



Speed of internationalization: Conceptualization, measurement and validation



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ABSTRACT

To better manage and understand the speed at which firms internationalize, managers and scholars need an appropriate conceptualization and a reliable and valid measure of speed of internationalization. The literature, however, adopts a limited temporal perspective and usually conceptualizes and measures it as the time it takes the firm to start to internationalize. This unidimensional view neglects the central aspects of internationalization that create speed. Our purpose is, therefore, to propose a new, theory-driven – embedded in the main concepts of the original Uppsala model – and multidimensional conceptualization and operationalization. The main contribution is that we develop this conceptualization and measure.

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1. Introduction

Speed of internationalization is an important issue for both managers entering and expanding international markets and international business (IB) researchers. From a managerial point of view, firms have to decide the speed at which to develop internationally. This speed is a key aspect of firms' international strategy and should balance firm resources and international opportunities. Managers allocating the resources required to seize international opportunities will expect faster and more sustainable internationalization. Speed of internationalization is, therefore, an important managerial challenge that firms face in their decision making. This is particularly relevant for small and medium-size enterprises (SMEs), since they have limited resources and need to use these efficiently. Indeed, Chetty and Campbell-Hunt (2003a) found that rapid international growth that occurs suddenly can be destabilizing for SMEs as their resources are stretched and their

configuration of capabilities are challenged. Furthermore, managers have to consider the potential linkages between speed of internationalization and performance (Vermeulen & Barkema, 2002; Wagner, 2004) since varying speed of expansion will lead to different international performance.

As indicated, the issue is also important from an academic perspective. In fact, the emerging literature on born globals (Knight & Cavusgil, 2005) suggests that firms internationalize with a higher speed than they used to do when the incremental approach, also known as 'Uppsala model' (Johanson & Vahlne, 1977), was proposed. Surprisingly, the concept of speed of internationalization is under researched (Casillas & Acedo, 2013) and scholars have provided little guidance for firms about how to manage and measure speed of internationalization. We argue that this lack of guidance mirrors the limitations and embryonic situation of research on speed and related constructs. Decision makers and scholars need a conceptualization of speed of internationalization that is based on a sound theoretical platform, and a reliable and valid operationalization. This is a vital prerequisite to make progress in internationalization research with new studies integrating speed into internationalization models and uncovering determinants and outcomes of speed.

Despite its importance, there are limitations with how the extant literature conceptualizes and measures speed of internationalization. If speed is defined as distance divided by time, then the content validity of most measures can be questioned since scholars generally refer to speed as the time it takes to

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internationalize from inception of the firm (e.g., Chetty & Campbell-Hunt, 2004; Zahra, Ireland, & Hitt, 2000). On the one hand, the general conceptualization and measurement of speed implies a *limited temporal perspective* because only the time between inception and start of internationalization is considered and measured, but not the subsequent period once internationalization starts. On the other hand, referring to speed solely as time (the time it takes to internationalize) discards the central aspects of the internationalization process of firms (such as market knowledge and commitment), i.e., the numerator of the definition of speed. This implies a *unidimensional view* on speed of internationalization, and thus cannot fully capture the complexity of speed and how changes in key internationalization constructs create speed.

Two exceptions to the limited temporal perspective and unidimensionality are Oviatt and McDougall's (2005) and Casillas and Acedo's (2013) views on how speed of internationalization should be conceptualized and measured. Although we will discuss their views in the next section, we highlight that their work is conceptual without empirically testing an alternative measure. Vermeulen and Barkema (2002) and Wagner (2004) also go beyond only time-based views on speed and measure it as the number of foreign subsidiaries divided by number of years since the firm's first foreign expansion, and change in foreign subsidiary sales-to-total sales ratio. These measures are suitable in surveys of large multinational corporations but are impractical when dealing with less internationally developed and committed firms.

In light of the importance of speed of internationalization and the limitations of its conceptualization and measurement (Casillas & Acedo, 2013), this study takes a comprehensive ('time scope') and multidimensional ('content scope') perspective. In particular, we refer to speed of internationalization as the firm's average rate of international expansion, that is, the state of the firm's internationalization (Johanson & Vahlne, 1977, 2009) for each year of its existence (time). By examining the state of internationalization in relation to time, we are able to study the (multidimensional) speed at which the firm internationalizes, and not limit it in (time) scope to the early phase (born globals) or later phase (traditional firms). Thus we provide an alternative conceptualization and operationalization of speed based on its etymological roots and how it is defined and used in physics, and in established internationalization process theory (the Uppsala model).

Internationalization theory, particularly the Uppsala model, has been progressively adapted to network theory and a business network model of internationalization (Johanson & Vahlne, 1990, 2003, 2006, 2009). Although "the basic structure of the model is the same" (Johanson & Vahlne, 2009, p. 1424) as the one published in 1977, for the sake of parsimony and simplicity, we limit our operationalization of speed to the original model of knowledge development and increasing foreign market commitments (Johanson & Vahlne, 1977). Speed, as a dynamic aspect linking the state of internationalization (Johanson & Vahlne, 1977) with the time elapsed to achieve it, can be therefore measured as the speed of gaining international market knowledge (learning) and committing internationally since the firm has been operating in business. Our objective is to develop the first conceptualization and measure embedded in the main concepts of the original Uppsala model and that can stimulate debate, as well as new conceptualizations and measures in future studies. We check the external validity of the measure by empirically testing the relationship between speed of internationalization and international performance. We contribute to the internationalization literature by developing and validating this theory-based construct and measure. We address a research gap on the content validity of measures of speed of internationalization which are disconnected from internationalization theories and, overall, have a limited temporal perspective and only rely on time. We also add to the discussion and development of constructs

addressed to capture the dynamics of firms' international expansion.

2. Speed and internationalization of the firm

To capture the phenomenon of early and rapid internationalization, IB researchers introduced concepts like speed (e.g., Wagner, 2004), pace (e.g., Vermeulen & Barkema, 2002), rapid (e.g., Freeman, Edwards, & Schroder, 2006), accelerated (e.g., Pla-Barber & Escribá-Esteve, 2006), etc. Most of them were important concepts in natural science and they had established definitions and meanings, which were specified a long time ago. Probably the most frequently used term is speed (e.g., Acedo & Jones, 2007; Oviatt & McDougall, 2005). The roots of the word speed are found in Old English, Middle Dutch and Old High German languages and it has two main meanings. The first meaning is success, prosperity and fortune. The second meaning, which is of more interest here, refers to swiftness or rapidity and the rate of motion and movement of things (Oxford English Dictionary, 1989). In physics speed refers to an object's change of position or its movement. Speed includes the time it takes to travel a specific distance. In the internationalization and born global literature, speed of internationalization (Acedo & Jones, 2007; McDougall, Oviatt, & Shrader, 2003) is a key concept that is often discussed. We have therefore reviewed recent literature in these areas that either empirically measures or theoretically suggests measurements of 'speed' or similar concepts (see Table 1). Some conclusions appear below.

We frame a research problem by examining the definition of speed in the extant literature. Most studies lack a clear definition and discussion about the nature or content of the concept but refer to speed as the 'time to internationalization'. This is especially striking for the born global studies, where 'early', 'time' and 'speed' are core aspects of this approach (Acedo & Jones, 2007; Weerawardena et al., 2007). Overall, there is a lack of conceptualization where the concepts are linked to internationalization theory. For instance, Vermeulen and Barkema (2002, p. 640) discuss "time compression diseconomies" to justify *the effects* of foreign expansion pace without elaborating on *why* they use their specific conceptualization and operationalization. Similarly, Wagner (2004) also focuses on *the effects* of internationalization speed but neglects to justify the concept and measure. Oviatt and McDougall (2005) also lack a clear definition of internationalization speed although they propose to measure it based on three indicators (see Table 1). Finally, Casillas and Acedo (2013) provide a novel and multidimensional definition and operationalization. Since these two more recent studies are conceptual, their suggested measures still have to be validated. Our conceptualization and operationalization of speed addresses these gaps in the literature by linking speed to established internationalization process theory.

Most articles develop and test hypotheses on the role of speed and the main interest is to discover what causes the firm to internationalize at a high speed (see columns 5 and 6 in Table 1). Nevertheless, all studies that treat speed as a dependent variable measure it as the time from inception to when the internationalization process begins as well. The antecedents can be divided into four groups of independent variables: Characteristics of the entrepreneur and management (Acedo & Jones, 2007; Luo et al., 2005; Pla-Barber & Escribá-Esteve, 2006; Zucchella et al., 2007), network of relationships and ties (Khavul et al., 2010; Kiss & Danis, 2008; Musteen et al., 2010; Pla-Barber & Escribá-Esteve, 2006), institutions and technology in the foreign market (Coeurderoy & Murray, 2008; Kiss & Danis, 2008; Luo et al., 2005), and, firm strategy (Zucchella et al., 2007; Pla-Barber & Escribá-Esteve, 2006; Freeman et al., 2006). Only six studies have a measurement with a

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