Strategies implemented and sources used for the acquisition of information on foreign markets.

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Abstract: This paper observes on the sources of information used or not used by Greek internationalized manufacturing companies, in order to trace foreign market opportunities and insights into functions of foreign marketplaces, and the subsequent relevant strategies followed by these companies, as well as the special features that characterize and discern them.

Factor analysis recognizes two groups of information sources regarding foreign markets, named “institutional sources” and “inter-organizational and market cooperations’ sources”.

Cluster analysis classifies companies into two groups, the "aggressive information acquisition strategy adopting" and the "passive information acquisition strategy adopting".

Discriminant analysis and logistic regression revealed in most cases weak discriminating effects, with some interesting exceptions, that mainly have to do with internationalization intensity and the existence and implementation of outward looking strategies and commitment to the internationalization vision.

Keywords: Foreign Market Information, Strategy

DOI:

I. INTRODUCTION

Many studies on the relationship existing between organizational characteristics, business strategy and information management often ignore the initial step of the procedure, the data acquisition. Hence, before the information processing, managers must search for and obtain the required data, a step that is considered to be the most important in the information management chain.

The importance of assigning export information needs to the firm’s internationalization success is frequently emphasized in the relevant literature (Leonidou and Adams-Florou, 1999; Liesch and Knight, 1999). Moorman (1995) further underlines that information acquisition will guide to enhanced internationalization performance as it facilitates decision makers to better recognize marketing opportunities/threats for the improvement of their positioning in the international marketplace. Moorman (1995, p. 320) defined, information acquisition as “the processes involved in bringing information about the external environment into the boundary of the organization” (qtd in Yeoh, 2003).

Although the vital role of information acquisition that leads to the creation of organizational advantage has been recognized in the strategic management ground, there is limited research investigating the effect of firm specific foreign knowledge on its export performance (Morgan & Katsikeas, 1998). The little quantity of studies that did examine the performance effect of foreign information acquisition, however, reported important positive effect of such knowledge acquisition on export satisfaction (Wang & Olsen, 2002), new export product advantage, and market performance in host countries (Li & Cavusgil, 2000).

On the other hand, the restricted availability of information on locating overseas markets and conducting business abroad has frequently been quoted in the internationalization literature as a serious barrier to create sound internationalization business strategies (Leonidou, 1997). Following this spirit, a relatively recent survey among European businesses showed that 80% of the participants regard information acquisition as a strategic asset. At the same time, 78% of them think that their organizations are missing out on business opportunities by failing to utilize their knowledge base successfully (KPMG, 2003) (Raub & Von Wittich, 2004).

Common sense states that export market knowledge and export sales intensity are combined. But, how can a firm build up its foreign market knowledge? Does the social capital play a crucial role? Information, and its acquisition and exploitation, has been recognised by organizational researchers as the key resource to create sustainable competitive advantages (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998; Yli-Renko, Autio, & Sapienza, 2001) (qtd in Larsson, Bengtsson, Henrikksson, & Sparks, 1998). Mostly companies learn in two ways: through their own experiences or through the experiences of other organizations. Learning from own experiences includes experimenting and interpreting earlier outcomes. Learning from others means the transfer of information and knowledge embedded in products or processes or the transfer of knowledge in a more pure form (Hakansson et al, 1999).

Insufficient export information has often been regarded as resulting in greater psychological distance
from overseas markets, inadequate design and implementation of foreign business plans, and limitations in taking optimal export management decisions (Leonidou, 1997). To this end, the goal of this study is to recognize the sources of information acquisition used or not used by Greek manufacturing companies in order to support their internationalization activity. In addition, we endeavour to identify the strategies followed by these companies, referring to the export markets’ information acquisition. Finally, we attempt to find out the existence or absence of characteristics diversifying companies, according to the information acquisition strategy the use or not use, so as to expand their business activity to foreign markets.

II. METHODS

The survey instrument used for this study was developed through a comprehensive review of the internationalization literature and 10 personal interviews obtained from export directors, employed by 10 Greek manufacturing companies, representing various business sectors.

It takes the form of a structured questionnaire. The questionnaire survey lasted from May to November 2010.

For our research we used data collected from internationalized companies from all over Greece. A multi-industry sampling design was used, to broaden the generalize ability of the findings. Sample sectors include food products, mineral and ores products, chemical and allied products, rubber and plastic products, machinery, electrical, textile and mill products, medicines etc. These industry sectors represent a major volume of the Greek export activity. We excluded all companies belonging to the services sector.

We used a mail survey methodology for data collection, along with personal visits to the targeted firms. The key informant in our study is the “export sales manager/director”.

We received 157 usable responses. An effective response rate of 20.93% was attained.

Many issues were addressed in the questionnaire, but the responses used in the present study resulted from questions that asked the respondents to indicate the sources of information they use or don’t use in order to support their internationalized activity.

The factor and cluster analysis technique is used, as well as discriminant analysis, correlations and regression. For the factor analysis of the questionnaire data, principal components method was performed.

III. RESULTS

A. Factors under examination

According to the above and in order to explore the sources of information used by Greek internationalized manufacturing companies in order to support their business activity across borders, we examine the following variables we obtained through the comprehensive review of the internationalization’s information literature and the 10 personal interviews.

Embassies - Commercial Attachés, which function/are located to foreign markets and offer information about the market that they are located in.

Commercial/Industrial Enterprises of the Host Country, that may offer significant information to other companies interested to operate in the market, about the function of the market, the competition, potential cooperators, etc.

Institutional Organizations of the Host Country. In most cases we refer to public organizations. Their institutional role includes the diffusion of information about the local (host) market.

Consultants – Research Associates. Private companies or individuals, occupied with the offering of advice and information about business issues, including the foreign business activity.

The Hellenic Foreign Trade Board (HEPO). Public Organization founded in order to support exporters/internationalized companies.

Company’s Executives Seeking Information in Foreign Markets. Business executives specialized in information obtainment, regarding business opportunities in foreign markets. They visit the “candidates” for internationalization foreign markets.

Trade Shows, in Greece or abroad, where companies participate and find information and potential cooperators for their foreign activity.

Company’s Representatives Abroad. A person that represents the company to a foreign market and, among others, sends information about the function of the market back to the company.

A Greek company operating in the host country. A Greek company -cooperator already functioning in a foreign market, offers information about this market to other companies in Greece.

An executive of a Greek company operating in the host country. Someone in the company may be familiar with an executive (potential source of information for the company) of a Greek company located or functioning in a foreign market.

B. Factor Analysis

As measured in communalities table, provided by SPSS, we observe no low-valued communalities corresponding to any factor. Consequently, all variables are related more or less with some factor. Eigenvalues, varimax rotation and the scree plot verified the creation of two groups of factors. Overall, both factors “explain” the 60.124% of the variance, which is satisfactory percentage, since it exceeds 50%.

The first factor includes 5 variables correlated to each other: Embassies-Commercial Attachés, Commercial/Industrial Enterprises of the Host Country, Institutional Factors of the Host Country, Consultants – Research Associates and the Hellenic Foreign Trade Board (HEPO). We name that factor “institutional information sources”.
The second group of correlated variables created, includes the following 5 variables: Company’s Executives Seeking Information in Foreign Markets, Trade Shows, Company’s Representatives Abroad, Greek company operating in the host country and an executive of a Greek company operating in the host country. We name this factor “inter-organizational and market co-operations information sources”.

The reliability coefficient Cronbach alpha regarding the “institutional information sources” group of factors is 0.788. It’s value is considered to be very high (>0.7). Hence the reliability of the scale is quite high. In the fifth column of the Item-Total Statistics table, given by SPSS, we note that all 5 factors should be included, as the Cronbach’s Alpha if Item Deleted value for each variable is lower than the value of the group’s Cronbach Alpha.

The reliability coefficient Cronbach alpha for the “interorganizational and market co-operations information sources” group of factors is 0.580, not pretty high (<0.7). In the fifth column of the Item-Total Statistics table, given by SPSS, we note that all 5 factors should be included, as the Cronbach's Alpha if Item Deleted value for each variable is lower than the value of the group’s Cronbach Alpha.

C. Cluster Analysis

To identify the groups where the companies of the sample can be classified, according to the sources of information they used in order to identify opportunities to expand their business operations abroad, we use cluster analysis. Two groups of companies were created.

Of the 156 valid observations, 74 have joined the first group of companies and 82 the second.

The “Compare Means” table produced by SPSS, for the “Institutional Information Sources” factor, provides information about the mean of each variable belonging to this group of variables per cluster. Combining this information we can determine the status of the two clusters.

As shown, companies belonging to the first cluster of companies (total 70, 44.30%) have higher observations’ means for every variable, compared to the total mean. Similarly, firms belonging to the second cluster (total 82, 55.70%) show lower observations’ means for every variable, compared to the total mean. The first cluster’s means range at almost the same value for all variables (max:3,99 – min: 3,23), while the second cluster’s means range from 3,15-1,61.

Resuming, we observe that there is a group of companies that obtain information in order to their internationalization activity from “institutional information sources”, and an other group that does not and also there is a group of companies that acquire information so as to support their internationalization activity from “Inter-organizational Factors and Market co-operations”, while another group of companies does not. That means that there is a group of companies that follows an aggressive information acquisition strategy, because they do not rely on government or institutional information sources in order to gain knowledge on opportunities and the way of function of foreign markets. On the contrary, the commit resources, human and financial, they form network relationships and co-operations abroad, they use their own experiences and their co-operators experiences in order to learn. Of course, that doesn’t mean that they don’t use institutional sources of information at the same time, but their own data and information mining activities consist the main informational source.

On the other hand, there is a group of companies that rely on institutional sources to acquire information on foreign markets. This fact shows the following of a passive strategy on data and information acquirement. They just receive information collected by others, they are not getting involved in the information production, and they do not form their own perception on the market.

We may assume that the first group of companies has developed an outward looking development strategy and are dedicated to the idea of internationalization, while the second group of companies consists of hesitant internationalizers.

D. Discriminant Analysis & Logistic Regression

Our next step is to investigate on the special characteristics that diversify companies belonging to different clusters in order to verify or reject the above assumption. We use discriminant analysis to predict the cluster that each company will be classified, according to the specific characteristics it holds and then logistic regression in order to specify the important variables among the ones that the discriminant gave to us and to determine their effect (positive or negative).

We conduct discriminant analysis using the two clusters of groups of companies that occurred by cluster
analysis per factor and a wide range of characteristics related to the company structure and the management strategies applied or not applied by the companies of the sample. Then logistic regression follows.

For the first factor named “institutional information sources”, we observed that our sample splits into two clusters of companies, one using the “institutional information sources” in order to obtain information so as to support its internationalization activity and one not. The characteristics diversifying the companies using and the companies not using these sources of information, are, according to the discriminant analysis and logistic regression we conducted, the number of employees occupied in the special department of study/support of internationalization activities of the company (negative relationship), the existence of a written internationalization plan (positive relationship) and the existence of a branch in the foreign market (negative relationship). This means that the more employees occupied in this special department of the company, the weaker the probability that the company obtains information for its internationalization activity from “institutional factors”. The same thing is valid for the existence of a company’s branch in the foreign market. On the contrary, when a written internationalization plan has been formed, there is higher possibility that “institutional factors” have supplied information to the company.

As far as the second factor named “inter-organizational and market co-operations information sources” is concerned, the sample also splits into two clusters of companies, the one using this kind of information source and the other not using it. The characteristics diversifying the two clusters of companies were the existence of a production unit in Crete (positive relationship) and the existence of a co-operator in the foreign market that the company has directly or indirectly paid in order to promote its products (positive relationship).

The above results verify in general the assumption that companies that have an outward looking development strategy (it’s proved by the creation of a special department to support their internationalization activities, with many employees), that are internationally oriented (have a foreign branch), they follow an aggressive foreign involvement strategy (they pay a co-operator and they form networks (easier for a company located boarders to find another local company functioning abroad to co-operate), follow aggressive information obtaining strategies as well, committing resources towards this strategic goal. In addition, the existence of an internationalization plan, may lead to the recording and the utilization of all kinds of information sources available, including those deriving from state or institutional sources.

IV. CONCLUSION

This paper presents the results of an empirical research among 158 Greek internationalized manufacturing companies, investigating on the information sources used or not used by these companies so as to identify foreign market opportunities and to support the expansion of their business activity abroad.

The results showed that there is a wide range of information sources, factionalized as “institutional information sources” and “inter-organizational and market co-operation information sources”, used by the companies of the sample, according to the information obtaining strategy they follow, an aggressive or a passive one.

The analysis of the information strategy development in relation to certain organizational characteristics and other business strategies they apply, revealed in most cases weak discriminating effects, with the some interesting exceptions, that mainly are related with internationalization intensity and the existence and implementation of outward looking strategies and commitment to the internationalization vision.

REFERENCES


