössling et al. 2007]. This is why the influence of conflicts as part of cooperation on company performance should always be thoroughly analysed. It can be assumed, therefore, that the smaller the number of conflicts, or the more constructive the conflict resolution, the greater the likelihood of achieving a competitive advantage over rivals.

Psychic distance is the last determinant related to the nature of cooperation in the internationalisation process. Psychic distance is most often interpreted as a set of factors that make it difficult for a company to operate in a foreign environment [Hallén, Wiedersheim-Paul, 1993]. The factors include differences in the development of particular countries, a different business environment, a different level of education and, finally, language differences. According to the concept of psychic distance, the smaller the psychic distance, the greater the inclination to establish business relationships between entities from different countries. The concept was used in the Uppsala 1977 model by Johanson and Vahlne [1977] in order to describe the process of internationalisation. Owing to such things as universal globalisation and ease of communication, the role of psychic distance as a basis for decision-making at the company level seems to have decreased. Today’s research results indicate,

however, that psychic distance continues to play a significant role in decisions taken at various levels of company management by people who have varying levels of knowledge about the foreign environment and, consequently, deal with psychic distance more or less successfully [Johanson, Vahlne 2009]. The concept discussed in the present paper is based on the assumption that psychic distance has an impact on the relationship between entities in the internationalisation process. It can sour the relationship and adversely affect cooperation, which in turn may translate into a company's poorer market and financial performance. Therefore, it can be stated that the smaller the psychic distance, the greater the likelihood of a company achieving a competitive advantage over its closest rivals.

1.4 Determinants of business relationships related to the scope of cooperation in the internationalisation process

The third group of determinants is linked with the scope of cooperation in the internationalisation process. For many years, entity-focused research into cooperation analysed mainly the relationship between seller and buyer [Anderson et al. 1997]. More recent studies have demonstrated that the effectiveness of a company, including in an overseas market, depends not just on its cooperation with the buyer. Achieving a company's objectives requires that it should establish relationships and cooperation with entities such as, among others, suppliers, competitors, or referral and influential entities [Peck et al. 1999; Wuyts, Van de Bulte 2012]. The concept presented here assumes that cooperation in the internationalisation process takes place not only with external entities, ones that are independent of a given company in a formal and legal sense. Because of the extensive organisational structure of many large companies, a significant part of cooperation in the internationalisation process is conducted within an internal business network. In such a situation, relationships concern entities which are subsidiary in formal terms, but which often carry out business activities at least partially independent of the headquarters. Therefore, the analysis of a company's cooperation in the internationalisation process should concern both its external network and its internal relationships with selected entities [Ahmed, Rafig 2002; Cropper, Ebers, Huxham, Smith Ring eds. 2010]; it is a consequence of today's phenomena of externalisation and internalisation of the internationalisation process [Fonfara 2014].

The present authors take into consideration a company's relationships with both external and internal entities. The significance of external and internal relationships in terms of their impact on a competitive advantage varies between different companies. In particular, in the case of smaller companies, relationships with external entities will definitely be more

important. This results from these entities' not-very-complex internal organisational structure. On the basis of previous research [Małys 2013], it is assumed that in the external environment, owing to their importance, we should take into consideration buyers, suppliers, competitors and influential entities. The buyers may be institutional entities and individual consumers. As part of internal relationships, in turn, internal buyers and suppliers will be considered. In practice, the significance of particular external and internal entities is dependent, among other things, on the industry, company size, and the intensity of competition. This leads to the final assumption: that cooperation with a group of external and internal entities that has been deliberately selected and adapted to the company's unique situation has a positive effect on the company's competitive advantage. This is because a company should focus on the relationships with those entities which have the greatest impact on its effectiveness, and therefore on its market and financial performance.

Based on the qualitative studies (1), it was assumed that all the investigated characteristics and determinants of business relationships have an impact on company performance. But it was noted that their significance for the development of a competitive advantage may vary [Fonfara, Małys, Ratajczak-Mrozek 2015]. Taking into account the outcomes of the qualitative studies, the authors assumed the possibility of interaction between the identified characteristics and determinants of business relationships and, consequently, a change in their impact (stronger or weaker) on company performance. Verifying these observations required conducting extensive quantitative research.

In the paper, the concepts of competitive advantage and company performance are used interchangeably. In the subject literature, a company's competitive advantage is universally defined from the viewpoint of relative differences in terms of financial and non-financial effects of one's activity in comparison with the achievements of the closest rivals [Ratajczak-Mrozek, 2010, p. 46]. Therefore, a company's performance may be a measure of its competitive advantage when it is seen in relation to the company's closest competitors [Fonfara, 2007]. In this case, similarly to a competitive advantage, performance is relative (not absolute), and as such is always compared with the group of the closest market rivals.

2. Methodology

Data were obtained from a postal and internet survey. The questionnaire was designed on the basis of the research project's conceptual framework inspired by an in-depth interview in 10 companies [Fonfara, Małys, Ratajczak-Mrozek 2015] and the present authors' earlier

research [Fonfara ed. 2012]. In some questions, detailed explanations of the characteristics and determinants of business relationships in the internationalisation process were included to ensure understanding by the respondents (see the appendix for the descriptions of the selected characteristics and determinants of business relationships included in the questionnaire). The questionnaire was piloted on independent executives. Following the pilot testing, a number of minor modifications were made to the questionnaire in order to make it more understandable for the respondents and to avoid misinterpretations.

Ten thousand companies located in Poland and involved in international business were identified. The sample was selected at random. The address list was prepared on the basis of a national data base by Kompas Poland. The dataset included companies representing all industries from the whole of Poland. The questionnaire was sent to 1,900 companies by post and to 8,100 companies by email. Owing to logistics problems (unknown addresses, liquidated companies), the questionnaire reached 1,748 companies. By the cut-off date of September 2015, the authors had received 179 responses, which made the response rate 10.2%. Furthermore, a simultaneous online survey was conducted, resulting in additional 99 responses.

To ensure data validity, the response bias was analysed by comparing the first and the last 25% of the answers to questions concerning: the stage of expansion, level of formalisation, company's openness to cooperation, level of trust, level of profits, return on investment, sales volume and market share. A comparison of the data obtained showed that the results were very similar. The coherence of the first and the last response was also confirmed by an independent-samples test.

In addition, the authors conducted a comparative analysis of the data obtained from the paper and online surveys. An analysis of means and standard deviations demonstrates that, for both methods of obtaining empirical data, the results are very similar. The results of the independent-samples test also show no difference in the results, with two exceptions – the formalisation level of a foreign expansion process and the level of trust in cooperation – where differences are statistically significant but lower than 1% (0.39% and 0.35%, respectively).

Altogether, a total of 278 usable responses were received, providing a sufficient basis for testing the propositions.

Tables 1-3 present the most important information on respondent characteristics: the company size, the industry, and the form of ownership. Since not all the respondents

answered the questions concerning the company size and the form of ownership, the total numbers of companies in Tables 1 and 3 are lower than 278.

Table 1. Respondent characteristics by company size

Company size (no. of employees)	Number of respondents	%
below 10	36	12.9
10-49	65	23.4
50-249	92	33.1
250-999	36	12.9
1000-4999	10	3.6
over 5000	10	3.6
Total	249	89.6

Source: authors' own study

Table 2. Respondent characteristics by industry

Industry	Number of respondents	%
Agriculture	4	1.4
Mining industry	2	0.7
Construction industry	15	5.4
Manufacturing	145	52.2
Transport	12	4.3
Communication services	1	0.4
Wholesaling	32	11.5
Retailing	4	1.4
Financial services	2	0.7
Services	35	12.6
Other	26	9.4
Total	278	100

Source: authors' own study

Table 3. Respondent characteristics by ownership

Ownership	Number of respondents	%
Private company – owned by foreign entities	52	18.7
Private company – owned by domestic entities	148	11.9
Private company – owned by domestic and foreign entities	33	53.2
State-owned company	18	6.5
Total	251	90.3

Source: authors' own study

To assess company performance, respondents were asked to specify a relative advantage over the closest competitors in terms of four variables indicating the market and economic results of their activity. The variables are total profits, return on investment (ROI), sales volume and market share. Respondents used a five-point Likert scale to rate the performance of their company in comparison with the closest competitors: 1 – considerably worse, 2 – worse, 3 – almost the same, 4 – better, 5 – considerably better. On the basis of the ratings, a general “performance” variable was calculated, which is the arithmetic mean of the above variables. The possibility of combining the four variables into a single indicator was examined by means of a reliability analysis, which for the “performance” variable showed a very high Cronbach’s alpha value, namely 0.902. Excluding any of the variables from the analysis decreased this figure. In addition, a correlation analysis was carried out which also demonstrated a strong correlation between all four variables (see Table 4).

Table 4. An analysis of correlation between performance measures

Performance measure	Total profits	Return on investment (ROI)	Sales volume	Market share
Total profits	1.000			
Return on investment (ROI)	.781	1.000		
Sales volume	.701	.646	1.000	
Market share	.620	.621	.811	1.000

Source: authors’ own study

The impact of the nine characteristics and determinants of business relationships on company performance in the internationalisation process was analysed in relation to three identified groups of companies:

- Leaders – companies whose performance is better than that of their closest competitors,
- Similar Companies – those whose performance is similar to that of their closest competitors,
- Worse Companies – those whose performance is worse than that of their closest competitors.

Respondents were grouped according to a k-means non-hierarchical clustering algorithm. Three groups of companies were identified in nine iterations. As the performance variables

were internally correlated, their effect on clustering was very similar. The group of Leaders included companies that perform better than their competitors in terms of the level of profits, return on investment, level of sales and market share. Companies in the group of Similar Companies demonstrated that their performance was almost the same as that of their rivals, and companies in the group of Worse Companies performed worse in all four performance measures. Detailed characteristics of the groups are presented in Table 5.

Table 5. Mean performance-measure ratings in the groups of Leaders, Similar Companies and Worse Companies.

Performance measure	Leaders	Similar	Worse
Total profits	4.308 (.6096)	3.319 (.6062)	1.773 (.4239)
Return on investment (ROI)	4.115 (.6082)	3.036 (.5709)	1.895 (.7983)
Level of sales	4.395 (.5167)	3.261 (.7205)	2.045 (.7457)
Market share	4.049 (.5455)	3.015 (.6577)	1.975 (.7675)
Number (percentage)	87 (42.4%)	72 (35.1%)	46 (22.4%)

Source: authors' own study

The value represents the mean of individual performance measures in each group. Scale 1-5 (1 – considerably worse, 2 – worse, 3 – almost the same, 4 – better, 5 – considerably better). The figure in brackets is the standard deviation.

3. Results and discussion

The analysis of empirical data takes into account two perspectives:

- respondents' opinion (perception) of the significance of particular characteristics and determinants of business relationships in the internationalisation process,
- the actual significance of characteristics and determinants of business relationships for the development of a competitive advantage in the companies surveyed.

Research results were analysed with reference to both all respondents and the company groups identified: Leaders, Similar Companies and Worse Companies. Interpretation of the research results was supported with conclusions derived from an earlier quantitative study of 10 companies [Fonfara, Małys and Ratajczak-Mrozek 2015].

In order to examine respondents' opinion of the significance of particular characteristics and determinants of business relationships in the internationalisation process, a five-point Likert scale was used to ask respondents to what extent they agree (or disagree) with the statement that the identified characteristics and determinants increase the likelihood of achieving an advantage over the closest competitors (1 – strongly disagree, 2 – disagree, 3 – hard to say, 4 – agree, 5 – strongly agree). Table 6 presents the percentage of positive responses (“agree” or “strongly agree”) with respect to particular characteristics and determinants concerning all the companies surveyed.

Table 6. The significance of the identified characteristics and determinants for developing a competitive advantage in the process of company internationalisation

Characteristics and determinants of business relationships in the company internationalization process	Percentage of positive responses (%)
Cooperation with internal entities	85.3
The time advancement of the internationalisation process	80.5
Openness to cooperation	78.9
The scope of conflicts	77.4
The level of trust	67.8
Cooperation with external entities	67.7
The advancement level of internationalisation forms	62.9
Psychic distance	61.0
The formalisation level of the internationalisation process	59.3

Source: authors' own study

As the data presented in Table 7 demonstrate, in respondents' view all the characteristics and determinants included in the study have considerable significance for the development of a competitive advantage in a company's internationalisation process, which confirms the authors' assumptions. However, there are some differences in respondents' assessment of the significance of particular characteristics and determinants.

The highest percentage of respondents point to the importance of cooperation with internal entities. It can be assumed, therefore, that good internal relationships to some extent determine the possibility of achieving a competitive advantage and have an impact on the other characteristics and determinants. An additional comment seems to be needed, in particular with regard to three characteristics and determinants: the advancement level of

internationalisation forms, psychic distance and the formalisation level of the internationalisation process. Their great significance for the development of a competitive advantage in the process of company internationalisation was indicated by the fewest respondents, namely about 60%. An earlier qualitative study of 10 companies may help to interpret this result [Fonfara, Małys and Ratajczak-Mrozek 2015]. The study found that for some companies – from the perspective of their effectiveness – selecting forms of expansion that are adapted to the goals set is much more important than their advancement per se. With regard to psychic distance, some respondents indicated that their companies derive strength from cultural diversity. They pointed out, however, that cooperation with entities (and their representatives) from culturally distant countries requires more international experience and, for some companies, may be a limitation. With reference to the formalisation level of the internationalisation process, some respondents observed that excessive formalisation may adversely affect the development of a competitive advantage since it restricts the possibility of using opportunities that appear in foreign markets.

A similar analysis of respondents' opinions about the significance of particular characteristics and determinants for developing a company's competitive advantage in the internationalisation process was conducted for the identified groups of companies: Leaders, Similar Companies and Worse Companies (see Table 7).

Table 7. The significance of the identified characteristics and determinants for developing a company's competitive advantage in the internationalisation process, according to the identified groups of companies

Characteristics and determinants of business relationships in the company internationalisation process	Percentage of positive responses (%)		
	Leaders	Similar	Worse
The time advancement of the internationalisation process	88.5	87.5	58.3
The advancement level of internationalisation forms	63.2	66.7	60.9
The formalisation level of the internationalisation process	64.4	48.6	54.3
Openness to cooperation	81.6	76.4	80.4
The level of trust	67.4	75.0	58.7
The scope of conflicts	81.6	73.6	69.6
Psychic distance	57.5	65.3	56.5
Cooperation with external entities	69.0	66.7	63.0
Cooperation with internal entities	88.5	84.8	70.0

Source: authors' own study

Between particular groups of companies, there are certain differences of opinion on the influence which the characteristics and determinants of business relationships exert on the competitive advantage of a company in the internationalisation process. In the case of the majority of characteristics and determinants, the highest percentage of companies point to their strong or very strong influence within the group of Leaders, and the weakest influence – within the group of Worse Companies. It can be assumed that the conviction of a strong influence of particular characteristics and determinants translates into efforts aimed at their proper development. It can be assumed, therefore, that Leaders will make greater efforts than Worse Companies to develop beneficial relationships in the internationalisation process.

Within the group of Leaders, the largest percentage of companies point to the time advancement of the internationalisation process, cooperation with internal entities, openness to cooperation and the scope of conflicts as the characteristics and determinants that have the greatest impact on the competitive advantage of a company in the internationalisation process. Similar views are expressed within the group of Similar Companies, although, in percentage terms, each characteristic or determinant is chosen less frequently than in the case of Leaders. Additionally, within the group of Similar Companies, a relatively high percentage of respondents point to the importance of the level of trust.

Within the group of Worse Companies, the highest percentage of respondents are convinced of a great significance of the same characteristics and determinants for the development of a company's competitive advantage in the internationalisation process as those indicated within the group of Leaders, though with one exception. The exception is the time advancement of the internationalisation process. Its great significance is indicated by a relatively small group of Worse Companies. When comparing research results (see Table 8), one may notice that companies belonging to the Worse group have been conducting foreign activity for a relatively long time. It seems that, within this group, a longer period of doing business in foreign markets has not translated into a better performance, which is why some respondents belonging to this group do not perceive a positive influence of the time advancement of the internationalisation process on the development of a competitive advantage.

The other research perspective focused on the assessment of the actual significance of the characteristics and determinants of business relationships in the internationalisation process for the development of a company's competitive advantage. Respondents were asked to indicate the degree to which particular characteristics and determinants were developed in

their companies. The results obtained were subsequently compared with respect to the three identified groups of companies: Leaders, Similar Companies and Worse Companies. The results of the analysis are presented in Tables 8-16.

Table 8. The time advancement of the internationalisation process within the identified groups of companies

The time advancement of the internationalisation process	%		
	Leaders	Similar	Worse
1-2 years	3.4	4.2	4.3
3-5 years	16.1	18.1	10.9
6-10 years	14.9	13.9	21.7
over 10 years	65.5	63.9	63.0
Total:	100.0	100.0	100.0

Source: authors' own study

In terms of the time advancement of the internationalisation process, no clear differences can be indicated between the identified groups of companies (see Tab. 8). The majority of respondents within the group of Leaders are companies that have been operating in foreign markets for a relatively long time. This enables them to develop long-term relationships with various entities in their environment. However, within the other two groups of companies, the percentage of respondents who declare conducting foreign operations within the defined time brackets is similar to that of Leaders. It seems, therefore, that a greater time advancement of the internationalisation process does not always lead to the development of beneficial business relationships in foreign markets. It only creates greater opportunities to exert a positive influence on the other characteristics and determinants of business relationships.

Table 9. The advancement level of internationalisation forms within the identified groups of companies

The advancement level of internationalisation forms	%		
	Leaders	Similar	Worse
Indirect export	3.5	5.6	17.8
Direct export	81.2	73.2	73.3
Licensing	1.2	5.6	2.2
FDI	14.1	15.5	6.7
Total:	100.0	100.0	100.0

Source: authors' own study

The group of Leaders uses direct export most frequently (over 81% of respondents- see Tab. 9). At the same time, the percentage of companies opting for this form of internationalisation within the group of Leaders is higher than that in the other two groups, where it is used by just over 73% of respondents. In comparison with indirect export, direct export gives companies greater opportunities to establish and develop closer and more enduring relationships with entities in foreign markets. Indirect export, in turn, is relatively most frequently used by Worse Companies. Very often, it allows them to develop close relationships only with intermediaries, while significantly restricting cooperation with key entities as part of the supply chain, in particular with end buyers.

Table 10. The formalisation level of the internationalisation process within the identified groups of companies

The formalisation level of the internationalisation process	%		
	Leaders	Similar	Worse
spontaneous foreign-expansion process	17.4	18.3	28.9
spontaneous process with elements of formalisation	32.6	47.9	37.8
formalised foreign-expansion process	50.0	33.8	33.3
Total:	100.0	100.0	100.0

Source: authors' own study

In comparison with other groups, companies from the group of Leaders relatively most frequently formalise the process of internationalisation (see Tab. 10). This means that they can relatively more often allocate the resources needed to build and strengthen relationships with deliberately selected entities in foreign markets. Firms whose performance is poorer than that of their closest rivals point to the spontaneous nature of the foreign expansion process more frequently than companies from the other groups do. In such a situation, the influence of business relationships on foreign expansion is often random in nature, and the ties developed are, as a rule, relatively less long-lasting.

Table 11. Openness to cooperation within the identified groups of companies

Openness to cooperation	%		
	Leaders	Similar	Worse
definitely complete openness to cooperation	35.6	41.7	30.4

openness to cooperation	57.5	40.3	52.2
partial openness / closedness	5.7	18.1	15.2
closedness to cooperation	1.1	0.0	2.2
definitely complete closedness to cooperation	0.0	0.0	0.0
Total:	100.0	100.0	100.0

Source: authors' own study

The vast majority of respondents declare complete openness or openness to cooperation in the process of internationalisation (only two companies declared closedness to cooperation- see Tab. 11). Within the group of Leaders, openness and complete openness combined are declared by over 93% of entities. This result is higher than that for the other two groups: within the group of Similar Companies it is 82%, and in the case of Worse Companies it is 83.6%. At the same time, respondents from the groups of Similar and Worse Companies declare partial closedness to cooperation three times as frequently as Leaders do. As indicated in the first part of the paper, openness to cooperation has a beneficial effect on building business relationships in foreign markets, in particular owing to the fact that openness involves a willingness to share knowledge and other resources which are significant from the viewpoint of cooperation.

Table 12. The level of trust within the identified groups of companies

The level of trust	%		
	Leaders	Similar	Worse
high level of trust	42.5	43.1	41.3
medium level of trust	54.0	51.4	50.0
low level of trust	3.4	5.6	8.7
Total:	100.0	100.0	100.0

Source: authors' own study

Within the group of Leaders, almost all the companies point to a high or medium level of trust in the process of foreign expansion (see Table 12). On the one hand, this suggests a high quality of the relationships developed and a good selection of partners. On the other hand, this has a positive effect on establishing new relationships because of the trust put in potential partners. It should be noted, however, that also companies belonging to the other two groups relatively most frequently point to a high and medium level of trust in relationships with entities in foreign markets. Only within the group of Worse Companies could one find a higher-than-among-Leaders percentage of companies (8.7%) that point to a low level of trust,

which may restrict both the possibility and potential benefits of developing strong relationships with external entities.

Table 13. The scope of conflicts within the identified groups of companies

The scope of conflicts	%		
	Leaders	Similar	Worse
absence of conflicts	10.3	12.5	23.9
very infrequent conflicts	48.3	34.7	28.3
infrequent conflicts	36.8	48.6	43.5
frequent conflicts	3.4	4.2	4.3
very frequent conflicts	1.1	0.0	0.0
Total:	100.0	100.0	100.0

Source: authors' own study

Companies belonging to the group of Leaders relatively most frequently declare a very rare occurrence of conflicts in relationships with entities in the process of internationalisation (see Table 13). At the same time, the percentage of companies pointing to the absence of conflicts is lower within this group than within the other two. Interpreting these data requires additional qualitative research, which has already been planned by the present authors. A very frequent or frequent occurrence of conflicts is declared by a very small proportion of companies within all the groups identified.

Table 14. Psychic distance within the identified groups of companies

Selecting target markets within a small psychic distance	%		
	Leaders	Similar	Worse
definitely so	16.3	12.5	17.4
usually	47.7	48.6	56.5
no	14.0	11.1	6.5
of no significance	22.1	27.8	19.6
Total:	100.0	100.0	100.0

Source: authors' own study

The obtained empirical data (see Table 14) demonstrate differences between the approaches to psychic distance adopted by Leaders and by Worse Companies. A considerably greater percentage of Worse Companies (almost 74%) than Leaders (64%) focus their activity on markets characterised by a closer psychic distance. At the same time, culturally distant markets are chosen by more than twice as many Leaders (14%) as by Worse Companies (6.5%). On the basis of these data it can be concluded, therefore, that operating in markets

which are less distant psychologically does not always translate into greater benefits for the company. Deciding to enter culturally distant markets may involve higher risk, but at the same time creates more opportunities – for instance, because of limited competition – to achieve better results. However, as the data in Table 14 suggest, the vast majority of companies choose foreign markets within a smaller psychic distance.

Table 15. Cooperation with external entities within the identified groups of companies

Evaluation of cooperation with external entities	%		
	Leaders	Similar	Worse
very good cooperation	38.1	38.2	22.2
good cooperation	57.1	50.0	55.6
acceptable cooperation	4.8	10.3	15.6
poor cooperation	0.0	0.0	0.0
very poor cooperation	0.0	1.5	6.7
Total:	100.0	100.0	100.0

Source: authors' own study

The data presented in Table 15 suggest that companies from the group of Leaders usually evaluate cooperation with external entities in the internationalisation process better than the other groups do. Among Leaders, there is not a single company that perceived cooperation with external entities as poor or very poor. Companies belonging to this group usually see cooperation as very good (38.1%) or good (57.1%). Among companies whose performance is poorer than competitors', there is the smallest percentage of respondents who consider such cooperation to be very good (22.2%) and the highest percentage of those who see it as very poor (6.7%).

Table 16. Cooperation with internal entities within the identified groups of companies

Evaluation of cooperation with internal entities	%		
	Leaders	Similar	Worse
very good cooperation	40.0	31.0	16.7
good cooperation	48.0	58.6	55.6
acceptable cooperation	8.0	10.3	16.7
poor cooperation	0.0	0.0	0.0
very poor cooperation	4.0	0.0	11.1
Total:	100.0	100.0	100.0

Source: authors' own study

When analysing the percentage distribution of cooperation with internal entities, attention should be given to a strong relationship between very good cooperation and performance. Internal cooperation is by far the most frequently seen as very good by Leaders (40%). This is confirmed by respondents' earlier opinion (see Table 6) that a proper development of internal relationships plays a key role in developing external relationships of companies in the internationalisation process, relationships that help them achieve better results than those of their closest rivals.

Conclusions

The aim of the paper has been to present the possibilities and ways of determining the impact of business relationships on company performance in the internationalisation process. Nine characteristics and determinants were identified and their influence on developing business relationships and, consequently, a company's competitive advantage in the internationalisation process have been discussed.

As mentioned in the introduction, attempts to determine the impact of business relationships on company performance are usually made indirectly, from the angle of various phenomena related to the development of contact established between entities. They may affect the development of relationships between companies (determinants of business relationships) or constitute characteristics of business relationships (e.g., trust/openness).

Empirical data analysis took into account two perspectives: respondents' opinions (perception) of the significance of particular characteristics and determinants of business relationships in the process of internationalisation (1), and the actual significance of the characteristics and determinants of business relationships for developing a competitive advantage in the companies surveyed (2). Quantitative research conducted as part of the first perspective clearly showed that the majority of companies accept the assumptions presented in the conceptual part. In the case of each of the characteristics and determinants presented, over a half of the respondents expressed their conviction about its strong or very strong impact on a competitive advantage (the percentage of such responses was within the range of 59.3% - 85.3%). At the same time, within the group of companies ("Leaders") performing better than their closest rivals, the percentage of respondents convinced of a considerable or very considerable significance of particular characteristics and determinants for the development of a competitive advantage was generally higher than within the other groups. Such a conviction may result in taking actions aimed at further developing the identified

characteristics of business relationships, e.g. an increased level of trust. The conviction also takes into consideration a positive impact of particular determinants, such as the time advancement of the internationalisation process, and should lead to actions intended to maintain business relationships in the internationalisation process.

The results of the quantitative studies presented in the paper indicated the significance of 6 characteristics and determinants of business relationships for the development of a company's competitive advantage: the advancement level of internationalisation forms, the formalisation level of the internationalisation process, openness to cooperation, the level of trust, cooperation with external entities and cooperation with internal entities. The results obtained for the other three characteristics and determinants are ambiguous. Further, in-depth analysis of the data obtained in the framework of qualitative studies is planned. In particular, it will be necessary to determine the degree of dependence between each of the the characteristics and determinants of business relationships.

Quantitative research based on such a large sample required developing a standardized questionnaire that contained questions common to all company types. The number of questions and possible responses had to be limited. It should be assumed, therefore, that the results presented may not take into consideration some nuances typical of certain entities. This is why the present authors have planned further, in-depth research in the form of case studies to be carried out in 30 companies (qualitative studies (2)) with a view to supplementing the conclusions presented.

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Appendix. The descriptions of the selected characteristics and determinants of business relationships in the internationalization process included in the questionnaire.

1. The formalisation level of the international expansion process

In practice, the international expansion process can be formally developed and adopted in strategic and operational plans. International expansion can also be spontaneous, as opportunities present themselves.

What formalisation level does your company represent?

- spontaneous character of international expansion
- spontaneous expansion with formal elements (e.g., planning selected activities in foreign markets in the short term)
- formalised international expansion, determined and developed in the company's strategic plans

2. The company's openness to cooperation

To put it simply, openness means a company's readiness to carry out selected activities in close cooperation with external entities (e.g., buyers, suppliers and competitors). Being closed to cooperation usually involves acting independently.

What level of openness to cooperation does your company represent?

- completely full openness to cooperation
- openness to cooperation
- partial openness / partial closedness to cooperation
- closedness to cooperation
- completely full closedness to cooperation

3. The level of trust in cooperation

In practice, trust most often means that the partner can satisfactorily meet the terms of the agreement, and that he will not weaken the partnership for short-term benefits.

What is the usual level of trust in your company's relationship with other entities in the process of international expansion?

- high level of trust
- moderate level of trust
- low level of trust

4. Psychic distance

Psychic distance consists of a set of factors that make it difficult for a company to operate in an international environment. These factors include differences in the development of particular countries, different business environments, different levels of education, and language differences.

Does your company cooperate with companies and markets that represent smaller psychic distance?

- definitely yes
- usually
- no
- this is of no significance