

PROTECT AN INTERNATIONALITY ORIENTATION FROM COMPANY CRISIS? A CASE STUDY FROM WEST-AUSTRIA

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Abstract

The SME's in Austria, especially when they offer niche products, rely on exports respectively on an international orientation of the entire company because of the limited Austrian market of a maximum of 8M consumers. Particularly in area of economic activities you get the impression that external organizations support strongly SME's effort to reach international knowledge. An international focus must be internally critically scrutinized on the basis of various touchstones and analyzed if the benefit outweigh the risks. The performed study in West-Austria (Vorarlberg, Tyrol and Salzburg) examined how SME's are international positioned. Variables like industry, company phase, size and others are considered and compared to each other.

Key words: crisis, restructuring, international, export, regional

1. CLASSIFICATION OF COMPANY CRISIS

A crisis is mostly seen as a personal failure and is accompanied with specific behaviors like concealment, cover-ups and crowding out. (Grütter & Peter, 1999). A crisis describes basically a negative complex development of multiply problems. A problem is described like an uncomfortable current state and a desired, better and satisfying target state. In this context, however it must be clearly differentiated between problem and conflict. A conflict occurs through two antagonistic movements or opinions. Problems can be characterized with current status and target status. (Grütter & Peter, 1999)

Figure 1 illustrates that an early detection of a crisis has a higher success rate of restructuring the company as a late recognition.

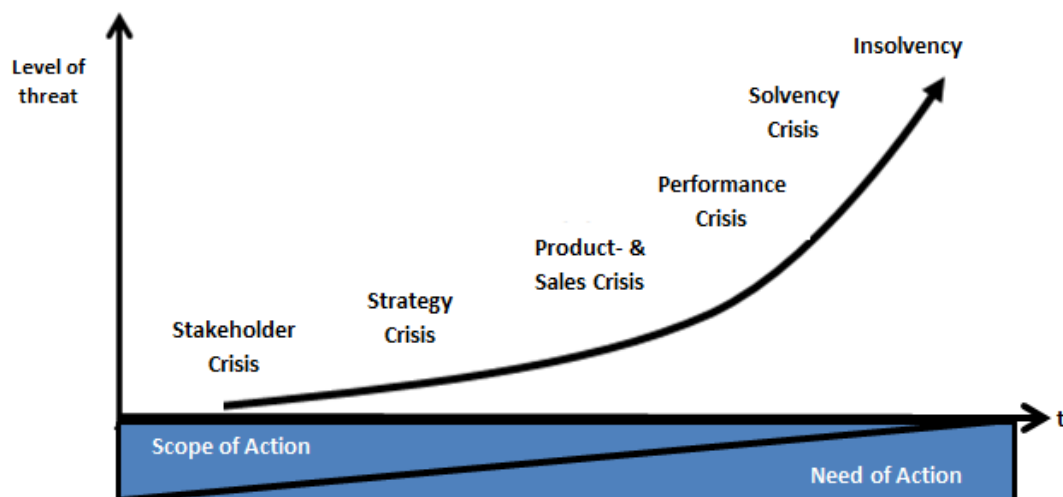


Figure 1. Different crisis stages regarding IDW S6 (IDW S6, 2012)

2. CLASSIFICATION OF THE COMPANIES

A company is not a rigid composition of departments. It is a “living” entity with ongoing changes. It is subject of constant transformation. An international focus should depend on the stage of the company and must have the right distinction at that time. If not a crises may occur in the future. It should be assumed that a company with financial / economic difficulties has a probably lower international focus as “healthy” companies. Another opinion prevails, that the size of the company plays a significant role during internationalization. In this context “Born Globals” should be mentioned which have a very high export ratio straight from the beginning / foundation. Despite predominant difficulties companies can be classified into groups with different parameters. Among other parameters company stages, company size and sectors are used in this study. The classification was as follows:

Company Stages				
0-2 Years (Start-Ups)	Growth Phase	Establish Phase	Liquidation Phase	Restructure Phase
Company Size (EU – Commission)				
	Employee	Revenue	Balance Sum	Independency
Micro enterprises	up to 9	< 2M EUR	< 2M EUR	Shares from foreign investors < 25 %
Small enterprises	10 until 49	< 10M EUR	< 10M EUR	
Medium enterprises	50 until 249	< 50M EUR	< 43M EUR	
Large enterprises	from 250	> 50M EUR	> 43M EUR	
Industry Sector (ÖNACE Code)				
Agriculture, forestry and fishery	Mining	Production of goods	Energy supply	Water supply
Real estate	Construction	Retail	Maintenance and repair of motor vehicles	Traffic and lager
Exterritorial organization and corporations	Cooperative society	Finance and insurance services	Provider of other services	Art, Entertainment and Recreation
Health care and social services	Education	Public administration, national defense and social insurance	Provider of other economical services	Provider of freelance services for scientific and technical services
Hotel industry	Information and communication			

Table 1. Clarification of Variables

3. THE AIM OF THIS STUDY, RESEARCH DESIGN AND METHODOLOGY

It is a strategic decision to focus international markets within the company. Austria itself plays a very subordinated role in the international economy. Austria's export focus is purely on high quality products (Schweiger, 2014) which is the result of the size of Austria. Nevertheless Austria maintains with their "AußenwirtschaftsCentern" the second biggest trade network world wide (behind the USA). These centers help Austrian companies to find trade partners everywhere. The aim of this study is to find out how the current status of the economy in West-Austria is and in which level export supports the success of the local companies.

1. In which stage companies are currently which have international focus?
2. Which influence has the size of the company regarding internationality?
3. Have Start Ups or well established companies a higher affinity on international trade?

4. ARE THERE SOME DIFFERENCES BETWEEN THE THREE EXAMINED COUNTRIES?

The "Mixed Method" research was used for the research method. The biggest positive impact of this method lies on that fact that the questionnaires of the quantitative study are designed from affected companies and not from the author itself. Before the quantitative study was released a qualitative study has to take place. Therefore 10 expert interviews were performed in companies in West-Austria.

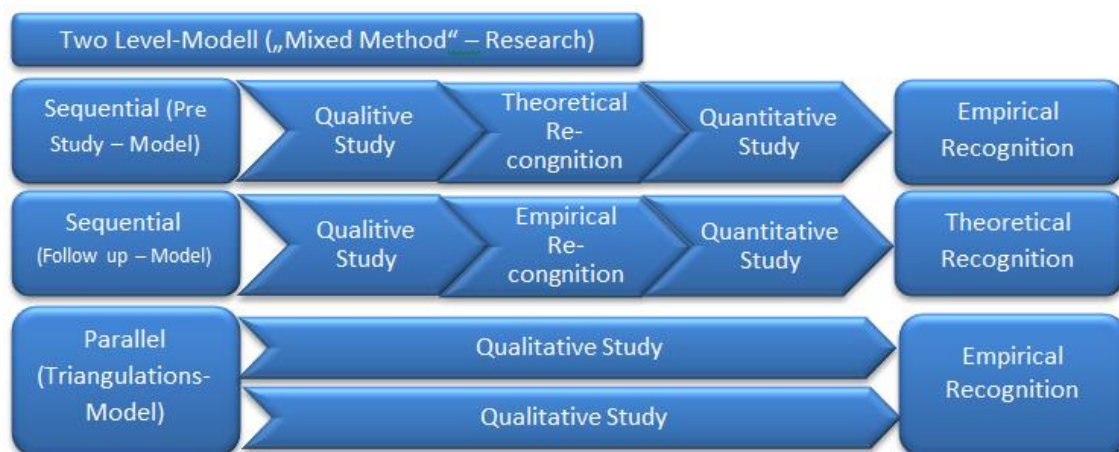


Figure 2. Two Level-Model (Srňka, 2006)

SME's in West-Austria (Vorarlberg, Tyrol and Salzburg) were in focus of the quantitative study. In total 1.341 anonymous filled questionnaires were collected through an online platform. The response rate was by 2.7%. The demographic characteristics of the interviewed companies can be summarized as followed:

- The age of the most (65.92%) interviewed people was between 41 and 60 years. That means that in 5-10 years around 34% of the company will either be closed or handed over to the next generation.
- 39.79% of the interview partner was female and the most respondents (47.98%) have between 26 until 40 years professional experience.
- In this study 57.31% hold position of a director and 14.91% of the respondents hold the position of a manager.

- 2% of the companies are based in the prime sector, 59% are located in the second sector and 39% are based within the tertiary sector.

The hold position of the respondents and the professional experience for many years exemplifies the high quality of the respondents and that they understand their business.

Most of the companies are well established on the market. 11.05% face actually a huge growth phase. Only 0.66% are Start-Ups. In this context it is to mention that 2.43% of the companies are in the phase of restructuring. When a company stages that they are actually in a period of restructuring don't mean casual that they are in bad condition. Restructuring in general means changes. Successful companies have a permanent demand of restructuring.

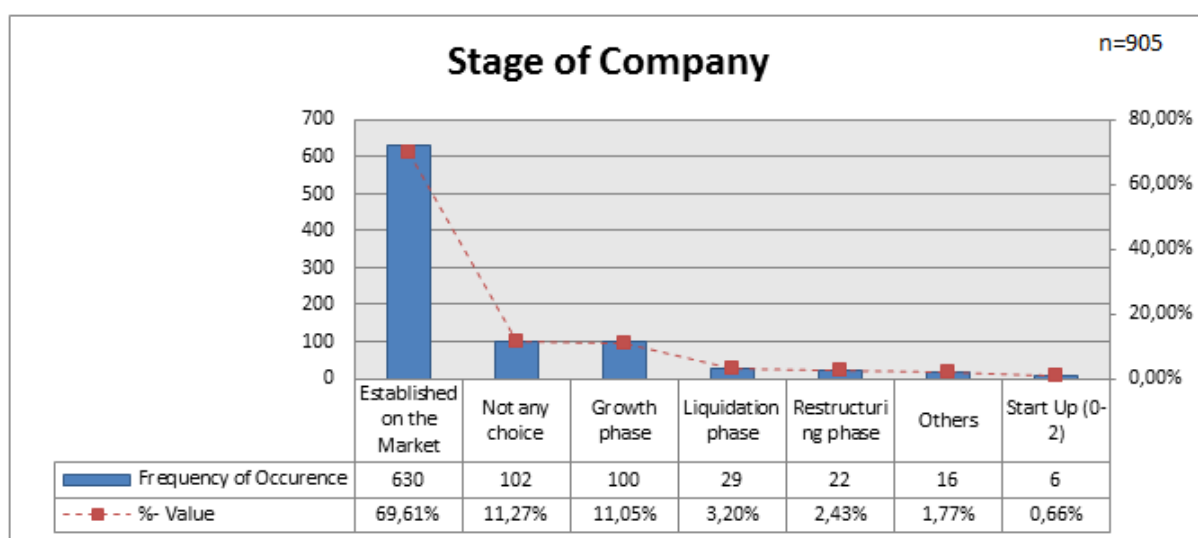


Figure 3. Stages of Companies

5. PRESENTATION OF GENERAL PARAMETERS

Within the first part of the Study basic elements about internationality were asked to gather background knowledge. The focus in this part was mainly on the self-perception of the companies. How the managers think about their internationality. Are they satisfied with the status quo or do they look forward to change?

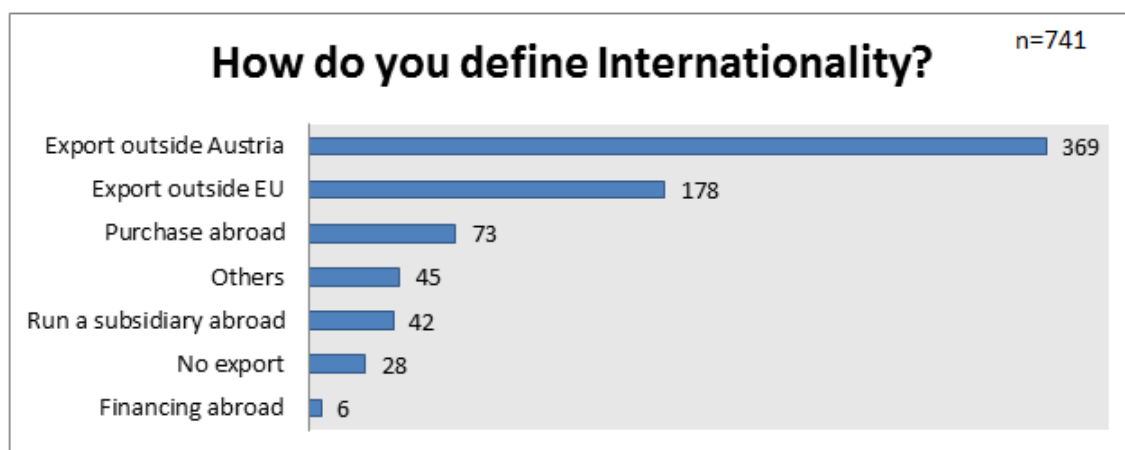


Figure 4. How do you define internationality?

369 companies or 49.80% of the respondents indicated that internationality means for them to export across borders. Six companies indicate that to be financed abroad means internationality.

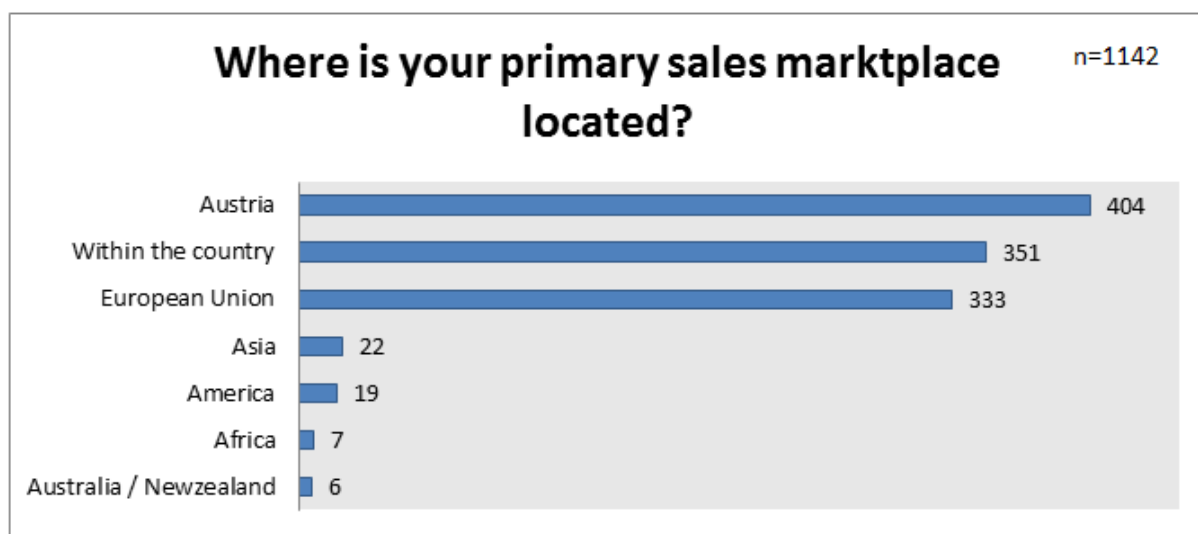


Figure 5. Where is your primary sales marketplace located

The majority of the SME's see their sales marked within Austria and even within their own country. The second important trade partner is the European Union area. All other markets have a low impact of the success of the company.

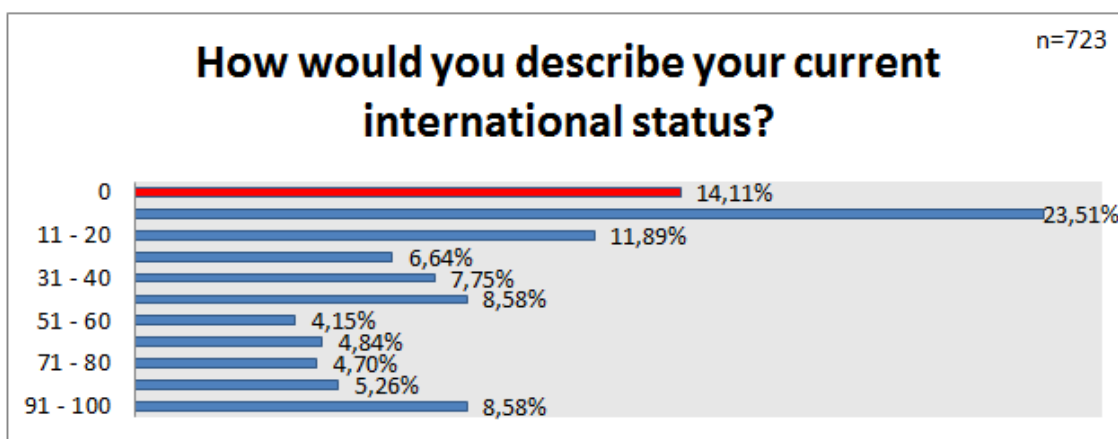


Figure 6. How would you describe your current international status?

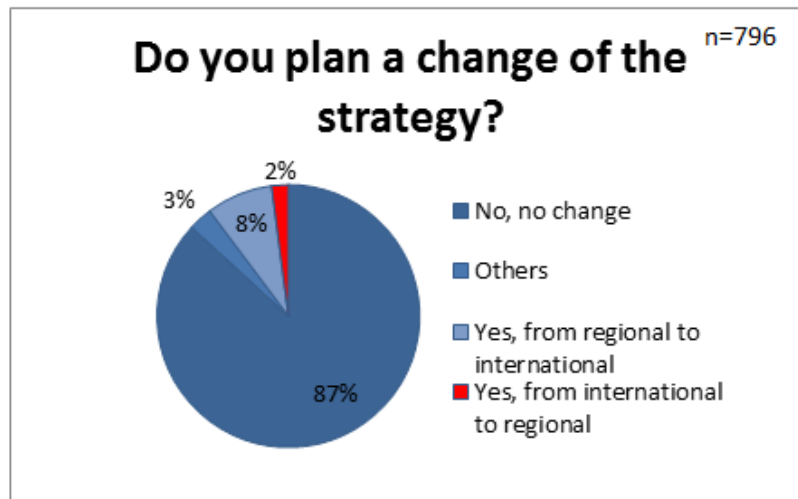


Figure 7. Do you plan a change of the strategy

Currently 37.62% of the companies indicate that they are 90 – 100% regional located. Only 8.58% of the companies stated that they are almost 100% international. This shows that the majority of the companies are regional anchored. Especially interesting is that 87% indicated that they do not plan a change of the current strategy. Only a minority (2%) of the companies want to change from international back to regional markets. When it comes to finance the majority of the companies (70.34%) are almost to 100% regional anchored. Only 6.46% of the companies finance across the border.

6. PRESENTATION OF THE RESEARCH RESULT

The following test methods applied to this study:

- Descriptive statistic with mean, median, standard deviation and normal distribution.
- U-Test (asymptotical significance [2-sided]) with two independent variables (after Mann-Whitney)
- H-Test (asymptotical significance) with all variables per group (after Kruskal-Wallis)

The H-Test was used at the beginning per group basically to find significant differences between each variable. In the second step all variables was set per group to each other with the U-Test. The mean supports as an indicator per each row to analyze the asymptotic significant in a better way. The higher the value the higher is the international focus of this variable.

NOTE: the first part of the survey focused on the self-image of the respondents. The questions in this part had a subjective character. The red marked fields have significant differences on a 5% level. All analysis in this study has accuracy on a 5% level. The last two areas (Mean-Internationality and Median-Internationality) are calculated by columns to enable to get an overview.

Country		Vorarlberg vs. Tyrol		Vorarlberg vs. Salzburg		Tyrol vs. Salzburg	
Group	Variable	0	1	0	2	1	2
Internationality	Mean	27,594	27,594	27,594	23,403	27,594	23,403
	Significant U-Test	0,963		0,114		0,055	
Inbound Logistics	Mean	12,983	12,983	12,983	10,443	12,983	10,443
	Significant U-Test	0,259		0,449		0,022	
Production	Mean	9,932	9,379	9,932	8,776	9,379	8,776
	Significant U-Test	0,997		0,221		0,113	
Outgoing Logistics	Mean	9,776	6,953	9,776	8,076	6,953	8,076
	Significant U-Test	0,124		0,617		0,013	
Marketing	Mean	17,765	14,007	17,765	14,488	14,007	14,488
	Significant U-Test	0,263		0,445		0,022	
Sales	Mean	20,011	16,050	20,011	16,524	16,050	16,524
	Significant U-Test	0,555		0,545		0,131	
After_Sales	Mean	11,188	10,161	11,188	9,188	10,161	9,188
	Significant U-Test	0,163		0,555		0,359	
Purchase	Mean	18,989	17,836	18,989	17,976	17,836	17,976
	Significant U-Test	0,667		0,305		0,423	
R&D	Mean	8,725	9,872	8,725	5,465	9,872	5,465
	Significant U-Test	0,437		0,491		0,962	
HR	Mean	8,510	7,000	8,510	5,900	7,000	5,900
	Significant U-Test	0,300		0,496		0,039	
Financing	Mean	4,698	5,332	4,698	2,647	5,332	2,647
	Significant U-Test	0,186		0,318		0,759	
Managing Director	Mean	4,209	5,718	4,209	2,265	5,718	2,265
	Significant U-Test	0,267		0,383		0,839	
Mean-Internationality	Mean	12,865	11,346	12,865	10,655	11,346	10,655
	Significant U-Test	0,448		0,328		0,044	
Median-Internationality	Mean	7,989	6,988	7,989	5,468	6,988	5,468
	Significant U-Test	0,422		0,792		0,188	

Table 2. Differences by Country

In some company departments are significant differences between the countries Salzburg and Tyrol. Whereby Tyrol is slightly more international rather than Salzburg. This can correlate with the fact that Tyrol has a very huge tourism sector.

Sectors		Freelance Service vs. Social Services	
Group	Variable	Freelance	Social
Internationality	Mean	30,554	9,136
	Significant U-Test	0,000	
Inbound Logistics	Mean	16,661	5,258
	Significant U-Test	0,008	
Production	Mean	14,911	4,621
	Significant U-Test	0,016	
Outgoing Logistics	Mean	15,018	2,742
	Significant U-Test	0,001	
Marketing	Mean	16,893	5,061
	Significant U-Test	0,018	
Sales	Mean	23,429	5,667
	Significant U-Test	0,000	
After_Sales	Mean	17,518	3,606
	Significant U-Test	0,003	
Purchase	Mean	25,268	11,939
	Significant U-Test	0,045	
R&D	Mean	10,679	10,712
	Significant U-Test	0,554	
HR	Mean	6,679	3,409
	Significant U-Test	0,208	
Financing	Mean	4,661	1,364
	Significant U-Test	0,028	
Managing Director	Mean	3,446	0,803
	Significant U-Test	0,017	
Mean-Internationality	Mean	15,476	5,360
	Significant U-Test	0,001	
Median-Internationality	Mean	11,518	2,614
	Significant U-Test	0,010	

Table 3. Differences by Sector (sample)

For the purposes of completeness it must be mentioned that between the sectors only negligible differences arised. Only between the two sectors, highlighted in the table above, have significant differences. Within the Social- and Health sector the tendencies are going “back to the roots” – to the regional area. This sector also expels the lowest international rate of all sectors. Only within the R&D area a higher mean is noticed.

The differences within the type of the enterprise are marginal. Types of enterprises like “limited partnerships” (Kommanditgesellschaft), “general partnership” (Offenegesellschaft) and “stock corporation” (Aktiengesellschaft) don’t have any significant differences to other types of enterprises. Also the associations are more regional oriented and not international focused. But it is noticed that the “public corporations” (Körperschaft öffentlichen Rechtes) have significant differences to every other sector.

Type: public corporation		Ltd. vs. Public corp		GmbH&CoKG vs. Public corp		Cooperative vs. Public corp	
Group	Variable	Ltd.	Public corp.	GmbH&CoKG	Public corp.	Genossens.	Public corp
Internationality	Mean	31,505	13,368	21,642	13,368	3,273	13,368
	Significant U-Test	0,001		0,022		0,679	
Inbound Logistics	Mean	16,362	2,737	7,849	2,737	6,182	2,737
	Significant U-Test	0,003		0,010		0,103	
Production	Mean	11,927	1,632	1,660	1,632	0,091	1,632
	Significant U-Test	0,009		0,032		0,728	
Outgoing Logistics	Mean	13,016	2,684	5,660	2,684	3,909	2,684
	Significant U-Test	0,009		0,018		0,043	
Marketing	Mean	19,835	0,842	13,717	0,842	2,455	0,842
	Significant U-Test	0,000		0,000		0,019	
Sales	Mean	24,790	N/A	15,698	N/A	2,636	N/A
	Significant U-Test	0,000		0,000		0,019	
After_Sales	Mean	16,527	3,316	5,943	3,316	0,273	3,316
	Significant U-Test	0,005		0,078		0,585	
Purchase	Mean	24,848	2,421	13,321	2,421	5,545	2,421
	Significant U-Test	0,001		0,002		0,109	
R&D	Mean	9,946	4,632	2,717	4,632	0,273	4,632
	Significant U-Test	0,257		0,444		0,974	
HR	Mean	8,206	2,947	12,774	2,947	1,182	2,947
	Significant U-Test	0,046		0,025		0,304	
Financing	Mean	5,848	0,263	4,302	0,263	2,182	0,263
	Significant U-Test	0,098		0,022		0,079	
Managing Director	Mean	6,625	0,263	3,585	0,263	1,364	0,263
	Significant U-Test	0,039		0,016		0,037	
Mean-Internationality	Mean	15,786	2,925	9,072	2,925	2,446	2,925
	Significant U-Test	0,000		0,002		0,437	
Median-Internationality	Mean	11,429	1,026	3,736	1,026	1,864	1,026
	Significant U-Test	0,005		0,010		0,116	

Table 4. Differences by types of Enterprises

The “public corporation” is significant more regional anchored than every other type of enterprises. Very low values were stated especially the area of human resources and managing position. The marketing department does need neither an international focus nor an international management.

Company Stages		0-2 vs. Growth		0-2 vs. Established		0-2 vs. Liquidation		0-2 vs. Restructuring	
Group	Variable	0-2	Growth	0-2	Established	0-2	Liquidation	0-2	Restruct.
Internationality	Mean	66,333	40,753	66,333	26,486	66,333	22,967	66,333	28,095
	Significant U-Test	0,088		0,011		0,010		0,031	
Inbound Logistics	Mean	27,500	17,608	27,500	12,947	27,500	15,467	27,500	3,000
	Significant U-Test	0,219		0,083		0,123		0,036	
Production	Mean	21,667	12,144	21,667	10,253	21,667	16,433	21,667	6,810
	Significant U-Test	0,039		0,009		0,094		0,031	
Outgoing Logistics	Mean	12,333	13,165	12,333	9,468	12,333	8,667	12,333	6,095
	Significant U-Test	0,310		0,135		0,186		0,110	
Marketing	Mean	46,500	28,619	46,500	15,637	46,500	12,000	46,500	20,381
	Significant U-Test	0,218		0,019		0,020		0,097	
Sales	Mean	58,333	32,907	58,333	18,500	58,333	10,333	58,333	11,810
	Significant U-Test	0,129		0,012		0,008		0,012	
After_Sales	Mean	34,333	19,216	34,333	11,108	34,333	5,767	34,333	3,143
	Significant U-Test	0,129		0,015		0,010		0,010	
Purchase	Mean	42,167	29,753	42,167	19,498	42,167	16,867	42,167	18,762
	Significant U-Test	0,301		0,066		0,064		0,157	
R&D	Mean	43,167	14,237	43,167	7,970	43,167	6,567	43,167	9,762
	Significant U-Test	0,016		0,000		0,005		0,026	
HR	Mean	19,667	13,804	19,667	7,627	19,667	3,033	19,667	14,286
	Significant U-Test	0,679		0,776		0,576		0,798	
Financing	Mean	17,000	7,423	17,000	4,893	9,545	0,967	9,545	3,714
	Significant U-Test	0,936		0,657		0,548		1,000	
Managing Director	Mean	16,833	9,660	16,833	4,127	16,833	3,133	16,833	4,905
	Significant U-Test	0,763		0,672		0,694		0,842	
Mean-Internationality	Mean	33,820	19,941	33,820	12,376	10,121	10,182	10,121	10,897
	Significant U-Test	0,125		0,026		0,006		0,026	
Median-Internationality	Mean	33,417	12,727	33,417	7,667	33,417	4,117	33,417	3,500
	Significant U-Test	0,037		0,005		0,005		0,012	

Table 5. Differences by Company Stages

Startups (0-2) have a significant difference to every other company stage. Companies within the restructuring phase and liquidation phase have the lowest international focus out of all. Startups are in almost every area more international than others. Especially the mean and median in this area shows very high values. But when it comes to financing the focus is still regional. It is not common for companies to be financed abroad. Classical financing (with local bank) is still preferred. The Startups are nearly comparable with companies in the growth phase.

7. SUMMARY AND RECOMMENDATIONS

The limited local market in West-Austria with focus on Tourism has to be, by nature, more international just for example to increase the occupancy rate of hotels.

The financial restructuring (finanzwirtschaftlich) will be mostly used to bridge an acute crisis of a company. This saves at least a short time survival of the company. (Liebig, 2010) But to be successful on the long term a performance restructuring (leistungswirtschaftlich) must be in place. Along the value change every area must be restructured and in particular a new strategic direction must be developed. (Steffan, 2009).

It comes together with a high risk to set a focus on international business during turbulent times, like a company crisis or during a deep restructuring phase. Because of this reason it is recommended to develop international activities only in good and financial stable times. The following statements are indications in which direction the sector should move. **Note:** That there are a lot of other factors which comes into place during expansion phases - to finally succeed.

Production Industry: an increasing rate of insolvencies and a high internationality can be an indication that regional anchored companies with lower international focus are more successful than vice versa.

Before a company goes international it must have a very high integrity in the local market, produce quality goods instead of mass production. It might be necessary to put the footstep into the international market to have potential to grow. This can be managed by partners (e.g. sales partner) affordable and with less risks.

Construction Industry: in this sector it is also advisable to be more regional linked to be successful. It is very difficult for SME's in this sector to keep up by international construction projects. It is further related with high risks. All jeopardized companies had a high international focus. Compared to other sectors it was still low.

Domestic construction companies have (with some exceptions) less prospects of success. The only possibility will be to be in a market of niche products where the price pressure is not too high. Therefore it is recommendable to be regional successful and to pass the critical size. After this stage it is wise to cooperate with other international companies.

Automobile trade / repair: the most vulnerable companies have a high international value. International automobile trade is covered actually from a handful big companies and further consolidation is seen in this sector. SME's in this segment have less chance of success.

Within the automobile trade / repair segment it is indispensable to reach a high local acknowledge to increase the entry barriers for international competitor. This not exclude to trade cars / parts / services via diverse online platforms to create more revenue and sales. It is possible to cooperate with other SME's internationally after the company reached good regional position.

Tourism / Accommodation: in this sector the most jeopardized companies have a very high regional link and have extreme low international values. The most guest are foreigners. Also their workers must be recruited nowadays from abroad, mostly eastern Europe.

Here is a strong international focus indispensable not only for their products / services also for recruiting employees. To address the services it is essential to market on international level. That's why advertising and marketing must be international. International recruiting companies help further to fill up every position in the hotel / restaurant. When the company, middle term, only focuses on regional market it can lead into a liquidity crisis.

IT / Data processing: this sector has a similar picture like Tourism / Accommodation where jeopardized companies have a low international value. It is a decrease of insolvency noticed in Tyrol. In the other two countries an increase was detected. Especially interesting is the fact, that Vorarlberg has an increase of the insolvency rate despite they share the border to Switzerland (software for banks!) and Germany (production) whereby they should normally benefit.

The IT Sector is generally very international. When a company only identified the local market for their revenue has only less potential to grow. Through internet the managers should more network and find alternatives (e.g. telework, SW development in India) ways for distribution and purchase services. In the business plan must be an area where international sales is planned / described.

Freelance technicians / scientists: the increase of the insolvency rate and the inherent values in this sector can be an indicator that the companies don't know in which direction they should move – it is a typical “stuck in the middle” syndrome.

In this sector it is particularly important to find the right strategy. Service provider within the sector technic and science must be more international to exchange knowledge on platforms or congresses. Also the recruitment should not only focus on local market. International expats add a high level of knowledge and soft skills. International employees add positive to the work atmosphere and convert knowledge acquired abroad into company values – CUE: Internal knowledge balance sheet.

It is noticed that the most questionnaires was filled form smaller companies (Einzelunternehmer) and they face a general problem. For them it is more difficult to put an international focus into reality because of fewer resources (money, knowledge and man power). Companies with more employees can share information and knowledge easier. It is assumed that smaller companies are more locally anchored rather than risk values in international activities. This study shows that the producing industry is more jeopardized when they have international activities. Most of the international expansion are less / wrong prepared or ad hoc decisions of the management (just to mention – Cultural Intelligence). The producing industry is generally under a high price pressure which increases in international projects.

Basically it can be said that THE STRATEGY for successful expansion to international market do not exist. Rather it is a potpourri of a lot of different activities and decisions which finally leads to success. Companies in difficult stages (insolvency or finance / performance restructuring) should generally first finish their “homework” rather than going international.

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