

Understanding Internationalisation

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Outline

- Introducing the topic
- Evolution of the international business field
- Research Questions
- Examples:
 - The internationalisation process model
 - Time in the internationalisation process
 - Conceptualising the nature of the firm
- Concluding remarks
 - About the internationalisation of entrepreneurship

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Theme

- The new world order calls for a significant reshaping of competition and entrepreneurial paradigms in the developed countries.
- In this changing scenario, a better understanding of smaller firms' and new ventures' governance, strategies and business models is crucial in order to compete in the global marketplace.
- Also, some foundations of International Entrepreneurship Theory should be revised

International Business as a Scholarly Field

- International business as a scholarly field has been defined as investigation/analysis of topics that meet the following criteria:
 1. It is concerned with firm level business activity that crosses national borders or is conducted in a location other than the firm's home country
 2. It is concerned with the interrelationships between the operations of the business firm and international or foreign environments in which the firm operates.
- Introspection of the current AIB Board on the domain of the field

International Business as a Scholarly Field cont ...

- Observation of new phenomena in the world economy post-WWII
 - The increasing visibility of the MNE and its investments in foreign locations
- How are these phenomena explained?
- Where to begin?
 - First, the MNE is a firm
 - Second, MNE activity extends across national borders, noticeably through FDI
- Fundamental questions, at the time, included
 - Why are these firms as they are (ie, what is the nature of these firms)?
 - Why do these firms choose to conduct activities off-shore in the manner in which they do?
- Failure of orthodox economics in the 1960s and 1970s (eg microeconomics, industrial economics and international economics) to explain the nature and the growth of the MNE and FDI

Past Critique

- Over the four decades of *JIBS*, there has been a strong interest in IB's evolution and its progression.
- Consistencies and seeming contradictions and ambiguities have been reported
 - eg Wright (1970) identified a “dramatic focusing of current research into broader problems of international business strategy and structure that transcend the traditional functional lines research” ... whereas Arpan et al. (1981) lamented the absence of functionally-oriented studies, and others (Wright and Ricks, 1994), Toyne and Nigh (1998), Sullivan (1998) despaired at the dominance of a narrow functional focus in much IB research.
 - Dymysza (1984), Daniels (1991), Sullivan (1998) expressed a sense of *déjà vu* in IB research, with too much reinventing of the wheel, while (Wright and Ricks (1994) and Griffith et al. (2008) point to ever-burgeoning diversity.
- Persistent calls for interdisciplinarity
 - Perceptions of a functional (and geographic) dominance that is too narrow.
 - A lack of novelty in IB research.

Past Critique cont ...

- Growing methodological sophistication and rigour has been observed, applauded and advocated to bring credibility and progress to the field (Buckley, 2002; Wright, 1970)
- Others have suggested this increasing sophistication and narrow paradigmatic thinking privileges methods over ideas (Shenkar, 2004; Sullivan, 1998; Sullivan and Daniels, 2008), precluding understanding of the complex interrelationships that should be a defining feature of the IB field.

Past Critique cont ...

- Three/possibly four main issues concerning the field can be isolated from these critiques
 - The balance between focus and depth on the one hand, and interdisciplinary approaches and breadth on the other
 - The question of the rigour and appropriateness of the methods used
 - The relative role of macro-environmental issues *vis-à-vis* microeconomic ones (performance implications of strategy), and possibly
 - In response to a perceived US-centrism, intermittently calls are made for broader geographical focus.

Running-out-of Steam

- What leads one of its eminent scholars to ask whether the field “is running out of steam”? (Buckley, 2002).
- Regular introspection within the field by its scholars
 - 26 commentary pieces in *JIBS* since 1970
- In an era of heightened importance of IB practice, why would the field attract concern that it may be “running out of steam”?
- Position of IB in universities
 - Under challenge from internationalisation of the functional disciplines
- Some ultimate interest in the balance of trade in ideas
 - What has IB exported to other disciplines to inform those disciplines *vis-à-vis* its imports
- Intellectual curiosity ... what is the next ‘big’ question?

Some Evidence on IB as a Field

- Research question ..
 - How has the field of International Business evolved, as reflected in articles published in its premier journal, the *Journal of International Business Studies*?
- An empirical study (Liesch et al., 2011, *Scientometrics*).
- The assumption made is that *JIBS* is an appropriate repository of articles that accurately reflect thought at the time, and throughout time
 - That editors at the time remain objective in their acceptance of scholarly pieces

Editors and their Journals

- Editors have views about what constitutes quality in their journals
 - Influenced by their theoretical biases
 - Their methodological preferences
 - Their selection of editorial boards and referees who share these attitudes

However ...

- Editors' influences on the scope and content of a journal is moderated by a host of variables
 - Rejection rates
 - General development of their field
 - The 'rhythm of scientific dispute' (Hull, 1983: 339)

The Importance of this Reflective Enquiry

- Introspection is valuable to a scholarly field
 - Knowledge of a field's conceptual and empirical domain, and its methods
 - Articulation of what is it that we as IB scholars do?
- History matters and path dependencies exist
 - Is the field remaining true to its foundations?
 - Phenomenological ... study of things as they are
- The field's very longevity is at stake
 - Is the field at risk of falling into irrelevance or is it strengthening?

Method

- The analytical tool
 - The co-occurrence of words used in text provides information for narrative enquiry
 - ie, “a word can be defined by its context in usage” (Smith & Humphreys, 2006:262)
 - Co-occurring words reflect categories – concepts - that carry meaning
 - Apply Leximancer that uses empirically-validated mathematical algorithms to make two determinations
 - The most frequently used concepts in text, but more importantly
 - The **RELATIONSHIPS** between these concepts
 - It has face validity, stability, reproducibility, correlative validity and functional validity (Smith & Humphreys, 2006).

Outputs from Leximancer

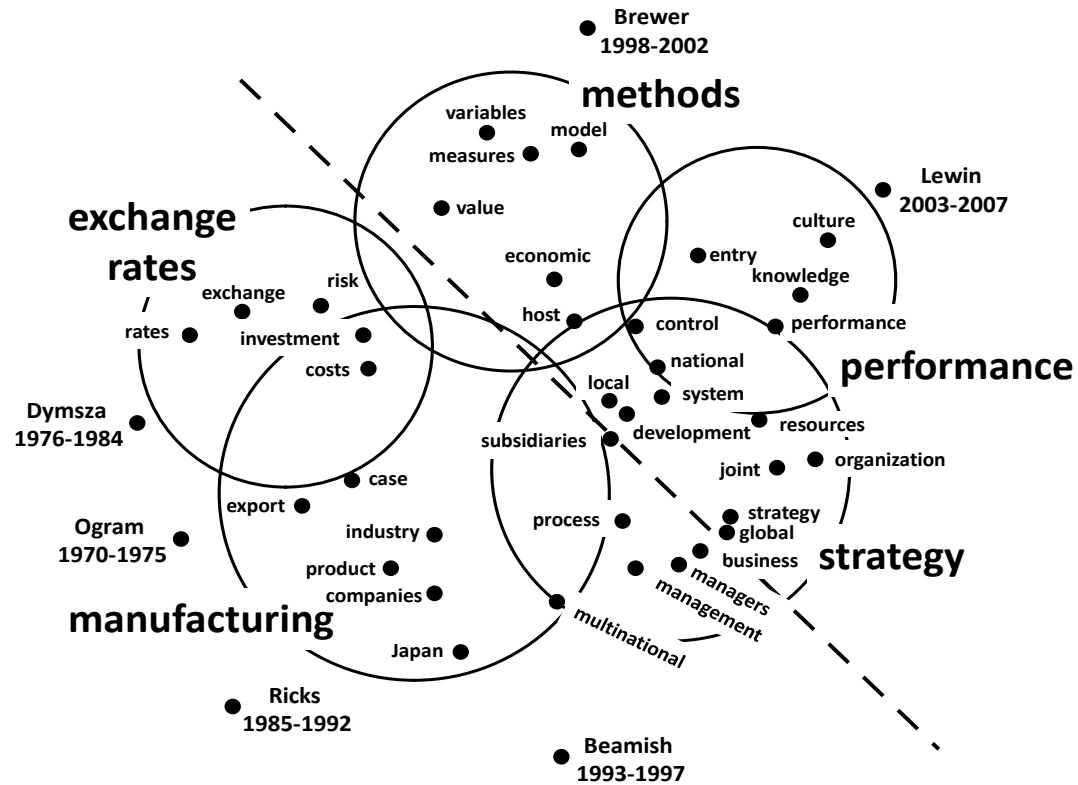
- First phase - a semantic extraction
 - Establishes classifiers to predict whether a segment of text contains one or more concepts
 - Names each concept as a classifier
 - The concept set characterises the messages conveyed by the text corpus
 - Allows manual customisation of the concept set if needed
- Second phase - construction of a concept map
 - Shows the concepts' relational characteristics
 - Concept frequency – determined through the co-occurrence matrix – the brightness of the concept representation dot
 - Total concept connectedness – in a hierarchical order of appearance to enter the map
 - Direct inter-concept relative co-occurrence frequency – via the intensity of rays from a concept to all related concepts
 - Total (direct and indirect) inter-concept co-occurrence – via the proximity of one concept to another in the map.

The Data

- All articles from *JIBS* from its first edition in 1970 through to the August 2008 edition.
- 1,249 articles of some 17,625 pages
- Six editorships
 - Ogram: 1970 - 1975 (102 articles)
 - Dymsha: 1976 - 1984 (271 articles)
 - Ricks: 1985 - 1992 (235 articles)
 - Beamish: 1993 - 1997 (185 articles)
 - Brewer: 1998 - 2002 (214 articles)
 - Lewin: 2003 - 2007 (242 articles)
- Lagged each editorship by one year
- Excluded all book reviews and editorials

Findings

All Editors' Map: Four decades in overview



All Editors' Map: Four decades in overview

- Five clusters:
 - Exchange rates
 - Manufacturing
 - Strategy
 - Methods
 - Performance
- Distinct separation of earlier four editorships from most recent two
- Performance cluster is aligned with Lewin
- Methods cluster is aligned with Brewer
- Strategy cluster is midway aligned with Lewin, Beamish and possibly Ricks
- The exchange rates cluster is aligned with Dymsza and Ogram
- The manufacturing cluster is aligned with Ogram and Ricks, possibly Dymsza, and lesser so Beamish, but distant from Brewer and Lewin
- Notable absences are:
 - Internationalisation, theory, internalisation, services and culture clusters
- Suggestive of a formative stage in which macro-environmental contextual factors were dominant, to a current position in which the firm, its strategy and its performance are dominant

Four decades in overview cont ...

- The IB field emerged from a collective interest in the MNE and its international activity, FDI, post-WW II.
- Multidisciplinary characterised the earlier periods, later transitioning to interdisciplinarity.
 - Early calls (Wright, 1970) for interdisciplinarity to bridge the macro-environmental with analysis at the firm-level ... prophetic !!!
- Interdisciplinarity needed to address the complexity of IB issues.
- The transition from the macro-environmental to the firm-level after the Beamish term is definitive.
- No evidence of new and better multi-level analytics to accommodate this change, nor processual analytics to better understand the evolutionary nature of the MNE.
- Importantly, the MNE has remained centre-stage and is a moving target
- IB has leveraged its cognate disciplines to import ideas and methods, applying them to study the MNE
- We confirm an evolutionary progression from emphasis on macro-environmental issues to the now microeconomic firm-level interests.

Research Questions

- The goal of scholars is to produce interesting and influential/notable theory
- Influential/notable: being true, and challenging in a significant way the assumptions underlying existing theory (Davis, 1971, 1986)
 - Maybe to the point of establishing a new theoretical School
- This is problematisation - a methodology for challenging the assumptions underlying existing theory, and then relaxing them (Alvesson & Sandberg, 2011)
- What is theory?
- “... a statement of relations among concepts **within a boundary set of assumptions and constraints** ... the purpose of a theoretical statement is twofold: to organize (parsimoniously) and to communicate (clearly) (Bacharach, 1989: 496).

Research Questions

- Problematisation : a ‘dialectical interrogation’ (discovering truth through examining and interrogating competing ideas, perspectives or arguments) of one’s own position, others’ positions, and the targetted literature domain (Alvesson & Sandberg, 2011)
- Foucault in Alvesson & Sandberg (2011: 253): “... an endeavour to know how and to what extent it might be possible to think differently, instead of what is already known”.
 - Eg., a commonly held fact or ‘truth’ transformed into an assumption
- What is the theoretical worth of challenging a particular assumption?
- Davis (1971): the responses to assess the novelty, surprise, excitement of a new theory:
 - ‘... that’s obvious, so what ... it’s absurd, unbelievable ... this is interesting, somewhere between obvious and absurd’

Research Questions

- The alternative: gap spotting, or constructing gaps in existing theory and filling these gaps
 - “extending the literature”; “addressing this gap in the literature”; “fill this gap”; “others have not paid particular attention to this ...”; “a call for more empirical research” ...
- These approaches reinforce existing theory
- They provide for incremental gains
- They under-problematise the existing literature
- “ ... a strong need for re-orienting (organizational) research away from incremental, footnote-on-footnote research as the norm for the field (Daft & Lewin, 1990:1)
- However, periods of both approaches seems essential to progress and sustain the emerging field

Examples: The Internationalisation Process Model

- Internationalisation of the firm is one of the most relevant, long-standing but yet contentious topics in IB
- The most cited contribution in the IB literature, frequently critiqued
 - Johanson, J. & Vahlne, J.E. (1977). The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, Spring/Summer: 23-32.
- The first port-of-call for things internationalisation
- Its generalisability is often questioned
- Its being inconsistent, for example, with the cadre of firms that internationalise early and that accelerate their internationalisation
 - But these are firms and they internationalise, albeit soon after inception, and in an accelerated manner !!!!!!!
- The emergence of the new field of international entrepreneurship
 - The internationalisation of entrepreneurship

Cont ...

- Under-explained in the original IP model is the mechanism of transition from one State aspect to another through the Change aspects ... what happens to alter State aspects that manifest in international commitment decisions on international activities and involvement?
 - Risk reduction through experiential learning in the original IP model
- BUT, more learning does not always manifest in further commitment as other factors are likely to mediate this process
- The accumulation of international experience cannot fully explain the internationalisation process
- The IP model is under-explained as more learning does not always mean commitment decisions for deepened involvement will be taken, and
- stymied international involvement cannot always be attributed to uncertainty and unacceptable levels of risk.

Time in the Internationalisation Process

- As Bluedorn and Martin (2008) discuss, time and temporal variables are vital to understanding both the behaviours of entrepreneurs and the contexts in which they work
- The message from Fischer et al. (1997) is that for rapid growth to occur in entrepreneurial ventures, it is vital that entrepreneurs develop shared meaning around notions of time for key organisational stakeholders
- How do entrepreneurs construct narratives of time? (Middleton et al., 2011)
- In processes, time is manifest
 - Is time always an independent variable?
 - Can managers manipulate time?
- What are the conceptions of time?
 - Clock, organic, strategic, spasmodic (Butler, 1995), entrepreneurial, cooperative?
- and how do the different conceptions of time affect process?

Conceptualising the Nature of the Firm

- Coase (1937: 404)
 - “The costs of organising within the firm will be equal either to the costs of organising in another firm or to the costs involved in leaving the transaction to be organised by the price mechanism”
- Buckley and Casson (1976: 37)
 - “ The optimal scale of the firm is set at the margin where the costs and benefits of further internalisation are equalised”
- Hennart (2001: 143)
 - MNEs arise “ ... to organize interdependencies between agents located in different countries ... a comparison of the cost of organizing interdependencies in firms and in markets”
- Barreyre (1988: 507)
 - “ ... impartition ... entrepreneurial behaviour which consists in casting other firms for different parts of the overall system of activities”
- Williamson (1996: 51)
 - “Each generic form of organization –markets, hybrids, hierarchies, bureaus – is defined by a distinctive syndrome of attributes ... which transactions go where and why?”
- Firms in markets !!!!
- Each firm has a particular organisational form ... but how do we represent that form in our modern world economy (eg., activities internalised)?
- There must be alternative possibilities
 - An assembly of market-based transactions vis-à-vis internalised exchanges
 - The organisation of each firm can be represented by an implicit demand function for market-based transactions
 - The worldwide market for market transactions (Liesch et al., 2012)
- The relative merits of internalisation vs. externalisation

Conclusion

The new world order calls for a significant reshaping of competition and entrepreneurial paradigms in the developed countries. *McGill International Entrepreneurship Conference Mission*

- Maybe more interesting research questions might assist
 - Maybe boundary sets of assumptions and constraints on existing theory need challenging

In this changing scenario, a better understanding of smaller firms' and new ventures' governance, strategies and business models is crucial in order to compete in the global marketplace. *McGill International Entrepreneurship Conference Mission*

- Seems to parallel the evolution of the IB field more generally
 - Phenomenological
 - These are firms and they internationalise

Also, some foundations of International Entrepreneurship Theory should be revised. *McGill International Entrepreneurship Conference Mission*

- Probably demands challenging boundary sets of assumptions and constraints
- New conceptions of firms and of processes
 - Footnote-on-footnote research can delay needed challenges to existing theory