

## FACTORS IMPACTING SUSTAINABLE INTERNATIONALIZATION: A CASE OF MULTINATIONAL COMPANY

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**Abstract.** Presented paper aims to investigate internationalization of multinational company by exploring the main proactive and reactive factors impacting internationalization process. The authors strive to reveal the patterns of internationalization taking into account the aspects of the main theoretical models. The research is based on the main ideas of stage, learning and contingency approaches. The main proactive and reactive factors impacting internationalization process are based on the previous studies. The authors develop a research methodology and discuss main findings of the case study and survey. Results of the empirical investigation allow concluding that internationalization of a multinational company was initiated by several factors, namely environment, market, home and production.

**Keywords:** Internationalization, Proactive Factors, Reactive Factors, Multinational Companies, Baltic Countries.

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**JEL Classifications:** F20, F23, O14, O30, O33.

### Introduction

Globalisation of economy and intense competition stimulate companies to seek for the ways of internationalization and significantly contribute to the economic development of nations, industries and productivity. Hence, during the last few decades internationalization as a phenomenon has been researched by various scholars and from different points of view. Multinational companies expand their market share through internationalization and studies indicate that multinationals internationalize in order to growth large. However, the success of internationalization depend on factors motivating and restricting internationalization process.

Independence of the Baltic States and liberalization of economies have attracted multinationals from Western Europe and especially from Scandinavian countries. Sugar producing sector of the Baltic countries

attracted to invest *Danisco Sugar*, a Danish multinational company. Notably, production of sugar in the Baltic countries was attractive until 2004. The situation has changed dramatically when the Baltic countries joined the EU. Sugar industry is controlled by the EU Commission and the EU Sugar Regime. Hence, the regulation impacts sugar producing companies' internationalize in the EU and outside the EU.

The purpose of the paper is to investigate the factors impacting internationalization of *Danisco Sugar* in the Baltic countries. The paper is organized into five sections. The second section analyses internationalization theories and models. The factors impacting internationalization of companies are discussed in the third section. The fourth section presents methodology applied by the authors. The fifth section provides findings of the case study and survey. Finally conclusions based on the research are presented. The

authors strive to reveal the reactive and proactive factors of internationalization taking into main theoretical models and approaches.

### **Internationalization Theories and Models**

The scholars analysing internationalization as a phenomenon have put a lot of attempts to define “internationalization” concept. Hence, the literature focusing on the internationalization is vast and comprises various aspects. Some scholars claim that internationalization means a changing state. Hence, the growth of the firm provides a background to internationalization and the concepts of internationalization and growth are interrelated (Buckley and Ghauri 1993). However, Ruzzier et al. state that “some features are unique to internationalization or, at least, there are significant degrees of difference between growth at home and growth internationally” (Ruzzier et al. 2006).

One stream of scholars, striving to define internationalization, put emphasis on process, through which firms are increasingly involved in the international markets. (Johanson & Vahlne 1977; Welch & Luostarinen 1988). For instance, Welch and Luostarinen state, that the internationalization process is seen as gradual and sequential, through which firms become increasingly committed to, and involved in, international markets.

Meanwhile, Johanson and Vahlne emphasise the development of “networks of business relationships in other countries through extension, penetration and integration” (Johanson & Vahlne 1990). Hence, a network analysis is seen as another point of view to the firm’s international activities (Johanson and Mattson 1993).

Calof and Beamish, defining internationalization, emphasise the adaptation of the firms operations to the international environments (Calof & Beamish 1995). For instance, B.Petersen et al. claim that due to the globalization of industries, domestic firms can be subject to an increased pressure to internationalize rapidly in order to repel attacks from global competitors (Petersen et al. 2001). These authors state that domestic firms are driven into internationalization process even though they lack knowledge about international ventures. However, Ahokangas, inspired by resource based view, claims that internationalization is seen as “the process of mobilizing, accumulating, and developing resource stocks for international ac-

tivities” (Ruzzier et al. 2006).

Despite the various approaches to the definition of internationalization, the authors of this paper adopt the view that internationalization is the expansion of firm’s operations to the foreign markets and agree with the notion that internationalization could result from punctual and independent actions. On the other hand, in order to show the complexity of the phenomenon, it is important to discuss the main internationalization theories and models.

It should be noted that the internationalization studies are based on several approaches to internationalization, namely stage, learning, contingency and network approaches.

Stage approaches are seen as the earliest group of theories explaining the internationalization process. The scholars supporting this approach state that firms start with the mode of entry which require the least commitment of resources and with experience in the market increase their commitment of resources to international activities. For instance, this approach was supported by Cavusgil (1980) and based on progressive reduction of uncertainty. Additionally Reid (1991) has stated that the firms moved from awareness (of export potential) to the evolution (of the result of initial exporting) and acceptance (of exporting as a good thing).

Another group of scholars apply learning theory and state that internationalization is a dynamic process. The studies of Johansson and Wiedersheim-Paul (1975) have laid theoretical framework for the Uppsala model, proposed by Johansson and Vahlne (1977). The model highlights the resource commitment to the foreign markets, market commitment, decisions to commit resources and the performance of current business activities (Johansson and Vahlne 1977). On the other hand, the model has highlighted the relevance of psychic distance in international business decisions. The psychic distance concept was defined as “the sum of factors preventing the flow of information from and to the market” (Johansson and Vahlne 1977). The scholars referring to learning theory have focused on evolutionary and sequential building of foreign commitments over time (De Burca et al. 2004). According to Wiedersheim-Paul et al., firms start their international activities in the nearby markets via an intermediary and then on a direct basis. The establishment of the sales subsidiary could be followed by some form of production in the international markets (Wiedersheim-Paul et al. 1978).

Contingency approach to internationalization assume that the firm evaluates and responds to an opportunity as it occurs regardless of whether the market is close in psychic distance terms or whether an advanced mode of entry is required (Okoroafo 1990).

Network approaches emphasise the role of the linkages and relationships in the internationalization process (Johanson and Matson 1993). Chetty and Blankenburg-Holm (2000) state that internationalization takes place in three ways: through creating relationships with partner in new countries, rising commitment in already established foreign networks and integrating their positions in networks in various countries. Hence, the success of the firm in entering new markets depends on its position in the network and relationships within current market.

However, in order to explain the phenomenon of firm's internationalization, the studies support the integration of several approaches. According to the scholars, the integration of stage approach, network approach and foreign direct investment theory (including transaction cost analysis) allow us understand better the SMEs internationalization (Coviello and McAuley 1999; Coviello and Martin 1999). In the same way, Etemad and Wright suggested combining a variety of theoretical models, including stage approach, FDI theories and network approach (Etemad and Wright 1999). Bell et al. incorporating stage and network approaches recognise "the explanatory value of contingency approach and allied resource-based theories" (Bell et al. 2003). Likewise, Ruzzier et al. have proposed the integration of the process models, innovation models, network approach, resource-based view and international entrepreneurship theory (Ruzzier et al. 2006). Hence, an integrative approach is seen as a new stream in the research of firm's internationalization.

### **Factors Impacting Internationalization**

Expanding to the international markets presents an important opportunity for growth and value creation and exposes unique challenges in addition to common challenges in the domestic markets (Lu and Beamish 2001). Therefore, the scholars focusing on the issues of internationalization have strived to define the main stimuli and barriers of internationalization.

The scientific literature concerned with the main motives of internationalization distinguishes several broad areas: decision-maker characteristics; firm-spe-

cific factors, environmental factors and firm characteristics (Katsikeas and Piercy 1993). Notably, internal and external stimuli in the decision for internationalization of the SMEs are emphasized (Cavusgil and Godiwalla 1982). It is agreed that firms are likely to be motivated by different stimuli that depend on the stage of internationalization.

Lu and Beamish emphasize that many challenges of internationalization are associated with the liability of foreignness and newness (Lu and Beamish 2001). These challenges are seen of higher importance if the target market is dissimilar to the domestic market and if new subsidiaries are established. Hence, firms are fostered to acquire new resources and capabilities when entering a foreign market. Notably, as a firm expands its activities into the international marketplace, managers usually have to tackle with the increasing risk and decreasing profits. According to Czinkota et al. there is a learning curve that every company follows, even with the best planning. Hence, expertise is developed gradually, and during that process there is a high degree of uncertainty (Czinkota et al. 2004). Over the longer term, the company's activities stabilize as the firm becomes more experienced, obtain more knowledge but for the short term the situation may become more complicated. Notably, the scholars point out that successful performance can be achieved in three ways: *effectiveness*, *efficiency*, and *competitive strength* (Czinkota et al. 2004). *Effectiveness* is characterized by acquisition of market share abroad and by increased sales. *Efficiency* is manifested by rising profitability. *Competitive strength* is reflected by the increased market share. Hence, the factors and motivations which stimulate a company to react proactively are named as proactive and factors which stimulate a company to react to external environment are indicated as reactive. In other words proactive firms expand to international markets because they want to, while reactive ones internationalize because they have to (Czinkota, Ronkainen 1994).

The studies focusing on barriers of internationalization by exporters and/or non-exporters distinguish such broad areas: financial, managerial, market – oriented (including both national and international markets), and characteristics of industry and the firm (Leonidou 1995; Morgan 1997). It is agreed that the barriers of internationalization exist at any stage of the internationalization process. On the other hand, barriers may differ in intensity depending on the level of internationalization of the individual firm (Cavusgil

1984; Katsikeas and Morgan 1994).

Fletcher concludes that the scientific literature focusing on the main factors impacting internationalization is exhaustive and distinguishes management characteristics, organization characteristics, external impediments or external incentives to engage in business overseas (Fletcher 2001). The researches concerned with the management characteristics emphasize knowledge of the international business, international transactions experience, planning orientation or having strategic approach (Cavusgil and Godiwalla 1982; Fletcher 2001). Meanwhile, the focus on the organizational characteristics embraces willingness to develop products for the overseas markets, technological advantage, and willingness to research the overseas markets (Bilkey, 1985; Evangelista, 1994; Cavusgil, 1984). Notably, external impediments are marketing activities by competitors in the overseas markets and perception of the higher risk in the overseas markets, knowledge of the market and how it operates, cost issues, lack of export training and government assistance (Johnston and Czinkota 1985; Bilkey 1985). Finally, the most important external incentives are the availability of export incentives from government, overseas demand factors, fall in domestic demand or excess capacity and reduction in costs of production (Kaynak and Kothari 1984; Johnston and Czinkota 1985; Reid 1983).

## Methodology

The mentioned discussion leads to research the questions comprising factors impacting internationalization of multinationals. Notably, the analysis of scientific literature focusing on the business internationalization theories allows us to distinguish a number of possible explanatory factors of internationalization patterns and decisions. The quantitative and qualitative research methods are applied in order to perform a research. Hence, the aim of the research is to conduct a case study and survey which allows us to analyze factors of internationalization at *Danisco Sugar Company* in the Baltic countries. Following recommendations proposed by other scholars, qualitative research contains data collected that originates from the non-quantifiable sources such as attitudes, values and perceptions (Yin 1994). The case of *Danisco A/S* was investigated using the data from previous case studies, articles in the international press, company's publications and annual reports. Notably, the research was carried out before the acquisition of *Danisco A/S*

by *Nordzucker*. Additionally, the quantitative research that allows us to conduct the systematic scientific investigation of the quantitative properties and phenomena was applied. In order to carry out the survey, a framework based on the main theoretical findings was developed (Table 1). The framework has served as a basis for the questionnaire investigating internationalization factors.

**Table 1.** The framework of internationalization factors

A - Market Factors	B - Environmental Factors
<b>Competitive pressure (R)</b>	<b>Political, legislative, economic environment (P)</b>
• Price	• EU policy
• Networking capabilities	• Food safety and quality and legislative requirements
• Product assortment	• Economics and living standards
• New competitors in the market	• Taxes
<b>Distance and geographic closeness (R)</b>	<b>Climate change (R)</b>
• Communication infrastructure	<b>Effects of natural disasters and accidents (R)</b>
• Access to waterways and rails	<b>Cultural environment (P)</b>
• Transportation infrastructure	• Different languages
• Time zone	• Different ethnicities
<b>Product image in the market (P)</b>	• Different religion
• Brand image	• Different social norms and traditions
• Package	
• Marketing & advertising skills	
• product functionality	
<b>C - Production Factors</b>	<b>D - Home Country Factors</b>
<b>Overproduction (R)</b>	<b>Saturated domestic market (R)</b>
<b>Profitability (P)</b>	<b>Declining domestic sales (R)</b>
<b>Technological advantage (P)</b>	<b>Dependence on raw materials and suppliers (R)</b>
• Skilled staff	<b>Currency differences (P)</b>
• Product safety and sustainability	
• R&D and innovations	
• know-how	

The framework allows us to distinguish four groups of factors: market factors, environmental factors, production factors and home country factors. Referring to studies conducted by Czinkota and Ronkainen (1994) factors of these four groups are

divided into proactive (P) and reactive factors (R). Proactive factors mean anticipating events such as problems, markets, trends, and consumer demands and planning ahead for them. Reactive factors mean - reacting to events when they occur with little to no anticipation of events. The questionnaire was distributed in the year 2009 among 25 managers directly involved into internationalization process in Denmark, Lithuania and Latvia.

## Results and Discussion

### Case study

*Danisco A/S* is the Danish company established in 1989 after the three companies (*AS Danisco*, *Danish Distillers* and *Danish Sugar*) merged together under the same name. Notably, the defined strategy was “to be a first class supplier to the international food industry on the global market and be a supplier of high quality foods and branded goods on selected European markets” (Meyer 2006). Finally, the company has developed from the sugar-based conglomerate to world leader in food ingredients, enzymes and biotechnology.

By 1995, *Danisco* had sold off all of its technology and machinery companies as well as those in „other“ business sectors. Thus, the company maintained three lines of business activity: food and beverage (including sugar), food ingredients and packaging (Meyer 2006). The strategic actions taken by *Danisco* were seen as Denmark’s largest business reconstruction ever. Between 1989 and 1995, foreign sales of the *Danisco* group in Western Europe increased from 43% to 60% of the turnover and thus, *Danisco* became a regional European MNE. The internationalization of *Danisco A/S* started in 1954.

From 2001 to 2004, *Danisco* grew its new core: the ingredients business spread all around the world. Expansion in Europe, North America and Australia occurred mainly through acquisitions, while business in the emerging markets grew organically to a larger extent. The main internationalization stages of *Danisco* group and entry into different markets are presented in Table 2.

**Table 2.** The main internationalization stages and entry into different markets

Germany	USA	Mexico	France	Spain	Brazil	Malaysia	Sweden, Chile	Czech resp.	Lithuania	Finland China	Australia	Belgium	Latvia
1954	1980	1981	1983	1985	1986	1990	1993	1995	1998	1999	2001	2002	2007

For the past 20 years *Danisco* has been establishing new sales departments over the world, splitting and acquiring new companies. *Danisco* engaged in the long-term global restructuring from conglomerate to focused strategy in the closely related business areas over a period of more than 20 years. The restructuring involved *selling noncore business units, while acquiring businesses around the world in the core business area* (Meyer 2006). It was a continuous process rather than a one-off restructuring. The focusing was related to rapid internationalization outside of Europe. Internationalization of *Danisco* group involved more than just entry into a range of different markets. Notably, new business models have been developed to take advantage of the global sourcing opportunities and locating production where costs are most favorable. *Danisco* has established themselves as a global player in the selected industries while exiting those industries where it could not achieve market leadership.

*Danisco Sugar* as the separate business unit of *Danisco* in the Baltic States is one of the largest sugar producers in Europe, boasting market leadership in the Scandinavian countries and the Baltic States and targeting growth in the new markets, such as Poland, Czech Republic, Hungary, Slovakia, Slovenia and other CEECs. Based on the annual output of around 1 million tons of sugar produced at the factories in Denmark, Sweden, Finland, Germany and Lithuania, *Danisco Sugar* offered a wide range of sugar products tailored to the industry and consumer needs, as well as animal feed and sugar beet seed. In 2009 *Danisco Sugar* was acquired by the German company *Nordzucker*, so the name of *Danisco Sugar A/S* was changed to *Nordic Sugar A/S*. *Danisco Sugar* became a wholly owned subsidiary.

*Danisco Sugar* through its subsidiaries or sales representatives operates in Sweden, Finland, Non EU Nordic (Norway, Faroe Islands and Greenland), Lithuania, Latvia, Denmark, Estonia, etc. Referring to Uppsala theory (Johanson, Vahlne 1977), inter-

nationalization stages of *Danisco Sugar* in the Baltic States is presented in figure 1.

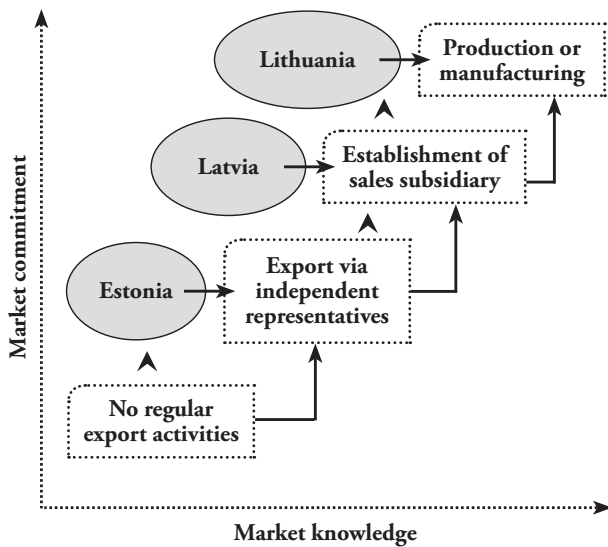


Figure 1. Internationalization stages in the Baltic countries

The strategy of *Danisco Sugar* was aimed to invest in the Baltic States. Hence, the company established a sales office in Estonia handled by *L.L.C. Montemar*, which handled all specialty sugar distribution and arranged logistics solutions in the Baltic region. Notably, *Danisco Sugar* did not aim to acquire or establish new factories in Estonia. Referring to Uppsala theory (Johanson, Vahlne 1977) *Danisco Sugar* internalized in Estonia taking the second step – company established export via the independent representative.

In 2007 Latvia's Competition Council has allowed the merger of *Danisco Sugar* and *Jelgavas cukurfabrika*. As the result *Danisco Sugar* was set to acquire the *Jelgavas cukurfabrika* assets - including its trademark - „*Jelgava cukurs*“. The company established new sales office in Riga – *Danisco Sugar SIA*, which was operating as sales subsidiary of *Danisco Sugar*, selling retail and industry sugar products. Warehouse in Jelgava is a convenient geographic place for storage in terms of the Baltic countries and Riga port is expedient to deliver sugar or molasses from Lithuania or the Nordic countries. Before *Danisco Sugar* takeover of Jelgavas Sugar factory, only two competitors were in Latvian sugar market: sugar factories in Liepaja and Jelgava. After the acquisition of Jelgavas Sugar factory *Danisco Sugar* expanded its market share to 30%. After huge struggle in the market, the share of *Danisco Sugar* in Latvia increased to 49%.

In Lithuania *Danisco Sugar* made the largest acquisitions in the whole Baltic sugar market. In 1998 *Da-*

*nisco Sugar A/S* in Lithuania acquired sugar producing factories (*Kuršėnų cukrus*, *Panevėžio cukrus*, *Kėdainių cukrus*, and *Pavenčių cukrus*) and they all started working as *Danisco Sugar* subsidiaries. *Marijampolės cukrus* (nowadays *ARVI cukrus*) belongs to Lithuanian investors. Notably, some factors as ineffective production and the EU sugar regime has impacted the decision of shareholders to close *Pavenčių cukrus* in 1999, *Kuršėnų cukrus* in 2004, and *Panevėžio cukrus* factory in 2007.

Currently, Kėdainiai Sugar factory, which is operating since 1970, supplies sugar beets by approximately 613 beet growers. The main product is granulated sugar and feed products from the beet fibers left once the sugar has been extracted. The entire annual sugar production is achieved during the campaign extending up to 80 days - from the end of September to the beginning of January when the facility operates 24 hours a day, seven days a week.

Under the Dan Sukker® brand, the granulated sugar is sold to the retail market in 1-kilo packages and to the industry in 50-kilo bags and in bulk. There are 211 employees working at the factory; however, during the beet campaign this number is expanded by the temporal labor force of 116 people.

The Baltic countries are supplied with sugar through the Pan-Baltic supply channel (Figure 2).

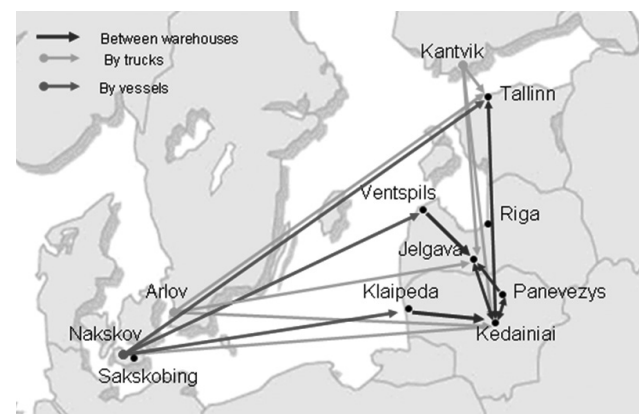


Figure 2. Supply channel of the Baltic countries, 2009

Notably, different kinds of sugar products are produced in different production sites (Kantvik – Finland, Nakskov or Sakskobing – Denmark, Arlov – Sweden, Kėdainiai – Lithuania) the swapping of products is made via well organized and efficient logistics (mainly ferryboat, trucks and vessels). All *Danisco Sugar* sales procedures in the Baltic countries are controlled and invoiced from Copenhagen. So,

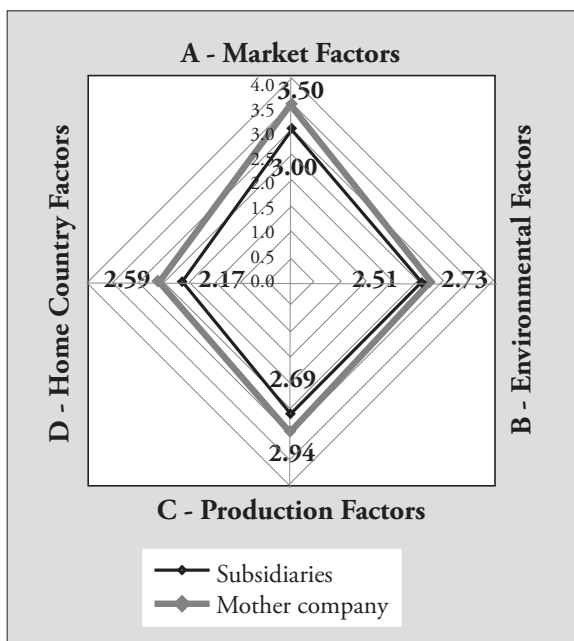
this means that the subsidiaries are fully controlled from the headquarters.

The decentralized management is the analogy to the parent company *Danisco Sugar*.

*Danisco Sugar* always strived to be closer to the customers and suppliers (because beet growing and production sites must be situated locally), cooperate with them in food industry, select and develop ingredients for new products, adapt them to consumer tastes in different countries. The leadership ambitions of *Danisco Sugar* in the Baltic countries required to develop capabilities to supply food producing multinationals, such as Kraft, Orkla group, Coca-Cola Global, Vaasan&Vaasan, Leipurin, etc. as well as other regional and local players.

### Survey results

The survey results of *Danisco Sugar* and its subsidiaries in the Baltic region revealed that all four groups of factors influencing internationalization impacted the decision of the Danish company to enter Baltic market. Figure 3 represents the means obtained during the survey and mean distribution among the factors.



**Figure 3.** Main factors influencing internationalization

Means are distributed approximately in the same direction. Means, which represent response of respondents from parent company, are larger than means, which represent response of respondents from subsidiary companies. The obtained results allow concluding that internationalization of *Danisco*

*Sugar* in the Baltic countries was impacted by market factors, namely competitive pressure, distance and geographic closeness, product image (responses of respondents from parent and subsidiary companies). Home country factors, namely saturated domestic market and declining sales in it, dependency on raw materials and risk of currency exchange rate are seen as less important. Notably, differences among all four means are not so high (largest difference is 0.5, lowest - 0.22). Hence, the data allow us concluding that all four factors impacted decision of company to internationalize its activities.

Notably, expansion of *Danisco Sugar* in the Baltic countries was impacted by the most important proactive factors namely, *profit advantage* seeking in foreign markets and creating value for different customers with *exclusive information about products support* (very strong attitude is to know-how, continuous learning and expertise in creating new products, recipes, findings about nutritional facts). *Technological advantage* of sugar production plants in Scandinavia, high quality and biotechnologies, biochemistry creation motivates *Danisco Sugar* to enlarge business, through acquisition of new companies or merging with competitors. Hence, the revenues and profits are boosted by exploiting market opportunities. Additionally, *Danisco Sugar* strives to gain tax advantages and aims to diminish investment risk targeting only growing markets.

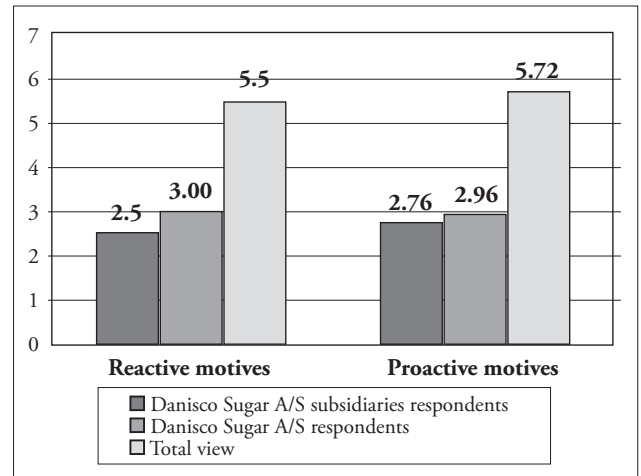
*Reactive factors* such as *competitive pressure* in the local market and *declining domestic sales*, overproduction due to optimization and well planned technology in the Danish factories influenced expanding abroad. For instance, in Denmark only one sugar factory operates. Meanwhile in other sites, like Germany, Sweden, France, Poland and etc. the competition is really intense. All the EU countries have to follow the EU sugar regime, which regulates the quotas for sugar production. Hence, the particular sugar quantity, produced in the EU must be sold in the EU. The export to the non-EU countries is very low, due to strict regulations of export permissions. Therefore if company is not able to fight off high competition in the home country, it must export to other countries striving to sell sugar produced according to the obtained quota.

The main reactive and proactive factors, which impacted internationalization of *Danisco Sugar* into the Baltic market, are summarized in Table 3.

**Table 3.** Proactive and reactive factors that encouraged internationalization

Proactive motivations	Reactive motivations
Opportunity to <i>increase profit</i> of <i>Danisco Sugar</i> investing in the Baltic countries and being the largest sugar producer in this market. Moving to the Baltic countries allowed obtaining cheaper production sites and new market.	Reaction to <i>competitors' pressure</i> (mostly <i>Sudzucker</i> , <i>Nordzucker</i> ) and big competition in sugar market in the EU and Scandinavia. Competitors could target to buy the Lithuanian and Latvian sugar factories, so being late could mean the loss of the profit and market share.
<i>Technological and high quality production advantages</i> could be transferred to Lithuanian subsidiaries	<i>Overproduction and excess capacity</i> of sugar in Scandinavia made the Baltic countries' market attractive of possibility to achieve broader distribution of sugar products in the new markets.
<i>Market knowledge and exclusive information</i> , including tacit knowledge about the Baltic market via international research, previous export activities in Lithuanian, Latvian, Estonian markets	<i>Declining sales</i> of <i>Danisco Sugar</i> in the Scandinavian countries could be compensated in the Baltic countries as the imported sugar from other EU countries started to flow into the Scandinavian market.
<i>Laws and regulations</i> regarding sugar motivated <i>Danisco Sugar</i> to find other markets with sugar quotas and gain profit from sugar production (Latvia case)	<i>Proximity</i> to beet growers and large international producers is a key factor for the sugar factories as they tend to be in short distance from the raw material suppliers and customers. Being close means lower cost of transportation.
<i>Economies of scale</i> as a lot of products were produced in Denmark; Sweden and they could be exported to the Baltic market. Exporting activities could increase the output.	
Internationalization decision was urged as of <i>reducing expenses</i> for labor, taxes benefits, energy, etc., as the Baltic countries cost of living index, taxes, price of electricity, gas, water prices were lower than in Scandinavia. Low market entry cost comparing with the Scandinavian countries (expenses for marketing, administrative costs, etc.).	

The survey results allow us to compare responses of employees of subsidiary and parent companies (Figure 4).



**Figure 4.** Distribution of respondents' opinions regarding reactive and proactive motives influencing internationalization

The obtained results allow concluding that employees of subsidiary companies distinguish proactive factors as the most important. Meanwhile, employees of parent company indicate that reactive factors are the most important. However, the differences between reactive and proactive motives are not substantial. Hence, both groups of factors are seen as important in internationalizing activities in the Baltic countries.

## Conclusions

The internationalization as a phenomenon was analyzed by various scholars and in various fields. The case analysis and survey data allow us concluding that the company has to take significant actions before entering new markets.

The above research indicates that international decision making of multinational company is impacted by both proactive and reactive factors. The research has revealed that multinational company, operating in Nordic and Eastern Europe, successfully established business in the Baltic countries; the scale of internationalization was larger in Lithuania and Latvia due to acquisition of production site facilities. *Danisco Sugar* expanded geographically into new markets which are closer physically and psychologically. Hence, it is possible to state that internationalization process of *Danisco Sugar* in the Baltic countries followed Uppsala internationalization model.

The findings of research allow elaborating proposals for future research. Notably, the authors have



presented research model, which can be tested in other studies, analyzing internationalization motives of multinationals. On the other hand, the research sample can be expanded in order to get more reliable results. A larger sample allows investigating the relationships between factors impacting internationalization and their influence on company's decisions to expand abroad. Moreover, the application of the model in other research studies and other industries allow distinguishing its strengths and weaknesses. The research is valuable for decision makers in multinational companies because it allows distinguishing proactive and reactive factors of internationalization. The limitation of the model refers to the fact that markets are different and various factors, impacting internationalization, may emerge and influence company's decisions.

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