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ECONOMIC CRISIS AS AN INTERNATIONALIZATION TRIGGER IN A TRANSITION ECONOMY? ADDRESSING THE AMBIGUITY ISSUE

EXTENDED ABSTRACT

The economic crisis in the simplest terms is a sharp drop in the economic activity that manifests itself through decreasing GDP, increasing unemployment rate, decreasing investment activity, turbulent financial markets and increasing factor costs. Firms operating under the pressure of the economic turmoil have to think how to reconcile internationalization with the necessity of retrenchment in some areas of their operations. As experiences of firms have shown, the solution of the dilemma to expand or not in foreign markets in the crisis period may be ambiguous. It facilitates asking the question, whether the economic downturn always calls for the cutback of international operations.

This study provides a contribution to the research on internationalization triggers in the context of the last economic crisis with regard to firms from transition economy.

The factors triggering firms to internationalize have been discussed in the literature and led to execution of a great number of studies. Although the issue of internationalization triggers gained the attention of scholars, so far it has not been thoroughly discussed in the context of the last economic crisis with regard to firms from transition economies. We combined the results of the literature studies with our empirical, quantitative research.

Internationalization triggers of a firm can be defined as factors standing behind firms' internationalization. In the literature triggers of internationalization are used interchangeably with such terms like drivers, motives, stimuli, facilitating factors or antecedents. Firms may become infected by the syndromes of economic downturn through the impact of general economic, industrial and institutional factors. There are some interdependencies between the phenomenon of economic crisis and the factors working as internationalization triggers. As the literature studies revealed some companies will exploit the decrease of demand in the domestic market, the increase in the intensity of competition in the domestic market and the decrease of trust in the relationships with previous customers to foster their internationalization. Others may mute their internationalization ambitions. In that sense we may state that the nature of economic crisis from the perspective of the internationalization level of a firm is ambiguous.

We developed a typology of firms operating in times of economic crisis. The firms' types were distinguished taking into consideration two criteria. The first criterion is related to the firm's experiences of the economic crisis. It is assumed that the economic crisis manifests itself in external economic, industrial and institutional factors. The second criterion is the growth of the internationalization level. We identified four ideal types of firms: lucky - a firm that is aware of the economic crisis but doesn't experience itself negative changes in the external context and increases its internationalization level; apprehensive - a firm that is aware of the economic crisis but doesn't experience itself negative changes in the external context and doesn't increase its internationalization level; contender – a firm that is aware of the economic crisis, experiences itself negative changes in the external context, but apart from that increases its internationalization level; cautious - a firm that is aware of the economic crisis and experiences itself negative changes in the external context and doesn't increase its internationalization level.

It was interesting for us to what extend the typology is reflected in real existing cases.
At first using the information from the electronic databases AMADEUS we created a database for our research. In our database there were 2833 companies. 202 firms were contacted by a professional interviewer institution. 154 companies agreed to participate in the study and 149 gave answers to all questions relevant for the study. This constitutes a highly response rate of 74% and represents 5% of the identified population. We collected the data with the use of CATIs (computer-aided telephone interviews) from companies representing manufacturing sector. We chose to focus on the manufacturing sector since this sector in Poland includes highly internationalized industries. As Polish enterprises we understood firms registered and operating in Poland, regardless of the origin of capital. The study encompassed small, medium and large firms in order to get the most possible broad picture.
There was used the non-probability sampling technique – convenience sampling. The span of time taken under investigation covers 4 years. The objective of the paper required a comparison between the crisis and the post-crisis period. We assumed that data concerning the year 2009 depict the situation of the analyzed population during the crisis period, while the data concerning the years 2010, 2011, 2012 and 2013 illustrate the post-crisis period.
We used the cluster analysis to identify real firms' profiles presenting different experiences of the economic crisis and confronting it with the changes in their internationalization level. We followed a two-step clustering technique. We used three proxies of economic crisis in 2009 – the decrease in demand for firm products and services in the domestic market, the increase in the intensity of rivalry in the industry in the domestic market, the decrease in the level of trust in relationships with previous customers. And to evaluate the internationalization level of firms we used the following indicators - the number of foreign countries where the company is operating, the share of export sales in total sales and engagement in outward foreign direct investment (OFDI). Since we attempted to investigate if the economic crisis can accelerate the internationalization, we checked if there was any increase in these indicators in the years 2010, 2011, 2012 and 2013 in comparison to 2009. We identified four clusters.
In the last step we tried to associate the firms' profiles that correspond with the four clusters with the four ideal types of firms. As the whole population encompassed entities that encountered the economic crisis (some through the economic, some thorough the industrial or institutional factors), the firms represent two of the four ideal types – the type of contender or the type of cautious. The number of contenders was lower than the number of cautious. Fewer entities experiencing the negative alterations in their economic, industrial and institutional settings declared the increase in their internationalization level. More firms operating under the pressure of the crisis muted their internationalization aspirations and their internationalization level decreased or didn't change. We checked how many entities from particular clusters declared the increase in their internationalization level measured by - the number of foreign countries where the company is operating, the share of export sales in total sales and engagement in OFDI. It turned out that in each of the clusters no matter how severe the crisis conditions were, there were firms declaring the growth in of the internationalization level. In this context we can state that the economic crisis worked as an internationalization trigger. In the whole population of firms that participated in our study there are organizations eager to undertake foreign direct investment and broaden their market portfolio. It may be astonishing but entities operating under less favorable conditions preferred OFDI to exporting. It confirms to some extend the role of domestic market conditions in facilitating the firms' internationalization.
The results of our analysis demonstrate that the nature of economic downturn is ambiguous. This study suffers from some limitations. We focused on Polish firms and we used the convenience sampling, which limit the potential to generalize our findings. The future research could be conducted among enterprises from other transition countries.