

STRATEGIES OF INTERNATIONALIZATION AND DIVERSIFICATION: THE ANALYSIS OF SELECTED FURNITURE MANUFACTURERS

Introduction

In the literature on the subject the issues of internationalization and diversification of company activities have been discussed for many years from both the theoretical and the empirical perspective. Scholars emphasize the role of diversification in the growth process of firms. At the same time other authors highlight the opportunities arising from internationalization. The diversification strategy provides firms with access to new organizational resources and leads to their growth in new functional areas whereas internationalization makes it possible for the enterprises to gain access to geographic markets and thus reach new customers.

Nevertheless, the theoretical analysis conducted in this article reveals a research gap. The available studies are not comprehensive enough when it comes to the role of internationalization in the growth process of diversified enterprises. This under-researched area covers both internationalization and diversification leading together to the company growth.

The aim of this paper is to present together internationalization and diversification as enterprise growth strategies. The first part of the article contains a literature review. It begins with a characteristic of as a company growth concept, based on the relevant literature. Subsequently, the paper presents a review of the most important studies on

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diversification including studies on internationalization and diversification. Due to the fact that in the available research on the use of diversification internationalization is only one of its elements, if it is at all discussed, there is a need for a deeper analysis of this subject.

The second part of the paper presents the research methodology. It describes the methods adopted to carry out the study and carefully explains why given firms were selected for its purposes. The case study method was chosen to illustrate the role of the internationalization and diversification strategies.

The study draws on the data presented in *Ranking eksporterów. Lista 2000 polskich przedsiębiorstw i eksporterów [the List of 2,000 Polish enterprises and exporters]*. Firstly, a quantitative analysis of the largest exporters of 2015 in one of the key industries of the Polish economy – 31.0 Manufacture of furniture – was conducted. This was followed by an in-depth analysis of the four largest manufacturers-exporters of furniture in Poland: *Grupa Nowy Styl Sp. z o.o.*, *Fabryka Mebli Forte S.A.*, – *Corporate Group*, *Black Red White S.A.*, – *Corporate Group* and *Grupa Meblowa Szynaka*.

The aforementioned companies exemplify the phenomena connected with the use of the strategies of internationalization and diversification. Thanks to this research it was possible to present particular enterprises and areas of diversification of their operational activities. As a result, detailed conclusions on the subject of the role of internationalization and diversification of companies are formulated. The final part of the article presents the results of the research as well as general conclusions.

The findings presented here are consistent with the global trends described in the literature and confirm the results of the previous studies on internationalization and diversification. Diversification can be seen in the companies' growth concepts; however, they also implement the strategy of internationalization.

The innovative character of the authors' own research described here lies in the fact that it presents the growth opportunities connected both with internationalization and diversification. Its conclusions may trigger a discussion about the growth strategies selected by the enterprises. The deliberations presented in this paper support the assumption that there is a need for further and more detailed research investigating the aforementioned matters.

1. Literature review

Diversification as a firm's growth strategy

Management literature has investigated the issues connected with diversification for many years now. The interest in this subject was primarily expressed in the two works described below. The first one presents the theoretical assumptions of

diversification within the product-market matrix [Ansoff, 1957: 113–124]. When analyzing growth opportunities, Ansoff differentiates the following strategies: market penetration, market development, product development and diversification. These growth strategies reflect different expansion directions taken throughout the stages of enterprise development. The second work undertaking the issue of diversification [Chandler, 1962] examines the relations between the strategies and the structures of large American corporations.

Other publications concerning diversification were written by Rumelt, who looked at the relations between diversification and the company performance [Rumelt, 1974; 1982: 359–369]. The issues connected with diversification are often explained in the light of *the theory of the growth of the firm* developed by Penrose [1959]. While looking into the stages of company development, Penrose highlights the basic strategies of international expansion, diversification, expansion through mergers and acquisitions, and innovation.

What should be noted in the process of discussing diversification is that it is interpreted in various ways in the literature. According to Ansoff [1957], the strategy of diversification involves relocation of resources possessed by an enterprise to actions significantly different from those which the firm used to carry out. It requires involvement in industries, technologies and markets that are new for the company together with offering new products.

Similarly, Miller & Dess [1996: 42] consider the strategy of diversification as the beginning of engagement in a new, additional activity. Mintzberg & Quinn [1992: 79] stress that diversification consists in starting to operate on a different economic path. Also Rue & Holland [1986: 124–125] believe that we can talk about diversification when a company enters areas that differ considerably from its current activity.

As can be seen, all aforementioned authors associate diversification with the commencement of a new activity, different than the one currently conducted, or with entering new markets with new products. The strategy of diversification leads to the creation of a new quality in the market-product area of a firm activity and in consequence means the beginning of engagement in operational activities in new fields. This is the sense in which the term diversification is used further in this article.

Diversification of activities should follow a detailed analysis of the opportunities opening up before a firm. According to Penrose, it ought to be taken into consideration, whether further growth is possible in the current field of operations. What should also be taken into account is whether the resources and firm's capabilities are sufficient to ensure it keeps its position in a given area and at the same time to enable it to enter new ones. When discussing diversification of activities, the managers should focus on the best possible way of taking advantage of their current resources. They ought to also ask themselves whether the areas in which they want to operate are profitable and whether it is possible to take control over them. Penrose believes that growth

by diversification is the most effective if the new activities are related to the existing resources [1959: 10, 29, 43, 85–99, 136].

In a discussion concerning enterprise diversification it should also be pointed out that management literature mentions many different types of diversification [Leksykon zarządzania, 2004: 530]. The most commonly differentiated kinds include: related and unrelated diversification, as well as the vertical and horizontal one. *Related diversification* takes place when a company enters industries between which there is a real or potential synergy. The synergy exists when the value chains of particular fields of activity constituting a diversified enterprise (or the fields that we want to include in it) are related to such an extent that it is possible to transfer the knowledge or skills from one area to another. *Unrelated diversification*, on the other hand, takes place when a company enters industries between which there is no synergy. *Vertical diversification* involves engagement in activities in the preceding or the following phase of creating value on the economic path, which means involvement in new operational activities in the industry or industries of the company's current suppliers or customers. Entering the preceding links of the economic path is called backward vertical diversification, while entering the following links of the economic path is called forward vertical diversification. Conversely, *horizontal diversification* means conducting operations in the parallel phase of the creation of value but on a different economic path.

As can be seen, diversification is associated with the commencement of a new activity or with entering new markets with new products. The process consists in the expansion of the scope of activities of a company and usually leads to changes in its organizational structure as well. A firm's decision to engage into a new type of activity usually results in the creation of new organizational units within the existing structure, the setting up of a branch or the creation of a company which is going to conduct operational activity.

Enterprise diversification – a review of the most significant research

The analysis of the literature allows one to conclude that the research on diversification has been intensively conducted for the last 50 years. In the world literature the issues connected with diversification are viewed from various perspectives, both in the theoretical and the empirical sense. One of the major research paths is a relation between diversification and performance. The research carried out by Rumelt [1974; 1982: 359–369] found that the firms which developed through related (industrial) diversification performed better than specialized companies (not diversified) and than those which developed through unrelated (conglomerate) diversification.

However, another study [Montgomery, 1982: 299–307] proved that the differences in the performance of firms with varying levels of diversification are a result of the type

of industry structure rather than of a given type of diversification. Grant, Jammine and Thomas [1988: 771–801] found that related diversification does not ensure better performance than unrelated diversification. The findings of other studies, conducted for instance by Palich, Cardinal and Miller [2000: 155–174], Gary [2005: 634–664] or Miller [2006: 601–619] reveal that the initial increase of the diversification level causes quick improvement of the company performance, but that a too high level of diversification leads to its reduction.

Yet another research, carried out by Helfat and Eisenhardt [2004: 1217–1232] dealt with the influence of economies of scope on the effectiveness of related diversification. Ng [2007: 1481–1502] in turn, tested the resource-based approach to the understanding of the conditions affecting unrelated diversification. The studies conducted by Castaner & Kavadis [2013: 863–876] showed that unrelated diversification has an adverse effect on company performance as well. Generally, most of the research work concerning related and unrelated diversification supports the findings reported by Rumelt [1982] in which related (industrial) diversification brings better results than the unrelated one.

Kang [2013: 94–109] analyzes the influence of diversification on the *Corporate Social Performance* (CSP) of firms, while Kim and colleagues [2013: 999–1009] examine the influence of diversification on the effectiveness of the innovative activities of a company. Their findings show that better results in terms of effectiveness of innovations are achieved thanks to related diversification. Ganco and Agarwal [2009: 228–252] compare the results achieved by diversified firms with those of *start-up* companies. Their findings reveal that diversified firms tend to initially record better performance than the *start-ups*. Nevertheless, the fact that the *start-ups* learn and gain knowledge in the following stages of their development, considerably improves their performance later on. Su and Tsang [2015: 1128–1148], on the other hand, investigate the role of stakeholders and their influence on the performance of diversified firms. What the study reveals is that their influence is greater in the case of firms pursuing the strategy of unrelated diversification.

New areas of interest recently appear within the scope of studies on diversification more and more often. Such a research avenue, although not that very new but recently popular, is the question of internationalization of diversified firms. For instance, Bowen and Wiersema [2005: 1153–1171] investigate the influence of the competition of exporters and the scope of diversification of the firms conducting their activities on the domestic market. The research results show that domestic firms, when having to face international competitors, reduce their level of diversification and engage into a fight for their primary business. Chang and Wang [2007: 61–79] examine the diversification strategies implemented by international firms as well as their performance. They conclude that related diversification positively affects the results of the international firms, while the influence of the unrelated diversification is quite opposite. Another research by Wiersema and Bowen [2008: 115–132] deals

with the international perspective on the subject of diversification opportunities. The scholars highlight the issue of market and industry globalization and emphasize that globalization significantly changes international competition.

Diversification is also analyzed from the international perspective by Ferris and colleagues [2010: 1027–1031], who are of the opinion that this process may go into two main directions. The first one leads to the creation of new industries and signifies *industrial diversification*, while the latter goes towards entering new international markets and signifies *global diversification*. The academics believe that industrial diversification may be an alternative growth direction in the context of global diversification, which brings up the need of performing significant investment during the process of conquering international markets.

Gomez-Mejia and colleagues [2010: 223–252] investigate the scope of diversification in family-owned companies. It turns out that such firms engage in diversification, both product and geographical, relatively rarely. If a decision is made to diversify, a family-owned business prefers to conduct such an operation in its country of origin. When diversification is conducted abroad, the country in which it takes place is similar in terms of culture to the firm's country of origin.

Enterprise diversification (a review of the most significant research in Poland)

Also Polish scholars find the issue of diversification an interesting subject of research. However, it should be noted that until 1990, diversification was quite rarely implemented and described in the literature. The interest of the Polish firms in the subject of diversification is connected with the process of political transformation during which this process was perceived as a means of adapting enterprises to the market economy. As the changes progressed, diversification began to be viewed as one of the directions of development taken by Polish companies.

One of the first studies on the diversification strategy was conducted by Gorynia [1998: 148]. The researcher found that in the years 1989–1993 the number of enterprises operating in more than one industry grew from 45% to 62%. At the same time, the share of enterprises in the case of which one industry generated more than 50% of revenues was estimated to be around 80%.

The most extensive research on the diversification strategy of which we are aware was carried out by Gierszewska [1999]. The author concluded that only 4% of the studied enterprises implemented the strategy of diversification (related) at that time.

Also Romanowska and her team [1999] conducted research called *Strategic behaviors of Polish enterprises in global sectors*, which provided insights into the household appliances and brewing industry in the years 1990–1999. The research revealed that the firms in the household appliances industry attempted to achieve

full related diversification within their sector, while the brewing companies limited the scope of industrial diversification.

Kaleta [2000: 249–250] investigated the competitive strategies of industrial enterprises. The research showed that the enterprises preferred to specialize and focus on its primary area of operations or on one very closely related to it. Only few firms adopted the diversification strategy.

Moreover, the conclusions of a study conducted by Jarosiński [2002: 69–73] demonstrated that the main motive for undertaking diversification by the analyzed companies was the need for growth, while the dominant reason was the risk of losing their traditional markets. Internal development was the most common way of pursuing diversification strategy. The enterprises diversified their activities by acquiring the shares in other companies. In general, these acquisitions led to related diversification.

Another research by Jarosiński [2004: 229–232] concerned enterprise diversification in the following five industries: household appliances, paints and varnishes, brewing, chemical fertilizers and shipbuilding. Its findings suggest that the percentage of firms involved in both the related and the unrelated diversification decreased. Nevertheless, the dominant form of diversification was the related (industrial) one.

The study conducted by Romanowska and her colleagues [2011: 122–128] concerned the strategies and structures of corporate groups. It involved 101 largest corporate groups listed on the stock exchange. The findings showed that the proportion of the diversified firms at the time was at the level of about 71% to 79%. In addition, the research concluded that the largest number of diversified firms were corporate groups with a dominant share in one industry, so with a low level of diversification. Diversified organizations are mainly corporate groups conducting their activities in unrelated sectors.

Similarly as in the global research, also Polish scholars examine how enterprise diversification affects the companies' economic performance.

Bohdanowicz and colleagues [2010: 79–89] investigated the issue of the diversification strategy in public companies. The analyses demonstrated that the higher the level of diversification of company's activities, the higher its return on assets.

Also Romanowska, in the research cited before, undertakes the issue of relations between diversification and financial performance of firms [2011: 133–139]. The author's findings reveal a very weak dependence between the degree of diversification and financial performance measured, e.g., with *ROE* and *ROA*. The comparison of economic performance of the groups that adopted the strategies of related and unrelated diversification, however, established no relation between the type of diversification and the amount of revenues generated by the examined corporate groups.

The issues connected with the implementation of the diversification strategy are also a subject of one of the author's own work [Janiuk, 2011: 93–97], which specifically concerns capital and organizational concentration of meat companies.

What it reveals is that in their growth concepts, the companies more and more often strive to take control over subsequent links of the value chain and to diversify their activities, while their principal motive is the achievement of the synergy effect. Diversification is also the subject of another research carried out by the same author [Janiuk, 2017: 37–52]. The study concerns the analysis of the use of mergers and acquisitions in the process of diversification strategy implementation. The findings show that the acquisitions that took place in the dairy industry were related with product diversification. Mergers and acquisitions in the meat industry, on the other hand, led to industrial diversification.

Literature review allows one to conclude that diversification as a growth strategy has been analyzed for many years now, both from the theoretical and the empirical perspective. The literature review shows that this topic remains a compelling subject of research and that scholars keep investigating new areas of interest also in the field of diversification. As it was previously mentioned, diversification entails launching a new activity which is different from the one currently conducted, or entering new markets with new products. Moreover, as it goes beyond the current processes in the value chain, it leads to the creation of a new quality in the market-product combination of an enterprise. Diversification may be connected with the processes currently taking place in a company or conducted in fields completely new to a given firm.

Research gap

The studies reveal that more and more often firms attempt to diversify their activities and pursue the internationalization strategy at the same time. However, the theoretical analysis conducted in this article reveals a research gap. There is insufficiency of research on the joint use of internationalization and diversification in the growth processes of firms. In the available studies regarding internationalization and diversification, the issue of the relation between them is only one of the elements, if it is at all discussed. Therefore, there is a need to conduct deeper analysis of the role of internationalization and diversification in the enterprise growth process.

The research presented in this paper will make it possible to provide the answer to the following questions: What is the role of internationalization in a diversified firm's growth process and how they relate to one another?

The answers to the questions above will help to discover the opportunities created by the fact of using internationalization and diversification in the enterprise growth process.

2. Research methodology

The research described in this paper concerns furniture companies classified under PKD/NACE¹ code: 31.0 Manufacture of furniture. The data published in the *Lista 2000 polskich przedsiębiorstw i eksporterów* [Ranking eksporterów, 2016] presenting the largest enterprises in Poland was used to identify 25 business entities operating in the furniture industry. Their annual sales in 2015 ranged from 29.99 million EUR to 390.17 million EUR.

A preliminary observation of furniture companies conducting their activities on foreign markets was carried out on the basis of *Ranking eksporterów* [2016]. Out of the 400 firms listed in the *Ranking eksporterów* 12 are furniture exporters [Ranking eksporterów, 2016]. This means that almost a half of the 25 previously identified furniture companies (12 firms) conduct operations on international markets.

Subsequently, *unobtrusive research* was conducted with the use of the content analysis method involving the examination of recorded texts such as: books, journals or websites [Babbie, 2008: 357–358]. The data collected in the course of the study identified the largest furniture manufacturers in Poland, which were subsequently subjected to an in-depth analysis. The largest furniture producers are at the same time the leading exporters. The analysis of the enterprises took the form of *case studies*.

In line with the Grounded Theory, a *case study* is a research tool enabling the researcher to fully understand the phenomena observed in a real-life context [Babbie, 2008: 320–334].

The selection of the *case study* as a research method made it possible to formulate in-depth conclusions concerning internationalization and diversification in the growth process of enterprises. Comprehensive presentation of the study results leads to the answers to the research questions posed above. The analyses allowed to draw up general conclusions.

The study uses the results of the previously conducted authors' own analyses of the activities undertaken by furniture manufacturers on international markets [Ribberink et al., 2017] as well as the information available on company websites.

The case studies involved the four largest furniture manufacturers in Poland, namely: *Grupa Nowy Styl Sp. z o.o.*, *Fabryka Mebli Forte S.A.*, *Black Red White S.A.*, and *Grupa Meblowa Szynaka*. It is already clear from the preliminary analyses that the largest companies are furniture producers pursuing the diversification strategy and operating on international markets. The enterprises sampled for the study have

¹ PKD (Polish Classification of Activities) is coherent and comparable with NACE – the Statistical Classification of Economic Activities in the European Community, therefore in the source materials published by the Central Statistical Office, and so in this paper as well, the abbreviation NACE is used.

been for years on the top positions in the *Rankings of exporters* and constitute good examples of taking advantage of the growth opportunities arising as a result of internationalization and diversification of activities.

3. Research results and conclusions

Research results

The analyses demonstrate that the major furniture exporters in Poland are: *Grupa Nowy Styl Sp. z o.o.*, *Fabryka Mebli Forte S.A.*, *Black Red White S.A.*, *Grupa Meblowa Szynaka*. Their annual export in 2015 increased from 108.18 million EUR to 216.60 million EUR. The examined enterprises are well-established on the domestic market and on the international ones as well.

In the context of the internationalization, the study reveals that the companies sell their products on international markets and then, in most of the cases, gradually increase the share of exports in their total sales revenues. In the case of the firms from the study sample exports vary from 32% to 83% of the total sales — see Table 1.

Table 1. Top exporters in Poland (31.0 Manufacture of furniture)

Company	Share capital	Export revenues in 2015 (m EUR)	Export in sales (percentage share)				Sales revenues in 2015 (m EUR)	No. of jobs in 2015	Investments in 2015 (m EUR)	2015 ROE %
			2015	2014	2013	2012				
<i>Grupa Nowy Styl, Sp. z o.o.</i>	mixed	216.60	72.28	81.65	86.00	84.00	299.66	6,769	n/a	n/a
<i>Fabryka Mebli Forte S.A.*</i>	mixed	186.20	83.11	82.50	81.00	80.00	224.03	3,017	8.24	17.79
<i>Black Red White S.A.</i>	domestic	127.51	32.68	36.50	42.12	41.60	390.17	7,882	n/a	n/a
<i>Grupa Meblowa Szynaka</i>	domestic	108.18	59.30	56.90	49.29	35.00	182.42	2,130	4.15	12.57

* WSE listed company.

Source: the authors' own work on the basis of *Ranking eksporterów* [2016: 7–10].

When looking at the diversification of activities conducted by the companies included in the study, it should be noted that manufacture of furniture is their core activity. In their case, diversification involves increasing their organizational potential in the area of sales and distribution, which is new for them. By doing so, the firms

engage in operations in the next phase of value creation on the economic path. As it was noted in the theoretical part of the paper, such undertakings lead to vertical diversification and signify engagement in new operational activities (distribution and sales).

The *case studies* of the four major furniture manufacturers enabled to collate the data concerning the level of the furniture companies' engagement in the manufacturing activity as well as their involvement in distribution and sales. These summaries also present the location of the companies' operational activities. The diversified operational areas of the studied enterprises are demonstrated in Tables 2–5.

Grupa Nowy Styl Sp. z o.o.

Grupa Nowy Styl is a company that has been present on the furniture market for over 23 years. It is a Polish company with a foreign capital share. The analyses show that *Grupa Nowy Styl* currently employs 6,769 workers and conducts its activities on the office and institutional furniture markets.

It owns 15 furniture production plants located in: Poland, Russia, Turkey, Germany, Switzerland and Ukraine. Its plants are equipped with modern machinery for woodworking, machining and synthetic material processing.

In the distribution and sales area, the company possesses 6 furniture stores situated in: Warsaw, Cracow, Poznań, Jasło, Gdańsk and Łódź. Moreover, the company owns an international distribution network (24 furniture stores) in the following countries: the Czech Republic, France, the Netherlands, Germany, Russia, Romania, Slovakia, Hungary, the UK, Austria, Belgium, Switzerland, Turkey, Ukraine and the United Arab Emirates. This network manages the company's international sales business – see Table 2.

Table 2. Diversified operational areas of *Grupa Nowy Styl*

<i>Grupa Nowy Styl</i> (Krosno)	Operational activity (localization)
MANUFACTURING	Manufacture of office furniture and institutional furniture: <ul style="list-style-type: none"> ■ 15 furniture production plants – branches in: Poland, Russia, Turkey, Germany, Switzerland and Ukraine.
DISTRIBUTION AND SALES	Domestic market sales: <ul style="list-style-type: none"> ■ 6 furniture stores (Warsaw, Cracow, Poznań, Jasło, Gdańsk, Łódź) Foreign market sales: <ul style="list-style-type: none"> ■ International distribution network: 24 furniture stores (sales departments): Czech Republic, France, Netherlands, Germany, Russia, Romania, Slovakia, Hungary, UK, Austria, Belgium, Switzerland, Turkey, Ukraine, United Arab Emirates.

Source: the authors' own work on the basis of the content on www.nowystylgroup.com.

The study showed that the company generated sales revenues of 299.66 million EUR, whereas its export revenues amount to 216.60 million EUR, which means that over 72% of the goods it manufactures are sold on international markets – see Table 1.

The products of *Grupa Nowy Styl* target a variety of furniture market segments. At the moment the firm offers 6 product brands: *Nowy Styl*, *BN Office Solution*, *Grammer Office*, *Rohde & Grahl*, *Sitag* and *Forum Seating*.

Fabryka Mebli Forte S.A., Corporate Group

Forte S.A., Corporate Group has operated on the furniture market since 1992. *Forte S.A.* is a Polish company with foreign capital share. The firm employs 3,017 persons and operates on the flat pack furniture market. Since 1996 *Forte S.A.* has been listed on the Warsaw Stock Exchange.

The company owns four state-of-the-art production plants located in: Ostrów Mazowiecka, Suwałki, Białystok and Hajnówka. Sales and distribution is conducted via retail chains, the firm's retail stores as well as retail franchises located in different areas of Poland, which manage the domestic sales. In addition, *Forte S.A.* possesses a Logistics Center with a high-bay warehouse set up in Ostrów Mazowiecka — see Table 3.

The study showed that the company generates sales revenues of 224.03 million EUR. Most of the furniture manufactured by *Forte S.A.* is sold on international markets. Its export revenues amount to 186.20 million EUR accounting for over 83% of the total sales — see Table 1.

In the sales and distribution area, *Forte S.A.* has its own network of sales departments established on the major markets of Western Europe. The departments are located in over 30 countries. The company's export activities involve continuous market expansion and entering into foreign ones. Its key markets are those in: Germany, France and the UK — see Table 3.

Table 3. Diversified operational areas of *Fabryka Mebli Forte S.A., Corporate Group*

<i>Fabryka Mebli Forte S.A., Corporate Group</i>	Operational activity (localization)
MANUFACTURING	Flat pack furniture production <ul style="list-style-type: none"> ■ 4 furniture production plants in: Ostrów Mazowiecka, Suwałki, Białystok, Hajnówka.
DISTRIBUTION AND SALES	Domestic market sales: <ul style="list-style-type: none"> ■ Sales networks, furniture stores and retail franchises located around the country. ■ Logistics Center with a high-bay warehouse (Ostrów Mazowiecka). Foreign market sales: <ul style="list-style-type: none"> ■ Sales network: departments in over 30 countries. Key markets: Germany, France, UK.

Source: the authors' own work on the basis of the content on www.forte.com.pl.

Black Red White S.A., Corporate Group

Black Red White has operated on the market since 1992. It is a domestic capital company, currently with 7,882 employees on board, which manufactures and distributes furniture and interior furnishings. The analyses revealed that in terms of sales, the firm generates about 20% of sales on the domestic market.

The production activities of *Black Red White* take place in 10 manufacturing plants in Poland and in 11 located in Ukraine, Belarus, Slovakia, Hungary, Russia as well as in Bosnia and Herzegovina.

Sales and distribution is managed through the Logistics Center in Mielec and by 6 regional wholesale outlets. *Black Red White* sells its goods in its own 75 retail outlets. The largest ones can be found in: Łódź, Wrocław, Warsaw, Zabrze, Będzin, Chorzów, Bydgoszcz, Gdańsk, Lublin, Poznań and Cracow. The company's furniture is also available in about 400 partner outlets – see Table 4.

Table 4. Diversified operational areas of *Black Red White S.A., Corporate Group*

<i>Black Red White S.A., Corporate Group</i> (Biłgoraj)	Operational activity (localization)
MANUFACTURING	Manufacture of furniture and interior furnishings: <ul style="list-style-type: none"> ■ 21 furniture manufacturing plants: 10 departments in Poland, 11 departments abroad (Ukraine, Belarus, Slovakia, Hungary, Russia, Bosnia and Herzegovina).
DISTRIBUTION AND SALES	Domestic market sales: <ul style="list-style-type: none"> ■ Logistics Center (Mielec); ■ 6 regional wholesale outlets, 75 retail stores (Łódź, Wrocław, Warsaw, Zabrze, Będzin, Chorzów, Bydgoszcz, Gdańsk, Lublin, Poznań, Cracow), ■ approx. 400 partner outlets. Foreign market sales: <ul style="list-style-type: none"> ■ Retail stores and wholesale outlets abroad: Slovakia, Slovenia, the Czech Republic, Hungary, Romania, Russia, Latvia, Lithuania, Estonia, Ukraine, Belarus, Germany, France, Spain, Bulgaria, Bosnia and Herzegovina, Croatia, Serbia, Greece, Kazakhstan, Kyrgyzstan, Mongolia, the UK, Ireland, the Scandinavian countries.

Source: the authors' own work on the basis of the content on www.brw.com.pl.

The study showed that the sales revenues of *Black Red White* amount to 390.17 million EUR, while the export revenues to 127.51 million EUR. This means that 32% of the firm's sales business takes place abroad – see Table 1.

Black Red White owns retail stores and wholesale outlets in: Slovakia, Slovenia, the Czech Republic, Hungary, Romania, Russia, Latvia, Lithuania, Estonia, Ukraine, Belarus, Germany, France, Spain, Bulgaria, Bosnia and Herzegovina, Croatia, Serbia, Greece, Kazakhstan, Kyrgyzstan, Mongolia, the UK, Ireland and the Scandinavian countries – see Table 4.

Grupa Meblowa Szynaka

Grupa Meblowa Szynaka has manufactured furniture since 1957. It is a domestic capital company which at the moment employs 2,130 people. *Grupa Meblowa Szynaka* owns four modern furniture production plants in Poland, namely: *Wolsztyńska Fabryka Mebli* (Wolsztyn), *PPUHiE Szynaka*, *Szynaka-Meble Sp. z o.o.* (Lubawa), *MM Szynaka-Living Sp. z o.o.* (Iława), *MM Szynaka-Interline Sp. z o.o.* (Nowe Miasto Lubawskie). The production takes place also in a manufacturing department located in Germany – specifically in the manufacturing plant “*Jahnke GmbH Trittau*” – see Table 5.

Table 5. Diversified operational areas of *Grupa Meblowa Szynaka*

<i>Grupa Meblowa Szynaka</i> (Lubawa)	Operational activity (localization)
MANUFACTURING	Furniture manufacturing: <ul style="list-style-type: none"> ■ 4 furniture manufacturing plants in Poland: <i>Wolsztyńska Fabryka Mebli</i> (Wolsztyn), <i>PPUHiE Szynaka</i>, <i>Szynaka-Meble</i> (Lubawa), <i>MM Szynaka-Living</i> (Iława), <i>MM Szynaka-Interline</i> (Nowe Miasto Lubawskie). ■ A manufacturing department in Germany – “<i>Jahnke GmbH Trittau</i>”.
DISTRIBUTION AND SALES	Domestic market sales: <ul style="list-style-type: none"> ■ Logistics Center (Iława). ■ 4 retail furniture stores in: Lubawa, Wolsztyn, Warsaw and Gdańsk. ■ Over 300 affiliated retail stores and large chain stores in different parts of Poland. Foreign market sales: <ul style="list-style-type: none"> ■ The Department of Export – international sales to over 50 countries

Source: the authors' own work on the basis of the content on www.szynaka.pl.

It can be concluded on the basis of the analyses that the production plants are equipped with specialized and technologically advanced machinery ensuring high quality of the furniture.

The group's sales and distribution is conducted by firms conducting both the domestic and the international sales. Domestic sales is realized via four retail stores in: Lubawa, Wolsztyn, Warsaw and Gdańsk. In addition, *Grupa Meblowa Szynaka* sells its products in over 300 affiliated retail stores and in large chain stores situated in different regions of Poland. Also the Logistics Center in Iława is a part of the firm's sales and distribution area of activities. International markets are covered by the company's own Department of Export conducting export business in over 50 countries – see Table 5.

The study showed that the sales revenues of *Grupa Meblowa Szynaka* amount to 182.42 million EUR, while its export revenues to 108.18 million EUR. This means that 59% of the firm's sales takes place abroad — see Table 1.

The results of the case studies described above made it possible to formulate particular conclusions that lead to the answers to the research questions posed above.

The study demonstrates that the furniture manufacturers subjected to the analyses are at the same time the largest exporters in Poland. Another feature they share is that, as producers, they diversify their activities by means of involvement in sales and distribution, which is an indication of vertical diversification. Implementation of this strategy in the studied cases allows these furniture manufacturers to increase their organizational potential in the area of sales and distribution, which is new for them. By pursuing this strategy, the studied companies are able to expand their sales network in their country of origin as well as to carry out international expansion.

The studied diversified firms are to some extent advanced in their internationalization. These firms are not just exporters as they produce furniture not only in Poland but also on many foreign markets, closer to their foreign customers.

There is no doubt that in the case of the studied furniture manufacturers, internationalization supports their growth. Through internationalization these firms reach to new markets and are able to increase the scale of production and sales which leads to achieving the effects of scale. At the same time firms' diversification allows for capturing greater growth opportunities and through efficient production provides favorable occasions for exporting which lead at a certain moment to establishing manufacturing plants abroad as well as sales subsidiaries.

The observation of the companies from the sample revealed actions typical of vertical diversification. The analyses demonstrated that in their strive for diversification, the companies engage in operational activities in new functional areas such as sales and distribution. From the manufacturer's perspective, these undertakings enable a firm to take control over the next phase of value creation on the economic path, which is a sign of vertical diversification.

Not only are the results of research on diversification presented in this article consistent with the global trends described in the literature, but they also confirm the findings of Polish studies on diversification reviewed earlier in this paper. In their growth concepts, the companies pursue diversification, which leads them to new operational areas involving sales and distribution. Consequently, the companies expand and strengthen their organizational potential, conquer new international markets and minimize the risk.

Conclusion

The basic limitation of this research is its lack of representativeness. It deals with the leading furniture manufacturers. The case studies exemplify the phenomena related to the implementation of the strategy of vertical diversification, and consequently,

to the international expansion of enterprises. The findings presented here can be of use only to entities possessing sufficient organizational potential allowing them to realize investment connected with entering new functional areas. In addition, the results may serve managers in the process of making decisions about the directions and methods of enterprise development.

What is more, the analyses carry implications for further research, which may look into the issue of international expansion, diversification of activities and the economic condition of firms.

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STRATEGIES OF INTERNATIONALIZATION AND DIVERSIFICATION: THE ANALYSIS OF SELECTED FURNITURE MANUFACTURERS

Abstract

The aim of this paper is to present internationalization as a strategy supporting enterprise diversification and also leading to the growth of a firm. The literature review reveals that there exists a research gap in the insufficient research on the joint use of internationalization and diversification in the growth processes of a firm. In the empirical section the authors describe the findings of the analyses regarding the ways of implementing these two strategies on the basis of four biggest Polish furniture manufacturers being major Polish exporters at the same time. In all four cases a direct interrelation between both strategies is visible providing synergies that enable growth.

KEYWORDS: INTERNATIONALIZATION, DIVERSIFICATION STRATEGIES, MANUFACTURE OF FURNITURE

JEL CLASSIFICATION CODES: F23, L10, L22, L25

STRATEGIE INTERNACJONALIZACJI I DYWERSYFIKACJI – ANALIZA WYBRANYCH PRODUCENTÓW MEBLI

Streszczenie

Celem artykułu jest przedstawienie internacjonalizacji jako strategii wspierającej dywersyfikację przedsiębiorstw, prowadzącą również do rozwoju firmy. Z przeglądu literatury wynika, że istnieje luka badawcza w niewystarczających badaniach dotyczących wspólnego wykorzystania internacjonalizacji i dywersyfikacji w procesie rozwoju firmy. W części empirycznej autorzy opisują wyniki analiz dotyczących sposobów wdrażania tych dwóch strategii na podstawie czterech największych polskich producentów mebli, będących też głównymi polskimi eksporterami. We wszystkich czterech przypadkach widoczna jest bezpośrednia zależność między omawianymi strategiami, zapewniająca synergie umożliwiające rozwój.

SŁOWA KLUCZOWE: INTERNACJONALIZACJA, STRATEGIA DYWERSYFIKACJI, PRODUKCJA MEBLI

KODY KLASYFIKACJI JEL: F23, L10, L22, L25