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## **The Role of Social Capital in the Activities of Internationalized Food Processing SMEs. Confrontation of Theoretical Findings with Empirical Ones**

**JEL classification:** *A12, A13*

**Keywords:** *informal institutions, social capital, business networks, internationalization,*

**Abstract:** *The main objective of this paper is to identify the role of intangible factors in the process of enterprise internationalization. In particular, in the era of turbo-capitalism, the informal institution of social capital becomes of global significance and covers both social norms and values such as trust, loyalty and reliability. These resources can significantly reduce the uncertainty and distrust in the activities of business entities. In addition, they constitute the foundation of business networks, including in particular those of an informal nature, which (in the case when a company does not possess sufficient resources and skills) can become an*

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*important method to gain new knowledge about unknown foreign markets. The partnership within networks also allows for the reduction of transaction costs. Thus, it can forego gaining competitive advantage in the international arena. Therefore, the article raises three fundamental questions about the role of social capital in the internationalized business. The answers to these questions are based on the results of empirical research conducted in the years 2011-2012 among food processing SMEs in selected districts of Greater Poland.*

## **Introduction**

Regardless of the undertaken research perspectives, specifically looking at the world through the prism of accepted economic paradigms, unquestioned remains a thesis that at the core of economic development in a market economy lays an efficient and well-functioning company<sup>1</sup>. How it works is not solely dependent on the decisions of management, but also conditioned by micro and macro environment. However, as observed by Ph. Kothler, "in the good old days to be successful it was enough to produce the goods, advertise them actively and sell", now the market is a "war zone." (Kothler 1994, p. 26) Economic reality today is characterized by a variety of phenomena and processes which constitute both risks and opportunities for businesses. Turbo-capitalism, increasing hyper-competition (especially from the Asian countries), along with the saturation of markets, as well as more demanding customers, all increase the risk and uncertainty of running a business in the international arena - despite the evident and undisputed benefits<sup>2</sup>. Jacek Otto writes that "in place of the former, strategic stability there appears a constant change as a normal attribute of economic processes." (Otto 2004, p. 12)

Thus, contemporary management paradigms must be redefined and expanded, not only regarding their strategic elements: knowledge and creativity, but also – as noted by A. Libertowska – the intangible resources such as trust, loyalty and credibility and social norms collectively referred to as social capital, which can significantly reduce the uncertainty and distrust in the field of management (Libertowska 2011, p. 177). More often voiced is the belief that this capital (being an informal institution) constitutes a bond between interpersonal relationships and forms information platforms

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<sup>1</sup> The crux of the dispute here is the nature of the company, i.e. whether it is newly established or long existing, innovative or free of such behavior, small or large. For more, see (Kokocińska 2012).

<sup>2</sup> Among the many benefits, there are also opportunities to gain new markets and promote one's own brand and the reduction of transaction costs (see Misala 2011, Dulinić 2004).

through which both individuals and companies gain access to key resources including knowledge, skills, and information on emerging opportunities in the environment (Gajowiak 2011, p. 163). In addition, an urgent need to take social capital into account in the modern enterprise management is seen by J. Brilmann, who argues that the new conditions in which enterprises operate contribute to the fact that "the boundaries of enterprises are gradually obliterated by ICT networks through networking partnerships with customers and suppliers, and the dominant organizational solution can be a company based on a flat organizational structure – which – because of its wide scope - becomes stapled with a telecommunications network connecting individuals and corporate offices, as well as customers, suppliers, and other partners."(Brilmann 2002, p. 425)

The fundamental research problem undertaken in the article is an attempt to identify factors to gain competitive advantage by food processing MSEs in Greater Poland in the international arena in the context of increasing uncertainty and random behavior. In particular, attention is given to the informal institution mentioned above. Consequently, the draft attempts to answer the following questions: 1, is social capital taken into account by food processing companies in the process of developing competitive advantage on international markets, and if so, 2 – if it is (in the opinion of managers of these companies) the most important strategic resource which is worth investing in and strengthening. And 3, whether being aware of its role involves, for example, participation in business networks? The answers to these questions are crucial to the functioning of modern enterprises, especially those in the internationalized SMEs sector. A radical change in business environment, especially at times of ongoing global economic crisis, forces the revision of the existing theoretical findings and pays special attention to institutional factors in the form of social capital. As rightly noted by J. Szkudlarek, "the creation of networks is an alternative for small and medium-sized businesses that do not have a desire to build larger structures." They allow overcoming the difficulties arising from the scarcity of resources and contributing to the rise in competitiveness." (Szkudlarek 2010, p. 136) At the moment, there are no studies addressing these issues for the indicated field.

### **The Institutional Dimension of Social Capital**

Let us note at the outset that the term "institution", which became the basis for the development of the institutional trend in the late nineteenth century, has gained particular importance now – as a result of the global economic

crisis. This crisis has highlighted the deficiencies of the market mechanism (cf. Mączyńska 2010) and, which is associated, it drew the attention of economists to the sphere of management, where informal and intangible institutions are as important as the formal ones. According to a leading representative of this trend – Douglas North – both formal and informal institutions pose constraints that shape the relationships of economic, social and political character between the parties (North 1991, p. 97). Let us note, however, that unlike the formal institutions, which are subject to conscious and rational changes (mostly of legislative nature due to a relative ease with which they can be identified and investigated), the informal ones constitute the rules recognized by a given community and form part of the cultural heritage. As D. Kuder notes, "a criterion for the distribution of these two categories is a record of the rules: if they are written down, their goal becomes to facilitate interchangeable transactions between individuals. The unwritten ones, on the other hand, extend the possibilities of interchangeable transactions that increase or modify the reach of formal rules. Formal institutions present a much higher variability than informal ones. It should be noted, however, that there must be a correspondence between formal and informal institutions in the economy, since its absence leads to corruption, insecurity and a serious disturbance in the long-term sustainability." (Kuder 2008, p. 56)

While institutional economics has failed to create a cohesive theory, its unquestionable merit is "to revitalize the debate on the fundamental issues of economics: its subject, the ties between economy and society, or the importance of institutions in the process of management. Institutionalism has also created the basis for the integration of social sciences in relation to economic processes." (Sobiech, Wozniak 2005, pp. 133-134) This trend also highlights the possible role of intangible forms of capital in the process of economic growth, namely social, moral or political capital.

It is worth noting that although these intangible forms of capital have remained the focus of the researchers, it is the first one that has been pursuing a "career" in contemporary economics. According to B. Fiedor, in the light of the development of new economy and information society, globalization of the world economy, environmental problems and the impact of cultural differences and ideological patterns of behavior of microeconomic models and socio-economic development, social capital has been gaining significance (Fiedor 2007, p. 6). Accounting for it both in the sphere of science and business practice involves the formulation of new economy, new look at development, efficiency and competitiveness factors.

The still evolving concept of social capital has been differently defined in literature. The representatives of the various branches of science, including in particular – sociology, psychology, and economics also more and more often interpret it in the right way for a specific field using the definitions which include networks and social norms, cooperation and the ability to organize itself, the type of loyalty, credibility and trust.

It should be immediately perceived here that the cited components of social capital can certainly be identified with informal institutions controlling the behavior of entities. Social capital plays the role of a binder that connects the other bodies in such a way that they together form a functional unit. It is possible to assign a parent role to it, since it is a common good which reduces the uncertainties inherent in all economic transactions. Let us recall here that even as the New Institutional Economics assumes, "good" institutions are those that form the structure of incentives that reduce uncertainty and random behavior in the economy and support markets (thereby lowering transaction costs), generate better economic results (Kuder 2008, p. 61). It is not the matter of dispute that without social capital the reproduction of interactions requires incurring transaction costs and thus continued investment and time to coordinate independent decisions of market participants. The money saved in this way can be used for investment purposes. Thus, this capital contributes to the growth and quality of life not only of single individuals, but the society as a whole.

### **Social Capital and Economic Networks and the Process of Internationalization**

As previously mentioned, the way of defining social capital is determined by scientific disciplines represented by different scholars. Regardless of the adopted perspective, a kind of consensus is visible regarding the fact that this capital refers to "the ability of actors to achieve the benefits of membership in networks and other social structures." (Portes 2007, p. 6) Most researchers reach such conclusions including the leading precursors to the concept of social capital, such as F. Fukuyama, R. Putnam and J. Coleman (see Fukuyama 2008, Putnam 1995, Coleman 1992). They report that social capital is the foundation of a social structure and enables its members to achieve the goals impossible to achieve without it or which would be too costly to implement. But it's not just about the actions taken in the social sphere. Numerous studies have confirmed the positive impact of the institu-

tion of social capital on economic activity<sup>3</sup>. Again, the concept of social capital is widely present in case of economic networks. This is reflected in their very definition. And so, it is assumed generally that business networks are a set of long-term relationships, both formal and informal, that exist between two or more parties (Hakansson, Snehota 1989, p. 187). Formal relationships are usually defined by provisions in economic contracts which generate additional costs linked to the presence of entities in these networks. In turn, these informal, non-contractual networks – are based on the institution of social capital, including trust in particular and are therefore easier to adapt to changing conditions. In a network approach – as B. Uzzi adds – the importance of informal networking is particularly stressed. Thus, this means that the network approach is broader than the formal forms of cooperation between enterprises, such as strategic alliances and joint ventures (Uzzi 1997, p. 35). Informal relationships may include not only simple contacts between businesses, but also far-reaching forms of cooperation and exchange between specialists, particularly with regard to the production process (Fonfara 2004, p. 53). In addition, feedback exists between social capital and business networks. Social capital is a prerequisite for the creation and existence of that structure and through this structure it is recorded and developed.

It should be noted that at present – as rightly noted by A. Budzyńska – "one of the major development challenges for many countries, including Poland, is to increase the international competitiveness of the economy." (Budzyńska 2011, p. 191) One way to achieve this is just base cooperation on the principle of sustainable partnerships. Therefore, the institution of social capital as the foundation for business networks also plays an important role in the process of internationalization of a given economic entity. These networks allow individual companies that lack the resources or skills to gain advantage on the foreign market. Let us note that the literature emphasizes that the efficient implementation of the internationalization process requires companies to possess three kinds of knowledge: foreign market knowledge on customers and competitors, foreign institutional knowledge on government institutions and procedural knowledge (know-how) on internationalization itself. At the same time research confirms that especially the knowledge of the potential opportunities in the foreign markets is often acquired through interpersonal relationships (Ratajczak-Mrozek 2010, p. 68). Robert D. Hadley and H.I.M. Wilson emphasized that "a company that has no previous experience with a particular foreign market can acquire it from other network members." (Hadley, Wilson 2003, pp.

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<sup>3</sup> See e.g. Knack, Keefer (1997), Coleman (1990), Granovetter (1978), Januszek (2004).

712-715) The awareness of the fact that another member of a network is in a relationship with entities in foreign markets can form a quite specific stimulus for the full cooperation and its implications for the development and acceleration of the process of internationalization (Ratajczak-Mrozek 2010, p. 69). In addition, apart from the exchange of knowledge, these networks allow for the rationalization of expenditure related to the reduction of operating costs, improving cost flexibility and the reduction of transaction costs (Kozuch 2005, p. 17).

It should also be noted that – as observed by I. Grzanka – social capital allowing access to important information and other strategic resources has a significant impact on the ability of companies to adapt to changes, including both challenges and opportunities emerging in the environment. The more possibilities for interaction between partners in a network the more social capital is created, "which results from the fact that new knowledge accumulated by a company creates new opportunities in the environment." (Grzanka 2009, p. 126) In addition, she also points to the fact that the lower the social capital of an organization, the more it is exposed to opportunistic actions of its potential partner. Thus, such an organization finds it harder to build long-term profitable relationships of cooperation (Grzanka 2009, p. 94)<sup>4</sup>. Operating in a business network can facilitate gaining competitive advantage by significantly reducing the risk of operations through increased flexibility and rapid response to changes in the proximal and distant environment. What is important, entities in an economic network operate on the principle of cooperation – not competition (Dokonalenie 2009).

One cannot ignore the fact that struggle in a competitive market has forced changes in the ways of creating added-value for businesses. Nowadays, there is a departure from the classic paradigm of development of added-value represented by M. Porter in a vertically-integrated value chain (Porter 2006). Today, such an approach has become insufficient. Horizontal structures have become relevant (Cyrson 2002, 2011). This approach is exemplified in new forms of business organization such as networking, virtual or modal. As Z. Maciaszek concludes, "after the development of functional, divisional and matrix structures there was a period of network

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<sup>4</sup> I. Grzanka also draws close attention to the fact that although social capital (through participation in the exchange of information) helps to create new and valuable knowledge, the existing networks can over time limit the openness to new information by establishing strong standards and mutual identification of their members. In addition, the same social capital in a network can produce positive results if it is positive itself. Otherwise, it can be destructive in relation to other groups and even society as a whole. An exemplification of this is an action to obtain competitive advantage without ethics. For more, see (Grzanka 2009, p. 94).

organization. Network structures are more and more often taken into account in strategic management, as they better explain the diversity of profitability, creating value for customers and competitive positions of particular enterprises. Thus, the conclusion is that in assessing the competitive behavior it is more and more important to consider the relationship between market actors, because new knowledge, values and innovations have become more frequent and affect not only individual companies but also network of enterprises" (Maciaszek 2009). Knowledge and values of the people have begun to slowly replace the recently advocated three elementary principles of competitiveness: cost advantage, higher quality of goods and services and responsiveness to clients' needs. Thus, the idea of social capital becomes crucial in solving specific problems - in particular the relationship with customers, employees and between employees themselves or with the outside world (Grzanka 2009, p. 91).

### **Social Capital in the Internationalized Business – The research Problem**

A survey was conducted in 2011-2012 as part of the project entitled "Factors determining the development of competitive advantage of food processing enterprises from Greater Poland on the international market"<sup>5</sup>. It took into account small and medium sized enterprises of food processing industry according to the PCA (Section C, Chapter 10, 11) from seven selected districts of the region. The fundamental research problem was to identify the degree of internationalization of small and medium enterprises (SMEs) in the food processing industry and the conditions present in the first stage of this process regarding international trade. The main objective was to identify the determinants of institutional, economic and structural nature enabling competitive advantage on international markets.

### **Research methodology**

Selecting companies for research was purposeful. The following four basic criteria were adopted: 1) companies that should take their business outside of their home country (i.e. undertake at least one form of internationaliza-

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<sup>5</sup> The study was conducted along with MSc. A. Budzyńska and MSc. A. Libertowska under a grant "DS - Młoda Kadra" financed by the Ministry of Science and Higher Education.

tion in the form of exports, transfer of licenses, joint ventures, foreign subsidiaries, manufacturing plant or a subsidiary), 2) employ between 10-49 employees (small entity) and from 50-249 (medium entity), 3) represent the food processing sector, 4) have its head office / branch office in one of the seven districts (i.e. the following rural districts: gostyński, jarociński, poznański, średzki, wągrowiecki) or two townships (Konin and Poznań<sup>6</sup>). It should also be pointed out here that the activities undertaken by SMEs in the process of internationalization are difficult to assess. This is due to the fact that, in accordance with local regulations, entities engaged in export or import within the EU to a small extent are not required to provide any information for statistical purposes. This situation forced the phone verification of entities undertaking international activity. In addition, the selection of respondents was due to the fact that the foreign trade of food products has had positive balance since 2004 (Poland's accession to the EU) which has been due to cost advantage of manufacturing companies. Greater Poland Voivodeship is one of the leading Polish regions after Mazovian Voivodeship in exports of agricultural products and foodstuffs. Further development of the export of these products and also a significant improvement in the balance of foreign trade, however, have forced companies to move towards the construction of quality advantage which requires a reorientation of existing resources to create competitive advantage.

Out of the 318 small and medium sized enterprises belonging to Section C (Section 10.11) located in analyzed districts, it was found via telephone interviews that only 31 business entities fulfill the criterion of activity in foreign markets. The study eventually covered 29 entities (two did not agree) including 11 small and 18 medium sized enterprises<sup>7</sup>.

The main research tool was a questionnaire consisting of 28 questions divided thematically into three parts. The first part concerned the description of business, the second – the degree of internationalization of companies, the third – the competitiveness of companies.

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<sup>6</sup> The choice of spatial area was determined by previously realized research (2010-2011) regarding the level and structure of individual attributes of social capital. The obtained results allow to conclude that the districts are characterized by (despite the problem of high unemployment) by quite significant layers of social capital (See E. Skawińska (ed.) 2011).

<sup>7</sup> It should be noted that the small size of the sample generates certain restrictions on inference. For this reason the interpretation of test results and their generalization regarding the whole area of Greater Poland should be made with caution.

### **Brief Description of Entities**

Among the analyzed companies, 97% use the fundamental form of internationalization, i.e. exports. All analyzed entities had operated abroad for at least three years. Most small companies (73%) had operated for 3-5 years, 18% for 6-10 years, and only 9% had been realizing the internationalization process for over 10 years. On the other hand, 44% of medium sized businesses indicated the time range of 6-10 years as the one during which their international activity had been undertaken, and 33% declared that period to be above 10 years. In turn, when it comes only to the number of served markets, only one small and one medium sized company serviced more than 10 foreign markets. 7 small businesses operate in one market, while as many as 15 companies of a medium size are present in between 2 and 5 foreign markets.

It is worth noting that the majority of small businesses (6 entities) conduct their internationalization in the countries of Central Europe, and this also applies to medium-sized companies (16 entities). In addition, one small and one medium-sized company undertake activities outside Europe. Moreover, the highest percentage of small and medium-sized companies carry out their competition strategies by reducing costs, and the medium-sized companies also carry out product differentiation and concentration strategies.

### **Selected Results and Their Interpretation**

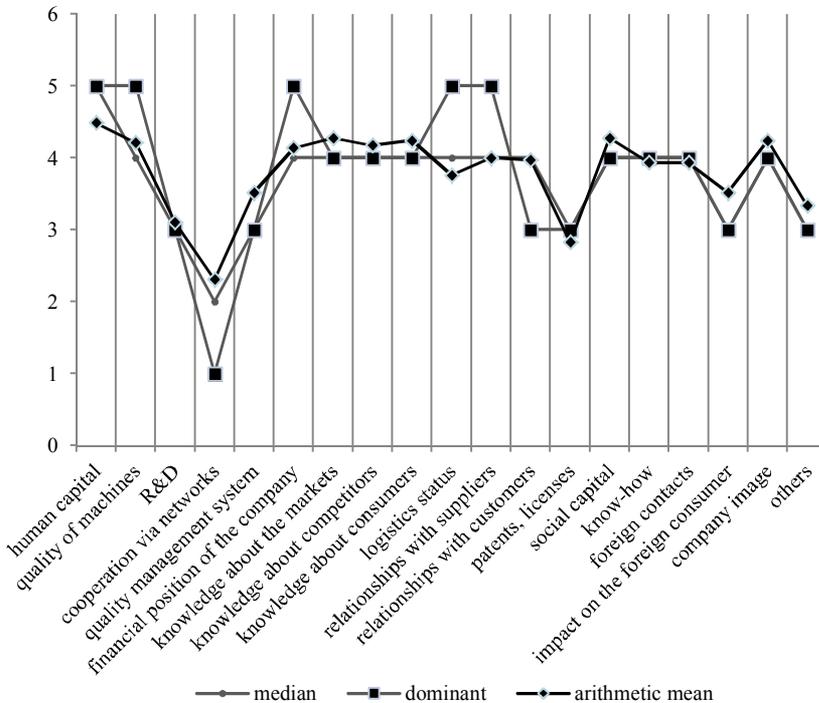
The starting point to conduct the study on competitiveness of enterprises was a statement that new potential sources of competitive advantage appear as a consequence of the internationalization of economic activity. At the same time, the previously unknown environment in which a given enterprise begins to operate may mean that its previously shaped dominance on the local market or national level may significantly differ from that on foreign markets. As rightly noted by M. Ratajczak-Mrozek (2010, p. 52), "competitive advantage of companies conducting business abroad is the result of a confrontation with international entities. In addition, it is based on the use of comparative and strategic effects available while expanding a company's activities outside the home country." This statement formed the basis for the wording of the questionnaire regarding the resources and skills that create competitive potential in foreign markets.

And so, from a set of 19 resources (skills) constituting competitive potential of companies the respondents on a scale of 1 (lowest rating) to 5 (highest rating) most appreciated the following:

- Human capital ( $m_e=5$ ,  $d=5$ ,  $\bar{x}=4,48$ );
- Quality of fixed assets ( $m_e=4$ ,  $d=5$ ,  $\bar{x}=4,21$ );
- The state of company finances ( $m_e=4$ ,  $d=5$ ,  $\bar{x}=4,14$ );

These factors can be seen as a set of determinants that enable the creation of competitive advantage of SMEs in the food processing sector. The following graph shows the ratings assigned to individual resources.

**Graph 1.** Enterprise resource’s assessment in terms of building competitive advantage



Source: Own study.

It should be noted that the high note received by human capital suggests that small and medium-sized businesses in the analyzed industry are aware that in the face of both the potential opportunities and new threats that may arise in the international markets, knowledge and human skills form the key source of obtaining competitive advantage. Thus, these findings are consistent with the new trend of the functioning of global economy, which considers its development based precisely on human capital.

Simultaneous studies also point to the fact of valorization of social capital in terms of building competitive advantage in the international arena<sup>8</sup>. Although the results obtained for social capital ( $m_c=4$ ,  $d=4$ ,  $x=4,28$ ) do not allow a conclusion that it is (in the opinion of managers of the surveyed companies) the most important resource in the process of gaining competitive advantage on foreign markets, but high scores of specific statistical indicators show that respondents are aware of new challenges in the strategic management of companies, and thus the importance of intangible resources in the development of economic activities.

However – which is not optimistic – the awareness of the role of these factors does not translate into understanding the importance of business networks that can be identified with social capital "in action". Data quoted above entitles one to see that cooperation within networks is the least crucial resource in terms of competitive advantage. Thus, 99% of the respondents did not indicate the network structure as the basic organizational form in which they operate. The fact of the devaluation of the importance of networks is worrying from the point of view of the existing theoretical findings that indicate that economic activities within the networks provide opportunities for international expansion. At the same time, although these companies see collaboration in networks as the key determinant of competitive advantage in the international arena, they declare their participation in network structures. The analyses conducted show that they rate informal networks higher than those of a formal nature. The collaboration within networks is declared by 52% of the surveyed companies, including more than 60% of medium size. On the other hand, formal networks involve only 34% of companies with 80% of them of medium size. These results are presented in the following table.

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<sup>8</sup> In the study social capital was defined as the total of such values as trust, loyalty, and reliability in relation to business partners.

**Table 1.** Participation in formal and informal networks based on company size

Company Size	Network type	
	formal	informal
small	2	5
medium	8	10

Source: Own study.

The participation of the analyzed entities in networks and simultaneous marginalization of their significance in terms of shaping competitive advantage on foreign markets may result from the low awareness of the potential for development, which lies dormant in business networks as well as the passive position of the networks to which they already belong. In addition, assigning a greater role to informal ties results from at least two reasons. Firstly, the increasing complexity of the economic sphere makes it easier for businesses to form informal partnerships especially when the formalization of economic activity generates costs of negotiating contracts and bureaucratic rules that involve specialized intermediaries. Thus, this means that informal institution of social capital leads to improved efficiency compared to purely formal cooperation. Survey respondents pointed to the following most important benefits of informal cooperation:

- Risk reduction (67%),
- Ease of decision making (67%),
- Reduction in the cost of transfer (60%),
- Ease in the flow of information (53%),
- Ease in implementing changes (40%).

Secondly, the results are consistent with the findings of researchers regarding the process of company linking, who argue that specific networks in each country are determined by historical and cultural factors. In the countries with low levels of generalized trust<sup>9</sup> (and Poland is among them, with 13% according to Social Diagnosis 2011) networks are created within families and clans or small groups, and thus take the shape of an informal structure.

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<sup>9</sup> Generalized confidence index indicates how much of the population gave a positive answer to the question "do you think that you can trust most people?".

Survey respondents also assessed the role of formal and informal collaboration with various entities. These results are presented below.

**Table 2.** The importance of formal and informal cooperation in the process of internationalization

<i>Formal Cooperation</i>								
Specified	Customers	Suppliers	Competitors	Trade Organizations	R & D institutions	Market Analysis Agencies	Local governments	Universities
$m_e$	4	4	3	3	2	3	2	2
$d$	4	4	4	3	2	1.3	1	1
$q_1$	3	3	2	2	2	1	1	1
$q_3$	5	5	4	4	3	3	3	3
$q_3 - q_1$	2	2	2	2	1	2	2	2
$\bar{x}$	3.72	3.69	2.93	2.79	2.48	2.55	2.41	2.03
<i>Informal Cooperation</i>								
$m_e$	5	5	4	3	3	2	3	1
$d$	5	5	5	3	1	1	1	1
$q_1$	4	4	2	2	1	1	1	1
$q_3$	5	5	5	4	4	3	4	3
$q_1 - q_3$	1	1	3	2	3	2	3	2
$\bar{x}$	4.48	4.45	3.66	3.31	2.72	2.45	2.66	2.10

Explanation:  $m_e$  – median,  $d$  – dominant,  $q_1$  – first quartile,  $q_3$  – the third quartile,  $q_1 - q_3$  – interquartile gap,  $\bar{x}$  – arithmetic mean

Source: Own study.

In the opinion of managers, formal and informal cooperation with both customers and suppliers is critical, but the informal one received a higher score. Variation in responses (interquartile range) in both groups was small, but it is worth noting that there was greater compliance among the informal ties. Higher marks assigned to customers and suppliers are due to the fact that companies cannot maintain all connections with a similar force. Therefore, they focus on those relations which define the scope of their core business. In addition, more importance given to relationships with suppliers and customers in the process of internationalization is also grounded in the concept of the supply chain, which is based on close cooperation and often specific alliances between manufacturing companies and their suppliers, customers, distribution channels and other parties associated with the logis-

tics (transport companies and warehouses). The entities in the chain must be open to each other in order to reduce any barriers that could prevent consumer satisfaction. Here the measures should be based on trust so that the risk of failure is reduced and a company can quickly respond to changing customer needs.

## **Conclusions**

A change in the existing paradigm of management resulted from a transition of industrial age to the era of knowledge management. The key resources in the management area take the non-material form. Hierarchical structure is being replaced by network structure, and the previous strategy focused on fighting the competition is being supplanted by a strategy focused on cooperation. Turbulence of economic conditions forces today's enterprises to see the importance of a strong and sustainable cooperation based on partnership. It should be noted that the links between network partners are based not only on experience and depth of knowledge, but also – and above all – social capital, including its primary designatum – trust. Informal relations are beginning to play an even more important role than the formal ones.

The analysis of food processing SMEs in Greater Poland indicates that human capital is most valued by company managers in terms of building competitive advantage in foreign markets as opposed to social capital. Here the awareness of its role in that process is a little lower. According to the respondents, both social capital and collaboration networks are decisive factors in achieving the market success abroad, although the idea of social capital "in practice" has been realized particularly through the membership in informal business networks. This situation coincides with the theoretical findings which indicate that in the countries with low social trust and large bureaucracy informal associations tend to appear more often. In addition, strong social links provide access to reliable information, and more precise information improves decisions and thereby reduces the risk, which is particularly important when expanding a business into new foreign markets.

In addition, according to the researchers, a condition for achieving sustainable competitive advantage is active and conscious shaping of network links. These networks allow one to focus on core competencies and specialization in these areas which facilitate competitive advantage on international markets. In the companies concerned, the system linking different entities is to a large extent created independently of the will and active awareness of network participants. These relations are not centralized in character

and are in most cases informal. Thus, the process of creation of business networks is the result of the adopted strategic plans and does not force any change in an organizational structure of a company. Most of the surveyed companies have become network participants unknowingly as a result of their market transactions. This is particularly evident in the assessment of network significance in the internationalization of business activities. In this situation we have to deal with the quasi-network structures that cannot be fully determined because it is impossible to identify any leader or clear boundaries of such a network.

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