

**STATE OF INTERNATIONALIZATION OF SME'S FROM THE AGRI-COMPLEX
IN THE REPUBLIC OF MACEDONIA**

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Abstract

Internationalization as an expression used the process of involving in and intensifying international operations. It is used to describe the continuum that initiates with the first import activity or extra regional expansion (“domestic internationalization”) up to total globalization. It involves activities like export, licensing, franchising, managerial contracts, agreements key-on-hand, contracts for production/international pre-contracts, agreements for industrial cooperation, mergers, acquisitions, strategic alliances, etc.

The aim of this work is to obtain information about the conditions of the internationalization of SMEs in the field of agri-complex in the Republic of Macedonia. With that aim, a survey questionnaire was composed followed by a survey. Obtained raw data were processed and analyzed, which enabled gaining insight in those conditions.

Research data have indicated that SMEs in the agricomplex are in the initial phase of their internationalization.

Key words: internationalization, SME, agri-complex, cooperation, contracts

Introduction

Entrepreneurs and those operating in the agri-complex can not isolate themselves from the globalization of the economy. Each business trades within the global economy, which actually means acceptance of strategies that allow entrepreneurs to optimize opportunities. These strategies will depend on the available resources, key personnel, product type and nature of technology. It may mean adopting strategies for joint venture; adopting quality techniques for benchmarks as part of a network of companies in the supply chain; creating networks to share resources and information. Entrepreneurs in the agri-complex must think globally, even if they work only on local markets.

The processes of association, liberalization, deregulation and democratization do affect and will be affecting the economy of the Republic of Macedonia in the near future. Therefore, Macedonian entrepreneurs and SMEs in the agri-complex need to confront the principles of internationalization and to timely adjust their international activities accordingly (Kostadinov, 2007).

Although it should be recognized that most authors believe that internationalization is associated with larger companies, it is only partially true. Small and particularly medium-sized enterprises tend to be active in the phases of establishment and growth (Kostadinov, 2011). Internationalization appears as the only solution to this pursuit. The reason for this is simple (Chell, 2001): most small and medium-sized enterprises do not have wide ranges of

products, i.e. they are often mainly focused on a narrow range of goods. In order to achieve economies of scale, companies have to seek new markets.

There are factors that hinder and factors that promote the internationalization of small and medium enterprises in the agribusiness, and some of these factors are (Poglejen, 2000):

- Attention, dedicated to meeting the needs of consumers. Here, SMEs often have difficulties because many times they lack resources to meet market needs;
- Quality of products in foreign markets is sometimes higher than that on the domestic market, which - unsurprisingly - hinders internationalization;
- The characteristics of management and needed management coverage. Entrepreneurs and managers of agro SMEs compared to larger companies often have lower levels of education and are less successful in the work on foreign markets;
- International experience, obtaining information regarding foreign markets, as well as support for the internationalization by the state. Trade barriers between countries (both official and unofficial; for instance, the attitudes to the origin of goods) hinders the internationalization of enterprises. International experience and easier access to information about the conditions on foreign markets encourage internationalization.

Small and medium-sized enterprises from the agri-complex often have harder difficulties in the process of internationalization compared to large enterprises. The reasons for such difficulties are (Deakins and Freel, 2010): bureaucratic barriers, customs barriers, late payment, choice of a distributor as well as communication difficulties with foreign buyers. Therefore, there is need for mutual aid so that the emerging markets will display some new forms, for example, networking with smaller foreign enterprises or with an export consortium.

According to one study (OECD, 1997) small and medium-sized enterprises have the following characteristics in terms of internationalization:

- They lack strategic planning activities, and consequently usually undertake internationalization measures in less efficient ways;
- Strategy based upon evolution - the lack of strategy planning is often the results of absence of opportunities, so that SMEs often only make use of available opportunities. Such an approach is rather opportunistic or not proactive;
- Companies that pay more attention to planning often choose a combination of different strategic options;
- The tendency towards internationalization increases with the maturity of the enterprise. Maturity of the enterprise here is measured by meeting the goals on the domestic market;
- Some business functions are better internationalized than others;
- There is not a single strategy for success, which means that if companies do not have clear visions of their development they can not accurately determine the tools that would achieve the objectives. Each company that intends to be present on international markets should create its own strategy.

Material and methods

This study was applied on a simple random sample, which basically represents a sample containing randomly selected units from the statistical body. For the purpose of this research a sample of 50 randomly selected SMEs in the agri-complex was chosen whose owners/entrepreneurs agreed to participate in the survey. It is assumed that this sample can allow adequate insight into the current state of internationalization of SMEs from the agribusiness.

Several methods commonly used in the economic analysis were applied in this study, especially the method of generalization and specialization, the method of induction and deduction, statistical methods and the comparative method.

Results and Discussion

In this survey the respondents were offered a set of assertions that are important for understanding the internationalization of SMEs in the agri-complex in the Republic of Macedonia valued at five-level scale from 1 - *Strongly disagree* to 5 - *Strongly agree* (Table 1),

Table 1. Rating of the statements regarding internationalization.

Statement	Strongly disagree (%)	Partly disagree (%)	Neutral position (%)	Partly agree (%)	Strongly agree (%)
The company makes purchase from abroad	32.0	4.0	2.0	6.0	56.0
The company exports	50.0	6.0	0.0	10.0	34.0
The company makes direct investment abroad	88.0	0.0	6.0	2.0	4.0
The company deals abroad through foreign business partners	34.0	0.0	2.0	26.0	38.0
The company has been dealing internationally since its beginning	84.0	2.0	4.0	0.0	10.0
The company works exclusively on the domestic market	30.0	8.0	0.0	10.0	52.0
The company aims to enter new foreign markets	18.0	6.0	14.0	6.0	56.0

Source: own calculations based on the results of the survey.

In order to get a focused picture of the internationalization of enterprises from the agribusiness the above claims were analyzed and synthesized in the following categories: *disagreement* (*strongly disagree* and *partly disagree*) and *agreement* (*agree* and *strongly agree*) (Table 2).

Table 2. Disagreement/agreement of respondents with the offered statements regarding internationalization

Statement	Agree (%)	Disagree (%)
The company makes purchase from abroad	36.0	62.0
The company exports	56.0	44.0
The company makes direct investment abroad	88.0	6.0
The company has been dealing abroad through foreign business partners	34.0	64.0
The company deals internationally since its beginning	86.0	10.0
The company works exclusively on the domestic market	38.0	62.0
The company aims to enter new foreign markets	24.0	62.0

Source: own calculations based on the results of the survey.

Internationalization begins with simple random or intentional connections in the field of import and export and continues with more complex forms of vertical and horizontal linkages and networking with other companies. This analysis indicated that enterprises from the agri-complex are still in their initial stages of internationalization. SMEs from the agri-complex are not very prone to export, while the propensity to import is somewhat higher. The tendency towards direct investment is negligible. Enterprises do not have the inclination to work abroad through overseas business partners. A negligible number of companies have been active internationally from the outset and many companies prefer to work exclusively on the domestic market. However, the sign of emphasized internationalization was observed. The fact that many entrepreneurs have set entering new foreign markets as a strategic goal is encouraging.

In terms of encouraging the internationalization of enterprises from the agri-complex in the Republic of Macedonia, campaigns can recommend to promote and encourage the internationalization of enterprises by increasing their competitive ability of entering new international markets. Then, the campaign should be supported by the educational system through general and specialized training for internationalization of businesses in the agri-sector. However, financial aid related to the process of internationalization should not be neglected. The state, through various mechanisms, should continue to financially participate in the development of agri-complex as well as facilitate the access to European funds aimed at agriculture and rural development.

Conclusion

Entrepreneurs and those operating in the agribusiness cannot isolate themselves from the globalization of the economy. Each business trades within the global economy, which actually means acceptance of strategies that allow entrepreneurs to optimize opportunities. These strategies will depend on the available resources, key personnel, product type and nature of technology. internationalization may mean adopting strategies for joint venture, adoption of quality techniques for benchmarks as part of a network for companies in the supply chain; creating networks to share resources and information. Entrepreneurs in the agribusiness must think globally, even if they work only on local markets.

This research has shown that enterprises from the agribusiness in the Republic of Macedonia are still in the initial stages of their internationalization. SMEs from the agri-complex are not very prone to export, while the propensity to import is somewhat higher. The tendency towards direct investment is negligible. Enterprises do not have the inclination to work abroad through foreign business partners. A negligible number of companies have been active internationally from the outset and many companies prefer to work exclusively on the domestic market. However, what is encouraging regarding the higher level of internationalization is that many entrepreneurs have set the strategic goal of entering new foreign markets. The state should continue to financially support the development of the agri-complex and facilitate access to new European funds for agriculture and rural development through various mechanisms.

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