



The internationalization process model: A proposed view of firms' regular incremental and irregular non-incremental behaviour

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ABSTRACT

Commitment in the internationalization process model (IP-model) is challenged by the search for knowledge through experience and interactions. Critics opposing this logic even forced the founder of the model to call for the need for integration of other elements in order to understand irregular behaviour like rapid internationalization, loss of commitment and market exit. Aligned with this call, the paper raises the question of how the IP-model can be applied to analyse both regular/incremental and irregular/non-incremental behaviour of the firms. To reach an answer, the paper proposes a theoretical view by adding expectation and unknown uncertainty to the IP-model and examines this in a case study. The contribution is a further development of the IP-model by merging these two concepts that provide tools for understanding irregular behaviour. The paper analyses a Swedish firm's internationalization in different foreign markets for the period of 1995–2009. Conclusions support the understanding of how the model can describe regular incremental and irregular non-incremental commitment behaviour.

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1. Introduction

The internationalization process model (Johanson & Vahlne, 1977) has captured the attention of a large number of researchers in foreign firms' international behaviour. The extensive research on the internationalization process model (IP-model) has provoked researchers to support or criticize its fundamental ground of incrementality and the gradual increase in market knowledge and market commitment (Johanson & Vahlne, 1977, 2009). In the model, market commitment is managed through stepwise increases in the firm's experiential knowledge and network relationships (Awuah, Abbraha, & Osarekhe, 2011; Chandra, Styles, & Wilkinson, 2012; Johanson & Vahlne, 1977, 2009; Jones & Coviello, 2005). This logic has been supported by some and criticized by others for several decades (Araújo & Rezende, 2003). Critics point towards the existence of the firms' irregular/non-incremental behaviour in actions like rapid internationalization (Chandra et al., 2012), exit behaviour (Dixit & Chintagunta, 2007), ignorant behaviour or unpredictable changes (Ashton, Cook, & Schmitz, 2003; Parsons, 2007) and loss of market commitment and knowledge. They describe these as behaviours that the experiential knowledge or network relationships in the IP-model cannot unambiguously explain (Chauri & Park, 2012). In response to this criticism, this paper raises the question of how the IP-model can be applied to analyse both regular/incremental and

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irregular/non-incremental behaviour of the firms. To reach an answer, the paper proposes a theoretical view that is applied to analyse a case study of a firm's regular as well as irregular behaviour. The contribution involves a further development of the IP-model by adding knowledge on the applicability of this model when analysing regular and irregular behaviour.

In this paper, regular behaviour is defined as incremental stepwise increase in knowledge and commitment (Awuah et al., 2011; Johanson & Vahlne, 1977, 2009; Sicoli, 2012), while irregular behaviour is defined as the behaviour that is not stepwise or incremental, i.e. non-incremental. Irregular behaviour thereby encompasses rapid internationalization (Parsons, 2007), exit (Dixit & Chintagunta, 2007), born global (Bhardwaj, Eickman, & Runyan, 2011; Chetty & Campbell-Hunt, 2004; Lin & Chaney, 2007), and unexpected loss/decrease in knowledge and commitment (Hadjikhani & Johanson, 1999), none of which display incrementality. Johanson and Vahlne (2009) in their recent research, and in line with researchers like Forsgren and Hagström (2007), recognize the claim of researchers regarding the difficulties in applying the IP-model when analysing behaviours like sudden large commitment, loss of commitment or exit, and they also express the need for new concepts to be incorporated into the model. Following the stated difficulties based on the IP-model's logic, this paper presents a theoretical view which is founded on the notion that commitment involves some uncertainty that may be managed by knowledge and experience, i.e. what can be expressed as regular and incremental behaviour in line with the inherent logic of the IP-model. However, the view also acknowledges that commitment may involve some uncertainty which is unknown or unrealized (Dillig, Dillig, & Aiken, 2010; Knight, 1921; Nersesian & Potter, 2004), which is unexpected or hidden (Ashton et al., 2003; Parsons, 2007), or which appears because of sudden turbulence in the foreign markets (Ghauri & Park, 2012); this enforces irregular commitment in which experiential knowledge alone is insufficient to describe the decisions made. Further, in line with the study of Hadjikhani and Johanson (1999), the theoretical view presented here emphasises that the firms' market expectation in reaching certain aims and visions also drives the firms' foreign commitment.

Instead of joining the criticism of the IP-model this study contributes knowledge on how the IP-model can also be valuable when analysing firms' regular and irregular behaviour. The paper is in line with the appeal of researchers like Malhotra and Hinings (2010), Forsgren and Hagström (2007), and Eriksson, Majkgård, and Sharma (2000), and is also an answer to the call of Johanson and Vahlne (2009) for further research on including conceptual elements that enable the model to further understand conditions where commitment and knowledge are acquired, used or even lost. Instead of criticism of the IP-model, the theoretical view in this paper contributes conceptual tools to analyse both incremental and non-incremental behaviour of the firms in foreign markets. In other words, the paper's crucial contribution by developing a theoretical view is to express that those in favour of the IP-model and those who criticize the model can come closer. Merging the two concepts of unrealized uncertainty and expectation into the IP-model provides tools for understanding irregular behaviour. Further, instead of studying the behaviour of a firm in one or few markets, studying a firm's behaviour in several markets reveals that firms may behave in an irregular/non-incremental manner in some markets and can display regular/incremental behaviour in other markets. In the following, after a short review of the IP-model, the theoretical view is discussed. The applicability of the proposed view is examined through the analysis of an empirical case dealing with a Swedish firm's internationalization over a 15 year period (1995–2009). Even though the empirical study consists of only one case, thereby lacking generalization ability, it provides illustrations of both regular and irregular behaviour. The empirical study concerns the firm's internationalization not only in one or a few specific foreign markets, but in all the countries where the company was involved.

2. A short review of the IP-model

The management of uncertainty in foreign markets and decisions on market commitment in the IP-model are constructed on relationships and experiences gained by doing business internationally (Chandra et al., 2012; Eriksson et al., 2000; Huan Zou & Ghauri, 2008; Sicoli, 2012). The idea affirms that management of uncertainty involves the interplay between knowledge and market commitment and that experience-based learning and relationship building form a cumulative, path-dependent process where each additional step adds to the firm's knowledge (Casillas & Acedo, 2013; Chandra et al., 2012). The view implies that known uncertainty can be managed by increasing knowledge and thereby increasing commitment. There is an extensive body of research supporting the IP-model. Araújo and Rezende (2003) and Eriksson, Johanson, Majkgård, and Sharma (1997) deal with path dependency, Hadjikhani (1996) with intangible commitment, Malhotra and Hinings (2010) with diversity in incrementality and Pedersen and Petersen (1998) and Ghauri and Park (2012) with the applicability of knowledge, all endorsing incrementality in the commitment path to internationalization. This research follows the view that the increasing knowledge is the tool for the regular and stepwise commitment development, and uncertainty is managed by that experience and knowledge. The implicit assumption is of a steady change in the environment and also within the firms. However, in spite of the efforts of international institutions and governments to maintain stable and predictable business environments, the internationalization of a firm is burdened with unpredictability and uncertainty.

Opposing this logic, critical studies utilize reasons like unsuccessful internationalization to argue for a downgrade in the explanatory power of the IP-model (Andersen, 1993; Prashantham, 2005). Researchers like Prashantham (2005), Reid (1981) and Ghauri and Park (2012) state that the firm will succeed as long as commitment decisions follow the logic, i.e. this is a view of regular development and relations between the elements in the model (Casillas & Acedo, 2013; Chandra et al., 2012). Some researchers state that firms can make large investments without following path-dependency, i.e. "born globals" (Chetty & Campbell-Hunt, 2004; Lin & Chaney, 2007; Weerawardena, Sullivan Mort, Liesch, & Knight, 2007; Zhou, Wu, & Lou, 2007), or rapid internationalization (Casillas & Acedo, 2013) opposing the relationship between knowledge and

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