

“ST. KLIMENT OHRIDSKI” UNIVERSITY - BITOLA

FACULTY OF ECONOMICS - PRILEP

THIRD CYCLE STUDIES

Doctoral Programme in Entrepreneurship and SME Management

Ph.D. Thesis

**INTERNATIONALIZATION OF FOOD PROCESSING SMES AND GLOBAL RETAILING
- THE CASE OF MACEDONIAN COMPANIES**

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PRILEP, MARCH 2015

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Abstract

The main purpose of this doctoral thesis is to analyze the current state of Macedonian SMEs that produce packaged foods in context of global retailing, which are at different stages of the internationalization of their business. Furthermore, the objectives of this dissertation are to locate the SMEs entre modes and problems (internal and external) perceived as an obstacles for the successful and rapid completion of the internationalization process, to examine the methods and strategies utilized in the planning and implementation of export activities, to define their competitive advantage in the global market, to determine the type of assistance expected from the wider community and to observe their relationships with global retail chains. This research covers the following internationalization dimensions: time, operation mode, market and products and brought answers to the main research questions of this study: "why", "how" and "when" Macedonian food processing SMEs manage their path toward global market and "what" are the implications on their international performances caused by the collaboration with the global retail chains. To achieve a high level of confidence of the research, the qualitative, case study approach was used. Subjects of observation are nine food processing Macedonian SMEs. The findings imply that the internationalization of the Macedonian food processing SMEs is imperative if they want to be in line with the trends in the FMCG sector and global retail industry. Collaboration with global and regional retailing chains has positive impact on the SMEs internationalization process and on their overall business performances. In some segments of internationalization they manage this process successfully, but they need further reorganization of their business and institutional support to manage this process as efficient as possible.

1. PROBLEM STATEMENT

1.1. Relevance of the topic

Small and medium - sized enterprises (SMEs) play critical role in all national economies. Countries' capacity to build on the growth, innovation and international potential of SMEs will be key point for their future prosperity. Within an environment of extreme globalization, internationalized SMEs have shown to have better capacity to innovative and grow (OECD, 2014). The link between exports and enhanced productivity/competitiveness is clearly established by numerous studies (Harris and Moffat, 2011); SMEs with international sales have higher sales growth than firms that sell only domestically (Burgel et al., 2000). The globalization for SMEs means that the natural or local environment is being constantly transformed and growing, which brings greater opportunities in the form of larger markets and new suppliers, but also threats in the form of greater competition and shorter life cycles. (European Commission, 2007)

Sooner or later, SMEs, especially from the small national economies, are "fateful" pushed to expand their geographic activity, extending from domicile market to the global world market. They have different motives and models of internationalization, encounter different barriers and receive different types of support. Expansion to foreign markets is very important, but also complicated, especially for SMEs within Macedonian economy which were established and framed to be active only in the national market or within the markets to the nearest (Ex-YU) countries. In fact, Macedonia is a small country, with still not well developed economy, with low growth rate of GDP, insignificant foreign direct investments, with coverage of imports with exports of around fifty percent, high rate of unemployment, poor living standard, low purchasing power of the population and drastic process of brain drain. Macedonian SME's according to data from the official institutions (Agency for promotion of entrepreneurship of R. Macedonia) make over 99% of the total number of registered economic entities. Only minor percentage of the total number of active Macedonian SMEs have export activities. This is why the process of internationalization of SMEs activities is an activity that has no alternative and the survival of the national

economy directly depends on this process. Such an international expansion process results in increasing their active role in the international market and of the whole national economy.

The SMEs' internationalization process in general has its own distinctive characteristics. It is even more distinctive for SMEs which belong to the food processing industry. Global retail and FMCG (Fast Moving Consumer Goods) segment, where food product items belong, are sectors in world economy which are exceptionally complementary, interconnected and inseparable from each other. Retailing is the final bound of FMCG with the end consumers within the supply chain, and consequently it provides a variety of functions for both, producers and end users. It is actually the channel which brings products to the end users. This means that retailing is the "epicenter" of the events and the "connective tissue" where the intertwined interests of all participants in the supply chain are met. Without full knowledge and functioning of latest trends in these industrial branches at the global level, we cannot build an effective performance of food processing companies in the global market.

In the last two decades, the global retailing industry is grievously hypertrophied. Global retail systems massively internationalize their business. The lion's share of their income comes from foreign markets, and, thus, the importance of national markets is significantly relativized. In this process, the retailing is changing from reactive to proactive sector in the world economy. Herewith, four characteristics are obviously significant in this restructuring: fast growth and international expansion of large firms, a more strategic approach, more complex organizational structures and more retailer coordinated value chains (Dawson and Mukoyama, 2006). All those conditions change the competitive paradigm and have dramatic impact on suppliers which have to make full adjustment to the new global economic environment.

The ongoing internationalization process of retail firms has very strong influence on food processing firms. This process is not new, however, it has accelerated in the last two decades (Zentes et al. 2007). Reduction and liberalization of tariff barriers and new communication technology noticeably facilitate the trade of intermediate and convenience food products across borders, so that, today, retailers are able to procure worldwide, or

simply said, it is a time of "global sourcing". Indeed, trade liberalization opens up new possibilities for SMEs. This process having or will have serious consequences on the food processing industries in terms of growing international competition, vertical integration and increased quality requirements (Hanf, 2009). But also, it offers outstanding opportunities for food processing firms to supply globally, because retail procurement alternates from predominantly national sourcing to global sourcing. Having in mind previous assertions, this is the exact point where we situate this doctoral research. More precisely, we want to explore the specific factors (immanent for food industry) that influence the food processing SME internationalization process, with special emphasis of global retailing as a factor that affects this process. For valid scientific research of this topic, it is necessary to have complete knowledge of the following areas: SMEs and their internationalization processes, the nature of the food industry as a part of FMCG sector and anatomy of global retail. All those patterns enable the topic, the subject of this scientific research, to be strongly multidisciplinary.

Studies about SME internationalization are relatively new comparing to those about multinational companies or about international trade in general. The internationalization process of small and medium firms in the last 2-3 decades has been subject of intensive scientific research. This is understandable if we take into account their significance for national economies, but also, for the world economy. Those are the reasons why SMEs have been studied from many different perspectives. Theories and models have been proposed to explain the international activities of the enterprises, including: the economic theory, the process or stages models, the innovation - related models (I-models), the pre - export and export - start models, the network theory and the international entrepreneurship theory (Mejri & Umemoto, 2010). The Product Life Cycle Theory by Raymon Vernon (1966, 1979), the Uppsala Internationalization Model (Johanson & Wiedersheim - Paul 1975; Johanson & Vahlne 1990), the Transaction Cost Theory (Williamson, 1971), the Internationalization Theory (Buckley and Casson, 1976), the Eclectic Theory (Dunning, 1980, 1988, 1995), the Network Theory (Johanson & Mattsson, 1988), International New Venture and Born Global concept (McDougall & Oviatt, 1996), the International Entrepreneurship Theory (McDougall & Oviatt, 2000), are some of the most important

theories that try to explain these complex processes of internationalization. Each of these models and concepts describe different aspects, dimensions and factors of the process of MNCs (multinational companies) and SMEs (small and medium enterprises) internationalization. But, all these models treat the phenomena of internationalization mainly on general basis without taking into account the specific characteristics of the industries in which companies operate within the value added chains.

On the other side, also in the last few decades, the food industry is massively globalized, as a result of mass internationalization of retail industry. Beside the large multinational food processing companies which are active on a global level, there is extraordinary large number of small and medium-sized enterprises active in the same industry. While the process of internationalization of the retail industry has been and still is a subject of extensive scientific observation (Gereffi,1994; Dawson 1994; Dicken, 1998; Doherty and Quinn, 1999; McGoldrick 2002; Wrigley, 2010), the number of research studies about the food processing SMEs is relatively low.

In fact, there are very few research studies regarding the influence of retail international expansion on the suppliers – producers of food products, especially if they are small and medium sized. We can find several studies that are linked to this issue: Dolan and Humphrey (2004); Hanf & Dautzenberg (2006), Azar (2011); Helay (2011); Hanf, Pall & Dautzenberg (2007), Musso and Francioni (2009) and Pepe, Musso and Risso (2010). This means that this area is not enough covered by scientific researches, at least not with same intensity that are covered some of the related fields (retailing industry, multinational food companies etc.).

1.2. Goals and objectives

The purpose of this doctoral thesis is to explain the phenomenon of internationalization of food processing SMEs and their correlation with the global retailing as a factor of their internationalization processes.

The goals of this research are focused in mainly two segments:

The first goal is by using of proven scientific methodology, to make attempt to measure and analyze the current condition of Macedonian food processing SMEs in context of global market. The objectives here would be:

- to locate their motives for internationalization;
- to determine the pace of this process;
- to detected factors which contribute for internationalization;
- to define their entre modes, and
- to estimate barriers (internal and external) perceived as an obstacles for the successful and rapid completion of this process.

Furthermore, we would like to examine the strategies utilized in the planning and implementation of export activities and the way of internationalization, and to define the type of assistance expected from the wider community.

This research will cover the following internationalization dimensions: time, operation mode, market and products and brought answers to the main research questions of this doctoral research work: "why", "how" and "when" Macedonian food processing SMEs manage their path toward global market.

The second goal is to analyze the impact of global retail industry to the internationalization processes of food processing SMEs, or, more precisely, the way in which is reflected cooperation with global and regional retail systems to the process of internationalization of food processing SMEs and their whole business activities, as well. The objectives to be achieved with this goal are:

- to measure and analyze the involvement of these systems in SMEs export activities;
- to measure and analyze the way of and pace of establishing cooperation with them on an international level;
- to measure and analyze the correlation between international expansion of the global retailers and international expansion of SMEs;
- to measure and analyze the impact of collaboration with large retailers to the improving of organizational, managerial and technical SMEs performances, in the context of their internationalization;

- to measure and analyze the influence of cooperation with large systems over the development of the production capacity, increasing the number of employees, introduction of new standards and controlling of the production processes.

In accordance to the previously elaborated objectives and aims, the general hypothesis of this research work is the that collaboration between SMEs and global retailing systems at international field positively influences on the process and level of internationalization of food processing SMEs and improves their overall performances.

1.3. Research questions

A case study design is used to analyze the data of nine small and medium food processing companies from R. Macedonia. The idea was to obtain answers of the following research questions:

- first, "**why**" Macedonian food processing SMEs internationalized their business activities;
- second, "**how**" they conduct the process of entering in the global market;
- third, "**when**" do they start with this process; and
- fourth, "**what**" are the implications of collaboration with global and regional retailers on process of internationalization of Macedonian food processing SMEs?

The research based on the case study model is "quite appropriate method for studying "why" and "how" questions" (Yin, 1989). It is intense, in-depth, detailed study or research of an individual case, where the focus is on the specifics (Ragin & Becker, 1992). That are the main reasons why the case study method was used for getting answer to the above research questions. With the combination of questions: "why", "how", "when" and "what", we get the answers which show a complete picture of the research topic.

In fact, these four questions can be more generalized to the following distilled form:

Which type of factors influence (positive or negative) the process of internationalization of Macedonian SMEs in food industry?

What is the impact of global retailing on the process of internationalization of Macedonian food processing companies?

This study investigates the international activities of the Macedonian food processing SMEs. The purpose of this research is to describe and propose more meaningful understanding of the Macedonian food processing SMEs in their efforts to valorize their businesses on the global market. Therefore, this research is trying to fill the gap that exists in scientific literature, taking into account that the studies conducted in R. Macedonia so far did not treat food processing SMEs export activities.

The economy, and thus, the market in R. Macedonia is small and there is a need to be inevitably part of the international trade cooperation in different fields. The foreign trade of agricultural and food products market is among the most important areas. Knight and Cavusgil, (1996) stated that “with respect to environmental factors, an important driver for internationalization relate to the size of the domestic market of the focal firm vis-à-vis the potential of the international market”, While Sapienza, Autio, George, & Zahra, (2006) recognized that “in a country where the domestic market size is small, internationalization is an important growth strategy”. So, the new trends on international food products market must be accurately recognized, and the ability to adapt to changing environment have to be well developed. The world has changed over past years, also a large number of multilateral trading systems from all around the world were involved in this process and it is a trend that is increasingly intensified. To succeed in a highly internationalized and globalized environment, food processing SMEs must fully adapt their businesses to those conditions. Additionally, the extra weight on this situation is that Macedonian food producers derive from an economy that is not well integrated internationally, with low rates of investment, with lack of financial resources, with very small percentage of GDP spending on innovation, etc.

The main question that triggers the researchers is how small and medium-sized food manufacturers originating from a small country manage their business in this highly globalized environment?

1.4. Significance of the research

By placing the internationalization activities of food processing SMEs in the context of the process of internationalization of large retail systems we can obtain the answers

that might be of crucial importance for the survival and growth of SMEs in the complex international environment. Entering into global retail system in one country, could open real possibility for SME to sell their products in all countries where the same retailing chain operates. In addition, the internationalization of SMEs' operations and collaboration with global systems can bring to the company different forms of benefits: enhancing business standards, increasing productivity, improving managing skills, raising technical performance, transferring know-how, increasing the employment etc. Exactly, the relations between the causes and consequences of the cooperation among Macedonian food processing SMEs and global retailing systems is the subject of interest of this research. Because this research aims to fully achieve the mission it will provide results that will contribute to the academic milieu, policy makers and practitioners. The research topic was carefully and extensively planned in order to achieve deep knowledge from the results obtained. All research steps were undertaken in a systematic manner, summarized, recorded and properly analyzed. At the same time, we bear in mind that neither the research process nor its results are intended exclusively to the scientific world, because research results are determined by all people who handle the results. For this reason, this research was intended to be creative, explorative and to encourage those who will use its results.

The results of this research can be extremely useful for SMEs in creating their policy towards the global market and large retailers. Further, the results of this study may have important implications for the creation of institutional support for their internationalization activities. More precisely, it can determine the most efficient policy of their support. Finally, research in this direction, can contribute for scientific consideration of this process and stimulate further researches, whose results and findings would have practical implication on the process of increasing of the international performances' value of food processing SMEs.

The importance of the research is based on the following points:

- First, there is lack of research studies which treat the SMEs internationalization in the developing countries. The most of these types of studies are related to the companies in developed countries and emerging markets. This is one of the very few studies that make effort to analyze the process of Macedonian SMEs internationalization;

- Second, considering that the focus of this research is placed on the Macedonian SMEs operating in food processing industry, it represents the first study that elaborates this area. There are many studies that attempt to explain the internationalization of SMEs businesses, but only few of them observe this process through the prism of the industrial branch where they belong. Although the main tendency is generalizing, each industrial branch has its own specifics, which in different ways and intensity affect the process of internationalization. Actually, exactly in that point is situated the significance of this study with aims to analyze the specifics of the internationalization of SMEs that belong to the food processing industry.

- Third, if for the above-mentioned cases, we can say that there are very few research projects, then we can claim that there is absence of studies that explore the impact of cooperation with big retailing chains on the SMEs internationalization process. The significance of this research study dealing with this topic comes from the fact that it is among the first attempts to capture the essence of SMEs internationalization process .

1.5. Structure of the work

When we set up the structure of this PhD thesis, as the main criteria were concision, clarity and consistency. There are different variations of the studies' structure, but the priority objectives of structural setting of this research are:

- first, the title of the study express the essence of the planned research and in same time is broad enough in order to incorporate all fields which are objectives of scientific treatment;

- second, the structure is a totally in function of the research;

- third, the structure cover all immanent fragments that are relevant to this scientific work, but at the same time, do not be buried in the peripheral details, and
- fourth, to give the fluidity or the natural flow of the chapters, from the title to final conclusions.

This study is structured into six chapters:

The first chapter of this study covers the problem statement. It defines the relevance of the topic, determines the objectives, describes research questions and shows the significance of the work and its delimitation. In fact, the content of this chapter provides an answer to the questions: Why am I doing it? and What do I hope to discover?

The second chapter is focused on the literature review. This part comprises current knowledge and review previous relevant works of crucial importance for this study. The chapter is divided into four sub-sections in which we present previous knowledge of: small and medium sized enterprises in general, in R. Macedonia, in food industry, then, SMEs internationalization processes with an emphasis on: motives, pace, factors, entry mode, barriers and support, after that, dimensions of SMEs internationalization: time, operation mode, market and products, and finally, the global market and retailing industry, with focus on: its characteristics, internationalization, trends and implication to food processing SMEs.

The third chapter presents the theoretical frameworks related to the processes of internationalization. This part includes various internationalization theories in order to touch the essence of of this phenomenon from different aspects. In this way we get greater picture of the researched topic. This chapter goes through all major internationalization theories, with special emphasis on those that treat the point of interest of the study. Based on the theories preview gap was determined and research was in that point situated.

The second and third chapters, in fact, provide answers to the questions: What is known? and What is unknown?

The fourth chapter describes the research methodology. In this section are listed all phases of research process, starting from the case - studies approach and the reasons why we selected the qualitative methodology. After that, we determine the investigated

subject and samples, questionnaire design, the operationalization of survey and process of data collection. Validity and reliability of collected data were described. Finally, collected data were analyzed. This chapter basically, gives answer to the following question: How am I going to discover it?

The fifth chapter is focused in the process of case analyzing, as an integral part of qualitative methodology. This chapter is divided into two parts, the first, in which is the individual analysis of nine selected enterprises, and second, in which is situated cross-case analysis from the aspect of the research questions. Research findings of both parts are presented and the main results of the study underlined. This section answers the question: What have I found?

The last, sixth chapter summarizes the key findings in form of concluding remarks. It aims to explain the implications of the results for policy makers, managers and researchers. Further, it emphasizes the limitation of the study and makes recommendations for future researches on this topic. This part provides answers to the questions: What does it mean? What are the possible applications and recommendations? What contribution does it make to knowledge?

1.6. Delimitation of the study

The field that this research covers is really quite extensive: small and medium sized enterprises, internationalization, food industry and global retail systems. To this point should also be added the geographical location of the planned research - R. Macedonia. With respect to a given topic, the research with different intensity touches any of the above mentioned areas. This is why we needed significant amount of accuracy to determine the intensity to which each of the above mentioned area will be treated. We applied highly precise approach to setting the boundaries of the research, having always in the mind that the delimitation of the research, limits survey's obtained results.

The delimitation represents all those characteristics that limit the scope and determine the boundaries of the research. The delimitations are under researcher control (Simon, 2011). Defining the boundaries of the research means precisely determining of:

topic, objectives, aims, research questions, the scientific literature that is considered, theoretical framework, variables which are subject of interest and segment chosen to be researched. But first, delimitation begin with choice of problem itself. All these boundaries must be set correctly in order to control the scope of research.

Given the complexity of the study area the following restrictions were defined. This study treats Macedonian SMEs engaged in manufacturing of food products. It was taken into account to select various enterprises in terms of production range in order to obtain a cross-section and full profile of whole food processing industry. Furthermore, all investigated SMEs had to be involved in international activities. We measured the parameters within the same period of time for all companies. When we describe the international activities of SMEs we actually refer to their two forms: export and foreign subsidiaries. The imports and foreign direct investments, as forms of internationalization, are not in the scope of this research. While, those retail systems that have their own stores in two or more countries were defined as global and regional retail chains. Delimitation of the study was framed in two main points:

- factors that influence to the process of internationalization of Macedonian SMEs in food industry, and
- the impact of collaboration with global and regional retail chains on the process of internationalization of Macedonian food processing companies.

Thus, the results of this research are, in general terms, relevant to researchers, policymakers and practitioners who are interested for a) Macedonian SMEs, b) who operate in food processing industry, c) its internationalization process, and d) what is the implication of collaboration with large retailers abroad on their internationalization and overall business performance.

2. LITERATURE REVIEW

2.1. Small and medium sized enterprises (SMEs)

In order to understand exactly the essence of SMEs, first it is necessary to be determined and explained what actually they are. Researchers and different economic and non-government organizations attempt to describe and define SMEs, but despite that fact there is no single, uniformly acceptable definition of SMEs (Storey, 1994). The most common used factor that determines SMEs are the number of employees, then turnover and total balance sheet. Colloquially, SMEs term is used to indicate the small size companies and to distinguish them from large companies.

Various authors have different approaches in defining small businesses. Dawes (1999) introduced "economic" and "statistical" SMEs definitions. "Statistical" definition emphasizes three important moments:

- First, in order to quantify size of the companies use criteria: gross domestic product, number of employment, exports and innovation;
- Second, the changes of SMEs contribution to the sector were various over the time.
- Third, the comparison of SMEs contribution in one country with that in other countries.

According to the "economic" definition in order companies to be determined as SMEs they have to satisfy three criteria: small market share, managed by owners without formalized management structure and to be independent companies, not part of a large companies.

Furthermore, because a lack of consensus in SMEs defining (Curran & Blackburn, 2001) various countries take in consideration different criteria. For instance, in USA and Canada SMEs should to have less than 500 employees. In Japan, it depends of industry in which companies belong to: manufacturing (less than 300 employees), wholesale (less

than 150) and retail (less than 50). According to the European Union definition, SMEs are those enterprises with less than 250 employees.

For the purposes of this thesis we use the definition given by the Commission of the European Communities (Commission Recommendation, 2003/361/EC). According this act, European Union as SMEs classified enterprises using following criteria:

1. Number of employees and
2. Either turnover or balance sheet total

Table No. 1. EU classification of SMEs

Company category	Employees	Turnover	or	Balance sheet total
Medium - sized	< 250	≤ € 50 mil.		≤ € 53 mil.
Small	< 500	≤ € 10 mil.		≤ € 10 mil.
Micro	< 10	≤ € 2 mil.		≤ € 2 mil.

In The Annual Report of European SMEs 2013/2014 (European Commission, 2014) were presented data in favor of claim that "SMEs form the backbone of a country's economy" (European Commission, 2014). This report shows following figures: In EU 28 (28 countries EU members) there were 21.2 million SMEs in non-financial sector, in 2013. They account 99.8 of all enterprises in this sector. SMEs employed 88.8 million people or 66.8 % of total employed and created 3.666 trillion EUR, which is equivalent to 57.9 % of total value added in non-financial sector or 28% of total EU 28 GDP. Expressed with other words, 99 of every 100 business are SMEs, 2 of 3 employees are in SMEs and 0.58 EUR in every euro of value added.

This report includes and analysis SMEs of countries candidates for membership in EU (Macedonia, Turkey, Serbia, Albania) and other non EU countries (Norway, Iceland, Israel, Liechtenstein). SMEs share in generating of employment and value added in this group of countries is also very high. In those countries SMEs accounts 60% to 70% of all

labor forces (in R. Macedonia is 66%), while in terms of value added, SMEs accounting from 65% to 75% of all value added in non - financial sector (in R. Macedonia is 75%).

The situation in context of SMEs importance for national economy is the similar in USA and Japan. According the above mentioned report of European Commission (2014) USA has 18 million SMEs in non-financial sector, while Japan 3.9 million. In USA, SMEs create 48 million workplaces, in Japan 33 million, which means that in both economies, SMEs employed more than 50 % of all people employed in non - financial sector.

These data and figures illustrate the critical importance of SMEs for the world economy, and consequently, the reason why they became the subject of extensive analysis and research.

2.1.1. SMEs - general overview

Besides the number of employees, turnover and balance sheet total, SMEs have other inherent characteristics which differ them from large companies. Organizational structure of SMEs has organic differences than structure of big companies (Ghobadian & Gallear, 1996). There are "absence of standardization and the prevalence of loose and informal working relationships" (Ghobadian & Gallear, 1996). Those SMEs attributes resulted with high flexibility to external changes (Levy & Powel, 1998) and capability to survive in rapidly changing environment, where fast adaptation and innovation are the main factors of success. SMEs have simple organizational structure and lack of hierarchy, which is a reason of its flexibility and close relations between entrepreneur / owner / manager with employees (Ghobadian & Gallear, 1996).

The typical SMEs characteristics are described by Hollensen (2001):

a). Organization. Close relationship between employees and entrepreneur / owner / manager. They can easily interact with each other.

b). Risk taking. In situations of internal or external instability or when there is not valid information, entrepreneur / owner / manager take risk on decision making.

c). Flexibility. Simplicity of organizational structure and fast flow of information (internal and external), giving them the opportunity for fast reactions, flexibility and adjustment to the market circumstances.

d). Limited resources. Resources (financial, managerial, technological) that SMEs have at their disposal are limited. This is limiting factor for their survival and faster development. Therefore, the development of enterprises depends on the ability of entrepreneur / owner / manager to generate new and greater resources (Welsh and White, 1981).

e). Informal management style. The management model of SMEs is mostly informal. The managing functions are completely concentrated within the hands of the owner, while employees do not have a concrete specified tasks, but do various operations depending on the specific situation (Kotey, 1999 and Kotey & Slade, 2005).

These typical SMEs characteristics may create advantages or disadvantages in SMEs internationalization process. Recklies (2001) systematized it in following groups:

Table No. 2. SMEs advantages and disadvantages

Characteristics	Advantages	Disadvantages
Dependence on a one person (entrepreneur / owner / manager)	<ul style="list-style-type: none"> Long term thinking Stability No pressure for short term results High level of business identification Stable firm culture High commitment Decisions centralization 	<ul style="list-style-type: none"> Static thinking, limited to entrepreneur / owner / manager level of knowledge and experiences Difficulties in adaptation of firms culture to the new circumstances Discrepancies between firm objectives and owner's personal objectives
Close relationship with	Solid ground for current and	Reliance and focusing just

business partners and customers	<p>future operations</p> <p>Ability for collaboration in mutual interest</p> <p>Possibility for strategic partnerships</p>	on existing business base
Simple organizational structure	<p>High flexibility and adaptability</p> <p>Fast reactions</p> <p>Internal cross-functional communication and cooperation</p>	<p>Inability to complex planning and introducing of new methods</p> <p>Lack of willing for implementation of more sophisticated organizational structure</p>
Small size	Specialization and niche marketing strategy	<p>Limited financial assets for investments</p> <p>Initial operating losses for new projects</p> <p>Limited number of staff that would be able to specialized in different tasks</p> <p>Lack of international cumulated knowledge and experience</p> <p>Costs for marketing research and foreign market entry proportionately are much higher than in large enterprises</p>

Adapted from Recklies (2001)

Furthermore, Nicolescu (2009) describes the general features of SMEs organizational system. The main elements of those features valid for SMEs organizational structure are:

a) Low size and complexity; small number of employees, job positions, departments; low control; low number of hierarchical levels (usually 2);

b) High typological diversity. They operate in all industrial fields and branches, with different number of employees, concentrated or distributed from territorial aspect, specialized or diversified, family and not family owned;

c) Intensive human size. Small number of involved people, with frequent and high interconnection among them, put the human dimension as the most intense;

d) Low degree of formalization; informal style of managing the firm process. There is no rigid determination of system's elements and procedures;

e) Strong interconnection of formal and informal elements. Informal human relationship predominant and relativize formal elements;

f) Relative process and structure simplicity; small firm size with a few employees create simple structural system with uncomplicated procedures;

g) High flexibility; high degree of adaptability to external changes caused by small resources and small volume of operations which are not complex. Decision power is situated in one person (owner / entrepreneur / manager) which reduce reaction time; direct contact of decision makers with all exogenous factors;

h) Entrepreneurial customization. The most often SME stands as the "mirror" of entrepreneurial business philosophy and vision, personality, knowledge capability, education, previous experience, willing for innovation and learning;

i) Intense decisional centralization. Usually, management with company is concentrated in one job position (owner / entrepreneur / manager);

j) Relatively frequent use of the authoritarian and participative approach. Entrepreneur/owner/manager keeps under control all SMEs management function creating authoritarian system. But, in recent time, especially in medium sized companies there is process of management dispersing as more efficient then authoritarian one.

All this characteristics and features of SMEs determined them as an unique organizational form with different performances then large companies, which is very important to know for researchers, policymakers and practitioners in creation of its attitude to this economic entity.

2.1.2. SMEs in R. Macedonia

The number of research studies that aim to explore the area of SMEs performances in R. Macedonia is somehow satisfactory, but much less than those existing in developed countries. One of the main reasons for this situation lays in the fact that the occurrence and development of Macedonian SMEs, as a modern economic entities, began only in the early nineties of the last century, a period when the process of independence of Macedonia's economy has started, which had previously been a part of Yugoslav federation. In addition, during the same time the restructuring and transition of the Macedonian economy has begun along with the abandonment of socialism. "The transition process in R. Macedonia started in very difficult circumstances. Macroeconomic indicators inherited from the former state were very unfavorable: the negative growth rate of gross domestic product, high inflation, high unemployment rate and relatively high internal and external debt" (Fiti et al., 2008). Although Macedonian economy in the period of socialism was relatively more liberal compared to the economies of other socialist countries of Eastern Europe, still entrepreneurship has not been developed properly and private enterprising in fact is a recent phenomenon. In 1991, when R. Macedonia became an independent country, the number of small and medium enterprises was barely 9.703 (European Commission, 2007). Establishing of The National Enterprise Promotion Agency

(NEPA) in 1997 was the first organized form of assistance and support to the Macedonian SMEs. At the beginning of 2000's awareness of the importance of small businesses to the national economy has risen and more articulated approach to this issue has begun. In 2002 the Ministry of Economy of R. Macedonia published an SME Strategy paper covering a ten year period (2002 to 2013), together with an action plan for implementation of the strategy for the period 2003 to 2006 (European Commission, 2007). The Agency for Promotion of Entrepreneurship of R. Macedonia was established in 2003 and represents a central state institution for support of the entrepreneurship and development of small business in the R. Macedonia. In 2004, more systematic approach was applied, by creating statistical reports with intention to show the real situation in the small businesses sector in R. Macedonia. These annual reports are made by a team of the Observatory of SMEs for the purposes of Ministry of Economy of R. Macedonia. The main source of information for annual statistical reports of SMEs in R. Macedonia is the Central Register of R. Macedonia. The Observatory also collaborates with the State Statistical Office, the Ministry of Economy, Ministry of Finance, commercial banks and participates in projects implemented by relevant institutions (Agency for promotion of entrepreneurship of R. Macedonia, 2014).

In accordance with the Companies Act of R. Macedonia (2004), there are some differences in SMEs classification in R. Macedonia comparing with the definition given by the Commission of the European Communities (Commission Recommendation, 2003/361/EC).

Table No. 3. Comparison between SMEs definitions of The Companies Act of R. Macedonia and EU

EU definition for SMEs		The Companies Act of R. Macedonia definition for SMEs
Micro	<p>< 10 employees</p> <p>≤ € 2 mil. turnover</p> <p>≤ € 2 mil. balance sheet total</p>	<p>< 10 employees</p> <p>< € 50.000 turnover</p> <p>No more than 80% of gross income achieve</p>

		from one client
Small	< 50 employees ≤ € 10 mil. turnover ≤ € 10 mil. balance sheet total	< 50 employees ≤ € 2 mil. turnover ≤ € 2 mil. balance sheet total
Medium	< 250 employees ≤ € 50 mil. turnover ≤ € 43 mil. balance sheet total	< 250 employees ≤ € 10 mil. turnover ≤ € 11 mil. balance sheet total

Source: Annual report for SMEs sector (Agency for promotion of entrepreneurship of R. Macedonia, 2014).

The share of SMEs in most countries is between 95% and 99% of the total number of enterprises. In R. Macedonia the SMEs sector is 99% of the total number of existing enterprises. In 2013 the total number of active enterprises in R. Macedonia was 71.290, of which 69 790 or 98% are micro and small enterprises, 1.291 or 1.8% are medium-sized enterprises and only 209 or 0.2% are large enterprises (Agency for promotion of entrepreneurship of R. Macedonia, 2014). These data are very strong indicator that SMEs are the main engine of economic activities in R. Macedonia.

SMEs in R. Macedonia employed 375.087 in 2013, which means that almost 4/5 or 77% of total employed persons are working in Macedonian SMEs. Concerning the income generated by SMEs, it is stated that they participated with 67.3% of the total revenue of all enterprises at the national level in 2013. The greatest part of micro and small enterprises operated in trade sector (25.999 or 35.7%), then in processing industry (7.509 or 11.1%) and after that in transport and logistic (6.044 or 8.5%). Medium-sized companies mainly are active in processing industry (347 or 26.8%), then education (296 or 22.9%) and health and social care (116 or 8.9%), according to the Agency for promotion of entrepreneurship of R. Macedonia, 2014.

According to the Eurostat (2012), in R. Macedonia were registered 1.712 manufacturers of food products. 82% of them (1.407) were micro companies, 243 or 14 % were small - sized firms, and medium companies were 51 or 3%, which means that more than 99% of all Macedonian food processing companies are SMEs. According the Macedonian Chamber of Commerce (2014), in R. Macedonia agriculture with the food

industry employs 10% of the total employees and accounts 18% in the total GDP (agriculture and fisheries 12% and food processing industry 6%).

Concerning the publications or articles for the internationalization processes of Macedonian SMEs situation is even worst. This area is almost completely uncovered with research studies or analyses. It is possible to find only a few materials that deal with the internationalization of Macedonian small businesses (Risteska & Daskalovski, "Internationalization of Macedonian SMEs", 2007), or a general research for groups of countries which encompasses Macedonian SMEs (European Commission "Internationalization of European SMEs", 2010). This implies that there is absence of systematized data, and until now, the phenomenon of internationalization of SMEs in R. Macedonia has not received the appropriate attention at an academic level and it is not well explored.

2.1.3. SMEs in food processing industry

Food processing industry is one of the leading sectors of the world economy. According to the data of World Bank (2006), the food processing industry accounts 10% of worlds' GDP and "processed food sales are major component of global food market accounting for about three-fourths of total world food sales" (Waage et al., 2010). In the last 40 years the value of international trade in food has tripled, the tonnage of food shipments between nations has grown fortyfold, while population has only doubled (Halweil, 2002). Besides of its importance as a separate industrial sector, food processing industry is also characterized by complexity of the value chain. "This chain links the procurement of agricultural raw materials, through their processing up to their presentation for human consumption and includes their economic distribution. As a result, this industry involves multiple players such as farmers, input suppliers, manufacturers, packages, transporters, exporters, wholesalers, retailers and final customers with different and changing interests, cultural attitudes and dimensions" (European Commission, 2007). To this asseration should be added marketing industry, with regard to the FMCG nature of

food products, so all together are extremely complex and interrelated sector of world economy.

“The food system activities are grouped into four categories: producing food, processing and packaging food, distributing and retailing food and consuming food. The first three categories constitute the food supply chain” (Ericksen, 2007). *Producing food* refers to all operations that as result have production of raw food material (agriculture and livestock breeding). *Processing and packaging food* includes operations which are undertaken to transform the raw food material (animal, vegetable and fruit) into products ready for sale. In fact with processing and packaging activities raw food materials gain added value, but also change some of their basic characteristics (shelf life, content, nutritional value). *Distributing and retailing food* involves all operations concerning the transfer and flow of food from one point to another, as well as the marketing activities during that process. *Consuming food* is a set of activities in which are involved: selecting, preparing, eating and digesting food products.

In this value chain, some stages, as retailing, are extremely concentrated. According to Euromonitor (2008) the top 15 global retailing chains had more than 30 % of retailing sale worldwide. From other side, although the giant multinational food producers, extremely expanding their overseas activities, the top 50 food producers accounting less than 20 % of the overall packed food production (Euromonitor, 2009), concentration ration in world food processing industry is not so high. This fact implies that local and regional food processing companies possess some competitive performance (Grant, 1996) in the competition with multinational corporations which has ensured them better positions in the global market place.

There are numerous data that confirm that SMEs are the backbone of food processing industry. According to "Competitiveness Report 2013-2014" of Food&Drink Europe: "99.1% of European 286.000 food and drink companies are SMEs. SMEs account for 51.6 % of turnover, 48.8% of value added and 64.3 % of employment in Europe's food and drink industry" (Eurostat, 2011).

In rapidly globalized environment, the both, large and small food processing enterprises have different, unique advantages that allow them to coexist in the global market (Rogers, 2001). "The global food industry is characterized by many types of food manufacturing firms operating with different market orientations. Some produce only for a local market while others have extensive geographic coverage. Size, degree of product diversification, and ownership structure are important characteristics of food companies" (Bolling & Gehlhar, 2001). According the same authors, despite these general characteristics, food processing companies, regardless of their size, range of products or ownership structure, should possess strong corporative identity expressed in quality of their business operations and final products, values they created and links with customers, partners and society. Enterprises with flexible organizational structure, as SMEs, are able to adapt themselves quickly in accordance with the circumstances and needs in constantly changing markets.

World food market is permanently evolving. Consumers preferences are changing, new technologies are applying, but also linkages among all parts of food supply chains become increasingly complex. The large retail systems (international, regional and national) are main mediums through which the food manufacturers' products are transferred to the customers. Taking into account their massive concentration and enormous market share at the global level, establishing collaboration with them is imperative for small and medium sized food producers. "Of increasing importance is the manufacturer's ability to establish business relationships with supermarkets and other retail chains" (Regimi & Gehlhar, 2005).

"Adaptation and readiness for collaboration are the two key elements that characterized the presence of food SMEs in the international supply chains of large retailers" (Pepe, Musso & Risso, 2010)

According to Pepe, Musso & Risso (2010) the largest retailing chains prefer to collaborate with SMEs food suppliers for at least two reasons: a) because of asymmetry of power (in favor of big retailers) they easier control supply chain, and b) food processing

SMEs as suppliers are more flexible and have a shorter reaction time to the large retailers demands. SMEs as partners of global retailers have to offer their competitive values - flexibility, adaptability and fast reaction time, which are the basic SMEs features. Because "firms with a flexible business structure that enables them to respond to demand signals and a more focused market orientation are more competitive in global markets" (Regmi & Gehlhar, 2005). By strengthening the big clients' position in the market, through their competitive products, de facto food processing SMEs strengthens its market position. In highly globalized environment "SMEs represent the "local aspect" of global procurement processes of large retailers" (Pepe, Musso & Risso, 2010).

2.2. Internationalization of SMEs

Internationalization has been the subject of observation of many researchers. Despite this fact, there is no single definition or consensus of what exactly it means (Gibb, 1993). Definitions usually vary according to the angle of observation of different researchers. Also, new manifestations and trends which appear in the process of internationalization are mostly the reasons for further adaptation or upgrading of existing definitions. Welch and Luostarinen (1999) defined internationalization as "outward movement towards firms' engagement in international operations". They argued that it is "the process of increasing involvement in international operations". For Calof and Beamish (1995), internationalization is "the process of adapting firms' operations (strategy, structure, resource) to international environments". Beamish (1990) argued that internationalization implies "the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future and establish and conduct transactions with firms from other countries". Javalagi, Griffith and White (2003) observe internationalization as phenomenon "through which a firm moves operating solely in its domestic market to international markets". According Cuervo - Cazorra, Maloney and Mankrakhan (2002), this process is in fact transference of "some resources across national borders, either indirectly through their embodiment in products, or directly as foreign direct investment". Regardless the number of variations in defining this phenomenon "these cross - border links that characterize the process of

internationalization are typically expressed in terms of "engagement in international operations", international transactions", "transference of resources across borders", entry into new foreign markets" and "foreign sales" (Seifert, 2010).

Considering the significance of the internationalization process for both, SMEs and national economy, number of scholars have investigated all immanent phases of this process: primary ideas and initiatives, motives and drivers, factors, barriers, pace, modes and forms of support. Leonidou (1998) determine that the most dynamic and critical determinant of export behavior is export stimuli that include: incentives, motives, triggering cues or attention evoker. Surveys of all these particular stages, in fact complete the picture of internationalization essence. Therefore, internationalization behavior of SMEs and their strategy in this context should not be considered as separate and different of company's overall behavior and strategy (Welch and Welch, 1996), but as integrative part or result of company's general strategy.

However, after several decades have passed since its occurrence, the mass globalization process has entered in every dimension of our living and affected almost every business entity to be faced with international challenges. This situation has strong impact on the business operations of the national economies, large companies, small businesses and individuals. It was actually a trigger for changing the perception of international market and forced them to think and act globally (Forsman, Hinttu and Kock, 2002). International sales and marketing, global sourcing, international joint venture and acquisition, international cooperation and alliances, foreign direct investments are some of the forms and channels where companies perform their international roles (Kalinic & Forza, 2011). At the beginning of globalization, the main protagonists of this process were the large multinational companies. They are still the main executives of this process, but in the meantime, in the global market milieu number of SMEs have appeared whose significance for the world economy is highly relevant (Knight, 2004, Oviat & Mc Dougall, 2005a). The importance of SMEs efficient cross border activities is analogue with their significance and contribution to the national economies.

Within the literature, the traditional view of small businesses is that they are usually domestic-market oriented and relatively closed for international influence. Internationalization was more often related with large multinational companies and economies of scale, while SMEs in terms of this process were perceived rather as subjects of threats than opportunities (Lindmark, 1998). Notwithstanding, selling on foreign markets is an imperative for many small and medium firms (Reuber and Fisher, 1997). This statement is especially evident for SMEs operating in small national market with limited absorption power (such as Macedonian one). According to Reuber and Fisher (1997), the small domestic market cannot support much growth, and, thus, domestic SMEs are forced to "play" abroad, in spite of lack of resources: managerial, financial, informational and external barriers: market imperfections, regulations, lack of support. (Buckley, 1989).

Consequently, "what is benefit of SMEs internationalization?", is one of the crucial issues in SMEs internationalization analysis. In research study of European Union in 2010 were presented arguments that are in favor of being internationalized. "There is a positive correlation between being internationally active and reporting high turnover growth" (European Commission, 2010). The results of this study indicate that over 50% of SMEs involved in various forms of international activities increased its turnover, whereas the total number of SMEs it is 35%. Internationally active SMEs generate higher employment growth: exporters' employment growth is 7%, non exporters 3%; importers employment growth is 8%, non importers 2%, SMEs involved in both, export and import 10% employment increase, others 3% and SMEs with FDI abroad employment growth 16%, other 4%. According the same survey, internationalization has strong impact to the SMEs innovative behavior . 26% internationalized SMEs had products which were novelty in its domestic market, for others it was 8%. Internationally active SMEs were also more agile in terms of process innovation (11%), compared with no internationalized SMEs (3%).

"A proactive attitude to the global competition and markets is increasingly becoming not a choice but a matter of necessity. Each company must adopt internationalization as

part of the strategic search for the company's competitiveness and not as a reaction to times of reduced national demand" (European Commission, 2007).

Therefore, the process of internationalization of SMEs is not just an activity of selling abroad and finding foreign customers or suppliers. To have a successful internationalization, SMEs have to make radical changes in business philosophy and firm's culture, strategic planning, risk taking readiness, open mind for innovations and continuous learning.

2.2.1. Motives for internationalization

For a comprehensive understanding of the SMEs' internationalization process, there is necessity for in-depth analysis of the genesis of this phenomenon. What initiates and what are the motives for launch in foreign operations are the basic questions in attempt of explaining this phenomenon. In general, motives for internationalization are classified as: proactive and reactive (Czinkota, 1982) or pushes and pulls (Bartlett, 1991), which basically includes the same groups of internationalization motives. Czinkota and Ronkainen (2001) say that: "proactive firms go international because they want to, while reactive ones go international because they have to". Before begin with international activities, someone or something, whether from outside or from inside, has to initiate company's international operations (Hollensen, 1998). Internationalization stimulating factors exist if the company identifies business opportunities in foreign markets and possess unique characteristics, free operative capacity, home market is limited, domestic competition presses and encouraged by foreign subjects. These internationalization stimulus are operational only to the extent that they are brought to the attention of the company's decision makers (Miesenbock, 1988).

From the points of initiation of internationalization and who triggers its realization, researchers (Johnston & Czinkota 1982; Leonidou, 1988) determine internal (firms) and external (environmental) motivations. Internal motives are linked with inside performances of the company, while external motives are related with impact of environment (domestic and foreign) to its international activity. Proactive (pull) motives are inward firms forces

which take company to the internationalization path, while reactive (push) internationalize motives are in fact company response to the environment irritations. Proactive motives imply building systematic international strategy. Reactive motives are spontaneous company's reaction to the changes in external ambience. The both motives, internal and external should to be strong enough to trigger impulse in the decision making in initialization of export (Cavusgil, 1984).

According to Dunning (1995) there are four different groups of motives for internationalization: a) market seeking - access to new foreign markets, b) resource seeking - access to better and cheaper resources, c) efficiency seeking - access to the resources which improve degree of company's efficiency, and d) strategic assets seeking - access to high technology and core competence improvement.

The group of authors (Albaum et al. 1995) structured integrative model which includes proactive (pull), reactive (push), internal and external internationalization motives:

Table No. 4. The systematizing of internationalization motives

	Internal	External
Proactive	Managerial instinct Company growth Profit increasing Marketing advantages Economies of scale Unique company's performance Exclusive information	Foreign market opportunities Change agents Tax benefits
Reactive	Risk diversification Extend sales of a seasonal products Excess capacity of resources Proximity to customers	Unsolicited orders Small domestic market Stagnant or decline home market Competitive pressures

Adapted from Albaum et al. (1989)

2.2.2. Pace of internationalization

The pace of internationalization, in fact is the speed or rhythm in which SMEs internationalize their business activities, or more precisely, by which rate of progression internationalized its business. If it is considered as general statement that SMEs with its internationalization get positive impulse of overall business operations, then defining the factors that accelerate the pace of internationalization have the great importance. Factors which are the main drivers of internationalization, also affect its speed: entrepreneur's international orientation and affinities, unique characteristics, competitive advantage, market opportunities. But, those who gave the greatest acceleration of the internationalization pace are recent environmental changes. Rapid globalization, new communication technologies, trade liberalization have crucial impact on increasing the pace of internationalization. This forces caused faster company's internationalization, entry modes are more direct and rapid (Hedlund & Kverneland, 1985) and SMEs began to plan their strategies globally, skipping a lot of steps that earlier had to go through (Madsen et al, 1997).

Two measures define the main indicators for the pace of internationalization: As how many the number and type of foreign markets an SME is entering in a certain period of time and the mode of entering (near or far away from domestic market in terms of psychic distance). Although some parameters affected by the environmental changes are greatly under the level of attention needed: "physic distance has become much less relevant as global communication and transportation infrastructures improve and as markets become increasingly homogeneous" (Bell, 1995).

Traditional internationalization theories as Uppsala (stage) model (Johanson & Vahlne, 1977) describe internationalization as incremental process in which the SMEs gradually become involved in international business and enter foreign markets. According to the "traditionalists" SMEs internationalize its business like "rings in the water". Their foreign markets knowledge rise gradually and hence its risk is reduced. At first operate at the nearest, neighboring markets, using the least risky entry modes, and after that, using

"step-by-step" principle, their international performance became more complex. But, in the new environmental conditions, some SMEs use different internationalization patterns. Authors Oviatt & McDougall (1994) and Knight & Cavusgil (1996) are of the viewpoint that "in highly internationalized markets, firms may leapfrog some of the stages or rings in the water" and just since its inception fully internationalized its business (Born Global model). So the question is why some SMEs have slower pace of internationalization, but some of them are doing it very quickly? Madsen, Servais & Rasmussen (1999), state that the firms in the modern global market have the possibility to choose their internationalization strategy, including the pace of its internationalization. Both, degree of competition and demands for international competence have increased. From one side, there are the bigger opportunities to go global, but from other side, competition became fiercer. Both of them speed up the process of internationalization. But, in fact, the pace of SMEs internationalization, among other factors, in great deal is "determined by industry and other environmental variables as well as internal firm-specific factors, such as resources, organization, strategy and product" (Hagen, 2010), the size of home market (Bloodgood, Sapienza & Almeida, 1996), and management's attitude to risk-taking (Knight & Cavusgil, 1996).

2.2.3. Factors for internationalization

While most companies today are to a certain extent globally connected, enormous development of the communication technology, the processes of reducing trade barriers and deregulation and economic restructuring and liberalization have further intensified the process of globalization. "As a result, today's companies, including SMEs, have to respond to markets at an increasingly faster pace" (Pleitner, 2002). But, regardless of highly globalized environment, someone or something, either from inside or outside the firm, must motivate and initiate the strategy of the internationalization process (Hollensen, 1998). There are internal (firm related) and external (environmental) factors that stimulate the SMEs internationalization process. These factors in the last few decades have contributed a large number SMEs from predominantly domestic orientation to become

international players (Gjellerup, 2000). Therefore, it is of great importance to identify the factors that stimulate this process.

The number of researchers and studies investigate and explain those factors and mainly can be classified in following five groups: a) motivational factors, b) firm - specific factors, c) key personnel factors, d) external factors, and e) industry factors.

a) Motivational factors

This group of factors reaches the essence of SMEs internationalization process, namely, how it is initiated, stimulated, managed, maintained, operated and stopped (Morgan, 1997). Different researchers classified those factors in general as: proactive and reactive (Hollensen, 2001; Czinkota, 2002), pushing, pulling and interactive pushing-pulling forces (Etemad, 2004) and internal and external change agents (Crick & Chaundhry, 1997).

Table No. 5. Proactive and Reactive Factors

Proactive Factors	Reactive Factors
<ul style="list-style-type: none"> - managerial urge, - profit growth, - economies of scale, - unique products, - technology competence, - foreign market opportunities, - marketing advantages, - tax benefits. 	<ul style="list-style-type: none"> - small and saturated domestic market, - competitive pressures, - overproduction, - proximity of international customers, - declining domestic sales, - risk diversification, - extend sales of seasonal products

Adapted from Czinkota, Johanson & Ronkainen (2002) and Hollensen (2001)

Different types of classification of SMEs internationalization factors provide Etemad (2004). He grouped those factors as: push (internal drivers), pull (external, environmental) and interactive push and pull forces (mediating forces).

Table No. 6. Push, Pull and Interactive push and pull forces.

Push Forces	Pull Forces	Interactive Push and Pull Forces
<ul style="list-style-type: none"> - Key managerial skills, - Economics of activities, - Competition and strategy characteristics, - Innovation and technological changes, - Unique products and market characteristics, - Strategic approach of international activities. 	<ul style="list-style-type: none"> - International trade liberalization and deregulation, - Advanced achievements in communication and transport technology, - Interest and resources of foreign partners, - Satisfied international needs of foreign buyers. 	<ul style="list-style-type: none"> - Industry characteristics, - Access to financial resources, - The pace of progressive changes, - Affecting of capacity, products and resources. - Internationalized needs of customers and suppliers.

Adapted from Etemad (2004)

The third selection is done by Crick and Chaudhry (1997) and they determined two different types of agents. First, internal change agents: unique firm advantages, production capacity, volume of unsold products and business activities as consequence of additional orders. Second, external change agents: accidental orders, affect of institutional supports, influence of economic and political integration, actions of various organizations (Chamber of commerce, banks), and economic and trading ambient in domestic and international markets.

b) Firm - specific factors

Those factors can be summarized as: firm characteristics, firm competencies, firm resources and entrepreneurial orientation (Bell et al. 2007; Knight & Cavusgil, 2004; Jones and Coviello, 2005).

Table No. 7. Firm – specific factors

Firm Characteristic	Firm competencies	Firm Resources	Entrepreneurial orientation
<ul style="list-style-type: none"> - Size, - Age, - Structure, - Products, - Industry, - Ownership, - Location 	<ul style="list-style-type: none"> - Knowledge based, - Resource based, - Situational based 	<ul style="list-style-type: none"> - Managerial - Personnel, - Financial, - Knowledge, - Physical, - Organizational, - Network 	<ul style="list-style-type: none"> - Take risk, - Innovation implementation, - Recognize opportunities, - Autonomous and proactive behavior, - International experience

Adapted from: Zahra et al. (2002); Fernandez & Nieto (2005); Prahalad et al. (1990); Knight & Cavusgil (2004); Calof and Beamish (1995).

Although all these factors with different intensity initiated SMEs internationalization process, some authors, such as Ibeh (2003), and Sapienza et al. (2006) argue that the central factor which stimulates the SMEs internationalization process is the possession of managerial skills and international experience of the firm owner/manager. The competence of the owner and the management team to recognize international opportunities is the key factor that initiates this process.

c) Key - personnel factors

Founders, owners, managers and decision makers of the company are the key - personnel factors of SMEs internationalization process. Their influence to this process depends of intensity in which they are involved in managing of the company (Bjerke and Ind, 2007). This group of factors includes five categories: philosophical aspect, social capital, human capital, international orientation and personal characteristics.

Table No. 8. Key - personnel factors

Philosophical aspect	<p>Values, attitudes and perception of internationalization</p> <p>Knowledge of foreign markets, triggering or obstruction</p> <p>Anticipating benefit, risk and cost of internationalization</p>
Social capital	<p>Ability to transfer idea of internationalization to the others and to use their knowledge</p> <p>Timely and updated foreign markets information</p> <p>Foreign markets procedures and regulations knowledge</p> <p>Identification of foreign markets selling channels, partners, agents</p>
Human capital	<p>Skills and knowledge of staff</p> <p>Experience, education and training</p> <p>Knowledge of personnel about management, foreign cultural characteristics, law and habits</p> <p>Knowledge o stuff about commercial and technical issues</p>
International orientation	<p>Vision and perception for internationalization</p> <p>Education background</p>

	Formal and informal international contacts Language skills Knowledge of foreign customers and competitors Experience of foreign cultures
Personal characteristics	Previous international experience "Global mindset" Knowledge of foreign languages High level managerial characteristics

Adapted from: Jones and Coviello (2005); Wiklund and Shepard (2005); Lloyd-Reason & Mughan (2002); MvDougal, Oviatt & Shrader (2003).

d) External factors

Those factors are outside of the company view, but related to the environment where company operated and have strong influence to firms' international perspective. They include four groups of factors: market environment, governmental features, environmental characteristics and competitive environment.

Table No. 9. External factors

Market environment	Governmental features	Environmental characteristics	Competitive environment
Size	Regulations	Political	Price
Sales potential	Export/Import policy	Economic	Performance
Infrastructure	Customs procedure	Social	Design

Consolidation	Endowments	Technical	Trade marks
Concentration	Incentives	Legislature	Brands
Degree of internationalization			

Adapted from: Jones and Coviello (2005); Root (1994);

e) Industrial factors

Those factors are linked with industrial branch where SMEs belong. Each industry has specific characteristics which create ambience where SMEs internationalization occur. The two main segments are: industry structure and economy of scale.

Table No. 10. Industrial factors

Industry structure	Economy of scale
Capital intensive	Mass production
Concentrated	Focusing
R&D and innovations	Specialized and customized
	Business commitment
	Networking

Adapted from: Vahlne and Nordstrom (1993); Morgan et al. (1997);

2.2.4. Entry modes

The process of mass globalization and integration of world market have opened new perspectives for small and medium businesses. Finding new foreign markets is one of the most important challenges of contemporary SMEs. In that light, one of the main decisions for SMEs is the selection of their entry mode. "When firms plan to enter a new market, the decision of entry mode is an important one since it can be of considerable

significance to the firm's success in the market" (Woodcock 1994). Greatly, the efficiency of internationalization process depends on the selection of correct foreign markets and the use of the exact entry mode. In the creation of their strategies - how they will approach foreign markets, SMEs use different methods. Those different methods are affected by large number of internal and external factors which influence on the selection of the entry mode to international markets. Root (1994) specifies those factors:

Table No. 11. Entry mode internal and external factors

Internal factors	External factors
Country product factors Company resource-commitments	Target country market factors Target country production factors Target country environmental factors Home country factors

Adapted from: Root (1994)

Internal factors are related with the ability of production distinguishing product with specified competitive benefit (Country product factors) and based of enterprise resources: management, financial assets, organization, technology and marketing skills (Company resource-commitments).

External factors include: foreign market size and its competitive structure (Target country market factors), production factors in targeted foreign country: quality, quantity, raw material prices, workforce, economic infrastructure and other issues related with production (Target country production factors). Further, as external factors are determined geographical distance and political, economic, cultural and social characteristics of foreign market (Target country environmental factors). Market, products and environment in SMEs home country also influence entry mode (Home country factors).

Entry mode is subject of number researchers. They in general classified several entry modes. As a main criterion in selection of SMEs' entry mode, researchers emphasize the control, because it is the most important pattern for success of their

international investments. "Control determines risk and returns" (Anderson & Gatingnon, 1986). In this context (control, return and risk) those authors classify entry mode in three different categories: high control entry mode (high risk - high returns), medium control entry mode and low control entry mode (low risk - low returns).

Root (1994) proposes following entry mode classification, which is widely accepted: export (indirect and direct), licensing, joint venture and fully owned subsidiaries. No one of them is perfect. Different type of business, different foreign market or different situation must be taken in consideration during the selection of entry mode. Each of them has strength and weak sides. When entering into foreign markets SMEs have options to do that in several various ways. They select the one according its resources, product and industry characteristics, condition of home and foreign market, expected foreign opportunities, accumulated international experiences and institutional support.

Kaffash, Haghikhah & Kordloue (2012) suggest following classification of SMEs entry modes, with its advantages and disadvantages:

Table No. 12. Classification of SMEs modes

Entry modes	Different mode	Advantage	Disadvantage
Export	<p><i>Indirect:</i> the simplest way to foreign market entering by using intermediary, usually in the first stage of internationalization</p> <p><i>Direct:</i> direct export of products to the foreign firm</p>	<ul style="list-style-type: none"> • Quick foreign market entering. • No investment. • Low risk • Product control • High return 	<ul style="list-style-type: none"> • Low returns • High cost • Time consuming
Strategic Alliances	<i>Licensing:</i> right to exploitation the foreign	<ul style="list-style-type: none"> • Low risk 	<ul style="list-style-type: none"> • Rivalry

	<p>license subject during a specified time. The subject of the license can be models, inventions, ideas, patents, production process, know-how, brands and trademarks.</p> <p><i>Franchising:</i> company (the franchisor) licenses its trade name (brand) and its mode of operation (operating system) to particular person or group (the franchisee) who agrees to operate in accordance with the terms of the contract (the franchise). The franchisor provides the franchisee support and, in some cases, has some control over the mode of operations of the franchise.</p> <p><i>Joint venture:</i> two or more companies merge part of their assets in order to achieve predetermined business venture.</p>	<ul style="list-style-type: none"> • Quick access to advanced technology • Better service performances • High level of control • Stable business processes • High rate of capital return • High level of political and economic risk • Access to superior technology 	<ul style="list-style-type: none"> • Low profitability • Need for improving the control function • Un-expected and unintended influence of franchise rights donor • Higher initial investment • Probability for cultural barriers • Appearance of
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		<ul style="list-style-type: none"> • Local support benefit 	<ul style="list-style-type: none"> • rivalry for the holder of technology
Foreign Direct Investment	<p><i>Acquisition:</i> The acquisition is a business combination in which one of the enterprises shall acquire control over the whole or part net assets and operations of another firms</p> <p><i>Subsidiary branch:</i> Establishment of branches or companies abroad</p>	<ul style="list-style-type: none"> • Develop the market position • Using cheaper workforce • Access to cheaper raw materials • Skillful human workforce • Lower tariff and limitations • New employment opportunities • Developing subsidiary industry • Lower taxes 	<ul style="list-style-type: none"> • New consumption pattern • Negative cultural influence • Negative political influence • No care for national interest • Negative affect of poor local units

Adapted from: Kaffash, Haghikah & Kordloue (2012)

Despite all above presented entry modes, because of its limited resources, the most common entry mode in foreign markets used by SMEs is export (Fernandez and Nieto, 2005). In comparison with other entry modes (FDI, franchising etc.) export is less risky and does not require substantial resource commitment (Lu and Beamish, 2001).

2.2.5. Barriers for internationalization

During the process of internationalization SMEs face different kind of barriers that hinder this process. It is extremely important to understand all obstacles they meet on their path to the foreign markets. This is exactly the reason why internationalization barriers have been the subject of many conceptual and empirical studies. "Export barriers are all those attitudinal, structural, operational and other constrains that hinder a firm's ability to initiate, develop or sustain business operations in overseas markets" (Leonidu, 1995). Single barrier has no power enough to fully stop the process of SMEs internationalization, but the combination of internal (firm and product characteristic) and external (industry, macro - economic and political characteristic) factors, in great degree may hinder or even stop this process (Johanson and Vahlne, 1977; Cavusgil and Zou, 1994). Internationalization barriers' are usually considered at two levels: first, barriers facing those firms that have not yet been internationalized and second, barriers faced by firms which have already initiate international activities (Morgan, 1997). SMEs that have not yet international experience as the most common barriers have: firm size, lack of foreign market knowledge, no international experience, and limited financial resources. Unlike them, for the exporters the main barriers are: limited financial resources, difficult access to capital, lack of institutional support, and limited foreign market knowledge (Shaw and Darroch, 2004).

SMEs' managers are often willing to understand what triggers and what hinders the process of internationalization. This is because the internationalization of SMEs becomes the essential part of the their business strategy. Cavusgil and Zou (1994) have built a conceptual model in which they have systematized barriers of SMEs internationalization in two general groups: external and internal. Internal barriers are related to the firm characteristics, while external barriers are related to the characteristics of the business environment.

Table No. 13. Internal and external SMEs export barriers

External barriers			Internal barriers	
Industry barriers	Market barriers	Macro-environment	Firm barriers	Product barriers
Industry structure	Customer barriers	Direct export barriers	Market knowledge	Product quality
Competition	Procedural barriers	Indirect export barriers	Financial resources Human resources	Technical adaptability

Adapted from Cavusgil and Zou (1994)

In line with the above classification is the survey of European Commission (Internationalization of European SMEs, 2010) which covered 27 EU countries and 6 East European non - EU countries (including R. Macedonia) where one of the main topic of research were barriers of SMEs internationalization. According this research as a main obstacles of SMEs internationalization by relevance are the follow ones:

Table No. 14. The main SMEs internationalization barriers

Internal barriers	External barriers
<ul style="list-style-type: none"> • Price of firm's products • High cost of internationalization • Quality of firm products • Qualified personnel • Specifications of firm's products • Language • Other internal barriers 	<ul style="list-style-type: none"> • Lack of capital access • Lack of adequate public support • Lack of adequate information • Costs or difficult paper work for transport • Laws and regulations in foreign countries • Tariffs or other trade barriers in foreign countries • Cultural differences • Tariffs or other trade barriers in home country • Other external barriers

Source: Survey 2009, Internationalization of European SMEs

The results of this study show that there is no significant variations in responses, depending on the size of the company (micro, small or medium), but there are differences between SMEs already involved in international activities and those SMEs that are not yet internationally active but have plan to start. This fact confirms Morgan (1994) thesis that barriers have different influence to the international active SMEs and non internationalized SMEs.

Another research of European Commission ("Final report of Expert Group on Supporting the internationalization of SMEs", 2007) summarizes the main barriers which are consistently repeated along other surveys (OECD - APEC, 2006; UNECE 1997) in three main groups:

- a) Insufficient managerial time and/or skills required for internationalization;
- b) Lack of financial resources;
- c) Lack of knowledge of foreign markets, mostly consequence of the previous two.

Understanding the essence of SMEs internationalization barriers is important for implementation of an activity plan which will reduce their impact and will determine effective institutional support of this process.

2.2.6. Support for SMEs internationalization process

The process of SMEs internationalization is full with uncertainties and challenges, high economic and political risks, demanding substantial capabilities and resources (Mariosole, Varum & Pisicctelo, 2013). In general, small and medium sized companies, unlike the large ones, have lack of managerial, financial, organizational and technological resources, which increases the possibility of failure of this process. Given the importance of SMEs and their successful internationalization for national economies, it is of crucial importance the implementation of adequate institutional support policies. "Yet the most potent argument in favor of governmental support lies on the fact that SMEs play a key role in stability and potential of any national economy. They need to be supported to acquire the capabilities needed to compete successfully in the international market"

(European Commission, 2007). Therefore, the challenge of any government is to develop such policy and provide SMEs support mechanism that will eliminate the obstacles and give incentive for efficient internationalization, thus, helping them to globally integrate their activities. The public support is mainly in to two directions, first, encouraging new firms to enter international markets, and second, stimulating exports of already exporting firms (Spence, 2003; Gorg & Strobl, 2008). This means that any successful policy of supporting internationalization, must take in consideration barriers and drivers of this process. Removing barriers could produce results in short and medium time-period, while stimulating drivers of internationalization could create platform for long term internationalization policy (European Commission, 2007). Coordinated activities between government support agencies, business associations and banks and SMEs is the key mechanism for developing successful support policy. It implies a holistic approach to solving this problem and to involve as many stakeholders as possible. The support should be tailored to SMEs with different degrees of export commitment.

As a most valid tangible support to SMEs internationalization process, the European Commission (2007) suggested those directions:

a) Individualized support. Each firm has specific characteristics, resources and capabilities. It should be screened individually and in depends on its internationalization readiness, should propose programs for increasing firm's overall international performances;

b) Financial support. Due to the fact that as main barrier for SMEs effective internationalization is lack of financial resources, the institutional support must develop mechanisms which will make relative this barrier (financial consulting, access to loans, financial instruments, trade insurance);

c) Networking. Support of building networks is of crucial importance because they play key roles in, first, getting valid information system and second, establishing effective cooperation among firms;

d) Sector programs. Beside general characteristics, each industrial branch has specific position in the global market. So, the support should be adapted to the characteristics of the industry (high- tech SMEs faced different problems when enter into global market then food processing companies).

2.3. Dimensions for SMEs internationalization

In SMEs efforts to internationalize its business, they usually use accumulated positive experiences and follow certain patterns that have been proven as successful. This scheme in fact is internationalization development strategy of the enterprise (Ruzzer & Konecnik, 2006). It is based on the available resources, which can encourages or de-stimulate this process. The internationalization strategy is an integral part of the overall business strategy of the company, because it is consequence and extension of general firm strategy (Welch & Welch, 1996; Andersson, 2000). For understanding the essence of international strategy developing it is necessary to understand the dimensions which are related with this strategy.

Ansoff (1957) established so-called "Ansoff Matrix" of corporate grow strategy focused on the company's products and markets. Luostarinen (1979) upgraded Ansoff's two dimensional model of product-market, in order to incorporate the internationalization processes during the designing of firm's strategy. This so-called POM-Model consists of three dimensions of internationalization: first, product (P) - "what" firm operates (products, services), second, operation mode (O) - "how" firm operates (direct, indirect, branches, licensing), and third, market (M) - "where" firm operates (market and environments). In last few decades, as a result of drastic political, economic and technological changes, SMEs rapidly reduce the time of their internationalization. Therefore researchers (Ruzzer & Konecnik, 2006) propose the time dimension as a fourth strategic dimension of internationalization.

2.3.1. Product

By entering foreign markets, the companies need to decide what will they actually offer. Selection of products or services which will be offered in foreign markets is considered as one of the most important strategic decision of SMEs' internationalization (Welch and Luostarinen,1993). Research has shown (Luostarinen, 1979; Lehtinen & Penttinen, 1999), that SMEs usually to the foreign markets introduce its products gradually and in a certain sequences. Because of cultures and lifestyles differences, many companies have to adapt their products to the requirements of local markets, in which they are forced to implement various standards and regulations. The trend of unifying the consumer tastes and homogenization of markets, simplify international business and consequently is increasing the international trade. The degree of standardization / adaptations of individual categories of business such as products / services, marketing, employee training, or branding may be variables that representing a category of products or services (Ruzzer & Konecnik, 2006).

2.3.2. Market

The second dimension of internationalization is selection of target markets. Foreign markets may largely differ from the domestic market, but also from each other. These differences can have a crucial impact on the process of foreign markets selection and developing appropriate international marketing strategy (Ruzzer & Konecnik, 2006). Some authors (Johanson and Vahlne, 1990) argue that SMEs in the initial phase of their internationalization select to enter into foreign markets that are most understandable for their managers and that are geographically nearest to the home market. As very common SMEs' decisive factor influencing the selection of the foreign market for initial entrance is the smallest physical and business distance (Luostarinen, 1979). Market distance not only means the physical distance but has wider meaning, such as cultural, political, legal and economic differences (Johanson and Vahlne, 1977 and 1990). This concept implies that the greater foreign market distance requires greater knowledge. But, as result of the

ongoing globalization process many of above mentioned distance dimensions are relative, since the transport and the transfer of information are faster, consumer habits becoming uniform, which encourages SMEs to target distant foreign markets.

2.3.3. Operation mode

For the greatest part of entrepreneurs first and foremost decision of international activities is the selection of operation model and the mode of entering the international markets (Ruzzier & Konecnik, 2006). This decision could strongly affect the future of the enterprise. Unfortunately, there is no perfect entry mode, since they can vary in depending on the type of market, circumstances or available resources. Root (1994) divides the entry modes in three groups: export, contractual and investment. Export, because of its simplicity, low risk and required resources is the most common entry mode for SMEs in foreign markets. The second group is contractual entry modes which is long-term non-equity associations between foreign companies and the foreign entity on targeted market, which includes the transfer of technology and human skills between the two companies (Root, 1994). This entry mode includes licensing, franchising and alliances. The third group incorporate investment entry modes, which include direct investments and ownership (fully or partial) of certain facilities in the targeted foreign country. Given the above, the variety of ways could be used as operation modes during the process of SMEs internationalization. As SMEs increase their level of international involvement there is tendency to provide greater control of its international marketing activities, which, from other side, causes increased resources' demand and greater risks (Root, 1994).

2.3.4. Time

Including the time as fourth internationalization dimension is one of the most important strategic decision in terms of quality analyzing SMEs internationalization. In a period of increased interest of exploring the phenomenon of SMEs internationalization, most of them internationalized gradually, step by step. This is the main reason why established internationalization theories (Johanson and Vahlne, 1977; Luostarinen, 1979) did not take in consideration the time dimension. Drawn by the wave of globalization,

SMEs have begun internationalizing very soon after their inception (Oviat and McDugall, 1994). By increasing the number of these companies, so-called Born Global, the interest for time dimension of SMEs internationalization was increased, as well. Therefore, the time dimension was included as one of the most important aspect in strategic decisions of SMEs internationalization. It implies that enterprises enter in the foreign markets in different time periods, but also with different intensity.

2.4. Global market and retailing industry

Continuous integration of the world economy and trade liberalization, technological progress and rapid development of innovative activities, as well as the appearance of intensive competition at the global level, has resulted in creation of a new business milieu, within which many companies develop business and marketing activities. Creating regional trading (and political) blocks such as the EU (European Union), ASEAN (Association of Southeast Asian Nations), NAFTA (North American Free Trade Agreement), affecting access to a given market and largely dictate the need for the development, application and coordination strategies on a global basis. It also contributes to the development of global businesses and technology in the field of communication as well as transport systems and logistics. The process of market globalization contributes to the growing integration of the global multinational companies, such as: Kraft, Nestle, Mars, Danone and Pepsico in food processing industry. This trend of market globalization caused a large number of market products / services and market segments, which are, by their nature, global than national, influenced companies to abandon the concept of the national market and increasingly being directed to the global market concept. Global market concept is a new framework for defining strategic marketing activities and new ways and methods of doing business.

In the last few decades, the international activities of modern retailing are hypertrophied. The term globalization of retailing includes various correlated features (Yupal and Gadhavi, 2012): (i) Major retailers based on mature markets establishing a market presence in countries in different stages of economic development; (ii) The supply

chain undergirding the operations of retailers becoming increasingly global in scope; (iii) Diffusion of retailing innovations in various parts of the world.

According to Deloitte (2014) the world's leading retail systems have expansion throughout the whole world, such as: Wal-Mart - 28 countries, Carrefour operates in 31 countries, Tesco - 13 countries, Metro - 32 countries, Schwarz Unternehmens Treuhand - 26 countries. On average, the top 250 retail companies operate in 10 countries, while the top 10 retailers have operation on average in 16.3 countries. Almost one-third of their total retail revenue is coming from foreign activities (2005 - 14.4%, 2007 - 21.3%, 2008 - 22.9%). More than 80 % of the top 250 retailers operate in foreign markets. European retailers lead globalization processes in this sphere, because they operate in an average 15.6 countries and approximately 40 % of their total sales are generated abroad. The same source says that retailers which operate in three or more countries increase sales two percentage points faster than retailers that operate in one or two countries. Dawson's (2007) studies shows that the average number of foreign markets where these large retailers operate constantly increase from 2.8 in 1986 to 5.5 in 1996 and 10.0 in 2004. The number of retailers which operate in 20 or more countries increased from 1 in 1986 to 12 in 2004. More illustrative, Deloitte figures show (2014) that retailers with foreign activities in more than ten countries generate an average net profit margin of 4.7 % compared with 3.1% for those retailers with operation in one or two countries. The study of AT Kearney (2013) says that in the previous five years, the revenues of biggest retailers as: Wal-Mart (USA), Carrefour (France), Tesco (U.K.) and Metro Group (Germany) in developing countries grow 2.5 times faster than revenues in their domestic markets.

Within the markets in which these global retailers install their businesses, occupy large market shares. Therefore, they are in a position to have a strong impact on different segments of economy as: agriculture, manufacturing, trading, banking and financial sector, advertising industry etc. This means that global market environment in numerous countries worldwide has been subject to the globalization forces. The influence of these globalization forces is evident with regard to various aspects of retailing as the retailing supply chain, product assortment, store format and branding (Yupal and Gadhavi, 2012).

"The set of changes which are often grouped together as "globalization" is shifting the food sector from a relatively passive friend of the producer to a potential vitality for the consumer" (Josling, 1999). But, "understanding the culture, consumer shopping habits and the country's way of doing business are three important factors for development of retail business in a new market" (Just - food, 2008).

This is the epoch when global retailing "is finally growing into its name and becoming "global" (ATKearney, 2012). GRDI (Global Retail Development Index) find that world of modern retailing is truly globalizing. Besides the major developed markets, which continue with attracting of large retailers, developing giant markets of BRIC (Brazil, Russia, India and China) and smaller, more distant markets, offer a lot of exciting and profitable opportunities.

2.4.1. Global market

"The global market refers to the integration and merging of historically and separate national markets into one huge global market place" (Hill, 2001). While the act of crossing the international border with the intention of realization certain business interests we can define as business internationalization, the term globalization is much more broader and recent than internationalization because it implies functional integration between internationally dispersed activities (Dicken, 1998). International exchange of goods has existed since ancient times, but 70s and 80s of last century began to happen fundamental change in the world economic and political scene, which, together with the implementation of new technological achievements, have changed the shape of world economy (Gilpin, 2001).

Procreation of global market has been caused by five key factors in the past fifty years (Halweil, 2002):

- a) Accelerated economic growth and investments, privatization of many previously state owned services and industries and deregulated economic activity allow

market forces greater scope of business and open national economies to international goods, services, practices and ideas;

- b) Large transnational corporations (TNC) have replaced governments as the vehicle for economic domination and many have grown to be larger and more powerful than most countries;
- c) Rapid development of technology, especially in manufacturing, communication and transport, has seen the industrial revolution replaced by the information and services revolution;
- d) Advances in communication technologies and the media have intensified daily experiences of global connectedness and contributed to a “global consciousness” that normalizes and, thus, encourages more and more global connectedness;
- e) The rise in per capita income generated by these processes has fuelled a massive rise in consumerism and created a perpetual cycle – or a treadmill – of production and consumption.

Under the influence of these processes the whole world becomes a single market. This means that products and services, capital and labor become the subject of trade on a global scale. Also, the exchange of information and scientific achievements between countries is prompt. Simplified: everyone trades with anyone, there is no borders for capital, production displaces where the most efficient, workforce migrate, transfer of information to the every corner of the earth is fast, technical and technological achievements are available everywhere from their appearance, consumer habits become uniform, lifestyles are homogenized, culture is unified, the importance of national economies has dramatically become relative. The world has become a global village because all these previously independent and closed systems, withdrawn power of globalization, are integrated into one global marketplace.

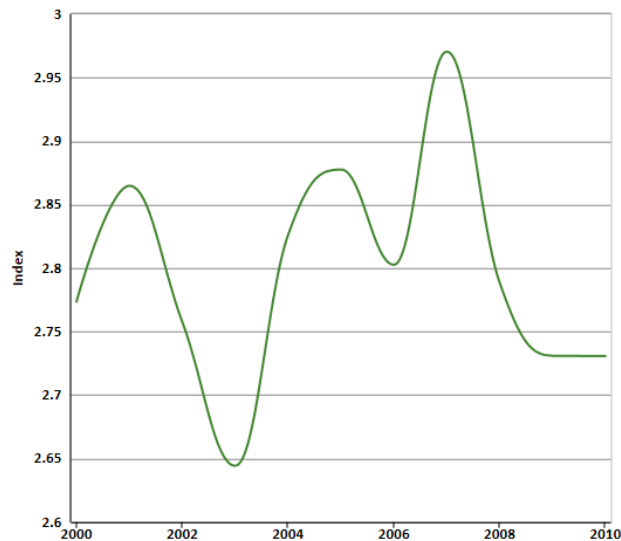
The most important role in the global trade is conducted within transnational companies or through systems of governance that link large enterprises together in a

variety of sourcing and international arrangements (Gereffi & Memedovic, 2003) so that transnational companies are the main creators and drivers of the global market. According to a survey of Keys and Malnight (2010) for the economic strength of individual economic entities in the world in 2009 (regardless of whether they are state or company) in the top 100 largest economic units, 44 are enterprises and 56 countries. If we look at the first 150 major economic entities in the world, the share of corporations is even higher - 59%. According the same authors, the largest transnational company in the world in 2009 Wal-Mart (the biggest retailer in the world) had revenues exceeding the respective GDPs of 174 national economies and employed more than 2 million people worldwide. It is 22nd largest economic entity in the world. (In top 100 economic entities in the world, there are three companies that belong to the FMCG sector: Wal-Mart, Carrefour and Nestle). "The largest global has grown much faster than GDP over the last four decades. The World Bank estimates that from 1970 and 2004 the share of exports to GDP more than doubled to over 25% by 2030 it expects global exports to approach 35% of GDP" (Keys and Malnight, 2010).

"SMEs represent dynamic and also vulnerable segment in most of the economies" (OECD, 2000; UNCTAD, 2010). They face particular challenges when it comes to international trade, as emphasized in the so-called new–new trade literature that builds on the seminal contribution by Melitz (2003). Taking in consideration the crucial role of SMEs for the national economies (more than 99% of all enterprises are SMEs and these companies are the largest employers), then the integration of SMEs in the global market is the key issue. Actually, one of the main issues that emerge here is related to the diversification and the role of small and medium-sized enterprises (SMEs) in the global value chains. Romer (1990) believes that diversification can be seen as an input factor that has an effect in improving the efficiency of other factors of production. The export diversification can be seen as the change in the composition of a country's existing export product mix or export destination (Ali, Alwang and Siegel, 1991), or as the spread of production over many sectors (Berthelemy and Chauvin, 2000).

The following table shows the development of the export diversification index of R. Macedonia in period of 10 years, calculated by IMF based on an updated version of the UN-NBER dataset.

Chart 1. Export diversification index of R. Macedonia



Namely, the global market is a place where small businesses are grappling with transactional corporation and valorize their business efficiency. "They are subject to the same trends and economic forces that affect larger companies, and they are mounting a vigorous response to them" (Oxford economics, 2013). Although Levitt (1983) and Porter (1986) first indicated of correlation between global market and implication of competing, they view is that there is not a necessary link between firm size and ability to be competitive at global market, still SMEs in this milieu are faced with mainly two main problems: first, lack of asset and limitations of resources needed in order to increase their competitiveness in the global market, second, local markets and niches are under pressure by large transnational corporations (Mundim, Alessandro and Stochetti, 2000). Therefore, SMEs to succeed in the global market, should not only behave as transnational companies, but they should compete with them. SMEs flexibility, agility, ability of transformation and innovation are the keys for success in match with large companies in

the global market. Taken into consideration the tendency of globalization, the adaptation of SMEs in the global market is critical point of their future success. "In the coming years, small and mid-sized firms of all types and in every region expect to generate more international revenue and do business in more foreign markets than ever" (Oxford economics, 2013).

2.4.2. Characteristics of global retailing

At the beginning of 1990s the massive restructuring of retailing world has started (Dawson, 2007). The reforms first started in Europe, but implications extended beyond Europe. Those restructuring processes included not only changes in the horizontal relationships among retailers, but also redefine the relations with suppliers, which directly touch producers and redefines their position in the global market. Furthermore, Dawson (2007) considers that restructuring processes transform retailing from reactive to a proactive sector of the world economy. Changes are mainly manifested in four forms: fast growth of large retailers, globally oriented strategic approach, more complex organizational structures and more retailer coordinated value chains. But the main point of change consists of innovations and their applications in retailer business operation.

"Retailing in the new millennium stands as an exciting, complex and vital business sector in most developed as well as emerging economies. Key trends and developments such as changing customer needs and increasing interest in the shopping experience as much as products, retailer consolidation, emerging multi-channel retailing strategies, changing nature of competition within and between formats, globalization and technological breakthroughs, are having or will soon have a dramatic impact on the way large retailers do business in the new century" (Kraft and Mantrala, 2006)

Modern retailing is characterized (Neslin et al., 2006) by: a) consolidation and internationalization expansion, manifested in domestic and overseas FDI, merging and acquisition and franchising; b) offering a different and greater value over competitors (in prices, range, services, formats, terms), c) implementation of innovations in each

segments of their business, as new formats and technologies in order to enhance overall customer shopping experience, and d) cost control. Large retailers endeavor to reduce and minimize all costs in supply value chain by integration and control of suppliers, producers, logistic and transport services in order to offer a better and more competitive value than the competition. To achieve this goal, they use sophisticated innovative technology, which in besides cost cutting helping them in decision-making process of assortment planning, pricing policy, procurement, allocation of products to stores, space management, creation of customer loyalty.

Concentration of large retailers in developed countries became at amazingly high level. According Planete Retail - Global retail concentration (2006), the top 5 retail chains (CR5 ratio) in EU countries in 2005 show that in 17 countries kept more than 50% market share. In Sweden, CR5 ratio was 81.8%, Slovenia 81.6%, Ireland 81.4%, Denmark 80.7%. In the larger EU countries situation was: Germany 70.1%, France 70%, Spain 65.2%, United Kingdom 59.1%, Italy 35.3%. This is an enormous concentration of power in a few traders, as their suppliers, especially small and medium enterprises placed in an unequal position in business negotiations. Some retailer chains (Tesco in UK, Ahold in Holland, Konzum in Croatia) have more than 30% of national market share, although according competition authorities buyer power exists when retailer reach 8% of market share (Stichele and Young, 2009). In many countries the largest market share poses foreign retail chains, for example in Poland market presence had: Carrefour, Ahold, Metro, Tesco, Schwarz, Tengelmann, Casino, Biedronka (bought by Portuguese Jeronimo Martins), in Croatia operates: Metro, Lidl, Kaufland, Billa and Spar or Slovenia: Spar, Lidl, Hofer, Eurospin and LeClerc. According to the International Labor Organization (2007) the top ten global food retailers control astonishing 24% of market share in global food sales.

A number of studies indicate the power of the large retail chains in modern world: In Sweden, Netherland and France, the top three retailers cover 95%, 83% and 64% of the market (Burch, Dixon and Lawrence, 2012). As very illustrative example show Nicholson and Yang (2012) about the UK retail market: 25 million households, 7.000 suppliers and 4 retailers with 76% market share

The processes of retail restructuring resulted with explosion of retail formats: hypermarkets, supermarkets, cash and carry, convenience stores, soft discounts and hard discounts. Placed in different sizes, from less than 50 m² (convenience stores) to the more than 3.000 m² (hypermarkets) and with various numbers of SKUs (stock keeping units), from 500 (hard discounters) to more than 50.000 (hypermarkets). All these diverse forms of modern retailing is sign, not just for their intention they attract and satisfy the wishes of every consumer over the world, but also speaks for the escalation of their sales potential on the global level.

The development of modern retailing greatly contributes to increasing the number of employees, and from this aspect it is the one of the leading industries. For example in OECD economy it is the second largest sector in both, contribution to employment and GDP (Wrigley, 2010). Its contribution to employment is around 13-17% and GDP between 8 - 17%.

2.4.3. Internationalization of retail industry

In the second half of the last century, and especially since 1980, more and more retailers have been opening stores abroad. As this phenomenon received in intensity it has caused and attention of the scientific community (Gerhard and Hahn, 2005). Holander in 1970 is one of the pioneers who began to investigate this phenomenon, mainly the processes of adaptation of modern retailing on the foreign markets. Also, his research is related with the question of success of some retailers in foreign markets. As the main reason for this, author point out on the local retail competition that copies business model of the foreign retailers. Kacker in 1985 conducted studies to identify the difference between European and USA retailing. Treadgold (1988, 1990) and Alexander (1997) described reasons for retail internationalization. As the main reasons they identified the saturation of home market, administrative restriction of domestic market and wish not to depend on only one economy. Kacker (1988) observes retail internationalization as the transfer of retail know - how from one market to another. According to Alexander (1997) and Akhurst and Alexander (1996) the main reason for internationalization of retailing are

the good opportunities on foreign markets (pull factor) and the saturation of the domestic market (push factor). Defining of the types of retailer and different strategies of entering into the foreign markets is treated by Treadgold (1988, 1990), Dawson (1994) and McGoldrick and Davies (1995). They try to discover which model in which circumstances is the most effective: acquisition, joint venture or just imitate successful competitors. Hofstede and Bond (1988) and Avison and Myers (1990) emphasizes the importance of cultural factors, while Sternquist (1997) stress out the location as an advantage, cultural proximity, market size, competitor moves, geographical proximity and low cost land and labor.

Several researchers have found that companies from emerging countries can be global champions (Sinha, 2005; Khanna and Palepu, 2006). Elango and Pattnaik (2007) found that firms from emerging markets draw on the international experience of their parental and foreign networks to build the capabilities and resources to operate internationally. Guillen (2000) also examined business groups in emerging markets and concluded that they add value to member firms by pooling and distributing heterogeneous resources through related and unrelated diversification.

Theoretical models of retail internationalization suggest that the source of competitive advantage exploited by a retailer is based on firm capabilities and resources embedded within a set of domestic environmental factors, and that these may be affected by the foreign environment when expanding internationally (e.g., Dawson, 1994; Vida and Fairhurst, 1998; Alexander and Myers, 2000). According to Wrigley (2010), the forces that in late 1990s contributed to the intensification of American and European retailers FDI, mostly in Eastern Europe, Latin America and the Far East are as follows:

a) after a long period of growth, has opened the possibility of entering the developing countries markets, where still dominate traditionally form of retail;

b) retail markets in developed countries have become too much consolidated and subject to the strict legal regulation;

c) at emerging markets, retailers recognize the long - term growth opportunities;

This was made possible mainly by the following factors;

a) high level of trade and market access liberalization in emerging markets;

- b) access to the low - cost capital;
- c) achievement of "first mover" benefit;
- d) rapid development of ICT technologies that enable business operations at great distances;
- e) macro - economic opportunities offered primarily by the Asian countries.

The four broad waves of previous "traditional" retail structure into the modern retailing, Reardon, Henson and Berdegue (2007): In the "first wave" in the early 1990, South Americas, Northern-Central Europe and East Asia countries were affected by international retailers as Carrefour and Metro which initiated process of retailing transformation in mentioned regions. The "second" and "third" waves of retail transformation took place in South - East Europe, Central America, South - East Asia and China and was manifested through in retail FDI. And the "fourth wave" was recognized in the late 2000s and includes retail transformation in mainly poor countries located in South Asia and Sub - Sahara Africa.

On the other side, the internationalization sourcing by global retailers according Dawson (1994) passes the following phases: a) domestic sourcing, combined with collaboration with distributors who supply imported products, b) more active interests for foreign product and engagement of commercial agents for foreign products, c) direct contacts with foreign suppliers and producers, and d). creation of global worldwide supply network.

Transformation of retailing within the global supply chain under the influence of large retailers are taking place in other directions as: covering all sectors of the customers (from high class to class with the lowest purchasing power) and various organizational innovations (new formats, customer services, supply chain-distribution logistic system, new quality control standards, etc.). Parallel with the big retail chains, indigenous retailers were transformed. Imitating their way of doing business, and supported by local institutional and socio-political relationships, they began to apply the same way of doing business. Changes and transformation in the global retail industry caused by TNC retailers, but also imitated by indigenous firms in order to compete with large retailers, led

to a state of expansion, consolidation and multi-nationalization of the modern retail sector (Wrigley, 2010) .

On its path of globalization and the international expansion, the global retailing chains are faced in general, with two types of barriers: first, institutional, cultural, and organizational and second, the broad spectrum of regulatory barriers, such as: market competition low, land property, shareholder rules, minimum value of financial capital, working time, inward retail - FDA, etc. Wrigley (2010).

2.4.4. Global trends of modern retailing

In the world of global market and growing internationalization processes of modern retailing "it is more important than ever for retailers, manufacturers, and suppliers to be sure they are investing in winning products and formats, and in regions where success is most probable" (IMB, 2010). Retail and manufacturing are just two connected rings in the chain of consumers' satisfaction, not separate and independent worlds. These two segments are dependent each another, and in order to be successful, their development must run with same pace. It means, development of first system caused the progress of the second system and vice versa. Those factors that affect (positively or negatively) the retail businesses, directly transmit to the production sector. This implies that both, retailing and manufacturing must anticipate, monitor and create all new developments and trends that affect their business especially in an era of rapid growth in online activities which are truly globalizing forces. The meaning of competitiveness is in phase of ongoing dynamic changes. "The historic battle-ground between retailers and suppliers becomes irrelevant in a world where the war for engagement is being fought by online retailers, social media platforms and whatever else engages the shopper" (PwC and Kantar Retail, 2007). As never before, retailers, manufacturers and suppliers are in situation to established partnership relations, because modern phenomenon and trends "presents the risk of eroding the brands of suppliers and retailers in new ways" (PwC and Kantar Retail, 2007).

Current trends in the global market result in manifestations that are seemingly contradictory. On the one hand, retailers and manufacturers in terms of the global market

must adapt their business and fully globalize, and the other, to succeed in foreign markets must localized its activities and adjust their business to the conditions of every single market. Globalization (Robertson, 1997) or ability to customize the global concept on the local level will be one of the most important success factors in modern era.

Retailing is an industrial branch with a vary rapid, pulsating and diversified changes. Segmentation, discounting, premiumisation, sustainability, channel fragmentation, consumer evolving, cost reductions, diversification of sourcing, sharper focus and so on, are ongoing processes that restructure this branch and have direct impact to the all other connected branches. (IMB, 2010).

According the predictions of PwC and Kantar Retail, (2007) the key trends that will impact the retail landscape are:

a). The consumer - driven supply chain, which means that driving force of the both, retailers and manufacturers, will be based on the desire of consumers. It means that retailers and manufacturers should completely adapt their business to the consumer's favor;

b). Growth fragmentation of retail channels, expressed as fragmentation of formats, products, consumers;

c). Retailer growth from "unfamiliar" markets. Caught on the wave of globalization, retailers are leaving their "comfortable zone" and invest in distant and non-traditional markets. This wave of retailers pulled together to producers in the same processes.

d). From multi-channel to omni-channel, which means the placing of modern IT and communication technologies in the function of satisfying the consumer needs;

e). Consumer - driven transparency. The most direct impact on packed goods producers because consumers expect full transparency of: product quality (different quality standards, raw ingredients, fair trade procurement, environmental impact, social responsibility);

f). Consumer-centric retailing. Retail and manufacturing will try to move as possible as closer to the consumer through change retail formats, range adaptation, new sales channels.

Finally, internet caused dramatic changes on the retail landscape and has grown into a "major worldwide distribution channel for goods, services, managerial and professional jobs" (Kamel, 2008). Electronic retailing or E-tailing appears in all sizes and forms, from the giants, as: Amazon.com and Alibaba.com, to the small local producers or shops that have their own websites. While "e-commerce means sale or purchase of goods and services conducted over network of computers and TV channels by methods specifically designed for this purpose" (DIPP, 2014) between B2B (business to business), B2C (business to customers), C2C (customers to customers), G2C (government to citizen) and M - commerce (mobile commerce), e-tailing means selling of goods and services to the customers (B2C) (Wang, 2002). The main subjects of the transaction in e-tailing, besides durable consumer goods (clothes, books) and services (airline tickets, hotel bookings), are right FMCGs (Fast Moving Consumer Goods), where food processing products belong. Some of the biggest retail chains, as: Wal-Mart, Target, Kmart and others, in parallel with *brick-and-mortar* (traditional retailing) developed *bricks-and-clicks* (e-tailing). Since the pace of growth of e-tailing is extremely fast, according McKinsey Global Institute, (2013), the share of e-tailing in total retailing in the two biggest world economies USA and China is already around 5% , it may result with significant changes in overall retailing structure and consumer behavior. According "Global E-Tailing 2025" (Deutsche Post DHL, 2014) there are four future scenarios "which electronic retailing will play in people's lives in the year 2025, how international online retailing will change consumer behavior and thus the world of retailing as a whole, and what challenges the logistics industry will then be faced with": a). Hybrid consumer behavior in convergent worlds of retailing, b). Self-presentation in virtual communities, c). Artificial intelligence in the digital retailing sphere, and d). Collaborative consumption in a regionalized retailing landscape.

While traditional retailing sector "fights" with fierce competition, maturity and saturation of Western markets, and is trying to find exit in aggressive penetration on the markets in developing countries, the e-tailing has imposed itself as a prosperous channel which enables retailers and manufacturers to have fast and easy access to the global marketplace.

Sales rates through this channel, as well as, the market share of the channel in total retail sale are continuously growing with galloping pace, equally, in developed economies and in emerging countries, as well. McKinsey Global Institute (2013) survey shows that CAGR (Compound annual growth rate) of e-tailing in the period 2003 - 2011 is as follow: USA 17%, China 120%, Japan 27%, UK 18%, Germany 22%, South Korea 19%, France 35%, Brazil 34%, Russia 39% and Canada 14%. "The e-tailing industry is expanding rapidly with strong early life cycle growth. In U.S. between 2003 and 2008 industry revenue rose at a CAGR of 20%. Even in 2009, when total retail sales fell 7.2%, the online sales have grown for 4.3%" (Chandra and Sunitha, 2012). For example, China - the second largest economy in the world, has the world's biggest online population with 130 million accounts, e-tailing create 190 billion USD in 2012 sales, with more than 6 million listed products and 120% CAGR growth. McKinsy Global Institute (2013) projection is that, by 2020, China's on-line sales could reach 620 billion USD, e-tailing could raise China's private consumption with additional 4 - 7% and e-tailing could improve productivity in China's retail by 14%. In India the situation is similar. According to Chandra and Sunitha (2012) "the electronic retail growth of Indian market as estimated by Euro-monitor report stands close to 48% CAGR and in value term it is going to touch INR 27 billion (Rs 2700 crores) by 2010 from INR 4 billion in 2005".

The above presented data indicate about the greatness, importance and potential of e-tailing. That's why it is very important to analyze this channel from the standpoint of small suppliers in the context of sales growth, improving their internationalization processes, as well as, their overall business performances. Internet technologies fully opened the door of the concept of electronic economy by creating innovative business approaches in the field of sales, buying and creating internal business processes. The

focus of modern business organizations to the global market involves the integration of information and communication technologies, which ensures the flow of data without spatial constraints. Changing the concept of business, the new technologies integrated both, the set of changes in the environment and, at the same time, the changes within the enterprises. In the market structure, information became unavoidable element, in addition to the products, services and money. The digital revolution has led to radical changes in the mode of production, sales and marketing. The dominance of computer and communication technologies changed the style of life and work, as well as the habits of people. Shopping after work and only at the time when the shops are open is replaced by the ability to purchase at any time and from any place. The relatively simple and cheap access to the Internet has opened up number of possibilities for individuals, companies and organizations networked in virtual supply chains. The new trends practically "forced" companies to redesign their business operations and participate in e-business applications such as e-supplying, e-sell, e-auctions, e-marketplace and infomediaries (Chakravarty, 2005). The application of e-business, and e-tailing as its integral part, simplified and accelerated business operations, reduced the costs, made relative the geographical distance and brought companies closer to the global market. These are the characteristics of a new era that contribute in opening of new global horizons for SMEs, but also have increased the competition in extreme proportions.

E-tailing as particular retail channel has advantages and limitations (Stankovic and Cavic, 2013). Among the most important **advantages** of e-tailing concept for the companies are:

- possibilities for simultaneously contact of a large number of buyers / sellers worldwide;
- realization of e-tailing activities regardless of time and space barriers;
- costs of business operations and communication are significantly lower compared to the traditional retail;

- traditional distributor channels in many elements are eliminated what leads to the significant price reductions;
- possibility for direct marketing and direct communication with the consumers;
- managing and reducing the stock of the products;
- communication with customers is interactive. It is fast, simple and allows immediate response and feedback;
- possibility for multimedia offer.

E-tailing brings **benefit to consumers**, such as:

- product prices are lower, compared to traditional retailing, because many phases of distribution are eliminated, as well as intermediaries;
- ability to access online store from any place with internet access, at any time;
- possibility of searching the large number of information about large number of traders and their offer and range of products;
- possibilities for purchase and pay anywhere at any time;
- possibilities for customization and personalization of the products;
- consumers can participate in pre-sales and post-sales activities (consulting, training and education) and exchanging ideas and experiences.

Besides the advantages, e-tailing has certain **limitations**, such as:

- still not adapted national and international law and standards, including the payment of taxes;

- resistance of the customers to retail changes caused by new information technology. Buying is still perceived as "a touch-feel-hear experience";

- still has a beliefs that e-tailing is an expensive and complicated process and that it is not safe enough, especially in terms of payment;

- unavailability of e - technologies for certain categories of people;

- lack of English language skills, which dominates the online trade.

It should be mentioned that e-commerce in general and e-tailing in particular, brings many **benefits to the whole society**, such as:

- e-tailing is contemporary initiator and generator of economic growth, because it stimulates high productivity in the era of digital economy;

- e-tailing enables transactions of purchase, sales or payment, to be realized from customers home or offices;

- e-tailing, due to lower product prices, makes available products to the consumers with lower buying power;

- e-tailig enable consumers to educate themselves and to obtain a wide range of information about the consumer rights, quality and safety of the products. Also, enable them to establish interaction (direct communication) with producers about their comments, ideas and complaints.

2.4.5. Characteristics of FMCG (Fast Moving Consumer Goods) and packed food products

Due to the fact that food products, as subject of the work of food processing industry and retailing, both belong to the FMCG sector, for success in this milieu it is extremely important of full knowledge of its essence (Veleski, 2011).

FMCG (Fast Moving Consumer Goods) or CPG (Consumer Packed Goods) are products which main characteristic is quick turnover and its sales and usage is in relatively short period of time. The term FMCG refers to those non - durable items that are used or replaced with new ones every day, or in periods of several weeks or months. Their shelf life is relatively short, especially for food items. They are relatively inexpensive items and absolute profit (net margin) of these products is relative low, because frequency of sales of these items is very fast and they are sold in large quantities (volume driven) on a daily basis, then total cumulative profit can be very large. The products are branded and backed by marketing, heavy advertising, slick packaging and strong distribution networks.

The basic classification FMCG is: food and non-food products including: food and beverages, cigarettes, personal and home care and other non-durable goods. Certain subset of FMCGs is the pharmaceuticals, apparel and those products which include innovative electronic products such as mobile phones, digital cameras, computers accessories (these are being replaced more frequently than other electronic products).

FMCG retail industry is usually established in low-margin environment. As a result, the existence of a large market is critical to the growth of FMCG system. According the FAO (2009), more than 70% of selling space in retail chains is dedicated to food products.

The main characteristics of FMCG (Ranu & Rishu, 2012) are:

a) From the consumers' perspective:

- frequent purchasing,
- impulsive buying (except the products with strong brands),
- low price.

b) From the perspective of traders:

- large quantities,
- low margin,
- extensive distributing channels,
- high stock level.

Sales channels through which these products are sold to the consumers are retail stores, online sales, direct selling, sales through vending machines and so on. The supply chain of these products is set of mutual correlative related activities which included producers, suppliers, forwarders and logistics, distributors and retailing. These processes are accompanied by the sectors of financing, marketing and promotion, research and development, education and human resources, control, general management, and all of these make this industry one of the main sectors of the world economy. However, FMCG industry cannot be easily predicted due to its dependence on the rapid changes in the macroeconomic environment, mostly on the fluctuation of the oil prices, inflation and the consumer power. The difficulties in long-term forecasting of the trends of this industry make the entrance in individual markets a risky endeavor for SMEs prone to globalizing their operations.

Branding, strong competition, organic connection with retailing, consumer habits, innovation and advertising are some of the features that are immanent for the modern FMCG industry. Especially is important to emphasize the role of modern retailing as a driver of development of this industry. In the literature the food processing and retailing are treated as two industrial branches belonging to the same sector - FMCG (Lindblom, 1999). According the Hellgren and Melin (1992), the structure of business system (global market) and sector (FMCG) affects the modes of behavior within the sector (food processing industry and retailing). The modes of sectors behavior can be framed into competitive, cooperative and command interaction strategies (Campbell, 1985). In general, these are

the relations between food processing industry and retailing, the both parts of FMCG sector. Its concentration, number of competitors, intensity of competition, centralization, traditions and norms, degree of technical development, builds the intensity and quality of mutual relationship between food processing and retailing, separate industries which belong to the same FMCG sector (Lindblom, 1999).

2.4.6. Implication of the retail globalization to the small and medium food manufacturers

Food processing companies, as a segment of the supply channel, are vulnerable to the oligopoly market power held by global supermarket chains, whose market share has increased considerably with the expansion and consolidation of global food retailing (Brown and Sander, 2007; Burch and Lawrence, 2005; Fuchs, Kalfagianni and Arentsen, 2009). This high level of concentration of global food chains has consequences for all actors along the food supply chain (Konefal Bain, Mascarenhas and Busch, 2007) and this market power which supermarkets possess has transformed into other forms of power, including strong bargaining position, creation consumer habits, regulatory power etc. (Clap and Fuchs, 2009). The characteristics of supply channel relations are manifested in: power, interdependence, conflict and collaboration (Pepe, Musso & Risso, 2010).

In the vertical supply chain, wholesalers began to "lose the game", because, supermarkets trying to by-pass them and to shorten the path from the suppliers to the store shelves, which means establishing direct contact between supermarkets and suppliers. In such circumstances, supermarkets have open situation to impose their own terms on suppliers (Fuliponi, 2006).

The large retailers their negotiations power towards small suppliers derive from (Pepe, Musso & Risso, 2010):

- a). Increased power of supply, technical equipment, financial resources and marketing;
- b). Enlarged retailing marketing know - how;

- c). Advantage of fast perception of consumer habits and behavior;
- d). Effective managing of reduced life - cycle of the products;
- e). Retailers' involvement in production segment, through private label;
- f). increased capabilities for managing and control the supply chain;
- g). availability of more information related to local and global suppliers.

Despite of their intentions to develop partnerships, the global retail chains try to utilize buyer power at the expense of manufacturers and suppliers (Stichele and Young, 2009) in various forms:

- a) extra and retroactive payments, by suppliers to retailers, as payment for advertising, participation in promotions prices, renewal of stores, outside of contract terms and without suppliers assent;

- b) payments to be listed in retailers selling portfolio (listing fees, additional selling position);

- c) rough negotiation conditions and threats of de-listing;

- d) late and delay payments, which provides retailers to dispose profits instead and at the expense of suppliers;

- e) reducing and substitution of suppliers;

- f) insist to the suppliers do not sell at same or lower prices to competitors.

- g) below cost selling;

- h) returning unsold units.

- j) implementation of internal/private standards

The amount of all this payments can reach up to 50% (Italy, Hungary), or 70% (France) of suppliers revenues (Stichele & Young, 2009).. These data indicate that producers must be very careful in creating the policy toward retail chains, because it directly affects their survival. For example, Tesco, the biggest UK retailer, pays to suppliers on average 4% lower prices than other retailers pay (Stichele & Young, 2009). But, "in the case of large retailers involved with SMEs suppliers, the power is unbalanced. In many cases large retailers dominate small manufacturers rather than counteract the power of large manufacturers" (Pepe, Musso & Risso, 2010).

All these changes in modern retailing industry and its ongoing process of drastic internationalization have deep implication for food processing firms. The main consequences are caused by:

a). "Global sourcing", which means that retailers has always bought product worldwide and try to reach synergy effects by implementation of centralized procurement divisions for several countries (Hanf, 2006). In this way they are doing the selection of suppliers, many of them fall off, but quantity delivered by others increase.

b). Further, the most remarkable trends in retailing in the last years are the high increase of introduction of "private labels" in the traders' sales assortments. Participation of private labels in overall sales assortment of retail players is constantly growing. According to the research of Symphony IRI Group in 2012, private labels have increased their share across Europe with a value share of 35.6% and unit share of 45.1%. Value shares vary from 16.8% in Italy to 50.5% in the UK. Private label food brand sales are predicted to achieve market penetration of between 25% and 30% in the next decade, up from their current market share of just less than 20%, according to market data from Rabobank (2012), or translated, one in every three food product will be a retailer-branded product. Taking in account the importance of private label and retailing internationalization, the global retail firms are in position to offer a private label, produced by same producers, in many countries where they operate. In this context the statement of Hanf, Pall and Dautzenbeg (2008), according to which "the medium sized firms that produce retail brand in contract with retailers can be the winners of retail globalization" gains attraction.

c). "Differentiation and multi - face" is a strategy of global retailers to differentiate its product portfolio in order to distinguish themselves from competing forms (Zentes and Ferring, 1995). This is an opportunity for new or specialized products and manufacturers of local products.

d). "Homogenization of customers' habits" is an opportunity to manufacturers through the global retailers sells its product to any customer in the world.

Furthermore, Bovet and Sheffi (1998) state that aggressive competition in modern global market is conduct "by advances in industrial technology, increased globalization of

demand and supply sources, tremendous improvements in information availability, plentiful venture capital and creative business designs". In such environment, conception of national or regional markets is relative in terms of sales and in terms of procurement, as well. In order to ensure existence and development on the global market, each economic entity tries to realize its competitive advantage, no matter where it is located. That is why the effective linking of all participants in the supply chain has crucial importance. Globalization of the markets has resulted in globalization of supply chains. Global supply chain (GSC), from one side opens up new horizons, especially for small enterprises, but also from other create a new threats because push them "to compete with the world".

"From an economic standpoint, the emergence of GSCs is related to the concept of comparative advantage. By relocating production processes (i.e. R&D, concept, design, manufacturing, packaging, marketing, distribution and retailing) in different countries, transnational corporations (TNCs) can take advantage of the best available human or physical resources in different countries, with a view to maintaining their competitiveness by augmenting productivity and minimizing costs" (UNCTAD, 2010).

Due to the fact that the large retail chains focus their business activities at the global marketplace, in order to be successful and competitive they are forced to seek of the most effective, cheapest and fastest solutions within the global supply chain in terms of manufacturing, procurement, marketing, finance, logistics and information technology. Because "the success of the companies in the global environment depends highly on supply chain efficiency and its capabilities to provide value to the customers" (Halme, 2011), they deliberately create a global networks and systems in which are involved economic entities, organizations or individuals, regardless of their size and geographical location. These subjects with their efficient way of operating within the system, at different business phases and with different business functions, contribute to the efficiency of whole system. This means that there are two-ways interactions, retail systems stimulate entry into its global network of efficient operators, thereby supporting their international expansion, and vice versa, these entities through their efficiency contribute to a more efficient operation and better global competitiveness of retail chains. In such environment supply chain management is inaugurated in key point of survival and development of

retailers and their suppliers. Designing of vertical integration has strong impact on enterprise's performances and profitability because it intensifies the interdependence of all participants in the supply chain. The authors Xu, XU and Liu (2014) suggest "How to improve the competitiveness of the supermarket chain enterprises in supply chain management can be divided into four parts: the first is the research on the needs of customers, which is the beginning and core of supply chain management; the second is the suppliers management, which is the based instruments of supply chain management; the third is the base of supply chain management, that is the logistics distribution system; the fourth is strategic point of supply chain management, that is marketing strategies".

Certainly, this phenomenon has consequences, not only in the relations between global retail chains and foreign suppliers, but much wider. It actually redefines the whole business environment, through the relocation of production, labor, financing, logistic and marketing. According to the PBS (Is Wal-Mart good for America?, 2004), Wal-Mart sources from 6.000 suppliers located in 70 different countries. These data strongly suggests the importance of global supply and its impact to the overall business ambience, because on the one hand provided an opportunity for thousands of foreign suppliers to enter into Wal-Mart selling portfolio, but on the other hand also many domestic suppliers has lost its place there. This situation has a direct impact on the creation of suppliers' business strategy in the direction of increasing of their efficiency and competitiveness in the global market. Small suppliers are faced with a dilemma what is optimal for them in terms of global integration of supply chain: branding, economy of scale and low – cost products or niche products. "Many suppliers who deliver components or finished products – either directly or indirectly – to the MNCs are SMEs, and social and environmental requirements often put additional strains on the limited financial and human resources of such companies" (Andersen and Skovgaard, 2008). The entering mode and sustainability of the small suppliers into the international integrated supply systems, depend, to a large extent, on their willingness, ability and strategic orientation to be adapted and modernized in accordance with the modern business conditions and internal rules of these systems. This implies changes in SMEs structure, such as: organization, management, technology,

know-how, financing, marketing, R&D, social responsibility and HR, which all together burden their business, but in same time rise their overall business performances.

"The success in retail sector has always been dependent on the management of the supply chain. Customers increasingly demand higher quality and lower prices, whilst they are spoilt for choice" (Tsinopoulos and Mena, 2010). Both, global retailers with a wide sales portfolio of thousand SKUs (Wal-Mart, Carrefour, Tesco) or retailers with focused sales portfolio (Lidl, Aldi), their business success based on the perfect implementation of supply chain management. The managing of the supply chain elements such as: facilities, transportation, inventory and information system play crucial roles in successful coordination of this complex system. Further, their strategic approach concerning supply network, such as: building long-term collaboration with suppliers, orientation to the local suppliers, providing the advice, support and technological expertise to the suppliers and balanced price policy, greatly improves functionality of this systems (Tsinopoulos and Mena, 2010).

The above described structural and strategic changes in supply chain, made by the endeavors of the modern retail industry to maximize its efficiency, caused strong consequences for the internationalization of food sector. Future structural development of food processing industry will be tightly stamped from the ongoing globalization of retailers and supply chain, as Hanf (2006) said: "The former nationally oriented players have become suddenly global players" (the both, retailers and food producers/suppliers).

According to Hanf (2004) and Hanf, Pall and Dautzenberg (2008), different firm groups will be differently affected from the consequences of the internationalization.

Within the first group we can find the large multinational food producers which operate worldwide, with strong and wide product portfolio.

Second group consists of special premium food processors that supply globally (Simon, 1996). Both groups will not be affected seriously by these processes.

The strongest impact of retail globalization is to be expected in a third group of national and regional food processing firms, because they cannot easily adapt to these changes.

Within the fourth group small and medium contract-processors take the space. If they manage to internationalize their business in accordance to the needs of global markets, they will survive. If they are not able to extend their delivery to foreign countries, they will disappear.

The fifth, last, group encompasses all small food producers that serve local markets or provide special niches on regional or national level. The predictions are that generally they will not be affected by the global changes, because despite of centralized and internationalized organization of global retailers' procurement, a certain share of retail supply has to be of local origin and locally purchased. Even more, a niche may become larger by the process of internationalization of retail (Hanf, Pall and Dautzenberg, 2008).

Pepe, Musso & Risso (2010) in terms of relational balances between large retailers and food processing SMEs suggest three different positions:

a). The best case for food processing SMEs to balance the power of retailers is when they have products with specific characteristics (brand, unique or innovative products, cover market niche), which provide them "a good negotiating position";

b). Less favorable position for SMEs suppliers is when they produce private label products for retailers. In that position become quite dependent on retailers and very easily could be substituted with other producers;

c). The worst position food processing SMEs is when their products are not attractive to the retailers, so they can purchase the same products from any manufacturers at the lowest possible prices.

If we take the fact that global retailers dominate the markets, food producers, especially small and medium food processing firms, should learn how to make business with these giants and how to face with the ongoing changes expressed as growing international competition, vertical integration and increased quality requirements. So, it becomes an imperative, either "globalize / internationalize or will be globalized / internationalized".

Consequently of the prior, it can be said that the endeavor of large chains to centralize distribution systems and to preference of building suppliers' networks in order of greater control of delivery and quality, as well as cost cutting issues, dramatically impacted

over the suppliers/manufacturers and radically transformed supply chains (Wrigley, 2010). From one side it is caused by the process of globalization of supply chain network. In this contexts Durand (2007) gives evidence in case of Wall - Mart operations in Mexico where the share of imports from 20% in 1997 rose to more than 55% in 2003, which means that domestic producers are substituted with foreign ones. But, from other side, Coe and Hess (2005) explain the case of Tesco in Central and Eastern Europe where dominant tendency is building local/domestic suppliers network and shift import products with domestic ones. In this regards, Nordas et al. (2008) indicate that the presence of domestic producers in retailers portfolio have increased for 20%. Both cases, "globalization" and "localization" of supply chain network, are in fact "export gateways" for local suppliers (Reardon, 2007).

Evidently, retail internationalization became the main driving force of the development and progress of the food processing companies, especially for the SMEs from developing countries. According Pepe, Musso & Risso (2010), establishment of long-term, stable partnerships with large retailers, for small and medium sized food producers is of vital importance and source of multiple possibilities, such as:

- a). Access to the international sales network of large retailers;
- b). Faster positioning at the market, as a result of improving the quality of overall business operations under the influence of collaboration with big retailing systems.

All these claims suggest that collaboration with large retailers for food processing SMEs provides great opportunities, but also risks and uncertainties. The level of success in this relation with powerful retailers depends on SMEs' competitiveness, the flexibility to adapt themselves to the market changes and the ability to create their uniqueness.

3. THEORETICAL FRAMEWORK

The phenomenon of the internationalization of businesses has always been among the most interesting subjects of scientific research. Theoretical models aspiring to explain these processes are based on the macro and micro economic circumstances that prevailed at the time of occurrence of these models. Any relevant changes over time in this sphere created a new reality, which has been again the subject of scientific observation. This is why there are a number of theories and models that explain the internationalization process from different time perspectives and various standpoints. First, these theories known as classical international trade theories (Smith, 1776; Ricardo, 1817) were based on explanations of trade flows between at least two nations, nature and extend of gains and losses to an economy and effects of trade policies on an economy (Morgan & Katsikeas, 1997). Authors of neoclassical international trade theories as Hecksher & Olin (1933) tried to explain the differences in advantages exhibited by trading countries. Leontief (1966) noted that in the second half of the twentieth century began the process of technological progress and rise of multinational enterprises which caused needs for new international trade theories to reflect a new economic reality. According the Ruzzer et al. (2006) the research done in the internationalization fired in the new era can be broadly divided in four stages: first, internationalization theories focusing multinational enterprises (MNEs) as: transaction cost theory, eclectic paradigm and internationalization theory. Second, those focusing on the SMEs internationalization behavior, but also used to explain MNEs international activities as: Uppsala model and innovation related model. Third, those focusing on SMEs and the role of the individual entrepreneur, founder, manager or decision maker in internationalization process. Fourth, the holistic approach, which means appreciating aspects of competing theories which essentially provides a much broader explanation of internationalization phenomenon.

According to above, it is quite difficult to do ideal systematization of internationalization theories which will be relevant and related only to the small businesses. Some of the theories touch only SMEs, while some of them are related to the both, MNEs and SMEs. "Traditionally, the early stages of internationalization research

were focused mainly on large MNEs and their international activities. Until the 1960s the studies of internationalization were directly influenced by economists focusing primarily on the macroeconomic flows of commerce and investment between countries" (Castro & Dias, 2012). These theories, often called economic approach include: transaction cost theory, eclectic paradigm and internationalization theory. Few decades ago, after the beginning of great economic, political and technological changes, small and medium businesses have started to massively involve in the international milieu. Equivalently with the increase of the intensity of their international activities, the interest in exploration and explanation of this process has also increased. International activities of SMEs relatively later became the subject of observation, compared with the same process in large companies. Regardless of this fact, as the global economy has become more integrated, and internationalization become new strategic paradigm for SMEs, many theories appeared trying to explain the process of internationalization of SMEs.

Since all these theories reach some elements, phases or stages of internationalization of SMEs, they are classified into in two groups: first, which on more generalized level treats this process and the second, in which are theories predominantly related to SMEs internationalization.

The first group of internationalization theories according Dadfar and Berge, (2011) in general can be divided into three subgroups: the economic theories, the management and strategic behavior theories and the behavioral theories.

After that are listed internationalization theories that are more SMEs oriented and from different perspectives treat this process: the stages approach (U-model), the innovation related approach (I-model), the network approach, international new ventures (Born Global) and international entrepreneurship approach.

All of the presented theories and models of internationalization, more or less, touch SMEs and are immanent to explain internationalization processes.

3.1. Economic theories

The first group of economic theories about the internationalization of the firms includes the Product life cycle theory, Transaction cost theories and Eclectic paradigm (or OLI - framework). The author of the Product life cycle theory, Vernon (1966, 1979), describe that product passes through several development phases, from the standpoint of country of innovation and the country imitators. In the first phase or stage of a new product, the product is produced and consumed in the country of innovation. In the second stage or growth stage of the product, a rapidly growing production in the country of innovation in order to cover imports from countries imitations. In the third phase, or stage of maturation products, product becomes standardized and the country imitation begins production for domestic consumption. In the fourth phase or stage of declining product, the imitation country increases the production of the products to third countries, while the country's innovation production declines. The fifth phase or stage of decline of the product, the imitation country continues to increase its production, as the country now imports the product innovation from the country imitations.

Williamson (1971), the problems of transaction costs treated in the explicit context of vertical enterprise boundaries. The basic and primary option for the company by transaction cost economics provides greater integration. Thus, vertical integration provides a greater degree of control over the transaction environment. Transaction costs theory is based on the following assumptions: a). Transaction take place under the assumption of limited rationality. b) Parties involved in a particular transaction have not symmetric information, thus they acting in terms of a certain degree of uncertainty, and c). A minimum of one of the parties involved in the transaction will act opportunistically trying to deceive other parties, whenever it is profitable. In the context of transaction costs as the primary incentive for vertical integration is mentioned the fundamental transformation. Specifically, the process of vertical integration will often occur, not because of technological superiority and desire for monopoly power, but because of the reduction of the impact of contractual hazard fundamental transformation. Respecting the fact that the company has a limit (if nothing else, caused by bureaucratic limitations), Williamson suggests the use of non-standard contracts and alliances whose long-term goal and

strategic relations between the buyer and the seller. Just using these types of contracts the company can economize and minimize transaction costs at which is more or less exposed.

This element of "internationalization", which explains the effects that are expected from vertical integration and expansion of business activities along reproduction chain, basically is an implementation of the idea that the economic science brought by the aforementioned theory of transaction costs. This is always the case when a firm takes over ownership control over their suppliers or key customers. The author himself later redefines the paradigm model by developing taxonomy of motives of foreign direct investment (FDI) in four groups: a) the search for resources, b) the search for new markets, c) improving efficiency, and d) the search for strategic assets.

For more than three decades: "The eclectic (or OLI - Ownership, Location, Internationalization) paradigm has remained the dominant analytical framework for accommodating a variety of operationally testable economic theories of the determinants of foreign direct investment (FDI) and the foreign activities of multinational enterprises" (Dunning, 2000). Geographical and industrial expansion of multinational companies is determined by the interaction of three sets of interdependent variables (Dunning, 1980, 1988): a). Competitive advantages of the enterprises seeking to engage in FDI (or increase their existing FDI), which is connected with their ownership (O) specific advantages. b). location's attractions (L) of alternative countries or regions, for undertaking the value adding activities of multinational companies. c). Internationalization (I) ways in which firms may organize the creation and exploitation of their core competencies, given the location's attractions of different countries or regions. "Such modalities range from buying and selling goods and services in the open market, through a variety of inter-firm non-equity agreements, to the integration of intermediate product markets, and an outright purchase of a foreign corporation" (Dunning, 1995).

Foreign direct investments (FDI) can be seen as a mode and opportunity for SMEs to become more actively involved in international business activities (Svetlicic and Rojec, 2003). This phenomenon is not exclusively just for multinational or large firms, but also for

a growing number of SMEs, which are looking to expand their markets internationally. According David Smallbone (2006) the potential benefits of FDI include: "increasing the supply of capital; technology and knowledge transfer; the generation of employment and human capital; as well as the effect on enterprise development, through linkages and spillover effects". Transfer of technology and knowledge transfer is a way for the upgrading of local suppliers. Contribution is also in form of adoption of new technologies by local industries, as a result of processes of imitation and competition. A new markets and increased knowledge is a base for more effective way of doing business and can generate new jobs directly and high skill. As potential benefits of FDI Dunning (1992) summarizes: Backward Linkages (with local suppliers), Forward Linkages (with local customers), Linkages with competitors, Linkages with technology partners and Other Spillover Effects (innovation, human capital etc.).

3.2. Management and strategic behavior theories

The second group includes management and strategic behavior theories by Porter and Hamel & Prahalad. In his book "The Competitive Advantage of Nations" (1990), Porter treated the competitiveness of the nation, based on detailed studies of the success of countries in certain areas of production and trade. Seen at the national level: the nation will gain a competitive advantage in those industries in which the national "diamond" is the most favorable, and its determinants are: a) Conditions relating to the factors of production, b). Conditions relating to the demand, c). Industries support the production of competitive products, d). Firm strategy, structure and quality. Further, Porter pointed out the importance of geographic concentration firms (clustering) in order to be competitive in the international economy.

In their article "*Strategic Intent*" (1989), Hamel and C. K. Prahalad explain difference between company's "strategic intent" and "strategic fit". They argued that "strategic intent" is much more appropriate for companies in dynamic global market, because it is: "an organizational ambitious at a strategic level, and requires entrepreneurial business leaders who seek new rules for business strategies, focusing on

strategic challenges rather than financial targets, and obtaining resource leverage to achieve goals rather than constraining goals within apparent resource constraints. They develop portfolios of core competences in the organizations, and emphasize rapid learning within the organization" (Hamel and Prahalad, 1989). In "*Competing for the Future*" they point out that management is able to model the future of the company. "Management executives should act differently from others, so that they could make their new future, which represents new industry, new value, and new market; rather than maintaining or improving present market or present product" Hamel & Prahalad (1989).

3.3. Resource - based theory

The third group, consist the resource-based theory, was touched by various authors: Penrose (1959), Selznick (1957), Wernerfelt (1984), Barney (1991). This approach combines the internal analysis of phenomena within companies (a preoccupation of the "distinctive" and "core competency" group) with the external analysis of the industry and the competitive environment (a focus of the industrial organization group. According Newbert (2008) the basic description of the resource-based view consists following elements: competitive advantage -- is generally conceptualized as the implementation of a strategy not currently being implemented by other firms that facilitates (Barney, 1991); performance -- is generally conceptualized as economic profits a firm accrues as a result of the implementation of its strategies (Rummelt, Schendel, and Teece, 1994); resources -- consist of a bundle of potential services (Penrose, 1959); capabilities -- are a firm's capacity to deploy resources (Amit and Schoemaker, 1993); competitive advantage -- results from the deployed combination of resources and capabilities (Penrose, 1959); performance results from the deployment of resource-capability combinations to produce advantage (Powell, 2001). Collis and Montgomery (1995) competitively valuable resources connected with inimitability, durability, appropriative, substitutability and competitive superiority.

3.4. Stages approach (U - model)

In 1970's Jan Johanson and Jan Erik Vahlne, researchers in Department of Business Studies at Uppsala University, made wide empirical observation of Swedish firms and noticed some regularity in their internationalization. Their internationalization path took place in the following stages: Companies firstly operate in the home market. After that, follows the first stage of initial international operations or as Johanson and Vahlne (2009) concluded "most frequently, Swedish companies began internationalizing with *ad hoc* exporting". After that stage of initial international activities, they moved to the second stage, which is characterized by the beginning of international collaboration through intermediaries or agents which mediate with foreign partners. After period of sales growing, instead of agent, they open their own sales subsidiary, as a third stage. This process is completed with the fourth stage which means establishing the production capacity in foreign countries. This dimension shows the gradual nature of internationalization pattern. Another feature of this internationalization pattern is physical distance. Usually, firms started with their international operations in those foreign countries which are close to the home market, because they need a lowest level of knowledge and resources. With developing of their knowledge and resources they incrementally expand to the distant markets. In this internationalization process there are two change mechanisms "First, firms change themselves by learning from their experience of operations, current activities, in foreign markets. Second, "they change themselves through the commitment decisions that they make to strengthen their position in the foreign markets" (Johanson and Vahlne, 2009). Further, U - model, one of the most cited internationalization model, assumes that a company does not have full access to information and that internationalization is a process of increasing experiential knowledge (Jonsson, 2005).

The stage theory or Uppsala model suggests that current knowledge about foreign markets determines strategy performances, but also affects the change of the current business activities. The company is gradually internationalized in stages. Therefore, emphasis is placed on specific knowledge of foreign markets that are acquired during the business in the same market, and directly affect the decision about moving to the next

stage. For example, from operating at domestic market, SMEs international expansion starts from those countries that are culturally and geographically close, and move gradually to culturally and geographically more distant countries. First contact with the foreign market was initiated by direct order, which means that firstly they have passive export attitude. The decision to export is still not adopted or exported sporadically, in small quantities. Increasing the number of orders, the company begins to meet the demand by foreign agents, thus controlling the possible escalation of costs. If the results are satisfactory with foreign markets, management decides moving to the next stage. The third stage is the opening of a branch office abroad. If results are still favorable, the company opts for the last phase of internationalization according Uppsala model, to open a production plant in a foreign country.

It is important to be mentioned that "The Uppsala school does not deal with the question of the triggers of the internationalization process at all. It states that the model does not intend to explain why firms start exporting (Johnson & Wiedersheim - Paul, 1975).

Although many times revised, adapted, improved and even criticized by its authors and other researchers, Uppsala model is one of the most popular and most widely used internationalization theory today (Johanson & Vahne, 1990). There are a lot of different variations of this model, but the basic idea in all versions remains the same - internationalization through learning stages. However, the main limitations of Uppsala model according Fillis (2001) are:

a) large companies have large resources which means they are able to internationalize itself with larger steps, i.e. to skip some stages;

b) experience gained in one foreign market to implement in other markets, without passing the same stages all over again; and

c) in terms of stable markets, information, except experience, can be collected in other ways.

Below are several versions of different researchers (Johanson & Vahlne, 1977; Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982 and Reid, 1981) in terms of stage of internationalization:

Table No. 15. SMEs internationalization stages according various authors

	Stage I	Stage II	Stage III	Stage IV	Stage V	Stage V I
Johanson & Vahlne, 1977	No export	Export via agents	Established sales subsidiary	Production in foreign country		
Bilkey & Tesar, 1977	No interest for export	Unsolicited export orders	Active interest for export	Experimental export to close markets	Experienced exporter	Export to distant countries
Cavusgil, 1980	Only domestic market	Pre-export phase	Export to close countries	Active direct export to new markets		
Czinkota, 1982	Uninterested for export	Partially interested for export	Exploring foreign firms	Experimental foreign firms	Experienced small exporter	Experienced large exporter
Reid, 1981	Export awareness	Export intention	Export trial	Export adoption or rejecting		

But, as the authors of this theory noted, a lot of changes have happened since this model was established. New economic and regulatory environment, different companies' behavior, new research frontiers (Johanson and Vahlne, 2007) and new circumstances have led to the fact that some authors do not support or partially support this theory (Anderson, 2004; Forsgren, 1989; Kundu & Katz, 2003).

Finally, the Uppsala model of evolutionary internationalization is highly cited among empirical studies. Bilkey and Tesar (1977), Cavusgil (1980), Davidson (1980, 1983) etc. based their research on the ground of this approach. However, other researchers, such as Sullivan and Bauerschmidt (1990) and Melin (1992) criticized this model. Nonetheless, beside the critiques for linearity and the lack of explanatory power, the Uppsala model, as a pioneering work in the internationalization processes, enjoys high level of reputation in the literature.

3.5. Innovation related approach (I - model)

The innovation related theory observes internationalization as a process of innovation in which the subsequent steps of internationalization are parallel with a new products adoption (Rogers, 1962). For the companies, internationalization in fact is an innovative process, because it opens new perspectives and requires a proactive approach, which implies a favorable attitude toward international expansion (Reid, 1981). As far as internationalization is concerned, opportunity recognition and commitment represent an innovation adoption process related to the development of new ways of doing business (Lim, Sharkey and Kim, 1991). Authors (Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981) rely on learning arguments to explain the slow internationalization process by a risk-averse attitude and lack of knowledge. The path-dependent nature of the process depicts a gradually increasing commitment to a foreign market that implies different stages of internationalization. This process involves four phases: awareness, interest, intention, and adoption. Each next step or new phase in internationalization is process of innovation for the company (Cavasugil, 1980; Reid, 1981).

This confirms that base of I - model is U - model, because it is focused on incremental learning sequences coordinated with adoption of innovation. Unlike of U-model, I - model deals with triggers of the internationalization process, tries to explain initiatives, motives, influential factors and entrepreneurs' role (Reid, 1981).

Leonidou and Katsikeas (1996) summarized the incremental steps of internationalization according to I – model in three groups:

a) Pre-export stage. Operate at home market. No export activities, but first initiate interest for foreign markets;

b) Export trial stage. Realization of first random exports, but active seeking the potential for regular export

c) Advanced export stage. Regular exports and active attitude towards different forms of internationalization.

With the evolution of economic and technological environment, in last few decades, more and more SMEs starting their internationalizations fairly early, even from their inception (Torres, 1999). Numbers of them do not follow relatively slow gradual model of internationalization. Some of them enter to the foreign markets quickly, jumping over the stages, but some of them stop at the initial stage and do not reach the final stage. This indicates the need for adaptation of the I–model according to the new reality (McDougall & Oviatt, 1994).

3.6. Network approach

The Collaborative and Network approach is an extension and upgrade of Uppsala model of internationalization. In their original model, Johanson and Vahlne (1977) insert a new elements over which emphasize the importance of interconnection of companies (networking). Considering the main elements of the basic Uppsala model, as: knowledge, commitment, on-going activities, decision-making, they are building a new, improved theory that motivation and modes of internationalization put in the relationship with the intra and inter organizational relations (Laghzaoui, 2009). That is process in which relationships and links among companies are continuously established, developed, maintained and dissolved with the basic aim of achieving the objectives of the company. Relationships are developed through interaction in which the parties build mutual trust and knowledge (Johanson and Mattson 1988).

Recognizing international networks as an efficient means of helping internationally oriented SMEs to go international more rapidly contributes to the network theory and to

the study of international entrepreneurship (Falize and Coeurderoy, 2012). In the process of networking three factors have key importance: actors, resources and activities (Johanson and Vahlne, 1999). The actors are: individuals (entrepreneurs, owners and managers), organizations and government. The resources could be: human, organizational, financial and physical. When actors start to manage, manipulate, create, exchange and combine resources, in fact, they start networking activities. These networks involved various interested parts as customers, competitors, supplementary suppliers, suppliers, distributors, agents, and consultants as well as regulatory and other public agencies (Johanson and Vahlne 1990).

The company begins with domestic networking and then internationalizes its business by developing relationships and networks in other countries. To this context, Falize and Coeurderoy (2012) conclude that the more market knowledge the firm acquire through international network, the less are the liabilities and the perceived risk and the higher is the propensity to go rapidly abroad. Despite the fact that in surveys of internationalization entry mode is mostly in the focus, "findings indicate that the development of cooperative relationship with customers, suppliers or other business may be critical" (Haley and Wilson, 2003)

Alliances and networks are the most important forms for co-operation among SMEs (Sakai, 2002). Very often, that alliances and networks includes large enterprises or even multinational enterprises are SMEs involving in it are extremely important for their processes of internationalization (Sakai, 2002). The data from scientific research indicates that alliances and networks are of increasing importance. Intensified international competition drives companies to specialize and concentrate on their core competencies. Larger companies intensify outsourcing activities, which open good possibilities for SMEs. Following the same line of reasoning, multi-national companies also form alliances with SMEs to gain market insight into a particular national market. Studies also point to an increased growth in alliances globally as a result of an increasingly knowledge-based economy (Contractor, F.J. & Lorange 2002).

3.7. International New Ventures or Born Global approach

International New Ventures – INVs (Oviatt and McDougall 1994) or Born Globals (Rennie 1993) are internationalization theories which in great deal differ from all other classical theories in treating SMEs internationalization process. "INVs are businesses that from their inception are trying to bring significant competitive advantages from the use of resources and the sale of outputs in multiple countries" (Oviatt and McDougall 1994). They are not just the simple small exporter, the numbers of these firms are involved in more complex modes of internationalization (as FDI) very soon from their establishing (Jolly et al., 1992). Their appearance, in the last twenty years, was completely opposite than previous known ones. The difference is in their way of internationalization in which SMEs start with their internationalization operations soon after inception, entering several distant markets at once. There are no stages or phases, described by the classics theories of SMEs internationalization. Born global companies just overlap it. The elements, which separate the Born Global enterprises, from those, internationalizing with accordance to classic models, are primarily concerned with the time frame from the enterprise's inception to the start of its international activities, the number of foreign markets and their distances, the international market entry modes and the extent of international activities of the enterprise. Most researches consider Born Global enterprises to start with their international activities right after or within two or three years after their inception (Gabrielsson and Kirpalani, 2004), while some of them allow for longer periods that can extent up to five, or even eight years (Zahra, Ireland, and Hitt 2000). "A true born-global firm is a new venture that acts to satisfy a global niche from day one" (Jones et al., 2011). According Tanev (2012), the following characteristics are immanent for Born Global SMEs: a). High activity in international markets from or near the founding, b). Limited financial and tangible resources, c). Present across most industries, d). Managers have a strong international outlook and international entrepreneurial orientation, e). Emphasis on differentiation strategy, f). Emphasis on superior product quality, g). Leveraging advanced information and communications technology, h) Using external, independent intermediaries for distribution in foreign markets.

The Born Global approach was developed to explain the essence of fast and extensive internationalization of start-up companies (Rialp et.al, 2005b). Three main points that this approach considers are: enterprise size, age and entrepreneurial orientation, all observed from internationalization perspective. According Oviatt and McDougall (1994), this concept argues that entrepreneurs or owners of Born Global SMEs are able to recognize opportunities on the international market. They are also able to manage and combine the resources from different foreign markets by using previously acquired international experience, knowledge and network. Further, companies internationalize rapidly, avoiding operational inertia and developing domestic-path dependencies (Aylward, 2006). They are innovative in order to respond fast to the changes in the environment and are trying to capitalize knowledge advantage from its inception. Similar to innovation "the Born Global are required to be able to adapt a changing environment and demonstrate new ways of thinking in order to succeed in addressing the challenges posed by the process" (Uri and Shoham, 2011).

3.8. International entrepreneurship approach

Oviatt and McDougall (1994) introduced international entrepreneurship (IE) as a new field of research in context of internationalization processes. They define IE as "a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations". (McDougall & Oviatt, 2000). This model is primarily related to start-ups, and later evolved and included also corporate entrepreneurship (Zahra, Ireland, and Hitt, 2000; Zahra & George, 2002). After a certain period of time the authors redefine this model and give it wider meanings as: "International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities - across national borders – to create future goods and services" Oviatt and McDougall (1994).

International entrepreneurship is exciting because it combines the many aspects of domestic entrepreneurship with other disciplines such as anthropology, economics, geography, history, jurisprudence, and language (Hisrich and Peters., 1998). Initially, internationalization theories were developed to explain why nations trade, as was the

theory of absolute advantage (Smith, 1776) and the theory of comparative advantage (Ricardo, 1817). When in 1960's and 1970's a new internationalization theories appeared they were focused on the economic aspects and the process of incremental learning. Influential theories in this respect are the theory of monopolistic advantage (Caves, 1971; Hymer, 1976), the product life-cycle theory (Vernon, 1966), economic theory of transaction costs (Williamson, 1975) and the eclectic paradigm for international production (Dunning, 1980). These theories were mainly developed to explain large firm internationalization. But those internationalization theories in their scope of observations do not include the role of entrepreneurs, owners or key decision makers in processes of initiating and realization of SMEs international operations. Entrepreneur's ability of making strategic decisions toward internationalization of its business, his past international experience and foreign markets orientation, may have crucial importance of successful SMEs internationalization process (Andersson, 2000). Therefore, the ability of entrepreneurs, owners and top managers in internationalization context is actually one of the most important resources of the SMEs. Because of that, entrepreneurs are observed and analyzed in the contingent of SMEs intangible resources: knowledge, education, experience, management, strategic thinking, taking risks, innovation (Langlois, 1995). They are determined as the main variables of SMEs in their attempt to internationalize their business (Miesenbock, 1988).

In this chapter we made an attempt to summarize the theories and approaches that in some way, more or less, touch SMEs internationalization. Some of these theories refer exclusively to small businesses, and some are more directed toward MNCs, while SMEs are taken into consideration superficially or in a general context. But, the number and the complexity of the internationalization theories confirms the conclusion that "internationalization is a phenomenon researched intensively over the last few decades from a variety of viewpoints including: organization theory, marketing, strategic management, international management, and small business management" (Ruzzier, Hisrich and Antoncic, 2006). Given the fact that this study has precisely defined research objectives and goals, with focus situated on Macedonian food processing SMEs, some of the listed internationalization theories are more immanent for the Macedonian SMEs' current situation, regarding internationalization. The most relevant SMEs'

internationalization theories which encompass the essence of internationalization processes of particular situation and concrete cases of observation of this study are: Stages approach (U - model), Network approach, International entrepreneurship and Born Global. We consider that gradual learning process, the developing of international business relationship networks, international oriented entrepreneurial mindset and massive and rapid internationalization from inception, are internationalizations approaches which are the best representative for the objectives of this analysis.

4. METHODOLOGY

4.1. Qualitative methodology: case - study approach

Considering that the intention of this dissertation is to touch the essence of the SMEs' internationalization phenomenon in R. Macedonia, within the given the current limited understanding, the qualitative approach was chosen as the most appropriate for this research. Qualitative research is a multi-methodology-driven process that reflects the attempt to provide a deeper understanding of the phenomenon subject of testing, and can best describe the dynamic processes of SMEs globalization. Considering the company as unit of this research, multiple case study was selected as an approach. Eisenhardt (1989) established that, in order to analyze multiple companies, there is no ideal number of cases. But, this author recommends as the best option for analysis are four to ten cases, with explanation that less than four cases is not recommended due to the difficulty in generalizing the theory, while more than ten cases complicate the process of analyzing.

According to Eisenhardt (1989) qualitative methodology is defined as "an investigation strategy directed to understand the present dynamic in singular context". This research aims was planned to provide get answers the four mentioned research questions including "How", "Why" and "When" Macedonian food processing SMEs create their path toward global food market and "What" is implications of that activities. In this doctoral dissertation, the research by its nature is exploratory and analytical as well. It is based mainly on phenomenological research philosophy but some positivistic elements are also included. The research is based on inductive approach and applies case study and cross-sectional study research methodologies. This is because it involves different companies from the food processing industry in Macedonia for examination of the differences that exist among them at one period of time. The research is empirical.

The purpose of using case study in this dissertation was to provide an understanding of the factors that influence SMEs decisions to become more internationalized. Case study method is being used for a long time in research as a method of providing profound and contextual data, and it is one of the most broadly used

qualitative research method in economic phenomena research (Benbasat et, 1987; Galliers, 1992).

According the recommendation of Yin (1994) the methodology of case study need to follow four stages:

1. Design the case study,
2. Conduct the case study,
3. Analyze the case study evidence, and
4. Develop the conclusions, recommendations and implications.

Other authors (Feagein, Orum & Sjoberg, 1991) perceived case study as an ideal methodology when a holistic, in - depth investigation is needed. Case studies tend to be selective, and to put focus on one or two issues which are basic to understand the system - object of examination Further, Yin (1989) emphasized three circumstances when case study is suitable for research: First, the actual theories used to explain current phenomena are not adequate or complete. Second, multiple data collection and analytic methods should be implemented. Third, despite these advantages, small size of samples, lack of objectivity and aversion toward research methods could cause decisive empirical problems. This means that the case study approach has limitations and handicaps in comparison with other methodologies: the lack of statistical validity and representation, biases introduced by researcher in the process of collection and analysis of the information (Rialp, 1998).

The case study allows data analysis from multiple perspectives (Chetty, 1996). Considering the objectives of the study, study's context researcher's knowledge about studied object and recommendations of the above-mentioned authors for the advantage that this methodology provides, the multiple case is applied. According to Eisenhardt (1989) and Yin (1989), multiple case provide ability to identify similarities and differences within the cases, that is not the case in single case access.

4.2. Data source and sampling

Given the objectives of this dissertation, and having in mind that the key purpose of sampling is to gain knowledge about a population using small, affordable subset of selected subjects, for creation of our sampling strategy, we decided to use a combination of probability and non-probability sampling methods. Our decision is based on the intention to give a chance to each unit in the population to be selected in the sample and to be able to generalize our results to an entire population with a high level of confidence which can be used in a wide range of social research contexts. In this way we were able to generate a sampling frame which is most economical and requires less time for listing and implementation.

We selected cluster sampling technique as a probability sampling method within the first phase of sampling, since we were able to divide the entire population of the companies within the food manufacturing industry into different clusters (branches).

First of all, in our multistage sampling process, we created groups of clusters from 191 food processing companies. We obtained the data for Macedonian food processing SMEs from the Macedonian Chamber of Commerce which is the largest association of Macedonian companies and is consisted of groups of all industrial branches. Then, we selected a number of clusters (branches) by simple random sampling, i.e. confectionery branch, fruit and vegetables processing branch, bakery production branch and diary production branch. From those clusters we included number of subjects (companies) which satisfy the below described criteria. For this reason, within the last phase, we used purposive sampling as a non-probability sampling technique, on the base of our expertise on one side and drawing from the theory on the other one. The maximum variation sampling as a type of purposive sampling was selected to identify those companies that have wide range of variation in terms of the objective of this dissertation. Namely, purposive or purposeful sampling encourages researchers to select case studies that are “information-rich” (Merriam, 2009). This method is based “on the assumption that the investigator wants to discover, understand, and gain insight and therefore must select a sample from which the most can be learned” (Merriam, 2009).

By using previously explained sampling strategy, nine food processing companies within the sampled clusters were carefully estimated and selected for surveying purposes, which are nearly the maximum number cases for relevant analysis according to the Eisenhardt recommendations. In order to become a subject of observations, the following three important criteria were taken into consideration in selection of companies:

- **first**, companies that have 10 to 250 employees and annual turnover less than 50 million EUR (SME - as defined in EU law: EU recommendation 2003/361),

- **second**, firms should be involved in international activity.

As an additional (third) criterion that we imposed was the companies to be of different sizes in terms of employment - three small (up to 50 employees) and 6 medium (up to 250 employees).

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4.3. Data collection and operationalization

For the purpose of data collection, the interview was used as a method and semi-structured questionnaires were developed for the companies that represented the base for our analyses. The interviews were conducted with nine Macedonian food processing SMEs in the period of September and October 2013. Three of them can be categorized as small enterprises, while six others were medium sized companies. Research was made by implementing "face-to-face" interview, based on previously semi-structured questionnaire, with owners, general managers and CEO's of the SMEs. The questionnaire was designed for respondents who indirectly could indicate possibility of the existence on the global market, and are implementing international activities in their daily operations and in the market segment in which they operate. The interviews have been conducted in a time period of 1 to 1.5 hours. The 54 questions were aimed to gather three different types of answers which were formally divided in 3 groups in the questionnaire, and they are as follows: **The first group** of questions is made to discover general information about the

company and the respondent. It contains questions related to the basic company information, ownership structure, production portfolio, the respondents' position in the company, their level of education, the level of foreign languages knowledge and their experience in doing business internationally. **The second group** included questions related to companies' basic business operations and its internationalization activities. The questions in this group were with the following content: year of established, number of employees, legal form, total exports revenue, export share, the year of beginning internationalization, motives for internationalization, foreign markets orientation, the number of countries where exported, the export trends, the most important foreign markets, export assortments, way of establishing export contacts, entry modes, organization of the export, branches abroad, quantity and quality of institutional support and barriers to exports. Questions from **the third group** were related to cooperation with big retail chains abroad and the implications of that cooperation. This questions were about: foreign market segments, the period beginning cooperation with foreign retailers, entry modes, the scope of cooperation, the trends of collaboration, formats of retail chains, the number of countries where cooperate with chains, type of product intended for retail chains, expansion of export through retailers networks, increasing of the range, the introduction of the organizational changes, increase of employment and, introduction of a new standards, controlling by the retail chains and the complexity of the negotiations with global retailers.

All this dimensions were measured by a combination of different scale types: Likert-type scale, binary-item scale, multiple choice question and open questions.

According recommendation of Manlova et al. (2002) it was measured engage of the observed companies in the following operations: export (direct export, export through intermediary), joint venture, FDI. This group of questions treated operation mode.

Concerning the market dimension, respondents were asked in how many countries their products were sold as well as in which foreign countries they are selling their goods. This is important to be determined "physic" distance from domestic to foreign markets (Johanson & Vahlne, 1990).

Within the segment of questions that treated the product dimension of the internationalization, respondents were answering questions about the volume of the products they export, the processes of branding and private labeling and their share in the level sale on the global market and finally, regarding their marketing and advertising policies.

The third group of questions was about the time and pace of SMEs' internationalization from their inception. Because all of the selected companies belong to the food processing industry they produce different categories of food products. Their answers create for us excellent landscape for obtaining indications about which of them have greater conjuncture on foreign markets and is able to move with faster pace in the process of internationalization.

The questionnaire also contains questions which treats other relevant dimensions of the process of internationalization, such as the motives, factors and barriers of the internationalization, as well as the impact of the global retail systems to this process.

The last part of the questionnaire was composed of questions focused on the level of cooperation of Macedonian food processing SMEs with global and regional retailing chains in foreign markets. Also, there were questions that are related with impact of this collaboration to the companies' internationalization process, but also on their overall business. Concerning the collaboration and implications, respondent replied about: market segments, the pace of the beginning of the cooperation, market shares, formats, increasing of assortments, international expansion, increase the capacity and number of employees, improving the overall business and introduced new standards etc.

4.4. Validity and reliability of analyzed data

According Bryman (2008), the base of qualitative research are: the words, participants point of view, researcher close, theory emergent, context understanding, unstructured form, context understanding, rich in depth, observe social reality as a process and seek investigated phenomenon and occurs in their natural settings. All these are fundamental conditions for realization of precise and objective measurements of the

studied phenomenon. But, to achieve credibility of scientific research it must be applied two central concepts: validity and reliability. (Silverman, 2006).

Validity may be determine as a fully match of what we intend to measure with what we really measure. In fact, validity means the correct correlation between data and conclusion (Mohammed Ali Bapir, 2008). In addition, it should contribute to the generalization of the findings.

From other side, reliability may be define as "the consistency or constancy of a measuring instrument' (LoBiondo-Wood & Haber, 1998). It means standardization of instruments with which are conduct scientific measurements. To reach reliability of the scientific research, it has to be supported by the following characteristics of the used instruments: stability, consistency and equivalence. This is especially important if you measure phenomena whose changes are taking place at the time of measurement. Further, instrument should have a characteristic of reputability, or more precisely, by repeating the same qualitative research instrument under same circumstances to produce the same results.

To these two concepts, a third one should be added - the triangulation. Triangulation is achieved by combining sources, data and methods to improve the consistence of the story identified in social phenomena (Bryman and Bell, 2007). It means: a). using of variety of data and information, b). using of multiple methods to observe a single problem and c) using of different perspectives to interpret a single set of data. There is one more, d) the single problem to be analyzed by several researchers. These types of triangulation (except the last one) were used in this research.

In order to achieve the effect of triangulation, as a guarantee of the internal validity, sources of multiple data were used, because validity and reliability are two dimensions for which any qualitative researcher should be concerned about while designing a study, analyzing the results and judging the quality of the study (Patton, 2002). The questionnaire was made up with a lot of questions which from different perspectives observed the process of SMEs internationalization process.

4.5. Data analysis

In general, we perform the analysis of the data with regards to the theoretical propositions relevant for the case studies included within this research. This helps in considering relevant data and ignoring other useless data in organizing the entire case study and in definition of alternative explanations that are examined. The structured questions are analyzed to reflect the profile of the firms and to deal with the problems of developing internal and external validity in doing the case studies within this thesis. Two analytical techniques are employed: explanation building and cross-case synthesis. Explanation-building is considered as a form of pattern-matching, in which the analysis of the case study is carried out by building an explanation of the case. We built an explanation about each case and specified the causal relations by using of rival explanations in order to create cross-case analysis, not just analysis of each individual case. We compared the findings of the initial case against the theoretical statements and found the causal links. To make a cross-case synthesis, we treat each individual case as a separate study relying strongly on argumentative interpretation in order to avoid the appearance of a one-sided case. The ordinal items in the questionnaires are analyzed by using the mean and median. We also perform cross tabulation, so that we obtain conclusions about the nine cases. The findings contain the most relevant evidence that are obtained by our judgment and include explanation of the validity of the arguments being presented.

5. CASES ANALYSES

The focus of analyzing was put on two parts: first, the individual analysis on the companies and second, the crossed - comparative analyses among the companies. In individual analysis, each company was separately analyzed, studying the information that we received in the form of answers. On the other hand, the cross - case analysis is open possibility to realize differences and similarities among the analyzed companies.

The case studies have been selected based on the criteria described above and due to several reasons. Namely, the chosen companies are dispersed by location, so that they enable satisfactory national coverage. They differ in the level of competitiveness and growth on national and the global market, thus providing various experiences in the process of their development. Each case, which can be read as a separate section, provides unique story for the process of the company's internationalization.

Table No. 16. Companies selected for the case study

Firm	Products	No. of employees	Year of establishment	Year of first foreign activity	Total sales EUR	% of sales deriving from foreign markets
Bonum (case 1)	Production of mushrooms and vegetables processing	126	1992	1995	5 mil.	70%
Kadino (case 2)	Production of flour and frozen pasta	45	1992	2008	3 mil.	5%
Vigo 48 (case 3)	Production of biscuits and waffles	187	2007	2009	6 mil.	18%
Multiprom (case 4)	Production of biscuits,	247	1992	1997	7.7 mil.	72%

	waffles, crackers, bonbons and chewing gum					
Cermat (case 5)	Production of ice cream frozen foods, sweets and dairy products,	120	1998	2010	9.3 mil.	35%
Vitalia (case 6)	Production of health foods and diet products	150	1993	2003	6 mil.	60%
Vipro (case 7)	Processing of fruits and vegetables	50	1992	1994	4 mil.	75%
Milina Ice (case 8)	Production of ice cream and frozen foods	25	1997	2002	1.7 mil	20%
Tehnoalat commerce (case 9)	Bakery products and processing of fruits and vegetables	110	1990	2005	3.3 mil	85%

5.1 Individual analysis

5.1.1 Case 1 - BONUM

Company's data: Bonum is a family business company, established in 1992, with domestic capital. At the beginning they started with the production and sale of mushrooms, and later invested in facilities for processing vegetables. The company has 126 employees and annual sales (domestic and foreign market) of approximately 5 million in total. **General internationalization activities:** Approximately 70% of the total sales

belong to the overseas market, putting this company as highly internationalized. Especially interesting is the fact that the company has constantly increased overall sales, as well as the percentage of exports. In the last three years the export is growing at a rate of 5% each year. The first export activity was carried out after four years from the date of founded, which is indicator for a fast pace of internationalization. As the most important motives for the internationalization of its business is considered to be: a small and limited domestic market, increasing sales and profits, and better access to raw materials and new technologies. As a irrelevant motives they lists: the negative effect of seasonal production, risk diversification (domestic market and export) and the use of competitive advantages. In their business strategy dominates the export orientation. Bonum currently exports their products in about fifteen countries and possess one distributing company abroad. The number of countries to which BONUM is exporting increases every year. The most significant foreign markets for the company are: Serbia, Kosovo, Bosnia and Herzegovina, Germany and Slovenia. They export their complete range of products, which means a high level of conjuncture of their product portfolio to the foreign markets.

In foreign countries they sell their items on the ethnic segment, but also outside the ethnic segment, in the regular retailing system of host country. They point out that most potential buyers meet at foreign fairs, but also through private contacts and monitoring of competitors. Entry mode, or most common form of sales abroad their direct sales to foreign buyers. In their organizational structure works a separate sector that deals exclusively with export activities, which emphasizes their orientation towards exports. The first of its export activities are made in neighboring countries, and then they had expanding into the distant markets. This information, in regards of distance, indicates that their internationalization process took place according Uppsala stage model. As an export oriented company, their consideration is that institutional support is on low level and with poor quality. In this sense, they find that the export activities would be more efficient if got support in the form of: more bilateral agreements between R. Macedonia and other countries, the better promotion of Macedonian products, intensive organizations of B2B meetings, subsidizing trade fair appearances abroad and obtaining valid foreign market information.

Collaboration with global and regional retail chains: In the part of the business that is concerning to the large retail systems in foreign countries and impact on its total international business, BONUM has the following experience: In foreign markets BONUM it's products selling in the ethnic market segment and to the large retail chains, as well. Since the first year of its export activities, the company started cooperation with global retailers. Collaboration with foreign retail chains usually establishes with direct contacts. They collaborate with all kinds of chain formats (hard discount, cash & carry, supermarkets and hypermarkets) and the number of foreign retailers with which they cooperate constantly increase. In all 15 foreign markets where they export their products, BONUM have direct collaboration with the biggest global or regional retail systems. In these systems BONUM products are sold in both versions, under original brands and with a private label. The participation is 50% each, but the percentage of private label is continuously growing. Their cooperation with large systems first began in neighboring countries, and then in distant markets. According to their experience, when they listed some of their products in one retail system in one particular country, then it very often happens that these products to be listed in other countries where the same chain operates. They are convinced that entering with some of their products in a retail chain gives them a strong reference to expand its products to other retailers and distribution channels. Besides this, according BONUM, it very often happens with entering in a retailers selling with some single, after a certain period of time increases the number of listed BONUM's items in the same chain. To satisfy the retailers chains increased demand for its products, BONUM has been forced to increase its production capacity and number of employees and to improve their organizational, managerial, technical, technological and logistical capacity, which in fact is a very important indicator of positive impact of collaboration with the retail chains, not only to the company, but also for national economy, as well. In order to fulfill the conditions for cooperation with a large foreign systems, Bonum also need to introduce internationally certified standards, and to allow inspection and audit of its manufacturing process, which in favor of raising the overall quality of performance and safety. They are aware that negotiations with global retailers

are much heavier, more complex and longer lasting than negotiations with traditional importers and distributors.

5.1.2. Case 2 - KADINO

Company's data: This is a company from the bakery industry with 45 employees. It is family owned and founded in 1992. In their product portfolio dominate flour and frozen pasta. Their total annual sales are about 3 million EUR and in the last three years has a tendency of increasing. **General internationalization activities:** Share of exports in total sales is 5%, which this company classified as low internationalized. However, despite this fact, in the last three years the percentage of exports is increasing. With their export activities they started 17 years from the date of the founded of the company, which is very slow pace of internationalization. As the most important motives for their internationalization they consider: a small and limited domestic market, a saturation of domestic market, increasing sales and profits, achieving higher prices on the international markets, getting the benefits of economies of scale, risk diversification (the domestic market and export), use of competitive advantages, benefits of production capacity engagement, getting ideas for new products and better access to raw materials and technology. While irrelevant as a motive believe is: the negative effect of seasonal production. They export in around 5 countries and the number of countries where they export their goods slowly increasing. The main foreign markets for them are: Switzerland, Slovenia, Germany, Austria and the USA, which shows a tendency that their export is based on distant markets. They export around 70% of their total product range. They sell their products only to ethnic customers on foreign markets (customers from Balkan countries). As the most effective way to find new buyers are fairs abroad and participation in business forums and B2B meetings. They have no special export department and as a consequence is their small percentage of foreign selling. Kadino do not possess any firm abroad. The institutional support for their international activities is insignificant. They propose the following types of institutional support: chambers of commerce must be involved in supporting international activities of domestic companies, state subsidies and

trade bilateral agreements on free trade. As the biggest obstacle to better export they believe are poor infrastructure and the big distance to the nearest ports.

Collaboration with global and regional retail chains: KADINO's products are exclusively designed for ethnic consumers in overseas markets. Besides that fact, KADINO currently works with global and regional retailing chains which operate in two or more countries. They started with collaboration with retail chains from the very beginning of the internationalization of their business. The entry into the global international systems is directly performed, without intermediaries. They mainly cooperate with retailers with formats of supermarket and hypermarket (they are not present in other formats, as: hard discounters, Cash&Carry formats, convenience stores) and its number is permanently increasing. In 70% of the countries where KADINO exports its products, collaborate with global or regional retailers. The greatest part of collaboration is with their original brands and only 20% are under private labels. Firstly they started to collaborate with retailers in far markets, and after that with retailers located in neighborhood countries. Entering of KADINO's products in some global retailer in some single market means open possibility for entering in other foreign markets where that retailer operates. They consider that dealing with some big retailing system is very strong reference for entering in other distribution channels. Very often, after entered with one product, they increase the number of listed products in retailer's portfolio. In the case of KADINO we found very strong positive impact of collaboration with global retailers in foreign markets with whole process of internationalization and company performances. As a result of working with these systems KADINO increase the number of employees, change and adapt its managerial, commercial, and logistic characteristics and increase the production capacity. To achieve better quality of all production processes and high level of safety, they implement international standards and were subject of audit and control. It is perfectly clear to KADINO that the process of negotiating with a large global system is complicated, longer and heavier than with other traders.

5.1.3. Case 3 - VIGO 48

Company's data: This company, involved in the production of biscuits and wafers, was established in 2007. More precisely, Vigo 48 was created when in 2007 bought the old factory with long tradition of biscuits and wafer production. It is also a family business with 137 employees. The total annual turnover of the company is around 6 million EUR.

General internationalization activities: About 18 per cent of total sales fall in exports. They do not possess firm or representative office abroad. With their first export activities began three years after its foundation, which means that this company was internationalized rapidly. As main reasons for its internationalization states: small and limited domestic market, the saturation of the domestic market, increasing sales and profits, obtaining cost-effective effects of economies of scale and engagement of production capacity. While as insignificant motive stated: better access to raw materials and technology, getting ideas for new products and seasonal production. They export products in about 15 countries and their business strategy is to expand at more foreign markets. Their foreign sale, from the last five years perspective, is continuously increasing. The most important foreign markets are: Netherlands, Spain, Romanian, Hungarian and German. They export around 70% of its total production portfolio. Export contacts are usually obtained during their presence at trade shows abroad, and as the least efficient way for quality business contacts according them are: private contacts and connections and participation in business forums and B2B meetings. The most common form of entry to foreign markets is a direct export to foreign buyers. In their organizational system there is a separate export sector that performs exclusively export activities. It is indicative the fact that they first started to export to neighboring countries, but one of the biggest foreign markets for this company are actually the countries that are distant from Macedonia. Abroad they do not possess firms or any branches. As the biggest barriers for better export they specify: lack of knowledge of foreign markets, lack knowledge of foreign legislation, insufficient organizational and technical preparedness, as well as, the bad roads and the big distance to the nearest ports. They have no problem in financing export.

Collaboration with global and regional retail chains - The impact of collaboration with global and regional retail chains to the overall company performances in case of VIGO 48: This firm sells its products mostly in the regular retailing systems on foreign markets. They do not operate in the ethnic segment of foreign markets. Collaboration with big retailers began after 3 year of their first export activity. As an entry mode VIGO 48 use direct contact with retailers, without mediation of commercial agents. The share of collaboration with big retailers in total export values is 20% and this number constantly increases. They export in 15 countries and in 3 of them they work with retailer chains. Cooperation is established with all formats of retailers: hard discounters, Cash&Carry formats, supermarkets, convenience stores. Mostly they are selling under private label and the share of private label is constantly increasing. The first deliveries to the global and regional retailers were made in neighborhood countries. When they enter into a retail chain in some country, they very often succeed to sell the same products into the branches of the same chain in other countries. Their opinion is that working with some global retailer in particular market is strong reference to expend to the other retail formats on the same market. In order to respond successfully for quantities and quality standards requirement by global traders, they increased the number of staff, implement new standards and do reorganization of all business processes. This company was also visited by audit agencies in order to verify the quality of production operations in accordance to the certified international standards. As in the case of the previous companies, Vigo 48 believes that negotiations with the large retail systems are more complicated, and last longer.

5.1.4 Case 4 - MULTIPROM

Company's data: The main business of this company is production of biscuits, wafers, bonbons, crackers and snacks. The company was established in 1992. It is a family owned company founded without foreign capital. It employs 247 workers and has a turnover of 7.7 million EUR. **General internationalization activities:** Approximately 72% of its overall turnover are coming from the foreign markets. With its exports began after 5

years since its foundation. The most important motives for its internationalization are: increase in sales and profits, use competitive advantage, small and limited domestic market, saturation of the domestic market, engagement of unused production capacity. As the unimportant motives to start with exports are: economies of scale and the negative effect of seasonal production. Their business strategy is oriented to the both, domestic and foreign markets,. Its products exports in more than fifteen countries and the number of countries that export is increase. Their largest foreign markets are: Romania, Croatia, Iraq, Bosnia and Herzegovina and Kosovo. From their complete products portfolio they export about 70% of the products. Export business contacts usually achieved through personal contacts. They find that previous contacts, monitoring the competition and B2B meetings are the most inefficient way to achieve business contacts. They prefer direct export. The company has a special sector that carries out export activities. Its first international activities were realized equivalently, in the neighboring countries and in other countries, far from the neighboring region. MULTIPROM possesses its representative office abroad. Believe that they are getting good support for their export operations from Macedonian institutions, namely: agreements for free trade, simplifying export procedures and support from the banks. As the biggest barrier to export they consider the lack knowledge and regulations in foreign countries, lack of financial assets and bad logistic performance (poor road infrastructure, high transport costs etc.).

Collaboration with global and regional retail chains: What does MULTIPROM practice show in dealing business with big foreign chains and their effect on general export operations? Ethnic part of the market and standard retail channels in foreign countries MULTIPROM works with the same intensity. In the first year of operations abroad they have started cooperation with big foreign chains. Way of entering in foreign systems is not direct, but through distributors or wholesalers. MULTIPROM collaborate with all formats of retailers and their number every year increase. In 70% of all countries where they export, they have cooperation with retailer chains. The greatest part of collaboration is under private label (70%) and this percentage constantly increasing. The first MULTIPROM's experience to cooperate with global retail chains was achieved in the closest countries. This company has a positive experience concerning the expansion of its items through

selling network of some big retailer in different countries and also positive experiences in increasing of the number of listed product in retailer's portfolio. According to their opinion, the entry in the sales portfolio of a large retailing system is a pivotal reference for entry into the rest part of the market.

To satisfy the retailers chains increased demand for its products, MULTIPROM increased its production capacity and number of employees and adapted their organizational, managerial, technical, technological and logistical capacity, which again shows positive impact of collaboration with the retail chains. In order to fulfill conditions for cooperation with global foreign systems, MULTIPROM also introduced internationally certified standards, and has been subject of inspection and audit of its manufacturing process. In contrast of previous companies in MULTIPROM do not think that negotiations with big global chains are more complicated and harder.

5.1.5 Case 5 - CERMAT

Company's data: This company produce ice cream, sweets, toppings and frozen bakery products. CERMAT was established in 1998. It is also a family business with 120 employees and there is no foreign capital in this company. The total annual turnover of the company is around 9.3 million. **General internationalization activities:** About 35 per cent of CERMAT's annual sales fall in exports. They possess a firm abroad which is 100% owned by CERMAT. With their first export activities began thirteen years after its foundation, which means that this company was not internationalized rapidly. As main reasons for its internationalization states: small and limited domestic market, increasing sales and profits, achieving better prices in foreign markets, obtaining cost-effective effects of economies of scale, getting new ideas for innovation and better access to raw materials and technology. While as insignificant motive was stated saturation of the domestic markets. They export products in about 10 countries and their business strategy is to expand at both, domestic market and overseas. Their foreign sale, from the last five years perspective, is continuously increasing. The most important foreign markets are: Serbia, Bosnia and Herzegovina, Montenegro and Croatia, which means neighboring

countries. They export around 70% of its total production portfolio. Export contacts are usually done through private contacts and relations, previous business contacts, presence at trade shows abroad and participation in business forums and B2B meetings. As the least efficient way for quality business contacts according them are monitoring of the competitors. The most common form of entry to foreign markets is a direct export to foreign buyers. In their organizational system there is a separate export sector that performs exclusively export activities. CERMAT are satisfied with the institutional support they receive: organization of trade fairs, B2B meetings and commercial seminars. As the biggest barriers for better export they specifying: lack of knowledge of foreign markets, lack knowledge of foreign legislation, lack of financial assets. They have no problem with their organizational and technical preparedness in terms of export activities.

Collaboration with global and regional retail chains: CERMAT and its collaboration with global and regional retailers shows almost the same picture as previous cases. This company covers the both, ethnic market segment and big retail chains. From the start with export activities began to cooperate with big foreign retailers. In 50% where realize export, they work with retailer chain. They entry mode is direct contacts and number od big retailers whit which collaborate constantly increase. Their products are in all retail formats, but dominantly under private label (70% of all exported products to the foreign chains) and this proportion in recent years is stagnant. CERMAT the first deliveries to the large retailers realized in the neighborhood countries. This company, also has has a experience concerning the expansion of its items through sales network of some big retailer in different countries and also positive experiences in increasing of the number of listed product in retailer's portfolio. According to their opinion, the entry in the sales portfolio of a large retailing system is a pivotal reference for entry into the rest part of the market.

When CERMAT entry with their products into a retail chain in some country, then very often extend the same products into the branches of the same chain in other countries. So, it is clear indicator for expansion through retailers' sales network. Their opinion is that working with some global retailer in foreign market is strong reference to expend to the other traders on the same market. As result of working with global and

regional retailers, this company improved its overall performances, increased the number of employees and implemented new standards. Production process has been under control of authorized agencies. Like the most of surveyed companies, CERMAT considered that negotiations with the large retail chains are more complicated, last longer and harder.

5.1.6 Case 6 - VITALIA

Company's data: This company produces health functional food and diet and organic products. It is family owned company, founded in 1992, with 150 employees. There is no foreign capital. Their total annual sales are about 6 million EUR and in the last three years has a tendency of increasing. **General internationalization activities:** Share of exports in total sales is 60%, which this company classified as high internationalized. In the last three years the percentage of exports is increasing. With their export activities they started 10 years from the date of the founded of the company. As the most important motives for their internationalization they consider: a small and limited domestic market, increasing sales and profits, ach, risk diversification (the domestic market and export) and use of competitive advantages. While irrelevant as a motive believe is the negative effect of seasonal production. They export in around 15 countries and the number of countries where they export their goods increasing. The main foreign markets for them are: Serbia, Israel, Montenegro, Croatia and Australia, which shows a tendency that their export is based equivalently, in the close, as well as in the distant markets. They export around 50% of its total product range. As the most effective methods to find new buyers for this company are the participation at food fairs abroad, participation to business forums and to B2B meetings. In their organizational structure they have special export department. VITALIA do not possess any firm in foreign countries. The institutional support for their international activities is insignificance. They propose this kind of institutional support: concluding trade bilateral agreements for free trade, better macroeconomic policy and support in promotional activities. As the biggest obstacle to better export they believe is lack of knowledge of the foreign legislation.

Collaboration with global and regional retail chains: In what way is manifested the cooperation with global retail companies and what is the impact on international business in case of VITALIA? This producer sells its products at foreign markets and only in the regular (non-ethnic) retailing systems of host country. They do not sale to the customers who belong to the ethnic segment of foreign markets. Collaboration with big retailers started after 5 year of their first export. As a entry mode they use all variants: direct contacts, commercial agents and importers and wholesalers. In half of the countries in which this company sells its products, the global or regional retail chains are their main buyers. Majority of their products are sold in supermarkets and hypermarkets and the number of systems with which they have established cooperation permanently growing. In these systems they placed about 70% of its total portfolio. The share of private label is about 20% and this percentage constantly increasing. The first deliveries to the global and regional retailers were in neighborhood countries. When they entry into a retail chain in some country, then very often extend the same products into the branches of the same chain in other countries. By their opinion, working with some global retailer in particular market is strong reference to expend to the other traders on the same market. In order to satisfy retailer's requirement for bigger quantities and higher quality standards, they increased the number of staff, implemented new standards, realized new investments and reorganized almost all business process. This company was also visited by audit agencies in order to verify the quality of production operations in accordance to the certified international standards and internal standards of big retailers. VITALIA's opinion is that there is no difference in the negotiations between major retail systems and traditional retailers.

5.1.7 Case 7 - VIPRO

Company's data: VIPRO was established in 1992, with domestic capital and it is not family owned company. At the beginning they started with the production and sale of fruit juices, and later invested in facilities for processing of fruits and vegetables. The company has 50 employees and annual sales (domestic and foreign market) of

approximately 4 million in total. **General internationalization activities:** Approximately 75% of the total sales belong to the overseas market, putting this company as highly internationalized. Especially interesting is the fact that the company has constantly increased overall sales, as well as the percentage of exports. The first export activity was carried out after two years from the date of founded, which is indicator for a very fast pace of internationalization. As the most important motives for the internationalization of its business is considered to be: a small and limited domestic market, increasing sales and profits, economy of scale, risk diversification (the domestic market and export), use of competitive advantages, ideas for a new products and better access to raw materials and new technologies. As a irrelevant motives they stated saturation of the domestic markets. In their business strategy dominates the export orientation. VIPRO currently exporting their items in more than fifteen countries and this number constantly increase. The most significant foreign markets for this company are: USA, Canada, Serbia, Kosovo and Montenegro. They export approximately 50% of their complete range of products.

They point out that they prefer direct contact with foreign companies as an entry mode in new markets. In their organizational structure there is a separate sector that performs exclusively export activities, which emphasizes their orientation towards export. Their potential buyers meet at foreign fairs, but also through private contacts and B2B meetings. According their business strategy, they started to export to the both, close and in the distant markets. They have separated the export sector, but do not have any organizational form abroad which is in their ownership. As an export oriented company, their consideration is that institutional support is on high level and they are satisfied with the quality of institutional support. As the most significant obstacle in the process of their export activities they mentioned the bad logistic performance (poor road infrastructure, high transport costs, etc.).

Collaboration with global and regional retail chains: Information that follows shows how collaboration with global retailers affects VIPRO's overall internationalization processes. This company sells their items in foreign markets on the ethnic segment, and in very small part, to the regular retailing system of host country. Collaboration with global or regional retailers started after second year of their first export. They do not work directly

with trading chains, but through the wholesaler companies. Half of its range of products can be found in retailers portfolio. They collaborate with all retail formats (hard discount, cash & carry, supermarkets and hypermarkets) and the number of foreign retailers with which they cooperate constantly growing. In 20% of all countries where they sell their products, VIPRO cooperates with global or regional retail chains. In these systems VIPRO's products are present in both versions, under original brands and with a private label. The participation is 50% each, and this percentage last years are stagnant. Cooperation has been developed equivalently, in neighboring countries, and in distant markets. According their experience, when they listed some of their products in one retail system in one particular country, then very rarely happens those products to be listed in the other countries where the same chain operates. They are convinced that entering with some of their products in a retail chain gives them a strong reference to expand its products to other retailers and distribution channels. Besides this, VIPRO very often increases the number of its products in some retailer. To satisfy the retailers chains increased demand for its products, VIPRO has been forced to increase its production capacity and number of employees and to improve their organizational, commercial, technological and logistical capacity. In order to fulfill the conditions for cooperation with large foreign systems, VIPRO also need to introduce internationally certified standards, and to allow inspection and audit of its manufacturing process. According them, negotiations with global retailers are heavier, more complex and longer lasting than negotiations with traditional importers and distributors.

5.1.8 Case 8 - MILINA ICE

Company's data: The main production portfolio of MILINA ICE including ice cream and frozen bakery products. This company was established in 1997. It is also a family business with 25 employees and there is foreign capital in this company. The total annual turnover of the company is around 1.7 million EUR. **General internationalization activities:** About 20 per cent of total sales fall in export. The share of exports in total sales in the last three years has been stagnant. With its international active they started 5 years

after company was established. They do not possess firm or office abroad which is 100% owned by themselves. As main reasons for its internationalization states: small and limited domestic market, saturation of the domestic markets, negative effect of seasonal production, obtaining cost-effective effects of economies of scale, engagement of unused production capacity and getting new ideas for innovation. While as insignificant motive were stated competitive advantages. They export products in 5 countries and their business strategy is to expand at both, domestic market and overseas. Their foreign sale, from the last five years perspective, is continuously increasing. The most important foreign markets are: Balkan countries, Scandinavia, and EU countries. They export around 50% of its total range of products. Export contacts are usually done through private contacts and relations and previous business contacts. As the least efficient way for quality business contacts according them are monitoring of the competitors. The most common form of entry to foreign markets is a direct export to foreign buyers and indirectly through commercial agent. In their organizational system there is no separate export sector that performs exclusively export activities and do not possess any firm in foreign countries. MILINA ICE are not satisfied with the institutional support and in this context the proposed B2B meetings and preferably credit lines for supporting export activities. As the biggest obstacles for better export they specifying: lack knowledge of foreign legislation and lack of financial assets. They have no problem with logistics infrastructure and skillful staff who could respond to international challenges.

Collaboration with global and regional retail chains: MILINA ICE case shows following correlation between cooperation with global retailers and company's overall international business performances. This producer places its products at foreign markets sales to ethnic customers and in the regular retailing systems of host country. Collaboration with big retailers started after 2 year of their first realized export. As a entry mode they use mainly services of commercial agents. In 20% of all countries where sells their products, this company works with global or regional retail chains with all kind of retail formats and this number permanently growing. In these systems they placed about 20% of its whole portfolio. The share of private label is about 20% and this percentage constantly increasing. The first deliveries to the global and regional retailers were simultaneously to

far countries and to the neighborhood countries. When they entry into a retail chain in some country, then very often extend the same products into the stores of the same chain in other countries. According their statement working with global retailers in particular market is strong reference to widen to the other distribution channels on the same market. In order to satisfy retailer's requirement for bigger quantities and higher quality standards, they increased the number of workers, implemented new standards, improve the technological level and reorganized the structure of the company. This company was also subject of audit and control.

5.1.9 Case 9 - TEHNOALAT COMMERCE

Company's data: TEHNOALAT COMMERCE was established in 1990 as a bakery and then in 2005 they established a special department for fruit and vegetables processing. That is family owned company with domestic capital. The company has 110 employees and annual sales (domestic and foreign market) of approximately 3.3 million EUR in total. **General internationalization activities:** Approximately 85% of the total sales belong to the overseas market, putting this company as highly internationalized. This percentage of exports only refers to pasteurized fruit and vegetables, while part of bakery production does not export at all. The company has constantly increased overall sales, as well as the percentage of exports. The first export activity was carried out after 15 years from the date of founded, but the same year of establish the facilities for fruit and vegetables processing, which is indicator for a very fast pace of internationalization of that category od products. They have a special export sector, but do not have firm abroad. As the most important motives for the internationalization of its business is considered to be: a small and limited domestic market, increasing sales and profits, economy of scale, ideas for a new products and better access to raw materials and new technologies. As a irrelevant motives they stated engaged of unused production capacity. In their business strategy dominates the export orientation. TEHNOALAT COMMERCE currently exporting their items in ten foreign markets of more then 70% of their production portfolio. The most

significant foreign markets for this company are: Germany, Serbia, Sweden, USA and Croatia.

As a entry mode they prefer direct contact with foreign companies. The business contacts with foreign customers most often realize through previous business contacts, food shows and B2B meetings and business forums. In its exports activities pay equal attention to the close and distant customers, but when they started with export it was in closest markets. They are satisfied with quality of institutional support. As the most significant obstacle in process of their export activities they mentioned: lack knowledge of foreign markets and legislation and lack of financial assets.

Collaboration with global and regional retail chains: The lower data shows the connection of cooperation with big chains on TEHNOALAT COMMERCE overall business activities. This company in overseas countries sells their items on the ethnic market segment, and in small part, to the regular retailing system of host country. Collaboration with global or regional retailers started in the same year of their first export. They work directly with trading chains. Approximately 70% is the share of retailers that this company uses for its operations comparing with other distribution channels and as in all other cases this number is growing. They collaborate mainly with supermarkets and hypermarkets. In 20% of all countries where they sell their products, TEHNOALAT COMMERCE cooperates with global or regional retail chains. In these retailing systems TEHNOALAT COMMERCE's products are present dominantly with a private label (70%) and it is constant percentage. Cooperation with global retailers firstly has developed in neighboring countries, and then in distant markets. According their experience, when they lists some of their products in one retail system in one particular country, then very often realize transfer of that products to other countries where the some chain operates. They believe that entering with some of their products in a retail chain gives them a reference to expand its products to other retailers and distribution channels. Beside this, when start cooperation with new retailers, then they list new products very fast, which proves the quality of the products of this firm. To satisfy the retail chains' increased needs for its products, TEHNOALAT COMMERECE increased its production capacity, number of employees, and improved their organizational, commercial, technological and logistical performances. They also

introduced internationally certified standards, and its production operations were under control by inspection and audit agencies. They are convinced that concluding contracts with global retailers are much more complex, heavier and longer lasting than contracts with traditional importers and distributors.

5.2 Cross - case (comparative) analysis

Using of cross case comparative analysis it is possible to draw certain general conclusions that give a clear picture of the process internationalization of Macedonian food processing SMEs and their performance in the global market.

5.2.1. Why do Macedonian food processing SMEs internationalized their business?

Firstly, we were focused on one of the main research questions of this survey: "**why**" Macedonian food processing SMEs internationalized their business activities?

The respondents had a variety of possible responses, in order of exactly determination of their motives for internationalization. The essence of this section of the research was to investigate which factors, conditions or processes acting on food processing SMEs motivational to expand their business in foreign markets and to start collaborations with foreign companies. With selection of the answers, motives for internationalization of the analyzed companies, we can summarize the following:

Table No. 17. The motivation for export

	Internal	External
Proactive	Increasing of sale and profit (case 1,2,3,4,5,6,7,8,9); Achievement better prices in foreign markets (case 2,5,9) Competitive advantage (case 2,4,6,7)	Ideas for new products (case 1, 2,5,7,8,9); Better access to the raw materials and technology (case 1,2,5,7,9)

Reactive	Economy of scale (case 2,3,5,7,8,9); Risk diversification (case 2,6,7); Negative effect of seasonal production (8) ; Engagement of available production capacity (case 2, 3, 4,8)	Small and limited domestic market (case 1,2,3,4,5,6,7,8,9); Saturation of domestic market (case 2,3,4,8)
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At the above presented rankings can be seen that there is a large dispersion of motives for internationalization. But the greatest concentration of the motives is in the sectors of internal proactive and external reactive. The increasing of selling and profit is engine that motivates entrepreneurs of all nine companies to enter to the global market (internal proactive factor). On the other hand, small and limited domestic market and achieving economies of scale are also two main motives for internationalization of their businesses (external reactive). These results were expected and understandable, because the R. Macedonia has a small national market (considering the country size, population and the low purchasing power) and to achieve a higher level of sales and a larger series production are needed larger markets, which have greater power of absorption. The findings confirm the thesis that the SMEs originate from a small national economy are aware of the need for rapid internationalization of their businesses. They do not consider that: risk diversification, effect of seasonal production and achievement of better prices abroad, are the main motives for internationalization, which implies that they believe in the competitiveness of their products and they need larger markets to valorize this advantage. Obviously, small domestic market restrain them to increase their sales and achieve their targets. That situation motivate them to start searching larger, foreign markets.

If companies strive to globalize their business, than, some ad hoc or random moves cannot be a strategy for fulfilling their intentions. However, they might try to apply the so called "directed opportunism", which is an approach developed by Bungay (2011), according to which, by maintaining opportunism and flexibility the company will close the

gaps between plans, actions and results. Actually, this approach could help many companies in creation of their strategies for internationalization to close the knowledge gap between the plans and outcomes, the alignment gap between plans and actions and the effect gap between actions and outcomes. For sure, this could be one of the answers on “why” companies change themselves internally in order to become more recognized globally.

5.2.2. How Macedonian food processing SMEs conduct the process of entering in the global market?

In this line, our responders determine the **second** question, "**how**" they conduct the process of entering in the global market. Namely, choosing the right mode for entering the global market is critical. Once it is chosen in the first phase, it could be very expensive to be modified later on. Due to undesirable constrains that could underpin the predicted growth. Having in mind that the size of the Macedonian market is not larger than the minimum efficient scale of production, the more completely national production of the companies' cannot translate into scale economies for them, so they are motivated to enter into the global market.

Table No. 18. Dominant entry mode, percentage of the total range intended for export, possessing export department, possessing firm or branch abroad and the most efficient export contacts.

Firm	Dominant entry mode	How much export of its total production portfolio	Export department	Possession of a firm/branch abroad	The most efficient export contacts
Bonum	Direct export	100%	Yes	Yes	Fairs
Kadino	Direct export	70%	Yes	No	Fairs, B2B
Vigo 48	Direct export	70%	Yes	No	Fairs
Multiprom	Direct export	70%	Yes	Yes	Private contacts
Cermat	Direct export	70%	Yes	Yes	Private contacts, Previous business

					contacts, Fairs, B2B
Vitalia	Direct export	50%	Yes	No	Fairs
Vipro	Direct export	50%	Yes	No	Previous business contacts
Milina Ice	Direct export	50%	No	No	Private contacts, Previous business contacts
Tehnoalat commerce	Direct export	70%	Yes	No	Private contacts, Previous business contacts, Fairs, B2B

All analyzed companies as dominant entry mode of their participation in the global markets imply direct export which coincides with the assumption that SMEs in the early stage of internationalization choose export as the simplest and low - risk entry mode. This implies that minor forms of entry into foreign markets for analyzed companies are: indirectly, through intermediaries and agents, by forming its own distribution companies or joint venture companies with foreign partners. But, in this context it should be noted that three of them possess firms or representative office abroad: Cermat, Multiprom and Bonum, which means a step forward, according to stage model of internationalization.

No one of them its business strategy founded only on the domestic market. The all nine companies have strategic orientation towards foreign markets, which confirms the assumption that SMEs from small countries are forced for more intensive and widespread internationalization in order to achieve their strategic goals. Also, all of them export a relatively high percentage of its product range (Bonum 100%, Kadino 70%,Vigo 48 70%, Multiprom 70%, Cermat 70%, Tehnoalat commerce 70%, Vitalia 50%, Vipro 50%, and Milina Ice 50%). This figure is a good indicator that those companies their product range largely adapted to the foreign markets.

Within many of the developed world markets, the retail industry is mature. Based on that, any new company that tries to enter into the market would need to absorb part of the market share from some other competitor. This is certainly very difficult activity to be completed, since there are well established players on the market that will vigorously us their marketing mix against any new player and will neutralize the competitive advantage that the new player has. Therefore, as it is seen from this part of the research, the

relatively small size and lack of strong customer relationships would be severe disadvantages for Macedonian companies that intend to enter in the global market.

In the direction to answer the question how the Macedonian food processing SMEs manage their process of entering on the global market (export contacts), as integral part of the questionnaire were the group of questions that treated way of establishing the contacts with potential foreign buyers. Although, in general there is no concentration of the answers in this group of questions, the most of them believe that: private contacts and relations, previous business contacts, presence of international trade fairs and B2B meetings are the most effective way of establishing contacts with foreign buyers.

The eight of analyzed company as a separate organizational unit have specialized export department, which done exclusively export activities. Only within the organizational structure of Milina Ice does not exist separate export department. If this figure is compared to the percentage of exports in total sales of these companies, then follows the conclusion that such organizational set-up is one of the keys to success on the global market. It is known that SMEs, due to lack of resources (financial, human, managerial etc.), are not able to have the same organizational structure as the large companies. However, if SMEs want to succeed into the global market, they must conceptualize their businesses so that they will be prepared to face the competition on foreign markets. Efficiently this can be completed by people who are specialized in working with foreign buyers. Regardless of globalization process, Macedonian SMEs with their business philosophy and working habits, as well as the structure of home market trade are still far from the modern trends in this area, so that, for people who work on the domestic market, is very difficult to adapt themselves and be successful in foreign markets. This is one of the reasons why SMEs which tend to succeed on the global market must form a special sector for foreign sales and international cooperation.

Exploring the ways of food processing SMEs internationalization also includes issues that are related with the problems which might encounter during this process. Internationalization barriers can strongly affect the way of SMEs internationalization, and, further, it can de-stimulate and even, postpone or completely stop this process. It was

extremely important of this research to locate the sources and determine the barriers of SMEs internationalization.

Obstacles that SMEs encountered during the process of its internationalization are integrative part of the answer to the question "How Macedonian food processing SMEs conduct the process of entering in the global market?" The findings of this study regarding the **export barriers** show the intensity of this factor on the process of internationalization of analyzed companies.

Each company has to possess organizational skills and resources to successfully enter in to a foreign market. SMEs face number of problems while they are entering in a foreign market, which hinder their performances and competitiveness. The barriers with international dimension come mainly from the complicated administrative scheme of the business environment in the countries, as well as from the tariff and non tariff barriers (OECD, 2009). The decrease of barriers in global trade will open new doors to organization as well as improve the production process and product quality. The barriers to export in the international market might occur in the early phase of the process when a company is trying to enter a market, while others might exists when the company is developing a long term relationship in the market (Rundh 2001).

According to the (OECD 2009) the top ten barriers of the SMEs internationalization could consider as follows, "(1) Shortage of working capital to finance export (2) identifying foreign business opportunities (3) limited information to locate market (4) inability to contact potential overseas customers and (5) obtaining reliable foreign representation (6) lack of managerial time to deal with internationalization (7) unskilled personnel for export operation (8) difficulty in matching competitors prices (9) lack of home government assistance/incentives and (10) excessive transportation costs".

According Leonidou (1995a) export barriers are classified in four groups: internal - home, internal - foreign, external - home and external - foreign barriers. Based on this classification of export barriers was conducted response analysis.

Table No. 19. The export barriers of analyzed Macedonian food processing SMEs

	Internal	External
Home	1.Lack of financial resources for realization of export (case 1,4,5,8,9) ; 2.Lack of experts (case 1); 3.Insufficient organizational and technical readiness (case 3)	1. Logistical problems and bad road infrastructure (case 1 2,3,4,7) 2.Lack of institutional/governmental support (case 1, 2, 3)
Foreign	1.Insufficient knowledge of the foreign legal regulations (case 3, 4,6,8,9); 2.Insufficient knowledge of foreign markets (case 1,3,5,9);	1. Weak competitiveness of products in foreign markets (0) 2. Linguistic and cultural barriers (0)

The SMEs managerial attitudes about environmental conditions and strategy are important primarily because the SME owner/founder is actively engaged in managing the firm (Shaver & Scott, 1991; Stuart & Abetti, 1987). The answers of respondents regarding the obstacles that they have during export activities have large dispersion. The highest concentration of responses is situated in the fields of external - home barriers, internal - home barriers and internal - foreign barriers. As the main obstacles for more effective export activities five companies determine:

- a). Logistical problems and bad road infrastructure: Bonum, Kadino, Vigo 48, Multiprom and Vipro (external - home barriers);
- b). Lack of financial resources for realization of export: Bonum, Multiprom, Cermat, Milina Ice and Tehnoalat commerce (internal - home barriers), and
- c). Insufficient knowledge of the foreign legal regulations: Vigo 48, Multiprom, Vitalia, Milina Ice, Tehnoalat commerce (internal - foreign barriers).

These assertions seem completely logical because Macedonia has no network of highways, or the existing highways are in inadequate condition. Next, Macedonia has no access to the sea, it is a landlocked country and the nearest ports sea are in Greece and Albania, which increases the transport costs. Further, obviously the biggest part of analyzed companies need and expect greater finances support. Positive changes in this direction will stimulate their export activities. Last, from received responses it can be

noticed that the analyzed companies have a lack of knowledge of the foreign legal regulations.

The attitude and perceptions of the managers are important for the export of the organization. Lack in manager's educational level, foreign language proficiency and experience about foreign culture create barriers for SMEs during their operation in the international markets. (Suárez-Ortega & Álamo-Vera, 2005)

Data for the obstacles that companies have on their internationalization path we find as very important information, because they in fact give direction to the questions how to be created and where to be directed institutional support for export activities. Although, to the direct questions regarding whether they satisfied with the quality, mode and frequency to institutional support for its export activities, the analyzed company have split opinion. Five companies, Vitalia, Milina Ice, Vigo 48, Kadino and Bonum, do not get enough quality assistance from Macedonian institutions. These companies are not satisfied with the support and find that institutions should be more active, to assist them in raising exports. Macedonian institutions should have more initiative in subsidizing fairs abroad, concluded more bilateral agreements for free trading, better affirmation of Macedonian products in whole, more B2B meetings and assist in the foreign market research. Other four companies, Cermat, Viprom, Multiprom and Tehnolat commerce are satisfied with institutional efforts of support their export operations.

Further to this, throughout the open discussion session with the companies, we found that the geographical distance between countries is also an important barrier. Namely, the distance between exporters and importers could cause a series of problems. The problem of technical issues is emphasized as the most serious one that is causing delays and in the most cases leading to customer dissatisfaction (Köksal and Kettaneh 2011).

It is interesting that the respondents do not find that weak competitiveness of products in foreign markets and linguistic and cultural barriers in any way can be determined as export barriers.

Beside the previously described barriers, the lack of ability to ensure a continuous process of export strategies has a great impact towards to export performance of the company (Wignaraja 2003).

5.2.3. When do Macedonian food processing SMEs start with their international activities?

Third research question, "**when**" do they start with internationalization process refers to the time and pace of internationalization.

Before any company start to internationalize its business, it needs to develop a successful business model for competing globally in order to grow and survive, and the international arena is probably the best choice in which achieving those motives is possible. In this realm, each company needs to increase its sales and profits in order to satisfy capital market expectations. It also needs to satisfy the expectations of the employees.

Since the companies strive for achieving better growth rates, they cannot maintain their operations only in domestic market since for most of them the domestic market is already saturated. In order to capitalize internationally their business model, they aspire to rapid expansion into the foreign markets. Speed and pace of their internationalization, number of countries where they export and the share of exports in their total income are extremely important indicators of their dynamics at international level. Particularly these indicators were taken into account in the segment of research that relates to time, pace and degree of internationalization.

Table No. 20. Years of first foreign activity, number of foreign countries where firms export their goods and sales volume on foreign markets.

Firm	Started with operations	Year of first foreign activity	No. of export countries	Total sales (in EUR)	% sales realized on foreign markets
Bonum	1992	1995	15	5 mil.	70%
Kadino	1992	2008	5	3 mil.	5%
Vigo 48	2007	2009	15	6 mil.	18%
Multiprom	1992	1997	15	7.7 mil.	72%
Cermat	1998	2010	10	9.3 mil.	35%
Vitalia	1993	2003	15	6 mil.	60%
Vipro	1992	1994	15	4 mil.	75%
Milina Ice	1997	2002	5	1.7 mil.	20%
Tehnoalat commerce	1990	2005	10	3.2 mil.	85%

If the process of internationalization of analyzed companies observe in relation to their production program, we can conclude that the fastest process of internationalization have companies whose product range consists of fruit and vegetables processing. All three of the analyzed companies from this branch: Bonum, Vipro and Tehnoalat commerce had a very rapid internationalization of its business. The share of exports, in their total sales, is the largest among all companies. Also, they sell their products to the largest number of foreign markets. It is very indicative case of Tehnoalat commerce, whose primary business activity was bakery products and with that product line they did not have international activities. But, in the first year of the opening, the plant for processing of fruits and vegetables immediately realized their first export. Consequently, these companies can be classified as born global. According to McDougall's (1989) and Knight and Cavusgil (1996) definition of born global the basic criteria for born global are the speed of internationalization (from the inception) and the part of whole assortment sold abroad. The three above mentioned cases in its international operations contain those elements. Also, significantly fast pace of internationalization can be detected in companies that produce confectionary: Multiprom and Vigo 48. In the case of Vitalia the pace of internationalization is slower, but we can notice the share of exports in total sales and the

number of countries where they export, is rather large. Other companies: Kadino, Cermat and Milina Ice have slower pace of internationalization. Therefore, the conclusion is that the pace of internationalization of the analyzed companies is much more connected to their product line, but the size of their company.

Further, from presented data it is obvious that companies which have had rapid internationalization process have the greatest percentage of exports in their total sales and work with the largest number of foreign countries. The number of countries where export their products is continuously increasing.

All nine companies have started exporting to the neighboring countries, which is confirmative argument that, concerning "the physical distance" aspect, they internationalized their business according Uppsala stage model. Although its internationalization began toward the closest countries, for four of them (Vigo 48, Vipro, Tehnoalat commerce and Bonum) distant countries are the most important foreign markets.

Based on the respondents' answers we can conclude that there is a "mixture" of internationalization models. Some of researched companies internationalize themselves gradually, in neighboring countries, while some, very fast, in distant countries. Third, have a mixture of these models, partly gradually and partly very fast in overseas markets. This finding gives us indications that under the influence of rapid changes, previously based models of internationalization in some aspects are relativized.

5.2.4. What are the implications of collaboration with large retailers in foreign markets on the process of internationalization of Macedonian food processing SMEs?

SMEs in Macedonia generally operate in less "globalized" industries. However, they still might achieve the spill-over effects of globalization. The effects of globalization are inescapable, even for SMEs operating in only local or national environments. It is because supply chains have changed and modernized, and now, they are able to seize the benefits in global sourcing, manufacturing and logistics.

There are at least three channels through which the process of retail globalization can affect the performance of domestic SMEs: competition, labor market, and linkages. If the competition is increased by having more innovative products imposed by the global retail chains and produced by foreign companies, then, this may cause domestic firms to reduce their price markups. This will lower the profits of SMEs. On the other side, the pressure to survive may increase the speed of the adoption of new technologies and their R&D activities in order to sustain their market share internationally. This will enhance the productivity of domestic SMEs.

The very crucial part of this research is the impact of collaboration with large global or regional retail systems abroad on the process of internationalization of the analyzed companies, as well as the impact of their overall business. The combinations of survey questions pretend to give a clear vision about intensity, modes, quality and trends of cooperation with large retail chains. Then, how this cooperation directly reflects on the quality of internationalization and overall business? Actually, this collaboration contributes for improving the company's organization, implementation of new modern working standards, increasing capacity, increasing the number of employees etc.

The terms global or regional retail systems implies retail chains that sell or have their own sales subsidiaries in two or more countries.

Table No.21. Period of establishing collaboration with retail chains, entry mode, retail chains share in total export, number of countries where cooperate with retailers chains and tendency of collaboration.

Firm	Years of establish collaboration with retail chains after first export	Mode of entering	Retail chains share in total export	Percentage of countries where cooperate with retail chains	Tendency of share of retail chains in whole export
Bonum	First	Direct	100%	100%	Increase
Kadino	First	Direct	100%	100%	Increase
Vigo 48	Third	Direct	20%	20%	Increase
Multiprom	First	Indirect	70%	70%	Increase
Cermat	First	Direct	50%	50%	Increase

Vitalia	Fifth	Direct/ Indirect	70%	50%	Increase
Vipro	Second	Indirect	50%	20%	Increase
Milina Ice	Second	Indirect	20%	20%	Increase
Tehnoalat commerce	Second	Direct	70%	70%	Increase

From the respondents' answers it can be seen that after the first realized export, companies quickly begin cooperating with big chains. The four of them: Bonum, Kadino, Multiprom and Cermat, established collaboration with retail chains in the same year when they started to export. Vipro, Milina Ice and Tehnoalat commerce started to export in the second year, while Vigo 48 in third, and Vitalia in the fifth one after their establishment. The fast pace of starting cooperation with large chains may be a sign that those companies have adapted their operations and product characteristics very quickly to the conditions dictated by big chains.

Concerning the modes of entering in large systems, the answers are dispersed. Five firms: Bonum, Kadino, Vigo 48, Cermat and Tehnoalat commerce, practicing direct collaboration with big retailers. Three of them: Multiprom, Vipro and Milina Ice, prefer indirect way of entering, which means through intermediaries (other companies or agents). Vitalia has mixed entry mode, so they use direct and indirect way.

Which is big retailers' share in total exports of nine companies? In most of them, quite large: Bonum and Kadino 100%, Multiprom, Vitalia and Tehnoalat commerce 70%, Cermat and Vipro 50%, and Vigo 48 and Milina Ice only 20%. It may be noted that cooperation with large chains in foreign markets, is the most significant part of their international operations.

In how many countries the companies collaborate with large retail chains? Of the total number of countries where the exported with big chains work in: Bonum and Kadino 100%, Multiprom and Tehnoalat commerce 70%, Cermat and Vitalia 50%, and Vigo 48, Vipro and Milina Ice 20 %.

The following answers are very indicative, because determining the tendency of cooperation with large systems. All respondents said that the cooperation with large systems in foreign markets is growing and occupies an increasingly portion of their total exports.

Table No.22. Market segments, retailer formats, type of products, share of private labels products and tendency of private label share.

Firm	Market segments: ethnic and/or regular	Retailer formats	Original brands and/or private label	Share of Private Label in total volume	Tendency of Private label share
Bonum	Both	All formats	Both	50%	Increase
Kadino	Ethnic	Supermarket/ Hypermarket	Original brand	20%	Increase
Vigo 48	Regular	All formats	Private label	20%	Increase
Multiprom	Both	All formats	Both	70%	Increase
Cermat	Both	All formats	Both	70%	Stagnant
Vitalia	Regular	Supermarket/ Hypermarket	Both	20%	Increase
Vipro	Ethnic	All formats	Both	50%	Stagnant
Milina Ice	Both	All formats	Both	20%	Increase
Tehnoalat commerce	Both	Supermarket/ Hypermarket	Both	70%	Stagnant

The above answers treat the cooperation between the nine examined companies and foreign retailers from the aspect of products. Five companies: Bonum, Multiprom, Cermat, Milina Ice and Tehnoalat commerce its products sell to the both, ethnic part of the foreign markets and regular retail channels, as well. Two of them: Kadino and Vipro operate only on the ethnic part of the markets, while other two companies: Vigo 48 and Vitalia work only in the standard retail network in foreign markets. From the product aspect, as well as, business conditions, there are major differences between indigenous customers and ethnical (immigrants) customers. Even the structure of customers and buying motives are different. The ethnic segment of the foreign market is consists by immigrants which share mutual cultural background. Its size depends on the size of this population. Their motives to buy products that are produced in their country of origin are more emotional, than rational. Countries as, USA, Germany, Australia, although limited, have a very large ethnic market segments. According to Euromonitor International (2006) from 7 USD spent for food in the United States, 1 USD goes to the category that represents the ethnic food products. From the other side, regular, non-ethnic market

segment is composed by domestic customers and its much more bigger market segment than ethnic. Just in this part of the market operate a large retail chains. For these reasons, from the aspect of the expansion of products aimed for export, it is very important on which market segment they intend to work and what will be the implications on the whole process of internationalization.

From the product point of view, retailer chains format which analyzed companies collaborate, also give us insight into the quality of collaboration and intensity of implications. Different kinds of retail format have different price positioning and different attitude toward the products and suppliers. For example, the standard supermarket stores have higher average prices and lower share of private label, than hard discounters. Further, hard discounters have much more bigger share of private label products, than supermarkets, which is in average cheaper than original brands. Concerning this topic we have the following data: six firms (Bonum, Vigo 48, Multiprom, Cermat, Vipro and Milina Ice) work with all formats of retailers and Kadino, Vitalia and Tehnoalat commerce work only with supermarkets/hypermarkets.

In the same context is in which ratio of sales are original brands and private labels. Seven companies: Bonum, Multiprom, Cermat, Vitalia, Vipro, Milina Ice and Tehnoalat trade, sale to the retail chains the both versions: original brands and private label. While Kadino sales only original brands, Vigo 48 sales their products only under private label. The percentage of private label in total sale to the retail chains are: Multiprom, Cermat and Tehnoalat commerce 70%, Bonum and Vipro 50%, and Kadino, Vigo 48, Vitalia and Milina Ice 20%. Six companies: Bonum, Kadino, Vigo 48, Multiprom, Vitalia and Milina Ice, have stated that there is a growth tendency in private label. The part of private label for Cermat, Vipro and Tehnoalat commerce is stagnant. The large share of the private label market as well as the tendency of increase in this market segment indicates that the products of these companies in the largest part are positioned on the lower level.

Based on those findings, obviously for SMEs is indispensable to find market niche or to create its uniqueness in order for more easily entering in the large retailers sales portfolio. For researched companies, it were ethnical products and production under retailers' private label.

All of this above confirms the Audretsch and Keilbach (2004) findings whose evidence shows that small firms with the right international strategy are, against the expectations of many traditional scholars, active players in the international arena.

Table No. 23. Direct consequences of collaboration with retail chains abroad to the internationalization process of analyzed companies

Firm	Expansion to the other countries where retail chain operates	Increase the product range in the retail chain	Collaboration with chains as a reference for other traders	Complexity of negotiating with retail chains in comparison with other traders
Bonum	Yes	Often	Yes	Harder
Kadino	Yes	Often	Yes	Harder
Vigo 48	Yes	Rarely	Yes	Harder
Multiprom	Yes	Always	Yes	Same
Cermat	Yes	Often	Yes	Harder
Vitalia	Yes	Often	Yes	Same
Vipro	Yes	Often	Yes	Harder
Milina Ice	Yes	Often	Yes	Harder
Tehnoalat commerce	Yes	Often	Yes	Harder

As it was mentioned above, as a criterion in the survey we took to retail systems have their own sales activities in two or more countries. A large part of these systems which operate internationally have a global procurement. This means that when their suppliers introduce the firm's products in retailers' sales portfolio, this product, in fact, is entering in all foreign markets where this system operates. Further, if a product has a good sale in retail stores in a particular country, then there are very good possibilities the same product to be transferred in the branches of the chain in other countries. This is a simplified presentation of the possibilities of expansion of sales in foreign markets through international retailer sales network. This is a direct impact of accelerating the internationalization process of the food producers. As previously mentioned, the food and drinks industry is no longer the hegemonic player in the overall food system, a role that has now been assumed by large-scale retail (Wilkinson 2002).

All nine examined companies affirmatively responded that after entering with their products in the retail chain portfolio in one country, they have expansion of same products in other countries where the chain works. This is an explicit argument about the positive impact of cooperation with global and regional retailers to process of internationalization of food processing SMEs.

Entering with one product in sales portfolio of large chains and creation of mutual business trust creates a very good platform for entry of any other, new product in the retail sales portfolio. This is another way to increase the volume of foreign sales through the sales network of large systems. From the nine analyzed companies, seven answered affirmatively that it often happens (Bonum, Kadino, Cermat, Vitalia, Viprom, Milina Ice and Tehnoalat commerce), one of them replied that it always happens (Multiprom) and only one answered that it rarely happens (Vigo 48). Based on the received responses, it can be said that this argument number two on the positive impact of cooperation with large retail systems to the process of food processors internationalization.

From the above, we can conclude that global and regional retail systems, with their high market shares, conjunctive retail portfolio and efficient system operations, very often have a dominant place in the markets. The presence of products of producers in the big retails sale portfolio is reason for a good reference for other traders. Experiences of all nine investigated companies say that it is very strong reference to their products for other traders, if they cooperate with big retail chains. This would be the third argument in favor of claims about the positive effects of cooperation with large systems, to the process of internationalization, which is also confirmed by Audretsch's research (2003), according to which, the globalization has in a great extent facilitated the transnational activities of SMEs, from exports to foreign direct investments and participation in global value chains and have all become much easier as a result of globalization.

Otherwise, seven analyzed companies believe that the process of negotiating with the retail chains is more complex, heavier and longer lasting compared to the process of negotiating with other retailers. Only two companies (Multiprom and Vitalia) believe that there are no significant differences in the negotiations.

Table No. 24. Direct impact of collaboration with large retail chains abroad to the overall business of analyzed companies

Firm	Improving of organization structure	Increase of production capacity	Increase of employees	Implementation of international standards	Audit and controls by external professionals
Bonum	Yes	Yes	Yes	Yes	Yes
Kadino	Yes	Yes	Yes	Yes	Yes
Vigo 48	Yes	No	Yes	Yes	Yes
Multiprom	Yes	Yes	Yes	Yes	Yes
Cermat	Yes	Yes	Yes	Yes	Yes
Vitalia	Yes	Yes	Yes	Yes	Yes
Vipro	Yes	Yes	Yes	Yes	Yes
Milina Ice	Yes	Yes	Yes	Yes	Yes
Tehnoalat commerce	Yes	Yes	Yes	Yes	Yes

All nine companies responded that in order to satisfy successfully the requirements and standards from the large retailers, they have made the changes and adaptation of its organizational, commercial, managerial, technical, technological and logistical performances.

From nine surveyed companies, eight responded positively that they had to increase the manufacturing capacities to meet the increased demand for their goods by the big retailer chains.

All nine analyzed companies have had to increase the number of employees as a result of the business growth accumulated with the cooperation with the large retail systems.

From the answers above, we can notice that, based on the trends imposed by the global food system, the domestic SMEs are increasingly being forced to adopt quality criteria. This is close to the finding of Reardon and Farina (2000) according to whom, to the extent that developing country governments' do not impose international-level standards private standards are being implemented by the leading players in retail and food processing (Reardon and Farina 2000). HACCP, ISO, traceability systems and private quality labels are becoming entry tickets to international markets and, increasingly,

the reference for quality in the domestic markets of developing countries (Wilkinson, 2003).

Also, all nine companies at request of global and regional retailers have implemented some of international certified standards, such as: ISO 9001 2008, ISO 22000, HACPP, IFS, BRC, HALAL and Kosher.

And finally, the production processes and business operations of all nine companies were subject of control and audit by retail control departments or by independent accredited agencies.

All these above points represent very clear arguments for the positive impact of cooperation with large retail chains on SMEs, not only in the process of their internationalization, but on the overall business activities, which is close to the research of Lasserre (2003) whose findings suggest the benefits in economies of scale, in timing, learning and arbitraging as the main one from the process of globalization of the retail industry over domestic SMEs.

Introduction of new business methods, increasing of employment, new technologies, implementation of new standards, external control of production process, have positive repercussions on the wider community, as well.

6. CONCLUSIONS, IMPLICATIONS, LIMITATIONS AND RECOMMENDATION

The guiding idea of this research work was to investigate food processing SMEs and their performance in to the global market. In this context, has been carried out the research of nine Macedonian food processing SMEs. Investigation covers their motives of internationalization, factors that influence this process, pace of internationalization, barriers which they meet and support they receive. Further, research was put in context of the following internationalization dimensions: time, operation mode, market and products. Finally, as a pivotal point of this research was to investigate and analyze the consequences of collaboration with large foreign retailing chains to the process of food processing SMEs internationalization, as well as the impact of that collaboration to their overall business performances. Research on these dimensions brought concise and summarized answers to the main research questions of this pilot research work: "**why**", "**how**" and "**when**" Macedonian food processing SMEs manage their path toward global market and "**what**" are implications of collaboration with big retailers.

The results of this research can be extremely useful for SMEs in creating their policy towards global market. Entering into their global retail system in one country, could mean are real possibility for SMEs to sell their products in all countries where some retailing chain develops its activities. This conclusion indicates the effectiveness of internationalization which on long term approves itself as an important growth strategy for SMEs. Furthermore, the results of this study may have important implications for the creation of institutional support for their internationalization activities. More precisely, it can determine the most efficient policy of their support. Also, research in this direction, can contribute for scientific consideration of this process and stimulate further researches, whose results and findings would have practical implication of the process of increasing of the international performances value of SMEs which operate in food industry. Finally, conclusions of this study in the form of recommendations can be useful for all involved parties.

6.1. Concluding remarks

One of the important constituents in the research about the internationalization of SMEs is to discover the factors that influence their motives for creation of a business model for entering and sustaining on the global market. In endeavors of this study to determine and analyze those factors, the conclusion is that the saturation of the domestic market, direct exporting to foreign buyers, collaboration with foreign big retailers in various formats, implementation of quality standards, determination of export obstacles, creation of adequate support policy and entrepreneurs international capacity appear to be among the key ones that impact food processing SMEs in R. Macedonia to start and to sustainably continue to internationalize their businesses. Even though the companies in our research are in different phases of internationalization, our ability to consider the internal and external dynamic of this process from strategic point of view was unaffected. In general, we found out that food processing SMEs in R. Macedonia have a large untapped potential to grow internationally.

Specifically, **the first part** of the analysis attempts to measure and analyze the current motivational factors of Macedonian food processing SMEs in context of initiation of business activities on the global market. Actually it is reveal the reasons for their internationalization. Despite the dispersed answers, based on the outcomes of the analysis, we have shown that those SMEs that started with their export activities in later years from their establishment and have stagnant rate of growth of the private label share on the market, mostly have proactive motivations toward their internationalization and were more likely to seek out foreign markets and opportunities proactively. One of the strongest driver for beginning with international activities is revenue growth. Most of those companies finds the increasing of sale and profit as the highest internal, while the finding of new ideas as the highest external motive for their internationalization. The high rate of external motivation factors for internationalization such as: ideas for new products and better access to the row materials and technology leads to the conclusion that respondents have awareness of the need for innovation and improvement of their technical and technological performances. On the other side, the achievement of the

economy of scale is primary internal motive for those companies with reactive motivation, while the small and limited market is the most external one that stimulates them to enter as players on the global market.

The second part of the analysis is focused on the entry mode, way of establishing export contacts and organizational readiness for internationalization, as well as, to discover the factors that impede the process of internationalization of SMEs. The responses were quite concentrated. All companies prefer direct export as a entry mode, as the most safety and low-cost way of internationalization. Establishment of subsidiaries abroad, as a stage of internationalization according U-model, is in the initial phase (just three companies posses branches abroad). The greatest part of them have export departments, as separate organizational units. All of them believe that the most efficient ways for export contacts are: fairs, B2B, private contacts and previous business contacts. In all of them dominate strategic orientation towards foreign markets. These findings very clearly indicate of SMEs awareness about the necessity of internationalization, but it also indicate that they do not apply yet more sophisticated models of internationalization. The barriers that hinder them for more complex internationalization models were detected. Lack of financial resources for internationalization, insufficient knowledge of foreign markets and foreign legislation, as well as, bad road infrastructure, as a part of logistical issue, are the main problems that hinder and de-stimulate for more intensive internationalization. Locating the main barriers exactly determines direction of governmental support actions.

Apparently, SMEs with lowest portion of revenues streaming from foreign markets are the ones that mostly face internal barriers that hold back the level of their export output, such as lack of financial resources for realization of export, lack of experts or insufficient knowledge of foreign markets. The external barriers that are the main obstacle for greater expansion on foreign markets mostly influence over those SMEs whose total export is aimed for the retail chains concentrated in foreign countries where they export their products.

Based on the obtained and systematized answers we can conclude the following:

a). Direct exports and direct contacts with foreign partners are the most appropriate way of internationalization of small and medium businesses in the initial stages of this process. At the same time, SMEs have a clear vision of the need for their internationalization, especially those originating from small countries with limited domestic market.

b). Opposite to the previously, there were very few signs that indicate about the awareness of SMEs for the benefits of the application of more sophisticated models of internationalization (open branches abroad, franchising and joint venture) and to make "step forward" in terms of more complex way of conducting internationalization. The general impression was that the main issue for them are to start and sustain export, not to develop a new models of internationalization.

c). Identification of the internationalization barriers and creation of adequate support for their relativizing or removal may encourage acceleration of international activities.

d). Research has confirmed that lack of financial resources and insufficient knowledge of foreign markets and regulations as the most important reasons that obstructing and slow down the process of internationalization of small and medium businesses. Also, infrastructure characteristics and geographical location can significantly affect the SMEs decision to move faster towards foreign markets.

The third part of the analysis is concentrated on the time and pace of SMEs internationalization. The research findings show that the pace of internationalization varies and many different factors influencing the speed of this process. The greatest part of observed companies have very fast pace of internationalization, 2 - 3 years from their inception, while in others the pace is slower. There are several reasons for this behavior:

a). The pace of internationalization is closely linked to the characteristics of the products and their conjuncture on the global market. The fastest time of internationalization have companies that processed fruits and vegetables. In a large extent the main reason for that is raw material base which is from domestic origin. Combination of domestic raw material basis with production and entrepreneurial spirit apparently resulted in successful internationalization in terms of time and pace. Furthermore, to the largest part of the analyzed companies dominate production of private labels for large

retailers and it is the main channel of entering into the large retailers' portfolio. This indicates that the uniqueness of the products or a market niche in which they are focused, can significantly contribute to the speed of their internationalization.

b). The findings show that products characteristics, besides to the pace of internationalization, also affects the degree of internationalization. The companies that achieved the products uniqueness or specialized in some market niches, have the highest level of internationalization and export in the largest number of countries. This finding is connected with product and market dimensions of internationalization

c). The small domestic market is a factor which forces local SMEs companies to "seek space" abroad and affects the companies to accelerate the pace of their internationalization. The small domestic market is in fact restrictive factor for their development and they are forced to seek larger markets abroad. The part of the analyzed companies, sales their products in the domestic market very little or not at all. This finding suggests that they from the start designed their products for the foreign markets, which implies the conscious creation of international strategy.

d). The findings also indicate about the impact of barriers to the pace of SMEs internationalization. It is indicative that the companies with the fastest internationalization, with highest level of internationalization and with export to the largest number of countries, unlike the others, as a major internationalization barriers pointed out: lack of financial resources and lack of knowledge of foreign markets and legislation. This leads to the conclusion that companies need to enter more deeply into the internationalization process to become aware of nature of obstacles and challenges on the global market, which is in accordance with the U-model that refers to incremental learning. Besides common barriers, obviously, the SMEs which are at different levels of internationalization are faced with different kinds of barriers.

The fourth part which is crucial point of this research aiming to obtain answers about the impact of collaboration with large retailing systems in foreign countries on the process of SMEs internationalization, as well as, about the repercussions of collaboration with retail chains abroad to the overall SMEs business activities.

Industry characteristics to a large extent define the behavior of all actors in certain industrial branch. Both, modern retailing and food processing industry are highly internationalized and concentrated. The main protagonists are the big multinational corporations. These features create business ambience and give impulse and dictates patterns of behavior to all other companies. Food processing SMEs with all advantages and disadvantages stemming from their size are pushed to compete or collaborate on the global market place with much larger and more powerful companies. For their survival and future development is extremely important to know what type of strategy apply on the global market and what are the consequences of that.

The most significant findings of this research are related with the positive impact of collaboration with large retail chains on the SMEs' international activities. Based on the survey results, we found that the entrance in foreign retail chains for food processing SMEs means opening possibilities for expanding the foreign sales' network. All analyzed companies have emphasized the benefit of cooperation with large retailers abroad in terms of fostering their international activities. More precisely:

a). Entering in some retail chain in one foreign market enabled them expansion in other countries where retailer operates.

b). Entering with one product in foreign retailer assortment enabled them to enter with other products in the same retail sales portfolio.

c). Starting collaboration with particular large retailer in some foreign market is quite strong reference to start collaboration with other retailers in that market.

All three features are in function of increasing the foreign markets sales and development of SMEs international activities.

But, the growth of the foreign sales and the international expansion are just some of the benefits of collaborating with large retailers abroad. The positive influence to the overall SMEs business performances can be noticed. In order to meet the demands of the large foreign retailers, analyzed companies undertook steps which improve the quality of their business in many different segments, such as:

a). This kind of collaboration contributed for improving the companies' organization. In order to be able to follow the business rhythm dictated by the powerful retailers, they

become more efficient, more flexible, cost-effective and accurate. Namely, they had to be reorganized, to introduce new modern business elements and to implement more productive methods of doing business.

b). Entering into the large retailers' sales portfolio that own hundreds or even a thousand stores directly affect company production capacities. As a result of starting with collaboration with big retailers, all analyzed companies have increased their production capacities in order to be able to satisfy retailers' needs.

c). Establishing collaboration with big retailers resulted in increasing the number of employees. For SMEs it implies employment of new specialized staff in production and control departments, export sector and logistic, which improve overall firm's conditions.

d). Food processing SMEs are compelled to implement the current quality and control standards. But also they very often had to accept internal retail standards that are often even more rigorous than the international applicable standards. The application of these different standards raised overall quality, safety and culture of SMEs business activities. All researched companies, on the request of large retailers, were the subjects of quality control by the authorized inspection agencies, which is in function of sustainability and improving the quality of their overall production.

Although, most of the respondents underlined that negotiations with large retailers are more complicated and long lasting, almost none of them did not have a case to be delisted from retailers sales portfolio, which point out to the fact that small suppliers, because of their positive characteristics, can be valuable long - term partners of big retailer chains.

As a summarized result of this research we can conclude that operating with international big retail chains in foreign countries stimulate SMEs growth, accelerates their internationalization and expansion in foreign markets, and have positive effect on their overall business performances.

The findings of this research are in accordance with Pepe, Musso and Risso (2010) suggestions that, to establish a stable, long - term oriented partnership with large retailers in foreign markets, "the best case for SME suppliers is when manufacturers manage to

counter-balance the contractual power of the retailer with the specifics of the products (innovation, niche product, exclusivity, typical product)".

6.1.1. Implications for policy makers

SMEs, with respect to its significance, are *spiritus movens* of national economies. They arise, grow and develop is the essence of a free market economy. Small and medium businesses are the most important creators of new jobs, drivers of changes in economic structure and represent the most flexible and sensitive segment of any economy. As a format of companies whose competitive advantage is reflected in the fast reaction, flexibility and sensitivity to the customers' demands, SMEs can significantly contribute to the development of market economy in any country. On this general assertions should be added that internationalized SMEs have higher incomes, are more innovative, employ more people, applied modern business standards, in one word, international environment makes them to operate more efficiently. Analogous to their importance, as well as the significance of their internationalization, government and non-governmental organizations should take concrete actions of their support. For effective activities which will fulfill its mission, supporting actions should be targeted in directions that are the most crucial for SMEs development and to the processes that contribute for their positive evolution. Supporting of SMEs internationalization is one of the key tasks of any government economic policy. Therefore, supporting of SMEs internationalization does not mean just assistance for improving their international performances, but also improving of their overall performances, and thus indirectly the performances of the national economy. Precisely locating of points, phases and processes which should be supported, as well as the type, form and intensity of support, are from critical importance for the support to be functional. Research studies in the field of SMEs internationalization actually tracing directions of adequate institutional support policies.

The main aim of this research was to give answers to the questions:"why", "how" and "when" Macedonian food processing SMEs manage their path toward global market and "what" are implications of collaboration with large retailers. Study revealed point and phases of SMEs internationalization where they need assistance in order to be more

effective in overcoming obstacles on their way to the global market. Support could be financial, organizational and educational and mainly relates to the following:

- a). Lack of financial resources for realization of international activities;
- b). Poor road infrastructure and logistic problems;
- c). Insufficient knowledge of foreign markets;
- d). Insufficient knowledge of foreign legal regulations;
- e). Institutional support in organization of promotions at fairs abroad and B2B meetings.

The Government's support of internationally oriented SMEs, as well as stimulating new enterprises to enter into this process, may be wider, more comprehensive, but with positive repercussions on the process, such as:

- a). Development of domestic raw material base for the companies for which it creates a competitive advantage in the global market;
- b). Development of entrepreneurial spirit with a focus of international orientation;
- c). Implementation of internationally recognized standards;
- d). Supporting innovations in production, organization and design;
- e). Supporting the clustering processes.

Given the benefits which small and medium food processing enterprises gain from cooperation with foreign large retailers, institutions must develop special programs that will encourage small and medium enterprises to establish collaboration with them.

Although respondents in this research concerning to the policy of SMEs support were divided into those who are satisfied and those who are not satisfied with the current policy, other researches have shown more explicit details. The survey of European Commission "Internationalization of European SMEs" (2010) covered 9.480 SMEs from 36 European countries, including R. Macedonia, presented the data that internationalization of Macedonian SMEs is far below then European average, while in the same time, according to the same report, SMEs from small countries have relatively rapid and massive internationalization. Furthermore, in terms of public support of SMEs internationalization, from 32 investigated countries, R. Macedonia is at the last place, only less than 1% of the Macedonian small and medium enterprises have received financial

support. The situation with non- financial support is similar, only 2% of Macedonia's SMEs have received this kind of assistance.

These findings of this report imply necessity of raising awareness for the need of public support for SMEs internationalization and creation of appropriate economic policies. All stakeholders in the economy must rise the general awareness for the benefits of SMEs' internationalization and to canalize the institutional support to those areas of SMEs development in manner of the findings of this study.

6.1.2. Implications for managers

Besides the implications for the theory, this research provides a set of proposals with direct implications for managers, entrepreneurs or owners involved in the process of managing SMEs internationalization. In their essence, SMEs are dominantly "entrepreneurial-centric" structures. The entrepreneurs' capacity and their internationally oriented mind are one of the most important factors for the success of SMEs internationalization. Just because of that, the findings of this study regarding the managers have a special significance. The implications have more strategic connotation. We classify them into three groups:

a). The internationalization as a process for SMEs has a lot of wider significance than simply exporting products abroad. Consequences and benefits of internationalization are complex and have extremely deep importance. The impact of the international environment on the SMEs' operations is not only reflected in some isolated companies' segments which are in contact with foreign markets subjects, but in their overall performances. The process of internationalization of the businesses can directly affect the companies' growth and revenues, financial stability, organizational structure, production performances, employee structure and development plans. Therefore, it is very important the internationalization of SMEs to be positioned strategically, as an integral part of the general firm's strategy.

SMEs have different motives of internationalization, such as: small and saturated domestic market, increasing of sales and profit, economy of scale and better access to the

new suppliers and technologies. Various personal, firm - specific, industrial and external factors affect them on their way to the global market. They are faced with many different barriers, such as: lack of financial resources, insufficient knowledge of foreign markets and regulations. All of these specified motives, factors and barriers have influence over this process in terms of intensity, pace and choice of entry modes. But, in mass globalization environment, in order to ensure the development of the companies, there is no other alternative for managers except to accept the challenge of entering in the international markets. This is particularly important for SMEs that originate from small national economies, because internationalization for them means "opening the new horizons" of sustainability and development of their businesses.

b). Successful internationalization of business might have very positive effects for small and medium sized firms. The findings of this research indicate that efficient internationalization contributes not only to the increasing of the sale volume, but also to the overall business performances of SMEs. When SMEs started to play in the international markets, they have developed themselves faster and more efficiently than in the periods in which they were non-exporters. To succeed in highly competitive conditions on foreign markets they are forced to change themselves in order to be more efficient. These positive changes influenced by international environment as a results have revenue increasing, improving of organizational structure, implementations of new technologies and standards, improved management, applying know-how, innovations, enlargement of production capacity, increasing employment and economies of scale. In one word, they are actually changing the SMEs' philosophy of doing business. Further, it is very important for SMEs to create a proactive approach to the internationalization. Companies which systematically work on searching foreign buyers, who are actively following foreign legislation, which established particular export departments, which exhibit at fairs abroad and participating in the B2B meetings, are much more successful in internationalizing their business then companies that have passive and indifferent attitude concerning this process.

c). Collaboration with large global and regional retailers in foreign markets has positive impact to the internationalization of food processing SMEs and their overall business conditions.

The main objective of this study was to explore the consequences of cooperation of food processing SMEs with foreign large retail chains. The research results confirmed that food processing SMEs that cooperate with large retailers abroad have expansion to the other foreign countries where retail chains operate internationally. Then, food processing SMEs constantly increase their product portfolio in foreign retailers sales assortment and finally, establishing collaboration with large foreign chains is a very strong reference and advantage in the process of establishing collaboration with other business partners in foreign countries. Beside the positive impact on the internationalization, this kind of collaboration positively reflects to the SMEs' general conditions. In order to meet retailers' demand, SMEs become more proactive by improving their organizational structure, increasing production capacity, implementing international standards and increasing the number of employees. According to our findings, the process of negotiations with large systems is complex and lasts longer, and the above results are evidences of the positive impact of cooperation with large retailing systems. This is why it is very important for managers of food processing SMEs to be encouraged to lead the companies in this type of cooperation within the global supply chain. The crucial factor for establishment of successful collaboration is the knowledge of modern retail industry, especially large retailers' characteristics, formats, market shares, business philosophy and trends, in order to create better international strategy. SMEs have to use those features which give them the most competitive advantages, such as: flexibility, adaptability and short reaction time, in order to positioned themselves in a market niche where they are most effective. This research has shown that for some food processing SMEs producing private labels for large retailers is the main "entrance door" to the retailers' sales portfolio. Further, for other food processing SMEs, in accordance of its production assortment characteristics, positioning at ethnic consumers segment of large retailers helps them to be listed in retailers' portfolio. Also, some of them are innovation-oriented and some use the competitive advantage of local raw materials.

The managers should be aware that the modern retail industry is highly concentrated and globalized and that the food production and retailing are closely interrelated parts of the consumers supply chain. The international expansion of large retailers provides to SMEs opportunities to achieve faster, more massive and successful internationalization.

6.1.3. Implications for researchers

This study, by applying qualitative approach, tries to explore a very specific segment of the internationalization process of small and medium enterprises. In fact, it tries to analyze how companies of particular industry can contribute to the process of internationalization of SMEs that belong to another industry. More specifically, the main subject of this research is situated in the point where food processing SMEs "meet" a large foreign retailers, and in the implications of those "meetings" to the internationalization processes and overall business performances of small and medium sized food producers. It actually constitutes "the added value" and uniqueness of this study. There are a large number of studies researching the process of internationalization of large corporations and SMEs, treating all aspects of this phenomenon from the mostly general point of view. Also, there are a lot of analyzes of interaction between large retailers and suppliers. But, just very few studies dealing with the topic of how globalization of retailing systems affect the international expansion of small and medium food producers. The advantage of this type of research is that, part of the findings can be valid for all firms and therefore, can be generalized. The examples include: lack of financial resources for internationalization or lack of foreign markets knowledge is immanent to the largest number of SMEs regardless of the industrial branch where they belong. On the other hand, the results of this type of research may be immanent exclusively to SMEs that belong to a particular branches of industry, for example: internationalization through the retailers international network is relevant for the companies of FMCG industry (where food producers belong), but it is not so relevant for the automotive producers. In this sense, actually, the implications of this study are related to the researchers.

The idea of this research is to stress the need of observation the SMEs internationalization from industry - specific standpoint. Namely, the food processing industry and retailing are considered from the aspect of interactional relation of closely connected industrial branches to the process of SMEs internationalization.

The recommendations for future researches are aimed toward extension of this type of survey in following directions:

a). This study is in fact an in-depth research of a number of companies appropriate for qualitative research (nine cases). Recommendations for further researchers are to undertake quantitative research by exploring larger sample of food processing SMEs. The large numbers of researched SMEs would deepen cognition of the impact of collaboration with large retail chains in foreign countries to the international activities of small and medium enterprises. Also, quantitative investigation will provide our better understanding of this phenomenon.

b). Beside the internal and external motives, factors or drivers of SMEs internationalization, studies which this process observe through industry - specific prism reach even deeper knowledge of these activities. Regardless of how many common characteristics SMEs have, conditions in the industrial branch where they operate can be of crucial importance for their internationalization. For instance, business milieu and trends in hi-tech, food processing or automotive industry are different, so they in a completely different way and intensity affects SMEs internationalization process.

c) This study investigates the interaction between large foreign retailing companies and food processing SMEs from the aspect of internationalization. In fact, it finds a link or correlative relationship between two different industrial branches in the field of internationalization. Whether the internationalization of companies from particular industry can contribute to the internationalization of enterprises from other branches of industry, if they cooperate, regardless the distinction between them in terms of size, resources or knowledge? For future researchers it would be interesting to contemplate the SMEs internationalization through the cross-industrial dioptr of two or more different, but interrelated industrial branches.

6.2. Limitations

This study has multidisciplinary dimension, because investigates causal relations between companies which belong to two different industrial sectors. To achieve the research goal, qualitative method was used, because it is the most appropriate way for deeper contemplation of interrelated elements and processes that are objects of exploring. Despite the intention to be as more as comprehensive, this study unavoidably has limitations. During the research implementation we encountered certain restrictions which on some way might affect the final results:

a). Despite the advantages of qualitative approach, the results of the research cannot be generalized to the total population and has relatively low external transferability (Payne and Williams, 2005). A future research that would include as much as possible food processing SMEs, might have different or modified findings.

b). The research was conducted on respondents which originate from R. Macedonia. This means that their behavior to some degree is a result of the influence of domestic political and economic environment, which in one or another way differ from food processing SMEs based in others countries. So, the findings of this study relate to the food processing SMEs originating from R. Macedonia. In order to upgrade the findings of this research it is very important to be conducted the similar researches in other countries and make comparative analysis.

c). Research had difficulties in obtaining valid and systematic data of Macedonian food industry, as well as, in obtaining data for the number of SMEs in this sector and the number of food processing SMEs that have international activities. In general, there is lack of institutional statistical data and scientific analysis for:

- the Macedonian food processing industry,
- SMEs and their internationalization,
- the barriers that are faced when go abroad,
- the factors that affect and motivate them for this type of operation,
- the support they receive, and
- international mindset of the managers.

In one word, the area of SMEs in general, as well as, the area of internationally active SMEs which belong to the food industry in R. Macedonia in particular, is not covered at all, so this situation impeded this research.

d). The subject of this study were small and medium sized food processing companies, so in fact, the final results representing their standpoint. It means that in the analysis the positions on "the other side" - the large foreign retailing chains, have not been taken. In order to overcome the observed "one-sidedness", it would be indeed appropriate to explore the perspectives of the large foreign retailers for this process.

6.3. Recommendations

The intention of this study was to cover the gap existing in the research field of internationalization from the firm-specific and industry-specific perspectives and correlation between those two aspects. More precisely, the subject of interest was located at the point where SMEs in the food processing industry face with the competition coming from the large international corporations from the retail industry, and how this relationship affects the process of internationalization of SMEs. Findings show that the consequences of this relationship are very complex and interdependent. As an immediate contribution of the findings of this study are the recommendations that we provide to the involved parties. This would be in the function of further improving the quality of managing the internationalization process, the suggestions for policy makers and the directions to the future researches.

a). Policy makers. If we take into account the participation of SMEs in the total number of registered companies, the number of workers they employ, as well as, the revenues they generate, we can easily conclude that SMEs are one of the most important segment of every national economy. The volume and quality of institutional support for their business activities should be in accordance with their position in the national economy. The results of this study showed the benefits of the process of internationalization of the small and medium enterprises, but also the obstacles they

encounter during this process. In fact, those detected obstacles are the indicators for the directions of the governmental support. Based on the findings of this study, for more efficient SMEs internationalization policy makers should provide better financial and non-financial support. They should start from general perspective, such as: developing of international entrepreneurial spirit, better access to the financial resources, providing good infrastructure, supporting innovations, networking and implementation of international quality standards. Also there is need for more specific support, such as: individual support programs, industry specific plans and supporting the all variations of internationalization, not only the export activities.

b). Managers. Internationalization is a process that offers great opportunities and benefits for SMEs, such as: increase of sales and turnover growth, market expansion, better raw-materials supplying and improving the organizational, managerial, financial and technological conditions of their businesses. In order of successful implementation and managing the process of SMEs internationalization, findings suggest a proactive approach, constant learning process about foreign markets and legislation, innovation, creation uniqueness and products specialization and focusing on market niche. Finally, as a part of the special importance is an adequate and well timed institutional support.

For food processing SMEs collaboration with large retailing systems in foreign markets, besides the threats and risks arising from the powerful retailers' negotiating position, provides a great opportunities and advantages, such as: First, in terms of SMEs internationalization: expansion of sales through the retailers international distribution networks which means access to new markets, expansion of sales portfolio, obtaining a good reference for the beginning of collaboration with other foreign traders. Second, in terms of SMEs overall business performances: raising the overall business quality, increasing of production capacity and employees, implementation of certified standards, closer relations with the consumers and fast feedback about market changes.

c) Researchers. This study succeeded to find insightful knowledge of the internationalization process of SMEs. By doing that, it provided comprehensive understanding for the topic being researched and contributed to further SMEs' internationalization knowledge development. Nevertheless, the accumulated knowledge is

based on the experiences of domestic SMEs gained during their operations on foreign markets. The food industry is the sole one chosen for doing this research. Therefore, the knowledge intensity here should be considered only in frames of the international performance of domestic industry. This is why the results of the study imply the necessity of additional research to extend the research findings related to the questions regarding implications of the differences of the internationalization process of SMEs among other industrial branches in the economy. By explicitly demonstrating those differences, a model of internationalization of Macedonian companies itself could be developed which will highlight the importance of this process for the further growth of the national economy. The knowledge capital acquired so far indicates that the future research should be directed toward building this model intensively.

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ANNEX I
THE QUESTIONNAIRE

Date: _____

Started at _____

Completed at _____

About entrepreneur

1. Name of the company _____

2. Industry/branch to which the company belongs to and the categories of the production assortment

3. Your name and surname: _____

4. Position in the company: _____

5. Do you possess the company or part of the company?

a) Yes b) No

6. Your education:

elementary school completed

secondary school completed

university degree

Master degree

Ph.D. degree

7. Have you ever attended to / completed vocational courses, seminars, workshops, trainings in the field of the management, marketing, sales skills, international trade etc. ?

a) Yes b) No

8. Do you have knowledge in foreign languages?

a) No b) Yes, (please choose below)

English

German

Serbian / Croatian

Other _____

9. Is the current company actually the first company in which you work?

a) Yes b) No

10. Do you have any previous experience in establishing and maintaining international business relations or networks?

a) Yes b) No

About Firm

11. Year of establishment: _____

12. Number of employees: _____

13: Legal status of the company _____

14. Do you have foreign investors in the company?

a) Yes b) No

15. Is the company a family business?

a) Yes b) No

16. Total annual sales (domestic market + export) of the company (in EUR) for the following period:

2012: _____ EUR

2011: _____ EUR

2010: _____ EUR

17. The share of the export expressed in % of total annual sales of the company:

2012: _____%

2011: _____%

2010: _____%

18. Since when your company started to export its products/services?

- in the first year of the establishment
- in the second year of the establishment
- in the third year of the establishment
- in the fourth year of the establishment
- in the fifth year of the establishment
- other (please state) _____

19. What were the motives for the internationalization of the company (please rank the listed below).

	Extremely important			Non-important	
a) small and limited domestic market	1	2	3	4	5
b) saturated domestic market	1	2	3	4	5
c) increasing of the sales and the profit	1	2	3	4	5
d) higher prices on the foreign markets	1	2	3	4	5
e) benefits that enable the economy of scale	1	2	3	4	5
f) diversification of the risk (domestic market and foreign markets)	1	2	3	4	5
g) to overcome the gap of the seasonal production	1	2	3	4	5
h) to benefit from the competitive advantages					

of our products	1	2	3	4	5
i) to achieve optimal/maximal usage of the production capacities	1	2	3	4	5
j) gaining ideas for new products	1	2	3	4	5
k) better approach to raw-materials and technologies	1	2	3	4	5

20. What is the propensity of your company regarding its sales?

- we sell only on domestic market
- we have 1 export market
- we have 2 or more export markets
- both, domestic market and foreign markets, equally

21. In how many countries do you export your products?

- 1
- < 5
- <10
- <15
- >15

22. In the previous 5 year period, the number of countries in which you export:

- a) increases
- b) decreases
- c) stagnate

23. Please list the countries which are the most important export markets of your company, ranked according to the level of the sales:

Country 1 _____

Country 2 _____

Country 3 _____

Country 4 _____

Country 5 _____

24. What is the number of products of your product assortment which is exported by your company (in%)?

- up to 20 %
- up to 50%
- up to 70%
- up to 100%

25. How do you establish the export contacts?

	Extremely important			Non-important	
a) via personal networks	1	2	3	4	5
b) by using previously established business contacts	1	2	3	4	5
c) through fairs' participation	1	2	3	4	5
d) by following the competition that has already cooperation with foreign companies	1	2	3	4	5
f) by participation in institutionally supported programmes (business forums, B2B events)	1	2	3	4	5

26. What type of entry mode you usually use for entering the foreign markets?

- by establishing direct cooperation with the foreign partner
- indirectly, via sales agents
- by starting own firms and/or affiliations in foreign markets
- by establishing joint ventures with the foreign partner

27. Do you have a separate Export Department within your organizational structure responsible for export operations?

- a) Yes b) No

28. When you started to export, your first sales were made in:

- firstly in the neighbor markets, than in the distant markets
 firstly in the distant markets, than in the neighbor markets
 simultaneously, in both groups of markets

29. Have you established any of the following types of organizations within some of the foreign markets?

- your own company
 affiliation
 production unit
 none of the above

30. Do you think that you receive sufficient institutional support (ex. From the Macedonian Government, Chambers of Commerce, NGOs etc) for supporting the export activities of your company?

- a) Yes (if yes, please state the type of the support)

- b) No (if no, please list some proposals for institutional support)

31. According to you, what are the main barriers in the process of internationalization of your company?

	Extremely important			Non-important	
	1	2	3	4	5
a) lack of knowledge about foreign markets	1	2	3	4	5
b) lack of competitiveness of your products on the foreign markets	1	2	3	4	5
c) lack of knowledge of the legal procedures in foreign markets	1	2	3	4	5
d) lack of finances	1	2	3	4	5
f) cultural and linguistic barriers	1	2	3	4	5
g) lack of competent personal with abilities to respond on the foreign customers' requirements	1	2	3	4	5
h) lack of organizational and technological preparedness of your company	1	2	3	4	5
i) logistical problems (expensive transport services, bad road infrastructure, very distant ports...)	1	2	3	4	5

Firm and global retailers

32. The foreign market segments where you sell your products mainly are:

- the ethnical segment of the market (customers that originates from ex-YU countries),
- beyond the ethnical market segment, within the retail systems of the foreign market,
- both market segments.

33. Do you cooperate with global (or regional) retail systems on the foreign markets, which operate in more than 2 countries?

- a) Yes b) No

34. Since when you have started to cooperate with the global/regional retail systems after you started to export your products?

- in the first year of our export activities
 in the second year
 in the third year
 in the fourth year
 in the fifth year
 other (please state) _____

35. What kind of channels you use for entrance within the global/regional retail systems?

- direct
 indirectly, via company for import/distribution
 indirectly, via sales agent/representative

36. What is the portion (in %) of your total export sales made in the global/regional retail systems?

- up to 20 %
 up to 50%
 up to 70%
 up to 100%

37. The number of the global/regional retail systems that you cooperate with, within the last 5 years:

- a) increases b) decreases c) stagnates

38. Which type of global/regional retail systems' formats you cooperate with on the foreign markets?

- Supermarkets - hypermarkets (ex. Spar, Billa, Konzum, Delhaize etc.)
- Hard-discounters (ex. Lidl, Aldi, Penny markt etc.)
- Cash & Carry (ex. Metro cash & carry)
- with all types

39. In how many countries, out of the total number of countries in which you export, you cooperate with the global/regional retail systems (in %)?

- up to 20 %
- up to 50%
- up to 70%
- up to 100%

40. Within the global/regional retail systems, you sell your products under:

- original brand
- private label
- both

41. What is the percent of the PL products sold in the global/regional retail systems in comparison with the original brands?

- 0 %
- up to 20 %
- up to 50%
- up to 70%
- up to 100%

42. In the last 5 years, the production of PL products in your company (if you do so), that you sell to the global/regional retail systems:

- a) increases b) decreases c) stagnates

43. If you cooperate with global retail systems, you have started firstly with those located in:

- the markets in the neighbor countries, than in those located in distant countries
 the distant countries, than in those located in the neighboring countries
 in both groups of markets simultaneously

44. Have you ever experienced by entering with your products in one global / regional retail system, to enter with the same products in the same system located in different country?

- a) Yes b) No

45. Do you consider as an important recommendation the entrance with your products in one global / regional retail system in a country for entering in the other global / regional retail systems in the same country?

- a) Yes b) No

46. Have you ever experienced by entering with one/several of your products in some global/regional retail system to be required to be listed other products from your product assortment by the same system?

- never
 rarely
 often times
 always

47. Have you been in situation to make organizational, technological or logistical changes in the scope of working of your company to successfully respond to the requirements and the standards imposed by the global / regional retail systems?

- a) Yes b) No

48. Have you ever increased the production capacities of your company for satisfying the requirements of the global/regional retail systems?

a) Yes b) No

49. Have you ever increased the level of employment to satisfy the mutually agreed activities with the global/regional retail systems?

a) Yes b) No

50. Have you ever implemented some of the below mentioned standards due to the requirements of the global/regional retail systems?

ISO 9001 2008

ISO 22000

HACPP

IFS

BRC

HALAL

KOSHER

51. Have your company ever being audited by some of the global/regional retail systems you cooperate with or by any authorized agency?

a) Yes b) No

52. According to the accumulated experience of your company, is it more difficult to negotiate with the global/regional retail systems than with the traditional importers / distributors?

a) Yes b) No

53. According to your experience, what is the impact on the level of your cooperation with some global/regional retail system if it acquires another global/regional retail system or is acquired by other global/regional retail systems?

positive

negative

no impact

54. Have you ever experienced some of the global/regional retail systems to stop working with you (to stop buying your products)?

a) Yes. If YES, that what kind of products with?

original brand

private label

both

b) No