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Images of Internationalisation – from the Evidence of Spanish, Polish and Ukrainian Textile and Clothing Enterprises

Abstract

Strong competition from the Far East and the expiration of the Multi Fibre Arrangement (MFA) have led to the restructuring of the European textile and clothing industry. The relative stabilisation of textile and clothing companies was disrupted by the global financial and economic crisis of 2008. Given the way the textile and clothing industry functions and the prevalent models of competition, internationalisation provides good, realistic prospects for the development of European enterprises in that sector. This study compares small Ukrainian, Polish and Spanish enterprises in this respect. While they are characterised by different degrees of market maturity, they largely share the general characteristics of small and medium enterprises (SMEs). The results reveal three interpretative perspectives for the internationalisation of companies.

Key words: internationalisation, textile and clothing small and medium enterprises, Ukrainian, Spanish and Polish enterprises.

■ Introduction

The textile and clothing industry is dominated by the Far East countries. According to Eurostat, over one fourth of the world production of textiles and clothing comes from China. China's share in global trade is the largest and Chinese domestic demand is still on the increase. Since China joined the WTO and the Multi Fibre Arrangement (MFA) expired, the import of textiles and clothing from cheap labour countries has risen considerably. The process of internationalisation has gained momentum. In the face of the Far East competition, European textile and clothing enterprises found themselves in dire need of intensive restructuring. After a harsh period of transformation characterised by declining output, European enterprises achieved some stabilisation in 2006, but already in 2008 they were hard hit by the global economic and financial crisis, which meant decreased demand from Europe's primary trade partners, including the USA and Japan. The trade balance of the European

Union deteriorated considerably between 2004 and 2008 as textile imports rose by nearly 13%, while exports fell by nearly 0.5%, which resulted in a EUR 1 441 million deficit [1], compared to a trade surplus back in 2004. An important factor in the European textile and clothing industry is the demographic profile of companies, which are often small and concentrated in certain areas. Theoretically, this may further aggravate the negative consequences of the crisis as weak and small enterprises tend to be affected by the crisis more seriously. Despite the fact that Ukraine was severely affected by the crisis in early 2009, Ukrainian textile companies have retained a considerable potential for growth following from their export activity and thus stand a good chance of recovery. On the other hand, Polish companies and consumers are not in debt as much as their Western European counterparts. Therefore, Polish enterprises provide advantageous conditions for foreign investors, thus improving their internationalisation potential. According to the Polish Information and Foreign Investment Agency (PAIZ), the crisis has had no impact on foreign investments in Poland [2]. Consequently, enterprises may use the processes of internationalisation and globalisation to increase their chances of further expansion, innovation and financing.

Internationalisation of small and medium enterprises – definition of the subject matter of research

The internationalisation of management in small and medium enterprises

is a multidimensional construct defined by multidirectional relationships at the level of organisation forms, management methods and tools as well as market relationships and conditions. The internationalisation of an enterprise requires an approach that would integrate and summarise a practically applied business concept.

From a research viewpoint, another issue connected to management internationalization is the perspective of small and medium enterprises. To date, no definition of SMEs has been universally accepted. According to B. Piasecki [3], it is very difficult to arrive at a common understanding of the term "SME". Moreover, according to G. Loveman and W. Sengenberger [4], efforts to determine such a general definition are unnecessary. The notion of SMEs seems to be somewhat indeterminate, and is still evolving. Actually, the only constant characteristic of SMEs is their heterogeneity. In this sense, B. Piasecki [3] advocates "operational definitions adjusted to specific goals", pragmatically focused on specific entities and events. Furthermore, P. Dominiak [4] proposes an idiographic approach, *i.e.* he points to the relevance of qualitative definitions developed for particular case studies. At the same time, he claims that some general conclusions may be arrived at on the basis of "comparative research", as "only they (...) may provide an answer to questions about long-term (...) changes (...) in the population structure of companies". In the author's opinion, such relativism in terms of the subject matter of research, or even a lack of its definition, is not a

major methodological obstacle. Indeed, it seems that structural differentiation and heterogeneity may be the defining factors here. A comparison of similar population samples from countries at different levels of economic development may ensure the reliability of the results.

Cognitive assumptions and research approach

The methodological inspiration for this study was the contingency vision of the organisation advocated by F. E. Kast and J. E. Rosenzweig [5], who proposed the following assumptions:

- an organization is a system and consists of subsystems,
- a system has easy-to-define boundaries separating it from its environment,
- there exist relationships between an organization and its environment,
- patterns of these relationships may be identified,
- patterns may be presented by means of different configurations of variables,
- given the diverse picture of organisations emerging from the above, the situational context in which a company operates is found to be significant.

The contingency approach assumes context-dependent reasoning, which means that empirical reality may be explained in terms of categories of solutions adequate for specific cases. This author finds it particularly appropriate with respect to comparative research, where studied entities are heterogeneous and qualitatively diverse, which is the case in the textile and clothing industry. At the same time, contingency theory seeks relationships and patterns, which justifies large-sample research. In this case, 149 small enterprises in Poland, Spain and Ukraine were surveyed.

According to the research approach, enterprises were to be examined in terms of three main aspects: their external environment, internal environment, and current business activity. The study verified the accuracy of this assumption.

Research sample

The study examined small and medium textile and clothing enterprises in Poland, Spain and Ukraine. This particular choice of the companies' origin corresponded to

the logic behind the cognitive goals, as the study aimed to identify some relatively permanent characteristics of the internationalisation of textile and clothing companies, which requires reasoning at the level of middle-range theory.

Data collection

Primary data were collected during the author's own field research. Companies with fewer than 20 and over 50 employees were excluded. The first stage of the survey was aimed at the operationalisation, internationalisation and structuring of the research problem. Thus, the study used an open-ended questionnaire in some cases, supplemented by a questionnaire interview, and a pilot questionnaire was conducted. This stage of the survey involved 30 Polish, Spanish and Ukrainian companies. In terms of methodology the survey results made it possible to reliably develop closed questions without the risk of omitting any essential issues. At the second stage of the survey, a structured questionnaire was applied, primarily consisting of multiple-choice questions. All the questionnaires were personally delivered to company owners following a phone call or an e-mail providing the name of the person or company recommended (usually a prior respondent).

Methods

As the structure and logic of the research problem requires an explanation of the

multidirectional relationship between particular characteristics, multivariate analysis of data was used. This kind of analysis may reveal hidden relationships between variables, which enhances the reliability and accuracy of qualitative data. The survey included six issues:

- Market structure.
- Organisation structure.
- Collaborative activity.
- Competition determinants in terms of internationalisation.
- Internationalisation strategy.
- Current business activity (changes in costs, sales, employment and investments).

In terms of quality, the subject matter of research was defined on the basis of the competitiveness concept developed by J. M. Stankiewicz [6] and the company growth measure created by J. Wasilczuk [7], J. Rymarczyk [8], and A. Sznajder [9] (internationalisation strategies). Importantly, the subject matter was verified and its scope further defined during the questionnaire interviews.

Qualitative data were coded and cross tabulated. The subject of analysis included dichotomous variables and multiple-value variables described using the Likert scale. Some of the variables were combined into categories. The choice of variables for multivariate analysis was preceded by analysis of percentage distributions and symmetric measures, as well as by an analysis of variance and the Duncan test.

Table 1. Four models of the internationalisation of small enterprises. (Factor analysis based on indices and elementary variables. Method for identifying common factors: primary component analysis. Rotation method: Varimax with 6 iterations.) Own work.

Factor	Matrix of factor loadings after rotation			
	'Images of internationalization'	Polish case	Network and differentiation	Ukrainian case - outline
Motivation for cooperation	0.791	0.139	0.090	-0.240
Cooperation with foreign/ domestic companies	0.786	0.295	-0.025	-0.011
Key partners	0.710	0.064	-0.034	0.272
Competitive advantage	0.701	-0.003	0.141	0.098
Subcontracting/purchaser	-0.698	-0.435	0.058	0.164
Market structure	0.514	0.180	0.270	-0.062
Ownership structure	0.492	0.150	0.485	-0.144
Current business activity (without changes)	-0.092	-0.879	-0.104	-0.059
Current business activity (redundancies)	0.296	0.693	-0.040	0.305
Organizational structure	0.168	0.542	0.486	-0.231
Strategy	-0.012	-0.018	0.849	0.161
Revenues from subsidiaries	0.110	0.259	0.063	0.789
Country of origin	0.315	0.426	0.004	-0.535

Results

The Multivariate analysis (factor analysis) revealed 4 dimensions of the internationalisation of textile and clothing companies in Poland, Spain and Ukraine (cf. **Table 1**). The models were developed based on the factor loadings of elementary variables determined and on indices derived from them.

The results of analysis presented in this paper are part of the research material collected by the author in Spain, Poland and Ukraine, which was also used for a different analysis of company internationalisation in a previous paper [10].

What is noteworthy is the fact that the Kaiser-Meyer-Olkin (KMO) measure [11], used to test the adequacy of factor analysis, was not very high (0.75).

The first factor, called the “images of internationalisation¹⁾”, encompasses a considerable number of indexed variables with positive loadings, which indicates a substantial differentiation of characteristics. This factor describes Polish, Spanish and Ukrainian companies, as demonstrated in the analysis of variance and Duncan test. It is particularly valuable as it is significantly correlated with as many as five variables expressed by means of indices, and reveals their substantial differentiation. This model describes internationalisation in companies in terms of competition, motivation for cooperation with business partners, market profile and sources of competitiveness. A strong cor-

relation of these variables indicates that direct mutual relationships may be found. The comparative nature of the data made it possible to determine a structured picture of Polish, Spanish and Ukrainian companies (cf. **Table 2**). The next factor seems to be connected with the concept of network interrelationships and virtual organisations. The network is structurally diverse and thus facilitates a wide range of forms of cooperation between small local enterprises and large foreign partners. However, this model describes only large Polish enterprises which have made substantial investments. The third model, called *network and differentiation*, is dual as it corresponds to the concept of internationalisation through the development of network relationships. These enterprises are very diverse in terms of organisational forms (subsidiaries or trade agencies abroad, foreign suppliers and intermediaries, strategic partners) and internationalization strategies (imitation and isolation strategies, strategic differentiation according to market structures, etc.). This last factor may be treated as a basis for a model of enterprises characterised by considerable internationalisation, which describes Ukrainian enterprises according to marginal distribution analysis. This factor concerns a relatively small number of the companies under study, i.e. only those whose revenues from foreign operations are higher than domestic revenues.

An elaboration of the first factor made it possible to determine a profile of the market, cooperation and motivation for

cooperation with business partners. Data are presented by the country of origin of the populations under study.

The market structure was operationalised by the three most frequent patterns: clusters of small companies, or the dominance of a few large foreign or state-run companies.

The prevalence of small enterprises similar to those under study implies that the environment is conducive to network creation, which is observed in all the populations studied, in particular in Spain. No state-run behemoths operate there, unlike Ukraine, where they comprise a fourth of Ukrainian enterprises. What is noteworthy is that the presence of large foreign companies is also most significant for Ukrainian textile and clothing companies, while in Spain foreign companies are of less importance.

Similar tendencies concern involvement in the development of cooperation relationships with business partners. Foreign companies and large local companies represent a substantial contribution to the development of cooperation relationships in Ukraine, while in Spain they do not play a significant role. Spanish enterprises are not interested in seeking foreign investors at all, as they do not distinguish between foreign and domestic partners. Their vision of cooperation with business partners (9.8%) is focused on profitability rather than country of origin (foreign/domestic).

Seemingly, compared to other countries, the Spanish textile and clothing industry represents the smallest innovation gap. The study shows that only 2% of Spanish companies are motivated to cooperate by seeking access to technology. Perhaps as a consequence of substantial market saturation by foreign investors, products and technologies, there is no division into “worse” domestic businesses/commodities and “better” or “more advanced” foreign ones. At the other extreme, Polish and Ukrainian enterprises represent a totally different approach as they associate cooperation with access to technology, knowledge, international development, and higher sales and exports. The internationalisation of Ukrainian and Polish enterprises is aimed at building a competitive advantage based on foreign suppliers and customers. As regards Ukraine, the pursuit of access to technologies seems to be a clear manifestation of

Table 2. Three “images of internationalisation” – cooperation, motivations for cooperation with business partners, market profile, sources of competitiveness: Polish, Spanish and Ukrainian cases. - Own work.

Profile component	Variable	Percentage share in variable, %		
		Poland	Spain	Ukraine
Market structure	Prevalent type of companies: - a large number of small companies	76.1	84.3	71.2
	- a few large foreign companies	34.8	17.6	46.2
	- a few large state-run companies	17.4	0.0	23.1
Key partners	- large local companies	37.0	9.8	69.2
	- foreign companies	32.6	3.9	36.5
	- small local companies	60.9	33.3	44.2
	- the company is seeking a foreign investor	2.2	0.0	1.9
	- the company is seeking a partner	0.0	9.8	5.8
	- the company is operating on its own	23.9	66.7	9.6
Motivations for cooperation	- access to technology	13.0	2.0	26.9
	- possibility of development abroad	13.0	0.0	9.6
	- possibilities of higher sales	63.0	3.9	75.0
Sources of competitiveness	- lower prices	60.9	66.7	53.8
	- foreign customers	13.0	0.0	15.4

the innovation gap. Poland represents an intermediate stage between Ukraine and Spain, although qualitatively it is closer to the Ukrainian model.

■ Conclusions

Conclusions from the study are therefore quite complex; they strongly emphasise the idea of a network and at the same time allow for some split in interpretation depending on the country of origin, with its different market conditions and levels of economic development. It seems that in this sense the particularly strong factors differing the Ukrainian enterprises from Polish and Spanish are the fundamental issues relating to access to the European market. This is due to the fact that Ukrainian entrepreneurs must obtain entry visas. It is possible to apply for so-called multiple-entry visas: Schengen and national visas, although in such cases it is required of the inviting party to properly document the reasons for applying for a visa, describing the nature and frequency of travel [12] etc. The visa problem is particularly important because of possibilities of establishing partnerships, whose primary contribution is developing relationships and social ties.

The study also proved that there are strong reasons for further developing the research questions and determining the nature of the networks. Three images of the internationalisation of textile and clothing enterprises may be distinguished according to the level of economic development.

The study provides a systematised description of three cases derived from the most distinctive characteristics of the populations in question. In connection with the results, it would be interesting to compare and contrast the two most extreme cases: Spain and Ukraine. The conclusions for the Spanish textile and clothing companies are as follows:

- foreign investors and access to technology are insignificant in the process of internationalisation,
- compared to the Ukrainian and Polish enterprises, the innovation gap is small,
- large state-run enterprises are not important in the structure of competition, and Spanish enterprises do not distinguish between foreign and domestic companies. Along with a small innovation gap, this demonstrates that the approach to competition and cooperation is strictly business-oriented.

As regards Ukrainian companies, the conclusions are totally different and include the following:

- large state-run and foreign enterprises play a significant role in the development of cooperation with business partners in the context of internationalisation,
- access to technology is an important reason for internationalisation,
- there exists a considerable innovation gap,
- small textile and clothing companies rarely engage in internationalisation.

The common characteristics of Polish, Spanish and Ukrainian enterprises include the following:

- the closest environment of small textile and clothing companies is formed by other small enterprises,
- low prices are the key to achieving a competitive advantage,
- cooperation relationships between business partners, similar to network relationships, are crucial,
- there is a marked diversity of organisational and strategic forms.

The study sheds some light on certain long-term characteristics of the form and manner of the operation of small textile and clothing enterprises, such as the tendency to operate in an environment consisting of entities similar to them, building a competitive advantage through low pricing, business-oriented short-term adaptation of strategies, and cooperation. The enterprises under study differ considerably with respect to their level of innovativeness. While Ukrainian enterprises find access to technology an important reason for internationalisation, their Spanish counterparts do not consider it a factor that would motivate them to engage abroad. It seems that Spanish textile and clothing companies are characterised by a totally different cognitive perspective on internationalisation - they tend to interpret market reality in global terms and do not make qualitative distinctions between domestic and foreign products. The most important information about a product is its price. Undoubtedly, this would be the right direction for the development of Polish and Ukrainian textile and clothing sectors.

Editorial note

- 1) *The choice of the name was inspired by the title of a book by G.Morgan, Images of Organization.*

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