Chapter 3
Competitiveness of Polish International New Ventures from Managerial Perspective

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ABSTRACT

The key objective of this chapter is to describe and evaluate the main sources of competitive advantages and market strategies of Polish International New Ventures (INVs). Previous research showed that in the case of firms from the developed countries, the consistent implementation of competitive strategy was the decisive factor of success. It appears that the best competitive strategy for the Polish INVs is strong differentiation, because either it was related to higher evaluation of success or it has been at least "neutral" in the sense that it has never been related to lower (or worst) evaluation of success. Similarly, the second best strategy is strong price leadership (in this case the positive relationships with companies' success are weaker). The results of presented research brought an interesting observation of rather weak interdependence between the strategy type and the economic results of the Polish INVs. This conclusion may be explained by some macroeconomic factors, e.g. low labor costs, favorable exchange rate of Polish currency, etc., which heavily contributed to the success of Polish INVs and overweighed the shortcomings of strategy formulation.

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INTRODUCTION

Rapid expansion of market globalization since early 1980s has created incentives for many firms (including SMEs) to explore newly offered possibilities of international expansion. Some SMEs were established with a focus on international operations. They drew attention of researchers in the late 80s and early 90s of the last century. The term born global (BG) was first used in 1993 (Rennie, 1993), but until now, there is no widely accepted and universal term describing this type of companies. In the literature they are called, e.g., global start-ups (Jolly et al., 1992), international new ventures (Oviatt and McDougall, 1994), born internationals (Majkgard and Sharma, 1999), early internationalizing firms (Rialp et al., 2005), etc. The most common criteria for identifying born globals given by Knight and Cavusgil (1996) are as follows:

1. SMEs start international expansion within the first three years of operations, and
2. Earn at least 25 percent of their revenues on international markets.

The majority of authors stresses that born globals are typically operating in niche markets and technologically intensive industries. As small firms lacking substantial resources, or market experience they address their offer to the large absorptive markets of developed countries (Duliniec, 2011). Born globals are active in relatively homogeneous markets that enables them to apply standardized strategies suitable for the firms with limited resources.

It is worth mentioning that most of researchers conclude that in case of born globals established in developed countries, the consistent implementation of competitive strategy is the decisive factor for success. Initially, there has been a general agreement that market concentration strategy with clear offer differentiation should be applied (Knight and Cavusgil, 2005), but the results of later research didn't fully support that conclusion. For example, the analysis of American born globals shows that high profitability is strongly related to differentiation strategy and generates better results that market concentration (Gleason et al., 2006). On the other hand, the analysis of Belgian early internationalizing firms indicates that the enterprises operating in the high-tech industry achieve the success faster than their peers in the traditional sectors. These findings are leading to the conclusion that the company's success primarily dependents on industry characteristics (see e.g. Sleuwaegen and Onkelinx, 2010).