

Relationships and knowledge in the firm internationalization process

Sylvio Leal Barbosa

Pontifícia Universidade Católica de Minas Gerais – Belo Horizonte/MG, Brasil

Sérgio Fernando Loureiro Rezende

Pontifícia Universidade Católica de Minas Gerais – Belo Horizonte/MG, Brasil

Angela França Versiani

Pontifícia Universidade Católica de Minas Gerais – Belo Horizonte/MG, Brasil

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RESUMO

Relacionamentos e conhecimentos no processo de internacionalização da firma

A partir das variáveis relacionamento e conhecimento, o objetivo neste artigo foi analisar como a multinacional seleciona um modo de entrada para operar em um determinado mercado internacional e como essa escolha inicial evoluiu ao longo do tempo. Para tanto, elaborou-se um quadro teórico que combina três abordagens teóricas de internacionalização da firma: o modelo de Uppsala, a abordagem relacional e a literatura de desenvolvimento de subsidiárias. O método de pesquisa utilizado foi o estudo de caso de natureza qualitativa e perspectiva longitudinal do processo de internacionalização de uma multinacional estadunidense no mercado brasileiro. Os resultados mostram que quatro tipos de relacionamentos e três de conhecimentos se fizeram presentes nos eventos que caracterizaram a internacionalização dessa firma. Com base nesses resultados, foram sugeridas cinco novas hipóteses para futuros testes empíricos, as quais versam, em geral, sobre a interação entre relacionamentos e conhecimentos no processo de internacionalização da firma.

Palavras-chave: relacionamento, conhecimento, internacionalização, multinacional.

1. INTRODUCTION

Recent research on the firm internationalization process, in particular of the multinational enterprise (MNE), to a certain degree has looked for bridging theoretical approaches that have traditionally fertilized each other scarcely. For instance, Goerzen and Makinos (2007) use theories of internationalization processes together with those of intrafirm knowledge transfer in their study with This is an Open Access article under the [CC BY](#) license.

Sylvio Leal Barbosa é Doutorando em Administração na Pontifícia Universidade Católica de Minas Gerais (CEP 30535-610 – Belo Horizonte/MG, Brasil).
E-mail: sylvio@task.com.br

Sérgio Fernando Loureiro Rezende, Doutor em Marketing pela Lancaster University, é Professor do Programa de Pós-Graduação em Administração da Pontifícia Universidade Católica de Minas Gerais (CEP 30535-012 – Belo Horizonte/MG, Brasil).
E-mail: srezende@pucminas.br
Endereço:
Pontifícia Universidade Católica de Minas Gerais
Avenida Itaú, 525
30535-012 – Belo Horizonte – MG

Angela França Versiani, Doutora em Administração pela Faculdade de Economia, Administração e Contabilidade da Universidade de São Paulo, é Professora do Programa de Pós-Graduação em Administração da Pontifícia Universidade Católica (PUC) de Minas Gerais (CEP 30535-610 – Belo Horizonte/MG, Brasil).
E-mail: versiani@pucminas.br

Japanese trading firms. Johanson and Vahlne (2009) reiterate the assumptions of the relational approach of internationalization, conceptualized as a theoretical improvement of the Uppsala model proposed by them in the late 70s. Salgado (2011) and Vahlne, Ivarsson and Johanson (2011) suggested that new insights are likely to come off as a result of combining the Uppsala model and the subsidiary development literature.

Together, these claims have been grounded on the agreement that our understanding of the firm internationalization process, in particular of the MNE, is unsatisfactory (Doz, 2011, p. 587). Thus, the assertions of Fortanier and Van Tulder (2009, p. 223) and Gao and Pan (2010, p. 1573) stand out from the crowd. Whereas the former states that “[...] only limited attention has been paid to the dynamics change in a firm’s overall extent of internationalization”, the latter points out that “[...] little research has been devoted to the pace and dynamics of firms’ sequential entries”.

This article can be viewed as a response to some of these calls. Based on the variables relationship and knowledge, it aimed at analyzing how a MNE selects an entry mode to operate in a particular international market and how this initial choice evolves over time. We devise a rather new theoretical framework to address this research aim by combining three theoretical approaches that have dealt with the firm internationalization: the Uppsala model, the relational approach, and the subsidiary development literature. This has enabled us to focus on four types of relationships and on three others of knowledge, which play their roles in the events that characterize the firm internationalization.

We have chosen a qualitative backward-looking longitudinal case study as the research method. By collecting data from several sources and subsequently carrying out a process-oriented data analysis, both at individual and comparative levels, we show how the interplay of four types of relationships and three ones of knowledge explains the internationalization of firm A in the Brazilian market (our selected case).

Furthermore, this article includes five sections. The first two ones are concerned with theory; whereas the first is the literature review, the second contains our theoretical framework. In the third section, we explain the methodology, followed by the section dedicated to describing and analyzing data. In the sixth, we offer five new hypotheses for future empirical tests. The last section is the concluding remarks, embracing the theoretical implications as well as the limitations of this article.

2. THEORETICAL APPROACHES OF THE FIRM INTERNATIONALIZATION

In this article, we subscribe to the behavioral spokes of the firm internationalization (Aharoni, 1966; Johanson & Vahlne, 1977; Welch & Wiedersheim-Paul, 1980), which over the years have directed our attention to knowledge acquired and/or recombined in intra and/or interfirm relationships in internationalization processes (Lamb & Liesch, 2002; Rezende & Versiani, 2010). Inspired by the works of Goerzen and Makinos (2007), Fortanier

and Van Tulder (2009), Salgado (2011) and Vahlne *et al.* (2011), three theoretical approaches were selected for closer examination: the Uppsala model, the relational approach, and the subsidiary development literature.

The Uppsala model (Johanson & Vahlne, 1977; 1990; 1992; 2003a; 2003b), by far the most popular of the three approaches, pioneered the idea that sequences of events, which characterize the firm internationalization process, can be explained by how the firm deals with uncertainties associated with resource commitments in a particular international market (Bjorkman & Forsgren, 2000; Rocha, Mello, Pacheco, & Farias, 2012). According to this model, this was driven by a positive feedback mechanism, on the one hand, of acquisition and accumulation of market knowledge (i.e. knowledge of customer needs and major competitors) by the focal subsidiary and, on the other, of resource commitment in the international market (Johanson & Vahlne, 1977; 1990). More specifically, the acquisition and recombination of market knowledge in intra-firm relationships (Bjorkman & Forsgren, 2000), represented by the headquarters (HQ) and the focal subsidiary, enables the firm to mitigate uncertainties of new investments in the foreign market (Rocha & Almeida, 2006), which, in turn, become a springboard to tap into new market knowledge (Johanson & Vahlne, 2003a). Therefore, market knowledge is suggested to be locally acquired (Johanson & Vahlne, 1977), which implies being experiential and contextually bounded (Penrose, 1959). As a result, barriers are likely to emerge whilst transferring this type of knowledge to other international markets (Kogut & Zander, 1993; Eriksson, Johanson, Majkgard, & Sharma, 1997).

It is now well-established that the Uppsala model has advanced our knowledge on the internationalization of the firm considerably (Lamb, Sandberg, & Liesch, 2011), especially when it chose experiential market knowledge as its major explanatory variable (Johanson & Vahlne, 2009). However, according to the proponents of the model, market knowledge is viewed as exclusively acquired and/or recombined in intrafirm relationships represented by the HQ and the focal subsidiary (Johanson & Vahlne, 1990). As a consequence, other relationships that eventually play the role in acquiring and/or recombining market knowledge in the firm internationalization are neglected (Forsgren, 2002; Johanson & Vahlne, 2009). With this regard, the relational approach is conceived to address this flaw (Johanson & Vahlne, 1990), amongst other things. More recently, it has even been viewed as a complement to the Uppsala model (Johanson & Vahlne, 2009; Vahlne *et al.*, 2011) to the extent that it highlights two key issues. Firstly, in addition to market knowledge, this type calls the attention to institutional (i.e. of governmental agencies) and internationalization knowledge (i.e. about how to operate internationally) in the firm internationalization (Eriksson *et al.*, 1997). Secondly, it suggests that knowledge can be acquired and/or recombined in relationships with external actors, in particular foreign buyers and suppliers (Johanson & Mattsson, 1988; Anderson, Forsgren & Holm, 2002).

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